

# Financial Reports

## Contents

Directors' Responsibility for Financial Reporting	75	
Chief Executive Officer's and Chief Financial Officer's Responsibility Statement	76   Independent Auditor's Report	77
Balance Sheets	78   Income Statements	80
Statements of Changes in Equity	81   Cash Flow Statements	82
Notes to the Financial Statements	84	

## Financial Calendar

### 2009/10

1st Quarter Results 2009/10 released on	14 August 2009
2nd Quarter Results 2009/10 released on	12 November 2009
3rd Quarter Results 2009/10 released on	11 February 2010
Annual Report for 2009/10 released on	30 August 2010
31st Annual General Meeting on	21 September 2010

### Proposed Financial Calendar 2010/11

1st Quarter Results 2010/11 will be released in	August 2010
2nd Quarter Results 2010/11 will be released in	November 2010
3rd Quarter Results 2010/11 will be released in	February 2011
Annual Report for 2010/11 will be released in	July 2011
32nd Annual General Meeting in	July 2011



## Directors' Responsibility for Financial Reporting

The Directors confirm that the Company's Financial Statements for the year ended 31 March 2010 are prepared and presented in conformity with the requirements of the Sri Lanka Accounting Standards, the Regulations and Directions of the Central Bank of Sri Lanka, the Listing Rules of the Colombo Stock Exchange, the Finance Leasing Act No. 56 of 2000 and the Companies Act No. 07 of 2007. They believe that the Financial Statements present a true and fair view of the state of the affairs of the Company and of the Group as at the end of the financial year.

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

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

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

The External Auditors, Messrs Ernst & Young, were provided with the opportunity to make appropriate inspections of financial records, minutes and other documents to enable them to form an opinion of the Financial Statements. The Report of the Auditors is set out on page 77.



Kapila Jayawardena  
*Group Managing Director/  
Chief Executive Officer*

20 July 2010

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

The Financial Statements are prepared in compliance with the Sri Lanka Accounting Standards issued by The Institute of Chartered Accountants of Sri Lanka and the requirements of the Companies Act No. 07 of 2007 and any other applicable statutes to the extent applicable to the Company. There are no departures from the prescribed accounting standards in their adoption. The accounting policies used in the preparation of the Financial Statements are appropriate and are consistently applied.

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

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

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

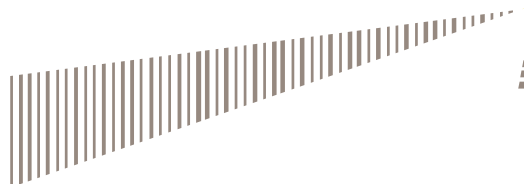


Kapila Jayawardena  
*Group Managing Director/  
Chief Executive Officer*



Sunjeevani Kotakadeniya  
*Chief Financial Officer*  
LOLC Group

# Independent Auditor's Report



**ERNST & YOUNG**

## Chartered Accountants

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P.O. Box 101  
Colombo 10  
Sri Lanka

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HMAJ/RM/BV/JJ

## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF LANKA ORIX LEASING COMPANY PLC

### Report on the Financial Statements

We have audited the accompanying financial statements of Lanka Orix Leasing Company PLC ("Company") and the consolidated financial statements of the Company and its subsidiaries, which comprise the balance sheets as at 31 March 2010, and the income statements, statements of changes in equity and cash flow statements for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### Management's Responsibility for the Financial Statements

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

### Scope of Audit and Basis of Opinion

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

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

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

### Opinion

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended 31 March 2010 and the financial statements give a true and fair view of the Company's state of affairs as at 31 March 2010 and its profit and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs as at 31 March 2010 and the profit and cash flows for the year then ended, in accordance with Sri Lanka Accounting Standards, of the Company and its subsidiaries dealt with thereby, so far as concerns the shareholders of the Company.

### Report on Other Legal and Regulatory Requirements

In our opinion, these financial statements also comply with the requirements of Sections 151(2) and 153(2) to 153(7) of the Companies Act No. 07 of 2007.

22 July 2010  
Colombo.

**Partners:** A D B Talawatte FCA FCMA M P D Cooray FCA FCMA R N de Saram ACA FCMA Ms. Y A De Silva ACA W R H Fernando FCA FCMA  
W K B S P Fernando FCA ACMA A P A Gunasekera FCA FCMA A Herath FCA D K Hulangamuwa FCA FCMA LLB (Lond)  
H M A Jayasinghe FCA FCMA Ms. G G S Manatunga ACA Ms. L C G Nanayakkara FCA FCMA B E Wijesuriya ACA ACMA

## Balance Sheets

As at 31 March

	Note	Group		Company	
		2010 (Rs.)	2009 (Rs.)	2010 (Rs.)	2009 Restated (Rs.)
<b>ASSETS</b>					
Cash and cash equivalents	15	2,082,993,737	1,832,565,294	420,286,466	552,918,792
Short-term investments		87,120,332	920,295,148	21,989,988	13,364,223
Investment securities	16	11,610,836,345	217,711,686	4,717,840,030	294,966,285
Investment in term deposits		2,786,322,142	3,864,491,419	1,173,872,285	2,281,454,487
Rentals receivable on lease assets, hire purchase and others	17	17,831,697,978	17,193,230,491	3,382,564,471	6,497,919,684
Advances and other loans	18	14,766,056,041	12,549,810,644	6,578,877,195	8,670,387,939
Instalment sales	19	2,168,424,768	2,954,951,809	2,168,424,768	2,954,951,809
Inventories	20	1,251,519,602	19,572,061	9,414,705	-
Trade and other current assets	21	4,341,962,363	2,119,888,975	3,617,045,417	3,637,000,861
Pre-paid lease rentals	22	313,709,841	-	-	-
Investment properties	23	506,139,491	162,582,249	296,669,851	70,592,609
Real estate stocks		22,930,299	32,131,926	-	3,135,535
Timber and rubber stocks	24	2,884,583,330	-	-	-
Investments in joint venture companies	25	-	-	-	10,000,000
Investments in associate companies	26	3,035,396,841	676,420,661	555,133,266	278,190,903
Investments in subsidiary companies	27	20	20	3,478,297,621	2,997,494,547
Deferred tax asset	28	774,500,366	548,735,133	430,784,145	539,311,406
Goodwill	29	151,415,234	151,415,234	-	-
Intangible assets	30	228,018,510	203,391,096	64,901,354	40,872,110
Property, plant and equipment	31	10,245,725,626	2,839,872,265	2,821,867,186	2,492,618,937
<b>Total assets</b>		<b>75,089,352,866</b>	<b>46,287,066,111</b>	<b>29,737,968,748</b>	<b>31,335,180,127</b>

## Balance Sheets

As at 31 March	Note	Group		Company	
		2010 (Rs.)	2009 (Rs.)	2010 (Rs.)	2009 Restated (Rs.)
<b>LIABILITIES AND EQUITY</b>					
<b>Liabilities</b>					
Bank overdrafts	15	2,987,337,668	2,750,579,613	1,351,271,657	1,909,632,293
Deposits from customers	32	10,094,683,226	5,228,920,975	-	-
Interest bearing loans & borrowings	33	35,248,089,434	29,013,104,961	21,736,055,085	22,940,127,372
Provision for taxation		197,569,233	165,528,410	57,191,924	47,988,600
Trade and other payables	34	5,628,201,818	2,611,688,796	1,099,157,250	1,283,898,817
Deferred taxation	35	442,464,504	351,416,503	-	-
Deferred income	36	273,765,847	-	-	-
Retirement benefit obligations	37	759,559,844	74,349,053	65,638,616	51,819,459
<b>Total liabilities</b>		<b>55,631,671,574</b>	<b>40,195,588,311</b>	<b>24,309,314,532</b>	<b>26,233,466,541</b>
<b>Equity</b>					
Stated capital	38	475,200,000	475,200,000	475,200,000	475,200,000
Reserves	39	765,858,265	554,412,465	552,292,132	529,406,288
Retained earnings	40	6,662,696,388	4,981,857,006	4,401,162,084	4,097,107,298
Equity attributable to equity holders of the Company		<b>7,903,754,653</b>	<b>6,011,469,471</b>	<b>5,428,654,216</b>	<b>5,101,713,586</b>
Minority interest		11,553,926,639	80,008,329	-	-
Total equity		<b>19,457,681,292</b>	<b>6,091,477,800</b>	<b>5,428,654,216</b>	<b>5,101,713,586</b>
<b>Total liabilities and equity</b>		<b>75,089,352,866</b>	<b>46,287,066,111</b>	<b>29,737,968,748</b>	<b>31,335,180,127</b>

These Financial Statements are in compliance with the requirements of the Companies Act No. 07 of 2007.



Mrs. S.S. Kotakadeniya  
Chief Financial Officer - LOLC Group

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



Mrs. R.L. Nanayakkara  
Chairperson



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

The Accounting Policies and Notes on pages 84 through 147 form an integral part of these Financial Statements.

## Income Statements

	Note	Group		Company	
		2010 (Rs.)	2009 (Rs.)	2010 (Rs.)	2009 Restated (Rs.)
<i>For the year ended 31 March</i>					
<b>GROSS REVENUE</b>	3	14,901,831,763	13,621,721,232	6,774,470,995	9,690,829,699
Revenue		3,571,367,173	3,495,606,802	1,199,918,890	3,495,606,802
Less: Cost of sales		(2,869,272,589)	(2,993,076,288)	(1,029,853,463)	(2,993,076,288)
Gross profit		702,094,584	502,530,514	170,065,427	502,530,514
Income	4	9,941,904,483	9,843,453,815	4,552,414,083	6,123,778,012
Other income/(expenses)	5	1,388,560,107	282,660,615	1,022,138,022	71,444,885
Net interest costs	6	(6,178,136,537)	(6,441,181,453)	(3,090,912,257)	(4,205,473,730)
<b>PROFIT BEFORE OPERATING EXPENSES</b>		5,854,422,637	4,187,463,491	2,653,705,275	2,492,279,681
<b>OPERATING EXPENSES</b>					
Direct expenses excluding interest costs	7	(542,206,499)	(497,742,300)	(226,022,022)	(314,921,244)
Provision for bad and doubtful debts		(635,976,370)	(369,767,923)	(447,278,102)	(200,446,301)
Staff costs	8	(921,351,169)	(727,552,967)	(244,795,068)	(359,292,956)
Depreciation and amortisation		(675,884,584)	(498,266,606)	(589,006,764)	(409,933,410)
Other operating expenses	9	(1,624,684,237)	(987,292,400)	(655,475,814)	(625,565,490)
Change in fair value of investment properties		13,381,750	-	-	-
<b>RESULTS FROM OPERATING ACTIVITIES</b>	10	1,467,701,528	1,106,841,295	491,127,505	582,120,280
Negative Goodwill	11	1,423,836,934	-	-	-
Loss on disposal of subsidiaries and associates		(167,087,952)	-	-	-
Share of profit of associate companies		116,336,631	140,457,638	-	-
<b>PROFIT BEFORE TAXATION</b>		2,840,787,141	1,247,298,933	491,127,505	582,120,280
Taxation	12	(455,381,906)	(192,122,404)	(164,186,875)	(76,532,012)
<b>PROFIT AFTER TAXATION</b>		2,385,405,235	1,055,176,529	326,940,630	505,588,268
Attributable to:					
Equity holders of the Company		1,841,808,956	1,054,153,622	326,940,630	505,588,268
Minority interest		543,596,279	1,022,907	-	-
<b>PROFIT FOR THE YEAR</b>		2,385,405,235	1,055,176,529	326,940,630	505,588,268
Earnings per share	13	38.76	22.18		
Dividend per share	14	-	2.83		

Figures in brackets indicate deductions.

The Accounting Policies and Notes on pages 84 through 147 form an integral part of these Financial Statements

## Statements of Changes in Equity

GROUP	Attributable to Equity Holders of the Company						Minority Interest	Total
	Stated Capital	Subsidiary Share Premium	Revaluation Reserve	Future Taxation Reserve	Statutory Reserve	Retained Earnings		
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
<i>For the year ended 31 March 2010</i>								
Balance as at 31.03.2008	475,200,000	536,504	105,402,842	205,000,000	195,266,451	4,142,813,661	53,649,532	5,177,868,990
Profit for the year	-	-	-	-	-	1,054,153,622	1,022,907	1,055,176,529
Dividends	-	-	-	-	-	(134,718,375)	-	(134,718,375)
Addition to minority through acquisition of subsidiary	-	-	-	-	-	-	25,335,890	25,335,890
Transferred back to retained earnings	-	-	-	-	-	(32,185,234)	-	(32,185,234)
Transfers during the year	-	-	-	-	48,206,669	(48,206,669)	-	-
<b>Balance as at 31.03. 2009</b>	<b>475,200,000</b>	<b>536,504</b>	<b>105,402,842</b>	<b>205,000,000</b>	<b>243,473,120</b>	<b>4,981,857,005</b>	<b>80,008,329</b>	<b>6,091,477,800</b>
Profit for the year	-	-	-	-	-	1,841,808,956	543,596,279	2,385,405,235
Dividends	-	-	-	-	-	-	-	-
Addition to minority through acquisition of subsidiaries and associates	-	-	-	-	-	-	10,700,874,323	10,700,874,323
Revaluations	-	-	50,476,226	-	-	-	227,170,779	277,647,005
Transfers during the year	-	(536,504)	-	-	161,506,077	(160,969,573)	2,276,929	2,276,929
<b>Balance as at 31.03.2010</b>	<b>475,200,000</b>	<b>-</b>	<b>155,879,068</b>	<b>205,000,000</b>	<b>404,979,197</b>	<b>6,662,696,388</b>	<b>11,553,926,639</b>	<b>19,457,681,292</b>
<b>COMPANY (Restated)</b>								
	Stated Capital	Revaluation Reserve	Future Taxation Reserve	Statutory Reserve	Retained Earnings	Total		
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.		
<i>For the year ended 31 March 2010</i>								
Balance as at 31.03.2008	475,200,000	105,402,842	205,000,000	183,993,390	3,792,540,720	4,762,136,952		
Transferred to retained earnings through merger	-	-	-	-	(1,293,259)	(1,293,259)		
Profit for the year	-	-	-	-	505,588,268	505,588,268		
Transferred from retained earnings to factoring receivables	-	-	-	-	(30,000,000)	(30,000,000)		
Dividends	-	-	-	-	(134,718,375)	(134,718,375)		
Transfers during the year	-	-	-	35,010,056	(35,010,056)	-		
<b>Balance as at 31.03.2009</b>	<b>475,200,000</b>	<b>105,402,842</b>	<b>205,000,000</b>	<b>219,003,446</b>	<b>4,097,107,298</b>	<b>5,101,713,586</b>		
Profit for the year	-	-	-	-	326,940,630	326,940,630		
Dividends	-	-	-	-	-	-		
Transfers during the year	-	-	-	22,885,844	(22,885,844)	-		
<b>Balance as at 31.03.2010</b>	<b>475,200,000</b>	<b>105,402,842</b>	<b>205,000,000</b>	<b>241,889,290</b>	<b>4,401,162,084</b>	<b>5,428,654,216</b>		

## Cash Flow Statements

For the year ended 31 March

	Group		Company	
	2010 (Rs.)	2009 (Rs.)	2010 (Rs.)	2009 Restated (Rs.)
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
Net profit before taxation	2,840,787,141	1,247,298,933	491,127,505	582,120,280
<b>Adjustment for:</b>				
(Profit)/loss on sale of property, plant and equipment	(54,432,364)	(16,173,288)	(10,271,603)	(9,468,008)
Depreciation and amortisation	675,884,584	498,266,606	589,006,764	409,933,410
Provision for defined benefit plans	25,125,609	8,146,452	9,752,577	9,235,879
Allowances for doubtful debts	635,976,370	274,320,990	447,278,102	121,115,756
Provision for fall/(increase) in value of investments	(97,849,681)	180,997,507	(71,115,335)	178,573,279
Capital gain on sale of treasury bond	(31,239,182)	(25,196,300)	(31,239,182)	(25,196,300)
Investment income	(49,986,556)	(3,175,105)	(24,469,270)	(28,159,560)
Finance cost	6,250,681,039	6,612,437,228	3,154,048,049	4,376,729,505
Interest income	(72,544,502)	(171,255,775)	(63,135,792)	(171,255,775)
Change in fair value of investment properties	(13,381,750)	-	-	-
(Profit)/loss on sale of quoted and non-quoted shares	(132,114,495)	-	-	-
(Profit)/loss on sale of subsidiaries, associates and quoted shares	167,087,952	-	(141,528,621)	-
Negative Goodwill	(1,423,836,934)	-	-	-
Share of profit of equity accounted investees	(116,336,631)	(140,457,638)	-	-
<b>Operating profit before working capital changes</b>	<b>8,603,820,600</b>	<b>8,465,209,610</b>	<b>4,349,453,194</b>	<b>5,443,628,466</b>
<b>Working capital changes</b>				
(Increase)/decrease in trade and other receivables	1,533,337,923	(4,550,833,939)	89,359,683	1,260,257,289
(Increase)/decrease in inventories	76,749,509	1,312,381	(9,414,705)	-
Increase/(decrease) in trade and other payables	581,174,305	1,411,882,380	107,622,035	(841,556,383)
(Increase)/decrease in real estate stocks	9,201,627	36,635,982	3,135,535	34,685,866
(Increase)/decrease in investment in leases, hire purchase and others	(638,467,487)	6,151,356,956	2,842,282,945	2,177,476,125
(Increase)/decrease in factoring account receivable	(1,104,599,746)	(798,386,414)	(469,142,563)	(39,357,903)
(Increase)/decrease in investment in advances and other loans	(1,415,254,957)	(8,603,212,043)	3,172,974,515	(5,675,538,397)
<b>Cash generated from operations</b>	<b>7,645,961,774</b>	<b>2,113,964,913</b>	<b>10,086,270,639</b>	<b>2,359,595,063</b>
Finance cost paid	(6,250,681,039)	(6,128,877,313)	(3,487,464,625)	(4,526,732,775)
Income tax and Economic Service Charge paid	(199,109,675)	(51,739,684)	(70,083,301)	(6,186,532)
Defined benefit plan costs paid	(5,607,181)	(3,278,593)	(657,680)	(1,111,361)
<b>Net cash from/(used in) operating activities</b>	<b>1,190,563,879</b>	<b>(4,069,930,677)</b>	<b>6,528,065,033</b>	<b>(2,174,435,605)</b>

## Cash Flow Statements

For the year ended 31 March

	Group		Company	
	2010 (Rs.)	2009 (Rs.)	2010 (Rs.)	2009 Restated (Rs.)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>				
Investment in subsidiary companies	-	-	(497,939,562)	(2,086,248,927)
Net cash and cash equivalents on acquisition of subsidiary	(1,339,581,567)	(1,313,539,634)	-	-
Investment in equity accounted investees	(1,566,763,995)	(183,835,258)	(508,146,451)	-
Investment in joint venture	-	-	-	90,000,000
Acquisition of property, plant and equipment	(1,243,488,066)	(1,106,008,424)	(1,208,408,322)	(1,003,347,160)
Acquisition of intangible assets	(43,621,506)	-	(42,157,136)	-
Acquisition of investment properties	(226,077,242)	-	(226,077,242)	-
Net proceeds from short-term investments	609,557,837	(56,938,226)	(8,625,760)	165,474,689
Proceeds from sale of subsidiaries, associates and shares	354,859,354	-	545,750,364	-
Net additions to investments	(7,955,218,728)	259,010,614	(4,466,400,399)	649,089,965
Net investment in term deposits	1,056,179,289	498,131,954	1,107,582,204	1,958,099,439
Proceeds from the sale of property, plant and equipment	400,356,144	120,057,274	318,552,801	107,174,385
Interest received	72,544,502	171,255,775	63,135,792	171,255,775
Dividend received	56,214,949	2,545,905	24,469,270	28,159,560
Rent received	4,969,047	629,200	-	-
<b>Net cash flow from investing activities</b>	<b>(9,820,069,982)</b>	<b>(1,608,690,820)</b>	<b>(4,898,264,441)</b>	<b>79,657,726</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>				
Net cash proceeds from short-term interest bearing loans and borrowings	6,457,176,647	(334,616,265)	2,866,740,073	(430,273,076)
Principal repayment under finance lease liabilities	(379,074,524)	(349,048,481)	(320,044,362)	(348,396,214)
Net proceeds from customer deposits	4,865,762,251	1,964,256,104	-	-
Proceeds from long-term interest bearing loans and borrowings	4,444,524,019	8,314,957,324	1,048,958,131	6,515,209,629
Repayments of long-term interest bearing loans and borrowings	(6,917,441,902)	(4,682,950,382)	(4,799,726,124)	(4,682,950,382)
Proceeds from issuance of debentures	172,230,000	-	-	-
Dividend paid	-	(134,718,375)	-	(134,718,375)
<b>Net cash generated from financing activities</b>	<b>8,643,176,491</b>	<b>4,777,879,925</b>	<b>(1,204,072,282)</b>	<b>918,871,582</b>
Net increase/(decrease) in cash and cash equivalents during the year	13,670,388	(900,741,573)	425,728,310	(1,175,906,297)
Cash and cash equivalents at the beginning of the year	(918,014,319)	(17,272,746)	(1,356,713,501)	(180,807,204)
<b>Cash and cash equivalents at the end of the year</b>	<b>(904,343,931)</b>	<b>(918,014,319)</b>	<b>(930,985,191)</b>	<b>(1,356,713,501)</b>
<b>Analysis of cash and cash equivalents at the end of the year</b>				
Cash at bank and in hand (Note 15.1)	2,082,993,737	1,832,565,294	420,286,466	552,918,792
Bank overdraft (Note 15.2)	(2,987,337,668)	(2,750,579,613)	(1,351,271,657)	(1,909,632,293)
	(904,343,931)	(918,014,319)	(930,985,191)	(1,356,713,501)



LANKA ORIX LEASING COMPANY PLC  
Annual Report 2009/10

# Notes to the Financial Statements

## 1. Corporate Information

### 1.1 General

Lanka ORIX Leasing Company PLC ('the Company') is a public quoted company incorporated on 14 March 1980 and domiciled in Sri Lanka. The Consolidated Financial Statements of the Company for the year ended 31 March 2010 comprise of the Company and its subsidiaries (together referred to as the 'Group') and the Group's interest in associates and jointly controlled entities.

The Financial Statements were authorised for issue by the Directors on 20 July 2010.

### 1.2 Principal Activities and Nature of Operations

During the year, the principal activities of the Company comprised of leasing, hire purchase, loans, operating leases, instalment sales and factoring. Descriptions of the nature of operations and principal activities of the subsidiaries, jointly-controlled entities and associates are given on Notes 25, 26 and 27 respectively in these Financial Statements.

### 1.3 Directors' Responsibility Statement

The Board of Directors takes the responsibility for the preparation and presentation of these Financial Statements.

## 2. Accounting Policies

### 2.1 Statement of Compliance

The Financial Statements of the Company and those consolidated with such are prepared in accordance with the Sri Lanka Accounting Standards laid down by The Institute of Chartered Accountants of Sri Lanka and in compliance with the Companies Act No. 07 of 2007.

Effect of accounting standards issued but not yet effective:

The following standards have been issued by The Institute of Chartered Accountants of Sri Lanka and are effective for the accounting periods on the dates specified below:

#### a. Sri Lanka Accounting Standard 44 - Financial Instruments; Presentation (SLAS 44) and Sri Lanka Accounting Standard 45 - Financial Instruments; Recognition and Measurement (SLAS 45)

SLAS 44 and 45 become effective for financial years beginning on or after 1 January 2011. Accordingly, the Financial Statements for the year ending 31 March 2012 will adopt SLAS 44 and 45, for the first time.

## Notes to the Financial Statements

These two standards together provide comprehensive guidance on identification, classification, measurement and presentation of financial instruments (including Derivatives) into financial assets, financial liabilities and equity instruments. In order to comply with the requirements of these standards, the Group is in the process of assessing the effect of adoption of the aforesaid standards. Due to the complex nature of the effect of these standards the impact of adoption has not been estimated as at the date of publication of these Financial Statements.

### b. Sri Lanka Accounting Standard 39 - Share Based Payments (SLAS 39)

SLAS 39 - Share Based Payments, effective for periods beginning on or after 1 January 2010 will be first adopted in the year ending 31 March 2011. This standard require an expense to be recognised where the Company buys goods or services in exchange for shares or rights over shares (equity-settled transactions), or in exchange for other assets equivalent in value to a given number of shares or rights over shares (cash-settled transactions). For equity-settled share-based payment transactions, the Company is required to apply SLAS 39 to grants of shares, share options or other equity instruments that were granted after 1 January 2010.

The Group is in the process of evaluating to impact of this standard, and the impact of the same is not estimated as at the date of the publication of these Financial Statements.

## 2.2 Basis of Preparation

The Financial Statements are presented in Sri Lanka Rupees which is also the Group's functional currency where appropriate the significant Accounting Policies have been disclosed in the succeeding Notes. The Financial Statements are prepared on the historical cost basis except Land and Building, Investment Properties, Marketable Securities which are stated at valuation as explained in Notes 31, 23 and 16 respectively in the Financial Statements. No adjustment has been made for inflationary factors affecting the Financial Statements except for revaluation of land. Assets and liabilities are grouped by nature and listed in an order that reflect their relative liquidity.

The Accounting Policies have been consistently applied by the Group and are consistent with those used in the previous year. The specific policies used are explained below and relate to both the Consolidated Financial Statements and that of the Company, except stated otherwise.

Previous period figures and Notes have been restated and reclassified wherever necessary to conform to the current presentation, as explained in Note 41.

### Significant Accounting Judgments, Estimates and Assumptions

In the process of applying the Group's Accounting Policies, management is required to make judgments, apart from those involving estimations, which may have a significant effect on the amounts recognised in the Financial Statements. Further, the management is required to consider, key assumptions concerning the future and other key sources of estimation of uncertainty at the Balance Sheet date, that may have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities. The respective carrying amounts of assets and liabilities are given in the

## Notes to the Financial Statements

related Notes to the Financial Statements. The key items which involve these judgments, estimates and assumptions are discussed below:

- **Impairment Losses on Loans and Advances:**

In addition to the provisions made for possible loan losses based on the parameters and directives for specific provisions on Loans and Advances by the Central Bank of Sri Lanka, the Company and its subsidiaries reviews its Loans and Advances portfolio at each reporting date to assess whether a further allowance for impairment should be provided in the Income Statement. The judgments by the management is required in the estimation of these amounts and such estimations are based on assumptions about a number of factors though actual results may differ, resulting in future changes to the provisions.

During the financial year 2009/10, Lanka ORIX Leasing Company has changed the estimation criteria of the allowance for bad and doubtful debts. The impact of the same is amounting to Rs. 18,398,603/-.

- **Defined Benefit Plans**

The cost of defined benefit plans - gratuity is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

- **Deferred Tax Assets**

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses 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.

- **Reviews of Impairment Losses on Other Assets**

The Group determines whether assets have been impaired by performing an impairment review. This requires the estimation of the 'value in use' of the cash generating units. Estimating value in use requires management to make an estimate of the expected future cash flows from the cash generating unit and also to select a suitable discount rate in order to calculate the present value of the relevant cash flows. This valuation requires the Group to make estimates about expected future cash flows and discount rates, and hence, they are subject to uncertainty.

- **Useful Lives of Property, Plant and Equipment**

The Group reviews the assets' residual values, useful lives and methods of depreciation at each reporting date. Judgment by the management is exercised in the estimation of these values, rates, methods.

### 2.3 Basis of Consolidation

Financial Statements of all companies in the Group are prepared to a common financial year, which ends on 31 March except Maturata Plantations Ltd., Pussellawa Plantations Ltd., Seylan Bank PLC and Prasac Micro Finance Company, Cambodia of which year end is 31 December. However, management Financial Statements for the three months period ended 31 March been considered for the purpose of Consolidated Financial Statements of the Group except for Prasac Micro Finance Company, Cambodia.

## Notes to the Financial Statements

### 2.3.1 Subsidiaries

The Financial Statements of the Group represent the consolidation of the Financial Statements of Lanka ORIX Leasing Company PLC and its subsidiaries as disclosed in Note 27. Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operational policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account.

Subsidiaries are consolidated from the date the Parent Company obtains control until such time control ceases. Acquisition of subsidiaries is accounted for using the purchase method of accounting.

The Group Financial Statements are prepared in accordance with the Sri Lanka Accounting Standards No. 26 on Consolidated Financial Statements.

Minority Interests in the net assets not owned, directly or indirectly, by the Company are presented in the Consolidated Balance Sheet within Equity, separately from the Equity Attributable to Equity Holders of the Parent (Company). Minority Interests in the profit or loss of the Group are presented separately in the Consolidated Income Statement.

### 2.3.2 Associates - Equity Accounting Investees

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating activities.

Associates are accounted for using the equity method (equity accounted investees) and are initially recognised at cost. The Group's investment in associate includes goodwill identified on acquisition, net of any accumulated impairment losses. The Consolidated Financial Statements include the Group's share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee. Associate Companies of the Group which have been accounted for under the equity method of accounting are disclosed under Note 26 to these Financial Statements.

### 2.3.3 Jointly-Controlled Entities

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

Jointly-controlled entities are accounted for using proportionate consolidation method, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.



## Notes to the Financial Statements

Jointly-controlled entities of the Group which have been accounted for under the proportionate consolidation method of accounting are disclosed in Note 25 in these Financial Statements.

### 2.3.4 Business Combinations and Goodwill

All business combinations have been accounted for by applying the purchase method in accordance with the Sri Lanka Accounting Standards No. 25 (Revised 2004) - Business Combinations. Applying this method involves the entity that obtains control of the other entity to recognise the fair value of assets acquired and liabilities and contingent liabilities assumed, including those not previously recognised.

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

Goodwill is initially recognised at cost. The Company will test the goodwill for impairment annually and assess for any indication of impairment to ensure that its carrying amount does not exceed the recoverable amount. If an impairment loss is identified, it is recognised immediately to the Income Statement. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to groups of cash-generating units that are expected to benefit from the synergies of the combination. The impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets *pro-rata* to the carrying amount of each asset in the unit. Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation.

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

In the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of the acquisition of the entity, the Group will reassess the measurement of the acquiree's identifiable assets and liabilities and the measurement of the cost and recognise the difference immediately to the Consolidated Income Statement.

### 2.3.5 Transactions Eliminated on Consolidation

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full in preparing the Consolidated Financial Statements.

## 2.4 Assets and Bases of their Valuation

### 2.4.1 Cash and Cash Equivalents

Cash and cash equivalents comprise of cash in hand and cash at banks. Bank overdrafts that are repayable on demand and form an integral part of the Group cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

## Notes to the Financial Statements

### 2.4.2 Rentals Receivable on Leased Assets and Hire Purchases

Rentals receivable on leased and hire purchase assets are accounted for as finance leases, hire purchases and reflected in the Balance Sheet at balance cost recoverable after eliminating unearned income and deducting pre-paid rentals, rental collections and provision for bad and doubtful debts.

### 2.4.3 Advances and Other Loans to Customers

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

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

### 2.4.4 Provision for Doubtful Debts

The specific provisions for doubtful debts are arrived at using the following bases:

Lanka ORIX Leasing Company PLC and LOLC Micro Credit Ltd. computes provisioning for bad and doubtful debts according to the Central Bank Direction No. 2 of 2006 of the Finance Leasing Act No. 56 of 2000.

- Twenty per cent (20%) of all lease, hire purchase and loan receivables (net of unearned income) which are in arrears for a period of 6 to 12 months.
- Fifty per cent (50%) of all lease, hire purchases and loan receivables (net of unearned income) which are in arrears for a period of 12 to 18 months.
- One hundred per cent (100%) of all lease, hire purchases and loan receivables (net of unearned income) which are in arrears for a period of 18 months and more.
- One hundred per cent (100%) of all accommodations where instalments are not paid on a monthly basis, wherever the Company has realised that instalments will not be paid on the due dates.

Additional specific provisions are made upon management review on the performance of the lease, hire purchase and loan portfolios on a case-by-case basis. Facilities that are overdue for 18 months or more and fully provided have been written-off against the provisions made.

Lanka ORIX Leasing Company PLC and LOLC Micro Credit Ltd. computes provisioning for bad and doubtful debts on high risk micro products according to the Direction No. 3 of 2006 of the Finance Companies Act No. 78 of 1988.

The Value of the following item held as collateral for a particular advance have been deducted in arriving the above provisions:

## Notes to the Financial Statements

With regard to vehicles that have been repossessed by the Company and not sold, eighty percent (80%) of the valuation obtained during the preceding 6 months from a professional valuer is being deducted in arriving at the provision for bad and doubtful debts. With regard to land and buildings, the full value, in case of a primary mortgage, such value shall not exceed the value decided by a qualified professional valuer at the time of providing the accommodation.

Lanka ORIX Finance Company Ltd. and Commercial Leasing Company Ltd. provide for bad and doubtful debts based on the Direction No. 3 of 2006 of the Finance Companies Act No. 78 of 1988.

- Fifty per cent (50%) on all receivables (net of unearned income) which are in arrears for a period of 6 to 12 months.
- One hundred per cent (100%) on all receivables (net of unearned income) which are in arrears for a period of 12 months and more with additional specific provisions.

Additional specific provisions are made upon management review on the performance of the lease, hire purchases and loan portfolios. Facilities that is overdue for 12 months or more and fully provided have been written-off against the provisions made.

The Value of the following item held as collateral for a particular advance have been deducted in arriving the above provisions:

With regard to vehicles that have been repossessed by Lanka ORIX Finance Company Ltd., eighty percent (80%) of the valuation obtained during the preceding 6 months from a professional valuer. With regard to land and buildings, the full value, in case of a primary mortgage, such value shall not exceed the value decided by a qualified professional valuer at the time of providing the accommodation.

Balance receivable on Terminated Contracts for Lease, Hire Purchase Advances and Loans

- One hundred percent (100%) of proceeds receivables.

### 2.4.5 Factoring Receivables

Factoring receivables of the Group have been stated net of specific provisions based on company provisioning policy. Any amount uncollectable is written-off against profits.

The specific provisions for doubtful debts are arrived at using the following bases:

- If one hundred per cent (100%) of the sales ledger is disputed, and no further transactions have taken place for a period of 6 months, 50% of the Current account balance is provided for, from the last date of dispute.
- When this period reaches 12 months 100% is provided for.

However, if the total of settlements received within said 3 months is less than 25% of the overdue Current account balance, 50% of such Current account balance is provided in 6 months and the 100% provided after 12 months as in the case of such accounts.

## Notes to the Financial Statements

Further, the total portfolio review quarterly to capture any accounts that are not falling under the above criteria but are considered as 'non-performing'. Such accounts are considered for provisioning on a case-by-case basis, under specific provisioning.

Commercial Leasing Company Ltd. makes a general provision of 0.75% of factoring receivables to absorb any losses arising from unforeseen events.

#### 2.4.6 Inventories

Inventories are stated at the lower of cost and net realisable value after making due allowance for obsolete and slow moving items net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost incurred in bringing inventories to its present location and condition is accounted using the following cost formula:

Type of Inventory	Method of Valuation
Input Materials	At total purchased cost using Weighted Average Cost Formula.
Growing Crop - Nurseries	At the cost of direct materials, direct labour and appropriate proportion of directly attributable overheads less provision for over-grown plants.
Produce Stocks	Produce Stocks manufactured up to the Balance Sheet date and sold since then, until the time of preparation of the Financial Statements are valued at since realised price. The balance Produce Stocks are valued at estimated selling prices. The prices are net of all attributable expenses relating to the public auction.
Spares and Consumables	At purchase cost on weighted average basis.
Inventory items except finished goods and work-in-progress	First-in-first out cost (FIFO)
Finished goods and work-in-progress	Factory cost which includes all direct expenditure and production overheads based on normal operating capacity.

#### 2.4.7 Timber Stocks and Rubber

The accounting policies adopted for Timber and Rubber on plantations which is a consumable biological asset, is stated at fair value less estimated point-of-sale-of-costs. The policy for revaluation is adopted based on the International Accounting Standard 41 - Agriculture, as there is no Sri Lanka Accounting Standard on Timber and Rubber. Point-of sales-costs include all the costs that would be necessary to sell the assets, including costs necessary to get the assets to market.

## Notes to the Financial Statements

The plantation companies have engaged an Independent Chartered Valuation Surveyor Mr. K.T.D. Tissera in determining the fair value of Timber Stocks and Rubber. The valuer has valued the Timber Stocks and Rubber per tree valuation basis by using available log and tree prices in city centres less point-of-sale-costs. The plantation companies' measured the Timber Stocks and Rubber as fair value less estimated-point-of-sale-costs as at each Balance Sheet date.

### 2.4.8 Real Estate Stocks

Real estate stocks of the Group represent the purchase value of properties acquired for resale with buy-back agreements, less repayments. Carrying value of the real estate stocks as at the Balance Sheet date represents the purchase value of properties and any subsequent expenditure incurred on development of such properties.

### 2.4.9 Short-Term Investments

Short-term investment comprises of call deposits and interest earning demand deposits with banks. Call deposits and deposits with banks are stated at the amounts to be realised.

### 2.4.10 Investments in Term Deposits

Term deposits are stated at principal amount plus interest accrued on a time proportionate basis.

### 2.4.11 Investment Securities

- **Investment in Quoted Shares**

Investments in quoted shares are stated at their respective market values on an aggregate portfolio basis. The difference between cost and the market value is charged to the Income Statement.

The quoted investments of the Browns Group are stated at the market value as at the Balance Sheet date. The excess on revaluation is credited to revaluation of investments in the statement of changes in equity.

- **Investment in Government Securities**

Investments in Government Treasury Bonds held to maturity are reflected at the value of the Bonds purchased and the discount/premium accrued thereon and carried at these values till their maturity in the Balance Sheet. Discount received/premium paid is taken to the Income Statement based on a pattern reflecting a constant periodic rate of return.

- **Investment in Non-Quoted Shares**

Investment in non-quoted shares are stated at cost of acquisition and adjusted for any fall in value, which are other than temporary.

### 2.4.12 Trade Receivables

Trade and other receivables are stated at the amounts they are estimated to realise, net of provisions for bad and doubtful receivables. A provision for doubtful debts is made when the debt exceeds 365 days, and collection of the full amount is no longer probable. Bad debts are written-off when identified.

## Notes to the Financial Statements

### 2.4.13 Other Receivables

Other receivable balances are stated at estimated amounts receivable after providing for doubtful receivables.

### 2.4.14 Intangible Assets

#### Basis of Recognition

An Intangible Asset is recognised if it is probable that future economic benefits that are attributable to the assets will flow to the entity and the cost of the assets can be measured reliably.

#### Basis of Measurement

Intangible assets acquired separately are measured as initial recognition at cost. Following initial recognition intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful life of intangible assets is assessed to be either finite or indefinite. Intangible assets with finite areas are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit level.

#### Subsequent Expenditure

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

#### Derecognition

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

### 2.4.15 Investment Property

#### Basis of Recognition

Properties held to earn rental income, and properties held for capital appreciation have been classified as investment property. Investment properties are initially recognised at cost.

#### Basis of Measurement

##### Cost Model - Lanka ORIX Leasing Company PLC and Lanka ORIX Finance Company Ltd.

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

## Notes to the Financial Statements

After initial recognition the Company measure all of its investment property in according with requirements in SLAS 18 (Revised 2005) - Property, Plant and Equipment other than those meet the criteria to be classified as held for sale.

### Fair value Model - Browns Group of Companies

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

Where Group companies occupy a significant portion of the investment property of a subsidiary, such investment properties are treated as property, plant and equipment in the Consolidated Financial Statements, and accounted for as per SLAS 18 (Revised) - Property, Plant and Equipment.

### Derecognition

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the Income Statement in the year of retirement or disposal.

### Subsequent Transfers to/from Investment Property

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner occupation, commencement of an operating lease to another party or completion of construction or development. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sale.

For a transfer from investment property to owner occupied property or inventories, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If the property occupied by the Company as an owner occupied property becomes an investment property, the Company, accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use. For a transfer from inventories to investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the Income Statement. When the Company completes the construction or development of a self-constructed investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the Income Statement.

## 2.4.16 Property, Plant and Equipment

### a. Basis of Recognition

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

## Notes to the Financial Statements

**b. Basis of Measurement**

Items of property, plant and equipment are measured at cost/revaluation less accumulated depreciation/impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within 'other income' in profit or loss. When revalued assets are sold, the amounts included in the revaluation surplus reserve are transferred to retained earnings.

**Cost Model**

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

**Revaluation Model**

A revaluation of property, plant and equipment of Browns Group of Companies are done after a review once a year when there is a substantial distinction between the fair value (market value) and the book value of the asset and is undertaken by professionally qualified valuers, Lanka ORIX Leasing Company PLC revalue its land and Commercial Leasing Company Ltd. revalue its land and building every at least once in three years.

When an asset is revalued, any increase in the carrying amount is transferred to a revaluation reserve, unless it reverses a previous revaluation decrease relating to the same asset, which was recognised in the Income Statement.

**c. Subsequent Costs**

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

## Notes to the Financial Statements

**d. Depreciation**

Depreciation is provided from the date the asset is available for use up to the date it derecognises. The Company and its subsidiaries provide depreciation for the following assets on the straight line method over the estimated useful life stated below. Land is not depreciated.

Building	40 Years
Motor Vehicles	4 Years
Furniture and Fittings	5 Years
Office Equipment	5 Years
Computer equipment	5 Years

Gal Oya Holdings (Pvt) Ltd., a joint venture company, depreciates computers over 4 years and office equipment over 8 years.

Sundaya Lanka (Pvt) Ltd., a subsidiary Company, depreciates motor vehicles over 5 years. Equipments and tools, furniture and fittings and computers are depreciated over 4 years.

Browns Group of Companies depreciates Buildings over 40 years, plant and machinery over 10 years, motor vehicles over 04 years, loose tools and computers over 04 years, furniture fitting and office equipment over 10 years.

**e. Operating Lease Assets**

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

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

**f. Finance Leases**

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Assets acquired by way of a finance lease are stated at an amount equal to the lower of their fair value and the present value of minimum lease payments at the inception less accumulated depreciation.

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

Leasehold Rights to bare land of JEDB/SLSPC estate assets and immovable (JEDB/SLSPC) estates assets on finance lease obtained on a long-term basis, are stated at the recorded carrying values as at the effective date of Sri Lanka Accounting Standard No. 19 - Leases, in line with Ruling of the Urgent Issues Task Force of The Institute of Chartered Accountants of Sri Lanka. Such carrying amounts are amortised over the remaining lease term or useful life of such asset whichever is shorter.

## Notes to the Financial Statements

**g. Leasehold Property**

Prepaid lease rentals paid to acquire land use rights are amortised over the lease term in accordance with the pattern of benefits provided. Leasehold properties are tested for impairment annually and are written down where applicable. The impairment loss, if any, is recognised in the Income Statement.

**h. Leasehold Vehicles**

Leasehold vehicles are assets obtained on finance leases facilities by the Company for the business of hiring and shown under the property, plant and equipment in the Balance Sheet at cost less accumulated depreciation.

These assets are depreciated net of cost and the estimated realisable value over the effective useful life.

**i. Leasehold Machinery**

Leasehold machineries are machinery and equipment shown under property, plant and equipment in the Balance Sheet at cost less accumulated depreciation. Depreciation on leasehold machinery is computed over the lease period.

**j. Capital Work-in-Progress**

Capital work-in-progress is stated at cost. These are expenses of a capital nature directly incurred in the construction of building.

**k. Mature Plantations (Re-planting and New Planting)**

Tea	33 1/3 years	3%
Rubber	20 years	5%
Coconut	50 years	2%

Depreciation of an asset begins when it is available for use and ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognised. Depreciation methods, useful lives values are assessed at the reporting date. Mature plantations are depreciated over their useful lives or unexpired lease period, whichever is less. No depreciation is provided for immature plantations and freehold land.

**l. Amortisation**

The leasehold rights of assets taken over from JEDP/SLSPC are amortised in equal amounts over the lower of lease period and economic useful life.

Depreciation rates used for the purpose are as follows:

	No. of Years	Rate %
Bare Land	53	1.89
Mature Plantations	30	3.33
Buildings	25	4.00
Machinery	15	6.67
Water and Sanitation	20	5.00
Other Vested Assets	30	3.33

## Notes to the Financial Statements

### m. Restoration Costs

Expenditure incurred on repairs or maintenance of property, plant and equipment in order to restore or maintain the future economic benefits expected from originally assessed standard of performance is recognised as an expense when incurred.

### n. Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of an asset is calculated as the difference between the net disposal proceeds and the carrying amount. Gains or losses on derecognition are recognised in Income Statement.

### o. Permanent Land Development Costs

Permanent land development costs are those costs incurred making major infrastructure development and building new access roads on leasehold lands.

These costs have been capitalised and amortised over the remaining lease period.

### p. Immature and Mature Plantations

The total cost of land preparation, rehabilitation, new planting, re-planting, crop diversification, inter-planting and fertilizing, etc., incurred between the time of planting and harvesting (When the planted area attains maturity) are classified as immature plantations.

These immature plantations are shown at direct costs plus attributable overheads, including interest attributable to long-term loans used for financing immature plantations. Attributable overheads incurred on the plantation are apportioned based on the labour days spent on respective re-planting and new planting and capitalised on the immature areas. The remaining non-attributable overhead is expensed in the accounting period in which it is incurred.

The expenditure incurred on perennial crop (Tea/Rubber/Coconut) fields, which come into bearing during the year, has been transferred to mature plantations and depreciated over their useful life period.

### q. Infilling Costs

The land development costs incurred in the form of infilling have been capitalised to the relevant mature field where infilling results in an increase in the economic life of the relevant field beyond its previously assessed standard of performance, in accordance with Sri Lanka Accounting Standard - 32 and depreciated over the useful life at rates applicable to mature plantation. Infilling cost that are not capitalised and charged to the Income Statement in the year in which they are incurred.

## Notes to the Financial Statements

### r. Impairment of Assets

The Group assesses at each reporting 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 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. Impairment losses are recognised in the Income Statement except for impairment losses in respect of property, plant and equipment which are recognised against the revaluation reserve to the extent that it reverses a previous revaluation surplus. An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. Previously recognised impairment losses other than in respect of goodwill, are reversed only if there has been an increase in the recoverable amount of the asset. Such increase is recognised to the extent of the carrying amount had no impairment losses been recognised previously.

## 2.5 Foreign Currency Transactions

Transactions denominated in foreign currencies are converted into Rupees at the monthly average exchange rate applicable for the transactions. Assets and liabilities denominated in foreign currencies are converted into Rupees at the rate of exchange prevailing at the date of the Balance Sheet. Profit or loss arising on conversion is credited or debited to the Income Statement.

## 2.6 Liabilities and Provisions

Liabilities are recognised in the Balance Sheet when there is a present obligation as a result of a past event, the settlement of which is expected to result in an outflow of resources embodying economic benefits. Obligations payable at the demand of the creditor or within one year of the Balance Sheet date are treated as current liabilities in the Balance Sheet. Liabilities payable after one year from the Balance Sheet date are treated as non-current liabilities in the Balance Sheet.

Provisions are made for all obligations existing as at the Balance Sheet date when it is probable that such an obligation will result in an outflow of resources and a reliable estimate can be made of the quantum of the outflow. All contingent liabilities are disclosed as a note to the Financial Statements unless the outflow of resources is remote. Contingent assets are disclosed, where inflow of economic benefit is probable.

### 2.6.1 Grants and Subsidies

Grants related to property, plant and equipment are initially deferred and allocated to Income Statement on a systematic basis over the useful life of the related property, plant and equipment. Grants related to assets, including non-monetary grants at fair value, are deferred in the Balance Sheet and credited to the Income Statement over the useful life of the related asset.

## Notes to the Financial Statements

Grants related to income are recognised in the Income Statement in the period in which they are receivable as stated below:

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

Grants related to assets, including non-monetary grants at fair value, are deferred in the Balance Sheet and credited to the Income Statement over the useful life of the related asset. Grants related to income are recognised in the Income Statement in the period in which they are receivable

### 2.6.2 Finance Leases

Property and Equipment on finance leases, which effectively transfer to the Group substantially all of the risk and benefits incidental to ownership of the leased items, are disclosed as finance leases at their cash price and depreciated over the period the Group is expected to benefit from the use of the leased assets.

The corresponding principal amount payable to the lessor is shown as a liability. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the outstanding balance of the liability. The interest payable over the period of the lease is transferred to an interest in suspense account. The interest element of the rental obligations pertaining to each financial year is charged to the Income Statement over the period of lease.

### 2.6.3 Income Tax

Income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the Commissioner General of Inland Revenue. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as at the Balance Sheet date. Accordingly, provision for taxation is made on the basis of the profit for the year and adjusted for the taxation purposes in accordance with provision of the Inland Revenue Act No. 10 of 2006 and amendments thereto. The rates used are specified in Note 12 to Financial Statements.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the Balance Sheet date and any adjustments to tax payable in respect of previous years.

### 2.6.4 Deferred Taxation

Deferred taxation is provided on the liability method for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities.

## Notes to the Financial Statements

A deferred tax asset is recognised for carried forward unused tax losses to the extent that it is probable that future taxable profit will be available against which the asset can be utilised.

The carrying amount of deferred tax asset is reviewed at each Balance Sheet date and reduce to the extent that is no longer probable that the related tax benefit will be realised. Unrecognised deferred tax asset in relation to deductible differences, unused tax credits and unused tax losses carried forward are reassessed at each Balance Sheet date and recognised to the extent that has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the applicable tax rate prevailing in the year. Deferred tax asset and the liabilities in the same entity are set off in line with provision of prevailing tax laws.

### 2.6.5 Securities Sold under Repurchase Agreements

These are borrowings collateralised by sale of Treasury Bills and Treasury Bonds held by the Company to the counterparty from whom the Company borrowed, subject to an agreement to repurchase them at a predetermined price. Such securities remain on the Balance Sheet of the Company and the liability is recorded in respect of the consideration received. The difference between the sale and the purchase price represents interest expense, which is recognised in the Income Statement evenly over the period of the repurchased agreement.

### 2.6.6 Retirement Benefits - Defined Benefit Plan - Gratuity

The Company measures the present value of the promised retirement benefits for gratuity, which is a defined benefit plan with the advice of an independent professional actuary once in three (3) years using the Projected Unit Credit method (PUC) as required by Sri Lanka Accounting Standards No. 16 - Employee Benefits (Revised 2006).

For the purpose of determining the charge for any period before the next regular actuarial valuation, an approximate estimate provided by the qualified actuary is used.

The item is stated under Defined Benefit Liability in the Balance Sheet.

#### Recognition of Actuarial Gains and Losses

Actuarial gains or losses are recognised in the Income Statement in the period in which they arise.

#### Recognition of Past Service Cost

Past service costs are recognised as an expense on a straight line basis over the average period until the benefits become vested. If the benefits have already been vested, immediately following the introduction of, or changes to the plan, past service costs are recognised immediately.

#### Funding Arrangements

The gratuity liability is not externally funded.

## Notes to the Financial Statements

The assumptions based on which the results of the actuarial valuation was determined, are included in Note 32 to the Financial Statements. However, according to the Payment of Gratuity Act No. 12 of 1983, the liability for the gratuity payment to an employee arises only on the completion of 5 years of continued service with the Company.

### 2.6.7 Defined Contribution Plan - EPF and ETF

All employees of the Company are members of the Employees' Provident Fund (EPF) and Employees' Trust Fund (ETF), to which the Company contributes 12% and 3% of employee salaries respectively and charged against the profits.

### 2.6.8 Swap Instruments

Group in its ordinary course of business enter into transactions such as currency swaps and foreign exchange contracts and uses derivative instruments to manage exposure to currency risks. In order to account for such transactions, the Group applies hedging accounting principles based on best accounting practices.

Currency swaps are recognised as off Balance Sheet Assets or Liabilities. The Group's commitment for the contracted period is converted to Sri Lankan Rupees based on the exchange rate agreed.

## 2.7 Income Statement

### 2.7.1 Gross Revenue

Income represents the gross income receivable for the year on all performing contracts, rentals on operating leases, income on factoring debtors, commission earned on insurance premiums, brokerage on share transactions and fees for IT services provided. It also includes all income related to operations such as interest on overdue rentals, profit/loss on leases and loans terminated and collections on contracts written-off. Revenue consist of results from trading activities. Other Income such as interest on treasury bonds, profit on sale of property, plant and equipment, dividend income, gain on share revaluation etc also included in the gross revenue.

### 2.7.2 Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group, and the revenue and associated costs incurred or to be incurred can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and value added taxes, net of sales within the Group.

### 2.7.3 Earned Income on Leases, Hire Purchases, Loans and Advances

The Group follows the financing method of accounting for its income. The excess of aggregated contract receivable over the cost of the assets constitutes the total unearned income at the commencement of a contract.

## Notes to the Financial Statements

The unearned income is recognised over the term of the facility commencing on the month on which the facility is executed in proportion to the declining receivable balance, so as to produce a constant periodic rate of return on the net investment outstanding.

Non-performing loans are those facilities where the rentals are overdue for 6 months and over. Income accrued is suspended from the date a facility is classified as non-performing and credited to the 'Earned Income in Suspense' in compliance with Direction No. 05 of 2005 of the Finance Leasing Act No. 56 of 2000 and Direction No. 15 of 1991 of the Finance Companies Act No. 78 of 1988. Thereafter, such income is recognised on cash basis.

Profit or loss on contracts terminated, collections on contracts written-off, interest on overdue rentals, interest on revolving loans, interest earned on property sale and buy back agreements, interest income on pawn broking are accounted for on cash basis.

#### 2.7.4 Factoring

Revenue is derived from two sources, Funding and providing Sales Ledger Related Services.

Funding - Discount income relating to factoring transactions is recognised at the end of a given accounting month. In computing this discount, a fixed rate agreed upon at the commencement of the factoring agreement is applied on the daily balance in the Client's Current Account.

Sales Ledger Related Services - A service charge is levied as stipulated in the Factoring Agreement.

Income is accounted for on an accrual basis and deemed earned on disbursement of advances for invoices factored, except where the account is classified as non-performing.

Income is suspended on the basis of, If 100% of the sales ledger is disputed and there are no transactions for a period of 3 months from the last date of dispute.

#### 2.7.5 Insurance Brokering

Income from commission on insurance premiums is accounted for on premium collection basis.

#### 2.7.6 IT Service Fee

IT services fee is accounted for on an accrual basis.

#### 2.7.7 Turnover from Sale of Solar Systems

Sundaya Lanka (Pvt) Ltd., earns revenue from sale of solar systems and it's accounted on an accrual basis.

## Notes to the Financial Statements

### 2.7.8 Sale of Goods

Revenue from sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to buyer; with the Company retaining neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

### 2.7.9 Revenue from Rendering of Other Services

Revenue from rendering of services is recognised in the accounting period in which the services are rendered or performed.

### 2.7.10 Treasury Bond Income

Discount/premium on Treasury Bills/Bonds are amortised over the period to reflect a constant periodic rate of return. The coupon interest on treasury bonds is recognised on an accrual basis.

### 2.7.11 Other Income

Rent income, non-operational interest income and foreign exchange gains are accounted for on accrual basis.

Dividend income is recognised when the right to receive payment is established.

Profit on sales of property, plant and equipment and other non-current assets, including investments held by the Group have been accounted for in the Income Statement, after deducting from the net sales proceeds on disposal of the carrying amount of such assets.

### 2.7.12 Expenses

All expenditure incurred in the running of the business has been charged to income in arriving at the profit for the year.

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

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

### 2.7.13 The Group Profits are Stated After:

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

## Notes to the Financial Statements

#### 2.7.14 Borrowing Costs

Borrowing costs are recognised as expenditure in the period in which they are incurred. However, borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets that take a substantial period of time to get ready for its intended use or sale, are capitalised as part of the assets. During the year no borrowing cost has been capitalised.

#### 2.8 Movement of Reserves

Movement of reserves is disclosed in the Statements of Changes in Equity.

#### 2.9 Cash Flow Statements

The Cash Flow Statements are prepared using the indirect method as stipulated in SLAS 9 - Cash Flow Statements, Cash and Cash Equivalents for Cash Flow Statements comprise mainly of cash in hand, balances at banks and bank overdraft.

#### 2.10 Related Party Transactions

Transactions with related parties are conducted on normal business terms. The relevant disclosures are given in Note 46 to the Financial Statements.

#### 2.11 Segmental Reporting

Segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Sri Lanka Accounting Standard 28 on segment reporting, segmental information is presented in respect of the Group. The segment comprises of financial services, insurance broking, IT services, Trading, Leisure, Plantation, Power and Energy and others are described in Note 42.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

#### 2.12 Events after the Balance Sheet Date

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

#### 2.13 Capital Commitments and Contingencies

Capital commitments and contingent liabilities of the Group are disclosed in the respective Notes to the Financial Statements.

## Notes to the Financial Statements

For the year ended 31 March

	Group		Company	
	2010 (Rs.)	2009 (Rs.)	2010 (Rs.)	2009 (Rs.)
<b>3. Gross Revenue</b>				
Revenue	3,571,367,173	3,495,606,802	1,199,918,890	3,495,606,802
Income	9,941,904,483	9,843,453,815	4,552,414,083	6,123,778,012
Other income	1,388,560,107	282,660,615	1,022,138,022	71,444,885
<b>Total</b>	<b>14,901,831,763</b>	<b>13,621,721,232</b>	<b>6,774,470,995</b>	<b>9,690,829,699</b>
Revenue	3,571,367,173	3,495,606,802	1,199,918,890	3,495,606,802
Less: cost of sales	(2,869,272,589)	(2,993,076,288)	(1,029,853,463)	(2,993,076,288)
<b>Gross profit</b>	<b>702,094,584</b>	<b>502,530,514</b>	<b>170,065,427</b>	<b>502,530,514</b>

## 4. Income

Leasing interest income	1,900,224,642	2,271,869,419	674,445,440	1,389,300,901
Hire purchases interest income	2,441,201,653	2,345,112,502	468,003,296	941,003,160
Advances and other loans interest income	2,741,044,079	2,715,191,638	1,426,850,929	2,119,074,193
Deferred instalment income	394,051,007	175,777,795	393,983,916	175,777,795
Operating lease and hire rental income	787,258,857	653,255,496	745,017,188	611,411,113
Overdue interest income	559,505,588	488,791,526	293,725,481	252,073,633
Debt factoring income	666,149,697	604,072,617	361,372,580	389,144,239
Insurance broking income	128,366,316	147,116,705	5,064,566	3,086,090
Securities trading and others	9,319,949	161,275,475	-	-
IT consultancy fees	96,000,000	92,024,245	-	-
Other operational income	314,782,695	276,627,872	183,950,687	242,906,888
	<b>10,037,904,483</b>	<b>9,931,115,290</b>	<b>4,552,414,083</b>	<b>6,123,778,012</b>
Inter-company income	(96,000,000)	(87,661,475)	-	-
<b>Total</b>	<b>9,941,904,483</b>	<b>9,843,453,815</b>	<b>4,552,414,083</b>	<b>6,123,778,012</b>

## Notes to the Financial Statements

	Group		Company	
	2010 (Rs.)	2009 (Rs.)	2010 (Rs.)	2009 (Rs.)

For the year ended 31 March

## 5. Other Income/(Expenses)

## 5.1 Other Income

Rent income	4,969,047	629,200	-	-
Profit on sale of property, plant and equipment	54,432,364	16,115,261	10,271,603	9,468,008
Sales proceeds received in excess on re-finance	2,534,609	2,534,608	2,534,609	2,534,609
Profit on sale of vehicles	1,192,218	58,027	-	-
Dividends received	45,017,509	1,962,757	24,469,270	28,159,560
Interest received from treasury bills, bonds and call deposits	822,791,377	228,163,308	274,165,872	7,723,376
Debenture interest income	-	583,148	97,343,931	583,148
Royalty income	-	-	16,073,626	31,631,927
Foreign exchange gain/(loss)	(4,975,337)	54,215,752	935,243	54,376,893
Capital gain on sale of treasury bonds	31,239,182	25,196,300	31,239,182	25,196,300
Reversal of provision for fall in value of investments and others	24,273	721,656	-	-
Appreciation in market value of quoted investments	97,849,681	-	71,115,335	-
Profit on sale of quoted and non-quoted shares	132,114,495	-	141,528,621	-
Sundry income	171,436,479	132,756,448	322,991,138	90,344,343
Franchise fees	29,469,592	-	29,469,592	-
Amortisation of capital grants	464,618	-	-	-
Other expenses (Note 5.2)	-	(180,275,850)	-	(178,573,279)
<b>Total</b>	<b>1,388,560,107</b>	<b>282,660,615</b>	<b>1,022,138,022</b>	<b>71,444,885</b>

## 5.2 Other Expenses

Fall in market value of quoted and non-quoted shares	-	143,260,527	-	143,260,527
Loss on sale of quoted and non-quoted shares	-	8,210,702	-	6,630,021
Provision for fall in value for investment	-	28,804,621	-	28,682,731
<b>Total</b>	<b>-</b>	<b>180,275,850</b>	<b>-</b>	<b>178,573,279</b>

## 6. Net Interest Costs

Overdraft and other short-term borrowings	2,697,108,769	2,491,243,296	946,545,416	1,926,769,466
Long-term borrowings	1,795,098,463	2,811,988,605	1,779,481,116	1,988,537,258
Finance lease interest	83,932,598	142,192,717	76,250,839	142,030,706
Debenture interest	14,622,369	-	-	-
Charges on SWAPS	422,403,295	322,506,732	351,770,678	319,392,075
Interest on customer deposits	1,237,515,545	844,505,878	-	-
	6,250,681,039	6,612,437,228	3,154,048,049	4,376,729,505
Less: Interest income on US\$ and EURO deposits	(72,544,502)	(171,255,775)	(63,135,792)	(171,255,775)
<b>Total</b>	<b>6,178,136,537</b>	<b>6,441,181,453</b>	<b>3,090,912,257</b>	<b>4,205,473,730</b>

## Notes to the Financial Statements

### 7. Direct Expenses Excluding net Interest Costs

	Group		Company	
	2010 (Rs.)	2009 (Rs.)	2010 (Rs.)	2009 (Rs.)
<i>For the year ended 31 March</i>				
Value Added Tax (VAT) on leases/general expenses and VAT on financial services	313,321,617	240,622,790	99,571,726	110,610,371
Business Turnover Tax (BTT), debits tax and others	228,884,882	257,119,510	126,450,296	204,310,873
<b>Total</b>	<b>542,206,499</b>	<b>497,742,300</b>	<b>226,022,022</b>	<b>314,921,244</b>

	Group		Company	
	2010 (Rs.)	2009 (Rs.)	2010 (Rs.)	2009 (Rs.)
<i>For the year ended 31 March</i>				

### 8. Staff Costs

Salaries and other benefits	828,650,508	662,852,370	193,943,773	316,751,852
Defined contribution to EPF	54,053,745	45,243,316	32,878,975	26,644,180
Defined contribution to ETF	13,521,307	11,310,829	8,219,743	6,661,045
Provision for retiring gratuity	25,125,609	8,146,452	9,752,577	9,235,879
<b>Total</b>	<b>921,351,169</b>	<b>727,552,967</b>	<b>244,795,068</b>	<b>359,292,956</b>

### 9. Other Operating Expenses

Administration cost	642,832,681	577,781,940	324,695,891	305,153,440
Operating and marketing cost	755,996,676	385,642,762	330,700,338	304,779,009
Specific provisions reversals	(204,460,137)	(95,446,932)	(198,735,291)	(79,330,545)
Specific bad debts written-off	373,400,758	119,314,630	198,814,876	94,963,586
Other provisions	56,914,259	-	-	-
<b>Total</b>	<b>1,624,684,237</b>	<b>987,292,400</b>	<b>655,475,814</b>	<b>625,565,490</b>

### 10. Results from Operating Activities

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

	Group		Company	
	2010 (Rs.)	2009 (Rs.)	2010 (Rs.)	2009 (Rs.)
<i>For the year ended 31 March</i>				
Auditors' remuneration and expenses:				
Audit related	8,633,539	3,785,498	2,012,500	1,975,000
Non-audit related	650,912	393,360	277,222	373,690
Legal expenses	41,069,193	25,341,687	9,604,756	12,912,490
Donations	12,502,810	784,858	288,915	546,125
Provision for impairment of investment in subsidiary	-	-	32,059,248	-

## Notes to the Financial Statements

	Group		Company	
	2010 (Rs.)	2009 (Rs.)	2010 (Rs.)	2009 (Rs.)
<i>For the year ended 31 March</i>				
<b>11. Negative Goodwill</b>				
On acquisition of subsidiaries	225,163,247	-	-	-
On investment in Seylan Bank PLC and other associates	1,198,673,687	-	-	-
<b>Total</b>	<b>1,423,836,934</b>	<b>-</b>	<b>-</b>	<b>-</b>

**12. Taxation**

All Group Company operations were taxed at the rate of 35% during the year except LOIT which was taxed at 10%.

12.1 Major component of income tax expense for the years ended 31st March are as follows:

	Group		Company	
	2010 (Rs.)	2009 (Rs.)	2010 (Rs.)	2009 (Rs.)
<i>For the year ended 31 March</i>				
Current income tax				
Current income tax charge	255,416,695	172,939,233	55,659,614	48,799,380
Under/(over) provision of current taxes in respect of prior years	(12,648,971)	4,812,935	-	4,812,935
Deferred income tax				
Deferred Taxation Charge/(Reversal) (Note 12.3)	212,614,182	14,370,236	108,527,261	22,919,697
<b>Income tax expense reported in the income statement</b>	<b>455,381,906</b>	<b>192,122,404</b>	<b>164,186,875</b>	<b>76,532,012</b>

12.2 A reconciliation between tax expense and the product of accounting profit multiplied by the statutory tax rate is as follows:

	Group		Company	
	2010 (Rs.)	2009 (Rs.)	2010 (Rs.)	2009 (Rs.)
<i>For the year ended 31 March</i>				
Accounting profit before income tax	2,840,787,141	1,247,298,933	491,127,505	581,533,443
Income tax expense at the statutory income tax rate of 35%	994,275,500	436,554,626	171,894,626	203,536,705
Tax effect of other allowable credits	(2,992,835,329)	(2,709,080,995)	(1,538,913,498)	(1,690,746,010)
Tax effect on losses claimed	(29,527,648)	(24,376,511)	(29,527,646)	(24,376,511)
Non-deductible expenses	2,479,638,133	2,486,200,990	1,559,910,837	1,587,369,417
Social Responsibility Levy 1.5%	3,831,250	2,824,294	822,556	748,411
<b>Income tax expense</b>	<b>455,381,906</b>	<b>192,122,404</b>	<b>164,186,875</b>	<b>76,532,012</b>

Effective income tax rate of the Company for the year 33% (2009 - 13%).

Social Responsibility Levy 1.5% of tax.

# 110

LANKA ORIX LEASING COMPANY PLC  
Annual Report 2009/10

## Notes to the Financial Statements

### 12.3 Deferred Tax Expense

Deferred tax assets, liabilities and income tax relate to the following:

INCOME STATEMENT	Group				Company	
	Liability 2010 (Rs.)	Asset 2010 (Rs.)	Net 2010 (Rs.)	2009 (Rs.)	Asset 2010 (Rs.)	Asset 2009 (Rs.)
Deferred Tax Liability						
Capital allowances for tax purpose on property, plant and equipment	602,384	-	602,384	(19,395,775)	3,602,939	(12,250,106)
Capital allowances for tax purposes on lease receivables	91,505,485	78,671,515	170,177,000	(34,078,711)	79,416,719	(34,823,915)
Operating lease assets	-	46,421,121	46,421,121	16,920,806	46,421,121	16,920,806
	92,107,869	125,092,636	217,200,505	(36,553,680)	129,440,779	(30,153,215)
Deferred Tax Assets						
Defined benefit Plans	1,049,868	64,442,769	65,492,637	(53,906,633)	63,655,354	(54,696,755)
Capital allowances for tax purposes on property, plant and equipment	-	330,281,199	330,281,199	-	(234,611)	-
Brought forward tax losses	-	(30,886,521)	(30,886,521)	(25,787,451)	(29,527,647)	(27,146,325)
Unamortised VAT	-	(12,979,578)	(12,979,578)	28,770,168	(12,979,578)	28,770,168
	1,049,868	350,857,869	351,907,737	(50,923,916)	20,913,518	(53,072,912)
Net expense	91,058,001	(225,765,233)	(134,707,232)	14,370,236	108,527,261	22,919,697
On acquisition	(1,380,000)	348,701,414	347,321,414	-	-	-
Deferred tax expenses	89,678,001	122,936,182	212,614,182	14,370,236	108,527,261	22,919,697

### 13. Earnings per Share

The calculation of basic earnings per share is based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding during the year.

The calculation of diluted earnings per share is based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding after adjusting for the effect of all potentially dilutive ordinary shares. There were no potentially dilutive ordinary shares outstanding at any time during the year/pervious year.

## Notes to the Financial Statements

Basic earnings per share are calculated as follows:

	Group	
	2010	2009
Profit attributable to ordinary shareholders for the year (Rs.)	1,841,808,956	1,054,153,622
Weighted average numbers of ordinary shares outstanding	47,520,000	47,520,000
Basic/diluted earnings per share (Rs.)	38.76	22.18

## 14. Dividend per share

Declared and paid during the year

The dividend per share is based on the dividend paid for the period covered by the Financial Statements

	Group	
	2010	2009
Dividend paid (Rs.)	-	134,718,375
Number of ordinary shares in issue	47,520,000	47,520,000
Dividend per share (Rs.)	-	2.83

## 15. Cash and Cash Equivalents

### 15.1 Cash in Hand and Favourable Bank Balances

As at 31 March	Group		Company	
	2010 (Rs.)	2009 (Rs.)	2010 (Rs.)	2009 (Rs.)
Cash in hand	10,399,215	3,275,045	1,279,370	1,116,991
Balances at banks	2,072,594,522	1,829,290,249	419,007,096	551,801,801
Total	2,082,993,737	1,832,565,294	420,286,466	552,918,792

### 15.2 Unfavourable Bank Balances

Bank overdrafts	(2,987,337,668)	(2,750,579,613)	(1,351,271,657)	(1,909,632,293)
Net cash and cash equivalents	(904,343,931)	(918,014,319)	(930,985,191)	(1,356,713,501)

## Notes to the Financial Statements

### 16. Investment Securities

As at 31 March	Group		Company	
	2010 (Rs.)	2009 (Rs.)	2010 (Rs.)	2009 (Rs.)
Investment in debentures	29,602,301	29,609,408	715,402,301	29,609,408
Investment in Mudarabah deposit	-	-	35,000,000	75,000,000
Investment in Repurchase Agreements	3,100,000	3,100,000	3,100,000	8,100,000
Investment in Government bonds	7,957,538,601	-	3,739,032,747	-
Quoted ordinary shares (Note 16.1)	3,620,262,986	180,889,296	225,304,982	178,326,395
Non-quoted ordinary shares (Note 16.2)	332,457	182,500	-	-
Acquired properties	-	3,930,482	-	3,930,482
<b>Total</b>	<b>11,610,836,345</b>	<b>217,711,686</b>	<b>4,717,840,030</b>	<b>294,966,285</b>

The market value of these Government bonds as at 31 March 2010 amounts to Rs. 3,800,509,587/- for the Company and Rs. 8,134,743,504/- for the Group.

#### 16.1 Quoted Ordinary Shares

##### Group

	No. of Shares	2010 Cost (Rs.)	2010 Market Value (Rs.)	No. of Shares	2009 Cost (Rs.)	2009 Market Value (Rs.)
Asian Hotels Corporation PLC	5,000	139,425	657,500	5,000	139,425	123,750
Asian Hotel Properties PLC	300	9,150	39,450	300	9,150	7,425
Brown & Company PLC	-	-	-	1,676,600	61,274,065	30,178,800
Browns Beach Hotels PLC	154,771	4,212,660	11,220,898	-	-	-
Cargo Boat Development Company PLC	300	9,800	24,000	-	-	-
Central Finance Company PLC	166	22,472	64,740	166	22,472	26,062
Ceylon Guardian Investment Trust PLC	3,360	1,685,040	1,685,040	-	-	-
Ceylon Theatres PLC	160,000	9,668,988	8,640,000	-	-	-
Chemical Industries (Colombo) PLC	-	-	-	40	1,679	820
Colombo Drydocks PLC	8,820	184,548	2,485,035	8,400	184,548	480,900
Confifi Hotels Holding PLC	1,000	186,443	190,000	-	-	-
DFCC Bank	99	20,028	17,870	66	20,028	4,488
Dialog Telecom PLC	9,000	274,491	60,750	9,000	274,491	54,216
Hatton National Bank PLC	17,887,110	146,349,102	3,367,248,458	-	-	-
HDFC Bank	48,400	8,013,361	6,921,200	48,400	8,013,236	2,456,300
Hotel Developers (Lanka) PLC	20,000	2,418,022	2,405,000	-	-	-
John Keells Holdings PLC	42,966	405,000	7,905,744	-	-	-
Lanka IOC PLC	10,000	270,000	182,500	10,000	270,000	160,000
Lanka Ventures PLC	10,000	96,168	177,500	10,000	96,168	57,500
Maskeliya Plantations PLC	250,000	7,965,006	7,437,500	-	-	-
Nawaloka Hospitals PLC	3,500,000	13,200,934	12,250,000	-	-	-
Nuwara Eliya Hotel Corporation PLC	1,000	456,413	405,500	-	-	-
Overseas Reality Ceylon PLC	113,680	1,664,891	1,762,040	113,680	1,664,891	881,020
Peoples' Merchant Bank PLC	7,568,279	201,319,134	177,854,556	4,982,953	152,081,734	145,751,375

## Notes to the Financial Statements

	No. of Shares	2010 Cost (Rs.)	2010 Market Value (Rs.)	No. of Shares	2009 Cost (Rs.)	2009 Market Value (Rs.)
Richard Pieris and Company PLC	30,000	1,609,653	1,650,000	-	-	-
Royal Ceramics (Lanka) PLC	11,000	300,000	1,243,000	11,000	300,000	302,500
Seylan Bank PLC	-	-	-	72,400	1,104,210	398,200
Sierra Cables PLC	5,400	16,200	11,880	5,400	16,200	5,940
Sunshine Holdings PLC	10,000	3,395,264	3,250,000	-	-	-
Touchwood Investments PLC	42,700	3,552,741	4,472,825	-	-	-
Veyangoda Textiles Mills Ltd.	10,300	262,060	-	10,300	262,060	-
<b>Total</b>		<b>407,706,994</b>	<b>3,620,262,986</b>		<b>225,734,357</b>	<b>180,889,296</b>
Less: Provision for fall in market value						
Balance as at 1 April		44,845,061			(129,005,031)	
On acquisition of subsidiaries		(2,947,590,824)			-	
Provision/(Reversal) made during the year		(309,810,229)			173,850,092	
Balance as at 31 March		(3,212,555,992)			44,845,061	
<b>Carrying value at the end of the year</b>		<b>3,620,262,986</b>	<b>3,620,262,986</b>		<b>180,889,296</b>	<b>180,889,296</b>

## Company

	No. of Shares	2010 Cost (Rs.)	2010 Market Value (Rs.)	No. of Shares	2009 Cost (Rs.)	2009 Market Value (Rs.)
Brown & Company PLC	-	-	-	1,676,600	61,274,065	30,178,800
Ceylon Theatres PLC	160,000	9,668,988	8,640,000	-	-	-
Chemical Industries (Colombo) PLC	-	-	-	40	1,679	820
Confifi Hotels Holdings PLC	1,000	186,443	190,000	-	-	-
HDFC Bank	47,200	7,749,361	6,749,600	47,200	7,749,236	2,395,400
Hotel Developers (Lanka) PLC	20,000	2,418,022	2,405,000	-	-	-
Maskeliya Plantations PLC	250,000	7,965,006	7,437,500	-	-	-
Nawaloka Hospitals PLC	3,500,000	13,200,934	12,250,000	-	-	-
Nuwara Eliya Hotel Corporation PLC	1,000	456,413	405,500	-	-	-
Pepoles' Merchant Bank PLC	7,568,279	201,319,134	177,854,557	4,982,953	152,081,734	145,751,375
Richard Pieris and Company PLC	30,000	1,609,653	1,650,000	-	-	-
Sunshine Holdings PLC	10,000	3,395,264	3,250,000	-	-	-
Touchwood Investments PLC	42,700	3,552,741	4,472,825	-	-	-
Veyangoda Textiles Mills Ltd.	10,300	262,060	-	10,300	262,060	-
		<b>251,784,019</b>	<b>225,304,982</b>		<b>221,368,774</b>	<b>178,326,395</b>
Less: Provision for fall in market value						
Balance as at 01 April		43,042,379			(128,899,215)	
Provision/(reversal) made during the year		(16,563,342)			171,941,594	
Balance as at 31 March		26,479,037			43,042,379	
<b>Carrying value at the end of the year</b>		<b>225,304,982</b>	<b>225,304,982</b>		<b>178,326,395</b>	<b>178,326,395</b>

## Notes to the Financial Statements

## 16.2 Non-Quoted Ordinary Shares

## Group

	No. of Shares	2010 Cost (Rs.)	No. of Shares	2009 Cost (Rs.)
Indo Lanka Steel Ltd.	200,000	6,000,000	200,000	6,000,000
Lanka Glass Manufacturing Ltd.	3,000,000	3,000,000	3,000,000	3,000,000
Magpek Exports Ltd.	25,000	1,000,000	25,000	1,000,000
Equity Investments Lanka Ltd.	17,250	172,500	17,250	172,500
Credit Information Bureau	100	10,000	100	10,000
Hotel Hanthana Ltd.	190,000	1,000	-	-
Sri Lanka Distilleries Ltd.	338	22,545	-	-
Ceylon Studios Ltd.	500	5,000	-	-
Malwaththavelly Plantation	500	11,412	-	-
Browns Hotels Ltd.	11,000	110,000	-	-
<b>Total</b>		<b>10,332,457</b>		<b>10,182,500</b>
Less: Provision for fall in market value				
Balance as at 01 April		(10,000,000)		(10,000,000)
Provision/(reversal) made during the year		-		-
<b>Balance as at 31 March</b>		<b>(10,000,000)</b>		<b>(10,000,000)</b>
<b>Carrying value at the end of the year</b>		<b>332,457</b>		<b>182,500</b>

## Company

	No. of Shares	2010 Cost (Rs.)	No. of Shares	2009 Cost (Rs.)
Indo Lanka Steel Ltd.	200,000	6,000,000	200,000	6,000,000
Lanka Glass Manufacturing Ltd.	3,000,000	3,000,000	3,000,000	3,000,000
Magpek Exports Ltd.	25,000	1,000,000	25,000	1,000,000
<b>Total cost of non-quoted ordinary shares</b>		<b>10,000,000</b>		<b>10,000,000</b>
Less: Provision for fall in market value				
Balance as at 01 April		(10,000,000)		(10,000,000)
Provision/(reversal) made during the year		-		-
<b>Balance as at 31 March</b>		<b>(10,000,000)</b>		<b>(10,000,000)</b>
<b>Carrying value at the end of the year</b>		<b>-</b>		<b>-</b>

## Notes to the Financial Statements

17. Rentals Receivable on Lease Assets,  
Hire Purchase and Others

	Group		Company	
	2010 (Rs.)	2009 (Rs.)	2010 (Rs.)	2009 (Rs.)
<i>For the year ended 31 March</i>				
<b>17.1 Rentals Receivable on Leased Assets</b>				
Receivable from one to five years				
Rentals receivable	5,687,626,038	7,033,321,755	1,473,793,528	3,040,309,142
Unearned income	(1,291,391,030)	(1,782,112,960)	(167,169,878)	(818,983,990)
Provision for doubtful debts	(32,126,156)	(45,455,158)	(6,188,212)	(17,508,882)
Deposits received from lessees	(609,141,454)	(836,136,584)	(76,184,550)	(101,416,490)
	<b>3,754,967,398</b>	<b>4,369,617,053</b>	<b>1,224,250,888</b>	<b>2,102,399,780</b>
Receivables within one year				
Rentals receivable	5,337,135,991	5,257,788,219	1,401,259,681	2,375,360,418
Unearned income	(1,470,311,752)	(1,271,096,051)	(400,820,375)	(558,648,799)
Provision for doubtful debts	(27,333,529)	(108,142,914)	(6,560,954)	(9,427,859)
	<b>3,839,490,710</b>	<b>3,878,549,254</b>	<b>993,878,352</b>	<b>1,807,283,760</b>
Overdue rental receivable				
Rentals receivable	487,635,679	233,828,953	189,555,085	157,158,888
Earned income in suspense	(76,672,764)	(28,371,897)	(14,280,935)	(17,584,716)
Provision for doubtful debts	(279,809,192)	(103,833,220)	(140,649,648)	(58,240,063)
	<b>131,153,723</b>	<b>101,623,836</b>	<b>34,624,502</b>	<b>81,334,109</b>
Total				
Rentals receivable	11,512,397,708	12,524,938,927	3,064,608,294	5,572,828,448
Unearned income	(2,761,702,782)	(3,053,209,011)	(567,990,253)	(1,377,632,789)
Earned income in suspense	(76,672,764)	(28,371,897)	(14,280,935)	(17,584,716)
Provision for doubtful debts	(339,268,877)	(257,431,292)	(153,398,814)	(85,176,804)
Deposits received from lessees	(609,141,454)	(836,136,584)	(76,184,550)	(101,416,490)
Balance as at 31 March	<b>7,725,611,831</b>	<b>8,349,790,143</b>	<b>2,252,753,742</b>	<b>3,991,017,649</b>

## Notes to the Financial Statements

	Group		Company	
	2010 (Rs.)	2009 (Rs.)	2010 (Rs.)	2009 (Rs.)

For the year ended 31 March

### 17.2 Rentals Receivable on Hire Purchase

Receivable from one to five years

Rentals receivable	8,581,920,667	7,376,974,912	465,445,432	1,674,846,119
Unearned income	(2,292,075,296)	(2,226,598,560)	(64,146,326)	(531,292,607)
Provision for doubtful debts	(71,474,449)	(69,537,727)	(3,322,615)	(15,064,663)
	<b>6,218,370,922</b>	<b>5,080,838,625</b>	<b>397,976,491</b>	<b>1,128,488,849</b>

Receivables within one year

Rentals receivable	5,143,461,183	5,272,661,685	872,546,073	1,641,222,104
Unearned income	(1,600,928,908)	(1,546,708,708)	(200,514,386)	(335,681,264)
Provision for doubtful debts	(30,669,372)	(50,348,180)	(6,837,190)	(8,111,742)
	<b>3,511,862,903</b>	<b>3,675,604,797</b>	<b>665,194,497</b>	<b>1,297,429,098</b>

Overdue rental receivable

Rentals receivable	520,889,164	125,155,720	122,897,873	101,099,828
Earned income in suspense	(29,759,954)	(27,081,822)	(13,010,402)	(22,946,011)
Provision for doubtful debts	(148,921,418)	(44,357,041)	(76,892,260)	(30,449,798)
	<b>342,207,792</b>	<b>53,716,857</b>	<b>32,995,211</b>	<b>47,704,019</b>

Total

Rentals receivable	14,246,271,014	12,774,792,317	1,460,889,378	3,417,168,051
Unearned income	(3,893,004,204)	(3,773,307,268)	(264,660,712)	(866,973,871)
Earned income in suspense	(29,759,954)	(27,081,822)	(13,010,402)	(22,946,011)
Provision for doubtful debts	(251,065,239)	(164,242,948)	(87,052,065)	(53,626,203)
Balance as at 31 March	<b>10,072,441,617</b>	<b>8,810,160,279</b>	<b>1,096,166,199</b>	<b>2,473,621,966</b>

### 17.3 Rentals Receivable on Operating Leases

Total

Rentals receivable	3,598,355,475	2,808,856,604	3,598,355,475	2,808,856,604
Unearned income	(3,513,463,634)	(2,731,879,510)	(3,513,463,634)	(2,731,879,510)
Earned income in suspense	(51,247,311)	(43,697,025)	(51,247,311)	(43,697,025)
Provision for doubtful debts	-	-	-	-
Balance as at 31 March	<b>33,644,530</b>	<b>33,280,069</b>	<b>33,644,530</b>	<b>33,280,069</b>

## Notes to the Financial Statements

## 17.4 Total Rentals Receivable on Leased Assets, Hire Purchase, Operating Leases and Others

	Group		Company	
	2010 (Rs.)	2009 (Rs.)	2010 (Rs.)	2009 (Rs.)
<i>For the year ended 31 March</i>				
Rentals receivable	29,357,024,197	28,108,587,848	8,123,853,147	11,798,853,103
Unearned income	(10,168,170,620)	(9,558,395,789)	(4,346,114,599)	(4,976,486,170)
Earned income in suspense	(157,680,028)	(99,150,744)	(78,538,648)	(84,227,751)
Provision for doubtful debts (Note 17.5)	(590,334,116)	(421,674,240)	(240,450,879)	(138,803,008)
Deposits received from lessees	(609,141,454)	(836,136,584)	(76,184,550)	(101,416,490)
Balance as at 31 March	17,831,697,978	17,193,230,491	3,382,564,471	6,497,919,684

	Group		Company	
	2010 (Rs.)	2009 (Rs.)	2010 (Rs.)	2009 (Rs.)
<i>For the year ended 31 March</i>				

## 17.5 Provision for Doubtful Debts

Balance as at 01 April	421,674,240	127,707,926	138,803,008	82,710,626
Provisions made during the year				
- Charged against profits	344,371,085	304,280,005	273,072,269	66,406,073
- Written off during the year	(175,711,209)	(10,313,691)	(171,424,398)	(10,313,691)
Balance as at 31 March	590,334,116	421,674,240	240,450,879	138,803,008

## 18. Advances and Other Loans

	Group		Company	
	2010 (Rs.)	2009 (Rs.)	2010 (Rs.)	2009 (Rs.)
<i>For the year ended 31 March</i>				
Rentals receivable on loans to customers	12,654,464,491	10,046,681,545	4,760,131,556	6,899,560,019
Capital outstanding of revolving loans	1,041,381,552	2,146,110,751	1,041,381,552	2,034,132,649
Advances for margin trading	8,844,514	51,070,162	-	-
Factoring receivable (Note 18.1)	3,001,770,480	1,897,170,734	1,564,991,242	1,138,142,223
Pawning advances	480,400,218	303,609,306	-	-
Receivables under Textile Debt Recovery Fund scheme	-	7,202,445	-	7,202,445
Overdue loan instalments	860,358,894	408,200,785	594,951,501	357,285,466
Earned income in suspense	(232,501,379)	(101,879,843)	(154,162,990)	(62,937,947)
Unearned loan income	(2,756,699,171)	(2,048,555,764)	(1,068,987,201)	(1,604,527,480)
Provision for doubtful debts (Note 18.2)	(291,963,558)	(159,799,477)	(159,428,465)	(98,469,436)
Total	14,766,056,041	12,549,810,644	6,578,877,195	8,670,387,939

## Notes to the Financial Statements

	Group		Company	
	2010 (Rs.)	2009 (Rs.)	2010 (Rs.)	2009 (Rs.)

For the year ended 31 March

### 18.1 Factoring Receivable

Factoring receivable	3,125,216,040	2,001,992,712	1,669,375,335	1,230,232,772
Transferred from retained earnings to factoring receivable	-	(30,000,000)	-	(30,000,000)
Provision for doubtful debts	(123,445,560)	(74,821,978)	(104,384,093)	(62,090,549)
<b>Total</b>	<b>3,001,770,480</b>	<b>1,897,170,734</b>	<b>1,564,991,242</b>	<b>1,138,142,223</b>

#### Provision for Doubtful Debts - Factoring

Balance as at 01 April	74,821,978	62,382,274	62,090,549	50,740,401
Provisions made during the year				
- Charged against profits	48,623,582	12,439,704	42,293,544	11,350,148
- Written-off during the year	-	-	-	-
<b>Balance as at 31 March</b>	<b>123,445,560</b>	<b>74,821,978</b>	<b>104,384,093</b>	<b>62,090,549</b>

### 18.2 Provision for Doubtful Debts

Balance as at 01 April	159,799,477	46,257,876	98,469,436	33,505,000
Provisions made during the year				
- Charged against profits	159,474,974	182,558,455	88,269,922	133,981,290
- Written-off during the year	(27,310,893)	(69,016,854)	(27,310,893)	(69,016,854)
<b>Total</b>	<b>291,963,558</b>	<b>159,799,477</b>	<b>159,428,465</b>	<b>98,469,436</b>

### 19. Instalment Sales

Rentals receivable on loans to customers	3,048,028,907	4,088,071,115	3,048,028,907	4,088,071,115
Overdue loan instalments	71,505,657	18,849,222	71,505,657	18,849,222
Earned income in suspense	(10,007,460)	(945,822)	(10,007,460)	(945,822)
Unearned loan income	(896,908,631)	(1,150,471,368)	(896,908,631)	(1,150,471,368)
Provision for doubtful debts (Note 19.1)	(44,193,705)	(551,338)	(44,193,705)	(551,338)
<b>Total</b>	<b>2,168,424,768</b>	<b>2,954,951,809</b>	<b>2,168,424,768</b>	<b>2,954,951,809</b>

## Notes to the Financial Statements

## 19.1 Provision for Doubtful Debts

	Group		Company	
	2010 (Rs.)	2009 (Rs.)	2010 (Rs.)	2009 (Rs.)
<i>For the year ended 31 March</i>				
Balance as at 01 April	551,338	-	551,338	-
Provisions made during the year				
- Charged against profits	43,642,367	551,338	43,642,367	551,338
- Written-off during the year	-	-	-	-
<b>Total</b>	<b>44,193,705</b>	<b>551,338</b>	<b>44,193,705</b>	<b>551,338</b>

## 20. Inventories

	Group		Company	
	2010 (Rs.)	2009 (Rs.)	2010 (Rs.)	2009 (Rs.)
<i>For the year ended 31 March</i>				
Raw materials	12,394,209	-	-	-
Work-in-progress	32,473,462	-	-	-
Finished goods	847,497,853	-	-	-
Input materials	40,463,170	-	-	-
Growing crop nurseries	9,664,456	-	-	-
Harvested crop				
- Tea	150,031,402	-	-	-
- Rubber	20,266,260	-	-	-
- Coconut	774,789	-	-	-
Consumables and spares	20,058,252	-	-	-
Tractor stock, solar panels and others	196,924,834	19,572,061	9,414,705	-
Goods in transit	34,856,984	-	-	-
	<b>1,365,405,671</b>	<b>19,572,061</b>	<b>9,414,705</b>	<b>-</b>
Less: Provision for slow moving stocks	(113,886,069)	-	-	-
<b>Total</b>	<b>1,251,519,602</b>	<b>19,572,061</b>	<b>9,414,705</b>	<b>-</b>

## Notes to the Financial Statements

*As at 31 March*

	Group		Company	
	2010 (Rs.)	2009 (Rs.)	2010 (Rs.)	2009 (Rs.)
Insurance commission receivable	63,946,190	83,246,009	-	-
Securities clients/ brokers receivable	3,367,850	195,038,400	-	-
Amount due from subsidiaries	-	-	2,688,094,700	2,458,757,367
Finance charges unamortised	176,513,013	216,032,317	176,513,013	216,032,318
Trade receivables	1,117,816,460	-	-	-
Other accounts receivables	2,874,691,950	1,540,694,317	659,203,483	902,205,751
Value Added Tax (VAT) refunds due from Department of Inland Revenue	3,804,526	24,502,930	-	5,425
Advanced Corporate Tax (ACT) recoverable	8,317,153	-	-	-
Economic Service Charge (ESC) recoverable	93,505,221	60,375,002	93,234,221	60,000,000
<b>Total</b>	<b>4,341,962,363</b>	<b>2,119,888,975</b>	<b>3,617,045,417</b>	<b>3,637,000,861</b>

Above receivables are shown after deducting provisions for doubtful debts.

Finance charges unamortised include expenses incidental to obtaining long-term loans such as guarantee fees, structuring fees, placement fees and front end fees. These charges are written-off over the period of corresponding loans as the Directors are of the opinion that these are part of the financing cost of the long-term borrowings.

## 22. Pre-paid Lease Rentals

*As at 31 March*

	Group		Company	
	2010 (Rs.)	2009 (Rs.)	2010 (Rs.)	2009 (Rs.)
Balance at the beginning of the year	-	-	-	-
On acquisition of subsidiaries	314,888,067	-	-	-
Additions	-	-	-	-
Disposals	-	-	-	-
Amortisation for the year	(1,178,226)	-	-	-
<b>Balance at the end of the Year</b>	<b>313,709,841</b>	<b>-</b>	<b>-</b>	<b>-</b>

Leasehold right to bare land of (JEDB/SLSPC) Estates.

The leasehold right to bare land of JEDB/SLSPC Estates is being amortised by equal amounts over a 53 year period and the unexpired period of the lease as at the Balance Sheet date is 37 years.

## Notes to the Financial Statements

## 23. Investment Properties

As at 31 March	Group		Company	
	2010 (Rs.)	2009 (Rs.)	2010 (Rs.)	2009 (Rs.)
Balance at the beginning of the year	162,582,249	70,592,609	70,592,609	-
On acquisition of subsidiaries	104,098,250	-	-	-
Additions	226,077,242	91,989,640	226,077,242	70,592,609
Disposals	-	-	-	-
Change in fair value during the year	13,381,750	-	-	-
Balance at the end of the year	506,139,491	162,582,249	296,669,851	70,592,609

## 24. Timber and Rubber Stocks

The Group has engaged an independent chartered valuation surveyor in determining the fair value of timber and rubber stock. The valuer has valued the timber and rubber stock, per tree valuation basis by using available log and tree prices in city centres less point-of-sale-costs. The Group measured the timber and rubber stock at fair value less estimated point-of-sale-costs as at each Balance Sheet date.

## 25. Investments in Joint Venture Companies

As at 31 March	Principal Activity	Group		Company	
		2010 (Rs.)	2009 (Rs.)	2010 (Rs.)	2009 (Rs.)
Gal Oya Holdings (Pvt) Ltd.	Sugar manufacturing				
Cost of investment		-	-	-	10,000,000
Total		-	-	-	10,000,000
Percentage of ownership					50%

Upon the acquisition of Brown & Company PLC through Diriya Investments Limited, Gal Oya Holdings (Pvt) Ltd. became a subsidiary. Accordingly, the investment is included under Investment in subsidiaries as at the Balance Sheet date.

The following companies have been accounted for as joint ventures of the Group:

Agrisil Holding Ltd.	Harrison Charfield (Pvt) Ltd.
Free Lanka Management Company Ltd.	Hydro Power Free Lanka (Pvt) Ltd.
Free Lanka Plantation Company Ltd.	Hydro Power Free Lanka 2 (Pvt) Ltd.
Free Lanka Plantation Holding Ltd.	Hydro Power Free Lanka 3 (Pvt) Ltd.
Free Lanka Power 1 (Pvt) Ltd.	Maturata Plantations Ltd.
Free Lanka Power 2 (Pvt) Ltd.	Melfort Green Teas (Pvt) Ltd.
Free Lanka Power 3 (Pvt) Ltd.	Pussellawa Estates Ltd.
Free Lanka Power Holding (Pvt) Ltd.	

## Notes to the Financial Statements

### 26. Investments in Associate Companies

	Group Holding		No. of Shares		Group		
	2010 [%]	2009 [%]	2010	2009	2010 [Rs.]	2009 [Rs.]	
Group							
Unquoted investments							
Commercial Insurance Brokers (Pvt) Ltd. (CIB)							
Investor	Commercial Leasing Company Ltd.	40.00	40.00	240,000	240,000	800,000	785,040
PRASAC Micro Finance Institution Ltd. (PRASAC)							
Investor	Lanka ORIX Leasing Company PLC	18.00	19.00	138,626	51,376	108,977,301	61,831,544
IG Browns Rubber Industries (Pvt) Ltd. (IGBRIL)							
Investor	Brown & Company PLC	10.00	-	45,000	-	450,000	-
	Standard Finance (Pvt) Ltd.	26.70	-	120,000	-	400,000	-
	Browns Group Industries (Pvt) Ltd.	1.67	-	2,500	-	25,000	-
		38.37	-	167,500	-	875,000	-
Associated Battery Manufacturers (Cey.) Ltd. (ABM)							
Investor	Standard Finance (Pvt) Ltd.	38.50	-	2,439,355	-	24,393,550	-
Browns Dimeo industrial products (Pvt) Ltd. (BDIPL)							
Investor	Standard Finance (Pvt) Ltd.	45.00	-	675,000	-	6,750,000	-
Quoted investments							
Touchwood Investments PLC (TI)							
Investor	Lanka ORIX Leasing Company PLC	-	29.20	-	2,601,000	-	216,359,359
Seylan Bank PLC (Seylan)							
Investor	Lanka ORIX Leasing Company PLC - Non-voting shares	9.88	-	25,050,000	-	446,155,965	-
	Commercial Leasing Company Ltd. - Non-voting shares	0.03	-	72,400	-	1,104,210	-
	Browns Investments (Pvt) Ltd. - Non-voting shares	2.12	-	5,378,700	-	-	-
	Lanka ORIX Information Technology Ltd. - Voting shares	5.13	-	13,000,000	-	488,359,374	-
	Browns Investments (Pvt) Ltd. - Voting shares	5.13	-	13,000,000	-	551,130,139	-
		22.29	-	56,501,100	-	1,486,749,688	-
Total Cost to the Group						1,628,545,539	278,975,943

## Notes to the Financial Statements

## Equity value of investment in associates as at 31 March 2010 - Group

	CIB Rs.	PRASAC Rs.	IGBRIL Rs.	ABM Rs.	BDIPL Rs.	TI Rs.	Seylan Rs.	Total Rs.
Equity value of investments as at 01 April 2009	49,113,139	152,652,858	-	-	-	474,654,664	-	676,420,661
Acquisition during the year	-	48,445,757	425,000	24,393,550	6,750,000	-	1,486,749,687	1,566,763,994
Reclassifications/transfers	-	-	-	-	-	(3,552,741)	-	(3,552,741)
Share of profits/(loss) of associate companies after tax	3,136,297	54,630,656	(608,322)	9,752,173	1,404,000	4,439,082	43,582,745	116,336,631
Dividend received	(1,440,000)	-	-	(9,757,440)	-	-	-	(11,197,440)
Disposals during the year	-	-	-	-	-	(475,541,005)	(32,506,945)	(508,047,952)
Negative goodwill	-	-	7,442,402	145,063,289	24,171,750	-	1,021,996,245	1,198,673,687
Equity value of investments as at 31 March 2010	50,809,436	255,729,271	7,259,080	169,451,572	32,325,750	-	2,519,821,732	3,035,396,841

## Company

	Holding		No. of Shares		2010 [Rs.]	2009 [Rs.]
	2010	2009	2010	2009		
Quoted Investments						
Touchwood Investments PLC (TI)	-	29.20%	-	2,601,000	-	216,359,359
Seylan Bank PLC (Seylan) - Non-Voting Shares	9.88%	9.88%	25,050,000	-	446,155,965	-
Unquoted Investments						
PRASAC Micro Finance Institution Ltd. (PRASAC)	18.00%	19.00%	138,626	51,376	108,977,301	61,831,544
Total			25,188,626	2,652,376	555,133,266	278,190,903

## Summarised Financial Information of equity accounted investees for the year ended 31 March

	CIB [Rs.]	PRASAC [Rs.]	IGBRIL [Rs.]	ABM [Rs.]	BDIPL [Rs.]	TI [Rs.]	Seylan [Rs.]	Total	
								2010 [Rs.]	2009 [Rs.]
Revenue	91,375,945	1,853,189,037	8,600,577	403,464,858	39,905,000	474,669,027	4,052,625,000	6,923,829,444	2,413,044,808
Profit/(loss) after tax	7,840,742	303,503,647	(1,585,412)	25,330,318	3,120,000	15,202,344	195,526,000	548,937,638	593,596,975
Total assets	199,977,336	8,102,305,576	22,766,733	929,274,530	108,859,000	-	139,890,515,000	149,253,698,175	10,238,820,126
Total liabilities	72,953,746	6,850,723,319	3,848,099	489,140,578	37,024,000	-	128,585,855,000	136,039,544,742	6,281,338,659

## Notes to the Financial Statements

Pursuant to the acquisition of Brown & Company PLC through Diriya Investments Ltd., the Group has treated the investments in IGBRIL, ABM and Seylan as investments in associates in the Group Financial Statements for the year ended 31 March 2010. Share of profit from 01 January 2010 to 31 March 2010 of these associate companies has been accounted as Group share of profits in the Group Financial Statements for the year ended 31 March 2010.

The assets and liabilities as at the acquisition date are stated at their provisional fair value and may be amended in accordance with SLAS 25 (Revised 2004) - Business Combination.

The reporting date of the Financial Statements of CIB and PRASAC is 31 December and the share of profit relating to year ended 31 December 2009 is reflected in the Group Financial Statements for the year ended 31 March 2010.

The Company did not fully subscribe to the PRASAC's right issue of shares effected on 01 April 2009. Accordingly, the share of investment reduced from 19% to 18% with effect from 01 April 2009.

### Disposal of Associates

The Company disposed 2,558,300 shares of Touchwood Investments Ltd. during January and February 2010. The balance amount relating to the remaining shares of 42,700 in Touchwood Investments Ltd. is reflected as short-term investments under the investment securities in the Balance Sheet.

The Company has neither contingent liabilities nor capital commitments in respect of its associates.

## Notes to the Financial Statements

## 27. Investments in Subsidiary Companies

Company	Principal Activity	No. of Shares		Group Holding		Company		Company	
		2010	2009	2010 (%)	2009 (%)	2010 (%)	2009 (%)	2010 (Rs.)	2009 (Rs.)
Lanka Oriental Investment Ltd.	No operations	2	2	100	100	100	100	20	20
LOLC Funding One Ltd.	Securitisation of lease receivables	7	7	100	100	100	100	700	700
Lanka ORIX Insurance Brokers Ltd.	Insurance broking	1,000,000	1,000,000	100	100	100	100	10,000,000	10,000,000
LOIB Financial Services (Pvt) Ltd.	Investment advice	500,000	500,000	100	100	100	100	-	-
Lanka ORIX Finance Company (Pvt) Ltd.	Finance business and pawn broking	100,000,000	80,000,000	100	100	100	100	1,000,000,000	800,000,000
Lanka ORIX Information Technology Ltd.	Software design, development and distribution	2,000,000	2,000,000	100	100	100	100	20,000,000	20,000,000
Lanka ORIX Securities (Pvt) Ltd.	Stock broking	-	270,000	0	30	0	30	-	23,000,000
Lanka ORIX Project Development Ltd.	Property and infrastructure	5,200,000	5,200,000	100	100	100	100	52,000,000	52,000,000
Provision for impairment loss		-	-	-	-	-	-	(32,059,248)	-
Sundaya Lanka (Pvt) Ltd.	Assembling and distribution of solar systems	624,490	624,490	51	51	51	51	6,244,900	6,244,900
Commercial Leasing Company Ltd.	Leasing, hire purchasing and factoring	17,645,840	17,315,310	100	98	100	98	1,656,636,128	1,626,123,927
LOLC Micro Credit Ltd.	Agro and Micro financing	40,000,000	40,000,000	80	100	80	100	460,125,000	460,125,000
Commercial Factors Ltd.	No operations	1	1	100	100	100	100	10	-
LOLC Eco Solutions (Pvt) Ltd.	Power generation	1	1	100	100	100	100	10	-
Brown & Company PLC	Trading and Manufacturing	1,874,600	1,874,600	52.4	-	2.6	-	145,350,101	-
Gal Oya Holding Ltd.	Sugar manufacturing	1,000,000	1,000,000	100	50	50	50	10,000,000	-
LOLC Motors Ltd.	Motor repair	15,000,000	-	100	-	100	-	150,000,000	-
<b>Total</b>								<b>3,478,297,621</b>	<b>2,997,494,547</b>

Upon the acquisition of Brown & Company PLC through Commercial Leasing Company Ltd., Gal Oya Holdings (Pvt) Ltd. became a subsidiary of the Group. Accordingly, the investment is included under Investment in subsidiaries as at the Balance Sheet date. It was considered as an investment in joint ventures in the previous year.

## Notes to the Financial Statements

### Group Share Holding

	No. of Shares		Group Holding	
	2010	2009	2010 [%]	2009 [%]
Group				
BG Air Services (Pvt) Ltd.	50,000	-	100	-
Browns Battery (Pvt) Ltd.	10,000	-	100	-
Browns Group Industries (Pvt) Ltd.	2,800,000	-	100	-
Browns Group Motels Ltd.	500,000	-	66	-
Browns Investments (Pvt) Ltd.	90,500,000	-	50	-
Browns Motor (Pvt) Ltd.	5,000,000	-	100	-
Browns Tours (Pvt) Ltd.	2,030,000	-	100	-
CFT Engineering Ltd.	3,630	-	95	-
Diriya Investments (Pvt) Ltd.	165,681,806	-	50	-
East West Textile Lanka Ltd.	15,405,137	-	100	-
Engineering Services (Pvt) Ltd.	147,502	-	100	-
KPL Spare Parts (Pvt) Ltd.	500,000	-	100	-
Klevernberg (Pvt) Ltd.	5,200,000	-	60	-
Masons Mixtures Ltd.	4,304,124	-	98	-
Muthugala Estates (Pvt) Ltd.	1,200	-	80	-
Orient Academy Ltd.	1,500,000	-	100	-
Pathregalla Estates (Pvt) Ltd.	4,200	-	91	-
Sifang Lanka (Pvt) Ltd.	3,000,002	-	100	-
Sifang Lanka Trading (Pvt) Ltd.	2,050,000	-	100	-
Snowcem Products Lanka (Pvt) Ltd.	400,000	-	50	-
Standard Finance (Pvt) Ltd.	2,700,000	-	100	-
Taprobane Fund Management Ltd.	25,000,007	-	63	-
The Hatton Transport & Agency Company (Pvt) Ltd.	112,000	-	100	-
United Dendro Energy (Pvt) Ltd.	1,000	-	75	-
Walker & Greig (Pvt) Ltd.	1	-	100	-

## Notes to the Financial Statements

## 27.1 Acquisitions During the Year

The acquisition had the following effect on the Group's assets and liabilities on acquisition date:

	Recognised values on acquisition as at 01.01.2010 (Rs.)
Property, plant and equipment	7,165,086,287
Investment properties	104,098,250
Prepaid lease rentals	315,753,000
Other long-term investments	3,437,905,932
Deferred tax asset	382,513,598
Intangible assets	4,205,244
Timber and rubber stock	2,884,583,330
Inventories	1,308,697,050
Trade and other receivables	1,644,429,526
Amounts due from related companies	696,278,001
Short-term investments	82,253,290
Interest bearing borrowings	(2,457,570,233)
Retirement benefit obligations	(627,565,908)
Deferred tax liability	(1,370,000)
Deferred income	(257,737,000)
Accounts payable and accrued expenses	(1,466,292,656)
Amounts due to related companies	(969,046,061)
Minority interest	(9,634,828,116)
Net identifiable assets and liabilities	2,611,393,534
Net identifiable assets and liabilities acquired	1,305,696,767
Negative goodwill on acquisition	(225,163,247)
Consideration paid, satisfied in cash	1,080,533,520
Cash acquired	
Cash and cash equivalent acquired	(259,048,047)
Net cash outflow	(1,339,581,567)

The assets and liabilities as at the acquisition date are stated at their provisional fair value and may be amended in accordance with SLAS 25 (Revised 2004) - Business Combination.

The Company acquired 50% ownership of Diriya Investment (Pvt) Ltd. through Commercial Leasing Company Ltd., which is a wholly-owned subsidiary of the Company in January 2010. Diriya Investment (Pvt) Ltd. effectively holds 63% of Taprobane Fund Management Ltd.; 80% of Muthugala Estates (Pvt) Ltd.; 98% of Masons Mixtures Ltd.; 91% of Pathregalla Estates (Pvt) Ltd. and 100% of Engineering Services (Pvt) Ltd. As the Company has the control to govern the financial and operating policies of Diriya Investment (Pvt) Ltd., as per SLAS 25, the Company has treated these companies as subsidiaries in the Group Financial Statements.

## Notes to the Financial Statements

Diriya Investment (Pvt) Ltd., through its subsidiaries holds 49% of the shares of Brown & Company PLC, and following the acquisition of Diriya Investment (Pvt) Ltd., the Company, through its subsidiaries and directly, holds 52% of shares in Brown & Company PLC. Thus, the Company has treated Brown & Company PLC as a subsidiary in the Group Financial Statements.

### 28. Deferred Tax Asset

Deferred Tax assets, liabilities and income tax relate to the following:

	Group		Company	
	2010 (Rs.)	2009 (Rs.)	2010 (Rs.)	2009 (Rs.)
Deferred tax liability				
Capital allowances for tax purposes on property, plant and equipment	-	-	3,602,939	-
Capital allowances for tax purposes on lease receivables	86,317,251	7,645,736	86,317,251	6,900,532
Operating lease assets	99,269,652	52,848,531	99,269,652	52,848,531
	<b>185,586,903</b>	<b>60,494,267</b>	<b>189,189,842</b>	<b>59,749,063</b>
Deferred tax assets				
Additions from subsidiaries				
Defined benefit plans	25,494,384	(38,948,385)	22,973,515	(40,681,839)
Capital allowances for tax purposes on property, plant and equipment	337,592,413	7,311,214	-	234,611
Unamortised VAT	15,790,590	28,770,168	15,790,590	28,770,168
Brought forward tax losses	581,209,882	612,096,403	581,209,882	610,737,529
	<b>960,087,269</b>	<b>609,229,400</b>	<b>619,973,987</b>	<b>599,060,469</b>
Net deferred tax asset	<b>774,500,366</b>	<b>548,735,133</b>	<b>430,784,145</b>	<b>539,311,406</b>

### 29. Goodwill

	Group		Company	
	2010 (Rs.)	2009 (Rs.)	2010 (Rs.)	2009 (Rs.)
Goodwill on acquisitions	151,415,234	151,415,234	-	-
	<b>151,415,234</b>	<b>151,415,234</b>	<b>-</b>	<b>-</b>

The goodwill on acquisition has arisen upon the acquisition of Commercial Leasing Company Ltd. There has been no permanent impairment that requires a provision as the recoverable amount is higher than the carrying amount as at the Balance Sheet date. Method used in estimating recoverable amount is based on

## Notes to the Financial Statements

the value in use calculations. Value in use was determined by discounting the future cash flows generated from the continuing use of the cash generating unit. In determining the cash generating unit for the purpose of value in use calculation, Commercial Leasing Company Ltd. as a whole has been considered as the cash generating unit. Key assumptions used are given below:

Business growth - Based on historical growth rate

Inflation - Based on the current inflation rate

Discount rate - Average market borrowing rate adjusted for risk premium

## 30. Intangible Assets

	Group		Company	
	2010 [Rs.]	2009 [Rs.]	2010 [Rs.]	2009 [Rs.]
Brand value	94,784,945	94,784,945	-	-
Customer base	49,421,649	49,421,649	-	-
Computer software (Note 30.1)	83,811,916	59,184,502	64,901,354	40,872,110
Total	228,018,510	203,391,096	64,901,354	40,872,110

## 30.1 Computer Software

Balance at beginning of the year	86,333,230	48,185,434	56,938,549	27,527,643
Additions during the year	43,621,506	38,147,796	42,157,136	29,410,906
On acquisition of subsidiaries	6,462,434	-	-	-
Transfers/re-classifications	(2,254,415)	-	-	-
	134,162,755	86,333,230	99,095,685	56,938,549
Amortisation				
Balance at beginning of the year	27,148,728	18,560,627	16,066,439	11,990,044
On acquisition of subsidiaries	2,257,190	-	-	-
Transfers/disposals	(414,853)	-	-	-
Amortisation during the year	21,359,774	8,588,101	18,127,892	4,076,395
Total amortisation at end of the year	50,350,839	27,148,728	34,194,331	16,066,439
Balance at the end of the year	83,811,916	59,184,502	64,901,354	40,872,110

Brand value and customer base have arisen upon the acquisition of Commercial Leasing Company Ltd. There has been no permanent impairment that requires a provision as the recoverable amount of these intangibles is higher than the carrying amount as at the Balance Sheet date. Method used in estimating recoverable amount is based on the value in use. Value in use was determined by discounting the future cash flows generated from the continuing use of the cash-generating unit. In determining the cash-generating unit for the purpose of value in use calculation, Commercial Leasing Company Ltd. as a whole has been considered as the cash-generating unit. Key assumptions used are given below:

Business growth - Based on historical growth rate

Inflation - Based on the current inflation rate

Discount rate - Average market borrowing rate adjusted for risk premium

## Notes to the Financial Statements

### 31. Property, Plant & Equipment

	Land & Building (Rs.)	Motor Vehicles (Rs.)	Leasehold Motor Vehicles (Rs.)	Furniture & Fittings (Rs.)	Office Equipment (Rs.)	Computers (Rs.)
<b>Group</b>						
Cost/Valuation						
Balance as at 01 April 2009	769,034,381	488,413,649	965,476,784	231,876,069	224,913,225	234,183,723
Additions	12,979,020	228,551,579	-	31,675,647	49,368,956	40,835,637
Disposals	-	(24,091,500)	(210,906,532)	(8,881,420)	(4,507,760)	(336,796)
Transfers	-	(433,963)	-	(13,447,908)	(17,628,185)	6,157,311
Acquisition of subsidiaries	4,370,653,359	82,897,853	65,787,680	184,165,496	58,173,420	21,805,913
Transferred from CWIP	49,842,084	-	-	-	-	-
Balance as at 31 March 2010	5,202,508,844	775,337,618	820,357,932	425,387,884	310,319,656	302,645,788
Accumulated Depreciation						
Balance as at 01 April 2009	25,375,813	210,518,801	363,545,720	106,523,820	134,264,570	167,447,350
Charge for the year	13,718,126	111,017,203	196,272,372	36,383,856	27,828,941	29,734,023
Depreciation on disposals	(1,070,270)	(21,571,611)	(141,192,064)	(7,989,136)	(7,732,790)	(84,259)
Depreciation on transfers	-	(324,365)	-	(10,050,550)	(6,536,902)	(1,741,942)
Acquisition of subsidiary	124,807,021	78,194,997	43,871,641	111,927,655	25,826,383	14,663,861
Balance as at 31 March 2010	162,830,690	377,835,025	462,497,669	236,795,645	173,650,202	210,019,033
Written Down Value						
As at 31 March 2010	5,039,678,154	397,502,593	357,860,263	188,592,239	136,669,454	92,626,755
As at 31 March 2009	743,658,568	277,894,848	601,931,064	125,352,249	90,648,655	66,736,373
<b>Company</b>						
Cost/Valuation						
Balance as at 01 April 2009	582,097,782	275,263,622	965,837,843	174,107,965	147,091,856	117,094,152
Additions	12,979,020	222,678,516	-	24,841,974	41,472,465	32,395,657
Disposals	-	-	(210,906,532)	-	-	-
Transfers	-	-	-	-	-	-
Transferred from CWIP	49,842,085	-	-	-	-	-
Balance as at 31 March 2010	644,918,887	497,942,138	754,931,311	198,949,939	188,564,321	149,489,809
Accumulated Depreciation						
Balance as at 01 April 2009	15,534,908	93,533,088	363,720,251	66,928,419	87,906,096	74,902,028
Charge for the year	5,860,139	98,895,265	190,322,044	31,024,840	20,344,070	16,268,765
Depreciation on disposals	-	-	(141,192,064)	-	-	-
Depreciation on transfers	-	-	-	-	-	-
Balance as at 31 March 2010	21,395,047	192,428,353	412,850,231	97,953,259	108,250,166	91,170,793
Written Down Value						
As at 31 March 2010	623,523,840	305,513,785	342,081,080	100,996,680	80,314,155	58,319,016
As at 31 March 2009	566,562,874	181,730,534	602,117,592	107,179,546	59,185,760	42,192,124

During the financial year, the Company and Group acquired Property, Plant and Equipment to the aggregate value of Rs. 1,208,408,322/- (2009 - Rs. 1,003,347,160/-) and Rs. 1,243,488,066/- (2009 - Rs. 1,106,008,424/-) respectively.

## Notes to the Financial Statements

Leasehold Machinery (Rs.)	Assets for Operating Leases (Rs.)	Capital Work-in-Progress (CWIP) (Rs.)	Immature/ Mature Plantation (Rs.)	Leasehold Buildings (Rs.)	Plant & Machinery (Rs.)	Other Tangible Assets (Rs.)	Total (Rs.)
-	1,124,642,542	49,842,085	-	-	-	-	4,088,382,458
-	818,405,965	59,539,872	-	-	1,681,040	450,350	1,243,488,066
-	(362,394,378)	-	-	-	(36,570,367)	(733,584)	(648,422,337)
-	-	-	-	-	-	-	(25,352,745)
40,259,639	331,229,312	46,775,498	1,973,132,927	182,622,874	899,801,761	181,132,304	8,438,438,036
-	-	(49,692,084)	-	-	-	-	150,000
40,259,639	1,911,883,441	106,465,371	1,973,132,927	182,622,874	864,912,434	180,849,070	13,096,683,478
-	240,834,120	-	-	-	-	-	1,248,510,194
-	233,272,807	-	-	-	5,944,428	353,054	654,524,810
-	(122,805,562)	-	-	-	(9,050)	(43,815)	(302,498,557)
-	-	-	-	-	(43,000)	(4,383)	(18,701,142)
9,425,364	202,342,693	-	217,100,293	111,935,475	298,397,626	30,629,538	1,269,122,547
9,425,364	553,644,058	-	217,100,293	111,935,475	304,290,004	30,934,394	2,850,957,852
30,834,275	1,358,239,383	106,465,371	1,756,032,634	70,687,399	560,622,430	149,914,676	10,245,725,626
-	883,808,422	49,842,085	-	-	-	-	2,839,872,265

Assets for Operating Leases (Rs.)	Capital Work-in-Progress (CWIP) (Rs.)	Total (Rs.)
1,124,642,542	49,842,085	3,435,977,847
814,955,965	59,084,725	1,208,408,322
(347,625,856)	-	(558,532,388)
-	-	-
-	(49,842,085)	-
1,591,972,651	59,084,725	4,085,853,781
240,834,120	-	943,358,910
208,163,749	-	570,878,872
(109,059,123)	-	(250,251,187)
-	-	-
339,938,746	-	1,263,986,595
1,252,033,905	59,084,725	2,821,867,186
883,808,422	49,842,085	2,492,618,937

## Notes to the Financial Statements

### 32. Deposits from Customers

As at 31 March	Group		Company	
	2010 (Rs.)	2009 (Rs.)	2010 (Rs.)	2009 (Rs.)
Deposits maturing within one year	8,414,114,075	4,645,876,692	-	-
Deposits maturing after one year	1,680,569,151	583,044,283	-	-
<b>Total</b>	<b>10,094,683,226</b>	<b>5,228,920,975</b>	<b>-</b>	<b>-</b>

### 33. Interest Bearing Loans and Borrowings

As at 31 March	Group		Company	
	2010 (Rs.)	2009 (Rs.)	2010 (Rs.)	2009 (Rs.)
Commercial papers	2,121,499,253	1,774,798,835	1,574,141,412	1,042,441,792
Short-term loans and others	14,457,894,714	8,017,289,030	8,817,858,631	6,482,818,178
Debentures	172,230,000	-	-	-
Finance lease liabilities (Note 33.1)	480,215,487	612,754,819	292,710,457	612,754,819
Long-term borrowings (Note 33.2)	18,016,249,980	18,608,262,277	11,051,344,585	14,802,112,583
	<b>35,248,089,434</b>	<b>29,013,104,961</b>	<b>21,736,055,085</b>	<b>22,940,127,372</b>

#### 33.1 Finance Lease Liabilities

Gross lease rentals payable as at 01 April	728,445,173	1,201,033,499	726,890,404	1,200,012,766
On acquisition of subsidiaries	246,535,191	-	-	-
Disposal of subsidiaries	-	-	-	-
Leases obtained during the year	54,291,071	-	-	-
Lease rentals paid during the year	(395,394,940)	(474,143,095)	(393,243,878)	(473,122,362)
Gross lease rentals payable as at 31 March	633,876,495	726,890,404	333,646,526	726,890,404
Less: Interest in suspense	(153,661,008)	(114,135,585)	(40,936,069)	(114,135,585)
<b>Net lease liability</b>	<b>480,215,487</b>	<b>612,754,819</b>	<b>292,710,457</b>	<b>612,754,819</b>
Repayable within one year				
Gross lease rentals payable	251,369,108	393,178,840	228,420,935	393,178,840
Less: Interest in suspense	(37,821,578)	(76,347,571)	(32,193,691)	(76,347,571)
<b>Net lease liability</b>	<b>213,547,530</b>	<b>316,831,269</b>	<b>196,227,244</b>	<b>316,831,269</b>
Repayable after one year				
Gross lease rentals payable	382,507,395	333,711,563	105,225,592	333,711,563
Less: Interest in suspense	(115,839,438)	(37,788,013)	(8,742,379)	(37,788,013)
<b>Net lease liability</b>	<b>266,667,957</b>	<b>295,923,550</b>	<b>96,483,213</b>	<b>295,923,550</b>
<b>Total</b>	<b>480,215,487</b>	<b>612,754,819</b>	<b>292,710,457</b>	<b>612,754,819</b>

## Notes to the Financial Statements

## 33.2 Long-Term Borrowings

<i>As at 31 March</i>	Group		Company	
	2010 (Rs.)	2009 (Rs.)	2010 (Rs.)	2009 (Rs.)
Balance as at 01 April	18,608,262,277	12,969,853,336	14,802,112,583	12,969,853,336
On acquisition of subsidiaries	1,880,905,586	-	-	-
Received during the year	4,444,524,019	11,589,750,255	1,048,958,127	6,515,209,629
Repaid during the year	(6,917,441,902)	(5,951,341,314)	(4,799,726,125)	(4,682,950,382)
Balance as at 31 March	18,016,249,980	18,608,262,277	11,051,344,585	14,802,112,583
Long-term borrowings - current	5,141,854,096	6,676,896,050	3,673,834,481	4,442,165,898
Long-term borrowings - non-current	12,874,395,884	11,931,366,227	7,377,510,104	10,359,946,685
Total	18,016,249,980	18,608,262,277	11,051,344,585	14,802,112,583
Analysis of non-current portion of long-term borrowings				
Repayable within 3 years	9,407,709,087	7,843,847,939	6,390,884,545	6,272,428,396
Repayable after 3 years	3,466,686,797	4,087,518,288	986,625,559	4,087,518,289
Total	12,874,395,884	11,931,366,227	7,377,510,104	10,359,946,685

## 34. Trade and Other Payables

<i>As at 31 March</i>	Group		Company	
	2010 (Rs.)	2009 (Rs.)	2010 (Rs.)	2009 (Rs.)
Accounts payable	4,083,893,517	2,018,332,913	712,855,782	978,808,431
Creditors for leased equipment	1,280,777,334	494,942,214	41,711,002	198,406,482
Amount due to subsidiaries	-	-	159,042,067	38,532,746
Clients payable	40,247,917	9,120,195	-	-
VAT payable	74,384,351	-	47,955,286	-
Other tax payable	116,492,589	66,373,321	116,491,254	66,373,321
Insurance premium payable	18,429,642	17,499,841	18,429,642	-
Unclaimed dividends	13,976,468	5,420,312	2,672,217	1,777,837
Total	5,628,201,818	2,611,688,796	1,099,157,250	1,283,898,817

## Notes to the Financial Statements

### 35. Deferred Tax Liabilities

<i>As at 31 March</i>	Group		Company	
	2010 (Rs.)	2009 (Rs.)	2010 (Rs.)	2009 (Rs.)
Deferred tax assets, liabilities and income tax relate to the following:				
Capital allowances for tax purposes on property, plant and equipment	9,541,881	8,939,497	-	-
Capital allowances for tax purposes on lease receivables	439,140,293	347,634,808	-	-
	<b>448,682,174</b>	<b>356,574,305</b>	-	-
Defined benefit plans	6,207,670	5,157,802	-	-
	<b>6,207,670</b>	<b>5,157,802</b>	-	-
Net deferred tax liability	<b>442,474,504</b>	<b>351,416,503</b>	-	-

### 36. Deferred Income

<i>As at 31 March</i>	Group		Company	
	2010 (Rs.)	2009 (Rs.)	2010 (Rs.)	2009 (Rs.)
Capital grants	269,644,938	-	-	-
PHDT lease rentals	4,120,910	-	-	-
	<b>273,765,847</b>	-	-	-

The above represents the following:

- I. [The funds received from the Plantation Housing and Social Welfare Trust (PHSWT), MTIP and PHDT are for the development of workers welfare facilities and improvement in institutional facilities.
- II. The funds received from the Tea Board is for the construction of the CTC Tea Factory at Delta Estates.
- III. The funds received from the Plantation reform project is for the Development of Forestry Plantations.
- IV. Subsidy received from the Rubber Control Department is for Rubber Replanting.

The amount spent is capitalised under that relevant classification of property, plant and equipment and corresponding grant component is reflected under deferred income and is being amortised over the useful life span of the related assets.

## Notes to the Financial Statements

## 37. Retirement Benefit Obligations

<i>As at 31 March</i>	Group		Company	
	2010 (Rs.)	2009 (Rs.)	2010 (Rs.)	2009 (Rs.)
Net Benefit Expense				
Current service cost	11,522,060	9,829,566	6,738,368	6,184,653
Transitional asset recognised during the year	(4,091,392)	(9,766,298)	(3,652,322)	(2,188,278)
Interest cost on benefit liabilities	17,694,942	7,885,831	11,390,791	5,169,828
Transfer of gratuity expense	-	-	(4,724,260)	-
	25,125,609	7,949,099	9,752,577	9,166,203
Benefit Liability				
Defined benefit liability	759,559,844	74,349,053	65,638,616	51,819,459
	759,559,844	74,349,053	65,638,616	51,819,459
Change in the defined benefit obligation is as follows:				
Defined benefit obligation as of 01 April	74,349,053	69,678,547	51,819,459	42,737,849
On acquisition of subsidiaries	665,692,362	-	-	-
Interest cost on benefit liability	17,694,942	7,885,831	11,390,791	5,169,828
Current service cost	11,522,060	9,829,566	6,738,368	6,184,653
Benefits paid	(5,607,181)	(3,278,593)	(657,680)	(84,593)
Transitional difference (over provision) recognised during the year	(4,091,392)	(9,766,298)	(3,652,322)	(2,188,278)
Defined benefit liability as at 31 March	759,559,844	74,349,053	65,638,616	51,819,459
Key assumptions used in the above valuation are as follows:				
Discount Rate	11%-12.35%		12.35%	
Salary increment rate	9%-10.75%		10.75%	

The retirement benefit obligation of some companies in the Group are based on the gratuity formula in Appendix E of SLAS 16 - Employee Benefits and the requirement of the Gratuity Act No. 12 of 1983.

## 38. Stated Capital

<i>As at 31 March</i>	Group		Company	
	2010 (Rs.)	2009 (Rs.)	2010 (Rs.)	2009 (Rs.)
Issued and Fully Paid				
At the beginning of the year - 47,520,000 shares	475,200,000	475,200,000	475,200,000	475,200,000
At the end of the year - 47,520,000 shares	475,200,000	475,200,000	475,200,000	475,200,000

## Notes to the Financial Statements

### 39. Reserves

As at 31 March	Group		Company	
	2010 (Rs.)	2009 (Rs.)	2010 (Rs.)	2009 (Rs.)
Share premium of subsidiary	-	536,504	-	-
Future taxation reserve	205,000,000	205,000,000	205,000,000	205,000,000
Statutory reserve	404,979,197	243,473,119	241,889,290	219,003,446
General reserve	-	-	-	-
Revaluation reserve	155,879,068	105,402,842	105,402,842	105,402,842
<b>Total</b>	<b>765,858,265</b>	<b>554,412,465</b>	<b>552,292,132</b>	<b>529,406,288</b>

### 40. Retained Earnings

As at 31 March	Group		Company	
	2010 (Rs.)	2009 (Rs.)	2010 (Rs.)	2009 (Rs.)
Balance brought forward	4,981,857,006	4,142,813,662	4,097,107,298	3,791,247,461
Restatement	-	-	-	-
Transferred back to retained earnings	-	(32,185,234)	-	(30,000,000)
Transfers to statutory reserves	(160,969,574)	(48,206,669)	(22,885,844)	(35,010,056)
Net profit for the year	1,841,808,956	1,054,153,622	326,940,630	505,588,268
Dividends	-	(134,718,375)	-	(134,718,375)
<b>Balance at the end of the year</b>	<b>6,662,696,388</b>	<b>4,981,857,006</b>	<b>4,401,162,084</b>	<b>4,097,107,298</b>

### 41 Comparative Information

#### 41.1 Comparative Information - Reclassification

As at 31 March	Group	Company
	2009 (Rs.)	2009 (Rs.)
As reported previously:		
Net interest cost of overdraft and other short-term borrowings (a)	2,813,750,028	2,246,161,541
Appeared on the face of the balance sheet - Advances for margin trading (b)	51,070,162	-
Appeared on the face of the balance sheet - Factoring receivable (c)	1,897,170,734	1,138,142,223
Land & building under property, plant and equipment cost (d)	839,626,989	652,690,391
Appeared on the face of the Balance Sheet - real estate stocks (e)	124,121,566	3,135,535
Computer & software under property, plant and equipment (f)	125,920,911	82,954,501
Other account receivables under trade and other current assets (g)	1,844,303,623	902,014,375
Investment in Mudarabah deposit under investment securities (h)	75,000,000	75,000,000
Deposits maturing within one year under deposits from customers (i)	4,720,876,692	-
Appeared on the face of the Balance Sheet - Provision for taxation (j)	165,528,410	113,855,355

## Notes to the Financial Statements

As at 31 March	Group		Company	
	2010 (Rs.)	2009 (Rs.)	2010 (Rs.)	2009 (Rs.) Restated
Current presentation:				
<i>(a) Net interest cost of overdraft and other short-term borrowings reclassified as:</i>				
Overdraft and other short-term borrowings (Note 6)	2,697,108,769	2,491,243,296	946,545,416	1,926,769,466
Debt interest (Note 6)	14,622,369	-	-	-
Charges on SWAPS (Note 6)	422,403,295	322,506,732	351,770,678	319,392,075
	<b>3,134,134,433</b>	<b>2,813,750,028</b>	<b>1,298,316,094</b>	<b>2,246,161,541</b>
<i>(b) Advances for margin trading is reclassified under Note 18 - Advances and other loans</i>	8,844,514	51,070,162	-	-
<i>(c) Factoring receivable is reclassified under Note 18 - Advances and other loans</i>	3,001,770,480	1,897,170,734	1,564,991,242	1,138,142,223
<i>(d) Land &amp; building under property, plant and equipment reclassified as:</i>				
Land & building	5,202,508,844	769,034,380	595,076,802	582,097,782
Investment properties	506,139,491	70,592,609	296,669,851	70,592,609
	<b>5,708,648,335</b>	<b>839,626,989</b>	<b>891,746,653</b>	<b>652,690,391</b>
<i>(e) Real estate stocks reclassified as:</i>				
Real estate stocks	22,930,299	32,131,926	-	3,135,535
Investment properties	-	91,989,640	-	-
	<b>22,930,299</b>	<b>124,121,566</b>	<b>-</b>	<b>3,135,535</b>
<i>(f) Computer &amp; software under property, plant and equipment reclassified as:</i>				
Computers (Note 31)	92,626,755	66,736,373	58,319,019	42,192,124
Computer software (Note 30)	83,811,916	59,184,502	64,901,354	40,872,110
<i>(g) Other account receivables under trade and other current assets reclassified as:</i>				
Other current assets (Note 21)	2,874,691,950	1,540,694,317	659,203,483	902,205,751
Pawning advances (Note 18)	480,400,218	303,609,306	-	-
<i>(h) Investment in Mudarabah deposit eliminated</i>				
Investment in Mudarabah deposit (Note 16)	-	-	35,000,000	75,000,000
<i>(i) Deposit maturing within one year eliminated</i>				
Deposit maturing within one year (Note 32)	8,414,114,075	4,645,876,692	-	-
<i>(j) Provision for taxation reclassified as:</i>				
Provision for taxation	197,569,233	165,528,410	57,191,924	47,988,600
Other tax payable (Note 34)	116,492,589	66,373,321	116,491,254	66,373,321

## Notes to the Financial Statements

### Reasons for Change in the Presentation and Classification

Above classification changes were made in the financial statements of the Company and the Group for better presentation.

### 41.2 Comparative Information - Restatement

Comparative information in the Financial Statements has been restated as follows:

	As per previous year financial statements (Rs.)	Impact due to merger (Rs.)	Restated in 2009/10 financial statements (Rs.)
Income	6,120,691,922	3,086,090	6,123,778,012
Operating profit before net interest	4,714,314,988	1,834,137	4,716,149,125
Other income/(expenses)	71,078,814	366,071	71,444,885
Profit before taxation	579,920,072	2,200,208	582,120,280
Profit after taxation	503,952,740	1,635,528	505,588,268
Cash and cash equivalents	552,835,056	83,736	552,918,792
Short-term investments	13,351,058	13,169	13,364,227
Other current assets	3,636,303,826	697,032	3,637,000,858
Investments securities	289,966,285	5,000,000	294,966,285
Property, plant and equipment	2,603,966,056	117,603	2,604,083,659
Provision for taxation	113,855,355	506,566	114,361,921
Trade and other payables	1,212,462,796	5,062,700	1,217,525,496
Total assets	31,329,268,592	5,911,540	31,335,180,132
Total liabilities	26,227,897,275	5,569,266	26,233,466,541
Equity	5,101,371,317	342,274	5,101,713,591

The restatement of last year financials, is in view of the merger of the fully-owned subsidiary LOIB Financial Services (Pvt) Ltd.

## Notes to the Financial Statements

## 42. Segmental Information

	Financial Services [Rs.]	Insurance Broking [Rs.]	IT Services [Rs.]	Trading [Rs.]	Leisure [Rs.]	Plantation [Rs.]	Power & Energy [Rs.]	Other [Rs.]	Total [Rs.]
<b>2009/10</b>									
Total revenue	12,559,350,570	123,725,780	128,183,120	1,845,146,244	5,464,455	721,897,018	18,092,596	65,069,076	15,466,928,859
Inter group revenue	(469,097,096)	-	(96,000,000)	-	-	-	-	-	(565,097,096)
Revenue - external	12,090,253,474	123,725,780	32,183,120	1,845,146,244	5,464,455	721,897,018	18,092,596	65,069,076	14,901,831,763
Net interest cost	(6,040,678,212)	3,585,541	-	(109,480,057)	-	(18,519,392)	(1,387,030)	(11,657,387)	(6,178,136,537)
Cost of sales	(1,029,853,463)	-	(56,552)	(1,286,268,742)	-	(508,597,785)	(2,894,343)	(41,601,704)	(2,869,272,589)
Profit before operating expenses	5,019,721,799	127,311,321	32,126,568	449,397,445	5,464,455	194,779,841	13,811,224	11,809,985	5,854,422,637
Operating expenses	(3,736,034,327)	(126,113,154)	(67,994,543)	(349,149,846)	(5,239,273)	(72,842,033)	(4,727,474)	(24,620,459)	(4,386,721,109)
Results from operating activities	1,283,687,472	1,198,167	(35,867,975)	100,247,599	225,182	121,937,808	9,083,750	(12,810,474)	1,467,701,528
Negative goodwill	-	-	-	-	-	-	-	-	1,423,836,934
Profit/(Loss) disposal of associates and subsidiaries	(167,087,952)	-	-	-	-	-	-	-	(167,087,952)
Share of profit of associate companies	-	-	-	-	-	-	-	-	116,336,631
Profit before taxation	1,116,599,520	1,198,167	(35,867,975)	100,247,599	225,182	121,937,808	9,083,749	(12,810,474)	2,840,787,141
<b>2008/09</b>									
Total revenue	13,341,452,253	159,854,401	87,000,000	-	-	-	-	161,158,891	13,749,465,545
Inter group revenue	(37,696,420)	(3,047,893)	(87,000,000)	-	-	-	-	-	(127,744,313)
Revenue - external	13,303,755,833	156,806,508	-	-	-	-	-	161,158,891	13,621,721,232
Net interest cost	(6,424,305,743)	(10,776)	(2,308)	-	-	-	-	(16,862,626)	(6,441,181,453)
Cost of sales	(2,993,076,288)	-	-	-	-	-	-	-	(2,993,076,288)
Profit before operating expenses	3,886,373,952	156,795,732	(2,308)	-	-	-	-	144,296,265	4,187,463,491
Operating expenses	(2,762,973,087)	(107,260,623)	(46,217,023)	-	-	-	-	(164,171,463)	(3,080,622,196)
Results from operating activities	1,123,400,715	49,535,109	(46,219,331)	-	-	-	-	(19,875,198)	1,106,841,295
Negative goodwill	-	-	-	-	-	-	-	-	-
Profit/(Loss) disposal of associates and subsidiaries	-	-	-	-	-	-	-	-	-
Share of profit of associate companies	-	-	-	-	-	-	-	-	140,457,638
Profit before taxation	1,123,400,715	49,535,109	(46,219,331)	-	-	-	-	(19,875,198)	1,247,298,933

## Notes to the Financial Statements

	Financial Services (Rs.)	Insurance Broking (Rs.)	IT Services (Rs.)	Trading (Rs.)	Leisure (Rs.)	Plantation (Rs.)	Power & Energy (Rs.)	Other (Rs.)	Total (Rs.)
<b>2009/10</b>									
Capital expenditure	1,236,536,626	-	3,154,920	16,946,316	-	28,950,394	27,392	1,493,924	1,243,488,066
Depreciation and amortisation	644,331,777	-	3,971,500	21,838,555	229,000	19,708	1,686,227	3,807,818	675,884,584
Provision for bad and doubtful debts	612,369,785	-	-	-	-	-	-	-	612,369,785
Provision/(reversal) for fall in value of investments	970,942,054	-	-	2,241,613,938	-	-	-	-	3,212,555,992
Retirement benefit obligations	19,170,334	882,134	917,180	3,869,217	46,000	33,868	-	206,876	25,125,609
<b>2008/09</b>									
Capital expenditure	1,078,568,090	685,766	11,370,370	-	-	-	-	15,384,198	1,106,008,424
Depreciation and amortisation	481,760,863	3,953,899	2,287,041	-	-	-	-	10,264,803	498,266,606
Provision for bad and doubtful debts	361,301,395	-	-	-	-	-	-	32,334,226	393,635,621
Provision/(reversal) for fall in value of investments	27,961,075	121,890	-	-	-	-	-	-	28,082,965
Retirement benefit obligations	6,298,366	458,602	521,732	-	-	-	-	867,752	8,146,452
<b>As at 31 March 2010</b>									
Total assets	58,759,720,110	128,148,017	627,188,519	9,306,716,775	71,320,930	3,420,352,237	295,435,363	2,480,470,914	75,089,352,866
Total liabilities	49,793,992,645	46,228,991	11,685,068	2,724,213,541	30,227,836	2,085,638,417	44,567,201	895,117,874	55,631,671,574
<b>As at 31 March 2009</b>									
Total assets	44,644,779,825	178,833,608	130,689,420	-	-	-	-	1,332,763,257	46,287,066,111
Total liabilities	39,507,608,068	76,481,288	23,933,779	-	-	-	-	587,565,176	40,195,588,311

## 43. Loans to Employees (Rs. 20,000/- and above)

As at 31 March	Group		Company	
	2010 (Rs.)	2009 (Rs.)	2010 (Rs.)	2009 (Rs.)
Balance as at 01st April	99,072,708	92,252,743	77,206,776	69,852,455
Loans granted during the year	46,616,254	40,069,999	33,148,760	33,533,249
Recoveries during the year	(58,355,875)	(33,250,034)	(38,060,469)	(26,178,928)
Balance as at 31st March	87,333,087	99,072,708	72,295,067	77,206,776

## Notes to the Financial Statements

## 44. Commitments and Contingencies

	Group		Company	
	2010 (Rs.)	2009 (Rs.)	2010 (Rs.)	2009 (Rs.)
<b>Contingent liabilities</b>				
Guarantees issued to banks and other institutions	371,752,221	38,332,221	-	-
<b>Commitments</b>				
Forward exchange contracts	7,736,040,853	5,534,832,061	4,899,855,113	5,342,429,561

The Company received approval from Central Bank of Sri Lanka to enter into SWAP agreements to hedge against foreign exchange exposure.

On this commitment the Group will receive US\$ 47,420,633, EUR 10,830,870, GBP 575,000 and AU\$ 1,200,000 on the conversion and the Company will receive US\$ 31,350,633 and EUR 6,785,970 on the conversion.

The maturity of the forward exchange contracts are as follows:

	Group		Company	
	2010	2009	2010	2009
<b>Maturing within 0-6 months</b>				
US\$	44,920,633	33,188,500	28,850,633	32,638,500
EURO	10,830,870	5,120,706	6,785,970	4,670,706
AUD	1,200,000	700,000	-	-
GBP	575,000	-	-	-
<b>Maturing within 6-12 months</b>				
US\$	2,500,000	5,064,050	2,500,000	5,064,050

Lanka ORIX Finance Company, the fully-owned subsidiary of LOLC received approval from the Central Bank of Sri Lanka to mobilise Foreign Currency deposit and the Company currently accepts deposits in US Dollars, Great Britain pound, Euro and Australian Dollars.

## Notes to the Financial Statements

### 45. Events After the Balance Sheet Date

There have been no material events occurring after the Balance Sheet date that require adjustment to or disclosure in the Financial Statements, other than the following:

1. LOLC Leisure Ltd., formerly known as LOLC Securities, is a subsidiary of Lanka ORIX Leasing PLC with a 70% holding and the balance held by Browns Investments Ltd. LOLC Leisure Ltd. acquired 52% of Confifi Hotel Holdings PLC and 26% of Riverina Hotels PLC. Confifi Hotel Holdings PLC acquired a further 23% of Riverina Hotels PLC and Riverina Hotels PLC acquired a further 25% of Confifi Hotel Holdings PLC.
2. Subsequent to the acquisition, the Group holds 81% of Confifi Hotel Holdings PLC, 74% of Riverina Hotels PLC and 46% of Eden Hotel Lanka PLC.
3. The Company's fully-owned subsidiary LOLC Motors (Pvt) Ltd. with a stated capital of Rs. 150 Mn, is a state of the art motor vehicle repair facility. The Company is expected to commence full commercial operations by end September 2010.
4. Lanka ORIX Leasing Company PLC disposed of 20,050,000 and Browns Investments (Pvt) Ltd. disposed of 5,378,700 non-voting shares of Seylan Bank PLC.
5. The Company secured approval from the Insurance Board of Sri Lanka to operate as a composite insurer. LOLC Insurance Company (Pvt) Ltd. is a fully-owned subsidiary of Lanka ORIX Leasing Company PLC with a stated capital of Rs. 200 Mn.

## Notes to the Financial Statements

## 46. Related Party Disclosures

Details of significant related party disclosures are as follows:

## Group

## Transactions with Associate and Joint Venture Companies

Relationship	Nature of transaction	Group	
		2010 (Rs.)	2009 (Rs.)
Joint Venture	Loan obtained	148,164,500	-
	Interest paid	4,595,569	-
Associate	Insurance commission received	5,181,301	-
	Cash and cash equivalents	3,658,696	-
	Interest bearing loans and borrowings	3,500,936,568	-
	Short-term investment	16,298,994	-
	Term deposit	323,837,302	-
	Repayments of finance leases obtained	62,591,783	-
	Finance leases granted	-	3,713,274
	Share of group overheads	1,114,000	-
	Trading transactions		
	- Sales	298,772,640	-
	- Purchase	1,508,319,769	-
	Company secretarial services	285,000	-
	Dividend income received	8,800,000	-
Rent and management fees received	3,000,000	-	

## Notes to the Financial Statements

### Company

#### Transactions with Subsidiaries, Associates with the Company

The following table provides the transactions which have been entered into with related parties for the relevant financial year:

Relationship	Nature of transaction	Company	
		2010 [Rs.]	2009 [Rs.]
Subsidiaries	Fund transfers in	2,985,042,073	1,589,831,172
	Fund transfers out	1,521,419,532	261,691,620
	Expenses shared	489,121,574	152,396,235
	Rendering of services received	79,697,623	87,000,000
	Asset hire income	123,955,558	4,741,543
	Interest received	435,421,133	243,865,699
	Debenture investment	685,800,000	-
	Debenture interest received	97,343,931	-
	Regular treasury management and advisory fee received	158,491,274	50,000,000
	Royalty received	16,073,626	31,631,927
	Project loan given	50,516,175	204,690,823
	Finance leases granted	-	635,970
	Loan granted	53,196,476	297,569,682
	Supply of lease vehicles	9,744,115	4,677,700
Treasury bond transfer	1,037,204,135	-	
Associates	Cash and cash equivalents	3,658,696	-
	Interest bearing loans and borrowings	2,750,936,568	-
	Short-term investment	16,298,994	-
	Term deposits	323,837,302	-
	Repayments of finance leases obtained	62,591,783	-
	Finance leases granted	-	3,713,274
	Loan granted	1,927,811	46,861,330
	Operating lease granted	8,893,679	18,011,675
Interest received	4,880,791	1,080,223	
Joint Venture	Loans granted	235,000,000	-
	Interest received	7,504,590	-

## Notes to the Financial Statements

Outstanding balances as at the year end with regard to the related parties are disclosed as below:

As at 31 March	Company	
	2010 (Rs.)	2009 (Rs.)
Amount due from Related Parties		
Lanka ORIX Insurance Brokers Ltd.	40,180,257	49,728,653
Lanka ORIX Finance Company Ltd.	301,431,448	191,764,934
Lanka ORIX Information Technology Ltd.	402,237,818	-
Lanka ORIX Project Development Ltd.	12,770,693	6,772,336
Lanka ORIX Securities Ltd.	-	4,778,786
Sundaya Lanka (Pvt) Ltd.	4,125,229	5,064,056
Gal Oya Holdings (Pvt) Ltd.	170,683,182	64,819,452
Commercial Leasing Company Ltd.	1,736,466,083	320,706,558
LOLC Eco Solutions Ltd.	20,199,990	-
LOLC Micro Credit Ltd.	-	1,815,122,592
	<b>2,688,094,700</b>	<b>2,458,757,367</b>
Amount due to Related Parties		
LOLC Micro Credit Ltd.	19,337,568	-
LOLC Motors Ltd.	139,704,489	-
Commercial Factors Ltd.	10	-
Lanka ORIX Information Technology Ltd.	-	33,532,746
	<b>159,042,067</b>	<b>33,532,746</b>

## Transactions with Key Management Personnel

Key Management Personnel (KMPs) are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company as well as the subsidiaries, direct or indirectly. The Key Management Personnel of the Company and Group are the Board of Directors of the Company and personnel holding designation Deputy General Manager and above in the Company. Independent Transactions with KMPs and transactions with the Close Family Members (CFMs) of the KMPs, if any, also been have taken into consideration in the following disclosure:

### Key Management Personnel Compensation

	Group		Company	
	2009/10 (Rs.)	2008/09 (Rs.)	2009/10 (Rs.)	2008/09 (Rs.)
Short-Term Employment benefits	193,680,864	192,697,891	135,072,718	136,951,279
Includes:				
- Directors' fees	20,498,436	20,656,598	18,870,936	18,674,231
- Directors' emoluments	31,089,610	36,901,514	17,846,880	19,063,491

## Notes to the Financial Statements

### Other Transactions

	Group		Company	
	2009/10 (Rs.)	2008/09 (Rs.)	2009/10 (Rs.)	2008/09 (Rs.)
Advances granted	15,689,869	2,208,600	15,689,869	2,208,600
Deposits held with the subsidiaries	133,907,755	10,861,543	-	-
Interest paid/charge	9,325,881	137,282	-	-
Interest payable	1,790,490	117,407	-	-

### Transactions with Other Related Parties

Transactions, arrangements and agreements involving KMPs and their CFMs and Entities which are controlled, jointly controlled or significantly influenced by the KMP's and their CFMs or shareholders who have either control, joint control or significant influence over the entity.

	Group		Company	
	2009/10 (Rs.)	2008/09 (Rs.)	2009/10 (Rs.)	2008/09 (Rs.)
Ishara Traders				
Lease vehicle purchased	296,637,433	79,172,762	225,367,432	66,822,762
Opening balance 01 April	1,226,102,079	-	1,226,102,079	-
Loans obtained during the year	1,195,528,790	3,148,381,375	367,119,758	3,148,381,375
Loan settled during the year	(882,539,882)	(1,922,279,296)	(828,513,206)	(1,922,279,296)
Closing balance 31 March	1,539,090,987	1,226,102,079	764,708,631	1,226,102,079
Interest Paid	253,712,001	162,272,581	226,206,403	162,272,581

## Notes to the Financial Statements

## 47. Assets Pledged

The following assets have been pledged as security for liabilities:

Nature of Assets	Nature of Liability	Group Carrying Amount Pledged		Company Carrying Amount Pledged	
		2010 (Rs.)	2009 (Rs.)	2010 (Rs.)	2009 (Rs.)
Government treasury bonds	Secured against the Repo instrument borrowings	4,990,000,000	-	3,800,000,000	-
Foreign currency term deposits	Interest bearing loans and borrowings	2,703,634,619	2,829,933,507	1,186,770,985	2,256,533,507
Lease, hire purchase and loans receivables	Interest bearing loans and borrowings	19,276,146,707	25,152,592,390	14,384,188,630	19,624,802,733
Marketable shares and loans and buildings	Term loan/bank overdrafts/short-term loan/field and processing developments and other	1,188,050,748	-	-	-
Leasehold right	Bank overdrafts/term loans/investments in field developments	582,574,058	-	-	-
Leasehold properties/vehicles	Finance leases	820,793,106	602,117,592	342,081,080	602,117,592
Office premises/shares	Term loan/loans	1,237,462,000	-	-	-

## 48. Consolidation of Accounts with Those of the Subsidiary Company

The results of the Company's subsidiary, Lanka Orient Investments (Pvt) Ltd., incorporated on 27 February 1986 have not been consolidated with that of the Company in accordance with Section 153 (6) (a) of the Companies Act No. 07 of 2007.