

ANNUAL REPORT **2016/17**
COMMERCIAL CREDIT AND FINANCE PLC



**COMMERCIAL
CREDIT**

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Purpose

To build leaders who uplift the lives of people
by simple acts of love

Vision

To be the most liberated company admired for
its people, partnerships and performance

Mission

To be a dynamic finance company which
develops and nurtures leaders at every level of
the organization to serve society with passion

SHARED VALUES

Loving and Caring

Commercial Credit defines love as the silent sacrifices made or the extra miles traveled to make others happy and thereby help them uplift their lives. Those who love automatically feel happy and satisfied, and the feeling of love remains forever, cherished throughout life. Caring energizes everyone and benefits of true care and appreciation are immeasurable; sincere appreciation is one of the deepest needs of human existence, and making someone feel good, releases reservoirs of positive energy.

At Commercial Credit, love plays an immeasurable role in the day-to-day life of our team members. Those who embrace love, love themselves and love life. But more than that, they love others. Demonstrating a simple act of loving and caring, they would go out of their way to help out a team member or a customer. This radiates positivity and reinforces the feeling of love in the recipient who in turn would more often than not reciprocate the feeling with a caring gesture of his or her own. This creates a chain reaction of loving and caring and is one of the key elements of our corporate culture.

Integrity and Trust

We believe that trust is the key to every relationship. It determines how relationships begin and grow; and swiftly establishes positivism. Integrity means, having the courage to do the right thing even when under pressure; it is about standing steadfast in one's beliefs, intents and principles. Being a person of integrity is of utmost importance to all team members at Commercial Credit. A trustworthy individual has the gift of lifting others and making them do great deeds, sometimes even impossible ones. Therefore, we place great emphasis on creating a culture of true integrity – where an individual does the right thing even when no one is watching.

Learning and Development

Learning at Commercial Credit is characterized as the process of renewing and enhancing the physical, emotional, mental and spiritual dimensions, which would facilitate personal growth. Learning and development is the single most powerful investment that one can make and is a continuous process in the achievement of effective, efficient and sustainable results. By encouraging an environment which strongly believes in learning and development, Commercial Credit strives to be the best in every single activity that it engages in.

Think Win-Win

Win-Win is one paradigm of human interaction and we believe that it arises from a character of integrity, maturity and the abundance mentality¹. Life is a co-operative arena where human interactions are based on mutual benefits and supportive systems. Additionally, a culture of Think Win-Win is embodied in agreements that effectively clarify and manage expectations as well as accomplishments. We believe the intense focus on winning at all costs is not one that brings greater good to the individual, the company, the society or the country. Our focus is always on creating a win-win situation, one where all parties concerned are pleased with the outcome and where no party is left feeling short-changed. It is an attitude that has been readily embraced by our team members and one that has created countless happy customers.

Synergy and Team Work

Commercial Credit believes that Synergy creates better alternatives that values and exploits the mental, emotional and psychological differences between people; recognizing that strength lies not in similarities but in differences. A team combines individual strengths with a shared commitment to perform towards a common goal and strategic destination.

¹Covey, S R, 2004. The 7 Habits of Highly Effective People.
London : Pocket Books

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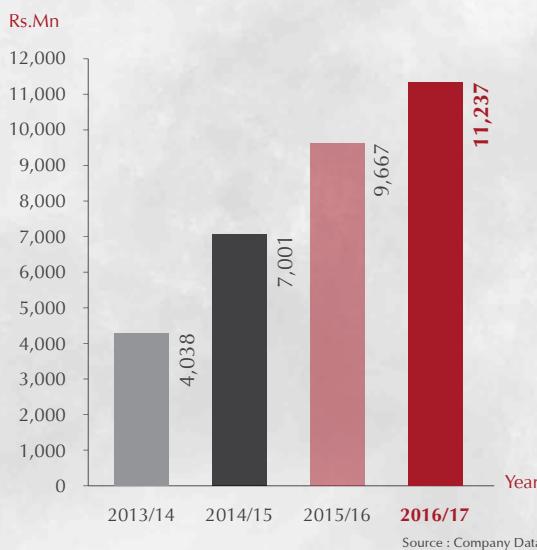
Notice of Meeting 210

Form of Proxy 211

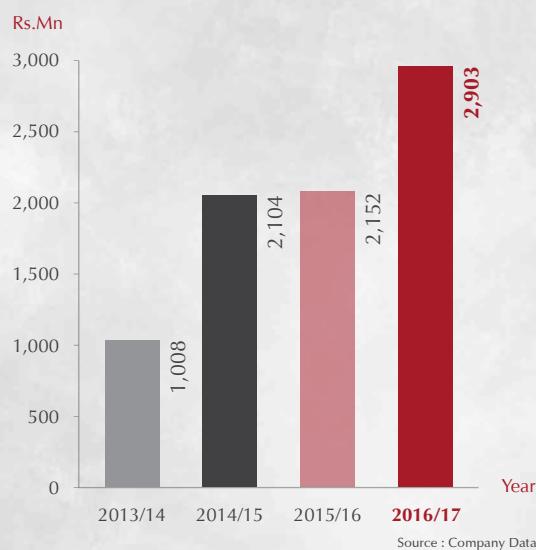
HIGHLIGHTS

	2016/17 Rs.'000	2015/16 Rs.'000	Per cent Change
Financial Performance			
Gross Income	20,924,522	17,123,629	22.2%
Net Interest Income	11,237,208	9,667,331	16.2%
Profit Before Taxation	3,910,562	2,769,691	41.2%
Profit After Taxation	2,902,978	2,151,694	34.9%
Financial Position			
Leases, Hire Purchases, Loans and Advances	68,242,214	58,764,061	16.1%
Total Assets	82,854,513	70,707,765	17.2%
Total Deposit Base	53,737,081	49,297,299	9.0%
Borrowings	14,274,358	10,399,324	37.3%
Shareholders' Funds	10,247,814	7,781,877	31.7%
Key Indicators per Ordinary Share			
Earnings per Share (Rs.)	9.13	6.76	
Net Assets per Share (Rs.)	32.22	24.47	
Year end Market Price per Share	39.60	42.50	
Key Performance Indicators			
Return on Average Assets (%)	5.09	4.31	
Interest Cover (times)	1.60	1.53	
Equity / Assets (%)	12.37	11.01	
Gross Non-Performing Accommodations (%)	4.38	4.20	
Net Non-Performing Accommodations (%)	0.57	0.01	
Return on Average Shareholders' Funds (%)	32.20	31.46	
PE Ratio	4.34	6.29	
Statutory Ratios			
Capital Funds to Deposits (%)	19.0	20.9	
Core Capital Ratio (%) (Minimum Required 5%)	12.45	11.5	
Total Risk Weighted Capital Ratio (%) (Minimum Required 10%)	13.73	13.9	

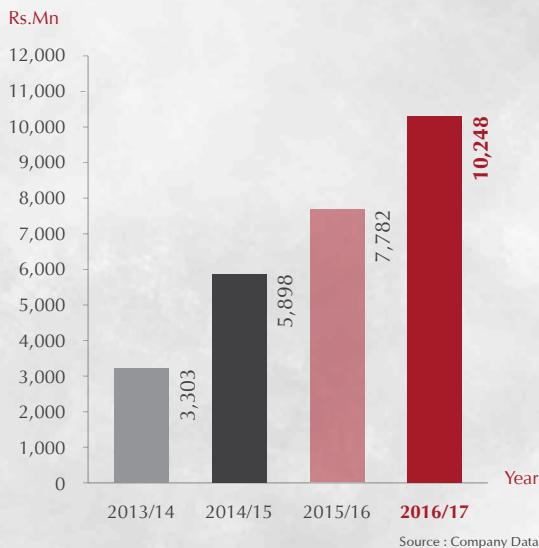
Net Interest Income



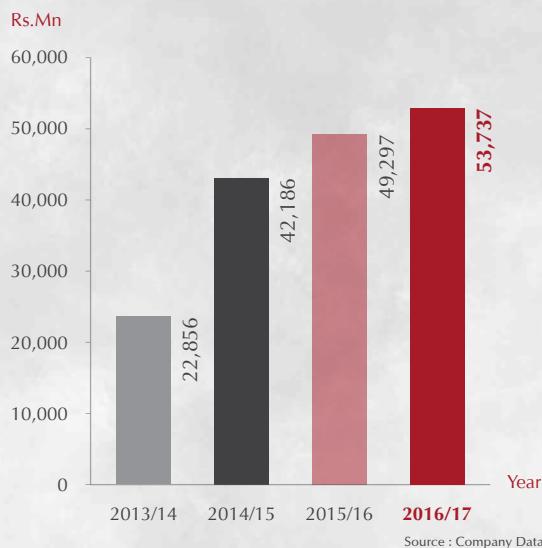
Profit after Taxation



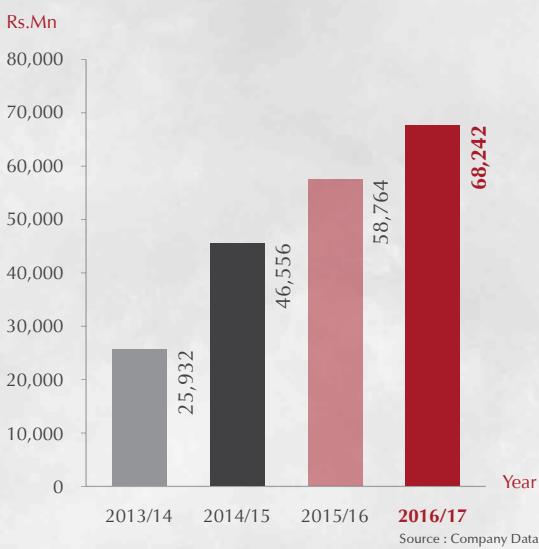
Shareholders' Funds



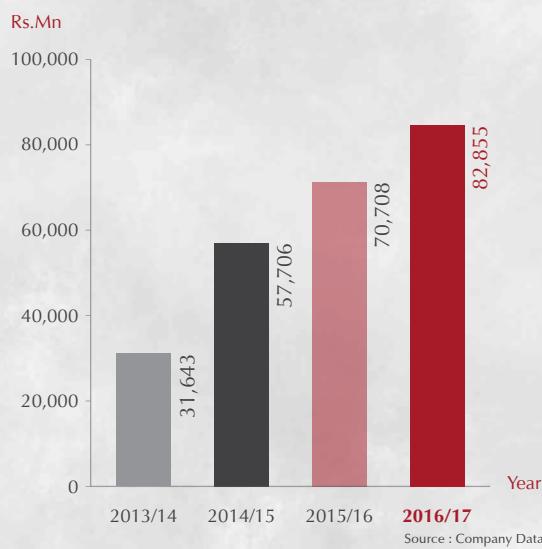
Total Deposit Base



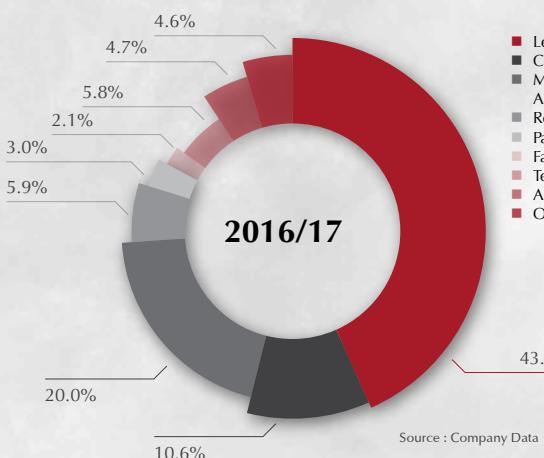
Lease, Hire Purchase, Loans and Advances



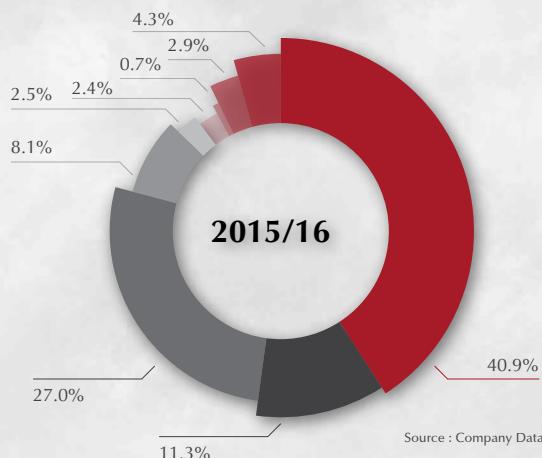
Total Assets



Lending Portfolio



- Lease and Hire Purchase
- Cash Loans
- Microfinance and Abiwurduhi Loans
- Revolving Business Loans
- Pawning Advances
- Factoring Receivables
- Term Draft Loans
- Auto Loans
- Other Loans



**BOARD OF
DIRECTORS AND
EXECUTIVE
MANAGEMENT**

CHAIRMAN'S STATEMENT

Company's improving performance is a result of our service excellence backed by the strong Value based culture that drives our business philosophy.



CHAIRMAN'S STATEMENT

CONTD

As we arrive at the end of another financial year, it gives me great pleasure to welcome you to the 34th Annual General Meeting of Commercial Credit and Finance PLC and to present to you the Annual Report of the Company containing the Audited Financial Statements for the financial year 2016/17.

The Company made significant progress during the period under review, despite being faced with numerous challenges due to the uncertainty prevailing in the global and domestic economy. Through a mix of careful planning and strategic investments, we are confident that Company will continue to realize much value in the years to come.

Economic Performance

In 2016, the Sri Lankan economy grew by 4.4 per cent in real terms despite being confronted with numerous global and domestic challenges. Poor weather conditions that prevailed during the year adversely affected the economic activity, primarily in the agriculture sector. Services related activities, which comprised 56.5 per cent of real GDP, grew by 4.2 per cent during the year boosted by the expansion in financial services (12.4 per cent), insurance (8.5 per cent), telecommunications (8.3 per cent), transportation (4.1 per cent) and wholesale and retail trade (2.5 per cent). Industry related activities, which account for 26.8 per cent of real GDP, recorded a year-on-year growth of 6.7 per cent, driven by the subsectors of construction, and mining and quarrying. The country's unemployment rate dropped marginally to 4.4 per cent from the 4.7 per cent recorded in 2015 as the number of employed increased slightly by 1.5 per cent during the year due to the expansion in the Industry and Services sector activities.

Non-Bank Finance Institutions (NBFI) Industry Performance

In the NBFI sector, the year 2016 witnessed a strong performance by the Licensed Finance Companies (LFC) and Specialised Leasing Companies (SLCs) in terms of asset growth and branch network expansion. While the growth in the sector was mainly funded via borrowings, there was a noticeable trend in the industry of gradually moving away from the traditional core business of vehicle financing to other loan products.

During 2016, the LFCs/SLCs sector was able to expand their asset base exceeding the Rupees One Trillion mark. The total asset base of the LFC/SLC sector grew by 21.7 per cent in 2016 compared to the 22.3 per cent growth recorded in 2015. The 77.3 per cent growth of assets was mainly led by lending activities while the increased assets were funded mainly through borrowings by 57.6 per cent. Total Deposits of the sector, showed only a moderate

growth of 10.5 per cent during the year, compared to the 16.1 per cent registered in 2015. Boosted by the greater business expansion into new areas of lending, the sector was able to record increased profit levels. Accordingly, the sector posted an impressive profit after tax of Rs. 31.5 billion, more than double of the Rs. 15.2 billion recorded in 2015. Key contributors to this significant jump in profits were increased business volumes, improved other income and greater operational efficiency across the sector.

Looking ahead at the prospects for the year 2017, the relatively slow pace of economic recovery in several advanced economies and emerging market economies as well as continuing geopolitical tensions in the Middle East dampened the performance of the external sector in 2016 and are invariably causes for concern as Sri Lanka looks towards the new financial year.

Company Performance

I am very pleased to report to you of yet another strong year of growth for Commercial Credit during the year under review. Company's improving performance is a result of our service excellence backed by the strong Value based culture that drives our business philosophy.

The Company has consistently demonstrated that it is fully committed to complying with the highest ethical and governance standards in delivering long-term value to varying stakeholders engaged with it.

The interest income during the period under review registered a growth of 22.2 per cent against 15.9 per cent growth recorded in

the LFC/SLC sector during 2016. Company's Net interest income grew by 16.2 per cent to Rs. 11.2 billion in the year under review. Company's Net Interest Margin (NIM) stood at 14.6 per cent in 2016/17 financial year whereas the NIM of the LFC/SLC sector recorded 7.9 per cent in 2016. Profit after Tax of the company recorded a growth of 34.9 per cent to Rs. 2.9 billion from Rs. 2.2 billion in the financial year 2016/17. Company's Profit after Tax in the financial year under review was impacted by the impairment charge of Rs. 2.87 billion. The Group profit in the financial year 2016/17 recorded a growth of 34.2 per cent to Rs. 3.1 billion. The deposit base of the company grew by 9.0 per cent to Rs. 53.7 billion in the financial year 2016/17 while the total deposits of the LFC/SLC sector grew by 10.5 per cent in 2016. Commercial Credit's Return on Equity (ROE) ratio stood at 32.2 per cent in the period under review which is well above the ROE ratio recorded by the LFC/SLC sector (23.1 per cent) in 2016. Return on Assets (ROA) of the company recorded in the financial year 2016/17 stood at 5.1 per cent which is slightly higher than the ROA reported by the LFC/SLC sector (4.0 per cent) in 2016. I am pleased to inform you that the Board of Directors have decided to pay a final dividend of Rs. 1.00 per share for the financial year ended 31 March 2017.

One of the most significant events during the financial year under review was the Group Lease Public Company Limited (GLPCL), a digital finance company listed on the Stock Exchange of Thailand (SET), acquired a 29.99 per cent stake of Commercial Credit and Finance PLC for USD 70 million (Rs.10.56 billion). Group Lease Public Company Limited has expertise in hire-purchase of motorcycles as it has been in the motorcycle leasing business for over 20 years. At the same time, BG Investments (Private) Limited and related companies along with Commercial Credit sold their 100 per cent stake in microfinance subsidiary in Myanmar - BG Microfinance Myanmar Company Limited (BGMM) and with the sale of the BGMM, Commercial Credit's inflow was Rs.325,367,470.

I am also proud to note that Trade Finance and Investments PLC (TFI), a subsidiary of Commercial Credit has improved its performance in many fronts during the financial year under review. In 2016/17 financial year, TFI's Profit after Tax increased by 13.6 per cent to Rs. 324.7 million while its total lending portfolio increased by a notable 56.1 per cent. TFI's total assets grew by a 40.7 per cent in the financial year 2016/17 to Rs. 3.7 billion. I am fully confident that TFI is well set to realize its true potential and would deliver unparalleled results in the years ahead.

In a ground-breaking initiative towards boosting customer convenience, Commercial Credit joined the LankaPay Common

ATM Network. Thus, the Company became the first finance company in the country to join the LankaPay Common ATM Switch (CAS), widely known to be the largest common ATM Network in Sri Lanka. This partnership enables our valued customers to carry out ATM transactions via over 3,500 LankaPay member ATMs island-wide at a nominal fee.

I am proud to state that the Company continued the tradition of excelling in various awards ceremonies held throughout the year. Commercial Credit was declared the National Winner in the "Marketing Company of the Year 2016" category by the Asian Marketing Federation (AMF), the foremost governing body of marketing in Asia at the 2nd Asian Marketing Excellence Awards (AMEA) which was held in Seoul, South Korea. We won the award for showcasing the many innovative marketing strategies, the Company had employed during the year under review, which contributed to the growth of the Company and its employees. This prestigious international award underscores the innovative marketing strategies, tactics and values that Commercial Credit continues to uphold. It also showcases the fact that these elements result in sales growth, market share and net income, all of which are important aspects of the marketing effort.

Additionally, Commercial Credit and Finance, along with our creative partner J Walter Thompson (JWT), clinched several awards at the prestigious Effies Awards ceremony where we were able to claim the coveted "Most Effective Brand of the Year" award. Additionally, JWT was also presented with the Silver award for its creative campaign for Commercial Credit in the "Finance (January-December 2015)" and "Sustained Success (2013-2015)" categories.

On the sporting front, the Company was able to taste success across several sports events for yet another year. While employees were provided with all necessary resources to excel in their respective sporting arenas, they paid back their faith in them through notable sporting achievements.

Corporate Governance

The Company has consistently demonstrated that it is fully committed to complying with the highest ethical and governance standards in delivering long-term value to varying stakeholders engaged with it. Numerous steps have been taken at regular intervals to ensure that the Company is taking all possible measures to meet and exceed such standards. The fact that the Company's Code of Ethics and Internal Controls have undergone continuous revisions is one of the significant measures taken in this regard.

CHAIRMAN'S STATEMENT

CONTD

During the year under review, all Board subcommittees met on a regular basis to discuss, evaluate and recommend necessary actions in order to ensure the smooth flow of business processes while also preparing the Company for possible threats and opportunities present in the market and in the foreseeable future. Additionally, operational subcommittees also conducted meetings on a regular basis to discuss issues of importance to the Company, identify existing and potential issues and find appropriate, timely solutions to ensure effective business process execution.

The importance of carrying out day-to-day operations through these Shared Values is continuously communicated to our employees through regular training sessions.

At Commercial Credit, we firmly believe that a strong value-based culture is a crucial element of the success of our Company as it would provide us with necessary foundation to operationalize an effective corporate governance model. We are constantly aiming for higher standards in this effort as we strive to increase our footprint in a challenging and fast-evolving financial services sector of Sri Lanka. The importance of carrying out day-to-day operations through these Shared Values is continuously communicated to our employees through regular training sessions.

Future Prospects

The well thought-out consolidation strategy enabled us to understand the critical business aspect that the Company should heavily focus on to deliver sustainable results to all our stakeholders. As a result, Company is currently planning on few

major activities that would deliver sustainable results. Commercial Credit will be focusing much on improving the asset quality during the current financial year. The Training and Development project is underway in creating a talented human resource pool. Also we have been investing heavily in providing an effective learning infrastructure to acquire further knowledge on 7 habits teachings, Company Shared Values and job related activities for the entire workforce. The Company will continue to search for avenues for product and channel development to reach deeper ends of the growing finance industry.

Appreciation

I would like to start off by conveying my gratitude to our loyal customers who have continued to place their trust in our Company's products and services. Without them, none of this remarkable success would have been possible. I would also like to thank the officials of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka for steadfastly continuing to support and guide us throughout the year. A special tribute goes out to each and every member of the Board of Directors. This group of high-caliber professionals with their long years of experience have made invaluable contributions that have helped the Company to be where it is today. I take this opportunity to extend a warm welcome to Mr M Konoshita and Mr R Martin as the newest members of the Board. At this juncture, I take pride in acknowledging the exceptional role played by the Chief Executive Officer and Board member, Mr. Roshan Egodage in directing the Company to the upper echelons of the industry in Sri Lanka. Last but not least, I would like to mention a special word of thanks to the talented employees of the Company for their passion, hard work and dedication.



K J C Perera

Chairman

6 June 2017

REVIEW OF THE CHIEF EXECUTIVE OFFICER

The root cause of Commercial Credit's triumphs can be attributed to the emphasis we place on our Shared Values and the unmatched principle-based culture that it has fostered.



REVIEW OF THE CHIEF EXECUTIVE OFFICER

CONTD

I am pleased to present to you the performance review of Commercial Credit and Finance PLC for the financial year 2016/17. While an in-depth analysis of the Company's performance is provided in Management Discussion and Analysis and other parts of this Annual Report, I would like to bring your attention to some of the key highlights of the Company during the financial year under review.

Importance of Shared Values

Our long, fruitful journey has been one of resounding success built upon the drive and dedication of each and every member of our team. The root cause of Commercial Credit's triumphs can be attributed to the emphasis we place on our Shared Values and the unmatched principle-based culture that it has fostered. This is what makes Commercial Credit stand out from other organizations, transforming the Company into a trailblazing Sri Lankan corporate entity in the financial services sector.

The key factors behind the highly-successful formula of the Company were the unparalleled organizational culture and the outstanding efforts of our dedicated team. Armed with a confidence that can only be provided by such a unique culture, our employees have boldly stepped forward to spread their message of love, kindness and trust to uplift the lives and realise the aspirations of hundreds of thousands of individuals, be it customers, colleagues, family members or the communities that they live in. We have created a number of comprehensive mechanisms, covering all employees and all operational levels of the Company to further educate everyone on the Shared Values and the Principles on which the Company's culture is built upon. It is clear that this has helped to convince each and every member of the Commercial Credit family that meaningful progression towards the Company Purpose of building leaders who uplift the lives of people by simple acts of love is possible only through further internalization of the unique corporate culture that we promote. Numerous activities such as continuous training sessions, singing of the Theme Song prior to the commencement of each working day at all locations and at corporate events of the Company, wearing Value Badges, holding events such as Value Night and Value Day are all part and parcel of this broad-based exercise. The Company has also devised a comprehensive employee performance evaluation mechanism that focuses on encouraging staff members to practice the Shared Values consistently. Employee compensation and promotions are heavily influenced by the level achieved by the individual in terms of practicing the Shared Values both within and outside the office. A quarterly 360 Degree Evaluation undertaken through the Company's Enterprise Resource Planning system is utilized to measure these facets of their performance.

The 7 Habits of Highly Effective People authored by the late Dr. Stephen Covey, the live wire behind the world renowned personal development organization FranklynCovey, continues to be a major

source of inspiration for us at Commercial Credit. We consider the blend of fundamental principles and practical experience, and the wisdom and compassion, contained in the 7 Habits teachings a powerful force enabling personal change. Much focus was placed on instilling the 7 Habits teachings firmly among the employees as we believe that this would enable them to have a holistic and integrated approach to achieve effectiveness in each role they play in their professional and personal lives. In further educating all of our people on these principles, a Company-wide comprehensive residential workshops and training programs were organized throughout all locations of the company. Every member of the Commercial Credit family believes that sustained success, particularly in the current competitive business environment is possible only through the development of a truly Principle based culture. We want to liberate not only our employees, but also our customers. Undoubtedly, the progression we attain in this remarkably critical front will be mirrored in all facets of our business and certainly will influence all of our stakeholders positively, be it internal or external.

IT Infrastructure

The IT infrastructure of the Company continues to be enhanced in a timely manner in keeping with the demands of the organization that have grown as a result of increasing business transactions. New modules were added during the year under review to the Enterprise Resource Planning system while the Company maximized the use of Business Intelligence Tools to acquire in-depth information for management decisions.

Performance

During the financial year under review, total assets of the Company increased by 17.2 per cent to Rs. 82.9 billion from a level of Rs. 70.7 billion a year earlier. This growth is mainly attributable to the 23.1 per cent increase in the Leasing, Hire Purchase portfolio which grew from Rs. 24.5 billion to Rs. 30.2 billion during the financial year 2016/17. This was due to the firm decision taken by the management to maintain a higher composition of asset backed portfolio. The Loans and Advances grew by 11.1 per cent from Rs. 34.2 billion to Rs. 38.1 billion during this financial year. Deposits continued to be the Company's primary source of funding. The deposit base increased by 9.0 per cent from Rs. 49.3 billion to Rs. 53.7 billion in the financial year under review. The dependency on public funds was decreased from 82.6 percent to 79.0 percent with the increase of borrowings. The borrowings of the Company increased from Rs. 10.4 billion to Rs. 14.3 billion which resulted in a growth of 37.3 per cent.

The interest income earned during the financial year increased from Rs.15.7 billion to Rs.19.0 billion resulting in a growth of 21.1 per cent. Owing to the considerable growth in the interest income the revenue has increased by 22.2 percent from Rs. 17.1 billion to Rs. 20.9 billion and the net interest income has increased by

16.2 per cent from Rs. 9.7 billion to Rs. 11.2 billion. Company's Net Interest Margin stood at 14.6 per cent in 2016/17, which is well above the ratio of the LFC/SLC sector (7.9 per cent). The Net Operating Income of the Company grew by 24.7 per cent recorded to Rs. 10.2 billion and was affected by the Impairment Charge of Rs. 2.87 billion. The Profit after Tax of the Company for the financial year ended 3 March 2017 grew by 34.9 per cent to Rs. 2.9 billion.

The Gross Non-Performing Accommodation of the Company was recorded at 4.4 per cent in the financial year under review which is slightly higher than the ratio reported last financial year (4.2 per cent) and the Gross NPA of the sector reported at 5.3 per cent in 2016. With the impairment charge the Net Non-Performing Accommodation recorded at 0.57 per cent compared to 0.01 per cent in the previous financial year. The net NPA ratio of LFC/SLC sector reported at 1.2 per cent.

we are of the firm belief that the route to excellence in Corporate Governance is embedded within Shared Values that we believe in. This makes us inherently proactive by encouraging us to go beyond merely complying with the standard rules and regulations.

The Company was able to maintain its Core Capital Ratio and the Total Risk Weighted Ratio above the required limit at an optimum level. Company's Core Capital Ratio was at 12.5 per cent and it stood at 11.5 per cent in the preceding financial year. The Total Risk Weighted ratio was 13.7 per cent compared to 13.9 per cent in the previous financial year.

I am pleased to announce that during the period under review, Group Lease Public Company Limited (GLPCL), a digital finance company listed on the Stock Exchange of Thailand (SET), acquired a 29.99 per cent stake of Commercial Credit and Finance for USD 70 million (Rs.10.56 billion). GLPCL is known to be one of Thailand's biggest three motorcycle lessors with assets of USD 450 million. It is also the market leader in Cambodia and Laos with shares of 95 per cent and 40 per cent, respectively. Additionally, BG Investments (Private) Limited and related companies along with Commercial Credit sold the 100 per cent stake in BG Microfinance Myanmar Co Ltd (BGMM), the microfinance subsidiary in Myanmar, and the inflow for Commercial Credit from the said transaction was Rs. 325,367,470.

During the course of the year, Commercial Credit became the first finance company in Sri Lanka to join the LankaPay Common ATM Switch (CAS), widely known to be the largest common ATM Network in Sri Lanka. This partnership enables our valued customers to carry out ATM transactions via over 3,500 LankaPay member ATMs island-wide at a nominal fee.

Commercial Credit is a company that is built on a solid foundation of Shared Values and our communication consistently conveys our commitment to the community. Our innovative approach to brand communication helped us record another successful year of excelling in various awards ceremonies held throughout the year. Together with our creative partner J Walter Thompson (JWT), we clinched several prestigious awards at the Effies awards ceremony where we were able to claim the coveted 'Most Effective Brand of the Year' award. Additionally, JWT was also presented with the Silver award for its creative campaign for Commercial Credit in the "Finance (January-December 2015)" and "Sustained Success (2013-2015)" categories.

Commercial Credit was also recognized internationally as we were declared the National Winner in the "Marketing Company of the Year 2016" category by the Asian Marketing Federation (AMF), the foremost governing body for marketing in Asia at the second Asian Marketing Excellence Awards (AMEA) which was held in Seoul, South Korea. We were able to bag the award for showcasing the many innovative marketing strategies the Company had employed during this year, which contributed to the growth of the Company and its employees. This award highlights the innovative marketing strategies, tactics and values that Commercial Credit continues to uphold and also drives home the fact that these elements have resulted in sales growth, market share and net income.

REVIEW OF THE CHIEF EXECUTIVE OFFICER

CONTD

Participation in various sports events at both local and international level is an important part of the Company's culture. Talented employees were given all necessary resources to take part in sports such as volleyball, basketball, table tennis and cricket with many delivering outstanding results during the year under review.

We strongly believe that the realization of the company's future potential amidst the opportunities and challenges will mainly depend on our people. Thus, we have undertaken substantial investments in creating a talented human resource by developing them in terms of Character and Competency.

Corporate Governance, Compliance and Risk Management

At Commercial Credit, we are of the firm belief that the route to excellence in Corporate Governance is embedded within Shared Values that we believe in. This makes us inherently proactive by encouraging us to go beyond merely complying with the standard rules and regulations. Given this sort of background, it is imperative that the Company invests heavily in taking the concept of Shared Values forward by constantly instilling them in our people who we consider as our brand ambassadors. The strong foundation of the processes and structures that we are

aiming to build within the Company, along with the passion and determination shown by all team members in being fully compliant will help us in adhering to the highest ethical standards.

Both Board-level Subcommittees and Operational-level Risk Subcommittees met regularly throughout the period under review thereby ensuring that the Company was always in touch with both internal and external factors that may affect business operations.

During the year, the Company's state-of-the-art Data Centre and Disaster Recovery (DR) Site was further upgraded with the latest technologies keeping them ahead of what is required of these two crucial technology-oriented entities of the business. When it comes to Risk Management, we have always made certain of the Company's adherence to the highest levels of risk standards should it be required by regulators.

Future Focus

The Company looks to the future with much confidence. The efforts taken over the last few years has positioned the Company to be one of the key player in the industry.

We strongly believe that the realization of the Company's future potential amidst the opportunities and challenges will mainly depend on our people. Our people have to be prepared, they have to be capable and they have to be motivated. Thus, we have undertaken substantial investments in creating a talented human resource by developing them in terms of Character and Competency. The Company will continue to invest heavily in providing an effective learning infrastructure to acquire further knowledge on 7 Habits teachings, Company's Shared Values and job related technical trainings for the entire workforce, covering all regions of the country. There would be on going emphasis on finding possible areas for improvement in the mechanism employed in the Performance Management System to better assess the performance of the workforce, searching for new avenues for product and channel development and finding technical solutions and development of IT systems to enable high levels of effectiveness and efficiency in providing an excellent customer service. Additionally, the Company will be carefully looking at new diversified investment options both in Sri Lanka and abroad.

Appreciation

The past several years has been a period of continued success at Commercial Credit as we have grown to become one of the leading companies in the Non-Bank Financial Institutions (NBFI) sector of the country. I am very grateful to the trust placed in us by our valued customers as well as our shareholders. Their backing has given us the confidence to forge ahead with our plans and take the Company to even greater heights.

I would like to take this opportunity to thank the Chairman and the Board of Directors for their sound advice and guidance throughout the year. Their collective knowledge and unparalleled experience have enabled us to overcome numerous challenges in today's fast-evolving business environment. A special word of thanks goes out to the Governor and Officials of the Central Bank of Sri Lanka for providing us with the necessary assistance throughout the year.

Finally and most importantly, I would like to pay tribute to the exceptional team at Commercial Credit. As in previous years, they have shown nothing but outstanding professionalism, innovation and dedication in discharging their duties. Without their passion, loyalty and hard work, Commercial Credit will not be in this position of strength that we find ourselves in today. Driven by such individuals who are committed to delivering excellence, I have no doubt that Commercial Credit will continue to be in the forefront of the financial services sector in Sri Lanka and will be a benchmark for others to follow for years to come.



Roshan Egodage
Chief Executive Officer

6 June, 2017

PROFILES OF THE BOARD OF DIRECTORS



K J C Perera - Chairman
Independent Non-Executive Director



R S Egodage - Chief Executive Officer
Executive Director

During a career spanning almost 35 years as an Attorney-at-Law of the Supreme Court, Mr Perera has gained a high degree of expertise in Corporate Banking, Leasing & Finance, Capital Market & Fund Management Services, Corporate Debt Financing Services and Intellectual Property Advisory Services. Mr Perera joined the Board of Commercial Credit and Finance PLC in March 2011.

A well-respected figure within corporate circles, Mr Perera is currently a partner of Legal Inc., Attorneys-at-Law & Notaries Public. Prior to joining Legal Inc., he served as Head of the Legal Department at Merchant Bank of Sri Lanka PLC for a period of 10 years, as well as at LB Finance PLC and The Finance Company PLC as a Legal Officer. Presently he serves as a Director of Thilanka Hotels (Private) Limited, LegallInc Secretarial & Management Services (Private) Limited, LegallInc Trustee Services (Private) Limited, Thilanka Resort & Spa (Private) Limited and 99X Technology Limited.

Mr Egodage took over the reins of Commercial Credit in October 2009 following the takeover of the Company by BG Investments (Private) Limited and joined the Board of Commercial Credit in March 2011. As Chief Executive Officer, he has been the driving force behind the Company's stellar success, charting a visionary course of leadership and growth.

Prior to taking over the stewardship of Commercial Credit, Mr Egodage held several senior management positions in the finance industry. He was appointed as the Deputy Chief Executive Director of The Finance Company PLC in 2006 with overall responsibility for its operations, while serving on the Boards of several group companies at the same time.

Mr Egodage has previously been Deputy Manager – Corporate Finance of Merchant Bank of Sri Lanka, where he was instrumental in restructuring the plantations sector; General Manager – Finance, Planning and Administration at Kotagala Plantations PLC and General Manager – Projects and Planning at Agalawatte Plantations PLC. He also held key positions of responsibility in companies including Peoples Ventures and Ceylon Pencil Company and he currently serves on the Boards of BG Investments (Private) Limited, BG Capital (Private) Limited, BG International (Private) Limited, Cross Border Ventures (Private) Limited, Trade Finance and Investments PLC and R.D.S Bakers (Private) Limited. Having earned a BSc. Eng. degree from the University of Peradeniya and initially embarking on a career in engineering, he then set his sights on a career in business management, earning an MBA from the University of Colombo. He is a fellow member of the Chartered Institute of Management Accountants, UK (FCMA), an associate member of the Chartered Institute of Marketing, UK (ACIM) and an associate member of the Institute of Certified Management Accountants, Sri Lanka (ASCMA).



I G S K Gunaratne
Non-Executive Director

Mr Gunaratne is an Independent Consultant in Energy Conservation and Management, and joined the Board of Commercial Credit and Finance PLC in August 2009.

Mr Gunaratne has functioned in senior engineering positions in leading companies such as MAS Holdings and Brandix, as well as in the sugar and plantation industries. With over 20 years of experience in the fields of engineering and energy management, he has participated in project teams and forums involved in the construction and commissioning of many mass scale manufacturing facilities for the Plywood and Textile Industries. He holds a National Diploma in Engineering Sciences specializing in Mechanical Engineering. Presently, he serves as a Director of Best Cars Lanka (Private) Limited and Trade Finance and Investments PLC.



G R Egodage
Executive Director

Mrs Egodage joined Commercial Credit as an Executive Director following the takeover of the management by BG Investments (Private) Limited in December 2009. Presently, she serves as a Director of BG Investments (Private) Limited and BG Capital (Private) Limited.

Mrs Egodage began her career as an Assistant Lecturer at the Department of Chemistry, University of Peradeniya. As her career advanced she collaborated in many research projects before joining Ansell Lanka, where she served for a period of 4 years as a Process Chemist. From 1996 to 2005 she held the post of Assistant Director for Quality Control and Quality Assurance at the Coconut Development Authority. Subsequently, Mrs Egodage took up the position of Managing Director of R.D.S Bakers (Private) Limited and she was instrumental in developing the popular brand *Wonder B* which R.D.S Bakers is now synonymous with. She brings these same skills and dedication to her role as an Executive Director of Commercial Credit and is an integral component of the success story of the Company. She holds a BSc. (Hons) Degree in Chemistry from the University of Peradeniya and a Post Graduate Diploma in Business Administration from the Open University of Sri Lanka.

PROFILES OF THE BOARD OF DIRECTORS

CONTD



M S D Pinto
Independent Non-Executive Director

Mr Pinto started his career as a Trainee Planter in 1986 with Balangoda Estate, which is the part of Sri Lanka State Plantation Corporation and later functioned as Assistant Superintendent and Superintendent in leading plantations. He then served at Solar Electric Light Company (SELCO), USA as the Director – Operations, where he contributed in many ways towards the improvement of operations in finance and after sales services of Renewable Solar Photo Voltaic in Sri Lanka, India and Vietnam. He was the Chief Executive Officer/Director of Ceylinco Renewables (Private) Limited for a period of two years and is the Chairman of the Green Earth Group (Private) Limited.

He serves as Group Chief Executive Officer at KDU Group which is the largest orthodox black tea production company in the world. The Group has diversified into mini hydro power generation, hospitality and real estate sectors both in Sri Lanka and abroad. Mr Pinto serves as a Board member of KDU Singapore (PTE) Limited, S & H Holdings (Private) Limited, Green Earth Constructions (Private) Limited, Green Earth Plantations (Private) Limited and KDU Exports (Private) Limited.

Mr Pinto joined the Board of Commercial Credit and Finance PLC in May 2011. He holds a Diploma in Plantation Management (NIPM) and is a Consultant for ISO 9000 certification and Plantation Management. He also holds a Diploma offered by the Institute of Hospitality Management, UK and is currently reading for a PhD from the University Aldersgate, Singapore.



E D P Soosaipillai
Independent Non-Executive Director

Mr D Soosaipillai is a fellow of the Institute of Chartered Accountants of Sri Lanka and a fellow of the Institute of Certified Management Accountants of Sri Lanka and is considered a pioneer in the leasing and financial services industry both in Sri Lanka and the Maldives. He has served on the boards of several leading specialised leasing companies in the capacity of Finance Director, Chief Executive Officer and Managing Director.

Mr D Soosaipillai was appointed as a Director of Commercial Credit and Finance PLC in January 2014. He functions as Chairman of the Board Audit Committee and a member of the Board Integrated Risk Management Committee. He chaired the Board Audit Committee of Trade Finance and Investments PLC, the subsidiary of Commercial Credit and Finance PLC during January to October 2015.

He is an Independent Non-Executive Director on the Board of Hatton National Bank PLC and is a member of the Risk Committee as well as that of the Board Strategy & Investment Review Committee and the Board Procurement Committee of the Bank.

He is an Independent Non-Executive Director on the Boards of Udapussellawa Plantations PLC and Hapugastenne Plantations PLC and chairs the Board Audit Committees of both these Plantations. He is also a member of the Related Party Transaction Review Committee of these two Plantations.

Mr Soosaipillai has over 30 years of experience in Financial Services and in Risk Management and Compliance, both at the operational and strategic levels. He was engaged by the World Bank as a Short Term Consultant on a Payables Assessment assignment in the Maldives as part of a wider Public Finance Management project in 2012. Mr Soosaipillai also served as the Managing Director of the Maldives Finance Leasing Company (Private) Limited for more than 7 years and as the Chief Executive Officer of Ceylease Financial Services Limited, a subsidiary of the Bank of Ceylon. More recently, he has also served as the Chief Operating Officer of Dunamis Capital PLC, the holding Company of the First Capital Group of Companies and the Kelsey Group of Companies.



K D Vander Weele
Non-Executive Director

Mr Kenneth D Vander Weele is a co-founder and partner in Creation Investments Capital Management, LLC, an impact investment fund manager and transaction advisory group. He is also the founder and managing partner of Creation Investments Sri Lanka, LLC, a Delaware Company. He joined the Board of Commercial Credit and Finance PLC in March 2014. From 2000 until 2009, Mr Vander Weele served as the President of the Investment Services Division at Opportunity International, a major microfinance network.

Mr Vander Weele was responsible for the development and oversight of all commercial microfinance institutions within the Opportunity Network, garnering over \$1 billion in assets during his tenure. During this period, Mr Vander Weele was involved in forming three microfinance banks in Eastern Europe (Forus Bank-Russia, Opportunity Bank-Montenegro and Opportunity Bank-Serbia) and he served as the Board chair of each bank. Between 1991 and 2000, Mr Vander Weele held various positions with the Opportunity International Network, including Global COO, Regional Vice President for Eastern Europe and Interim CEO. From 1975 to 1981, Mr Vander Weele held various positions at Grant Thornton, CPAs, in their Madison, Boston, Chicago and US National Office. From 1981 to 1991, he was the Senior Vice President, CFO and a founding shareholder of Graphisphere Corporation, a graphic arts holding Company with private equity shareholders, until it was sold to a strategic buyer. Mr Vander Weele was also a founder and the Board chair of the Microfinance Centre for Eastern Europe from 1998 until 2006 and the Balkan Financial Sector Equity Fund from 2005 to 2011. Mr Vander Weele has a PhD in international economics from Oxford University and a BBA in Accounting from the University of Wisconsin. He is also a Certified Public Accountant (CPA, USA).

He currently serves in the Boards of NOA Holdings NV - Holland, Sonata Finance Private Limited - India, Fusion Microfinance Private Limited - India, Creation Investments Social Venture Fund I - USA, Creation Investments Social Venture Fund II - USA, KVPF, LLC - USA, Sohan Lal Commodity Management - Delhi, India and Creation Investments Social Venture Fund III - USA.



R C Chitty
Executive Director

Mr Rajiv Casie Chitty is a fellow of the Association of Chartered Certified Accountants (ACCA), UK and Associate Member of the Chartered Institute of Management Accountants (ACMA), UK and a Chartered Financial Analyst, USA. He obtained his Masters in Economics from the University of Colombo and won the Janashakthi Gold at the 2006 CIMA Pinnacle Awards. Mr. Casie Chitty is an Independent Non-Executive Director of ACL Cables PLC, Tangerine Beach Hotels PLC, Royal Palms Beach Hotels PLC, Ceylon Printers PLC and Office Equipment PLC. He is the former President of the ACCA Sri Lanka panel. Mr. Casie Chitty has over 25 years experience in the private sector of which 15 years has been at senior management level.

PROFILES OF THE BOARD OF DIRECTORS

CONTD



M Konoshita
Non-Executive Director

Mr Mitsui Konoshita is the Chairman of the Board and CEO of Group Lease Public Company Limited. Group Lease is one of the leading finance company in ASEAN providing leasing and microfinance services targeting the rural and unbanked population in emerging markets. With presence in Thailand, Cambodia, Laos, Indonesia and Myanmar, the company is listed on the Stock Exchange of Thailand with now a market capitalization close to 950 million USD as of end of May 2017. Group Lease acquired 29.99 per cent stake of Commercial Credit and Finance PLC through its subsidiary. Mr Konoshita acquired the majority of shares of Group Lease Public Company Limited in 2007.

Prior to the investment and management of Group Lease, Mr Konoshita managed and invested funds focused on high growth ASEAN listed and non-listed equities companies in various sectors such as securities, insurance, food and nutrition, hospitality and services, manufacturing, entertainment and sports.

Mr Konoshita serves on the Boards as Chairman of Group Lease PCL, Group Lease Holdings PTE Limited, Thanaban Company Limited, PT Group Lease Finance Indonesia, GL Leasing (Lao) Company Limited. He also serves as the President at GL Finance PLC.

Mr Mitsui Konoshita holds a Bachelor of Law from Osaka University, Japan.

He joined the Board of Commercial Credit and Finance PLC in December 2016.



R R Martin
Non-Executive Director

Mr Regis Martin is the Chief Financial Officer of Group Lease Public Company Limited. Group Lease is one of the leading finance company in ASEAN providing leasing and microfinance services targeting the rural and unbanked population in emerging markets. With presence in Thailand, Cambodia, Laos, Indonesia and Myanmar, the company is listed on the Stock Exchange of Thailand with now a market capitalization close to USD 950 million as of end of May 2017. Group Lease acquired 29.99 per cent stake of Commercial Credit and Finance PLC through its subsidiary.

Mr Martin joined Group Lease in 2014 as Business Development Manager, and then was promoted as Senior VP for Finance and Business Development of Group Lease in 2015 before acting as CFO in April 2016. He has worked extensively on the expansion of Group Lease in all new ASEAN markets.

Mr Martin serves on the Boards of Group Lease PCL, Group Lease Holdings PTE Limited, Thanaban Company Limited, PT Group Lease Finance Indonesia and CPMI PLC.

Mr Martin has now been working in South East Asia for almost 10 years and moved to Cambodia in 2008 as Senior Auditor for the audit firm Morrison Kak and Associes in Phnom Penh. He also worked as Investment Portfolio Manager for Devenco, a boutique Venture Capital company in Cambodia. In addition, Mr. Martin was a teacher of financial analysis for a class of Master as the Royal University of Law and Economics in Phnom Penh for several years. Previous moving to South East Asia, Mr. Martin worked as auditor for PriceWaterhouse Coopers in Paris, as Sales Forecast Controller for L'Oreal Paris and at the French Ministry of Economy and Finance.

Mr Martin is a graduate of the Paris IX Dauphine where he received a Master of Art in International Business and Master of Science in Applied Economics.

Mr Martin joined the Board of Commercial Credit and Finance PLC in December 2016.



P T Fisher
Non-Executive Director

Mr Patrick T Fisher is the founder and managing partner of Creation Investments Capital Management, LLC, an Impact Investment Fund Manager and transaction advisory group. With over \$150 million in assets under management, Creation Investments focuses on private equity investments in financial services and microfinance, serving the Bottom of the Economic Pyramid (BOP). He is also the Founder and Managing Partner of Creation Investments Sri Lanka, LLC, a Delaware Company.

Mr Fisher has led investments or provided advisory services on transactions in over 25 countries in other industry verticals, including health care, affordable housing, agriculture, clean energy and technology, as well as evaluating social ventures and impact investments in many others.

Mr Fisher serves on the Boards of NOA Holdings, NV - Netherlands, Capital Float (Private) Limited - India, Group Lease Public Limited - Thailand, Caja Rural Los Andes-Peru, Cure Management Services LLC - USA, Creation Investments Social Venture Fund I - USA, Creation Investments Social Venture Fund II - USA, Promus Holdings, LLC - USA, KVPF, LLC - USA, Vitruvian Corporation - USA and Creation Investments Capital Management, LLC - USA. He joined the Board of Commercial Credit and Finance PLC in March 2014. Prior to founding Creation Investments, Mr Fisher spent the majority of his career working for JPMorgan Chase.

His relevant work experience includes years of service in international banking and global treasury and trade services, primarily covering Asia and Latin America. Mr Fisher worked for the Bank in China, specifically in Hong Kong and Beijing. In addition, Mr Fisher has trading experience, working on Bank One's Chicago trading floor, marketing interest rate, commodity and foreign exchange derivatives. He received his credit training from American National Bank in Chicago.

He has started numerous businesses and established three previous investment funds in real estate and private equity. He has served on the Boards of several domestic and international for-profit and not for-profit organizations. Mr Fisher is a graduate of the JL Kellogg School of Management at Northwestern University, where he received a Master of Business Administration degree. He earned his Bachelor of Arts, magna cum laude, at the University of Notre Dame. He is a member of Mensa and continues his studies in Spanish, Mandarin and Koine Greek.

EXECUTIVE MANAGEMENT TEAM

Roshan Egodage



D G Jayaratne



Rajiv Casie Chitty



Geya Egodage



Janaka Deshapriya



Anuradha Ranaweera



Lawrence Fernando



K L A Senevirathne





Piyal Salwathura



Saman Gunawardene



Shammi Jayathilake



Prasanna Wickramasinghe



Nirosh Madawala



Ayesh Pitigala



Lalith Karunaratna

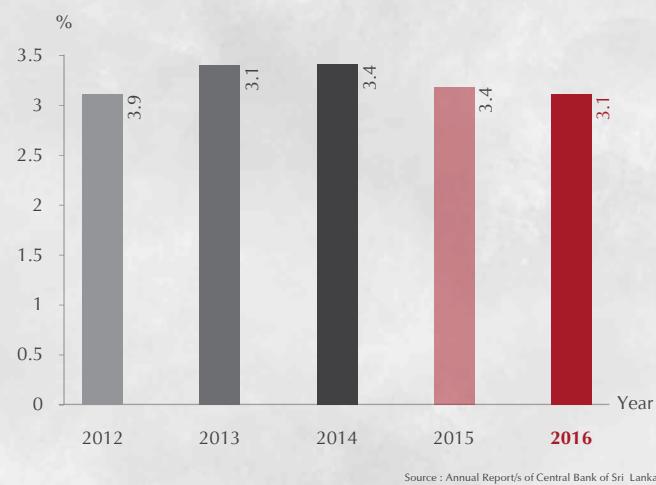
MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

Global Economy

In keeping with forecasts, the global economy is estimated to have grown by 3.1 per cent in 2016, slightly lower than the 3.4 per cent recorded in 2015. Major global events such as Brexit, US elections in late 2016 and policy changes in both China and the US increased the air of uncertainty in trade policies. Numerous factors kept the pace of growth at a lower level, notably the relatively weaker activity of the US economy, effects of trade between the United Kingdom and the rest of the European Union due to Brexit as well as lower commodity prices. Additionally, the economies of emerging markets and developing economies also contributed to the relatively modest growth in the global economy.

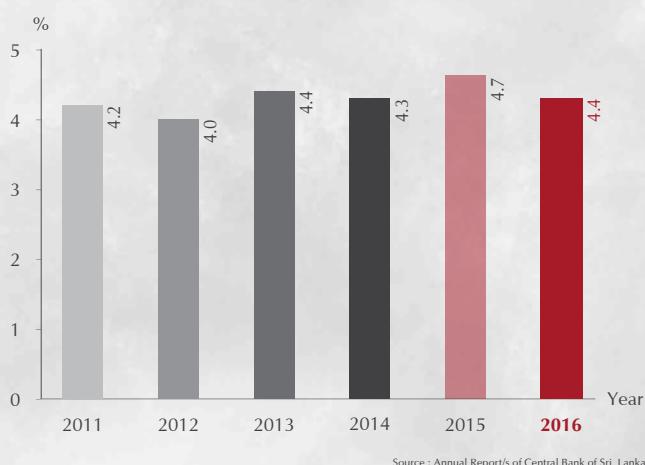
World Economic Growth Rate



Sri Lankan Economy

Sri Lanka's economy showed a sluggish performance in 2016 growing at a rate of 4.4 per cent in real terms, a slight dip from the 4.8 per cent growth achieved in 2015. However, tighter fiscal and monetary policies from the second quarter of the year helped achieve a steady acceleration in quarterly growth.

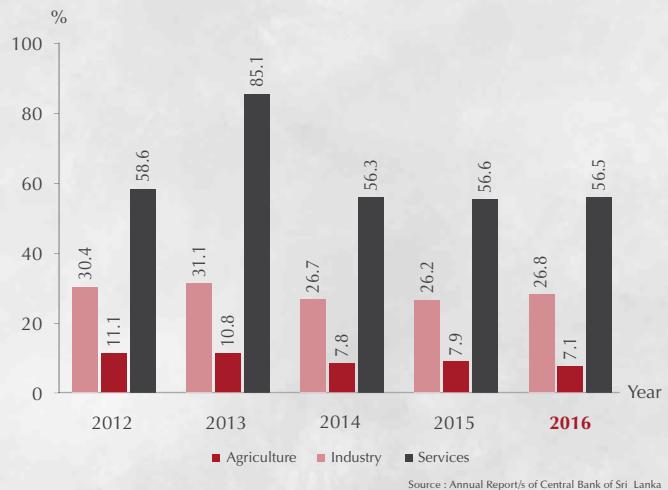
Unemployment



While inflation remained low during the first 4 months of the year, it increased for the remaining part of the year and recorded an annual average of 4.0 per cent for the year 2016. During the year, the unemployment rate dipped to 4.4 per cent from the 4.7 per cent recorded in the previous year. Meanwhile, the number employed increased by 1.5 per cent during the year with the expansion in the industry and services related activities in the economy.

The Central Bank continued to tighten monetary policy and monetary conditions throughout the year. Fiscal operations registered a notable improvement in both revenue and expenditure fronts, resulting in the containment of the overall budget deficit at the envisaged level of 5.4 per cent of Gross Domestic Product (GDP). Service-related activities which consists 56.5 per cent of real GDP, grew by 4.2 per cent in 2016 on a year-on-year basis supported by the expansion in financial services by 12.4 per cent.

Composition of Gross Domestic Product



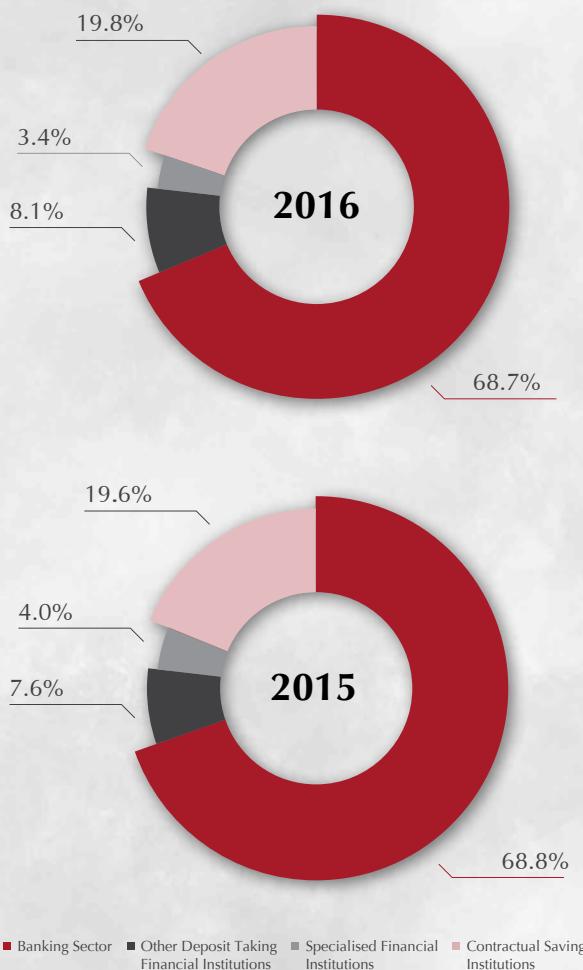
The overall performance of the Sri Lankan economy during the year highlighted the need to address and remedy various deep-rooted structural issues if the country is to demonstrate steady progress and consistently record a higher growth rates in years to come. The government has made commendable efforts during 2016 to formulate policy frameworks required to address these issues as well as challenges expected to be faced in the near future. However, it is imperative that the necessary policy changes are implemented rapidly with consistency across the board to attract much-needed Foreign Direct Investments (FDIs) and also boost investments from the private sector of the country.

Financial System

The financial sector continued to expand during the year whilst exhibiting resilience amidst challenging market conditions both globally and domestically. In 2016, assets of the banking sector

grew at a slower pace than in the previous year mainly reflecting the tighter monetary conditions that prevailed during the year, while the sector continued to maintain its capital and liquidity levels well above the minimum statutory requirements. The asset base of the banking sector recorded a growth of 12.0 per cent driven by increased loans and advances. Deposits of the banking sector expanded by 16.5 per cent during 2016 mainly on account of the growth in time deposits in the backdrop of a high interest rate environment, although borrowings by the banking sector recorded a decline of 3.5 per cent during the year mainly due to a reduction in foreign currency borrowings. Profitability of the banking sector as measured by the Return on Assets (ROA) and Return on Equity (ROE) improved during 2016 reflecting the increase in net interest income of the banking sector.

Composition of Total Assets of the Financial System



Licensed Finance Companies and Specialized Leasing Companies (LFC/SLC) Sector

Despite the many hurdles encountered, the LFCs/SLCs sector recorded a strong performance during the year in terms of asset growth and branch network expansion. The industry witnessed a

conscious effort made to gradually depart from the core business of vehicle financing to other loan products.

The sector posted an increased level of profits in 2016, mainly boosted by an increase in business volumes, improved operational efficiency and a slight increase in net interest income. Overall, a glance at the levels of NPL, liquidity and capital shows that the risks within the sector remained at manageable levels.

In terms of the number of companies and the overall network of branches spread across the island, by the end of the year, the sector comprised of 46 LFCs, 7 SLCs and 1,313 branches, out of which 67 per cent (886 branches) were located outside the Western Province.

The Central Bank of Sri Lanka continued to take measured steps to keep the numerous companies in the sector line with the enhanced local and international standards and procedures. When required, the authority stepped into resolve matters encountered in relatively weak finance companies in order to maintain the stability of the overall sector and maintain the confidence of the general public in such organisations.

Assets

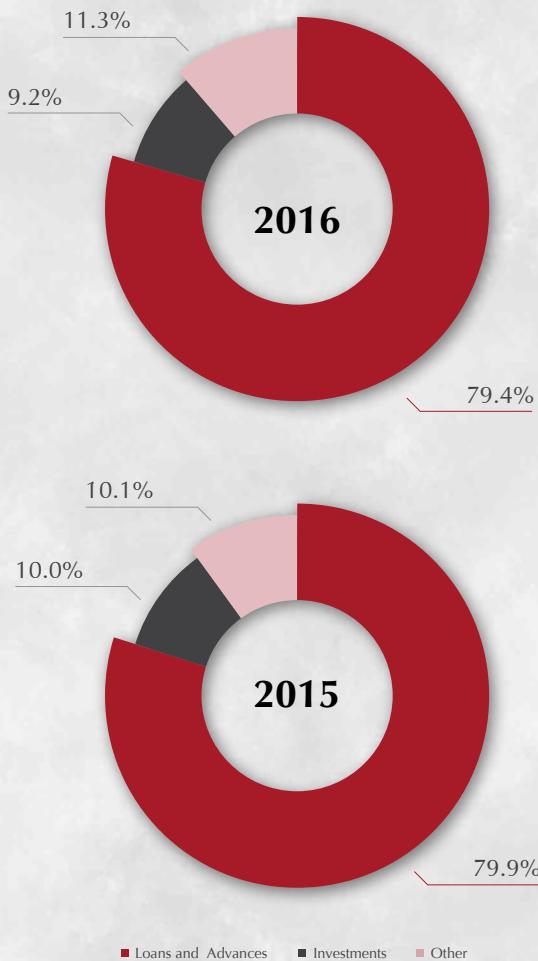
During the year 2016, the LFCs/SLCs sector successfully expanded their asset base beyond the Rupees One Trillion mark albeit at a slightly lower growth rate than the previous year. The Total Asset Base of the sector grew by 21.7 per cent (Rs. 215.8 billion) in 2016 to Rs. 1,211.9 billion compared to a growth of 22.3 per cent (Rs. 181.6 billion) recorded in 2015. While the 77.3 per cent growth of assets was primarily driven by lending activities, the increased assets were funded mainly through borrowings by 57.6 per cent and the balance by deposits (23.3 per cent), equity capital (10.6 per cent) and other liabilities (8.4 per cent) respectively. Credit growth of the LFCs/SLCs sector moderated during the first quarter of 2016 as a result of macro prudential measures implemented with respect to the lending on motor vehicles mainly in the form of a Loan to Value ratio (LTV).

Due to the increased exposure to other lending products, the credit growth showed an upward trend during the second half of 2016 resulting in an overall expansion of credit of 21.0 per cent (Rs. 166.8 billion) to reach Rs. 962.7 billion by the end of the year compared to a higher growth rate of 31.8 per cent (Rs. 192.1 billion) registered during 2015. A large proportion (approx. 73.1 per cent) of this credit growth was mainly through other loan products such as term loans, revolving loans, microfinance, factoring and draft loans, while 23.7 per cent was through finance leases and hire purchases.

MANAGEMENT DISCUSSION AND ANALYSIS CONTD

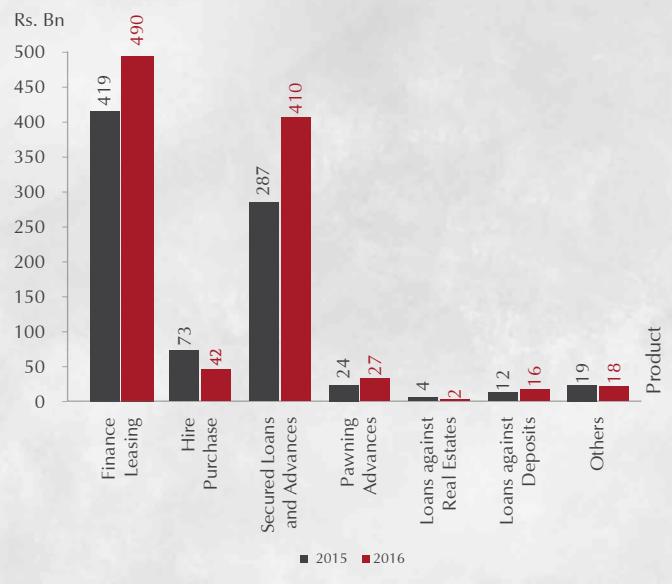
During 2016, the investment portfolio recorded a growth of 12.1 per cent in 2016 compared to a negative growth of 9.2 per cent in 2015. The investment portfolio included investments in equities, corporate debt instruments, government securities and investment properties. This increase was primarily as a result of increased investments in short-term government securities. Other assets, which included cash, balances with banks and financial institutions, trading stocks and fixed assets, showed an increase of 36.6 per cent in 2016 largely due to increased placements in banks and financial institutions.

Composition of Total Assets of the LFC/SLC Sector



Source : Annual Report/s of Central Bank of Sri Lanka

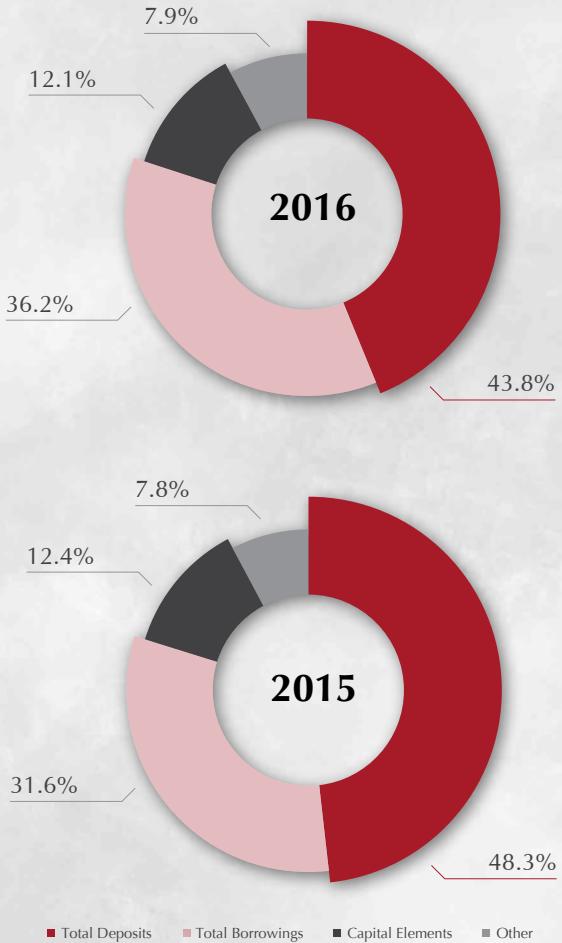
Product-wise Loans and Advances of the LFC/SLC Sector



Source : Annual Report/s of Central Bank of Sri Lanka

Liabilities

Composition of Liabilities of the LFC/SLC Sector



Source : Annual Report/s of Central Bank of Sri Lanka

During the past two years, the sector's reliance gradually moved away from retail deposits to bank borrowings mainly due to the flexibility and cost factors. This has resulted in a change in the overall funding structure of the sector with an increase in the share of borrowings to 36.2 per cent in 2016 from 31.6 per cent in 2015, while the share of deposits decreased to 43.8 per cent in 2016 from 48.3 per cent in 2015. During 2016, the borrowings increased by 39.6 per cent or Rs. 124.4 billion to Rs. 438.7 billion in absolute terms compared to a growth of 44.6 per cent recorded in 2015. The majority of the borrowings are from the banking and finance sector (58.5 per cent) followed by debenture issues (16.5 per cent), foreign borrowings (4.9 per cent) and overdraft facilities (4.5 per cent).

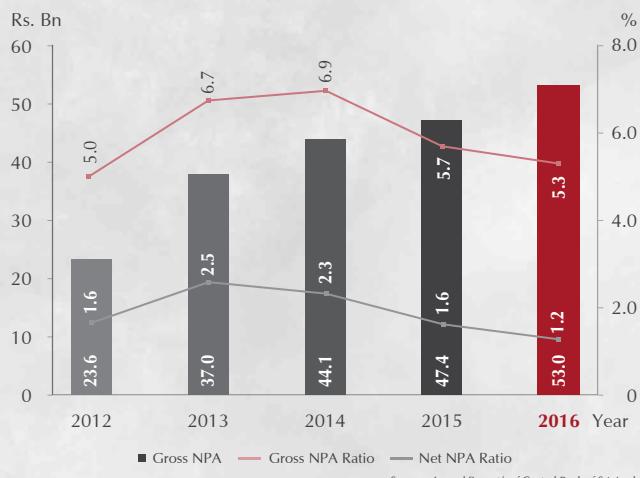
In 2016, Total Deposits rendered the highest contribution for Liabilities of the LFC/SLC sector at 43.8 per cent, a dip from the 48.2 per cent registered in the year 2015. The deposits recorded a moderate growth of 10.5 per cent or Rs. 50.3 billion to Rs. 531.0 billion in 2016, compared to a 16.1 per cent growth in 2015. The deposit mobilisation was mainly through time deposits accounting for 95.6 per cent of the total deposits, whilst the residual was mainly from savings deposits. The capital elements of the sector increased by 18.7 per cent to Rs. 146.1 billion as at end 2016, primarily driven by internally-generated profits.

Profitability of the LFC/SLC Sector

LFC and SLC Sector	2015	2016
Income and profitability		
Net Interest Income (Rs. Bn)	82.2	92.1
Profit after Tax (Rs. Bn)	15.2	31.5
Assets and Liabilities (Rs. Bn)	996.1	1,211.9
Key Indicators		
Net Interest Margin (per cent)	8.7	7.9
Gross NPA Ratio (per cent)	5.7	5.3
Return on Asset (per cent)	3.0	4.0
Return on Equity (per cent)	12.4	23.1

Source : Annual Report/s of Central Bank of Sri Lanka

Non-Performing Accommodation (NPA) of the LFC/SLC Sector



Organizational Profile

About the Company

Commercial Credit and Finance PLC was established on 4 October 1982, when it was first incorporated under the Companies Act No. 17 of 1982 as a private limited liability company as Commercial Credit (Private) Limited in Sri Lanka's hill capital. It was registered as a public limited liability company under the provisions of the above Act on 16 December 1989 as Commercial Credit Limited. The Company then was re-registered under the Companies Act No. 07 of 2007 on 8 April 2008 and the Finance Business Act No. 42 of 2011 on 6 August 2012. The shares of the Company were listed on the Dirisavi Board of the Colombo Stock Exchange on 1 June 2011 at which point the Company's name changed to Commercial Credit PLC. In compliance with the provisions of the Finance Business Act No. 42 of 2011, the Company changed its name to Commercial Credit and Finance PLC with effect from 17 May 2012.

Originally established with the prime focus on agricultural lending, the Company inculcated a strong process and system-driven culture, the benefits of which are being reaped. The Company underwent a change in the majority shareholding in October 2009, resulting in the infusion of a new management team whose philosophy was that an organization with a strong Value driven culture would be a great success in the longer term that would contribute to the development of society.

Guided by the above philosophy of a Value based culture and a clearly defined Purpose, Vision and Mission, Company has developed its three year comprehensive Strategic Plan to cover the period up to 2018. The execution of this Strategic Plan is resulting the Company moving towards its Purpose, Vision and Mission by building a workforce steeped in its culture, a stronger corporate image, innovative products and modern infrastructure and would facilitate strong growth at levels unprecedented in the sector.

Strategic Plan

In attaining the greater heights aimed for by the Company, a well-defined Strategic Plan has been developed. The Purpose of the Company, *to build leaders who uplift the lives of people by simple acts of love* will be kept at the very center of decision making at all times. The five Shared Values will continue to boundlessly nurture employees spread across the Company to help build character to become leaders who serve the society with love and passion. Guided by a well-defined Purpose and nurtured by Shared Values, employees will pledge a promise and a commitment to be discharged for all stakeholders that the Company comes into contact with, both internal and external. Commitments would necessarily mean the willingness to collectively and continuously initiate efforts to reach where we want to reach. Well defined perspectives will assess the effectiveness of the delivery of pledged promise and commitments by employees.

MANAGEMENT DISCUSSION AND ANALYSIS CONTD

Following are the commitments the Strategic Plan pledges to its stakeholders.

1. To build leaders who live by Principles
2. To be a responsible financier
3. To be a great employer
4. To promote mutually beneficial partnerships
5. To employ cutting-edge technology
6. To empower the community and sustain the environment
7. To redefine the finance landscape of Sri Lanka

All strategic activities the Company undertakes will be evaluated against the following perspectives.

1. Customer
2. People
3. Effectiveness
4. Efficiency
5. Social

Nurtured by a well-defined organizational Purpose, Shared Values, promise and pledge to remain committed, main strategies that the Company will employ would mainly be focused on the following fronts.

1. Building the core
2. Channel development
3. Greater reach
4. Product development
5. People empowerment
6. Information management
7. Diversification

All the long-term strategic decisions of the Company will be assessed against two dimensions being Purpose and Perspectives. Thus, strategies that are in compliance with the very Purpose of the Company will be vetted through Perspectives to ensure that intended measures of effectiveness, efficiency, people, society and customers are met. Thus, appropriate KPIs will be constructed to monitor the actual performance of selected strategies against the Purpose and Perspectives.

Product Portfolio

The most important stakeholder of any business is the customer. While we regard this as certainly true for Commercial Credit, our main interface with our customer base is carried out through our product portfolio. Accordingly, the products we offer and their various features and benefits are carefully thought out to ensure that they address the unique financial needs of our customer.

Leasing and Hire Purchase

Overview

Lease and hire purchase products of Commercial Credit offer a wide spectrum of financing options that endeavour to meet diverse needs of different types of customers seeking to drive away in their dream vehicle. The Company has several pioneering products in the hire purchase market which have enjoyed continued success. The market opportunities for these products have vastly improved with the increase in demand for registered vehicles. These products offer financial assistance for customers to acquire registered and unregistered vehicles through the Company's wide reach network in 121 locations across the island and help uplift the lives of virtually every market segment in the country.

Salient features of the Leasing and Hire Purchase product portray the customer-oriented approach of the Company. Customers are always provided a quick service through a friendly, professional agent who will come to the customer's doorstep, understand his or her needs clearly and provide a flexible leasing or hire purchase solution that meets the customer's requirements.

Impact of the Company's Culture

Within the Leasing and Hire Purchase Division, there is a great emphasis on building people who are honest, trustworthy and accountable. When a person has such attributes, it makes the day-to-day operations within the team faster and more effective. Individuals are groomed to make decisions on their own so that, once they go out in to the market, they can make speedy, accurate and responsible decisions that provide the customer a better service. Faster decision making by the marketing agents makes the customers' decision making process much easier and thereby helps the Company to create a positive impact in a faster manner.

Highlights of the Year

Company's Leasing and Hire Purchase portfolio increased to Rs.30.2 billion in 2016/17, a 23.1 per cent increase from Rs. 24.5 billion recorded in 2015/16. With the expansion of the operations, a large number of marketing personnel were recruited to the Company during the year. A majority of the locations were assigned separate marketing agents for Leasing and Hire Purchase in order to effectively reach out to a wider customer base. An upgrade in the filtering and categorization of vehicles in the IT system allowed the team to better manage stocks of various types of vehicles in the Company's portfolio. Extensive training for the marketing officers were conducted throughout the year so that each and every one of them are better equipped with the practical field knowledge such as providing a valuation for a vehicle during their customer visits without having to report back to office. This speeding up of the decision making process by training and empowering them means that customers are given a faster and more professional service. With the purpose of catering to the urgent monetary needs of customers *Payaking Mudhal* was introduced during the previous

financial year. The special feature in this product is that the customer can obtain the loan within a hour without any hassle.

Looking Ahead

The Company intends to lead by example in providing an efficient service with attention to detail in fulfilling the requirements of the customer. Staff training, development and empowerment will continue to be a primary focus in every financial year so that they sustain the high standards of customer engagement and service delivery. As always, the marketing agents will be encouraged to provide unbiased, honest opinions when dealing with customers so that customers can make an informed decision on their leasing and hire purchase requirements. The Company will strive to come up with innovative products that cater to all segments of society providing them with the means to uplift their lives.

Term Loans

Overview

The Term Loan product (type of Cash Loan) is designed to provide financial assistance to customers who can demonstrate repayment capacity via existing earnings. Term Loans are granted for a maximum period of 60 months and have been a hit amongst business people and a wide range of fixed income earners such as Professionals and Executives.

The main purpose of the Term Loans Division is to identify and understand the customer's requests and provide them the best available service to fulfill their financial needs. This process is based on the Company's Purpose of uplifting the lives of the customer by identifying the requirements accurately, providing solid advice, together with a timely service. The Company provides a quick evaluation process for a loan request, giving the customer peace of mind. With multiple security features and a hassle free documentation process, customers are provided a comprehensive solution for their financial needs.

Impact of the Company's Culture

The Shared Values of the Company play a significant role in the operations of the Term Loans Division. Team members learn to be trustworthy when dealing with customers and work together to provide the best solution. Each individual is empowered to be a leader who can uplift the lives of the customer based on simple acts of love. It is a culture that nurtures individuals and enhances their existing values so that they may go out into the world and be highly-respected human beings.

Highlights of the Year

During the year under review, the total portfolio of Term Loans grew to Rs. 7.4 billion, a growth of 9.1 per cent. The Company introduced numerous processes to further streamline the Term

Loan operations including system to handle customer evaluation and online approvals.

Looking Ahead

The Company is well aware that the future will pose numerous challenges to the Term Loan business from both banking and non-banking sectors. Banking sector continues to offer lower interest rates, minimum documentation for approval, various product diversifications and pre-approved facilities through their database system. The Company intends to face these challenges by being observant about the changes in the market, continuing to maintain high service standards that focus on uplifting the lives of the customer and diversifying the product range so that the customers have a wider range of options to select from.

Revolving Business Loan (RBL)

Overview

Commercial Credit's Revolving Business Loan (RBL) provides much needed funds to the Small and Medium scale Enterprise (SME) sector of Sri Lanka and are granted without any collateral. A customer can obtain a loan facility within 24 hours, provided all the main criteria are fulfilled. The salient feature that has led to the success of this product is the service excellence delivered by the young, dedicated workforce of the RBL Division. The RBL customer base includes businesses such as retail shops, supermarkets, hardware shops, pharmacies, retail garments stores and motor spare parts, among many others. Collections are done on a daily basis by a large team of agents who visit each and every customer and use their Point of Sale (POS) device to complete the cash transaction online.

The post-war period has witnessed a significant growth in the SME sector with key economic indicators of the country also showing an upward trend. This sector continues to receive the support of the government as it is known to be the engine of growth in the country. This has lead to a positive outlook for the Company as individuals have turned to innovative products such as RBL to fund their businesses.

Impact of the Company's Culture

The very nature of the product granting of working capital loans to the SME sector allows the RBL Division to live up to the purpose of the Company of uplifting the lives of people and their families. The culture of the Company helps every individual to practice self-discipline. Such a commitment to this key attribute in their day-to-day office life allows the whole team to focus all their energies on what is most important in their job – helping improve the lives of the customer. This invariably leads to a better performance, for both the Division and the Company, and greater job satisfaction for all.

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Highlights of the Year

RBL portfolio stood at Rs. 4.1 billion at the end of the financial year review. Over the years, the RBL customer base increased notably. This rise was attributed to the unique nature of the product, the convenience it provides to the customer and the excellent service provided by the agents who maintain a very close relationship with all customers. In order to enhance the customers' experience when interacting with the Company, a series of employee training programmes focused on service delivery and product knowledge was commenced during the year.

The latest modifications in the IT System allow the branch management and senior management to monitor daily transactions on a real-time basis. The division also added the facility of uploading customer photos to the IT System to further improve the credibility of the portfolio. The focus on proper collection process was also during the period under review.

Looking Ahead

Given the relatively low attention given to this product by Licensed Commercial Banks, the Company does not expect competition from Licensed Commercial Banks for this product in the foreseeable future. However, there is an increased focus on this product from the non-banking financial institutions and this will undoubtedly lead to more competition in the near future and will have a direct impact on the product's performance. The Company intends to meet these challenges by developing new products to cater to different financial needs of existing customers. Furthermore, employees' knowledge and skills will be continuously enhanced via employee training programmes that focus on service delivery and capacity building.

Education Loans

Overview

Knowledge and information would be the driving force for economic growth in the coming years. National level policies are framed to ensure that this basic need of the population is met through appropriate public and private sector initiatives. While the Government makes every attempt to provide primary education to all children of the country, public funding of higher education is not considered feasible. Cost of education has been increasing on a yearly basis and since the student has to bear most of the cost, there is a clear case for institutional funding in this area. The educational loan scheme of Commercial Credit is an attempt to bring out a viable and sustainable loan scheme to meet the aspirations of those in our society. The Educational Loan Scheme aims at providing financial support for students who intend to pursue higher education in Sri Lanka and abroad. The main emphasis is that a student, irrespective of financial standing, is provided with an opportunity to pursue education with the financial support with affordable terms and conditions. Educational Loans are one of the most important products offered by the Company as they provide the students with an opportunity to lay a solid foundation of knowledge and skill; a foundation that will hold them in good stead as they prepare to face the challenges of the future. These loans provide the opportunity

to engage with customers at a relatively young age, show them the loving and caring nature of the Company and the excellent service on offer. All loans are provided in a speedy and flexible manner with minimum documentation and hassle. All-in-all, at Commercial Credit, Educational Loans are known to be the first step in a long term relationship with the customer.

Impact of the Company's Culture

The Company understands that a good education is a fundamental element in building great leaders who can serve the nation with passion and commitment. By granting Educational Loans for students who do not possess sufficient financial means to achieve their dreams, the Company is helping lay the foundation for a brighter nation. Therefore, the team at Educational Loans works closely with the individual and, if required, his/her parents or guardians to ensure that the loan provided will benefit the student in a positive manner. The education should help to uplift the lives of the individual and the family and to help them face the future with confidence. The team members of the Educational Loans division understands how the culture has helped to change their lives for the better, from the way they dress, to the way they communicate and even in how they conduct themselves in their respective homes. It provides a platform for all of them to become better all-round human beings. They take pride in knowing that they play a crucial role in giving deserving talents a chance to shine in the future.

Highlights of the Year

The Educational Loans Division was able to achieve Rs.587.1 million in 2016/17, a significant increase over the Rs.353.0 million registered in the previous financial year. The Company played an active role in the Future Minds Expo 2016, the national higher educational and career fair that was held in Colombo, Kandy and Galle. During the year, the Educational Loans team was expanded to reach a wider audience. Internal processes for loan approvals were upgraded while the ERP System was also expanded to include a new Educational Loans interface.

Looking Ahead

The team will continue to participate in leading educational events and exhibitions that will be organized across the island so that they will be able to better connect with prospective customers. Furthermore, there will be a continuous drive to build strong bonds with educational institutes in all the major cities. The process for acquiring a loan will be further streamlined to attempt to reduce documentation and provide a faster service to the customer.

Microfinance and *Abhiwurdhi* SME Loans

Overview

The concept of Microfinance is one where financial assistance is provided to those who have no access to banking facilities for the purpose of establishing or developing an enterprise of their own.

Over the years, Commercial Credit has been able to successfully provide Microfinance services to customers via the Company's efficient client servicing process in the industry, giving them the ways and means to uplift their lives. The Company's service to the growing number of Microfinance customers is not just about providing financial support. It extends into vital areas such as financial management, leadership, personal development and other valuable entrepreneurial skills.

The Company has introduced different types of Microfinance products to cater to the varying requirements of customers.

1. Microfinance - This facility is given to the low income people who have no access to banking services for fund borrowing purposes.
2. *Abhiwurdhi* (SME) - *Abhiwurdhi* financial facility is provided to SME level customers to develop and improve their businesses.
3. Housing Loan - This facility is provided to micro level people to upgrade an existing house or build a new house.

This wide product range is always offered with quick, efficient service, high technology usage, easy documentation and convenient payment methods.

Impact of the Company's Culture

The very nature of Microfinance, eliminating poverty and uplifting the lives of the people, makes it very close to the Purpose of the Company. The staff of the division understands this importance and goes out of their way to ensure that the customers' needs are well looked after. When new employees are recruited, irrespective of whether they are trainees or experienced individuals, there is a greater emphasis on whether they suit the unique culture and how they can contribute positively to the Purpose of the Company and a lesser emphasis on whether they possess the drive and the ability to meet financial targets.

Highlights of the Year

With the service network spread across 121 locations, the Company maintained Microfinance lending portfolio of Rs. 11.7 billion. The number of customers served as at the end of the financial year under review stood at 275,907 Microfinance portfolio amounted to 17.2 per cent of the total lending portfolio of the Company.

Technology was widely used to streamline internal operations and provide a better service to the customer. On the field, the use of POS machines provided a faster, more accurate method of making collections, updating the ERP system and handing out receipts to customers. A new documentation process has been introduced in order to enhance the service quality. The Company has established several teams to review and upgrade internal processes and systems with the objective of providing a continuously improved customer service and a higher levels of service excellence.

Looking Ahead

As the Company's service network expands, the Microfinance Division will also grow to a level where all parts of the island are reached, especially areas such as the North and East where there is a lot of potential for this product to help uplift lives of the less fortunate. The products on offer are constantly reviewed to verify whether they meet the requirements of the Microfinance customer.

New products that cater to specific needs of the customers will be introduced in due course. Plans are also in the pipeline to make better use of mobile technology for Microfinance and also to introduce an E-Documentation System to streamline back end functions.

Pawning

Overview

In keeping with the Company's purpose and objectives, Commercial Credit pays a remarkable role in the lives of many customers, by allowing them to gain access to monetary fund immediately through the pawning business. While the Company itself is at risk from such business types, the pawning team devised ways in order to cater to the various needs of the customers in accordance with the Company's policy line.

The pawning business provides customers with a variety of products including Pawn Broking, Gold Loans, Gold Investments, and *Ran Sahana* Loans to satisfy the needs of its customer.

Impact of the Company's Culture

The Company's pawning business has grown from strength to strength with an emphasis on the business in accordance with the purpose of the Company, to uplift the lives of all people. The pawning operation focuses on empowering the employees and enhancing their knowledge and skill levels so that they are able to make quick, calculated and informed decisions in order to provide the customer with the best possible solution. This helps to build confidence in the employees, resulting in effective decision making in the long-term and grooming them to become future leaders of the Company. Whenever possible, the pawning team has been instructed to provide a higher advance to the customer. Similarly, the Company's approach to collections is in keeping with the product promise, where every possible action is taken to help the customer to recover the article and to avoid auctioning it.

Highlights of the Year

The pawning portfolio increased to Rs. 2.1 billion in 2016/17, a 41.4 per cent increase from Rs. 1.5 billion. The number of customers served in the financial year under review is 18,871.

The Company also expanded the pawning network from almost 60 locations to 65 locations in total, driven by the opening of

MANAGEMENT DISCUSSION AND ANALYSIS

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new centers across the island as well as the commencement of pawning services in existing service locations. The pawning team has 72 team members and now consists of a team with a wealth of experience in the pawning business.

Looking Ahead

The Company expects gold prices to remain stable in the coming year without further reduction. The Company is looking to increase the number of locations with pawning centers to further extend the service to various part of the country. There will also be new customized pawning products aligned with the very Purpose of the Company, such as Pawning for Microfinance and Revolving Business Loans customers.

Factoring

Overview

Since the inception of the factoring operations in September 2014, Commercial Credit has been providing working capital solutions to businesses that operate on credit terms. Presently, factoring is being offered in Colombo and also in few locations across the country with the view of fulfilling working capital requirements of the SME sector.

The Company commenced this Division to provide a service to the SME sector by purchasing their debt at a discounted rate, giving them valuable funds to expand their business. The Company offers 8 products under the product portfolio of Factoring Division:

- Factoring - Collection by the Company
- Factoring - Collection by client
- Factoring - Post Dated Cheque (PDC) upfront
- Factoring - Selected debtors
- Invoice discounting - PDC upfront
- Invoice discounting - PDC subsequent
- Debtor cheque discounting
- Client cheque discounting

A typical profile of a client that will benefit from Factoring is an individual or a business that sells a good quality product or service on credit, has a good debtor base and has the potential to grow but lacks the necessary working capital and is unable to provide tangible security to obtain necessary funding.

Impact of the Company's Culture

The Company realizes that weak cash flow hinders the business of the SME sector. Through the various products on offer, the businesses will benefit as with proper cash flow, the business will run smoothly. For suppliers, the outstanding amounts will be settled on time while debtors will be able to enjoy better credit

terms and employees of the business will benefit as a result of business expansion. All-in-all, it is a win-win situation for all parties concerned, unquestionably leading to an uplifting of the lives of the people.

Highlights of the Year

In the country's factoring industry which accommodates 12 players, Company's factoring portfolio stood at Rs. 1.5 billion at the end of the financial year. The number of customers served during the financial year under review was 166.

Looking Ahead

The Factoring Division will continue to provide a speedy, flexible service at a very high level. The product offering will be continuously monitored and refined to address the changing requirements of clients. Wherever possible, tailor made facilities will be provided to them. The team will be further expanded by hiring experienced, skillful individuals who can carry forward the Purpose of the Company and help uplift the lives of clients by growing their businesses.

Deposits

Overview

Public Deposits was the main source of funding to carry out the business at Commercial Credit. The Company provides a wide range of deposit products to its expanding customer base. These include Fixed Deposits, General Savings and Minor Savings, all of which provide numerous benefits to the customer. As with all matters within the Company, customers' deposits are handled with responsibility and care within a framework of ethical fund management. All funds received are re-invested into the various lending products offered by the Company, thereby adding value to all stakeholders. Fixed deposits are accepted for periods ranging from 1 month to 5 years with interest being paid either monthly or at maturity, while the *Hari Minor Savings Account* is accepted for longer periods.

Impact of the Company's Culture

The Deposits Division is committed to provide the best to their customers at all times, giving them an experience of love and care. The team is groomed to win the trust of the customers by portraying confidence, being transparent and communicating efficiently. The team interacts in an open yet professional manner creating an environment that is all about providing an excellent service to the customer.

Highlights of the Year

During the year under review Commercial Credit's deposit base grew by 9.0 per cent to Rs. 53.7 billion. To efficiently face the

challenges presented by the competitors, we at Commercial Credit have devised new technologies. The entire Deposits team was educated about the important role played by Corporate Governance in today's business environment and how the Company adheres to exceptionally high standards, above those of the industry. Customers were offered highly competitive interest rates for long-term deposits such as the 37 months product.

Looking Ahead

The Company intends to continuously educate and upgrade the skill levels of the existing staff in line with the Company's Shared Values so that they are better prepared to face these challenges of the fast-changing financial environment of the country. There will be a conscious effort to build stronger relationships with the customer base via more engagement programmes. The deposit products will constantly be monitored and adjusted to highlight the flexibility and attractive features.

The Company foresees customer deposits to continue being the most important source of funding. The expanded service network backed by carefully planned marketing campaigns and more importantly, a highly-skilled and customer oriented sales team that focuses on uplifting the lives of the customer, will all play a key role in attracting substantial customer deposits in the future.

Commercial Credit operates the only ATM (Automated Teller Machine) facility possessed in the NBFI sector with an own switch. Company presently owns 12 ATMs and plans are afoot to spread this facility across the country in the years ahead. Additionally, Commercial Credit became the first finance company in Sri Lanka to joined LankaPay Common ATM Switch. This Partnership enables our valued customers to carry out ATM transactions via over 3,500 LankaPay member ATMs island-wide at a nominal fee.

Recoveries

Overview

The Recoveries Department of Commercial Credit is instrumental in monitoring and maintaining the laid down recovery process and procedures of the Company in order to achieve the Company goals. The department maintains the recovery KPIs such as debtors, bad debt provision and non-performing loans percentage. The department takes all necessary steps in a methodical manner to enhance collections while paying attention to the genuine grievances of customers. If a customer is in distress with the repayment, the department looks at alternative solutions to sort out the matter amicably without causing further distress. However, when it comes to wilful defaulters, the department is ready to take all necessary steps to ensure that the due amount is properly recovered.

The Recoveries Department spearheads collections for the main products offered by the Company via the call center in Colombo and Recovery Officers at the field level, each of whom are allocated to a set of service locations to follow up. At all times, the individuals concerned are willing to listen to the grievances of the customer. Through careful relationship management and negotiation, the team is able to find solutions where the customer is able to settle the payment in a manner that is comfortable to him/her.

Impact of the Company's Culture

Recoveries is a sensitive subject that requires the right balance of professionalism, communication and trust between the Recoveries Department staff and the customer. In keeping with the Shared Values of the Company, the Recoveries Department focuses on providing win-win solutions where both the customer and the Company are in a position where they are satisfied with the outcome.

Highlights of the Year

Training and development of the staff was carried out throughout the year to boost their skills on how to successfully manage the different types of customers they come across when performing their duties. Internal systems and controls were continuously reviewed and finetuned to increase efficiencies. The Recovery Officers' approach and results were closely monitored across all twelve months of the financial year while public auctions were conducted to sell off repossessed assets. Repossessions were only done when all other options had failed. Furthermore, a Collection Forecasting System to monitor and follow-up the performance of marketing and recovery staff individually was introduced during the financial year under review.

Looking Ahead

The Company intends to align the KPIs to the Shared Values of the Company by emphasizing more on the number of lives affected in a positive manner and less on the financial aspects. The customer portfolio will be carefully managed to minimize wilful defaulters and lend a helping hand to those whose circumstances are genuinely difficult. The Company believes that a more streamlined credit evaluation process will lay the foundation to avoid reaching this stage. Team members will be encouraged to build closer ties with customers, understand their strengths and weaknesses and help them to navigate the difficulties that they may come across.

SERVICE NETWORK





NORTHERN PROVINCE

01. Chavakachcheri	: No. 04, Station Road, Chavakachcheri	07. Nelliady	: No. 163, New Market View, Jaffna Road, Nelliady
02. Chunnakam	: No. 94, K K S Road, Chunnakam	08. Velanai	: Kurikadduvan Road, Vangalavady Junction, Velanai
03. Jaffna	: No. 62/20, Stanley Road, Jaffna	09. Vavuniya	: No. 194, Kandy Road, Vavuniya
04. Kilinochchi	: No. 421/1, A -9 Road, Kilinochchi		
05. Mannar	: No. 137, Grand Bazaar Street, Mannar		
06. Mullaitivu	: Post Office Road, Mullaitivu		



NORTH WESTERN PROVINCE

01. Anamaduwa	: No. 12, Chilaw Road, Anamaduwa	08. Melsiripura	: Karadagolla Junction, Melsiripura
02. Chilaw	: No. 34/2, Kurunegala Road, Chilaw	09. Nattandiya	: No. 149/1, Kuliyapitiya Road, Nattandiya
03. Giriulla	: No. 42, Kurunegala Road, Giriulla	10. Nikaweratiya	: No. 80, Puttalam Road, Nikaweratiya
04. Kalpitiya	: No. 53, Main Street, Kalpitiya	11. Polpithigama	: Madagalla Road, Polpithigama
05. Kuliyapitiya	: No. 14, Kurunegala Road, Kuliyapitiya	12. Puttalam	: No. 136, Kurunegala Road, Puttalam
06. Kurunegala	: No. 24, Negombo Road, Kurunegala	13. Wariyapola	: No. 80, Puttalam Road, Wariyapola
07. Kurunegala	: No. 53, Ground Floor, Rajapihilla Road, Kurunegala	14. Wennappuwa	: No. 491/C, JPM Building, 1st Floor, Chilaw Road, Wennappuwa



WESTERN PROVINCE

01. Aluthgama	: No. 162, Rangiri, Galle Road, Kaluwamodara, Aluthgama	15. Kirindiwela	: No. 27/10 D, Colombo Road, Kirindiwela
02. Avissawella	: No. 72, Yatiyanthota Road, Avissawella	16. Kotahena	: No. 53/37 St. Lucia's Street, Colombo 13
03. Bandaragama	: No. 51/2, Horana Road, Bandaragama	17. Maharagama	: No. 189, Old Road, Maharagama
04. Battaramulla	: No. 98, Main Street, Battaramulla	18. Matugama	: No. 95, Kalutara Road, Matugama
05. Beruwala	: No. 06, Station Road, Beruwala	19. Moratuwa	: No. 116/B, Main Street, Old Galle Road, Idama, Moratuwa
06. City Office	: No. 45, Dharmapala Mawatha, Colombo 07	20. Mount Lavinia	: No. 627, Galle Road, Mount Lavinia
07. Divulapitiya	: No. 39, Minuwangoda Road, Divulapitiya	21. Negombo	: No. 113/A, Greens Road, Negombo
08. Gampaha	: No. 06, Mangala Mawatha, Gampaha	22. Nittambuwa	: No. 134, Kandy Road, Nittambuwa
09. Homagama	: No. 64/3, High Level Road, Homagama	23. Nugegoda	: No. 231, High Level Road, Nugegoda
10. Horana	: No. 144/A, Panadura Road, Horana	24. Panadura	: No. 41, Jayathilaka Mawatha, Galle Road, Panadura
11. Ja-Ela	: No. 74, Negombo Road, Ja-Ela	25. Piliyandala	: No. 217, Horana Road, Piliyandala
12. Kaduwela	: No. 82, Colombo Road, Kaduwela	26. Wattala	: No. 460, Negombo Road, Wattala
13. Kalutara	: No. 429, Galle Road, Kalutara North, Kalutara	27. Wellawatte	: No. 07, Lilly Avenue, Wellawatte
14. Kiribathgoda	: No. 115, Kandy Road, Kiribathgoda		

MANAGEMENT DISCUSSION AND ANALYSIS

CONT'D



NORTH CENTRAL PROVINCE

01. Anuradhapura	: No. 272, Maithripala Senanayake Mawatha, Anuradhapura	09. Medawachchiya	: Opposite Central Hospital, Medawachchiya
02. Aralaganwila	: No. 14/105, New Town, Aralaganwila	10. Nochchiyagama	: No. 48, Puttalam Road, Nochchiyagama
03. Bakamuna	: Main Street, Bakamuna	11. Padaviya	: Wedage Building, Main Street, Padavi Parakramapura
04. Galenbindunuwewa	: No. 131, Anuradhapura Road, Galenbindunuwewa	12. Polonnaruwa	: No. 292, Batticaloa Road, Kaduruwela, Polonnaruwa
05. Galnewa	: Opposite Filling Station, Jaya Mawatha, Galnewa	13. Thambuththegama	: No.150, Opposite Public Fair, Thambuththegama
06. Hingurakgoda	: No. 01, Medirigiriya Road, Hingurakgoda	14. Welikanda	: No. 01/01, Batticaloa Road, Welikanda
07. Horowpathana	: Main Street, Horowpathana		
08. Kekirawa	: No. 200, Main Street, Kekirawa		



CENTRAL PROVINCE

01. Dambulla	: No. 360E, Opposite Bus Stand, Matale Road, Dambulla	07. Nawalapitiya	: No. 70B, Gampola Road, Nawalapitiya
02. Gampola	: No. 08, Kadugannawa Road, Gampola	08. Nuwara Eliya	: No. 50, Kandy Road, Nuwara Eliya
03. Hatton	: No. 94, Dimbula Road, Hatton	09. Pilimathalawa	: No. 197/1, Dawalagala Road, Pilimathalawa
04. Kandy (Head Office)	: No. 106, Yatinuwara Veediya, Kandy	10. Pussellawa	: No. 305, Nuwara Eliya Road, Pussellawa
05. Kandy City Centre	: L1 - 18, Kandy City Centre, No. 5, Dalada Veediya, Kandy	11. Rikillagaskada	: No. 61, Kandy Road, Rikillagaskada
06. Matale	: No. 318, Main Street, Matale	12. Theldeniya	: No. 15, New Town, Theldeniya



SOUTHERN PROVINCE

01. Akurella	: No. 64/03, Pahalagewatta, Matara Road, Akurella	08. Galle	: No. 14, Dickson Road, Galle
02. Ambalangoda	: No. 26B 3/1, Galle Road, Ambalangoda	09. Matara	: No. 12B, Akurella Road, Nupe, Matara
03. Ambalantota	: No. 110, Main Street, Ambalantota	10. Neluwa	: Epa Building, Main Street, Neluwa
04. Angunakolapelessa	: Near the Police Station, Ranna Road, Angunakolapelessa	11. Tangalle	: No. 76, Beliatta Road, Tangalle
05. Baddegama	: Near the Co-operative, Galle Road, Baddegama	12. Tissamaharama	: No. 161, Hambanthota Road, Tissamaharamaya
06. Deniyaya	: No. 352, Main Street, Deniyaya	13. Udugama	: Main Street, Bar Junction, Udugama
07. Elpitiya	: No. 17, Ambalangoda Road, Elpitiya	14. Weligama	: No.172, Hettieeediya Road, Weligama



UVA PROVINCE

01. Badulla	: No. 262, Lower Street, Badulla	06. Siyambalanduwa	: Aluth Kade Building, Main Street, Siyambalanduwa
02. Bandarawela	: No. 35/2, Welimada Road, Bandarawela	07. Thanamalwila	: No. 7A, Main Street, Thanamalwila
03. Bibile	: Monaragala Junction, Main Street, Bibile	08. Welimada	: No. 232, Nuwara Eliya Road, Welimada
04. Mahiyanganaya	: No. 34, Kandy Road, Mahiyanganaya	09. Wellawaya	: No. 678, Priyankara Building, Monaragala Road, Wellawaya
05. Monaragala	: No. 395, Kachcheriya Junction, Monaragala		



EASTERN PROVINCE

01. Akkaraipattu	: No. 06, Main Street, Akkaraipattu	08. Kinniya	: No. 200, Kinniya 03, Kinniya
02. Ampara	: No. 40A, Regal Junction, Ampara	09. Mahaoya	: No. 115, Main Street, Wijewickrama Building, Mahaoya
03. Batticaloa	: No. 39/5, Central Road, Batticaloa	10. Muttur	: Batticaloa Road, Periyapalam, Muttur
04. Dehiattakandiya	: No.10, Opposite Bank of Ceylon, Dehiattakandiya	11. Pottuvil	: No. P 15, Main Road, Pottuvil
05. Kalavanchchikudi	: Main Street, Kalavanchchikudi	12. Pulmude	: Trincomalee Road, Pulmude
06. Kalmunai	: No. 149, Batticaloa Road, Kalmunai	13. Trincomalee	: No. 87, Main Street, Trincomalee
07. Kantale	: No. 275, Main Street, Kantale	14. Valaichchenai	: Main Street, Valaichchenai



SABARAGAMUWA PROVINCE

01. Balangoda	: No. 133 A, Barnes Rathwatte Mawatha, Balangoda	06. Kegalle	: No. 336, Main Street, Kegalle
02. Deraniyagala	: No. 58 1/1, Noori Road, Deraniyagala	07. Rathnapura	: No. 126 B, Bandaranayake Mawatha, Rathnapura
03. Embilipitiya	: No. 11, New Town Road, Embilipitiya	08 Warakapola	: No. 21/1/1, Kandy Road, Warakapola
04. Godakawela	: No. 312, C 4, Malwatta, Godakawela		
05. Kalawana	: Hospital Junction, Weddagala Road, Kalawana		

MANAGEMENT DISCUSSION AND ANALYSIS CONTD

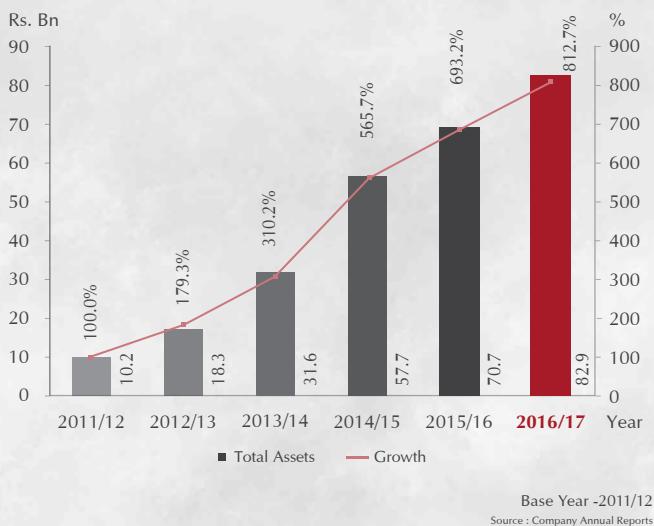
Financial review

Total Assets

Total Assets of the Company grew consistently with a 5 year Compounded Average Growth Rate (CAGR) of 51.9 per cent compared to that of the Registered Finance Company/ Specialized Leasing Company (RFC/SLC) sector which stood at 19.9 per cent p.a owing to the aggressive growth strategy adopted during the period. The growth in total assets during the period under review was 17.2 per cent which is in line with the sector growth in 2016 (21.7 per cent).

The 23.1 per cent growth in the Leasing and Hire Purchase Portfolio was the main contributor in achieving growth in the total asset base. The Loans and Advances Portfolio grew by 11.1 per cent during the period under review to Rs. 38.1 billion net of impairment losses and accounted for 45.9 per cent of the asset base while Leasing and Hire Purchase Portfolio accounted for 36.4 per cent of the Asset Base.

In addition to the Lending Portfolio, Financial Investments - Held for Trading, Reverse Purchase Agreements and Cash & Bank Balances accounted for 2.7 per cent, 2.5 per cent and 2.2 per cent respectively of total assets.

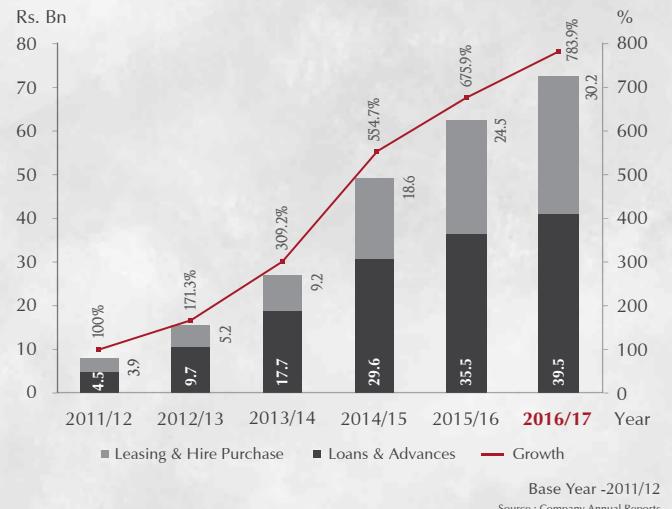


Lending Portfolio

The Company's Lending Portfolio recorded a 5 year CAGR of 52.0 per cent compared to that of the RFC/SLC sector of 19.9 per cent with substantial growth captured in both Leasing & Hire Purchase and Loans & Advances and with 5 year CAGRs of 50.4 per cent and 53.4 per cent respectively.

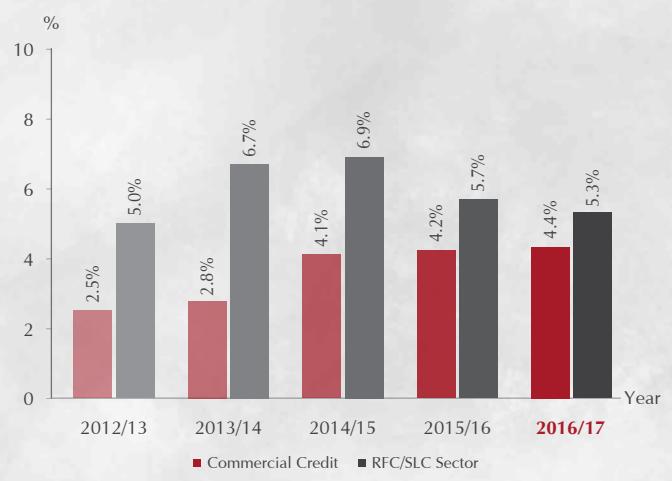
With the Company shifting its focus towards increasing the asset quality, higher priority was given to asset backed lending products. As a result the asset backed facilities such as term draft loans, auto loans and pawning advances grew by 851.9 per cent, 85.1 per cent and 41.4 per cent respectively. The Leasing and Hire Purchase Portfolio experienced a healthy growth rate of 23.1 per cent

contributing predominantly to the Lending Portfolio growth. The Microfinance portfolio declined from Rs.12.2 billion to Rs.11.7 billion during the year under review due to the strategy to consolidate in the unsecured lending portfolio.



Asset Quality

The Gross Non-Performing Accommodation (NPA) ratio stood at 4.4 per cent in comparison to 4.2 per cent of the previous year. This compared well with the RFC/SLC sector Gross NPA ratio of 5.3 per cent. The Net NPA ratio stood at 0.57 per cent in comparison to 0.01 per cent recorded in the previous year. This also covered well with the sector Net NPA ratio of 1.2 per cent.



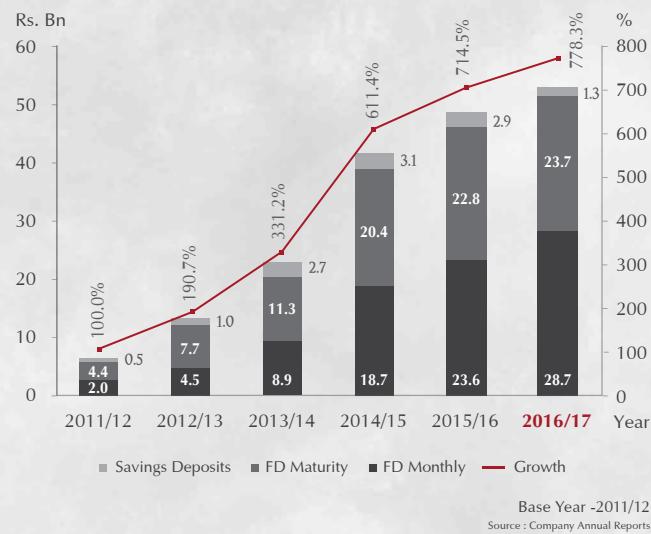
Deposits

The Company's growth has been funded largely through public deposits. As a result the Company's deposit portfolio recorded a 5 year CAGR of 50.6 per cent. This is well above that of the RFC/SLC sector 5 year CAGR of 23.3 per cent. The main growth contributor was Fixed Deposits - Monthly which recorded a 5 year CAGR of 69.8 per cent. During the year the Company recorded a growth rate of 9.0 per cent in its deposit base in line with its asset growth and

maintained excess liquidity at a minimum while managing interest cost effectively during the year.

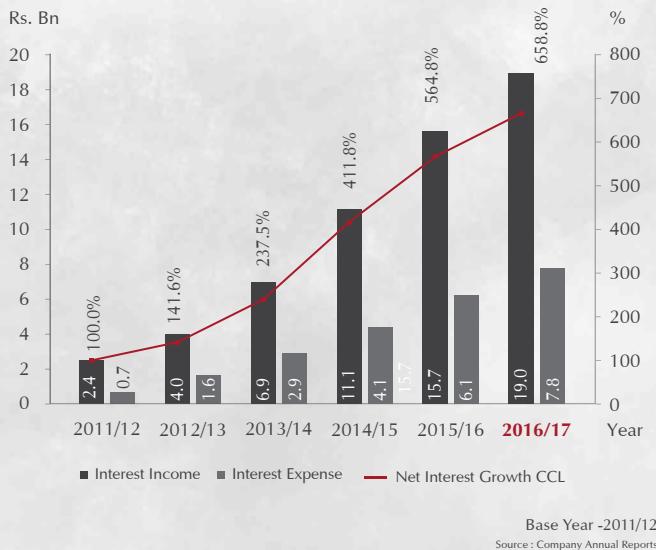
The total deposit base stood at Rs. 53.7 billion as at end of the current financial year. The composition of the deposit base stood as FD - Monthly being the major contributor comprising of 53.4 per cent whereas FD - Maturity and saving deposits accounted for 44.1 per cent and 2.5 per cent respectively.

In addition to the Deposit Portfolio, the Company raised funds through Banks Borrowings, Debt Instruments & Other Borrowed Funds and other financial liabilities amounting to 14.9 per cent, 4.8 per cent and 0.6 per cent respectively of total liabilities.



Net Interest Income

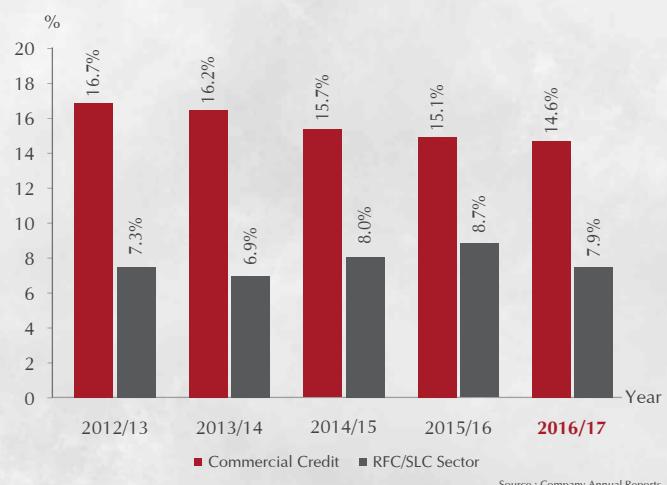
Company's interest income and interest expense have grown substantially in line with the respective portfolios recording a 5 year CAGR of 50.8 per cent and 62.0 per cent respectively in line with its growth of business.



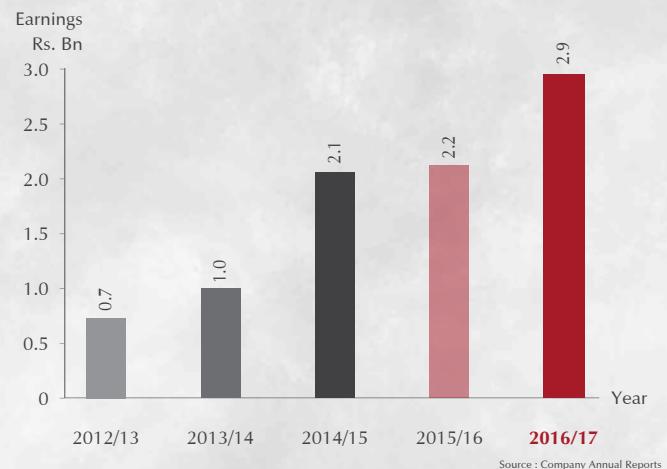
The net interest income has increased by 16.2 per cent year-on-year compared to that of the sector year on year growth of 12.0 per cent despite the reduction in the high yielding microfinance portfolio. The interest expense increased at a higher rate of 28.9 per cent during the year due to the higher interest rate environment caused by tight monetary policy exercised by the CBSL during year.

Net Interest Margin

The Company recorded a Net Interest Income of Rs. 11.2 billion in comparison to Rs. 9.7 billion of the previous financial year. The net interest margin declined from 15.1 per cent to 14.6 per cent during the year due to the decline of the high yielding microfinance portfolio. However, the Company's net interest margin was substantially higher than that of the RFC/SLC sector of 7.9 per cent.



Profitability



The Company reported very strong performance during the period under review. The Company recorded a net profit of Rs. 2.9 billion compared to last year's Rs. 2.2 billion, which is the highest on

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record in the Company's history. Trade Finance and Investment PLC, its 99.4 per cent owned subsidiary also reported its highest ever profit of Rs. 324.7 million enabling Commercial Credit to post a consolidated profit after minority interest was Rs. 3.1 billion. The growth in Net Interest Income of 16.2 per cent was the main driver in the performance. The operational expenditure was maintained under control and the cost to income ratio was maintained at 2.37. The Impairment charge inclusive of write offs was Rs. 2.87 billion against the charge of Rs. 2.81 billion of last financial year. Profitability was also affected by the higher VAT of Financial Services which was implemented with effect from November 2016.

The Company recorded a Return on Assets (ROA) of 5.1 per cent which is in line with the RFC/SLC sector ROA of 4.0 per cent. The Company was able to maintain a superior ROE of 32.2 per cent compared to that of the RFC/SLC sector of 23.1 per cent ensuring wealth maximization to its shareholders. The Core capital ratio was supported by the strong profitability which grew from 11.5 per cent to 12.45 per cent during the financial year enabling it to stay well above the minimum regulatory requirement of 5 per cent. The Tier 2 capital ratio was 13.73 per cent comfortably above the minimum regulatory capital requirement of 10 per cent.



Sports

Athletics

Commercial Credit athletics brought home a haul of medals by winning 3 Gold, 2 Silver and a Bronze medals at the 33rd Annual Mercantile Athletic Meet.

Cricket

Team A won the championship in the Mercantile T20 Tournament and Runner-up in Mercantile "A Division" (50 overs) Tournament.

"Team B" was the champions in the mercantile "C Division" Cricket tournament in 2016 and "C Division" Cricket tournament in 2017.

Basketball

The men's team won the "A Division" championship and the "C Division" championship at the MSBA Knockout Tournament 2016. Also the team won the "A Division championship" at MSBA League Tournament 2016.

The women's team was the 1st Runner-up at the MSBA Knockout Championship 2016.

Additionally, one of the Basketball team member represented Sri Lanka National Team at the South Asian Basketball tournament held in India. Also the womens team qualified for the semi-finals at the MSBA League Tournament 2016, "A Division" championship.

Netball

The Netball team of the Company was the 2nd Runner-up at the "D division" Mercantile League Netball Tournament 2016. Also an Award for Best Team Spirit at the tournament was won by the Commercial Credit team. The team also won the Plate and 1st Runner-up at the Sri Lanka Sports.com Netball Challenge Tournament.

Volleyball

The team was the 2nd Runner-up at the "A Division" Mercantile Volleyball Tournament 2016 and Runner-up at the Finance House Association Volleyball Tournament 2016.

Table Tennis

The Table Tennis team were the Champions at the Mercantile Open "A Division" Table Tennis Tournament 2016 in the Open Men's Singles category. They were also the Runner-up at the Mercantile Inter Club League "A Division" Table Tennis Tournament 2016.

Weightlifting

Commercial Credit Weightlifter powered to victory by excelling in international events. He won 1 gold medal and 2 bronze medals at the 2016 Asian Powerlifting Championships, India in 2016. He was the first Sri Lankan to win a medal at a Asian Powerlifting Championships. He was also ranked 13th at the 2016 World Powerlifting Championships, USA-Orlando. He was the first Sri Lankan to get qualified to represent Sri Lanka at a World Powerlifting Championship and he broke 3 Sri Lankan records. He won the Most Outstanding Sportsmen of the Year Award at the 2016 Presidential Sports Awards and he is a National Champion in Sri Lanka for 12 years with holding 15 Sri Lankan records.



SUSTAINABILITY REPORT

SUSTAINABILITY REPORT

Stakeholder Engagement

Commercial Credit and Finance PLC believes that genuine sustainability requires us to engage closely with stakeholders in mutually beneficial relationships. As a Value driven organization, the Company has forged valuable relationships with its stakeholders and maintains a routine of checks and balances to ensure these bonds are lasting. Much of our interaction takes place while conducting our daily operations, but we also conduct structured activities to bring stakeholders closer. This association helps us gain vital feedback on our products and services in a bid to exceed the expectations of our stakeholders.

1. Investors

Mode of Engagement and Frequency

- The Company prepares its Annual Report for each financial year and circulate to its shareholders.
- The Annual General Meeting of the Company is held annually providing opportunities for shareholders to discuss matters on which they may have concerns.
- Investor feedback forms are sent to the shareholders along with the Annual Report in order to obtain their views.
- Extraordinary General Meetings are called as and when required.
- Interim Financial Statements are published quarterly through the CSE.
- Press Releases are published as and when required.
- Announcements are made to the CSE as and when required.
- Regularly updated corporate website, www.cclk.lk, is used to communicate effectively with the shareholders.

Key Topics Discussed

- Interim and annual financial and operational results.
- Changes to the capital structure.
- Changes to Directorate (appointments, resignations, retirements).
- Business expansion plans.
- CSR activities and other donations.
- Level of compliance with the regulatory requirements.

Concerns Raised

- Maintenance of adequate level of profitability by the Company.
- Continuous stability of the Company.
- Asset quality of the Company.
- Liquidity levels maintained by the Company.

Methodologies Employed to Respond

- Addressing shareholder concerns is a primary motivator for all important decisions made by the Company.

2. Customers

Mode of Engagement and Frequency	<ul style="list-style-type: none">• Customer interactions on all working days through our widespread service network across all districts in the country.• A large number of staff of the Company are primarily responsible to meet the requirements of customers and engage with them on a continuous basis to consistently meet their requirements and to develop strong and long-lasting relationships with them.• Media advertising campaigns emphasizing principle based Values.• Leaflets, banners and hoardings are used to create awareness about the products and services.• Press releases and press conferences are held to launch and announce new products and services.• Company's website is used to communicate about the Company, its activities and features of products and services offered.
Key Topics Discussed	<ul style="list-style-type: none">• New products and services introduced.• Products and services offered.• Importance of the culture aligned with Shared Values of the Company.• Financial and operational results and stability of the Company.• Access and reach.• Deposit rates and lending rates.• Economic indicators such as interest rate movements.• Type and quality of service provided.• Benefits, fees and charges.• Level of compliance with regulatory requirements.
Concerns Raised	<ul style="list-style-type: none">• Customer service excellence.• Customer satisfaction.• Customer expectations and needs.• Effective resolution of customer complaints.• Extended working hours.
Methodologies Employed to Respond	<ul style="list-style-type: none">• Expectations of customers are considered in formulating and implementing new strategies on Company procedures and product innovations. In all activities customer satisfaction is the main focus.

SUSTAINABILITY REPORT

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3. Employees

Mode of Engagement and Frequency	<ul style="list-style-type: none">Satisfaction Surveys are carried out bi-annually.Quarterly appraisals are conducted with 360 degree evaluation.Social events such as Sports day, Value Night, Family get-togethers are organized annually for the staff and their families.Regional review meetings are held to discuss operational results and matters related to the respective region.Internal memos are circulated to communicate important matters related to operations.Widely published open door policy for communication.
Key Topics Discussed	<ul style="list-style-type: none">Culture aligned with Shared Values of the Company.Expectations of employees such as training needs, financial benefits, employee welfare etc.Future plans of the Company.Regulatory requirements.Company policies and procedures.Methods to improve efficiency and effectiveness.Safety measures.Code of Conduct and Whistle Blower Policy.
Concerns Raised	<ul style="list-style-type: none">Need for further guidance in living the Shared Values of the Company on a day-to-day basis.Request for additional training and coaching related to operational aspects of the Company.
Methodologies Employed to Respond	<ul style="list-style-type: none">Training and familiarization and guidance programs are conducted on a continuous basis on the Shared Values of the CompanyRegular external and internal training programs on operations and related systems and procedures.

4. Government Institutions

Mode of Engagement and Frequency	<ul style="list-style-type: none">On-site surveillances conducted by the Department of Supervision of Non-Bank Financial Institutions of Central Bank of Sri Lanka.Laws and regulations, and directives and circulars issued by the legislators and regulatory bodies.Filing of various tax returns and employee related returns as required by applicable regulations.Submission of routine information to Central Bank of Sri Lanka and further information as requested.Meetings with regulatory bodies as and when required.Official e-mails, media conferences and press releases.
Key Topics Discussed	<ul style="list-style-type: none">Clarification and furnishing of information on compliance with regulatory requirements.Performance of the sector and that of the Company.Various issues faced by the sector and the Company.Maintenance of fair competition within the industry.
Concerns Raised	<ul style="list-style-type: none">Progress on action points agreed based on findings during on-site examination.
Methodologies Employed to Respond	<ul style="list-style-type: none">Regular follow up of action plan and completion of tasks agreed.Taken necessary action to fully comply with applicable regulatory requirements.

5. Society and Environment

Mode of Engagement and Frequency	<ul style="list-style-type: none">• Sponsorship of various social activities by the Company.• Media advertising campaigns emphasizing principle based values.• Company website.• Public events and gatherings.• Employee involvement in local community projects.• Providing job opportunities for the community in rural areas.
Key Topics Discussed	<ul style="list-style-type: none">• Corporate social responsibility initiatives.• Principle based values.• Energy conservation.• Areas where the Company and staff members could assist local communities.
Concerns Raised	<ul style="list-style-type: none">• Lack of infrastructure and facilities in certain rural areas.• Lack of job opportunities.• Lack of knowledge and skills to obtain suitable employment.
Methodologies Employed to Respond	<ul style="list-style-type: none">• Encourage staff on energy conservation.• Reducing e-waste and its carbon footprint.

6. Suppliers

Mode of Engagement and Frequency	<ul style="list-style-type: none">• Regular on-site visits and meetings.• Official e-mails and other written communications.• Review of performance by suppliers for quality of goods and services and value for money.
Key Topics Discussed	<ul style="list-style-type: none">• Clearly defined expectations of the Company.• Responsible procurement opportunities.• Terms and conditions applicable for suppliers.• Support to become sustainable businesses.• Development of long-term relationships with suppliers.
Concerns Raised	<ul style="list-style-type: none">• Short lead time given for providing goods and services.• Need for improved communication with service locations.
Methodologies Employed to Respond	<ul style="list-style-type: none">• Developing strong relationships with suppliers.• Involving suppliers at early stages of planning activities.

SUSTAINABILITY REPORT

CONT'D

Our Approach to Economic Sustainability

As one of the leading Licensed Finance Companies in Sri Lanka, Commercial Credit ensures that its strategic goals are interlinked with the Company's impact on all its stakeholders which include employees, customers, investors, government institutions and society. Commercial Credit's Strategic Planning framework guides the organization towards its Purpose, Vision and Mission.

Safeguarding Stakeholder Interests

The Company has introduced a number of mechanisms to ensure its systems and processes to be transparent and that accountability is upheld across all of its functions.

Internal Audit

Overview

Established in the financial year 2012/13, the Internal Audit Department of Commercial Credit and Finance PLC functions as an independent and objective assurance and consulting activity guided by the philosophy of adding value to the Company as enumerated in its Charter. Over the years, the Department has commenced various strategic developments, helping improve the quality of the service provided while keeping with current trends in the discipline.

The Department evaluates the branch performance taking into account the Internal Audit findings such as documentation completeness, statutory & regulatory compliance and the risk factors identified. It also grades the branches based on the way each branch practices Company's Shared Values. Any deviations identified from the approved policies and procedures during these reviews are immediately communicated to the Board Audit Committee, selected members of the Executive Management, Regional Head and the Location Head.

Impact of the Company's Culture

The purpose of the Internal Audit Department is to continually add value to the Company by aligning with the Company's Shared Values and also to support the Company to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of Risk Management, internal controls and governance processes.

In order to build an environment which leads to creating well-disciplined leaders, the Internal Audit Division guides and encourages employees to :

- Practice the Company's Shared Values while handling the business operations and processes efficiently and effectively
- Comply with statutory & regulatory requirements
- Implement controls to mitigate operational risks of the Company
- Continually improve the system controls and procedures

The unique Culture of the Company helps the Internal Audit Division in carrying out its duties efficiently and professionally. One of the five Shared Values of the Company – Integrity and Trust – means that an individual will always look to do the right thing, practice accountability and keep to commitments so that trust is built. This is coupled with Synergy and Teamwork, as an individual would demonstrate these attributes by communicating his/her ideas to the Internal Audit Division, supporting the Division's ideas and get involved in providing a solution while demonstrating reliability throughout the whole exercise.

Highlights of the Year

The strategic priorities of the Department cover many areas including the expansion and maintenance of a knowledgeable, skillful audit team and providing training to be up-to-date with the industrial best practices. It also includes the continuous improvement of internal controls to be aligned with the Company's goals and Values, compliance with statutory & regulatory requirements and undertaking improvements in system controls and procedures to handle business processes in an effective and efficient manner.

During the financial year under review, the number of Internal Audit team visits to services locations increased and the Department tabled significant audit findings to the Board Audit Committee and continuously measured and updated the audit programmes based on the feedback given by the Board Audit Committee. After each branch assessment, discussions were held on the key audit findings with the relevant Location Head as well as the Senior Management, after which necessary controls to be implemented were recommended. The Division started to use new auditing techniques and incorporated them into the Internal Audit programs to enhance the overall quality of the findings. The technology involvement in the audit process was further strengthened with the enhancement of the data analysis facility using Business Intelligence software to identify anomalies effectively.

Key recommendations that were put forward in the previous financial year were also implemented during the year under review. These include the department recommendations to reschedule Microfinance, improve the temporary receipt issuing procedure and improve documentation maintenance processes.

As in previous years, during the year under review, several new rules and regulations to Licensed Finance Companies were introduced by the Central Bank of Sri Lanka and other regulators. The Internal Audit staff members were given many training and awareness sessions on the implications of these rules and regulations and took necessary steps to fully comply with all of them.

Training and development, aligned with the Shared Values of the Company, continued to play a major role in the activities of the Department throughout the year. Key staff participated in several training sessions by the Institute of Chartered Accountants of Sri Lanka while several student members of the Institute have been recruited and are undergoing on-the-job training.

Looking Ahead

As the Company moves forward in a challenging business environment, the Internal Audit Department will be taking a number of progressive steps to improve and enhance the way the Department operates in the future. In the pipeline are plans to :

- Establish an effective Financial Reporting and Internal Control System in order to achieve stakeholder Expectations
- Verify whether the objectives of the Company are aligned with the regulatory and compliance requirements
- Grade the branches based on the level of risk identified during the audit finding and evaluate the way each and every branch practices the Company Values
- Continuously analyze the IT system together with the business operations to identify the areas which require further improvements in the IT system
- Ensure that controls have been placed to effectively detect, prevent and correct the various risks which can occur when achieving the business objectives of the Company

Delivering Technology-Backed Products & Services

Overview

The Information & Communication Technology (ICT) Department of Commercial Credit provides modern, innovative IT solutions for all information, communication and infrastructure-related matters that arise within the Company. The main focus of the ICT Department is providing its large internal customer base effective ICT solutions so that they can carry out their day-to-day tasks and responsibilities efficiently and effectively at all times.

Impact of the Company's Culture

In building leaders who uplift the lives of people by simple acts of love, ICT plays a pivotal role in many key perspectives of Commercial Credit. The five pillars the ICT Department are built on were declared in 2011/12 and still hold true. They are research & development, consolidation, service delivery, governance & risk and connectivity & collaboration. Solutions based on these objectives have enabled the organization to build internal as well as external leaders who are well-informed, dynamic, autonomous and most importantly empowered. The ICT Department strives to empower staff through the responsible use of technology. It also enables leaders to act responsibly by not only providing accurate and timely information for better predictability but also providing insights to better react to industry and social changes.

Highlights of the Year

Several ICT-related developments and enhancements were carried out during the year, contributing to the improvement of processes and thereby increasing the overall level of efficiency of the Company.

The Disaster Recovery Plan (DRP) of the Company is an organic one, undergoing numerous changes as and when the evolving business dynamics call for them. They are tested on regular intervals in multiple levels to ensure feasibility and executability are maintained. A strong focus on Disaster Recovery technology has seen the Recovery Time Objectives (RTO) and Recovery Point Objectives (RPO) improving drastically enabling the business to continue smoothly even during times of disruption.

- As one of the first companies in Sri Lanka to use big data for business analytics, the Company implemented several Business Intelligence applications for use by the senior management.
- Managing Data Migration Process - Used ETL tool for developing data migration scripts, handing data volume, managing schedule time
- Requirement gathering sessions were continued with Domain Subject Matter Experts and conducted GAP analysis with the existing Business Processes in the previous system.
- Thoroughly analyzed the transaction flows through several Mock Data Migration, Data Cleansing and Verification.
- Many new requirements and features have been introduced to the new information system while migrating existing functionality as it is.
- New system deployed in selected branches and conducted parallel system operations before going live.
- Using IT help desk process, users are allowed to report all issues and change requirements through the system. All Change Requests should be approved from the relevant approvers to start developments.
- All incidents will be monitored through the internal help desk system and users are allowed to update software and operational matters in the system.

Training and development of the growing members of the ICT Department continued throughout the year. With the rapid growth of the Company in complexity of ICT solutions, it is imperative that the ICT staff is geared to meet the rising demand for ICT services in the coming years.

Training needs of employees were carried out using the following methods:

- Through the ever-evolving ICT Service Catalog that depicts the service offerings by the team. Any new additions call for suitable training requirements.
- Trends in the ICT Service Desk incident, request and change

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orders were analyzed to identify areas that need improvement in employee training and were also included in the induction programme.

- Timely evaluation of present and future IT initiatives and the skills matrix to fill any gaps.

Any new major technology implementations are invariably followed up by highly skilled individuals to support the project. Local and foreign technical training have been provided in areas such as Microsoft, Cisco, Commvault Simpana, EMC2, Oracle, VMWare as well as information security training has been provided in areas such as ISO 27001:13. The software development team has also undergone comprehensive training in order to enable them manage the development of the new core finance system of the Company. Consultancies are commissioned to raise awareness in global trends and process improvements that manage to keep the team abreast of the latest developments in the ICT industry. Company has introduced new technologies such as Pentagon-Date Integration, WSO2 - ESB (Enterprise Service Bus) version upgraded, Sonar - Port quality assurance tool and PHP framework.

The Company understands that ICT is a fast-changing industry that presents various challenges to organizations of all sizes, across all industries. It is a constant test of the ICT Department's capabilities as the Department has to design, develop, test and implement business initiatives that enhance the Company's competitive advantage despite various time constraints. The key challenges faced by the ICT Department during the year are as follows:

- Migration of the Credit module data into the core finance system.
- Deployment of POS devices for Microfinance and RBL collections.
- Expansion of a sufficiently-trained workforce to meet the increasing demand from the growing internal customer base.
- Efficient management of relationships with local vendors, service providers and integrators in order to ensure that work was completed as per the agreements.
- Securing organizational information assets.

In better addressing the above challenges the department implemented the following strategic measures.

- Implemented flexible architecture to respond to the dynamic changes in business environment and provide domain knowledge training.
- Changed the structure of the IT team to give better focus to pain points by allocating responsibility and accountability to key individuals.
- Created better dynamics with the business divisions.

The ICT Department was able to successfully negotiate these challenges by driving innovation, keeping focus on the latest technological trends, being adaptable and finding ways to acquire the best ICT talent in the market.

Looking Ahead

As one of the key departments driving innovation and change, the ICT Department will undoubtedly face numerous challenges along the way.

- Completion of the new ERP System within the given project time lines.
- Maintenance of software development standards while supporting rapid business changes.
- Enhancing technologies to develop new business channels.
- Sustainable ICT alignment with business objectives continually.
- Tackling increasing threats that could bring harm to organisational information assets.
- Managing increased regulatory compliance requirements for ICT.
- Maintenance of infrastructure to manage the exponential increase in data and processing volumes.
- Keeping up with the global technology trends while ensuring security.

The Company believes that the key to meeting these challenges and obtaining the right result depends on the achievement of the following:

- Expanding the IT team to facilitate parallel developments of IT infrastructure.
- Adherence to agile development.
- Aligning ICT practices to be on par with global information security standards.
- Forming of R&D and integration teams.
- Increasing focus over the level of training and awareness of employees.

Marketing and Branding



The Marketing Department of Commercial Credit and Finance PLC mainly focusses on building the corporate image and brand awareness while promoting the Value driven culture of the Company to help many related to the Company to uplift their lives. The Department aims to make the Commercial to Credit brand the brand of humanity by the heart and action by taking it to a different level, giving a Purpose-driven message to society and thereby uplifting the lives of people.



The Marketing Department influences people and uplift their lives by reminding them of good habits and humane qualities. The department is very mindful when it comes to mass communication as, although it has the ability to deliver a message to a huge audience, there is a greater responsibility to deliver a message in line with the Shared Values of the Company.

Impact of the Company's Culture

The Marketing Department's unique advertising, revolves around bringing out the Loving and Caring qualities of the customer. Similarly, when it comes to interactions within the department and the Company, the Marketing Department helps mould future leaders who possess the ability to perform simple acts of love. Every individual of the department, irrespective of their knowledge level or experience, has the same ownership

and freedom and are equally committed to the Purpose of the Company. They have mastered the art of self-control and put it into practice when they connect with their colleagues and customers. These qualities have extended to their personal lives as well. When they interact with friends, relatives and society in general, they become brand ambassadors of Commercial Credit brand portraying a very positive message about the true meaning of living the life to the fullest with Values.

Highlights of the Year

The department embarked on several new marketing strategies to connect with a wider audience.

- Content Marketing - Attracting prospective customers through valuable content
- Affinity Marketing - Formed partnerships with different organizations.
- Event Marketing – Tied up with carefully selected programmes or events that rely on social interaction to generate leads
- Digital Marketing – Enhanced use of digital marketing to reach new audiences

Ethics and integrity continue to play a crucial part in making the Company a leading player in the financial services industry. Only events and activities that can help uplift the lives of people are chosen, even during circumstances that may be deemed difficult. Careful thought and planning go into the selection of an event even such as a musical concert. In keeping with the Shared Values of the Company, transparency is supported and encouraged at every level of the organization when dealing with all stakeholders. During the year, the Company provided support for several events

The Company continued to be recognized for excellence in different awards ceremonies.

- Best Marketing Company of the Year at Asia Marketing Excellence Awards 2016, South Korea conducted by Asia Marketing Federation
- People's Advertisement of the Year at SLIM Nielsen Peoples Awards 2016 jointly organized by Sri Lanka Institute of Marketing and Nielsen Sri Lanka.
- Most Effective Brand of the Year at Effie Awards 2016 organized by Sri Lanka Institute of Marketing.
- Winner - Marketing Campaign of the Year at the 6th CMO Asia Awards for Excellence in Branding and Marketing

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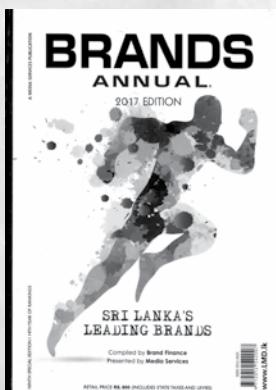
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The Company was rated among the Top 100 brands in Sri Lanka at the 2017 edition of the Brands Annual at a rank of 25 improving from 29 in 2016.

BRANDS ANNUAL (2017 Edition)

29 to 25



The Company was rated among the Top 100 brands in Sri Lanka in 2015/16 LMD 100 (December 2016 Edition) annually published by LMD at a rank of 41 improving from 49 in 2014/15.

LMD 100 Sri Lanka's Leading Listed Companies (2015/16 Edition)

49 to 41

2014/15 to 2015/16
December 2016 Editions



Looking Ahead

Some of the key challenges facing the department would be finding ways to reach each and every segment and selecting the best promotional campaign of media channels which aligned with the Shared Values of the Company. Prudent measures will be taken every step of the way where the Company will only join hands with organizations to conduct promotional campaigns only if the nature of their business and their goals are in alignment with the Purpose of Commercial Credit.

The Marketing Department will continue to make every possible effort to contribute towards the Purpose of the Company via steps such as:

Building a positive image among the public, changing the paradigms of others and making the people think differently through effective, emotional advertising and promotions

- Supporting all the individual products to reach the target audience through promotions & campaigns
- Providing marketing support via creative promotional materials
- Increase the brand visibility across the island
- Using online advertising and social media for viral marketing
- Increasing the number of training and development of staff on Shared Values as well as global marketing trends
- Appointing more freelance creative directors to increase the creativity presentation of key messages

Our Approach to Social Sustainability

Social sustainability is an important element of sustainability or sustainable development. Social sustainability encompasses human rights, labour rights and Corporate Governance. In common with environmental sustainability, social sustainability is the idea that those in society should have equal access to social resources.

Employees

The human capital of Commercial Credit is clearly its most valuable asset. The outstanding discipline, talent and passion of the people of the Company have driven the organization to new heights during the past few years. It is without doubt that the key attribute of the Company – its unique culture – is entrusted to the Human Resources Department (HRD) to nurture and develop. The Company believes that the culture plays a vital role in grooming effective, fair-minded leaders who not only contribute to the progress of the Company but also contribute meaningfully for the betterment of society. With this in mind, the Company continues its quest to constantly improve the HR Department and fine-tune the HR practices in order to create a “win-win” scenario for all concerned.

Maintaining Compliance

A range of policies and procedures related to employees, their rights and privileges and their duties and responsibilities are in place, by which the employees could make aware about how to conduct themselves in day-to-day situations as well as when unexpected events occur. The Company adheres to the Shop and Office Employees Act No. 15 of 1954 in practicing its HR activities. Additionally, the Company has established its own operating procedure manuals covering the areas such as handling of grievances, attendance and leave, disciplinary action, performance evaluation, recruitment, resignation, termination and retirement, staff facilities, staff planning, training & competencies, transfers and promotion and user registration. As a progressive organization, the Company has introduced its Anti-Sexual Harassment Policy and Ethical Working Framework in order to establish a conducive working environment through developing self-disciplined individuals.

Maintaining effective infrastructure for people

With the deep belief we hold in the importance of our people we continue to be focused on the health and well-being of our employees and many efforts have been made in this regard. Employees have been offered fitness center (Gymnasium) membership at concessionary rates and are encouraged to make use of these facilities with a view to improving their physical fitness. The Company also offers medical insurance facilities to its employees and their dependents. CCTV cameras have been fixed at most locations of the Company which contributes significantly to the safety and security of these locations. At Commercial Credit, employees understand the true meaning of the open door policy. Even an employee in the lowest grade of the Company can directly meet the Chief Executive Officer and the Executive Directors at any time. This has enabled the Company to forge ahead with a higher level of employee satisfaction as consistently seen by the overwhelmingly positive results seen at the bi-annual employee satisfaction surveys carried out by the Company. We believe that the employee satisfaction has translated into a high degree of commitment and motivation leading to extraordinary results for Commercial Credit. Further, the removal of hierarchical designations has had a substantial impact on the development of the unique culture based on Shared Values.

The Company goes to great lengths to maintain a harmonious working environment which affords equal opportunity to all. In line with this, the Company recognizes the right of individuals to express their concern about work-related issues and has an official avenue to resolve employees' genuine grievances and complaints in a fair and timely manner.

It is well-known that leadership plays a pivotal role in any organization meeting its goals. Hence, the Company has drawn up a clear plan to identify and groom the future leaders of the

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organization. Individuals in major leadership positions such as Regional Managers, Branch Managers and Functional Heads have been earmarked to fill the future leadership positions of the Company. The succession plan has allowed each individual to look at his/her long-term plan at the organization based on the Shared Values while allowing the Company to lay the foundation for a future of consistent growth and positive results.

Managing and Assessing Employee Satisfaction

The Company understands the many benefits that a satisfied employee brings to an organization. A satisfied employee often equates to a productive employee which in turn means a productive and happy Company. Keeping this in mind, the Company's Human Resources team is proactively working towards creating the best possible workplace for all employees. Periodic employee satisfactory surveys keep the Company on the right track to appropriately respond to workplace concerns. This helps the Company to understand the people and enables it to recognize future growth opportunities and future action planning.

The 360 Degree Value Appraisal System is one of the globally-accepted methods to evaluate an individual's performance within an organization. Though traditional performance evaluation methods are dominated by the superiors, the 360 Degree Value Appraisal System extends an opportunity to those who are around the Appraisee to evaluate him or her irrespective of the designations and levels. Since the Company's 360 Degree Value Evaluation has been based on its Shared Values, the system is more congruent with the Company's Purpose "To build leaders who uplift the life of people by simple acts of love". In 360 Degree Value Evaluation, the Appraisee is evaluated by his or her superiors, peers, subordinates as well as himself or herself. This assists the Appraisee to develop in practicing the Company's Shared Values by reviewing the ratings given by his or her superiors, peers and subordinates. Moreover, this system plays a vital role in cultivating the desired value based culture and to identify Value Champions who drives the desired culture.

Every member of the Company practicing the 360 Degree Value Appraisal is evaluated quarterly through Commercial Credit ERP system. Being a Value driven Company, Commercial Credit has given a higher weightage for this appraisal in determining individual's performance. The subjective appraisal evaluates the extent to which an individual possesses the key talents required by him or her in engaging with his/her daily work processes. Apart from this value and subjective appraisals, the level 5 employees have to do the Cross Colleague Evaluation (CCE) appraisal that evaluates each other's alignment with the Company culture.

The process of effectively gauging employee satisfaction is carried out via two satisfactory surveys – the On-Board Satisfactory Survey and the Employee Satisfactory Survey – based on the particular employee category.

On-Board Satisfaction Survey has been mainly designed for employees who are on the probationary period. This is conducted at the end of the third month from the joined date. This survey consists of 20 questions covering employee working conditions, peer and supervisor conditions, Company culture and learning environment.

General Employee Satisfaction Survey is conducted for confirmed employees to review their perception on employee conditions at the workplace. This is conducted twice a year in the months of June and December. The survey consists of 15 questions to employees and the duly filled questionnaires are used as a source of primary data in conducting the survey.

Rewarding Employees

As a Company that goes out of its way to look into the welfare of its employees, Commercial Credit has introduced various benefit schemes to address the need for development of the personal lives of employees. With this in mind, the Company invests considerable resources to ensure that the employees are well looked after. Key benefits such as medical bill claims, retirement bonus, wedding gifts and staff loans are all made available for employees. Based on each employee's Value Badge (platinum, gold, silver or bronze), the benefits improve significantly. Other benefits include performance rewards, insurance schemes, staff transportation for working late, appreciation of professional achievements, birthday gifts and new born baby gifts.

Shared Values

The Launch of Our Shared Values

The Company's Shared Values were initiated with the Value Day held on 4 March 2012 at the BMICH with the participation of the entire staff. A detailed presentation was made by the Chief Executive Officer explaining the principles behind the Shared Values their relevance and importance. It was instilled in the employees that the five Shared Values would be the basis of all their interactions both inside and outside the Company. The day's events also included speeches by the Chairman of the Company, the Executive Director and several other distinguished guest speakers. Mini dramas, written and directed by popular tele drama personalities, carrying the core message of each of these Shared Values were staged in which all the roles were played by employees of Commercial Credit.

The highlight of the Value Day included the institution of a Value Policy, the unveiling of the Company's Theme Song, Value Oath and the Value Badge. These initiatives were directed towards the inculcation of a Value driven culture. Continuous efforts are being made to ensure that the culture within Commercial Credit and Finance PLC is steeped in the Shared Values that we espouse.



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Instilling Our Shared Values

With the intention of instilling our Shared Values among the Commercial Credit team including the large number of new members, various programmes were conducted during the year. Some of these programmes were continuations of earlier undertakings while several new initiatives were also introduced.

Theme Song & Value Badges

The Theme Song is aired at all our offices at 8.35 am before the commencement of every working day and at all Commercial Credit events. Employees are expected to wear their Value Badges. Initially each employee is given a bronze Value Badge which would be upgraded to silver, gold and platinum in recognition of their degree of commitment towards practicing Shared Values.

Value Day

The third Value Night of Commercial Credit was held on 11 February 2017, in order to recognize and award the employees who have truly practiced the Company's Shared Values. This was another opportunity for the organization to highlight and appreciate the staff members who have truly lived the Company's Shared Values and to encourage others to follow. The basis of recognition involved a detailed process where each staff member was given an opportunity to nominate staff members to be considered for upgrading of Value Badges. Then, based on the 360 Degree Value Appraisal results and number of votes received, selected staff members were recognized for excellence in this important area by upgrading their Value Badges from bronze to silver, gold and platinum. 379 silver badges, 36 gold badges and 3 platinum badges were awarded at the third Value Day.

For this event the Board of Directors and all staff of Commercial Credit were present. The event included speeches by the Chief Executive Officer, the Executive Director and guest speakers. There were mini dramas written and directed by popular drama personalities carrying the core message of principles were staged in which all the roles were played by the employees of Commercial Credit. This event which will be featured once in two years, will be one of the most important days in the Company's corporate calendar. Commercial Credit is confident that the inculcation of a Value driven culture will be the single most important factor in moving the Company towards the attainment of the ideals enumerated in its Purpose statement.

Value Policy

The commitment of Commercial Credit towards its Shared Values is embodied in the Value Policy which provides guidelines and procedures on the development and implementation of a Value based culture. The policy contains a detailed framework and course of action to ensure the adherence of employees, by embedding the Values into the performance evaluation process. This policy applies to all employees and all activities.

Value Register

The Value Register is a record of good conduct and excellence in living the Shared Values by employees, whether work related or otherwise. When a noteworthy action by a colleague is observed, the Value Register will be used as the platform to communicate this action throughout the Company. Employees post their comments of appreciation about their colleagues anonymously in the Value Register, which is effectively the internal social networking system of the Company. As each employee receives the comments of appreciation from colleagues, a Value profile is created.

Training and Development

A large number of training programmes and workshops were held on culture development throughout all locations of the Company. The 7 Habits of Highly Effective People authored by the late Dr. Stephen Covey, the live wire behind the world renowned personal development organization Franklin Covey, continues to be a major source of inspiration for us at Commercial Credit. We consider the blend of fundamental principles and practical experience, and the wisdom and compassion contained in the 7 habits teachings, a powerful force enabling personal change. The practice of the 7 habits was encouraged among the employees as we believe that this would enable them to have a holistic and integrated approach to achieve effectiveness in each role they play in their professional and personal lives.

We strongly believe that the practice of the 7 habits by employees of our Company will greatly facilitate the internalization of the Shared Values of Commercial Credit. Value Mentors together with the location heads are expected to conduct Value Hours in each location on a weekly basis, so that all staff members will have regular opportunities to clarify matters regarding the issues they encounter in living the Shared Values on a day to-day basis.

In addition to the trainings on 7 Habits, the Company also provided many Job related technical trainings externally and internally.

In order to be able to effectively reach the large number of staff located across the country, a programme was implemented whereby a group of staff was developed as trainers. These trainers would then be able to conduct training activities regularly in selected locations assigned to them.

RISK MANAGEMENT AND CORPORATE GOVERNANCE

RISK MANAGEMENT

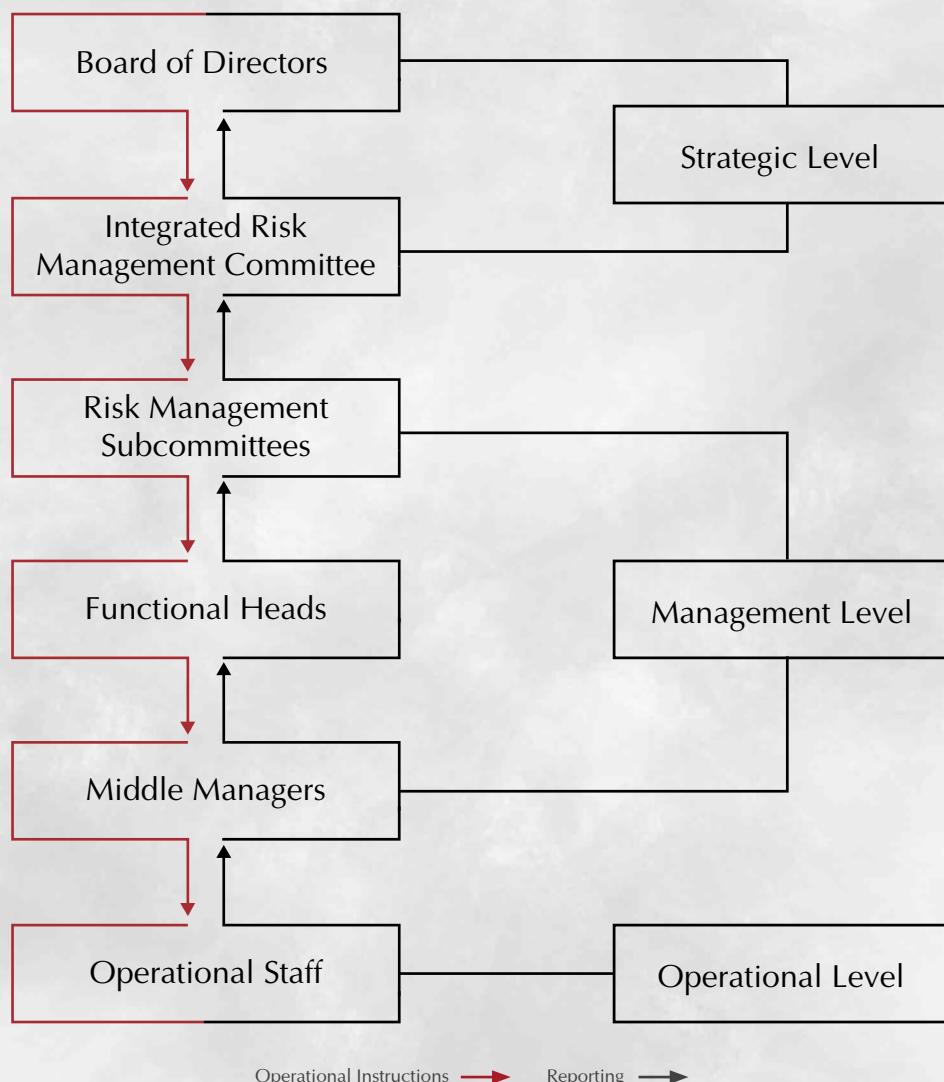
Generally financial institutions operate in an intensely complex and competitive market where the business and economic environment, and convergence, consolidation, globalization and a rapidly changing regulatory framework pose numerous challenges. The ability to manage multiple risk factors arising out of this complexity across multiple locations, product categories, asset classes, customer segments and functional departments is one of the key factors that determines the degree of success and sustainability of each financial institution.

Risk is inherent in the complex and ever changing Sri Lankan financial industry, in view of which Commercial Credit and Finance PLC has established a solid framework to diligently manage such risks. Risk Management involves identifying, assessing, avoiding or reducing the negative impacts arising from current or future hazards. The Risk Management process encompasses the identification, measurement, controlling and monitoring of each risk.

The Risk Management framework of Commercial Credit is designed to ensure that the Company can take calculated business risks. It is recognized that risk taking is an essential part of profit making. Business decisions are made in a manner that the safeguarding of capital, funding sources and profitability arising from various sources of risk contribute towards our strategic objectives. Underlying systems and processes permit the creation of risk awareness across the entire Company and to identify, measure, analyze and evaluate risks. Processes are also in place to develop and implement appropriate response strategies according to the risk appetite in order to manage such identified risks.

As in the case of all activities of the Company, it could be said that the efforts made to develop a culture based on the Shared Values of the Company form a very fundamental aspect of Risk Management at Commercial Credit.

The activities of Commercial Credit's Risk Management system take place at three broad levels as follows :



Strategic Level

At the strategic level, Risk Management functions are performed by the Board of Directors and the Integrated Risk Management Committee (IRMC). Tasks include defining risks, ascertaining risk appetite, formulating strategies and policies for managing risks and establishing adequate systems and controls to ensure that overall risk remains within the risk appetite.

Management Level

At the management level, Risk Management within business areas or across business lines ensures that strategies, policies and directives approved at the strategic level are operationalised. Development and implementation of underlying procedures, processes and controls are ensured at the management level. Assuring the compliance with laid down policies, procedures and controls, and reviewing the outcome of operations, and measuring and analyzing risk related information are also performed at this level.

Operational Level

At the operational level Risk Management, activities are performed by individuals who take risks on Company's behalf, which includes front, middle and back office personnel. They are required to comply with approved policies, procedures and controls. Operational level personnel give valuable inputs to continuously improve risk related activities undertaken in day-to-day operations.

Risk Management Process

A comprehensive Risk Management process has been developed and is continuously reviewed by the Integrated Risk Management Committee (IRMC) together with the Operational Management. The Company has established four risk subcommittees in the areas of Fixed Deposits, Human Resources, Information Technology and Credit, Legal and Recoveries. In addition, the Assets and Liabilities Committee (ALCO) reviews market and liquidity risks. The effectiveness of these Subcommittees are assessed by the IRMC.

The Risk Management process of the Company can be elaborated as follows:

The risk subcommittees comprise of selected representatives from the Operational Management, Middle Management and Operational Staff from respective disciplines. These subcommittees meet regularly and are responsible for identifying and analyzing risks. The identified risks are taken up for discussion at risk subcommittee meetings where issues are discussed in detail. The minutes of the subcommittee meetings are made available to the members of the IRMC. The decisions and directives of the IRMC are communicated to the Operational Management through subcommittees for operationalization of such decisions and directives. The IRMC meets

on a regular basis to review and discuss various reports related to Risk Management presented to the Committee by the Management and the findings of the risk subcommittees.

Risks related to areas under each subcommittee have been identified and a Risk Grid is developed. Each identified risk has been categorized based on the probability of occurrence and expected impact. The impact has been categorized as critical, high, medium and low. The frequency has been categorized as certain, likely, possible and remote. Control activities will be developed for all risks and such control activities will be communicated to the IRMC. IRMC will initially consider the risks that have critical or high impact and certain or likely probability.

Types of Risks

In achieving the Company's desired objectives, Commercial Credit is exposed to several risks which have been categorized as follows.

Credit Risk

Credit risk is the potential loss incurred in the event that a borrower fails to fulfill agreed obligations. The Company's credit risk arises mainly from various accommodations granted and could be identified as the most significant risk faced by the Company.

Mitigation

The Credit Policy plays a central role in managing daily business activities. The policy is reviewed at least once in two years and approved by the Board of Directors ensuring consistency with the Company's business strategy. Also Credit Risk subcommittee meetings drive policy decisions and implementation plans. Credit is required to be granted according to the approved policies and procedures of the Company. Special attention is given to Credit Risk Management in terms of analyzing customer credit worthiness through rigorous customer investigations before and after credit facilities are provided. Repayment of accommodations granted is closely monitored by those responsible for granting various facilities as well as those directly responsible for recovery activities. Indicators have been developed to measure risks associated with credit which are reviewed on a continuous basis for the entire organization as well as for each product and operational location. Company manages credit risk by focusing on following stages.

Credit Origination and Risk Appraisal

The credit facility origination process comprises initial screening and credit appraisal. The evaluation focuses on the borrower's ability to meet his/her obligations in a timely manner. Efforts are made to ensure consistent standards are maintained in credit approval. Collateral and guarantees form an important part of the credit risk mitigation process.

RISK MANAGEMENT

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Furthermore, an internal customer rating model is developed. The incorporation of the customer evaluation process into the ERP system has enabled the system itself to propose possible interest rates to be charged for customers within the guidelines.

Credit Measurement and Monitoring

To safeguard the Company against possible losses and problem in credit facilities need to be identified early. The Credit Risk subcommittee measures and tracks the status of the credit portfolio. Credit reports prepared monthly without failing to review high level credit portfolio concentration and assess performance of the facilities granted.

Recoveries

Default loans are managed by the Recoveries and Credit Division. This unit is responsible for all aspects of an overdue facility, restructuring of the credit, scrutiny of legal documents and liaising with the customer until all recovery matters are finalized. Regular meetings are held in order to ensure smooth functioning of recoveries function.

Microfinance loans form a substantial part of the loans and advances granted by the Company. As is the practice in general in the industry both in Sri Lanka and internationally, Microfinance loans are granted without obtaining any security from the borrower. As these accommodations are not covered by collateral they could lead to substantial credit risks to the Company. Credit risks associated with Microfinance portfolio is controlled by the following measures:

Limiting individual's first Microfinance loan to less than Rs. 40,000 and these are granted as group-loans where loans granted to each member of the group is guaranteed by the other members of the group. Loans are granted after careful evaluation of the purpose for which they are taken and the repayment capacity. Microfinance Loans in higher amounts are granted based on past credit performance of applicants and with careful evaluation of the purpose for which they are taken and the repayment capacity. Further, weekly and fortnight collection system which is closely monitored for each loan granted.

The Company also has a substantial portfolio of loans and advances granted under pawnbroking and related activities. These facilities are granted mainly based on gold articles obtained as security. In the event the price of gold in the local market reduce substantially, this would lead to a reduction in the value of the security obtained thereby exposing the Company to the risk that some customers may not redeem the articles retained by the Company. In such a situation in respect of the cases where the articles are not so redeemed, the difference between the realizable

value of the article held and the total of the capital, interest and other charges due would result in a loss to the Company.

In order to manage this risk, Company has adopted the following practices:

Frequent review of gold prices in the local and international markets and adjusting the amount of the loans granted for each sovereign of gold contained in the article are undertaken. Further, close follow up of the payment of capital and interest due on loans and advances granted and structuring of the loans and advances granted in a manner that recovery action is possible, are also undertaken.

Market Risk

Market risk is the risk arising from fluctuations in market variables such as interest rates, foreign currencies, equity prices and gold prices. This is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in the market variables. As the Company's operations involve granting accommodations, accepting deposits and obtaining funding facilities, the movements in interest rates constitute the most important market risk for the Company.

Mitigation

Movements in interest rates are closely monitored. Further, the Company maintains an adequate Net Interest Margin (NIM) so that increases in interest expenses can be absorbed. Although the mismatch in assets and liabilities in terms of maturity is widely prevalent in the industry, in view of the composition of the portfolio of the Company, this mismatch has been mitigated to a significant extent.

Liquidity Risk

Liquidity risk is the risk of only being able to meet liquidity obligations at increased cost or, ultimately, being unable to meet obligations as they fall due. In the case of the Company this relates mainly to the ability to meet refund of deposits obtained from the public as they fall due and settlement of installments on bank and other borrowings.

Mitigation

Special attention is given on the liquidity of the Company as it provides critical defense against this and several other risks such as reputation, compliance, and financial risks. A liquidity policy has been developed and integrated into risk policy to provide necessary guidelines. The Company's projected liquidity requirements are assessed on a continuous basis to ensure that they can be met as and when such requirements arise. The Company also strives to ensure that the liquidity ratios required

to be maintained by the applicable Central Bank regulations are complied with.

As per the requirements of Finance Companies (Liquid Assets) Direction No. 04 of 2013, the Company has to maintain minimum liquid assets as follows:

- a) 10.0 per cent of the outstanding value of time deposits received by the Company and accrued interest payable at close of business on such day; and
- b) 15.0 per cent of the outstanding value of savings deposits accepted by the Company and accrued interest payable at close of business on such day; and
- c) 10.0 per cent of total outstanding borrowings and any other payable that may be determined by the CBSL excluding the borrowings that are included in the capital funds of the Company and borrowings which are secured by the mortgage of any assets of the Company.

Operational Risk

Operational Risk Category	Key Risk Indicators
People	Staff turnover ratio No. of internal frauds No. of disciplinary actions taken against employees
Processes	No. of audit findings repeated No. of credit files returned due to incomplete documentation
Systems	No. of system failures No. of cyber attacks No. of data link breakdowns
External Events	External frauds committed by customers Operational delays of outsourced services

Operational risk is the probability of loss occurring from the internal inadequacies of a firm or a breakdown in its controls, operations, or procedures. For Commercial Credit it is the possible failure in the IT System and failure to fully comply with policies and procedures laid, mainly attributable to new recruits absorbed to facilitate rapid expansion.

Mitigation

Sound operational policies, processes and controls have been put in place to be followed by staff to mitigate operational risks and the effectiveness of the same is assessed on a continuous basis. The degree of compliance of staff with such operational policies,

processes and controls is regularly reviewed. The Company maintains risk registers which include possible operational risks and appropriate controls. Awareness building and comprehensive training sessions are undertaken to educate staff on the significance of the compliance with operational policies, processes and controls. In this context the Value driven culture which is rigorously promoted across all levels of Commercial Credit in ensuring that employees are self-disciplined, plays a key role. The Company is fully compliant with the regulatory requirements pertaining to IT system maintenance with special emphasis on Disaster Recovery Plans.

Reputational Risk

Reputation risk, is a risk of loss resulting from damages to a firm's reputation, in lost revenue; increased operating, capital or regulatory costs; or destruction of shareholder value, consequent to an adverse or potentially criminal event even if the company is not found guilty. For Commercial Credit, this relates to the borrowers' negative perception about the Company and a loss of confidence on the part of depositors. Further, with the emergence of the Company as a major player among NBFIs, it is critical that due attention is given to safeguard the high reputation the Company has earned among all stakeholders. In today's highly interconnected world with instant communication capability, an excellent reputation carefully built over a long period could be at risk instantly.

Mitigation

Strong Corporate Governance and Risk Management practices are promoted across all levels of the Company while significant investments have been made in enhancing the Company's brand image through well thought out marketing strategies which are in keeping with the Company's Shared Values. Further, promotion of the Value driven culture within the organization and customer confidence building initiatives employed enhance the reputation of the Company. The Company pays close attention to ensure that there is no reputation-reality gap for any stakeholder group of Commercial Credit.

CORPORATE GOVERNANCE

Corporate Governance is about promoting transparency and accountability and it defines systems and structures in relation to decision making and their execution through which Commercial Credit is managed in the best interest of our stakeholders. It has been designed and developed so that it will influence the behavior of everyone assigned with the responsibility of managing the affairs of the Company ensuring that the interests of all stakeholders are effectively served on a consistent basis. Good corporate governance helps Commercial Credit in moving the Company towards performance excellence while being in compliance with external and internal regulations, guidelines and ethical standards.

We recognize that controls and procedures play an integral part in maintaining high standards and that transparency, disclosure, financial controls and accountability are essential components of any good system of corporate governance. Commercial Credit and Finance PLC is committed to high standards of corporate governance and we are constantly seeking ways to making our corporate governance even more effective and reliable. We believe that the emphasis the Company consistently makes in instilling the Shared Values of the Company among all members of the Commercial Credit team will play a critical role in this regard.

The Company's Corporate Governance model has been built and enhanced based on the following requirements and guidelines.

- 1) The Companies Act No. 7 of 2007
- 2) The Listing Rules of Colombo Stock Exchange (CSE)
- 3) Code of Best Practice on Corporate Governance jointly issued by the Institute of Chartered Accountants of Sri Lanka (ICASL) and Securities and Exchange Commission of Sri Lanka
- 4) The Finance Companies (Corporate Governance) Direction No.3 of 2008 issued by the Central Bank of Sri Lanka

Board of Directors

The Board of Directors of the Company comprised of eleven members as at the end of the financial year under review. The Company's Board of Directors consists of professionals in varied fields who collectively possess a vast wealth of knowledge and experience and are thus eminently suitable to provide the leadership and direction required.

One third of the Directors retire by rotation at each Annual General Meeting and those eligible are recommended for re-election. The Board meets approximately once a month or as and when the need arises to discuss any prevailing issues and to take appropriate action as required. There were total of twelve Board Meetings during the financial year under review.

The Board of Directors jointly provides strategic leadership and direction to the Company. The Board ensures that strategies are formulated and implemented so that consistent progress is made by the Company towards its approved Purpose, Vision and Mission in keeping with our Shared Values. The Board issues directions and guidelines to the Chief Executive Officer and the Executive Management of the Company as it deems necessary.

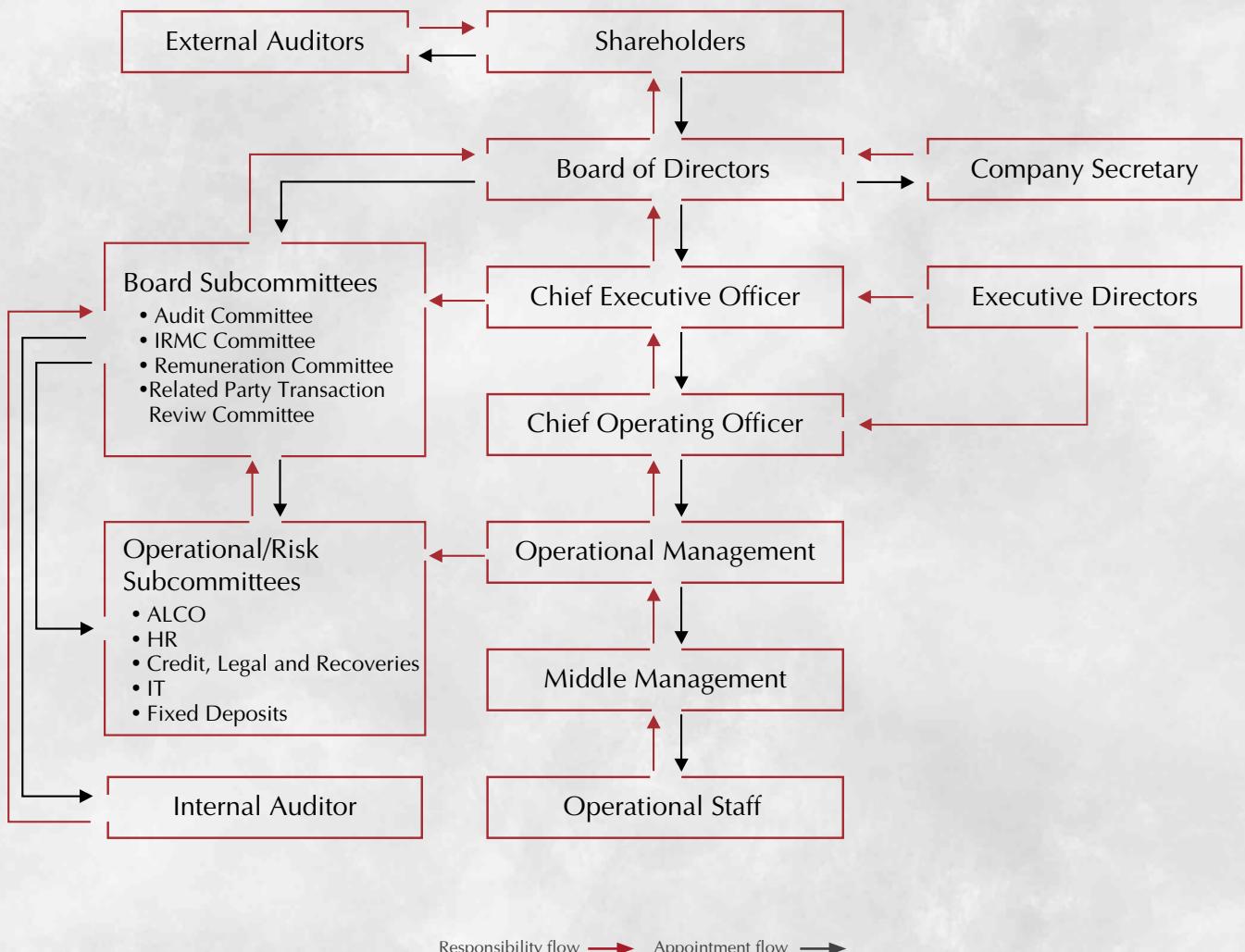
The Chairman has no financial or any other relationship with any other member of the Board. The Chief Executive Officer also does not have any financial or other relationship with any member of Board except for one Executive Director who is his spouse.

The policies and guidelines required are approved by the Board and periodically reviewed to ensure that they remain relevant and meet the requirements of the Company. Further, members of the Board have appointed to the subcommittees covering specified areas and its Terms of Reference have been approved by the Board of Directors.

The Board of Directors through their regular meetings and operation of Board Subcommittees reviews the performance of the Company in the context of the interests of all stakeholders. The financial performance, compliance with rules and regulations and risk management receive close attention of the Board. The financial budget and other plans and indicators together with related resource requirements are reviewed and approved by the Board for the ensuing financial period. The Board's attention is also given to the proper functioning and effectiveness of the Company's System of Internal Controls, Management Information System (MIS) and corporate governance practices. In reviewing the performance of the Company the Board meets the Chief Executive Officer and Executive Management.

A Statement of Directors' Responsibilities for Financial Reporting is set out in this Annual Report.

Governance Structure



Board Subcommittees

In accordance with the requirements of the Listing Rules of the Colombo Stock Exchange and the related Directives of the Central Bank of Sri Lanka the Board has constituted four Subcommittees, namely, the Board Audit Committee, Remuneration Committee, Related Party Transaction Review Committee and the Integrated Risk Management Committee (IRMC). These Committees are made up of members of the Board and the Operational Management of the Company.

The Board Subcommittees scrutinize and analyse the areas under their purview and, assist and advise the Board of Directors. The Board Subcommittees obtain information and explanations and any other assistance required from the Management and staff of the Company.

The composition of the Board during the period under review is set out in the table in this section together with a record of the attendance of every Director at Board and Subcommittee meetings.

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Name of the Director	Category	Board		Audit Committee		Remuneration Committee		Integrated Risk Management Committee		Related Party Transaction Review Committee	
		Eligible to attend	Attend	Eligible to attend	Attend	Eligible to attend	Attend	Eligible to attend	Attend	Eligible to attend	Attend
Mr K J C Perera	Independent Non-Executive	12	12	16	16	1	1	5	5	Not Applicable	
Mr R S Egodage	Executive	12	10	Not Applicable		Not Applicable		5	1	Not Applicable	
Mrs G R Egodage	Executive	12	12	Not Applicable		Not Applicable		Not Applicable		Not Applicable	
Mr I G S K Gunarathne	Non-Executive	12	11	16	14	1	1	5	5	4	4
Mr M S D Pinto	Independent Non-Executive	12	12	Not Applicable		Not Applicable		Not Applicable		4	4
Mr E D P Soosaipillai	Independent Non-Executive	12	12	16	16	Not Applicable		5	5	Not Applicable	
Mr P T Fisher	Non-Executive	12	12	Not Applicable		Not Applicable		Not Applicable		Not Applicable	
Mr K D Vander Weele	Non-Executive	12	11	Not Applicable		Not Applicable		Not Applicable		Not Applicable	
Mr R C Chitty	Executive	12	12	Not Applicable		Not Applicable		5	5	4	3
Mr M Konoshita (Appointed w.e.f. 21.12.2016)	Non-Executive	3	2	Not Applicable		Not Applicable		Not Applicable		Not Applicable	
Mr R Martin (Appointed w.e.f. 21.12.2016)	Non-Executive	3	3	Not Applicable		Not Applicable		Not Applicable		Not Applicable	

Company Secretaries

Jacey & Company provides corporate secretarial services to the Company. The Company Secretaries play a key role in compliance matters by ensuring that the Company complies with the requirements of the Companies Act No.7 of 2007, the Rules of the Colombo Stock Exchange and other regulatory bodies. The Secretaries also ensure that Board procedures are followed and information is provided to shareholders on a timely basis. Jacey & Company has also been appointed by the Board to function as Secretaries for the Board Subcommittees.

Operational and Risk Subcommittees

In order to facilitate the implementation of the policies and various operational decisions made by the Board and the Executive Management, regular meetings are held with the Operational Management team, functional heads and heads of the various branches and service centers of the Company. These meetings focus on achievement of operational targets, resource requirements and, underlying processes and risks. An Assets and Liabilities Committee (ALCO) and risk subcommittees covering the areas of fixed deposits, human resources, information technology and credit, legal and recoveries have been formed with the intention of identifying and reviewing the related risk aspects of the operations of the Company and actions required to deal with such risks. These subcommittees are represented by risk management and operational personnel and meet approximately

once in three months. Matters discussed and decisions made are communicated to the Integrated Risk Management Committee (IRMC).

Operational Structure

In order to effectively execute the strategies and plans approved by the Board, Commercial Credit has an operational structure which manages its product portfolio and the geographical locations at which it is present. Members of the Executive Management are assigned with responsibilities to manage the specific products and functions of the Company. The next level of management is responsible for delivering of results at regional and at the level of individual locations. Formal lines of communication and reporting flow from the Chief Executive Officer and Executive Director to the Executive Management and from them to the regional and branch management and then to the operational staff. However in keeping with the open culture of the Company all employees have open lines of communication across the organization where even the most junior staff have direct access to the Chief Executive Officer and the Executive Directors.

Compliance with Legal Requirements

All Directors have access to the advice and services of the Company Secretaries as well as to the financial information of the Company. The Directors make every endeavor to ensure that the Company complies with applicable laws and regulations.

Highlights for 2016/17

1. Appointment of Directors at the Annual General Meeting

Mr Rajiv Casie Chitty was appointed as an Executive Director to the Board on 5 January 2016 and was elected at the Annual General Meeting held on 8 August 2016.

2. Directors' Retirement/Re-appointment at the Annual General Meeting

Mr K D Vander Weele, a Non-Executive Director of the Company who was first appointed to the Board on 27 March 2014 was re-elected at the Annual General Meeting held on 8th August 2016.

Mr P T Fisher, a Non-Executive Director of the Company who was first appointed to the Board on 27 March 2014 was re-elected at the Annual General Meeting held on 8th August 2016.

Mr E D P Soosaipillai, an Independent Non-Executive Director of the Company who was first appointed to the Board on 22 January 2014 was re-elected at the Annual General Meeting held on 8th August 2016.

3. Re-appointment of Auditors

Messrs Ernst & Young, Chartered Accountants were re-appointed as the Auditors of the Company at the AGM held on 8th August 2016.

4. Re-appointment of Messrs Ernst & Young, Chartered Accountants for assessment of corporate governance and Compliance

The Company engaged the services of Messrs Ernst & Young, Chartered Accountants to seek their assessment of the Company's compliance with the requirements of the Finance Business Act Direction No. 3 of 2008 on Corporate Governance for Licensed Finance Companies issued by the Central Bank of Sri Lanka and subsequent amendments thereto.

5. Re-appointment of Messrs Ernst & Young, Chartered Accountants for certification on the process adapted by the Directors on the system of Internal Controls over Financial Reporting

The Company also engaged the services of Messrs Ernst & Young, Chartered Accountants to seek an assurance on the Company's level of compliance in relation to governance directives issued by the Central Bank of Sri Lanka.

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The following table indicates the status of compliance on the contents of Annual Report in terms of the Listing Rules of the Colombo Stock Exchange Rule No. 7.6

Rule No.	Disclosure Requirement	Section/Reference
7.6 (i)	Names of the Directors who held duties during the financial year	Refer Report of the Board of Directors on the Affairs of the Company in this Annual Report
7.6 (ii)	Principal activities of the Company and its subsidiaries during the year and any changes therein	Refer Report of the Board of Directors on the Affairs of the Company in this Annual Report
7.6 (iii)	The names and the number of shares held by the 20 largest holders of voting and non-voting shares and the percentage of such shares held	Refer Investor Information in this Annual Report
7.6 (iv)	The public holding percentage	Refer Investor Information in this Annual Report
7.6 (v)	Directors' and Chief Executive Officer's holding in shares of the Company at the beginning and end of the financial year	Refer Investor Information in this Annual Report
7.6 (vi)	Information pertaining to material foreseeable risk factors	Refer Risk Management section in this Annual Report
7.6 (vii)	Details of material issues pertaining to employees and industrial relations	There were no material issues pertaining to employees and industrial relations
7.6 (viii)	Extents, locations, valuations and the number of buildings of the Company's land holdings and investment properties	Refer Other Non-Financial Information section in this Annual Report
7.6 (ix)	Number of shares representing the stated capital	Refer Investor Information in this Annual Report
7.6 (x)	A distribution schedule of the number of holders in each class of equity securities, and the percentage of their total holdings	Refer Investor Information in this Annual Report
7.6 (xi)	Ratios and market price information: <ul style="list-style-type: none"> • Equity <ol style="list-style-type: none"> 1. Dividend per share 2. Dividend pay out 3. Net asset value per share 4. Market value per share (highest and lowest values recorded during the financial year and value as at the end of financial year) • Debt (only if listed) <ol style="list-style-type: none"> 1. Interest rate of comparable government security 2. Debt/equity ratio 3. Interest cover 4. Quick asset ratio 5. The market prices & yield during the year 6. Any changes in credit rating 	Refer Investor Information in this Annual Report Refer Investor Information in this Annual Report

Rule No.	Disclosure Requirement	Section/Reference
7.6 (xii)	Significant changes in the Company's or its subsidiaries' fixed assets and the market value of land, if the value differs substantially from the book value	Refer Notes to the Financial Statements
7.6 (xiii)	Details of funds raised through a Initial Public issue, Rights Issue and Private Placement	Refer Report of the Board of Directors on the Affairs of the Company in this Annual Report
7.6 (xiv)	Information in respect of Employee Share Ownership or Stock Option Scheme <ul style="list-style-type: none"> • Total number of shares allotted during the financial year • Price at which shares were allotted • Highest, lowest & closing price of the share recorded during the financial year • Details of funding granted to employees (if any) 	Not Applicable
7.6 (xv)	Disclosures pertaining to Corporate Governance practices in terms of Rules 7.10.3, 7.10.5 c. and 7.10.6 c. of Section 7 of the Rules	Refer Report of the Board of Directors on the Affairs of the Company, Report of the Board Audit Committee, Report of the Remuneration Committee and Corporate Governance section in this Annual Report
7.6 (xvi)	Related Party transactions exceeding 10 per cent of the Equity or 5 per cent of the total assets of the Entity as per Audited Financial Statements, whichever is lower	Not applicable as it has not exceeded the stipulated limit

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Company's compliance with Direction No. 3 of 2008 on Corporate Governance issued by the Central Bank of Sri Lanka.

Rule Reference	Rule Description	Compliance Status
2. The Responsibilities of the Board of Directors		
2. (1) a)	approving and overseeing the finance company's strategic objectives and corporate values and ensuring that such objectives and values are communicated throughout the finance company;	A three year strategic plan covering financial years 2016 – 2018 that encompasses the strategic objectives and corporate values of the company prepared by the management was approved by the Board.
b)	approving the overall business strategy of the finance company, including the overall risk policy and risk management procedures and mechanisms with measurable goals, for at least immediate next three years;	Company's three year strategic plan is based on the overall risk policy and risk management procedures and mechanism approved by the Board.
c)	Identifying risks and ensuring implementation of appropriate systems to manage the risks prudently;	The Board has appointed an Integrated Risk Management Committee (IRMC) which met 5 times during the financial year 2016/2017. The IRMC has appointed sub committees to identify the risks in the areas of assets and liabilities management, fixed deposits, Information technology, human resources, credit, legal and recoveries.
d)	Approving a policy of communication with all stakeholders, including depositors, creditors, share-holders and borrowers;	A Board approved detailed policy on communication with the relevant stakeholders is in place. The company has assigned a designated person to handle communication with all stakeholders, including depositors, creditors, shareholders and borrowers.
e)	Reviewing the adequacy and the integrity of the finance company's internal control systems and management information systems;	The Board Audit Committee (BAC) reviews the adequacy and the integrity of the company's internal control systems. Minutes of such meetings circulated to the Board. Various reviews have been carried out in relation to the Management Information System (MIS) of the company by internal and external parties which has been presented to the BAC. Based on the BAC review and recommendation Board has reviewed the adequacy and integrity of MIS
f)	Identifying and designating key management personnel, who are in a position to:	Board of Directors (which includes the Chief Executive Officer (CEO) and Chief Operating Officer (COO)) and selected Genius Operations have been designated by the Board as Key Management Personnel.
	1. significantly influence policy; 2. direct activities; and 3. exercise control over business activities, operations and risk management;	
g)	Defining the areas of authority and key responsibilities for the Board and for the key management personnel;	Board approved areas of key responsibilities of Board of Directors and Key Management Personnel are in place.
h)	Ensuring that there is appropriate oversight of the affairs of the finance company by key management personnel, that is consistent with the finance company's policy;	The affairs of the company are reviewed and monitored by the Board of directors through the CEO and it ensures that the key management personnel and other members of the executive management exercise appropriate oversight on the activities of the Company.

Rule Reference	Rule Description	Compliance Status
	<p>i) periodically assessing the effectiveness of its governance practices, including:</p> <ul style="list-style-type: none"> i. the selection, nomination and election of directors and appointment of key management personnel; ii. the management of conflicts of interests; and iii. the determination of weaknesses and implementation of changes where necessary; 	<p>The Board ensures that it periodically assesses its own governance practices including selection, nomination and election of Directors and appointment of Key Management Personnel, management of conflicts of interests and the determination of weaknesses and implement changes where necessary.</p>
	<p>j) Ensuring that the finance company has an appropriate succession plan for key management personnel;</p> <p>k) Meeting regularly with the key management personnel to review policies, establish lines of communication and monitor progress towards corporate objectives;</p>	<p>Board approved succession plan for Key Management Personnel is in place</p> <p>Members of the Executive Management are invited to Board meetings where they are required to explain matters relating to their areas of responsibility and to assist the Board in reviewing related policies.</p>
	<p>l) Understanding the regulatory environment;</p> <p>m) Exercising due diligence in the hiring and oversight of external auditors.</p>	<p>The Directors and Key management personal are informed of all changes to the regulatory environment.</p> <p>The Board exercised due diligence in hiring and oversight of External Auditors with the assistance of the BAC. The External Auditors are appointed by the shareholders at the annual general meeting.</p>
(2)	<p>The Board shall appoint the chairman and the chief executive officer and define and approve the functions and responsibilities of the chairman and the chief executive officer in line with paragraph 7 of this Direction.</p>	<p>Chairman and CEO are appointed by the Board and their functions and responsibilities are separated and further defined and approved by the Board of Directors.</p>
(3)	<p>There shall be a procedure determined by the Board to enable directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the finance company's expense. The Board shall resolve to provide separate independent professional advice to directors to assist the relevant director(s) to discharge the duties to the finance company.</p>	<p>There is a procedure approved by the Board of Directors to obtain independent professional advice where necessary at the Company's expense.</p>
(4)	<p>A director shall abstain from voting on any Board resolution in relation to a matter in which he or any of his relatives or a concern in which he has substantial interest, is interested, and he shall not be counted in the quorum for the relevant agenda item at the Board meeting.</p>	<p>A procedure has been put in place to avoid conflicts of interest and Directors abstain from voting when matters in which he/she or any of his/her relatives or a concern in which he/she has substantial interest is discussed.</p>
(5)	<p>The Board shall have a formal schedule of matters specifically reserved to it for decision to ensure that the direction and control of the finance company is firmly under its authority.</p>	<p>A formal schedule of matters specifically reserved for the Board of Directors is in place.</p>
(6)	<p>The Board shall, if it considers that the finance company is, or is likely to be, unable to meet its obligations or is about to become insolvent or is about to suspend payments due to depositors and other creditors, forthwith inform the Director of the Department of Supervision of Non-Bank Financial Institutions of the situation of the finance company prior to taking any decision or action.</p>	<p>No such situation has arisen in the past or nor is one foreseen in the foreseeable future.</p>

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Rule Reference	Rule Description	Compliance Status
(7)	The Board shall include in the finance company's annual report, an annual corporate governance report setting out the compliance with this Direction.	An annual corporate governance report setting out the compliance with this direction is included in this annual report
(8)	The Board shall adopt a scheme of self-assessment to be undertaken by each director annually, and maintain records of such assessments.	A scheme of self-assessment of directors is to be undertaken by each director annually and the records of such assessments are maintained by the Company Secretary.
3. Meetings of the Board		
3. (1)	The Board shall meet at least twelve times a financial year at approximately monthly intervals. Obtaining the Board's consent through the circulation of written or electronic resolutions/papers shall be avoided as far as possible.	12 Board Meetings were held during the year 2016/17 at approximately monthly intervals and details of Directors' individual attendance are provided under "Corporate Governance" in this annual report. There were 28 instances where the Board's consent has been obtained through circulation of resolutions/papers during this financial year under review, which were subsequently ratified by the Board at their meetings.
(2)	The Board shall ensure that arrangements are in place to enable all directors to include matters and proposals in the agenda for regular Board meetings where such matters and proposals relate to the promotion of business and the management of risks of the finance company.	Agendas of regular meetings are included with matters and proposals from all Directors with regard to promotion of business and management of risk and other relevant areas of the business of the Company. Further, a Board approved procedure is in place in this regard.
(3)	A notice of at least 7 days shall be given of a regular Board meeting to provide all directors an opportunity to attend. For all other Board meetings, a reasonable notice shall be given.	Meaningful discussions are facilitated at both Board Meetings and other meetings where adequate time and at least 7 days of notice is given to Directors prior to the Board meeting. Further, sufficient time period is offered in studying the relevant papers and proposals.
(4)	A director who has not attended at least two-thirds of the meetings in the period of 12 months immediately preceding or has not attended the immediately preceding three consecutive meetings held, shall cease to be a director. Provided that participation at the directors' meetings through an alternate director shall, however, be acceptable as attendance.	No such situation has arisen in financial year 2016/2017. Details of Directors' individual attendance are provided under the "Corporate Governance" in this annual report.
(5)	The Board shall appoint a company secretary whose primary responsibilities shall be to handle the secretarial services to the Board and shareholder meetings and to carry out other functions specified in the statutes and other regulations.	For carrying out the secretarial functions and other functions required by the statutes, the Board has appointed a professional secretarial company as the Board Secretary.
(6)	If the chairman has delegated to the company secretary the function of preparing the agenda for a Board meeting, the company secretary shall be responsible for carrying out such function.	Company Secretary prepares the agenda for the Board Meeting and the Chairman approves the Same.
(7)	All directors shall have access to advice and services of the company secretary with a view to ensuring that Board procedures and all applicable laws, directions, rules and regulations are followed.	Such advice and services of Company Secretary are available to all Directors and a Board approved process is in place in this regard.

Rule Reference	Rule Description	Compliance Status
(8)	The company secretary shall maintain the minutes of Board meetings and such minutes shall be open for inspection at any reasonable time, on reasonable notice by any director.	Board Minutes are maintained by the Company Secretary and the same is available for Directors' Inspection.
(9)	Minutes of Board meetings shall be recorded in sufficient detail so that it is possible to gather from the minutes, as to whether the Board acted with due care and prudence in performing its duties. The minutes of a Board meeting shall clearly contain or refer to the following: <ul style="list-style-type: none"> a. a summary of data and information used by the Board in its deliberations; b. the matters considered by the Board; c. the fact-finding discussions and the issues of contention or dissent which may illustrate whether the Board was carrying out its duties with due care and prudence; d. the explanations and confirmations of relevant executives which indicate compliance with the Board's strategies and policies and adherence to relevant laws and regulations; e. the Board's knowledge and understanding of the risks to which the finance company is exposed and an overview of the risk management measures adopted; and f. the decisions and Board resolutions. 	Minutes of the Board meetings are recorded in sufficient details including the requirements mentioned in this section.
4. Composition of the Board		
4 (1)	Subject to the transitional provisions contained herein, the number of directors on the Board shall not be less than 5 and not more than 13.	The Board consists of eleven (11) Directors as at 31 March 2017.
(2)	Subject to the transitional provisions contained herein and subject to paragraph 5(1) of this Direction the total period of service of a director other than a director who holds the position of chief executive officer or executive director shall not exceed nine years. The total period in office of a non-executive director shall be inclusive of the total period of service served by such director up to the date of this Direction.	None of the Non-Executive Directors have held office for over nine years.
(3)	Subject to the transitional provisions contained herein, an employee of a finance company may be appointed, elected or nominated as a director of the finance company (hereinafter referred to as an "executive director") provided that the number of executive directors shall not exceed one-half of the number of directors of the Board. In such an event, one of the executive directors shall be the chief executive officer of the company.	There are eight (08) Non-Executive Directors and three (03) Executive Directors (including the Chief Executive Officer).
(4)	With effect from three years commencing 01.01.2009, the number of independent Non-executive Directors of the Board shall be at least one fourth of the total number of directors.	3 out of a total of 11 Directors are Independent Non-Executive Directors.

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Rule Reference	Rule Description	Compliance Status
(5)	In the event an alternate director is appointed to represent an independent non-executive director, the person so appointed shall also meet the criteria that apply to the independent non-executive director.	No such situation has arisen during the financial year 2016/17.
(6)	Non-executive directors shall have necessary skills and experience to bring an objective judgment to bear on issues of strategy, performance and resources.	A brief profile of each Director is disclosed in this annual report.
(7)	With effect from three years from the date of this Direction, a meeting of the Board shall not be duly constituted, although the number of directors required to constitute the quorum at such meeting is present, unless at least one half of the number of directors that constitute the quorum at such meeting are non-executive directors.	Details of Directors' individual attendance are provided in the "Corporate Governance" section in this annual report. The Board Meeting attendance was prepared by the Company Secretary for the financial year 2016/17 evidence the required quorum has been complied with at all Board Meetings.
(8)	The independent non-executive directors shall be expressly identified as such in all corporate communications that disclose the names of directors of the finance company. The finance company shall disclose the composition of the Board, by category of directors, including the names of the chairman, executive directors, non-executive directors and independent non-executive directors in the annual corporate governance report which shall be an integral part of its Annual Report.	The required disclosures are made in corporate communications and in the annual report. This process will be further strengthened.
(9)	There shall be a formal, considered and transparent procedure for the appointment of new directors to the Board. There shall also be procedures in place for the orderly succession of appointments to the Board.	The required procedure for appointment of Directors is in place.
(10)	All directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after their appointment.	No such situation has arisen during the financial year 2016/17.
(11)	If a director resigns or is removed from office, the Board shall announce to the shareholders and notify the Director of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka, regarding the resignation of the director or removal and the reasons for such resignation or removal, including but not limited to information relating to the relevant director's disagreement with the Board, if any.	No such situation has arisen during the financial year 2016/17.

5. Criteria to Assess the Fitness and Propriety of Directors

5. (1)	Subject to the transitional provisions contained herein, a person over the age of 70 years shall not serve as a director of a finance company.	No Director currently serving on the Board is above the age of seventy (70).
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Rule Reference	Rule Description	Compliance Status
(2)	A director of a finance company shall not hold office as a director or any other equivalent position in more than 20 companies/societies/bodies corporate, including associate companies and subsidiaries of the finance company. Provided that such director shall not hold office of a director or any other equivalent position in more than 10 companies that are classified as Specified Business Entities in terms of the Sri Lanka Accounting and Auditing Standards Act, No. 15 of 1995.	No Director holds Directorship in more than 20 companies/societies/bodies/corporates including associate companies and subsidiaries of the Finance Company. No Director holds Directorship in more than 10 companies that are classified as Specified Business Entities.
6. Delegation of Functions		
6. (1)	The Board shall not delegate any matters to a Board committee, chief executive officer, executive directors or key management personnel, to an extent that such delegation would significantly hinder or reduce the ability of the Board as a whole to discharge its functions.	The Board does not delegate matters to an extent that such delegation would significantly hinder or reduce the ability of the Board as a whole to discharge its functions.
(2)	The Board shall review the delegation processes in place on a periodic basis to ensure that they remain relevant to the needs of the finance company.	The delegation process is periodically reviewed.
7. The Chairman and the Chief Executive Officer		
7. (1)	The roles of chairman and chief executive officer shall be separated and shall not be performed by the one and the same person after 3 years commencing from January 1, 2009.	The roles of Chairman and CEO are separated and held by two different individuals appointed by the Board.
(2)	The chairman shall be a non-executive director. In the case where the chairman is not an independent non-executive director, the Board shall designate an independent non-executive director as the Senior Director with suitably documented terms of reference to ensure a greater independent element. The designation of the Senior Director shall be disclosed in the finance company's Annual Report.	Chairman is an Independent Non-Executive Director.
(3)	The Board shall disclose in its corporate governance report, which shall be an integral part of its Annual Report, the name of the chairman and the chief executive officer and the nature of any relationship [including financial, business, family or other material/relevant relationship(s)], if any, between the chairman and the chief executive officer and the relationships among members of the Board.	The Chairman has no financial or any other relationship with any other member of the Board. The Chief Executive Officer has a business relationship with a Non-Executive Director Mr. I. G. S. K. Goonaratne where such Mr. Goonaratne and CEO serve on the Board of Trade Finance and Investments PLC which is a subsidiary of the company. Also, one Executive Director Mrs. G. R. Egodage is the spouse of CEO. The names of the Chairman and the CEO are given in this Annual Report.
(4)	The chairman shall: (a) provide leadership to the Board; (b) ensure that the Board works effectively and discharges its responsibilities; and (c) ensure that all key issues are discussed by the Board in a timely manner.	The requirements specified are adhered to by the Chairman in discharging his duties. The Self-evaluation process of the Company ensures that the said requirements are fulfilled.

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Rule Reference	Rule Description	Compliance Status
(5)	The chairman shall be primarily responsible for the preparation of the agenda for each Board meeting. The chairman may delegate the function of preparing the agenda to the company secretary.	Company Secretary prepares the agenda for the Board Meeting and the Chairman approves the same.
(6)	The chairman shall ensure that all directors are informed adequately and in a timely manner of the issues arising at each Board meeting.	The requirement specified are adhered to by the Chairman in discharging his duties.
(7)	The chairman shall encourage each director to make a full and active contribution to the Board's affairs and take the lead to ensure that the Board acts in the best interests of the finance company.	The requirement specified are adhered to by the Chairman in discharging his duties.
(8)	The chairman shall facilitate the effective contribution of non-executive directors in particular and ensure constructive relationships between executive and non-executive directors.	The requirement specified are adhered to by the Chairman in discharging his duties.
(9)	Subject to the transitional provisions contained herein, the chairman, shall not engage in activities involving direct supervision of key management personnel or any other executive duties whatsoever.	The requirement specified are adhered to by the Chairman in discharging his duties.
(10)	The chairman shall ensure that appropriate steps are taken to maintain effective communication with shareholders and that the views of shareholders are communicated to the Board.	Shareholders are given the opportunity to express their views on matters of interest to them at Annual General Meetings.
(11)	The Chief executive officer shall function as the apex executive-in-charge of the day-to-day-management of the finance company's operations and business.	CEO functions as the apex executive of the Company supported by the Executive Management .

8. Board Appointed Committees

(1)	Every finance company shall have at least the two Board committees set out in paragraphs 8(2) and 8(3) hereof. Each committee shall report directly to the Board. Each committee shall appoint a secretary to arrange its meetings, maintain minutes, records and carry out such other secretarial functions under the supervision of the chairman of the committee. The Board shall present a report on the performance, duties and functions of each committee, at the annual general meeting of the company.	BAC and IRMC have been established and are directly report to the Board. The Company Secretary has been appointed to arrange meetings, maintain minutes, records and carry out such other secretarial functions under the supervision of the Chairmen of the said committees. The performance, duties and functions of each committee are included in this Annual Report.
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8. Audit Committee

(2)	a) The chairman of the committee shall be a non-executive director who possesses qualifications and experience in accountancy and/or audit.	The name, qualifications and experience of the Audit Committee Chairman who is an Independent Non-Executive Director, are given in the profiles of the Board of Directors in this Annual Report.
	b) The Board members appointed to the committee shall be non-executive directors.	The Board members appointed to the committee are Non-Executive Directors.

Rule Reference	Rule Description	Compliance Status
	<p>c) The committee shall make recommendations on matters in connection with:</p> <ul style="list-style-type: none"> i. the appointment of the external auditor for audit services to be provided in compliance with the relevant statutes; ii. the implementation of the Central Bank guidelines issued to auditors from time to time; iii. the application of the relevant accounting standards; and iv. the service period, audit fee and any resignation or dismissal of the auditor, provided that the engagement of an audit partner shall not exceed five years, and that the particular audit partner is not re-engaged for the audit before the expiry of three years from the date of the completion of the previous term. 	<p>The Committee makes recommendations to the Board on:</p> <ul style="list-style-type: none"> • the appointment of the External Auditor for audit services provided in compliance with the relevant statutes; • the implementation of the Central Bank guidelines issued to Auditors from time to time; • the application of the relevant accounting standards; and • the service period, audit fee and any resignation or dismissal of the Auditor. <p>The engagement of the Audit Partner has not exceeded five years</p>
	<p>d) The committee shall review and monitor the external auditor's independence and objectivity and the effectiveness of the audit processes in accordance with applicable standards and best practices.</p>	<p>The required functions are performed by the Committee. Refer "Report of the Board Audit Committee" in this Annual Report.</p>
	<p>e) The committee shall develop and implement a policy with the approval of the Board on the engagement of an external auditor to provide non-audit services that are permitted under the relevant statutes, regulations, requirements and guidelines. In doing so, the committee shall ensure that the provision by an external auditor of non-audit services does not impair the external auditor's independence or objectivity. When assessing the external auditor's independence or objectivity in relation to the provision of non-audit services, the committee shall consider:</p> <ul style="list-style-type: none"> i. whether the skills and experience of the auditor make it a suitable provider of the non-audit services; ii. whether there are safeguards in place to ensure that there is no threat to the objectivity and/or independence in the conduct of the audit resulting from the provision of such services by the external auditor; and iii. Whether the nature of the non-audit services, the related fee levels and the fee levels individually and in aggregate relative to the auditor, pose any threat to the objectivity and/or independence of the external auditor. 	<p>A Board approved policy on the engagement of an External Auditor to provide non-audit services is in place. The Committee ensures that the External Auditors are able to maintain objectivity and independence and are suitable to perform the required non-audit services.</p>

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Rule Reference	Rule Description	Compliance Status
f)	<p>The committee shall, before the audit commences, discuss and finalize with the external auditors the nature and scope of the audit, including:</p> <ul style="list-style-type: none"> i. an assessment of the finance company's compliance with Directions issued under the Act and the management's internal controls over financial reporting; ii. the preparation of financial statements in accordance with relevant accounting principles and reporting obligations; and iii. The co-ordination between auditors where more than one auditor is involved. 	The committee has discussed the nature and scope of the external audit with the external auditor including the matters referred in point No " f ".
g)	<p>The committee shall review the financial information of the finance company, in order to monitor the integrity of the financial statements of the finance company, its annual report, accounts and periodical reports prepared for disclosure, and the significant financial reporting judgments contained therein. In reviewing the finance company's annual report and accounts and periodical reports before submission to the Board, the committee shall focus particularly on:</p> <ul style="list-style-type: none"> i. major judgmental areas; ii. any changes in accounting policies and practices; iii. significant adjustments arising from the audit; iv. the going concern assumption; and v. the compliance with relevant accounting standards and other legal requirements. 	The Committee reviews all financial information published by the Company with a focus on the areas required under the direction.
h)	<p>The committee shall discuss issues, problems and reservations arising from the interim and final audits, and any matters the auditor may wish to discuss including those matters that may need to be discussed in the absence of key management personnel, if necessary.</p>	The Committee met with External Auditors once in the financial year under review in the absence of Key Management Personnel.
i)	<p>The committee shall review the external auditor's management letter and the management's response thereto.</p>	The management letter and the management's response is reviewed and oversight given to any corrective actions.

Rule Reference	Rule Description	Compliance Status
j)	<p>The committee shall take the following steps with regard to the internal audit function of the finance company:</p> <ul style="list-style-type: none"> i. Review the adequacy of the scope, functions and resources of the internal audit department, and satisfy itself that the department has the necessary authority to carry out its work; ii. Review the internal audit programme and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit department; iii. Review any appraisal or assessment of the performance of the head and senior staff members of the internal audit department; iv. Recommend any appointment or termination of the head, senior staff members and outsourced service providers to the internal audit function; v. Ensure that the committee is apprised of resignations of senior staff members of the internal audit department including the chief internal auditor and any outsourced service providers, and to provide an opportunity to the resigning senior staff members and outsourced service providers to submit reasons for resigning; vi. Ensure that the internal audit function is independent of the activities it audits and that it is performed with impartiality, proficiency and due professional care; 	<p>The Committee reviews and appraises the performance and functions of the Internal Audit Department.</p> <p>The Internal Audit scope and the Procedures are reviewed by the BAC.</p> <p>Internal Audit findings of audits carried out during the year were reviewed by the BAC</p> <p>The appraisal of the Head of the Internal Audit functions is reviewed and approved by the BAC</p> <p>On the recommendation of the BAC, the Board of Directors approved the Senior Manager – Internal Audit, to be act as the head of internal audit function.</p> <p>Senior Manager – Internal Audit reports directly to the BAC and is Independent and the audits are performed with impartiality and professional due care</p>
k)	The committee shall consider the major findings of internal investigations and management's responses thereto;	The Committee considers the major findings of the Internal Audit Department and the Management's responses thereto.
l)	The Chief Finance Officer, the Chief Internal Auditor and a representative of the External Auditors may normally attend meetings. Other Board members and the Chief Executive Officer may also attend meetings upon the invitation of the committee. However, at least once in six months, the committee shall meet with the External Auditors without the Executive Directors being present.	<p>The meetings of the Committee are held as required including meeting with the External Auditors without the Executive Directors</p> <p>two meetings were held as required with the External Auditors without the Executive Directors being Present</p>
m)	<p>The committee shall have:</p> <ul style="list-style-type: none"> i. explicit authority to investigate into any matter within its terms of reference; ii. the resources which it needs to do so; iii. full access to information; and iv. Authority to obtain external professional advice and to invite outsiders with relevant experience to attend, if necessary. 	The required authority and resources are available to the Committee.

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Rule Reference	Rule Description	Compliance Status
n)	The committee shall meet regularly, with due notice of issues to be discussed and shall record its conclusions in discharging its duties and responsibilities.	There were 16 meetings held by the Committee during the financial year 2016/17 and comprehensive minutes recorded. Refer the "Report of the Board Audit Committee" in this Annual Report.
o)	The Board shall, in the Annual Report, disclose in an informative way, <ul style="list-style-type: none"> i. details of the activities of the audit committee; ii. the number of audit committee meetings held in the year; and iii. details of attendance of each individual member at such meetings. 	Such information is discussed in the "Report of the Board Audit Committee" and "Corporate Governance report" in this Annual Report of the company.
p)	The secretary to the committee (who may be the company secretary or the head of the internal audit function) shall record and keep detailed minutes of the committee meetings.	Detailed minutes of the meetings are maintained by the Company Secretary who is the secretary to the committee.
q)	The committee shall review arrangements by which employees of the finance company may, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters. Accordingly, the committee shall ensure that proper arrangements are in place for the fair and independent investigation of such matters and for appropriate follow-up action and to act as the key representative body for overseeing the finance company's relations with the external auditor.	The Committee has in place a procedure by which employees of the Company may raise concerns. A Board-approved Whistle Blower Policy and a Code of Ethics are also in place.

8. Integrated Risk Management Committee

(3)	a)	The committee shall consist of at least one Non-Executive Director, CEO and Key Management Personnel supervising broad risk categories, i.e., credit, market, liquidity, operational and strategic risks. The committee shall work with Key Management Personnel closely and make decisions on behalf of the Board within the framework of the authority and responsibility assigned to the committee	Refer the "Report of the Board Integrated Risk Management Committee" in this Annual Report.
	b)	The committee shall assess all risks, i.e., credit, market, liquidity, operational and strategic risks to the Finance Company on a monthly basis through appropriate risk indicators and management information. In the case of subsidiary companies and associate companies, Risk Management shall be done, both on the Finance Company basis and group basis	Risk sub committees such as ALCO, HR, Legal and recoveries, Fixed deposits and IT have been formed under the purview of IRMC to assess the risks of the company. Company will assess the subsidiary company risk.
	c)	The committee shall review the adequacy and effectiveness of all management level committees such as the credit committee and the asset-liability committee to address specific risks and to manage those risks within quantitative and qualitative risk limits as specified by the committee	The committee will reviews the adequacy and effectiveness of all management level committees.

Rule Reference	Rule Description	Compliance Status
d)	The committee shall take prompt corrective action to mitigate the effects of specific risks in the case such risks are at levels beyond the prudent levels decided by the committee on the basis of the Finance Company's policies and regulatory and supervisory requirements	Establishing specific quantitative and qualitative risk limits is in progress. Once established, the committee will review the actual risk indicators which have gone beyond the said limits.
e)	The committee shall meet at least quarterly to assess all aspects of Risk Management including updated business continuity plans	The committee has met 05 times during the Financial year 2016/17. Refer the "Report of the Integrated Risk Management Committee"
f)	The committee shall take appropriate actions against the officers responsible for failure to identify specific risks and take prompt corrective actions as recommended by the committee, and/or as directed by the Director of the Department of Supervision of Non-Banking Financial Institutions of the Central Bank of Sri Lanka	Specific risks are identified by relevant committees such as Assets and Liability, Human Resources, Fixed Deposits, Information Technology and Credit, Legal and Recoveries.
g)	The committee shall submit a risk assessment report within a week of each meeting to the Board seeking the Board's views, concurrence and/or specific directions	Minutes of the meetings or Risk assessment reports have been tabled at the Board meetings.
h)	The committee shall establish a compliance function to assess the Finance Company's compliance with laws, regulations, directions, rules, regulatory guidelines, internal controls and approved policies on all areas of business operations. A dedicated compliance officer selected from Key Management Personnel shall carry out the compliance function and report to the committee periodically	The Committee is in the process of further strengthening the monitoring of compliance covering internal controls and approved policies on all areas of business operations through a Compliance Officer who has been appointed by the Company and approved by the Board.

9. Related Party Transactions

(2)	<p>The Board shall take the necessary steps to avoid any conflicts of interest that may arise from any transaction of the Finance Company with any person, and particularly with the following categories of persons who shall be considered as "related parties" for the purposes of this Direction:</p> <ul style="list-style-type: none"> a. A subsidiary of the Finance Company; b. Any associate Company of the Finance Company; c. Director of the Finance Company; d. A Key Management Personnel of the Finance Company; e. A relative of a Director or a Key Management Personnel of the Finance Company; f. A shareholder who owns shares exceeding 10 per cent of the paid up capital of the Finance Company; g. A concern in which a Director of the Finance Company or a relative of a Director or a shareholder who owns shares exceeding 10 per cent of the paid up capital of the Finance Company, has substantial interest 	A Board approved policies and procedures in relation to Related Party Transactions are in place.
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Rule Reference	Rule Description	Compliance Status
(3)	<p>The transactions with a related party that are covered in this Direction shall be the following:</p> <ul style="list-style-type: none"> a. Granting accommodation, b. Creating liabilities to the Finance Company in the form of deposits, borrowings and investments, c. Providing financial or non-financial services to the Finance Company or obtaining those services from the Finance Company, d. Creating or maintaining reporting lines and information flows between the Finance Company and any related party which may lead to share proprietary, confidential or otherwise sensitive information that may give benefits to such related party 	A Board approved policies and procedures in relation to Related Party Transactions are in place.
(4)	<p>The Board shall ensure that the Finance Company does not engage in transactions with a related party in a manner that would grant such party "more favorable treatment" than that is accorded to other similar constituents of the Finance Company. For the purpose of this paragraph, "more favorable treatment" shall mean</p> <ul style="list-style-type: none"> a. Granting of "total net accommodation" to a related party, exceeding a prudent percentage of the Finance Company's regulatory capital, as determined by the Board. The "total net accommodation" shall be computed by deducting from the total accommodation, the cash collateral and investments made by such related party in the Finance Company's share capital and debt instruments with a remaining maturity of 5 years or more. b. Charging of a lower rate of interest than the Finance Company's best lending rate or paying a rate of interest exceeding the rate paid for a comparable transaction with an unrelated comparable counter party; c. Providing preferential treatment, such as Favorable terms, covering trade losses and/or waiving fees/commissions, that extends beyond the terms granted in the normal course of business with unrelated parties; d. Providing or obtaining services to or from a related party without a proper evaluation procedure; e. Maintaining reporting lines and information flows between the Finance Company and any related party which may lead to share proprietary, confidential or otherwise sensitive information that may give benefits to such related party, except as required for the performance of legitimate duties and functions 	A detective monitoring system is in place at the company where the company extracts quarterly reports on all related party transactions which has been verified by the compliance officer to ensure that the Company does not engage in transactions with related parties that are deemed as more favourable treatments. The monitoring mechanism will be further strengthened.

Rule Reference	Rule Description	Compliance Status
10. Disclosures		
10. (1) a)	The Board shall ensure that: Annual audited Financial Statements and periodical Financial Statements are prepared and published in accordance with the formats prescribed by the regulatory and supervisory authorities and applicable accounting standards	The prescribed formats are used in the preparation and publication of Financial Statements.
b)	Such statements are published in the newspapers in an abridged form, in Sinhala, Tamil and English	Such statements are published in the newspapers as required.
10. Disclosures made in the Annual Report		
(2) a)	A statement to the effect that the annual audited Financial Statements have been prepared in line with applicable accounting standards and regulatory requirements, inclusive of specific disclosures	Refer the "Report of the Board of Directors on the Affairs of the Company" in this Annual Report.
b)	A report by the Board on the Finance Company's internal control mechanism that confirms that the financial reporting system has been designed to provide a reasonable assurance regarding the reliability of financial reporting, and that the preparation of Financial Statements has been done in accordance with relevant accounting principles and regulatory requirements	Refer the "Directors' Statement on Internal Controls over Financial Reporting" in this Annual Report.
c)	The External Auditor's certification on the effectiveness of the internal control mechanism in respect of any statements prepared or published after 31.03.2010	Refer the "Directors' Statement on Internal Controls over Financial Reporting" in this Annual Report.
d)	Details of Directors, including names, transactions with the Finance Company	Refer the "Report of the Board of Directors' on the Affairs of the Company" and Notes to the Financial Statements on Related Party Transactions in this Annual Report.
e)	Fees/remuneration paid by the Finance Company to the Directors in aggregate, in the Annual Reports published after 01.01.2010	Refer the "Report of the Board of Directors' on the Affairs of the Company" and Notes to the Financial Statements on Related Party Transactions in this Annual Report.
f)	Total net accommodation as defined in paragraph 9(4) outstanding in respect of each category of related parties and the net accommodation outstanding in respect of each category of related parties as a percentage of the Finance Company's capital funds	Accommodations outstanding as a percentage of the Company's capital funds; Directors: Rs. 4 Mn, (0.039%) Other KMPs: Rs.33.7 Mn, (0.33 %)
g)	The aggregate values of remuneration paid by the Finance Company to its Key Management Personnel and the aggregate values of the transactions of the Finance Company with its Key Management Personnel during the financial year, set out by broad categories such as remuneration paid, accommodation granted and deposits or investments made in the Finance Company	Remuneration paid to Key Management Personnel (including executive directors) Accommodations to Key management personnel (including executive directors : Rs.33.6 Mn Deposits made by Key Management personnel (including executive directors : 17.2 Mn
h)	A report setting out details of the compliance with prudential requirements, regulations, laws and internal controls and measures taken to rectify any non-compliances	Refer the "Report of the Board of Directors' on the affairs of the Company" and Risk Management in this Annual Report.

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Rule Reference	Rule Description	Compliance Status
i)	A statement of the regulatory and supervisory concerns on lapses in the Finance Company's Risk Management, or non-compliance with the Act, and rules and directions that have been communicated by the Director of the Department of Supervision of Non-Banking Financial Institutions, if so directed by the Monetary Board to be disclosed to the public, together with the measures taken by the Finance Company to address such concerns	In view of the non-compliances and violations with the Directions issued under the Finance Business Act No. 42 of 2011, the Company has been requested to submit quarterly reports on the progress of rectification to the regulatory authority. There were no violations that required to be disclosed to the public.
j)	The External Auditor's certification of the compliance with the Act and rules and directions issued by the Monetary Board in the annual Corporate Governance reports published after 01.01.2011	The External Auditors have carried out an agreed upon procedure engagement on Corporate Governance Direction No. 3 of 2008 issued by Central Bank of Sri Lanka and have issued the factual findings report in this regard.

Company's compliance with Code of Best Practice on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka (ICASL) and the Securities and Exchange Commission (SEC).

Corporate Governance Principle	SEC & ICASL Code Reference	Extent of Adoption
Directors		
A.1 The Board		
The Company should be headed by a Board, which should direct, lead and control the Company. The Board consists of professionals in Finance, Accounting, Management, Corporate Law, Marketing, Human Resources and Business Leadership. All Directors possess the skills and experience and knowledge complemented with a high sense of integrity and independent judgment. Their leadership skills, direction provided and controls put in place ensure the achievement of the objectives of the Company set out in the corporate plan and the budget which aims to satisfy the expectations of all stakeholders		
Board Meetings	A 1.1	12 Board Meetings were held during the year 2016/17 at approximately monthly intervals and details of Meetings and individual attendance are provided under the Corporate Governance Section in this Annual Report
Formulation and implementation of a sound strategy and effective systems	A.1.2	Refer description given in 2 (1) (a) & 2 (1) (b) of compliance report on Finance Companies Direction No. 3 of 2008 on Corporate Governance of this section
Competence of the CEO and Executive Management in implementing Business Strategies	A.1.2	The Executive Management consists of competent members who have skills, knowledge and experience to carry out their respective functions effectively. The CEO is responsible in effective implementation of the policies approved by the Board with the assistance of the Executive Management
Effective Succession Planning for the CEO and Executive Management	A.1.2	Refer description given in 2 (1) (j) of compliance report on Finance Companies Direction No. 3 of 2008 on Corporate Governance of this section. Continuous training programmes are put in place to ensure that the staff is up to the required standard in filling a vacant position. The Company culture is designed in a way to identify and develop internal personnel to fill key positions whenever required. A Succession Plan is in place
Effective Systems to secure Integrity of Information, Internal Controls, Business continuity and Risk Management	A.1.2	Refer description given in 2 (1) (c) & 2 (1) (e) of compliance report on Finance Companies Direction No. 3 of 2008 on Corporate Governance of this section and Reports of the Board Audit Committee and Integrated Risk Management Committee in this Annual Report
Compliance with Laws, Regulations and Ethical standards	A.1.2	Refer description given in 2 (1) (l) of compliance report on Finance Companies Direction No. 3 of 2008 on Corporate Governance of this section
Consideration of all Stakeholders' Interest in Corporate Decisions	A.1.2	Refer description given in 2 (1) (d) and 7 (10) of compliance report on Finance Companies Direction No. 3 of 2008 on Corporate Governance of this section
Recognising sustainable business development in Corporate Strategy, decisions and activities	A.1.2	Refer description given in 2 (1) (a) & 2 (1) (b) of compliance report on Finance Companies Direction No. 3 of 2008 on Corporate Governance of this section
Adoption of Appropriate Accounting Policies and Fostering Compliance with Financial Regulations	A.1.2	Refer description given in 10 (1) of compliance report on Finance Companies Direction No. 3 of 2008 on Corporate Governance of this section

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Corporate Governance Principle	SEC & ICASL Code Reference	Extent of Adoption
Fulfilling other Board functions as are vital, given the scale, nature and complexity of the business concerned	A.1.2	Refer description given in 2 (1) (g), 2 (1) (h) & 2 (1) (i) of compliance report on Finance Companies Direction No. 3 of 2008 on Corporate Governance of this section
Compliance with laws and access to independent professional advice	A.1.3	Refer description given in 2 (3) of compliance report on Finance Companies Direction No. 3 of 2008 on Corporate Governance of this section
Advice and Services of the Company Secretary	A.1.4	Refer description given in 3 (7) of compliance report on Finance Companies Direction No. 3 of 2008 on Corporate Governance of this section
Independent judgment of Directors	A.1.5	Members of the Board bring independent judgment with regard to issues on performance, strategy, resources and standards of business conduct
Dedication of adequate time and effort for matters of the Board	A.1.6	Members of the Board dedicate adequate time and effort in ensuring that the duties and responsibilities owed to the Company are satisfactorily discharged and in attending meetings of the Integrated Risk Management Committee, Audit Committee and Remuneration Committee
Training for new and existing Directors	A.1.7	Sufficient knowledge-sharing opportunities are made available for both new and existing members of the Board, on Company and Industry-related matters on a regular basis and are kept informed with regard to Industry-specific matters and regulatory updates

A.2 Chairman and Chief Executive Officer (CEO)

There is a clear separation in the duties of the Chairman and Chief Executive Officer to ensure a balance of power and authority, in such a way that any individual has no unfettered powers in decision making. The provision of direction, leadership and managing the work of the Board are regarded as the responsibilities of the Chairman in ensuring that the Board functions effectively and performs both the intended regulatory and legal responsibilities. Execution of the business operations of the Company with the assistance of the Executive Management is regarded as the primary role of the Chief Executive Officer

Division of responsibilities of the Chairman and Chief Executive Officer	A.2.1	The role of the Chairman and the Chief Executive Officer is not combined. The Chairman functions as an Independent Non-Executive Director whereas the Chief Executive Officer serves as an Executive Director in ensuring balance of power and authority such that no one individual has unfettered power in decision making
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Corporate Governance Principle	SEC & ICASL Code Reference	Extent of Adoption
A.3 Chairman's Role		
The provision of leadership and managing the Board while preserving good Corporate Governance are prime elements of the role of the Chairman in ensuring that the Board does discharge both its legal and regulatory responsibilities in full. He preserves order and facilitates the effective discharge of the Board function		
Role of the Chairman	A 3.1	<p>The Chairman's role includes the responsibilities of ensuring; effective participation of both Executive and Non-Executive Directors are secured</p> <ul style="list-style-type: none"> • that members of the Board of Directors are sufficiently encouraged to make effective contribution within their respective capabilities for the benefit of the Company • a balance of power between Executive and Non-Executive Directors is maintained • the views of Directors on issues under consideration are ascertained • the Board is in complete control of the Company's affairs and alert to its obligations to all shareholders and other stakeholders
A.4 Financial Acumen		
The Board should ensure the availability within it of those with sufficient financial acumen and knowledge to offer guidance on matters of finance		
Availability of sufficient financial acumen and knowledge	A.4	The profiles of the Directors are given in this Annual Report
A.5 Balance of the Board		
It is recommended to have a balance of Executive and Non-Executive Directors such that no individual or small group of individuals can dominate the decision making of the Board		
Presence of Non-Executive Directors	A 5.1	Eight of the Eleven Directors of Commercial Credit and Finance PLC are Non-Executive Directors
Independent Directors	A 5.2	Three of the Eight Non-Executive Directors are Independent
Independence evaluation review	A 5.3	All Independent Directors are independent of management and free of any business or other relationship that could materially interfere with the exercise of their unfettered and independent judgment

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Corporate Governance Principle	SEC & ICASL Code Reference	Extent of Adoption
Signed declaration of Independence	A 5.4	Independent Non-Executive Directors have made written submission as to their independence
Determination of independence of the Directors by the Board	A 5.5	The Board has determined that the submission of declarations by the Non-Executive Directors as to their independence is a fair representation and will continue to evaluate annually
Alternate Director	A 5.6	Not applicable as no alternate director has been appointed
Senior Independent Director	A 5.7	Not applicable as the roles of the Chairman and the Chief Executive Officer are separated
Confidential discussion with the senior Independent Director	A 5.8	Not applicable as the roles of the Chairman and the Chief Executive Officer are separated
Meeting of Non-Executive Directors	A 5.9	Chairman had met once with Non-Executive Directors without the presence of Executive Directors during the financial year under review
Recording of concern in Board minutes	A 5.10	There were no matters of special concern raised by the Directors during the year that need to be recorded in the Board minutes

A.6 Supply of Information

The Board should be provided with timely information in a form and of a quality appropriate to enable it discharge its duties

Information to the Board by the Management	A 6.1	Management provides the Board with appropriate and timely information and additional information as requested by the Board. The Chairman ensures that all Directors are briefed on the issues arising at Board Meetings
Providing minutes, agenda and papers to Board members with sufficient time for effective Board Meetings	A 6.2	Adequate time is provided to the Board of Directors to review minutes, agenda and papers pertaining to Board Meetings

A.7 Appointments to the Board

There should be a formal and transparent procedure for the appointment of new Director to the Board

Nomination of Director	A 7.1	A Nomination Committee is not appointed. The Board collectively finalizes decisions with regard to selection of new Directors where Directors could collectively evaluate any need for the appointment of a new Director
Assessment of Board	A 7.2	The Board of Directors collectively assesses the Board composition in deciding the adequacy of the combined experience and knowledge in successfully addressing the strategic demands encountered by the Company where such findings are made use of in determining new Board appointments
Disclosure of details of new Directors to shareholders	A 7.3	A brief resume of each new Director appointed is forwarded to the Central Bank of Sri Lanka in addition to such information being revealed in the Annual Report of the Company. Public announcements are made for the notice of interested parties through the Colombo Stock Exchange

Corporate Governance Principle	SEC & ICASL Code Reference	Extent of Adoption
A.8 Re-election		
The Code requires all Directors to submit themselves for re-election at regular intervals and at least once in every three years		
A.8 Appointment of Non-Executive Directors	A 8.1	The requirement is specified in the Articles of Association
Re-election by the shareholders	A 8.2	The requirement is specified in the Articles of Association
A.9 Appraisal of Board performance to ensure that the Board responsibilities are satisfactorily discharged		
Annual appraisal of Board performance and that of its Committees	A 9.1 ,9.2 & 9.3	The Board evaluates its performance and that of its committees annually by obtaining the views of each member and discussing same
A.10 Disclosure of Information in respect of Directors		
The Code requires that the details in respect of each Director to be disclosed in the Annual Report for the benefit of the shareholders		
Details in respect of Directors	A 10.1	Details of the members of the Board of Directors are provided in this Annual Report
A.11 Appraisal of CEO		
The Code requires the Board to assess the performance of the Chief Executive Officer (CEO) at least annually to ascertain degree to which the CEO met the pre-set financial and non-financial targets		
Financial and non- financial targets for CEO	A 11.1	At the beginning of every fiscal year performance targets for the Chief Executive Officer are set which are aligned with the short, medium and long-term strategic objectives of the Company
Annual evaluation of the performance of CEO	A 11.2	The performance of the Chief Executive Officer is evaluated by the Board
Directors' Remuneration		
B.1 Remuneration Procedures		
The Code requires companies to have a formal and transparent procedure for developing policy on executive remuneration and fixing the remuneration packages of individual Directors and also recommends that no Director should be involved in deciding his/her remuneration in order to avoid the self review threat		
Remuneration Committee	B 1.1	The Remuneration Committee is responsible for making recommendations to the Board, with regard to the remuneration of the Executive Directors
Composition of the Remuneration Committee	B.1.2 & B. 1.3	Please refer Report of Remuneration Committee in this Annual Report
Remuneration of Non-Executive Directors	B.1.4	The Board as a whole determines the remuneration of Non Executive Directors and they are offered a fee for serving on the Board of the Company and an additional fee for either chairing or being a member of its Committees
Consultation of the Chairman and access to professional advice	B.1.5	A related Board-approved policy is in place

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Corporate Governance Principle	SEC & ICASL Code Reference	Extent of Adoption
B.2 The Level and Make up of Remuneration		
Levels of remuneration of both Executive and Non-Executive Directors should be sufficient to attract and retain the Directors needed to run the Company successfully. The proportion of remuneration of Executive Directors is linked to corporate and individual performance		
Level and make up of remuneration of Executive Directors	B.2.1 to B.2.8	The Remuneration Committee takes into consideration the salary and the benefits paid to similar positions in other organisations, the contribution made for the overall progress of the Company when determining the level of remuneration to be paid to Executive Directors
Remuneration of the Non-Executive Directors	B.2.9	The remuneration of Non-Executive Directors is decided based on their time commitment and responsibilities
B.3 Disclosure of remuneration		
The Code requires the Company to disclose in its Annual Report the details of the remuneration paid and the remuneration policy		
Disclosure of Directors' remuneration in the Annual Report	B.3.1	The policy of the Committee is given in the Report of Remuneration Committee and the remuneration paid to the Board of Directors is disclosed in this Annual Report under Report of the Board of Directors on the Affairs of the Company
C. Relations with Shareholders		
C.1 Constructive use of the Annual General Meeting (AGM) and conduct of General Meetings		
The Code requires the Board to use the Annual General Meeting to communicate with shareholders and encourage their active participation. In this regards all shareholders of the Company receive the Notice of Meeting within the statutory due dates		
Use of Proxy Votes	C.1.1	Proxy Forms are circulated along with the Notice of Meeting
Separate resolution for all separate issues	C.1.2	A separate resolution is proposed for each substantially separate issue
Availability of all Board Subcommittee Chairmen	C.1.3	The Chairman of the Board, Audit Committee, Integrated Risk Management Committee and Remuneration Committee are present at the AGM to answer any questions raised by the shareholders
Adequate notice of the AGM to shareholders together with the summary of the procedure	C.1.4 & C.1.5	The Notice of Meeting is sent along with the Proxy Form to shareholders 15 working days prior to the date of the AGM as required by statute. The summary of the voting procedure is mentioned in these documents
C.2 Communication with Shareholders		
The Board should implement effective communication with shareholders		
Communication with shareholders	C.2.1 - C.2.7	Refer description given in 2 (1)(d) of compliance report on Finance Companies Direction No. 3 of 2008 on Corporate Governance of this section

Corporate Governance Principle	SEC & ICASL Code Reference	Extent of Adoption
C.3 Major and Material Transaction		
Directors are required to disclose to shareholders all proposed material transactions which would materially alter the net asset position of the Company		
Major transactions	C.3.1	During the year there were no major transaction as defined by Section 185 of the Companies Act No. 7 of 2007
D. Audit and Accountability		
D.1 Financial Reporting		
The Board is required to present a balanced and understandable assessment of the Company's financial position, performance and prospects		
Reports to public and , Regulatory & Statutory reporting	D.1.1	The Financial Statements are prepared and presented in compliance with the requirements of the Companies Act No. 7 of 2007, Finance Business Act No. 42 of 2011 and Sri Lankan Accounting Standards. These Financial Statements also comply with a reporting requirements prescribed by the regulatory authorities such as Central Bank of Sri Lanka and Colombo Stock Exchange
Directors' report in the Annual Report	D.1.2	The Report of the Board of Directors on the Affairs of the Company is given in this Annual Report
Statement of Directors' and Auditor's responsibility for the Financial Statements	D.1.3	Refer the Statement of Directors' Responsibilities for Financial Reporting in this Annual Report
Management Discussion and Analysis	D.1.4	The Management Discussion and Analysis is given in this Annual Report
Declaration by the Board that the business is a Going Concern	D.1.5	Refer the Statement of Directors' Responsibilities for Financial Reporting in this Annual Report
Summoning an EGM to notify serious loss of capital	D.1.6	Likelihood of such occurrence is remote. However, should the situation arise an EGM will be called for and shareholders will be notified
Disclosure of Related Party Transactions	D.1.7	Related party transactions are disclosed in this Annual Report. A process is in place to obtain the required declaration and to maintain the relevant records
D.2 Internal Control		
The Code requires the Board to have a sound system of internal controls to safeguard shareholders' investments and the Company's assets		
Annual evaluation of the Internal Control System	D.2.1	The Board ensures that there is an effective Internal Control and a Financial Reporting System. The Audit Committee assists the Board in this process by reviewing the various related reports of the Internal and External Auditors of the Company

CORPORATE GOVERNANCE

CONTD

Corporate Governance Principle	SEC & ICASL Code Reference	Extent of Adoption
Need for an Internal Audit	D.2.2 , D.2.3 & D.2.4	The Internal Audit Department of the Company is adequately resourced. A plan of the activities of the Department will be reviewed and approved by the Audit Committee. The reports of the findings of the Internal Audit Department including reviews of the process and effectiveness of Risk Management and internal controls are reviewed by the Audit Committee.

D.3 Audit Committee

The Code requires the Board to have formal and transparent arrangements in selecting and applying the accountings policies, financial reporting and internal control principles and maintaining an appropriate relationship with the Company's External Auditor

Composition of the Audit Committee	D.3.1	The Audit Committee consists of three members, all of whom are Non-Executive Directors. The Committee operates within clearly defined terms of reference. Details of the Committee members, are mentioned in the Report of the Audit Committee given in this Annual Report
Duties of the Audit Committee	D.3.2	The duties of the Audit Committee are mentioned in the Report of Board Audit Committee in this Annual Report
Terms and reference of the Audit Committee	D.3.3	Audit Committee functions within its Terms of Reference
Disclosure of the Audit Committee	D.3.4	The names of the members of the Audit Committee and its functions are disclosed in the Report of the Audit Committee given in this Annual Report

D.4 Code of Business Conduct & Ethics

Code of Business Conduct & Ethics	D.4.1	The Code of Business Conduct and Ethics of the Company has been approved by the Board
Affirmation by the Chairman that there is no violation of the code of conduct & ethics	D.4.2	Refer Chairman's Statement in this Annual Report

D.5 Corporate Governance Disclosure

The Company should disclose the extent of adoption of best practices in Corporate Governance

Disclosure of Corporate Governance	D.5.1	This requirement is met through the disclosures related to Corporate Governance made in this Annual Report
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Corporate Governance Principle	SEC & ICASL Code Reference	Extent of Adoption
E. Institutional Investors		
E.1 Institutional shareholders are required to make considered use of their votes and encouraged to ensure their voting intentions are translated into practice		
Communication with shareholders	E.1.1	General Meetings are used to have an effective dialogue with the shareholders on matters which are relevant and of concern to the general membership
E.2 Evaluation of Corporate Governance Disclosures		
Institutional investors are encouraged to give due weight to all relevant factors in Board structure and composition		
Corporate Governance disclosures	E.2	Institutional investors have the opportunity to use General Meetings to raise relevant issues which have come to their attention
F. Other Investors		
Individual shareholder	F.1	If the need arises, individual shareholders are encouraged to carry out adequate analysis or seek independent advice on investment and divestment decisions
Individual shareholders voting	F.2	Individual shareholders are encouraged to participate at General Meetings and exercise their voting rights
G. Sustainability Reporting		
Sustainability is a business approach that creates long-term stakeholder value by embracing opportunities and managing risks derived from economic, environmental and social developments and their potential implications and impacts on the business activities of the entity		
Sustainability reporting is the practice of recognising, measuring, disclosing and being accountable to internal and external stakeholders for organisational performance towards the goals of sustainable development in the context of the overall business activities and strategy of the entity and be directed to the target stakeholders, usually, shareholders, employees, consumers, society and government		
Sustainable Reporting and Disclosures	G.1.1 - G.1.7	Refer Sustainability Report in this Annual Report

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

The Directors have pleasure in presenting to the shareholders the Annual Report of the Board of Directors for the Year Ended 31 March, 2017.

This Report contains information required by Section 168 of the Companies Act No. 7 of 2007 and other necessary information required by the Listing Rules of Colombo Stock Exchange.

Principal Activities

The principal activities of the company were acceptance of deposits, granting lease facilities, hire purchase, personal loans, micro loans, pawning, other credit facilities and related services.

Changes to the Nature of Business

There were no significant changes to the principle activities of the company during the financial year ended 31 March, 2017.

Financial Statements

The Financial Statements for the year ended 31 March, 2017 are set out in this Annual Report.

Auditors' Report

The Auditors of the company Messrs Ernst & Young, Chartered Accountants have carried out an audit on the Financial Statements prepared for the year ended 31 March, 2017 which is set out in this Annual Report.

Director's Responsibility for the Financial Statements

The Directors are responsible for preparing and presenting the Financial Statements, which are set-out in this Annual Report. The Financial Statements have been prepared in conformity with the Sri Lanka Accounting Standards as laid down by the Institute of Chartered Accountants of Sri Lanka and the Companies Act No.7 of 2007.

The Directors are satisfied that the Financial Statements give a true and fair view of the state of affairs of the company as well as the profit for the year then ended.

Accounting Policies

The accounting policies adopted in the preparation of the Financial Statements are given in this Annual Report under Notes to the Financial Statements. The Directors consider that, in preparing these Financial Statements, suitable accounting policies have been used which are applied consistently and supported by reasonable and prudent judgment and that all applicable accounting standards have been followed. The Financial Statements are prepared on a Going Concern basis.

Corporate Governance

A description of the Company's Corporate Governance practices is set out in this Annual Report.

Directorate

The names of the Directors as at 31 March, 2017 and the changes to the Directorate during the year under review are indicated below:

Mr. Kalugamage John Cecil Perera
Mr. Roshan Sanjaya Egodage
Mr. Ihala Gamaralalage Samantha Kumara Gunaratne
Mrs. Geya Rasi Egodage
Mr. Mihindukulasooriya Susantha Devapriya Pinto
Mr. Eugen Duliksha Pratharp Soosaipillai
Mr. Kenneth Dan Vander Weele
Mr. Patrick Thomas Fisher
Mr. Rajiv Casie Chetty
Mr. Regis Rodolphe Martin (Appointed w.e.f. 21st December, 2016)
Mr. Mitsuji Konoshita (Appointed w.e.f. 21st December, 2016)

In terms of Article 24 (2) of the Articles of Association of the company Mr. Regis Rodolphe Martin, Director, retires and being eligible is recommended by the Board of Directors for election by the Members at the Annual General Meeting for the year 2017.

In terms of Article 24 (2) of the Articles of Association of the company Mr. Mitsuji Konoshita, Director, retires and being eligible is recommended by the Board of Directors for election by the Members at the Annual General Meeting for the year 2017.

In terms of Article 24 (6) of the Articles of Association of the company Mr. Roshan Sanjaya Egodage, Director, retires by rotation and being eligible is recommended by the Board of Directors for re-election by the Members at the Annual General Meeting for the year 2017.

In terms of Article 24 (6) of the Articles of Association of the company Mrs. Geya Rasi Egodage, Director, retires by rotation and being eligible is recommended by the Board of Directors for re-election by the Members at the Annual General Meeting for the year 2017.

In terms of Article 24 (6) of the Articles of Association of the company Mr. Ihala Gamaralalage Samantha Kumara Gunaratne, Director, retires by rotation and being eligible is recommended by the Board of Directors for re-election by the Members at the Annual General Meeting for the year 2017.

In terms of Article 24 (6) of the Articles of Association of the company Mihindukulasuriya Susantha Devapriya Pinto, Director, retires by rotation and being eligible is recommended by the Board of Directors for re-election by the Members at the Annual General Meeting for the year 2017.

Board Subcommittees

The following Board Subcommittees have been established by the company:

Audit Committee

Mr E D P Soosaipillai - Chairman
Mr K J C Perera
Mr I G S K Gunaratne

Remuneration Committees:

Mr I G S K Gunaratne - Chairman
Mr K J C Perera
Mr M S D Pinto

Integrated Risk Management Committee

Mr K J C Perera - Chairman
Mr R S Egodage
Mr I G S K Gunaratne
Mr E D P Soosaipillai
Mr R C Chitty

Related Party Transactions Review Committee

Mr M S D Pinto (Chairman)
Mr I G S K Gunaratne
Mr R C Chitty

The functions and responsibilities and Reports of the Board Audit, Remuneration, Related Party Transaction Review and Integrated Risk Management Sub-Committees are set out in this Annual Report.

Interest Register

An Interest Register is being maintained by the company as required in terms of the Companies Act No. 7 of 2007.

Directors' interest in contracts or proposed contracts with the company are as follows:

Name	Fixed Deposits Accepted During the Year (Rs.)	Fixed Deposits Outstanding as at 31st March 2016 (Rs.)	Interest Paid (Rs.)
Mr R S Egodage	-	154,476	8,647
Mrs G R Egodage	-	6,161,913	655,914
Mr I G S K Gunaratne	-	1,736,323	176,790

Directors' Shareholding

The shares held by the Directors at the beginning and at the end of the financial year were as follows. (The Articles of Association of the company do not stipulate a share qualification for Directors):

Name	31.03.2016	31.03.2017
Mr Kalugamage John Cecil Perera	-	-
Mr Roshan Sanjaya Egodage	-	-
Mr Ihala Gamralalage Samantha		
Kumara Gunaratne	109,171	109,171
Mrs Geya Rasi Egodage	-	-
Mr Mihindukulasooriya Susantha Devapriya Pinto	42,000	42,000
Mr Eugen Duliksha Pratharp Soosaipillai	-	-
Mr Kenneth Dan Vander Weele	-	-
Mr Patrick Thomas Fisher	-	-
Mr Rajiv Casie Chetty	429,808	429,808
Mr Mitsui Konoshita	-	-
Mr Regis Rodolphe Martin	-	-

Directors' Fees and Emoluments

Directors' fees and emoluments for the financial year ended 31 March, 2017, is Rs. 8,310,000/- (2016 – Rs.9,964,172/-)

Donations

During the year the company has made Rs. 2,514,697/- as charitable contributions. (2016 – Rs.3,057,582/-)

Property, Plant & Equipment

The details of the property, plant & equipment of the Company, additions during the year and the depreciation charges for the year are shown in Note No. 18 to the Financial Statements. The Directors consider the market value of the Property, Plant & Equipment as at 31 March, 2017 not to be significantly different to the amounts disclosed.

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

CONTD

Stated Capital

The Stated Capital of the Company remains at Rs.2,150,640,315/- consisting of 318,074,365 Ordinary (Voting) Shares. The Shares of the company are listed on the Colombo Stock Exchange.

Shareholders

The total shareholder base of the company as at 31 March, 2017 was 1,794 (2016 – 1,475). The distribution of the shareholding and a list of the 20 major shareholders are given under Investor Information in this Annual Report.

Dividend

An Interim Dividend of Rs. 0.50/- per Share (totaling a sum of Rs. 159,037,182.5) for the financial year ended 31 March, 2017 has been paid to the Shareholders of the Company on 20 April, 2017.

The Directors obtained a Report in terms of Section 56 (2) of the Companies Act No.7 of 2007 from the Company's Auditors confirming that the Company will, immediately after the payment of the above Interim Dividend satisfy the Solvency Test.

The Directors recommend the payment of a Final Dividend of Rs. 1/- per Share for the financial year ended 31st March 2017.

The Directors have taken appropriate measures to obtain a Report in terms of Section 56 (2) of the Companies Act No.7 of 2007 from the Company's Auditors confirming that the Company will, immediately after the payment of the above Final Dividend satisfy the Solvency Test.

Statutory Payments

The Directors, to the best of their knowledge and belief are satisfied that all statutory payments in relation to the Government had been made up to date.

Post Balance Sheet Events

The Directors recommend subject to the approval from Shareholders at the Annual General Meeting, a final cash dividend of Rs.1/- per share to be paid for the financial year ended 31 March 2017.

Subsequent to the reporting date, Directors of Capitalife Assurance Limited resolved to liquidate the company. Accordingly, Mr. G.K.Sudath Kumar was appointed as the liquidator for the purpose of winding up the affairs of the company.

Compliance

During the year the Central Bank of Sri Lanka (CBSL) carried out its regular annual on-site examination of the Company. The Directors of the Company also met the Director and other officials of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka to discuss the report, furnish the necessary explanations and agree on corrective actions required to be taken.

We certify that the company complies with the prudential requirements, regulations, laws and internal controls and are taking measures to rectify any non-compliance.

Auditors

The Financial Statements for the period under review have been audited by Messrs Ernst & Young, Chartered Accountants. Rs. 4,792,000/- has been paid as Audit Fee and other Assurance Services for the year ended 31 March, 2017.(2016 – Rs. 4,522,000/-)

A resolution re- appointing Messrs Ernst & Young, Chartered Accountants as the Auditors of the company and authorizing the Directors to determine their remuneration will be proposed at the Annual General Meeting.

Auditors' Relationship with the Company

Messrs Ernst & Young, Chartered Accountants, also provided non-audit services, in relation to Rs. 232,300/- during the year ended 31 March, 2017. (2016-Rs. 2,391,859)

By order of the Board

Secretary
JACEY & COMPANY
Secretaries

K J C Perera
Director

R S Egodage
Director

6 June, 2017

REPORT OF THE BOARD AUDIT COMMITTEE

The Audit Committee comprising of two independent non-executive directors and one non-executive director assists the Board of Directors in fulfilling its responsibilities in relation to the oversight of the Company's Accounting and Financial Reporting, and in ensuring that the Company's processes related to Internal Control is adequate. The Committee also reviews the independence of External Auditors, and the scope, results and effectiveness of their activities. The Management is responsible for the preparation, presentation and integrity of the Financial Statements of the Company, the design and implementation of Internal Controls and procedures to assure compliance with accounting standards, applicable laws, regulations and best practice.

In discharging its responsibilities, the Audit Committee also:

- Makes recommendations on matters connected with the appointment of the External Auditors, implementation of Central Bank's guidelines issued to Auditors, application of relevant accounting standards and other matters connected with the Auditors of the Company such as audit fees, limitation on service period of the Audit Partner and resignation or dismissal of Auditors.
- Monitors the External Auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards and best practices. The Committee is also required to discuss and agree with the External Auditors on the nature and the scope of the audit before its commencement.
- Develops and implements a policy with the approval of the Board on the engagement of an External Auditor to provide non-audit services in accordance with the applicable regulations, guidelines and best practice.
- Reviews the financial information of the Company in order to monitor the integrity of the Financial Statements and other reports issued by the Company in terms of various disclosure requirements
- Reviews the adequacy of the scope, functions, resources and authority of the Internal Audit function of the Company.

The Audit Committee is comprised of three Members who are Non-Executive Directors of the Company, namely, Mr E D P Soosaipillai – Chairman, Mr K J C Perera and Mr I G S K Gunaratne. The Chairman of the Audit Committee and Mr K J C Perera are also independent directors.

The Company has an Internal Audit Function that reports to the Audit Committee on matters of internal control compliance. The charter of the Internal Audit Department is approved by the Audit Committee. The Head of Internal Audit together with his senior staff are invited to participate at Audit Committee Meetings together with the Company's External Auditors, Chief Operating Officer, Compliance Officer and the Chief Financial Officer. Members of the Operational Management are also invited to participate as deemed necessary by the Audit Committee.

The Internal Audit Department presents a summary of the findings of all Internal Audits and investigations carried out to the Audit Committee periodically. Internal Audit findings are reviewed by the

Committee and where necessary corrective action is recommended, the implementation by the management of which is, monitored by the Committee.

The Audit Committee also discusses reports of internal and external audits carried out and the findings of such reviews and advice given to the Management where applicable to monitor and control such issues to prevent repeat findings. The Company's quarterly and annual Financial Statements are also reviewed and discussed at these Meetings with the Management and the External Auditors prior to publication thereof. The Committee reviewed the Management Letters issued by the External Auditor, the Management responses thereto and also attended to matters specifically addressed to them.

The Committee meets with the External Auditors and discusses issues arising from the audit and corrective action taken.

Minutes of the Audit Committee Meetings are circulated to the Board and any matters arising there from are discussed at Board meetings.

Sixteen (16) Meetings of the Committee were held during the period under review and attendance of at these meetings are given in this Annual Report.

The Audit Committee reviewed and discussed the audited Financial Statements of the Company for the year ended 31 March 2017, with the Management and the External Auditors to the Company, and has recommended the same to the Board for approval for inclusion in the Company's Annual Report.

The Committee reviews the other services provided by the External Auditor to the Company, to ensure their independence. The Audit Committee has recommended to the Board of Directors that Messrs Ernst & Young, Chartered Accountants be re-appointed as Auditors to the Company for the financial year ending 31 March 2018 subject to the approval of the Shareholders at the forthcoming Annual General Meeting.



E D P Soosaipillai
Chairman – Audit Committee

6 June, 2017

REPORT OF THE REMUNERATION COMMITTEE

The Remuneration Committee appointed by the Board, comprises of three Non-Executive Directors, Mr I G S K Gunaratne (Chairman of the Committee), Mr M S D Pinto and Mr K J C Perera and are responsible for reviewing the performance of the Executive Director and the Chief Executive Officer and to recommend appropriate remuneration benefits and other payments within the existing approved framework. Mr. M SD Pinto was appointed as the member of Remuneration Committee with effect from 12 April, 2017.

The primary objective of the Remuneration Committee is to ensure that the remuneration policy attracts, retains and motivates the Executive Directors and links rewards to corporate performance. In setting remuneration levels, the Remuneration Committee takes into consideration the market rates and practices of other quoted and industry peer companies of similar size and scope. The Remuneration Committee considers that it is important that significant proportion of the Executive Directors' total remuneration package is linked to corporate performance.

The minutes of the Remuneration Committee Meetings are circulated to Members of the Board. The recommendations made by the Remuneration Committee are discussed at Board Meetings and the final determination based on such recommendations is made by the Board of Directors.

One Meeting of the Remuneration Committee held during the period under review.

The aggregate remuneration paid to the Directors during the period under review is set out as a Note to the Financial Statements, contained in this Annual Report.



I G S K Gunaratne

Chairman - Remuneration Committee

6 June, 2017

REPORT OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

The Related Party Transactions Review Committee of the Company was established by the Board on 22nd September 2015 in accordance with Section 9 of the Listing Rules of the Colombo Stock Exchange to ensure compliance with those rules thereby enhancing the Company's internal control mechanisms.

Composition of the Committee

The Related Party Transactions Review Committee was appointed by the Board of Directors of the Company. As at 31st March 2017 it comprised the following Directors:

Mr M S D Pinto – Independent Non-Executive Director - Chairman
Mr I G S K Gunaratne – Non-Executive Director
Mr R C Chitty – Executive Director / Chief Operating Officer

Purpose of the Committee

The purpose of the Committee is to provide independent review, approval and oversight of all proposed Related Party Transactions.

Scope of the Committee Includes:

- To manage relationships with related parties to uphold good governance and the best interests of the Company
- To provide an independent review, approval and oversight of Related Party Transactions (except those expressly exempted by the Charter) on terms set forth in greater detail in the Policy
- To review the Charter and Policy at least annually and recommend amendments to the Charter and the Policy to the Board as and when determined to be appropriate by the Committee
- Determining whether Related Party Transactions that are to be entered into by the Company require the approval of the Board or Shareholders of the Company
- Ensuring that no Director of the Company shall participate in any discussion of a proposed Related Party Transaction for which he or she is a related party, unless such Director is requested to do so by the Committee for the express purpose of providing information concerning the Related Party Transaction to the Committee
- Ensuring that immediate market disclosures and disclosures in the Annual Report as required by the applicable rules/regulations are made in a timely and detailed manner

Policies and Procedures

The Company has in place a Related Party Transaction (RPT) Policy whereby the categories of persons/entities who shall be considered as 'related parties' has been identified. In accordance with the RPT Policy, self-declarations are obtained from each Key Management Personnel for the purpose of identifying parties related to them.

Based on the information furnished in these declarations, the Company has developed a system that enable to retrieve data on related party transactions throughout the Company's network and committee is working with the management to continuously improve such system to identify and report related party transactions.

Related Party Transactions During the Period

During the financial year, the Committee reviewed possible related party transactions and communicated its comments/observations to the Board of Directors. There were no non-recurrent related party transactions that required to communicate to Colombo Stock Exchange. All the recurrent related party transactions that exceeded respective thresholds were disclosed under Note No. 50 "Related Party Transactions" in the Audited Financial Statements in this Annual Report.

Meetings

During the financial year, the committee met four times.



M S D Pinto

Chairman - Related Party Transactions Review Committee

6 June 2017

REPORT OF THE BOARD INTEGRATED RISK MANAGEMENT COMMITTEE

The Board's Integrated Risk Management Committee (IRMC) is responsible for determining the Company's Risk Management policy and overall strategies and ensuring that procedures at Board and Management Level are in place to identify, monitor and mitigate risks to safeguard the Company's assets and interests by clearly communicating that policy and those strategies to the Management.

The Corporate Management is responsible for identifying relevant risks and notifying the IRMC who will in turn make decisions on behalf of the Board within the framework of the authority and responsibility assigned by the Board.

The IRMC is made up of three Non-Executive Directors, Executive Directors, Chief Executive Officer and Members of the Corporate Management supervising broad risk categories.

During the year under review the IRMC was made up of the following :

Mr K J C Perera - Chairman

Mr R S Egodage

Mr I G S K Gunaratne

Mr E D P Soosaipillai

Mr R C Chitty

Five (05) Meetings of the IRMC were held during the period under review and attendance of the Directors at these Meetings is given in this Annual Report. The IRMC mainly discusses matters related to Risk Management of the Company and matters arising from minutes of the Meetings of Subcommittees formed under its purview (i.e Asset and Liability, Fixed Deposits, Human Resources, IT and Credit, Legal and Recoveries). The Board is briefed on matters discussed at IRMC Meetings.

The role of the IRMC covers the following areas:

- Assess all risks, i.e, credit, market, liquidity, operational and reputational on a continuous basis through risk indicators and management information.
- Review the adequacy and effectiveness of all Management Level Committees in addressing specific risks and the management of those risks within qualitative and quantitative risk limits as required by the IRMC.
- Take prompt corrective action to mitigate the effects of specific risks in case such risks are at a level beyond the prudent levels as viewed by the Committee.
- Assess all aspects of Risk Management including business continuity plans on a timely basis.

- Take appropriate actions against the officers responsible for failure to identify specific risks and take prompt corrective actions.
- The Board is briefed on matters discussed at the IRMC seeking the Board's views, concurrence and specific Directions.
- Assess the compliance function to ascertain the Company's compliance with laws, regulations, directions, rules, regulatory guidelines, internal controls and approved policies on all areas of business Operations.



K J C Perera

Chairman - Integrated Risk Management Committee

6 June, 2017

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING

This Statement of Directors' Responsibilities is to be read in conjunctions with the Auditors' Report and is made to distinguish the respective responsibilities of the Directors and of the Auditors in relation to the Financial Statements contained in this Annual Report.

The Directors of your Company are required by the Companies Act No.7 of 2007 to prepare Financial Statements which give a true and fair view of the state of affairs of the Company as at the end of the Financial Year, and of the Profit and Loss and of the Cashflows of the Company for the Financial Year.

The Directors confirm that the Financial Statements of the Company for the year ended 31st March, 2017 presented in the Report have been prepared in accordance with the Sri Lanka Accounting Standards and the Companies Act No.7 of 2007. In preparing the Financial Statements, the Directors have selected the appropriate accounting policies and have applied them consistently. Reasonable and prudent judgments and estimates have been made and applicable accounting standards have been followed and the Financial Statements have been prepared on a going concern basis.

The Directors are of the view that adequate funds and other resources are available within the Company for the Company to continue in operation for the foreseeable future.

The Directors have taken all reasonable steps expected of them to safeguard the assets of the Company and to establish appropriate systems of internal controls in order to prevent, deter and detect any fraud, misappropriation or other irregularities. The Directors have also taken all reasonable steps to ensure that the Company maintains adequate and accurate accounting books of record which reflect the transparency of transactions and provide an accurate disclosure of the Company's financial position.

The Directors are required to provide the Auditors with every opportunity to take whatever steps and undertake whatever inspection they consider appropriate for the purpose of enabling them to give their Audit Report. The Directors are of the view that they have discharged their responsibilities in this regard.

Compliance Report

The Directors confirm that, to the best of their knowledge, all taxes and levies payable by the Company and all contributions, levies and taxes payable on behalf of the employees of the Company, and all other known statutory obligations as at the balance sheet date have been paid or provided for in the Financial Statements.

By order of the Board



Secretary
JACEY & COMPANY
Secretaries

Colombo
06 June, 2017

DIRECTORS STATEMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

In line with the Finance Companies Direction No. 3 of 2008, Section 10 (2) (b), the Board of Directors present this Report on Internal Control over Financial Reporting.

The Board of Directors ("Board") is responsible for the adequacy and effectiveness of the Internal Control mechanism in place at the Commercial Credit and Finance PLC. ("Company").

The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company and this process includes the system of Internal Control over Financial Reporting. The process is regularly reviewed by the Board.

The Board is of the view that the system of Internal Control over Financial Reporting in place is sound and adequate to provide reasonable assurance regarding the reliability of Financial Reporting and that the preparation of Financial Statements for external purposes is in accordance with relevant accounting principles and regulatory requirements.

The Management assists the Board in the implementation of the Board's policies and procedures pertaining to Internal Control over Financial Reporting. The Management has documented the system of Internal Control over Financial Reporting. In assessing the Internal Control System over Financial Reporting, identified officers of the Company collated all procedures and controls that are connected with significant accounts and disclosures of the Financial Statements of the Company.

In adopting Sri Lanka Accounting Standards comprising LKAS and SLFRS, progressive improvements on processes to comply with requirements of recognition, measurement, classification and disclosure were made whilst further strengthening of processes namely review of disclosures with regard to financial risk management, fair value, Related Party transactions are being progressively improved.

Confirmation

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

Review of the statement by external auditors

The External Auditors have submitted a certification of the process adopted by the Directors on the system of Internal Control over Financial Reporting. Matters highlighted by the External Auditors in this respect, are being addressed by the company.

By order of the Board



K J C Perera

Chairman



R S Egodage

Director/Chief Executive Officer



E D P Soosaipillai

Director/Chairman Audit Committee

06 June, 2017

FINANCIAL INFORMATION

INDEPENDENT AUDITORS' REPORT



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Sri Lanka

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TO THE SHAREHOLDERS OF COMMERCIAL CREDIT AND FINANCE PLC

Report on the Financial Statements

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

Board's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

Partners: W R H Fernando FCA FCMA M P D Cooray FCA FCMA R N de Saram ACA FCMA Ms. N A De Silva FCA Ms. Y A De Silva FCA W K B S P Fernando FCA FCMA
Ms. K R M Fernando FCA ACMA Ms. L K H L Fonseka FCA A P A Gunasekera FCA FCMA A Herath FCA D K Hulangamuwa FCA FCMA LLB (Lond) H M A Jayasinghe FCA FCMA
Principal T P M Ruberu FCMA FCCA

A member firm of Ernst & Young Global Limited

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 March 2017, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

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

- a) The basis of opinion, scope and limitations of the audit are as stated above.
- b) In our opinion:
 - we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company,
 - the financial statements of the Company give a true and fair view of its financial position as at 31 March 2017, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards, and
 - the financial statements of the Company and the Group comply with the requirements of sections 151 and 153 of the Companies Act No. 07 of 2007.

6 June 2017

Colombo

STATEMENT OF FINANCIAL POSITION

As at 31st March

	Note	Company	Group	
		2017 LKR	2016 LKR	2017 LKR
Assets				
Cash and bank balances	6	1,851,852,880	1,142,136,273	1,947,456,919
Reverse repurchase agreements		2,061,144,916	1,925,144,718	2,061,144,916
Placements with banks	7	1,507,448,249	1,119,605,985	1,518,067,107
Financial investments - Held for trading	8	2,225,869,939	1,812,157,612	2,225,869,939
Loans and receivables	9	38,058,297,680	34,242,665,204	38,198,687,882
Lease rentals receivable & stocks out on hire	10	30,183,916,298	24,521,395,709	33,481,539,491
Financial investments - Available for sale	11	309,504,682	564,348,733	406,336,986
Other financial assets	12	762,642,327	437,672,839	762,642,327
Inventories	13	173,987,309	327,369,203	173,987,309
Other assets	14	230,831,551	205,174,267	253,807,280
Investments in subsidiary	15	1,599,788,796	1,599,788,796	-
Investments in associates	16	-	173,756,976	-
Investment property	17	1,461,413,125	815,024,000	1,461,413,125
Property, plant and equipment	18	1,538,296,861	1,393,908,990	1,574,347,455
Intangible assets & goodwill	19	136,510,053	105,725,753	894,864,980
Prepaid rent	20	8,310,712	8,433,517	8,310,712
Deferred tax asset	27	744,697,789	313,456,034	752,893,603
Total Assets		82,854,513,167	70,707,764,609	85,721,370,031
Liabilities				
Due to banks and other Institutions	21	10,792,365,766	6,803,304,586	11,956,248,752
Due to customers	22	53,737,080,785	49,297,298,909	54,637,126,334
Debt instruments issued and other borrowed funds	23	3,481,991,842	3,596,019,761	3,481,991,842
Other financial liabilities	24	2,298,361,860	2,015,434,230	2,593,753,131
Other liabilities	25	443,910,349	213,858,106	461,104,753
Current tax liabilities		1,754,124,717	915,407,326	1,785,229,566
Post employment benefit obligations	26	98,863,353	84,564,979	110,022,141
Total Liabilities		72,606,698,672	62,925,887,897	75,025,476,519
Shareholders' Funds				
Stated capital	28	2,150,640,315	2,150,640,315	2,150,640,315
Retained earnings	29	5,749,765,773	3,896,527,996	6,154,648,604
Reserves	30	2,347,408,407	1,734,708,401	2,386,424,298
Total equity attributable to equity holders of the company		10,247,814,495	7,781,876,712	10,691,713,217
Non-controlling Interests		-	-	4,180,297
Total Equity		10,247,814,495	7,781,876,712	10,695,893,512
Total Liabilities and Shareholders' Funds		82,854,513,167	70,707,764,609	85,721,370,031
Commitments and Contingencies	48	1,542,650,853	358,806,372	1,542,650,853
				358,806,372

I certify that these financial statements are in compliance with the requirements of the companies Act No. 07 of 2007.



Chief Financial Officer

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



Chairman



Director/Chief Executive Officer

Accounting policies and notes from pages 117 to 195 form an integral part of these financial statements.

6 June 2017

Colombo

STATEMENT OF PROFIT OR LOSS

Year Ended 31st March

	Note	Company 2017 LKR	2016 LKR	Group 2017 LKR	2016 LKR
Income	31	20,924,522,111	17,123,628,878	21,758,539,464	17,776,900,223
Interest income	31.1	19,048,827,751	15,729,164,027	19,927,371,419	16,418,291,970
Interest expenses	31.2	(7,811,619,440)	(6,061,832,799)	(7,996,668,474)	(6,206,223,947)
Net interest income		11,237,208,311	9,667,331,228	11,930,702,945	10,212,068,023
Fee and commission income	32	809,052,723	689,429,707	860,220,186	741,601,418
Net income from real estate sales	33	58,362,612	66,023,976	58,362,612	66,023,976
Net gain from trading	34	65,181,220	127,009,448	65,181,220	127,009,448
Other operating income	35	699,707,680	277,283,594	604,013,900	189,255,285
Change in fair value of Investment property	17	243,390,125	234,718,126	243,390,125	234,718,126
Total operating income		13,112,902,671	11,061,796,079	13,761,870,988	11,570,676,275
Impairment charges of loans and receivables, lease, hire purchase and financial assets	36	(2,873,575,818)	(2,814,109,022)	(2,897,660,265)	(2,845,365,661)
Pawning auction losses		(34,887,364)	(62,085,297)	(34,887,364)	(62,085,297)
Losses from disposal of repossessed vehicles		-	-	(7,504,063)	(28,686,865)
Net operating income		10,204,439,489	8,185,601,760	10,821,819,296	8,634,538,452
Operating expenses					
Personnel expenses	37	(3,289,111,028)	(3,042,167,680)	(3,388,023,818)	(3,111,204,118)
Depreciation of property, plant and equipment	18,19,20	(222,117,407)	(167,296,911)	(239,763,754)	(179,858,012)
Other operating expenses	38	(2,018,434,052)	(1,738,515,590)	(2,128,393,143)	(1,823,478,894)
Operating profit before Value Added Tax on financial services		4,674,777,002	3,237,621,579	5,065,638,581	3,519,997,428
Value Added Tax on financial services		(764,214,576)	(467,930,085)	(831,330,977)	(491,185,231)
Operating profit after Value Added Tax on financial services		3,910,562,426	2,769,691,494	4,234,307,604	3,028,812,197
Share of loss of associates	39	-	-	(231,794)	(1,609,646)
Profit before taxation		3,910,562,426	2,769,691,494	4,234,075,810	3,027,202,551
Income Taxation	40	(1,007,584,456)	(617,997,268)	(1,117,562,829)	(704,974,453)
Profit for the year		2,902,977,970	2,151,694,226	3,116,512,981	2,322,228,098
Profit attributable to:					
Equity holders of the company		2,902,977,970	2,151,694,226	3,115,473,964	2,317,513,317
Non - controlling interests		-	-	1,039,017	4,714,781
		2,902,977,970	2,151,694,226	3,116,512,981	2,322,228,098
Basic earnings per share	41	9.13	6.76	9.79	7.29
Dividend Per Share	42	1.50	1.0	-	-

Accounting policies and notes from pages 117 to 195 form an integral part of these Financial Statements.

STATEMENT OF COMPREHENSIVE INCOME

Year Ended 31st March

	Note	Company 2017 LKR	2016 LKR	Group 2017 LKR	2016 LKR
Profit for the year		2,902,977,970	2,151,694,226	3,116,512,981	2,322,228,098
Net gains / (losses) on remeasuring Available-for-sale financial assets		8,731,787	(57,673,108)	10,073,137	(60,846,523)
Net losses on Available-for-sale financial assets reclassified to profit or loss		13,272,625	39,928,183	13,487,850	34,575,151
Total other comprehensive income to be reclassified to statement of Profit or Loss		22,004,412	(17,744,925)	23,560,987	(26,271,372)
Revaluation gain on land and buildings		10,100,000	60,001,957	10,100,000	60,001,957
Deferred tax charge relating to revaluation gain on buildings		-	(3,557,162)	-	(3,557,162)
		10,100,000	56,444,795	10,100,000	56,444,795
Actuarial gains on defined benefit plans	26	11,065,207	15,564,314	11,992,345	14,081,183
Deferred tax (charge)/reversal relating to actuarial loss on defined benefit plans	40	(3,098,258)	(4,358,008)	(3,357,857)	(3,942,731)
		7,966,949	11,206,306	8,634,488	10,138,452
Total other comprehensive income not to be reclassified to statement of Profit or Loss		18,066,949	67,651,101	18,734,488	66,583,247
Other Comprehensive Income for the year, net of taxes		40,071,361	49,906,176	42,295,475	40,311,875
Total Comprehensive Income for the Year		2,943,049,331	2,201,600,402	3,158,808,456	2,362,539,973
Total Comprehensive income attributable to:					
Equity holders of the company		2,943,049,331	2,201,600,402	3,157,762,323	2,357,983,498
Non-controlling interests		-	-	1,046,133	4,556,475
Total Comprehensive Income for the year		2,943,049,331	2,201,600,402	3,158,808,456	2,362,539,973

Accounting policies and notes from pages 117 to 195 form an integral part of these Financial Statements.

STATEMENT OF CHANGES IN EQUITY

Year Ended 31st March

Year ended 31st March Company	Note	Stated Capital LKR	Revaluation Reserve LKR	General Reserve LKR	Retained Earnings LKR	Statutory Reserve LKR	Available for Sale Reserve LKR	Total LKR
Balance as at 1 April 2015		2,150,640,315	126,002,604	58,751,125	2,482,040,674	1,093,001,815	(12,085,858)	5,898,350,675
Net profit for the year	29	-	-	-	2,151,694,226	-	-	2,151,694,226
Other comprehensive income net of tax	29/30	-	56,444,795	-	11,206,306	-	(17,744,925)	49,906,176
Total comprehensive income		56,444,795		-	2,162,900,532	-	(17,744,925)	2,201,600,402
Transferred to statutory reserve	29/30	-	-	-	(430,338,845)	430,338,845	-	-
Dividend paid	42	-	-	-	(318,074,365)	-	-	(318,074,365)
Balance as at 31 March 2016		2,150,640,315	182,447,399	58,751,125	3,896,527,996	1,523,340,660	(29,830,783)	7,781,876,712
Balance as at 1 April 2016		2,150,640,315	182,447,399	58,751,125	3,896,527,996	1,523,340,660	(29,830,783)	7,781,876,712
Net profit for the year	29	-	-	-	2,902,977,970	-	-	2,902,977,970
Other comprehensive income net of tax	29/30	-	10,100,000	-	7,966,949	-	22,004,412	40,071,361
Total comprehensive income		-	10,100,000	-	2,910,944,919	-	22,004,412	2,943,049,331
Transferred to statutory reserve	29/30	-	-	-	(580,595,594)	580,595,594	-	-
Dividend paid	42	-	-	-	(477,111,548)	-	-	(477,111,548)
Balance as at 31 March 2017		2,150,640,315	192,547,399	58,751,125	5,749,765,773	2,103,936,254	(7,826,371)	10,247,814,495

Accounting policies and notes from pages 117 to 195 form an integral part of these Financial Statements.

Year ended 31st March Group	Note	Stated Capital LKR	Revaluation Reserve LKR	General Reserve LKR	Retained Earnings LKR	Statutory Reserve LKR	Available for Sale Reserve LKR	Controlling Interest LKR	Total LKR
Balance as at 01 April 2015		2,150,640,315	126,002,604	58,751,125	2,522,259,614	1,102,855,929	(6,131,462)	15,352,872	5,969,730,997
Net profit for the year	29	-	-	-	2,317,513,317	-	-	4,714,781	2,332,228,098
Other comprehensive income net of tax	29/30	-	56,444,795	-	10,156,072	-	(26,130,686)	(158,306)	40,311,875
Total comprehensive income		56,444,795			2,327,669,389			4,556,475	2,362,539,973
Transferred to statutory reserve	29/30	-	-	-	(444,146,348)	444,146,348	-	-	-
Dividend paid	42	-	-	-	(318,074,365)	-	-	-	(318,074,365)
Balance as at 31 March 2016		2,150,640,315	182,447,399	58,751,125	4,087,708,290	1,547,002,277	(32,262,148)	19,909,347	8,014,196,604
Balance as at 1 April 2016		2,150,640,315	182,447,399	58,751,125	4,087,708,290	1,547,002,277	(32,262,148)	19,909,347	8,014,196,604
Net profit for the year	29	-	-	-	3,115,473,964	-	-	1,039,017	3,116,512,981
Other comprehensive income net of tax	29/30	-	10,100,000	-	8,632,352	-	23,556,006	7,116	42,295,475
Total comprehensive income		- 10,100,000			3,124,106,316		23,556,006	1,046,133	3,158,808,456
Transferred to statutory reserve	-	-	-	-	(596,829,639)	596,829,639	-	-	-
Effect of change in equity interest in subsidiary	29/30	-	-	-	16,775,185	-	-	(16,775,185)	-
Dividend paid	42	-	-	-	(477,111,548)	-	-	(477,111,548)	-
Balance as at 31 March 2017		2,150,640,315	192,547,399	58,751,125	6,154,648,604	2,143,831,916	(8,706,142)	4,180,295	10,695,893,512

Accounting policies and notes from pages 117 to 195 form an integral part of these Financial Statements.

CASH FLOW STATEMENT

Year Ended 31st March

	Note	2017 LKR	2016 LKR	2017 LKR	2016 LKR
Case flow from/(used in) operating activities					
Profit before income tax expense		3,910,562,426	2,769,691,494	4,234,075,810	3,027,202,550
Adjustments for					
Depreciation and amortisation	18/19	221,994,602	167,174,406	239,640,949	179,735,506
Amortisation of leasehold property	20	122,805	122,805	122,805	122,805
Profit on disposal of property, plant & equipments	35	-	(59,957,855)	(1,509,561)	(60,788,666)
Share of loss of associate	39	-	-	231,794	1,609,646
Disposal gain of associate	35	(272,443,494)	-	(265,499,009)	-
Impairment charge of loans and advances, lease,hire purchase	36	2,842,030,050	2,775,334,735	2,875,457,530	2,806,591,374
Impairment charge of available for sale financial assets & associates	36	31,545,768	38,774,287	22,202,735	38,774,287
Losses from disposal of repossessed vehicles		-	-	7,504,063	28,686,865
Pawning auction losses		34,887,364	62,085,297	34,887,364	62,085,297
Net fair value adjustment of investment property	17	(243,390,125)	(234,718,126)	(243,390,125)	(234,718,126)
Fair value gain on compensation receivable		(1,544,893)	(12,409,031)	(1,544,893)	(12,409,031)
Provision for defined benefit plans	26	33,784,456	31,779,788	36,685,253	34,167,131
Operating profit before working capital changes		6,557,548,959	5,537,877,800	6,938,864,715	5,871,059,637
Decrease in inventories		153,381,894	230,206,484	153,381,894	230,206,484
Increase in loans and receivables		(6,073,840,767)	(7,749,875,084)	(6,189,297,491)	(7,754,361,499)
Increase in lease rentals receivable & stock out on hire		(5,374,400,069)	(7,295,980,850)	(6,481,235,281)	(7,980,102,466)
Decrease/(increase) in other financial assets		(323,424,594)	(13,546,789)	(323,424,594)	119,839,736
(Increase)/decrease in other assets		(25,657,284)	122,040,109	(10,160,988)	109,461,748
Decrease/(increase) in loans and receivables		(355,489,122)	159,344,286	(184,754,708)	250,205,638
Increase in amounts due to customers		4,439,781,875	7,111,775,277	4,255,776,812	7,150,137,463
(Decrease)/increase in other financial liabilities		127,809,538	(524,149,971)	381,640,544	(531,687,674)
(Decrease)/increase in other liabilities		230,052,243	(2,750,058)	247,246,647	(2,750,069)
Cash generated from operations		(644,237,328)	(2,425,058,796)	(1,211,941,349)	(2,537,991,000)
Retirement benefit liabilities paid	26	(8,420,875)	(3,657,625)	(8,508,375)	(3,657,625)
Taxes paid		(603,206,336)	(393,721,748)	(764,093,401)	(468,582,472)
Net cash flows (used in)/from Operating activities		(1,255,864,539)	(2,822,438,169)	(1,984,543,125)	(3,010,231,097)
Cash flows from / (used in) Investing activities					
Proceeds from divestment of associate		325,367,470	-	367,034,140	-
Investments in associates	16.2	-	(120,833,330)	-	(166,058,330)
Acquisition of property, plant and equipments	18.6	(500,577,630)	(606,674,787)	(524,524,565)	(629,564,378)
Acquisition of investment property		(89,714,000)	-	(89,714,000)	-
Acquisition of intangible assets	19	(30,784,300)	(1,260,000)	(40,566,270)	(6,035,639)
Net investment in financial instruments- held for trading		(413,712,327)	(319,321,987)	(413,712,329)	(319,321,987)
Proceed from sale of property, plant & equipments		1,295,157	186,754,957	5,003,457	188,409,951
Net investment in financial instruments- available for sale		366,135,695	(444,657,348)	343,027,559	(420,050,337)
Net cash flows used in Investing activities		(341,989,934)	(1,305,992,495)	(353,452,006)	(1,352,620,720)
Cash flows from / (used in) Financing activities					
Net cash flow from/(used in) debt instruments issued and other borrowings		(114,027,923)	3,004,521,058	(114,027,919)	3,004,521,058
Proceeds from loans obtained	21.1	12,879,344,675	5,455,811,993	13,829,393,847	5,655,811,993
Repayment of bank loans	21.1	(9,279,988,748)	(4,982,264,567)	(9,397,520,387)	(5,017,670,266)
Dividend paid	42	(321,993,455)	(318,074,365)	(321,993,455)	(318,074,365)
Net cash flows from Financing activities		3,163,334,552	3,159,994,119	3,995,852,087	3,324,588,420
Net increase in Cash and Cash equivalents		1,565,480,080	(968,436,545)	1,657,856,956	(1,038,263,398)
Cash and Cash equivalents at the beginning of the year		2,496,131,776	3,464,568,321	2,386,136,378	3,424,399,777
Cash and Cash equivalents at the end of the year		4,061,611,856	2,496,131,776	4,043,993,334	2,386,136,379
Cash and Cash Equivalents For the Purpose of Cash Flow Statement					
Cash in hand	6	1,851,852,880	1,142,136,273	1,947,456,919	1,155,203,533
Reverse repurchase agreements		2,061,144,916	1,925,144,718	2,061,144,916	1,982,653,373
Placements with bank (less than three months)		719,892,377	687,539,235	719,892,377	687,539,235
Bank overdrafts	21	(571,278,317)	(1,258,688,450)	(684,500,878)	(1,439,259,761)
Total Cash and Cash Equivalents For the Purpose of Cash Flow Statement		4,061,611,856	2,496,131,776	4,043,993,334	2,386,136,380

Accounting policies and notes from pages 117 to 195 form an integral part of these Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31st March

1. Corporate Information

1.1 General

Commercial Credit and Finance PLC ("Company") is a Limited Liability Company incorporated and domiciled in Sri Lanka whose shares are listed in the Colombo Stock Exchange. The registered office of the Company and the principal place of business is located at No.106, Yatinuwara Veediya, Kandy.

1.2 Principal Activities and Nature of Operations

Company

During the year, the principal activities of the company were acceptance of deposits, granting lease facilities, hire purchase, personal loans, micro loans, pawning and other credit facilities, real estate development and related services.

Subsidiary

Trade Finance & Investments PLC

During the year, the principal activities of the Trade Finance & Investment PLC were providing finance leases, hire purchase assets financing, granting of loans, mobilisation of deposits, pawning & other financial services. Company holds 99.68% (2016 - 98.35%) of the equity of Trade Finance & Investment PLC.

Associate

BG Microfinance Myanmar Company Limited.

Company held 37% of the equity of BG Microfinance Limited – Myanmar as at 31 March 2016 and disposed the investment during the current financial year. The principal activity of the BG Microfinance Company Limited is providing micro finance loans.

Capitalife Assurance Limited

Company held 19.3% of the equity of Capitalife Assurance Limited and Trade Finance & Investments PLC held 7.2% of the equity of Capitalife Assurance Limited as at 31 March 2016 and Trade Finance & Investments PLC disposed 6.65% during the current financial year. The investment in Capitalife Assurance Limited has been classified to available for sale assets upon the disposal. The principal activity of the Company is to carry on the business of life assurance

1.3 Parent Enterprise and Ultimate Parent Enterprise

The Company's immediate parent is BG Investment (Private) Limited. In the opinion of the directors, the Company's ultimate parent entity is BG Capital (Private) Limited, which is incorporated in Sri Lanka while Mr. R.S. Egodage is the Company's ultimate controlling party.

1.4 Date of the Authorization for Issue

The Financial Statements of Commercial Credit and Finance PLC for the year ended 31 March 2017 was authorized for issue by the board of directors on 06 June 2017.

1.5 Responsibility for Financial Statements

The Board of Directors is responsible for the preparation and presentation of these Financial Statements of the Company and the Group as per the provisions of the Companies Act No.07 of 2007 and the Sri Lanka Accounting Standards.

2. Basis of Preparation

2.1 Statement of compliance

The consolidated financial statements of the group and separate financial statements of the company, as at 31 March 2017 and for the year then ended, have been prepared and presented in accordance with Sri Lanka Accounting Standards (SLFRSs and LKAS), laid down by the Institute of Chartered Accountants of Sri Lanka and in compliance with the requirements of the companies act no. 07 of 2007, the finance business act no 42 of 2011.

These financial statements include the following components.

- A Statement of Profit or Loss and Statement of Comprehensive Income providing the information of the financial performance of the Company and the Group for the year under review.
- A Statement of Financial Position providing the information on the financial position of the Company and the Group as at the year end.
- A Statement of Changes in Equity depicting all changes in shareholder's equity during the year under review of the Company and the Group.
- A Statement of Cash Flows providing the information to the users, on the ability of the Company and Group to generate cash and cash equivalents and the needs of entity to utilize those cash flows.
- Notes to the Financial Statements comprising accounting policies & other explanatory information.

2.2 Basis of Measurement

The Financial Statements of the Company and the Group have been prepared on a historical cost basis, except for the following items stated in the Statement of Financial Position which have been measured at fair value.

- Financial Investments - Held for trading
- Financial Investments - Available for Sale
- Investment Property
- Freehold Land & Buildings classified as Property, Plant & Equipment

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2.3 Functional and presentation currency

The Financial Statements of the Company and the Group have been prepared in Sri Lanka Rupees (LKR), except when otherwise indicated.

2.4 Comparative Information

The accounting policies have been consistently applied by the Company and the Group with those of the previous financial year in accordance with Sri Lanka Accounting Standard - LKAS 01 "Presentation of Financial Statements".

2.5 Presentation of Financial Statements

The assets and liabilities of the Company and the Group in the Statement of Financial Position are grouped by nature and listed in order that reflects their relative liquidity. An analysis regarding recovery within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 47 (Current & Non-Current analysis of Assets & Liabilities). No adjustments have been made for inflationary factors affecting the Financial Statements.

Financial assets and financial liabilities are offset and the net amount reported in the statements of financial position of the company and group only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expenses are not offset in the Statement of Profit or Loss of the Company and Group unless required or permitted by any accounting standard or interpretation thereon.

2.6 Materiality & Aggregation

In compliance with Sri Lanka Accounting Standards - LKAS 01 on "Presentation of Financial Statements", each material class of similar items are presented separately in these Financial Statements. Items of dissimilar nature or functions are presented separately unless they are immaterial.

3. Significant Accounting Judgement, Estimates And Assumptions

The preparation of Financial Statements of the Company and the Group in conformity with Sri Lanka Accounting Standards requires the Management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Further, Management is also required to consider key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Actual results may differ from these estimates.

Accounting Judgements, estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The key significant accounting judgements, estimates and assumptions involving uncertainty are discussed below, whereas the respective carrying amounts of such assets and liabilities are as given in respective notes.

Going Concern

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

Impairment Losses on Lease Receivable, Hire Purchase Receivable and Loans and Advances to Customers

The Company and the group reviews its individually significant Leases, Hire Purchase, Loans and Advances at each reporting date to assess whether an impairment loss should be recorded in the Statement of profit or loss. In particular, management judgement is required in the estimation of the amount and timing of future cash flow when determining the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ from the estimate, resulting in future changes to the allowance.

Leases, Hire Purchase, Loans and Advances that have been assessed individually and found not to be impaired and all insignificant Leases, Hire Purchase, Loans and Advances are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether provision should be made due to incurred loss events for which there is objective evidence, but the effects of which are not yet evident. The collective assessment take account of data from the Leases, Hire Purchase, Loans and Advances portfolio (such as level of arrears, characteristics of assets, etc.) and judgements on the effect of concentration of risk and economic data (including levels of unemployment, inflation and interest rate). (Refer Note 5.4.9 (i), 9, 10 and 36).

Impairment of available for sale investments

The Company and Group reviews its financial assets classified as available for sale investments at each reporting date to assess whether they are impaired. This requires similar judgments as applied to the individual assessment of loans & advances.

The Company and Group also recorded an impairment charge on available for sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is 'significant' or 'prolonged' requires judgment. In making this judgment, the company and group evaluates among other factors, historical share price movements and duration and extent to which the fair value of an investment is less than its cost. (Refer Note 5.4.9 (ii), 11 and 36).

Impairment of Investments in Subsidiaries and Other Financial Assets

The Company and Group follow the guidance of Sri Lanka Accounting Standard (LKAS 36) - "Impairment of Assets" and Sri Lanka Accounting Standard (LKAS 39) - "Financial instruments Recognition and Measurement" in determining whether an investment or a financial asset is impaired. This determination requires significant judgment.

The Company and Group evaluate, among other factors, the duration and extent to which the fair value of an investment or a financial asset is less than its cost and the financial health of the near-term business outlook for the investment or a financial asset, including factors such as industry and sector performance, changes in technology and operational and financing cash flows. (Refer Note 5.1, 5.4.9, 15 and 12).

Impairment of Goodwill

The Group estimates the value in use of the Cash-Generating Units (CGU) to which goodwill has been allocated in order to determine whether goodwill is impaired. The value-in use calculation requires the entity to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate present value. (Refer Note 9).

Taxation including Deferred Tax Assets

The Group/Company is subject to Income taxes and other taxes including VAT on financial services. Uncertainty exists, with respect to the interpretation of the applicability of tax laws, at the time of the preparation of these financial statements.

Accordingly, the Group/Company has exercised judgment in determining the deferred tax effect due to unclaimed bad debts provision and investment in Trade Finance and Investments PLC and a deferred tax asset has been recognized thereon for unclaimed bad debts. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income and deferred tax amounts in the period in which the determination is made.

Deferred tax assets are recognized in respect of tax losses to the extent it is probable that future taxable profit will be available against which the losses can be utilized. Judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits, together with future tax planning strategies. (Refer Note 27 and 40).

Defined Benefit Plans

The cost of the post-employment benefit obligation is determined using an actuarial valuation. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long term nature of these plans, such estimates are subject to significant uncertainty. All assumptions are reviewed at each reporting date.

Further information on assumptions used are given in note 26.2 to these Financial Statements.

In determining the appropriate discount rate, management considers the interest rates of Sri Lanka Government bonds with maturities corresponding to the expected duration of the defined benefit obligation. Future salary increases are based on expected future inflation rates and expected future salary increment rate of the Company and the Group. (Refer Note 26).

Classification of Investment Properties

Management requires using its judgment to determine whether a property qualifies as an investment property. The Company and Group has developed criteria so it can exercise its judgment consistently. A property that is held to earn rentals or for capital appreciation or both and which generates cash flows largely independently of the other assets held by the Company and Group are accounted for as investment properties. On the other hand, a property that is used for operations or in the process of providing services or for administrative purposes and which do not directly generate cash flows as a standalone asset are accounted for as property, plant and equipment. The Company and Group assesses on an annual basis the accounting classification of its properties taking into consideration the current use of such properties. (Refer Note 17).

Fair value of Investment Properties

The Company and Group carries its Investment Properties at fair value, with changes in fair values being recognised in the Statement of profit or loss. The Company and Group engaged an independent valuer to determine the fair value as at 31 March 2017.

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The best evidence of fair value is usually the current price in an active market for similar lease and other contracts. In the absence of such information, the Company determines the amount within a range of reasonable fair value estimates. In making such estimates, the Company considers information from a variety of sources including:

- Current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;
- Recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and
- Discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using capitalization rates that reflect current market assessments of the returns and yields, an uncertainty in the amount and timing of the cash flows.

Principal assumptions for management's estimation of fair value

If information on current or recent prices of assumptions underlying the discounted cash flow approach of Investment Properties is not available, the fair values of Investment Properties are determined using discounted cash flow valuation techniques. The Company uses assumptions that are mainly based on market conditions existing at each reporting date.

The principal assumptions underlying management's estimation of fair value are those related to: the future rentals, maintenance requirements, and appropriate capitalization rates / yields and voids. These valuations are regularly compared to actual market yield data and actual transactions by the Company and those reported by the market.

Useful life time of Property, Plant and Equipment and Intangible Assets

The Company and Group review the residual values remaining, useful lives and methods of depreciation of assets at each reporting date. Management estimates these values, rates, methods and hence they are subject to estimation uncertainty. (Refer Note 18 and 19)

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs of these models are derived from observable market data where possible, but if this is not available, judgements such as discount rates, default rate assumptions, etc. is required to establish fair values. The valuation of financial instruments is described in more in Note 45 to these financial statements.

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. Unless the probability of occurrence is remote, contingent liabilities are not recognised in the statement of financial position but are disclosed in the statement of financial position. (Refer Note 48).

4. Changes in Accounting Policies

The accounting policies adopted by the group are consistent with those of the previous financial year.

Previous year's figures and phrases have been re-arranged whenever necessary to conform to current presentation.

5. Significant Accounting Policies

The significant accounting policies set out below have been applied consistently to all periods presented in these financial statements of the Company and Group, unless otherwise indicated. The accounting policies have been consistently applied by the Group and the Company where applicable.

5.1 Basis of Consolidation

The Group's financial statements comprise consolidation of the financial statements of the Company, its subsidiaries in terms of the Sri Lanka Accounting Standard (SLFRS 10) "Consolidated Financial Statements" and its associate accounted under "Equity method of accounting" In terms of Sri Lanka Accounting Standard (LKAS 28) "Investments in Associates & Joint Ventures".

Business Combination and Goodwill

Business combinations are accounted for using the acquisition method as per the requirements of Sri Lanka Accounting Standard (SLFRS 3) - "Business Combinations". When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

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. Acquisition related

costs are expensed as incurred and included in other expenses. Goodwill is initially recorded at cost and subsequently at cost less any accumulated impairment losses in accordance with the Sri Lanka Accounting Standard (SLFRS 3) - "Business Combinations".

Goodwill has to be reviewed for impairment annually or more frequently if events or circumstances indicate that the carrying value may be impaired.

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.

Subsidiaries

Subsidiaries are entities that are controlled by the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

- Power over the investee
- Exposure or rights to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the above.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of Group are eliminated in full on consolidation.

Non-controlling interests represent the portion of profit or loss and net assets of the subsidiaries not owned directly or indirectly by the Company. The non-controlling interest is presented in the consolidated statement of financial position within equity, separately from the equity attributable to the equity holders of the Company. Non-controlling interest in the profit or loss of the Group is disclosed separately in the consolidated statement of comprehensive income.

Any losses applicable to the non-controlling interest are allocated against the interests of the non-controlling interest.

A change in the ownership interest of a subsidiary without a loss of control is accounted for as an equity transaction. Upon the loss of control, the Group derecognizes the assets (including goodwill) and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in the statement of changes in equity.

There are no significant restrictions on the ability of the subsidiary to transfer funds to the Company in the form of cash dividends or repayment of loans and advances. The subsidiary of the Company as at the reporting date have been incorporated in Sri Lanka.

Associates

An associate is an entity in which the Group has significant influence, but no control over the financial and operating policies. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but does not have the control or joint control over those policies.

The Group determines significant influence by taking into account similar considerations necessary to determine control over subsidiaries.

The Group's investments in associates are accounted for using the equity method and are recognised initially at cost. The carrying amounts of the investments are adjusted to recognise changes in the Group's share of net assets of the associates since the acquisition date.

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The statement of profit or loss reflects the Group's share of the results of operations of the associates. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associates, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associates are eliminated to the extent of the interest in the associates.

The aggregate of the Group's share of profit or loss of associates is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associates.

The financial statements of the associate are prepared for the same reporting period as the Group.

At each reporting date, the Group determines whether there is objective evidence that the investments in associates are impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associates and its carrying value, and then recognises the loss as 'Share of profit of associates' in the statement of profit or loss.

When the Group's share of losses exceeds its interest in the associate, the carrying amount of that interest, including any long term investments, is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognizing its share of those profits only after its share of the profits equals the share of losses not recognised.

The Group discontinues the use of the equity method from the date that it ceases to have significant influence over an associate and accounts for the investment in accordance with the Group's accounting policy for financial instruments. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Transactions Eliminated on Consolidation

Intra-group balances, transactions and income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with equity accounted investees are eliminated to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, except that they are only eliminated to the extent that there is no evidence of impairment.

5.2 Foreign Currency Transactions and Balances

All foreign currency transactions are translated into the functional currency which is Sri Lankan Rupees (LKR) at the spot exchange rate at the date of the transactions were affected. In this regard, the Group's practice is to use the middle rate of exchange ruling at the date of the transaction.

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

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the spot exchange rates as at the date of recognition. Non-monetary items measured at fair value in a foreign currency are translated using the spot exchange rates at the date when the fair value was determined.

5.3 Cash and Cash Equivalents

Cash and cash equivalents are defined as cash in hand, demand deposits and investments with short maturities i.e. three months or less from the date of acquisition.

For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand, deposits in banks net of outstanding bank overdrafts and reverse repurchase agreements. Investments with short maturities i.e. those having original maturities of three months or less from the date of acquisition are also treated as cash equivalents.

5.4 Financial instruments – initial recognition and subsequent measurement

Financial assets within the scope of LKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments or as available-for-sale financial assets. The Company and Group classify its financial assets as financial investments – held for trading, Loans and advances, lease rental receivable and stock out on hire, financial instruments-available for sale and other financial assets.

Financial liabilities within the scope of LKAS 39 are classified as financial liabilities at fair value through profit or loss or as loans and borrowings. The Company and group classifies its financial liabilities as due to banks, due to customers, debt instrument issued and other borrowed funds and other financial liabilities.

5.4.1 Date of recognition

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

5.4.2 Recognition Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their purpose and characteristics and the management's intention in acquiring them. All financial assets instruments are recognised initially at fair value plus transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss according to Sri Lanka Accounting Standard (LKAS 39) - "Financial Instruments: Recognition and measurement".

Transaction costs in relation to financial assets and financial liabilities at fair value through profit or loss are dealt with through Statement of profit or loss.

In respect of financial assets and liabilities held at fair value through profit or loss, any changes in fair value from the trade date to settlement date are accounted in the Statement of profit or loss, while for available-for-sale financial assets, any changes in fair value from the trade date to settlement date are accounted in the other comprehensive income.

5.4.3 Classification and Subsequent measurement of Financial assets

At inception a financial asset is classified in one of the following categories:

- Financial investments at fair value through profit or loss
 - Financials investments held for trading
 - Financials investments designated at fair value through profit or loss
- Loans and receivables
- Held to maturity financial assets
- Available-for-sale financial assets

The subsequent measurement of financial assets depends on their classification.

a) Financial investments at fair value through profit or loss

A financial investment is classified as fair value through profit or loss if it is held for trading or is designated at fair value through profit or loss.

Financial Assets Held for Trading

Financial assets are classified as held for trading if they are acquired principally for the purpose of selling or repurchasing in the near term or holds as a part of a portfolio that is managed together for short term profit or position taking.

Financial assets held for trading are recorded in the statement of financial position at fair value. Changes in fair value are recognised in 'net gain/ (loss) from trading'.

The Group evaluates its financial assets held for trading, other than derivatives, to determine whether the intention to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intention to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets.

Financial assets held for trading include instruments such as government securities, equity instruments etc. that have been acquired principally for the purpose of selling or repurchasing in the near term.

Financial Assets Designated at Fair Value through Profit or Loss

The Group designates financial assets as fair value through profit or loss when;

- The designation eliminates or significantly reduces measurement or recognition inconsistency that would otherwise arise from measuring the assets on a different basis.
- The assets are part of a group of financial assets, financial liabilities or both, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.
- The asset contains one or more embedded derivatives which significantly modify the cash flows that would otherwise be required by the contract.

Financial assets designated at fair value through profit or loss are recorded in the statement of financial position at fair value. Changes in fair value are recorded in 'net gain / (loss) on financial investments held for trading' in the Statement of profit or loss. Interest earned or incurred is accrued in 'interest income' using the Effective Interest Rate (EIR), while dividend income is recorded in other operating income when the right to the payment has been established.

The Group has not designated any financial assets upon initial recognition` at fair value through profit or loss as at the reporting date.

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b) Loans and Receivables

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

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

After initial measurement, loans and receivables are subsequently measured at amortized cost using the EIR, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortization is included in 'interest income' in the Statement of profit or loss. The losses arising from impairment are recognised in 'impairment charge for loans and advances, Lease and Hire Purchase financial assets' in the Statement of profit or loss. Loans and advances, lease rentals receivables & stock out on hire and other financial assets are classified as loans and receivables.

c) Available for sale financial investments

Available-for-sale financial investments include equity and debt securities. Equity investments classified as available-for-sale are those, neither classified as held-for-trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions. The company has not designated any loans or receivable as available for sale.

After initial measurement, available for sale financial investments are subsequently measured at fair value.

Unrealised gains or losses recognised as other comprehensive income in the available-for-sale reserve until the investment is derecognised, at which time, the cumulative gain or loss is recognised in other operating income, or determined to be impaired, at which time the cumulative loss is reclassified to the Statement of profit or loss in Impairment losses on financial investments and removed from the available-for-sale reserve. Interest income on available-for-sale debt securities is calculated using the effective interest method and is recognised in profit or loss. Dividends earned whilst holding available for sale financial investments are recognised in the Statement of profit or loss as 'other operating income' when the right to payment has been established.

5.4.4 Classification and Subsequent Measurement of Financial Liabilities

At inception, a financial liability is classified in one of the following categories:

- Financial liabilities at fair value through profit or loss
 - Financial liabilities held for trading
 - Financial liabilities designated at fair value through profit or loss
- At amortized cost

The subsequent measurement of financial liabilities depends on their classification.

Financial Liabilities at Amortized Cost

Financial liabilities issued by the Group that are not designated as fair value through profit or loss are classified as liabilities under 'due to banks', 'due to customers', 'debt instruments issued and other borrowed funds', 'other financial liabilities' and 'other liabilities' as appropriate, where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity, under conditions that are potentially unfavorable to the entity or settling the obligation by delivering variable number of entity's own equity instruments.

After initial recognition, such financial liabilities are subsequently measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on the issue and costs that are integral part of the EIR. The EIR amortization is included in 'interest expenses' in the Statement of profit or loss. Gains and losses are recognised in the Statement of profit or loss when the liabilities are derecognized.

5.4.5 Reclassification of financial instruments

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

For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is recycled to the Statement of profit or loss.

The Group may reclassify a non- derivative trading asset out of the 'held for trading' category and into the 'Loans & receivables' category if it meets the definition of loans and receivables and the Group has the intention and ability to hold the financial asset

for the foreseeable future or until maturity. If a financial asset is reclassified, and if the Group subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognised as an adjustment to the EIR from the date of the change in estimate.

Reclassification is at the discretion of management, and is determined on an instrument by instrument basis.

5.4.6 Derecognition of financial assets and financial liabilities

(i) Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:
 - i The Group has transferred substantially all the risks and rewards of the asset
or
 - ii The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

(ii) Financial liabilities

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

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability

and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

5.4.7 Reverse repurchase agreements

Securities purchased under agreements to resell at a specified future date are not recognized in the statement of financial position. The consideration paid, including accrued interest, is recorded in the statement of financial position, within 'reverse repurchase agreements', reflecting the transaction's economic substance as a loan by Company. The difference between the purchase and resale prices is recorded in 'Net interest income' and is accrued over the life of the agreement using the EIR.

5.4.8 Determination of Fair Value

The fair value for financial instruments traded in active markets at the reporting date is based on their average quoted market price or average dealer price quotations without any deduction for transaction costs.

For all other financial instruments not traded in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include the discounted cash flow method, comparison with similar instruments for which market observable prices exist and other relevant valuation models.

5.4.9 Impairment of financial assets

At each reporting date, the Group assesses, whether there is any objective evidence that a financial assets or group of financial assets is impaired. A financial assets or group of financial assets is deemed to be impaired if and only if, there is objective evidence of impairment as a result of one or more event that have occurred after the initial recognition of the asset ('an incurred loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial assets or the group of financial assets that can be reliably estimated.

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

Loans & advances that have been assessed individually and found not to be impaired are assessed together with all individually insignificant loans and advances in groups of assets with similar risk characteristics. This is to determine whether a provision

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should be made due to incurred loss events for which there is objective evidence, but the effect of which are not yet evident. The collective assessment takes into account data from the loan portfolio such as, loan ownership types, levels of arrears, industries etc. And judgment on the effect of concentrations of risks and economic data (including levels of unemployment, inflation rate and interest rates).

(i) Financial assets carried at amortized cost - Lease Receivable, Hire purchase receivable & Loans and Advances to customers

- Individually assessed Lease Receivable, Hire purchase receivable & Loans and Advances to customers

For financial assets carried at amortized cost (such as Lease Receivable, Hire purchase receivable & Loans and Advances to customers), the Company first assess individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant.

The criteria used to determine that there is such objective evidence includes;

- Known cash flow difficulties experienced by the borrower
- Past due contractual payments of either principal or interest
- Breach of loan covenants or conditions
- The probability that the borrower will enter bankruptcy or other financial realizations, and
- A significant downgrading in credit rating by an external credit rating agency.

If there is an objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of the estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the assets is reduced through the use of an allowance account and the amount of the loss is recognized in the Statement of profit or loss.

Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

The present value of the estimated future cash flows is discounted at the financial assets original EIR. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR. The calculation of the present value of the estimated future cash flows of a collateralized financial assets reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

- Collectively assessed loans and advances

For the purpose of collective evaluation of impairment, financial assets are grouped on the basis of the credit risk characteristics such as asset type, industry, past – due status and other relevant factors.

Impairment is assessed on a collective basis in two circumstances:

- to cover losses which have been incurred but have not yet been identified on loans subject to individual assessment;
- and
- For homogeneous groups of loans that is not considered individually significant.

(ii) Available for sale financial investments

For available for sale financial investments, the Company and Group assess at each reporting date whether there is objective evidence that an investment is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would also include a 'significant' or 'prolonged' decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the Statement of profit or loss is removed from equity and recognised in the Statement of profit or loss. Impairment losses on equity investments are not reversed through the Statement of profit or loss, increases in the fair value after impairment are recognised in 'other comprehensive income'.

(iii) Rescheduled loans

Where possible, the Company and group seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original Effective Interest Rate (EIR) as calculated before the modification of terms and the loan is no longer considered past due. Management continually reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original EIR.

5.4.10 Collateral Valuation

The Company and Group seeks to use collateral, where possible, to mitigate its risks of losses on financial assets. The collateral comes in various forms such as cash, securities, real estate, gold and other non-financial assets. The fair value of collateral is generally assessed, at a minimum, at inception and subsequently as and when required.

5.4.11 Collateral repossessed or where properties have devolved to the Group

The Group's policy is to determine whether a repossessed or devolved asset is best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. Assets that are determined better to be sold are immediately transferred to assets held for sale at their fair value at the repossession date in line with the Group's policy. The assets held by Company for temporary periods pending unexecuted auctions or any suitable recovery methods are not shown as investment properties.

5.4.12 Written-off of loans and advances

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

5.4.13 Reversals of impairment

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

5.4.14 Offsetting financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a current enforceable legal right to offset the recognised amount and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

5.5 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's (Cash Generating Unit) fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

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

5.6 Defined Contribution Plans – Employees' Provident Fund & Employees' Trust Fund

Employees are eligible for Employees' Provident Fund Contributions and Employees' Trust Fund Contributions in line with respective Statutes and Regulations. The Group contributes 12% and 3% of salaries and other entitled allowances of employees to Employees' Provident Fund and Employees' Trust Fund respectively.

5.7 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the Statement of profit or loss net of any reimbursement.

5.8 VAT on Financial Services

VAT on financial services is calculated in accordance with VAT Act No.14 of 2002 and subsequent amendments thereto.

5.9 Statement of Cash Flows

The Cash flow statement is prepared using the indirect method, as stipulated in LKAS 7 – "Statement of Cash Flows". Cash and cash equivalents comprise cash in hand, cash at bank, bank overdraft, placement with banks (with original maturity of three months or less) and investment in reverse repurchase agreements.

5.10 Events after the Reporting Date

All material events after the reporting date events have been considered where appropriate judgement or disclosures are made in respective notes to the Financial Statements.

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5.11 Effect of Sri Lanka Accounting Standards issued but not yet effective

SLFRS 9 – Financial Instruments

This standard will replace Sri Lanka Accounting Standard – LKAS 39 (Financial Instruments: Recognition and Measurements). The improvements introduced by SLFRS 9 includes a model for classification and measurement, a single, forward-looking ‘expected loss’ impairment model and a reformed approach to hedge accounting which are detailed below.

SLFRS 9 will become effective on 01st January 2018.

Given complexities and technical expertise required in the process of adopting SLFRS 09, the entity has completed the initial assessment and analysis stage during the year ended 31st March 2017 with the assistance of an external consultant. Classification and measurement phase is currently being finalized. The entity expects to finalize the impairment calculation models and quantify the impairment provision for 2016 based SLFRS 9 by the end of September 2017.

Classification and Measurement

SLFRS 9 provides an approach for the classification of financial assets driven by cash flow characteristic and the business model in which an asset is held. Accordingly, financial assets are measured at amortized cost, fair value through other comprehensive income ('FVOCI') or fair value through profit or loss ('FVPL'). The classification of financial liability is essentially unchanged.

However the entity is not expected to have a material impact from the new classification principles introduced by SLFRS 9.

Impairment

SLFRS 9 introduces a new, expected loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognized. This credit loss (impairment) requirements apply to financial assets measured at amortised cost and FVOCI, lease receivables and certain loan commitments and financial guarantee contracts.

At initial recognition, allowance (or provision in the case of commitments and guarantees) is required for expected credit losses ('ECL') resulting from default events that are possible within the next 12 month ('12 – month ECL') for all financial assets to which impairment requirement is applied. In the event of a significant increase in credit risk, allowances (or provisions) is required for ECL resulting from all possible default event over the expected life of the financial instruments ('lifetime ECL').

The assessment of whether credit risk has increased significantly since initial recognition, is performed for each reporting period by considering the change in the risk of default occurring over the remaining life of the financial instruments.

The assessment of credit risk and the estimation of ECL are required to be unbiased and probability – weighted, and should incorporate all available information which is relevant to the assessment including information about past events, current conditions and reasonable and supportable forecasts of economic conditions at the reporting date. In addition, the estimation of ECL should take in to account the time value of money. As a result, the recognition and measurement of impairments is intended to be more forward – looking than under LAKS 39 and resulting impairment charge will tend to be more volatile. It will also tend to result in an increase in the total level of impairment allowances, since all financial assets will be assessed for at least 12-month ECL and the population of financial assets to which lifetime ECL applies is likely to be larger than the population for which there is objective evidence of impairment in accordance with LKAS 39.

Hedge Accounting

The new model for hedge accounting represents a substantial overhaul of hedge account that aligns the accounting treatment with risk management activities, enabling entities to better reflect these activities in their financial statements.

Hedge accounting requirements of SLFRS 9 is not expected to have a material impact on the entity.

SLFRS 15 – Revenue from Contracts with Customers

The objective of the Standard is to establish the principles that an entity shall apply to report useful information to users of Financial Statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from contract with customers.

SLFRS 15 introduces a five step approach for revenue recognition from contracts with customers and replaces all other related interpretations.

SLFRS 15 will become effective on 01st January 2018. The company is in the process of analyzing the impact from the adoption of SLFRS 15 in the year 2018.

SLFRS 16 – Leases

SLFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('Lessee') and the supplier ('Lessor'). SLFRS 16

will replace Sri Lanka Accounting Standard – LKAS 17 (Leases) and related interpretations. SLFRS 16 introduces a single accounting model for the Lessee, eliminating present classification of leases in LKAS 17 as either operating leases or finance leases.

The new standard requires a Lessee to:

- Recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.
- Present depreciation of lease assets separately, interests on lease liabilities in the income statement

SLFRS 16 substantially carries forward the Lessor accounting requirement in LKAS -17.

SLFRS 16 will become effective on 01st January 2019. The impact on the implementation of the above standard will be quantified in the year ahead.

The following amendments and improvements are not expected to have a significant impact on the Company's/Group's consolidated financial statements.

LKAS 7 Disclosure Initiative – Amendments to LKAS 7

The amendments to LKAS 7 Statement of Cash Flows are part of CA Sri Lanka's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods. These amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted. Application of amendments will result in additional disclosure provided by the Group.

LKAS 12 Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to LKAS 12

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

SLFRS 2 Classification and Measurement of Share-based Payment Transactions — Amendments to SLFRS 2

CA Sri Lanka issued amendments to SLFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The amendments are effective for annual periods beginning on or after 1 January 2018, with early application permitted. The Group is assessing the potential effect of the amendments on its consolidated financial statements.

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6. Cash and Bank Balances

	Company		Group	
	2017 LKR	2016 LKR	2017 LKR	2016 LKR
Cash in hand	35,477,415	33,059,512	44,753,210	33,339,512
Balances with banks	1,816,375,465	1,109,076,761	1,902,703,709	1,121,864,021
	1,851,852,880	1,142,136,273	1,947,456,919	1,155,203,533

7. Placements with Banks

	Company		Group	
	2017 LKR	2016 LKR	2017 LKR	2016 LKR
Fixed deposits	1,488,897,350	1,104,654,636	1,499,516,208	1,163,789,355
Savings deposits	18,550,900	14,951,349	18,550,900	137,169,902
	1,507,448,249	1,119,605,985	1,518,067,107	1,300,959,257

8. Financial Investments - Held for Trading

	Company		Group	
	2017 LKR	2016 LKR	2017 LKR	2016 LKR
Government of sri lanka treasury bills	1,805,036,511	1,234,681,193	1,805,036,511	1,234,681,193
Quoted equity investments (note 8.1)	201,357,323	306,710,017	201,357,323	306,710,017
Investments in unit trusts (note 8.2)	219,476,105	270,766,402	219,476,105	270,766,402
	2,225,869,939	1,812,157,612	2,225,869,939	1,812,157,612

8.1 Quoted Equity Investments

	Company/Group		Company/Group	
	2017		2016	
	No. of Shares	Market Value LKR	No. of Shares	Market Value LKR
Access Engineering PLC	374,440	8,911,672	616,770	12,828,816
ACL Cables PLC	36,000	1,962,000	22,000	2,219,800
Adam Investments PLC	-	-	250,000	575,000
Asia Capital PLC	-	-	20,000	116,000
Blue Diamonds Jewellery Worldwide PLC	-	-	25,000	25,000
Brown & Company PLC	-	-	25,800	2,058,840
Browns Beach Hotels PLC	15,000	319,500	15,000	487,500
Colombo City Holding PLC	2,672	1,870,400	-	-
Central Finance PLC	24,669	2,126,468	7,197	1,511,370
Chevron Lubricants Lanka PLC	30,000	5,100,000	15,000	4,575,000

	Company/Group		Company/Group	
	2017		2016	
	No. of Shares	Market Value LKR	No. of Shares	Market Value LKR
Citrus Leisure PLC	-	-	11,618	77,841
DFCC Bank PLC	-	-	10,000	1,370,000
Dipped Products PLC	5,926	450,376	24,700	1,803,100
Dunamis Capital PLC	30,000	615,000	30,000	510,000
Entrust Securities PLC	-	-	10,000	240,000
ExpoLanka Holdings PLC	-	-	150,000	1,050,000
First Capital Holdings PLC	75,000	1,507,500	75,000	1,432,500
George Steuart Finance PLC	-	-	13,350	248,310
Hatton National Bank PLC-Voting	-	-	121,268	24,168,712
Hayleys Fabric PLC	35,900	488,240	35,900	646,200
Hemas Holdings PLC	-	-	150,000	12,090,000
Janashakthi Insurance Company PLC - Voting	-	-	35,000	560,000
John Keells Holdings PLC	470,043	64,818,930	684,161	101,255,828
John Keells Hotels PLC	-	-	10,000	120,000
John Keells Hotels PLC - W0023	6,361	6,361	5,566	51,764
Kelani Tyres PLC	10,000	550,000	10,000	640,000
Lanka Century Investments PLC	-	-	25,100	251,000
Lanka IOC PLC	19,245	558,105	175,000	5,687,500
Lanka Milk Foods (CWE) PLC	-	-	6,692	766,234
Lanka Walltile PLC	30,000	2,790,000	40,000	3,952,000
LB Finance PLC	161,297	19,097,565	11,297	1,198,612
Lanka ORIX Leasing Company PLC	-	-	25,000	1,800,000
MTD Walkers	132,000	4,620,000	-	-
Nations Trust Bank PLC	8,000	592,000	14,000	1,038,800
NDB Bank PLC	20,762	2,898,375	95,000	16,036,000
Orient Finance PLC	330,000	3,036,000	330,000	4,290,000
People's Leasing & Finance PLC	60,000	936,000	60,000	960,000
Piramal Glass Ceylon PLC	-	-	500,000	2,550,000
Raigam Wayamba Salterns PLC	-	-	100,000	200,000
Renuka Agri Foods PLC	-	-	500,000	1,550,000
Renuka Holdings PLC	-	-	65,100	1,373,610
Richard Peiris Exports PLC	7,500	1,567,500	7,500	1,584,000
Royal Ceramics Lanka PLC	-	-	20,000	2,002,000
SMB Leasing PLC	-	-	4,001,000	2,800,700
Serandib Hotels PLC	20,602	412,040	20,602	360,535
Seylan Bank PLC - Voting	-	-	100,000	8,600,000
Seylan Bank PLC - Non-Voting	-	-	115,000	7,245,000
Sampath Bank PLC	173,538	44,946,342	175,402	39,640,852

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	Company/Group		Company/Group	
	2017		2016	
	No. of Shares	Market Value LKR	No. of Shares	Market Value LKR
Singer Sri Lanka PLC	-	-	22,930	2,698,861
Softlogic Finance PLC	130,000	4,030,000	130,000	4,979,000
Swisstek (Ceylon) PLC	44,696	2,931,950	-	-
Taprobane Holdings PLC	-	-	25,000	100,000
Textured Jersey Lanka PLC	330,000	12,210,000	550,545	17,452,277
The Colombo Fort Land & Building Company PLC	-	-	35,000	682,500
The Fortress Resorts PLC	-	-	2,512	32,656
Tokyo Cement Company (Lanka) PLC - Voting	184,000	11,224,000	30,000	1,110,000
Tokyo Cement Company (Lanka) PLC - Non voting	-	-	30,000	969,000
Union Bank of Colombo PLC	55,000	781,000	77,200	1,281,520
Vallibel Finance PLC	-	-	20,000	1,074,000
Vallibel One PLC	-	-	100,100	1,781,780
Total	-	201,357,323		306,710,017

8.2 Investments in Unit Trusts

	Company/Group		Company/Group	
	2017		2016	
	No. of Units	Market Value LKR	No. of Units	Market Value LKR
Ceylon Financial Sector Fund	1,813,237	15,702,629	1,813,237	15,249,320
Ceylon Money Market Fund	9,004,337	105,350,746	15,724,767	166,053,543
Investrust Money Fund	7,780,453	98,422,730	7,780,453	89,463,539
	-	219,476,105		270,766,402

9. Loans And Receivables

	Company	Group		
	2017 LKR	2016 LKR	2017 LKR	2016 LKR
Short term loans	1,450,188,164	1,077,181,879	1,455,767,984	1,097,307,995
Cash loans	7,373,096,717	6,756,837,388	7,373,096,717	6,771,681,105
Microfinance loans	11,739,215,650	12,159,615,252	11,847,027,028	12,159,615,252
Abhivurdhi SME loans	2,195,055,254	4,044,664,367	2,195,055,254	4,044,664,367
Revolving business loans	4,119,294,037	4,872,314,400	4,135,493,893	4,872,314,400
Pawning advances	2,086,578,608	1,475,756,330	2,087,406,507	1,476,596,929
Factoring receivables	1,486,605,688	1,416,111,853	1,486,605,688	1,416,111,853
Term draft loans	4,041,602,149	424,586,727	4,041,602,149	424,586,727
Auto loans	3,255,437,164	1,758,335,291	3,255,437,164	1,758,335,291
Other loans	1,731,387,115	1,490,992,680	1,744,087,879	1,492,738,320
	39,478,460,547	35,476,396,167	39,621,580,264	35,513,952,239
Less : Allowance for impairment losses (Note 9.1)	(1,420,162,867)	(1,233,730,963)	(1,422,892,382)	(1,238,300,836)
Net loans and advances	38,058,297,680	34,242,665,204	38,198,687,882	34,275,651,403

9.1 Allowance for Impairment Losses

	Company	Group		
	2017 LKR	2016 LKR	2017 LKR	2016 LKR
As at 01 April	1,233,730,963	676,380,586	1,238,300,836	679,625,941
Charge / (Reversal) for the year	2,553,035,927	2,397,071,107	2,553,494,585	2,399,308,953
Amounts written off	(2,366,604,023)	(1,839,720,730)	(2,368,903,039)	(1,840,634,058)
As at 31 March	1,420,162,867	1,233,730,963	1,422,892,382	1,238,300,836

The Company's allowance for impairment losses consists of collective impairment amounting to LKR 1,129,479,083/- (2016 - LKR 1,195,262,788/-) and individual impairment amounting to LKR 290,683,784/- (2016 - LKR 38,468,175/-).

The Group's allowance for impairment losses consists of collective impairment amounting LKR 1,132,208,598/- (2016 LKR 1,199,832,661/-) and individual impairment amounting to LKR 290,683,784/- (2016 - LKR 38,468,175/-).

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10. Lease Rentals Receivable and Stock Out on Hire

	Company		Group	
	2017 LKR	2016 LKR	2017 LKR	2016 LKR
Gross rentals receivable				
Lease rentals	33,669,617,529	27,644,356,158	38,092,275,903	30,595,014,164
Amounts receivable from hirers	7,970,612,547	6,532,684,931	7,983,191,350	6,584,483,959
	41,640,230,076	34,177,041,089	46,075,467,253	37,179,498,123
Less: Unearned income	(10,185,788,321)	(8,256,818,268)	(11,265,804,615)	(9,025,697,967)
Net rentals receivable	31,454,441,755	25,920,222,821	34,809,662,638	28,153,800,156
Less : Allowance for impairment losses (Note 10.1)	(1,270,525,457)	(1,398,827,112)	(1,328,123,147)	(1,462,265,878)
Total net rentals receivable (Note 10.2 & 10.3)	30,183,916,298	24,521,395,709	33,481,539,491	26,691,534,278

10.1 Allowance for Impairment Losses

	Company		Group	
	2017 LKR	2016 LKR	2017 LKR	2016 LKR
As at 01 April	1,398,827,112	1,028,036,292	1,462,265,878	1,061,542,938
Charge / (Reversal) for the year	288,994,123	378,263,628	321,962,945	408,195,748
Amounts written off	(417,295,778)	(7,472,808)	(456,105,676)	(7,472,808)
As at 31 March	1,270,525,457	1,398,827,112	1,328,123,147	1,462,265,878

The Company's allowance for impairment losses consists of collective impairment amounting to LKR 1,255,306,579/- (2016 - LKR 1,398,827,112/-) and individual impairment amount to LKR 15,218,878/-.

The Group's allowance for impairment losses consists of collective impairment amounting LKR 1,277,701,876/- (2016 LKR 1,421,475,663/-) and individual impairment amounting to LKR 50,421,271/- (2016 - LKR 40,790,215/-).

10.2 Company

As at 31 March 2017	Within one year LKR	1 - 5 years LKR	Over 5 years LKR	Total LKR
Gross rentals receivable				
- Lease rentals	14,771,432,671	18,897,201,392	983,467	33,669,617,529
- Amounts receivable from hirers	2,954,051,147	5,016,561,400	-	7,970,612,547
	17,725,483,818	23,919,762,792	983,467	41,640,230,076
Less: Unearned income	(3,413,478,723)	(6,772,123,634)	(185,964)	(10,185,788,321)
Net rentals receivable	14,312,005,095	17,141,639,158	797,503	31,454,441,755
Less : Allowance for impairment Losses				(1,270,525,457)
Total net rentals receivable				30,183,916,298

As at 31 March 2016	Within one year LKR	1 - 5 years LKR	Over 5 years LKR	Total LKR
Gross rentals receivable				
Lease rentals	12,303,700,328	15,273,329,894	67,325,936	27,644,356,158
Amounts receivable from hirers	2,653,415,632	3,851,972,380	27,296,919	6,532,684,931
	14,957,115,960	19,125,302,274	94,622,855	34,177,041,089
Less: Unearned income	(4,441,277,017)	(3,756,962,652)	(58,578,600)	(8,256,818,269)
Net rentals receivable	10,515,838,943	15,368,339,622	36,044,255	25,920,222,820
Less : Allowance for impairment Losses				(1,398,827,112)
Total net rentals receivable				24,521,395,708

10.3 Group

As at 31 March 2017	Within one year LKR	1 - 5 years LKR	Over 5 years LKR	Total LKR
Gross rentals receivable				
Lease rentals	16,866,329,338	21,224,963,098	983,467	38,092,275,903
Amounts receivable from hirers	2,960,009,395	5,023,181,955	-	7,983,191,350
	19,826,338,733	26,248,145,053	983,467	46,075,467,253
Less: Unearned income	(3,925,053,967)	(7,340,564,685)	(185,964)	(11,265,804,615)
Net rentals receivable	15,901,284,766	18,907,580,368	797,503	34,809,662,638
Less : Allowance for impairment Losses				(1,328,123,147)
Total net rentals receivable				33,481,539,491

As at 31 March 2016	Within one year LKR	1 - 5 years LKR	Over 5 years LKR	Total LKR
Gross rentals receivable				
Lease rentals	13,705,227,798	16,821,678,368	68,107,998	30,595,014,164
Amounts receivable from hirers	2,685,469,672	3,871,717,368	27,296,919	6,584,483,959
	16,390,697,470	20,693,395,736	95,404,917	37,179,498,123
Less: Unearned income	(4,890,446,667)	(4,076,633,105)	(58,618,195)	(9,025,697,967)
Net rentals receivable	11,500,250,803	16,616,762,631	36,786,722	28,153,800,156
Less : Allowance for impairment Losses				(1,462,265,878)
Total net rentals receivable				26,691,534,278

ACCOUNTING POLICY

Finance and operating leases

The determination of whether an arrangement is a lease or it contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

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Finance lease

Agreements which transfer to counterparties substantially all the risks and rewards incidental to the ownership of assets, but not necessarily legal title, are classified as finance leases. When the Company is a lessor under finance leases the amounts due under the leases, after deduction of unearned charges, are included in 'Lease rental receivable & stock out on hire'. The finance income receivable is recognised in 'Net interest income' over the periods of the leases so as to give a constant rate of return on the net investment in the leases.

When the Company is a lessee under finance leases, the leased assets are capitalised and included in 'Property, plant and equipment' and the corresponding liability to the lessor is included in 'Other liabilities'. A finance lease and its corresponding liability are recognised initially at the fair value of the asset or, if lower, the present value of the minimum lease payments. Finance charges payable are recognised in 'Net interest income' over the period of the lease based on the interest rate implicit in the lease so as to give a constant rate of interest on the remaining balance of the liability.

Operating Lease

Operating leases are those leasing arrangements that do not transfer to the Company and Group, substantially all the risks and rewards incidental to ownership of the leased items. When the Company or the Group is the lessee, leased assets are not recognised on the statement of financial position, Rentals payable under operating leases are accounted for on a straight line basis over the periods of the leases and are included in 'other operating expenses'.

11. Financial Investments - Available for Sale

	Company		Group	
	2017 LKR	2016 LKR	2017 LKR	2016 LKR
Government of Sri Lanka treasury bonds	49,144,859	392,536,254	49,144,859	392,536,254
Government of Sri Lanka treasury bills	-	-	87,278,862	57,673,088
Quoted equity investments (Note 11.1)	157,033,800	167,502,000	161,054,853	176,611,259
Unquoted equity investments (Note 11.2)	103,326,023	4,310,479	106,948,446	4,838,346
Unit trusts	-	-	1,909,967	1,762,494
	309,504,682	564,348,733	406,336,986	633,421,441

11.1 Quoted Equity Investments

Company	2017		2016	
	No. of Shares	Market Value LKR	No. of Shares	Market Value LKR
Hotel Sigiriya PLC	-	-	200,000	19,200,000
Ceylinco Insurance PLC	99,000	157,033,800	99,000	148,302,000
Total	-	157,033,800	-	167,502,000

Group	2017		2016	
	No. of Shares	Market Value LKR	No. of Shares	Market Value LKR
Hotel Sigiriya PLC	-	-	200,000	19,200,000
Ceylinco Insurance PLC	99,000	157,033,800	99,000	148,302,000
DFCC Bank PLC	-	-	14	1,898
Free Lanka PLC	-	-	11,800	14,160
Haycarb PLC	-	-	7	1,120
Hunnas Falls Hotels PLC	-	-	1,800	91,080
Lanka Walltile PLC	-	-	42	4,150
Peoples' Leasing & Finance PLC	-	-	55,000	880,000
Royal Ceramics PLC	-	-	13,500	1,351,350
Seylan Bank PLC	46,219	4,021,053	61,219	5,264,834
Seylank Bank PLC - Non-voting	-	-	15,385	967,717
Tokyo Cement PLC	-	-	16,500	532,950
Total	-	161,054,853	-	176,611,259

11.2 Unquoted Equity Investment

Company	2017		2016	
	No. of Shares	Market Value LKR	No. of Shares	Market Value LKR
Credit Information Bureau	100	372,637	100	372,637
Finance House Consortium (Pvt) Ltd	20,000	200,000	20,000	200,000
Ceylon Asset Management Company Limited	555,556	3,737,842	555,556	3,737,842
Capitalife Assurance Limited	12,083,333	99,015,544	-	-
Total	-	103,326,023	-	4,310,479

Group	2017		2016	
	No. of Shares	Market Value LKR	No. of Shares	Market Value LKR
Credit Information Bureau	200	700,504	200	700,504
Finance House Consortium (Pvt) Ltd	40,000	400,000	40,000	400,000
Ceylon Asset Management Company Limited	555,556	3,737,842	555,556	3,737,842
Capitalife Assurance Limited	12,416,666	102,110,100	-	-
Total	-	106,948,446	-	4,838,346

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12. Other Financial Assets

	Company		Group	
	2017 LKR	2016 LKR	2017 LKR	2016 LKR
Refundable deposits	31,150,760	22,675,760	31,150,760	22,675,760
Other receivables	75,708,371	63,641,263	75,708,371	63,641,263
Compensation receivable from government over acquisition of investment property (Note 17.2)	191,225,799	189,680,906	191,225,799	189,680,906
Investment in commercial papers	101,165,642	-	101,165,642	-
Investment in debentures	363,391,755	161,674,910	363,391,755	161,674,910
	762,642,327	437,672,839	762,642,327	437,672,839

13. Inventories

	Company		Group	
	2017 LKR	2016 LKR	2017 LKR	2016 LKR
Real estate stocks	173,987,309	326,480,203	173,987,309	326,480,203
Vehicle stock	-	889,000	-	889,000
	173,987,309	327,369,203	173,987,309	327,369,203

ACCOUNTING POLICY

Inventories are valued at the lower of cost and net realizable value. Company evaluates the net realizable value considering the current market prices at which such stocks can be sold in the ordinary course of business.

14. Other Assets

	Company		Group	
	2017 LKR	2016 LKR	2017 LKR	2016 LKR
Pre-paid expenses	193,239,732	173,505,805	211,271,920	173,505,805
Tax receivable	20,267,953	30,375,138	20,267,953	33,613,572
Sundry assets	17,323,866	1,293,323	22,267,407	36,526,914
	230,831,551	205,174,267	253,807,280	243,646,292

15. Investments In Subsidiary

	Company	
	2017 LKR	2016 LKR
Trade Finance & Investments PLC	1,599,788,796	1,599,788,796
Total	1,599,788,796	1,599,788,796

16. Investments in Associates

	Company	Group		
	2017 LKR	2016 LKR	2017 LKR	2016 LKR
BG Microfinance Myanmar Company Limited (16.1)	-	52,923,646	-	58,594,513
Capitalife Assurance Limited (16.2)	-	120,833,330	-	157,757,265
	-	173,756,976	-	216,351,778

16.1 BG Microfinance Myanmar Company Limited

	Company	Group		
	2017 LKR	2016 LKR	2017 LKR	2016 LKR
As at 1 April	52,923,646	52,923,646	58,594,513	51,903,093
Share of profit/(loss) for the year	-	-	4,258,634	6,691,420
Investments divested during the year	(52,923,646)	-	(62,853,147)	-
As at 31 March	-	52,923,646	-	58,594,513

Commercial Credit and Finance PLC has disposed the investment held at BG Microfinance Myanmar Company Limited on 03 October 2016 for a consideration amounting to Rs. 325,367,470/- to Group Lease Holdings Pte Ltd.

16.2 Capitalife Assurance Limited

	Company	Group		
	2017 LKR	2016 LKR	2017 LKR	2016 LKR
As at 01 April	120,833,330	120,833,330	157,757,265	166,058,330
Share of loss for the period	-	-	(4,490,428)	(8,301,065)
Investments divested during the year	-	-	(38,681,984)	-
impairment of investment in associate	(21,817,786)	-	(12,474,735)	-
Investments transferred to available for sale during the year	(99,015,544)	-	(102,110,100)	-
As at 31 March	-	120,833,330	-	157,757,265

Commercial Credit and Finance PLC made an initial investment of Rs. 120,833,330/- for 12,083,333 shares in Capitalife Assurance Limited (a Company incorporated in Sri Lanka bearing incorporation No. [PB5225]) which is 17.2% stake in the Company. Trade Finance and Investment PLC initially invested in 4,500,000 shares amounting to Rs. 45,225,000/- in Capitalife Assurance Limited which was 7.2% stake in the Company. Further to disposal of 4,166,667 shares by Trade Finance and Investment PLC on 10 June 2016, investment in associate balance amounting to Rs. 99,015,544/- (Group - Rs. 102,110,100/-) has been reclassified to Available for Sale Financial Assets at fair value.

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16.3 The financial information of the BG Micro Finance Myanmar Company Limited and Capitalife Insurance Limited is as follows,

	Capitalife Assurance Limited	BG Micro Finance Myanmar Company Limited
	2016 LKR	2016 LKR
For the year/period ended 31 March		
Revenue	19,127,262	37,743,017
Expenses	(47,934,062)	(22,316,084)
Net Profit/(Loss) after tax for the year/period	(31,491,143)	17,609,000
As at 31 March		
Non current assets	505,991	4,993,387
Current assets	561,986,305	166,034,480
Total assets	562,492,296	171,027,867
Current liabilities	16,071,573	35,421,058
Total liabilities	16,071,573	35,421,058

17. Investment Property

	Company /Group	
	2017 LKR	2016 LKR
Balance at 1 april	815,024,000	537,628,125
Transferred from property plant & equipments (note 17.1)	143,000,000	42,677,749
Property acquired during the year	259,999,000	-
Net fair value adjustment	243,390,125	234,718,126
Balance at 31 March	1,461,413,125	815,024,000

The groups investment properties consists of two commercial properties at Kynsey road, colombo 08 and Thurston road, colombo 03.

	Company /Group	
	2017 LKR	2016 LKR
Rental income derived from investment properties	34,842,368	24,880,504
Direct operating expenses	(1,395,216)	(1,335,141)
Profit arising from investment properties carried at fair value	33,447,152	23,545,363

17.1

During the financial year, the management decided to transfer the Land located at Ingiriya amounting to Rs. 143,000,000/- to Investment properties owing to the change in the purpose of holding the land. Accordingly, the land will held by the company for capital appreciation.

17.2

During the financial year 2014/2015, The government of Sri Lanka, under the provisions of section 38 of the land acquisition Act No.28 of 1964, has acquired the Lot numbers 1 to 77 in plan No. 87/2010 dated 14/07/2010 of the investment property located at Rassandeniya, Matara. Such land extent acquired was 955 perches out of the total of 1511 perches.

According to a letter sent by "Divisional Secretariat of Matara Four Gravets", the initiatives are in progress to pay the compensation after completion of the preliminary activities pertaining to such acquisition.

Accordingly, an amount corresponding to such compensation receivable was transferred to other financial assets. Value of such compensation was decided based on the valuation performed by M/S. Sunil Fernando Associates (Pvt) Ltd, a firm of chartered valuation surveyors based on the residual method of valuation as at 31 March 2017. (Note 12)

Property	Method of valuation	Effective date of valuation	Significant unobservable inputs (Level 3)	Sensitivity of fair value to unobservable inputs	Value (LKR)
Lot numbers 1 to 77 in plan No. 87/2010 dated 14/07/2010, Rassandeniya, Matara	Residual Method of valuation	31-Mar-17	"Estimated price per perch LKR 280,000/- (Land Extent - 955 perches)"	Positively correlated sensitivity	191,225,799

17.3

Fair value of the investment property is ascertained by independent valuations carried out by Chartered valuation surveyors, who have recent experience in valuing properties of similar location and category. Investment property is appraised in accordance with SLFRS 13, LKAS 40 and the 8th edition of International Valuation Standards published by the International Valuation Standards Committee (IVSC), by the independent valuers.

In determining the fair value, the current condition of the properties, future usability and associated redevelopment requirements have been considered. Also, the valuers have made reference to market evidence of transaction prices for similar properties, with appropriate adjustments for size and location. The appraised fair values are rounded within the range of values.

17.4

Investment properties are stated at fair value, which have been determined based on valuations performed by Ms. Sunil Fernando & Associates (Pvt) Ltd, a firm of independent chartered valuation surveyors, as at 31 March 2017.

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Description of valuation techniques used and key inputs to valuation on investment properties:

Property	Method of valuation	Effective date of valuation	Significant unobservable inputs (Level 3)	Sensitivity of fair value to un-observable inputs	Value (LKR) 2017	Value (LKR) 2016
No. 165, Kynsey Road, Colombo 08	Comparison Method of valuation	31-Mar-17	"Estimated price per perch LKR 11,500,000/- (Land extent - 66 perch) Estimated current cost of construction per square foot LKR 9,500/- (28,942 square feet)	Positively correlated sensitivity	924,000,000	717,200,000
Lot No. 5A,5B & 6A in plan No. 88/2010 at Rassandeniya, Matara	Residual Method of valuation	31-Mar-17	Estimated price per perch LKR 200,000/- (Land extent - 556 perch)	Positively correlated sensitivity	45,513,000	39,824,000
Lot No. C1B in plan No. 3256 at Yaggapitiya, Kurunegala	Residual Method of valuation	31-Mar-17	Estimated price per perch LKR 250,000/- (Land extent - 541 perch)	Positively correlated sensitivity	67,650,000	58,000,000
No.28, Thurstan Road, Colombo 03	Comparison Method of valuation	31-Mar-17	Estimated price per perch LKR 12,500,000/- (Land extent - 22.5 perch)	Positively correlated sensitivity	281,250,000	-
Lot No. 3 & 5 in Plan No. 6009 at Rathnapura road,Edurugala, Ingiriya	Residual Method of valuation	31-Mar-17	Estimated price per perch LKR 155,000/- (Land extent - 1,892 perch)	Positively correlated sensitivity	143,000,000	-

17.5

The table below presents the sensitivity of the valuation to changes in the most significant assumptions underlying the valuation of investment property, in respect of the year ended 31 March 2017.

The sensitivity of the investment property valuation is the effect of the assumed changes in land price per perch and cost of construction per square feet (taken individually, while other variables are held constant) on the profit or loss for the year and carrying value of investment property as at 31 March 2017.

Increase/(Decrease)				
	Value of the land	Cost of construction per square feet	Investment property valuation	Fair value gain/ (loss) on Investment property LKR
		LKR		
	5%	5%	1,528,825,500	67,412,500
	-5%	-5%	1,394,000,500	(67,412,500)

ACCOUNTING POLICY

Investment properties are measured initially at cost, including transaction costs. The carrying amounts includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and exclude the costs of day to day servicing of an investment property.

Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the Statement of profit or loss in the year in which they arise.

18. Property, Plant and Equipment

18.1 Gross carrying amounts

Company	Balance as at 1 Apr 2016 LKR	Additions LKR	Transfers LKR	Disposals LKR	Revaluation LKR	Balance as at 31 Mar 2017 LKR
Freehold Assets						
At Cost						
Furniture & fittings	280,252,248	19,961,871	-	(1,504,804)	-	298,709,315
Leasehold improvements	152,011,189	70,343,892	-	-	-	222,355,081
Office equipment	152,264,666	16,571,135	-	-	-	168,835,801
Motor vehicles	40,627,067	-	-	-	-	40,627,067
Computer equipments	613,463,501	174,246,272	-	(151,068)	-	787,558,705
Air conditioning system	79,858,503	10,636,800	-	-	-	90,495,303
Generators	6,990,817	14,000	-	-	-	7,004,817
	1,325,467,991	291,773,970	-	(1,655,872)	-	1,615,586,089
At valuation						
Freehold land	417,712,400	208,161,400	(143,000,000)	-	10,100,000	492,973,800
Building and building integrals	84,151,000	642,260	-	-	-	84,793,260
	501,863,400	208,803,660	(143,000,000)	-	10,100,000	577,767,060
Total value of depreciable assets	1,827,331,391	500,577,630	(143,000,000)	(1,655,872)	10,100,000	2,193,353,149

18.2 Depreciation

Company	Balance as at 1 Apr 2016 LKR	Charge for the year LKR	Transfers LKR	Disposals LKR	Revaluation LKR	Balance as at 31 Mar 2017 LKR
At Cost						
Freehold Assets						
Furniture & fittings	89,728,595	36,175,001	-	(209,647)	-	125,693,949
Leasehold improvements	44,842,192	37,118,159	-	-	-	81,960,351
Office equipments	29,465,558	19,774,371	-	-	-	49,239,929
Motor vehicles	9,416,823	9,173,638	-	-	-	18,590,461
Computer equipments	234,822,390	107,317,577	-	(151,068)	-	341,988,899
Air conditioning system	21,455,996	10,111,381	-	-	-	31,567,377
Generators	3,690,847	690,613	-	-	-	4,381,460
	433,422,401	220,360,740	--	(360,715)	-	653,422,426
At valuation						
Building and building integrals	-	1,633,862	-	-	-	1,633,862
	-	1,633,862	-	-	-	1,633,862
Total depreciation	433,422,401	221,994,602	-	(360,715)	-	655,056,288

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18.3 Gross Carrying Amounts

Group	Balance as at 1 Apr 2016 LKR	Additions LKR	Transfers LKR	Disposals LKR	Revaluation LKR	Balance as at 31 Mar 2017 LKR
Freehold Assets						
At Cost						
Furniture & fittings	288,152,949	23,005,914	-	(1,504,804)	-	309,654,059
Leasehold improvements	152,011,189	70,343,892	-	-	-	222,355,081
Office equipment	164,162,294	23,694,346	-	-	-	187,856,640
Motor vehicles	65,776,547	8,750,000	-	(4,478,380)	-	70,048,167
Computer equipments	624,738,194	179,275,953	-	(151,068)	-	803,863,079
Air conditioning system	79,858,503	10,636,800	-	-	-	90,495,303
Generators	6,990,817	14,000	-	-	-	7,004,817
	1,381,690,493	315,720,905	-	(6,134,252)	-	1,691,277,146
At Valuation						
Freehold Land	417,712,400	208,161,400	(143,000,000)	-	10,100,000	492,973,800
Building and building integrals	84,151,000	642,260	-	-	-	84,793,260
	501,863,400	208,803,660	(143,000,000)	-	10,100,000	577,767,060
Total Value of Depreciable Assets	1,883,553,893	524,524,565	(143,000,000)	(6,134,252)	10,100,000	2,269,044,206

18.4 Depreciation

Group	Balance as at 1 Apr 2016 LKR	Charge for the year LKR	Transfers LKR	Disposals LKR	Revaluation LKR	Balance as at 31 Mar 2017 LKR
Freehold Assets						
At Cost						
Furniture & Fittings	95,935,379	37,706,810	-	(209,647)	-	133,432,542
Leasehold improvements	44,842,192	37,118,159	-	-	-	81,960,351
Office equipment	37,394,803	22,721,565	-	-	-	60,116,368
Motor vehicles	16,826,921	15,393,732	-	(2,279,641)	-	29,941,012
Computer Equipments	242,207,197	109,607,650	-	(151,068)	-	351,663,779
Air conditioning system	21,455,996	10,111,381	-	-	-	31,567,377
Generators	3,690,847	690,613	-	-	-	4,381,460
	462,353,335	233,349,910	-	(2,640,356)	-	693,062,889
At Valuation						
Building and building integrals	-	1,633,862	-	-	-	1,633,862
	-	1,633,862	-	-	-	1,633,862
Total depreciation	462,353,335	234,983,772	-	(2,640,356)	-	694,696,751

18.5 Net Book Values

	Company	Group		
	2017 LKR	2016 LKR	2017 LKR	2016 LKR
At Cost				
Furniture & fittings	173,015,366	190,523,653	176,221,517	192,217,570
Leasehold improvements	140,394,730	107,168,997	140,394,730	107,168,997
Office equipment	119,595,872	122,799,108	127,740,272	126,767,491
Motor vehicles	22,036,606	31,210,244	40,107,155	48,949,626
Computer equipments	445,569,806	378,641,111	452,199,300	382,530,997
Air conditioning system	58,927,926	58,402,507	58,927,926	58,402,507
Generators	2,623,357	3,299,970	2,623,357	3,299,970
At Valuation				
Freehold Land	492,973,800	417,712,400	492,973,800	417,712,400
Building and building integrals	83,159,398	84,151,000	83,159,398	84,151,000
Total netbook value of property, plant & equipment	1,538,296,861	1,393,908,990	1,574,347,455	1,421,200,558

18.6

During the financial year, the Company acquired property, plant & equipment to the aggregate value of LKR 500,577,630/- (2016 - LKR 606,674,787 /-). Cash payments amounting to LKR 500,577,630/- (2016 LKR 606,674,787/-) was paid during the year for purchases of Property, Plant & Equipment.

During the financial year, the Group acquired property, plant & equipment to the aggregate value of LKR 524,524,565/- (2016 - LKR 629,564,378/-). Cash payments amounting to LKR 524,524,565/- (2016 LKR 629,564,378/-) was paid during the year for purchases of Property, Plant & Equipment.

18.7

The Company uses the revaluation model of measurement of land and buildings. The company engaged Sunil Fernando & Associates (Private) Limited, an independent chartered valuation surveyor, to determine the fair value of its land and buildings as at 31 March 2016. The fair value was determined by Comparison Method using current market value of land, residual method of valuation and the depreciated replacement cost of buildings. Valuations are based on market prices, adjusted for any difference in the nature, location or condition of the specific property.

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Location	Extent	Valuer	"Valuation Date"	"Valuation Details"	"Significant unobservable input: price per perch/ acre/ range"	Fair Value Level 3 LKR	Sensitivity of Fair Value to Un-Observable Inputs
Fair Value of Lands							
Negombo	P 30.7	Sunil Fernando & Associates (Private) Limited	31/3/2016	Comparison Method	Rs. 2,350,000/- per perch	72,000,000	
Mount Lavinia	P 7.18	Sunil Fernando & Associates (Private) Limited	31/3/2016	Comparison Method	Rs. 900,000/- per perch	6,462,000	
Plan 548, Lot 1 ,Maithripala Senanayake Mawatta, New Town, Anuradhapura	P 12.2	Sunil Fernando & Associates (Private) Limited	31/3/2016	Comparison Method	Rs. 2,500,000/- per perch	30,500,000	
No 106, Yatinuwara Veediya, Kandy	P 13.4	Sunil Fernando & Associates (Private) Limited	31/3/2016	Comparison Method	Rs.7,500,000/- per perch	100,500,000	Positively Correlated Sensitivity
Plan 3256, Lot C1A , Yaggapitiya , Kurunegala	P 197.7	Sunil Fernando & Associates (Private) Limited	31/3/2016	Residual Method of valuation	Rs. 500,000/- to Rs.250,0000/- per perch	45,100,000	
No. 136 ,Kurunegala Road, Puttalam	P 13.75	Sunil Fernando & Associates (Private) Limited	31/3/2016	Comparison Method	Rs. 650,000/- per perch	8,937,500	
Lot 1,2 , Plan 390, Kumbukkanna, Monaragala	A 23 R 2 28.95 P	Sunil Fernando & Associates (Private) Limited	31/3/2016	Comparison Method	Rs. 900,000/- per acre	21,312,900	
Bolgoda	A 4.5	-	-	-	Rs. 276,697/- per acre	208,161,400	
Fair Value of Buildings							
Mount Lavinia	2732 square feet	Sunil Fernando & Associates (Private) Limited	31/3/2016	Depreciated Replacement Cost	Rs. 5,000/- per square foot	10,178,000	
Plan 806, Lot 2, Assessment No. 136 ,Kurunegala Road, Puttalam	1630 square feet	Sunil Fernando & Associates (Private) Limited	31/3/2016	Depreciated Replacement Cost	Rs. 2,750/- per square foot	4,482,500	
Plan 548, Lot 1 ,Maithripala Senanayake Mawatta, New Town, Anuradhapura	4034 square feet	Sunil Fernando & Associates (Private) Limited	31/3/2016	Depreciated Replacement Cost	Rs. 4,500/- per square foot	13,614,750	Positively Correlated Sensitivity
No 106, Yatinuwara Veediya, Kandy	12845 square feet	Sunil Fernando & Associates (Private) Limited	31/3/2016	Depreciated Replacement Cost	Rs. 6,000/- per square foot	55,875,750	
						84,151,000	

18.8

If land and buildings were measured using the cost model, the carrying amounts would be as follows:

	Company			
	2017		2016	
	Land LKR	Building & building integrals LKR	Land LKR	Building & building integrals LKR
Cost	226,472,218	47,529,672	151,210,818	46,887,412
Less: Accumulated depreciation	-	(12,419,709)	-	(11,469,115)
Net carrying amount	226,472,218	35,109,964	151,210,818	35,418,297

18.9

Property, Plant and equipment included fully depreciated assets having a gross amount of LKR 143,953,500/- (Group - LKR 170,018,544/-)

ACCOUNTING POLICY

Property, Plant and equipment are recognised if it is probable that future economic benefits associated with the assets will flow to the entity and the cost of the asset can be measured reliably in accordance with LKAS 16 Property, Plant and equipment. Initially Property, Plant and equipment are measured at cost.

Subsequent measurement

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

The Company has elected to use the revaluation model for land and buildings, while other classes of property, plant and equipment are measured using the cost model.

Cost Model

These are the amount of cash or cash equivalent paid or the fair value of other consideration given to acquire the asset at the time of its acquisition or construction, if it is probable that the future economic benefits embodied within that part will flow to the Company and it can be reliably measured.

Revaluation Model

Land and buildings are measured at fair value, less accumulated depreciation on buildings, and impairment losses recognised at the date of revaluation. Valuations are performed with sufficient frequency to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Accumulated depreciation at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Depreciation

The provision for depreciation is calculated by using a straight line method on the cost or valuation of all Property, Plant & Equipment other than freehold land, in order to write off such amounts over the estimated useful lives.

The estimated useful lives used are as follows: **Useful Life**

Buildings	20-50 years
Cladding	10 years
Furniture and fittings	8 years
Leasehold improvements	over the lease period
Office equipment	5-10 years
Motor vehicles	4 years
Computer hardware	5 years
Air conditioning system	10 years

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Derecognition

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in 'Other Operating Income' in the Statement of profit or loss in the year the asset is derecognized.

19. Intangible Assets & Goodwill

	Company		Group	
	2017 LKR	2016 LKR	2017 LKR	2016 LKR
Goodwill	-	-	741,712,566	741,712,566
Computer Software (19.1)	136,510,053	105,725,753	153,152,414	117,243,321
	136,510,053	105,725,753	894,864,980	858,955,887

Goodwill amounting to LKR 741,712,566/- has been recognised in respect of acquisition of Trade Finance and Investments PLC.

19.1 Computer software

Cost	Company			
	Balance as at 01.04.2016 LKR	Additions/ Incurred	Transfers	Balance as at 31.03.2017 LKR
Capital work in progress - Computer software	105,725,753	30,784,300	-	136,510,053
Written down value	105,725,753	30,784,300	-	136,510,053

Cost	Group			
	Balance as at 01.04.2016 LKR	Additions/ Incurred	Transfers	Balance as at 31.03.2017 LKR
Computer software	17,769,096	9,781,970	-	27,551,066
Capital work in progress - Computer software	105,725,753	30,784,300	-	136,510,053
	123,494,849	40,566,270	-	164,061,119

Depreciation	Group			
	Balance as at 01.04.2016 LKR	Charged	Transfers	Balance as at 31.03.2017 LKR
Computer software	6,251,528	4,657,177	-	10,908,705
Written down value	6,251,528	4,657,177	-	10,908,705

ACCOUNTING POLICY

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 rentals to others or for administrative purposes.

Basis of Recognition

An intangible asset is recognised if it is probable that the future economic benefits that are attributable to the asset will flow to the group and the cost of the asset can be measured reliably. An intangible asset is initially measured at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition.

Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. Goodwill is measured at initial recognition in accordance with Note 5.1.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss in such investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity accounted investees.

Computer software

All computer software costs incurred, licensed for use by the group, which are not integrally related to associated hardware, which can be clearly identified, reliably measured and it's probable that they will lead to future economic benefits, are included in the "statement of financial position" under the category "intangible assets" and carried at cost less accumulated amortisation and any accumulated impairment losses.

Subsequent expenditures

Expenditure incurred on computer software is capitalised only when it is probable that this expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standard of performance and this expenditure can be measured and attributed to the asset reliably. All other expenditure is expensed as incurred.

Amortisation

The useful lives of intangible assets are assessed as either finite or indefinite lives. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortization method for an intangible asset with a finite useful life is reviewed at least at each financial year-end and treated as accounting estimates. The amortization expense on intangible assets with finite lives is recognised in the Statement of profit or loss. The estimated useful life of computer software is five years.

Intangible assets with indefinite useful lives and Goodwill are not amortised but tested for impairment annually, or more frequently when an indication of impairment exists either individually or at the cash-generating unit level. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

The Company's intangible assets include the value of computer software being developed and is recognised only when its cost can be measured reliably and it is probable that future economic benefits that are attributable to it will flow to the company.

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20. Prepaid Rent

	Company/ Group	Company/ Group
Cost	2017 LKR	2016 LKR
As at 1 April	8,433,517	8,556,322
Amortisation for the year	(122,805)	(122,805)
As at 31 March	8,310,712	8,433,517

The Company entered into an agreement with Urban Development Authority of Sri Lanka on 04 September 2007 for a period of 78 years to acquire the right to use the property located at Hingurakgoda. The pre-paid rentals are amortised over the remaining lease period of 68 years.

ACCOUNTING POLICY

Pre-paid rentals paid to acquire rights to use property are amortized over the remaining lease period.

21. Due To Banks & Other Institutions

	Company	Group	
Cost	2017 LKR	2016 LKR	2017 LKR
Bank Overdrafts	571,278,317	1,258,688,450	684,500,878
Securitised Borrowings, Syndicated Loans and Other Bank Facilities (Note 21.1)	10,221,087,449	5,544,616,136	11,271,747,874
Total	10,792,365,766	6,803,304,586	11,956,248,752

21.1 Securitised Borrowings, Term Loans and Other Bank Facilities

	As at 1 April 2016 LKR	Loans Obtained LKR	Interest Recognized LKR	Repayments LKR	As at 31 Mar 2017 LKR	Period	Security
Securitised Borrowings							
Hatton National Bank PLC - Securitisation Loan 05	2,875,000	-	-	2,875,000	-	48 Months	Lease receivables
Hatton National Bank PLC - Securitisation Loan 08	9,249,940	-	542,922	9,792,862	-	24 Months	HP Receivables
Hatton National Bank PLC - Securitisation Loan 09	37,874,940	-	2,399,761	40,274,701	-	24 Months	HP Receivables
Hatton National Bank PLC - Securitisation Loan 10	187,500,040	-	20,553,661	77,845,291	130,208,410	48 Months	Lease & HP receivables
Hatton National Bank PLC - Securitisation Loan 11	187,500,040	-	20,550,739	76,413,572	131,637,206	48 Months	HP Receivables
Hatton National Bank PLC - Securitisation Loan 12	-	1,500,000,000	86,020,683	877,680,682	708,340,001	36 Months	Micro Finance,HP & Lease Receivables
Hatton National Bank PLC - Securitisation Loan 13	-	800,000,000	28,910,467	328,910,467	500,000,000	3 Months	Lease & HP receivables
Bank of Ceylon - Securitization Loan 01	74,011,986	-	4,621,374	78,633,361	-	36 Months	Lease & HP receivables
Bank of Ceylon - Securitization Loan 02	70,926,572	-	3,160,710	74,087,282	-	36 Months	HP Receivables

	As at 1 April 2016 LKR	Loans Obtained LKR	Interest Recognized LKR	Repayments LKR	As at 31 Mar 2017 LKR	Period	Security
Bank of Ceylon - Securitization Loan 03	71,238,978	-	3,818,715	75,057,692	-	30 Months	Lease & HP receivables
Bank of Ceylon - Securitization Loan 09	194,259,438	-	14,965,577	171,000,000	38,225,015	36 Months	Lease & HP receivables
Bank of Ceylon - Securitization Loan 11	46,127,275	-	310,288	46,437,563	-	14 Months	Lease & HP receivables
Bank of Ceylon - Securitization Loan 11-2	272,641,483	-	23,312,869	157,465,898	138,488,454	36 Months	Lease & HP receivables
Bank of Ceylon - Securitization Loan 12	306,977,558	-	20,821,635	304,034,102	23,765,090	24 Months	Microfinance Receivables
Deutsche Bank - Securitization Loan 05B	19,649,300	-	350,699	20,000,000	-	19 Months	Lease & HP receivables
Deutsche Bank - Securitization Loan 06	39,670,981	-	1,155,841	40,826,822	-	24 Months	HP Receivables
Deutsche Bank - Securitization Loan 6-1	103,902,242	-	6,097,757	110,000,000	-	36 Months	HP receivable
Deutsche Bank - Securitization Loan 8	224,110,674	-	16,989,212	88,081,963	153,017,923	48 Months	Lease & HP receivables
Deutsche Bank - Securitization Loan 9	-	257,800,000	38,765,952	806,370	295,759,582	48 Months	Lease & HP receivables
Deutsche Bank - Securitization Loan 09-2	-	612,800,000	49,393,000	181,446,801	480,746,199	36 Months	Lease & HP receivables
Bank of Ceylon - Trust 13-1	-	421,249,195	44,625,242	94,575,544	371,298,893	20 Months	Microfinance Receivables
Bank of Ceylon - Trust 13-2	-	78,968,566	4,621,210	-	83,589,776	20 Months	Microfinance Receivables
Bank of Ceylon - Trust 14	-	386,929,308	40,329,399	111,056,542	316,202,164	24 Months	Microfinance Receivables
Bank of Ceylon - Trust 15	-	119,896,231	1,200,000	-	121,096,231	18 Months	Microfinance Receivables
	1,848,516,447	4,177,643,299	433,517,711	2,967,302,514	3,492,374,943		

	As at 1 April 2016 LKR	Loans Obtained LKR	Interest Recognized LKR	Repayments LKR	As at 31 Mar 2017 LKR	Period	Security
Direct Bank Borrowings							
Merchant Bank of Sri Lanka - Term Loan	1,999,581	-	19,162	2,018,743	-	48 Months	Primary Mortgage over the Maralandewatta and Kitulangewatta depicted as lot 1 in plan no 898, situated in Kandy. Primary mortgage over 69 allotments, excluding lots 2,7,26,27 and 62 of the property allied Sliver Sands Estate depicted as lot 1-69, excluding lots 2,7,26,27 and 62 in plan no 7023.
Merchant Bank of Sri Lanka - Term Loan	-	200,000,000	13,737,316	18,312,316	195,425,000	36 Months	Primary Mortgage over the Maralandewatta and Kitulangewatta depicted as lot 1 in plan no 898, situated in Kandy. Primary mortgage over 69 allotments, excluding lots 2,7,26,27 and 62 of the property allied Sliver Sands Estate depicted as lot 1-69, excluding lots 2,7,26,27 and 62 in plan no 7023.

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	As at 1 April 2016 LKR	Loans Obtained LKR	Interest Recognized LKR	Repayments LKR	As at 31 Mar 2017 LKR	Period	Security
National Development Bank PLC - Term Loan	450,000,000	300,000,000	30,114,394	780,114,394	-	1 Month	Lease & HP receivables
National Development Bank PLC - Term Loan	-	300,000,000	5,338,999	5,338,999	300,000,000	3 Months	-
National Development Bank PLC - Term Loan	-	150,000,000	474,658	-	150,474,658	12 Months	Lease & HP receivables
National Development Bank PLC - Term Loan	-	200,000,000	-	-	200,000,000	3 Months	-
Seylan Bank PLC - Term Loan	5,820,000		2,999,816	8,819,816	-	36 Months	Lease & HP receivables
Seylan Bank PLC - Term Loan 02	25,210,000		1,167,728	26,377,728	-	36 Months	Lease & HP receivables
National Savings Bank - Securitization Loan	-	500,000,000	2,102,055	-	502,102,055	48 Months	Lease & HP receivables
Cargills Bank - Securitization Loan	-	250,000,000	19,881,414	61,548,166	208,333,248	48 Months	Lease & HP receivables
Seylan Bank PLC - Term Loan 03	66,666,752	-	6,171,771	39,505,104	33,333,419	36 Months	Lease & HP receivables
Seylan Bank PLC - Term Loan 04	-	491,666,667	50,065,150	116,731,817	425,000,000	60 Months	Lease & HP receivables
Seylan Bank PLC - Term Loan 05	-	500,000,000	32,915,850	342,499,272	190,416,578	12 Months	Lease & HP receivables
Seylan Bank PLC - Short Term Loan	-	250,000,000	12,916,667	-	262,916,667	6 Months	Lien over deposits totalling LKR 287,458,910
Pan Asia Bank PLC - Term Loan	206,250,000	-	28,701,244	103,701,244	131,250,000	48 Months	Lease & HP receivables
Pan Asia Bank PLC - Term Loan 3	389,697,674	-	56,411,316	189,846,205	256,262,786	48 Months	Lease & HP receivables
Pan Asia Bank PLC - Term Loan 4	-	200,000,000	12,052,989	9,511,323	202,541,667	3 Months	Lien over fixed deposits
Sampath Bank PLC - Short Term Loan	424,994,000	-	51,335,989	151,343,989	324,986,000	60 Months	Lease & HP receivables
Sampath Bank PLC - Short Term Loan	300,000,000	-	42,303,611	42,303,611	300,000,000	6 Months	Lease & HP receivables
Sampath Bank PLC - Short Term Loan	200,000,000	-	28,433,072	28,433,072	200,000,000	6 Months	Lease & HP receivables
Sampath Bank PLC - Short Term Loan	-	300,000,000	19,637,885	319,637,885	-	3 Months	-

	As at 1 April 2016 LKR	Loans Obtained LKR	Interest Recognized LKR	Repayments LKR	As at 31 Mar 2017 LKR	Period	Security
Sampath Bank PLC - Short Term Loan	-	290,000,000	2,252,466	--	292,252,466	12 Months	Lien over balance held at "overseas investment account"
Sampath Bank PLC - Short Term Loan	-	300,000,000	509,589		300,509,589	3 Months	-
Pan Asia Bank PLC - Short Term Loan 4	200,000,000	200,000,000	30,710,310	230,710,310	200,000,000	90 Days	Lease & HP receivables
National Development Bank PLC-Term Loan	300,000,000	-	31,474,457	331,474,457	-	90 Days	Lease & HP receivables
People's Bank - Securitization Loan 11	500,000,000	-	47,760,187	147,729,187	400,031,000	60 Months	Lease & HP receivables
	3,070,638,007	4,431,666,667	529,488,095	2,955,957,638	5,075,835,130		

	As at 1 April 2016 LKR	Loans Obtained LKR	Interest Recognized LKR	Repayments LKR	As at 31 Mar 2017 LKR	Period	Security
Direct Borrowings from Other Institutions							
First Capital Treasuries Ltd - Short Term Loan	-	101,285,575	5,883,832	-	107,169,408	7 Days	-
First Capital Treasuries Ltd - Short Term Loan	50,191,989	-	-	50,191,989	-	1 Month	-
First Capital Treasuries Ltd - Short Term Loan	-	50,000,000	59,396	-	50,059,396	1 Month	-
Acuity securities limited - Short Term Loan	75,269,692	-	-	75,269,692	-	1 Month	
Acuity securities limited - Short Term Loan	-	32,652,985	241,763	241,763	32,652,985	1 Month	
B G Investments (Pvt) Ltd	-	309,900,000	1,035,582	35,000,000	275,935,582	3 Months	-
B G Capital (Pvt) Ltd	-	224,900,000	677,781	-	225,577,781	3 Months	-
B G International (Pvt) Ltd	-	224,900,000	677,781	-	225,577,781	3 Months	-
Wealth Trust Loan - Short Term Loan	-	350,000,000	1,144,526	351,144,526	-	6 Months	-
Nethwelth - Short Term Loan	-	220,000,000	1,625,703	151,625,703	70,000,000	16 Days	-
Siyapatha Finance Limited - Loan	-	286,000,000	517,151	-	286,517,151	3 Months	-
First Capital Limited - Short Term Loan	-	1,920,206,242	95,654,357	1,636,473,310	379,387,290	16 Days	-

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	As at 1 April 2016 LKR	Loans Obtained LKR	Interest Recognized LKR	Repayments LKR	As at 31 Mar 2017 LKR	Period	Security
First Capital Limited - Securitization Loan	500,000,000	150,190,645	1,042,562	651,233,207	-	7 Days	-
First Capital Limited - Securitization Loan 02	-	400,000,000	5,548,406	405,548,406	-	1 Month	
	625,461,681	4,270,035,448	114,108,841	83,781,977	1,652,877,373		
Total for Company	5,544,616,134	12,879,345,413	1,077,114,647	9,279,988,748	10,221,087,449		
Trade Finance and Investments PLC							
Securitised Borrowings							
Sampath Bank PLC	164,594,300	550,048,434	53,549,331	117,531,639	650,660,426	48 Months	Lease & HP receivables
Agora Securities (Pvt) Ltd	-	400,000,000	-	-	400,000,000	24 Months	Lease & HP receivables
	164,594,300	950,048,434	53,549,331	117,531,639	1,050,660,426		
Total for Group	5,709,210,434	13,829,393,847	1,130,663,978	9,397,520,387	11,271,747,874		

22. Due to Customers

	Company		Group	
	2017 LKR	2016 LKR	2017 LKR	2016 LKR
Fixed Deposits - Monthly	28,716,354,936	23,560,392,917	29,616,400,485	23,560,392,917
Fixed Deposits - Maturity	23,695,825,726	22,794,207,212	23,695,825,726	23,878,257,824
Savings Deposits	1,324,900,123	2,942,698,780	1,324,900,123	2,942,698,780
	53,737,080,785	49,297,298,909	54,637,126,334	50,381,349,521

23. Debt Instruments Issued and other Borrowed Funds

	Company/Group	
	2017 LKR	2016 LKR
Debentures (Note 23.1)	3,481,991,842	3,426,019,761
Commercial Papers (Note 23.2)	-	170,000,000
	3,481,991,842	3,596,019,761

23.1 Debentures

Type of debenture	Face value LKR	Interest rate	Frequency of interest payment	Issued date	Maturity date	2017 Amortised Cost LKR	2016 Amortised Cost LKR
Unsecured Redeemable Subordinated Debentures	500,000,000	20%	Quarterly	19-Feb-13	18-Feb-18	525,000,000	524,653,759
Rated, Subordinated , Guaranteed, Redeemable Debentures	1,000,000,000	10.50%	Quarterly	1-Jun-15	30-May-20	990,710,457	989,637,443
Rated, Guaranteed , Subordinated, Redeemable Debentures (Type A)		10.40%					
Rated, Guaranteed, Subordinated, Redeemable Debentures (Type B)	2,000,000,000	6 months gross treasury bill rate + 1.50%	Semi Annually	10-Dec-15	9-Dec-20	1,966,281,385	1,911,728,559
						3,481,991,842	3,426,019,761

23.2 Commercial Papers

	Interest rate offered 2016	Amortised Cost 2017 LKR	Amortised Cost 2016 LKR
Less than 90 days	10%	-	170,000,000
	-	-	170,000,000

24. Other Financial Liabilities

	Company		Group	
	2017 LKR	2016 LKR	2017 LKR	2016 LKR
Trade payables	2,129,672,583	2,001,861,075	2,362,305,725	2,014,395,414
Dividend payable	155,118,092	-	156,693,843	-
Other	13,571,184	13,573,155	74,753,562	42,599,080
	2,298,361,860	2,015,434,230	2,593,753,131	2,056,994,494

25. Other Liabilities

	Company		Group	
	2017 LKR	2016 LKR	2017 LKR	2016 LKR
Vat payables	401,717,142	131,401,209	418,911,545	131,401,209
Advances received against real estate stock	13,250,522	34,781,379	13,250,522	34,781,379
Deferred revenue on land sale income	28,942,686	47,675,518	28,942,686	47,675,518
	443,910,349	213,858,106	461,104,753	213,858,106

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26. Post Employment Benefit Obligations

	Company	Group	
	2017 LKR	2016 LKR	2017 LKR
	2016 LKR		
As at the 1 April	84,564,979	72,007,130	93,837,608
Amount charged for the year (Note 26.1)	33,784,456	31,779,788	36,685,253
Payments made during the year	(8,420,875)	(3,657,625)	(8,508,375)
Actuarial (Gains) for the year	(11,065,207)	(15,564,314)	(11,992,345)
As at 31 March	98,863,353	84,564,979	110,022,141
			93,837,608

26.1 Expenses on Defined Benefit Plan

	Company	Group	
	2017 LKR	2016 LKR	2017 LKR
	2016 LKR		
Current service cost for the year	23,636,542	24,939,016	25,563,713
Interest cost for the year	10,147,914	6,840,772	11,121,540
	33,784,456	31,779,788	36,685,253
			34,167,131

26.2 Assumptions

	Company	Subsidiary (Trade Finance and Investment PLC)	
	2017	2016	2017
	2016		2016
Discount rate	12.7%	12%	12%
Salary scale	9%	9%	10%
Staff turnover			
20 - 30 Years	10%	10%	
35 Years	7.5%	7.5%	
40 Years	5%	5%	15%
45 Years	2.5%	2.5%	
50 Years	1%	1%	10%
Mortality		GA 1983 Mortality Table	1967 / 70 Mortality Table
Retirement age		Normal retirement Age, or age on valuation date, if greater	55 years

An actuarial valuation of the gratuity of the Company was carried out as at 31 March 2017 by Piyal S Goonetilleke and Associates, a firm of professional actuaries. The valuation method used by the actuary to value the Fund is the "Projected Unit Credit Method".

An actuarial valuation of the gratuity of the Subsidiary was carried out as at 31 March 2017 by Messer Smiles Global (Private) Limited, a firm of professional actuaries. The valuation method used by the actuary to value the Fund is the "Projected Unit Credit Method".

26.3

The following table demonstrates the sensitivity to a reasonable possible change in the key assumptions employed with all other variables held constant in the employment benefit liability measurement, in respect of the year ended 31 March 2017.

Increase/ (Decrease) in Salary Scale	Increase/ (Decrease) in Discount Rate	Company PVDBO	Group PVDBO		
		2017 LKR	2016 LKR	2017 LKR	2016 LKR
(-1%)		108,909,304	93,605,778	120,401,113	102,488,429
1%		90,261,038	76,868,975	101,114,923	86,577,212
(-1%)		90,087,962	76,778,243	100,886,547	86,484,403
1%		108,954,996	93,566,700	120,499,384	102,454,270

26.4 Expected Benefit payout in the future years for retirement gratuity

	Company	Group
	2017 LKR	2017 LKR
Within next 12 months	8,645,326	12,674,418
Between 2 to 5 years	100,138,623	102,385,323
Beyond 5 years	207,970,741	212,853,738

ACCOUNTING POLICY

The group measures the present value of the defined retirement benefits of gratuity which is a defined benefit plan using the projected unit credit actuarial valuation method. The actuarial valuation involves making assumptions about discount rate, expected rates of return on assets, future salary increases and mortality rates. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. All assumptions are reviewed at each reporting date.

All the employees of the group are eligible for gratuity under the payment of gratuity act no. 12 Of 1983.

Employees those who have resigned or whose services are terminated other than by retirement are eligible to receive the terminal gratuity under the payment of gratuity act no. 12 Of 1983 at the rate of one half of the gross salary applicable to the last month in which the employment is terminated or resigned, for each year of completed service, for those who have served in excess of 5 years.

Funding arrangements

The gratuity liability is not externally funded.

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27. Deferred Taxation

27.1 Deferred Tax Assets, Liabilities and Income Tax relates to the following:

Company	Statement of Financial Position		Statement of Profit or Loss		Statement of Other Comprehensive Income	
	2017 LKR	2016 LKR	2017 LKR	2016 LKR	2017 LKR	2016 LKR
Deferred Tax Liabilities						
Capital allowances for tax purposes	651,751,264	807,259,221	(155,507,957)	260,622,873	-	-
Revaluation of building	11,715,745	11,715,745	-	-	-	3,557,162
	663,467,009	818,974,966	(155,507,957)	260,622,873	-	3,557,162
Deferred Tax Assets						
Post employment benefit obligations	(27,681,739)	(23,678,474)	(7,101,523)	(7,874,486)	3,098,258	4,358,008
Temporary difference on provisions	(1,380,483,058)	(756,714,143)	(623,768,915)	(573,122,472)	-	-
Temporary difference on investment tax credit	-	(279,940,863)	279,940,863	67,001,698	-	-
Tax loss	-	(72,097,520)	72,097,520	(29,911,904)	-	-
	(1,408,164,797)	(1,132,431,000)	(278,832,055)	(543,907,164)	3,098,258	4,358,008
Deferred income tax charge/(reversal)						
Statement of profit or loss	-	-	(434,340,012)	(283,284,291)	-	-
Statement of other comprehensive income	-	-	-	-	3,098,258	7,915,170
Net Deferred Tax Asset	(744,697,788)	(313,456,034)	-	-	-	-

27.2 Deferred Tax Assets, Liabilities and Income Tax relates to the following:

Group	Statement of Financial Position		Statement of profit or loss		Statement of Other Comprehensive Income	
	2017 LKR Liability	2016 LKR Liability	2017 LKR	2016 LKR	2017 LKR	2016 LKR
Deferred Tax Liabilities						
Capital Allowances for tax purposes	654,331,029	809,182,026	(154,850,997)	237,039,079	-	-
Available for Sale Financial Assets	89,698	-	89,698	-	-	-
Revaluation of Building	11,715,745	11,715,745	-	-	-	3,557,162
	666,136,472	820,897,771	(154,761,299)	237,039,079	-	3,557,162

Group	Statement of Financial Position		Statement of profit or loss		Statement of Other Comprehensive Income	
	2017 LKR Liability	2016 LKR Liability	2017 LKR	2016 LKR	2017 LKR	2016 LKR
Deferred Tax Assets						
Post Employment Benefit Obligations	(30,806,200)	(26,274,810)	(7,889,247)	(8,542,942)	3,357,857	3,942,731
Temporary difference on provisions	(1,388,223,875)	(756,714,143)	(631,509,732)	(573,122,472)	-	-
Temporary difference on investment tax credit	-	(279,940,863)	279,940,863	67,001,698	-	-
Tax Losses	-	(72,097,520)	72,097,520	(29,911,904)	-	-
Temporary difference on Fair value reserve	-	-	-	(1,557,379)	-	-
	(1,419,030,075)	(1,135,027,336)	(287,360,596)	(546,132,999)	3,357,857	3,942,731
Deferred income tax charge						
Statement of Profit or Loss	-	-	(442,121,895)	(309,094,190)	-	-
Statement of Comprehensive Income	-	-	-	-	3,357,857	7,499,893
Net Deferred Tax (Asset)/Liability	(752,893,603)	(314,129,565)	-	-	-	-

ACCOUNTING POLICY

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

Deferred income tax liabilities are recognised for all taxable temporary differences except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

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

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

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

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

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Deferred income tax assets and liabilities are off set if legally enforceable right exists to set off current tax assets against current income tax liabilities and Deferred tax relates to the same taxable entity and the same taxation authority.

28. Stated Capital

28.1 Issued and Fully Paid-Ordinary shares

	Company/ Group		Company/ Group	
	2017		2016	
	No. Shares	LKR	No. Shares	LKR
At the beginning of the year	318,074,365	2,150,640,315	318,074,365	2,150,640,315
Issued during the year	-	-	-	-
At the end of the year	318,074,365	2,150,640,315	318,074,365	2,150,640,315

28.2 Rights of Shareholders

The holders of ordinary shares confer right to receive dividends as declared from time to time and are entitled to one vote per share at meeting.

All shares rank equally with regard to the Company's residual assets.

29. Retained Earnings

	Company		Group	
	2017 LKR	2016 LKR	2017 LKR	2016 LKR
As at 01 april	3,896,527,996	2,482,040,674	4,087,708,290	2,522,259,614
Profit for the year	2,902,977,970	2,151,694,226	3,115,473,964	2,317,513,317
Other comprehensive income net of tax	7,966,949	11,206,306	8,632,352	10,156,072
Dividend paid (note 42)	(477,111,548)	(318,074,365)	(477,111,548)	(318,074,365)
Effect of increase in the equity interest in subsidiary	-	-	16,775,185	-
Transfers to statutory reserve fund (note 30)	(580,595,594)	(430,338,845)	(596,829,639)	(444,146,348)
As at 31 March	5,749,765,773	3,896,527,996	6,154,648,604	4,087,708,290

30. Reserves

	Company				
	Revaluation Reserve LKR	General Reserve (Note 30.1) LKR	Statutory Reserve (Note 30.2) LKR	Available for Sale Reserve LKR	Total LKR
As at 01 april 2016	182,447,399	58,751,125	1,523,340,660	(29,830,783)	1,734,708,401
Other comprehensive income for the year net of tax	10,100,000	-	-	22,004,412	32,104,412
Transfers to/(from) during the year	-	-	580,595,594	-	580,595,594
As at 31 March 2017	192,547,399	58,751,125	2,103,936,254	(7,826,371)	2,347,408,407

	Group				
	Revaluation Reserve	General Reserve	Statutory Reserve (Note 30.1)	Available for Sale Reserve (Note 30.2)	Total
	LKR	LKR	LKR	LKR	LKR
As at 01 April 2016	182,447,399	58,751,125	1,547,002,277	(32,262,148)	1,755,938,653
Other comprehensive income for the year net of tax	10,100,000	-		23,556,006	33,656,006
Transfers to/(from) during the year			596,829,639		596,829,639
As at 31 March 2017	192,547,399	58,751,125	2,143,831,916	(8,706,142)	2,386,424,298

30.1

General reserve represents amounts set aside by the Board of Directors from time to time which is available for general application at the discretion of the Board.

30.2

Statutory Reserve Fund is a capital reserve which contains profits transferred as required by Section 3(b)(ii) of Central Bank Direction No. 1 of 2003.

31. Income

	Company		Group	
	2017 LKR	2016 LKR	2017 LKR	2016 LKR
Interest income (note 31.1)	19,048,827,751	15,729,164,027	19,927,371,419	16,418,291,970
Fee and commission income (note 32)	809,052,723	689,429,707	860,220,186	741,601,418
Net income from real estate sales (note 33)	58,362,612	66,023,976	58,362,612	66,023,976
Net gain from trading (note 34)	65,181,220	127,009,448	65,181,220	127,009,448
Other operating income (note 35)	699,707,679	277,283,594	604,013,900	189,255,285
Change in fair value of investment property (note 17)	243,390,125	234,718,126	243,390,125	234,718,126
	20,924,522,111	17,123,628,878	21,758,539,464	17,776,900,223

ACCOUNTING POLICY

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

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31.1 Interest Income

	Company	Group	
	2017 LKR	2016 LKR	2017 LKR
	2016 LKR		
Reverse repurchase agreements	174,050,694	132,323,087	174,050,694
Placement with banks and other financial institutions	182,197,908	182,948,771	186,821,012
Financial instruments - held for trading	196,067,861	104,501,979	196,067,861
Loans and advances	11,827,080,829	10,335,815,101	11,843,638,914
Lease rentals receivable & stock out on hire	6,663,730,266	4,931,920,535	7,499,702,836
Financial instruments - available for sale	5,700,193	41,654,554	27,090,102
Total Interest Income	19,048,827,751	15,729,164,027	19,927,371,419
			16,418,291,970

31.2 Interest Expense

	Company	Group	
	2017 LKR	2016 LKR	2017 LKR
	2016 LKR		
Due to banks	1,193,380,345	572,649,880	1,251,382,428
Due to customers	6,212,170,555	5,236,666,216	6,339,217,506
Debt instruments issued and other borrowed funds	406,068,539	252,516,703	406,068,539
Total Interest Expenses	7,811,619,440	6,061,832,799	7,996,668,474
			6,206,223,947
Net Interest Income	11,237,208,311	9,667,331,228	11,930,702,945
			10,212,068,023

ACCOUNTING POLICY

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

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

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

32. Fee And Commission Income

	Company	Group	
	2017 LKR	2016 LKR	2017 LKR
	2016 LKR		
Credit related fees and commissions	89,830,250	67,084,179	104,098,326
Service charges	719,222,473	622,345,528	756,121,860
Total Fee and Commission Income	809,052,723	689,429,707	860,220,186
			741,601,418

ACCOUNTING POLICY

The Company earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

Fee income earned from services that are provided over a certain period of time

Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and etc.

Fee income from providing transaction services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the purchase or sale of business is recognized on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognized after fulfilling the corresponding criteria.

Dividend Income

Dividend income is recognized when the right to receive the payment is established.

33. Net Income from Real Estate

	Company		Group	
	2017 LKR	2016 LKR	2017 LKR	2016 LKR
Proceeds from real estate sales	259,970,413	262,902,865	259,970,413	262,902,865
Cost of sales	(201,607,799)	(196,878,889)	(201,607,799)	(196,878,889)
	58,362,612	66,023,976	58,362,612	66,023,976

ACCOUNTING POLICY

Revenue from the real estate sale is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer.

34. Net Gain From Trading

	Company		Group	
	2017 LKR	2016 LKR	2017 LKR	2016 LKR
Net gain from financial investments - held for trading	65,181,220	127,009,448	65,181,220	127,009,448
	65,181,220	127,009,448	65,181,220	127,009,448

35. Other Operating Income

	Company		Group	
	2017 LKR	2016 LKR	2017 LKR	2016 LKR
Profit on disposal of property & equipment	-	59,957,855	1,509,561	60,788,666
Sundry Income from Real estate	4,150,465	10,739,397	4,150,465	10,739,397
Bad debt recoveries	207,226,799	51,497,298	214,126,739	53,599,823
Rent income	34,842,368	24,880,504	34,842,368	24,880,504
Dividend Income	113,434,508	118,658,084	13,350,365	16,887,991
Gain from divestment of investment in associate	272,443,494	-	265,999,009	-
Other sundry income	67,610,045	11,550,456	70,535,394	22,358,904
Total Other Operating Income	699,707,680	277,283,594	604,013,900	189,255,285

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36. Impairment Charges of Loans & Receivable, Leases, Hire Purchase and Financial Assets

	Company	Group		
	2017 LKR	2016 LKR	2017 LKR	2016 LKR
Loans and receivable	2,553,035,927	2,397,071,107	2,553,494,585	2,397,071,107
Lease rentals receivable & stock out on hire	288,994,123	378,263,628	321,962,945	409,520,267
Available for sale - financial assets	9,727,982	38,774,287	9,727,982	38,774,287
Investment in associate	21,817,786	-	12,474,753	-
	2,873,575,818	2,814,109,022	2,897,660,265	2,845,365,661

37. Personnel Expenses

	Company	Group		
	2017 LKR	2016 LKR	2017 LKR	2016 LKR
Salaries and bonus	1,932,671,674	1,772,921,578	2,019,325,671	1,832,919,099
Contribution to defined contribution plan				
Contribution to employees provident fund (epf)	176,061,210	163,061,972	183,547,608	169,713,546
Contribution to employees trust fund (etf)	43,993,135	40,750,450	45,864,734	40,750,450
Contribution to defined benefit plan (note 26)	33,785,456	31,779,788	36,686,254	34,167,131
Travelling & subsistence	770,557,032	704,152,563	770,557,032	704,152,563
Other allowances & staff related expenses	332,042,521	329,501,329	332,042,521	329,501,329
	3,289,111,028	3,042,167,680	3,388,023,818	3,111,204,118

38. Other Operating Expenses

	Company	Group		
	2017 LKR	2016 LKR	2017 LKR	2016 LKR
Directors' fees and expenses	8,310,000	9,964,172	8,845,000	12,239,172
Auditors' remuneration - audit	4,792,000	4,522,000	5,642,000	5,628,745
- Non-audit	1,787,873	2,391,859	2,616,200	3,192,997
Professional and legal expenses	122,353,610	94,723,525	122,353,610	95,152,241
Office administration and establishment expenses	1,589,884,966	1,218,316,837	1,698,165,731	1,297,900,934
Advertising and business promotion expenses	291,305,603	408,597,197	1,697,630,731	409,364,805
	2,018,434,052	1,738,515,590	2,128,393,143	1,823,478,894

39. Share of Loss of Associates

	Group	Group		
	2017 LKR	2016 LKR		
Share of loss of associate before income tax			(231,794)	1,244,042
Income tax on share of operating results of associate			-	(2,853,688)
Share of loss of associate net of income tax			(231,794)	(1,609,646)

40. Taxation

40.1 The major components of income tax expense for the years ended 31 March are as follows:

Statement of Profit or Loss	Company		Group	
	2017 LKR	2016 LKR	2017 LKR	2016 LKR
Current Income Tax				
Income tax for the year	1,372,559,627	944,744,245	1,481,907,842	1,044,911,158
Under / (over) provision of current taxes in respect of previous years	69,364,841	(43,462,686)	64,852,593	(42,152,304)
Dividend tax	-	-	12,924,288	11,309,790
Deferred Tax				
Deferred taxation charge/(release) (note 27)	(434,340,012)	(283,284,291)	(442,121,894)	(309,094,190)
Income tax charged to statement of profit or loss	1,007,584,456	617,997,268	1,117,562,828	704,974,454
Statement of Other Comprehensive Income				
Deferred tax related to other comprehensive income	3,098,258	7,915,170	3,357,857	7,499,893
Income tax charged directly Statement of Other Comprehensive Income	3,098,258	7,915,170	3,357,857	7,499,893

40.2 Reconciliation of Accounting Profit and Taxable Income

A reconciliation between the tax expense and the accounting profit multiplied by government of Sri Lanka's tax rate for the years ended 31 March 2017 and 2016 is as follows:

Statement of Profit or Loss	Company		Group	
	2017 LKR	2016 LKR	2017 LKR	2016 LKR
Accounting profit before tax	3,910,562,426	2,769,691,494	4,234,075,810	3,027,202,551
Non-deductible expenses and capital portion of lease rentals	11,648,067,800	7,994,637,652	13,286,193,903	9,198,816,777
Exempt income	(755,847,519)	(515,314,993)	(655,239,167)	(411,414,328)
Allowable expenses including depreciation allowances on leased hold assets	(8,900,995,251)	(6,578,171,072)	(10,572,713,751)	(7,786,022,939)
Total profit from businesses (leasing and non- leasing)	5,901,787,455	3,670,843,082	6,292,316,795	4,028,582,062
Loss on leasing business	-	3,243,499	-	3,243,499
Total statutory income	5,901,787,455	3,674,086,581	6,292,316,795	4,031,825,561
Qualifying payments - deductions under section 34	(999,788,796)	(300,000,000)	(999,788,796)	(300,000,000)
Taxable income	4,901,998,659	3,374,086,581	5,292,527,999	3,731,825,561
Income tax expense	1,372,559,627	944,744,242	1,481,907,842	1,044,911,158
Effective tax rate	23.99%	23.88%	24.56%	24.31%

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ACCOUNTING POLICY

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the Statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

41. Basic Earnings Per Share

Basic earnings per share is calculated by dividing the net profit for the year attributable to ordinary shareholders by weighted average number of ordinary shares outstanding during the year, as per LKAS 33- Earnings Per Share.

	Company	Group		
Statement of Profit or Loss	2017 LKR	2016 LKR	2017 LKR	2016 LKR
Amounts Used as the Numerators:				
Profit attributable to ordinary shareholders for basic earnings per share	2,902,977,970	2,151,694,226	3,115,473,964	2,317,513,317
Number of Ordinary Shares Used as Denominators for Basic Earnings per share				
Weighted average number of ordinary shares	318,074,365	318,074,365	318,074,365	318,074,365
Basic earnings per ordinary share (Rs.)	9.13	6.76	9.79	7.29

42. Dividend Paid

42.1 Declared and Paid During the Year

	Company	Group		
Statement of Profit or Loss	2017 LKR	2016 LKR	2017 LKR	2016 LKR
Declared and Paid During the Year				
Dividends on ordinary shares:				
Interim dividend for 2016/17 - Rs.0.5/- per share and 2015/16 final - Rs. 1/- per share (2016 - Interim dividend 2015/16 Rs. 1 per share)	477,111,548	318,074,365	477,111,548	318,074,365
	477,111,548	318,074,365	477,111,548	318,074,365

ACCOUNTING POLICY

Dividend on ordinary shares are recognised as a liability and deducted from equity and when they are approved by the company's shareholders. Interim dividends are deducted when they are declared and no longer at the discretion of the company.

43. Operating Segments

For management purposes, the Group is organised into seven operating segments based on services offered to customers as follows. The following table presents income and profit and certain asset and liability information regarding the Group's operating segments.

43.1

Group - 2017	Finance Lease	Hire Purchase	Microfinance and SME Loans	Pawning	Term Loan	Revolving Loans	Investments	Unallocated	Total
	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR
Interest income	6,366,957,427	1,132,745,409	6,045,060,200	365,499,775	3,011,992,062	2,421,086,878	584,029,668	-	19,927,371,419
Fee based income	342,633,013	92,770,320	313,961,501	6,016,346	60,503,429	44,335,578	-	-	860,220,187
Net income from real estate sales	-	-	-	-	-	-	-	58,362,612	58,362,612
Net gain from trading	--		-	-	-	-	65,181,220	-	65,181,220
Other operating income	27,097,111	4,121,405	202,520,653	4,706,146	-	-	283,390,692	82,177,894	604,013,900
Change in fair value of investment property							243,390,125	243,390,125	
Total revenue	6,736,687,553	1,229,637,134	6,561,542,353	376,222,266	3,072,495,491	2,465,422,456	932,601,581	383,930,632	21,758,539,464
Segmental result before depreciation and amortisation	1,660,148,478	282,253,984	1,599,879,057	91,733,025	749,156,361	601,135,761	227,393,143	93,612,530	5,305,312,335
Depreciation and amortisation	-	-	-	-	-	-	-	-	(239,673,754)
Segmental result	-	-	-	-	-	-	-	-	5,065,638,581
Vat on financial services	-	-	-	-	-	-	-	-	(831,330,977)
Profits from operations	-	-	-	-	-	-	-	-	4,234,307,604
Share of loss of associates	-	-	-	-	-	-	-	-	(231,794)
Profit before taxation	-	-	-	-	-	-	-	-	4,234,075,810
Income tax expenses	-	-	-	-	-	-	-	-	(1,117,562,829)
Net profit for the year	-	-	-	-	-	-	-	-	3,116,512,981
Segment asset	27,665,136,520	5,816,402,971	14,933,086,813	1,990,350,012	17,316,655,355	3,958,595,703	6,675,976,346	7,365,166,314	85,721,370,031
Total Assets									85,721,370,031
Segment Liabilities	24,213,216,022	5,090,660,641	13,069,809,239	1,742,003,867	15,155,967,749	3,464,661,483	5,842,980,652	6,446,176,865	75,025,476,519
Total Liabilities									75,025,476,519

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43.2

Group - 2016	Finance Lease	Hire Purchase	Microfinance and SME Loans	Pawning	Term Loan	Revolving Loans	Investments	Unallocated	Total
	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR
Interest income	4,659,500,907	923,020,146	6,710,262,214	223,279,585	1,764,104,463	1,644,434,752	493,689,902	-	16,418,291,971
Fee based income & others	265,478,455	71,618,785	113,210,990	4,583,042	159,158,826	127,551,320	-	-	741,601,419
Net income from real estate sales	-	-	-	-	-	-	-	66,023,976	66,023,976
Net gain from trading	-	-	-	-	-	-	127,009,448	-	127,009,448
Other operating income	15,906,203	3,150,927	22,906,915	-	6,022,148	5,613,630	16,887,991	118,767,471	189,255,285
Change in fair value of investment property	-	-	-	-	-	-	-	234,718,126	234,718,126
Total revenue	4,940,885,565	997,789,857	6,846,380,120	227,862,627	1,929,285,437	1,777,599,702	637,587,341	419,509,573	17,776,900,224
Segmental result before depreciation and amortisation	1,028,332,392	207,667,151	1,424,917,528	47,424,397	401,536,664	369,966,746	132,699,231	87,311,329	3,699,855,439
Depreciation and amortisation	-	-	-	-	-	-	-	-	(179,858,012)
Segmental result	-	-	-	-	-	-	-	-	3,519,997,427
Vat on financial services	-	-	-	-	-	-	-	-	(491,185,231)
Profits from operations	-	-	-	-	-	-	-	-	3,028,812,194
Share of loss of associates	-	-	-	-	-	-	-	-	(1,609,646)
Profit before taxation	-	-	-	-	-	-	-	-	3,027,202,549
Income tax expenses	-	-	-	-	-	-	-	-	(704,974,453)
Net profit for the year	-	-	-	-	-	-	-	-	2,322,228,096
Segment asset	22,042,558,148	4,648,976,130	15,364,261,974	1,390,489,730	12,677,699,264	4,843,200,435	5,945,543,459	5,581,635,398	72,494,364,539
Total assets	-	-	-	-	-	-	-	-	72,494,364,539
Segment liabilities	19,605,770,188	4,135,035,371	13,665,754,553	1,236,772,153	11,276,189,297	4,307,788,327	5,288,268,173	4,964,589,870	64,480,167,930
Total liabilities	-	-	-	-	-	-	-	-	64,480,167,930

44. Analysis of Financial Instruments by Measurement Basis

As at 31 March 2017

Company	At Fair Value		At Amortised Cost			Total LKR
	HFT LKR	AFS LKR	L&R LKR	HTM LKR		
Assets						
Cash and bank balances	-	-	1,851,852,880	-	-	1,851,852,880
Reverse repurchase agreements	-	-	2,061,144,916	-	-	2,061,144,916
Placements with banks	-	-	1,507,448,249	-	-	1,507,448,249
Financial instruments - held for trading	2,225,869,939	-	-	-	-	2,225,869,939
Loans and receivables	-	-	38,058,297,680	-	-	38,058,297,680
Lease rentals receivable & stock out on hire	-	-	30,183,916,298	-	-	30,183,916,298
Financial instruments - available for sale	-	309,504,682	-	-	-	309,504,682
Other financial assets	-	-	762,642,327	-	-	762,642,327
Total Financial Assets	2,225,869,939	309,504,682	74,425,302,351	-	76,960,676,971	

At Amortised Cost		
Company	Other Financial Liabilities LKR	Total LKR
Liabilities		
Due to banks	10,792,365,766	10,792,365,766
Due to customers	53,737,080,785	53,737,080,785
Debt instruments issued and other borrowed funds	3,481,991,842	3,481,991,842
Other financial liabilities	2,298,361,860	2,298,361,860
Total Financial Liabilities	70,309,800,252	70,309,800,252

	At Fair Value		At Amortised Cost		
Group	HFT LKR	AFS LKR	L&R LKR	HTM LKR	Total LKR
Assets					
Cash and bank balances	-	-	1,947,456,919	-	1,947,456,919
Reverse repurchase agreements	-	-	2,061,144,916	-	2,061,144,916
Placements with banks	-	-	1,518,067,107	-	1,518,067,107
Financial instruments - held for trading	2,225,869,939	-	-	-	2,225,869,939
Loans and receivables	-	-	38,198,687,882	-	38,198,687,882
Lease rentals receivable & stock out on hire	-	-	33,481,539,491	-	33,481,539,491
Financial instruments - available for sale	-	406,336,986	-	-	406,336,986
Other financial assets	-	-	762,642,327	-	762,642,327
Total Financial Assets	2,225,869,939	406,336,986	77,969,538,642	-	80,601,745,568

At Amortised Cost		
Group	Other Financial Liabilities LKR	Total LKR
Liabilities		
Due to banks	11,956,248,752	11,956,248,752
Due to customers	54,637,126,334	54,637,126,334
Debt instruments issued and other borrowed funds	3,481,991,842	3,481,991,842
Other financial liabilities	2,593,753,131	2,593,753,131
Total Financial Liabilities	72,669,120,059	72,669,120,059

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As at 31 March 2016

Company	At Fair Value		At Amortised Cost		Total LKR
	HFT LKR	AFS LKR	L&R LKR	HTM LKR	
Assets					
Cash and bank balances	-	-	1,142,136,272	-	1,142,136,272
Reverse repurchase agreements	-	-	1,925,144,718	-	1,925,144,718
Placements with banks	-	-	1,119,605,985	-	1,119,605,985
Financial instruments - held for trading	1,812,157,613	-	-	-	1,812,157,613
Loans and receivables	-	-	34,242,665,204	-	34,242,665,204
Lease rentals receivable & stock out on hire	-	-	24,521,395,709	-	24,521,395,709
Financial instruments - available for sale	-	564,348,733	-	-	564,348,733
Other financial assets	-	-	437,672,839	-	437,672,839
Total Financial Assets	1,812,157,613	564,348,733	63,388,620,727	-	65,765,127,073

Company	At Amortised Cost		Total LKR
	Other Financial Liabilities LKR	Total LKR	
Liabilities			
Due to banks	6,803,304,586	6,803,304,586	
Due to customers	49,297,298,909	49,297,298,909	
Debt instruments issued and other borrowed funds	3,596,019,761	3,596,019,761	
Other financial liabilities	2,015,434,229	2,015,434,229	
Total Financial Liabilities	61,712,057,485	61,712,057,485	

Group	At Fair Value		At Amortised Cost		Total LKR
	HFT LKR	AFS LKR	L&R LKR	HTM LKR	
Assets					
Cash and bank balances	-	-	1,155,203,532	-	1,155,203,532
Reverse repurchase agreements	-	-	1,982,653,373	-	1,982,653,373
Placements with banks	-	-	1,300,959,257	-	1,300,959,257
Financial instruments - held for trading	1,812,157,613	-	-	-	1,812,157,613
Loans and receivables	-	-	34,275,651,403	-	34,275,651,403
Lease rentals receivable & stock out on hire	-	-	26,691,534,278	-	26,691,534,278
Financial instruments - available for sale	-	633,421,441	-	-	633,421,441
Other financial assets	-	-	437,672,839	-	437,672,839
Total Financial Assets	1,812,157,613	633,421,441	65,843,674,682	-	68,289,253,735

Group	At Amortised Cost		Total LKR
	Other Financial Liabilities LKR		
Liabilities			
Due to banks		7,148,470,197	7,148,470,197
Due to customers		50,381,349,521	50,381,349,521
Debt instruments issued and other borrowed funds		3,596,019,761	3,596,019,761
Other financial liabilities		2,056,994,494	2,056,994,494
Total Financial Liabilities		63,182,833,973	63,182,833,973

HFT - Held for Trading HTM - Held to Maturity L&R - Loans and Receivables AFS - Available for Sale

45. Fair Value of Financial Instruments

Financial Instruments recorded at Fair Value

The following is a description of how fair values are determined for financial instruments that are recorded at fair value using valuation techniques. These incorporate the Company's estimate of assumptions that a market participant would make when valuing the instruments.

Financial Instruments Held for Trading

Financial instruments Held for Trading are valued using a valuation technique and consists of government debt securities, investments in unit trust and listed equity securities.

The Company values the government securities using discounted cash flow valuation models which incorporate observable data. Observable inputs include assumptions regarding current rates of interest, daily unit traded prices, broker statements and market data published by Central Bank of Sri Lanka.

Financial Instruments-available for sale

Financial Instruments-Available for sale, primarily consist of equity securities and government debt securities which are valued using valuation techniques or pricing models. These assets are valued using models that use both observable and unobservable data. Government debt securities are valued using yield curves published by the Central Bank of Sri Lanka and quoted equities are valued using quoted market prices in the active market as at the reporting date.

45.1 Determination of Fair Value and Fair Value Hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques.

Level 1 : quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy.

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As at 31 March 2017		Company				Group			
Financial Assets		Level 1 LKR	Level 2 LKR	Level 3 LKR	Total LKR	Level 1 LKR	Level 2 LKR	Level 3 LKR	Total LKR
Financial Investments - Held for Trading									
Government of sri lanka treasury bills	1,805,036,512	-	-	-	1,805,036,512	1,805,036,512	-	-	1,805,036,512
Quoted equities	201,357,323	-	-	-	201,357,323	201,357,323	-	-	201,357,323
Investments in unit trusts	219,476,105	-	-	-	219,476,105	219,476,105	-	-	219,476,105
Financial Investments - Available for Sale									
Government of sri lanka treasury bonds	49,144,859	-	-	-	49,144,859	49,144,859	-	-	49,144,859
Government of sri lanka treasury bills	-	-	-	-	-	87,278,862	-	-	87,278,862
Quoted equities	157,033,800	-	-	-	157,033,800	161,054,853	-	-	161,054,853
Unquoted equities	-	-	103,326,023	103,326,023	-	-	-	106,948,446	106,948,446
Unit trusts	-	-	-	-	-	1,909,967	-	-	1,909,967
Total Financial Assets	2,432,048,599	-	103,326,023	2,535,374,622	2,525,258,481	-	106,948,446	2,632,206,927	
Non financial assets measured at fair value									
Freehold land	-	-	492,973,800	492,973,800	-	-	-	492,973,800	492,973,800
Building & building integrals	-	-	83,159,398	83,159,398	-	-	-	83,159,398	83,159,398
Investment property	-	-	1,461,413,125	1,461,413,125	-	-	-	1,461,413,125	1,461,413,125
	-	-	2,037,546,323	2,037,546,323	-	-	-	1,461,413,125	2,037,546,323

As at 31 March 2016		Company				Group			
Financial Assets		Level 1 LKR	Level 2 LKR	Level 3 LKR	Total LKR	Level 1 LKR	Level 2 LKR	Level 3 LKR	Total LKR
Financial Investments - Held for Trading									
Government of sri lanka treasury bills	1,234,681,193	-	-	-	1,234,681,193	1,234,681,193	-	-	1,234,681,193
Quoted equities	306,710,017	-	-	-	306,710,017	306,710,017	-	-	306,710,017
Investments in unit trusts	270,766,402	-	-	-	270,766,402	270,766,402	-	-	270,766,402
Financial Investments - Available for Sale									
Government of sri lanka treasury bonds	392,536,254	-	-	-	392,536,254	392,536,254	-	-	392,536,254
Government of sri lanka treasury bills	-	-	-	-	-	57,673,088	-	-	57,673,088
Quoted equities	167,502,000	-	-	-	167,502,000	176,611,259	-	-	176,611,259
Unquoted equities	-	-	4,310,479	4,310,479	-	-	-	4,838,346	4,838,346
Unit trusts	-	-	-	-	-	1,762,494	-	-	1,762,494
Total Financial Assets	2,372,195,866	-	4,310,479	2,376,506,345	2,440,740,707	-	4,838,346	2,445,579,053	
Non financial assets measured at fair value									
Freehold land	-	-	417,712,400	417,712,400	-	-	-	417,712,400	417,712,400
Building & building integrals	-	-	84,151,000	84,151,000	-	-	-	84,151,000	84,151,000
Investment property	-	-	815,024,000	815,024,000	-	-	-	815,024,000	815,024,000
	-	-	1,316,887,400	1,316,887,400	-	-	-	1,316,887,400	1,316,887,400

There were no financial liabilities recorded at fair value as at 31st March 2017 and 31st March 2016.

45.2 Movements in level 3 financial instruments measured at fair value

Equity Securities	Company		Group	
	2017 LKR	2016 LKR	2017 LKR	2016 LKR
As at 1 April	4,310,479	10,572,637	4,838,346	11,100,504
Net losses on remeasuring available-for-sale financial assets	-	(6,262,158)	-	(6,262,158)
Reclassified from investments in associates	99,015,544	-	102,110,100	-
As at 31 March	103,326,023	4,310,479	106,948,446	4,838,346

45.3 Movements in level 3 Non financial assets measured at fair value

Equity Securities	Company / Group		
	Free hold Land LKR	Building & building integrals LKR	Investment Property
Balance as at 1 April 2015	305,994,000	60,907,293	537,628,125
Disposals / transfers	64,420,593	10,782,147	42,677,749
Fair value recognised during the year	47,297,807	12,704,149	234,718,126
Depreciation	-	(242,589)	-
Balance as at 31 March 2016	417,712,400	84,151,000	815,024,000
Disposals / transfers	(143,000,000)	-	143,000,000
Acquired during the year	208,161,400	642,260	259,999,000
Fair value recognised during the year	10,100,000	-	243,390,125
Depreciation	-	(1,633,862)	-
Balance as at 31 March 2016	492,973,800	83,159,398	1,461,413,125

45.4 Estimated Fair Value of financial assets and liabilities carried at other than fair value

Set out below is the comparison, by class, of the carrying amounts of fair values of the Company's financial instruments that are not carried at fair value in the financial statements. This table does not include the fair values of non-financial assets and non-financial liabilities.

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Company		2017		2016	
Financial Assets	Level	Carrying Amount LKR	Fair Value LKR	Carrying Amount LKR	Fair Value LKR
Financial Assets					
Cash and bank balances		1,851,852,880	1,851,852,880	1,142,136,272	1,142,136,272
Reverse repurchase agreements		2,061,144,916	2,061,144,916	1,925,144,718	1,925,144,718
Placement with banks		1,507,448,249	1,507,448,249	1,119,605,985	1,119,605,985
Loans and receivables	Level 2	38,058,297,680	38,707,257,939	34,242,665,204	34,905,044,661
Lease rentals receivable & stock out on hire	Level 2	30,183,916,298	28,762,426,813	24,521,395,709	24,264,943,154
Other financial assets		762,642,327	762,642,327	437,672,839	437,672,839
Total Financial Assets		74,425,302,351	73,652,773,124	63,388,620,727	63,794,547,629
Financial Liabilities					
Due to banks	Level 2	10,792,365,765	10,750,284,250	6,803,304,586	6,639,985,115
Due to customers	Level 2	53,737,080,785	53,526,122,107	49,297,298,909	49,218,645,029
Debt instruments issued and other borrowed funds	Level 2	3,481,991,842	3,224,800,398	3,596,019,761	3,442,446,954
Other financial liabilities		2,298,361,860	2,298,361,860	2,015,434,229	2,015,434,229
Total Financial Liabilities		70,309,800,252	69,799,568,614	61,712,057,485	61,316,511,327
Group		2017		2016	
Financial Assets	Level	Carrying Amount LKR	Fair Value LKR	Carrying Amount LKR	Fair Value LKR
Financial Assets					
Cash and bank balances		1,947,456,919	1,947,456,919	1,155,203,532	1,155,203,532
Reverse repurchase agreements		2,061,144,916	2,061,144,916	1,982,653,373	1,982,653,373
Placement with banks		1,518,067,107	1,518,067,107	1,300,959,257	1,300,959,257
Loans and receivables	Level 2	38,198,687,882	38,847,648,136	34,275,651,403	34,938,030,860
Lease rentals receivable & stock out on hire	Level 2	33,481,539,491	32,060,050,006	26,691,534,278	26,435,081,723
Other financial assets		762,642,327	762,642,327	437,672,839	437,672,839
Total Financial Assets		77,969,538,642	77,197,009,411	65,843,674,682	66,249,601,583
Financial Liabilities					
Due to banks	Level 2	11,956,248,752	11,914,167,237	7,148,470,197	6,985,150,726
Due to customers	Level 2	54,637,126,334	54,426,167,656	50,381,349,521	50,302,695,641
Debt instruments issued and other borrowed funds	Level 2	3,481,991,842	3,224,800,398	3,596,019,761	3,442,446,954
Other financial liabilities		2,593,753,131	2,593,753,131	2,056,994,494	2,056,994,494
Total Financial Liabilities		72,669,120,059	72,158,888,421	63,182,833,973	62,787,287,815

The following describes the methodologies and assumptions used to determine the fair values for those financial instruments which are not already recorded at fair value in the Financial Statements.

Assets for which Fair value approximates carrying value

"For financial assets and financial liabilities that have a short term maturity (original maturities less than a year), it is assumed that the carrying amounts approximate their fair values. This assumption is also applied to fixed deposits, certificate of deposits and savings deposits without a specific maturity.

Long term deposits accepted from customers for which periodical interest is paid and loans and advances granted to customers with a variable rate are also considered to be carried at fair value in the books."

Fixed Rate Financial Instruments

"Carrying amounts are considered as fair values for short term credit facilities. Loans and Advances with fixed interest rates were fair valued using market rates at which fresh loans were granted during the fourth quarter of the reporting year. Conversely, fixed deposits with original tenors above one year and interest paid at maturity were discounted using current market rates offered to customers during the fourth quarter of the reporting year. Interest rates based on Treasury Bond rates with similar tenors have been used to arrive at the fair value of debentures issued."

46 Risk Management

46.1 Introduction

Risk is inherent in a financial business and such risks are managed through a process of ongoing identification, measurement and monitoring. This process of risk management is critical to the Company's continuing profitability and each individual within the Company is accountable for the risk exposures relating to his or her responsibilities.

The Company is primarily exposed to credit risk, interest rate risk, operational risk and liquidity risk the management of which is explained below.

46.1.1 Risk Management structure

The Board of Directors is responsible for establishing the overall risk management framework within the Company. Integrated Risk Management Committee (IRMC), which is a sub-committee of the board has been established with delegated risk management responsibilities. The IRMC plays a vital role in establishing best practices in relation to risk policies and practices within the Company.

The activities of the Company's risk management system take place at three broad levels of hierarchy, as follows:

-Strategic Level

Overall financial risks are monitored at the IRMC level, and the decisions made by the IRMC are communicated to the Board of Directors. The Board ratifies the risk policies and directions issued to the management by the IRMC.

- Management Level:

Development and implementation of underlying procedures, processes and controls are carried out at the Management Level. Assuring the compliance with laid down policies, procedures and controls and reviewing the outcomes of operations, and measuring and analysing risk related information is also performed at this level.

- Operational Level:

The individuals accountable for the risk exposures relating to his or her responsibilities are required to comply with approved policies, procedures and controls.

46.1.2 Risk measurement and reporting system

A risk management process has been developed and is continuously reviewed by the IRMC together with the operational management. The Company has established four risk sub committees, namely Credit, Legal and Recoveries sub-committee, Fixed Deposits sub-committee, Human Resources sub-committee and Information Technology sub-committee to review operational risks related to each

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area. In addition the Assets and Liabilities Committee (ALCO) reviews market and liquidity risks. The effectiveness of these committees is assessed by the IRMC.

The risk sub committees comprise of selected members of the operational management, middle management and operational staff of each relevant department. These sub committees meet on a regular basis and are responsible for identifying and analysing risks. The identified risks are taken up for discussion at risk subcommittee meetings and the minutes of the subcommittee meetings are circulated among the members of the IRMC. The decisions and directives of the IRMC are communicated to the operational management through the sub committees for operationalization of such decisions and directives.

46.2 Credit Risk

Credit risk is the potential loss incurred in the event that a borrower fails to fulfil agreed obligations. The Company's credit risk arises mainly from various accommodations granted and could be identified as the most significant risk faced by the Company.

Mitigation:

Credit is required to be granted according to the approved policies and procedures of the Company. Special attention is given to credit risk management in terms of analysing customer credit worthiness through rigorous customer investigation before and after credit facilities are provided. Repayment of accommodations granted is closely monitored by those responsible for granting various facilities as well as those directly responsible for recovery activities. Indicators have been developed to measure risks associated with credit which are reviewed on a continuous basis for the entire organization as well as for each product and operational location.

Microfinance Loans & Abhivurdhi SME Loans

Microfinance loans and Abhivurdhi Loans form a substantial part of the loans and advances granted by the Company. As is the practice in general in the industry both in Sri Lanka and Internationally, Microfinance loans are granted without obtaining any security from the borrower. Abhivurdhi Loans are granted mainly to Microfinance customers who have obtained Microfinance loans in the past and settled them satisfactorily. As these accommodations are not covered by collateral they could lead to substantial credit risks to the Company. Credit risks associated with Microfinance and Abhivurdhi portfolios are controlled by the following measures:

- Limiting individual's first Microfinance loan to less than Rs. 40,000 and these are granted as group-loans where loans granted to each member of the group is guaranteed by the other members of the group. Loans are granted after careful evaluation of the purpose for which they are taken and the repayment capacity,
- Microfinance Loans in higher amounts and Abhivurdhi SME Loans are granted based on past credit performance of applicants and with careful evaluation of the purpose for which they are taken and the repayment capacity,
- Weekly and fortnightly collection system which is closely monitors for each loan granted,
- Careful monitoring of various ratios such as Portfolio-at-Risk (PAR)

Pawning

The Company also has a substantial portfolio of loans and advances granted under pawn brokering and related activities. These facilities are granted mainly based on gold articles obtained as security. In the event the price of gold in the local market reduce substantially, this would lead to a reduction in the value of the security obtained thereby exposing the Company to the risk that some customers may not redeem the articles retained by the Company. In such a situation in the cases where the articles are not so redeemed, the difference between the realizable value of the article held and the total of the capital , interest and other charges due would result in a loss to the Company . In order to manage this risk the Company has adopted the following practices:

- Frequent review of gold prices in the local and international markets and adjusting the amount of the loans granted for each sovereign of gold contained in the article,
- Close follow up of the payment of capital and interest due on loans and advances granted,
- Structuring of the loans and advances granted in a manner that recovery action is possible

46.2.1 Credit Quality By Class Of Financial Assets

Company	Neither Past Due Nor Impaired Individually	Past Due But Not Impaired Individually	Individually Impaired	Total
As at 31 March 2017	LKR	LKR	LKR	LKR
Assets				
Cash and bank balances	1,851,852,880	-	-	1,851,852,880
Reverse repurchase agreements	2,061,144,916	-	-	2,061,144,916
Placements with banks	1,507,448,249	-	-	1,507,448,249
Financial investments - held for trading	2,225,869,939	-	-	2,225,869,939
Loans and receivables	26,061,892,364	12,695,012,785	721,555,399	39,478,460,547
Lease rentals receivable & stock out on hire	15,154,868,914	16,091,636,623	207,936,218	31,454,441,755
Financial investments - available for sale	206,751,296	-	102,753,386	309,504,682
Other financial assets	762,642,327	-	-	762,642,327
Total Financial Assets	49,832,470,884	28,786,649,408	1,032,245,002	79,651,365,295

Company	Neither Past Due Nor Impaired Individually	Past Due But Not Impaired Individually	Individually Impaired	Total
As at 31 March 2016	LKR	LKR	LKR	LKR
Assets				
Cash and bank balances	1,142,136,273	-	-	1,142,136,273
Reverse repurchase agreements	1,925,144,718	-	-	1,925,144,718
Placements with banks	1,119,605,985	-	-	1,119,605,985
Financial investments - held for trading	1,812,157,612	-	-	1,812,157,612
Loans and receivables	28,734,024,634	6,686,986,032	55,385,501	35,476,396,167
Lease rentals receivable & stock out on hire	12,812,175,741	13,098,541,926	9,505,154	25,920,222,821
Financial investments - available for sale	560,610,891	-	3,737,842	564,348,733
Other financial assets	437,672,839	-	-	437,672,839
Total Financial Assets	48,543,528,693	19,785,527,958	68,628,497	68,397,685,148

Group	Neither Past Due Nor Impaired Individually	Past Due But Not Impaired Individually	Individually Impaired	Total
As at 31 March 2017	LKR	LKR	LKR	LKR
Assets				
Cash and bank balances	1,947,456,919	-	-	1,947,456,919
Reverse repurchase agreements	2,061,144,916	-	-	2,061,144,916
Placements with banks	1,518,067,107	-	-	1,518,067,107
Financial investments - held for trading	2,225,869,939	-	-	2,225,869,939
Loans and receivables	26,061,892,364	12,838,132,502	721,555,399	39,621,580,264
Lease rentals receivable & stock out on hire	15,154,868,914	19,372,913,479	281,880,445	34,809,662,638
Financial investments - available for sale	300,489,045	-	105,847,942	406,336,986
Other financial assets	762,642,327	-	-	762,642,327
Total Financial Assets	50,032,431,531	32,211,045,981	1,109,283,585	83,352,761,097

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Group	Neither Past Due Nor Impaired Individually	Past Due But Not Impaired Individually	Individually Impaired	Total
As at 31 March 2016	LKR	LKR	LKR	LKR
Assets				
Cash and bank balances	1,155,203,533	-	-	1,155,203,533
Reverse repurchase agreements	1,982,653,373	-	-	1,982,653,373
Placements with banks	1,300,959,257	-	-	1,300,959,257
Financial investments - held for trading	1,812,157,612	-	-	1,812,157,612
Loans and receivables	28,733,539,258	6,724,542,104	55,870,877	35,513,952,239
Lease rentals receivable & stock out on hire	12,812,175,741	15,258,911,145	82,713,270	28,153,800,155
Financial investments - available for sale	629,683,599	-	3,737,842	633,421,441
Other financial assets	437,672,839	-	-	437,672,839
Total Financial Assets	48,864,045,212	21,983,453,249	142,321,989	70,989,820,449

46.2.1.1 Aging analysis of past due (i.e facilities in arrears of one day and above but not impaired loans by class of financial assets.

Company	Past Due But Not Individually Impaired				
As at 31 March 2017	Less than 30 days LKR	31 to 60 days LKR	61 to 90 days LKR	More than 91 days LKR	Total LKR
Loans and receivables	3,204,357,355	5,668,759,420	1,665,642,711	2,156,253,299	12,695,012,785
Lease rentals receivable & stock out on hire	6,268,079,798	4,810,484,492	2,272,781,025	2,740,291,308	16,091,636,623
	9,472,437,153	10,479,243,912	3,938,423,735	4,896,544,608	28,786,649,408

Company	Past Due But Not Individually Impaired				
As at 31 March 2016	Less than 30 days LKR	31 to 60 days LKR	61 to 90 days LKR	More than 91 days LKR	Total LKR
Loans and receivables	2,770,123,857	971,869,118	768,640,630	2,176,352,428	6,686,986,032
Lease rentals receivable & stock out on hire	5,185,565,906	3,031,290,429	2,013,372,042	2,868,313,550	13,098,541,926
	7,955,689,763	4,003,159,546	2,782,012,672	5,044,665,977	19,785,527,958

Group	Past Due But Not Individually Impaired				
As at 31 March 2017	Less than 30 days LKR	31 to 60 days LKR	61 to 90 days LKR	More than 91 days LKR	Total LKR
Loans and Advances	3,204,357,355	5,732,180,026	1,729,063,317	2,172,531,803	12,838,132,502
Lease rentals receivable & Stock out on hire	6,268,079,798	6,297,282,734	3,759,579,267	3,047,971,680	19,372,913,479
	9,472,437,153	12,029,462,760	5,488,642,584	5,220,503,483	32,211,045,981

Group	Past Due But Not Individually Impaired				
	Less than 30 days LKR	31 to 60 days LKR	61 to 90 days LKR	More than 91 days LKR	Total LKR
Loans and receivables	2,770,123,857	987,751,284	784,522,796	2,182,144,167	6,724,542,104
Lease rentals receivable & stock out on hire	5,185,565,906	3,944,893,511	2,926,975,124	3,201,476,605	15,258,911,145
	7,955,689,763	4,932,644,795	3,711,497,920	5,383,620,772	21,983,453,249

46.2.2 Analysis of maximum exposure to credit risk and collateral

The following table shows maximum exposure to credit risk by class of financial asset.

Company	As at 31 March 2017		As at 31 March 2016	
	As at 31 March	Maximum Exposure to Credit Risk	Net Exposure	Maximum Exposure to Credit Risk
Assets				
Cash and bank balances		1,851,852,880	1,851,852,880	1,142,136,273
Reverse repurchase agreements		2,061,144,916	-	1,925,144,718
Placements with banks		1,507,448,249	1,507,448,249	1,119,605,985
Financial investments - held for trading		2,225,869,939	2,225,869,939	1,812,157,612
Loans and receivables		39,478,460,547	35,820,890,904	35,476,396,167
Lease rentals receivable & stock out on hire		31,454,441,755	2,295,803,787	25,920,222,821
Financial investments - available for sale		309,504,682	309,504,682	564,348,733
Other financial assets		762,642,327	762,642,327	437,672,839
Total Financial Assets		79,651,365,295	44,774,012,769	68,397,685,148
				38,330,166,076

Group	As at 31 March 2017		As at 31 March 2016	
	As at 31 March	Maximum Exposure to Credit Risk	Net Exposure	Maximum Exposure to Credit Risk
Assets				
Cash and bank balances		1,947,456,919	1,947,456,919	1,155,203,533
Reverse repurchase agreements		2,061,144,916	-	1,982,653,373
Placements with banks		1,518,067,107	1,518,067,107	1,300,959,257
Financial investments - held for trading		2,225,869,939	2,225,869,939	1,812,157,612
Loans and receivables		39,621,580,264	35,820,890,904	35,513,952,239
Lease rentals receivable & stock out on hire		34,809,662,638	2,419,815,021	28,153,800,156
Financial investments - available for sale		406,336,986	406,336,986	633,421,441
Other financial assets		762,642,327	762,642,327	437,672,839
Total Financial Assets		83,352,761,097	45,101,079,203	70,989,820,449
				38,593,659,316

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46.3 Liquidity Risk & Funding Management

Liquidity risk is the risk of only being able to meet liquidity obligations at increased cost or, ultimately, being unable to meet obligations as they fall due. In the case of the Company this relates mainly to the ability to meet refund of deposits obtained from the public as they fall due and settlement of instalments on bank and other borrowings.

Mitigation:

Special attention is focused on the liquidity of the Company as it provides critical defence against this and several other risks such as reputational, compliance, and financial risks. A liquidity policy has been developed and integrated in to risk policy to provide necessary guidelines. The Company's projected liquidity requirements are assessed on a continuous basis to ensure that they can be met as and when such requirements arise. The Company also strives to ensure that the liquidity ratios required to be maintained by the applicable Central Bank regulations are complied with.

46.3.1 As per the requirements of Finance Companies (Liquid Assets) Direction No. 01 of 2009, Company has to maintain minimum liquid assets as follows;

- a) 10 per cent of the outstanding value of time deposits received by the company and accrued interest payable at close of business on such day; and
- b) 15 per cent of the outstanding value of savings deposits accepted by the company and accrued interest payable at close of business on such day; and
- c) 5 per cent of total outstanding borrowings and any other payable that may be determined by the CBSL excluding the borrowings that are included in the capital funds of the company and borrowings which are secured by the mortgage of any assets of the company.

46.3.2 Analysis Of Financial Assets And Liabilities By Remaining Contractual Maturities

The table below summarises the maturity profile of the undiscounted cash flows of the Company's financial assets and liabilities as at 31 March 2017.

Company	On Demand LKR	Less than 03 Months LKR	03-12 Months LKR	01-05 Years LKR	Over 05 Years LKR	Total LKR
Financial Assets						
Cash and bank balances	1,851,852,880	-	-	-	-	1,851,852,880
Reverse repurchase agreements	-	1,959,485,294	117,274,261	-	-	2,076,759,555
Placement with banks	18,550,900	724,942,228	780,406,941	-	-	1,523,900,069
Financial investments - held for trading	420,833,428	1,006,939,769	845,405,109	-	-	2,273,178,306
Loans and receivables	3,327,374,622	12,100,760,442	21,811,885,817	8,895,652,019	129,061,468	46,264,734,368
Lease rentals receivable & stock out on hire	3,091,603,155	4,361,895,258	11,855,841,495	22,520,824,653	16,238,125	41,846,402,685
Financial investments - available for sale	-	-	104,615,544	19,600,000	211,344,279	335,559,823
Other financial assets	75,708,371	102,552,204	36,176,983	458,181,708	222,376,559	894,995,825
Total Financial Assets	8,785,923,355	20,256,575,195	35,551,606,150	31,894,258,379	579,020,431	97,067,383,511

Company	On Demand LKR	Less than 03 Months LKR	03-12 Months LKR	01-05 Years LKR	Over 05 Years LKR	Total LKR
Financial Liabilities						
Due to banks	1,656,012,223	4,365,771,808	2,625,745,058	2,940,422,289	-	11,587,951,379
Due to customers	-	17,869,073,372	23,961,446,737	19,248,666,051	275,400,399	61,354,586,559
Debt instruments issued and other borrowed funds	-	155,737,520	746,662,177	3,863,175,117	-	4,765,574,814
Other financial liabilities	-	2,284,790,676	-	13,571,184	-	2,298,361,860
Total Financial Liabilities	1,656,012,223	24,675,373,375	27,333,853,972	26,065,834,641	275,400,399	80,006,474,611
Total Net Financial Assets/(Liabilities)	7,129,911,132	(4,418,798,180)	8,217,752,178	5,828,423,739	303,620,032	17,060,908,900

The table below summarises the maturity profile of the undiscounted cash flows of the Company's financial assets and liabilities as at 31 March 2016.

Company	On Demand LKR	Less than 03 Months LKR	03-12 Months LKR	01-05 Years LKR	Over 05 Years LKR	Total LKR
Financial Assets						
Cash and bank balances	1,142,136,273	-	-	-	-	1,142,136,273
Reverse repurchase agreements	-	1,852,326,337	70,397,815	6,284,782	-	1,929,008,934
Placement with banks	14,951,349	680,497,735	454,207,756	-	-	1,149,656,840
Financial investments - held for trading	577,476,419	597,265,865	669,247,125	-	-	1,843,989,409
Loans and advances	2,692,824,862	12,231,568,123	19,708,108,650	7,979,335,287	136,920,083	42,748,757,005
Lease rentals receivable & stock out on hire	2,498,478,962	3,213,338,913	9,354,986,361	19,125,309,349	94,622,855	34,286,736,440
Financial investments - available for sale	-	2,312,500	133,512,500	178,187,500	480,612,479	794,624,979
Other financial assets	63,641,263	-	17,050,000	222,400,000	212,356,666	515,447,929
Total Financial Assets	6,989,509,128	18,577,309,473	30,407,510,207	27,511,516,918	924,512,083	84,410,357,809

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Company	On Demand LKR	Less than 03 Months LKR	03-12 Months LKR	01-05 Years LKR	Over 05 Years LKR	Total LKR
Financial Liabilities						
Due to banks	1,263,563,031	2,154,037,955	1,971,613,448	1,996,277,188	-	7,385,491,622
Due to customers	-	19,484,066,449	17,149,389,467	18,320,630,275	223,881,330	55,177,967,521
Debt instruments issued and other borrowed funds	-	326,060,807	258,237,520	4,765,574,814	-	5,349,873,141
Other financial liabilities	-	2,001,861,075	-	13,573,156	-	2,015,434,231
Total financial liabilities	1,263,563,031	23,966,026,286	19,379,240,435	25,096,055,433	223,881,330	69,928,766,515
Total Net Financial Assets/(Liabilities)	5,725,946,097	(5,388,716,813)	11,028,269,772	2,415,461,485	700,630,753	14,481,591,294

The table below summarises the maturity profile of the undiscounted cash flows of the Group's financial assets and liabilities as at 31 March 2017.

Group	On Demand LKR	Less than 03 Months LKR	03-12 Months LKR	01-05 Years LKR	Over 05 Years LKR	Total LKR
Financial Assets						
Cash and bank balances	1,948,456,919	-	-	-	-	1,948,456,919
Reverse repurchase agreements	-	1,959,485,294	117,274,261	-	-	2,076,759,555
Placement with banks	18,550,900	724,942,228	791,025,799	-	-	1,534,518,927
Financial investments - held for trading	420,833,428	1,006,939,769	845,405,109	-	-	2,273,178,306
Loans and receivables	3,327,374,622	12,118,069,411	21,862,368,885	8,970,979,699	129,061,468	46,407,854,085
Lease rentals receivable & stock out on hire	3,091,603,155	4,767,677,325	13,039,339,099	24,286,765,864	16,238,125	45,201,623,568
Financial investments - available for sale	-	-	194,988,962	29,081,017	208,577,590	432,647,569
Other financial assets	75,708,371	102,552,204	36,176,983	458,181,708	222,376,559	894,995,825
Total Financial Assets	8,882,527,394	20,679,666,231	36,886,579,098	33,745,008,288	576,253,742	100,770,034,754

Group	On Demand LKR	Less than 03 Months LKR	03-12 Months LKR	01-05 Years LKR	Over 05 Years LKR	Total LKR
Financial Liabilities						
Due to banks	1,656,012,223	4,646,221,858	3,132,748,293	3,316,852,991	-	12,751,834,366
Due to customers	-	18,051,201,136	24,419,450,856	19,508,579,716	275,400,399	62,254,632,108
Debt instruments issued and other borrowed funds	-	155,737,520	746,662,177	3,863,175,117	-	4,765,574,814
Other financial liabilities	-	2,580,181,946	-	13,571,184	-	2,593,753,130
Total Financial Liabilities	1,656,012,233	25,433,342,460	28,298,860,326	26,702,179,009	275,400,399	82,365,794,418
Total Net Financial Assets/(Liabilities)	7,226,515,171	(4,753,676,229)	8,587,718,771	7,042,829,279	300,853,343	18,404,240,336

The table below summarises the maturity profile of the undiscounted cash flows of the Group's financial assets and liabilities as at 31 March 2016.

Group	On Demand LKR	Less than 03 Months LKR	03-12 Months LKR	01-05 Years LKR	Over 05 Years LKR	Total LKR
Financial Assets						
Cash and bank balances	1,155,203,533	-	-	-	-	1,155,203,533
Reverse repurchase agreements	-	1,909,835,012	70,397,815	6,284,782	-	1,986,517,609
Placement with banks	14,951,349	802,716,175	513,351,588	-	-	1,331,019,112
Financial investments - held for trading	577,476,419	597,265,865	669,247,125	-	-	1,843,989,409
Loans and advances	2,692,824,862	12,232,613,639	19,712,528,672	8,007,877,566	136,979,267	42,782,824,006
Lease rentals receivable & stock out on hire	2,498,478,962	3,281,994,458	9,645,234,472	20,999,585,683	98,509,271	36,523,802,846
Financial investments - available for sale	-	13,184,253	191,185,588	178,187,500	480,612,479	863,169,820
Other financial assets	63,641,263	-	17,050,000	222,400,000	212,356,666	515,447,929
Total Financial Assets	7,002,576,388	18,837,609,402	30,818,995,260	29,414,335,531	928,457,683	87,001,974,264

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Group	On Demand LKR	Less than 03 Months LKR	03-12 Months LKR	01-05 Years LKR	Over 05 Years LKR	Total LKR
Financial Liabilities						
Due to banks	1,444,134,342	2,166,533,855	2,009,101,148	2,110,887,888	-	7,730,657,233
Due to customers	-	19,674,582,068	17,871,363,750	18,492,190,985	223,881,330	56,262,018,133
Debt instruments issued and other borrowed funds	-	326,060,807	258,237,520	4,765,574,814	-	5,349,873,141
Other financial liabilities	-	2,041,836,405	-	13,573,156	-	2,055,409,561
Total Financial Liabilities	1,444,134,342	24,209,013,135	20,138,702,418	25,382,226,843	223,881,330	71,397,958,068
Total Net Financial Assets/(Liabilities)	5,558,442,046	(5,371,403,733)	10,680,292,842	4,032,108,688	704,576,353	15,604,016,196

46.3.3 Contractual Maturities Of Financial Commitments

The table below shows the contractual expiry by maturity of the customers' undrawn loan commitments. These are included in the time band containing the earliest date such can be drawn down by the Customers.

Company/Group	On Demand LKR	Less than 03 Months LKR	03-12 Months LKR	01-05 Years LKR	Over 05 Years LKR	Total LKR
As at 31 March 2017						
Commitments						
Commitment for unutilised facilities	1,430,300,853	-	-	-	-	1,430,300,853
Total Commitments	1,430,300,853	-	-	-	-	1,430,300,853

Company/Group	On Demand LKR	Less than 03 Months LKR	03-12 Months LKR	01-05 Years LKR	Over 05 Years LKR	Total LKR
As at 31 March 2016						
Commitments						
Commitment for unutilised facilities	358,806,372	-	-	-	-	358,806,372
Total Commitments	358,806,372	-	-	-	-	358,806,372

46.4 Market Risk

Market risk is the risk arising from fluctuations in market variables such as interest rates, foreign currencies, equity prices and gold prices. This is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in the market variables. As the Company's operations involve granting accommodations, accepting deposits and obtaining funding facilities, the movements in interest rates constitute the most important market risk for the Company.

Mitigation:

Movements in interest rates are closely monitored. Further the Company maintains an adequate Net Interest Margin (NIM) so that increases in interest expenses can be absorbed. The assets and liabilities maturity mismatch is also closely monitored so that the possible adverse

effects arising due to interest rate movements could be minimized. Although the mismatch in assets and liabilities in terms of maturity is widely prevalent in the industry, in view of the composition of the portfolio of the Company, this mismatch has been mitigated to a significant extent.

46.4.1 Equity price risk

Equity price risk is the risk that the fair value of equities decreasing as a result of changes in the level of equity indices and individual stocks. The market value of the Company's equity portfolio as of 31 March 2017 is LKR 201,357,323/- (2016 - LKR 306,710,017/-).

The table below shows the impact on the profit or loss due to a reasonably possible change in the price of the Company's investment in trading securities with all other variables held constant:

Equity Securities	Impact on profit/loss Company/Group	
	2017 LKR	2016 LKR
+10 %	20,135,732	30,671,002
-10 %	(20,135,732)	(30,671,002)

46.4.2 Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments.

46.4.3 Interest Rate Sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the company's profit or loss at statements and equity, arising from interest bearing loans and borrowings.

Company

Financial Instrument	Increase/ (Decrease) in basis points	Sensitivity of Profit/(Loss)		Sensitivity of Equity	
		2017 LKR Mn	2016 LKR Mn	2017 LKR Mn	2016 LKR Mn
Long term loans and debentures linked to awplr*	+100/ (-100)	(20.67)/20.67	(39.76)/39.76	(20.67)/20.67	(39.76)/39.76

Group

Financial Instrument	Increase/ (Decrease) in basis points	Sensitivity of Profit/(Loss)		Sensitivity of Equity	
		2017 LKR Mn	2016 LKR Mn	2017 LKR Mn	2016 LKR Mn
Long term loans and debentures linked to awplr*	+100/ (-100)	(32.3)/32.3	(43.21)/43.21	(32.3)/32.3	(43.21)/43.21

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46.4.4 Interest Rate Risk Exposure On Financial Assets & Liabilities

The table below analyses the Company's interest rate risk exposure on financial assets & liabilities. The Company's assets & liabilities are included at carrying amounts and categorized by the earlier of contractual reprising or maturity dates.

Company As at 31 March 2017	Up to 03 Months LKR	03-12 Months LKR	01-05 Years LKR	Over 05 Years LKR	Non interest bearing LKR	Total as at 31 March 2016 LKR
Assets						
Cash and bank balances	430,622,100	-	-	-	1,421,230,780	1,851,852,880
Reverse repurchase agreements	1,932,286,652	110,407,338	-	-	18,450,926	2,061,144,916
Placement with banks	722,576,993	752,398,899	-	-	32,472,357	1,507,448,249
Financial investments - held for trading	944,199,509	796,255,172	-	-	485,415,258	2,225,869,939
Loans and advances	13,326,809,962	18,808,468,794	7,225,368,613	117,813,178	-	39,478,460,547
Lease rentals receivable & stock out on hire	5,838,818,317	7,899,726,908	17,700,935,237	15,087,568	-	31,454,568,030
Financial investments - available for sale	-	-	-	49,144,859	260,359,823	309,504,682
Other financial assets	100,000,000	-	364,557,397	-	298,084,930	762,642,327
Total Financial Assets	23,295,313,533	28,367,257,111	25,290,861,247	182,045,605	2,516,014,074	79,651,491,570
Financial Liabilities						
Due to banks	9,097,107,711	783,876,591	669,322,038	-	242,059,425	10,792,365,765
Due to customers	16,445,656,729	20,345,999,417	15,460,009,602	-	1,485,415,036	53,737,080,785
Debt instruments issued and other borrowed funds	245,795,005	500,000,000	2,609,459,085	-	126,737,753	3,481,991,843
Other financial liabilities	-	-	-	-	2,298,361,860	2,298,361,860
Total Financial Liabilities	25,788,559,445	21,629,876,008	18,738,790,725	-	4,152,574,073	70,309,800,252
Interest Sensitivity Gap	(2,493,245,912)	6,737,381,103	6,552,070,521	182,045,605	(1,636,560,000)	9,341,691,318

Company	Up to 03 Months	03-12 Months	01-05 Years	Over 05 Years	Non interest bearing	Total as at 31 March 2015
As at 31 March 2016	LKR	LKR	LKR	LKR	LKR	LKR
Assets						
Cash and bank balances	376,184,888	-	-	-	765,951,385	1,142,136,273
Reverse repurchase agreements	1,849,556,200	67,454,755	5,039,589	-	3,094,174	1,925,144,718
Placement with banks	678,382,757	426,130,491	-	-	15,092,736	1,119,605,984
Financial investments - held for trading	581,352,087	640,484,380	-	-	590,321,144	1,812,157,611
Loans and advances	12,075,500,496	15,549,259,613	6,496,526,716	121,378,379	-	34,242,665,204
Lease rentals receivable & stock out on hire	4,263,169,941	5,685,164,598	14,538,962,102	34,099,068	-	24,521,395,709
Financial investments - available for sale	-	100,000,000	50,000,000	250,000,000	164,348,733	564,348,733
Other financial assets	-	-	160,000,000	-	277,672,839	437,672,839
Total Financial Assets	19,824,146,369	22,468,493,837	21,250,528,407	405,477,447	1,816,481,011	65,765,127,071
Financial Liabilities						
Due to banks	5,071,571,921	970,918,394	569,380,619	-	191,433,651	6,803,304,585
Due to customers	18,247,694,610	14,593,358,361	15,139,959,072	-	1,316,286,866	49,297,298,909
Debt instruments issued and other borrowed funds	170,000,000	250,000,000	3,250,000,000	-	(73,980,239)	3,596,019,761
Other financial liabilities	-	-	-	-	2,015,434,230	2,015,434,230
Total Financial Liabilities	23,489,266,531	15,814,276,755	18,959,339,691	-	3,449,174,508	61,712,057,485
Interest Sensitivity Gap	(3,665,120,162)	6,654,217,082	2,291,188,716	405,477,447	(1,632,693,497)	4,053,069,586

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Group As at 31 March 2017	Up to 03 Months LKR	03-12 Months LKR	01-05 Years LKR	Over 05 Years LKR	Non interest bearing LKR	Total as at 31 March 2016 LKR
Assets						
Cash and bank balances	430,622,100	-	-	-	1,516,834,819	1,947,456,919
Reverse repurchase agreements	1,932,286,652	110,407,338	-	-	18,450,926	2,061,144,916
Placement with banks	722,576,993	763,017,757	-	-	32,472,357	1,518,067,107
Financial investments - held for trading	944,199,509	796,255,172	-	-	485,415,258	2,225,869,940
Loans and advances	13,344,067,686	18,858,951,862	7,300,696,293	117,864,423	-	39,621,580,264
Lease rentals receivable & stock out on hire	6,244,474,109	9,083,224,513	19,466,876,448	15,087,568	-	34,809,662,638
Financial investments - available for sale	-	87,278,862	9,481,017	49,472,726	260,104,381	406,336,986
Other financial assets	100,000,000	-	364,557,397	-	298,084,930	762,642,327
Total Financial Assets	23,718,227,049	29,699,135,504	27,141,611,155	182,424,717	2,611,362,671	83,352,761,097
Financial Liabilities						
Due to banks	9,374,423,150	1,290,878,826	1,045,752,740	-	245,194,037	11,956,248,753
Due to Customers	16,627,784,493	20,804,003,536	15,719,923,268	-	1,485,415,036	54,637,126,333
Debt Instruments Issued and Other borrowed funds	245,795,005	500,000,000	2,609,459,085	-	126,737,753	3,481,991,843
Other Financial Liabilities	295,391,271	-	-	-	2,298,361,860	2,593,753,131
Total Financial Liabilities	26,543,393,919	22,594,882,362	19,375,135,092	-	4,155,708,686	72,669,120,059
Interest Sensitivity Gap	(2,825,166,870)	7,104,253,142	7,766,476,063	182,424,717	(1,544,346,014)	10,683,641,038

Group	Up to 03 Months	03-12 Months	01-05 Years	Over 05 Years	Non interest bearing	Total as at 31 March 2016
As at 31 March 2016	LKR	LKR	LKR	LKR	LKR	LKR
Assets						
Cash and bank balances	388,972,148	-	-	-	766,231,385	1,155,203,533
Reverse repurchase agreements	1,907,064,855	67,454,755	5,039,589	-	3,094,174	1,982,653,373
Placement with banks	800,601,197	485,265,323	-	-	15,092,736	1,300,959,256
Financial investments - held for trading	581,352,087	640,484,380	-	-	590,321,144	1,812,157,611
Loans and advances	12,076,405,763	15,553,086,717	6,524,729,299	121,429,624	-	34,275,651,403
Lease rentals receivable & stock out on hire	4,329,878,551	5,967,181,848	16,356,598,605	37,875,273	-	26,691,534,277
Financial investments - available for sale	-	157,673,088	50,000,000	250,000,000	175,748,353	633,421,441
Other financial assets	-	-	160,000,000	-	277,672,839	437,672,839
Total Financial Assets	20,084,274,601	22,871,146,111	23,096,367,493	409,304,897	1,828,160,631	68,289,253,733
Financial Liabilities						
Due to banks	5,416,737,532	970,918,394	569,380,619	-	191,433,651	7,148,470,196
Due to customers	18,438,210,229	15,315,332,644	15,311,519,782	-	1,316,286,866	50,381,349,521
Debt instruments issued and other borrowed funds	170,000,000	250,000,000	3,250,000,000	-	(73,980,239)	3,596,019,761
Other financial liabilities	-	-	-	-	2,056,994,495	2,056,994,495
Total Financial Liabilities	24,024,947,761	16,536,251,038	19,130,900,400	-	3,490,734,773	63,182,833,973
Interest Sensitivity Gap	(3,940,673,160)	6,334,895,073	3,965,467,093	409,304,897	(1,662,574,142)	5,106,419,760

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47. Current and Non-Current Analysis of Assets and Liabilities

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled.

Company As at 31 March	2017 Within 12 Months LKR	2017 After 12 Months LKR	2017 Total as at 31 March 2016 LKR	2016 Within 12 Months LKR	2016 After 12 Months LKR	2016 Total as at 31 March 2015 LKR
Assets						
Cash and bank balances	1,851,852,880	-	1,851,852,880	1,142,136,273	-	1,142,136,273
Reverse repurchase agreements	2,061,144,916	-	2,061,144,916	1,919,462,892	5,681,826	1,925,144,718
Placement with banks	1,507,448,249	-	1,507,448,249	1,119,605,985	-	1,119,605,985
Financial investments - held for trading	2,225,869,939	-	2,225,869,939	1,812,157,612	-	1,812,157,612
Loans and receivables	30,853,429,863	7,204,867,818	38,058,297,681	27,624,760,109	6,617,905,095	34,242,665,204
Lease rentals receivable & stock out on hire	12,382,287,710	17,801,628,588	30,183,916,298	9,948,334,539	14,573,061,170	24,521,395,709
Financial investments - available for sale	99,015,544	210,489,138	309,504,682	560,038,254	4,310,479	564,348,733
Other financial assets	177,989,018	584,653,309	762,642,327	225,316,173	212,356,666	437,672,839
Inventories	173,987,309	-	173,987,309	327,369,203	-	327,369,203
Other assets	59,001,174	171,830,377	230,831,551	205,174,267	-	205,174,267
Investments in subsidiaries	-	1,599,788,796	1,599,788,796	-	1,599,788,796	1,599,788,796
Investments in associates	-	-	-	-	173,756,976	173,756,976
Investment property	-	1,461,413,125	1,461,413,125	-	815,024,000	815,024,000
Property, plant and equipment	-	1,538,296,861	1,538,296,861	-	1,393,908,990	1,393,908,990
Intangible assets & goodwill	-	136,510,053	136,510,053	-	105,725,753	105,725,753
Prepaid rent	122,805	8,187,907	8,310,712	-	8,433,517	8,433,517
Deferred tax assets	-	744,697,788	744,697,788	-	313,456,034	313,456,034
Total Assets	51,392,149,407	31,462,363,761	82,854,513,168	44,884,355,307	25,823,409,302	70,707,764,609
Liabilities						
Due to banks	8,238,104,178	2,554,261,588	10,792,365,765	5,062,806,666	1,740,497,920	6,803,304,586
Due to customers	37,845,675,953	15,891,404,832	53,737,080,785	34,000,329,398	15,296,969,511	49,297,298,909
Debt instruments issued and other borrowed funds	626,737,753	2,855,254,090	3,481,991,843	238,712,615	3,357,307,146	3,596,019,761
Other financial liabilities	2,284,790,676	13,571,184	2,298,361,860	2,001,861,075	13,573,155	2,015,434,230
Current tax liabilities	443,910,349	-	443,910,349	213,858,106	-	213,858,106
Other liabilities	1,754,125,457	-	1,754,124,717	915,407,326	-	915,407,326
Post employment benefit obligations	-	98,863,353	98,863,353	-	84,564,979	84,564,979
Total liabilities	51,193,344,625	21,413,355,046	72,606,698,672	42,432,975,186	20,492,912,711	62,925,887,897

Group	2017 Within 12 Months LKR	2017 After 12 Months LKR	2017 Total as at 31 March 2016 LKR	2016 Within 12 Months LKR	2016 After 12 Months LKR	2016 Total as at 31 March 2015 LKR
As at 31 March						
Assets						
Cash and bank balances	1,947,456,919	-	1,947,456,919	1,155,203,533	-	1,155,203,533
Reverse repurchase agreements	2,061,144,916	-	2,061,144,916	1,976,971,547	5,681,826	1,982,653,373
Placement with banks	1,518,067,107	-	1,518,067,107	1,300,959,257	-	1,300,959,257
Financial investments - held for trading	2,225,869,939	-	2,225,869,939	1,812,157,612	-	1,812,157,612
Loans and advances	30,919,929,000	7,278,758,883	38,198,687,883	27,629,934,152	6,645,717,251	34,275,651,403
Lease rentals receivable & stock out on hire	13,944,284,874	19,537,254,617	33,481,539,491	10,289,639,163	16,401,895,115	26,691,534,278
Financial investments - available for sale	189,388,962	216,948,025	406,336,987	628,583,095	4,838,346	633,421,441
Other financial assets	177,989,018	584,653,309	762,642,327	225,316,173	212,356,666	437,672,839
Inventories	173,987,309	-	173,987,309	327,369,203	-	327,369,203
Other assets	81,976,903	171,830,377	253,807,280	243,646,292	-	243,646,292
Investments in associates	-	-	-	-	216,351,778	216,351,778
Investment property	-	1,461,413,125	1,461,413,125	-	815,024,000	815,024,000
Property, plant and equipment	-	1,574,347,455	1,574,347,455	-	1,421,200,558	1,421,200,558
Intangible assets & goodwill	-	894,864,980	894,864,980	-	858,955,887	858,955,887
Prepaid rent	122,805	8,187,907	8,310,712	-	8,433,517	8,433,517
Deferred tax assets	-	752,893,603	752,893,603	-	314,129,565	314,129,565
Total Assets	53,240,217,752	32,481,152,282	85,721,370,033	45,589,780,026	26,904,584,510	72,494,364,536
Liabilities						
Due to banks	9,025,556,463	2,930,692,290	11,956,248,752	5,293,361,577	1,855,108,620	7,148,470,197
Due to customers	38,485,807,836	16,151,318,498	54,637,126,334	34,912,819,300	15,468,530,221	50,381,349,521
Debt instruments issued and other borrowed funds	626,737,753	2,855,254,090	3,481,991,843	238,712,615	3,357,307,146	3,596,019,761
Other financial liabilities	2,580,181,947	13,571,184	2,593,753,131	2,043,421,340	13,573,155	2,056,994,495
Other liabilities	461,173,653	-	461,173,653	213,858,106	-	213,858,106
Current tax liabilities	1,785,229,564	-	1,785,229,564	989,638,243	-	989,638,243
Post employment benefit obligations	-	110,022,141	110,022,141	-	93,837,608	93,837,608
Total liabilities	52,964,687,215	22,060,858,202	75,025,545,418	43,691,811,181	20,788,356,750	64,480,167,931

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48. Commitments and Contingencies

There were no material contingent liabilities outstanding as at the reporting date.

Legal Claims

The Company has controls and policies for managing legal claims. Once professional advice has been obtained and the amount of loss reasonably estimated, the Company makes adjustments to account for any adverse effects which the claims may have on its financial standing. At year end the Company had three unresolved legal claims amounting to LKR 21,300,000/- (2016- LKR 300,000) against the Company.

Although there can be no assurance, the Directors believe, based on the information currently available, that the ultimate resolution of such legal procedures would not likely to have a material adverse effect of the results of operations, financial position of liquidity. Accordingly, no provision for any liabilities has been made in these Financial Statements.

Commitments	Company		Group	
	2017 LKR	2016 LKR	2017 LKR	2016 LKR
Commitment for unutilised facilities	1,430,300,853	358,806,372	1,430,300,853	358,806,372
Bank guarantees issued	112,350,000	-	112,350,000	-
	1,542,650,853	358,806,372	1,542,650,853	358,806,372

The Company had purchase commitments for computer software development which is incidental to the ordinary course of business as at 31 March 2016, as follows:

Capital Expenditure Commitments

Approved but not contracted for	-	-	-	-
Total commitments and contingencies	1,542,650,853	358,806,372	1,542,650,853	358,806,372

49. Assets Pledged

The following assets have been pledged as security for liabilities.

Company/Group		Carrying Amount Pledged			
Nature of Assets	Nature of Liability	Company 2017 LKR	Group 2017 LKR	Company/ Group 2016 LKR	Included Under
Lease rentals receivable & stock out on hire	Loans	7,618,616,899	8,518,616,899	7,338,087,902	Lease rentals receivable & stock out on hire
Microfinance loans	Loans	1,333,849,041	1,333,849,041	-	Loans & receivables
Real estate stock	Loans	84,185,000	84,185,000	6,448,058	Other non-financial assets
Land & building	Overdraft	156,300,000	156,300,000	156,300,000	Property, plant and equipment
Free hold land	Loans	-	-	211,000,000	Investment property
Balance held in foreign currency account	Loans	323,692,918	323,692,918	-	Cash & Bank balances
Placements with Banks	Loans	795,522,816	795,522,816	-	Placements with Banks
		10,312,166,674	11,212,166,674	7,711,835,960	

50. Related Party Transactions

The Company carried out transactions with parties who are defined as Related Parties as per the Sri Lanka Accounting Standard - LKAS 24 'Related Party Disclosures'.

Details of significant related party transactions which the company had during the year are as follows,

50.1 Transactions with Key Management Personnel (KMPs) and their Close Family Members (CFM)

Related party includes KMPs defined as those persons having authority and responsibility for planning directing and controlling the activities for the Company and "Key Management Personnel" has been defined to be the Board of Directors of the Company fall under such definition.

50.1.1 Key Management Personnel Compensation

	Company		Group	
	2017 LKR	2016 LKR	2017 LKR	2016 LKR
Short term employment benefits	205,043,950	125,651,400	205,578,950	125,651,400
Post employment benefits	14,595,650	11,749,900	14,595,650	11,749,900
Directors fees & expenses	8,310,000	9,946,172	8,845,000	11,281,172
	227,949,600	147,347,472	229,019,600	148,682,472

50.1.2. Transactions, Arrangements and Agreements Involving KMPs, and their Close Members of Family (CMFs)

CMFs of a KMPs are those family members who may be expected to influence, or be influenced by, that KMP in their dealing with the entity.

	Company		Group	
	2017 LKR	2016 LKR	2017 LKR	2016 LKR
Fixed deposits held at the end of the year	18,535,862	16,238,153	18,535,862	16,238,153
Interest on fixed deposits	805,916	1,682,656	805,916	1,682,656
Loans granted	4,000,000	-	4,000,000	-
Dividend paid	3,039,331	-	3,039,331	-

50.2 Transactions with Immediate Parent, Ultimate Controlling Party and Significant Investors.

50.2.1 Transactions with Ultimate Controlling Party

- Amounts paid for being a member of the Key Management Personnel as included in 50.1.1. above

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50.2.2 Transactions with Ultimate Parent Entity

	Company		Group	
	2017 LKR	2016 LKR	2017 LKR	2016 LKR
BG Capital Limited				
-Short term loans obtained by Commercial Credit and Finance PLC	224,900,000	-	224,900,000	-
- Short term loans balance Commercial Credit and Finance PLC as at 31/3/2017 including accrued interest	225,577,781	-	225,577,781	-
- Consultancy fee received for management of BG Microfinance Myanmar Limited	25,000,000	-	25,000,000	-

50.2.3 Transactions with Immediate Parent Entity

	Company		Group	
	2017 LKR	2016 LKR	2017 LKR	2016 LKR
BG Investments (Pvt) Ltd				
- Dividends paid	261,328,640	165,456,005	261,328,640	165,456,005
- Investment in fixed deposit at Commercial Credit and Finance PLC as at 31/3/2017	622,034,708	-	622,034,708	-
- Short term loans obtained by Commercial Credit and Finance PLC	309,900,000	-	309,900,000	-
- Short term loans repayments by Commercial Credit and Finance PLC	35,000,000	-	35,000,000	-
- Short term loans balance Commercial Credit and Finance PLC as at 31/3/2017 including accrued interest	275,935,582	-	275,935,582	-

50.2.4 Transactions with Significant Investors

	Company		Group	
	2017 LKR	2016 LKR	2017 LKR	2016 LKR
- Dividend paid - Creation Investment Lanka LLC	101,343,367	83,511,497	101,343,367	83,511,497
Group Lease Holdings Pte Ltd	47,695,250	-	47,695,250	-
- Proceeds received from Group Lease Holdings Pte Ltd on disposal of BG Microfinance Myanmar Company Limited	325,267,470	-	325,267,470	-

Group Lease Holdings Pte Ltd has purchased 95,390,500 shares of Commercial Credit and Finance PLC at Rs. 111/- per share amounting to 29.99% stake of the Company.

50.3 Transactions with Group Entities

50.3.1 Transactions with Subsidiaries

	Company		Group	
	2017 LKR	2016 LKR	2017 LKR	2016 LKR
Trade Finance and Investments PLC				
Dividend Received	100,608,352	102,291,010	-	-

50.3.2 Transactions with Associates

	Company		Group	
	2017 LKR	2016 LKR	2017 LKR	2016 LKR
BG Microfinance Myanmar Company Limited				
Disposal of Shares	52,923,646	-	62,853,147	-
Capitalife Assurance Limited				
Investments in shares	-	120,833,330	-	166,058,330
Disposal of shares	-	-	41,875,003	-
Investment in fixed deposit at Commercial Credit and Finance PLC	-	400,000,000	-	400,000,000

Please refer Note 16 for share of profit/loss on investments in associates.

50.3.3 Transactions with entities under common control

	Company		Group	
	2017 LKR	2016 LKR	2017 LKR	2016 LKR
BG International (Pvt) Ltd				
- Short term Loans obtained by Commercial Credit and Finance PLC	224,900,000	-	224,900,000	-
- Short term Loans Balance Commercial Credit and Finance PLC as at 31/3/2017 including accrued interest	225,577,781	-	225,577,781	-

50.3.4 Transactions with other group entities

	Company		Group	
	2017 LKR	2016 LKR	2017 LKR	2016 LKR
Capitalife Assurance Limited				
Investment in Fixed Deposit at Commercial Credit and Finance PLC	501,060,312	-	501,060,312	-

51. Events After The Reporting Date

There were no events occurring after the reporting date which require adjustments to or disclosure in the financial statements, other than those disclosed below.

The directors recommend, subject to the approval from share holders at the annual general meeting, a final cash dividend of LKR 1/- per share to be paid for the financial year ended 31 March 2017.

Subsequent to the reporting date, Directors of Capitalife Assurance Limited resolved to liquidate the company. Accordingly, Mr. G.K.Sudath Kumar was appointed as the liquidator for the purpose of winding up the affairs of the company.

52. Capital

The Company maintains capital in order to cover risks inherent in the business and meet the capital adequacy requirements of Central Bank of Sri Lanka. The adequacy of the Company's capital is monitored based on the measures, rules and ratios adopted by Central Bank of Sri Lanka.

TEN YEAR SUMMARY

Operating Results	2007/08 Rs.'000	2008/09 Rs.'000	2009/10 Rs.'000	2010/11 Rs.'000
Interest Income	212,162	314,266	377,101	1,112,597
Net Interest Income	103,048	126,667	170,400	702,488
Interest Expenses	109,114	187,600	206,701	410,109
Operating Expenses	96,122	122,671	203,774	497,323
Profit/(Loss) before Tax	32,812	(1,280)	(25,942)	244,366
Income Tax & VAT on Financial Services	3,478	8,378	71,132	184,272
Net Profit/(Loss)	29,334	7,098	45,190	60,094
Dividend Paid	4,887	7,346	-	-
ASSETS				
Cash & Bank Balance	5,342	12,578	51,924	203,708
Treasury Bills & Bonds	88,526	96,560	116,251	66,969
Placements with Banks & Other Finance Companies	8,408	11,170	9,707	112,056
Investment in Dealing Securities	55	55	55	30,165
Leases, Hire Purchases, Loans and Advances - Net	796,805	817,964	1,690,317	4,323,467
Property, Plant and Equipment	144,918	143,996	160,488	238,532
Total Assets	1,196,137	1,388,813	2,270,642	5,238,595
LIABILITIES				
Deposits	712,919	854,331	1,732,958	3,958,394
Borrowings	66,868	81,591	73,576	594,986
Total Liabilities	940,886	1,164,765	2,043,717	4,909,633
SHAREHOLDERS' FUNDS				
Stated Capital	58,718	73,718	73,718	170,640
Reserves	196,533	150,330	153,206	158,322
Total Shareholders' Funds	255,251	224,048	226,925	328,962
RATIOS				
Growth of Income (per cent)	36.38	40.68	21.40	194.83
Growth of Net Profit (per cent)	(25.37)	(75.8)	536.66	32.98
Interest Cover (times)	1.30	0.99	0.87	1.69
Net Assets Growth (per cent)	68.93	(12.22)	1.28	44.97
Equity Assets Ratio (per cent)	21.34	16.13	9.99	6.28
Growth of Leases, Hire Purchases, Loans and Advances (per cent)	30.97	2.66	106.65	155.78
Return on Assets (per cent)	3.16	(0.10)	(1.42)	4.66
Return on Equity (per cent)	14.44	2.96	20.04	18.27
Total Assets to Shareholders' Funds (times)	4.69	6.20	10.01	15.92
Fixed Assets to Shareholders' Funds (times)	0.57	0.64	0.71	0.73
Net Assets per Share (Rs.)	52.67	46.23	46.83	1.51
Earnings per Share (Rs.)	8.83	1.46	9.33	0.28
Dividend per Share (Rs.)	1.01	1.52	-	-

2011/12 Rs.'000	2012/13 Rs.'000	2013/14 Rs.'000	2014/15 Rs.'000	2015/16 Rs.'000	2016/17 Rs.'000
2,442,086	3,963,168	6,913,772	11,901,148	15,729,164	19,048,828
1,741,800	2,408,012	4,037,642	7,000,942	9,667,331	11,237,208
700,285	1,555,156	2,876,129	4,145,627	6,061,833	7,811,619
881,341	1,620,520	2,555,196	3,770,097	4,947,980	5,529,662)
960,421	865,704	1,194,504	2,500,686	2,769,691	3,910,562
(388,139)	(288,670)	(353,109)	761,441	1,085,927	1,771,799
655,609	679,401	1,007,836	2,103,953	2,151,694	2,902,978
-	238,074	119,037	143,037	318,074	477,112
140,961	395,655	1,123,108	2,470,271	1,142,136	1,851,853
83,558	257,673	811,343	857,039	1,627,217	1,854,181
378,394	572,721	624,132	798,534	1,119,606	1,507,448
45,320	46,705	144,356	279,846	474,212	358,391
8,413,092	14,485,926	25,931,647	46,555,625	58,764,061	68,242,214
290,505	557,661	607,580	1,197,329	1,393,909	1,548,296
10,244,294	18,285,191	31,643,210	57,706,278	70,707,765	82,854,513
6,925,890	13,155,609	22,855,779	42,185,524	49,297,299	53,737,081
1,517,721	2,796,157	4,251,989	6,386,357	10,399,324	14,274,358
9,259,724	16,831,846	28,340,201	51,807,928	62,925,888	72,606,699
170,640	470,640	1,478,640	2,150,640	2,150,640	2,150,640
813,931	982,705	1,824,369	3,747,710	5,631,236	8,097,173
984,571	1,453,345	3,303,009	5,898,351	7,781,877	10,247,814
113.76	60.07	71.76	61.44	43.88	22.20
990.97	3.63	48.34	108.76	2.27	34.92
2.49	1.62	1.47	1.69	1.53	1.60
199.30	47.61	127.27	78.58	31.93	31.69
9.61	7.95	10.44	10.22	11.00	12.37
94.59	72.18	79.01	79.53	26.22	16.13
9.38	6.07	4.78	5.60	4.31	5.09
66.59	55.74	42.38	45.73	31.46	32.20
10.40	12.58	9.58	9.78	9.09	8.09
0.30	0.38	0.18	0.20	0.18	0.15
4.51	6.10	11.55	18.54	24.46	32.22
3.01	2.85	4.20	7.15	6.76	9.13
-	1.00	0.50	0.50	1.00	1.50

OTHER NON-FINANCIAL INFORMATION

1. Lands

Location	Valuation	Extent
Negombo	72,000,000	P 30.7
Mount Lavinia	6,462,000	P 7.18
Anuradhapura	30,500,000	P 12.2
Kandy	100,500,000	P 13.4
Kurunegala	45,100,000	P 197.7
Puttalam	8,937,500	P 13.75
Moneragala	21,312,900	A 23 R 2 28.95 P
Bolgoda	208,161,400	A 4.5

2. Buildings

Description	Valuation	Extent
		(sq.ft)
Mount Lavinia	10,178,000	2,732 square feet
Puttalam	4,482,500	1,630 square feet
Anuradhapura	13,614,750	4,034 square feet
Kandy	55,875,750	12,845 square feet

INVESTOR INFORMATION

1. Stock Exchange Listing

The ordinary shares of the Company are listed on the Colombo Stock Exchange since 1 June 2011 and the stock exchange ticker symbol for Commercial Credit and Finance PLC is "COCR".

The Audited Income Statement for the year ended 31 March 2017 and the Audited Balance Sheet of the Company will be submitted to the Colombo Stock Exchange before 30 June 2017.

2. Shareholder Base

The total number of (ordinary voting) shareholders as at 31 March 2017 were 1,794 compared to 1,475 shareholders as at 31 March, 2016.

3. Distribution of Shareholders

Range of Shares	As at 31 March 2017			As at 31 March 2016		
	No. of Shareholders	No. of Shares	Per cent of Shareholdings	No. of Shareholders	No. of Shares	Per cent of Shareholdings
1 - 1,000	1,039	273,876	0.09	887	233,352	0.07
1,001 - 5,000	422	1,090,169	0.34	346	875,108	0.28
5,001 - 10,000	145	1,156,544	0.36	79	613,051	0.19
10,001 - 50,000	138	2,805,957	0.88	114	2,465,883	0.78
50,001 - 100,000	21	1,569,163	0.49	17	1,166,059	0.37
100,001 - 500,000	16	3,594,251	1.13	16	3,912,038	1.23
500,001 & Above	13	307,584,405	96.70	16	308,808,874	97.09
Total	1,794	318,074,365	100.00	1,475	318,074,365	100.00

4. Composition of Shareholders

Shareholders	As at 31 March 2017			As at 31 March 2016		
	No. of Shareholders	No. of Shares	Per cent of Shareholdings	No. of Shareholders	No. of Shares	Per cent of Shareholdings
Resident	1,780	116,339,953	36.58	1,462	223,596,092	70.30
Non- Resident	14	201,734,412	63.42	13	94,478,273	29.70
Total	1,794	318,074,365	100.00	1,475	318,074,365	100.00
Individual	1,666	30,423,292	9.56	1,379	34,049,198	10.70
Institution	128	287,651,073	90.44	96	284,025,167	89.30
Total	1,794	318,074,365	100.00	1,475	318,074,365	100.00

As per Rule No. 7.6 (iv) of the Colombo Stock Exchange, percentage of public holding as at March 31 March 2017 was 13.38 per cent and the public shareholders as at 31 March 2017 was 1,786.

INVESTOR INFORMATION

CONTD

5. Top Twenty Shareholders

Ordinary Voting Shares

		As at 31 March 2017	
No.	Name	No. of Shares	%
1	M/S B G Investments (Pvt) Ltd	132,480,096	41.65
2	Group Lease Holdings Pte Ltd	95,390,500	29.99
3	Lanka Orix Finance PLC/B G Investments (Pvt) Ltd	26,700,000	8.39
4	Creation Investments Sri Lanka, LLC	20,347,220	6.40
5	Mrs E Fernando	10,922,324	3.43
6	Mr G G Hemachandra	7,184,282	2.26
7	People's Leasing & Finance PLC /Ms S N Egodage	4,264,380	1.34
8	Ceylinco Life Insurance Limited Account No.1	4,014,843	1.26
9	Mrs H H J Hewage	1,851,024	0.58
10	Mr T K Hemachandra	1,555,689	0.49
11	Commercial Bank of Ceylon PLC/Dunamis Capital PLC	1,492,682	0.47
12	Mr S K Semage	773,944	0.24
13	Mr M E Wickremesinghe	675,738	0.21
14	Waldock Mackenzie Limited/Mr P S R Casie Chitty	429,808	0.14
15	Mrs L S Semage	427,929	0.13
16	Mellon Bank N a-Acadian Frontier Markets Equity Fund	424,156	0.13
17	CodeGen International (Pvt) Ltd	405,000	0.13
18	D H Fernando	320,437	0.1
19	Mrs K M Gunawardena	271,532	0.09
20	People's Leasing & Finance PLC /B G Investments (Pvt) Ltd	252,496	0.08
Sub Total		310,184,080	97.51
Others		7,890,285	2.49
Total		318,074,365	100.00

As at 31 March 2016

No.	Name	No. of Shares	%
1	M/S B G Investments (Pvt) Ltd	142,676,872	44.86
2	Creation Investment Sri Lanka LLC	91,169,757	28.66
3	Lanka Orix Finance PLC/ B G Investments (Pvt) Ltd	26,700,000	8.39
4	Mrs V W Fernando (Deceased)	12,904,463	4.06
5	Assetline Leasing Co. Ltd/ B G Investments (Pvt) Ltd	7,003,224	2.2
6	Mr G G Hemachandra	6,957,489	2.19
7	People's Leasing & Finance PLC/ Ms S N Egodage	4,131,032	1.3
8	Ceylinco Insurance PLC A/C No.1 (Life Fund)	4,014,843	1.26
9	First Capital Markets Limited/ B G Investments (Pvt) Ltd	3,750,000	1.18
10	Mr S L Lafrance Jr	2,037,759	0.64
11	Mrs H H J Hewage	1,851,024	0.58
12	Mr T K Hemachandra	1,555,689	0.49
13	People's Leasing & Finance PLC/ B G Investments (Pvt) Ltd	1,340,328	0.42
14	Mellon Bank N.a - Acadian Frontier Markets Equity Fund	1,171,922	0.37
15	Mr S K Semage	868,734	0.27
16	Mr M E Wickremesinghe	675,738	0.21
17	CodeGen International (Pvt) Ltd	500,000	0.16
18	Mrs L S Semage	456,429	0.14
19	Waldock Mackenzie Limited/ P S R Casie Chitty	429,808	0.14
20	Mr N P D E A Samaranayake	400,000	0.13
Sub Total		310,595,111	97.65
Others		7,479,254	2.35
Total		318,074,365	100.00

6. Director's Shareholding

Name	As at 31 March 2017		As at 31 March 2016	
	No. of Shares	Per cent of Shareholdings	No. of Shares	Per cent of Shareholdings
Mr Kalugamage John Cecil Perera	Nil		Nil	
Mr Roshan Sanjaya Egodage	Nil		Nil	
Mr Ihala Gamaralalage Samantha Kumara Gunaratne	109,171	0.03	109,171	0.03
Mrs Geya Rasi Egodage	Nil		Nil	
Mr Mihindukulasooriya Susantha Devapriya Pinto	Nil		42,000	0.01
Mr Eugen Duliksha Pratharp Soosaipillai	42,000	0.01	Nil	
Mr Kenneth Dan Vander Weele	Nil		Nil	
Mr Patrick Thomas Fisher	Nil		Nil	
Mr Rajiv Casie Chitty	429,808	0.14	429,808	0.14
Mr Mitsuiji Konoshita	Nil		N/A	
Mr Regis Rodolphe Martin	Nil		N/A	

INVESTOR INFORMATION

CONTD

7. Share Information

	As at 31 March 2017	As at 31 March 2016
Net Asset per Share (Rs.)	32.22	24.47
Share Price		
Highest (Rs.)	57.80	74.90
Lowest (Rs.)	39.00	40.00
Last Traded (Rs.)	39.60	42.50
Earnings		
Basic Earnings per Share (Rs.)	9.13	6.76
Price Earnings Ratio (Times)	4.34	6.29
Dividend per Share (Rs.)	1.50	1.00
Dividend Payout Ratio	0.16	0.15
Number of Transactions		9,825
Market Capitalisation		
Commercial Credit PLC (Rs. Mn)	12,595.74	13,518.16

8. Debenture Information

	As at 31 March 2017	As at 31 March 2016
Debt/Equity Ratio	6.64	7.67
Quick Asset Ratio	1.08	1.05
Interest Cover	1.60	1.53

Company issued Rs. 500,000,000 unsecured redeemable subordinated Debentures for five years in February 2013. These Debentures are listed on the Colombo Stock Exchange.

	As at 31 March 2017	As at 31 March 2016
Yield as at Date of Last Trade	19.61	17.89%
The Market Prices during the year		
Highest Price (Rs.)	102.00	123.95
Lowest Price (Rs.)	102.00	100
Last Traded Price (Rs.)	102.00	111.76
Credit Rating (Company)		BBB
Comparable Government Security		
Coupon Rate	10.75	10.74%

Company issued Rs. 1,000,000,000 rated subordinated guaranteed redeemable Debentures for five years in June 2015. These Debentures are listed on the Colombo Stock Exchange.

	As at 31 March 2017	As at 31 March 2016
Yield as at Date of Last Trade	10.71	10.28%
The Market Prices during the year		
Highest Price (Rs.)	98.00	103.87
Lowest Price (Rs.)	98.00	100.81
Last Traded Price (Rs.)	98.00	100.81
Credit Rating (Instrument)	AA	AA
Comparable Government Security		
Coupon Rate	12.19%	9.79%

Company issued Rs. 2,000,000,000 rated subordinated guaranteed redeemable Debentures for five years in December 2015. These Debentures are listed on the Colombo Stock Exchange

	As at 31 March 2017	As at 31 March 2016
Yield as at Date of Last Trade	Not Traded	Not Traded
The Market Prices during the year		
Highest Price (Rs.)	Not Traded	Not Traded
Lowest Price (Rs.)	Not Traded	Not Traded
Last Traded Price (Rs.)	Not Traded	Not Traded
Credit Rating (Instrument)	A+	A+
Comparable Government Security		
Coupon Rate	12.20%	9.79%

GLOSSARY

Accounting Policies

Principles, bases, conventions, rules and practices that are applied in recording transactions and in preparing and presenting Financial Statements.

Accrual Basis

Recognizing the effects of transaction and other events when they occur without waiting for receipt or payment of cash or its equivalent.

Amortization

The systematic allocation of the depreciable amount of an intangible asset over its expected useful life.

Amortised Cost

The amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectability.

Associate Company

An entity, including an unincorporated entity such as a partnership, over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

Available for Sale (AFS)

A debt or equity security that is purchased with the intent of selling before it reaches maturity or selling prior to a lengthy time period in the event the security does not have a maturity.

Capital Adequacy Ratio

The relationship between capital and risk weighted assets as defined by directives issued by Central Bank of Sri Lanka.

Cash Equivalents

Short-term highly liquid investments those are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash Flows

Inflows and outflows of cash and cash equivalents collectively Assessed Impairment assessment on a collective basis for homogeneous groups of loans that are not considered individually significant and to cover losses which have been incurred but have not yet been identified on loans subject to individual assessment.

Collectively Assessed Impairment

Impairment assessment on a collective basis for homogeneous groups of loans that are not considered individually significant and to cover losses which have been incurred but have not yet been identified on loans subject to individual assessment.

Commercial Paper

An unsecured, short-term debt instrument issued by a corporation, typically for the financing of accounts receivable, inventories and meeting short-term liabilities.

Commitments

Credit facilities approved but not yet disbursed to the customers as at the date of the Statement of Financial Position.

Consolidated Financial Statements

Financial statements of a holding Company and its subsidiaries based on their combined assets, liabilities and operating results.

Contingencies

A condition or situation, the ultimate outcome of which, gain or loss, will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events.

Corporate Governance

The process by which corporate entities are governed. It is concerned with 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 stakeholders.

Cost/Income Ratio

Operating expenses as a percentage of net income.

Credit Risk

Credit risk is the potential that a borrower or counter party will fail to meet its obligations in accordance with agreed terms and conditions.

Credit Ratings

An evaluation of a corporate's ability to repay its obligation or the likelihood of non-defaulting, carried out by an independent rating agency.

Currency Swaps

The simultaneous purchase of an amount of a currency for spot settlement and the sale of the same amount of the same currency for forward settlement.

Currency Risk

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Customer Deposits

Money deposited by account holders. Such funds are recorded as liabilities.

Dealing Securities

These are marketable securities acquired and held with the intention to resale over a short period of time.

Deferred Taxation

Sum set aside for tax in the Financial Statements that may become payable/receivable in a financial year other than the current financial year.

Depreciation

The systematic allocation of the depreciable amount of a tangible capital asset or fixed asset over its useful life.

Derecognition

Is the removal of a previously recognized financial asset or financial liability from an entity's Statement of Financial Position.

Derivatives

A financial instrument or other contract, the value of which changes in response to some underlying variable (e.g. an interest rate), that has an initial net investment smaller than would be required for other instruments that have a similar response to the variable, and that will be settled at a future date.

Dividend Cover

Profit after tax divided by gross dividends. This ratio measures the number of times dividend is covered by current year's distributable profits.

Dividend per Share

Value of the total dividend paid out and proposed to ordinary shareholders divided by the number of ordinary shares in issue; this indicates the proportion of current year's dividend attributable to an ordinary share in issue.

Dividend Yield

Dividend earned per share as a percentage of its market value.

Discount rate

A rate used to place a current value on future cash flows. It is needed to reflect the fact that money has a time value

Earnings per Ordinary Share (EPS)

Profit attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue.

Economic Value Added

A measure of productivity that takes into consideration cost of total invested equity.

Effective Interest Method

Is a method of calculating the amortized cost of financial asset or a financial liability(or group of financial asset or financial liabilities) and of allocating the interest income or interest expense over the relevant period.

Effective Tax Rate

Provision for taxation including deferred tax divided by the profit before taxation.

Exposure

A claim, contingent claim or position which carries a risk of financial loss.

Equity Method

A method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post acquisition changes in the investor's share of net assets of the investee. The profit or loss of the investor includes the investor's share of the profit or loss of the investee.

Equity

Total of shareholders' funds: share capital + statutory reserves + other reserves

Fair Value

The amount for which an asset could be exchanged between knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction.

Finance Lease

A lease in which the lessee acquires all the financial benefits and risks attaching to ownership of whatever is being leased.

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.

GLOSSARY CONTD

Financial Instrument

Is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial Liability

A contractual obligation to deliver cash or another financial asset to an other entity.

Gearing

Long-term borrowings divided by the total funds available for shareholders.

Group

A Group is a parent and all its subsidiaries.

Gross Dividend

The portion of profits distributed to the shareholders including the tax with held.

Guarantees

A promise made by a third party (Guarantor), who is not a party to a contract between two others, that the guarantor will be liable if the guarantee fails to fulfill the contractual Obligations.

Hedging

A strategy under which transactions are effected with the aim of providing cover against the risk of unfavorable price movements (interest rate, foreign exchange rates, commodity prices, etc).

Held-to-Maturity

Investments and debt securities that a Company has the ability and intent to hold until maturity.

Hire Purchase

A system by which a buyer pays for an asset in regular installments while enjoying the use of such asset. During the repayment period, ownership(title) of the asset does not pass to the buyer.

Impairment

The value of an asset when the recoverable amount is less than its carrying amount.

Impaired Loans

Loans where the Group does not expect to collect all the contractual cash flows or expects to collect them later than they are contractually due.

Impairment Allowance for Loans and Receivables

Amount set aside against possible losses on loans, lease rentals and advances as a result of such facilities becoming partly or wholly uncollectible.

Individually Assessed Impairment

Exposure to loss is assessed on all individually significant accounts that do not qualify for collective assessment.

Intangible Assets

An intangible asset is an identifiable non-monetary asset without physical substance.

Interest Cover

Earnings before interest and taxes for the year divided by total interest expenses.

Interest in Suspense

Interest suspended on non-performing accommodations. (Leases, hire purchases, loans and other advances)

Interest Margin

Net interest income expressed as a percentage of average total assets.

Interest Rate Risk

The risk that an investment's value will change due to a change in the absolute level of interest rates, in the spread between two rates, in the shape of the yield curve or in any other interest rate relationship.

Interest Spread

The difference between the average yield a financial institution receives from loans and other interest-accruing activities and the average rate it pays on deposits and Borrowings.

Investment Properties

Property (land or a building – or part of a building – or both) held (by the owner or by lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for use or sale.

Investment Securities

Securities acquired and held for yield and capital growth purposes which are usually held to maturity.

Key Management Personnel

People having authority and responsibility for planning, directing and controlling the activities of an entity, either directly or indirectly. (The Board of Directors and Corporate Management)

Liquid Assets

Assets that are held in cash or can be converted to cash in readily, such as deposits with other banks, Bills of Exchange, Treasury Bills and Bonds.

Liquidity Risk

The risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

Loans Payable

Loan payable are financial liabilities, other than short-term trade payable on normal credit terms.

Loans and Receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those intends to sell immediately or in the near term and designated as fair value through profit or loss or available sale on initial recognition.

Loss Given Default (LGD)

The estimated ratio (percentage) of the loss of an exposure to the amount outstanding at default upon default of counter party.

Market Capitalization

Number of ordinary shares in issue multiplied by the market value of a share as at date.

Market Risk

This refers to the possibility of loss arising from changes in the value of a financial instrument as a result of changes in market variables such as interest rates, exchange rates, credit spreads and other asset prices.

Materiality

The relative significance of a transaction or an event, the omission or misstatement of which could influence the economic decisions of users of financial statements.

Net Asset Value per Ordinary Share

Total net asset value of a Company divided by the total number of ordinary shares in issue.

Net Interest Income

Difference between revenue generated from interest bearing assets and interest incurred on interest bearing liabilities.

Non-Performing Accommodations

A sum of borrowed money upon which the debtor has not made scheduled payments for at least 180 days.

Non-Controlling Interest

Portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned, directly or indirectly through subsidiaries, by the parent.

Non-Performing Advances

Loans and advances of which rentals are in arrears for six months or more.

NPA Ratio

Total Non-Performing Accommodations (net of interest in suspense and other adjustments) divided by total accommodations (net of interest in suspense and other adjustments).

Operational Risk

The losses arising from fraud, negligence, oversight, human error, process errors, system failures, external events, etc.

Operating Lease

A contract that allows for the use of an asset, but does not convey rights of ownership of the asset. An operating lease is not capitalized; it is accounted for as a rental expense in what is known as "off balance sheet financing." For the lessor, the asset being leased is accounted for as an asset and is depreciated as such. Operating leases have tax incentives and do not result in assets or liabilities being recorded on the lessee's balance sheet, which can improve the lessee's financial ratios.

Parent

An entity that controls one or more subsidiaries.

Price Earnings Ratio

Market price of a share divided by earnings per share.

Provision

The amount of an expense that an entity elects to recognize now, before it has precise information about the exact amount of the expense.

GLOSSARY CONTD

Provision Cover

Total provision for losses on loans, leases and advances expressed as a percentage of net non-performing loans before discounting for provision on non-performing loans, leases and advances.

Related Parties

Parties where one party has the ability to control the other party exercise a significant influence over the other party in making financial and operating decisions, directly or indirectly.

Related Party Transactions

Is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged or not.

Repurchase Agreements

Contracts to sell and subsequently repurchase securities at a specified price at a specified future date.

Return on Average Assets (ROA)

Profit before tax divided by total average assets.

Return on Equity

Profit after tax divided by total equity.

Reverse Repurchase Agreements

The purchase of securities with the agreement to sell them at a specified price at a specified future date.

Risk Weighted Assets

On balance sheet assets and the credit equivalent of off balance sheet assets multiplied by relevant factors weighted by risk.

Segmental Analysis

Separately reported results of individual business activities that are required for publicly-held companies.

Shareholders' Funds

This consists of issued and fully paid up ordinary shares and reserves.

Statutory Reserve Fund

A capital reserve created as per the provisions of Finance Companies (Capital Funds) Direction No. 1 of 2003.

Specific Impairment Provisions

Impairment is measured individually for loans that are individually significant to the Company

Subsidiary Company

An entity, including an unincorporated entity such as partnership, which is controlled by another entity, known as Parent.

Substance Over Form

The consideration that the accounting treatment and the presentation in financial statements of transaction and the events are governed by their financial reality and not merely by its legal form.

Tier I Capital - Core Capital

Representing permanent shareholders' equity (paid-up shares) and reserves created or increased by appropriations of retained earnings or other surplus, i.e., retained profits and other reserves.

Tier II Capital

Supplementary finance institution capital that includes items such as revaluation reserves, undisclosed reserves, hybrid instruments and subordinated term debt.

Value Added

Value of wealth created by providing financial and other related services less the cost of providing such services.

Yield

Rate or return on an investment in percentage terms taking into account annual income.

NOTES

NOTICE OF MEETING

NOTICE is hereby given that the Thirty Fourth Annual General Meeting of Commercial Credit and Finance PLC will be held at No. 106, Yatinuwara Veediya, Kandy on Friday, 30 June, 2017 at 11.30 am for the following purposes :

1. To receive and consider the Audited Financial Statements for the Year Ended 31 March, 2017 together with the Reports of the Directors' and Auditors' thereon.
2. To declare a Final Dividend of Rs. 1/- per Share for the Year Ended 31 March, 2017, as recommended by the Directors.
3. (i) To elect Mr. Regis Rodolphe Martin, Director, who retires in terms of Article 24(2) of the Articles of Association of the Company.
(ii) To elect Mr. Mitsuji Konoshita, Director, who retires in terms of Article 24(2) of the Articles of Association of the Company.
(iii) To re-elect Mr. Roshan Sanjaya Egodage, Director, who retires by rotation in terms of Article 24(6) of the Articles of Association of the Company.
(iv) To re-elect Mrs. Geya Rasi Egodage, Director, who retires by rotation in terms of Article 24(6) of the Articles of Association of the Company.
(v) To re-elect Mr. Ihala Gamralalage Samantha Kumara Gunaratne, Director, who retires by rotation in terms of Article 24(6) of the Articles of Association of the Company.
(vi) To re-elect Mr. Mihindukulasuriya Susantha Devapriya Pinto, Director, who retires by rotation in terms of Article 24(6) of the Articles of Association of the Company.
4. To approve donations
5. To re-appoint the Auditors Messrs Ernst & Young, Chartered Accountants, to hold office until the conclusion of the next Annual General Meeting and to authorize the Directors to determine their remuneration.

By Order of the Board



Jacey & Company
Secretaries
Colombo

6 June, 2017

NOTE

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his/her stead.
2. A proxy need not be a member of the company
3. The completed form of proxy must be deposited at the registered office of the company at No.106, Yatinuwara Veediya, Kandy not less than 48 hours before the time fixed for the meeting.

FORM OF PROXY

I/We the undersigned
.....of
.....being a member/members of Commercial Credit and Finance PLC
do hereby appoint.....of
.....whom failing MR. K J C PERERA
whom failing MR. R S EGODAGE whom failing MR. I G S K GUNARATNE whom failing MRS. G R EGODAGE whom failing MR. M S D PINTO whom failing MR. E D P SOOSAIPILLAI whom failing, MR. K D VANDER WEELE, whom failing MR. P T FISHER, whom failing, Mr. R CASIE CHITTY, whom failing, MR. REGIS MARTIN, whom failing, MR. MITSUJI KONOSHITA as my/our Proxy to represent me/us and * to vote on my/our behalf at the THIRTY FOURTH ANNUAL GENERAL MEETING of the Company to be held on 30 June 2017 and at any adjournment thereof, and at every poll which may be taken in consequence thereof. I /We the undersigned hereby authorise my/our proxy to vote on my/our behalf in accordance with the preference indicated below:-

	For	Against
1. To receive and consider the Audited Financial Statements for the Year Ended 31st March, 2017 and the Reports of the Auditors' and of the Directors' thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. To declare a Final Dividend of Rs. 1/- per share for the year ended 31st March, 2017, as recommended by the Directors.	<input type="checkbox"/>	<input type="checkbox"/>
3. Directors		
(i) To elect Mr. Regis Rodolphe Martin, Director, who retires in terms of Article 24(2) of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
(ii) To elect Mr. Mitsuji Konoshita, Director, who retires in terms of Article 24(2) of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
(iii) To re-elect Mr. Roshan Sanjaya Egodage, Director who retires by rotation in terms of Article 24(6) of the Articles of Association of the Company	<input type="checkbox"/>	<input type="checkbox"/>
(iv) To re-elect Mrs. Geya Rasi Egodage, Director who retires by rotation in Terms of Article 24(6) of the Articles of Association of the Company	<input type="checkbox"/>	<input type="checkbox"/>
(v) To re-elect Mr. Ihala Gamaralalage Samantha Kumara Gunaratne, Director who retires by rotation in Terms of Article 24(6) of the Articles of Association of the Company	<input type="checkbox"/>	<input type="checkbox"/>
(vi) To re-elect Mr. Mihindukulasuriya Susantha Devapriya Pinto, Director who retires by rotation in Terms of Article 24(6) of the Articles of Association of the Company	<input type="checkbox"/>	<input type="checkbox"/>
4. To authorise the Directors to determine and make donations	<input type="checkbox"/>	<input type="checkbox"/>
5. To re-appoint the Auditors Messrs Ernst & Young, Chartered Accountants, to hold office until the conclusion of the next Annual General Meeting and to authorize the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>

As witness my/our hand thisday ofTwo Thousand and Seventeen.

.....
Signature of Shareholder

Notes:

If you wish your Proxy to speak at the Meeting you should insert the words "to speak and" in the place indicated with an asterisk and initial such insertion. Please indicate with an "x" in the space provided how your Proxy is to vote. If there is in the view of the Proxyholder doubt (by reason of the way in which the instructions contained in the Proxy have been completed) as to the way in which the Proxyholder should vote, the Proxy holder shall vote as he thinks fit. A Proxy holder need not be a member of the Company Instructions as to completion appear on the reverse hereof

FORM OF PROXY CONTD

INSTRUCTIONS AS TO COMPLETION

1. To be valid this Form of Proxy must be deposited at the Registered Office of the Company at No. 106, Yatinuwara Veediya, Kandy not less than 48 hours before the time appointed for the holding of the Meeting.
2. The instrument appointing a Proxy shall in the case of an individual be signed by the appointor or by his Attorney and in the case of a Company/Corporation, the Proxy Form must be executed under its Common Seal, which should be affixed and attested in the manner prescribed by its Articles of Association or other constitutional documents.
3. If the Proxy Form is signed by an Attorney, the relevant Power of Attorney or a notarially certified copy thereof, should also accompany the completed Form of Proxy if it has not already been registered with the Company.
4. The full name and address of the Proxyholder and of the Shareholder appointing the Proxyholder should be entered legibly in the Form of Proxy.

INVESTOR FEEDBACK FORM

To request information or submit a comment/query to the Company, please complete the following and return this page to,

Chief Financial Officer
Commercial Credit & Financial PLC
No. 45, Dharmapala Mawatha,
Colombo 07,
Sri Lanka.
E-mail : janaka@cclk.lk

Name :

Permanent Mailing Address :

Contact Numbers :

E-mail :

Name of the Company :

(If Applicable)

Designation :

(If Applicable)

Company Address :

(If Applicable)

Comments / Queries :

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CORPORATE INFORMATION

Company Name

Commercial Credit and Finance PLC

Legal Form

Incorporated as a Private Limited Liability Company under the Companies Act No. 17 of 1982 on 4 October 1982 and converted to a Public Company on 16 December 1989 and re-registered under the Companies Act No. 07 of 2007 on 8 April 2008

A Registered Finance Company under the Finance Companies Act No. 78 of 1988 and re-registered under the Finance Business Act No. 42 of 2011

A Registered Finance Leasing establishment under the Finance Leasing Act No. 56 of 2000 (as amended)

The Shares of the Company were listed on *Dirisavi* Board of the Colombo Stock Exchange on 1 June 2011. The Stock Exchange code for the Company share is "COCR"

Registration Number

PB 269 PQ

Place of Incorporation

Kandy, Sri Lanka

Registered Office

No. 106, Yatinuwara Veediya, Kandy

Telephone

+94 (0) 81 2 000 000

Fax

+94 (0) 81 2 234 977

E-mail

ccl@cclk.lk

Website

www.cclk.lk

Board of Directors of the Company

Mr K J C Perera - Independent Non-Executive Director (Chairman)
Mr R S Egodage - Executive Director (Chief Executive Officer)
Mr I G S K Gunaratne - Non-Executive Director
Mrs G R Egodage - Executive Director
Mr M S D Pinto - Independent Non-Executive Director
Mr E D P Soosaipillai - Independent Non-Executive Director
Mr P T Fisher - Non-Executive Director
Mr K D Vander Weele - Non-Executive Director
Mr R C Chitty - Executive Director
Mr R R Martin - Non-Executive Director
Mr M Konoshita - Non-Executive Director

Company Secretary

Jacey & Company
No. 9/5, Thambiah Avenue, Colombo 07

Lawyers of the Company

Julius & Creasy, Attorneys-at-Law
No. 41, Janadhipathi Mawatha, Colombo 01

Company Auditors

Ernst & Young, Chartered Accountants
No. 201, De Saram Place, Colombo 10

Bankers of the Company

Commercial Bank of Ceylon PLC
Hatton National Bank PLC
Nations Trust Bank PLC
Sampath Bank PLC
National Development Bank PLC
Seylan Bank PLC
People's Bank
Bank of Ceylon
Hongkong & Shanghai Banking Corporation Limited
Deutsche Bank
Pan Asia Banking Corporation PLC
Indian Overseas Bank
Union Bank of Colombo
Cargills Bank Limited

Audit Committee

Mr E D P Soosaipillai (Chairman)
Mr K J C Perera
Mr I G S K Gunaratne

Related Party Transactions Review Committee

Mr M S D Pinto (Chairman)
Mr I G S K Gunaratne
Mr R C Chitty

Integrated Risk Management Committee

Mr K J C Perera (Chairman)
Mr R S Egodage
Mr I G S K Gunaratne
Mr E D P Soosaipillai
Mr R C Chitty

Remuneration Committee

Mr I G S K Gunaratne (Chairman)
Mr K J C Perera
Mr M S D Pinto

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Annual Report

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COMMERCIAL CREDIT AND FINANCE PLC
www.cclk.lk