Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SARVODAYA DEVELOPMENT FINANCE LIMITED

Report on the Financial Statements

We have audited the accompanying Financial Statements of Sarvodaya Development Finance Limited, ("the Company"), and the Consolidated Financial Statements of the Company and its subsidiaries ("Group"), which comprise the statement of financial position as at 31st March 2016 and the statement of profit or loss and other comprehensive income/(expenses), 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, set out on pages 113 to 182.

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

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

Opinion

In our opinion, the Consolidated Financial Statements give a true and fair view of the financial position of the Group as at 31st March 2016 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 Statement of the Company give a true and fair view of its financial position as at 31st March 2016 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 section 151 and 153 of the Companies Act No. 07 of 2007.

Ernst & Young

27th May 2016
Colombo

Statement of Profit or Loss and Other Comprehensive Income/(Expenses)

For the Year Ended 31st March	Notes	Company 2016 Rs.	Company 2015 Rs.	Group 2016 Rs.	Group 2015 Rs.
Income	6	1,014,753,642	752,992,948	1,311,666,151	899,209,526
Interest Income		922,993,919	652,411,316	1,212,582,970	798,713,064
Interest Expenses		(255,915,002)	(210,804,012)	(381,804,088)	(273,417,787)
Net Interest Income	7	667,078,917	441,607,304	830,778,882	525,295,277
Fee and Commission Income	8	15,177,472	14,117,131	19,541,556	14,213,105
Other Operating Income	9	76,582,251	86,464,501	79,541,625	86,283,358
Total Operating Income		758,838,640	542,188,936	929,862,063	625,791,739
Impairment (Charges)/Reversal for Loans and Other Losses	10	(61,294,116)	(67,331,561)	(73,107,699)	(109,472,294)
Net Operating Income		697,544,524	474,857,376	856,754,364	516,319,445
Operating Expenses					
Personnel Expenses	11	(314,185,138)	(271,105,385)	(353,411,869)	(286,227,662)
Depreciation of Property, Plant & Equipment	30	(34,771,373)	(15,892,839)	(42,710,349)	(19,857,689)
Amortisation of Intangible Assets	29	(10,662,306)	(10,576,364)	(11,456,160)	(10,971,122)
Other Operating Expenses	12	(212,142,771)	(175,505,858)	(275,123,007)	(210,741,356)
Operating Profit/(Loss) before Value Added Tax on Financial Services		125,782,936	1,776,931	174,052,978	(11,478,383)
Tax on Financial Services	13	(49,272,363)	(22,245,714)	(59,120,386)	(22,245,714)
Profit/(Loss) before Taxation		76,510,573	(20,468,783)	114,932,592	(33,724,096)
Income Tax Expenses	14	(30,368,790)	8,674,853	(33,824,837)	36,819,883
Profit/(Loss) for the Year		46,141,783	(11,793,930)	81,107,755	3,095,787
Attributable to:					
Equity Holders of the Company		46,141,783	(11,793,930)	72,555,311	(546,139)
Non-Controlling Interest		–	–	8,552,444	3,641,926
Profit/(Loss) for the Year		46,141,783	(11,793,930)	81,107,755	3,095,787
Other Comprehensive Income/(Expenses)					
Actuarial Gains/(Losses) on Defined Benefit Plans	35	(1,768,842)	3,881,249	(1,327,939)	3,636,435
Gain/(Loss) due to Changes in Assumptions	35	2,896,283	–	2,896,283	–
Income Tax (Charge)/Credit Relating to Components of Other Comprehensive Income		771,066	(2,083,170)	771,066	(2,083,170)
Net Other Comprehensive Income not to be Reclassified to Profit or Loss		1,898,507	1,798,079	2,339,410	1,553,265
Other Comprehensive Income for the Year, Net of Tax		1,898,507	1,798,079	2,339,410	1,553,265
Total Comprehensive Income/(Expenses) for the Year		48,040,290	(9,995,851)	83,447,165	4,649,052
Attributable to:					
Equity Holders of the Company		48,040,290	(9,995,851)	74,786,880	1,067,740
Non-Controlling Interest		–	–	8,660,286	3,581,312
Total Comprehensive Income/(Expenses) for the Year		48,040,290	(9,995,851)	83,447,165	4,649,052
Basic Earnings Per Share (Rs.)					
Earnings per Share – Basic	15	0.68	(0.19)	1.07	0.05
Dividend per Share*	16	0.25	–	–	–

Accounting Policies and Notes from pages 117 to 182 form an integral part of these Financial Statements.

** Calculated based on proposed dividend, which is to be approved at the Annual General Meeting.*

Statement of Financial Position

As at 31st March	Notes	Company 2016 Rs.	Company 2015 Rs.	Group 2016 Rs.	Group Restated 2015 Rs.
Assets					
Cash and Cash Equivalents	18	306,766,105	208,620,885	382,595,165	263,953,307
Loans and Receivables	19	2,766,806,059	2,779,009,883	3,803,904,984	3,439,354,229
Lease Rentals Receivable & Stock-Out on Hire	20	–	–	132,126,602	193,936,429
Financial Investments – Held for Trading	21	–	–	700	1,356
Financial Investments – Available-for-Sale	22	–	–	56,300	56,300
Financial Investments – Held-to-Maturity	23	–	–	72,294,832	20,989,927
Financial Investments	24	243,177,150	201,843,587	259,780,030	264,760,967
Other Financial Assets	25	232,859,565	7,048,875	316,363,479	298,108,880
Inventories – Real Estate Stock	26	–	–	2,607,728	8,031,216
Investment in Subsidiary Companies	27	379,474,885	379,474,885	–	–
Other Non-Financial Assets	28	78,966,548	67,907,212	94,877,752	85,328,188
Income Tax Refund		–	7,051,210	2,279,020	7,051,210
Intangible Assets	29	30,443,303	38,248,008	262,696,229	271,294,788
Property, Plant & Equipment	30	281,535,732	241,143,145	303,808,015	258,048,059
Deferred Tax Asset	31	–	2,083,992	17,273,941	30,651,513
Total Assets		4,320,029,346	3,932,431,683	5,650,664,778	5,141,566,371
Liabilities					
Due to Banks	32	31,225,454	47,743,228	78,451,425	58,434,441
Due to Customers	33	3,070,417,410	2,776,238,605	4,176,075,391	3,811,217,071
Other Non-Financial Liabilities	34	96,909,412	53,841,982	113,170,002	81,046,584
Post Employment Benefit Liability	35	16,088,241	17,109,256	17,644,379	18,457,020
Current Tax Liabilities		9,471,585	–	9,471,585	6,424
Deferred Tax Liabilities	31	10,378,342	–	–	–
Total Liabilities		3,234,490,444	2,894,933,071	4,394,812,782	3,969,161,539
Shareholders' Funds					
Stated Capital	36	890,000,020	890,000,020	890,000,020	890,000,020
Retained Earnings	37	129,410,910	83,677,709	172,492,808	101,761,316
Reserves	38	66,127,972	63,820,883	74,038,494	69,983,106
Total Equity Attributable to Equity Holders of the Company		1,085,538,902	1,037,498,612	1,136,531,322	1,061,744,442
Non-Controlling Interest	39	–	–	119,320,674	110,660,389
Total Shareholders' Funds		1,085,538,902	1,037,498,612	1,255,851,996	1,172,404,831
Total Liabilities and Shareholders' Funds		4,320,029,346	3,932,431,683	5,650,664,778	5,141,566,371
Commitments and Contingencies	41	–	–	15,186,566	188,977,816

I certify that these Financial Statements are in compliance with the requirements of the Companies Act No. 07 of 2007.

Mr. J C D de Alwis
DGM – Finance and Planning

Mr. W D K Ravindra Ranjith
Chief Executive Officer

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

Mr. Eastman Narangoda
Chairman

Mr. G C A De Silva
Deputy Chairman

Accounting Policies and Notes from pages 117 to 182 form an integral part of these Financial Statements.
27th May 2016
Colombo

Statement of Changes in Equity

	Notes	Stated Capital Rs.	Retained Earnings Rs.	Statutory Reserves Rs.	Investment Fund Reserve Rs.	Revaluation Reserves Rs.	Total Equity Rs.
Company							
Balances as at 1st April 2014		540,000,020	89,197,737	18,076,058	4,475,823	45,744,825	697,494,463
Issue of Share		350,000,000	–	–	–	–	350,000,000
Loss for the Year		–	(11,793,930)	–	–	–	(11,793,930)
Other Comprehensive Income		–	1,798,079	–	–	–	1,798,079
Transfer from Investment Fund Reserve	38	–	4,475,823	–	(4,475,823)	–	–
Balances as at 31st March 2015		890,000,020	83,677,710	18,076,058	–	45,744,825	1,037,498,612
Issue of Shares		–	–	–	–	–	–
Profit for the Year		–	46,141,783	–	–	–	46,141,783
Other Comprehensive Income		–	1,898,507	–	–	–	1,898,507
Transfer to Statutory Reserves Fund	38	–	(2,307,089)	2,307,089	–	–	–
Balances as at 31st March 2016		890,000,020	129,410,911	20,383,147	–	45,744,825	1,085,538,902

	Notes	Stated Capital Rs.	Retained Earnings Rs.	Statutory Reserves Rs.	Investment Fund Reserve Rs.	Revaluation Reserves Rs.	Shareholders' Fund Rs.	Non-Controlling Interest Rs.	Total Equity Rs.
Group									
Company Balances as at the beginning		540,000,020	89,197,737	18,076,058	4,475,823	45,744,825	697,494,463	–	697,494,463
Issue of Share		350,000,000	–	–	–	–	350,000,000	–	350,000,000
Transferred from Acquisition of Subsidiary		–	–	6,162,223	7,020,017	–	13,182,240	107,079,077	120,261,317
Profit for the Year		–	(546,139)	–	–	–	(546,139)	3,641,926	3,095,787
Other Comprehensive Income		–	1,613,879	–	–	–	1,613,879	(60,614)	1,553,265
Transfer from Investment Fund Reserve	38	–	11,495,840	–	(11,495,840)	–	–	–	–
Balances as at 31st March 2015 (Restated)		890,000,020	101,761,317	24,238,281	–	45,744,825	1,061,744,443	110,660,389	1,172,404,831
Profit for the Year		–	72,555,311	–	–	–	72,555,311	8,552,444	81,107,755
Other Comprehensive Income		–	2,231,568	–	–	–	2,231,568	107,842	2,339,410
Transfer to Statutory Reserves Fund	38	–	(4,055,388)	4,055,388	–	–	–	–	–
Balances as at 31st March 2016		890,000,020	172,492,808	28,293,669	–	45,744,825	1,136,531,322	119,320,674	1,255,851,996

Accounting Policies and Notes from pages 117 to 182 form an integral part of these Financial Statements.

Statement of Cash Flow

For the Year Ended 31st March	Notes	Company 2016 Rs.	Company 2015 Rs.	Group 2016 Rs.	Group 2015 Rs.
Cash Flows from/(used in) Operating Activities					
Profit before Income Tax Expense		76,510,573	(20,468,783)	114,932,593	(33,724,096)
Adjustments for:					
Impairment Provision	8	61,294,116	67,331,561	73,107,699	106,348,937
Interest Cost on Finance Lease		–	–	413,330	504,049
Loss/(Profit) from Sale of Investments		–	–	–	(890,262)
Diminution/(Appreciation) in Value of Investments		–	–	656	–
Reversal of Provision of Loan Risk Assurance Benefit Fund		(5,606,967)	–	(5,606,967)	–
Loss/(Profit) on Disposal of Property, Plant & Equipment	9	27,103	(438,264)	187,794	–
Provision for Defined Benefit Plans	26	4,754,295	4,430,654	5,626,548	6,130,833
Dividend Received		–	–	(54,006)	–
Depreciation of Property, Plant & Equipment		34,771,373	15,892,839	42,710,346	19,857,689
Amortisation of Intangible Assets		10,662,306	10,576,364	11,456,160	10,971,122
Notional Tax Credit on Interest on Treasury Bills		1,738,897	–	1,116,702	–
Operating Profit before Working Capital Changes		184,151,695	77,324,369	243,890,854	109,198,271
(Increase)/Decrease in Loans and Advances	19	(55,066,124)	(816,900,166)	(435,110,623)	(732,627,305)
(Increase)/Decrease in Lease Rentals Receivable & Stock-out on Hire		–	–	53,286,164	46,866,583
(Increase)/Decrease in Real Estate Stock		–	–	5,423,488	9,456,937
(Increase)/Decrease in Other Financial Assets	25	(225,810,690)	281,275,654	(17,367,378)	253,316,407
(Increase)/Decrease in Other Non-Financial Assets	28	(12,363,388)	3,916,967	(15,938,469)	17,237,898
Increase/(Decrease) in Amounts Due to Customers		294,178,805	611,236,303	364,858,319	533,323,779
Increase/(Decrease) in Other Non-Financial Liabilities		36,428,237	(50,654,001)	25,477,801	(17,556,207)
Cash Generated from Operations		221,518,536	106,199,126	224,520,157	219,216,363
Retirement Benefit Liabilities Paid		(5,775,310)	(2,904,959)	(5,998,286)	(3,645,003)
LRAB Premium Collected		18,221,991	–	18,221,991	–
Taxes Paid		–	–	–	–
Net Cash from/(used in) Operating Activities		233,965,217	103,294,167	236,743,862	215,571,360
Cash Flows from/(used in) Investing Activities					
Sales of Property, Plant & Equipment		1,305,204	370,037	1,448,377	(5)
Acquisition of Property, Plant & Equipment	30	(76,496,267)	(51,236,006)	(90,106,476)	(52,139,402)
Acquisition of Intangible Assets	29	(2,777,600)	(16,629,341)	(2,777,600)	(16,629,341)
Financial Investments	24	(41,333,564)	(1,843,720)	4,980,937	(1,843,720)
Financial Investments Held for Trading		–	–	–	876,288
Sale/(Purchase) of Financial Investments – Available-for-Sale		–	–	–	9,846,200
Sale/(Purchase) of Financial Investments – Held-to-Maturity		–	35,000,000	(51,304,905)	15,345,439
Net Cash Effect on Acquisition of Subsidiary		–	(379,474,885)	–	(311,672,511)
Dividend Received		–	–	54,006	–
Net Cash Flows from/(used in) Investing Activities		(119,302,226)	(413,813,915)	(137,705,660)	(356,217,047)
Cash Flows from/(used in) Financing Activities					
Issued Shares		–	350,000,000	–	350,000,000
Payment Under Finance Lease Liabilities		–	–	–	–
Net Cash Flow from Securitised Borrowings, Syndicated Loans and Other Bank Facilities		(6,878,629)	(29,862,428)	(8,153,896)	(30,654,145)
Net Cash Flow from Debt Issued and Other Borrowings		–	–	–	–
Dividends Paid		–	–	–	–
Net Cash Flows from/(used in) Financing Activities		(6,878,629)	320,137,572	(8,153,896)	319,345,855
Net Increase in Cash and Cash Equivalents		107,784,362	9,247,788	90,884,306	178,700,168
Cash and Cash Equivalents at the beginning of the Year		198,981,741	189,733,953	246,502,542	67,802,374
Cash and Cash Equivalents at the end of the Year	A	306,766,105	198,981,741	337,386,849	246,502,542
A Cash and Cash Equivalents at the beginning of the Year					
Favourable Cash and Cash Equivalents		306,766,105	208,620,885	382,595,165	263,953,307
Unfavourable Cash and Cash Equivalents		–	(9,639,144)	(45,208,316)	(17,450,765)
Total Cash and Cash Equivalents at the end of the Year		306,766,105	198,981,741	337,386,850	246,502,542

Accounting Policies and Notes from pages 117 to 182 form an integral part of these Financial Statements.

Notes to the Financial Statements

1. Corporate Information

1.1 General

Sarvodaya Development Finance Limited (The 'Company') is a public limited liability company incorporated and domiciled in Sri Lanka and is a registered finance company regulated under the Finance Business Act No. 42 of 2011 and amendments thereto.

The registered office of the Company is located at 'Arthadharma Kendraya', No. 45, Rawatawatte Road, Moratuwa and the principal place of business is situated at the same place.

1.2 Principal Activities of the Company and the Group

The principal activities of the Company consist Acceptance of Deposits, Granting Microfinance Loans, Mortgage Loans, Business Loans, Pawning and other credit facilities and related services.

Subsidiaries – Summit Finance PLC (Formerly, George Steuart Finance PLC)

The principal activities of the Subsidiary consist of Acceptance of Deposits, Granting Leasing Facility, Hire Purchases, Mortgage Loans, Vehicle Loans, Business Loans, Traders Loans, Real Estate Development and related services, Bill Discounting and other credit facilities and related services.

1.3 Consolidated Financial Statements

The Consolidated Financial Statements for the year ended 31st March 2016 comprise the Company (Parent company) and its Subsidiary companies.

The Company's Parent undertaking is Sarvodaya Economic Enterprises Development Services (Gte) Limited (SEEDS), which is also the Company's Ultimate Parent of the Group.

1.4 Statement of Compliance

The Consolidated Financial Statements of the Group and the separate Financial Statements of the Company as at 31st March 2016 which comprise the Statement of Financial Position, Statement of Profit or Loss and Other Comprehensive Income/(Expenses), Statement of Changes in Equity, Statement of Cash Flows, Accounting Policies and Notes, have been prepared in accordance with Sri Lanka Accounting Standards (SLFRSs and LKASs) issued by The Institute of Chartered Accountants of Sri Lanka and in compliance with the requirements of the Companies Act No. 07 of 2007. The presentation of Financial Statements also in compliance with the requirements of Finance Business Act No. 42 of 2011 and amendments thereto.

1.5 Responsibility for the Financial Statements

The Board of Directors is responsible for the preparation and presentation of the Financial Statements of the Company and the Group, in compliance with the provisions of the Companies Act No. 07 of 2007 and SLFRSs.

The Board of Directors acknowledges their responsibility as set out in the 'Report of the Board of Directors on the Affairs of the Company', 'Directors' Responsibility for Financial Reporting' and 'Directors' Statement on Internal Control over Financial Reporting' and the certification given on the 'Statement of Financial Position' on pages 102 to 110 respectively.

These Financial Statements Include

The Statement of Profit or Loss and Other Comprehensive Income/(Expenses) provides the information on the performance for the year under review (Refer page 113). Statement of Financial Position provides the information on the financial position of the Company and the Group as at the year end (Refer page 114). Statement of Changes in Equity provides the movement in the shareholders' funds during the year under review for the Company and the Group (Refer page 115). Statement of Cash Flows provides the information to the users, on the ability of the Company and the Group to generate cash and cash equivalents and the needs for entities to utilise those cash flows (Refer page 116) and Notes to the Financial Statements, which comprises the Accounting Policies and other explanatory notes and information (Refer pages 117 to 182).

1.6 Approval of the Financial Statements

The Financial Statements of the Company and the Group for the year ended 31st March 2016 (including comparatives) have been approved and authorised for issue by the Board of Directors on 27th May 2016.

2. Basis of Preparation of Financial Statements

2.1 Preparation of Financial Statements

The Financial Statements of the Company and the Group have been prepared on a historical cost basis, except for the following material items in the Statement of Financial Position:

- Financial assets and liabilities held for trading which are measured at fair value.
- Freehold land and building which are measured at cost at the time of acquisition and subsequently at revalued amounts, which are the fair values at the date of revaluation.

- Liabilities for defined benefit obligations which are recognised at the present value of the defined benefit obligations less the net totals of planed assets and unrecognised past service cost.

2.2 Presentation of Financial Statements

The Company and the Group present its Statement of Financial Position broadly in order of liquidity. An analysis regarding recovery and settlement within 12 months after the Reporting date (current) and more than 12 months after the Reporting date (non-current) is presented in Note 40 to these Financial Statements.

2.3 Materiality and Aggregation

In compliance with Sri Lanka Accounting Standard (LKAS) 01 – on ‘Presentation of Financial Statements’, each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or functions are presented separately, unless they are immaterial.

Financial assets and financial liabilities are offset and the net amount is reported in the Statement of Financial Position of the Company and the 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 realise the assets and settle the liabilities simultaneously.

Income and expenses are not offset in the Statement of Profit or Loss of the Company and the Group unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the Notes to these Financial Statements of the Company and the Group.

2.4 Basis of Consolidation

The Consolidated Financial Statements comprise the Financial Statements of the Group and its Subsidiaries as at 31st March 2016. 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 (i.e., existing rights that give it the current ability to direct the relevant activities of the investee).
- Exposure, or rights, to variable returns from its involvement with the investee.
- The ability to use its power over the investee to affect its returns.

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(s) 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 three elements of control.

Consolidation of a Subsidiary begins when the Group obtains control over the Subsidiary and ceases when the Group loses control of the Subsidiary. Assets, liabilities, income and expenses of a Subsidiary acquired or disposed of during the year are included in the Consolidated Financial Statements from the date the Group gains control until the date the Group ceases to control the Subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the Parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the Financial Statements of Subsidiaries to bring their accounting policies into 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 the Group are eliminated in full on consolidation. A change in the ownership interest of a Subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a Subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit for loss. Any investment retained is recognised at fair value.

2.5 Functional and Presentation Currency

The Financial Statements are presented in Sri Lankan Rupees, which is the Company’s functional currency, unless indicate otherwise. No adjustments have been made for inflationary factors.

Going Concern

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

3. General Accounting Policies

3.1 Significant Accounting Judgments, Estimates and Assumptions

In the process of applying the accounting policies of the Company and the Group, management is required to make judgments, which may have significant effects on the amounts recognised in the Financial Statements. Further, the management is also required to consider key assumptions concerning the future and other key sources of estimation of uncertainty at the date of the Statement of the Financial Position that have significant risk of causing a material adjustments to the carrying amounts of assets and liabilities within the next financial year. Actual results may differ from these estimates.

The key significant accounting judgments, estimates and assumptions involving uncertainty for each type of assets, liabilities, income and expenses along with the respective carrying amounts of such items are given in the Notes to these Financial Statements are as follows:

- Allowance for Impairment Charges for Loans and Receivables (Details under Note 19.3)
- Deferred Taxation (Details under Note 31)
- Post-Employment Benefit Liability (Details under Note 35)
- Related Party Transactions (Details under Note 44)
- Fair Value of Financial Instruments (Details under Note 46)

3.2 Financial Instruments

Initial Recognition Date

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

Initial Measurement of Financial Instruments

The classification of financial instruments at initial recognition depends on their purpose and characteristics and the management’s intention in acquiring them. All financial instruments are measured initially at their fair value plus transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss as per Sri Lanka Accounting Standard (LKAS) 39 – ‘Financial Instruments: Recognition and Measurement’.

Classification and Subsequent Measurement of Financial Assets

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

- At fair value through profit or Loss
  - Held for Trading; or
  - Designated at fair value through profit or loss.
- Loans and Receivables.
- Available-for-Sale; or
- Held-to-Maturity

The subsequent measurement of the financial assets depends on their classifications.

Financial Liabilities at Fair Value Through Profit or Loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value though profit or loss. Financial liabilities 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. This category includes derivative financial instruments entered into by the Company and the Group that are not designated as hedging instruments in hedge relationships as defined by Sri Lanka Accounting Standard (LKAS) 39 – ‘Financial Instruments: Recognition and Measurement’.

Gains or losses on liabilities held-for-trading are recognised in the Statement of Comprehensive Income/(Expenses).

The Company and the Group has not designated any financial liabilities upon recognition, at fair value though profit or loss.

Other Financial Liabilities

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

Other financial liabilities include, amounts due to banks, due to other customers, debt securities and other borrowed funds and subordinate debts.

After initial measurement, other financial liabilities are subsequently measured at amortised cost using the EIR.

Derecognition of Financial Assets and Financial Liabilities

(a) Financial Assets

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

- The rights to receive cash flows from the asset have expired,
- The Company and 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,
- The Company and the Group has transferred substantially all the risks and rewards of the asset; or
- The Company and 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 Company and 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 Company could be required to repay.

(b) Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in the Statement of Profit or Loss.

Reclassification of Financial Assets and Liabilities

The Company and the Group reclassifies non-derivative financial assets out of the 'held for trading' category and into the 'available-for-sale', 'loans and receivables', or 'held-to-maturity' categories as permitted by the Sri Lanka Accounting Standard (LKAS) 39 – 'Financial Instruments: Recognition and Measurement'. Further, in certain circumstances, the Company and the Group is permitted to reclassify financial instruments out of the 'available-for-sale' category and into the 'loans and receivables' category. Reclassifications are recorded at fair value at the date of reclassification, which becomes the new amortised cost.

For a financial asset with a fixed maturity reclassified out of the 'available-for-sale' category, any previous gain or loss on that asset that has been recognised in equity is amortised to the Statement of Profit or Loss over the remaining life of the asset 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. In the case of a financial asset does not have a fixed maturity, the gain or loss is recognised in the profit or loss when such financial asset is sold or disposed of. If the financial asset is subsequently determined to be impaired, then the amount recorded in equity is recycled to the Statement of Comprehensive Income/(Expenses).

The Company and the Group may reclassify a non-derivative trading asset out of the 'held for trading' category and into the 'loans and receivables' category if it meets the definition of loans and receivables and the Company 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 Company and the Group subsequently increase its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognised as an adjustment to the EIR from the date of the change in estimate. Reclassification is at the election of management, and is determined on an instrument-by-instrument basis.

The Company and the Group does not reclassify any financial instruments into the fair value through profit or loss category after initial recognition. Further, the Company and the Group does not reclassify any financial instrument out of the fair value through profit or loss category if upon initial recognition it was designated as at fair value through profit or loss.

3.3 Impairment of Non-Financial Assets Other than Goodwill

The Company and the Group assesses at each Statement of Financial Position date whether there is an indication that an asset may be impaired.

If any such indication exists, or when annual impairment testing for an asset is required, the Company and the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

For assets excluding goodwill, an assessment is made at each Statement of Financial Position 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 Company and the Group estimates the asset's or cash-generating unit'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.

3.4 Business Combinations and Goodwill

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

Investments in Subsidiary companies are accounted for using the Acquisition Method of accounting in the Consolidated Financial Statements as per the requirement of Sri Lanka Accounting Standard (SLFRS) 03 – 'Business Combinations'. This involves recognising identifiable assets (including previously unrecognised intangible assets) and liabilities (including contingent liabilities and excluding future restructuring) of the acquired business at fair value. Any excess of the fair value of consideration transferred including the recognised amount of any non-controlling interest in the acquire less the fair values of the identifiable net assets acquired and liabilities assumed, measured at the acquisition date, is recognised as goodwill. When the excess is negative, the discount on acquisition (negative goodwill) is recognised directly in the Statement of Profit or Loss in the year of acquisition.

Goodwill acquired in a business combination is initially measured at cost, being the excess of the fair value of the consideration transferred over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units.

Where goodwill forms part of a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Carrying amount of the goodwill arising on acquisition of subsidiaries is presented as an intangible and the goodwill arising on an acquisition of an equity accounted investment such as investment in Associates, is included in the carrying values of the investment.

When subsidiaries are sold, the difference between the selling price and the net assets plus cumulative translation differences and unamortised goodwill is recognised in the Statement of Profit or Loss.

4. Standards Issued But Not Yet Effective

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

SLFRS 9 – Financial Instruments: Classification and Measurement

SLFRS 9, as issued reflects the first phase of work on replacement of LKAS 39 and applies to classification and measurement of financial assets and liabilities. This standard was originally effective for annual periods commencing on or after 1st January 2015. However, the effective date has been deferred to 1st January 2018 subsequently.

Given the nature of the Company's and the Group's operations, this standard is expected to have a pervasive impact on the Group's Financial Statements, in particular, calculation of impairment of the financial instruments on an expected credit loss model is expected to result an increase in the overall level of impairment allowances. The impact on the Company's and the Group's Financial Statements from the implementation of the above Standard has not been quantified yet.

SLFRS 15 – Revenue from Contracts with Customers

The objective of this 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 contracts with customers. It replaces the existing revenue recognition guidelines, including LKAS 18 on 'Revenue' and LKAS 11 on 'Construction Contracts'.

SLFRS 15 will become effective for annual Reporting periods beginning on or after 1st January 2018. The impact on the Company's and the Group's Financial Statements from the implementation of the above Standard has not been quantified yet.

5. Amendments to Existing Accounting Standards that became Effective from 1st January 2016

Amendments to the below detailed existing Accounting Standards with effect from 1st January 2016 as published by The Institute of Chartered Accountants of Sri Lanka are not expected to have an impact on the Consolidated Financial Statements of the Group.

LKAS 27 – Consolidated and Separate Financial Statements

The objective of this amendment to the Standard is to allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate Financial Statements.

The amendment to the LKAS 27 is effective for annual reporting periods beginning on or after 1st January 2016.

6. Income

Accounting Policy

Gross income (Revenue) is recognised to the extent that it is probable that the economic benefits will flow to the Company and the Group and the revenue can be reliably measured. The specific recognition criteria, for each type of gross income, are given under the respective income notes.

	Company		Group	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Interest Income	922,993,919	652,411,316	1,212,582,970	798,713,064
Fee and Commission Income	15,177,472	14,117,131	19,541,556	14,213,105
Other Operating Income (Net)	76,582,251	86,464,501	79,541,625	86,283,358
Total Income	1,014,753,642	752,992,948	1,311,666,151	899,209,526

7. Net Interest Income

Accounting Policy

For all financial instruments measured at amortised cost and interest-bearing financial assets classified as available-for-sale, interest income or expense is recorded using the Effective Interest Rate.

The carrying amount of the financial assets or financial liabilities is adjusted if the Company and the Group revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original EIR. The amortised cost is calculated by taking into account any discount or premium on an acquisition and fees and costs that are an integral part of the EIR. The change in carrying amount is recorded as 'Interest income' for financial assets and interest expenses for financial liabilities.

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

Interests from overdue rentals have been accounted for on a cash received basis.

	Company		Group	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.

7.1 Interest Income

	Company 2016 Rs.	Company 2015 Rs.	Group 2016 Rs.	Group 2015 Rs.
Loans and Receivables	880,258,554	616,742,111	1,096,998,260	723,566,870
Lease Rentals Receivable and Stock Out on Hire	–	–	32,577,051	22,789,087
Financial Investments	17,388,970	18,738,050	23,610,925	21,551,806
Savings Deposits	13,912,868	10,229,349	13,912,868	10,229,349
Other Financial Assets	11,433,527	6,701,806	45,483,866	20,575,951
Total Interest Income	922,993,919	652,411,316	1,212,582,970	798,713,064

7.2 Interest Expenses

	Company 2016 Rs.	Company 2015 Rs.	Group 2016 Rs.	Group 2015 Rs.
Due to Banks	3,347,711	6,245,709	3,869,321	6,537,201
Due to Customers	252,567,291	204,558,302	377,934,767	266,863,318
Other Financial Liabilities	–	–	–	17,267
Total Interest Expenses	255,915,002	210,804,012	381,804,088	273,417,787

7.3 Net Interest Income from Sri Lanka Government Securities

	Company 2016 Rs.	Company 2015 Rs.	Group 2016 Rs.	Group 2015 Rs.
Interest Income	15,650,073	16,864,245	21,249,833	19,396,626
Net Interest Income	15,650,073	16,864,245	21,249,833	19,396,626

7.4 Notional Tax Credit on Secondary Market Transactions

According to Section 137 of the Inland Revenue Act No. 10 of 2006, Net Interest Income of the Company derived from the secondary market transactions in Treasury Bills and Treasury Bonds (Interest income accrued or received on outright or reverse repurchase transactions on such securities, bonds or bills less interest expenses on repurchase transaction with Securities, Treasury Bonds or Treasury Bills from which such interest income was earned) for the period 1st April 2015 to 31st March 2016 has been grossed up by Rs. 1,738,897/- (2015 – Rs. 1,873,805/-) for the notional tax credit, consequent to the interest income on above instruments being subjected to withholding tax.

8. Fee and Commission Income

Accounting Policy

Income from Fee-Based Activities

Fees for underwriting, documentation charges, service charges and all other fees and commissions are recognised on accrual basis. Fees charged on guarantee/bid bonds are recognised on an accrual basis over the period the service is performed.

	Company		Group	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Credit-Related Fees and Commissions	–	–	247,372	484,105
Documentation Charges	14,710,684	13,395,340	18,827,396	13,395,340
Service Charge	466,788	721,791	466,788	333,660
Total Net Fee and Commission Income	15,177,472	14,117,131	19,541,556	14,213,105

9. Other Operating Income

Accounting Policy

Other operating income includes recoveries of written down loans and advances, capital gains/(losses) and gains from property, plant & equipment.

Dividend Income

Dividend income from investments in Subsidiary companies and Associate companies and other investments in shares held for other than trading purposes, are recognised when the Company's and the Group's right to receive the payment, is established.

Capital Gains

Capital gains from sale of securities and group investments present the difference between the sales proceeds from sale of such investments and the carrying value of such investments.

	Company		Group	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Recoveries on Bad Debts	61,171,202	41,506,364	62,074,451	41,506,364
Profit/(Loss) on Disposal of Property, Plant & Equipment	27,103	(438,264)	(133,589)	(19,074)
Net Gain/(Loss) from Trading	–	–	(656)	(354,038)
Reversal of Provision of Loan Risk Assurance Benefit Fund	5,606,967	26,390,605	5,606,967	26,390,605
Other Sundry Income (Note 9.1)	9,776,979	19,005,796	11,994,451	18,759,501
Total Other Operating Income	76,582,251	86,464,501	79,541,625	86,283,358

9.1 This balance included Membership Fee Income, CRIB Income, Training Income, Insurance Commission Income, Pawning Penalty Income, Discount Received, Penalty Income, Termination Fee and other.

10. Impairment Charges/(Reversal) for Loans and Other Losses

Accounting Policy

The Company and the Group recognise the changes in the impairment provisions for loans and receivables to banks and other customers, which are assessed as per the (LKAS) 39 – 'Financial Instruments: Recognition and Measurement'. The methodology adopted by the Company and the Group is explained in Note 19.3 to these Financial Statements. The Company also makes provisions/write-backs for impairment of investments in Subsidiary and Associate companies and other financial assets when there is a permanent diminution in the carrying value of these investments.

	Company		Group	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Loans and Advances Receivable Excluding Pawning Advance	67,269,948	58,173,059	70,559,868	106,348,937
Finance Lease Rental Receivable	–	–	(107,868)	(5,488,749)
Stock Out on Hire	–	–	8,631,531	(546,396)
Pawning Advance	(5,975,833)	9,158,502	(5,975,833)	9,158,502
Total Impairment Charges for Loans and Other Losses	61,294,116	67,331,561	73,107,699	109,472,294

11. Personnel Expenses

Accounting Policy

Personnel costs include salaries and bonus, terminal benefit charges, share-based payments and other related expenses. The provisions for bonus is recognised when 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.

Employees' Provident Fund and Employees' Trust Fund

Employees are eligible for Employees' Provident Fund contributions and Employees' Trust Fund contributions in accordance with the respective statutes and regulations. The Company contributes 12% and 3% of gross salaries of employees to the Employees' Provident Fund and the Employees' Trust Fund respectively. Group Companies contribute 12% and 3% to Central Bank of Sri Lanka for eligible employees for Employees' Provident Fund contributions and Employees' Trust Fund contributions respectively.

Contributions to defined benefit plans are recognised in the Statement of Profit or Loss and Other Comprehensive Income/(Expenses) based on an actuarial valuation carried out for the gratuity liability of the Company in accordance with LKAS 19 – 'Defined Benefit Obligations'.

	Company		Group	
Year Ended 31st March	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Salaries and Other Related Expenses	277,871,566	239,550,661	307,577,256	251,888,175
Employer's Contribution to Employees' Provident Fund	19,398,157	17,134,019	23,318,839	18,821,800
Employer's Contribution to Employees' Trust Fund	4,849,133	4,430,654	5,830,253	4,866,969
Gratuity Charge/(Reversals) for the Year	5,881,736	5,942,236	6,753,989	6,130,833
Other Staff-Related Expenses	6,184,546	4,047,816	9,931,532	4,519,886
Total Personnel Expenses	314,185,138	271,105,385	353,411,869	286,227,662

12. Other Operating Expenses

Accounting Policy

Operating expenses are recognised in the Statement of Profit or Loss on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the property, plant & equipment in a state of efficiency has been charged to income in arriving at the profit for the year. Consolidation expenses consist of the legal fee, professional fee and other document charges incurred for the consolidation process.

	Company		Group	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Directors' Emoluments	5,126,662	4,650,000	9,270,789	6,750,000
Auditors' Remuneration	1,821,649	1,188,810	2,590,282	1,788,810
Professional and Legal Expenses	10,318,285	6,629,023	13,127,281	10,122,025
Deposit Insurance Premium	4,533,905	2,848,536	4,533,905	3,602,755
General Insurance Expenses	1,908,753	1,464,581	1,908,753	1,464,581
Office Administration and Establishment Expenses	152,570,993	122,757,152	201,474,706	139,029,599
Travelling and Transport Expenses	10,815,742	9,591,302	10,815,742	18,150,970
Pawning Expenses	–	186,901	–	186,901
Other Expenses	3,145,186	3,947,185	8,600,472	7,403,347
Consolidation Expenses	–	11,582,731	–	11,582,731
Marketing Expenses	21,901,596	10,659,638	22,801,076	10,659,638
Total Other Operating Income	212,142,771	175,505,858	275,123,007	210,741,356

13. Tax on Financial Services

Accounting Policy

The base for the computation of Value Added Tax on financial services is the accounting profit before emoluments paid to employees and income tax, which is adjusted for the depreciation computed on the prescribed rates. The current regulatory tax rate is 11%.

The same base is also applied for the computation of the Nation Building Tax which was effective from 1st January 2014 and the regulatory tax rate is 2%.

	Company		Group	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Value Added Tax on the Supply of Financial Services	41,691,999	18,239,811	50,024,942	18,239,811
Nation Building Tax on Financial Services	7,580,364	4,005,902	9,095,444	4,005,902
	49,272,363	22,245,714	59,120,386	22,245,714

14. Income Tax Expenses

Accounting Policy

As per the Sri Lanka Accounting Standard (LKAS) 12 – on 'Income Taxes', the tax expense/tax income is the aggregate amount included in determination of profits or loss for the period in respect of income tax and deferred tax. The tax expense/income is recorded in the Statement of Profit or Loss expect to the extent it relates to items recognised directly in Equity or Statement of Comprehensive Income (OCI), in which case it is recognised in Equity or OCI.

The tax rates and laws used to compute the amount are those that are enacted or substantively enacted by the Reporting date. The regulatory income tax rate for the year was 28% (2015 – 28%).

The components of the income tax expense for the years ended 31st March 2016 and 2015 are –

	Company		Group	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Income Taxation				
Taxation Based on Profits for the Year (Note 14.1)	22,604,887	5,469,497	28,699,255	14,714,913
(Over)/Under Provision in Respect of 2014/15 (Note 14.2)	(5,469,497)	–	(9,023,056)	–
(Over)/Under provision in Respect of 2013/14	–	1,844,572	–	(3,909,364)
(Over)/Under Provision in Respect of 2011/12 (Note 14.3)	–	(12,200,875)	–	(12,200,875)
Deferred Taxation				
Transfers to/(from) Deferred Taxation (Note 31)	13,233,400	(3,788,047)	14,148,638	(35,424,557)
Total Tax Charge	30,368,790	(8,674,853)	33,824,837	(36,819,883)

14.1 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 31st March are as follows:

	Company		Group	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Profit Before Tax	76,510,573	(20,468,783)	114,932,592	(33,724,096)
Add: Disallowable Expenses	167,657,372	128,523,678	222,103,524	216,802,588
WHT on Savings Interest Income	–	1,136,594	–	1,136,594
WHT on Financial Assets Interest Income	–	744,645	–	744,645
Less: Tax Deductible Expenses	(119,965,270)	(90,402,218)	(191,067,839)	(132,406,471)
Adjusted Profit/(Loss) for Tax Purposes	124,202,675	19,533,916	145,968,277	52,553,260
Assessable Income	124,202,675	19,533,916	145,968,277	52,553,260
Less: Allowable Losses	(43,470,936)	–	(43,470,936)	–
Taxable Income	80,731,739	19,533,916	102,497,341	52,553,260
Income Tax @ 28%	22,604,887	5,469,497	28,699,256	14,714,913
Income Tax on Current Year's Profit	22,604,887	5,469,497	28,699,256	14,714,913
Effective Tax Rate	30%	NIL	25%	NIL

14.2 (Over)/Under Provision in Respect of 2014/15

The Company claimed an income tax over provision of Rs. 5,469,497/- in respect of the year 2014/15 from the income tax liability of the current year. This over provision arose as a result of claiming the allowable bad debt expenses of the written off contracts amounting to Rs. 197 Million in the year 2013/14 when filing the income tax return for the year of assessment 2013/14.

14.3 (Over)/Under Provision in Respect of 2011/12

The Company has acquired the business from Sarvodaya Economic Enterprise (Guarantee) Limited, (SEEDS) during 2011/12. Relevant taxes for 2011/12 has been paid by the SEEDS for that year of assessment and an additional provision has been made in the Company accounts for the same liability for prudency to meet any additional tax liabilities arising from the acquisition of business from SEEDS. Since no tax liability has been arising from the acquisition of business from SEEDS, the over provision of Rs. 12,200,875/- for income tax in respect of year 2011/12 has been reversed back to the Income Statement in the financial year 2015.

14.4 Applicable Income Tax Rates

	2016 %	2015 %
Sarvodaya Development Finance Limited.	28	28
Summith Finance PLC	28	28

15. Earnings Per Share

Accounting Policy

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period as required by the Sri Lanka Accounting Standard (LKAS) 33 – on 'Earnings per Share':

	Company		Group	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Amount Used as the Numerator				
Profit Attributed to Ordinary Shareholders	46,141,783	(11,793,930)	72,555,311	(546,139)
Amount Used as the Denominator				
Weighted Average Number of Ordinary Shares as at the Date of the Statement of Financial Position for Basic EPS Calculation	67,500,006	61,027,401	67,500,006	61,027,401
Weighted Average Basic Earnings per Share (Rs.)	0.68	(0.19)	1.07	(0.01)

16. Dividend Paid and Proposed

Provision for the final dividend is recognised at the time the dividend is recommended and declared by the Board of Directors and is approved by the shareholders in accordance with Section 56 (1) (b) of the Companies Act No. 07 of 2007.

	Gross Dividend Rs.	Dividend Tax Rs.	2016 Net Dividend Rs.
16.1 Final Dividend Proposed for the Year 2015/16			
Out of Current Year Profits	16,875,002	1,687,500	15,187,501
Out of Cash Dividend Received			
Cash Dividend Payable	16,875,002	1,687,500	15,187,501
Dividend per Ordinary Share	0.25		0.25

The Board of Directors of the Company has recommended the payment of a first and final cash dividend of Rs. 0.25 per share for the year ended 31st March 2016, amounting to a distribution of approximately Rs. 15,187,501/-. net of 10% withholding tax. This will be paid as cash dividend.

Withholding tax that arises from the distribution of dividends by the Company is recognised at the time the liability to pay the related dividend is recognised.

Dividend for the year that are approved after the reporting date are disclosed as an event after the Reporting date in accordance with the Sri Lanka Accounting Standard (LKAS) 10 – 'Events after the reporting period'. Accordingly, above proposed final dividend has not been recognised as a liability as at the year end.

As per the letter dated 19th August 2014 of Central Bank of Sri Lanka has informed to Company not to pay any dividend until 31st December 2015. Therefore Company and the Group not proposed any dividend for the year ended 31st March 2015.

17. Analysis of Financial Instruments by Measurement Basis

17.1 Company

	2016 Loans and Receivables Rs.	2016 Total Rs.	2015 Loans and Receivables Rs.	2015 Total Rs.
Assets				
Cash and Cash Equivalents	306,766,105	306,766,105	208,620,885	208,620,885
Loans and Receivables	2,766,806,059	2,766,806,059	2,779,009,883	2,779,009,883
Financial Investments	243,177,150	243,177,150	201,843,587	201,843,587
Other Financial Assets	232,859,565	232,859,565	7,048,875	7,048,875
Total Financial Assets	3,549,608,878	3,549,608,878	3,196,523,229	3,196,523,229

	2016 Amortised Cost Rs.	2016 Total Rs.	2015 Amortised Cost Rs.	2015 Total Rs.
Liabilities				
Due to Banks	31,225,454	31,225,454	47,743,228	47,743,228
Due to Customers	3,070,417,410	3,070,417,410	2,776,238,605	2,776,238,605
Total Financial Liabilities	3,101,642,864	3,101,642,864	2,823,981,832	2,823,981,832

17.2 Group

	2016				
	Held-to-Maturity at Amortised Cost Rs.	Available-for-Sale at Fair Value Rs.	Held for Trading at Fair Value Rs.	Loans and Receivables Rs.	Total Rs.
Assets					
Cash and Cash Equivalents	–	–	–	382,595,166	382,595,166
Loans and Receivables	–	–	–	3,803,904,984	3,803,904,984
Lease Rentals Receivable and Stock Out on Hire	–	–	–	132,126,602	132,126,602
Financial Investments – Held for Trading	–	–	700	–	700
Financial Investments – Available-for-Sale	–	56,300	–	–	56,300
Financial Investments – Held-to-Maturity	72,294,832	–	–	–	72,294,832
Financial Investments	–	–	–	259,780,030	259,780,030
Other Financial Assets	–	–	–	316,702,795	316,702,795
Total Financial Assets	72,294,832	56,300	700	4,895,109,576	4,967,461,408

	2016	
	Amortised Cost Rs.	Total Rs.
Liabilities		
Due to Banks	47,743,228	47,743,228
Due to Customers	2,776,238,605	2,776,238,605
Total Financial Liabilities	2,823,981,832	2,823,981,832

17.3 Group

	2015				
	Held-to-Maturity at Amortised Cost Rs.	Available-for-Sale at Fair Value Rs.	Held for Trading at Fair Value Rs.	Loans and Receivables Rs.	Total Rs.
Assets					
Cash and Cash Equivalents	–	–	–	263,953,307	263,953,307
Loans and Receivables	–	–	–	3,439,354,229	3,439,354,229
Lease Rentals Receivable and Stock Out on Hire	–	–	–	193,936,429	193,936,429
Financial Investments – Held for Trading	–	–	1,356	–	1,356
Financial Investments – Available-for-Sale	–	56,300	–	–	56,300
Financial Investments – Held-to-Maturity	20,989,927	–	–	–	20,989,927
Financial Investments	–	–	–	264,760,967	264,760,967
Other Financial Assets	–	–	–	298,108,880	298,108,880
Total Financial Assets	20,989,927	56,300	1,356	4,460,113,813	4,481,161,396

	2015	
	Amortised Cost Rs.	Total Rs.
Liabilities		
Due to Banks	58,434,441	58,434,441
Due to Customers	3,811,217,071	3,811,217,071
Total Financial Liabilities	3,869,651,512	3,869,651,512

18. Cash and Cash Equivalents

Accounting Policy

Cash and cash equivalents for the purpose of reporting in the Statement of Financial Position, comprise of cash in hand, balances with banks and cash in transit. The cash in hand comprises of local currency only.

	Company		Group	
Year ended 31st March	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Cash in Hand	42,623,363	56,130,016	51,961,695	64,176,246
Cash and Bank Balances	264,142,742	149,033,021	330,633,471	196,319,213
Cash in Transit	–	3,457,848	–	3,457,848
Total Cash and Cash Equivalents	306,766,105	208,620,885	382,595,165	263,953,307

19. Loans and Receivables

Accounting Policy

Loans and receivables to other customers 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 the Group intends to sell immediately or in the near term and those that the Company and the Group, upon initial recognition, designates as at fair value through profit or loss:

- Those that the Company and the Group, upon initial recognition, designates as available-for-sale.
- Those for which the Company and the Group may not recover substantially all of its initial investment, other than because of credit deterioration.

After initial measurement, 'loans and receivables to other customers' are subsequently measured at amortised cost using the EIR, less allowance for impairment. The amortisation is included in 'interest income' in the Statement of Profit or Loss account. The losses arising from impairment are recognised in the Statement of Profit or Loss as 'impairment for loans and receivables and other losses'.

Write-off of Loans and Receivables

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.

Rescheduled Loan Facilities

Where possible, the Company and the Group seek 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 negotiated, any impairment is measured using the original 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.

Collateral Valuation

The Company and the Group seeks to use collateral, where possible, to mitigate its risks on loans and receivables to other customers. The collateral comes in various forms such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and other credit enhancements.

To the extent possible, the Company and the Group use active market data for valuing financial assets, held as collateral. Other financial assets which do not have a readily determinable market value are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as independent valuers, Audited Financial Statements and other independent sources.

	Company		Group	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Gross Loans and Receivables	2,914,388,763	2,859,322,639	4,035,587,426	3,655,815,221
(Less): Allowance for Impairment Charges for Loans and Receivables (Note 19.4)	(147,582,704)	(80,312,756)	(231,682,442)	(216,460,992)
Net Loans and Receivables to Other Customers	2,766,806,059	2,779,009,883	3,803,904,984	3,439,354,229

19.1 Loans and Receivables – By Province

	Company		Group	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Western Province	620,251,697	499,969,437	1,656,226,204	1,232,120,283
Southern Province	350,041,238	405,939,581	350,041,238	405,939,581
Central Province	441,194,978	471,887,801	491,488,828	508,963,973
North Central Province	383,297,383	322,439,353	383,297,383	322,439,353
Uva Province	235,365,681	273,395,431	235,365,681	273,395,431
Sabaragamuwa Province	272,927,832	260,070,023	272,927,832	260,070,023
Eastern Province	197,077,633	195,474,721	197,077,633	195,474,721
North Western Province	282,304,407	295,698,763	317,234,714	323,956,485
Northern Province	131,927,914	134,447,528	131,927,914	133,455,369
	2,914,388,763	2,859,322,639	4,035,587,426	3,655,815,221

The province-wise disclosure is made based on the location of the branch from which the loan has been disbursed.

19.2 Loans and Receivables – By Industry

	Company		Group	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Agriculture and Fishing	595,227,688	439,037,032	774,317,620	519,450,762
Manufacturing	429,296,458	525,545,984	542,935,782	613,272,077
Tourism	2,289,573	39,568,011	2,289,573	46,217,028
Transport	17,257,825	28,392,618	106,607,842	97,251,596
Constructions	601,370,571	850,695,788	637,023,137	880,982,467
Trades	711,232,237	646,288,072	903,176,902	788,410,144
New Economy	7,775,058	5,975,505	7,775,058	178,874,362
Financial and Business Services	1,392,245	2,433,157	10,843,359	11,203,344
Infrastructure	4,644,551	3,583,520	4,922,571	4,343,996
Other Services	288,821,637	59,736,625	790,614,664	115,769,838
Other Customers	255,080,920	258,066,327	255,080,920	400,039,607
	2,914,388,763	2,859,322,639	4,035,587,426	3,655,815,221

19.3 Allowance for Impairment Charges for Loans and Receivables

Accounting Policy

The Company and the Group assesses at each Reporting date, whether there is any objective evidence that loans and receivables are impaired. Loans and receivables are deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an 'incurred loss event') and that loss event (or events) has an impact on the estimated future cash flows of the loans and receivables that can be reliably estimated.

The Company and the Group review their individually significant loans and receivables 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 the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

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

Individually Assessed Financial Assets

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 realisation; and
- A significant downgrading in credit rating by an external credit rating agency.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised 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 interest income is recorded as part of 'interest income'.

The present value of the estimated future cash flows is discounted at the financial asset's 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 collateralised financial asset 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 Receivables

For the purpose of a 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 individually significant.
- For homogeneous groups of loans that is not considered.

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the Group.

Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

Estimates of changes in future cash flows reflect and are directionally consistent with, changes in related observable data from year to year (such as changes in unemployment rates, property prices, commodity prices, payment status or other factors that are indicative of incurred losses in the Group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

19.4 Allowance for Impairment Losses

	Company		Group	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Balance as at beginning of the Year	80,312,756	219,916,849	216,460,992	–
Company Balances as at beginning of the Period	–	–	–	219,916,849
Increase in Collective Impairment Allowance from Acquisition of Subsidiary	–	–	–	87,972,358
Charge for the Year	67,269,948	58,173,059	70,559,868	106,348,937
Amounts Written off	–	(197,777,152)	(55,338,417)	(197,777,152)
Balance as at end of the Year	147,582,704	80,312,756	231,682,442	216,460,992
Individual Impairment	–	–	22,060,480	–
Collective Impairment	147,582,704	80,312,756	209,621,962	216,460,992
Total	147,582,704	80,312,756	231,682,442	216,460,992

20. Lease Rentals Receivable and Stock Out on Hire

	Group	
	2016 Rs.	2015 Rs.
20.1 Lease and Hire Purchase Rentals Receivable		
Gross Lease Rental Receivables	106,868,325	96,451,499
Gross Hire Purchase Rental Receivables	119,027,362	197,833,084
Rentals Received in Advance	(245,181)	(245,181)
Less: Unearned Income	(36,869,761)	(51,972,493)
Total Lease and Hire Purchase Rentals Receivables	188,780,745	242,066,909
(Less): Allowance for Impairment Charges (Note 20.2)	(56,654,143)	(48,130,480)
Net Lease and Hire Purchase Rental Receivables	132,126,602	193,936,429
20.2 Allowance for Impairment Losses on Lease and Hire Purchase		
Balance as at beginning of the Year	48,130,480	–
Increase in Collective Impairment Allowance from Acquisition of Subsidiary	–	54,165,625
Charge/(Reversal) for the Year	8,523,663	(6,035,145)
Amounts Written off	–	–
Balance as at end of the Year	56,654,143	48,130,480
Individual Impairment	1,615,217	–
Collective Impairment	55,038,926	48,130,480
Total	56,654,143	48,130,480

20.3 Maturity of Lease and Hire Purchase Rentals Receivables

	Group	
	2016 Rs.	2015 Rs.
20.3 (a) Maturity of Lease and Hire Purchase Rental Receivables within One Year		
Total Rental Receivables	121,533,981	85,773,852
(Less): Allowance for Impairment Charges	(30,513,575)	(14,405,702)
Unearned Income	(19,153,433)	(2,826,559)
Net Rentals Receivables	71,866,974	68,541,592
20.3 (b) Maturity of Lease and Hire Purchase Rental Receivables after One Year		
Total Rental Receivables	104,116,524	206,031,888
(Less): Allowance for Impairment Charges	(26,140,569)	(33,724,778)
Unearned Income	(17,716,327)	(49,145,934)
Net Rentals Receivables	60,259,628	123,161,176

21. Financial Investments – Held for Trading

Accounting Policy

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

	Company		Group	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Quoted Equity Securities (Note 21.1)	–	–	700	1,356
Total Investments – Held for Trading	–	–	700	1,356

21.1 Quoted Equity Securities

	31.03.2016			31.03.2015		
	No. of Shares	Cost of Investments Rs.	Market Value Rs.	No. of Shares	Cost of Investments Rs.	Market Value Rs.
The Bukit Darah PLC	2	1,569	700	2	1,569	1,356
Total	2	1,569	700	2	1,569	1,356

22. Financial Investments – Available-for-Sale

Accounting Policy

Available-for-sale investments include equity and debt securities. Equity investments classified as available-for-sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are intended to be held for an indefinite period of time and may be sold in response to needs for liquidity or in response to changes in the market conditions. The Company has not designated any loans or receivables as available-for-sale. After initial measurement, available-for-sale financial investments are subsequently measured at fair value. Unrealised gains and losses are recognised directly in equity (Other Comprehensive Income) in the 'available-for-sale reserve'. When the investment is disposed of, the cumulative gain or loss previously recognised in equity is recognised in the Statement of Profit or Loss in 'Other Operating Income. Where the Company holds more than one investment in the same security, they are deemed to be disposed of on a first-in first-out basis. Interest earned whilst holding available-for-sale financial investments is reported as interest income using the EIR. Dividends earned whilst holding available-for-sale financial investments are recognised in the Statement of Profit or Loss as 'Other Operating Income' when the right of the payment has been established. The losses arising from impairment of such investments are recognised in the Statement of Profit or Loss in 'Impairment losses on financial investments' and removed from the 'Available-for-sale reserve'.

Unquoted equity securities – CRIB are recorded at cost since it is the most reasonable value available to represent the market value of these investments as at the Reporting date.

	Company		Group	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Unquoted Equity Securities – CRIB	–	–	56,300	56,300
Total Financial Investment – Available-for-Sale	–	–	56,300	56,300

23. Financial Investments – Held-to-Maturity

Accounting Policy

Held-to-maturity financial investments are financial assets with fixed or determinable payments and fixed maturities, which the Company has the intention and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity financial investments are measured at amortised cost using the Effective Interest Rate (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The amortisation is included in 'Interest Income' in the Statement of Profit or Loss. The losses arising from impairment of such investments are recognised in the Statement of Profit or Loss line 'Impairment (Charges)/Reversal for loans and other losses'.

If the Company and the Group were to sell or reclassify more than an insignificant amount of held-to-maturity investments before maturity (other than in certain specific circumstances), the entire category would be tainted and would have to be reclassified as available-for-sale. Furthermore, the Company would be prohibited from classifying any financial asset as held-to-maturity during the following two years:

	Company		Group	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Sri Lanka Government Securities – Treasury Bonds	–	–	71,258,914	1,021,404
Sri Lanka Government Securities – Treasury Bills	–	–	1,035,918	19,968,523
Total Investments – Held-to-Maturity	–	–	72,294,832	20,989,927

24. Financial Investments

Accounting Policy

Financial investments – Loans and receivables include Government Securities, unquoted debt instruments and securities purchased under resale agreements. After initial measurement, these are subsequently measured at amortised cost using the EIR, less provision for impairment. The amortisation is included in interest income in the Statement of Profit or Loss. The losses arising from impairment are recognised in the Statement of Profit or Loss account in impairment charges for loans and receivables.

	Company		Group	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Sri Lanka Government Securities – REPO	243,177,150	201,843,587	259,780,030	264,760,967
Total Financial Investment	243,177,150	201,843,587	259,780,030	264,760,967

25. Other Financial Assets

Accounting Policy

Other financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities, which the Company and the Group have not the intention and ability to hold-to-maturity. After initial measurement, other financial assets are subsequently measured at amortised cost using the EIR, less impairment. The amortisation is included in ‘Interest Income’ in the Statement of Profit or Loss.

	Company		Group	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Fixed Deposits	232,859,565	7,048,875	316,363,479	298,108,880
Total Other Financial Assets	232,859,565	7,048,875	316,363,479	298,108,880

26. Inventories – Real Estate Stock

Accounting Policy

Real estate inventories are stated at cost or net realisable value whichever is lower. These costs include cost of purchases of the land and expenses on development that are capitalised.

Revenue from the real estate sale is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer.

	2016 Rs.	2015 Rs.
Real Estate Stock	2,607,728	8,031,216
Total Inventories – Real Estate Stock	2,607,728	8,031,216

26.1 Real Estate Stock

	2016 Rs.	2015 Rs.
Balance at the beginning of the Year	8,137,157	–
Increase in Real Estate Stock from Acquisition of Subsidiary	–	17,594,094
Provision for Impairment	79,099	46,425
Disposal during the Year	(5,590,016)	(9,503,362)
	2,626,240	8,137,157
Less: Project Provision	(18,512)	(105,941)
Balance as at the Year	2,607,728	8,031,216

27. Investments in Subsidiary Companies

Accounting Policy

Investment in subsidiaries is accounted at cost less impairment in the Financial Statements of the Company. The net assets of each Subsidiary Company are reviewed at each Reporting date to determine whether there is any indication of impairment. If any such indication exists, then the recoverable amount of the investment is estimated and the impairment loss is recognised to the extent of its net assets loss.

	Company			
	Percentage Holding	2016 Cost Rs.	Percentage Holding	2015 Cost Rs.
Summit Finance PLC (Formerly, George Steuart Finance PLC)	75	379,474,885	75	379,474,885
Total Investments in Subsidiary Companies		379,474,885		379,474,885

27.1 Summarised Financial Information of Subsidiary

Summit Finance PLC (Formerly, George Steuart Finance PLC)

As at 31st March	Subsidiary	
	2016 Rs.	2015 Rs.
Loans and Advances	1,037,086,922	660,344,346
Lease Rentals Receivable and Stock Out on Hire	132,138,605	193,936,429
Other Financial Assets	83,843,230	292,286,542
Intangible Assets	1,647,606	2,441,461
Property, Plant & Equipment	22,272,282	16,904,913
Other Assets	211,607,405	192,090,561
Total Assets	1,488,596,050	1,358,004,253
Due to Customers	1,105,657,981	1,034,978,467
Other Liability	65,042,696	39,250,004
Total Liabilities	1,170,700,677	1,074,228,470
Total Equity	317,895,371	283,775,783
Total Equity and Liability	1,488,596,048	1,358,004,253

For the Year ended 31st March	2016 Rs.	2015 Rs.
Net Operating Income	159,209,840	164,198,554
Profit/(Loss) before Income Tax	38,422,020	(72,885,799)
Less Income Tax (Reversal)	4,743,335	28,145,030
Total Comprehensive Expenses	440,903	(244,814)

28. Other Non-Financial Assets

Accounting Policy

The Company and the Group classify all its other assets as other non-financial assets and other financial assets, its mainly comprises of deposits and prepayments, unamortised staff costs and Inventories & Receivables. Deposits are carried at historical cost less provision for impairment. Prepayments are amortised during the period in which it is utilised and is carried at historical cost less provision for impairment.

	Company		Group	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Inventories	5,458,569	8,503,419	5,458,569	8,503,419
Other Advances	11,414,759	4,139,160	15,086,193	13,400,644
Rent Deposits	30,313,767	33,118,034	38,577,767	33,118,034
Other Receivables	31,779,453	22,146,599	35,755,223	30,306,092
Total Other Non-Financial Assets	78,966,548	67,907,212	94,877,752	85,328,188

29. Intangible Assets

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 rental to others or for administrative purposes.

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 assets 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.

29.1 Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets.

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 investee. Any gain on bargain purchase is recognised immediately in profit or loss.

29.2 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.

29.3 License

The amount that would be required to obtain a license to operate a registered finance business is recognised as license in the Financial Statements.

Intangible assets are amortised using the straight-line method to write down the cost over its estimated useful economic lives and the useful life for the year ended 31st March 2016 and 2015 is given below:

	Company	Subsidiary
Computer Software	3 Years	5 Years
Computer Software – E-Finance	5 Years	

Intangible assets are derecognised on disposal or when no future economic benefits are expected. Any gain or loss arising on derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset is included in the Statement of Profit or Loss in the year the asset is derecognised.

The Company derecognised a computer software (SENOVA system) during the year which carried a net book value of 'Zero' as at 31st March 2016. This derecognition took place as a result of SENOVA system retiring from its active use during the year due to the Company migrating into a new computer software (E-Finance system) during the year under review. The gain/(loss) arising from the derecognition of this computer software has been recognised under 'Profit/(Loss) on Disposal of property, plant & equipment'.

	Company 2016 Rs.	Company 2015 Rs.	Group 2016 Rs.	Group 2015 Rs.
29.4 Computer Software				
Cost				
Cost as at beginning of the Year	31,976,002	31,976,002	38,302,999	–
Company Balance as at the beginning	–	–	–	31,976,002
Assets Acquired through Acquisition of Subsidiary	–	–	–	6,326,997
Additions and Improvements	30,446,941	–	30,446,941	–
Disposal during the Year	(31,976,002)	–	(31,976,002)	–
Cost as at end of the Year	30,446,941	31,976,002	36,773,938	38,302,999
29.5 Amortisation and Impairment				
Amortisation as at beginning of the Year	21,317,335	10,740,971	25,202,871	–
Company Balance as at the beginning	–	–	–	10,740,971
Intangible Assets Acquired through Acquisition of Subsidiary	–	–	–	3,490,778
Charge for the Year	10,662,305	10,576,364	11,456,160	10,971,122
Disposal during the Year	(31,976,002)	–	(31,976,002)	–
Amortisation as at end of the Year	3,638	21,317,335	4,683,028	25,202,871
Net Book Value as at end of the Year	30,443,303	10,658,667	32,090,910	13,100,128
29.6 Computer Software Under Development				
Cost				
Balance as at beginning of the Year	27,589,341	10,960,000	27,589,341	–
Company Balance as at the beginning	–	–	–	10,960,000
Assets Acquired through Acquisition of Subsidiary	–	–	–	–
Additions during the Year	2,777,600	16,629,341	2,777,600	16,629,341
Transfers/Adjustments	(30,366,941)	–	(30,366,941)	–
Balance as at end of the Year	–	27,589,341	–	27,589,341
29.7 Goodwill and License				
Goodwill	–	–	130,605,319	130,605,319
License	–	–	100,000,000	100,000,000
Total Goodwill and License end of the Year	–	–	230,605,319	230,605,319
Net Book Value of Total Intangible Assets	30,443,303	38,248,008	262,696,229	271,294,788

29.8 Purchase Consideration Allocation

The acquisition of Summit Finance PLC (Formerly, George Steuart Finance PLC) had the following effect on the Group's assets and liabilities on acquisition date.

	Pre-Acquisition Carrying Amounts Rs.	Fair Value Adjustment Rs.	Restated Recognised Values on Acquisition Rs.
Cash and Cash Equivalents	69,738,415	–	69,738,415
Financial Investments – Held for Trading	961,182	–	961,182
Loans and Advances	785,214,776	(34,326,227)	750,888,549
Lease Rental Receivables and Stock-Out on Hire	259,791,287	–	259,791,287
Financial Investments – Available-for-Sale	10,173,000	–	10,173,000
Financial Investments – Held-to-Maturity	1,014,735	–	1,014,735
Financial Investments	201,143,016	–	201,143,016
Other Financial Assets	67,211,500	–	67,211,500
Inventories – Real Estate Stock	17,488,153	1,301,847	18,790,000
Other Non-Financial Assets	28,953,935	–	28,953,935
Intangible Assets – License	–	100,000,000	100,000,000
Intangible Assets – Software	2,836,219	–	2,836,219
Property, Plant & Equipment	19,966,366	–	19,966,366
Due to Banks	(5,350,673)	–	(5,350,673)
Due to Customers	(1,112,890,991)	–	(1,112,890,991)
Other Financial Liabilities	(2,308,023)	–	(2,308,023)
Other Non-Financial Liabilities	(37,300,449)	–	(37,300,449)
Post-Employment Benefit Liability	(1,654,397)	–	(1,654,397)
Deferred Tax Liabilities	(3,068,987)	–	(3,068,987)
Statutory Reserve Fund	(6,162,223)	–	(6,162,223)
Investment Fund Reserves	(7,020,017)	–	(7,020,017)
	288,736,822	66,975,620	355,712,442
Non-Controlling Interest			(107,079,077)
Net Identifiable Assets and Liabilities			248,633,365
Goodwill on Acquisition			130,605,319
Consideration Paid in Cash			379,238,684
Cash Acquired			(69,738,415)
Net Cash Outflow – Group			309,500,269

Pre-acquisition carrying amounts were determined based on applicable SLFRSs immediately before the acquisition and the goodwill recognised on the acquisition is attributable mainly to the skills and service quality of the acquired business workforce gained through being in the finance and leasing for long period.

30. Property, Plant & Equipment

Accounting Policies

Basis of Recognition

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

Basis of Measurement

An item of property, plant & equipment that qualifies for recognition as an asset is initially measured at its cost. Cost includes expenditure that is directly attributable to the acquisition of the assets and subsequent cost as explained below. The cost of self-constructed assets includes the cost of the materials and direct labour, any other cost directly attributable to bringing the assets to a working condition for its intended use and cost of dismantling and removing the old items and restoring site on which they are located. Purchased software which is integral to the functionality of the related equipment is capitalised as part of computer equipment.

Cost Model

The Company and the Group applies the 'Cost Model' to all property, plant & equipment other than freehold land and building and records at cost of purchase together with any incidental expenses thereon, less accumulated depreciation and any accumulated impairment losses.

Revaluation Model

The Company and the Group applies the revaluation model for the entire class of freehold land and buildings. Such properties are carried at revalued amounts, being their fair value at the Reporting date, less any subsequent accumulated depreciation on land and buildings and any accumulated impairment losses charged subsequent to the date of the valuation.

Freehold land and buildings of the Company and the Group are revalued every three years or more frequently if the fair values are substantially different from their carrying amounts to ensure that the carrying amounts do not differ from the fair values at the Reporting date.

The Company and the Group engages an Independent Valuer to determine the fair value of freehold land and buildings. In estimating the fair values, the Independent Valuer considers current market prices of similar assets.

Subsequent Cost

These are costs that are recognised in the carrying amount of an item if it is probable that the future economic benefits embodied within that part will flow to the Company and the Group and it can be reliably measured.

Repairs and Maintenance

Repairs and maintenance are charged to the Statement of Profit or Loss during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the assets when it is probable that future economic benefits in excess of the most recently assessed standard of performance of the existing assets will flow to the Company and the Group and the renovation replaces an identifiable part of the asset. Major renovations are depreciated over the remaining useful life of the related asset.

Derecognition

An item of property, plant & equipment is derecognised upon disposal or when no future economic benefits are expected. 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 included in the Statement of Profit or Loss in the year the asset is derecognised.

Useful Life Time of Property, Plant & Equipment and Depreciation

Depreciation is calculated on a straight-line basis over the useful life of the assets, commencing from when the assets are available for use, since this method closely reflects the expected pattern of consumption of the future economic benefits embodied in the assets.

The Company and the Group review the residual values, useful lives and methods of depreciation of property, plant & equipment at each Reporting date. Judgment of the management is exercised in the estimation of these values, rates, methods and so they are subject to uncertainty.

The estimated useful lives of the assets for the year ended 31st March 2016 and 2015, are as follows:

Assets Category	Company	Subsidiary
Buildings	40 Years	–
Office Equipment	5 Years	3 Years
Other Equipment	–	3 Years
Computer Equipment	5 Years	5 Years
Fixtures and Fittings	–	4 Years
Furniture and Fittings	10 Years	–
Plant and Machinery	8 Years	10 Years
Motor Vehicles	5 Years	4 Years/8 Years

The depreciation rates are determined separately for each significant part of assets and depreciation is provided proportionately for the completed number of days the asset is in use, if it is purchased or sold during the financial year. Depreciation methods, useful lives and residual values are reassessed at each Reporting date and is adjusted, as appropriate.

30.1 The Movement in Property, Plant & Equipment – Company

30.1.1 Cost or Valuation

	Balance as at 01.04.2015 Rs.	Additions during the Year Rs.	Transfers during the Year Rs.	Disposals during the Year Rs.	Balance as at 31.03.2016 Rs.
Freehold Assets					
Land	51,840,000	15,941,200	–	–	67,781,200
Building	72,347,825	–	–	–	72,347,825
Furniture and Fittings	29,009,398	14,052,858	9,277,865	1,447,537	50,892,583
Office Equipment	49,436,275	18,256,387	(24,791,067)	18,551	42,883,043
Other Equipment	5,473,510	–	(5,473,510)	–	–
Computer Equipment	31,006,476	9,236,232	21,399,985	–	61,642,693
Fixtures and Fittings	8,045,649	–	(8,045,649)	–	–
Plant and Machinery	–	11,270,669	7,632,376	–	18,903,044
Motor Vehicle	17,999,500	7,738,922	–	–	25,738,422
Total Cost or Valuation	265,158,632	76,496,267	–	1,466,088	340,188,811

	Balance as at 01.04.2015 Rs.	Charge during the Year Rs.	Transfers during the Year Rs.	Disposals during the Year Rs.	Balance as at 31.03.2016 Rs.
30.1.2 Depreciation					
Freehold Assets					
Building	1,944,335	2,218,143	–	–	4,162,478
Furniture and Fittings	5,056,744	4,247,865	1,094,742	115,230	10,284,120
Office Equipment	9,662,649	10,544,966	(4,274,550)	18,551	15,914,514
Other Equipment	683,663	–	(683,663)	–	–
Computer Equipment	4,132,859	10,342,465	4,958,213	–	19,433,537
Fixtures and Fittings	1,094,742	–	(1,094,742)	–	–
Plant and Machinery	–	579,667	1,526,475	–	2,106,142
Motor Vehicle	1,440,495	5,311,793	–	–	6,752,288
Total Depreciation	24,015,487	34,771,374	–	133,781	58,653,079

30.1.3 Transfers of property, plant & equipment to their respective categories has been carried out to comply with the current year presentation. The increase/(decrease) in depreciation that has resulted due to these transfers has been charged to the Statement of Profit or Loss of the current year.

	2016 Rs.	2015 Rs.
30.1.4 Net Book Value		
Land	67,781,200	51,840,000
Building	68,185,347	70,403,490
Furniture and Fittings	40,608,463	23,952,654
Office Equipment	26,968,529	39,773,625
Other Equipment at Cost	–	4,789,847
Computer Equipment	42,209,156	26,873,617
Fixtures and Fittings	–	6,950,906
Plant and Machinery	16,796,902	–
Motor Vehicle	18,986,134	16,559,005
Total Net Book Value	281,535,732	241,143,145

30.2 The Company had revalued its land and building in financial year 2014. The valuation had been performed by P V Kalugalagedara & Associates, Chartered Valuation Surveyor and estate agent in 31st December 2013. Accordingly, a revaluation surplus amounting to Rs. 45,744,825/- had been credited to the revaluation reserve account in financial year 2014.

30.2.1 The carrying amount of the Company revalued land and building, if they were carried at cost less accumulated depreciation, would be as follows:

As at 31st March	2016			2015		
	Cost Rs.	Accumulated Depreciation Rs.	Carrying Value Rs.	Cost Rs.	Accumulated Depreciation Rs.	Carrying Value Rs.
Land	17,027,000	–	17,027,000	17,027,000	–	17,027,000
Building	61,416,000	4,162,478	57,253,522	61,416,000	1,944,335	59,471,665
Total	78,443,000	4,162,478	74,280,522	78,443,000	1,944,335	76,498,665

30.3 The Movement in Property, Plant & Equipment – Group

30.3.1 Cost or Valuation

	Balance as at 01.04.2015 Rs.	Additions during the Year Rs.	Transfers during the Year Rs.	Disposals during the Year Rs.	Balance as at 31.03.2016 Rs.
Freehold Assets					
Land	51,840,000	15,941,200	–	–	67,781,200
Building	72,347,825	–	–	–	72,347,825
Furniture and Fittings	39,384,519	19,545,902	9,277,865	2,461,804	65,746,481
Office Equipment	62,844,616	25,979,260	(24,791,067)	184,320	63,848,490
Other Equipment	8,110,954	–	(5,473,510)	385,407	2,252,037
Computer Equipment	31,006,476	9,236,232	21,399,985	–	61,642,693
Fixtures and Fittings	8,045,649	–	(8,045,649)	–	–
Plant and Machinery	–	11,270,669	7,632,376	–	18,903,044
Motor Vehicle	26,714,871	8,133,214	–	148,800	34,699,285
Total Freehold Assets	300,294,910	90,106,476	0.00	3,180,331	387,221,055
Leasehold Assets					
Motor Vehicle	3,886,596	–	–	–	3,886,596
Machinery	1,047,018	–	–	–	1,047,018
Total Leasehold Assets	4,933,614	–	–	–	4,933,614
Total Cost or Valuation	305,228,524	90,106,476	0.00	3,180,331	392,154,669

30.3.2 Depreciation

	Balance as at 01.04.2015 Rs.	Charge during the Year Rs.	Transfers during the Year Rs.	Disposals during the Year Rs.	Balance as at 31.03.2016 Rs.
Freehold Assets					
Buildings	1,944,335	2,218,143	–	–	4,162,478
Furniture and Fittings	10,815,672	5,430,243	1,094,742	964,296	16,376,360
Office Equipment	19,625,591	13,556,742	(4,274,550)	184,326	28,723,457
Other Equipment	2,782,538	455,685	(683,663)	362,520	2,192,040
Computer Equipment	4,132,859	10,342,465	4,958,213	–	19,433,537
Fixtures and Fittings	1,094,742	–	(1,094,742)	–	–
Plant and Machinery	–	579,667	1,526,475	–	2,106,142
Motor Vehicle	4,939,161	7,521,628	–	33,017	12,427,772
Total Depreciation on Freehold Assets	45,334,898	41,631,048	–	1,544,159	85,421,785
Leasehold Assets					
Motor Vehicle	1,493,417	974,316	–	–	2,467,733
Machinery	352,150	104,986	–	–	457,136
Total Depreciation on Leasehold Assets	1,845,567	1,079,302	–	–	2,924,869
	47,180,465	42,710,349	–	1,544,159	88,346,654

30.3.3 Net Book Value

	2016 Rs.	2015 Rs.
Freehold Assets		
Land	67,781,200	51,840,000
Building	68,185,347	70,403,490
Furniture and Fittings	49,370,121	28,568,847
Office Equipment	35,125,033	43,219,025
Other Equipment	59,997	5,328,416
Computer Equipment	42,209,156	26,873,617
Fixtures and Fittings	–	6,950,906
Plant and Machinery	16,796,902	–
Motor Vehicle	22,271,513	21,775,709
Total Net Book Value of Freehold Assets	301,799,270	254,960,012
Leasehold Assets		
Motor Vehicle	1,418,864	2,393,179
Machinery	589,881	694,868
Total Net Book Value of Leasehold Assets	2,008,745	3,088,047
Total Net Book Value	303,808,015	258,048,059

30.4 Title Restriction on Property, Plant & Equipment

There were no restrictions on the title of property, plant & equipment as at 31st March 2016 and 31st March 2015.

30.5 Compensation from Third Parties for Items of Property, Plant & Equipment

There were no compensation received during the year from third parties for items of property, plant & equipment that were impaired, lost or given up (2015: Nil).

30.6 Temporarily Idle of Property, Plant & Equipment

There were no property, plant & equipment idle as at 31st March 2016 and 31st March 2015.

30.7 Property, Plant & Equipment Retired from Active Use

There were no property, plant & equipment retired from active use as at 31st March 2016 and 31st March 2015, other than those disclosed under Note 29 – 'Intangible Assets' on page 142.

31. Deferred Taxation

Accounting Policy

Deferred tax is provided on temporary differences at the date of the Statement of Financial Position between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences except:

(i) Where the deferred tax liability arises from the initial recognition of goodwill or 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; and

(ii) In respect of taxable temporary differences associated with investments in Subsidiaries and Associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred 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 credits and unused tax losses can be utilised except –

- Where the deferred tax asset relating to the deductible temporary difference 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; and
- In respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

The carrying amount of deferred tax assets is reviewed at each Statement of Financial Position 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 tax asset to be utilised.

Unrecognised deferred tax assets are reassessed at each Statement of Financial Position date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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 date of the Statement of Financial Position.

31.1 Statement of Financial Position

For the Year Ended 31st March	Company 2016 Rs.	Company 2015 Rs.	Group 2016 Rs.	Group 2015 Rs.
Deferred Tax Liabilities				
Accelerated Depreciation for Tax Purposes	28,604,955	13,553,333	30,579,299	15,059,756
	28,604,955	13,553,333	30,579,299	15,059,756
Deferred Tax Assets				
Defined Benefit Plans – Profit or Loss	4,820,391	5,877,341	5,256,110	6,254,715
Defined Benefit Plans – Other Comprehensive Income	(315,683)	(1,086,750)	(315,683)	(1,086,750)
Carry Forward Loss	13,721,906	–	13,721,906	–
Allowance for Impairment Charges	–	10,846,734	29,190,909	40,543,305
	18,226,613	15,637,325	47,853,241	45,711,270
Net Deferred Tax Liabilities/(Assets)	10,378,342	(2,083,992)	(17,273,941)	(30,651,513)

31.2 Statement of Profit or Loss

For the Year Ended 31st March	Company 2016 Rs.	Company 2015 Rs.	Group 2016 Rs.	Group 2015 Rs.
Deferred Tax Liabilities				
Accelerated Depreciation for Tax Purposes	15,051,623	8,905,648	15,519,543	7,014,252
	15,051,623	8,905,648	15,519,543	7,014,252
Deferred Tax Assets				
Defined Benefit Plans – Profit or Loss	1,056,950	(1,846,961)	998,605	(1,895,504)
Defined Benefit Plans – Other Comprehensive Income	(771,066)	2,083,170	(771,066)	2,083,170
Carry Forward Loss on Leasing Business	(13,721,906)	–	(13,721,906)	–
Allowance for Impairment Charges	10,846,734	(10,846,734)	11,352,396	(40,543,305)
	(2,589,288)	(10,610,525)	(2,141,971)	(40,355,639)
Deferred Income Tax Income/(Expense) – Statement of Profit or Loss	13,233,401	(3,788,047)	14,148,638	(35,424,557)
Deferred Income Tax Income/(Expense) – Statement of Other Comprehensive Income	(771,066)	2,083,170	(771,066)	2,083,170

32. Due to Banks and Other Institutions

Accounting Policy

Due to banks include bank and other institutional borrowings and bank overdrafts. Subsequent to initial recognition, these are measured at their amortised cost using the EIR method. Interest paid/payable on these dues are recognised in the Statement of Profit or Loss Account under 'Interest Expenses'.

	Company		Group	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Bank Overdrafts	–	9,639,144	45,208,316	17,450,765
Loans and Other Bank Facilities (Note 32.1) and (Note 32.2)	31,225,454	38,104,083	33,243,109	40,983,675
Total Due to Banks and Other Institutions	31,225,454	47,743,228	78,451,425	58,434,441

32.1 Loans and Other Bank Facilities – Company

	As at 01.04.2015 Rs.	Loans Obtained Rs.	Repayments Capital Rs.	As at 31.03.2016 Rs.
People's Bank	7,500,002	–	(7,500,002)	–
NDB Loan	12,572,600	–	(2,272,563)	10,300,037
Rotary Loan	17,031,482	9,523,652	(7,691,667)	18,863,467
Other Borrowings	1,000,000	1,061,950	–	2,061,950
Total Loans and Other Bank Facilities	38,104,083	10,585,602	(17,464,231)	31,225,454

32.2 Loans and Other Bank Facilities – Group

	As at 01.04.2015 Rs.	Loans Obtained Rs.	Repayments Capital Rs.	As at 31.03.2016 Rs.
Interest-Bearing Loans				
People's Bank	7,500,002	–	(7,500,002)	–
NDB Loan	12,572,600	–	(2,272,563)	10,300,037
Rotary Loan	17,031,482	9,523,652	(7,691,667)	18,863,467
Other Borrowings	1,000,000	1,061,950	–	2,061,950
Total Interest-Bearing Loans	38,104,083	10,585,602	(17,464,231)	31,225,454
Interest-Bearing Leases (Note 32.3)				
HNB Lease	174,597	–	(174,597)	–
Less: Finance Charges	(6,710)	–	6,710	–
Union Bank Lease	3,577,158	–	(1,100,664)	2,476,494
Less: Finance Charges	(865,453)	–	406,614	(458,839)
Toatal Interest-Bearing Lease	2,879,592	–	(861,937)	2,017,655
Total Loans and Other Bank Facilities	40,983,675	10,585,602	(18,326,168)	33,243,109

32.3 Maturity of the Interest-Bearing Lease

As at 31st March	Company 2016 Rs.	Company 2015 Rs.	Group 2016 Rs.	Group 2015 Rs.
Not Later Than 1 Year	–	–	1,100,664	1,275,261
Later Than 1 Year and Not Later Than 5 Years	–	–	1,375,830	2,476,494
Later Than 5 Years	–	–	–	–
	–	–	2,476,494	3,751,755
Less – Finance Charges	–	–	(458,839)	(872,163)
Total	–	–	2,017,655	2,879,592

33. Due to Customers

Accounting Policies

Due to other customers include non-interest bearing deposits, savings deposits, term deposits, margins and other deposits. Subsequent to initial recognition, deposits are measured at their amortised cost using the EIR method. Interest paid/payable on deposits are recognised in the statement of profit or loss under 'Interest Expenses'.

	Company 2016 Rs.	Company 2015 Rs.	Group 2016 Rs.	Group 2015 Rs.
Fixed Deposits	1,483,446,679	1,287,230,956	2,558,960,871	2,296,798,683
Savings Deposits	1,585,565,955	1,484,222,353	1,615,709,744	1,509,633,092
Inactive Society – Savings	1,404,776	4,785,296	1,404,776	4,785,296
Total Due to Customers	3,070,417,410	2,776,238,605	4,176,075,391	3,811,217,071

34. Other Non-Financial Liabilities

Accounting Policy

Other liabilities include fees, expenses and other amounts payable for deposit insurance, loan risk assurance payable, dividend payable and other provisions.

These liabilities are recorded as amounts expected to be payable at the reporting date.

Provisions are recognised when the Company and the Group has a present obligation (legal or constructive) as a result of a past event, 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.

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Board of Directors and approved by the Shareholders. Interim dividends are deducted from Equity when they are declared and no longer at the discretion of the Group.

Dividend for the year that are approved after the reporting date are disclosed as an event after the reporting period in accordance with the Sri Lanka Accounting Standards (LKAS) 10 – on 'Events After the Reporting Period'.

	Company		Group	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Accrued Expenses	27,933,776	14,852,258	28,155,726	24,833,050
Others (Note 34.1)	50,413,223	27,152,162	64,626,734	37,150,515
Pawning Contingency Provision	937,887	6,913,719	937,887	6,913,719
Loan Risk Assurance Fund (Note 34.2)	17,223,000	4,607,976	17,223,000	4,607,976
Advance on Real Estate	–	–	1,825,128	7,225,456
Amount Due to Related Parties	401,526	315,868	401,526	315,868
Total Other Non-Financial Liabilities	96,909,412	53,841,982	113,170,002	81,046,584

34.1 This balance included Staff Welfare Fund, Unidentified Deposit, Recovery Collection Account, Auto Loan Creditors for Auto Loan Equipment and Opening Control Balances.

34.2 The Company obtained an actuarial valuation on its 'Loan Risk Assurance Fund' as at 31st March 2016. The actuarial valuation was performed by Piyal S. Goonetilleke and Associates, Professional Actuary. The reversal of provision that resulted from the actuarial valuation has been recognised as income under 'Other Operating Income'. All loan customers who enrolled with this assurance programme will be eligible for total payment of the outstanding loan amounts at the time of death or total disability. The actuarial valuation will serve as the basis for calculating the liability adequate test for the Company's loan customers (with a loan less than or equalling Rs. 250,000/-) term insurance covering the outstanding loan amount in the event of a participant death or a total disability.

35. Post-Employment Benefit Obligations

Accounting Policy

Employee benefit liability includes the provisions for retirement gratuity liability.

Gratuity

The costs of retirement gratuities are determined by a qualified Actuary using projected unit credit actuarial cost method. Actuarial gains and losses are recognised as income or expense in other comprehensive income during the financial year in which it arises.

Basis of Measurement

The cost of the defined benefit plans (gratuity) is determined using an actuarial valuation. The actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of discount rates, 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 uncertainties. All assumptions are reviewed at each reporting date. The assumptions used to arrive in defined benefit obligation is given below: In determining the appropriate discount rate, the Management considers the interest rates of Sri Lanka Government Bonds with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables. Future salary increases are based on expected future inflation rates and the Company's and the Group's policy on salary revisions.

35.1 Provision for Retirement Gratuity

	Company		Group	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Balance at the Beginning of the Year	17,109,256	17,952,857	18,457,020	–
Company Balance as at the Beginning	–	–	–	17,952,857
Transferred from Accusation of Subsidiary	–	–	–	1,654,397
Amount Charged/(Reversed) for the Year	5,881,736	5,942,606	6,753,989	6,131,204
Actuarial Gains and Losses	1,768,842	(3,881,249)	1,327,939	(3,636,435)
(Gain)/Loss due to Changes in Assumptions	(2,896,283)	–	(2,896,283)	–
Payments Made During the Year	(5,775,310)	(2,904,959)	(5,998,286)	(3,645,003)
Balance at the end of the Year	16,088,241	17,109,256	17,644,379	18,457,020

35.2 Expenses on Defined Benefit Plan

	Company		Group	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Current Service Cost for the Year	4,170,811	4,147,358	4,908,288	4,335,956
Interest Cost for the Year	1,710,925	1,795,248	1,845,701	1,795,248
Actuarial Gains and Losses (Note 35.5)	1,768,842	(3,881,249)	1,327,939	(3,636,435)
(Gain)/Loss due to Changes in Assumptions	(2,896,283)	–	(2,896,283)	–
Total Expenses on Defined Benefit Plan	4,754,295	2,061,357	5,185,645	2,494,769

35.3 Assumptions and the Sensitivity of the Assumptions Used for the Provision of Retirement Gratuity

An actuarial valuation of the retirement gratuity liability was carried out as at 31st March 2016 and 31st March 2015 by Messrs Piyal S Goonetilleke Associates, a Professional Actuary.

The valuation method used by the Actuary to value the Fund is the 'Projected Unit Credit Actuarial Cost Method', recommended by LKAS 19 – 'Employee Benefits'.

35.4 Actuarial Assumptions

	Company		Subsidiary	
	2016	2015	2016	2015
Discount Rate	12.0%	10.0%	11.5%	10.0%
Salary Scale	10.0%	10.0%	10.0%	10.0%
Staff Turnover				
20 to 30 Years	10.0%	10.0%	10.0%	10.0%
35 Years	7.5%	7.5%	7.5%	7.5%
40 Years	5.0%	5.0%	5.0%	5.0%
45 Years	2.5%	2.5%	2.5%	2.5%
50 Years	1.0%	1.0%	1.0%	1.0%
Average Future Working Life	10.2% Years	10.0% Years	10.6% Years	10.3% Years
Mortality	GA 1983 Mortality Table		GA 1983 Mortality Table	
Disability	Long-Term 1987 Soc. Sec. Table.		Long-Term 1987 Soc. Sec. Table.	
Retirement Age	Retirement age of 55 Years		Retirement age of 55 Years	

35.5 Actuarial Gains and Losses

As per actuarial valuation, actuarial gain and loss has arisen during the year by increasing 56 new participants and the salary increased by 6.9% (vs. 10% assumed).

35.6 Sensitivity of Assumptions Employed on Actuarial Valuation – Company

Assumptions regarding discount rate and salary increment rate have a significant effect on the amounts recognised in the Statement of Comprehensive Income and the Statement of Financial Position.

The following table demonstrates the sensitivity of a reasonably possible change in such assumptions with all other variables held constant, in the actuarial valuation of the retirement gratuity as at 31st March 2016.

Increase/(Decrease) in Discount Rate	Increase/(Decrease) in Salary Increment Rate	Sensitivity Effect on Statement of Comprehensive Income Increase/(Decrease) in Results for the Year Rs.	Sensitivity Effect on Pension Fund Surplus Increase/(Decrease) Rs.
+1%		1,185,448	(1,185,448)
(-1%)		(1,350,306)	1,350,306
	+1%	(1,316,090)	1,316,090
	(-1%)	1,176,192	(1,176,192)

35.7 Sensitivity of Assumptions Employed on Actuarial Valuation – Subsidiary

Assumptions regarding discount rate and salary increment rate have a significant effect on the amounts recognised in the Statement of Comprehensive Income and the Statement of Financial Position.

The following table demonstrates the sensitivity of a reasonably possible change in such assumptions with all other variables held constant, in the actuarial valuation of the retirement gratuity as at 31st March 2016.

Increase/(Decrease) in Discount Rate	Increase/(Decrease) in Salary Increment Rate	Sensitivity Effect on Statement of Comprehensive Income Increase/(Decrease) in Results for the Year Rs.	Sensitivity Effect on Pension Fund Surplus Increase/(Decrease) Rs.
+1%		175,652	(175,652)
(-1%)		(207,102)	207,102
	+1%	(203,781)	203,781
	(-1%)	176,033	(176,033)

36. Stated Capital

36.1 Company
Issued and Fully-Paid – Ordinary Shares

	Number of Shares	2016 Rs.	Number of Shares	2015 Rs.
At the Beginning of the Year	67,500,006	890,000,020	54,000,002	540,000,020
Issued During the Year	–	–	13,500,004	350,000,000
At the End of the Year	67,500,006	890,000,020	67,500,006	890,000,020

36.2 Group
Issued and Fully Paid – Ordinary Shares

	Number of Shares	2016 Rs.	Number of Shares	2015 Rs.
At the Beginning of the Year	67,500,006	890,000,020	54,000,002	540,000,020
Issued During the Year	–	–	13,500,004	350,000,000
At the End of the Year	67,500,006	890,000,020	67,500,006	890,000,020

36.3 Rights of Shareholders

The holders of ordinary shares confer their right to receive dividends as declared from time to time and are entitled to one vote per share at the meeting.

All shares ranked equally with regard to the Company's residual assets.

37. Retained Earnings

	Company		Group	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Balance as at Beginning of the Year	83,677,709	89,197,737	101,761,316	–
Company Balance as at Beginning	–	–	–	89,197,737
Profit for the Year	46,141,783	(11,793,930)	72,555,311	(546,139)
Other Comprehensive Income	1,898,507	1,798,079	2,231,568	1,613,879
Transfers to Statutory Reserve Fund	(2,307,089)	–	(4,055,388)	–
Transfers from Investment Fund Account (Note 38)	–	4,475,823	–	11,495,840
Balance as at End of the Year	129,410,910	83,677,709	172,492,808	101,761,316

Retained Earnings represents the undistributed earnings held by the Company to be used in the Company's operations. This could be used to absorb future possible losses or dividends payable.

38. Reserves

38.1 Statutory Reserve Fund

The statutory reserve fund is a capital reserve which contains profits transferred as required by Section 3 (b) of Central Bank Direction No. 1 of 2003.

38.2 Investment Fund Account

Transfers to Investment Fund Account

As proposed in the 2011 Government Budget, as and when taxes are paid after 1st January 2011, licensed finance companies must make transfers to the Investment Fund Account to build up a permanent fund within the Company: Accordingly, such account has been established and operated based on the guideline on the operation of the investment fund account issued by Central Bank of Sri Lanka on 29th April 2011 with the concurrence of the Commissioner General of Inland Revenue .

(i) 8% of the profit calculated for the payment of Value Added Tax (VAT) on Financial Services on dates as specified in the VAT Act for payment of VAT.

(ii) 5% of the profit before tax calculated for payment of income tax purposes on dates specified in Section 113 of the Inland Revenue Act for the self-assessment payment of tax.

However, as per the circular issued by the Central Bank of Sri Lanka dated 31st July 2014, the operation of the Fund was ceased with effect from 1st October 2014 and therefore the balance available in the Investment Fund Account was transferred to the retained earnings by the Company at the year ended 31st March 2015.

	Statutory Reserve Rs.	Investment Fund Reserve Rs.	Revaluation Reserve Rs.	Total Rs.
Company				
As at 1st April 2014	18,076,058	4,475,823	45,744,825	68,296,706
Transfers to/(from) During the Year	–	–	–	–
Transferred to Retaining Earnings	–	(4,475,823)	–	(4,475,823)
As at 31st March 2015	18,076,058	–	45,744,825	63,820,883
Transfers to/(from) During the Year	2,307,089	–	–	2,307,089
As at 31st March 2016	20,383,147	–	45,744,825	66,127,972

	Statutory Reserve Rs.	Investment Fund Reserve Rs.	Revaluation Reserve Rs.	Total Rs.
Group				
Company Balances at the beginning	18,076,058	4,475,823	45,744,825	68,296,706
Transferred from Acquisition of Subsidiary	6,162,223	7,020,017	–	13,182,240
Transferred to Retaining Earnings	–	(11,495,840)	–	(11,495,840)
As at 1st April 2015	24,238,281	–	45,744,825	69,983,106
Transfers from During the year	4,055,388	–	–	4,055,388
As at 31st March 2016	28,293,669	–	45,744,825	74,038,494

38.3 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.

39. Non-Controlling Interest

Accounting Policy

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 even if this results in a deficit balance. 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 derecognises 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. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity accounted investee or in accordance with the Group’s accounting policy for financial instruments depending on the level of influence retained.

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

	Group	
	2016 Rs.	2015 Rs.
Balance as at beginning of the Year	110,660,389	–
Acquisition of Summit Finance PLC (Formerly, George Steuart Finance PLC)	–	107,079,077
Profit for the Year	8,552,444	3,641,926
Other Comprehensive Income, Net of Tax	107,842	(60,614)
Balance as at End of the Year	119,320,674	110,660,389

40. 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

	Within 12 Months 2016 Rs.	After 12 Months 2016 Rs.	Total 2016 Rs.	Within 12 Months 2015 Rs.	After 12 Months 2015 Rs.	Total 2015 Rs.
Assets						
Cash and Cash Equivalents	306,766,105	–	306,766,105	208,620,885	–	208,620,885
Loans and Receivables	1,910,447,169	856,358,890	2,766,806,059	1,951,888,328	827,121,555	2,779,009,883
Financial Investments – Held-to-Maturity						
Financial Investments	243,177,150	–	243,177,150	201,843,587	–	201,843,587
Other Financial Assets	232,859,565	–	232,859,565	7,048,875	–	7,048,875
Investment in Subsidiary Companies	–	379,474,885	379,474,885	–	379,474,885	379,474,885
Other Non-Financial Assets	47,379,929	31,586,619	78,966,548	40,744,327	27,162,885	67,907,212
Income Tax Refund	–	–	–	7,051,210	–	7,051,210
Intangible Assets	–	30,443,303	30,443,303	–	38,248,008	38,248,008
Property, Plant & Equipment	–	281,535,732	281,535,732	–	241,143,145	241,143,145
Deferred Tax Asset	–	–	–	–	2,083,992	2,083,992
Total Assets	2,740,629,917	1,579,399,429	4,320,029,346	2,417,197,211	1,515,234,471	3,932,431,683
Liabilities						
Due to Banks	13,825,557	17,399,897	31,225,454	27,036,430	20,706,798	47,743,228
Due to Customers	2,780,822,847	289,594,563	3,070,417,410	2,487,788,006	288,450,599	2,776,238,605
Other Non-Financial Liabilities	53,300,177	43,609,235	96,909,412	29,613,090	24,228,892	53,841,982
Post-Employment Benefit Liability	–	16,088,241	16,088,241	–	17,109,256	17,109,256
Current Tax Liabilities	9,471,585	–	9,471,585	–	–	–
Deferred Tax Liabilities	–	10,378,342	10,378,342	–	–	–
Total Liabilities	2,857,420,166	377,070,278	3,234,490,444	2,544,437,526	350,495,544	2,894,933,071
Net Assets/(Liability)	(116,790,249)	1,202,329,151	1,085,538,902	(127,240,315)	1,164,738,927	1,037,498,612

Group

	Within 12 Months 2016 Rs.	After 12 Months 2016 Rs.	Total 2016 Rs.	Within 12 Months 2015 Rs.	After 12 Months 2015 Rs.	Total 2015 Rs.
Assets						
Cash and Cash Equivalents	382,595,165	–	382,595,165	263,953,307	–	263,953,307
Loans and Receivables	2,661,949,305	1,141,943,676	3,803,904,984	2,497,657,212	941,697,017	3,439,354,229
Lease Rentals Receivable and Stock Out on Hire	60,187,019	71,951,586	132,126,602	103,473,556	90,462,873	193,936,429
Financial Investments – Held-for-Trading	700	–	700	1,356	–	1,356
Financial Investments – Available-for-Sale	–	56,300	56,300	–	56,300	56,300
Financial Investments – Held-to-Maturity	71,258,914	1,035,918	72,294,832	19,968,523	1,021,404	20,989,927
Financial Investments	259,780,030	–	259,780,030	264,760,967	–	264,760,967
Other Financial Assets	316,702,794	–	316,363,479	195,247,267	104,088,150	298,108,880
Inventories – Real Estate Stock	2,607,728	–	2,607,728	8,031,216	–	8,031,216
Other Non-Financial Assets	60,538,530	38,153,919	94,877,752	55,463,467	28,638,185	85,328,188
Income Tax Refund	–	–	2,279,020	7,051,210	–	7,051,210
Intangible Assets	–	262,696,229	262,696,229	–	271,294,788	271,294,788
Property, Plant & Equipment	–	303,808,015	303,808,015	–	258,048,059	258,048,059
Deferred Tax Asset	–	34,868,346	17,273,941	–	30,651,513	30,651,513
Total Assets	3,815,620,185	1,854,513,988	5,650,664,777	3,415,608,081	1,725,958,289	5,141,566,371
Liabilities						
Due to Banks	59,845,270	18,606,155	78,451,425	35,709,964	22,724,476	58,434,441
Due to Customers	3,721,629,662	454,445,728	4,176,075,391	3,352,189,448	459,027,624	3,811,217,071
Other Non-Financial Liabilities	69,560,764	43,609,235	113,170,002	56,824,116	24,228,892	81,046,584
Post Employment Benefit Liability	–	17,644,379	17,644,379	–	18,457,020	18,457,020
Current Tax Liabilities	9,471,585	–	9,471,585	6,424	–	6,424
Deferred Tax Liabilities	–	10,378,342	–	–	–	–
Total Liabilities	3,860,507,282	534,305,497	4,394,812,782	3,444,729,952	524,438,012	3,969,161,539
Net Assets/(Liability)	(44,887,096)	1,320,208,491	1,255,851,996	(29,121,871)	1,201,520,277	1,172,404,831

41. Commitments and Contingencies

41.1 Contingent Liabilities

The Company did not have contingent liabilities are possible obligations, where existence will be confirm only by uncertain future economics benefits is not probable or cannot be readily measured as defined in the Sri Lanka Accounting Standard (LKAS) 37 – 'Provisions Contingent Liabilities and Contingent Assets'. Contingent liabilities are not recognised in the Statement of Financial Position but are disclosed unless its occurrence is remote.

41.2 Commitments

The Company did not have significant capital commitments as at the Statement of Financial Position date other than following Group commitment:

	Company		Group	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Commitment for Unutilised Facilities	–	–	15,186,566	188,977,816
Total Commitments and Contingencies	–	–	15,186,566	188,977,816

42. Assets Pledge

The following assets have been pledged as security for liabilities:

Nature of Assets	Nature of Liability	Carrying Amount Pledged 2016 Rs.	Carrying Amount Pledged 2015 Rs.	Included Under
Company				
Motor Vehicle	Vehicle Loan	7,738,922	13,499,500	Two Motor Vehicles
		7,738,922	13,499,500	
Subsidiary				
Fixed Deposits	Overdrafts	53,860,251	56,223,178	Deposits with Banks and Other Financial Institutions
		53,860,251	56,223,178	

43. Events Occurring After the Reporting Date

Subsequent to the Reporting date, no circumstances have arisen which would require adjustment to or disclosure in the Financial Statements, other than those disclosed below.

Proposed Dividends

The Board of Directors of the Company has proposed a first and final dividend of Rs. 0.25 per share for the Ordinary Shareholders of the Company for the year ended 31st March 2016. This will be declared at the Annual General Meeting to be held on 24th June 2016, upon approval of the Shareholders.

In accordance with Sri Lanka Accounting Standards (LKAS) 10 – (Events after the Reporting Period), this proposed first and final dividend has not been recognised as a liability as at 31st March 2016. As required by Section 56 (2) of the Companies Act No. 07 of 2007, the Board of Directors has confirmed that the Company has satisfied the 'Solvency Test' in accordance with Section 57 of the Companies Act No. 07 of 2007, having obtained a certificate from the Auditor, prior to recommending the first and final dividend for the year under review.

44. Related Party Transactions

The Company carried out transactions with parties in the ordinary course of its business who are defined as Related Parties as per the Sri Lanka Accounting Standard (LKAS) 24 – 'Related Party Disclosures', on an arm's length basis at commercial rate.

Details of related party transactions which the Company had during the year are as follows:

44.1 Transactions with Key Managerial Personnels (KMPs)

Related party includes KMPs defined as those persons having authority and responsibility for planning directing and controlling the activities for the Company. Accordingly, the Board of Directors of the Company (inclusive of Executive and Non-Executive Directors), the immediate parent company and Chief Executive Officer who directly report to the Board of Directors have been classified as KMPs of the Company.

44.1.1 Key Management Personnel Compensation

	Company		Group	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Short-Term Employment Benefits	4,200,000	2,695,000	4,200,000	2,695,000
Directors Fees and Expenses	5,126,662	4,650,000	9,270,789	9,384,000
Total Key Management Personnel Compensation	9,326,662	7,345,000	13,470,789	12,079,000

In addition to the above, the Company has also provided non-cash benefits such as company maintained vehicles to KMPs in line the approved employment terms of the Company.

44.1.2 Transactions, Arrangements and Agreements Involving KMPs and Their Close Members of the Family (CFMs)

CFMs 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.

The Company carries out transactions with KMPs and their close family members in the ordinary course of its business on an arms length basis at commercial rates, except the loans given to staff under the Company's staff loan scheme uniformly applicable to all the staff of the Company.

Transaction with KMPs and their Close Members of the Family

	Company	
	2016 Rs.	2015 Rs.
Items in Statement of Financial Position		
Deposit Accepted During the Period	3,500,000	–
Interest Payable on Deposits	16,541	–
	3,516,541	–
Items in Statement of Profit or Loss		
Interest Accrued During the Period	116,890	–
	116,890	–

44.1.3 Transactions, Arrangements and Agreements Involving Entities which are Controlled, and/or Jointly Controlled by the KMPs and Their CFMs or Shareholders

No transactions were there as of Statement of Financial Position date to be disclosed in the Financial Statements.

44.1.4 Transactions with Group Entities

The Group entities include the Parent, Fellow Subsidiaries and Associate Companies of the Parent.

	Company	
	2016 Rs.	2015 Rs.
44.1.4.1 Transactions with Parent Company Sarvodaya Economic Enterprises Development (Gte) Limited		
Statement of Financial Position		
Transaction Made During the Year		
Rent Due on Eight Buildings Leased from SEEDS (Gte) Limited	323,750	–
Stationery Purchased	–	–
Transport Charges, Share of Electricity, Water, Telephone and Security Bills	8,092	(1,394,029)
Purchase of Land and Building	4,679,000	–
Rent Received from SEEDS (Gte) Limited	740,100	2,104,840
Vehicle Purchase from SEEDS (Gte) Limited	–	–
Reimbursement of Salary Cost of SEEDS (Gte) Limited Employees	288,220	374,313
Amount Settled to SEEDS (Gte) Limited	–	(9,700,000)
Welfare Fund Received from SEEDS (Gte) Limited Related with DDFC Staff	(5,953,502)	(3,991,731)
	85,659	(12,606,607)

	Company	
	2016 Rs.	2015 Rs.
44.1.4.2 Transactions with Shareholders Gentosa Total Assets Inc.		
Items in Statement of Financial Position		
Deposit Accepted During the Period	107,657,262	–
Deposit Repayment During the Period	(5,000,000)	–
Interest Payable on Deposits	112,264	–
	102,769,526	–
Items in Statement of Profit or Loss		
Interest Accrued During the Period	6,598,377	–
	6,598,377	–
44.1.4.3 Transactions with Subsidiary Company Summit Finance PLC (Formally, George Steuart Finance PLC)		
Items in Statement of Financial Position		
Deposit Accepted During the period	155,000,000	80,000,000
Deposit Repayment During the Period	(235,328,630)	
Interest Payable on Deposits	–	328,630
	(80,328,630)	80,328,630
Items in Statement of Profit or Loss		
Interest Expenses	–	1,003,630
	–	1,003,630

44.1.4.4 Transactions with Lanka Jathika Sarvodaya Shramadana Sangamaya (LJSSS)

The immediate parent of the Company is SEEDS (Gte) Limited which is LJSSS owned entity. The Company enters into transactions, arrangements and agreements with L JSSS and its related entities. The significant dealings during the year under review and as at the Reporting date are as follows.

	Company	
	2016 Rs.	2015 Rs.
Items in Statement of Financial Position		
Deposit Accepted During the Period	103,000,000	–
Interest Payable on Deposits	–	–
Purchase of Land	11,262,200	–
Loan Granted During the Period	5,000,000	–
Loan Repayment and Amounts Settled During the Period	(20,763,953)	–
	98,498,247	–
Items in Statement of Profit or Loss		
Interest Expenses	7,286,989	–
Loan Interest Income	367,121	–
Rent Expenses	2,354,013	–
	10,008,123	–

45. 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.

45.1 Capital Management

The primary objective of Company's capital management policy is to ensure that the Company Complies with externally imposed capital requirements and healthy capital ratios in order to support its business and to maximise shareholders' value.

46. Fair Value of Financial Instruments

Accounting Policy

The fair value of the financial instruments that are recorded at the fair values are determined using valuation techniques which incorporate the Group's estimate of assumptions that a market participant would make when valuing the instruments.

46.1 Determination of Fair Value and Fair Value Hierarchy

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.

	Quoted Prices in Active Markets Level 1 Rs.	Significant Observable Inputs Level 2 Rs.	Significant Unobservable Inputs Level 3 Rs.	Total Fair Value Rs.	Carrying Value at Amortised Cost 31.03.2016
46.1.1 Company					
Financial Assets					
Cash and Cash Equivalents	306,766,105	–	–	306,766,105	306,766,105
Loans and Receivable	–	–	2,486,362,012	2,486,362,012	2,766,806,059
Financial Investments	–	245,757,551	–	245,757,551	243,177,150
Other Financial Assets	–	234,371,785	–	234,371,785	232,859,565
Total Finance Assets	306,766,105	480,129,336	2,486,362,012	3,273,257,453	3,549,608,878
Financial Liabilities					
Due to Banks	–	31,225,454	–	31,225,454	31,225,454
Due to Customers	–	–	3,070,417,410	3,070,417,410	3,070,417,410
Total Finance Liabilities	–	31,225,454	3,070,417,410	3,101,642,864	3,101,642,864

	Quoted Prices in Active Markets Level 1 Rs.	Significant Observable Inputs Level 2 Rs.	Significant Unobservable Inputs Level 3 Rs.	Total Fair Value Rs.	Carrying Value at Amortised Cost 31.03.2015
46.1.2 Company					
Financial Assets					
Cash and Cash Equivalents	208,620,885	–	–	208,620,885	208,620,885
Loans and Receivables	–	–	2,497,328,854	2,497,328,854	2,779,009,883
Financial Investments	–	201,843,587	–	201,843,587	201,843,587
Other Financial Assets	–	7,048,875	–	7,048,875	7,048,875
Total Finance Assets	208,620,885	208,892,462	2,497,328,854	2,914,842,201	3,196,523,229
Financial Liabilities					
Due to Banks	–	47,743,228	–	47,743,228	47,743,228
Due to Customers	–	–	2,776,238,605	2,776,238,605	2,776,238,605
Total Finance Liabilities	–	47,743,228	2,776,238,605	2,823,981,832	2,823,981,832

	Quoted Prices in Active Markets Level 1 Rs.	Significant Observable Inputs Level 2 Rs.	Significant Unobservable Inputs Level 3 Rs.	Total Fair Value Rs.	Carrying Value at Amortised Cost 31.03.2016
46.1.3 Group					
Financial Assets					
Cash and Cash Equivalents	382,595,165	–	–	382,595,165	382,595,165
Loans and Receivables	–	–	3,481,951,378	3,481,951,378	3,803,892,981
Lease Rentals Receivable and Stock out on Hire	–	–	145,774,188	145,774,188	132,138,605
Financial Investments – Held-to-Maturity	72,241,288	–	–	72,241,288	72,294,832
Financial Investments	–	262,360,431	–	262,360,431	259,780,030
Other Financial Assets	–	317,875,699	339,316	318,215,014	316,702,794
Total Finance Assets	454,836,453	580,236,130	3,628,064,881	4,663,137,464	4,967,404,408
Financial Liabilities					
Due to Banks	–	78,451,425	–	78,451,425	78,451,425
Due to Customers	–	–	4,176,227,481	4,176,227,481	4,176,075,391
Total Finance Liabilities	–	78,451,425	4,176,227,481	4,254,678,906	4,254,526,816

	Quoted Prices in Active Markets Level 1 Rs.	Significant Observable Inputs Level 2 Rs.	Significant Unobservable Inputs Level 3 Rs.	Total Fair Value Rs.	Carrying Value at Amortised Cost 31.03.2015
46.1.4 Group					
Financial Assets					
Cash and Cash Equivalents	263,953,307	–	–	263,953,307	263,953,307
Loans and Receivables	–	–	3,427,360,625	3,427,360,625	3,439,354,229
Lease Rentals Receivable and Stock Out on Hire	–	–	196,128,995	196,128,995	193,936,429
Financial Investments – Held-to-Maturity	21,081,652	–	–	21,081,652	20,989,927
Financial Investments	–	264,760,968	–	264,760,968	264,760,967
Other Financial Assets	–	298,108,880	1,226,537	299,335,417	298,108,880
Total Finance Assets	285,034,959	562,869,848	3,624,716,157	4,472,620,963	4,481,103,740
Financial Liabilities					
Due to Banks	–	31,225,454	–	31,225,454	31,225,454
Due to Customers	–	–	3,070,417,410	3,070,417,410	3,070,417,410
Total Finance Liabilities	–	31,225,454	3,070,417,410	3,101,642,864	2,823,981,832

Fair Value of Financial Assets and Liabilities not Carried at Fair Value

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 and Liabilities 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 and savings deposits which doesn't have 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. (Cash and Cash Equivalents, Financial Investments, Other Financial Assets and Amounts Due to Related Parties).

Fixed Rate Financial Instruments

Carrying amounts are considered as fair values for short-term credit facilities. There is a significant difference between carrying value and fair value of Reverse Repurchase Agreements and Repurchase Agreements with original tenors above one year. In fair valuing held-to-maturity securities, rates published by the CBSL for similar trading securities were used. 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.

Lease Rentals Receivable and Stock-Out on Hire

Lease rentals receivable and stock out on hire with fixed interest rates were fair valued using market rates at which fresh loans were granted during the fourth quarter of the Reporting year.

Reclassification of Financial Assets

The Financial assets reclassified during the financial year 2015/16 and discussed under Note 46 to the Financial Statement.

47. Comparative Information

The presentation and classification of following items in these Financial Statements are amended to ensure comparability with the current year:

	As Reported Previously Rs.	Reclassified Rs.	Current Presentation Rs.	
Statement of Financial Position				
Other Non-Financial Assets – Company				
Stationery Stock	8,503,419	(8,503,419)		
		8,503,419	8,503,419	Inventories (a)
Equity – Group				
Retaining Earnings	98,322,611	3,438,705	101,761,316	Retaining Earnings (b)
Reserves	63,820,883	6,162,223	69,983,106	Reserves (b)
Non-Controlling Interest	120,261,317	(9,600,928)	110,660,389	Non–Controlling Interest (b)
Notes to the Financial Statement – Company				
Other Operating Expenses				
Office Administration and Establishment Expenses	133,416,790	(10,659,638)	122,757,152	Office Administration and Establishment Expenses (c)
		10,659,638	10,659,638	Marketing Expenses (c)

(a) During the financial year, stationery stock was reclassified as inventories for better presentation.

(b) During the financial year, the profit share appropriate to the Non-Controlling Interest has been transferred from Retaining Earnings and disclosed under Non-Controlling Interest for better presentation.

(c) Marketing Expenses which has been classified and presented under 'Office Administration and Establishment Expenses' has been re-classified and presented under 'Marketing Expenses' to ensure the compatibility with the current year.

48. Risk Management

48.1 Introduction

Risk is inherent in the Company's activities but is 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.

Risk Management Framework

At Sarvodaya Development Finance Company the management of risk plays a pivotal part in all its business activities. The identification, evaluation, measurement, mitigation, monitoring and reporting of risks associated with products, processes, systems and services of Sarvodaya Development Finance Company is an integral part that forms the scope of risk management when fulfilling requirements of its customers and counter parties.

The risk management function of Sarvodaya Development Finance Company comes under the purview of the Director of Non-Bank Supervision and the Integrated Risk Management Committee (IRMC) where its independence from the business lines. In the course of its business activities, Sarvodaya Development Finance Company is constantly exposed to risks that include but are not limited to Credit Risk, Liquidity Risk and Operational Risk.

Sarvodaya Development Finance Company is aware of a wide spectrum of risks that it is exposed to and provides attention to each and every risk factor that could hinder the achievement of the Company's overall objectives. The risk management function strives therefore to manage the integrated risks by developing a company-wide risk appetite and measures and controls to ensure that the risk taken is within the set limits.

Sarvodaya Development Finance Company has put in place structures and processes to address these risks which are vested to departmental heads. Additionally the Company has an IRMC which carry out independent risk evaluations both qualitative and quantitative and the results are shared with the Management of Sarvodaya Development Finance Company as well as the members of the Board of Directors.

Three Lines of Defense

In achieving its goals, Sarvodaya Development Finance Company deploys risk management and internal control structure referred to as the 'three lines of defense', where in roles between the line management, risk management and inspection/audit are segregated.

Risk Profile Dashboard

Sarvodaya Development Finance Company has established policy parameters on tolerance limits on a number of identified key risk indicators. These encompass compliance with CBSL and other regulatory frameworks. Credit Risk aspects are evaluated through numerous types of concentrations and asset quality levels whereas Market Risk aspects focus on liquidity and interest rate. Operational Risk aspects focus on major risk types developed under the Risk Control Self Assessment (RCSA) exercise. The desired level under each indicator is being monitored against achievement on a regular basis to provide a clear perspective of the risk profile of the Sarvodaya Development Finance Company.

Sarvodaya Development Finance Company's Risk Appetite Framework

Within a volatile financial market, it is important to understand the accurate risk profile of the Company. For starters the Company has implemented simple risk appetite framework that helps to better understand and manage the risks through the development of action plan and through day-to-day business decisions.

Risk appetite defines the aggregate quantum of risk the Company is willing to assume in different areas of business. It is to achieve its strategic objectives while maintaining the desired risk profile. Tolerance limits have been set for certain risk. A limit system is adopted to translate the risk appetite of the Company so that it is understood by the management and practical to implement, while catering to current levels of the operations.

Integrated Risk Management Unit (IRMU)

The business units (i.e. Credit Department, Operations Department and Branches etc.) have primary responsibility for risk management. The Integrated Risk Management Unit, which provides an independent oversight function, acts as the 2nd line of defence. The IRMU is headed by the Assistant General Manager – Risk Management and Compliance who directly reports to the Chair of IRMC and also has a functional reporting to the CEO.

Risk Measurement and Reporting

The Company's risks are measured using appropriate techniques based on the type of risk and industry best practices. The Company also carries out procedures to identify the effect of extreme events/worst case scenarios in most of the major type of risks and the results are reported to IRMC on a periodic basis.

Monitoring and controlling risks is primarily performed based on policies, limits and thresholds established by the Company. These limits reflect the business strategy and market environment of the Company as well as the level of risk that the Company is willing to accept.

Assets and Liability Management Committee (ALCO)

ALCO is chaired by the CEO and has representatives from the Operations Department, Credit Department and Finance Department. The Committee meets regularly to monitor and manage the assets and liabilities of the Company and also overall liquidity position to keep the Company's liquidity at healthy levels, whilst satisfying regulatory requirements.

Credit Committee

There are two Credit Committees, namely Board Credit Committee (BCC) and Internal Credit Committee (ICC). BCC is comprised of three Non-Executive Board Members including the Chairman and two Directors and the ICC is comprised of the CEO, AGM – Credit, AGM – Risk Management and Compliance and AGM – Branch Operation and Marketing. BCC is the supreme authority to approve credit facilities and formulate credit policies for the Company and ICC is the supreme management level approving authority beyond the delegated authority of the CEO.

48.2 Credit Risk

Overview

Credit risk is the risk of financial loss to SDF if a customer or counter party to a financial instrument fails to meet its contractual obligations, and arises principally from the SDF's loans and advances to customers. The exposure to the credit risk is mainly derived from financial sector companies as the sector engage primarily in providing financing facilities to its customers. The Credit risk is managed by evaluating the credit worthiness and by periodical review on the credit granted.

Credit Risk Management

The Board of Directors of each financial sector Company has delegated responsibility for the oversight of credit risk to its Board Credit Committee. The credit department and recoveries department are responsible for management of the Companies' credit risk, including the formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures and compliance with regulatory and statutory requirements. They are also responsible for establishing the authorisation structure for the approval and renewal of credit facilities. Authorisation limits are allocated to respective officers with the DA of the CEO.

Individually impaired loans are loans and advances for which the Company determines that there is objective evidence of impairment and it does not expect to collect all principal and interest due according to the contractual terms of the loan. Past due but not impaired loan other than those carried at fair value through profit or loss, are those for which contractual interest or principal payments are past due, but SDF believes that impairment is not appropriate on the basis of collateral available and/or the stage of collection of amounts owed to the Company.

Collateral Management

The primary source of repayment of credit exposures is the cash flows while the collaterals obtained by the Company act as a possible secondary recourse. Collateral generally include cash, marketable securities, properties, stocks, trade debtors, other receivables machinery and equipment and other physical or financial assets.

Clear guidelines are in place to determine the suitability of collateral in credit risk mitigation based on their different characteristics and for valuation, to ensure the collaterals will continue to provide the anticipated secondary source of repayment in an eventuality. The Company has a panel of appointed professional valuers in order to obtain valuation of the properties, machinery and vehicles obtained as collateral.

Periodic estimation of values of collateral ensures that they will continue to provide the expected repayment source in an event where the primary source has not materialised. The collaterals vulnerable to frequent fluctuations in values' are subject to stringent haircuts and/or more frequent valuations.

The Company also accepts personal guarantees, guarantees from other FI and credit-worthy bodies as collateral for credit facilities. The financial strength of guarantors as against their cash flows, net worth, etc. is taken into consideration to establish their capacity to repay the facilities in case of a default.

48.2.1 Credit Quality by Class of Financial Assets

As at 31st March 2016	Neither Past Due Nor Impaired Rs.	Past Due But Not Impaired Rs.	Individually Impaired Rs.	Total Rs.
48.2.1.1 Company				
Assets				
Cash and Cash Equivalents	306,766,105	–	–	306,766,105
Loans and Receivable (Gross)	1,598,909,365	1,315,479,398	–	2,914,388,763
Financial Investments	243,177,150	–	–	243,177,150
Other Financial Assets	232,859,565	–	–	232,859,565
Total Financial Assets	2,381,712,185	1,315,479,398	–	3,697,191,583

48.2.1.1 Ageing Analysis of past due (i.e facilities in arrears of 1 day and above) but not impaired loans by class of financial assets.

	Less than 30 Days Rs.	31 to 60 Days Rs.	61 to 90 Days Rs.	More than 91 Days Rs.	Total Rs.
Loans and Receivable (Gross)	430,862,330	275,053,039	156,984,198	452,579,831	1,315,479,398
	430,862,330	275,053,039	156,984,198	452,579,831	1,315,479,398

As at 31st March 2015	Neither Past Due Nor Impaired Rs.	Past Due But Not Impaired Rs.	Individually Impaired Rs.	Total Rs.
48.2.1.2 Company				
Assets				
Cash and Cash Equivalents	208,620,885	–	–	208,620,885
Loans and Receivable (Gross)	2,142,171,310	717,151,329	–	2,859,322,639
Financial Investments	201,843,587	–	–	201,843,587
Other Financial Assets	7,048,875	–	–	7,048,875
Total Financial Assets	2,559,684,657	717,151,329	–	3,276,835,986

48.2.1.2 Ageing Analysis of past due (i.e. facilities in arrears of 1 day and above) but not impaired loans by class of financial assets.

	Less than 30 Days Rs.	31 to 60 Days Rs.	61 to 90 Days Rs.	More than 91 Days Rs.	Total Rs.
Loans and Receivable (Gross)	401,621,015	42,812,561	31,768,144	240,949,609	717,151,329
	401,621,015	42,812,561	31,768,144	240,949,609	717,151,329

As at 31st March 2016	Neither Past Due Nor Impaired Rs.	Past Due But Not Impaired Rs.	Individually Impaired Rs.	Total Rs.
48.2.1.3 Group				
Assets				
Cash and Cash Equivalents	382,595,165	–	–	382,595,165
Loans and Receivables	2,278,766,133	1,756,821,293	–	3,803,904,984
Lease Rentals Receivable and Stock Out on Hire	62,753,152	126,027,594	–	132,126,602
Financial Investments – Held for Trading	700	–	–	700
Financial Investments – Available-for-Sales	56,300	–	–	56,300
Financial Investments – Held-to-Maturity	72,294,832	–	–	72,294,832
Financial Investments	259,780,030	–	–	259,780,030
Other Financial Assets	316,702,794	–	–	316,363,479
Total Financial Assets	3,372,949,107	1,882,848,887	–	4,967,122,092

48.2.1.3 Ageing Analysis of past due (i.e. facilities in arrears of 1 day and above) but not impaired loans by class of financial assets.

	Less than 30 days Rs.	31 to 60 days Rs.	61 to 90 days Rs.	More than 91 days Rs.	Total Rs.
Loans and Receivables	511,006,325	304,004,393	319,851,299	621,959,275	1,756,821,293
Lease Rentals Receivable and Stock-Out on Hire	14,976,869	22,495,423	18,556,457	69,998,845	126,027,594
	525,983,194	326,499,816	338,407,756	691,958,120	1,882,848,887

As at 31st March 2015	Neither Past Due Nor Impaired Rs.	Past Due But Not Impaired Rs.	Individually Impaired Rs.	Total Rs.
48.2.1.4 Group				
Assets				
Cash and Cash Equivalents	263,953,307	–	–	263,953,307
Loans and Receivables	2,260,213,997	1,395,601,224	–	3,439,354,229
Lease Rentals Receivable and Stock-Out on Hire	45,315,807	196,751,103	–	193,936,429
Financial Investments – Held for Trading	1,356	–	–	1,356
Financial Investments – Available-for-Sale	56,300	–	–	56,300
Financial Investments – Held-to-Maturity	20,989,927	–	–	20,989,927
Financial Investments	264,760,967	–	–	264,760,967
Other Financial Assets	299,335,417	–	–	298,108,880
Total Financial Assets	3,154,627,078	1,592,352,327	–	4,481,161,396

48.2.1.4 Ageing Analysis of past due (i.e. facilities in arrears of 1 day and above) but not impaired loans by class of financial assets.

	Less than 30 Days Rs.	31 to 60 Days Rs.	61 to 90 Days Rs.	More than 91 Days Rs.	Total Rs.
Loans and Receivables	622,081,541	90,195,367	59,364,889	623,959,427	1,395,601,224
Lease Rentals Receivable and Stock-Out on Hire	35,560,746	26,759,916	23,353,562	111,076,879	196,751,103
	657,642,287	116,955,283	82,718,451	735,036,306	1,592,352,327

48.2.2 Analysis of Risk Concentration

48.2.2.1 Industry Analysis

The following table shows the risk concentration by industry for the components of the Statement of Financial Position:

As at 31st March 2016	Cash and Cash Equivalents Rs.	Loans and Receivable Rs.	Financial Investments Rs.	Other Financial Assets Rs.	Total Financial Assets Rs.
48.2.2.1.1 Company Sector-wise Breakdown					
Agriculture and Fishing	–	570,603,403	–	–	570,603,403
Manufacturing	–	408,561,392	–	–	408,561,392
Tourism	–	2,267,866	–	–	2,267,866
Transport	–	15,843,875	–	–	15,843,875
Construction	–	569,018,537	–	–	569,018,537
Trades	–	674,953,202	–	–	674,953,202
New Economy	–	7,711,049	–	–	7,711,049
Financial and Business Services	306,766,105	1,355,436	–	232,859,565	540,981,105
Infrastructure	–	4,637,184	–	–	4,637,184
Government	–	–	243,177,150	–	243,177,150
Other Services	–	511,854,116	–	–	511,854,116
Total	306,766,105	2,766,806,059	243,177,150	232,859,565	3,549,608,878

As at 31st March 2015	Cash and Cash Equivalents Rs.	Loans and Receivable Rs.	Financial Investments Rs.	Other Financial Assets Rs.	Total Financial Assets Rs.
48.2.2.1.2 Company Sector-wise Breakdown					
Agriculture and Fishing	–	426,705,344	–	–	426,705,344
Manufacturing	–	510,784,430	–	–	510,784,430
Tourism	–	38,456,623	–	–	38,456,623
Transport	–	27,595,125	–	–	27,595,125
Construction	–	826,801,414	–	–	826,801,414
Trades	–	628,135,110	–	–	628,135,110
New Economy	–	5,807,665	–	–	5,807,665
Financial and Business Services	208,620,885	2,364,814		7,048,875	218,034,574
Infrastructure	–	3,482,866	–	–	3,482,866
Government	–	–	201,843,587	–	201,843,587
Other Services	–	308,876,491	–	–	308,876,491
Total	208,620,885	2,779,009,883	201,843,587	7,048,875	3,196,523,229

As at 31st March 2016	Cash and Cash Equivalents Rs.	Financial Investments Held for Trading Rs.	Loans and Receivable Rs.	Lease Rentals Receivable & Stock Out on Hire Rs.	Investments Available-for-Sale Rs.	Financial Investments Held-to-Maturity Rs.	Financial Investments Rs.	Other Financial Assets Rs.	Total Financial Assets Rs.
48.2.2.1.3 Group Sector-wise Breakdown									
Agriculture and Fishing	–	700	749,693,334	16,493,043	–	–	–	–	766,187,077
Manufacturing	–	–	522,200,716	20,420,424	–	–	–	–	542,621,140
Tourism	–	–	2,267,866	–	–	–	–	–	2,267,866
Transport	–	–	105,193,893	4,741,783	–	–	–	–	109,935,676
Constructions	–	–	604,671,102	2,786,468	–	–	–	–	607,457,571
Trades	–	–	866,897,866	31,453,731	–	–	–	–	898,351,597
New Economy	–	–	7,711,049	–	–	–	–	–	7,711,049
Financial and Business Services	382,595,165	–	10,806,550	4,119,043	–	–	–	316,363,479	713,884,237
Infrastructure	–	–	4,915,204	209,011	–	–	–	–	5,124,214
Government	–	–	–	–	–	72,294,832	259,780,030	–	332,074,862
Other Services	–	–	929,547,404	51,903,099	56,300	–	–	–	981,506,803
Total	382,595,165	700	3,803,904,984	132,126,602	56,300	72,294,832	259,780,030	316,363,479	4,967,122,093

As at 31st March 2015	Cash and Cash Equivalents Rs.	Financial Investments Held for Trading Rs.	Loans and Receivable Rs.	Lease Rentals Receivable & Stock Out on Hire Rs.	Investments Available-for-Sale Rs.	Financial Investments Held-to-Maturity Rs.	Financial Investments Rs.	Other Financial Assets Rs.	Total Financial Assets Rs.
48.2.2.1.4 Group Sector-wise Breakdown									
Agriculture and Fishing	–	1,356	506,773,794	9,905,848	–	–	–	–	516,680,998
Manufacturing	–	–	574,477,933	36,200,319	–	–	–	–	610,678,252
Tourism	–	–	40,861,043	704,935	–	–	–	–	41,565,978
Transport	–	–	100,824,584	8,161,749	–	–	–	–	108,986,333
Constructions	–	–	853,607,936	7,277,958	–	–	–	–	860,885,894
Trades	–	–	760,927,299	47,421,814	–	–	–	–	808,349,113
New Economy	–	–	5,807,665	–	–	–	–	–	5,807,665
Financial and Business Services	263,953,307	–	8,032,698	4,376,504	–	–	–	298,108,880	574,471,389
Infrastructure	–	–	4,327,177	–	–	–	–	–	4,327,177
Government	–	–	–	–	–	20,989,927	264,760,968	–	285,750,895
Other Services	–	–	583,714,099	79,887,302	56,300	–	–	1,226,537	664,884,238
Total	263,953,307	1,356	3,439,354,229	193,936,429	56,300	20,989,927	264,760,968	299,335,417	4,482,387,932

48.3 Liquidity Risk and Funding Management

Liquidity risk refers to the possibility of the Company not having sufficient cash to meet its payment obligations mainly committed disbursements and deposit maturities. This arises primarily due to mismatches in the maturity profile of the Company's assets and liabilities and inability to manage cash flows well. Adequate liquidity is critical to meet the Company's financial commitment and to accommodate additional funding needs of the growing business volumes.

The Company's primary objective in liquidity risk management is to ensure adequate funding for its businesses throughout market cycles, including periods of financial stress. To achieve this objective the Asset and Liability Committee (ALCO) analyses and monitors liquidity risk and maintains an adequate margin of safety in liquid assets.

ALCO meets at least once in two months and as and when necessary. ALCO is responsible for managing and controlling the overall liquidity of the Company and reviews the impact of strategic decisions on Company's liquidity position.

Furthermore, the Company maintains the statutory liquid assets ratio at its required level as a method to measure and control daily liquidity risk.

48.3.1 Analysis of Financial Assets and Liabilities by Remaining Contractual Maturities

The table below summarises the maturity profile of the undiscounted cash flows of the Company's financial assets and liabilities:

As at 31st March 2016	On Demand Rs.	Less than 03 Months Rs.	03-12 Months Rs.	01-05 Years Rs.	Over 05 Years Rs.	Total Rs.
48.3.1.1 Company						
Financial Assets						
Cash and Cash Equivalents	306,766,105	–	–	–	–	306,766,105
Loans and Receivables	441,162,599	614,255,933	1,306,200,858	1,034,545,460	252,750	3,396,417,600
Financial Investments	–	243,177,150	–	–	–	243,177,150
Other Financial Assets	–	200,000,000	32,859,565	–	–	232,859,565
Total Financial Assets	747,928,704	1,057,433,083	1,339,060,422	1,034,545,460	252,750	4,179,220,420
Financial Liabilities						
Due to Banks	–	2,666,161	11,159,397	17,399,897	–	31,225,455
Due to Customers	1,589,977,917	487,853,251	703,965,186	289,542,316	–	3,071,338,670
Total Financial Liabilities	1,589,977,917	490,519,412	715,124,583	306,942,213	–	3,102,564,125
Total Net Financial Assets/ (Liabilities)	(842,049,213)	566,913,672	623,935,839	727,603,247	252,750	1,076,656,295

As at 31st March 2015	On Demand Rs.	Less than 03 Months Rs.	03-12 Months Rs.	01-05 Years Rs.	Over 05 Years Rs.	Total Rs.
48.3.1.2 Company						
Financial Assets						
Cash and Cash Equivalents	208,620,885	–	–	–	–	208,620,885
Loans and Receivables	–	747,770,623	1,204,117,704	826,820,146	301,409	2,779,009,883
Financial Investments	–	–	201,843,587	–	–	201,843,587
Other Financial Assets	–	–	7,048,875	–	–	7,048,875
Total Financial Assets	208,620,885	747,770,623	1,413,010,166	826,820,146	301,409	3,196,523,229
Financial Liabilities						
Due to Banks	–	9,639,144	17,397,286	20,706,798	–	47,743,228
Due to Customers	1,484,222,353	551,459,130	487,579,215	252,977,906	–	2,776,238,605
Total Financial Liabilities	1,484,222,353	561,098,275	504,976,501	273,684,705	–	2,823,981,833
Total Net Financial Assets/ (Liabilities)	(1,275,601,468)	186,672,349	908,033,665	553,135,442	301,409	372,541,397

As at 31st March 2016	On Demand Rs.	Less than 03 Months Rs.	03-12 Months Rs.	01-05 Years Rs.	Over 05 Years Rs.	Total Rs.
48.3.1.3 Group						
Financial Assets						
Cash and Cash Equivalents	382,595,165	–	–	–	–	382,595,165
Loans and Receivables	576,074,017	871,613,021	1,890,358,158	1,416,316,786	252,750	4,754,614,732
Lease Rentals Receivable and Stock Out on Hire	22,098,235	20,052,371	46,708,882	131,150,658	–	220,010,146
Financial Investments – Held for Trading	700	–	–	–	–	700
Financial Investments – Available-for-Sale	–	–	–	–	56,300	56,300
Financial Investments – Held-to-Maturity	–	67,244,986	4,442,833	1,545,500	–	73,233,319
Financial Investments	–	260,033,592	–	–	–	260,033,592
Other Financial Assets	–	237,558,675	81,831,940	–	–	319,390,615
Total Financial Assets	980,768,117	1,456,502,644	2,023,341,813	1,549,012,944	309,050	6,009,934,569
Financial Liabilities						
Due to Banks	45,208,316	2,941,327	11,984,895	18,959,171	–	79,093,708
Due to Customers	1,622,674,473	835,118,754	1,324,384,765	476,748,919	–	4,258,926,911
Total Financial Liabilities	1,667,882,788	838,060,081	1,336,369,660	495,708,091	–	4,338,020,619
Total Net Financial Assets/ (Liabilities)	(687,114,671)	618,442,563	686,972,154	1,053,304,854	309,050	1,671,913,949

Notes to the Financial Statements

As at 31st March 2015	On Demand Rs.	Less than 03 Months Rs.	03-12 Months Rs.	01-05 Years Rs.	Over 05 Years Rs.	Total Rs.
48.3.1.4 Group						
Financial Assets						
Cash and Cash Equivalents	263,953,307	–	–	–	–	263,953,307
Loans and Receivables	250,998,273	896,753,360	1,528,493,513	994,700,266	301,409	3,671,246,822
Lease Rentals Receivable and Stock Out on Hire	30,842,212	70,591,676	75,436,472	117,116,928	411,159	294,398,447
Financial Investments – Held for Trading	1,356					1,356
Financial Investments – Available-for-Sale	–	–	–	–	56,300	56,300
Financial Investments – Held-to-Maturity		16,199,500	4,161,309	396,000	1,248,500	22,005,309
Financial Investments	–	–	265,956,787	–	–	265,956,787
Other Financial Assets	1,226,537	147,385,173	64,602,033	143,310,670	–	356,524,413
Total Financial Assets	547,021,685	1,130,929,709	1,938,650,114	1,255,523,864	2,017,368	4,874,142,740
Financial Liabilities						
Due to Banks	7,811,621	9,989,145	18,322,564	23,366,736	–	59,490,066
Due to Customers	1,515,589,585	839,127,362	1,116,148,647	435,890,098	–	3,906,755,692
Total Financial Liabilities	1,523,401,206	849,116,507	1,134,471,211	459,256,834	–	3,966,245,758
Total Net Financial Assets/ (Liabilities)	(976,379,521)	281,813,202	804,178,903	796,267,030	2,017,368	907,896,982

48.3.2 Contractual Maturities of Commitments and Contingencies

There are no significant contingencies and significant capital commitments as at 31st March 2016.

48.4 Operational Risk

Overview

The operation risk management is the responsibility of all staff in the Company. The accountability of managing operation risk lies with the Management Committee members. They are responsible for maintaining an oversight over operational risk, and internal controls and covering all businesses and operations pertaining to SDF.

After reviewing the audit reports, the Integrated Risk Management Committee (IRMC) has identified certain common KRI that is affecting the branch operations. These risks that have been identified are critically reviewed regularly with the help of the Internal Audit Department.

SDF is in the process of developing a comprehensive BCP and DR policy. The BCP and DR policy is supported by a BCP and DR plan to ensure that SDF has the capability to handle failure of system, disaster at branches and disruption of business.

48.5 Market Risk

Overview

Market risk is the potential of an adverse impact on SDF's earnings or capital due to changes in interest rates. During the normal course of its business, Company deals in financial products such as loans and deposits to facilitate both customer-driven and proprietary transactions which expose the Company to market risk in varying degrees.

Market Risk Management

Risk Management Framework ensures the appropriate management of the market risks within the overall risk appetite so that adverse changes in market risk parameters, do not materially impact SDF's profitability, capital or the risk profile.

Upon recognising various sources of risks, their characteristics and possible outcomes resulting from transactions undertaken by the Company risk management process functions in compliance with the Investment Policy and Asset and Liability Policy. Investment Policy and Asset and Liability Policy, IRMF and Stress Testing Policy also define exposure limits and procedures within which such transactions are required to be undertaken. Market risk limits set out in the above policies are regularly reviewed by Asset and Liability Committee (ALCO) and Integrated Risk Management Committee (IRMC).

ALCO is the core Management Committee that regularly monitors market risk exposures and initiates appropriate action to optimise overall market risk exposures within the overall risk appetite of the Company. In this regard, the major functions carried out by ALCO include –

- Proactive managing of liquidity risk profile of SDF
- Articulating interest rate review of the SDF

Monitoring asset and liability gaps and rate shock results on Net Interest Income (NII) to initiate appropriate measures such as changing interest rate structure.

Functionalities of Market Risk Management

The Market Risk Management is done by Finance and Planning which is responsible for co-ordinating and performing Market Risk Management activities including measuring, monitoring and reporting of market risk exposures and reviewing SDF's market risk related policies and exposure limits at least annually. It also provides independent reviews on market risks associated with new investment proposals and products, thus facilitating efficient decision-making through optimising risk return trade-off.

48.5.1 Interest Rate Risk

Interest rate risk is a key constitute of the market risk exposure of the Company due to adverse and unanticipated movements in future interest rate which arises from core business activities, namely the granting of credit facilities, accepting deposits and issuing debt instruments.

Due to the nature of operations of the Company, the impact of interest rate risk is mainly on the earnings of the Company rather than the market value of portfolios. Several factors give rise to interest rate risk; among these are term structure risk, which arises due to the mismatches in the maturities of assets and liabilities; and basis risk which is the threat to income arises due to differences in the bases of interest rates.

Excessive movements in market interest rate could result in severe volatility to Company's net interest income and net interest margin. The Company's exposure to interest rate risk is primarily associated with factors such as:

- Reprising risk arising from a fixed rate borrowing portfolio where reprising frequency is different to that of the lending portfolio;
- Yield curve risk arising from unanticipated shifts of the market yield curve.

Interest rate risk is managed principally through minimising interest rate sensitive asset liability gaps. In order to ensure interest rate margin and spreads are maintained, the Company conducts periodic reviews and reprices its assets accordingly.

48.5.2 Interest Rate Risk Exposure on Financial Assets and Liabilities

The table below analyses the Company's interest rate risk exposure on financial assets and liabilities. The Company's assets and liabilities are included at carrying amount and categorised by the earlier of contractual reprising or maturity dates.

	Up to 03 Months Rs.	03-12 Months Rs.	01-03 Years Rs.	03-05 Years Rs.	Over 05 Years Rs.	Non-Interest Bearing Rs.	Total as at 31.03.2016 Rs.
Company							
Assets							
Cash and Cash Equivalents	264,142,742	–	–	–	–	42,623,363	306,766,105
Loans and Receivables	892,296,738	1,018,150,431	765,166,236	90,973,861	218,792	–	2,766,806,059
Financial Investments	243,177,150	–	–	–	–	–	243,177,150
Other Financial Assets	200,000,000	32,859,565	–	–	–	–	232,859,565
Total Financial Assets	1,599,616,630	1,051,009,996	765,166,236	90,973,861	218,792	42,623,363	3,549,608,878
Financial Liabilities							
Due to Banks	2,666,161	11,159,397	13,374,218	4,025,679			31,225,454
Due to Customers	1,589,056,656	1,191,766,191	223,193,591	66,400,971			3,070,417,410
Total Financial Liabilities	1,591,722,817	1,202,925,588	236,567,810	70,426,650	–	–	3,101,642,864
Interest Sensitivity Gap	7,893,813	(151,915,592)	528,598,426	20,547,212	218,792	42,623,363	447,966,014

	Up to 03 Months Rs.	03-12 Months Rs.	01-03 Years Rs.	03-05 Years Rs.	Over 05 Years Rs.	Non-Interest Bearing Rs.	Total as at 31.03.2015 Rs.
Company							
Assets							
Cash and Cash Equivalents	130,695,430	–	–	–	–	77,925,455	208,620,885
Loans and Receivables	747,770,623	1,204,117,704	644,028,665	182,791,481	301,409		2,779,009,883
Financial Investments	–	201,843,587	–	–	–	–	201,843,587
Other Financial Assets	–	7,048,875	–	–	–	–	7,048,875
Total Financial Assets	878,466,053	1,413,010,166	644,028,665	182,791,481	301,409	77,925,455	3,196,523,229
Financial Liabilities							
Due to Banks	9,639,144	17,397,286	17,011,809	2,694,989	–	1,000,000	47,743,228
Due to Customers	2,035,681,483	452,106,523	194,480,103	58,497,803	–	35,472,692	2,776,238,605
Total Financial Liabilities	2,045,320,627	469,503,809	211,491,913	61,192,792	–	36,472,692	2,823,981,832
Interest Sensitivity Gap	(1,166,854,574)	943,506,357	432,536,752	121,598,689	301,409	41,452,763	372,541,397

	Up to 03 Months Rs.	03-12 Months Rs.	01-03 Years Rs.	03-05 Years Rs.	Over 05 Years Rs.	Non-Interest Bearing Rs.	Total as at 31.03.2016 Rs.
Group							
Assets							
Cash and Cash Equivalents	325,831,216	–	–	–	–	56,763,949	382,595,165
Loans and Receivables	1,012,987,663	1,405,825,888	1,066,789,908	318,082,734	218,792	–	3,803,904,984
Lease Rentals Receivable and Stock Out on Hire	5,153,974	11,630,725	43,800,155	71,541,748	–	–	132,126,602
Financial Investments – Held for Trading	–	–	–	–	–	700	700
Financial Investments – Available-for-Sales	–	–	–	–	–	56,300	56,300
Financial Investments – Held-to-Maturity	66,973,656	4,285,258	–	–	1,035,918	–	72,294,832
Financial Investments	243,177,150	16,602,880	–	–	–	–	259,780,030
Other Financial Assets	237,409,905	79,292,889	–	–	–	–	316,363,479
Total Financial Assets	1,891,533,565	1,517,637,639	1,110,590,062	389,624,482	1,254,710	56,820,949	4,967,122,092
Financial Liabilities							
Due to Banks	47,874,477	11,159,397	15,391,873	4,025,679	–	–	78,451,425
Due to Customers	1,953,383,442	1,817,722,331	320,288,867	84,680,751	–	–	4,176,075,391
Total Financial Liabilities	2,001,257,918	1,828,881,727	335,680,741	88,706,429	–	–	4,254,526,816
Interest Sensitivity Gap	(109,724,353)	(311,244,088)	774,909,322	300,918,053	1,254,710	56,820,949	712,595,277

	Up to 03 Months Rs.	03-12 Months Rs.	01-03 Years Rs.	03-05 Years Rs.	Over 05 Years Rs.	Non-Interest Bearing Rs.	Total as at 31.03.2015 Rs.
Group							
Assets							
Cash and Cash Equivalents	175,058,872	–	–	–	–	88,894,436	263,953,307
Loans and Receivables	992,698,777	1,435,292,486	759,112,272	251,949,285	301,409	–	3,439,354,229
Lease Rentals Receivable and Stock Out on Hire	48,519,730	53,189,464	69,033,587	20,575,750	373,898	2,243,999	193,936,429
Financial Investments – Held for Trading	–	–	–	–	–	1,356	1,356
Financial Investments – Available-for-Sales	–	–	–	–	–	56,300	56,300
Financial Investments – Held-to-Maturity	15,945,049	4,023,475	–	–	1,021,404	–	20,989,927
Financial Investments	–	264,760,967	–	–	–	–	264,760,967
Other Financial Assets	142,581,007	51,439,724	14,088,150	90,000,000	–	–	298,108,880
Total Financial Assets	1,374,803,434	1,808,706,116	842,234,009	362,525,034	1,696,712	91,196,091	4,481,161,396
Financial Liabilities							
Due to Banks	17,684,768	18,025,196	18,771,793	2,952,685	–	1,000,000	58,434,441
Due to Customers	2,340,469,780	1,011,719,667	293,490,393	130,064,538	–	35,472,692	3,811,217,071
Total Financial Liabilities	2,358,154,549	1,029,744,863	312,262,186	133,017,223	–	36,472,692	3,869,651,512
Interest Sensitivity Gap	(983,351,114)	778,961,253	529,971,823	229,507,812	1,696,712	54,723,399	611,509,884