What Defines Us

imagine the possibilities

What Defines Us

As a broadly diversified company operating in several industry sectors from financial services, agriculture, renewable energy and leisure to construction, manufacturing and trading, at LOLC, we are responsible to a diversity of people and institutions, both here and overseas.

There are a number of characteristics that have made us who we are today: a trailblazing corporate that is bold and aggressive in spirit, guided by a long-term vision and prudent strategy, maximising wealth creation for the many stakeholders we serve.

That's why the outstanding results recorded in these pages are so significant; reflecting the enduring qualities that have brought us thus far, and the strength and vision that inspire us to keep our promise of excellence both now and into the future.

The LOLC Group has rapidly evolved into being the biggest non-banking financial institution and one of the biggest and most diversified conglomerates in the country. Besides a range of financial products and services, our portfolio includes leisure, plantations, agri-inputs, renewable energy, construction, manufacturing and trading and other strategic investments.

Our footprint in Sri Lanka spans every district, from the rural hinterlands to major cities and we have enduring business partnerships with a host of financial and developmental organisations across the world. We have significantly successful investments in Cambodia, Myanmar, Pakistan and Indonesia and we continue to expand our international presence by actively seeking new opportunities in the region.

As a leading player in Sri Lanka's SME and microfinance sectors, the LOLC Group has been a catalyst in facilitating financial inclusion. Our role in microfinance has enabled us to benefit many people and communities, whilst striving to maximise environmental benefits through green operations and processes in line with our triple bottom line focus in all we do. The Group's business interests are in key growth areas of the economy and we are confident that LOLC will grow further both in potential and in value creation for the many stakeholders we partner and serve.

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Sustainability at LOLC

Governance

Scan the QR Code with your smart device to view this report online.

Financial Statements

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Our Business Sectors

Experience, expertise and visionary strategies for growth

Financial Services

As Sri Lanka's largest NBFI, the LOLC Group offers a comprehensive portfolio of financial solutions, to a diverse customer profile ranging from individuals to micro and large scale enterprises, across the length and breadth of the country.

Leisure

The sector offers a total solutions package, with a leisure, travel and entertainment proposition, with resorts in operation and under construction in some iconic locations in Sri Lanka and the Maldives.

Renewable Energy

In keeping with the Group's Triple Bottom Line focus, the Group ventured into solar power with the commissioning of its first solar power plant and actively seeks opportunities for investing in renewable energy generation.

Construction

The LOLC Group is active in the Construction sector through its investments in Sierra Construction, one of Sri Lanka's leading construction companies, with wide expertise and experience in civil and telecommunication engineering, piling and irrigation.

Manufacturing & Trading

The sector includes the Group's own manufacturing plant which produces RADCO branded radiators; and the authorised dealership for other leading global brands in Vehicle batteries, Power Generators, Machinery, Power tools, Office Solutions and Veterinary Care products.

Agriculture & Plantations

LOLC Group's investments in this sector ranges from large scale Tea, Rubber and Sugar Cane plantations to being Sri Lanka's leading supplier of agricultural machinery, fertiliser and crop care.

Overseas Expansion

Today, the LOLC Group's footprint extends overseas as the Group has established itself as a leader in the Microfinance industry in several countries in the region including Cambodia, Myanmar, Pakistan and Indonesia.

Other Strategic Investments

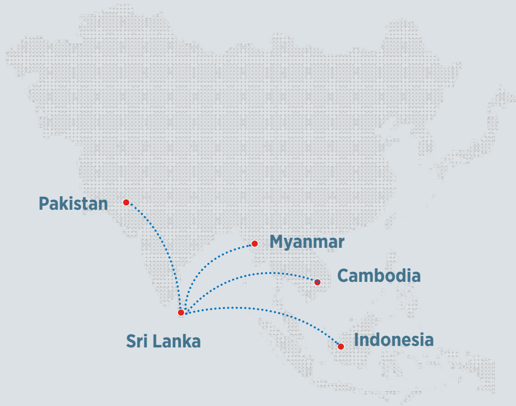
The Group's other Strategic Investments include Information Technology, Healthcare and Banking.

Why invest with LOLC

An enterprise born out of a pioneering spirit as Sri Lanka's first Leasing Company in 1980, LOLC Group has since then been on a meteoric rise to become one of Sri Lanka's most profitable conglomerates with a diversified portfolio across growth sectors in the region.

Leadership in Governance and Sustainability
(Economic Value Added by the Group)

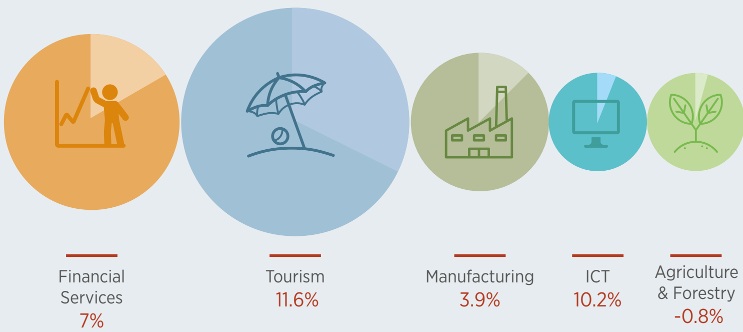
To Employees	Rs. 18.68 Bn
To Government	Rs. 8.73 Bn
To Providers of Capital	Rs. 9.46 Bn
To Expansion and Growth	Rs. 12.05 Bn



Leadership in local and international markets

Becoming one of the nation's largest enterprises has not been at the expense of agility and nimbleness, the Group continues to value innovation and dynamism, seeking new opportunities to create value in Sri Lanka and across the region; with a business model which harnesses a multitude of synergies of being a Group, whilst letting expertise in each area of business spearhead the growth of each sector.

A vibrant Sri Lankan economy



GDP US$ 87.2 Bn

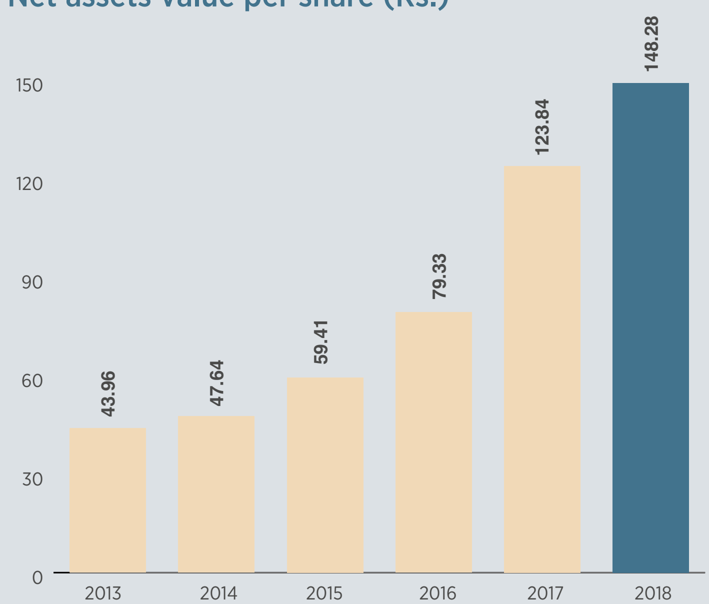
GDP per capita US$ 4,065

Exports US$ 11.36 Bn

Foreign direct investment US$ 1.91 Bn

Source: CBSL

Net assets value per share (Rs.)



Broadly diversified in key industry sectors

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Renewable Energy Pg 52
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Manufacturing & Trading Pg 56
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Other Strategic Investments Pg 66

Group Structure

LOLC
imagine the possibilities

LOLC FINANCE

LOLC LIFE ASSURANCE

LOLC GENERAL INSURANCE

LOLC SECURITIES

LOLC Factors

LOLC Investments

LOLC Technologies

LOLC CAPITALOne

LOLC MOTORS

LOLC MYANMAR MICRO FINANCE

LOLC (Cambodia) Plc.

Pak Oman Microfinance Bank Limited

SUMUT VENTURA

Cambodia, Myanmar, Pakistan & Indonesia Strategic Foreign Investments (In the Microfinance Sector)

CLC COMMERCIAL LEASING & FINANCE

brac Lanka Finance (A Member of LOLC Group)

الفلاح AL-FALAAH ISLAMIC FINANCIAL SERVICES

SEYLAN BANK PLC The bank with a heart

Browns
A Heritage of Trust

Browns Agriculture & Plantations

Browns Marine & Manufacturing

Browns Home & Office Solutions

Browns Power Generation

Browns Hospitals

Browns Investments

Browns Pharmaceuticals

Gal-Oya Plantations (Pvt) Limited

AgStar

sierra

Browns HOTELS & RESORTS

AJAX

Browns CAPITAL

MATURATA

SAGASOLAR POWER (PRIVATE) LIMITED SGP Towards Green Energy

THE EDEN RESORT & SPA BERUWELA • SRI LANKA

THE Paradise RESORT & SPA DAMBULLA • SRI LANKA

THE Turtle Beach RESORT & SPA KOSGODA • SRI LANKA

THE CALM RESORT & SPA PASIKUDA • SRI LANKA

DICKWELLA RESORT & SPA

Riverina Resorts

EXCEL WORLD ENTERTAINMENT PARK

Ceylon Roots

Browns Tours

Maldives

nasandhura

Bodufarufinolhu

Bodufinolhu

Three Island North Male

Awards and Certifications

For the second consecutive year, LOLC won the Financial Service Provider of the Year award at the SLIM-Nielsen People's Awards 2018

LOLC was ranked 5th amongst the 100 Most Respected Entities in Sri Lanka

LOLC was placed at number 4 in the Business Today TOP 30

LOLC Finance won 3 top Awards at LankaPay Technnovation Awards 2017

Financial Institution of the Year for Customer Convenience

Best Mobile Payment Application of the Year

Most Popular Electronic Payment Product of the Year

For the third consecutive Year, the Eden Resort & Spa won Gold at the 2017 National Business Excellence Awards in the Hospitality and Tourism Sector

LOLC Al-Falaah was awarded as the Winner of the Best Islamic Bank category for Sri Lanka in the IFN Best Banks Poll 2017

LOLC Al-Falaah bagged two Bronze awards for The Best Leasing Company of the Year and Social Upliftment Award at the Sri Lanka Banking and Financial Institution (SLIBFI) Awards 2018

iPay was recognised at the Open Group Conference and Awards for Innovation and Excellence in Bangalore in February 2018

LOLC Al-Falaah won the Silver award for the Entity of the Year, Gold for Window/ Unit of the Year and Silver for CSR Project of the Year at the Islamic Finance Forum of South Asia (IFFSA) Awards 2017

The Islamic Business Division of CLC was awarded the Gold Award for the Best Leasing Company of the Year at IFFSA Awards 2017

The Islamic Business Division of CLC was awarded the Gold Award for the Best Leasing Company of the Year and the Silver Award for the Best Islamic Finance Window/Unit of the Year at the SLIBFI Awards 2017

Our Presence

Northern Province

07

05

North-Central Province

15

07

05

North-Western Province

10

05

01

Central Province

14

01

06

01

05

Sabaragamuwa Province

09

05

as at 31st March

LOLC Finance Footprint

LOLC Finance, Al-Falaah Centres
LOLC Finance, Al-Falaah Savings Centres

CLC & COMFAC Channel Network

Browns

BRAC Branches and Service Centres

Southern Province

16

07

10

Uva Province

06

04

Eastern Province

14

04

05

04

07

Western Province

45

19

02

07

Funding Partners

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

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

Funding Partners

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

	Institution	Type of Facility	Purpose of Funding	Value Addition
	National Bank of Oman	Long Term Loan	Portfolio Development	-
	RAK Bank	Long Term Loan	Portfolio Development	-
	Oikocredit International	Long Term Loan	Leasing and MSME Portfolio Development	-
	Oesterreichische Entwicklungsbank AG (Development Bank of Austria)	Long Term Loan	Leasing and MSME Portfolio Development	-
	Triple Jump B.V	Long Term Euro Loan	Microfinance sector Financing and Development	
	Islamic corporation for the development of the private sector (ICD)	Long Term US $ Loan	Islamic Finance Development	

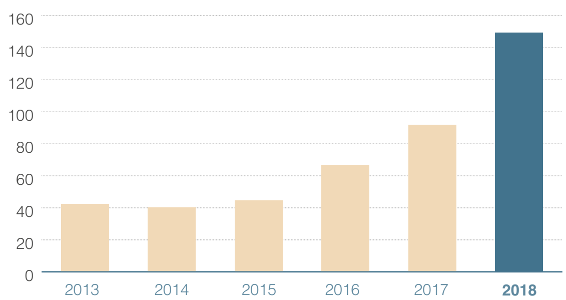
Financial Highlights

For the year ended 31 March	2009	2010	2011	2012*	2013*	2014*	2015*	2016*	2017*	2018*
Group										
Performance Indicators - Rs.Mn										
Net profit before tax	1,247	2,841	8,282	7,068	3,706	4,436	8,169	11,858	24,379	**24,655**
Net profit after tax	1,055	2,385	7,023	5,704	2,552	3,069	6,299	9,331	20,921	**19,190**
Total assets	46,287	75,371	113,070	145,204	162,982	167,175	244,917	379,595	640,925	**822,239**
New executions	14,906	21,963	47,392	58,233	48,119	65,299	113,048	191,135	152,558	**172,673**
Gross portfolio (Rentals receivable)	44,824	47,351	70,077	105,932	107,038	112,747	172,784	216,763	427,365	**560,845**
Deposits from customers	5,229	10,095	17,899	26,233	35,397	49,615	50,587	74,166	211,128	**307,529**
Outstanding borrowings	31,764	38,235	49,256	65,425	72,946	68,368	119,232	215,076	294,115	**341,549**
Non-performing portfolio	1,933	1,431	1,159	1,702	3,071	3,354	4,014	5,054	7,736	**10,187**
Return on equity (%)	18.72	18.67	25.88	14.62	5.90	7.05	13.16	25.84	35.54	**15.05**
Key Indicators - Rs. per share										
Net asset value per share (adjusted)**	12.65	16.63	27.53	41.22	43.96	47.64	59.41	79.33	123.84	**148.28**
Earnings per share(adjusted)	2.22	3.88	8.08	12.00	5.37	3.19	11.37	17.93	36.11	**20.47**
Company										
Performance Indicators - Rs.Mn										
Net profit before tax	582	491	1,898	3,072	68	689	458	835	10,149	**4,763**
Net profit after tax	505	327	1,523	2,977	34	694	504	689	9,777	**4,699**
Total assets	31,335	29,738	54,213	58,028	53,239	49,254	62,609	75,494	102,007	**110,723**
New executions	12,170	4,569	5,036	3,926	271	-	-	-	-	**-**
Gross portfolio (rentals receivable)	25,185	17,958	11,897	7,704	3,881	2,134	1,378	1,848	850	**2,414**
Outstanding borrowings	24,850	23,087	22,379	23,807	19,738	14,254	25,016	38,369	52,698	**54,241**
Non-performing portfolio	538	769	545	500	357	178	168	168	153	**149**
Key Indicators - Rs. per share										
Dividends per share	0.28	-	-	-	0.50	-	-	-	-	**-**
Market price per share	6.95	16.50	119.60	54.00	60.70	75.00	76.60	72.00	61.00	**118.00**
Net asset value per share	10.74	11.42	15.67	69.97	68.86	71.82	73.44	74.71	98.89	**108.85**
Debt to equity ratio - Times	4.87	4.25	3.00	0.72	0.60	0.42	0.72	1.08	1.12	**1.05**
Interest cover - Times	1.14	1.16	1.80	2.19	1.02	1.25	1.27	1.26	2.93	**1.78**
Dividend cover - Times	3.79	-	-	-	0.14	-	-	-	-	**-**

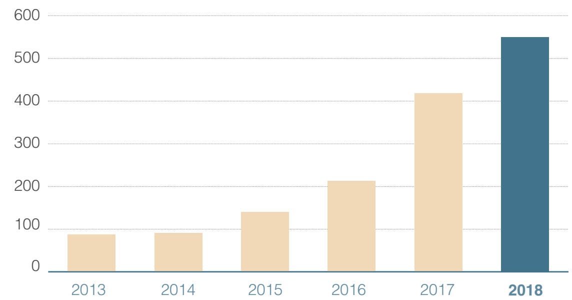
* The figures are derived from Financial Statements prepared in accordance with SLFRS/LKAS. Figures for the remaining periods are derived from Financial Statements prepared in accordance with previous SLAS's.

** Net assets per share has been calculated, for all periods, based on the net assets of the Group and number of shares in issue as at 31st March 2018

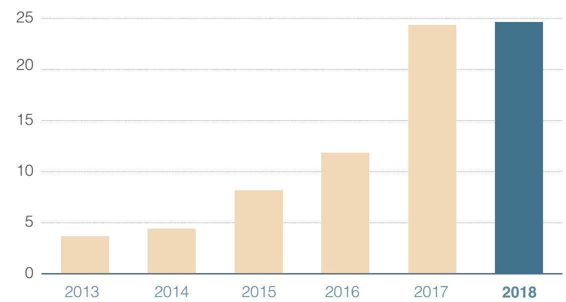
Gross income (Rs. Bn.)



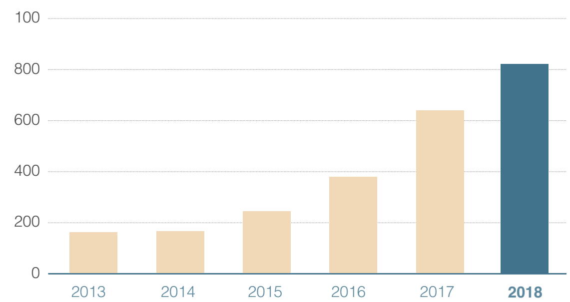
Net lending portfolio (Rs. Bn.)



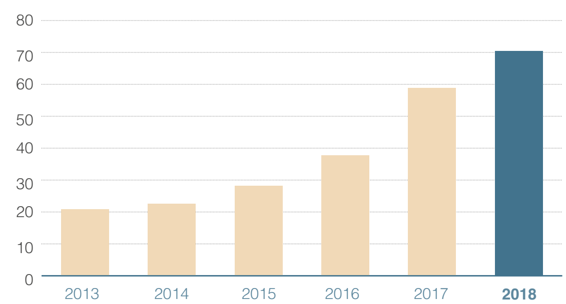
Profit before tax (Rs. Bn.)



Total assets (Rs. Bn.)



Shareholders' funds (Rs. Bn.)



Deputy Chairman's Message

The Group continued to reap the dividends of the myriad strategic investments it has made in diverse sectors with tremendous growth potential, as one of the most profitable entities in the country.

Group Revenue

63%

Rs. 92 Bn (2016/17)

Dear Stakeholder,

I take pleasure in welcoming you to the 39th Annual General Meeting of LOLC PLC and presenting to you the Annual Report and audited Financial Statements for the year ending 31st March 2018. It has been another excellent year, in which the Group continued to stride ahead, embodying "what defines us"; blazing new trails with a vision, boldness, and agility with a strong track record of consistent performance over the past 38 years, whilst creating new avenues to expand and grow.

Performance

The Group continued to reap the dividends of the myriad strategic investments it has made in diverse sectors with tremendous growth potential, as one of the most profitable entities in the country. The Group's Revenue grew by 63% to Rs. 150 Bn whilst Profits After Tax was recorded at Rs. 19.19 Bn. The performance was once again spearheaded by the Group's Financial Services Segment which contributed 85% to profitability despite a challenging year. Our strategic investments in Non-Financial sectors such as Leisure, Plantations, Construction, Healthcare and Trading & Manufacturing also supplemented the growth in the Financial Sector.

Backdrop to Performance

The Group's performance during the year was in an environment which posed significant challenges due to adverse weather conditions, of floods alternated by drought, impacting agriculture and agri related businesses in the country. It is encouraging that Sri Lanka's economic policies during the year focused on achieving macroeconomic stability whilst fuelling growth. The Central Bank (CBSL) made significant policy initiatives during 2017 to gain Economic and Pricing stability as well as Financial Stability. However, GDP growth in 2017 remained subdued and below projections, at 3.1%, mainly due to the impact of adverse weather conditions. The environment of low economic activity inhibited loan growth for the market whilst the impact on agriculture, combined with considerable pressure on collections, particularly hindered the financial services industry.

Continuing to reach milestones

The year under review also saw LOLC Holdings (Private) Limited purchase the 30% share of ownership held by ORIX Corporation of Japan, resulting in the exit of ORIX Corporation from LOLC PLC. ORIX Corporation has been our investment partner since 1980 when the Company's pioneering spirit led to a partnership with LOLC Group in a consortium which included IFC to introduce Leasing to Sri Lanka. For many years, our Group was proud to be the best performing associate of ORIX, which encompassed the rapid transformation of LOLC from its humble beginnings as a provider of only Leasing solutions, to be one of the largest and most profitable conglomerates in Sri Lanka.

Deputy Chairman's Message

Following FMO's exit, the subsequent strategic merger has propelled LOLC Finance to the forefront as the largest Non-Bank Financial Institution (NBFI) in the country with a total assets base of Rs. 211 Bn and a lending book of Rs. 151 Bn.

Group Total Assets

28%

Rs. 641 Bn (2016/17)

LOLC began with the mission to empower the Small and Medium scale economic sector in Sri Lanka, which hitherto had no access to formal sources of financing at the time. Our leasing solutions enabled this segment of the population which was neglected by the financial community, to acquire productive assets. LOLC thus began to revolutionise growth in the agriculture sector of the country by facilitating mechanisation, thereby helping to enhance productivity and value creation. I would like to convey my gratitude to ORIX Corporation for the pioneering investment which created new horizons and new benchmarks for the people of Sri Lanka, and for their valuable expertise and the confidence placed in us during our 38-year partnership.

During the year, LOLC took a significant strategic step forward by merging its Microfinance Company LOLC Micro Credit Ltd (LOMC) - the largest private sector microfinance institution in the country, with its flagship finance subsidiary LOLC Finance PLC on 29th March 2018, with the post-merger single entity continuing as LOLC Finance PLC.

LOLC Group's long-term funding partner of over 25 years, FMO (Dutch Development Bank) helped pave the way forward to the merger by divesting their ownership stake in LOMC. The relationship with FMO has been significant to the development of LOMC, having been a strategic shareholder ever since the Company's initiation in 2009 and have helped fortify LOMC's position in a highly competitive market over the years. With FMO on-board, LOMC was the first microfinance company to have foreign equity presence in the country and soon amassed the largest array of international funding partners in the country, which significantly bolstered the Company's ability to empower and uplift women and micro entrepreneurs at the bottom of the pyramid, catalysing inclusive financing and thereby sustainable economic growth.

As the chosen conduit for foreign Development Finance Institutions to accomplish their development goals, the support extended to LOMC stretched beyond financing to technical assistance and even capacity building in the areas of good governance and ethical lending along with environmentally-friendly practices.

It is thus an endorsement of the international recognition received by LOMC that it was the first Sri Lankan MFI to be awarded Client Protection Principles Certification from the SMART Campaign – a global initiative which exists to ensure strong client protection practices in the microfinance industry.

Following FMO's exit, the subsequent strategic merger has propelled LOLC Finance PLC to the forefront as the largest Non-Bank Financial Institution (NBFI) in the country with a total assets base of Rs. 211 Bn and a lending book of Rs. 151 Bn. The diversity of the portfolio of products as well as customers, and the wider base of funding partners of the new merged entity have empowered LOLC Finance PLC, and augmented its platform for sustained growth. This strategic merger has also epitomised a successful model for the Central Bank of Sri Lanka (CBSL) to encourage consolidation within Sri Lanka's financial services sector.

Buoyed by the success of our investments in financial services overseas, the Group continued to expand its regional footprint. The Group's regional presence in microfinance now includes Myanmar, Cambodia, Indonesia and Pakistan and it will look to venture into markets with high potential for MSME growth. In line with LOLC Group's international focus, 61% of profit is currently derived from its foreign investments.

Following the maiden foray overseas by the Group's Leisure sector in the previous year, its projects in the Maldives such as the construction of Nasandhura, a mixed development in

Male and a 5-star in Bodufaru and two 4-star properties in Bodufinolhu and North Male progressed during the year and are expected to become operational soon.

Looking ahead

The Group will continue to focus on the SME and Micro lending sectors and look to harness the dividends of its overseas investments and continue to empower more entrepreneurs in Sri Lanka and across the shores through our unique microfinance model. The stronger and larger LOLC Finance PLC following the merger, will provide added impetus and opportunities for the Group to harness economies of scale and scope to further expand the footprint of its financial services in Sri Lanka as well as in the Asian region and subsequently in identified markets across the globe.

With the Group's distinctive microfinance model and a rapidly expanding global footprint, it is gearing up to replicate its success across the region to become the largest multi-currency, multi-geographic microfinance platform in the world.

Acknowledgements

I would like to convey my appreciation to ORIX Corporation of Japan for their valuable partnership for nearly four decades. I would also like to thank my colleagues on the Board led by the Group Managing Director, for the sustained proficiency and contribution. I would like to extend my appreciation to all our Funding Partners for their continued trust in LOLC Group as their preferred conduit. My sincere appreciation to FMO for their transformative role and valued input over the course of close to 30 years. My gratitude to our greatest asset, Team LOLC, for their tremendous effort in Sri Lanka as well as abroad, which is reflected in a consistent growth of the Group over the years. Finally, I would like to conclude by thanking the regulators, business partners, customers and all other stakeholders around the world for their confidence and unwavering support, which is "what defines us" today.

Mr. Ishara Nanayakkara
Deputy Chairman

Group Managing Director/CEO's Review

The Group's Financial Sector was the leading contributor this year as well, accounting for 89% of Gross Income, with a total Income of Rs. 133.28 Bn.

Interest Income from Financial Services

92%

Rs. 54.57 Bn (2016/17)

The LOLC Group achieved outstanding results during the year, well supported by its diverse portfolios of products, customers and an expanding footprint across the region.

Performance in Context

The Group's consolidated gross income grew by 63% to Rs. 150 Bn, while the interest income from Financial Services grew by 92% to Rs. 105 Bn. The total assets of the Group grew by 28% to Rs. 822 Bn during the year whilst the lending book grew by Rs. 131 Bn during the year, mainly due to increased disbursements by Group companies, amounting to Rs. 172.7 Bn. Total Borrowings of the Group increased by Rs. 46 Bn to Rs. 332 Bn during the year.

The Group's Financial Sector was the leading contributor this year as well, accounting for 89% of Group Turnover, with a total turnover of Rs. 133.28 Bn. The Financial sector, comprising a comprehensive portfolio of services proved its resilience in a challenging environment. Key players in the sector, led by LOLC Finance PLC which was amalgamated with LOLC Micro Credit Limited on the 29th of March 2018, Commercial Leasing and Finance PLC (CLC), and BRAC Lanka Finance PLC (BRAC) have consistently delivered a strong performance. The Group achieved significant growth in customer acquisition despite an non-conducive environment of low economic activity during the year. Key contributors to profits during the year also derived mainly from our overseas operations such as PRASAC and LOLC Cambodia.

The Group continued to maintain its strong investment grading of [SL] A (Stable) by ICRA rating, a subsidiary of Moody's Investors.

Our strategic investments into Non-Financial sectors such as Leisure, Plantations, Construction, Healthcare and Trading & Manufacturing also complemented the Group performance.

Sri Lanka's economic activity was subdued during the year and the environment hence became a challenging one for the Financial industry in particular. Although the macro stabilisation policy measures taken by the Central Bank and the Government in the past two years resulted in a number of notable improvements and placed the country on a firmer platform for the medium to long term future, Sri Lanka's real GDP growth decelerated to its lowest since 2001, to 3.1 %, compared with 4.5 % recorded in 2016. Growth was mainly driven by Industry activities, supported by the expansion in Services whilst output of the Agriculture sector contracted by 0.8 %, due

Group Managing Director/CEO's Review

The year under review saw the Group merge its micro credit company, LOLC Micro Credit Ltd (LOMC), with its flagship finance company, LOLC Finance PLC. This newly merged entity, which will continue under brand LOLC Finance, is effectively the largest Non-Bank Financial Institution in the country.

Group Lending Portfolio

31%

Rs. 419 (2016/17)

to adverse weather conditions that continued from 2016. The drought and flood-related disturbances which significantly affected Agriculture activities also spilt over to other sectors of the economy through higher prices of domestic food supplies, increased expenditure on imports amidst rising international commodity prices, and costs incurred on relief measures, to impact negatively on overall growth.

The Central Bank of Sri Lanka (CBSL) also maintained a tight monetary policy stance in 2017 which saw interest rates peak in the first quarter of the year but begin to ease and stabilise during the remainder of the year. A tighter monetary regime however was unable to anchor inflation as envisaged, owing to higher food prices which stemmed from weather related supply disruptions, as well as tax increases. Core inflation has however decelerated to be within targets, although headline inflation, as measured by the year on year change in the NCPI was at 7.3% as at 31st December 2017.

It is encouraging that the exchange rate remained stable in 2017 in an environment of minimum intervention by the CBSL. The Rupee vis-a-vis the US Dollar in fact even appreciated at certain points during 2017 and depreciated by only 2% during the year up to 29th December 2017 and by a further 2% during the Group's last quarter, of January to April 2018.

Moreover, Sri Lanka's Exports rebound strongly to reach the highest value to date in earnings which grew by 10.2% surpassing Rs. 11 Bn.; mainly supported by the restoration of the EU GSP+ facility, recovery in external demand, expansion in investment in export related industries, increased commodity prices in the international market, conducive external trade policies together with strong institutional support and the flexible exchange rate policy maintained by the Central Bank.

Group Performance

The year under review saw the Group merge its micro credit company, LOLC Micro Credit Ltd (LOMC), with its flagship finance company, LOLC Finance PLC. This newly merged entity, which will continue under brand LOLC Finance, is effectively the largest Non-Bank Financial Institution in the country. We are reinvigorated by the enhanced prospects that this strategic merger between two of LOLC Group's largest financial entities offers, as the synergies of the merged entity will optimise their individual strengths to augment its platform for sustained leadership and growth. Our clients in the SME and Micro sectors will yield the benefits of a wider portfolio of a total financial solutions provider.

LOLC Finance, recorded a Profit Before Tax of Rs. 2.08 Bn, and following the merger with LOMC the company's asset base grew to Rs. 211 Bn, deposit base to Rs. 110 Bn and a loan portfolio of Rs. 151 Bn. The Interest Income also grew by 18%, to Rs. 21.9 Bn in the year under review.

CLC achieved an excellent performance during the year, recording a 32% growth in Profit Before Tax to Rs. 2.9 Bn; whilst Post Tax Profit grew by 27% to reach Rs. 2.1 Bn. A strong and steady growth of 33% in net interest income amounting to Rs. 6.3 Bn - was the highest in the industry, and a key contributor to CLC's profitability during the year. It is noteworthy that CLC's Microfinance business, in just its first full year of operations was able to build a portfolio of Rs. 4.9 Bn to contribute 26% to CLC's profits. The Company's new business of Islamic Finance was also able to achieve a whopping 67% growth in its portfolio, to reach Rs. 3.7 Bn in value.

LOMC, the largest private sector Microfinance company in the country prior to the merger, achieved a Profit before Tax of Rs. 2.4 Bn with an asset base of Rs. 77 Bn and a Gross Loan

Portfolio of Rs. 55 Bn at the point of merge to LOLC Finance.

BRAC Finance, in its fourth year as a subsidiary of LOLC, performed commendably to achieve a Profit Before Tax of Rs. 570.7 Mn and a 23% growth in its portfolio which reached Rs. 2.4 Bn during the year. Its asset base reached Rs. 16.5 Bn, deposit base reached Rs. 5.7 Bn whilst the net loan portfolio was at of Rs. 14 Bn. BRAC's successful replication of LOLC Group's micro business model and its operational processes contributed to this excellent performance despite the prevailing volatile environment.

Seylan Bank, an associate company of the Group achieved a significant milestone when it recorded a Group, Profit After Tax of Rs. 5 Bn during the year. It contributed Rs. 1.7 Bn to LOLC Group's Profit Before Tax in 2017/18.

The Group's Insurance businesses, LOLC Life Assurance Limited and LOLC General Insurance Limited completed their first full year of operations as two separate entities and both businesses achieved strong growth, well above industry growth during the year. LOLC General's Gross Written Premium (GWP) grew by 22% to Rs. 4 Bn whilst the GWP in LOLC Life increased by 30% to reach Rs. 2.5 Bn. The composite Gross Written premiums surpassed the Rs. 6 Bn mark, recording an admirable performance in a challenging environment.

The Group's long term investments in the Non-Financial Sector, grouped and managed under Brown & Company PLC., also complemented the Financial sector's growth. Revenue reached Rs. 13.33 Bn during the year whilst Profit After Tax amounted to Rs. 743 Mn.

The Trading sector which markets many world-renowned brands contributed 68% to the revenue of Browns Group and 38% of its profit.

The Group's Leisure, Travel and Entertainment Division also fared well during the year to achieve operational profits. The Group's operational resorts in Sri Lanka - 'The Eden Resort & Spa, Beruwala', 'Dickwella Resort & Spa, Dickwella', 'The Paradise Resort & Spa, Dambulla' and 'The Calm Resort & Spa, Passikudah'; all increased their occupancy levels and performed well during the year.

Excel World, the biggest family entertainment theme park located in the heart of Colombo, doubled its operating profits during the year including the gain on fair value of investment property to achieve a profit before Tax of Rs. 1.3 Bn whilst Revenue grew by more than 5% over the previous year to Rs. 224 Mn.

The Group's maiden venture in the Healthcare sector, The Browns Hospital in Ragama performed well in its third year of operations and continued to make strides in establishing itself as the only ultra-modern general hospital in the Gampaha District. The number of in-patients as well as the number of consultants who signed up at the Hospital, increased during the year. Buoyed by the success of its maiden venture, the Group acquired properties in Kurunegala, Jaffna and another in Negombo to establish new hospitals.

The Group continued with its strategic intent to further develop the potential of its existing portfolio of Plantations as Maturata moved forward with a focus on expanding its range of value-added products, and Gal Oya built on the strength of optimising the by-products of sugar production along the value chain - production of ethanol with a competitive price in the market, production of organic fertiliser (largest producer in the year in review), a carbon dioxide plant which is in the process of implementation, as well as a co-generation plant which is to be rolled out over the next financial year.

Our Overseas Operations

The Group's maiden overseas venture, PRASAC Cambodia, achieved an unprecedented performance during the year. Its Profits Before tax grew substantially by 24.55% to reach Rs. 12.1 Bn and the Asset Base grew by 41% to reach Rs. 296 Bn, whilst the portfolio base grew to Rs. 254 Bn while maintaining a 30 days NPL ratio of 1.16%. PRASAC continued to enjoy the position of market leadership, with the largest branch network in Cambodia covering all 25 provinces and cities through 176 outlets, 130 ATMs, operating in more than 13,851 villages amounting to 98% of total villages; with a staff strength of 7,058.

LOLC Cambodia maintained creditable growth, with its loan portfolio growing by 63.85% to reach Rs. 58.52 Bn, whilst the number of borrowers increased to 210,227 during the year. Following the launch of deposit products across the branch network in 2016, the Company's deposits grew by a sharp 275% to reach Rs. 17.55 Bn as at March 2018, from Rs. 4.68 Bn at March 2017. LOLC's ROA was the highest in the industry amongst Cambodia's 7 leading Micro Finance Deposit Taking Institutions (MDI's) whilst the ROE was ranked 2nd in 2016 as well as 2017. And LOLC consolidated its position as Cambodia's 4th largest MDI in terms of total assets, gross loan portfolio and net profit.

LOLC Myanmar Micro Finance Ltd. which began its green field operations in 2013 achieved and sustained growth to make a contribution of Rs. 81 Mn to LOLC Group profits. Its asset base as at year end stood at Rs. 5.4 Bn whilst the Deposit base reached Rs. 670 Mn and the net Loan portfolio reached Rs. 3.7 Bn.

Group Managing Director/CEO's Review

Our People

The talents, passion and commitment of our people have been the corner stone of the Group's meteoric rise, to become one of Sri Lanka's leading conglomerates and the most profitable listed entity, in a span of 38 years, from humble beginnings as a leasing solutions provider. Today, our team of 7,000 people spread across the country and across the seas are the architects of "what defines us".

It is heartening to note that the Group enjoys one of the best retention rates in the financial industry which is challenged by talent retention. Moreover, retention at senior level positions in the Group is the highest amongst corporates. We will continue to develop the potential of our people, recognising that harnessing and honing the potential of the individual is a win-win and must go hand in hand with growing the potential of the Company.

Outlook

LOLC Group is currently engaged in a process of strategic reorganisation of its diverse businesses to optimise the synergies and economies of scale and scope which would augment its platform for sustained growth and leadership amongst Sri Lankan corporates.

The Group will continue to focus on customer acquisition locally as well as internationally, thus building a base to which the Group can market the entire range of products from across its diverse sectors.

Financial Technology or FinTech will play a vital role in all strategic initiatives of the group with a special focus on digitalisation of processes, distribution channels and product portfolio going forward.

We have ambitious plans to expand upon our regional presence into the world's largest multi-geographic SME and Microfinance platform.

Building on its strong financial services model that can be projected in various countries as a low cost and high yield operation, the Group is at the forefront of a sustainable path that will benefit communities from the grassroots up. With a rich history of strong growth and success in Sri Lanka, this unique model has already been replicated in countries such as Myanmar, Cambodia, Pakistan and Indonesia as a pivot to on-going expansion in identified markets in the pipeline.

What truly defines us is the agility of our business model to embrace change swiftly and the innovative spirit inculcated in our corporate culture. Thus, the future is promising to the Group to continue its glory not just as one of Sri Lanka's leading conglomerates, but as a vital MSME player in the international market.

Acknowledgements

I would like to thank the outgoing Non-Executive Directors on our Board who represented ORIX Corporation of Japan, Mr. Hiroshi Nishio and Mr. H. Yamaguchi following the acquisition of the ORIX stake in the Group by LOLC Holdings Ltd. My sincere appreciation to ORIX Corporation for their valuable contribution throughout the partnership which spanned over 38 years. I would like to thank my colleagues on the Board, the regulators, customers, funding partners, shareholders, business associates and all other stakeholders for their continued support and confidence of the LOLC Group.

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

Management Discussion & Analysis

Financial Review

LOLC Group

The Group concluded yet another successful year despite several challenges, economic and otherwise in the environment. The Group's spirit in focusing on key challenges and successful conversion of its long-term vision into strategies and action resulted in strong bottom line results during the year under review. The recorded Profit Before Tax of Rs. 24.7 Bn delivers strong levels of value creation to the stakeholders.

The broadly diversified Group, continued to expand further into its many areas of business as well as the regions during the year. The Group which is predominantly into financial services, showed strong contribution from this sector, to Group's profitability. The other sectors in the Group consist of Insurance, Trading, and Leisure & Plantation delivered mixed results to the Group's overall performance. The positive trend in the insurance segment continued during the year under review reaching total revenue of Rs. 6.4 Bn, primarily owing to the expansion in the customer base. Trading sector mainly driven by Brown & Company PLC showed positive results in the achievement of the overall profitability, as well. Despite the volatility in market movements, the Plantation segment represented by Maturata Plantations, contributed Rs. 330 Mn to the overall profitability, a significant achievement considering the remarkable turn-around achieved by the Company. The Leisure segment continued to focus on its investment activities in the year as well rather than bottom line profitability.

The Gross income of the Group reached Rs. 150 Bn,compared to the previous income of Rs. 92 Bn. The remarkable achievement in the top line is mainly as a result of top performance in the Financial Services segment which contributed 89% to the top line. The top line growth in Financial Services comes by the increase in executions and LOLC's expansion into other regions. The increase in revenue from the Financial Services sector is mainly due to the increase in the lending operations by its financial services companies which includes LOLC Finance PLC (LOFC), Commercial Leasing & Finance PLC (CLC) and LOLC Micro Credit Ltd. (LOMC) and BRAC Lanka Finance PLC (BRAC) in Sri Lanka and the contribution from other regional investments namely PRASAC Micro Finance Institution Ltd, LOLC Cambodia PLC and LOLC Myanmar Microfinance Com Ltd. The Group established control over PRASAC Microfinance Ltd during the previous year, one of the successful investment made in the history of LOLC, delivered significant results to the group.

Revenue represents the income from Trading, Leisure and Plantation segments. The reported revenue for the year was Rs. 22.6 Bn. The main contributor to the revenue is from the trading segment.

Interest expense of the Group increased to Rs. 58.5 Bn from Rs. 33.2 Bn, a significant increase is noted from the consolidation of PRASAC into Group's results. Normalising the effect of PRASAC, The average increase in borrowing cost by 23% is due to increased funding requirement for asset base growth in the Financial Services sector.

The increase in other income of 50%, amounting to Rs.9.0 Bn, is mainly due to the increase in interest income received from Government securities, interest received on call deposits and interest income earned on back to back deposits amounting to Rs. 3.4 Bn by the finance companies and the gain on disposal of balance stake (9.9%) in FLMC Plantations (Pvt) Ltd amounting to Rs. 892 Mn. Gain on fair value of derivatives amounted to 1.6 Bn and the increase in FV of investment properties amounted to 1.5 Bn.

The net impairment loss on financial assets has gone up by 134% to Rs. 10.1 Bn as a result of provisions made on loans and receivables. This Includes Group wrote off bad debts of Rs. 4.8 Bn. The management actions on recovery efforts continue with high intensity to manage future impacts.

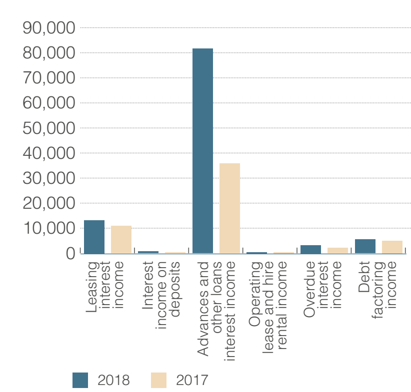
Other overheads show a general increase, however, a strong increase in the profitability of the Financial Services sector of the Group and the effect of consolidation of PRASAC, resulted in a Rs.5.5 Bn income tax provision being made for the period.

Share of profits of equity accounted investees decreased by 54% compared with the last due to PRASAC becoming a subsidiary, where full profits of the entity being consolidated to the Group, suspending requirement for the equity accounting.

The total asset base of the Group is recorded at Rs. 822 Bn compared with the Rs. 641 Bn in the previous year. The increase is mainly due to the increase in the lending portfolio which resulted in an increase of Rs. 126 Bn to Rs. 550 Bn.

The Group recorded a profit before tax of Rs. 24.7 Bn for the year. After adjusting to Income taxation on corporates, the Group recorded a profit after tax of Rs. 19.2 Bn.

Group income (Rs. Mn.)



Management Discussion & Analysis

Financial Review

Lanka Orix Leasing Company PLC

The ultimate parent of the Group continued to deliver its support services to the Group companies as well as engage in further investing activities to strengthen the Group structure. As a result of the expansion activities the total asset base of the company stood at Rs.110.7 Bn. The asset base mainly includes investments in companies, loans given to related companies and investment in Property, Plant and Equipment.

The total investment portfolio increased to Rs. 72.6 Bn from Rs. 66.0 Bn as a result of the investment strategy of the Group. The major increase in the investment portfolio is due to further investment in to LOLC Finance PLC and BRAC Lanka Finance PLC during the year. The other investments are focused on regional expansions.

The income of the Company is mainly providing intercompany financing to other related companies, reduced during the year under review as a result of the reduction in the loan balances. The reported interest income for the period was Rs. 3.0 Bn. Finance cost represents the cost of borrowings made to fund the intercompany lending which increased by 15% to Rs. 6.1 Bn during the year.

Income consist of shared service income earned through provision of intercompany services. Other income is a volatile component to the parent owing to the nature of the business activities. The reported other income for the current period under review was Rs. 9 Bn which includes the profit from the divestment of subsidiary LOLC Micro Credit Ltd to LOLC Finance PLC, a Rs. 5.7 Bn gain to the Company.

In pursuance to the increase in the shared services activities the overhead cost too increased by 15% to Rs. 5.5 Bn during the year. The reported Profit Before Tax of was Rs. 4.7 Bn as a results of the overall activities of the company. The profit after tax was reported at Rs. 4.6 Bn after accounting for Rs. 63 Mn for income tax expense.

The Company's total borrowing position remained unchanged compared to the previous year. The total borrowings stood at Rs. 51.8 Bn. However, the equity position of the Company significantly increased in commensurate with the management strategies to optimise the value of the Company. As a result, the total equity of the Company increased by Rs. 4.7 Bn during the year to Rs. 51.7 Bn. The strong level of equity provides a better safeguard to the borrowings and is evident by the debt to equity ratio of 1:1 maintained by the Company.

Financial Services Sector

LOLC's key business sector, Financial Services continued to perform well during the year despite challenges from the external environment. The sector reported a PBT of Rs. 26.8 Bn while The main contributor to the reported growth levels are from the entities, LOLC Finance PLC, Commercial Leasing Finance PLC and BRAC Lanka Finance PLC, PRASAC Microfinance Institution and LOLC Cambodia Limited contributing strong profit growth. LOLC Myanmar, a green field operation commenced in the Kingdom of Cambodia a few years ago, too contributed well to achieve the desired level of profitability.

Key strategic developments continued during the year through new acquisitions and other strategic changes. The most significant event of the year was the amalgamation of LOLC Finance PLC with LOLC Micro Credit Limited as at 29th March 2018, which propelled the Company to become the largest NBFI in the country in terms of the asset base. The Group also acquired the controlling stake over a company namely, PT Sarana Sumut Ventura in Indonesia, a further step in its regional development strategy.

The sector performed well during the year as the reported income from the sector was Rs.133 Bn compared to the previous year of Rs.83 Bn. The portfolio too increased to Rs. 550 Bn during the year showing a strong level of growth within the sector.

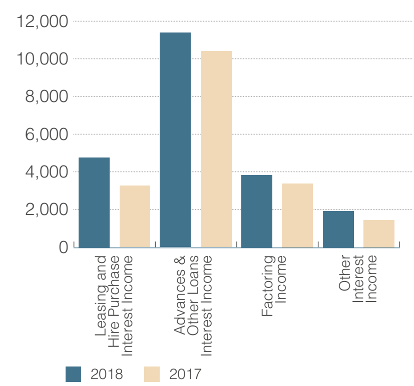
LOLC Finance PLC

LOLC Finance PLC as the leading NBFI, reported an impressive growth during the year under review consolidating its position in the industry. The high levels of achievement denotes the company's ability to attract customer deposits using the LOLC's trusted brand and strong customer service delivery through its wide foot print across the island.

The key event during the year was the merger between LOLC Micro Credit Ltd with LOLC Finance PLC to create the largest NBFI in the country. This strategic change is expected to position LOLC Finance PLC strongly in the Financial Services sector in the country. LOLC Finance will benefit from the merger with the diversification of products and services that comes with the micro book of LOLC Micro Credit Ltd. The amalgamation between the two entities took place at the end of the year, hence for the purpose of this financial review, stand-alone results are discussed for better comparison with last year.

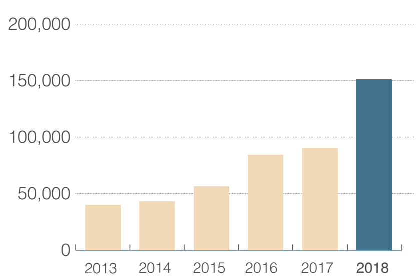
The company reported an interest income of Rs. 22 Bn an increase of 18% compared to the previous year. The increase in the interest income was accomplished through increase in the portfolio as well as the increase in the market interest rates. Larger component of the interest was attributed to the interest income earned through loans as it represents 52% of the total interest income. The interest income from factoring grew by 13 % and stood at Rs.3.8 Bn Factoring contributed 18 % of total interest income as same as the previous period. Interest income on overdue rentals showed positive growth and increased by 26 % over last year.

Income (Rs. Mn.)



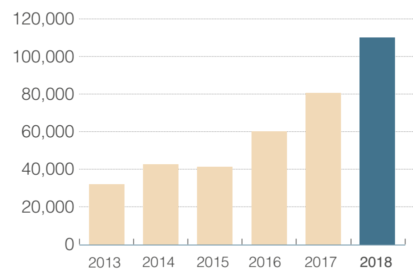
The growth in the lending portfolio was complimented by all the major products offered by the Company. The leasing portfolio expanded from Rs. 18.4 Bn in 2017 to Rs. 25.5 Bn by 38%, while the loan portfolio showed a modest growth of 9%.

Lending portfolio (Rs. Mn.)



Total interest expense grew by 21 % primarily as a result of the increase in interest rates in the market. The Company's main funding source is customer deposits, of which a significant portion (above 81 %) is short term deposits. Given the increasing in interest rates, re-pricing of these deposits caused significant increase in interest expenses. 86 % of the total interest expenses were on customer deposits and the balance on borrowings. LOFC continued to experience a significant influx of customer deposits, resulting in the deposit base by over Rs. 29 Bn (37% growth) to stand at Rs. 110 Bn at end of the year.

Deposits (Rs. Mn.)



Total overheads increased by 2% to a very manageable level mainly as a result of continuous efforts improve efficiencies in operations.

Provision for impairment losses and written off contracts increased to Rs. 3.7 Bn compared to Rs. 1.3 Bn recorded in the previous year. The higher levels of impairment provision against the portfolio was seen due to challenge business environment prevalent in the SME sector. However, As a result of the robust, efficient collection strategies followed by the Company, the non- performing loans (NPL) ratio was maintained at 5.04 % as at 31st March 2018.

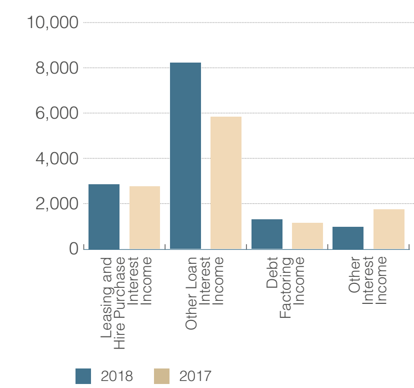
Despite the challenging environment the profitability of the Company was reported at Rs.2,201 Bn. Return on equity stood at 18.1% and the return on assets stood at 1.6 % when compared to 15.7% (ROE) and 1.4 % (ROA) in the previous year respectively.

Commercial Leasing and Finance PLC

The Company achieved another successful financial year by recording a profit before tax of Rs. 2.9 Bn during the year an increase of 32% over the previous year. Despite key challenges the remarkable achievement was as a result of management decisions to cope with the change in key variables in the external environment. The recorded Profit After Tax of the Company stood at Rs.2.14 Bn when compared to the previous amount of Rs.1.69 Bn.

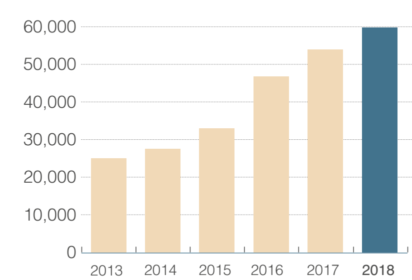
The interest income of the company increased significantly by 22% to Rs.13.3 Bn from Rs.10.9Bn from the previous year as a result of the increase in lending business, converting portfolio to high yielding products. As a result, the total income earned from loans and receivable increased to Rs.8.2 Bn from Rs.5.8 Bn, a growth of 41% over the previous year.

Income (Rs. Mn.)



The recorded total lending portfolio growth for the year was 11% to Rs. 59.7 Bn . The growth in the portfolio was due to the increase in loans and receivable, mainly in asset back lending and growth in the micro lending portfolio.

Lending portfolio (Rs. Mn.)



Management Discussion & Analysis

Financial Review

Interest expense of the Company grew by 14% to Rs. 6.9 Bn when compared to the previous year of Rs. 6.1 Bn. Increase in the market interest rates, change in the borrowing mix have contributed to the increase in interest expenses. The total borrowing base of the Company stood at Rs.30.3 Bn, a decrease compared to the previous year of Rs. 45.6 Bn as a result of the repayment of back to back funding obtained to manage the currency risk on foreign currency borrowings. A remarkable increase in the customer deposit base was noted, 47% to Rs. 23.5 Bn from the previous year of Rs 16.0 Bn.

Income from other sources which mainly represents by the fee income from execution of client contracts and interest earned over other Government securities, interest earned through term deposits, marked to market gains and other capital gains. The total other income grew by 6% to 2.5 Bn, which include Rs. 913 Mn. The resultant increase in other income also was due to a gain of Rs243 Mn from part disposal of BRAC Lanka Finance PLC during the year.

The operating expenses recorded an increase of 23%, as a result of increase in staff related expenses, provision for impairment and VAT on financial services. The increase in the personal cost was by 26% to Rs. 1.4 Bn as a result of the expansion in the branch network. The provision for impairment on lending contracts increased to Rs. 1.1 Bn from Rs. 712 Mn in the previous year. The resultant increase was parallel to the increase in the lending portfolio and adverse conditions in the economy which affect the payment ability of the borrower.

The shareholder funds of the Company reached Rs. 16.5 Bn from Rs. 14.2 Bn with the earnings from its operations and increase in revaluation reserves. The Company's rich repository of capital continues to strengthen its' growth prospects.

BRAC Lanka Finance PLC

BRAC Lanka Finance PLC performed well during the year under review in terms of achieving objectives of the company, market positioning and delivering investor results. The results of the Company has notably improved when compared with the previous year where the recorded Profit Before Tax of the company increased by 62% to Rs.571 Mn. The total lending portfolio and the deposit base of the Company also increased as a result of actions taken to foster such growth in the Company.

Interest income of the company grew by Rs. 885 Bn to Rs. 4.3 Bn as a result of the increase in the lending portfolio through expansion in the clientele and increase in the market interest rates. Income from the lease product continued to show a positive trend by delivering steady growth in the top line. Lending portfolio of the Company stood at Rs. 13.5 Bn.

Net Interest Margin improved from 16.69% to 17.65% as a result of the improvement in the portfolio yields due to rising interest rates as well as the growth of investments in higher interest earning assets. Income from government securities and deposits reported a notable growth of Rs. 44 Mn (37%) as a result of timely decisions taken on treasury related activities.

The main sources of the borrowings of the Company are from group companies, banks and customer deposits. The total borrowing base of the company stood at Rs. 4.98 Bn Deposit base grew by Rs. 2.86 Bn in 2018 compared to 2017, the Company is in the process of broadening its strategies in securing more granular deposits from individuals though the branch network, moving towards making deposits a major funding source. Debt to equity ratio with deposit liabilities and bank overdrafts decreased to 4.70 times from 10.28 times as at the end of the year due to the Right Issue of Rs. 1.3 Bn.

The operating expenses of the Company increased by 36% in line with the strategies adopted to grow the book. The overall overhead cost increased for expansion in the branch network, recruitments and necessary enhancement require to cater to the increased levels of activities within the Company.

The Company's Cost to Income ratio, which stood at 58.11% as at end 2018 (61.37% - 2017), reflects the focus on delivering operational excellence and the initiatives implemented. Personnel costs increased by 56% as head count, remuneration and staff development activities increased during the year

The impairment expense of the Company was Rs 507 Mn an increase of 50% over the previous year. Continuous management efforts are underway to improve the collection efforts.

The Company's Return on Equity stood at 12.80% and return on assets stood at 2.19%. The management strategies are underway to improve the profitability and return to the shareholders of the business. The company is continuously engaged in business expansion, capital resources planning and technology advancements to enhance the overall bottom line of the business.

Foreign Investments in Financial Services

LOLC's foreign investments in the region derived strong profit signature, a significant positive to the bottom line results of the Group. Led by PRASAC Micro Finance Institution in Cambodia followed by LOLC Cambodia, the two largest foreign investments by LOLC. The rest of the investments made steady progress towards recording positive results, with LOLC Myanmar Micro Finance Company recording positive results for the first time since inception a few years ago. PRASAC was an equity accounted investee in the previous year, now fully consolidated as a subsidiary contributed Rs.9.67. Bn as profits to the Group while LOLC Cambodia recorded Rs.2.63 Bn as profits within the Group results. LOLC Myanmar's contribution was Rs. 81Mn.

With the significant investments made into the region, it is expected that the Group's bottom line growth contribution will move away from the local companies towards the foreign investments going forward.

Insurance Segment

Insurance segment represents the Insurance business carried out by two fully owned insurance companies within the Group, LOLC General Insurance Ltd. and LOLC life Assurance Ltd. LOLC's insurance segment continued to expand its business recording strong growth in terms of maintaining its footprint, product offering and strong customer services. The two companies benefit from the large branch network of the Group and the client base of the finance companies which provides the base to developing new client connections. These two companies though relatively new to the industry has recorded steady growth in top line and delivered strong bottom line results due to aggressive business growth strategies and strong claim management and investment management strategies.

LOLC General Insurance Limited, an insurance company which offers general insurance products, recorded GWP of Rs. 4.07 Bn. The growth in the portfolio is mainly due to the increase in the customer base.

LOLC Life Assurance company, an insurance company which offers long term assurance products, recorded GWP of Rs. 2.60 Bn during the year. LOLC General Insurance Ltd recorded Rs. 272 Mn as PBT for December 2017 while LOLC Life Assurance released Rs. 374 Mn as surpluses to the life shareholders' funds for December 2017.

Trading Segment

The trading sector of the Group represents the trading services provided by Brown & Company. The segment reported a gross income of Rs. 21.1 Bn during the year. The Trading sector contributed Rs. 995 Mn to Group PBT during the year under review.

Leisure Segment

The Leisure sector currently operates of 'The Eden Resort & Spa, Beruwala', 'Dickwella Resort & Spa, Dickwella', 'The Paradise Resort & Spa, Dambulla' and 'The Calm Resort & Spa, Passikudah,'. The total asset base in this segment increased to Rs. 48.3 Bn mainly due to the ongoing construction of properties this segment

The Riverina Hotel is being built as a five-star hotel with a 363 - keys and is currently under construction in the Golden Mile. The hotel is scheduled to be open in 2018/19. The 172-room Sheraton Turtle Beach Resort & Spa in Kosgoda will be commissioned soon.

Investments in the Maldives have been continuing during the year under review. Construction in Nasandhura, Male has begun which will be a mixed development with hotel rooms and apartments. The projects under Bodufharu has also commenced as planned.

Plantation Segment

The Group's plantation sector represented by the Browns Capital Group contributed well during the current year. The reported PBT of the segment was Rs. 379 Mn. Maturata Plantations Ltd., in addition to its tea and rubber plantations, has a total forestry extent of 1,164 hectares, has 967 hectares of commercial timber and 197 hectares of fuelwood on 19 estates under its purview. These are distributed in two geographical regions, with 11 estates situated in Nuwara Eliya and 8 estates situated in the Deniyaya-Akuressa region. As the remaining entity into plantation within the Group, Maturata was able to turn around the company to a profit generating business recording Rs. 249 Mn as profits compared with a history of making large losses. Increase in tea prices and strong expense management and agriculture practises adopted by the Company delivered strong financial results. However, volatile market conditions and weather impact on agriculture practices will be key factors in deriving steady profitability in the coming years.

Future outlook

As a broadly diversified and dynamic Group operating in several industries and segments, LOLC will continue to expand the businesses to enhance the Group value to sustain the level of profitability and return to its shareholders. The Group did extremely well in the year as total equity attributable to shareholders increased to Rs. 70.5 Bn from Rs. 58.8 Bn during the year. The increased level of returns to the shareholders are mainly as a result of timely decisions taken by the management that led to enhanced value creation to stakeholders in several areas of the Group's businesses. Diversification into the region and expanding the Financial Services sector will result in the Group achieving a balance in profit generation from these diverse market sectors while investments made into other sectors are to achieve profitability status in the coming years.

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CONTRIBUTION TO LOLC

133 Rs. Bn	801 Rs. Bn
Gross Income	Total Assets

The strategic merger has propelled LOLC Finance to the forefront as the largest Non-Bank Financial Institution (NBFI) in the country with a total asset base of Rs. 211 Bn and a lending book of Rs. 151 Bn.

LOLC Finance PLC

The year under review saw a significant milestone as LOLC Finance, the flagship finance subsidiary of the Group, merged with LOLC Micro Credit Limited (Sri Lanka's largest private sector Microfinance entity) on 29th March 2018. The new, larger merged entity, which will continue as LOLC Finance, has opened up new vistas of economies of scale and scope for LOLC Group.

This strategic merger has propelled LOLC Finance to the forefront as the largest Non-Bank Financial Institution (NBFI) in the country with a total asset base of Rs. 211 Bn and a lending book of Rs. 151 Bn. The high yielding micro portfolio of LOLC Micro Credit (LOMC) aptly complements the SME portfolio of LOLC Finance, while LOLC Finance's ability to raise public deposits offers LOMC's clientele the opportunity to access the Savings and FD products of the company, in addition to the many other synergies it will offer. The diversity of the portfolio of products as well as customers, and the wider base of funding partners of the new merged entity have empowered LOLC Finance, and augmented its platform for sustained growth. This strategic merger also epitomises a successful model for the Central Bank policy decision to encourage consolidation within Sri Lanka's financial services sector.

As the amalgamation took place at the end of the year the Statement of Financial Position as at 31st March 2018 reflects the position of the Merged entity, but the Statement of Profit or Loss reflects the results of LOLC Finance PLC as a stand-alone entity. Therefore, for the purpose of this financial review the ratios and the results are calculated and discussed on a stand-alone basis to enable comparison with the previous year.

The Company continued with another robust performance during the year with a Profit Before Tax to Rs. 2.08 Bn and a deposit base of Rs. 110 Bn. LOLC Finance's Interest Income grew by a commendable 18%, to Rs. 21.9 Bn during the year under review.

Savings and Deposits

LOLC Finance's Deposit unit registered a strong performance for the year under review, amidst stiff competition from peers. Driven by consistent BTL activities conducted across the branch network, the Deposit book recorded a year-on-year growth of 36.5%, enabling LOLC Finance to retain its position as the number 1 deposit-taking institution in Sri Lanka's NBFI sector. Further echoing the public confidence in LOLC Finance and the Company's resistance to interest rate movements was the growth in customer base, by 17.04% over the previous year.

The Company's Deposit mix remained more or less unchanged from the previous year, with Fixed Deposits (FDs) accounting for over 20.12% of new customer acquisitions. Notably however, given the uncertainty surrounding interest rate movements, a greater demand for short-term FD tenures was evident throughout the year. Of the Deposit products offered by LOLC Finance, the Senior citizen product recorded the highest growth, marked by a 44.55% year-on-year growth in the portfolio and a 19.11% increase in the Customer base.

The emphasis on increasing the savings base continued during the year as well; well-supported by the launch of 'LOLC Finance Savings Cash Collection' - the doorstep cash collection service which offers customers the convenience of making direct deposits to their savings accounts without requiring a visit to a branch. In addition to promoting a savings culture it also eliminates the risk of carrying cash. The concept was implemented in March 2018 as a pilot project at 16 branches, with a team of trained marketing officers equipped with mobile cash collection devices (POS terminals) linked to the Company's core IT framework; thus enabling them to provide the customer with an immediate system-generated cash receipt. The account holder also receives

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an instant SMS alert confirming the fund transfer and is also able to verify the transaction through the LOLC Real Time App. Further augmenting its cash collection USP, the Company also deployed an island-wide network of over 50 authorised cash collection merchants and equipped them with POS terminals.

Lending

LOLC Finance's lending business reported a strong performance with the total loan book expanding by 6.7% year-on-year. All lending products, which mainly serve individuals and SMEs, performed well throughout the year. The Capital Lease portfolio in particular achieved exceptional results growing by over 38% year-on-year. Capital Leases which cater to registered three-wheeler and two-wheeler markets, saw the demand remaining strong throughout the year, supported by the ongoing ATL campaign to reinforce LOLC Finance's USP. Consequently, over 23.5% of the total new businesses generated for 2017/18 stemmed from the Capital Lease product. The Company also initiated several programmes to expand the Capital Lease product, most notable among them was the launch of 'Riya Hariya' in July, 2017 targeting micro level enterprises to promote budget four-wheelers.

The Speed Draft continues to be a key growth driver in LOLC Finance's lending model, contributing approximately 18.5% to the total loan book as at 31st March 2018. Now in its 6th year, the product has gained traction across the country and made a name for itself as the most convenient snap loan solution available in the market. While volumes continued to grow island wide, a notable rise in demand was observed in the Southern Province.

Other notable development for the year included the first phase of the Easy Loan roll out, which entitles customers who have regularly serviced their loan facilities over a considerable period of time, to receive a top-up loan within limits of a pre-approved and well-served facility. The product has been well received by the market, achieving steady growth within the first few months of its launch in 2017.

Recoveries

The year was a challenging one for the recoveries unit as low-level economic activity and adverse weather conditions exerted pressure on the repayment capacities of individuals and businesses, especially SME's. The Company's recoveries unit hence doubled its efforts to prevent customers reaching the non-performing loan category. Call centre operations were centralised and additional resources deployed to strengthen monitoring and follow up processes whilst a number of administrative procedures were further simplified to facilitate loan rescheduling that would offer some relief to customers. These measures enabled LOLC Finance to contain the NPL ratio to 3.9% and stay well ahead of the industry average of 5.8%.

Branch Network

With the key strategic thrust of consolidating our existing footprint, the Company decided to move out all LOLC Finance Services Centres located at Isuru-Diriya Centres (IDC) within the regional post office network. Consequently, all 13 Services Centres located at post offices at different parts of the island were vacated and relocated to more spacious locations in the same locality, while 09 Branches/Service Centres were relocated in order to provide greater visibility and more convenience to customers. Further, during the last financial year one stand-alone branch was opened in Mawanella leaving the footprint of LOLC Finance at 134 after IDC service centers at Thanamalwila and Keppitipola were closed down as it was felt the customers of those two locations could be served by other LOLC Finance branches within a 25-km radius of these areas. Meanwhile, the programme to install Cash Deposit Machines (CDM) at branches which kicked off the previous year continued to expand this year with several initiatives taken to increase the number of CDM machines and make it available 24/7 which will be completed within FY 2018/19.

Moreover, the Company also restructured its supervisory architecture in order to strengthen administrative oversight across the network, by increasing the number of regional offices from 8 to 9 during the year.

Commercial Leasing and Finance PLC

Continuing on the trend of accelerated growth in profits since 2014, Commercial Leasing & Finance PLC (CLC) achieved an excellent performance during the year, recording a 32% growth in Profit Before Tax to Rs. 2.9 Bn; whilst Post Tax Profit grew by 27% to reach Rs 2.1 Bn. A strong and steady growth of 33% in net interest income amounting to Rs. 6.3 Bn was amongst the highest in the industry, and a key contributor to CLC's profitability during the year. Improved net interest margins coupled with portfolio yields also continued to bolster profitability. Overall, CLC recorded an ROE of 13 % and ROA of 2.84 %, whilst the asset base stood at Rs. 73.5 Bn.

CLC's deposit base expanded by 47% to (Rs. 7.5 Bn) surpassing the Rs. 23 Bn mark for the first time in its 30-year history to reach Rs. 23.4 Bn as at year end. Deposit growth was driven by the robust increase in term savings and fixed deposits. Moreover, the Leasing business grew significantly over the previous year whilst the Lending portfolio grew by Rs. 5.8 Bn over the previous year.

Building on a legacy of 30 years, CLC's customer base continued to grow this year as well by a significant 120%, inclusive of the customer base acquired through Microfinance. CLC also managed to accomplish an unwavering growth in all its key business units despite the challenging macroeconomic environment that prevailed in the country during the last financial year.

In terms of Balance Sheet performance, the company's total assets stood at Rs. 73.5 Bn as at the end of the financial year. The Company's Earnings per Share (EPS) grew by 31% to Rs. 0.34 which is a significant improvement compared with the Rs. 0.26 reported in 2016/17.

As per the Central Bank of Sri Lanka (CBSL) regulations the minimum capital requirement for a finance company to operate should be Rs. 1,000 Mn. However, CLC maintains equity at Rs. 16.5 Bn, well above this requirement, making it one of the financial giants in terms of the highest stated equity capital within the industry.

CLC is rated 'A with stable outlook' by ICRA Lanka Limited (a ratings agency that is part of the Moody's Investors Service group) in recognition of the year on year performance of the Company which has established its capacity to overcome challenges of the macroeconomic environment through solid governance and risk management initiatives.

All branches of the CLC footprint are fully dedicated to serve customers with utmost professional care. The myriad new strategic initiatives that CLC has taken during the past few years, combined with its strong capital base, funding structure and pipelines, partnerships, management processes, technology and procedures, see it well poised for sustained growth with considerable resilience to external environmental challenges. CLC will continue to harness technology and grow and expand its comprehensive portfolio of products comprising Fixed Deposits, Savings, Leasing, Islamic Finance, Factoring, Microfinance and Flexi cash.

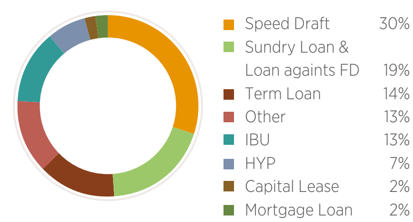
SME & Development Finance

The SME Financing business which is managed by the Group's subsidiary LOLC Finance PLC performed well during the financial year pronouncing an expansion of total loan book by 67.18% substantially due to the merger of LOLC Micro Credit with LOLC Finance PLC supported by improved IT systems, streamlining of existing systems and processes and product portfolio as well as the diversification into high yielding vehicle market. Moreover, the Central Bank's restriction on the approval for new branch opening by Non-Bank Financial Institutions also helped maintain competition at a healthy level although it also posed a challenge in terms of inhibiting the expansion of our reach. Adverse weather conditions of floods alternated by droughts which significantly hampered Sri Lanka's agriculture sector also impacted negatively on the performance of LOLC Finance. The negative effect of drought on NPL of the company was ironed out due to the merger factor as the 4.4% NPL recorded in 2016 reduced to 3.78% in 2017. The industry gross NPL ratio increased to 5.9% in 2017 from 5.3 which was recorded in 2016, largely due to the increase in gross NPLs and decline in the growth of the loan portfolio.

Moreover, a significant challenge also stemmed from the CBSL direction on the Loan to Value ratio which imposes a ceiling on the credit facilities that a Specialised Leasing Company can provide to not exceed 90% of the value of the vehicle in the case of certain specified categories and 70% and 25% in the case of some other categories of vehicles. For example, the average number of three-wheeler registrations before the imposition of LTV was approximately 10,000 per month of which approximately 85% was under financing share. This number drastically plummeted to approximately 1,500 units per month after the imposition of LTV on three-wheelers which is at 25% from the selling price.

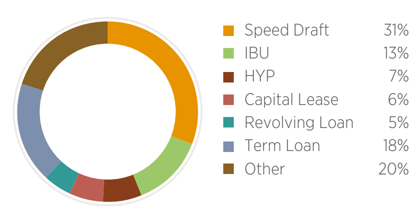
The SME Financing business has continuously been embracing a large space of LOLC Finance's success story with its innovative products and the ability to quickly adopt to the changes taking place around it. The SME business unit showed a 32% growth recording over Rs. 66 Bn in lending during the financial year in comparison to Rs. 50 Bn recorded last year notwithstanding the LTV direction which adversely affected the business in certain vehicle segments. The executions carried out during the financial year are given in the below graph. The portfolio of lending activity is presented below:

SME Product-wise executions - 2017/18



With the strategic decision made to boost the businesses operated under the SME business unit, the amount of execution showed drastic growth resulting in almost parallel growth in portfolio as well recording a growth of 26.98% in the latter. The following graph shows the composition of portfolio as at end of March 2018.

SME Product-wise portfolio as at 31/03/2018



Having considered the changes taking place in the market and how the industry has been evolving, it was identified that a more concentrated effort on High Yielding Products is required. Having a holistic view of the market and understanding the needs of customers, High Yielding Products of the company were upgraded to better suit the financial requirements of customers and included attractive complimentary items to loan and

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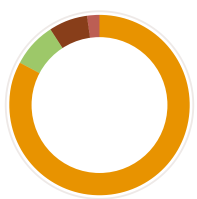
lease schemes which resulted in the largest HYP execution of over Rs. 4.6 Bn recording an exponential growth of 109% during the financial year 2017/18. The following graph shows the HYP executions for 2017/18.

Execution



The SME business unit will continuously look for new business opportunities in the market with its research and development while paying focused attention on continuous improvement of existing products and markets of which an indelible footprint has already been laid.

LOLC Micro Credit Limited

The year under review saw a significant Group initiative come to fruition, as LOLC Micro Credit Limited (LOMC), Sri Lanka's largest private sector Microfinance entity merged with LOLC Finance PLC, the flagship finance subsidiary of the LOLC Group, on 29th March 2018. This historical merger has opened up new vistas for our Microfinance clients as LOLC Finance's ability to raise public deposits enables them to access savings and FD products whilst the high yielding micro portfolio of LOMC aptly complements the SME book of LOLC Finance. Thus, the larger merged entity which will continue as LOLC Finance, will embody the strength and stability of a wider client base and even stronger distribution network in addition to the distinction of holding the largest public deposit base within the NBFI sector, yielding significant economies of scale and scope for the LOLC Group.

During the year, LOMC continued to uplift and empower rural populations by fuelling the micro sector and thereby playing its role in Sri Lanka's economic objectives of reducing regional income disparities. Although a relatively under-served market, Sri Lanka's Microfinance sector now attracts a growing number of service providers, making it one of the most competitive sectors in the country at present.

LOMC achieved significant portfolio growth of 10% during the year with the portfolio reaching Rs. 4.96 Bn during the year whilst loan execution rose to Rs. 41 Bn with total customer base reaching 456,035 as at year end. A bottom up approach of the Company and our strong branch network augmented by the expansion of the business support centre; and a restructure of our processes and procedures were key factors which supported growth during the year.

LOMC that will now operate as a Micro Business Unit under LOLC Finance, will continue to focus on developing new products coupled with advanced technology, whilst maintaining its responsible lending methods. With continuous review of our processes, policies and procedures, we will remain passionate about expanding our contribution towards a national objective of financial inclusion by empowering a new generation of micro entrepreneurs. We will look to leverage key growth areas we have identified such as Micro housing loans, Mortgage backed loans, Marketing savings as well as Gold Loans in the year ahead. Our cost effective business model and the support of foreign funding will continue to remain as our key pillars of strength.

BRAC Lanka Finance PLC

BRAC Lanka Finance PLC (BRAC), in its fourth year as a subsidiary of the LOLC Group performed well amidst a challenging environment of low economic activity and adverse impacts on the agriculture sector, to achieve a significant 62% growth in Profit Before Tax, to reach Rs. 571 Mn. The portfolio grew by 23% to reach Rs. 2.5 Bn during the year. Since its acquisition by LOLC Group in 2014, BRAC has recorded tremendous growth, in its portfolio by more than tenfold from 1.6 Bn in August 2014 to Rs. 13.9 Bn as at 2018 financial year end; and of its customer base from 65,000 to 231,000 as at year end.

The year under review saw BRAC take strategic steps to amend its business model due to the constraints that the existing model posed to reaching the company's expanding objectives. The Company hitherto focused on mass scale Micro loans as its primary business; but will now look to expand the individual customised solutions with the objective of increasing the share of SME's in its portfolio. The traditional Microfinancing model of group lending encompasses several shortcomings. For one, it requires all members of a group to pay their installments simultaneously and limit borrowings to an amount compatible with every member's repayment and entrepreneurial capacities; thus inhibiting an individual member from expanding his or her horizons and borrowing according to his or her individual income and capabilities. Secondly, Micro entrepreneurs who progress onto become SME's have been found to be reluctant to attend the monthly meetings for group borrowers - the key channel of engagement and forum for repayment in Microfinance. An individual lending model will thus afford greater flexibility to the Company as well as clients. This change in strategic focus contributed to the Company's client base, 95% of whom comprised collateral-free women micro clients; declining marginally from 239,000 to 231,000 during the year, as the number of group based loans declined.

During the year, the Company also introduced new products and a fully-fledged IT system which has begun to add significant value through an MIS, such as for customer segmentation and market intelligence for customised solutions. Several individual lending products such as housing loans, home improvement loans and Leasing were amongst the new products introduced during the year. Whilst the Company's existing clients were offered these individual loan products sans collateral, all new clients were required to provide collateral. In addition, the Company also pursued a strategy of mobilising low value deposits for volume based growth.

BRAC also made significant investments into enhancing its branch network and commenced the processes to launch an ATM card in the year ahead.

The training and development initiatives during the year focused on Leadership training for senior staff and a 360-degree evaluation of employees at Managerial level and above.

Looking ahead

In line with its strategic intents, the next few years will see the Company place greater emphasis on expanding the Individual loans, whilst also continuing the group loans as an entry point for aspiring entrepreneurs. Thus, Leasing products and Gold Loans which will help existing customers to progress to SME level as well as attract new SME customers will be key growth areas. A focus on the growth of the individual customer as a borrower/lender in our portfolio also spurs us to place greater emphasis on building and managing client relationships.

The year ahead will see the launch of a BRAC and Lanka Pay co-branded ATM card for clients, to significantly enhance customer convenience and efficiency. Moreover, the Company will also empower customers to conduct certain basic phone banking transactions such as balance inquiries and SMS alerts, without the need for a smart phone but with the use of even a basic phone. Greater leveraging of our IT systems will also enable the automation of the processing of the Loans Score Card which we expect would facilitate significant gains in productivity and efficiency.

BRAC will also look to differentiate itself by leveraging its win-win sustainable model to create value. Obtaining Client Protection Principles (CPP) certification is on our agenda for 2019 and the process required for this certification commenced during the year. The Company began with the self-evaluation to find out the extent to which it is currently compliant with the CPP principles. CPP principles include aspects such as an entity's Transparency in pricing, the commitment to minimise over-indebtedness, Data protection and Grievance handling amongst a host of others. This certification of 'Responsible Financial Inclusion' would be a valuable, globally recognised endorsement of BRAC's sustainable model, the ethical practices and our long term commitment to all our stakeholders. It is expected to be a key competitive advantage amidst the negative publicity that has recently surrounded the Microfinance industry. In addition, our social sustainability strategies would encompass financial literacy and marketing programmes for Micro and SME clients, for which the Company recruited a designated training manager during the year.

Islamic Business Unit of LOLC Finance PLC (LOLC Al-Falaah)

LOLC Al-Falaah concluded its 10th year in business with an industry trendsetting performance. It is noteworthy that the Company was able to sustain its asset portfolio and also achieve marginal growth despite the lacklustre economic environment which inhibited business activity. Moreover, the Company's deposit book grew significantly, by 53.81% year on year, surpassing a milestone of Rs.10 Bn, well supported by the Company's brand equity, its stability and stringent adherence to compliance with both regulatory as well as Shari'ah supervision.

The year under review also saw a remarkable recognition as LOLC Al-Falaah was voted as the "Best Islamic Bank in Sri Lanka" in the IFN Best Banks Poll 2017. This award for the most popular brand amongst Islamic Finance entities signifies Al Falaah's market leadership, innovation and compliance. Being crowned the Best Islamic Bank in Sri Lanka will undoubtedly encourage us to increase our efforts. In addition, Al-Falaah also bagged two Bronze awards for 'The Best Leasing Company of the Year' and 'Social Upliftment Award' at the Sri Lanka Banking and Financial Institution (SLIBFI) Awards 2018.

The flexibility in our Islamic financial solutions, the ease of doing business and customer convenience have been key competitive advantages which have supported our performance and helped withstand a challenging business environment. Amidst an increase in industry's NPL's, Al-Falaah also maintained its NPL ratio at well below the industry average. Following the merger of LOLC Finance and LOLC Micro Credit Limited during the year, LOLC Al-Falaah expanded its customer reach whilst LOLC Micro Credit employees are also being trained to offer Islamic Financial Solutions to our customers.

Our business has also faced several challenges during the year. For one, the introduction of the Loan to Value Ratio (LTV) had significant adverse impact on Ijarah leasing as much of Islamic Finance is asset based or asset backed, and the assets are most often vehicles. Secondly, was the depreciation of the exchange rate which exerted pressure on the cost of vehicle financing and hence on their affordability for clients. Poaching of staff trained by LOLC Al-Falaah due to the comprehensive training that the Company is known for, and the dearth of Islamic Finance trained personnel also continued to be a challenge. Moreover, the Islamic Finance industry also faced advertising constraints due to resistance from certain pressure groups and as a result advertising was minimised.

The Company will look to further expand its outreach as well as product portfolio and leverage the brand equity of being a member of

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the LOLC Group whilst technological investments to improve compliance and efficiencies and increasing our staff strength will be key priorities towards this end. The Company has identified self-employment and start-up businesses, Microfinance, Urban Microfinance and Micro, Small and Medium Enterprises (MSME) to be growth sectors in the future. As Islamic Finance is rapidly becoming a generic need and moving beyond from being a specialised financial solution, LOLC Al-Falaah envisages its brand name to become a household name that touches the lives of all Sri Lankans.

LOLC Life Assurance Limited & LOLC General Insurance Limited

In its 7th year since commencement of operations, LOLC Life Assurance Ltd (LOLC Life) and LOLC General Insurance Ltd (LOLC General) successfully completed year 2017, the second full year of operations for both companies post-segregation of the composite insurance company in 2015.

LOLC Life and LOLC General have achieved significant milestones in 2017. Both businesses saw strong growth and the resultant Gross Written Premium of General Insurance reached nearly LKR 4 Bn with an increase of 22% over the previous year. Life Assurance reached close to LKR 2.5 Bn, an increase of 30% over the previous year. The composite gross written premiums crossed the LKR 6 Bn mark and is a commendable performance given the challenging environment.

The increase in operational activities caused a rise in claims expenses by LKR 187 Mn over the previous year's LKR 1,474 Mn in General Insurance, whereas in Life Assurance, net claims increased over the previous year by LKR 182 Mn. The increase in business required additional reserving for both General and Life businesses and the respective technical reserves reached nearly Rs.2.7 Bn for General and Rs.2.6 Bn for Life.

Both businesses have been maintaining healthy solvency ratios and capital adequacy ratios (CARs) well above the minimum ratios stipulated by the Insurance Regulatory Commission of Sri Lanka (IRCSL). Life business has reported a surplus of LKR 400 Mn and is a significant achievement given the higher new business growth during the year.

Year 2017 was a successful year for the General Insurance industry in Sri Lanka posting a growth rate of 15.8% in total Gross Written Premium (GWP) when compared to 13.96% recorded in 2016. Sri Lanka's Life Insurance industry grew only by 12.62% in 2017 whereas growth of the previous year was 18.59%. LOLC General & LOLC Life achieved growth rates well in excess of the industry growth rates. This a significant achievement given that both businesses were just in it's seventh year of operations and have been consistently maintaining the growth momentum due to prudent and focused management strategies which are subject to regular monitoring and evaluation.

Being fully owned sub-subsidiaries of Lanka ORIX Leasing Company PLC, LOLC Life & LOLC General have been able to effectively leverage on the key strengths of the Group. The Group's brand strength, loyal customer base and island-wide distribution network together with unmatched team work have been the key factors that supported this performance.

The Insurance market in Sri Lanka remains intensely competitive. General Insurance industry in particular has been facing fierce price competition which leads to reduced profitability. Despite the prevailing context, prudent underwriting practices, focused claims management, sound investment policies and marketing strategies helped both businesses to perform well.

Life Insurance business in Sri Lanka remains significantly under-penetrated and this offers much potential to reach the untapped market in the country. Thus, the demand needs to be created through awareness and education of the population, which in turn has long periods of gestation. LOLC Life has established a network of nearly 1,000 financial planners across the country. Its key focus is catering to diverse market segments with dynamism to facilitate the business with that all important competitive edge. Product mix that caters to all segments of the market has been the key strength of the company. Continued deliberations ensure the momentum in building a quality long term book of business while maintaining the required retention levels. .

LOLC Securities Limited

LOLC Securities, the Group's stock broking operation was able to improve its performance over the previous year with an increase in Brokerage income, in a backdrop of a mixed performance of the Colombo Stock Exchange (CSE). It is also noteworthy that the company increased its market share position to become 6th in terms of overall market Turnover.

It is also encouraging that in line with its long term business strategy, LOLC Securities achieved a shift in its business model, to have a more diversified and balanced contribution from local and foreign brokerage.

Sri Lanka Central Bank's prudential macroeconomic policy initiatives since 2015, to establish economic and pricing stability, financial stability and fiscal discipline, have signalled that the country's economy is moving in the right direction; thus spurring improved market turnover mainly supported by increased foreign participation. Retail investor participation however, continued to be subdued, limiting the Company's growth prospects during the year. LOLC Securities will continue to focus on developing institutional and foreign broker-dealer partnerships in the coming years, to offset diminishing volumes from its retail base.

LOLC Securities' research team which is well reputed for its unbiased and investor oriented approach, through in depth and timely research to address a large range of client needs, received external accolades for its research excellence during the year, when the Company won the award for the 'Best Brokerage Research House, Sri Lanka 2017' presented by the Global Banking & Finance Review Magazine.

The stock broking industry saw signs of revival in 2017, following increased foreign portfolio inflows and improved valuations, especially in the backdrop of a strong performance in global markets. However, the sudden political uncertainty which followed the aftermath of the local government election results in early 2018, pressed a pause button to the Colombo market's activities. Furthermore, continuing rate hikes by the U.S. Federal Reserve and the depreciation of the Rupee also dampened a bearish market outlook. The industry being challenging, we however expect attractive market valuations, increasing economic stability, policy reforms and new developments in the CSE to inhibit the negative impacts and bolster modest market growth in the year ahead. LOLC Securities will harness such market opportunities through strong collaborative efforts with greater focus on promoting Sri Lankan equities amongst foreign investors.

LOLC Capital One Limited

LOLC Capital One is a Group subsidiary which as a boutique investment bank, provides advisory services for Mergers and Acquisitions (M&A), Debt Capital Markets (DCM), Equity Capital Markets (ECM), and alternative investments. In just its second year of operations, the Company was able to realise fee income from several DCM and ECM transactions, and also from the contribution of research to LOLC Securities during the year under review.

With its lean business model, the company continued to focus on widening its reach in investment banking by leveraging on the strengths of LOLC Securities and by collaborating with other leading counterparties. Accordingly, the year under review saw us further strengthen our relationships with a leading Japanese Investment Bank, an American based boutique investment bank and several foreign private equity funds.

Amidst a modest performance by Sri Lanka's Equity Capital Markets, the contribution from primary market transactions remained low due to political instability, subdued investor confidence and lower valuations. The year under review hence saw only three Initial Public Offerings (IPO's) in the CSE.

Despite being a new entrant to the industry, after just two years of operations, LOLC Capital One has been able to establish a strong presence, well supported by its expertise in capital markets and the strong brand equity of LOLC in the financial sector. The Group hence stands most encouraged by the prospects for higher growth in the year ahead. Moreover, the expected improvements in the macro-economic environment encouraging increased inflows to the country, also bodes well for LOLC Capital One's short to medium term prospects. The Company will look to widen its reach in the capital markets via further collaborative efforts with valued business partners.

LOLC Fleet Management

The Group's Fleet Management business achieved a commendable performance, well supported by the significant growth in its rent a car segment, which was boosted by the new concept of a taxi service and self-drive vehicles. The division's fleet increased to 700 vehicles during the year under review.

The Company has identified the Rent-a-car business/Taxi service as a key growth segment for the future and will build a readily available fleet of vehicles, whilst it will introduce reservation apps and an online booking system to enhance customer convenience and speed of service. Whilst the demand for reliable and readily accessible transport is continuously increasing, there is also pressure to lower charges and hence, pressure on our margins. The Company's excellent purchasing system combined with the brand equity of LOLC are key competitive advantages which the Company will leverage, to become one of the largest rent-a-car companies with an island-wide reach.

LOLC Motors

Since launching operations as a service provider for the LOLC Group's fleet of vehicles in 2010, LOLC Motors (LOMO) has leveraged its expertise to expand its services to customers outside the Group and earn a steady source of revenue. Today, LOMO which specialises in body and mechanical repairs has established itself in the market well with core competencies of superior technological capabilities, ultra-modern equipment and the ability to offer services to different brands of vehicles.

The year under review saw a moderate profit that befits a workshop of its size. However, new strategies by the Company have begun to infuse it with new vigour and energy which is expected to contribute to a more robust growth in profits in the financial year ahead.

Amongst the strategic initiatives planned for future growth is the introduction of a rapid repair station at which customers can enjoy a speedy one-day service for repair of their vehicle and thus see a significant increase in convenience. In addition, a modern and efficient IT system will be introduced shortly to harness significant benefits to customers as well as the workforce and thereby enhance the service output of the workshop.

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Agriculture & Plantation

Agriculture & Plantation

CONTRIBUTION TO LOLC

2,909
Rs. Mn
Gross Income

7,544
Rs. Mn
Total Assets

The inimical weather conditions adversely impacted the Browns Agri division. However, it is noteworthy that the diversity of the Browns operations and its strong market position provided a degree of resilience to withstand these external challenges.

External Environment

The Agriculture sector remains one of the vital sectors of Sri Lanka's economy, accounting for as much as 26.1% of the population, a significant portion of income and foreign exchange.

The past two years have seen adverse weather conditions having a significant impact on Agriculture with weather patterns becoming increasingly more unpredictable owing to climate change. The Sector hence contracted for the second consecutive year in 2017, by 0.8%, following a contraction of 3.8% in 2016. Both Yala and Maha seasons of the Paddy sector were affected by drought conditions alternated by floods during the year which resulted in the total gross extent sown for 2017 declining by 29% whilst the extent harvested declined by 45%, thus causing the total Paddy production in the country to decline by 46% during the year under review. The inimical weather conditions thus also adversely impacted the Browns Agri division. However, it is noteworthy that the diversity of the Browns operations and its strong market position provided a degree of resilience to withstand these external challenges.

The Browns Agri Division

The Browns Agriculture Division commenced in 1892 and was awarded the Massey Ferguson distributorship in 1952 as its first distributor in the South East Asian Region. In 2003, the Group's Agriculture Division became the TAFE tractor distributor and a licensed manufacturer of Massey Ferguson tractors for AGCO Company LTD. Browns has since then been able to gain rapid growth in its market share holding and enjoy market leadership in the four-wheel tractor segment for more than a decade with a retail market share of 50%, and a market share of over 80% in the corporate and institutional segment. Browns Agriculture covers the entire length and breadth of agricultural product and service offerings, with the best in class in farming solutions; empowering the Sri Lankan farmer to achieve enhanced farm productivity, prosperity and profits.

Today, Browns Agriculture Division is the sole distributor for world renowned brands such as Massey Ferguson, TAFE, YANMAR and Fieldking and a total solutions provider in the Agriculture machinery industry in Sri Lanka. Moreover, it is well supported by an island-wide distribution network comprising 134 dealers, with 87 exclusive dealers. The Division focuses on a 3 'S' concept (Sales, Service, Spare parts) in the premium dealer locations to ensure an excellent service to the customers which has become a key USP of the Division.

Browns launched Massey Ferguson 1500 compact tractor series in order to match growing customer needs. Initially MF 1540 compact tractor was introduced to the local market to meet the need for mud applications. The year under review saw the Division introduce Massey Ferguson 1552, a high specification version of MF 1540. It is commendable that the product, even during its initial introductory stage, was able to capture a market share of 5% from the total tractor market.

The Group introduced TAFE 5900, a high efficiency tractor which is suitable for any application – wet land, High land or haulage to cater to the upper-mid horse power segment in the Sri Lankan market.

In the Combine Harvester segment, Browns Agriculture enjoys a market share of 30%. The Yanmar Combine Harvesters marketed by the Division is reputed for being the best in class for its high quality whilst the more recently introduced Yanmar YH 850 Combine Harvester is the most technologically advanced product which has been very well received by industry experts. The Division has also expanded its business into emerging markets in the Tractor

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industry by signing an agency agreement with "Caltex", the No. 1 brand for oils and lubricants in Sri Lanka, to distribute engine oil and lubricants branded as "Browns Oil".

The Future

The Division will also introduce products which according to their features can provide a competitive edge to address different market segments and meet need gaps in the Agri Machinery Industry. The Company will also enter new segments in order to stabilise income generation and cash flow where the Browns brand reputation will generate demand amongst the existing customer base through the current network and capacities. Amongst the products that the Company will look at are Combine harvesters, Sugarcane harvesters, Water pumps, Engine and Transmission oil.

Moreover, the Division will also seek to introduce non agri related products to offset the seasonal nature of Agri products and thus ensure a stable income generation throughout the year. For example, products such as light commercial trucks and load carrying 3 wheelers would be a strategy for the long term sustainability of our profitability.

Browns will also explore the tremendous opportunities it sees in other countries which continue to use traditional farming methods and are still in the primary stage of agriculture mechanisation. Browns will initially venture into Southeast Asia where it can leverage its expertise in tractor industry.

The Division will thus continue to enhance its product portfolio to meet evolving customer needs and capture the high growth potential it has identified in specific market sectors as well as other countries. Browns will seek to leverage its reputation for outstanding after sales services, in an industry in which the quality of after sales service is a key determinant of brand equity. The USP's of the Brown's after sales service include a highly skilled staff and a door step service sans labour charges, which is even available for post warranty clients. The Division also owns a strong dealer network which was expanded during the year with the addition of a new service center in Dambulla and the renovated Service center in Ampara.

AgStar PLC

The year under review was a challenging one for Sri Lanka's Agriculture sector due to adverse weather conditions which continued from the previous year. The resulting large drop in crop production thus impacted on companies engaged in agri business as it led to a reduced demand for agri inputs of fertilisers, seeds and agro chemicals.

AgStar PLC, one of the largest contributors to the Group's profitability, was also impacted by Government policy decisions on Fertiliser. Our volumes and turnover grew by 17% and 18% respectively, but significant pressure on margins adversely impacted our profitability. The Crop care business which markets Agro Chemicals and Value Added Fertilisers was also impacted by the Government's restrictions on many products in our portfolio which contributed to a 14% decline in Revenue. The seeds business was buoyed by the sale of Maize seeds, and the Company launched the BISI222 category of Maize by leveraging on the capabilities of the Company's Indonesian supplier with whom we actively collaborate to develop more products.

AgStar aims to build an organic and 'green' products portfolio which will be well supported by its strong R&D capabilities, marketing expertise as well as the expansion of the dealer network. The company will also focus on improving its out-grower network and continue to sustain relationships with suppliers, customers and other stakeholders.

Maturata Plantations Limited

Maturata Plantations Limited, the Group's Plantations sector subsidiary owns and manages a total forest extent of 1,163.81 hectares of which 967.31 hectares is commercial timber and 196.50 hectares consists of fuelwood across 19 estates. Its estates are distributed in two geographical regions, with 11 estates situated in Nuwara Eliya and 8 estates in the Deniyaya-Akuressa region. Of the 8 estates in the Deniyaya-Akuressa region, 5 estates bordering the Sinharaja Forest Reserve act as a buffer zone to the Sinharaja Forest. In addition to the planted commercial timber areas, these estates are also endowed with a number of natural forest patches.

Maturata Plantations achieved one of its best performances to date, supported by improved labour productivity, outsourcing of certain activities to improve productivity, better cost management; diversification into more profitable crops and entry into joint ventures to improve performance of loss making units. It is noteworthy that this improved performance was despite adverse weather conditions that impacted agriculture in several areas of the country in 2017.

The Company's Turnover grew by 8% whilst Operational profit rose by 105% and Net Profit After Tax grew by 8876% to reach Rs. 249.8 Mn.

As depicted in numbers below, higher prices in the world market for good quality tea spurred by improvements in world markets, also supported the performance during the year.

Prices achieved by Maturata	2016	2017
Selling Prices - Tea (Rs/Kg)	481.00	567.63
Profit Before Tax (Rs. Mn)	(2.4)	330.1

Crop productivity as well as cost of production were adversely affected by the prohibition of the use of Glyphosate. Moreover, higher Maximum Residue Levels (MRLs) of banned substances in tea resulted in restrictions on imports of Sri Lankan tea by Japan.

Sri Lanka's plantation wages remain amongst the highest in the world sans any productivity component, and continues to rise, thus challenging the sustainability of the industry. This supply side challenge is further compounded by Sri Lanka's shrinking land bank, the increasing unpredictability of weather and increasing frequency of adverse weather, as well as the demand side factors of the fluctuating international market conditions for Tea and Rubber.

In this backdrop, the Company will pursue strategies of crop diversification into higher yielding crops such as Cinnamon, Timber, herbs and high value vegetables and fruits as well as adding value to the primary products. Accordingly, the year ahead will see the cultivation of crops such as Cinnamon, with a target to expand cultivation to 1000 Ha by 2020-21; and the launch of a Cinnamon flavour extraction project. As the challenge of scarcity of labour continues to intensify, reducing dependency on labour through mechanisation and adopting a productivity based incentive model for workers will also be our key imperatives for the next few years.

Our internal competencies combined with the acquisition of state-of-the-art technology and external expertise to identify new products and markets, find us well positioned to implement these strategies for higher profitability and to make a transition from the traditional approach of plantation management to a business model that is more sustainable and profitable into the future. The Company will continuously pursue strategies of crop diversification into higher yielding crops such as Cinnamon, Timber, herbs and high value vegetables and fruits as well as value addition to primary products to reduce the over-reliance on traditional crops and safeguard the bottom-line from unforeseen changes in the external environment.

Gal Oya Plantations (Pvt) Limited

The main products of Gal Oya Plantations include Sugar, ENA, Bio-Fertilizer, Power and CO2. The sugar plant of Gal Oya has a crushing capacity of 2,000 tons per day to produce an average of 160-170 tons of sugar per day.

The Distillery Plant with a capacity of 21,500 litres of ENA per day, commenced operations during the year under review and performed well.

The Group plans to produce 5,000 MT of bio-fertiliser per annum from the waste of sugar factory and distillery plants, whilst Power generation is also a key objective with plans to produce 10 MW of power. The Group will commence the construction of the power plant by the end of 2018, with an investment of Rs. 2.5 Bn and the completion scheduled for 2020. Furthermore, the Company plans to harvest the CO2 produced by the processing activity in the distillery to sell it for commercial purposes upon cleaning. The project at an investment of Rs. 250 Mn which commenced during the year is expected to be completed by end 2019.

Sri Lanka's total Sugar requirement is estimated to be 538,786 Mt per annum (in 2017), of which as much as 90% of the requirement is imported at a colossal expenditure of Rs. 48.32 Bn in Foreign exchange. Sri Lanka's sugarcane plantations consists of 7,659 ha of land with approximately 5,200 ha of cultivatable extent allotted amongst 4,400 families.

Operational Review

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Leisure

Leisure

CONTRIBUTION TO LOLC

3,292
Rs. Mn
Revenue

48,300
Rs. Mn
Total Assets

The Group has initiated the launch of a hotel school as one of its win-win sustainable initiatives. It has ear-marked a location at which a school will be set up to impart theoretical knowledge whilst practical training will be provided by the respective departments.

Sri Lanka

The Group's revenue generating resorts in Sri Lanka at present include 'The Eden Resort & Spa, Beruwala', 'Dickwella Resort & Spa, Dickwella', 'The Paradise Resort & Spa, Dambulla' and 'The Calm Resort & Spa, Pasikuda'; all of which performed well during the year under review.

The (Y-O-Y) occupancy levels at all four properties:

Property	2016 %	2017 %	2018 %
The Eden	68	80	80
Dickwella	27	48	49
The Calm	18	28	36
The Paradise	57	62	61

Accolades during the year

- The Eden Resort & Spa won the Gold award at the National Business Excellence Awards 2017 in the Hospitality sector for the 3rd consecutive year.
- The Paradise won the Trip Advisor Travellers Choice 2018 Award by securing the 20th place out of 25 Hotels in Sri Lanka.
- The Eden Resort & Spa managed to maintain its No. 2 position in Trip Advisor rankings throughout the year among the co-competitive hotels in the Beruwela region.
- The Calm Resort & Spa received a Certificate of Excellence from Trip Advisor for the year 2017.

The Group's Five-star beach property, The Eden Resort & Spa, continued to achieve high occupancy levels of 80% during the 2017/18 financial year as well. The year ahead will see the Group focus on increasing its visitors from Chinese, Australian, French and Middle Eastern markets as arrivals thus far have primarily comprised German tourists. It will also aim to increase tourists who come for MICE (Meetings Incentives Conventions and Exhibitions) and product launches during lower occupancy periods of the year.

The Dickwella property performed extremely well to turnaround the loss recorded in the previous year to achieve a Profit before Interest and Tax of Rs. 814,496 during the year, compared with the loss of Rs. 54,9 Mn in the previous year.

The Paradise, our property in the iconic city of Dambulla, recorded a 2% reduction in its revenue which was Rs. 195 Mn during the year as against Rs. 203 Mn recorded in the previous year.

The Calm in Pasikuda saw its Revenue grow by 27% over the previous year to reach Rs. 149.6 Mn reflecting a growth in occupancy which rose to 36% in the year under review, mainly driven by a growth in German visitors. Having a German speaking representative at our resort in Pasikuda to assist and guide the German tourists amongst whom the hotel and destination, Pasikuda is growing in popularity also boosted our appeal amongst German arrivals.

Plans for the Future

As has been enumerated before, the dearth of experience and skills in the Hospitality industry has become a considerable challenge in Sri Lanka, exacerbated by the rapid growth in the number of new properties and international brands. The Group has thus initiated the launch of a hotel school as one of its win-win sustainable initiatives. It has ear-marked a location at which a school will be set up to impart theoretical knowledge whilst practical training will be provided by the respective departments. In addition, The Eden Resort & Spa also made arrangements with the Sri Lanka Institute of Tourism and Hotel Management, (SLITHM) to provide residential training.

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Leisure

Amongst the other initiatives planned by The Eden for the year ahead is the addition of a further 15-25 rooms and the refurbishment of certain areas of the hotel, in order to remain competitive in the five-star segment which has seen many new hotels and brands come into the market.

The Group will also look at expanding and strengthening its marketing initiatives overseas such as by representing Browns Hotels & Resorts at international travel fairs and road shows, etc. The Group has identified China, India, Middle-East and Australia as sources with high growth potential and will hence focus on promotions in these countries in conjunction with the Group's travel arm "Ceylon Roots" as well as the assistance of the Sri Lanka Tourism Development Authority (SLTDA).

All our properties, with the 3 beach properties being located in the most popular beaches of Sri Lanka, namely Beruwala, Kosgoda, Dickwella and Pasikuda and the other in the iconic tourist location of Dambulla; are endowed with their own competitive advantages and backed by the strength of the Group, these properties thus stand well poised to harness the opportunities in one of Sri Lanka's leading contributors to the economy and fastest growing sectors - the tourism industry.

Projects in Progress

The construction of Riverina Hotel, the 400 roomed five-star resort on the Golden Mile in Beruwala will recommence shortly.

Sheraton Turtle Beach Resort & Spa in Kosgoda, the 172 roomed 5 Star resort hotel is part of the prestigious international Starwood/Marriott chain of hotels is to be opened in the latter part of the next financial year. The hotel is idyllically located between two water ways on a land extent of over 5 acres with a wide beach frontage which is often habited by visiting Turtles who deposit their eggs on the beach in close proximity to the hotel. The hotel includes a banquet hall which can accommodate 300 people; rooms with square areas of 43 meters and each with a view of the sea; a Three-Meal Restaurant, a specialty Restaurant, a day time coffee shop, Café, Bars, an executive Floor Lounge, a Sky terrace, Gym, Spa, Salon, and other features and amenities of a five-star class international hotel. The entry of this renowned international hotel brand 'Sheraton" will enhance both the value of the Group and Sri Lanka's tourism potential.

Overseas Investments

Maldives

Following the Group's acquisition of the most valuable and the largest real estate in the city of Male, the location of the famed Nasandhura Palace, LOLC in 2017 commenced the construction of an ultra-modern mixed development project comprising a 136 roomed hotel, a high end retail shopping mall and 118 apartments. Being located in close proximity to the Velana (Hulhule) International Airport is an added advantage to its lure. This twin tower project with its international Five Star hotel and exclusive apartments and designer boutique shops, salons and supermarkets will cater to the discerning high end visitors to Male city and is due for completion by mid-2019, after which the hotel operations would be handed over to an international hotel management company.

The leasehold rights to two other investments we made in 2016 in the Maldives, the Bodufaru island in the Raa Atoll and Bodufinolu island in South Ari Atoll were transferred to two newly formed companies, Browns Raa Resort Private Limited and Browns Ari Resort Private Limited respectively during the year. Browns Raa Resort Private Limited will be owned by Browns Investments PLC., and Browns Ari Resort Private Limited will be owned by Eden Hotel Lanka PLC., and Palm Garden Hotels PLC.

The reclamation work on Bodufarufinolhu in the Raa Atoll is currently underway and the coastal protection works will follow. Construction of the 60 room 5 Star Resort will commence thereafter.

At Bodufinolhu in South Ari Atoll reclamation and coastal protection works are at its advance stage with construction works on the 100 room Four Star resort in progress. The resort is scheduled to open for business in the second quarter of 2019.

The Group's investment in the North Male lagoon too progressed during the year with coastal protection works of island A fully completed, island B almost completed, island C partially done. An EPC contract has since being signed with a Chinese construction company for the development of a 150 roomed 4 star Honeymoon Resort on Island B and a 200 roomed Family Resort on Island C together with the interconnecting Entertainment Island. The Resorts are expected to be operational by the mid-2020. The development of Island A as a 120 roomed 5 star Deluxe Resort will be embarked on as Phase 2 at a later stage.

New Developments:

(1) RIVERINA RESORT, BERUWALA

The process of re-designing and orienting the development has been completed and construction will commence shortly. We are also examining the viability of developing the unutilised land on the said plot for further economic gain.

(2) EXCEL WORLD, COLOMBO

The designs of the proposed lifestyle shopping mall cum family entertainment complex have now been finalised and are submitted to the relevant authorities for building permits etc. Our partner on this project is Zhong Tian Ding Hui (Pvt) Ltd. The contractor engaged for the EPC contract is Zhongtian Construction Group Company Limited.

(3) RESORTS IN THE MALDIVES

The Leasehold rights to Bodufarufinolhu in the Raa Atoll and Bodufinolhu in South Ari Atoll were transferred at cost to two newly formed companies namely Browns Raa Resort Private Limited and Browns Ari Resort Private Limited. Browns Raa Resort Private Limited will be owned by Browns Investments PLC., and Browns Ari Resort Private Limited will be owned by Eden Hotel Lanka PLC., and Palm Garden Hotels PLC., respectively.

(a) Bodufarufinolhu in Raa Atoll

The reclamation works are due to be completed shortly which will be followed by the coastal protection works. Construction of the proposed development will commence thereafter.

(b) Bodufinolhu In South Ari Atoll

Construction is underway whilst the reclamation and coastal protection works are being finalised concurrently.

Works are in progress on Water Villas, Beach Villas, Beach Suites and Back of House Service buildings.

(c) North Male Lagoons

Coastal Protection work of Island A is completed and Island B is almost completed as well. Progress at Island C is approximately 20% thus far, and work is ongoing.

The designs are being finalised with value engineering proposals, that construction may commence immediately after the coastal protection work is completed.

Excel World Entertainment Park

Excel World Entertainment park located in the heart of Colombo continued to be a unique location for family entertainment. Despite the growing competition in the market, the venue began to gain traction in the MICE (Meetings, Incentives, Conferences and Exhibitions) market, with this segment becoming the main contributor to revenue during the year under review. As reported last year, the Group took a significant step when it entered into a joint venture agreement with a Hong Kong based investment Company to embark on a fresh development on the same site. The company has since entered into an EPC Agreement with Zhongtian Construction Group Company Limited and the proposed development will comprise a state-of-the-art Lifestyle Shopping Mall and Family Entertainment Centre complimented by a Hotel and an Office Block. Applications have already been submitted to the relevant authorities for the development permits of this project.

Ceylon Roots (Pvt) Ltd.

Ceylon Roots, the 'Destination Management Company' of the Group achieved commendable growth with a 62% increase in revenue over the previous year. China and India continued to be its largest source markets in terms of revenue as well as the number of tour packages.

Browns will seek to build on the reputation of Ceylon Roots as a provider of specialty city/ round tour/ adventure travel and excursions. A diverse marketing communications effort directed at targeted markets, through the establishment of strategic alliances as well by utilising diverse media will support this strategy in the year ahead. Accordingly, the Company will invest in social media, online magazines and on increasing its online presence to increase our reach. It will promote experiences & excursions as positioning Sri Lanka as one of the most

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Leisure

exciting discoveries amongst its Target audience. Uniqueness and consistency of service quality will be key selling propositions.

The Inbound operations (Ceylon Roots & Browns Tours) reported revenue of Rs. 1.387 Bn for the year 2017-2018 (ending March 2018) respectively and compared to last financial year; Inbound operations has increased approximately 65 % in revenue.

During the calendar year 2017, arrivals to Sri Lanka reached 2.1 Mn representing a subdued year-on-year growth of 3%, primarily due to the partial closure of the airport for resurfacing of the runway and impacts due to flooding and the outbreak of dengue fever in June and July 2017.

Though the first few months have been negative Ceylon Roots, the inbound operation managed to reach anticipated results by the end of the financial year.

Despite the increasingly competitive operating environment with informal inbound travel agents (who does not have a proper operating license with tourist board Sri Lanka) most of the volume base markets such as China and India seem very price driven markets. Though Inbound revenue has increased by 65 %, expenses for long-term developments and expansions has been costly during the year 2017, 2018 financial year. These will include, developing booking engines region wise, web development, adding operational staff, investing in Social media marketing etc. The results of these investments are expected to reap in the year ahead and we will continue to invest in Social media and web development to increase brand visibility and brand awareness.

BG Air Services

The services offered by the travel arm is geared to complement the leisure sector and forms part of BI's overall strategy to develop an end-to-end leisure and travel solution. Despite heavy competition from online sellers of tour packages and air tickets, the company fared well to record a 33% growth in revenue compared to last financial year. The Company also took necessary steps to add new tour packages to offer the best destinations to its customers. Several promotions were conducted during the year to capture the market while tying up with leading credit cards in the country.

BG Air Services will add new destinations to its portfolio while covering the leading main events happening in and around the World. And also steps will be taken to tie up with airlines and banks to offer its customers the best of the World service.

Dickwella Resort & Spa

The Calm Resort & Spa

Management Discussion & Analysis

Renewable Energy

Renewable Energy

CONTRIBUTION TO LOLC

454 Rs. Mn	**2,712** Rs. Mn
Revenue	Total Assets

The plant has generated 27.1 Mn units from inception while it has generated 19.63 Mn units for the financial year ended 31st March 2018.

Following the Group's venture into Renewable energy generation in 2016 with the commissioning of Saga Solar -Sri Lanka's first privately owned Solar power plant with a capacity of 10 MW. The plant has generated 27.1 Mn units from inception while it has generated 19.63 Mn units for the financial year ended 31st March 2018.

It is encouraging that the Government intends to increase the share of renewable energy in Sri Lanka's energy generation to 60% by 2020 and to 100% by 2030, from the current level of 50% and reduce the Carbon footprint of the energy sector by 5% by 2025. Thus, driven by the Group's Triple Bottom Line objectives, the Group will continue to seek new opportunities to generate renewable energy through non-conventional energy sources.

Management Discussion & Analysis

Construction

Construction

CONTRIBUTION TO LOLC

570 Rs. Mn	773 Rs. Mn	126 Rs. Mn
Revenue	Total Assets	PBT

We launched a new company in the Republic of Maldives for competitiveness when bidding against foreign contractors in Sri Lanka.

The LOLC Group ventured into the construction industry with the acquisition of Sierra Construction Limited in 2010. With its core business activity in construction Sierra Construction has a highly diversified portfolio of operations and is one of the largest and high profile companies in the country's construction sector. Its wide portfolio of activity includes civil engineering and piling, irrigation, telecommunications, roads and bridges, water supply and sewerage. Sierra has also made investments into related areas such as the supply of ready mixed concrete, asphalt mix and the manufacture of power cables and PVC pipes. It has also forward integrated with investments in property development, design and architectural services.

Rapid growth in large scale infrastructure initiated by the government of Sri Lanka, such as road networks and water supply projects during the last few years and private sector investment in sectors such as tourism and education provided an ideal environment for the Construction industry. The country's infrastructure development efforts have also received the support of international funding agencies such as the ADB, World Bank and JBIC.

The Water, Roads, Civil Engineering and Telecom business segments of the Company contributed the highest to the Company's revenue during the year.

The Company's civil projects encompassed the design and construction of Riverina Hotel Project – Beruwala, Samudra Beach – Kosgoda, Everest Apartments Building-Softlogic Colombo 5 and Multimodial Centre Makubura.

The Company's Road projects encompassed the Central Expressway Project (CEP-2) Package - B from Riloluwa (CH 46+800 Km) to Rangallepola (CH 57 +000 Km), Subcontract of the Subgrade, Culvert and Infrastructure of Bridges (Except the Piling Work) of the Extension of Southern Expressway, Improvement of 7 Islands Road Project (Ha.Dhidhoo, Hdh.Hanimaadhoo, Hdh.Kulhudhfushi, Dh.Kudahuvandhoo, GA.Villingili, Gdh. Thinadhoo, Thaa Vilifushi) and Construction of Sewerage Facility in the Island of K.Himmafushi, K.Thulusdhoo and HdH. Nolhivaranfaru.

Water supply projects included the supply and Laying of HDPE/DI Pipes for a Distribution Network in Kaduwela, Homagama, Padukka and Seethawaka.

The Company took several strategic initiatives to further expand and to sustain growth for the long term in a high potential market. We launched a new company in the Republic of Maldives for competitiveness when bidding against foreign contractors in Sri Lanka.

The overseas subsidiaries established in the past few years are providing an ideal platform for exploration of new markets and opportunities. The Company will use the Sierra India subsidiary to explore the Indian Telecommunication infrastructure market whilst the subsidiary in Qatar and Myanmar will facilitate our exploration of the telecommunication infrastructure market in Qatar.

Moreover, the Company also harnessed the benefits of its presence in the value chain by establishing crusher plants, ready mix concrete supply plants and asphalt plants to reduce costs of input and also brought in technologically advanced piling machines to the piling sector.

The Sierra brand name in the industry and its guarantee of quality, combined with its presence across the spectrum in construction and related areas, the range of machinery and the engineering expertise of long serving staff are key competitive advantages that position the Company well for sustained growth and leadership in the Construction industry.

Management Discussion & Analysis

Manufacturing & Trading

Manufacturing & Trading

CONTRIBUTION TO LOLC

21,112 Rs. Mn	53,918 Rs. Mn	995 Rs. Mn
Revenue	Total Assets	PBT

The year under review saw the Browns Battery Division achieve the highest in sales volumes, recording the highest number of batteries sold annually as well as monthly, in December 2017.

Battery Division

The Browns Battery Division, which pioneered the introduction of automotive batteries to Sri Lanka over 92 years ago, is now synonymous with 'EXIDE', one of the leading battery brands in the world and also markets a range of other automotive battery brands such as Lucas and Daganite as well as industrial batteries. It is today a key strategic business division of LOLC Group and has been the leader in Sri Lanka's automotive battery market for over 6 decades. Exide is the OEM (Original Equipment Manufacturer) for Bajaj and Micro car batteries in Sri Lanka which are distributed island-wide through Browns outlets and the 500+ Browns-appointed dealer network. EXIDE, Lucas and Daganite batteries hold more than 70% of the market share for automotive batteries in Sri Lanka.

The year under review saw the Company achieve the highest in sales volumes, recording the highest number of batteries sold annually as well as monthly, in December 2017. 'Power Mart', the Division's head-office located at Havelock road, also marked its 10th anniversary with a dealer convention to recognise the leading dealers in the country at a gala event. Moreover, Browns Exide was recognised as the 'Most Loved Brand' by the Brands Annual magazine during the year. Furthermore, Motorcycle batteries – a product that was initially imported to Sri Lanka is now manufactured fully in Sri Lanka thus enabling a significant increase in overall market share as well as a drastic reduction in the Division's warranty cost due to improvements to the products.

The Browns Battery Division's plans for the year ahead include its newest venture – The Browns Hybrid Care, a hybrid vehicle servicing facility at a premium location in the heart of Colombo. Having identified the rapidly growing market for hybrid vehicles in Sri Lanka, Browns sees it as a timely step forward with tremendous potential to take the business many steps ahead. Furthermore, the Division will also look at expanding its portfolio with the addition of oil and lubricants to its range of products.

General Trading Division

Browns General Trading offers an exclusive range of construction related tools from an array of world-renowned brands; and in a backdrop of a market in which the demand for low priced, low quality imports continue to grow; the highest in quality, durability and the state of the art in technology and superior after sales service are the distinct selling propositions of the Browns portfolio. Browns General Trading's contribution to the construction industry continues to evolve as it offers a high level of understanding, knowledge, creativity and expertise whilst delivering sustainable solutions to key players in the construction, woodworking and the Do it Yourself (DIY) industries. The year under review saw the Division establish a fully-fledged flagship store in the heart of Colombo to serve its customers better. In addition, the distributor model which was adopted in the previous year was further strengthened with the appointment of regional distributors.

As the Group aims to develop Browns as a one-stop location for all construction handling equipment in the country, with value-added offerings such as trusted services and after-sales support, a range of spare parts and accessories, island-wide coverage, and an extensive dealer and distributor network; the Division will continue to evaluate its product offerings periodically to ensure that the latest in technology and products are always included in its portfolio.

Pharmaceuticals Division

Browns Pharmaceuticals comprises two divisions, the Veterinary Pharmaceuticals Division and the Human Pharmaceuticals Division. Having first ventured into the

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Manufacturing & Trading

veterinary pharmaceuticals industry with the marketing of Vetzyme, a pet animal vitamin ranges; Browns has over the year, expanded to include product lines related to human pharmaceuticals, nutraceuticals and cosmetics, whilst subsequently introducing new and innovative medical devices to the health industry.

The Veterinary Pharmaceuticals Division maintained its sales momentum despite tough market conditions, improving sales of its vaccines and vitamins. Sales of Veterinary pharmaceuticals were adversely impacted by external environmental factors such as erratic weather conditions which in turn impacted demand, an issue relating to industry credit, and a drop in broiler prices. The Division however, provided an extended credit facility to its customer base in order to support them during the credit issue in the industry. Further, Browns Pharmaceuticals also adopted a product differentiation strategy to expand its veterinary product range to cater to a new customer segment by introducing aqua and dairy/dairy machinery products to the market.

The Human Pharmaceuticals Division, during the year ventured into supply of medical devices including cardiovascular, anti-diabetic and oncology products. A new brand line ‘Unosource’, was introduced during the year. “Unosource” is part of Akums Pharmaceuticals which holds 10% of the Indian pharmaceutical market, and with several factories in India, is contracted to manufacture for many of the leading pharmaceutical companies in the world. Moreover, the Division also completed the registration processes for the WHO certified Dengue Net and made it available in the market.

The year under review also saw Browns launch ‘100 PLUS’- the number one isotonic drink in Malaysia, Singapore and Myanmar, in January 2018. A very successful marketing and awareness campaigns for the brand which followed its launch, has contributed to a rapid growth in sales.

Browns Pharmaceuticals will gradually expand its product portfolio and its distribution channels in order to gain a significant market share. It will venture into the field of Ayurvedic medicine, making it an industry first for a Company which has only been involved in the field of Western medicine. The Division also plans to add new product lines in the human pharmaceuticals, nutraceuticals, food and beverages and medical devices sectors. With Sri Lanka’s Pharmaceuticals industry showing considerable growth and as much as 80% of the human pharmaceutical requirements relying on imports, the Browns Pharmaceuticals Division is in a market which brims with tremendous potential and stands well poised to become a leading supplier.

Home & Office Solutions Division

Browns Deals, the Home Solutions Division of Browns, fared well during the year under review despite increased competition from web based businesses. The web-based channel introduced during the year grew substantially. Adapting its business model to meet changing market conditions such as the use of digital and social media platforms, yielded dividends during the year. Browns Deals through its island wide branch network as well as its web and social media based channels, offers its products and services to both younger and older generations. The offer of free delivery in and around Colombo as well as installment schemes with leading credit card service providers, also boosted sales in the year under review.

The Office Automation business which markets photocopiers, fax machines, note and coin counters and a rental business, reflected low sales and low growth during the year particularly for photocopiers and fax machines due to the conversion to digital formats and the increasing drive towards paperless environments. However, the Division’s air conditioning solutions segment fared well during the year, showing potential for future growth.

Browns Deals will continue to bring the latest technology-based products to Sri Lanka and offer them at the lowest price in the country with the trusted warranty of Browns. The Office Automation Division will focus on the air-conditioning solutions business which shows significant growth potential in the country.

Power Systems Division

Browns Power Systems, which launched its operations more than two decades ago markets FG Wilson Generators– a globally recognised brand from one of the world’s largest generator manufacturers in the UK which has a well-established reputation for its reliability, performance and technology. The Browns superior island-wide services for installation, repair, maintenance and unmatched 24-hour after-sales, together with a highly skilled support team, has been a key to Browns’ resilience amidst tough market conditions. The Division also provides superior services for repair, maintenance and unmatched 24-hour after-sales support with its highly trained and experienced service team.

Exchange rate fluctuations during the year, which resulted in increased import costs adversely impacted sales whilst reduced purchasing power as well as an influx of low priced imports from China also had a negative impact on purchasing patterns in the market.

Browns will continue to provide its customers with the state of the art in power generation equipment and will continue to enhance its service offerings across the island.

Heavy Machinery Division

Established during the 2014/15 financial year, Browns Heavy Machinery is a relatively new division within the Browns Group, serving all eight segments in the construction related heavy machinery industry with bespoke versatility, functionality and trusted technology, it continuously enhances its product offerings and brands and markets the XCMG brand, the global leader in heavy machinery which is internationally ranked Number 5 and manufactured in China. In addition, the Division also markets the brands Hitachi, Sakai, MAN, Manitou, Tata Hitachi, Hitachi Sumitomo, Ajax Fiori, Linhoff technologies, and Komac.

The Heavy Machinery Division has achieved significant growth in sales and market share by offering customised solutions. It is particularly noteworthy that the Division was able to import and install two of the largest customised cranes in the country, during the year under review.

The Construction industry in Sri Lanka has seen strong growth, with several development projects underway around the island. Browns, with its fully equipped state-of-the-art service facilities situated in Orugodawatte, Battaramulla and Ranala; and its complete range of Construction machinery solutions and services that are based on superior technologies developed by its principals over many years is a step ahead of its competitors and well positioned to establish a leading presence in Sri Lanka's market for construction machinery.

Browns Thermal Engineering (Pvt) Limited

Browns Thermal Engineering, which completes 50 years in business, is the only large scale manufacturer of radiators in Sri Lanka with SLS and ISO certifications and the market leader in the manufacture and sales of Auto, Industrial and Locomotive Radiators under the Brand RADCO.

The year under review saw the installation of a new manufacturing line to increase productivity and minimise costs of production with the adoption of the latest in technology and machinery. The use of new machinery also helped enhance the quality of the product.

The Radiator market in Sri Lanka continues to be hampered by illegal imports due to smuggling and under invoicing and by the increasing import of re-conditioned radiators. Moreover, the market is also seen shifting towards Aluminium and Plastic from the traditional Brass and Copper radiators. The Group hence plans to launch the manufacturing of Aluminium plastic Radiator in Sri Lanka will cater to both Brass and Copper and Aluminium and Plastic radiators in the near future.

Ajax Engineering (Pvt) Limited

Ajax Engineering (Pvt) Ltd, a subsidiary of Browns Investments, is the market leader in manufacturing glass and aluminum doors and windows. The Company performed well in the year under review, embarking on several new projects with Browns Group as well as external parties, reflecting its growth potential in the year ahead.

Ajax is well positioned to capitalise on proposed large development projects in the country, as well as within the Browns Group as the construction industry in Sri Lanka continues to flourish, with many development projects in the pipeline although competition grew significantly during the year under review with Indian and Chinese investors offering lower bids for local construction projects.

Creation Wooden Fabrication (Pvt) Limited

As a manufacturer of wooden furniture for hotels and resorts, Creation Construction benefitted from the many projects in progress in the hotel sector of the country. The Company was able to complete 161 rooms at Sheraton Turtle Beach Resort in Kosgoda for which it had to find solutions to meet specific requirements and manufacture customised designs with Brass and brass works as per the architect's design requirements. In addition, Creations also supplied the requirements for Bungalows Saif Estate in Bandarawela during the year under review. Furthermore, it was also awarded the contract for Shangri-La Phase (III) office mockup furniture and partitions and was able to complete the Riverina Resort mock-up to within a very short time span.

Marine & Leisure

With over 43 years of experience in the marine industry, the Browns Marine Division enjoys 60% of the market for brand-new inboard engines in Sri Lanka and is the third largest player in the outboard marine engine segment. Over the years, the product portfolio of Browns Marine Division has expanded to include fibre glass raw materials, fishing nets, weed harvesters and 'marine leisure' operations. As a supplier of outboard and inboard motors for fishing and other sea vessels, the fishing industry is the primary market for Browns Marine services. In line with the goal to be 'the preferred supplier of equipment to the marine industry' the Marine Services Division continues to leverage on market opportunities to grow volumes and build market share. The Browns Marine Division is the local agent for a number of reputed international brands like Yanmar, Isuzu, Hyundai, Parsun, Don-I and markets spare parts, as well as Connelly water sports accessories.

The automotive service equipment introduced during the previous year, performed well during the year under review. Many of the high-end garages were equipped with ATS ELGi equipment and have enjoyed positive feedback from its customers. Browns is now a total solutions provider, offering the latest equipment and technology in the automotive service equipment market.

Management Discussion & Analysis

Manufacturing & Trading

The Group also introduced the Aquatic Weed Harvester during the year, to curb the growth of weeds in the various irrigation canals and waterways of Sri Lanka. The excessive growth of these have begun to pose threats to agriculture, health, inland fisheries, ecosystems, boating, the beauty of the environments as well as tourism. The weed harvester will thus help in improving the irrigation supply for farming, reducing the clogging of waterways, causing floods, improving the hydro power generation, improving drinkable water sources, eradication of oxygen deprivation for marine life and native flora, reducing breeding grounds for mosquitoes and improving local boating.

The outboard engine market in the marine industry has shown tremendous growth in the recent past, well bolstered by the lifting of the war time restriction on engine capacity which was at 9 horse powers, to permit 40 horse powers. Other changes in the global landscape during the year under review that had an impact on the marine engine industry included the increase in the size of boats to be in line with international standards, as well as lifting of Europe's ban on imports of fish exported by Sri Lanka which led to an expansion in Sri Lanka's fishing activity.

The Marine and Leisure Division will continue to be the preferred total solutions provider in the inboard and outboard engines industry in the country, and will continue to add products to meet changing market requirements.

Boiler Division

Browns Boilers provides energy systems and solutions in the form of Hot Water, Steam and Thermic Fluid options. Having been in the business for over five decades, Browns Boiler Division markets leading brands of boilers manufactured in four different countries, namely the United Kingdom, Korea, Vietnam and India. In addition to the above, it provides design/ fabrication of steam distribution systems, installation and commissioning of boilers, and fabrication of boiler auxiliaries.

The present market for conventional boilers is saturated and competition from boilers manufactured in India, is on the rise. During the year under review the Division introduced an Indian product to cater to the Bio Mass range, namely 'TACOR' Boiler, which will also help the increasing demand for Indian Manufactured Boilers.

The Browns Boiler Division will enhance its footprint in the boiler industry through its latest addition from India, as the market now relies on Indian-made boilers, with low cost being a critical driver in this business.

Overseas Expansion

Overseas Expansion

CONTRIBUTION TO LOLC

47.8 Rs. Bn	440 Rs. Bn	14.8 Rs. Bn
Gross Income	Total Assets	PBT

Management Discussion & Analysis

Overseas Expansion

High productivity, strong client relationships and a prudential risk management policy, combined with the knowledge and experience of its staff helped PRASAC achieve a commendable performance.

PRASAC

PRASAC continued to maintain its position of market leadership with the largest branch network whilst continuing on its trajectory of sustainable growth with the largest loan portfolio among MFIs.

Performance Highlights of 2017

- Total assets grew by 40.4% over 2016 to reach US Dollar 1.75 Bn as at year end.
- Total loan portfolio increased by 50.4% to US Dollar 1.53 Bn, with a portfolio of 390,000 clients.
- Continued to maintain its leading position in loan portfolio quality in the sector with the Non-Performing Loan (NPL) ratio at 0.75%.
- The deposits outstanding balance reached US Dollar 915 Mn with a total deposit base of 626,000 clients.
- After-tax net profit increased by 6.5% to US Dollar 57.5 Mn from US Dollar 54 Mn in 2016.
- Return on Equity (RoE) was 28.78% and Return on Assets (RoA) was 3.83%
- Continued to have the largest network in Cambodia, covering all 25 provinces and cities through 176 outlets, 130 ATMs, operating in more than 13,851 villages which amounts to 85% of total villages; with a staff of 7,058.

High productivity, strong client relationships and a prudential risk management policy, combined with the knowledge and experience of our staff helped the Company achieve a commendable performance despite increasing competition and regulatory changes. The entry of large banks into the Micro Finance sector further intensified the competition during the year. PRASAC also achieved the lowest NPL ratio in the sector (despite a rise in the sector 's average NPL); well supported by the capacities of our team and the strong relationships we have established with clients.

Our culture of a strong commitment to the highest standards of integrity and ethics and the pride we take in our reputation have also been key competitive advantage and a key element of our brand equity.

Moreover, Cambodia's strong pace of economic growth, at 6.9% in 2017, combined with the country's political stability and low levels of inflation were factors which supported PRASAC's performance and which augurs well for the next few years ahead. The country's strong Banking and Finance regulatory framework also provides an excellent platform for sustained growth. However, climate change and its impact on agriculture will continue to be an area of concern whilst Cambodia's Agri sector is also burdened by a scenario of low demand and low prices for its produce. Conditions of floods and droughts during the year also contributed to a rise in the sector's average NPL during the year.

The Company will maintain market leadership whilst growing its middle income market and maintaining its market share in the low income segment. It will also begin to focus on the SME market in Cambodia over the next five years. Technology is today the preferred channel of delivery in the financial service industry and will accordingly be a key driver of our growth strategy through channels such as mobile and internet banking and Visa and Master transfers. PRASAC will also look to diversify its product portfolio and offer a broader range of innovative Banking products and services through digital channels.

PRASAC's ability to harness the large scale of its operations, excellent customer service and flexible solutions combined with the governance structure and strong internal control systems find it well poised to enhance the value it creates in a growing economy and thus be a key contributor to LOLC Group and its stakeholders.

LOLC (Cambodia) PLC

LOLC Cambodia maintained commendable growth, with its loan portfolio growing by 47% to reach USD 323.6 Mn, whilst the number of borrowers increased to 210,227 during the year. Following the launch of deposit products across the branch network in 2016, our deposits grew by a sharp 367% to reach US Dollars 90 Mn as at December 2017, from US Dollars 19 Mn at end 2016. The Company's ROA and ROE decreased marginally compared with the previous year, to 4.8% and 27.5% respectively, due to an interest rate cap which was imposed by regulation in April 2017. However, LOLC's ROA was the highest in the industry amongst Cambodia's 7 leading Microfinance Deposit Taking Institutions (MDI's) whilst ROE was ranked 2nd in 2016 as well as 2017. LOLC consolidated its position as Cambodia's 4th largest MDI in terms of total assets, gross loan portfolio and net profit. The Company's diversified products and services which meet varying needs of clients; combined with sound risk management and strong credit processes and internal controls were factors which supported the Company's rapid rise to become one of the top Financial entities in Cambodia.

The Company's HR policies, training practices, and a structured incentives scheme in which the incentives are also linked to credit quality, have also proven to be cornerstones of its strong performance which also augur well for sustained profitability into the future. Moreover, rigorous credit checks from the Credit Bureau of Cambodia to scrutinise all borrowers and co borrowers prior to loan disbursement, supplementing our own in-person loan evaluations; has helped maintain asset quality. LOLC also integrates Client Protection Principles as a core aspect of its risk management

In keeping with LOLC Group's sustainable model of value creation, the Company effectively introduced Financial Literacy programs to impart financial management skills to its clients, university students and other members of the community.

Cambodia's macroeconomic environment during the past few years has been conducive to the industry, and the country has been extremely successful in attracting foreign direct investment, creating employment and alleviating poverty and its economic success has been well supported by political stability and a strong institutional and regulatory framework. The National Bank of Cambodia is the sole regulator of the Microfinance (MF) and Banking industry which provides or revokes licenses, conducts on-site visits to MF institutions, monitors their banking practices and the quality of their loan portfolios, establishes prudential regulation and takes steps to stabilise Cambodia's financial sector. Moreover, the Credit Bureau of Cambodia (CBC) and Cambodia Microfinance Association (CMA) play a significant role in preventing systemic risk to ensure healthy growth of the MF industry through the introduction of lending guidelines to ensure the that MF Institutions provide services with professionalism, ethics and systemic risk prevention.

At the same time the MF market in Cambodia which has recorded 30% to 59% growth is also challenged by fierce competition, particularly as some Banks have moved into the SME sector. In addition, the fluctuations in Agricultural yields and prices have influenced the performance of the MF industry in which Agriculture plays a significant role. Amidst this intensifying competition, we have identified the need for agility - of strategies and capacity of our people in order to respond swiftly to competition and changing markets, as important to sustain and grow our market share. Thus, staff capacity to adapt to and adopt new technology and provide diversified services and further strengthening of institutional efficiency will be imperatives.

LOLC will seek to leverage its competitive advantages such as client base and market share which need to be sustained and further strengthened for future growth, as it looks to increase its loan portfolio to over USD 1.7 Bn, its clientele to 339,000 and the value of the deposit base to exceed USD 1 Bn in the next 5 years.

Amongst the strategic initiatives towards this end would be to drive digital banking such as iPay, mobile and tablet banking, development of a technology based loan delivery channel, ATM access, interbank transfers and facilitation of remote access for staff to perform banking transactions. Product diversification will also be a priority in the near term to introduce products such as Asset-backed lending, Leasing and Housing Loan products. LOLC will also expand its branch network by setting up standardised Offices in urban areas as an initial step. We will also look to enhance branding and expand the mobilisation of savings products. LOLC Cambodia's efficiency in asset management, diversified portfolio and payment methods and the commitment and capacities of its human resource, combined with its good governance, find it well poised to build on the excellent performance to sustain growth as a provider of responsible and innovative financial solutions, in a market which brims with much potential.

LOLC Myanmar Microfinance Company Limited

Leveraging on the strength of the LOLC Group with Development Finance Institutions (DFIs) LOLC Myanmar was able to increase its debt by USD 18 Mn during the year. In addition to BlueOrchard Finance who has been with the Company since 2016, the DFIs partnering LOLC Myanmar during the year were Symbiotics, Triodos Bank, Alterfin, Gawa Capital and MicroVest. It is noteworthy that UNOPS-LIFT offered a subsidy for currency exchange rate risk hedging during the year through TCX in an environment in which Foreign Currency Hedging mechanisms are not available.

The increased liquidity enabled LOLC Myanmar to open 16 new branches and increasing the branch network in the Yangon and Bago Regions and the Mon State from 20 to 36 (increase of 80%), and the number of credit officers by 110 from 106 to 216 (increase of 104%). The portfolio increased by 127% to reach USD 23.6 Mn. The total clients reached 80,470

Management Discussion & Analysis

Overseas Expansion

increasing by 33,139 (70%) during the year. Total assets increased by 170% during the year to reach USD 34.5 Mn.

This robust growth resulted in an increase in the Company's Financial income by 102% to USD 4.9 Mn from the USD 2.5 Mn recorded in the previous year with Profit Before Tax reaching USD 0.5 Mn during the year.

It is significant to note that LOLC Myanmar maintains one of the highest Savings bases amongst the MFIs. Despite the restriction of being permitted to mobilise savings only from its borrowers, the Savings base increased by 94% to reach USD 4.3 Mn from the USD 2.2 Mn a year ago. This translates to 18% of the portfolio reflecting the positive impact of our loan facilities.

During the year under review the Company was able to develop two new individual loan products. Employee Loans were initially developed for staff of Commercial Banks and have now been extended to Teachers as well. This product filled a void in the market to cater to the fast growing segment of wage earners who have a need to uplift their lifestyles to cater to the demands of their careers. With the support of the portfolio guarantee provided by USAID for facilities granted to the Agricultural value chain, a Farmer Loan product which has a seasonal rental was developed and launched to 225 farmers through a pilot project in the Bago Region. This product is proving to be a success and we plan to offer these facilities in all the regions we operate in.

A key challenge thus far has been the dearth of qualified staff and staff retention in a highly competitive environment. The company is addressing this challenge with overseas training to Senior Management through Women's World Banking in the USA and India, Boulder Training Institute in Italy, training for IT personnel in Thailand with exposure visits to Sri Lanka. In addition to the above and the induction and refresher training conducted on a regular basis, the Company has encouraged & facilitated staff participation in training programs conducted by the MMFA and the Regulator for the industry. We have also facilitated special training for staff ranging from Product Development to Leadership.

Amongst the other challenges are the lack of reliable credit information due to the absence of a credit bureau and lack of capacity amongst regulators which delay business approvals. The active role played by the Myanmar Microfinance Association to address most of the challenges faced by the industry is encouraging. Their action includes lobbying for reforms in the MFI sector regulations.

With an intent to increase our outreach, LOLC Myanmar will drive the expansion of its branch network to Magwe, Mandalay, Sagain and Southern Shan State. It should also be noted that currently all but two of our branches are powered by Solar energy; reflecting the Company's commitment to safeguarding the environment.

From a technology perspective, the Company already provides SMS alerts to its savings account holders when deposits and withdrawals are made from their savings accounts. Customers can even request for details of the last five transactions over the past 3 months through SMS. Further, all individual loan customers get an SMS alert two days prior to the due date for their rentals, arrears and payments. Currently, we have successfully tested the use of Tabs and Printers by Credit Officers and hope to roll out this scheme during the coming year.

LOLC Myanmar plans to maintain its growth momentum in the years ahead, obtain SMART Campaign certification during the year ahead and achieve its aim of being the most respected MFI in Myanmar.

Pak Oman Microfinance Bank Limited

Following LOLC Group's foray into Pakistan through its acquisition of a 50.1% majority stake in Pak Oman Microfinance Bank Limited (POMBL) in 2016, the Group's unique and proven Microfinancing (MF) model has succeeded in making inroads in a market with a population of over 200 Mn people and low levels of MF penetration. POMBL registered growth in all areas of operations in 2017 and the pace of growth picked up in the latter half of 2017, following an injection of equity by LOLC Group in June 2017. The Bank's Profit Before Tax grew by a remarkable 195% to reach Rs. 43.7 Mn compared with Rs. 14.8 Mn in 2016. The bank with operations of 33 branches took on board new recruits for areas of operations, human resource, credit and risk management to meet challenges of the future.

A conducive macroeconomic and regulatory environment supported exceptional growth in Pakistan's MF industry during the year. The number of total borrowers in the industry grew by 31% to 5.5 Mn and the total loan portfolio grew by 48% to Rs. 203 Bn, whilst the industry outreach expanded to 3,220 units.

A financial inclusion strategy and several regulatory changes by the State Bank of Pakistan, were amongst the key supporting factors. These include the revision of policy on lending limits of Microfinance Banks (MFB's) to cater to the needs of the lower end of Small and Medium Enterprises (SME's); the introduction of a non-banking micro finance regulatory framework which enables NGO's to seek license to engage in MF and the establishment of a deposit protection authority which has helped bolster investor confidence.

In addition, education of MF clients by different bodies and the technology drive by industry players also contributed to excellent growth rates during the year.

At the same time, several challenges, in the macro socio economic environment as well industry specific environment, pose challenges to the growth of the MF industry in Pakistan. For instance, MF penetration is restricted to just about 2 provinces and untapped areas in other two provinces of Pakistan have not been explored (Pak Oman Bank has license to operate across the entire country); whilst low literacy rates also inhibit expansion and successful entrepreneurship. Industry specific factors such as high staff turnover rates of around 20%; the availability of non-regulated alternative funding; the small value and short repayment cycles of MF loans which restrict growth of the industry; over indebtedness amongst clients; their vulnerability to multiple risks; increasing competition and a dearth of qualified staff are some of the factors which challenge the MF industry in particular.

Despite these challenges in the operating environment, the Bank expects to achieve considerable milestones which are ambitious, but nevertheless considered realistic and achievable. The year ahead will see the Bank focus on upgrading and strengthening its organisational infrastructure to support its business strategies; prioritising strategies for critical components of the business including products, pricing service quality and customers; improving operational efficiency and rolling out new and redesigned savings and loan products whilst increasing income from existing products through improved costing and pricing mechanisms; the launch of asset based financing product, a liability sales product and a savings mobilisation campaign.

For the next five years, the Bank will pursue strategies of branch and staff expansion, product development, upscaling of loans, deposit mobilisation from retail customers, promotion of online banking and strategic alliances for payments/collections and the launch of insurance products such as health and livestock insurance to meet the needs of a market which remains vastly untapped in MF as well as deposit mobilisation.

An in depth understanding of local needs that Pak Oman possesses, combined with LOLC's diverse portfolio of products, its experience and successful model of MF, find the Bank well positioned to create value for Pakistani people through well-targeted and substantive projects and operations and thus contribute to sustainable growth of the Group and the country.

PT Sarana Sumut Ventura

In March 2018, LOLC ventured into Indonesia, acquiring controlling interest of PT Sarana Sumut Ventura. With a population of 261 Mn., Indonesia would play a pivotal role in LOLC's international expansion in Medium and Small Scale Enterprises (MSME) financing.

At the time of acquisition, the Company comprised total assets of IDR 51,752,213,967 (USD 3,762,156) and a staff of 54.

The year ahead will see LOLC Group consolidate its investment in Indonesia through the introduction of the Group's best practices and expertise in MSME financing. It is currently recruiting personnel as well as introducing its HR policies and training practices to support the operations in Indonesia. Moreover, the implementation of LOLC's in-house developed IT system 'Fusion' is currently in progress, and this online real time IT system which connects the entire branch network, will enable a high level of productivity as well as centralised risk management.

Establishing of a branch network, introduction of sound governance and risk management principles are amongst the Group's priority areas which will lay the foundation for sustainable growth for the years ahead.

LOLC will seek to leverage its competitive advantages in reaching out to the under-served, bottom of the pyramid population of Indonesia and in harnessing the significant win-win opportunities in a large market.

Management Discussion & Analysis

Other Strategic Investments

Other Strategic Investments

CONTRIBUTION TO LOLC

889 Rs. Mn	755 Rs. Mn	1,705 Rs. Mn
Revenue (ICT)	Revenue (Healthcare)	Profit Share (Seylan)

During the year, the Group restructured the ICT Sector to enhance its efficiency and services to both internal and external customers.

LOLC Group's ICT Sector, branded as LOLC Technologies, comprises 3 verticals; namely. Group ICT Shared Services, Digitisation Services and Partnered Solution. During the year, the Group restructured the ICT Sector to enhance its efficiency and services to both internal and external customers.

The sector reported a growth in Revenue and profitability to contribute Rs. 844 Mn to LOLC Group Revenue and a Profit Before Tax of Rs. 155 Mn to Group profits. The number of employees remained at 117 during the year.

Group ICT Review

LOLC Group IT shared services plays a critical role as a provider of efficient and effective IT solutions to all business sectors of the Group which includes Financial Services, Insurance, Plantation, Healthcare, Hospitality & Leisure and Manufacturing & Trading. The IT Shared Services continued to be driven by two overarching strategies for the Group, namely "Mobile 1st" and "Cloud 1st"; whilst the year under review saw the addition of a third dimension to this strategy, "Data 1st". Given the increasing importance of data in a data driven global economy, the strategy becomes a timely addition and several projects were initiated during the year to drive the data driven strategy of the Group.

Whilst Group ICT has been providing its services to over 300 locations of the Group located across the country, during the year under review, it also extended its services to the Group's overseas locations in Pakistan, Myanmar, Cambodia and Indonesia, thus enabling standardisation of the Group's operations across locations, cost savings, as well as increasing efficiency.

As the Group's digital footprint increases and widens, so do the threats to cyber security. ICT Shared Services, as part of its continuous efforts, took steps to enhance the enterprise security architecture of the Group. A comprehensive firewall and security policy management solution for multi-vendor, next-generation firewalls, was implemented during the year. Moreover, with the growth in the use of web based applications and the resulting increase in exposure to the world wide web, ICT shared services also invested in a web application firewall to protect the application systems.

One of the key support service solutions provided to the Group during the year was to enable a mobile collection application for the Group's Financial Services Sector. The Solution was a significant step to introduce door-to-door banking - a mobile based deposit collection service facilitated by a mobile collection application. This application saw year on year collection in value terms doubling to Rs. 2.6 Bn a month, accounting for nearly 30% of the Group's monthly collections.

Group ICT also enabled LOLC Finance (LOFC) and Commercial Leasing and Finance (CLC) to become the first Finance Companies to integrate with "Just Pay", LankaClear low value transaction systems. LOFC will shortly launch the merchant acquisition and low value payment service to support the low value electronic transactions, which will be powered by a mobile platform named iPay.

Management Discussion & Analysis

Other Strategic Investments

The other significant Group-wide IT initiatives during the year are as follows:

Sector	Project/System	Status
Finance	Full automation of the LOFC call centre with a view to centralising it for LOLC Group	Commenced the facilitation and currently in progress
	"Smart Collect": the automation of a data driven smart loan origination process with mobile technology for the collection of loans due.	At pilot stage
	System Integration and enhancements to support the business as well as compliance requirements of the Credit Card industry to enable the launch of credit cards by LOFC in the year ahead	
	Process re-engineering through the introduction of robotics process automation to automate human task to enhance efficiency	Have had quick wins with the unit contributing immensely to the process improvements specially with in the customer touch points.
	Infrastructure and related systems to enable LOLC Cambodia to launch its digital journey and be agile in the technology front with true API driven architecture to support the digital journey. Immediate benefits to customers would be the introduction of ATM access through the Cambodia national switch; inter account fund transfers through the fast network with mobile and internet banking service	Finalisation stage with implementation and completion likely expected to be next year.
Manufacturing & Trading	Enabling the Digital Transformation of Browns Group with the upgrade of the Enterprises Resource Planning (ERP) System	Project will kick off this year and will be completed in 9-12 months
Groupwide	Created a new unit for Business Process Re-engineering to enhance efficiency and efficacy across the Group with a view to re-looking at our businesses from a ground zero perspective with the possibility for total digitisation	

Digitisation Service

The Group has commenced the Digitisation of paper documents as a vital step to move towards a paperless environment and to increase efficiency of services through digital access to files and documents. The digitisation services have thus far been extended to CLC, Insurance and the Group's Legal Department. The year under review saw the digitisation of over 3.5 Mn documents generating a revenue of Rs 25 Mn to Group ICT. Plans are also underway and a Pilot project is in progress at two locations, to scan at source. The Group is confident that the project will be fully completed by the next financial year, enabling greater efficiency and cost savings and moving towards a truly paperless environment.

Partnered Solution LOLC Technologies Limited

LOLC Technologies (LOTECH) the Group's IT solutions provider for external customers is today the number one cloud-based Enterprise Financial Management (EPM) solutions provider in Sri Lanka for Oracle EPM suite; well supported by the partnerships with Oracle Corporations, Microsoft Corporation and ACL Services Limited. LOTEC focuses on establishing strategic value and measures of success and invests in providing comprehensive business management platforms which transform the way a client's business is run.

LOTECH continued to provide Analytical solutions, powered by ACL, for many of the corporates in Sri Lanka during the year as well, thus propelling LOLC Technologies to be the market leader in Sri Lanka in Financial Audit and Risk Management analytic tool. These Data Analytical solutions are designed specifically to help risk and control groups, such as Audit, Risk, Compliance, IT or Financial Control professionals to perform in-depth analyses of data with ease.

In addition, LOTECH also established itself in the service management applications with its own product OASYS which is now being used by several clients for IT Service Management, Employee Service and Admin Services Management. LOTECH hopes to take OASYS global within the coming years.

In a backdrop of changing demographics and trends in Healthcare, increasing purchasing power, awareness and education levels, which have been contributing to a sharp growth in demand for Healthcare services in Sri Lanka, LOTECH took a strategic decision to invest in Sri Lanka's Healthcare sector. The Company has since become one of the leading Healthcare IT solutions providers in Sri Lanka who assists hospitals to transform the way the Healthcare business is run through Finance, HR, Customer Experience solutions and Analytics. LOTECH team provides consultancy as well as implementation services coupled with industry best practices for enterprises in Sri Lanka to embark on a journey of Data Warehouse/Data Lake and Business Intelligence solutions.

Moreover, LOTEC, through the Company's Governance, Risk and Compliance (GRC) arm provides a wide array of services including consultancy for ISO27001, ISO9001 and ISO20000 implementation; audit and consultancy; Information Security reviews on business critical infrastructure; Vulnerability Assessments and Penetration Testing (VAPT); IT Governance and Strategy Development; Information Security Policy Procedure development; Comprehensive Application Security reviews; Business Continuity and Disaster Recovery Planning and Mobile Application Security Reviews.

LOLC Technologies' (GRC) arm carried out a number of projects over the past financial year, which included assistance to a large scale E-commerce health service provider to upgrade their ISO 9001 certification to the latest 2015 version. Moreover, strategic partnerships have been established with a global mobile application security testing solutions vendor, who has appointed LOTECH as their exclusive representative in Sri Lanka.

The GRC Research & Development team also successfully developed an open-source software solution which enables small organisations to setup a Security Operations Centre with key functionalities and LOTECH will market this product as a managed service through the other partnerships the Company has established. The GRC unit also secured an assignment with the Information and Communication Technology Agency of Sri Lanka (ICTA) to carry out Security Audits for 120 Government Websites for which tenders were called in June 2017. LOTECH won this assignment after competing with leading consultancy firms in Sri Lanka and overseas, including the "Big Four'; thus underscoring the significant achievements and capabilities of a relatively young unit

The world today is witnessing the fourth industrial revolution driven by a new breed of advanced technology, which is fundamentally altering the way we live, work and relate to one another. New technologies are bringing biological and physical transformation to systems, processes and businesses. Digital Disruption and technology lead innovation, and technology-based start-ups which disrupt incumbents have gathered momentum globally in every sector. Thus transformation of businesses to face disruption and evolve itself continuously is the key to survival in the new era of digital disruption. LOLC Group IT thus plays an invaluable role in this landscape in spearheading and enabling the constant innovation of processes and business models themselves for LOLC Group to remain future ready and competitive.

Recent years have seen exponential growth in the access to and the use of the internet, online hours and smart phone penetration globally. Much of the growth has been driven by more affordable smartphones and mobile data plans which have greatly reduced the digital divide between and within countries. Myanmar, Cambodia and Pakistan are countries which show higher growth than the global averages. Sri Lanka in the recent years also witnessed a significant growth in internet connectivity and smart device penetration which is now changing the business landscape of many sectors.

In the light of such changing landscapes which offer high growth potential, the digital solutions LOTECH offers across multiple domains, provide comprehensive Business Management Platforms to transform clients' businesses and provide analytical agility and user autonomy; backed by exclusive partnerships with global suppliers. These solutions have seen a significant increase in demand, whilst the successes LOTECH has achieved in a short time span underscore its capacity to harness the myriad opportunities in this high growth sector for sustained growth for itself, the LOLC Group and its clients.

Seylan Bank

Seylan Bank's focus on 'achieving sustainable growth rather than the pursuit of growth for its own sake' yielded dividends once again, as it crossed a significant milestone to achieve a Group Profit After Tax of Rs. 5 Bn in 2017, reflecting a growth of 24% over 2016 despite the slowdown in economic activity in the first part of the year. The bank's Profits After Tax grew by 10% to reach Rs. 4.43 Bn.

The Return on Assets (ROA) stood at 1.16%, while the Return on Equity (ROE) was 14.30%.

Management Discussion & Analysis

Other Strategic Investments

The year under review saw the bank place emphasis on upgrading its IT platform in order to improve its digital interface with customers and the efficiency of its internal operations. The bank also empowered and enabled its branch staff throughout the country to reach out to existing and potential clients more proactively, thus enhancing customer experience at all points of interactions with the bank.

The bank also recorded a first in its history by securing long-term funding totalling US Dollars 75 Mn, from a consortium consisting of several Development Finance Institutions and Funds and a commercial bank to support its SME drive. In addition to being a boost to the Bank's support of SME businesses, it is also a valuable external endorsement of the bank's performance and its risk management and governance framework.

Despite challenging market conditions, the bank's total operating income grew by a commendable 17.88% to reach Rs. 20.939 Bn. Its operating expenses increased by 11.9% to Rs. 10.882 Bn as personnel expenses increased by 12.71% over last year mainly owing to an increase in staff benefits and expansion of the cadre during the year. Other overheads and operating expenses also increased by 11.17% to Rs. 5.687 Bn as the bank continued to invest in human capital, technology and infrastructure such as the upgrading and refurbishment of its business centers and head office.

The bank's total assets increased by 14.64% to Rs. 408 Bn driven mainly by a growth in loans and advances, of Rs. 45 Bn. Despite the prevailing competitive business environment, the bank's credit growth reached 19% mainly driven by SME's and corporates.

The bank will continue to focus on increasing its market share in all segments, namely, Corporate, SME and Retail, by increasing business volumes channelled through its branch network and other lending units.

The bank's campaigns to attract deposits yielded excellent results as the deposit base grew by 12% to Rs. 307 Bn in 2017. The Bank offered a variety of deposit products that carried incentives and value added features which targeted a wide spectrum of customer segments from infants to senior citizens. 'Seylan seylfie', 'Income Saver' and 'Money Market' are a few of the new products which were introduced in the recent past to meet customer needs better.

The bank continued its focus on the CASA and grew its base by Rs. 6.88 Bn reflecting a growth of 7.7% over the year. The bank's CASA ratio stood at 31.2% by end 2017 despite competitive market rates.

Foreign currency financing grew by Rs. 9.6 Bn at a rate of 51%, of which the major component (of 48%) was United States Dollars (USD).

The bank continued to be well capitalised in 2017, with a total Tier 1 capital ratio and a total capital ratio of 11.16% and 13.25% respectively, which were well above the statutorily required levels of 7.25% and 11.25% respectively. A Common Equity Tier 1 (CET) ratio of 11.16% which is in excess of the mandatory Basel III CET 1 ratio of 5.75%, which is being phased in, augurs well for the capital strength and future expansion of the Bank. Internally-generated capital, in the form of retained earnings, increased by 22.3% in 2017.

The implementation of the new global regulatory standard – Basel III, will bring more pressure to bear on the Bank's Capital Adequacy Ratios. The bank has hence been keenly mindful of the impending requirements and taken steps to ensure that it will operate well above the required minimum regulatory capital and liquidity requirements at all times.

Seylan will continue to make significant investments into developing resources and methodologies to enhance its engagement with the SME sector of the country and continue to place emphasis on creating value for its customers in an environment of friendship and convenience thus living by the bank's tagline 'The Bank with a Heart'.

Browns Hospital

Browns Hospital, Ragama, the maiden venture in Healthcare by the Browns Group which commenced operations in March 2015, completed its third year of operations during the year under review. Built with an investment of more than Rs. 2 Bn, on a 179 perch property, the hospital is strategically located in Ragama to serve the Colombo North and North East markets and has a capacity of 60 beds.

The Hospital showed remarkable progress to achieve budgeted revenue targets, despite a challenging operating environment due to the imposition of new taxes on certain services and payments to clinical practitioners as well as increasing competition. The number of inpatients as well as outpatients at the Ragama hospital increased significantly during the year under review whilst the number of surgeries performed also increased, contributing significantly to the Hospital's revenue. The year under review also saw the introduction of specialised areas such as Gyn & Obs and Dental care. During the Dengue epidemic of 2017, Browns Hospitals operated at full capacity, serving a large number of patients with comprehensive care. The latter part of the financial year saw Browns Hospitals focus on driving its Gyn & Obs services, which enabled the Hospital to increase its theatre, laboratory and pharmacy revenues.

The next few years ahead will see the Hospital focus on introducing new specialties, launch diagnostic and Laboratory collection centers and also begin partnerships with general practitioners to increase inpatients to its hospitals. In an operating environment which is becoming increasingly more competitive, Browns Hospitals will focus on clinical excellence, being patient centric with a superior service and becoming a multi-specialty hospital chain; as it aims to expand its services across the many localities and finds itself well positioned and supported by the strengths of LOLC and Browns Groups to become a leading Healthcare provider in Sri Lanka.

SLINTEC

During the year under review, LOLC joined the Sri Lanka Institute of Nanotechnology (SLINTEC), with a view to harnessing SLINTEC's intellectual capital as well as infrastructure capacities on Nano technology, especially its expertise and research capabilities. This partnership is intended to bolster LOLC's competitive edge in the Scientific and Industrial sectors, into which the Group has diversified in the recent years. It will facilitate the development of innovative products and systems for sustainable business growth in these non Financial sectors of the Group such as Graphene and Advanced Material related research, Agriculture, Cosmeceutical and Nutraceutical sectors. LOLC became the seventh private sector enterprise to partner SLINTEC, the others being Brandix, Dialog Axiata, Hayleys, Loadstar, MAS and Lankem.

Ceylon Graphene Technologies (Pvt) Limited

The year under review saw the incorporation of "Ceylon Graphene Technologies (Pvt) Limited", a joint venture between Lanka ORIX Leasing Company PLC and SLINTEC (Sri Lanka Institute of Nano Technology). with the objective of adding value to Sri Lankan Vein Graphite, which is widely known as the "best graphite in the world". The Company, launched with an initial investment of US Dollars 2.35 Mn.; proposes to harness the innovative technology and expertise which can enhance the value of Graphite by a magnitude of over 5000 times at the minimum.

The graphite mining industry in Sri Lanka dates back to 200 years with periods of boom experienced during the First and Second World Wars. Graphite has been exported from Sri Lanka for the last 160 years, with the mineral earning as much as Rs. 2.2 Mn in 1899, accounting for 22% of the total foreign exchange -earnings at the time. Natural Graphite from Sri Lanka is of very high quality with Carbon constituting as much as 99.9 % of it with averages varying from 90 % to 96 %.

SLINTEC, specialises in Nano Technology R&D processes, one of which includes the innovation of novel processes and value addition to Sri Lankan Graphite to produce high quality Graphene Oxide and reduced Graphene Oxide from Ceylon Graphite which thereby results in a high value product for local and export markets.

Ceylon Graphene Technologies Pvt Ltd is Sri Lanka's first Graphene and Advanced Materials company to manufacture Graphene products (Graphene Oxide and reduced Graphene Oxide) of highest quality from best quality vein graphite mines in the world. Sri Lanka is famed for being the only major producer of crystalline vein graphite (lump or Ceylon graphite) in the world. Graphene often hailed as the "miracle material of the Future" is a material which brims with vast potential due to its properties; to create new applications and thus reach new markets, supported by a rapid pace of development over the past few years.

Thus, the launch of the Company for innovative and profitable partnership marks a milestone in LOLC's strategic journey towards sustainable business opportunities through its initiatives in areas such as minerals and natural products, with the objective of adding value to those raw materials to our stakeholders and to the Sri Lankan economy.

Sustainability Report

Seamlessly connecting our many stakeholders

One of the notable features of LOLC Group, which it is proud of, is the relatively high level of female representation at senior management and executive levels of the Group. As much as 14% of the Group Corporate Management and 21% of Operational Management are women whilst women employees across the Group and across ranks amount to over 24%.

Our People

"What Defines" LOLC Group is ultimately about its people - Visionary, Bold, Agile, and dedicated to driving the Group to blaze new trails with innovation, talent and hard work.

What Defines our HR Model

The Group's HR function is a centralised "shared service" for all the companies under the LOLC umbrella, engaged in diverse businesses and spread across diverse locations both locally and overseas. The success of this model has been a key enabler of consistency in service standards and people development, HR best practices and learning; in addition to the spirit of unity that it fosters.

LOLC has a unique culture across the Group which encourages minimum hierarchy; valuing professionalism over rank or stifling practices. The culture also promotes bonding amongst employees sans any boundaries of ranks; with managers and employees reaching out to offer support at times of need to an individual, a common phenomenon. An Open Door policy enables any employee to approach another employee including Directors. The culture also ensures greater transparency in our processors and procedures. The Group's recently acquired entities are also successfully embracing this culture. Moreover, service orientation, integrity and loyalty are hallmarks of the culture which we have fostered over the years and a key to the competitive edge we have gained.

One of the notable features of LOLC Group, which it is proud of, is the relatively high level of female representation at senior management and executive levels of the Group. As much as 14% of the Group Corporate Management and 21% of Operational Management are women whilst women employees across the Group and across ranks amount to over 24%.

The Group follows a streamlined recruitment process and during the year under review, a total of 2,320 new recruits joined the Group; led by large scale recruitment by its subsidiaries CLC and BRAC in line with their expansion.

It is most heartening to note that employee satisfaction levels, as reflected in the retention ratio of the Group, continues to remain high. Retention at the highest Corporate management level is almost 100% whilst at Executive and above levels it is amongst the best in Sri Lanka's corporate sector.

Our interaction and engagement with people across the spectrum is characterised by respect, accommodation and fairness. Respect for rights influences our behaviour from recruitment policies, working conditions and work culture

1 The training programme at the Frankfurt Business School in Germany in 2017.

2 A training programme conducted at the LOLC Head Office.

3 LOLC Insurance Annual Sales Convention 2017.

4 Pillars of Success by LOMC - 2017.

Sustainability Report

to the manner in which we engage and interact with stakeholders. Thus, the Group has clearly set out HR policies which are also well documented and made available in the portal for any employee to access.

HR Policies

Amongst the Group's clearly defined and documented policies is a Grievance Redress Policy which clearly explains the procedures to be followed when faced with harassment of any kind. HR Policies are also periodically reviewed to identify any possible policy gaps and new areas for inclusion. On our Plantations, regular community level meetings are followed up with Management Group reviews to ensure that the human rights regime on the plantations remain exemplary and free from abuse of any kind.

'Employee Voice' is actively encouraged, heard and recognised across the Group. These include the freedom to organise themselves and gather together, hold regular meetings to handle employee grievances and immediate relief and assistance for such grievances where necessary; practicing the principle of Collective Bargaining by all employees and Trade Unions with employees having the option to accept or reject conditions offered by the Company. The fact that there were no industrial disputes across the Group during the period under review, clearly establishes the fact that LOLC enjoys harmonious relations between Management and staff.

In addition to its own HR policies and the strict adherence to Sri Lanka's labour laws, the Group is also a voluntary signatory to the United Nations Global Compact (UNGC) established code of Principles of which 4 of the Principles are guarding Labour relations.

Strategic priorities of HR in 2017

Amongst the key focus areas of LOLC's HR management and development agenda for the year under review were the implementation of the second phase of the Group Human Resource Management Information System (HRIS); the facilitation of the smooth merger of LOLC Finance with LOLC Micro Credit and the development of an expatriate pool to cater to the Group's widening footprint overseas.

Training and Development (T&D), promoting education and a culture of continuous learning remain key strategic priorities of the Group. The Group makes continuous investments into honing the talents and skills development of its people and developing them to reach their potential.

Building an expatriate talent pool

The Group has given precedence to open doors to its current cadre to benefit from overseas exposure at its many locations in Cambodia, Myanmar, Pakistan, Maldives and Indonesia. In the backdrop of the Group's widening geographic footprint with new destinations on the agenda for the next few years, the development of an expatriate pool is a key strategic imperative the next few years ahead. Whilst some employees are ear marked based on their performance appraisals, all interested employees are allowed/encouraged to submit formal applications through their immediate superior for overseas opportunities. Some of the employees who have been with the LOLC Group in Sri Lanka, have currently been positioned in its overseas locations as at 31st March 2018.

Following the launch of the first phase of a Group HRIS in 2016, which consolidated the HR systems of all direct subsidiaries encompassing 5,300 employees under a single, uniform, online platform; the year under review saw the implementation of its second phase.

Training and Development and a Culture of Continuous Learning

Training and Development (T&D), promoting education and a culture of continuous learning remain key strategic priorities of the Group. The Group makes continuous investments into honing the talents and skills development of its people and developing them to reach their potential which we believe goes hand in hand with reaching the potential of the Group. During the year we invested more than Rs. 124 Mn in training our people, conducting a total of 1,358 programmes which benefited a total of 6,621 employees. The key focus areas of Training and Development during the year were Leadership Development, Produce Development, Process Development, Credit Training, Soft Skills and on meeting Central Bank guidelines such as Know Your Customer (KYC), Anti-Money Laundering and Countering the Financing of Terrorism.

During the financial year, the Group invested a total of Rs. 125 Mn towards training its staff. Almost 90% of the entire staff was trained during the year.

The Leadership Development initiatives targeted those at the level of Chief Manager and above. Continuing the training programme which we initiated with the Frankfurt Business School in Germany, in 2016, supported by Group's funding partners as an extension of their funding arrangement; the Group sent another 70 employees in two separate batches, to the

Frankfurt Business School in 2017. The training conducted in two separate batches included classroom sessions as well as exposure field visits in Germany and was well received by all its participants. Training assistance also included a local training conducted by the Frankfurt School focusing on Executives and Senior Executives.

To strengthen a culture of Continuous Learning and our development initiatives, the year ahead will see the launch of an employee E learning portal.

Employee education also includes awareness generation programmes on several useful non work related topics. The topics during the year included Cancer awareness and Heart attack awareness and Blue Ocean Strategy.

Managing and Recognising Performance

LOLC's Performance Management system has been developed to incorporate an enlightened approach to goal based performance appraisals across executive and management grades in the Company. Employees are appraised on KPI's agreed on at the beginning of the year and Bi-annual performance appraisals are carried out on all staff. The appraisal is a confidential process between the employee and the supervising officer. Any areas of performance which need improvement is identified and analysed with training needs identified to address those shortcomings.

The Group's high performers were felicitated and recognised at the following events during the year:

- Pillars of Success by LOMC
- Annual Sales Conference by LOLC Insurance

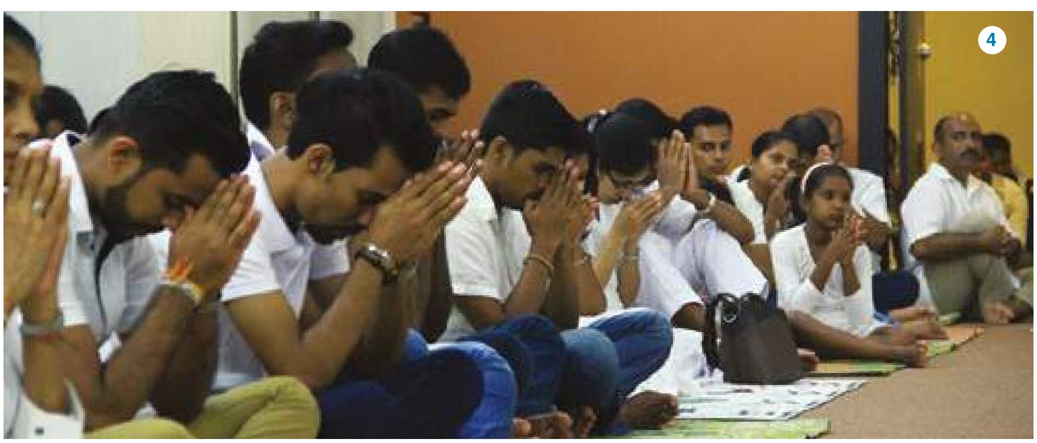
Priorities for the Future

As much as 63% of LOLC Group's employees are below the age of 30 years – the category known as the Generation Y (Gen Y) and they are the future leaders of our Company and the nation, who will define how business is done in the future. The Company is thus focused on creating an environment which is conducive to tapping into their energy and creativity. At the same time, a high percentage of Gen Y has sprung several challenges and a need for us to understand and address the differences between the Generation X and Generation Y (Gen Y) employees of our workforce. Gen Y are found to look for more instantaneous rewards and faster career progression, use technology as a primary form of communication and seek different forms of informal engagement. These factors contribute to the low retention rates amongst this age group across the industry. Research has also found Generation Y employees to be continuous learners, team players, collaborators, diverse, optimistic, achievement-oriented, socially conscious and highly educated, auguring well for dynamism and fresh perspectives for the future of our organisation. One of the factors that the Group identified amongst the Millennials was the importance they placed on their designations and the status it communicated in a Company. Our HR development strategies for the future will hence focus on ways to meet these concerns and enhance the engagement with the Gen Y amongst us. To start with, the Group initiated a process to restructure the Group's HR tiers, which could include a revision in the designations associated with different roles where appropriate. This initiative, being carried out with input from an external consultant, will benchmark with local as well as international best practices and is likely to be implemented in the year ahead. The initiative also supports the Group's current preference of recruiting freshers and training them rather than recruiting individuals with experience who are already established in the industry. The Group is also increasingly focusing on e-learning platforms and providing online training for new recruits as well as for existing employees.

The Group actively encourages employee interaction via formal as well as informal channels. Some of the informal channels during the year included the Annual Dinner Dance, the annual Kiddies Party, a Family Fiesta, Pirith Ceremony, a Sil campaign and a Musical evening.

The Family Fiesta was a novel event introduced during the year which provided a forum for any employee and their immediate family members to demonstrate a talent, or display a creation of their own such as cooking or handicrafts etc. and be recognised for their talents and skills at a fair in an atmosphere of fun and fellowship.

Sustainability Report



1 LOLC Family Fiesta - 2017

2 LOLC Kiddies Party - 2017

3 LOMC Cricket Carnival

4 Pirith Ceremony

LOLC Group's Commitment to the UNGC Principles

The LOLC Group is also a voluntary signatory to the United Nations' Global Compact (UNGC's) established code of principles and is thus guided by the 10 principles concerning human rights, labour, environment and anti-corruption promulgated by the UNGC. The solid framework provided by these 10 Principles is espoused by LOLC and its subsidiaries in what business they do and how they do business; across the many diverse businesses and the many localities. Some of the ways in which we practice these principles are communicated in this Sustainability review as well as elsewhere in this Annual Report such as the Enterprise Risk Management and Governance Reports.

Our Social Capital

As one of Sri Lanka's largest conglomerates, LOLC Group's stakeholder network is one of the most diverse and geographically widespread. The multitude of our stakeholders today range from budding entrepreneurs and farmers in the rural hinterlands across Sri Lanka and the region, to urban and semi-urban retail and corporate consumers, travellers from across the seas, to international funding agencies and investors who partner us.

A win-win model that is intrinsic to our business

LOLC commenced its journey as a Leasing company; and adopting a top down approach soon ventured into providing financial solutions to SME and Micro enterprises of the country. The Microfinancing (MF) and SME Financing concept, which empowers the economically disadvantaged to become entrepreneurs by providing access to formal funding sans any collateral, has created livelihoods for hundreds of thousands over the past 30 years. A win-win approach to value creation is thus intrinsic to our business model. The Group's subsidiary LOMC has been the largest private sector Microfinance company in the country. In addition to our customer base of MF clients, the economic value creation of the other multitude of businesses, create direct and indirect employment and sustains many more families and communities across the island.

Moreover, the Group's involvement in the MF and SME sectors of the country extends beyond financial support to help value chain creation by providing strong market linkages for these entrepreneurs. Social value generation is thus integral to our business model. It has meant that we appreciate the importance of a win-win sustainable approach in business and has fostered empathy and understanding of the needs of the larger community, spurring us to create value with a Triple Bottom Line focus. The contribution we thus make towards the country's Bottom Line approach to enterprise that we have adopted.

The Ten Principles of UNGC:

Human Rights

- Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and
- Principle 2: make sure that they are not complicit in human rights abuses.

Labour

- Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- Principle 4: the elimination of all forms of forced and compulsory labour;
- Principle 5: the effective abolition of child labour; and
- Principle 6: the elimination of discrimination in respect of employment and occupation.

Environment

- Principle 7: Businesses should support a precautionary approach to environmental challenges;
- Principle 8: undertake initiatives to promote greater environmental responsibility; and
- Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

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

Some of the Group's win-win business integrated social sustainability Initiatives

Amongst the Group's business integrated social sustainability initiatives in Sri Lanka are the engagement with farmer communities by the Browns Agricultural divisions. These include the following:

Farmer Out Grower Model by AgStar

The community based farmer out grower sourcing model maintained by AgStar PLC is a classic example of a win-win social initiative. The backward integration provides Browns with a guaranteed supply source whilst the farmers benefit from a stable and guaranteed income. In addition, the Company provides farmers with ongoing technical support and special assistance, and empowers them with the required tools to improve quality and quantity of their yields; a strategy that has enabled these communities to boost their direct earning capacity.

Sustainability Report

Govi Nena Pahana

The 'Govi Nena Pahana' is an ongoing initiative under a MOU between the Brown's Agriculture Division and the Farm Machinery Training Centre (FMTC) to introduce agricultural mechanisation to farmer communities and to raise awareness of the correct use of such equipment; all of which will enable them to migrate to more sustainable agricultural practices in the longer term.

SAPSA Sisu Nena Pahana Programme

The 'SAPSA Sisu Nena Pahana' Programme conducted once again through a MOU with the Farm Machinery Training Centre (FMTC); is an extension of the Govi Nena Pahana, to students of Agriculture – who could be the future leaders of Sri Lanka's agriculture sector and thus benefit from awareness of the proper use of technology.

Integrating Social Sustainability with Financial Empowerment

LOLC Cambodia and LOLC Myanmar exemplify a business integrated, socially sustainable model of value creation through a range of initiatives. It is thus most heartening that an external desk review report by B Lab titled 'GIIRS Impact Company Rating' has rated LOLC Cambodia with a Platinum grade for its impact business model.

Amongst its key social sustainability initiatives is financial literacy programmes for rural people through in-class training and a radio program, and awareness raising through communication channels such as workshops and banners and brochures. Increasing the level of financial literacy amongst rural people is a win-win for the Company and the clients. By improving the financial management of clients' businesses and borrowing practices, it supports the long term sustainability and progress of the client, whilst in turn reducing the long term risk for the Company, enabling the Company to partner their progression. The financial literacy programmes conducted for LOLC's clients, people in the community and university students, cover topics such as the effective use of loan funds and the effective management of one's incomes and expenses.

Participation in Financial Literacy programmes of LOLC Cambodia				
Period	Total Participation	No. of LOLC Clients		No of Females
Jan-Dec 2017	14,202	5,018	78 %	11,043
2013-2017	43,176	9,665	77 %	33,230

Progress out of Poverty Index (PPI): outreach to client categories in Cambodia

Client	Very Poor	Poor	Low-income	Non-poor	Total
%	6.8%	28.8%	51.2%	13.2%	100%
No.	5,212	22,194	39,385	32,618	99,409

Amongst the knowledge dissemination programmes by LOLC Cambodia is a live radio program named "Idea for growth" held weekly and co-produced by LOLC, Cambodia Microfinance Association, and the Credit Bureau of Cambodia. It discusses areas such as consumer protection, self-motivation, and small business management to rural people.

Creating Value across the country and overseas

Geographic spread of LOLC Cambodia:

Coverage	Data for CBC Aug 2016	2010	2011	2012	2013	2014	2015	2016	Dec-17
No. of offices (Including H/O)		28	32	39	46	54	67	73	77
Coverage Area									
Province	25	16	17	17	19	21	25	25	25
District	197	100	106	120	141	161	183	187	187
Commune	1,648	817	876	1,026	1,165	1,314	1,475	1,501	1,488
Village	16,247	3,950	4,693	5,897	7,230	8,569	9,600	10,281	10,852
% of Village Covered		24%	29%	36%	45%	53%	59%	63%	67%

Outreach	No of clients	Portfolio
Urban	6%	10%
Rural	94%	90%

Outreach	No of clients	Portfolio	
Financial Education	2013	On-going	Total of 97,397 customers has been trained
Client Protection Principles	2017	On-going	CPP certification under process
Gender Assessment	2017	On-going	With the technical assistant of UNCDF
Tablet project	2018	On-going	Tablet using for the loan collection to reduce paper process and center meeting time
Area Expansion	2013	On-going	Currently 2 regions and 1 state implemented out of 14 and 2 regions are awaiting approval from regulatory

The geographical spread of LOLC Myanmar over the 5 years are as follows:

Outreach	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18
No of Branch Offices		6	9	20	33
Customers reach	2643	10428	22467	47212	75262
No of regions	1	2	2	3	3
No. of Townships	2	6	9	21	41
No. of villages	-	4	10	102	297
No. of Wards	8	32	71	161	335

Health Camps by Browns Hospitals

The year under review saw Browns Hospitals conduct over 10 wellness fora and health camps in the Gampaha region whilst a free medical clinic was conducted by the doctors of Browns Hospitals with the support of its nursing staff. The medical tests conducted for participants at the clinic free of charge included vision tests, urinary tests and blood sugar tests, blood pressure measuring and BMI assessments.

Helping Farms with knowledge to modernise their animal husbandry practices:

The Browns Veterinary Pharmaceuticals Division continues to conduct educational programmes for animal farms across Sri Lanka, to create awareness and share knowledge on modern animal husbandry practices. These modern practices include the latest trends in the Broiler and Layer industries, chronic farm animal diseases, methods on increasing productivity and the prevention of disease. During the year, two such programmes were held and were well attended, with over 50 participants at each programme. Furthermore, a third programme, as part of a series of monthly educational programmes, conducted in partnership with another farm and a supplier of biological products; had the participation of over 100 farmers.

Sponsoring Motor Racing

Browns Exide - the automobile battery Company, continued to sponsor the Fox Hill Supercross, strengthening the longstanding relationship of nearly a decade, with accredited racing bodies and the Sri Lanka Military Academy (SLMA).

Uplifting communities through CSR

In addition to the socially sustainable businesses and the impacts we have on communities through financial empowerment of people across the country and overseas, the Group also values Corporate Social Responsibility (CSR) and philanthropy at the level of individual Companies as well as through Group wide initiatives.

For example, ‘Browns Shakthi’ is the branded CSR programme which, true to its name (‘Shakthi’ meaning strength in Sinhala) strives to be a ‘strength’ to the marginalised, by uplifting their lives and improving their living standards. Browns, through its branch and dealer network solicits appeals for community assistance and responds to those possible by providing financial assistance and by lending time and effort through employee volunteerism. “Browns Shakthi” provides employees an opportunity to contribute to social upliftment and in addition, is a valuable platform for building camaraderie and channeling employee energies to wider social objectives. In addition to being a tri partitive commitment involving employees, the company and the community; it also gives opportunity for customers, investors and principles to join in.

Financial support and recognition for deserving top achievers in the Grade 5 Scholarship exam

The ‘Isuru Diriya Sisu Upahara Scholarship’ is the Group subsidiary LOLC Micro Credit’s most significant CSR project, held annually to felicitate the children of LOMC customers who achieved top marks at the national Grade 5 scholarship examination conducted by the Department of Education. In November this year, LOMC concluded its 8th annual ‘Isuru Diriya Sisu Upahara Scholarship Awards Ceremony’ at a gala event held at the BMICH in Colombo.

Sustainability Report

1 LOLC Insurance Health Walk

2 Isuru Diriya Sisu Upahara Scholarship Awards 2017

3 Browns Shakthi Project

4 Flood relief by CLC

5 Health camp by LOLC Insurance

A total of 979 students covering all districts in the country were awarded scholarships as well as cash prizes and gifts of stationery, books, sports items and school shoes at an investment of Rs. 10 Mn by the Company. During the official ceremony held at the BMICH, 264 students were able to accept the scholarships to support their first steps into secondary school while the gifts and scholarships of the balance 715 students were delivered to their homes. Similar to previous years, the selection criteria for the Sisu Upahara Scholarship programme continues to be well structured and transparent extending the scholarships to deserving students based on both merit and financial need.

Igniting the spirits of a Community and giving a hand to develop the potential of Children through upliftment of schools

Located in Sivalakulama in Galenbindunuwewa off Anuradhapura, Thodamaduwa Vidyalaya; despite being deprived of many of the basic facilities that a school ought to have, boasts of a number of zonal accomplishments in Volleyball, Aesthetics as well as academics. The school is blessed with a highly motivated principal and committed staff, which was a key factor in it being selected by Browns as the first school to be assisted under the 'Browns Shakthi' program. Moreover, the students of the school are mainly from the surrounding farming community and children of daily-wage earners.

"Browns Shakthi' team initiated a project to renovate the school, providing great "strength" to the current and future students of Thodamaduwa Vidyalaya and the neighbouring communities. The "Browns Shakthi" team first visited the school in December 2017, when it found the school library to be a dilapidated room with a limited number of books and chairs, and the children mostly read under Tamarind trees. They practiced volleyball in a ground which was unsuitable or in the paddy fields. The Principal identified a spacious library and playground as two of the immediate needs of the school.

Within four months, the dilapidated room was refurbished and expanded into a spacious building and equipped with book cupboards, books for a recommended list, chairs and tables; whilst an over grown and thorny area in the school premises was cleared, levelled and renovated and made into a spacious playground with separate areas demarcated for a volleyball court and an athletic track. The Browns team also donated Football, Cricket, Netball and Athletic equipment to the school to support the development of the sporting talents of current and future students.

Social Upliftment of Worker Communities by Maturata Plantations

This is an ongoing capacity building initiative by Maturata Plantations to provide estate worker communities with housing and basic community infrastructure to improve their quality of life. During the year under review, Maturata Plantations, with the support of the Plantation Human Development Trust and the Ministry of Estate Infrastructure Development, constructed two creches at LDA and Diyanilla Divisions of the Liddesdale Estate.

The Company also built 15 new houses under the "New Life Housing Continuation" Programme at the Maha Uva Estate whilst a further 44 houses were built with funding from the National Housing Development Authority (NHDA) on Gonapitiya Estate.

Furthermore, Maturata Plantations adds 10% to its cost of production every year, to allocate for welfare activities and medical assistance to its plantation worker communities as well as the neighbouring communities. As part of this initiative, a series of health camps were held during the year at High Forest, Mahauwa, Mahakudagalla and Bramley Estates, offering free health screening facilities to over 2,000 participants.

Clean Drinking Water for communities in Gal Oya

Gal Oya Plantations which consists of 7,659 hectares of plantation land with approximately 5,200 hectares of cultivatable extent allotted amongst 4,400 families. Given the large number of communities depending on the business, the Group continues to extend its support to ensure the socioeconomic well-being of these communities through the upkeep of community infrastructure, improvement of community health and sanitation services, and support of religious and cultural activities of the community.

Amongst the Company's initiatives to ensure decent quality of life and basic infrastructure is the provision of clean water through a fully equipped RO water purification plant with an installed capacity of 100,000 litres per day. The plant commissioned by the Group at a cost of Rs. 15 Mn, currently provides drinking water to over 1,000 families where a source of healthy drinking water is a dire need due to the poor quality of water and a high incidence of CKD (Chronic Kidney Disease) in the area. The Company conducts Chemical testing whilst daily monitoring is done by Company staff and verified by the National Water Supply and Drainage Board (NWSDB) to ensure that the water quality is in accordance with NWSDB standards.

In addition to the above, the Group also continued to reach out in many ways at times of need such as floods in Sri Lanka as well as Myanmar, and to help a fire destroyed household in Myanmar. The Group and its subsidiaries also continued with donations to schools, temples, elders' homes, orphanages etc. as well as the annual blood donation programmes to contribute to the National Blood Bank.

Sustainability Report

Sustaining our natural capital

LOLC Group's efforts to enhance the value of our Natural capital is two pronged. We strive to minimise our environmental footprint on the one hand whilst we also proactively seek ways in which we can contribute to the sustainability of the natural capital. The Group has decided to champion and espouse two key initiatives as its thrust areas - Reforestation and the development of Renewable Energy. The renewable energy initiatives aim to fund solar energy projects to offer solar energy at competitive rates whilst the reforestation project has set itself a target to plant 3,000 trees in 300 schools across the country within the first year.

Climate Change and Business

The Group's Micro Financing and SME sectors empower and support the economic progression of a significant segment of Sri Lanka's population. A larger share of this clientele is engaged in Agriculture or Agri related enterprises. The weather patterns to the quality of the soil and other natural factors are hence key determinants of the success of these enterprises and in turn, the sustainability of our profitability. Moreover, agricultural machinery and other Agri inputs also constitute a considerable portion of the Group's trading business and are hence dependent on the performance of Sri Lanka's Agricultural sector. And more directly, for our plantations, the natural environment is the key factor of production. Thus, in addition to environmental preservation being in sync with our values, it also makes business sense to us and is of strategic importance to the sustainability of our profitability.

A lot of our subsidiaries hence seek to geographically diversify to minimise risks of the vagaries of weather, which are increasingly becoming unpredictable. Drought or flood conditions in one region can thus be offset by conducive weather in another area of the country. LOLC Myanmar also conducts region or township assessment prior to deciding on a branch location. Product diversification is also a strategy which helps the Group mitigate the risks of climate change.

LOLC Myanmar has also developed a social and environmental policy for its operations

A number of the Group's financial subsidiaries have hence integrated environmental preservation into their business model. SME and Development Banking unit offers the "Green Saver" special loans for Solar projects and "E Friends II" a revolving fund which offers loan interest rate loan schemes for environment friendly projects.

Developing Renewable Energy

The need for conservation of energy and sources of renewable energy in the world has been made more urgent today than ever. The need is that much greater and immediate for countries such as Sri Lanka whose high dependence on oil imports continues to burden the Balance of Payments. Renewable energy is also of critical importance due to the favourable impact on the environment vis a vis the detrimental effect of greenhouse gas emissions from other forms of energy. In 2016, LOLC commissioned Sri Lanka's first privately owned Solar power plant- 'Saga Solar Power (Pvt) Ltd.' with a capacity to generate 10 MW.

In line with the Group's Triple Bottom Line objectives, Gal Oya sugarcane plantation will begin the construction of a power generation plant by end 2018, at an investment of Rs. 2.5 Bn which will produce 10 Mw of power using the waste from the Plantation's sugar factory and distilling plant.

Reforestation

The year under review saw the launch of the Group's Reforestation programme with the Sustainability Committee (SUSCOM) appointing a subcommittee to spearhead the project. The SUSCOM established an action plan which laid out the number of trees to be planted in schools located island wide that are in close proximity to its branch network. The programme is set to be launched in the year ahead with a comprehensive plan on how the trees planted should be maintained.

Furthermore, an Island-wide tree planting campaign was held by the Group's Insurance subsidiaries on a national scale from the 11th to the 25th of August in Galle, Ampara, Ratnapura, Kurunegala, Kandy, Anuradhapura, Jaffna, Negombo and Colombo, which saw the planting of 2,600 trees as at 31st March 2018. The campaign was spearheaded by the two insurance entities, LOLC General Insurance Limited and LOLC Life Assurance. In addition to contributing to the green cover in Sri Lanka, the project also aims to encourage the good habit of tree planting amongst the general public.

Solar Power for our branch network

The Group also ensures that all its new branches in Sri Lanka and LOLC Myanmar are installed with Solar panels to eliminate or at least reduce dependence on the national grid for their power requirements

Waste Management

Material Waste

Paper remains necessary to our operations and is the single largest material consumed across the Group. We continue to examine the paper use in each business unit in order to identify how we can reduce the volume of material we print, wherever possible and practical. The technology enhancements each year facilitate paper reduction across the many localities of the Group. For example, the new centralised HR management software has begun to reduce paper used for employee records and will contribute further upon implementation of its second phase. LOLC Myanmar and some of the local subsidiaries empowered its sales force with Tablets for use at point of loan collection during the year, which have contributed to significant reductions in paper use as well as enhanced efficiency and customer convenience and confidence. In addition, our employees across the board are reminded to minimise printing to what is essential and to use E communication channels as much as possible and recycle paper use for internal printing whenever possible.

Effluents

All wastewater generated as a part of the day-to-day operations of Browns Hospitals is first treated at the in-house wastewater treatment plant prior to its release to the environment. Meanwhile, clinical waste is collected by a Central Environmental Authority (CEA) licensed infectious/clinical waste management firm, which ensures the safe collection and proper disposal of infectious waste. All bio-medical waste is segregated from municipal waste, and is collected at a separate biomedical waste storage chamber to prevent odour generation and spill runoffs during the handling process.

Wastewater

Being a highly water-intensive process, AgStar PLC's Rice Milling Plant consumes large volumes of water on a daily basis, and reducing the water footprint remains a key concern for the Company. Hence, all water used during the milling process is first filtered through the CEA approved, in-house water treatment plant, prior to its release to the environment. Of the water treated on a daily basis, over 90% is released back to the environment.

Clean Air

Gal Oya Plantation's main crop – sugarcane, is a C4 type plant, which during Photosynthesis promotes the efficient operation of the Calvin-Benson cycle and minimises photorespiration, thereby extracting more Carbon Dioxide from a given amount of air than other plants. Moreover, Sugarcane is a C4 plant that grows throughout the year and also helps prevent water loss in dry climates.

Recycling

Browns Battery Division recycles all components of used Lead batteries. The closed-loop cycle of the Lead battery allows almost 99% of the used automotive battery unit to be recycled, which means a typical new Lead battery contains 60% to 80% recycled Lead and plastic. All used Lead batteries collected by Browns dealers and distributors are fully recycled at the in-house recycling unit. All components thus recycled are then re-used in the manufacturing process. Broadly, the recycling process generates plastic, which is recycled and reused for the manufacture of battery casings and Lead, which in turn is used in the production of new Lead plates and other parts needed for the manufacture of new batteries. The Sulfuric Acid in the battery is neutralised with an industrial compound similar to household baking soda which turns the Acid into water. The water is treated, cleaned and tested to ensure that it meets clean water standards before being released into the public sewer system.

Sustainability Report

1 LOLC Insurance Island-wide tree planting campaign

2 Saga Solar Power Plant in Hambantota

The Board of Directors

Mr. I C Nanayakkara

Mr. W D K Jayawardena

Deshamanya M D D Pieris

Dr. R A Fernando

Mrs. K U Amarasinghe

The Board of Directors

Mr. Ishara Nanayakkara

Ishara Nanayakkara is a prominent entrepreneur serving on the Boards of many corporates and conglomerates in the region. He initially ventured into the arena of financial services with a strategic investment in Lanka ORIX Leasing Company PLC and was appointed to the Board in 2002. Today, he is the Deputy Chairman of LOLC Group, holding directorships in many of its subsidiaries and associate companies. His vision to cater to the entire value chain of the finance sector manifested in the development of Microfinance, Islamic Finance, factoring through LOLC Factors, LOLC Life & General Insurance Companies and stock broking through LOLC Securities Ltd. Leveraging LOLC Group's expertise in the SME sector, the expansion into the Micro Sector was spearheaded by Mr. Nanayakkara, through LOLC Micro Credit Ltd, and BRAC Lanka Finance PLC. This interest in microfinance led to the growth of LOLC Group's international footprint, starting with an investment in PRASAC, the largest microfinance Company in Cambodia, followed by the inauguration of LOLC Myanmar Microfinance Company Ltd, a green field investment in Myanmar in which he was the founding Chairman, as well as his strategic involvement in LOLC Cambodia Ltd; the 5th largest microfinance company in Cambodia. Building upon his forte in microfinance, LOLC Group has further expanded its offshore portfolio with Mr. Nanayakkara serving as a Director of Pak Oman Microfinance Bank Limited, a joint venture based in Pakistan between the governments of the Islamic Republic of Pakistan and the Sultanate of Oman. Mr. Nanayakkara's motivation to expand into various growth peripheries is further illustrated through his role as the Executive Chairman of Browns Investments PLC. Through various strategic investments, he is committed to catalysing development in the growth sectors of the Sri Lankan economy. Endorsing his entrepreneurial spirit, Mr. Ishara Nanayakkara received the prestigious 'Young Entrepreneur of the Year' Award at the Asia Pacific Entrepreneurship Awards (APEA) in 2012. He holds a diploma in Business Accounting from Australia.

Key appointments: Deputy Chairman – Lanka Orix Leasing Company PLC & Seylan Bank PLC, Executive Chairman - Browns Investments PLC, Chairman - LOLC Life Assurance Ltd, BRAC Lanka Finance PLC, Director - Associated Battery Manufacturers (Cey) Ltd, PRASAC, the largest microfinance Company in Cambodia, LOLC Myanmar Microfinance Co. Ltd, Pak Oman MFB, LOLC Holdings (Pvt) Ltd, LOLC Asia (Pvt) Ltd, LOLC International Private Limited & LOLC Private Limited.

Mr. W D K Jayawardena

Kapila Jayawardena holds a MBA in Financial Management and is a fellow member of the Institute of Bankers and an Associate Member of the Institute of Cost and Executive Accountants, London. He served as Country Head and CEO (Sri Lanka and Maldives) of Citibank NA from 1998 to 2007.

With his varied experience in the fields of Investment Banking, Banking Operations, Audit, Relationship Management, Corporate Finance, Corporate Banking and Treasury Management,

Mr. Jayawardena served in the following Boards/ Committees:

- Chairman of the Sri Lanka Banks' Association (SLBA) in 2003/04
- President of the American Chamber of Commerce in Sri Lanka in 2006/2007
- Member of the Financial Sector Reforms Committee (FSRC)
- Member of the National Council of Economic Development (NCED)
- Board Member of the United States - Sri Lanka Fulbright Commission.

Kapila Jayawardena joined LOLC in the year 2007 as the Group Managing Director/CEO and is the Chairman/Director of the following companies and is also on the Boards of the subsidiaries of the LOLC Group.

Chairman

Eden Hotel Lanka PLC
LOLC General Insurance Ltd
LOLC Securities Ltd
Palm Garden Hotels PLC
Browns Capital PLC
Director
Seylan Bank PLC
BRAC Lanka Finance PLC
Brown & Company PLC
Riverina Resorts (Pvt) Ltd
LOLC International (Pvt) Ltd
Browns Investments PLC
Browns Advanced Technologies (Pvt) Ltd
LOLC Asia (Pvt) Ltd
LOLC Private Limited
Ceylon Graphene Technologies (Pvt) Ltd
Sri Lanka Institute of Nano Technology (Pvt) Ltd

Deshamanya M D D Pieris

Deshamanya M. D. D. Pieris is a graduate of the University of Ceylon (Peradeniya); Fellow of the Chartered Management Institute, UK and has been conferred the Degree of Doctor of Letters (Honoris Causa) by the University of Colombo. Doctor of Letters (Honoris CAUSA) by the University of Westminister and the title of Honorary Senior fellow by the Post graduate of Institute of Medicine. He is also "A Distinguished Fellow" of the Institute of the National Security Studies – Sri Lanka.

His career was in the then Ceylon Civil Service and later, on the abolition of that service, in the Sri Lanka Administrative Service.

He had a distinguished career in the public service and held several important posts, including that of Secretary to the Prime Minister; Secretary, Ministry of Public Administration, Provincial Councils and Home Affairs; Secretary, Ministry of Agriculture, Food and Co-operatives; Secretary, Ministry of Education and Higher Education and Chairman and Director General of Broadcasting.

He has also acted on several occasions in addition to his duties, in the posts of Secretary to the Ministry of Defense and External Affairs and Secretary to the Ministry of Trade and Shipping.

He has at various times been the Chairman of the National Institute of Education, Chairman – Board of Management of the Sri Lanka Institute of Development Administration; and Chairman of the Agrarian Research and Training Institute and Chairman of the Public sector Infrastructure Development Company.

He has also served on the Governing Councils or Board of Management of several Universities and Postgraduate Institutes, including the council of the University of Colombo, the Board of Management of the Post Graduate Institute of Medicine, the University of Colombo School of Computing, the council of the Buddhist and Pali University, the Board of Management of the Arthur C Clarke Centre of the University of Moratuwa, and the Post graduate Institute of Archaeology of the University of Kelaniya.

He has been a Director of Peoples' Bank, People's Merchant Bank PLC and a member of the Rural Credit Advisory Committee of the Central Bank.

He has served as a member of the National Salaries Commission and as a member of the Presidential Commission on Finance and Banking, and has chaired three Presidential Committees – one to examine and report on proposed mechanised gem mining in the Kalu Ganga; the other on the functioning of the Survey Department, and the third on the Sri Lanka Foreign Service.

Currently, he is the Chairman of the Board of Management of the Institute of Information Technology and serves on the Board of Directors of LOLC, the Governing Board of the Regional Centre for strategic studies, on the Board of Management of the Institute of Indigenous Medicine of the University of Colombo and on the Board of Management of the School of Computing of the University of Colombo. He is also a member of the Academic Affairs Board for Post Graduate Studies of the Sri Lanka Institute of Development Administration (SLIDA), the Board of Management of the SANASA Campus, a director of the MMBL/ Pathfinder Group and a member of the Board of Governors of Vidyodya Privena, Maligakanda.

Deshamanya Pieris also lectures from time to time on invitation at SLIDA, the Defence Services Command and Staff College at Sapugaskanda, the Bandaranaike International Diplomatic Training Institute and the Kotelawala Defence University.

He has delivered four convocation addresses at the University of Colombo, Sri Jayawardenapura, Ruhuna and the Open University. Ha has, also on Invitation delivered three memorial orations – the Lalith Athulathmudali Memorial Oration, the Sir Ponnambalam Arunachalam Memorial Oration and the Vidyajothy Professor V K Samaranayake Memorial Oration. He has been conferred the high national honour of DESHAMANYA for distinguish service of a highly meritorious nature to the nation.

He has published his memories of his experience in the Public Service of Sri Lanka in a book entitled "In the Pursuit of Governance".

Dr. R A Fernando

Ravi Fernando is a Blue Ocean Strategist with a sustainability mind set. He is an Alumni of the University of Cambridge having completed the Climate Leadership Programme in 2007, a Post Graduate Certificate in Sustainable Business at Cambridge University in 2008 and a Master of Studies in Sustainability Leadership at Cambridge University in 2014. He was a Wolfson College alumni at Cambridge University. He holds a Doctor of Business Administration Degree from the European University in Geneva 2016.

He also holds a MBA from the University of Colombo and is a Fellow of the Chartered Institute of Marketing (UK), He holds a Diploma in International Management and completed the Advanced Management Program at the INSEAD Business school in (France).

He was the United Nations Global Compact Focal point for Sri Lanka 2003-2010 and was the founder of the UN Global Compact Sri Lanka network in 2010 and is a Director of UNGC Sri Lanka Board. He is Chairman/CEO of Global Strategic Corporate Sustainability Pvt. Ltd which currently operates in Vietnam, Sri Lanka and China. He also serves as a Director on the Boards of Aitken Spence Plantations Limited, Ceylon Asset Management Ltd and Habitat for Humanity.

His career with Multi-nationals spanned 1981-2003, Unilever, Sterling health International, Smithkline Beecham International covering Africa, Middle East and Asia in CEO/Managing Director, Business Development and Marketing Management positions between 1981-2007. He was the first CEO SLINTEC (Sri Lanka Institute of Nanotechnology) 2008-2010 and was a member of the National Task Force on Development of the 5year Science and Technology strategy 2010.

The Board of Directors

In Academia, He was a visiting faculty member of the INSEAD Advanced Management Program from 2005-2010 teaching the subject 'Strategic Corporate Sustainability'. He is an Executive in Residence at the INSEAD Social Innovation centre since September 2010 to date. He is also on the visiting faculty of the Deusto Business School (Bilbao) and Univiersitat of Pompeu Fabra (Barcelona) in Spain and University of Colombo MBA teaching 'Strategic Corporate Sustainability'. BABSON College published three Case studies on his work experiences in Kenya and Vietnam in the GVV series in 2012-14 and was involved in over 7-8 Case studies at the INSEAD business school between 2006-2010.

In November 2015 he published 'Strategic Corporate Sustainability – 7 Imperatives for Sustainable business' (Partridge: Penguin Random House), based on his work at Cambridge University.

In September 2007 he won a "Global Strategy Leadership award" at the World Strategy Summit for his work on Ethical branding in the Apparel and Tea sectors receiving the award from Prof Renee Mauborgne of INSEAD business school.

Mrs. Kalsha Amarasinghe

Kalsha Amarasinghe holds an Honours Degree in Economics and has an outstanding vision for investments. She serves on the Boards of subsidiaries of Browns Group of Companies and Lanka ORIX Leasing Company PLC.

Other key appointments: Executive Director –Lanka ORIX Leasing Company PLC, LOLC Finance PLC, LOLC Life Assurance Limited, Palm Garden Hotels PLC, Riverina Resorts (Pvt) Ltd, Eden Hotel Lanka PLC, Brown & Co. PLC, Browns Investments PLC, Browns Capital PLC, Green Paradise (Pvt) Ltd, Sun & Fun Resorts Ltd and Browns Holdings Ltd.

Corporate Management Team

Sharmini Wickremasekera
Chief Risk Officer - LOLC Group

Solomon Jesudason
Chief Officer - Marketing Operations - LOLC

Graham Lawrence
Group Head of Corporate Sales & Social Media - LOLC

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

Gayani de Silva
Chief Officer - Customer Relationship Management - LOLC

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

Ashan Nissanka
Director/Chief Executive Officer - LOLC Finance PLC

Rohana Kumara
Director/Chief Executive Officer - BRAC Lanka Finance PLC

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

Corporate Management Team

Anura L. Dharmaprema
Corporate Executive Officer - Recoveries, LOLC

Brindley de Zylva
Chairman - LOLC Cambodia PLC
Managing Director - LOLC Myanmar Microfinance Company Limited

Rohan Perera
Group Treasurer - LOLC Group

Sunjeevani Kotakadeniya
Chief Financial Officer - LOLC Group

Jayantha Kelegama
Chief Credit Officer - LOLC Group

Eksath Wijeratne
Group General Manager - Browns Hotels & Resorts
Executive Director - Millennium Development Pvt. Ltd./Excel Restaurants Pvt. Ltd. (EXCELWORLD)

Pradeep Uluwaduge
Chief Human Resources Officer - LOLC Group

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

Gunendra Jayasena
Chief Administration Officer - LOLC Group

Susaan Bandara
Chief Officer - Marketing Communications - LOLC Group

Dharini Fernando
Chief Operating Officer – LOLC General Insurance Limited

Tilak Selviah
Director/COO - Leisure Division, Browns Investments PLC
Director/General Manager - Browns Hotels and Resorts

R.A.C. Jayemanne
Consultant/Director - Project Development Browns Hotels and Resorts

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

Nilanga Wickramasinghe
Chief Operating Officer - LOLC Insurance

Isaac Devshanker
Chief Executive Officer - LOLC Factors Limited
General Manager, Metro Region - LOLC

Manju Gunawardana
Chief Executive Officer - Research & Innovation – LOLC
Chief Executive Officer - Ceylon Graphene Technologies
Chief Executive Officer - LOLC Advanced Technologies (Pvt) Ltd.

Corporate Management Team

Sharmini Wickremasekera

CISA, CRISC

Chief Risk Officer - LOLC Group

Joined in 1983 and has 33 years of experience in Finance, Accounting, Credit, Internal Auditing, Information Systems Auditing and Governance, Enterprise-wide Risk Management, Business Continuity Management and Business Process Re-engineering. She is a member and a past president of ISACA Sri Lanka Chapter. Led the processes of ERM at LOLC and the ISACA SL Chapter to a level of gaining global recognition.

Solomon Jesudason

Chief Officer - Marketing Operations - LOLC

Joined in 1988 and counts over 30 years of experience in the Leasing Industry in Finance and Marketing Operations. Currently responsible for the Customer Servicing Operations, which includes Application Processing for Finance Leases, Hire Purchases, Loans, LC Facilities, Insurance, Savings, FD Operations, RMV Operations, Working Capital and Microfinance Products.

Graham Lawrence

Group Head of Corporate Sales & Social Media - LOLC

Joined in 1992. Counts over 30 years of experience in the Financial Services Sector. Began his career as a Banker and has evolved to general management having covered Marketing, Credit and Recovery of Diverse Financial Products, including Leasing and Factoring. Also serves on the Board of LOLC.

R D Tissera

Director/Chief Executive Officer - LOLC Micro Credit Limited

Ravi Tissera joined the LOLC Group in 1993 and is a Development Finance Specialist. He introduced microfinance to the LOLC Group which has now expanded outside Sri Lanka in Myanmar, Cambodia and Pakistan. Mr. Tissera has obtained his Post Graduate Diploma in Marketing and is a member of the Chartered Institute of Marketing UK. He has followed Strategic Leadership Training in Microfinance at Harvard Business School. He is the Director/Chief Executive Officer of LOLC Micro Credit Limited and he serves as an Executive Deputy Chairman in LOLC Finance PLC, Alternate Director in Seylan Bank PLC, Director in LOLC Myanmar Microfinance Company Limited, LOLC Cambodia PLC., Pak Oman Microfinance Bank Ltd., LOLC Micro Investments Ltd., BRAC Lanka Finance PLC and Sundaya Lanka (Pvt) Ltd.

Gayani de Silva

Attorney-at-Law, MBA (Sri J)

Chief Officer - Customer Relationship Management - LOLC

Joined LOLC in 1994 and counts over 20 years' experience in financial services, covering areas of credit, marketing strategy, value chain management, corporate restructuring, strategic planning, marketing and corporate communication, business development, strategic tie-ups, SME and development finance portfolio management, customer relationship management, call centre management, sales funnel management, productivity and process management, corporate social responsibility and corporate sustainability.

Krishan Thilakaratne

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

General Manager - Islamic Business Unit

Mr. Thilakaratne is the Director/CEO of Commercial Leasing & Finance PLC. He is also the Head of Islamic Finance Business of LOLC Group. Mr. Thilakaratne also serves as a Director of Commercial Insurance Brokers (Pvt) Ltd, which is the market leader in Insurance Brokering in Sri Lanka. Previously he held the positions of CEO of Lanka ORIX Factors and CEO, Auto Finance of the LOLC Group. He conceptualised the introduction of Islamic Finance to LOLC Group in 2007. He is an Associate Member of Institute Bankers of Sri Lanka (AIB) and joined the LOLC Group in 1995. He is the Current Chairman of the Finance Houses Association of Sri Lanka (FHASL) and serves as a Director of PRASAC Micro Finance – Cambodia.

Ashan Nissanka

Director/Chief Executive Officer - LOLC Finance PLC

Mr. Nissanka counts over 25 years of experience in the Banking and Finance sector having commenced his career in 1993 with Seylan Bank PLC prior to joining LOLC Group in 1998 and having held the responsibilities of Strategic Marketing Planning, Development and Management of the Retail Channels for LOLC Finance PLC, LOLC Micro Credit Ltd, and LOLC Insurance Ltd.

He possesses an MBA from Edith Cowan University, Australia, a Graduate Diploma from Chartered Institute of Marketing – UK (CIM), a Certified Management Accountant from Institute of Certified Management Accountants Australia as well as a member of Sri Lanka Institute of Marketing (SLIM) and member of the Institute of Certified Management Accountants Australia (CMA).

He currently serves as a Member of the Council of Management of the Finance Houses Association of Sri Lanka, Board of Director of the Leasing Association of Sri Lanka Deputy Chairman of the Financial Ombudsman Sri Lanka (Guarantee) Limited and Council member of the Institute of Certified Management Accountants Australia (CMA).

Rohana Kumara

MBA,CIM (UK)

Director/CEO - BRAC Lanka Finance PLC

Joined in 1998. Counts over 24 years of experience in Banking, Credit Management, Strategy Development, Marketing and Microfinancing.

Kithsiri Gunawardena

Attorney-at-Law, Postgraduate Diploma in Marketing Management (PIM, Sri Jayawardenapura.)

Chief Operating Officer - LOLC, Chief Legal Officer - LOLC Group

Joined LOLC in 2004 and counts over 26 years of experience as a Lawyer. He has held a number of important positions in the State, including the office of State Counsel attached to the Attorney General's Department, the Office of Director – Legal & Enforcement of the Securities and Exchange Commission of Sri Lanka and the Insurance Board of Sri Lanka and was involved in setting up the Consumer Affairs Authority as its first Director General. He serves on the Boards of a number of local and overseas subsidiaries within the LOLC Group.

Anura L. Dharmaprema

Corporate Executive Officer – Recoveries, LOLC

Joined in 1998. Counts over 26 years of experience in Recoveries in the Financial Services Industry. Previously a Senior Collections Manager of a leading finance company. Anura has been appointed as a Director of LOLC Services Ltd.

Brindley de Zylva

Chairman - LOLC Cambodia PLC,

Managing Director - LOLC Myanmar Microfinance Company Limited

A Fellow of the Sri Lanka Institute of Credit Management who has served in Non-Bank Financial Institutions for over 30 years. He joined the LOLC Group in 2003 as the Managing Director/CEO of LOLC Finance PLC which position he relinquished in October 2015 to take over responsibilities at LOLC Cambodia PLC and LOLC Myanmar Micro-Finance Co Ltd as the Chairman and Managing Director respectively.

Rohan Perera

MBA, Edith University of Perth, Australia

Group Treasurer - LOLC Group Rohan Perera MBA, Edith University of Perth, Australia Group Treasurer - LOLC Group

Joined in 2007. Counts over 34 years of experience concentrated on Banking and Corporate Treasuries with expertise in Treasury Management including Strategic Risk Management, ALM and Cash Management. Competent in operational management with capacity in handling financing of high value projects. Starting his career as a Banker and particularly in its Treasuries; from thereon moved to Corporate Treasuries. Pioneered the concept of Corporate Treasuries in Sri Lanka. Involved in setting up of the Corporate Treasurers' Association as its Founder President.

Sunjeevani Kotakadeniya

FCMA (UK), CGMA (USA), MBA (Col.)

Chief Financial Officer - LOLC Group

Joined LOLC in 2005 and carries responsibility for the Group's finance function. Her 30 years of working history covers extensive exposure to Financial and General management practices including strategic planning, fund management and administration, IT management, Treasury management, New business set up, process re-engineering. Change management, ERP implementation and project management. Her experience covers industries of financial services, insurance, leisure and plantation sectors. Sunjeevani has been appointed as Director of several subsidiaries within the LOLC Group.

Jayantha Kelegama

BA (Hons.) - University of Delhi

Chief Credit Officer - LOLC Group

Joined in 2005. Counts over 20 years of experience in Leasing, Asset Financing, Credit Risk Management and Banking. Jayantha has been appointed as a Director of identified subsidiaries within the LOLC Group.

Eksath Wijeratne

FCHSGA - IHM

Group General Manager - Browns Hotels & Resorts

Executive Director - Millennium Development Pvt. Ltd./Excel Restaurants Pvt Ltd (EXCELWORLD)

Fellow Member of CHSGA and Member of Institute of Hospitality. Counts over 25 years of experience in the hospitality industry; served many leading hoteling establishments in Sri Lanka in senior positions. Has executed several hotel refurbishment projects. Qualified trainer in ISO and HACCP Standards training; also a qualified SATS trainer in Hotel operations. Contributed in numerous ways to boost up and develop the professional careers of young and upcoming hoteliers in Sri Lanka. Former Board Member of the Sri Lanka Institute of Tourism and Hotel Management. Also served as the President of the Ceylon Hotel School Graduates Association. Vice President of the Bentota-Beruwela Hoteliers Association. Currently overlooks the operations of operating Hotels and Restaurants under BHR.

Pradeep S. Uluwaduge

LL.B (Honours), LL.M (University of Colombo), PGD in HRM (UK)

Attorney-at-Law, Notary Public
Chief Human Resources Officer - LOLC Group

Joined LOLC in 2010. Counts over 15 years of experience as an Attorney-at-Law & HR Professional. Has wide range of experience both local and overseas as an HR professional.

He is a life member of the Bar Association of Sri Lanka (BASL), Professional member of Singapore Human Resource Institute (SHRI), Associate member of the eminent Singapore Academy of Law (SAL) and currently serving as the council member for the National Chamber of Commerce. Has presented and published many academic research papers on various conferences both local and overseas.

Corporate Management Team

Conrad Dias

FCMA (UK), CGMA (USA), FCMA (Sri Lanka), FBCS (UK), MBA (University of Leicester)

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

Joined in 2006. Experienced professional in Information Technology, Software Engineering, Project Management, Strategic and Investment Planning, Finance Management, Corporate Restructuring and Unit Trust and Fund Management. Possesses domain expertise in sectors such as Trading, Banking and Finance, Asset Management and Manufacturing.

Gunendra Jayasena

Chief Administration Officer - LOLC Group

Joined in 2007. Counts over 25 years of experience in Manufacturing, Administration and Plantation Management. Gunendra has been appointed as a Director in several subsidiaries within the LOLC Group.

Susaan Bandara

Dip. MCIM (UK)

Chief Officer - Marketing Communications - LOLC Group

Counts over 13 years of service at LOLC and with 30 years' experience in servicing the Private Sector, Banking and Non-Banking Financial Institutions. Areas of expertise cover Sales and Marketing, Distribution Management, Market Analysis, Marketing Communications with multiple stakeholder groups, Business Development in Overseas Markets, Strengthening Brand Equities, Credit Management and Recoveries, Strategic Marketing Planning, Entrepreneur Development Programmes, Customer Relationship Management, Corporate Social Responsibility and Sustainability.

Dharini Fernando ACII, London

Chief Operating Officer - LOLC General Insurance Limited

Joined in December 2010 to set up the operations for both Life and General Insurance businesses. She is a qualified Chartered Insurer and also holds the regulatory positions of Principal Officer and Specified Officer. Counts nearly 20 years' experience and has worked with a number of leading multinational insurance companies in varying roles at senior management level. Has wide local and international exposure and experience in both Life and General insurances, especially in the areas of Reinsurance, Property, Health, General Accident and Casualty lines of business. She has also been closely involved in the implementation of insurance systems in multinational companies.

Tilak Selviah

FIH (UK), FCTH (UK)

Director/COO - Leisure Division, Browns Investments PLC, Director/General Manager - Browns Hotels and Resorts

Joined LOLC in 2010 and counts over 30 years' experience in Corporate Senior Leisure Management. Previously served as Director-Operations and Administration of a leading Blue chip conglomerate hotel chain Company for many years. Was responsible for initiating and commissioning several large scale hotel projects. Professional hotelier with a vast experience in all aspects of Hotel Management and project implementation.

R.A.C. Jayemanne

CHA (USA); DipHM (USA)

Consultant/Director - Project Development Browns Hotels and Resorts

Hailing from a management accounting background, he counts over four decades of experience in a myriad of industries such as leisure, shipping, imports, exports, travel, transport, merchant banking, ship services, estate management and garment manufacture. Over three decades of such experience has been in senior management positions predominantly in the leisure sector, much of it with 5 star properties managed by international hotel chains.

He serves as a Director on the Board of Management of Sri Lanka Institute of Tourism and Hospitality Management and is a member of the Committee of Management of The Hotels Association of Sri Lanka.

Sriyan Gurusinghe

ICMQ (UK)

Managing Director/Chief Executive Officer - LOLC Securities Limited

Joined in 2011. Counts over 25 years of experience in stock brokering. Previously Director/General Manager at Ceylinco Stock Brokers for 14 years. He has served as a President of the Colombo Stock Brokers' Association.

Nilanga Wickramasinghe

PGDipMgt, CIAM, LUTCF(USA), Dip LIM (USA), CMSLIM, MCPM, Chartered Insurance Agency Manager

Chief Operating Officer - LOLC Insurance

Joined LOLC in 2015 to head the Insurance Business of the Group. Possesses a career span of 29 years in Service Marketing covering Leisure, Specialised Banking and over 22 years of Life and Non-Life Insurance Management. He possess extensive exposure to Strategic Business Management, Sales and Marketing, Distribution Management, Total Performance Management, Channel Development, Bancassurance and Product Development together with Training and Development in large scale business organisations both in private and public sectors in Sri Lanka. He is a Certified Moderator for LIMRA USA and Life Underwriters Training Council, MII/USA.

Isaac Devshanker

Chief Executive Officer - LOLC Factors Limited

General Manager, Metro Region - LOLC

Joined LOLC in 1999 and counts over 20 years of experience in the Financial Services sector. His early career days were with Asian Finance Limited and later joined LOLC Group representing corporate and SME sector. Subsequently he handled a wider scope of functions, which included the development of new markets/ products such as specialised lending as well as new regional developments in the Metropolitan areas of greater Colombo. He also headed the Small and Medium enterprise Business Unit and was instrumental in introducing some of the unique products of the Company.

Currently he serves as the CEO of LOLC Factors Ltd which entails all operational functions, client servicing, marketing initiatives and total management of LOFAC as well as holding the General Manager position in the Metropolitan Branch Network

Manju Gunawardana

MIEEE,MACS, MSTLE, MISA

Chief Executive Officer - Research & Innovation – LOLC

Chief Executive Officer - Ceylon Graphene Technologies

Chief Executive Officer - LOLC Advanced Technologies (Pvt) Ltd

Manju joined LOLC in 2017 and counts over 20 years in Research and Innovation in various subject areas including Nano technology, Agriculture, Pharmaceutical, Advanced material and Engineering. He started his career as an electronics engineer and specialised in military electronics. Manju has worked in some of Sri Lanka's leading engineering companies such as TOS Lanka Co Pvt Ltd, Orange Electric as a Director Engineering and Head of research responsible for product development and research management. He served as the CEO at CIC Agribusinesses Pvt. Ltd., Head of Research and Innovation at CIC Holdings PLC and pioneered Precision Agriculture technologies based on drone applications in Sri Lanka. Manju has worked as a Principal Research Engineer at MAS Holdings, Sabre Technologies and was responsible for Real time system design. Currently he is working as a Consultant Senior Research Scientist at Sri Lanka Institute of Nano Technology (SLINTEC) and is the winner of multiple international awards including 3 Geneva Innovation Congress Gold Medals and one Silver Medal. He has also twice won the national title as the Best Inventor in Sri Lanka.

Operational Management Team

Nihal Weerapana
DGM, Recovery - Commercial Leasing & Finance PLC

Jithendra Gunatileka
Head of Finance Operations - LOLC

Mehra Mendis
DGM, Fleet Management Services - LOLC

Chrishanthi Emmanuel
Director - LOLC Corporate Services (Pvt) Limited

Sujeewa Vidanapathirana
DGM, Business Development - LOLC General Insurance Limited

Montini Warnakula
Head of SME Business Unit
DGM, Western II & North Western Regions - LOLC Finance PLC

Chandana Jayanath
Chief Operating Officer, Recoveries - LOLC

Roshani Weerasekera
Head of Liability Management - LOLC Finance PLC

Sanjaya Kalidasa
DGM, Treasury - LOLC

Sudarshini de Almeida
AGM, Marketing Operations - LOLC

Mallika Abeykoon
AGM, Finance - LOLC

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

Enoka Jayampathy
Head of Tax Management and Compliance – LOLC

Bahirathan Shanmugalingam
AGM, Finance - LOLC

Chumley Ranatunge
AGM, Recoveries - LOLC

Preethimali Soosaithasan
DGM, Operations - LOLC Factors Ltd.

Yanik Fernando
DGM, Eastern & Uva Regions - LOLC Finance PLC

Shantha Rodrigo
DGM, Central Region - LOLC Finance PLC

Operational Management Team

Deepamalie Abhayawardane
DGM - Commercial Factors

Sudath Premaratne
AGM, Recoveries - LOLC

Upul Samarasinghe
AGM, Credit - Commercial Leasing & Finance PLC

Lal Abeyratne
AGM, Factoring - Commercial Leasing & Finance PLC

Pradeep Madurusinghe
AGM, Negombo Region - Commercial Leasing & Finance PLC

Indunil Herath
DGM, North Western & North Central II Regions - LOLC Finance PLC

Gamini Jayaweera
DGM, Northern & North Central Regions - LOLC Finance PLC

Sanjaya Samarasekera
AGM, Credit Risk Management - LOLC

Nalaka Mohotti
DGM, Southern & Sabaragamuwa Regions - LOLC Finance PLC

Shashika Dias
AGM, Legal - LOLC

Amarasi Gunasekera
AGM, Strategic Business Research & Development - LOLC

Hasala Thilekaratne
DGM, Southern II & Western II Regions - LOLC Finance PLC

Jayantha Dharmapriya
AGM, Legal - LOLC

Gayantha Weerakoon
DGM, Enterprise Risk Management - LOLC

Tharanga Indrapala
AGM, Operations - Commercial Leasing & Finance PLC

Mohan Thilakawardena
AGM, Underwriting & Operations - LOLC General Insurance Ltd

Indika Ariyawansa
AGM, Credit Risk Management - LOLC

Shiraz Refai
DGM, Al-Falaah Islamic Business Unit

Operational Management Team

Navindra Amadoru
AGM, Administration - LOLC

Dulip Samaraweera
AGM, Strategic Business Research & Development - LOLC

Sanakan Thamotharampillai
Chief Financial Officer - Browns Group

Imraz Iqbal
AGM - Business Acquisition and Development - LOLC

Heshan Ferdinand
DGM, Claims - LOLC General Insurance Ltd.

Rohana Chandrasiri
AGM, Branches - LOLC Securities Ltd.

Manish Rodrigo
AGM, Sales - LOLC Securities Ltd.

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

Wasantha Batagoda
DGM, Legal & Strategic Business - LOLC

Manjula Kumarasinghe
Chief Operating Officer, Sales & Marketing - LOLC Securities Ltd.

Suresh Amarasekera
Head of Business Solutions, Lending - LOLC Technologies Ltd.

Chinthaka Jayasinghe
Head of Business Solutions, Banking - LOLC Technologies Ltd.

Thisan Samarasinghe
Head of Software Engineering - LOLC Technologies Ltd.

Lasantha Peiris
Head of IT Operations - LOLC Technologies Ltd.

Parakum Pathirana
Head of IT Security & Compliance - LOLC Technologies Ltd.

Susantha Bandara
General Manager - The Calm Resort and Spa

Danesh Abeyrathna
Chief Operating Officer - Gal Oya Plantations Ltd.

Suneth Jayamanne
Head of IT – Leisure & Healthcare Sector – LOLC Technologies Ltd.

Operational Management Team

Charith Jagoda
Assistant General Manager, Microfinance – LOLC Micro Credit Limited

Thomas Ponniah
Deputy Regional Head, Metro I - LOLC Finance PLC

Prasanna Karandagolla
Assistant General Manager, Branch Network – Commercial Leasing and Finance PLC

Prasanna Dayaratne
Assistant General Manager, Factoring Operations - Commercial Leasing & Finance PLC

Sunil Shantha
Assistant General Manager, Ambalangoda Region - Commercial Leasing & Finance PLC

Samitha Aruggoda
Assistant General Manager, Kelaniya Region - Commercial Leasing & Finance PLC

Suneetha Samarawickrema
Assistant General Manager, Colombo Region - Commercial Leasing & Finance PLC

Prasanna Goonatillake
Assistant General Manager, Kandy & Eastern Regions - Commercial Leasing & Finance PLC

Harsha Kumarage
Head of Microfinance - Commercial Leasing & Finance PLC

Terence Kaushalya
Assistant General Manager, Savings and Deposits Business Unit - Commercial Leasing & Finance PLC

Prasanna Siriwardena
Chief Information Officer, Financial Services - LOLC Technologies Limited

Chamini Attanayake
Chief Operating Officer - LOLC Technologies Limited

Lahiru Karunaratne
Head of IT - Brown & Company PLC

Sheahan Gregory
Resort Manager - The Paradise Resort & Spa

Prasanna De Alwis
Resident Manager - The Eden Resort & Spa

Report of the Board of Directors

The Board of Directors takes pleasure in presenting this Annual Report for the financial year to 31st March 2018.

Principal activities

The Company's principal activities are now monitoring and managing the Groups' investments and providing centralised services to its subsidiaries and associates.

The Board of Directors

The Board of Directors for the year under review comprise the following :

Ishara Chinthaka Nanayakkara
Executive Deputy Chairman

Waduthantri Dharshan Kapila Jayawardena
Managing Director / Group CEO

Mrs. Kalsha Upeka Amarasinghe
Executive Director

Deshamanya Minuwanpitiyage Dharmasiri Dayananda Pieris
Independent Director

Dr. Ravindra Ajith Fernando
Independent Director

Harukazu Yamaguchi
Non Executive Director
(resigned with effect from 20th April 2018)

Hiroshi Nishio
Non Executive Director
(resigned with effect from 20th April 2018)

Keiji Okuno - Alternate to H Nishio
Non Executive Alternate Director
(resigned with effect from 20th April 2018)

K Ishinabe - Alternate to H Yamaguchi
Non Executive Alternate Director
(resigned with effect from 20th April 2018)

The Director's profiles can be found on pages 85 to 88.

Board sub committees

The Board has appointed the following sub committees:

The Audit Committee

The Talent Development and Remuneration Committee

The Integrated Risk Management Committee

The Corporate Governance Committee

The Related Party Transactions Review Committee

The mandate of each of these sub committees is provided by their regulatory guideline or Board approved Terms of Reference. The composition of these committees is as prescribed by the relevant regulation (where applicable) or as deemed most appropriate for effective functioning of the Committee. The reports of the respective Committees are included in this Report.

The Board sub committees are empowered to call for additional information, and also to invite key management personnel to provide further details, or to facilitate a dialogue. This enables the Board to ensure that proposed initiatives, changes to procedures or enhancing of controls are practical and also clearly communicated to the senior management.

Committee Meeting minutes are tabled at Board meetings. Thus, while the entire Board is aware of Committee deliberations and decisions, they have the assurance of knowing that matters receive the focused attention of sub committees.

Directors' interests in contracts

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

Directors' remuneration

The remuneration is disclosed on page 269. The Report of the Talent Development & Remuneration Committee is on page 111.

Directors' shareholdings

Directors shareholdings are as given below

As at 31 March	2018		2017	
	No. of Shares	%	No. of Shares	%
Mr. I C Nanayakkara (in his name)	**91,613,792**	**19.28%**	59,895,500	12.60%
Mr. I C Nanayakkara (Sampath Bank PLC/ I C Nanayakkara)	**61,774,000**	**12.30%**	-	-
Mr. I C Nanayakkara (Commercial Bank of Ceylon PLC/ I C Nanayakkara)	**79,000,000**	**16.63%**	-	-
Mr. W D K Jayawardena	**-**	**-**	-	-
Mrs. K U Amarasinghe	**23,760,000**	**5.00%**	23,760,000	5.00%
Deshamanya M D D Pieris	**-**	**-**	-	-
Dr. R A Fernando	**12,600**	**0.003%**	12,600	0.003%
Mr. H Yamaguchi (Resigned w.e.f. 20th April 2018)	**-**	**-**	-	-
Mr. H Nishio (Resigned w.e.f. 20th April 2018)	**-**	**-**	-	-
Mr. K Okuno (Alternate to Mr. H Nishio until 20th April 2018)	**-**	**-**	-	-
Mr. K Ishinabe (Alternate to Mr. H Yamaguchi until 20th April 2018)	**-**	**-**	-	-

Re-election of Directors

In accordance with Article 88 (i) of the Company's Articles of Association, I C Nanayakkara retires by rotation and being eligible seek re-election as a director. The Board recommends his re-election.

Deshamanya Dharmasiri Pieris is over the age of 70 years and will be retiring, as required. The Company has received a letter from a shareholder, communicating his intention to move a resolution at the Annual General Meeting for the re-appointment of Mr Peiris, as provided for in the Companies Act No. 7 of 2007. The Board recommends his re-election.

Mr M D D Pieris and Dr R A Fernando have served as Directors of the Company for more than nine years. Mr Pieris's, experience and expertise in governance and administration are of great value in board deliberation and decision making. Dr Fernando's expertise on sustainable business is especially valuable to the LOLC Group as it focuses on sustainable development and environmental responsibility.

The Board is satisfied that the ability of these two gentlemen to function as independent Directors is not affected by their years of service. Both of them have conducted themselves in a manner which has established their independence. Accordingly, the Board is of the opinion that both Mr M D D Pieris and Dr Ravi Fernando should be considered independent directors . Both Directors meet all other qualifying criteria necessary to be viewed as independent directors.

Compliance with laws and regulations

The Company is compliant with the Listing Rules of the Colombo Stock Exchange, including the rules relating to Corporate Governance.

Corporate Governance

The Board believes that good corporate governance benefits all stakeholders. The Report of the Corporate Governance Committee can be found on page 113 and the Corporate Governance Report is on pages 107 to 110.

Internal Controls

The Enterprise Risk Management Division regularly reviews procedures, practices and policies and submits reports to the Audit Committee or the Integrated Risk Management Committee as appropriate. Any deficiencies or weaknesses detected are discussed with the relevant operational staff to ensure that the gravity of the position is understood by all and to expedite remedial action. Decisions made are followed up at subsequent Committee or Board meetings. The Risk Management Report is on pages 116 to 118.

Review of business

The Company's performance and that of its subsidiaries are reviewed in detail in the other sections of this Annual Report.

Going concern

During the year, the Directors reviewed the interim financials and the year end financials. They have also regularly reviewed operations, and the environment within which the Company is operating, including the macro environment, potential risks and resource allocation.

Based on information received, the Directors are of the opinion that the Company is in a position to continue its operations in the foreseeable future. Accordingly, the Financial Statements are prepared on the basis that the Company is a going concern.

Financial Statements

The Financial statements together with the Notes thereon, found on pages 126 to 296 are in compliance with Sri Lanka Accounting Standards and the requirements of the Companies Act No. 7 of 2007 .

Auditors

The Auditors, M/s Ernst and Young retire, and offer themselves for re-appointment. The Board recommends their re-appointment for the year 2018/19 at a fee to be decided upon by the Board.

The fees paid to the auditors are disclosed in the notes to the Accounts on page 170.

As far as the Directors are aware, the Auditors do not have any other relationship with the Company or any of its subsidiaries nor do they have any interest in contracts with the Company or any of its subsidiaries.

In accordance with good governance initiatives, audit partner rotation is practiced.

The Report of the Auditors is given on pages 123 to 125.

Responsibility statements

The Chief Executive Officer's and Chief Financial Officer's responsibility statement appears on page 121. The Directors' statement on responsibility for financial reporting appears on page 122.

Significant accounting policies

The significant accounting policies adopted when preparing these financial statements and any changes thereof if applicable are given on pages 138 to 165.

Statutory Payments

For the year under review, all known statutory payments have been made and all retirement gratuities have been provided for. Further, all management fees and payments to related parties for the year under review have been reflected in the accounts. Details are given in Note No 42 and 50 of page 259 and 268.

Report of the Board of Directors

Post Balance Sheet Events

IN March 2018, ORIX Corporation divested its equity investment in the Company and following its divestment they have requested the Company to cease using the word "ORIX" in any branding. Therefore, the Company has taken steps to change the name of the Company from Lanka ORIX Leasing Co. PLC to LOLC Holdings PLC. The Registrar General of Companies has also consented to this.

Shareholding structure

The Company has issued 475,200,000 shares. The shareholding structure is given on pages 323, together with the 20 largest shareholders. During the year, the share price ranged from Rs. 60.50 to Rs. 145.00. As at the end of trading on 29th March, 2018, the share price was Rs. 118.00.

Notice of Meeting

The Notice of Meeting is found on page 330. If you are unable to be present, please complete and return the Form of Proxy on page 331.

On behalf of the board of Directors

Mr. Ishara Nanayakkara
Deputy Chairman

Mr. Kapila Jayawardena
Managing Director/Group CEO

BOARD AND BOARD SUB COMMITTEES

	Board	Audit Committee	Talent Development and Remuneration Committee	Corporate Governance Committee	Integrated Risk Management Committee	Related Party Transactions Review Committee
Director						
Mr. I C Nanayakkara	✓					
Mr. W D K Jayawardena	✓			✓	✓	✓
Mrs. K U Amarasinghe	✓			✓		✓
Deshamanya M D D Pieris	✓	✓ **	✓	✓**	✓ **	✓ **
Dr. R A Fernando	✓	✓	✓ **			

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

Corporate Governance Report

Given below is the level of compliance against the respective governance requirements;

Section No.	Listing Rules of the Colombo Stock Exchange	Level of compliance
7.10	**Corporate Governance**	
7.10	Statement confirming that as at the date of the annual report the Company is in compliance with these rules.	The Company is in compliance with the listing rules of the Colombo Stock Exchange, as explained below.
7.10.1	**Non-executive Directors** **a.** The Board of Directors of a listed entity shall include at least: two non-executive directors; or such number of non-executive directors equivalent to one third of the total number of directors whichever is higher	Two of the five Directors are non-executive Directors. The names of the non-executive directors are set out in the Directors' Report of the Board Directors on page 104.
7.10.2	**Independent Directors** **a.** Where the constitution of the Board of Directors includes only two non-executive directors in terms of 7.10.1, both such non-executive directors shall be 'independent'. In all other instances two or 1/3rd of non-executive directors appointed to the Board, whichever is higher shall be 'independent'.	One third of the Non-Executive Directors are Independent Directors.
	b. The Board shall require each non-executive director to submit a signed and dated declaration annually of his/her independence or non-independence against the specified criteria.	All Non -Executive Directors have submitted their declarations.
7.10.3	**Directors' disclosures** **a.** The Board shall make a determination annually as to the independence or non-independence of each director based on such declaration and other information available to the board and shall set out in the annual report the names of directors determined to be 'independent'	Deshamanya M D D Pieris and Dr. R A Fernando are the independent directors. The Board has determined that by virtue of their professionalism, skill and expertise, these two directors are independent.
	b. In the event a director does not qualify as 'independent' against any of the criteria set out below but if the board, taking account of all the circumstances, is of the opinion that the director is nevertheless 'independent', the board shall specify the criteria not met and the basis of its determination in the annual report	Deshamanya M D D Pieris and Dr. R A Fernando have served as Directors for over 9 years. However, they meet all the other criteria of independent directors.
	c. In addition to disclosures relating to the independence of a director set out above, the board shall publish in its annual report a brief resume of each director on its board which includes information on the nature of his/her expertise in relevant functional areas.	The profiles of the Directors can be found on pages 85 to 88.

Corporate Governance Report

Section No.	Listing Rules of the Colombo Stock Exchange	Level of compliance
	d. Upon appointment of a new director to its board, the Entity shall forthwith provide to the Exchange a brief resume of such director for dissemination to the public. Such resume shall include information on the matters itemised in paragraphs (a), (b) and (c) above.	The Company complies with this requirement, in the event a new director is appointed to the Board.
7.10.5	**Remuneration Committee** a **Composition** The remuneration committee shall comprise; of a minimum of two independent non-executive directors (in instances where an Entity has only two directors on its Board); or of non-executive directors a majority of whom shall be independent, whichever shall be higher. One non-executive shall be appointed as Chairman of the committee by the board of directors.	The Talent Development and Remuneration Committee (TD & R) comprises two non-executive independent directors, and is chaired by a Non-Executive Independent Director.
	b **Functions** The Remuneration Committee shall recommend the remuneration payable to the executive directors and Chief Executive Officer of the Listed Entity and/or equivalent position thereof, to the board of the Listed Entity which will make the final determination upon consideration of such recommendations.	The TD & R Committee periodically reviews Board remuneration and makes recommendations to the Board. The Committee report is on page 111.
	c **Disclosure in the Annual Report** The annual report should set out the names of directors (or persons in the parent company's committee in the case of a group company) comprising the remuneration committee, contain a statement of the remuneration policy and set out the aggregate remuneration paid to executive and non-executive directors.	The TD & R Committee comprises the Independent Directors Deshamanya M D D Pieris and Dr. R A Fernando. The Committee is also guided by the Board approved Remuneration Policy. The aggregate remuneration paid to executive and non-executive directors is disclosed in the notes to the financials.

Section No.	Listing Rules of the Colombo Stock Exchange	Level of compliance
7.10.6	**Audit Committee** **a Composition** The audit committee shall comprise; of a minimum of two independent non-executive directors (in instances where the Entity has only two directors on its board); or of non-executive directors a majority of whom shall be independent, whichever shall be higher. One non-executive shall be appointed as Chairman of the committee by the board of directors. The Chairman or one member of the committee should be a Member of a recognised professional accounting body.	The Committee comprises two Non-Executive directors, both of whom are Independent. The Committee is chaired by a Non-Executive Independent Director.
	b Functions Shall include, (i) Overseeing of the preparation, presentation and adequacy of disclosures in the financial statements of a Listed Entity, in accordance with Sri Lanka Accounting Standards. (ii) Overseeing of the Entity's compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements. (iii)Overseeing the processes to ensure that the Entity's internal controls and risk management are adequate, to meet the requirements of the Sri Lanka Auditing Standards. (iv) Assessment of the independence and performance of the Entity's external auditors. (v) To make recommendations to the board pertaining to appointment, re-appointment and removal of external auditors and to approve the remuneration and terms of engagement of the external auditors.	The Committee is guided by a board approved Audit Committee Charter which includes the functions of those listed here.
	c Disclosure in the Annual Report The names of the directors (or persons in the parent company's committee in the case of a group company) comprising the audit committee should be disclosed in the annual report. The committee shall make a determination of the independence of the auditors and shall disclose the basis for such determination in the annual report. The annual report shall contain a report by the audit committee, setting out the manner of compliance by the Entity in relation to the above, during the period to which the annual report relates.	The Committee comprises the Independent Directors Deshamanya M D D Pieris and Dr. R A Fernando. Deshamanya M D D Pieris serves as the Committee Chairman. The Committee has made this determination. Please refer the Committee report on page 114.

Corporate Governance Report

Board Meeting Attendance

Name of Director	Executive	Non Executive	Independent	Non Independent	07.06.2017	06.11.2017	26.03.2018
Mr. I.C. Nanayakkara Deputy Chairman	✓				✓	✓	✓
Mr. W.D.K. Jayawardena Managing Director/Group CEO	✓				✓	✓	✓
Mrs. K.U. Amarasinghe	✓				✓	✓	✓
Deshamanya M.D.D. Peiris			✓		✓	✓	✓
Dr. R.A. Fernando			✓		✓	✓	✓
Mr. N. Nishio		✓			✓	✓	
Mr. H. Yamaguchi		✓			✓*	✓*	

* Present by Alternate

Remuneration Committee Attendance

Name of Director	07.06.2017	16.01.2018
Dr. R.A. Fernando (Committee Chairman)	✓	✓
Deshamanya M.D.D. Peiris	✓	✓

Related Party Transaction Review Committee Meeting Attendance

Name of Director	31.05.2017	14.08.2017	14.11.2017	14.02.2018
Mr. M.D.D. Peiris (Committee Chairman)	✓	✓	✓	✓
Mr. W.D.K. Jayawardena	✓	✓	✓	✓
Mrs. K.U. Amarasinghe	✓			✓

Integrated Risk Management Committee Meeting Attendance

Name of Director	28.04.2017	06.02.2018
Deshamanya M.D.D. Peiris - Committee Chairman	✓	✓
Mr. W.D.K. Jayawardena	✓	✓

Audit Committee Meeting Attendance

Name of Director	31.05.2017	14.08.2017	09.10.2017	14.11.2017	14.02.2018
Deshamanya M.D.D. Peiris - Committee Chairman	✓	✓	✓	✓	✓
Dr. R.A. Fernando	✓	✓	✓		✓

Report of the Talent Development and Remuneration Committee

The Talent Development and Remuneration Committee ("TDRC") comprises the following independent Directors :

Dr R A Fernando *(Committee Chairman)*
Deshamanya M D D Pieris

The Committee on occasion invites the Executive Deputy Chairman, Mr I C Nanayakkara to attend meetings.

Several years ago, the TDRC reviewed and re-defined its scope. As the Company, and the Group it heads, evolves and grows the Committee took the view that its role should also recognise these changes. The Committee's title indicates that change, and the expanded role. To further support and facilitate its revised role, the Committee has requested the Chief HR Officer to be present at meetings.

The TDRC now focuses on the Senior management, who have been identified as central to the successful running of the Group's operations. In view of the critical role these employees play, the Committee has also sought and obtained assurances of a succession plan.

The Committee also focuses on training. With the increasing expansion overseas, the Committee has taken the view that the management should be trained and equipped to meet the challenges of operating in different cultures and unfamiliar markets. For this reason, there is renewed focus on training, and in particular the quality of the programmes and the faculty. Training is primarily aligned with the Group's strategic direction and core functional areas, but also works to enhance management and leadership skills. The Committee is of the view that as the group grows and diversifies, it will benefit from having employees who are multi skilled, can serve cross functionally and can also work with a regional outlook.

The Committee is of the view that the Employee's value proposition should be "Imagine the global possibilities .

In addition to contributing to the Groups growth, continuous training also serves to motivate and inspire the management. While employee retention is not an issue for the Group, training and exposure to new and global teachings also re-ignite enthusiasm and enable the management to better lead their teams.

To ensure quality, the Committee has reviewed recruitment methods, and is continuing to explore ways of attracting the best talent. The Committee also periodically reviews the remuneration structures and performance appraisal methods.

The Committee met twice during the year under review.

Dr R A Fernando
Chairman - Talent Development and Remuneration Committee

Report of the Integrated Risk Management Committee

This Committee was first set up when the Company was engaged in leasing and was licensed by the Central Bank of Sri Lanka. While this is no longer a requirement, the Committee is being retained voluntarily by the Board which believes that this sub-committee has an important role to play in ensuring compliance and contributing to good governance . The Board has seen value in the method of viewing risk holistically in order to be effectively managed. The significance , impact and even methods of mitigation of a risk can be better discussed and decided upon when it is viewed in this manner.

The Committee comprises the following :

Deshamanya M D D Pieris
Committee Chairman

W D K Jayewardena
MD / Group CEO

the Chief Risk Officer

the Chief Financial Officer

the Chief Credit Officer

the GM Treasury

the Chief Information Officer

the Head of IT Security and Compliance

the Chief Legal Officer

the CEO Recoveries

the Chief Human Resources Officer

The Executive Director Mrs K U Amarasinghe attends by invitation

The combination of the views of executive , non executive and independent directors is further enriched by the broad spectrum of management, covering the key operational areas. The risks reviewed include all aspects of operations. The reviews are wide ranging, and take into consideration both micro and macro environments, and both local and global trends and implications. Thus, the Committee seeks to both widen the consideration of the risk profile and also enlarge the scope of the reviews. Identified risks could be checked against applicable sectors, to detect endemic stresses, and challenges in one sector could be also examined in the light of how it would impact linked sectors. Thus risks are reviewed in a truly integrated manner.

Mitigation methods are discussed exhaustively to ensure that a healthy balance is achieved between risk mitigation and operational efficiency. The roles of information technology and of knowledge sharing and training are keenly appreciated both in ensuring integrity and in detecting irregularities. Process reviews focus on improving efficiencies while optimising resources wherever possible

Minutes of these meetings are tabled at Board Meetings, thereby enabling the Board as a whole to be kept informed.

The Committee met twice during the year.

Deshamanya M D D Pieris
Chairman - Integrated Risk Management Committee

Report of the Corporate Governance Committee

The Corporate Governance Committee comprises the following :

Deshamanya M D D Pieris
(Committee Chairman)

Mrs K U Amarasinghe

W D K Jayawardena

This Board Sub Committee , which was first appointed in 2007, was not appointed by the Board in response to any regulatory requirement, but to complement the work of the other sub committees. It was felt that, while there were sub committees which had as their focus operational, risk or financial issues, this Committee could support the Board by giving their attention to matters of governance and compliance. To ensure that it remains a value addition, with no duplication of work done by other committees, the Committee also periodically reviews its own role.

The Committee reviews the information flow to the Board, with a view to ensuring that information provided is timely, comprehensive and accurate, and facilitates decision making.

As this Committee has a special focus on governance, it reviews governance requirements, their applicability and effect on the Company and existing compliance levels. It also reviews the Company's relationship with its stakeholders and its corporate responsibility.

The Committee also reviews the Board's own policies and procedures, to ensure that these remain effective in a dynamic market and governance environment.

The Committee met twice during the year.

Deshamanya M D D Pieris
Chairman - Corporate Governance Committee

Report of the Audit Committee

The Audit Committee comprises the following :

Deshamanya M D D Pieris
(Committee Chairman)

Dr R A Fernando

The Managing Director and the Executive Director attend meetings by invitation .

The Committee is governed by its Board approved Terms of Reference. One of its key functions is to assist the Board with oversight of the financial reporting system of the Company, and of the Group of which it is the ultimate holding company. To facilitate carrying out this role, the Committee reviews the internal processes and procedures, verifies that controls are adequate and appropriate and seeks confirmation that the compilation and reporting of financial information is comprehensive, accurate and within prescribed timelines.

The Committee also seeks confirmation from the management that the Company is in compliance with applicable accounting standards and other regulatory requirements.

The CFO and the CRO are invited to be present at Committee meetings, and when deemed necessary, other senior management officers such as the CIO, CHRO and CLO are also invited to attend.

The External Auditors are periodically invited to meetings, which enables the Committee to hear their views, and discuss their insights on regulatory and compliance requirements and control or procedural weaknesses if any.

The Committee also reviews reports submitted by the Enterprise Risk Management Division. These reports cover operational issues , processes and controls , including IT issues . Relevant Senior Management officers are invited to attend these meetings , so that the identified risk or control weakness and its mitigation can be discussed and agreed on in a manner that is meaningful, relevant and has the commitment of the management .

Minutes of the Meetings of the Audit Committee are tabled at the meetings of the Board. This facilitates a flow of information to the Board, and enables further discussion , if thought necessary on any issue or proposed solution.

The Committee has reviewed and recommended to the Board the fees to be paid to the External Auditors .

Having given consideration to the independence of the External Auditors, the Audit Committee was satisfied that the Auditors, M/s Ernst and Young are independent. This determination was based on the following:

a period of service - Ernst and Young were appointed Auditors, with shareholder approval, in June , 2008 ;

b fees and services - neither the fees paid nor the non-audit services rendered are of sufficient quantum to impair their independence.

Accordingly, the Audit Committee has recommended to the Board of Directors that Messrs Ernst and Young be reappointed as Auditors for the financial year ending 31st March, 2019. The reappointment of the Audit Firm and the authorising of the Board to negotiate its fee will be subject to the approval of the shareholders at the Annual General Meeting to be held on 28th September 2018.

The Committee met five times during the financial year 2017/18.

Deshamanya M D D Peiris
Chairman - Audit Committee.

Report of the Related Party Transaction Review Committee

The Related Party Transaction Review Committee ("RPTR") comprises the following :

Deshamanya M D D Pieris
(Committee Chairman)

W D K Jayawardena

Mrs. K U Amarasinghe

Guided by the mandate provided by the Colombo Stock Exchange, the Committee defined its role, and then took steps to put in place processes which would facilitate successful fulfilment of that role. These included identifying an officer whose duty it would be to draw up the relevant reports, attend the Committee meetings and answer any queries or concerns.

The Committee in consultation with the CFO reviewed the reporting and disclosure requirements of related party transactions. Processes to identify, highlight and report such transactions have been agreed upon.

Related Party Transactions are reviewed by the Committee. At their regular meetings, the Committee also receives a report listing all such transactions. The Committee has satisfied itself that these transactions are being done at market rates and conditions and/or with all relevant approvals.

The Chief Financial Officer and the Chief Risk Officer are invited to attend meetings. Minutes of Committee Meetings are tabled at the Meetings of the Board and in this way the Committee ensures that the Board is kept informed of its comments / observations.

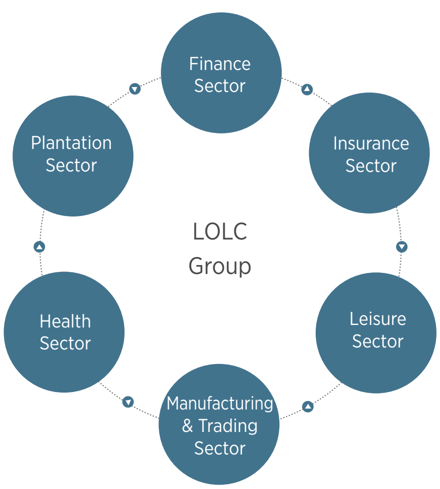
The Committee met four times during the year under review.

Deshamanya M D D Pieris
Chairman - Related Party Transactions Review Committee

Enterprise Risk Management

Risk Management - Overview

LOLC is a diversified conglomerate which is active in many sectors of the economy. The risk governance structures in LOLC Group are formulated to cover all significant entities at group level. This enable us to have a birds eye view of the entity clusters which are material and significant for the overall performance of the group. In the year under review the following sectors were integral part of the risk governance structures of the LOLC Group.



Risk Management at LOLC is a centralised function at group level. The risk governance mechanisms adapted are highly correlated to regulatory requirements of each sector and the risk appetite of the organisation and the impact and the complexity level of the operations of each sector/entity on the overall performance of the LOLC Group. The integration of each sector in to the group level risk governance mechanism has occurred at different time lines when the operations of such sector becomes material to the group operations and uniform mechanisms were adapted in rolling out risk management processes which have given us the ability to cut down on the learning cycle and implementation lead times. Due to this unique methodology, risk governance mechanisms are at different levels of maturity across the Group which allows us to adapt easily from the matured mechanisms in other sectors.

Risk Management at LOLC group is driven by the board of management via the Integrated Risk Management Committee and the Audit Committee with the Enterprise Risk Management (ERM) division spearheading the function at group level with risk officers appointed for each sector coordinating the effort at entity level. LOLC has given full independence to ERM division which consists of Risk Management and Internal Audit by separating the reporting lines of ERM from executive management by maintaining a reporting structure to the board of management through the audit committee and the integrated risk management committee both of which are board appointed committees headed by independent directors.

Enterprise Risk Management at LOLC is a synergy between Risk Management, Internal Audit and Information Audit functions. The Risk Management forms the independent reporting line to the board of management on perceived risks, adverse trends in identified risks which have the potential to impact the achievement of our strategic and tactical objectives if materialised. Identified risks are reviewed for the extent of the expected impact and feasible risk mitigation strategies.

Risk identification happens at different levels of the operational management and this is institutionalised with periodic reporting to ERM by business units on perceived risks by way of a self-assessment. These are further analysed by ERM and submitted for the integrated risk management committee. In addition, a comprehensive quarterly risk assessment report consisting of the perceived risks, movement of identified risk parameters and information extracted from other entities risk reporting mechanisms which are deemed material at group level is submitted for the perusal of

the Integrated risk management committee. The integrated risk management committee deliberate the issues and takes appropriate decisions on the risk mitigation strategies and mechanisms to be adapted and implemented. These decisions are communicated back to the business and service units for implementation.

The internal audit is entrusted with the task of evaluation of the effectiveness, reliability and the consistency of the risk mitigation mechanisms/ internal controls. These reviews are undertaken at Group level for the centralised processes and at entity level for business processes and service units unique to an entity. Dedicated audit teams are deployed for each sector to obtain a reasonable assurance that the risk control mechanisms and internal controls are working as intended. Respective Audit Committees are appraised of the audit findings and overall opinion on the area audited. Audit recommendations and the Audit Committee directives are followed up and a confirmation on implementation are obtained from the auditee to ensure all control weaknesses are addressed as relevant.

The Corporate Whistle Blower Hotline and the customer feedback line are operated by ERM and all communications received through these two lines are followed up until resolution. This initiative integrates staff and customers to the overall Risk Management and audit culture of the organisation.

Enterprise Risk Management at LOLC is part of the culture of the organisation and in line with our vision in risk management "Building an organisational Culture where Protection, Assurance, Reliability, Accountability, Transparency and Confidentiality are treasured and lasting values ", we constantly train and conduct risk and control awareness sessions in various sector organisations to enhance the knowledge of the operational level staff on audit & risk management. This empowering of employees enable them to identify risks and initiate appropriate risk responses. There is continuous engagement of the Enterprise Risk Management Department with other stakeholders in a consultative capacity for formulation and amendments of business processes, products and services.

Internal Control Structure consists mainly of Policies, Procedures and organisational practices. The group level policies are adopted across all organisations which ensures uniformity and standardises our processes. Entity level policies and procedures are unique to an entity and are reflective of their core business and service functionalities.

Risk Management in a diversified conglomerate in the calibre and magnitude of LOLC Group poses its own challenges and one key aspect of a successful risk management strategy is having and retaining a pool of diverse skills and knowledge workers covering all sectors. We firmly believe in keeping their knowledge up to date and constant training both in-house and external are provided to enhance the knowledge and skills of the ERM staff. This allows us to confidently face the emerging challenges as a Group. In addition, technology too is used to enhance the quality and information gathering capability of ERM division and during the year under review data extraction and mining capability was extensively used by ERM division to move away from sample based reviews to full reviews which greatly enhances the confidence levels on the reliability of the control reviews.

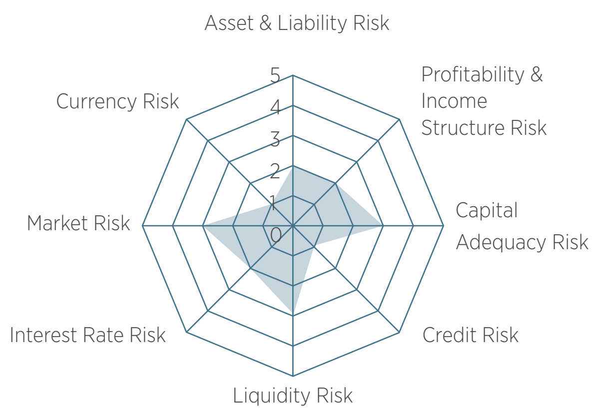
Risk Profile

The following is based on the perceived risk and is a high level categorisation of risk used only for the illustration purposes of this report.

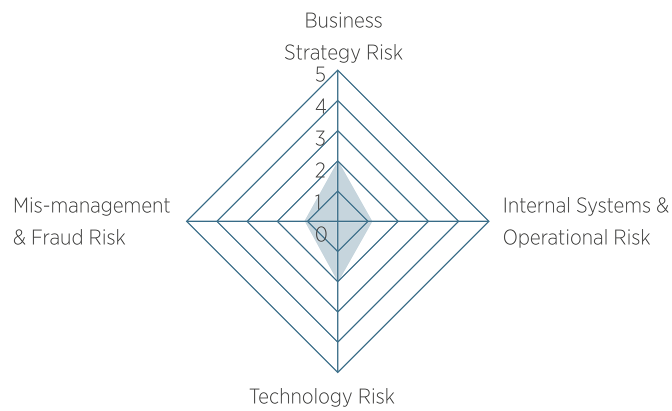
Risk Levels	Risk Score
Very High	5
High	4
Medium	3
Low	2
Very Low	1

Enterprise Risk Management

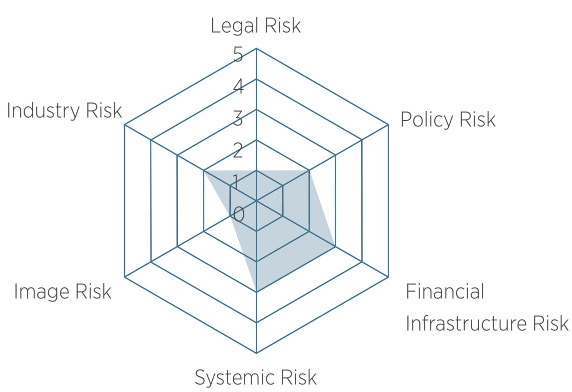
Financial Risks



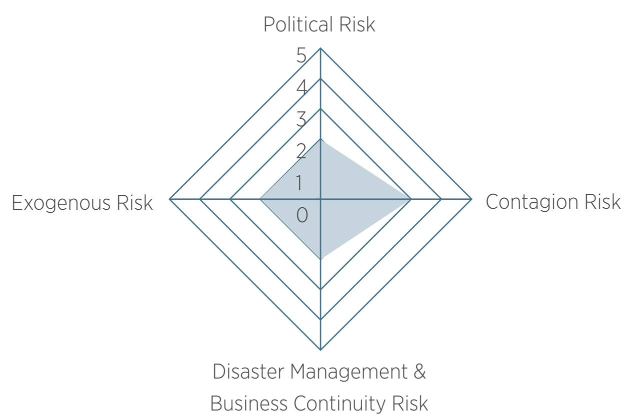
Operational Risks



Business Risks



Event Risks



Bold. Agile. Aggressive. Successful.

Financial Statements

1st Quarter Results 2017/2018 released on	15th August 2017
2nd Quarter Results 2017/2018 released on	15th November 2017
3rd Quarter Results 2017/2018 released on	15th February 2018
4th Quarter Results 2017/2018 released on	31st May 2018
Annual Report for 2017/2018 released in	August 2018
39th Annual General Meeting in	September 2018

PROPOSED FINANCIAL CALENDAR 2018/19

1st Quarter Results 2018/2019 released on	15th August 2018
2nd Quarter Results 2018/2019 will be released on	15th November 2018
3rd Quarter Results 2018/2019 will be released on	15th February 2019
4th Quarter Results 2018/2019 will be released on	31st May 2019
Annual Report for 2018/2019 will be released in	August 2019
40th Annual General Meeting in	September 2019

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

The Financial Statements are prepared in compliance with the Sri Lanka Accounting Standards issued by The Institute of Chartered Accountants of Sri Lanka and the requirements of the Companies Act No. 07 of 2007 and any other applicable statutes to the extent applicable to the Company.

There are no departures from the prescribed accounting standards in their adoption. The accounting policies used in the preparation of the Financial Statements are appropriate and are consistently applied.

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

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

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

Mr. Kapila Jayawardena
Group Managing Director/CEO

Mrs. Sunjeevani Kotakadeniya
Chief Financial Officer

LOLC Group
24th August 2018

Directors' Responsibility for Financial Reporting

The Directors confirm that the Company's Financial Statements for the year ended 31 March 2018 are prepared and presented in conformity with the requirements of the Sri Lanka Accounting Standards, the Regulations and Directions of the Central Bank of Sri Lanka, the Listing Rules of the Colombo Stock Exchange, the Finance Leasing Act No. 56 of 2000 and the Companies Act No. 07 of 2007.

They believe that the Financial Statements present a true and fair view of the state of the affairs of the Company and of the Group as at the end of the financial year.

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

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

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

The Directors believe that the Company is in a position to continue its operations in the foreseeable future. Accordingly, the Financial Statements are prepared on the basis that the Company is a going concern.

The External Auditors, Ernst & Young, were provided with the opportunity to make appropriate inspections of financial records, minutes and other documents to enable them to form an opinion of the Financial Statements. The Independent Auditor's Report is set out on page 123.

Mr. Kapila Jayawardena
Group Managing Director/
Chief Executive Officer

24th August 2018

Independent Auditors' Report

Ernst & Young
Chartered Accountants
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Colombo 10
Sri Lanka

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TO THE SHAREHOLDERS OF LANKA ORIX LEASING COMPANY PLC

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Lanka ORIX Leasing Company PLC ("the Company") and the consolidated financial statements of the Company and its subsidiaries` ("the Group"), which comprise the statement of financial position as at 31 March 2018, and the statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31 March 2018, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key Audit Matter	How our audit addressed the key audit matter
Impairment of Finance lease, hire purchase and operating leases and Advances and other loans As at 31 March 2018, Finance lease, hire purchase and operating leases and Advances and other loans (net of impairment) amounted to Rs. 549,976 Mn. These collectively contributed 67% to the Group's total assets. The allowance for impairment (both individual and collective) of these financial assets is estimated by management. The estimation involves a complex calculation. Assumptions used by management in this calculation are inherently judgmental. Note no 3.4.6 to the financial statements more fully describes the assumptions to which this estimate is most sensitive.	To assess the reasonableness of the allowance for impairment, we performed the following procedures, among others: - We understood and evaluated the key internal controls over estimation of the allowance for impairment including those over identifying occurrence of loss events; - We test - checked the underlying calculations and data used in such calculations; - We involved the component auditor of the subsidiary companies to perform the audit procedures to assess the reasonability of the assumptions and test the key controls on a sample basis over the process of estimating the impairment - In addition to the above, focused procedures were performed as follows:

Key Audit Matter	How our audit addressed the key audit matter
We considered the estimation of allowance for impairment as a Key Audit Matter due to sensitivity of reported results (on financial performance) to this allowance and the inherent uncertainty involved in its estimation.	• Individual allowance for impairment: For a sample of loans and receivables, management's forecasts of cash flows were test – checked to historical patterns of customer repayment. Among other procedures, forecast cash flows arising from collateral (or other source(s) of expected recovery) were verified to source documents; • Collective allowance for impairment: For loss rates used by management, we assessed the appropriateness of the loss emergence period and the observation period including consistency with historical loss experience; assessed the reasonableness of the assumptions on effects arising from macro – economic factors; - We assessed the adequacy of the related financial statement disclosures as set out in notes 20 and 21.
Valuation of land and buildings As at 31 March 2018, free hold Land and Buildings carried at fair value, classified as Property, Plant & Equipment and Investment Property amounted to Rs. 26,489Mn and Rs. 14,352Mn respectively and the fair value gain recognised in Other Comprehensive Income and Profit or Loss amounted to Rs. 2,152 Mn and Rs. 1,548Mn respectively. The fair value of such property was determined by external valuers engaged by the Group. The valuation of land and buildings was significant to our audit due to the use of significant estimates disclosed in notes 27.4, 34.2 and 34.15 to the financial statements.	Our audit procedures focused on the valuations performed by external valuers engaged by the Group, and included the following; • We assessed the competency, capability and objectivity of the external valuers engaged by the Group • We read the external valuers' report and understood the key estimates made and the approach taken by the valuers in determining the valuation of each property • We engaged our internal specialised resources to assess the reasonability of the valuation techniques, per perch price and value per square foot • We involved the component auditor of the subsidiary companies to perform the audit procedures to assess the reasonability of the assumptions used over valuation of Land and buildings. We have also assessed the adequacy of the disclosures made in note 27.4, 34.2 and 34.15 to the financial statements relating to the valuation technique and estimates used by the external valuers.

Other information included in the 2018 Annual Report

Other information consists of the information included in the 2018 Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance

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

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and the Group's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls of the Company and the Group.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 1697.

Ernst & Young

24 August 2018
Colombo

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

Principal T P M Ruberu FCMA FCCA

A member firm of Ernst & Young Global Limited

Statement of Financial Position

As at 31 March	Note	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
Assets					
Cash in hand and favorable bank balances	17.1	51,133,160	54,215,239	281,209	460,015
Trading assets - fair value through profit or loss	18	3,168,463	3,649,561	341,399	453,204
Investment securities	19	80,136,613	55,379,321	9,936,230	348,508
Finance lease receivables, hire purchases and operating leases	20	56,724,874	51,886,989	2,888	4,422
Advances and other loans	21	493,251,097	366,809,378	2,342,042	785,112
Insurance premium receivables	22	1,112,966	1,080,758	-	-
Inventories	23	4,579,203	4,070,523	251,875	364,029
Current tax assets	24	1,284,651	1,404,425	172,790	131,566
Trade and other current assets	25	26,058,144	14,979,118	18,307,042	26,262,577
Prepaid lease rentals on leasehold properties	26	2,305,861	741,279	-	-
Investment properties	27	14,352,331	9,750,928	882,500	376,600
Biological assets;					
Consumable biological assets	28	3,305,919	2,984,091	-	-
Bearer biological assets	29	1,212,197	1,151,494	-	-
Investments in group of companies;					
Subsidiary companies	30	-	-	68,301,090	61,670,676
Associates	31	17,451,392	15,764,522	4,314,001	4,314,001
Deferred tax assets	32.1	1,914,813	1,492,249	-	-
Intangible assets	33	13,954,791	13,299,451	220,378	203,084
Property, plant and equipment	34	50,293,016	42,265,514	5,369,609	6,633,567
Total assets		822,239,491	640,924,840	110,723,053	102,007,361
Liabilities and equity					
Liabilities					
Bank overdrafts	17.2	9,293,783	7,365,332	2,459,828	1,691,299
Trading liabilities	35	754,089	65,287	-	1,252
Deposits liabilities	36	307,528,600	211,128,007	-	-
Interest bearing borrowings	37	332,254,802	286,749,284	51,781,301	51,006,998
Insurance provision - life	38.1	2,877,925	2,048,422	-	-
Insurance provision - general	38.2	3,438,534	2,729,985	-	-
Current tax payables	39	4,812,096	3,636,203	718,156	623,434
Trade and other payables	40	37,193,512	17,682,263	3,513,803	1,238,204
Deferred tax liabilities	32.3	4,935,030	4,492,485	323,146	219,926
Deferred income	41	184,404	235,833	-	-
Retirement benefit obligations	42	1,434,161	2,175,902	291,463	234,548
Total liabilities		704,706,936	538,309,003	59,087,697	55,015,661

As at 31 March	Note	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
Equity					
Stated capital	43	475,200	475,200	475,200	475,200
Reserves	44	11,683,569	8,932,444	2,930,211	3,377,627
Retained earnings	45	58,303,245	49,442,054	48,229,945	43,138,873
Equity attributable to shareholders of the Company		70,462,014	58,849,698	51,635,356	46,991,700
Non-controlling interests		47,070,541	43,766,139	-	-
Total equity		117,532,555	102,615,837	51,635,356	46,991,700
Total liabilities & equity		822,239,491	640,924,840	110,723,053	102,007,361

The accounting policies and notes as setout in pages 138 to 296 form an integral part of these financial statements.

Figures in brackets indicate deductions

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

Mrs. S.S. Kotakadeniya
Chief Financial Officer

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

Mr. I.C. Nanayakkara
Deputy Chairman

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

24th August 2018,

Rajagiriya (Greater Colombo)

Statement of Profit or Loss

For the year ended 31 March	Note	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
Gross income	4	149,516,214	91,715,284	16,304,439	20,265,814
Interest Income	4.1	104,772,109	54,573,085	3,018,226	3,832,011
Interest expenses	6	(58,517,709)	(33,159,212)	(6,066,902)	(5,270,261)
Net interest income		46,254,400	21,413,873	(3,048,676)	(1,438,250)
Revenue	4.2	22,602,826	23,441,032	-	-
Cost of sales		(15,428,148)	(14,112,059)	-	-
Gross profit		7,174,678	9,328,973	-	-
Income	4.3	12,032,101	7,687,454	4,210,110	3,967,725
Other income/(expenses)	5	10,109,178	6,013,713	9,076,103	12,466,078
Profit before operating expenses		75,570,357	44,444,013	10,237,537	14,995,553
Operating expenses					
Direct expenses excluding finance expenses	7	(8,169,406)	(7,199,759)	(157,663)	(131,098)
Personnel expenses	8	(18,676,238)	(12,617,864)	(1,616,335)	(1,896,478)
Net impairment loss on financial assets	9	(10,057,139)	(4,279,678)	(13,227)	4,908
Depreciation and amortisation	10	(2,320,895)	(1,869,791)	(525,646)	(436,931)
Other operating expenses	11	(13,517,727)	(8,520,149)	(3,161,986)	(2,386,584)
Results from operating activities	12	22,828,952	9,956,772	4,762,680	10,149,370
Share of profits of equity accounted investees, net of tax	13.1	1,763,093	3,827,962	-	-
Results on acquisition and divestment of Group investments	14	63,774	10,594,331	-	-
Profit before income tax expense		24,655,819	24,379,065	4,762,680	10,149,370
Income tax expense	15.1	(5,466,316)	(3,458,453)	(63,328)	(372,071)
Profit for the year		19,189,503	20,920,612	4,699,352	9,777,299
Profit attributable to;					
Equity holders of the Company		9,728,108	17,157,762	4,699,352	9,777,299
Non-controlling interests		9,461,395	3,762,850	-	-
		19,189,503	20,920,612	4,699,352	9,777,299

The accounting policies and notes as setout in pages 138 to 296 form an integral part of these financial statements.

Figures in brackets indicate deductions

Statement of Comprehensive Income

For the year ended 31 March	Note	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
Profit for the year		19,189,503	20,920,612	4,699,352	9,777,299
Other comprehensive income					
Other comprehensive income that will never be reclassified to profit or loss in subsequent periods:					
Revaluation surplus of property, plant and equipment					
Revaluation of property, plant and equipment		2,151,719	3,174,493	128,789	1,890,592
Related tax	15.8	(797,619)	(59,807)	(153,413)	(34,258)
Defined benefit plan actuarial gains/(losses)					
Re-measurement of defined benefit liabilities	42	(90,375)	35,918	(13,703)	(11,345)
Related tax	15.8	13,480	(7,576)	3,837	-
Share of other comprehensive income of equity accounted investees (net of tax)	13.2	402,701	314,947	-	-
Net other comprehensive income not to be reclassified to income statement in subsequent periods		1,679,906	3,457,975	(34,490)	1,844,989
Other comprehensive income that are or may be reclassified to profit or loss in subsequent periods :					
Available for sale financial instruments					
Net change in fair value of available-for-sale financial assets		370,267	(159,712)	(23,299)	(132,025)
Related tax	15.8	(3,019)	-	-	-
Foreign currency translation differences for foreign operations					
Exchange gain from translation of foreign operations		1,018,444	531,729	-	-
Transfer of translation reserve on disposed foreign associate		(63,774)	(777,589)	-	-
Fair value differences on cash flow hedges					
Net movement in cash flow hedges		(280,620)	(106,741)	-	-
Net change in fair value of cash flow hedges reclassified to profit or loss		(19,188)	-	-	-
Related tax	15.8	114,146	(16,996)	-	-
Share of other comprehensive income of equity accounted investees (net of tax)	13.2	847,083	688,830	-	-
Net other comprehensive income to be reclassified to income statement in subsequent periods		1,987,339	159,521	(23,299)	(132,025)
Total other comprehensive income/(expenses) for the year, net of tax		3,663,245	3,617,496	(57,789)	1,712,964
Total comprehensive income for the year, net of tax		22,852,748	24,538,108	4,641,563	11,490,263
Total comprehensive income attributable to;					
Equity holders of the Company		11,940,209	20,253,969	4,641,563	11,490,263
Non-controlling interests		10,912,539	4,284,139	-	-
		22,862,748	24,538,108	4,641,563	11,490,263
Basic earnings per share	16.1	20.47	36.11	9.89	20.58

The accounting policies and notes as setout in pages 138 to 296 form an integral part of these financial statements.

Figures in brackets indicate deductions

Statement of Changes in Equity

Company	Note	Stated capital Rs.'000	Revaluation reserve Rs.'000	Cash flow hedge reserve Rs.'000	Fair value reserve on AFS Rs.'000	
Balance as at 01 April 2016		475,200	1,283,286	-	165,032	
Total comprehensive income for the period						
Profit for the year		-	-	-	-	
Other comprehensive income						
Net change in fair value of available-for-sale financial assets		-	-	-	(132,025)	
Revaluation of property, plant and equipment		-	1,890,592	-	-	
Deferred tax on revaluation	15.8	-	(34,258)		-	
Re-measurement of defined benefit liabilities	42	-	-	-	-	
Total comprehensive income for the period		-	1,856,334	-	(132,025)	
Balance as at 31 March 2017		475,200	3,139,620	-	33,007	
Total comprehensive income for the period						
Profit for the year		-	-	-	-	
Other comprehensive income						
Net change in fair value of available-for-sale financial assets		-	-	-	(23,299)	
Revaluation of property, plant and equipment		-	128,789	-	-	
Deferred tax on revaluation	15.8	-	(153,413)	-	-	
Transfers from revaluation reserve		-	(399,493)	-	-	
Re-measurement of defined benefit liabilities	42	-	-	-	-	
Deferred tax on defined benefit liabilities	15.8	-	-	-	-	
Total other comprehensive income for the period		-	(424,117)	-	(23,299)	
Total comprehensive income for the period		-	(424,117)	-	(23,299)	
Transactions with owners directly recorded in the equity						
Contributions by and distributions to owners						
Dividend forfeited during the period		-	-	-	-	
Total contribution by / (distributions to) owners of the Company		-	-	-	-	
Balance as at 31 March 2018		475,200	2,715,503	-	9,708	205,00

The accounting policies and notes as setout in pages 138 to 296 form an integral part of these financial statements.

Figures in brackets indicate deductions

Equity attributable to the shareholders of the Company		
Future Taxation reserve	Retained Earnings	Total
Rs.'000	Rs.'000	Rs.'000
205,000	33,372,919	35,501,437
-	9,777,299	9,777,299
-	-	(132,025)
-	-	1,890,592
-	-	(34,258)
-	(11,345)	(11,345)
-	9,765,954	11,490,263
205,000	43,138,873	46,991,700
-	4,699,352	4,699,352
-	-	(23,299)
-	-	128,789
-	-	(153,413)
-	399,493	-
-	(13,703)	(13,703)
-	3,837	3,837
-	389,627	(57,789)
-	5,088,979	4,641,563
-	2,093	2,093
-	2,093	2,093
205,000	48,229,945	51,635,356

Statement of Changes in Equity

Group	Note	Stated capital Rs.' 000	Revaluation reserve Rs.' 000	Cash flow hedge reserve Rs.' 000
Balance as at 01 April 2016		475,200	3,434,185	218,241
Total comprehensive income for the period				
Profit for the period		-	-	-
Other comprehensive income				
Net change in fair value of available-for-sale financial assets		-	-	-
Revaluation of property, plant and equipment		-	2,951,502	-
Deferred tax on revaluation	15.8	-	(48,485)	-
Foreign currency translation differences for foreign operations		-	-	-
Net movement of cash flow hedges		-	-	(83,034)
Deferred tax on cash flow hedges	15.8	-	-	(16,851)
Re-measurement of defined benefit liabilities	42	-	-	-
Deferred tax on re-measurement of defined benefit liabilities	15.8	-	-	-
Share of other comprehensive income of equity accounted investees (net of tax)	13.2	-	274,999	-
Transfer of translation reserve on disposed foreign associate		-	-	-
Total other comprehensive income for the period		-	3,178,016	(99,885)
Total comprehensive income for the period		-	3,178,016	(99,885)
Transactions with owners directly recorded in the Equity				
Contributions by and distributions to owners				
Dividends paid during the period		-	-	-
Total contribution by / (distributions to) owners of the Company		-	-	-
Transactions due to changes in group holding				
Non-controlling interests recognised on acquisition of subsidiaries	30.6.2.4	-	-	-
NCI contribution for subsidiary share issues	30.7.6	-	-	-
Acquisition of non-controlling interests		-	-	-
Disposal of subsidiaries		-	-	-
Changes in ownership interests that do not result in a change in control				
Total transactions due to changes in group holding		-	-	-
Total transactions with owners directly recorded in the equity		-	-	-
Other movements in equity				
Depreciation transfer on revaluation		-	(10,592)	-
Net transfers to statutory reserve fund		-	-	-
Total other movements		-	(10,592)	-
Balance as at 31 March 2017		475,200	6,601,609	118,356

Equity attributable to the shareholders of the Company							
Fair Value reserve on AFS	Translation reserve	Future taxation reserve	Statutory reserve fund	Retained earnings	Total	Non-controlling interests	Total equity
Rs.' 000	Rs.' 000	Rs.' 000	Rs.' 000	Rs.' 000	Rs.' 000	Rs.' 000	Rs.' 000
(1,105,365)	929,777	205,000	1,754,358	31,786,984	37,698,380	28,677,845	66,376,225
-	-	-	-	17,157,762	17,157,762	3,762,850	20,920,612
(161,994)	-	-	-	-	(161,994)	2,282	(159,712)
-	-	-	-	-	2,951,502	222,991	3,174,493
-	-	-	-	-	(48,485)	(11,322)	(59,807)
-	315,848	-	-	-	315,848	215,881	531,729
-	-	-	-	-	(83,034)	(23,707)	(106,741)
-	-	-	-	-	(16,851)	(145)	(16,996)
-	-	-	-	(13,245)	(13,245)	49,163	35,918
-	-	-	-	(1,135)	(1,135)	(6,441)	(7,576)
372,143	276,498	-	-	7,550	931,190	72,587	1,003,777
-	(777,589)	-	-	-	(777,589)	-	(777,589)
210,149	(185,243)	-	-	(6,830)	3,096,207	521,289	3,617,496
210,149	(185,243)	-	-	17,150,932	20,253,969	4,284,139	24,538,108
-	-	-	-	-	-	(237,209)	(237,209)
-	-	-	-	-	-	(237,209)	(237,209)
-	-	-	-	-	-	(2,066,662)	(2,066,662)
-	-	-	-	-	-	19,847,015	19,847,015
-	-	-	-	859,218	859,218	(1,627,691)	(768,473)
-	-	-	-	-	-	(4,769,503)	(4,769,503)
				38,131	38,131	(341,795)	(303,664)
-	-	-	-	897,349	897,349	11,041,364	11,938,713
-	-	-	-	897,349	897,349	10,804,155	11,701,504
-	-	-	-	10,592	-	-	-
-	-	-	403,803	(403,803)	-	-	-
-	-	-	403,803	(393,211)	-	-	-
(895,216)	744,534	205,000	2,158,161	49,442,054	58,849,698	43,766,139	102,615,837

Statement of Changes in Equity

Group	Note	Stated capital Rs.' 000	Revaluation reserve Rs.' 000	Cash Flow hedge reserve Rs.' 000
Balance as at 01 April 2017		475,200	6,601,609	118,356
Total comprehensive income for the period				
Profit for the period		-	-	-
Other comprehensive income				
Net change in fair value of available-for-sale financial assets		-	-	-
Deferred tax on AFS	15.8			
Revaluation of property, plant and equipment		-	1,116,191	-
Deferred tax on revaluation	15.8	-	(414,307)	-
Foreign currency translation differences for foreign operations		-	-	-
Net movement of cash flow hedges		-	-	(246,364)
Net change in fair value of cash flow hedges reclassified to profit or loss		-	-	(17,269)
Deferred tax on cash flow hedges	15.8	-	-	104,251
Re-measurement of defined benefit liabilities	42	-	-	-
Deferred tax on re-measurement of defined benefit liabilities	15.8	-	-	-
Share of other comprehensive income of equity accounted investees (net of tax)	13.2	-	280,317	-
Transfer of translation reserve	31.5.1	-	-	-
Total other comprehensive income for the period		-	982,201	(159,382)
Total comprehensive income for the period		-	982,201	(159,382)
Transactions with owners directly recorded in the Equity				
Contributions by and distributions to owners				
Dividends paid during the period		-	-	-
Dividend forfeited during the period		-	-	-
Total contribution by / (distributions to) owners of the Company		-	-	-
Transactions due to changes in group holding				
NCI contribution for subsidiary share issues		-	-	-
Non-controlling interests recognized on acquisition of subsidiaries	30.6.1.7	-	-	-
Acquisition of non-controlling interests	30.8	-	-	-
Changes in ownership interests that do not result in a change in control		-	-	-
Total transactions due to changes in group holding		-	-	-
Total transactions with owners directly recorded in the equity		-	-	-
Other movements in equity				
Depreciation transfer on revaluation		-	(455)	-
Net transfers to statutory reserve fund		-	-	-
Total other movements		-	(455)	-
Balance as at 31 March 2018		475,200	7,583,355	(41,026)

The accounting policies and notes as setout in pages 138 to 296 form an integral part of these financial statements.

Figures in brackets indicate deductions.

Equity attributable to the shareholders of the Company							
Fair Value reserve on AFS	Translation reserve	Future taxation reserve	Statutory reserve fund	Retained earnings	Total	Non-controlling interests	Total equity
Rs.' 000	Rs.' 000	Rs.' 000	Rs.' 000	Rs.' 000	Rs.' 000	Rs.' 000	Rs.' 000
(895,216)	744,534	205,000	2,158,161	49,442,054	58,849,698	43,766,139	102,615,837
-	-	-	-	9,728,108	9,728,108	9,461,395	19,189,503
352,827	-	-	-	-	352,827	17,440	370,267
(2,717)					(2,717)	(302)	(3,019)
-	-	-	-	-	1,116,191	1,035,528	2,151,719
-	-	-	-	-	(414,307)	(383,312)	(797,619)
-	395,195	-	-	-	395,195	623,249	1,108,444
-	-	-	-	-	(246,364)	(34,256)	(280,620)
-	-	-	-	-	(17,269)	(1,919)	(19,188)
-	-	-	-	-	104,251	9,895	114,146
-	-	-	-	(35,593)	(35,593)	(54,782)	(90,375)
-	-	-	-	6,483	6,483	6,997	13,480
716,780	25,600	-	-	(5,519)	1,017,178	232,608	1,249,786
-	(63,774)	-	-	-	(63,774)	-	(63,774)
1,066,890	357,021	-	-	(34,629)	2,212,101	1,451,144	3,663,245
1,066,890	357,021	-	-	9,693,479	11,940,209	10,912,539	22,852,748
-	-	-	-	-	-	(738,557)	(738,557)
-	-	-	-	5,240	5,240	2,940	8,180
-	-	-	-	5,240	5,240	(735,617)	(730,377)
-	-	-	-	-	-	8,000	8,000
-	-	-	-	-	-	3,202,311	3,202,311
-	-	-	-	(1,945,433)	(1,945,433)	(6,170,675)	(8,116,108)
-	-	-	-	1,612,300	1,612,300	(3,912,156)	(2,299,856)
-	-	-	-	(333,133)	(333,133)	(6,872,520)	(7,205,653)
-	-	-	-	(327,893)	(327,893)	(7,608,137)	(7,936,030)
-	-	-	-	455	-	-	-
-	-	-	504,850	(504,850)	-	-	-
-	-	-	504,850	(504,395)	-	-	-
171,674	1,105,555	205,000	2,663,011	58,303,245	70,462,014	47,070,541	117,532,555

Statement of Cash Flow

For the year ended 31 March	Note	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
CASH FLOW FROM OPERATING ACTIVITIES					
Profit before income tax expense		24,655,819	24,379,065	4,762,680	10,149,370
Adjustment for:					
(Gain) / loss on sale of property, plant and equipment	5.1	(112,331)	(40,942)	(60,874)	(59,256)
Depreciation and amortisation	10	2,320,895	1,869,791	525,646	436,931
Insurance provision		1,538,052	1,122,315	-	-
Change in fair value of forward contracts	5.1	(1,648,223)	28,699	3,341	-
Provision for gratuity	42.1	414,982	345,491	49,318	57,219
Net impairment (loss) / reversal on financial assets	9	10,057,139	4,279,678	13,227	(4,918)
Provision for fall/(increase) in value of investments	5.1	(551,259)	(161,794)	108,347	(32,691)
Investment Income		(4,784,492)	(4,656,964)	(111,927)	(309,111)
Net finance costs	6	58,517,709	34,390,845	6,066,902	5,270,261
(Profit)/loss on sale of quoted and non-quoted shares	5.1	(903,588)	21,448	(764)	(12,011)
Foreign exchange gain / (loss)	5.1	1,525,851	(38,925)	-	-
Share of profits of equity accounted investees	13.1	(1,763,093)	(3,827,962)	-	-
Results on acquisition and divestment of Group investments	14 / 31.5	(63,774)	(10,594,331)	(5,671,400)	(9,099,508)
(Gain)/ loss in fair value of consumer biological assets	28.1	(285,256)	(214,816)	-	-
Change in fair value of investment properties	27	(1,548,491)	(855,409)	(4,400)	(23,600)
Amortisation of deferred income	41	(73,482)	(85,169)	-	-
Provision/ (reversal) for slow moving inventories	23.1	(6,899)	(53,448)	-	-
Allowance for trade and other receivables	25.1.1	93,443	215,963	-	-
Transaction cost on acquisition of subsidiaries		3,625	303,970	-	-
Operating profit before working capital changes		87,386,627	46,427,505	5,680,096	6,372,686
Working capital changes					
Increase/(decrease) in trade and other payables		17,879,066	2,761,464	2,459,334	384,311
(Increase)/decrease in investment in leases, hire purchase and others		(6,562,798)	(831,876)	1,534	4,499
(Increase)/decrease in investment in advances and other loans		(133,802,493)	(37,216,615)	(1,556,930)	993,918
(Increase)/decrease in premium receivables		(32,208)	(279,593)	-	-
(Increase)/decrease in inventories		(501,781)	(786,796)	112,153	98,731
(Increase)/decrease in trade and other receivables		(8,186,684)	(2,896,195)	7,914,308	(9,928,268)
Increase/(decrease) in customer deposits		96,184,071	29,344,211	-	-
Cash generated from operations		52,363,800	36,522,105	14,610,495	(2,074,123)
Finance cost paid		(58,955,509)	(34,862,108)	(5,958,852)	(5,219,512)
Income tax and Economic Service Charge paid		(4,578,038)	(2,092,543)	(208,076)	(41,713)
Defined benefit plan costs paid	42	(1,275,542)	(236,596)	(6,106)	(7,534)
Net cash from/(used in) operating activities		(12,445,289)	(669,142)	8,437,461	(7,342,882)

For the year ended 31 March	Note	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
CASH FLOW FROM INVESTING ACTIVITIES					
Investment in subsidiary companies		-	-	(10,807,257)	(19,004,747)
Net cash and cash equivalents on acquisition of subsidiary	30.6.1.8	427,486	5,246,189	-	-
Net cash and cash equivalents received on disposal of subsidiary	30.7.7	-	4,932,153	-	-
Investment in equity accounted investees	31.6	(306,440)	(1,331,015)	-	-
Acquisition of PPE / Investment properties		(8,649,462)	(7,290,473)	(400,722)	(879,320)
Acquisition / (Disposal) of intangible assets	33.5	(355,074)	(219,758)	(45,529)	6,937
Net additions to trading assets		1,935,945	(1,111,668)	(9,604,513)	11,624
Net additions to investment securities		(24,052,233)	6,147,413	-	336,035
Proceeds from the disposal of PPE / Investment properties		449,638	198,249	855,375	215,046
Investment income received		4,442,677	4,587,406	-	-
Dividend received		588,769	608,826	40,366	240,193
Net additions of biological assets		(145,543)	(276,609)	-	-
Prepayment of lease rentals		53,809	19,749	-	-
Proceeds from sale of subsidiaries, associates		-	-	9,849,009	12,601,885
Net cash flow from investing activities		(25,610,428)	11,510,462	(10,113,271)	(6,472,347)
CASH FLOW FROM FINANCING ACTIVITIES					
Net cash proceeds from short term borrowings	37	994,135	16,684,717	(1,402,510)	16,944,239
Principal repayment under finance lease liabilities	37.2.2	(702,094)	(773,220)	(37,590)	(80,344)
Proceeds from long term borrowings	37.3	109,109,531	35,132,089	3,628,972	1,007,081
Repayments of long term borrowings	37.3	(67,986,105)	(38,423,865)	(4,210,397)	(1,855,849)
Issue / (repayment) of debentures	37	2,750,000	(18,459)	2,750,000	(140,000)
Dividends paid to non-controlling interests		(738,557)	(237,209)	-	-
Receipt of deferred income	41	26,241	142,508	-	-
NCI contribution to subsidiary share issues		8,000	19,847,015	-	-
Redemption of participative units issued to non-controlling interests		(2,299,856)	-	-	-
Acquisition of non-controlling interests	30.8	(8,116,108)	(768,473)	-	-
Net cash generated from financing activities		33,045,187	31,585,103	728,475	15,875,127
Net increase/(decrease) in cash and cash equivalents during the year		(5,010,530)	42,426,423	(947,335)	2,059,898
Cash and cash equivalents at the beginning of the year		46,849,907	4,423,484	(1,231,284)	(3,291,182)
Cash and cash equivalents at the end of the year		41,839,377	46,849,907	(2,178,619)	(1,231,284)
Analysis of cash and cash equivalents at the end of the year	17				
Cash in hand and favourable bank balances		51,133,160	54,215,239	281,209	460,015
Unfavourable bank balances used for cash management purposes		(9,293,783)	(7,365,332)	(2,459,828)	(1,691,299)
		41,839,377	46,849,907	(2,178,619)	(1,231,284)

The accounting policies and notes as setout in pages 138 to 296 form an integral part of these financial statements.

Figures in brackets indicate deductions

Notes to the Financial Statements

1. REPORTING ENTITY

1.1 General

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

The Consolidated Financial Statements of the Group as at and for the year ended 31st March 2018 comprise of the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interest in associates and jointly controlled entities.

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

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

1.2 Principal Activities and Nature of Operations

Lanka ORIX Leasing Company PLC, the Group's holding Company, manages a portfolio of investments consisting of a range of diverse business operations, which together constitute the LOLC Group, and provides function based services to its subsidiaries, jointly controlled entities and associates.

Description of the nature of operations and principle activities of the subsidiaries, jointly-controlled entities and associates are given on note 30.3 and 31.3 respectively to these Financial Statements. There were no significant changes in the nature of the principal activities of the Company and the Group during the financial year under review.

All the group companies incorporated and domiciled in Sri Lanka except for following subsidiaries and associates;

Company	Relationship	Functional currency	Country of incorporation
LOLC (Cambodia) PLC	Subsidiary	Cambodian Riel (KHR)	Cambodia
PRASAC Micro Finance Institution Limited	Subsidiary	United States Dollar (USD)	Cambodia
Bodufaru Beach Resorts (Pvt) Ltd	Subsidiary	United States Dollar (USD)	Maldives
LOLC Myanmar Micro-Finance Company Limited	Subsidiary	Myanmar Kyat (MMK)	Myanmar
LOLC International (Pvt) Ltd	Subsidiary	United States Dollar (USD)	Singapore
LOLC (Pvt) Ltd	Subsidiary	United States Dollar (USD)	Singapore
LOLC Asia (Pvt) Ltd	Subsidiary	United States Dollar (USD)	Singapore
NPH Investments (Pvt) Ltd	Subsidiary	United States Dollar (USD)	Maldives
Pak Oman Microfinance Bank Limited	Subsidiary	Pakistani Rupee (PKR)	Pakistan
B Commodities ME (FZE)	Subsidiary	United States Dollar (USD)	UAE
PT LOLC Management Indonesia	Subsidiary	Indonesian Rupiah (IDR)	Indonesia
PT Sarana Sumut Ventura	Subsidiary	Indonesian Rupiah (IDR)	Indonesia
NPH Development (Pvt) Ltd	Associate	United States Dollar (USD)	Maldives
Patronus Wealth Holdings Limited	Associate	United States Dollar (USD)	UAE

1.3 Parent Entity and Ultimate Parent Entity

Lanka ORIX Leasing Company PLC is the holding company of the Group and therefore, it does not have an identifiable immediate or ultimate parent of its own. Lanka ORIX Leasing Company PLC became the holding company of the Group during the financial year ended 31 March 2011.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

The Financial Statements of the Company and those consolidated with such are prepared in accordance with the Sri Lanka Accounting Standards (SLFRS/LKAS) laid down by The Institute of Chartered Accountants of Sri Lanka (ICASL) and in compliance with the Companies Act No. 07 of 2007. These SLFRSs and LKASs are available at www.casrilanka.com.

The presentation of these Financial Statements is also in compliance with the requirements of the Finance Leasing Act No 56 of 2000, Finance Business Act No 42 of 2011 and Insurance Industry Act No 43 of 2000 subsequent amendments thereto and provide appropriate disclosures as required by the Listing Rules of the CSE. These Financial Statements, except for information on cash flows have been prepared following the accrual basis of accounting.

The Group did not adopt any inappropriate accounting treatments, which are not in compliance with the requirements of the SLFRSs and LKASs, regulations governing the preparation and presentation of the Financial Statements.

Details of the Group's Significant Accounting Policies followed during the year are given in Notes 3 to 56 on pages 143 to 296.

2.2 Presentation of Financial Statements

The assets and liabilities of the Group presented in the Statement of Financial Position are grouped by nature and listed in-order to reflect their relative liquidity and maturity pattern. An analysis regarding recovery or settlement within twelve months after the reporting date (current) and more than twelve months after the reporting date (non-current) is presented in note 53 (Maturity analysis)

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

No adjustments have been made for inflationary factors affecting the Financial Statements.

2.3 Basis of Measurement

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

Items	Basis of measurement	Note No/s	Page/s
Held-for-trading financial instruments	Fair value	18	177-180
Derivative financial instruments	Fair value	18	177-180
Available for sale – financial instruments	Fair value	19	181-185
The liability for defined benefit obligations	Net liability for defined benefit obligations are recognised as the present value of the defined benefit obligation, plus unrecognised actuarial gains, less unrecognised past service cost, and unrecognised actuarial losses	42	259-261
Lands and buildings	Measured at cost at the time of acquisition and subsequently at revalued amounts which are the fair values at the date of revaluation	34	242-248
Investment properties	Fair value	27	202-204
Agricultural produces	Fair value less cost to sell	23	197
Consumable Biological assets	Fair value less cost to sell	28	205-210

2.4 Functional and Presentation Currency

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

Each entity in the Group determines its own functional currency and items included in the Financial Statements of these entities are measured using that Functional Currency. There was no change in the Group's Presentation and Functional Currency during the year under review.

The information presented in US Dollars in the Section on "Supplementary Information" on pages 307 and 309 does not form part of the Financial Statements and is made available solely for the information of stakeholders.

2.5 Use of Estimates and Judgment

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

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

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

Notes to the Financial Statements

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

Critical accounting estimate/ judgment	Disclosure reference Note
Classification of financial assets and liabilities	52
Fair Value of financial instruments	3.3
Financial Instruments – fair value disclosure	51
Impairment of financial investments – available for sale	19
Revaluation of property, plant and equipment	34.2
Determination in fair value of Investment properties	27.4
Useful lives of intangible assets	3.8.5
Useful lives of property, plant and equipment	3.9.1.7
Useful lives of bearer biological assets	3.30.7/ 3.30.10
Determination in fair value of Consumer biological assets	28.7
Goodwill on acquisition	3.1.14
Gain on bargain purchase	3.1.15
Insurance provision – life	3.29.6.6
Insurance provision – general	3.29.5.8
Unearned premium reserve	3.29.5.3
Deferred acquisition cost	3.29.5.6
Defined benefit obligation	3.15.2
Un-recognised deferred tax assets	3.11.2
Deferred tax on undistributed profits of equity accounted investees	3.11.2.2
Write-off policy	3.4.6.2
Collective allowance for impairment	3.4.6
Leasehold right to bare land	3.30.9
Impairment of non-financial assets	3.10
Nature of the relationship between the parent and subsidiaries when the parent does not own, more than half of the voting power	30.5
Material NCI	30.10
Provisions for liabilities, commitments and contingencies	3.17

2.6 Comparative Information

Comparative information including quantitative, narrative and descriptive information is disclosed in respect of the previous period in the Financial Statements in order to enhance the understanding of the current period's Financial Statements and to enhance the inter period comparability. The presentation and classification of the Financial Statements of the previous year are amended, where relevant for better presentation and to be comparable with those of the current year.

The share of results of equity accounted investees in the income statement and other comprehensive income statement are shown net of all related taxes.

2.7 Materiality, Presentation and Aggregation

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

Notes to the Financial Statements are presented in a systematic manner which ensures the understandability and comparability of Financial Statements of the Group and the Company. Understandability of the Financial Statements is not compromised by obscuring material information with immaterial information or by aggregating material items that have different natures or functions.

The assets and liabilities of the Group presented in the Statement of Financial Position are grouped by nature and listed in an order that reflects their relative liquidity and maturity pattern.

2.8 Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position, only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or to realise the assets and settle the liabilities simultaneously. Income and expenses are not offset in the Income Statement, unless required or permitted by an Accounting Standard or Interpretation (issued by the International Financial Reporting Interpretations Committee and Standard Interpretations Committee) and as specifically disclosed in the Significant Accounting Policies of the Group.

2.9 Going Concern

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

2.10 Directors' Responsibility for the Financial Statements

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

The Board of Directors acknowledges their responsibility as set out in the "Annual Report of the Board of Directors on the Affairs of the Company" and "Director's Responsibility for Financial Reporting".

These Financial Statements include the following components;

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

2.11 Approval of Financial Statements by the Board of Directors

The Financial Statements of the Group and the Company for the year ended 31 March 2018 including comparatives) were approved and authorised for issue by the Board of Directors on 24th August 2018.

2.12 Changes in Accounting Policies

The Group and the Company has consistently applied the accounting policies as set out in Note 3 to all periods presented in these consolidated financial statements.

2.13 New Accounting Standards Issued but Not Effective at Reporting Date

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

SLFRS 9 – 'Financial Instruments'

SLFRS 09, issued in July 2014, is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. It replaces LKAS 39 – "Financial Instruments: Recognition and Measurement".

The Group will apply SLFRS 9 as issued in July 2014 with effect from 1 January 2018 based on the transitional provisions.

The Group has assessed the impact on transition based on gap analysis and quantifications performed on its Financial Statements as at 31 March 2017 on adoption of SLFRS 9 with the assistance of an external consultant.

The Group is now in the process of testing and refining the data and models used for the calculation of initial impact assessment.

SLFRS 9 include three major sections, i.e.

The summary of the impact is presented in the table below:

- Classification and measurement of financial assets and financial liabilities
- Impairment of financial assets
- Hedge accounting

The summary of the impact is presented in the table below:

- Classification and measurement of financial assets and financial liabilities

SLFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

SLFRS 9 includes three principal classification categories for financial assets: measured at amortised cost, FVOCI (Fair Value through Other Comprehensive Income) and FVTPL (Fair Value Through Profit or Loss). It eliminates the existing LKAS 39 categories of held for trading, held to maturity, loans and receivables and available for sale.

All equity instruments should be fair valued either through profit or loss or OCI. Fair value through Other Comprehensive Income (OCI) is an irrecoverable option without recycling (i.e. the amount recognised in OCI/Reserves cannot be transferred to P&L at the time of disposal).

The standard will affect the classification and measurement of financial assets held as at 1 January 2018 as follows:

- Trading assets and derivative assets held for risk management, which are classified as held for trading and measured at FVTPL under LKAS 39, will also be measured at FVTPL under SLFRS 9.

Notes to the Financial Statements

- Loans and advances to banks and to customers that are classified as loans and receivables and measured at amortised cost under LKAS 39 will in general also be measured at amortised cost under SLFRS 9.
- Held-to-maturity investment securities measured at amortised cost under LKAS 39 will in general also be measured at amortised cost under SLFRS 9.
- Debt investment securities that are classified as available for sale under LKAS 39 may, under SLFRS 9, be measured at amortised cost, FVOCI or FVTPL, depending on the particular circumstances.
- The equity investment securities that are classified as available for sale under LKAS 39 will be designated as FVOCI on 1 January 2018.

The Group has reviewed the loan agreements and the objectives of assets portfolios to evaluate whether any of the condition triggers change in the classifications. However, the Group has not identified any significant changes to the Group present measurement rules based on impact analysis performed.

SLFRS 9 does not change the measurement rules of financial liabilities.

- Impairment of financial assets

SLFRS 9 brings out the concept of expected loss against the incurred loss principle used in LKAS 39. Accordingly,

a) Life Time Expected Credit Loss (ECL) to be provided for all loans. However, if loans credit risk has not increased significantly from the grant date, the expected loss should be restricted only to 12 months' period.

b) The provision should be based on Exposure At Default (EAD) instead of outstanding balance used under LKAS 39. As a result, undrawn loan commitments/unutilised credit facilities would attract provisions.

c) Expected loss to be measured by internal estimates of following loss statistics:

- Probability of Default (PD) derived through age bucket transition matrix
- Loss Given Default (LGD)-based on historical recoveries of defaulted loans

b) Incorporate forward looking information to adjust loss statistics calculated by the Bank. These forward looking information include macroeconomic factors such as gross domestic production, inflation etc.

c) SLFRS 9 requires provision to be made for all financial assets including foreign currency denominated Government Securities and corporate debentures.

- Hedge accounting

Hedge accounting guidelines prescribed by SLFRS 9 do not have any impact on cash flow hedge accounting currently in place in the Group.

SLFRS 15 – 'Revenue from Contracts with Customers'

SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. New qualitative and quantitative disclosure requirements aim to enable Financial Statements users to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. It replaces existing revenue recognition guidance, including LKAS 18 on 'Revenue' and LKAS 11 on 'Construction Contracts' and IFRIC 13 on 'Customer Loyalty Programmes'.

Entities will apply five-step model to determine when to recognise revenue and at what amount. The model specified that revenue is recognised when or as an entity transfers control of goods and services to a customer at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognised.

SLFRS 15 is effective for annual reporting periods beginning on or after January 01, 2018, with early adoption permitted.

The Group does not expect significant impact on its Financial Statements resulting from the application of SLFRS 15 and pending the completion of detailed review, the financial impact is not reasonably estimable as at the date of publication of these Financial Statements.

SLFRS 16 – 'Leases'

SLFRS 16 requires lessees to recognise all leases on their Statement of Financial Position as lease liabilities, with the corresponding right of use assets.

The profit or loss recognition pattern for recognised leases will be similar to existing finance lease accounting, with interest and depreciation expense recognised separately in the Profit or Loss.

SLFRS 16 is effective for annual periods beginning on or after 1 January 2019.

Based on the high level impact assessment performed, the Group is not expecting a significant impact on SLFRS 16 adoption except for the capitalisation of operating lease commitments.

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

- Annual Improvements to SLFRSs (2014–2016) Cycle - various standards
- Amendments to LKAS 28 – Long-term interests in associates and joint ventures

- Amendments to SLFRS 10 and LKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to SLFRS 2 – Classification and Measurement of Share-Based Payment Transactions
- Amendments to IFRS 9 – Financial assets with a prepayment feature with negative compensation
- Supplementary information on IFRIC 22 – Foreign Currency Transactions and Advance Consideration
- IFRIC 23 – Uncertainty over Income Tax Treatments
- Annual Improvements to SLFRSs 2015–2017 Cycle – various standards

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

3.1 Basis of Consolidation

3.1.1 Business Combinations

The Group's Financial Statements comprise, Consolidated Financial Statements of the Company and its Subsidiaries in terms of the Sri Lanka Accounting Standard – SLFRS 10 on 'Consolidated Financial Statements' and the proportionate share of the profit or loss and net assets of its Associates in terms of the Sri Lanka Accounting Standard – LKAS 28 on 'Investments in Associates and Joint Ventures'.

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

The Group elects on a transaction-by-transaction basis whether to measure non-controlling interest at its fair value, or at its proportionate share of the recognised amount of the identifiable net assets, at the acquisition date.

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

3.1.2 Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Company has the power, directly or indirectly, to govern the financial and operational policies of an entity so as to obtain benefits from its activities.

Control over an investee is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

The Financial Statements of subsidiaries are included in the consolidated Financial Statements from the date that control commences until the date that control ceases. Acquisition of subsidiaries is accounted for using the acquisition method of accounting.

The accounting policies of subsidiaries have been changed where necessary to align them with the policies adopted by the Group. If a member of the group uses accounting policies other than those adopted in the consolidated Financial Statements for similar transactions and events in similar circumstances, appropriate adjustments are made to its Financial Statements in preparing the consolidated Financial Statements.

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

3.1.3 Non-Controlling Interests

Non-controlling Interests is the equity in a subsidiary not attributable, directly or indirectly, to the parent are presented in the Statement of Financial Position within Equity, separately from the Equity attributable to Shareholders Holders of the Parent (Company).

Material NCI of the Group disclosed in Note 30.11 and material NCI is determined based on Group threshold contribution to statement of financial position.

Notes to the Financial Statements

3.1.4 Acquisition of Non-Controlling Interests
Subsequent to the acquisition of control, any further acquisition of net assets from non-controlling interest is accounted for as transactions with owners in their capacity as owners. Therefore, no goodwill or gain on bargain purchase is recognised as a result of such transactions.

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

3.1.5 Transactions do not Result a Change in Control
Changes in the Group's interest in a subsidiary that do not result in a loss of control status are accounted for as transactions with owners in their capacity as owners. Adjustments to non-controlling interests and parent's equity are based on a proportionate amount of the net assets of the subsidiary. No adjustments are made to goodwill recognised and no gain or loss is recognised in Profit or Loss.

3.1.6 Common Control Transactions
Common control business combinations are accounted using the guidelines issued under Statement of Recommended Practice (SORP) – Merger accounting for common control business combination issued by Institute of Chartered Accountants of Sri Lanka.

A business combination involving entities or businesses under common control is a business combination in which all of the combining entities or businesses ultimately are controlled by the same party or parties both before and after the combination, and that control is not transitory.

Accordingly,

- The net assets of the combining entities are consolidated using the existing book values.
- No amount is recognised as goodwill which arises as a result of difference between the consideration and net assets acquired.
- Comparative amounts in the financial statements are restated if the companies had been combined at the previous Balance sheet date.
- In applying book value accounting, no entries are recognised in Profit or Loss; instead, the result of the transaction is recognised in equity as arising from a transaction with shareholders.
- Comparatives as a stand-alone entity as if stood as at 2016/17 has also been given to aid comparability.

3.1.7 Loss of Control
The parent can lose control of a subsidiary with or without a change in absolute or relative ownership levels. Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any minority interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in the Statement of statement of profit or loss.

If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as other financial asset depending on the level of influence retained.

3.1.8 Associates
Associates are those entities in which the Group has significant influence, but not control, over their financial and operating activities. Significant influence is presumed to exist when the Group holds between twenty and fifty percent of the voting power of another entity.

Associates are accounted for using the equity method (equity accounted investees) and are initially 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.

Acquisitions of additional stakes of equity accounted investees, until the control is established, are accounted as goodwill within the equity accounted investment if consideration paid is more than the net asset acquired or taken into to profit or loss as gain on bargain purchase if the net asset acquired is more than the consideration paid.

When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to zero and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee. Associate Companies of the Group which have been accounted for under the equity method of accounting are disclosed under Note 31.2 to these Financial Statements.

3.1.9 Jointly-Controlled Entities
Jointly-controlled entities are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

Jointly-controlled entities are accounted for using equity method, from the date that joint control commences until the date that joint control ceases.

3.1.10 Reporting Date

All the Group's Subsidiaries, Associate Companies and joint venture companies have a common financial year end which ends on 31st March other than Commercial Insurance Brokers Limited, LOLC General Insurance Limited, LOLC Life Assurance Limited, LOLC Asset Holdings Limited, LOLC International (Pvt) Ltd, LOLC (Pvt) Ltd, LOLC Cambodia PLC, PRASAC Micro Finance Institution Limited, LOLC Asia (Pvt) Ltd, NPH Investments (Pvt) Ltd, Pak Oman Microfinance Bank Limited, B Commodities ME (FZE), PT LOLC Management Indonesia, PT Sarana Sumut Ventura, NPH Development (Pvt) Ltd, Patronus Wealth Holdings Limited and Seylan Bank PLC whose financial year ends on 31st December.

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

However, for the Group financial reporting purposes; the Financial Statements ending 31 March of the above mentioned subsidiaries and associates are considered.

3.1.11 Balances and Transactions Eliminated on Consolidation

Intra-group balances and transactions, including income, expenses and dividends, are eliminated in full. Profits and losses resulting from intra-group transactions that are recognised in assets, such as inventory and fixed assets, are eliminated in full.

Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee.

3.1.12 Business Combinations

All business combinations have been accounted for by applying the acquisition method in accordance with the SLFRS 3 - Business Combinations. Applying this method involves the entity that obtains control over the other entity to recognise the fair value of assets acquired and liabilities and contingent liabilities assumed, including those not previously recognised.

3.1.13 Cost of Acquisition

The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. This excludes any transaction costs incurred.

3.1.14 Goodwill on Acquisition

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

The Group tests the goodwill for impairment annually and assess for any indication of impairment to ensure that its carrying amount does not exceed the recoverable amount. If an impairment loss is identified, it is recognised immediately to the Statement of statement of profit or loss. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to groups of cash-generating units that are expected to benefit from the synergies of the combination.

The impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets pro-rata to the carrying amount of each asset in the unit. Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation.

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

3.1.15 Gain on Bargain Purchase (negative goodwill)

If the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of the acquisition of the entity, the Group will reassess the measurement of the acquiree's identifiable assets and liabilities and the measurement of the cost and recognise the difference immediately in the Consolidated Statement of statement of profit or loss.

3.2 Foreign Currency

3.2.1 Foreign Currency Transactions

Transactions in foreign currencies are translated to the functional currency (Sri Lankan Rupees - LKR) of the Group at exchange rates at the dates of the transactions.

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

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are recognised in Statement of statement of profit or loss.

Notes to the Financial Statements

3.2.2 The Net Gain or Loss on Conversion of Foreign Operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisitions, are translated into Sri Lanka Rupees (LKR) at spot exchange rates at the reporting date. The income and expenses of foreign operations are translated into Sri Lanka Rupees at spot exchange rates at the dates of the transactions.

Foreign currency differences are recognised in OCI, and accumulated in the foreign currency translation reserve (Translation reserve), except to the extent that the translation difference is allocated to NCI.

When a foreign operation is disposed of such that control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to Profit or Loss as part of the gain or loss on disposal. If the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while relating control , then the relevant proportion of the cumulative amount is attributed to NCI.

If a settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, the foreign currency differences arising on the item form part of the net investment in the foreign operation and are recognised in OCI, and accumulated in the translation reserve within equity.

3.3 Fair Value Measurement - SLFRS 13

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

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

When available, the Group measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active, the Group establishes fair value using valuation techniques. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analysis and other equity pricing models.

The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Group, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e. the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets. When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognised in Statement of Financial position.

3.4 Financial Instruments

3.4.1 Financial Assets

Financial assets are within the scope of LKAS 39 are classified appropriately as fair value through Profit or Loss (FVTPL), loans and receivables (L & R), held to maturity (HTM), available-for-sale (AFS) at its initial recognition.

All the financial assets are recognised at fair value at its initial recognition.

3.4.1.1 Financial Assets at Fair Value Through Profit or Loss (FVTPL)

A financial asset is classified at fair value through Profit or Loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through Profit or Loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Upon initial recognition, transaction costs are recognised in Profit or Loss as incurred.

Financial assets at fair value through Profit or Loss are measured at fair value, and subsequent therein are recognised in Profit or Loss.

The Group's investments in certain equity securities and derivative instruments which are not accounted under hedge accounting are classified under fair value through profit or loss.

3.4.1.2 Loans and Receivables (L&R)

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables of the Group comprise of the following, *3.4.1.2.1 Rental Receivables on Finance Leases and Hire purchases*

Rentals receivable on leased and hire purchase assets are accounted for as finance leases and reflected in the statement of financial position at balance cost recoverable after eliminating unearned income and deducting pre-paid rentals, rental collections and impairment losses.

3.4.1.2.2 Rental Receivables on Operating Leases

Leases where the group as the lessor effectively retains substantially all the risk and rewards incidental to the ownership are classified as operating leases. Lease rentals from operating leases are recognised as income on a straight-line basis over the lease term.

3.4.1.2.3 Advances and Other Loans to Customers

Advances and other loans to customers comprised of revolving loans, loans with fixed installments, factoring and gold loans.

Revolving loans to customers are reflected in the statement of financial position at amounts disbursed less repayments and allowance for impairment losses. Loans to customers with fixed installments are stated in the statement of financial position net of possible loan losses and net of interest, which is not accrued to revenue.

3.4.1.2.4 Gold Loans

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

3.4.1.2.5 Trade Receivables

Trade receivables are stated at the amounts they are estimated to realise, net of provisions for impairment. An allowance for impairment losses is made where there is objective evidence that the Group will not be able to recover all amounts due according to the original terms of receivables. Impaired receivables are written-off when identified.

3.4.1.3 Held-to-Maturity Financial Assets

If the Group has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held-to-maturity. Held-to-maturity financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition held-to-maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses.

Any sale or reclassification of a more than an insignificant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale, and prevent the Group from classifying investment securities as held-to-maturity for the current and the following two financial years.

The Group has not classified any instrument as held to maturity.

3.4.1.4 Available-for-Sale Financial Assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for- sale and that are not classified in any of the previous categories. The Group's investments in equity securities and certain debt securities are classified as available-for-sale financial assets.

Subsequent to initial recognition, these are measured at fair value and changes therein, other than impairment losses recognised in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognised, the cumulative gain or loss in other comprehensive income is transferred to Profit or Loss.

3.4.1.5 Cash and Cash Equivalents

Cash and cash equivalents comprise of cash in hand and cash at banks and other highly liquid financial assets which are held for the purpose of meeting short-term cash commitments with original maturities of less than three months which are subject to insignificant risk of changes in their fair value.

Bank overdrafts that are repayable on demand and form an integral part of the Group cash management and are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows.

3.4.2 Financial Liabilities

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

The Group derecognises financial liability when it's contractual obligations are discharged, cancelled or expired.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using effective interest rate method.

Other financial liabilities comprise of loans & borrowings, bank overdraft, customer deposits and debentures issued.

3.4.2.1 Finance Leases

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

Notes to the Financial Statements

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

3.4.2.2 Lease Payments

Payments made under operating leases are recognised in Profit or Loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

3.4.3 Accounting for Non-Derivative Financial Instruments

3.4.3.1 Recognition

The Group initially recognises loans and advances, deposits, debt securities and subordinated liabilities on the date at which they are originated. All the financial assets and liabilities other than regular purchases and sales are recognised on the date the Group becomes a party to the contractual provisions of the instrument.

3.4.3.2 De-recognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expires, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in transferred financial assets that qualify for de-recognition that is created or retained by the Group is recognised as a separate asset or liability in the statement of financial position. On de-recognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in other comprehensive income is recognised in Profit or Loss.

The Group enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised.

Transactions in which the Group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

3.4.3.3 Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are not offset in the statement of profit or loss unless required or permitted by an accounting standard or interpretation and as specifically disclosed in the accounting policies of the company.

3.4.4 Amortised Cost Measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

3.4.5 Fair Value Measurement of Financial Instruments

The Group measures the fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Level 1 – Quoted market price (unadjusted) in an active market of an identical instrument.

Level 2 – Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices), this category included instruments valued using: quoted market prices in active markets similar instruments; quoted prices for identical or similar instruments in markets are considered less than active: or other valuation techniques where all significant inputs are directly observable from market data.

Level 3 – Valuation techniques use significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation.

This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments the Group determines fair values using valuation techniques

Valuation techniques include comparison of similar instruments for which market observable prices exist, other equity pricing models and other valuation models.

The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instruments at the reporting date that would have been determined by market participants acting at arm's length.

The Group widely recognised valuation models for determining fair value of common and more simple financial instruments. Observable prices and model inputs are usually available in the market for listed debt and equity securities. Availability of observable market inputs reduces the need for management judgment and estimation and also reduces the uncertainty associated with determination of fair values. Availability of observable market prices and inputs varies depending on the products and markets are is prone to changes based on specific events and general conditions in the financial markets.

3.4.6 Impairment of Financial Instruments

At each reporting date the Group assesses whether there is objective evidence that financial assets not carried at fair value through Profit or Loss are impaired. A financial asset or a group of financial assets is (are) impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s), and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include significant financial difficulty of the borrower or issuer, default or delinquency by a borrower, restructuring of a loan or advance by the Group on terms that the Group would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group of economic conditions that correlate with defaults in the group. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence for impairment.

The Group considers evidence of impairment for loans and advances at both specific and collective basis. All individually significant loans and advances and held-to-maturity investment securities are assessed for specific impairment. All individually significant loans and advances and held-to-maturity investment securities found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified.

Loans and advances that are not individually significant are collectively assessed for impairment by grouping them together with similar risk characteristics based on product types. In assessing collective impairment the Group uses statistical modelling of historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical modelling, Default rates, loss rates and the expected timing of future recoveries are regularly taken into account to ensure that they remain appropriate.

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses are recognised in Profit or Loss and reflected in an allowance account against loans and advances. Interest on impaired assets continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through Profit or Loss.

Impairment losses on available-for-sale investment securities are recognised by transferring the cumulative loss that has been recognised in other comprehensive income to Profit or Loss as a reclassification adjustment. The cumulative loss that is reclassified from other comprehensive income to Profit or Loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in Profit or Loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

3.4.6.1 Reversal of Impairment Loss

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in Profit or Loss, the impairment loss is reversed, with the amount of the reversal recognised in Profit or Loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in Other Comprehensive Income. The Group writes off certain loans and advances and investment securities when they are determined to be uncollectible.

Notes to the Financial Statements

3.4.6.2 Write-off of Financial Assets carried at amortised cost

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

3.4.7 Accounting for Derivative Financial Instruments

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Fair values are obtained from quoted market prices in active markets. All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

3.4.7.1 Hedge Accounting

The Group holds derivative financial instruments to hedge its foreign currency risk exposure. On initial designation of derivative as hedge instrument, the Group documents the relationship between the hedging instruments and the hedged items, its risk management objective and its strategy for undertaking the hedge.

Group treasury is also required to documented assessments, both at hedge inception and on an on-going basis, of whether or not the hedging instruments, primarily forward rate contracts, that are used in hedging transactions are highly effective in offsetting the changes attributable to the hedged risks in the fair values or cash flows of the hedged items.

3.4.7.1.1 Cash Flow Hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges as recognised in other comprehensive income and presented in the hedging reserve in equity. Any gain or loss in fair value relating to an ineffective portion is recognised immediately in the Profit or Loss during that period. The accumulated gains and losses recognised in other comprehensive income are reclassified to the statement of profit or loss in the periods in which the hedged item will affect Profit or Loss.

If the hedge instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. In such a case, the cumulative gain or loss on the hedging instrument that has been recognised in other comprehensive income from the period when the hedge was effective shall remain separately in equity until the forecasted transaction occurs.

3.4.7.1.2 Hedge Effectiveness Testing

To qualify for hedge accounting, at the inception of the hedge and throughout its life, each hedge must be expected to be highly effective and demonstrate actual effectiveness on an on-going basis. The documentation of each hedging relationship sets out how the effectiveness of the hedge is assessed.

For establish effectiveness, the hedging instrument is expected to be highly effective in offsetting changes in cash flows attributable to the hedged risk during the period for which the hedge is designated. For actual effectiveness to be achieved, the changes in cash flows must offset each other within the range of 80% to 125%. In evaluating the hedge effectiveness, the entity takes into account the future forward currency contracts and evaluates the effectiveness of the hedge by taking into consideration the total period of the hedged item. The ineffective portion of the derivative portion will be recognised immediately in Statement Comprehensive Income.

3.4.7.1.3 Derivatives that do not qualify for Hedge Accounting

All gains and losses from changes in the fair values of derivatives that do not qualify for hedge accounting are recognised immediately in the Profit or Loss.

3.4.8 Reclassification of Financial Instruments

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

For a financial asset with a fixed maturity reclassified out of the 'available-for-sale' category, any previous gain or loss on that asset that has been recognised in equity is amortised to Profit or Loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using EIR. In the case of a financial asset does not have a fixed maturity, the gain or loss is recognised in the Profit or Loss when such a financial asset is sold or disposed of. If the financial asset is subsequently determined to be impaired, then the amount recorded in equity is recycled to the Statement of statement of profit or loss.

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

3.5 Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

For manufacturing stocks, provision for slow moving inventories are made when the holding period exceeds 365 days, and the sale of the inventories is no longer probable.

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

Type of Inventory	Method of Valuation
Input Materials	Weighted Average basis
Growing Crop - Nurseries	At the cost of direct materials, direct labour and appropriate proportion of directly attributable overheads less provision for over-grown plants
Harvested Crop	Agricultural produce harvested from an entity's biological assets shall be measured at its fair value less costs to sell at the point of harvest. Such measurement is deemed to be the cost at the time of transferring the harvested crop to inventories.
Spares and Consumables	Weighted average basis
Finished goods and work-in-progress	First in First out (FIFO) basis

3.5.1 Real Estate Stocks

Real estate stocks of the Group represent the purchase value of properties acquired for re-sale. Carrying value of the real estate stocks as at the reporting date represents the purchase value of properties and any subsequent expenditure incurred on developing of such properties.

3.6 Non-Financial Receivables

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

3.7 Investment Properties

3.7.1 Basis of Recognition

Investment property is the property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

3.7.2 Basis of Measurement

3.7.2.1 Fair Value Model

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

Where Group companies occupy a significant portion of the investment property of a subsidiary, such investment properties are treated as property, plant and equipment in the Consolidated Financial Statements, and accounted for as per LKAS 16- Property, Plant and Equipment.

3.7.2.2 De-recognition

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

3.7.2.3 Subsequent Transfers to/from Investment Property

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

Notes to the Financial Statements

Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sale.

For a transfer from investment property to owner occupied property or inventories, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If the property occupied by the Company as an owner occupied property becomes an investment property, the Company, accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

For a transfer from inventories to investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the Statement of statement of profit or loss. When the Company completes the construction or development of a self-constructed investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the Statement of statement of profit or loss.

3.7.2.4 Determining Fair Value

External and independent valuers, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the investment property portfolio as at each reporting date. In financial periods within that period the fair value is determined by the Board of Directors.

The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably.

3.8 Intangible Assets

3.8.1 Basis of Recognition

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

3.8.2 Basis of Measurement

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

3.8.3 Subsequent Expenditure

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

3.8.4 De-recognition

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

3.8.5 Amortisation

Amortisation is recognised in the Statement of statement of profit or loss on a straight-line basis over the estimated useful life of intangible assets, other than goodwill, from the date that they are available for use.

The estimated useful life of each intangible asset is as follows;

Computer Software	5 years
License and Fees	20 years
Customer Base	5 years
Brand Name	10 years
Right to generate solar power	20 years

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

3.9 Property, Plant and Equipment

3.9.1 Freehold Property, Plant & Equipment

3.9.1.1 Basis of Recognition

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

3.9.1.2 Basis of Measurement

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

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

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

3.9.1.3 Cost Model

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

3.9.1.4 Revaluation Model

The Group revalues its land and buildings which are measured at its fair value at the date of revaluation less any subsequent accumulated depreciation and accumulated impairment losses. Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date.

On revaluation of lands and buildings, any increase in the revaluation amount is credited to the revaluation reserve in shareholder's equity unless it off sets a previous decrease in value of the same asset that was recognised in the Statement of statement of profit or loss. A decrease in value is recognised in the Statement of statement of profit or loss where it exceeds the increase previously recognised in the revaluation reserve. Upon disposal, any related revaluation reserve is transferred from the revaluation reserve to retained earnings and is not taken into account in arriving at the gain or loss on disposal.

3.9.1.5 Subsequent Costs

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

3.9.1.6 Reclassification to Investment Property

When the use of a property changes from owner-occupied to investment property, the property is re-measured to fair value and reclassified as investment property. Any gain arising on re-measurement is recognised in Profit or Loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognised and presented in the revaluation reserve in equity. Any loss is recognised immediately in Profit or Loss.

3.9.1.7 Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised in Profit or Loss on a straight-line basis over the estimated useful life of each component of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

Depreciation of an asset begins when it is available for use and ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is de-recognised.

Depreciation methods, useful life values are assessed at the reporting date. The estimated useful lives for the current year are as follows:

Free-hold and lease-hold Building	40-50 years
Free-hold and lease-hold Motor Vehicles	4-8 years
Furniture and Fittings	5-10 years
Office Equipment	4-8 years
Computer equipment	4-8 years
Plant and Machinery	8-20 years
Water Sanitation	20 years
Roads & Bridges	50 years
Penstock Pipes	20 years
Power/Electricity Supply	04 - 13 1/3 years
Security fencing	3 years
Cutlery, Crockery & Glassware	5 years
Linen	3 years
Swimming pool	10 years
Solar power plant	10 – 20 years

3.9.1.8 De-recognition

An item of property, plant and equipment is de-recognised upon disposal or when no future economic benefits are expected from its use or disposal.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment, recognised net within other income/other expenses in the Statement of Comprehensive Income. When revalued assets are sold, the amounts included in the revaluation surplus reserve are transferred to retained earnings.

3.9.2 Leasehold Property, Plant & Equipment (Assets Acquired on Finance Leases)

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

3.9.3 Capital Work-in-Progress

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

Notes to the Financial Statements

3.10 Impairment of Non-financial Assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its related Cash-Generating Unit (CGU) exceeds its estimated recoverable amount.

The Group's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment losses are recognised in Profit or Loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

3.11 Tax Expense

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

3.11.1 Current Tax

Current tax is the expected tax payable or recoverable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the tax on dividend income.

The provision for income tax is based on the elements of income and expenditure as reported in the Financial Statements and computed in accordance with the provisions of the Inland Revenue Act. No 10 of 2006 and subsequent amendments thereto.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the Commissioner General of Inland Revenue.

3.11.2 Deferred Tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable Profit or Loss;
- Temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- Taxable temporary differences arising on the initial recognition of goodwill.
- Taxable temporary differences arising on subsidiaries, associates or joint ventures who have not distributed their entire profits to the parent or investor.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realised.

Deferred tax assets and liabilities are not discounted.

The net increase in the carrying amount of deferred tax liability net of deferred tax asset is recognised as deferred tax expense and conversely any net decrease is recognised as reversal to deferred tax expense, in the Statement of statement of profit or loss.

3.11.2.1 Accounting for Deferred Tax for the Companies Enjoying Tax Holidays

Group companies enjoying a tax exemption period shall only recognise deferred tax in their Financial Statements for temporary differences, where reversals of such differences extend beyond the tax exemption period.

Deferred Tax shall not be considered nor provided for assets/liabilities for which tax impacts and reversals take place within the tax exemption period. There will be no tax implications that take place after the expiration of the tax exemption period for such assets.

Where a Company is entitled to claim the total value or any part of expenditure made during the tax holiday period, as deductions for tax purposes after the tax holiday period, such an entity will treat such amount of expenditure as part of the tax base throughout the tax holiday period in the purpose of recognising deferred tax.

3.11.2.2 Deferred Tax on Undistributed Profits of Equity Accounted Investees

The Group does not control its equity accounted investees. It is therefore generally not in a position to control the timing of the reversal of a possible taxable temporary difference relating to the undistributed profits of the equity accounted investees.

The Group calculates deferred tax based on the most likely manner of reversal, taking into account management's intent and the tax jurisdiction applicable to relevant equity accounted investees.

The management intends to recover the carrying amount of the investment primarily through sale of the investment rather than through dividends. The deferred tax implications are evaluated based on the tax consequences on the sale of investments.

Since the carrying amount is expected to be recovered through a sale transactions which has no tax consequences, no temporary difference arise on the equity accounted investees and no deferred tax is provided.

3.11.3 Withholding Tax on Dividends

Dividend distributed out of taxable profit of the local companies attracts a 10% deduction at source and is not available for set off against the tax liability of the Company. Withholding tax that arises from the distribution of dividends by the Company is recognised at the same time as the liability to pay the related dividend is recognised.

3.11.4 Economic Service Charge (ESC)

As per the provisions of Economic Service Charge Act No. 13 of 2006 and subsequent amendments thereto, ESC is payable on the liable turnover at specified rates. ESC is deductible from the income tax liability. Any unclaimed amount can be carried forward and set off against the income tax payable in the four subsequent years as per the relevant provision in the Act.

3.11.5 Nation Building Tax (NBT)

As per the provisions of the Nation Building Tax Act, No. 9 of 2009 and the subsequent amendments thereto, Nation Building Tax should be payable at the rate of 2% with effect from 1 January 2011 on the liable turnover as per the relevant provisions of the Act.

3.11.6 Value Added Tax on Financial Services (VAT on FS)

VAT on Financial Services is calculated in accordance with the amended VAT Act No. 7 of 2003 and subsequent amendments thereto. The base for the computation of VAT on Financial Services is the accounting profit before income tax adjusted for the economic depreciation and emoluments of employees. VAT on financial services is computed on the prescribed rate of 15%.

3.11.7 Sales Taxes (Value Added Tax and Turnover Tax)

Revenues, expenses and assets are recognised net of the amount of sales tax except for the following;

- Sales tax incurred on a purchase of a assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of other receivables or other payables in the statement of financial position.

3.12 Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets that take a substantial period of time to get ready for its intended use or sale, are capitalised as part of the assets.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in Profit or Loss using the effective interest method.

3.13 Other Non-Financial Liabilities and Provisions

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

3.13.1 Deposit Insurance Scheme

In terms of the Finance Companies Direction No 2 of 2010 "Insurance of Deposit Liabilities" issued on 27th September 2010, all Registered Finance Companies are required to insure their deposit liabilities in the Deposit Insurance Scheme operated by the Monetary Board in terms of Sri Lanka Deposit Insurance

Scheme Regulations No 1 of 2010 issued under Sections 32A to 32E of the Monetary Law Act with effect from 1st October 2010.

Notes to the Financial Statements

Deposits to be insured include time and savings deposit liabilities and exclude the following.

- Deposit liabilities to member institutions
- Deposit liabilities to the Government of Sri Lanka
- Deposit liabilities to shareholders, directors, key management personnel and other related parties as defined in Finance Companies Act Direction No 03 of 2008 on Corporate Governance of Registered Finance Companies.
- Deposit liabilities held as collateral against any accommodation granted
- Deposit liabilities falling within the meaning of dormant deposits in terms of the Finance Companies Act, funds of which have been transferred to Central Bank of Sri Lanka

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

3.14 Grants and Subsidies

3.14.1 Grants related to assets

Grants related to property, plant and equipment are initially deferred and allocated to Statement of statement of profit or loss on a systematic basis over the useful life of the related property, plant and equipment. Grants related to assets, including non-monetary grants at fair value, are deferred in the statement of financial position and credited to the Statement of statement of profit or loss over the useful life of the related asset as given below;

Critical accounting estimate/judgment	No. of Years	Rate%
Building	40	2.5
Plant and Machinery	13 1/3	7.5
Equipment	8	12.5
Roads	50	2
Vehicles	5	20

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

3.14.2 Grants related to assets

Grants related to income are recognised in the Statement of statement of profit or loss in the period in which they are receivable.

3.15 Employee Benefits

3.15.1 Defined Contribution Plans

A Defined Contribution Plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to Defined Contribution Plans are recognised as an employee benefit expense in the Statement of statement of profit or loss in the periods during which services are rendered by employees.

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

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

3.15.1.2 Employees' Trust Fund (ETF)

The Group contributes 3% of the salary of each employee to the Employees' Trust Fund.

3.15.2 Defined Benefits Plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit pension plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognised past service costs are deducted.

The calculation is performed every three years by a qualified actuary using the projected unit credit method. For the purpose of determining the charge for any period before the next regular actuarial valuation falls due, an approximate estimate provided by the qualified actuary is used.

When the benefits of a plan are improved, the portion of the increased benefit related to past service by employees is recognised in Profit or Loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in Profit or Loss.

The Group recognises all actuarial gains and losses arising from the defined benefit plan in other comprehensive income (OCI) and all other expenses related to defined benefit plans are recognise as personnel expenses in Statement of statement of profit or loss. The retirement benefit obligation is not externally funded.

3.15.3 Short-term Employee Benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus if the company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

3.16 Accounts Payables and Accrued Expenses

Trade and other payables are stated at amortised cost.

3.17 Provisions, Contingent Assets and Contingent Liabilities

Provisions are made for all obligations (legal or constructive) existing as at the reporting date when it is probable that such an obligation will result in an outflow of resources and a reliable estimate can be made of the quantum of the outflow. The amount recognised is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation at that date.

All contingent liabilities are disclosed as a note to the Financial Statements unless the outflow of resources is remote. Contingent assets are disclosed, where inflow of economic benefit is probable.

Statement of Statement of Profit or Loss

3.18 Gross Income

Gross income comprises of revenue, income and other income other than those relating to contributions from equity participants.

The following are the main components of the revenue;

Critical accounting estimate/judgment	No. of Years
Finance & Leasing	Earned income on leases, hire purchases, factoring, margin trading, loans and advances
Insurance	Gross written premium
Manufacturing, Trading & industrial Related Services	Production, sale of consumer, agricultural, motor vehicles and items and providing related services
Leisure and entertainment	Accommodation sales, service charges, food & beverages income outlet sales
Plantation	Sale of perennial crops (Tea, Rubber, Coconut, Timber etc.,)
IT Services	IT service fee
Stock Brokering	Brokerage fees
Power Generation	Sale of electrical energy
Construction	Contract fee
Real Estate	Rental Income

Revenue is income that arises in the course of ordinary activities of group companies. Other Income such as interest on treasury bills, bonds and debentures, gain on disposal of property, plant and equipment, rental income, dividend income, royalty income, foreign exchange gain, franchise fees, gain on disposal of investments securities, gain on marked to market valuation of investments........etc is also included in gross income.

3.18.1 Revenue Recognition

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

3.18.2 Goods Sold

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised. The timing of the transfer of risks and rewards varies depending on the individual terms of the sales agreement.

3.18.3 Rendering of Services

Revenue from services rendered is recognised in Profit or Loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

3.18.4 Interest Income on Leases, Hire Purchases, Loans and Advances

Interest income and expense are recognised in Profit or Loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate includes all fees paid are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

Interest income and expenses presented in the Statement of statement of profit or loss include:

- interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis

Notes to the Financial Statements

- interest on available for sale investment securities calculated on an effective interest basis

Interest income and expenses on all trading assets and liabilities are considered to be incidental to the Group's trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in net trading income.

Fair value changes on other derivatives held for risk management purposes, and other financial assets and liabilities carried at fair value through Profit or Loss, are presented in net income from other financial instruments at fair value through Profit or Loss in the Statement of statement of profit or loss.

3.18.5 Fees and Other Income

Fees and commission income and expense that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fees and commission income, including account servicing fees, investment management fees, sales commission, placement fees and syndication fees, are recognised as the related services are performed.

Other fees and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

3.18.6 Net Trading Income

Net trading income comprise of gains less losses related to trading assets and liabilities, and includes all realised and unrealised fair value changes, interest, dividends and foreign exchange differences.

3.18.7 Net income from Other Financial Instruments at Fair Value Through Profit or Loss

Net income from other financial instruments at fair value through Profit or Loss relates to non-trading derivatives held for risk management purposes that do not form part of qualifying hedge relationships and financial assets and liabilities designated at fair value through Profit or Loss, and include all realised and unrealised fair value changes, interest, dividends and foreign exchange differences.

3.18.8 Factoring Income

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

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

3.18.9 Revenue from Accommodation Sales and Services Charge

Revenue from accommodation sales is recognised for the rooms occupied on a daily basis, together with outlet sales and other income from hotel operations.

90% of Service Charge collected from guests is distributed among the employees, retaining 10% of such service charges collected for recovery of breakages of cutlery, crockery, glassware and stainless steel items. Any balance amount of the retention after recovery of actual breakages is redistributed among employees after the end of each financial year.

3.18.10 IT Service Fee

IT services fee is accounted for on accrual basis.

3.18.11 Turnover from Sale of Solar Systems and Sale of Electricity

The above revenue components are accounted on accrual basis.

3.18.12 Other Income

Rent income, non-operational interest income, royalty income and franchise fees are accounted for on accrual basis.

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

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

3.18.13 Rental Income

Rental income from investment property is recognised in Profit or Loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental income from subleased property is recognised as other income.

3.18.14 Amortisation of Government Grants Received

An unconditional government grant related to a biological asset is recognised in the Statement of statement of profit or loss as other income when the grant becomes receivable.

Other government grants are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant and are then recognised in the Statement of statement of profit or loss as other income on a systematic basis over the useful life of the asset.

Grants that compensate the Group for expenses incurred are recognised in the Statement of statement of profit or loss as other income on a systematic basis in the same periods in which the expenses are recognised.

3.19 Expenses Recognition

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

For the presentation of the statement of profit or loss the Directors are of the opinion that the nature of the expenses method present fairly the element of the Company's performance, and hence such presentation method is adopted.

Preliminary and pre-operational expenditure is recognised in the statement of profit or loss.

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

3.20 Finance Income and Finance Costs

Finance income comprises interest income on funds invested, dividend income, gains on the disposal of financial assets, fair value gains on financial assets. Interest income is recognised as it accrues in Profit or Loss, using the effective interest method. Dividend income is recognised in Profit or Loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date.

Finance costs comprise of interest expense on borrowings and impairment losses recognised on financial assets (other than trade receivables), are recognised in the statement of profit or loss.

3.21 Earnings per Share

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the Profit or Loss attributable to ordinary shareholders of the Parent Company by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share is determined by adjusting the Profit or Loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, for the effects of all dilutive potential ordinary shares.

3.22 Statement of Cash Flows

The Cash Flow Statement has been prepared using the 'Indirect Method' of preparing Cash Flows in accordance with the Sri Lanka Accounting Standard 7 'Cash Flow Statements.' Cash and cash equivalents comprise short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

Cash and cash equivalents comprise of cash in hand and cash at banks and other highly liquid financial assets which are held for the purpose of meeting short-term cash commitments with original maturities of less than three months which are subject to insignificant risk of changes in their fair value.

3.23 Related Party Disclosures

3.23.1 Transactions with Related Parties

The Company carries out transactions in the ordinary course of its business with parties who are defined as related parties in Sri Lanka Accounting Standard 24.

3.23.2 Transactions with Key Management Personnel

According to Sri Lanka Accounting Standard 24 "Related Party Disclosures", Key management personnel, are those having authority and responsibility for planning, directing and controlling the activities of the entity. Accordingly, the Board of Directors (including executive and non-executive Directors), personnel that hold designation of Deputy General Manager and above positions and their immediate family member have been classified as Key Management Personnel of the Company.

The immediate family member is defined as spouse or dependent. Dependent is defined as anyone who depends on the respective Key Management Personnel for more than 50% of his/her financial needs.

3.24 SLFRS 12 - Disclosure of Interests in Other Entities

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

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

3.25 Operating Segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments operating results are reviewed regularly by Group Board of Directors to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Accordingly, the segment comprises of financial services, insurance, IT services, Trading, Leisure, Plantation, Power and Energy and Others are described in Note 54.

Notes to the Financial Statements

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

Expenses that cannot be directly identified to a particular segment are allocated on bases decided by the management and applied consistently throughout the year.

3.26 Subsequent Events

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

3.27 Commitments and Contingencies

All discernible risks are accounted for in determining the amount of all known liabilities. Contingent Liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be reliably measured. Contingent Liabilities are not recognised in the statement of financial position but are disclosed unless they are remote.

3.28 Capital Management

The Board of Directors monitors the return on capital investment on a month basis. This review is mainly carried out through return on investment analysis prepared on a quarterly basis. The plan forecasts are also reviewed on a monthly basis to ensure that targets are met in order to manage the capital invested in Group Companies.

The Board of Directors also decides and monitors the level of dividends to ordinary shareholders.

The Company does not subject to any externally impose capital requirements. However companies within the group have such requirement based on the industry in which such company is established. Group companies which require externally imposed capital will monitor such requirement on a regular basis and report to respective legal authority in order to ensure compliance with such regulatory requirement.

Accounting Policies applies to Specific Industry Sectors

3.29 Insurance Sector

3.29.1 Product Classification

Insurance contracts are those contracts when the Group (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Group determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire. Investment contracts can however be reclassified as insurance contracts after inception if insurance risk becomes significant.

3.29.2 Reinsurance Receivable/Payable

The Group cedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract.

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Group may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer. The impairment loss is recorded in the comprehensive statement of profit or loss.

Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract. Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire.

3.29.3 Liability Adequacy Test

At each reporting date, an assessment is made of whether the recognised long-term business provisions are adequate, using current estimates of future cash flows. If that assessment shows that the carrying amount of the liabilities (less related assets) is insufficient in light of the estimated future cash flows, the deficiency is recognised in the statement of profit or loss by setting up an additional provision in the Statement of Financial Position.

3.29.4 Insurance Premium Receivables

Collectability of premiums and other debts are reviewed on an on-going basis. Policies issued on credit basis and that are known to be uncollectible are cancelled and the respective gross written premium is reversed. A provision for doubtful debts is raised when some doubt as to collection exists.

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the comprehensive statement of profit or loss.

Insurance receivables are derecognised when the de-recognition criteria for financial assets have been met.

3.29.5 General Insurance Business

3.29.5.1 Gross Written Premium

Premium is accounted as and when cash is received and in the same period as the policy liabilities are created. For single premium contracts, premiums are recorded as income when received with any excess profit deferred and recognised as income in a constant relationship to the insurance in force, for annuities and the amount of expected benefit payments.

3.29.5.2 Reinsurance Premium

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

3.29.5.3 Unearned Premium Reserve

Unearned premium is the portion of gross written premium and reinsurance premium written in the current year in respect of risk related to subsequent periods. Unearned premium is calculated on the 1/365 basis in accordance with the Rules made by the Insurance Board of Sri Lanka under the Regulation of Insurance Industry Act, No. 43 of 2000.

3.29.5.4 Unexpired Risks

Provision is made where appropriate for the estimated amount required over and above unearned premium to meet future claims and related expenses on the business in force as at 31st December.

3.29.5.5 Unexpired Risk Reserve

The calculation of premium liability requires a comparison between the company's held unearned premium reserve less DAC provision with actuarial estimate of the unexpired risk for the total general insurance business. The resulting premium liability is the higher of these two. In estimating the unexpired risk liability, assumptions are made on the expected ultimate loss ratio for each class of business and management expenses incurred whilst these policies remain exposed for claims.

3.29.5.6 Deferred Acquisition Costs (DAC)

Those direct and indirect costs incurred during the financial period arising from the writing or renewing of insurance contracts are deferred and amortised over the period in which the related revenues are earned. All other acquisition costs are recognised as an expense when incurred.

Deferred acquisition expenses represent commission and franchise fees which vary with and are directly related to the production of business. Commission expenses are deferred and charged over the period in which the related premiums are earned, on 1/365 basis.

3.29.5.7 Claims

Claims incurred include provisions for the estimated cost of claims and related handling expenses in respect of incidents up to 31st December. Claims outstanding are assessed by reviewing the individual claim files and estimating changes in the ultimate cost of settling claims. The provision in respect of claims Incurred But Not Reported (IBNR) is actuarially valued to ensure a more realistic estimation of the future liability based on past experience and trends. Actuarial valuations are performed on an annual basis. Whilst the Directors consider that the provision for claims related reinsurance recoveries are fairly stated on the basis of information currently available, the ultimate liability will vary as a result of subsequent information and events. This may result in adjustments to the amounts provided. Such adjustments are reflected in the Financial Statements for that period. The methods used, and the estimates made, are reviewed regularly

3.29.5.8 Valuation of Insurance Provision- General Insurance Reserve for Outstanding Claims Including IBNR

Methodology for Claim Liability

75% Confidence Level Estimate

The volatility of the Central Estimate of claims reserves are then projected to secure an overall level of sufficiency of not less than 75% confidence. In determining the Net Claim Liability on 75% confidence level, we have adopted the Prudential Reserve for Adverse Development (PRAD) and Fund Prudential Reserve for Adverse Development (FPRAD) risk margins that were derived in the gross analysis as at 31st December 2018, which were based on a Stochastic Chain Ladder approach.

Calculation of Discounted Claim Liability

The Discounted Claim Liability is calculated as the current value of the projected future claim payments for each class of business.

The Claim Liability is discounted on the same basis as the gross numbers. These are based upon the Government Securities spot rates from the Central Bank of Sri Lanka and the modelled payment patterns.

Methodology for Estimate of Premium Liability

75% Confidence Level Estimate

The Central Estimates of the URRs are then projected to secure an overall level of sufficiency of not less than 75% confidence. In determining the URR at the 75% confidence level, actuaries multiply the Central Estimate of the URR with

Notes to the Financial Statements

an adjustment factor for each line of business. The adjustment factor is determined at a class level as well as at an aggregate level, and takes into account the observed relationship between the current estimate of an Accident Period's ULR and the trended ULR. The diversification is determined by comparing the sum of adjustment factors by line of business and the adjustment factor at the aggregate level.

3.29.6 Life Insurance Business

3.29.6.1 Gross Written Premium

Premium is accounted as and when cash is received and in the same period as the policy liabilities are created. For single premium contracts, premiums are recorded as income when received with any excess profit deferred and recognised as income in a constant relationship to the insurance in force, for annuities and the amount of expected benefit payments.

3.29.6.2 Reinsurance Premium

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

3.29.6.3 Benefits, Losses and Expenses

Expenses relate to the acquisition and maintenance of Long Term insurance business. Claims by death or maturity are charged against revenue on notification of death or on expiry of the term. Claims payable includes direct cost of settlement. Interim payments and surrenders are accounted for at the time of settlement.

3.29.6.4 Actuarial Valuation for Long term Insurance Provision

The Directors determine the Long term insurance business provisions for the Company on the recommendation of the Actuary, following his annual investigation of the Life insurance business. The actuarial valuation takes into account all liabilities including contingent liabilities and is based on assumptions recommended by the reporting actuary.

3.29.6.5 Life Insurance Contract Liabilities

Life insurance liabilities are recognised when the contracts are entered into and premiums are charged. These liabilities are calculated via the net premium method for protection products, the unit fund plus sterling reserve method for Unit-linked products and a modified gross premium method for conventional products. For the net premium method the liability is calculated as the discounted value of the future benefits that are directly related to the contract, less the discounted value of the theoretical premiums that would be required to meet those future benefits based on the valuation assumptions. For the sterling reserve method all contract-related cash flows are projected using best estimate assumptions (but with valuation claim rates) and additional liabilities are set up in the event that contracts are not self-financing. For the modified gross premium method the investment account is the starting point and in addition to that a liability may be held on account of future cash flows shortfalls. This second component is calculated exactly as per the sterling reserve above.

3.29.6.6 Valuation of Insurance Provision -Life insurance Contract Liabilities

Methodology

Actuaries have adopted the net premium valuation methodology for calculating the provisions for majority of the products and riders (all except those mentioned below), as required by the extant regulations, by valuing individual policy records. For regular premiums products, an allowance for recovery of initial expenses through loadings in the renewal premium has been allowed for in the provisions by using minimum of the Zillmer and Sprague adjustments as prescribed in the regulations. Besides limiting the calculated net premium to be maximum of90% of the policy premium to ensure a minimum 10% allowance to cover future expenses and commissions at the policy level. Actuaries have checked that this implicit allowance made for expenses and commissions through a reduction in the future premium income in the net premium methodology is sufficient to cover the projected expenses and commissions for regular premium products at the product level. For single premium products, an explicit additional provision has been calculated to cover future maintenance expenses at the policy level.

Statutory provisions have been set equal to the unearned premium reserves (UPR) for the base products Corporate Life & Migrant Workers, and the ADB, TPD due to accident and PPD riders.

For the dividend based fund accumulation products, Life Protect, Life Protect Plus, Pension Plan and Child Plan, provisions have been set equal to the fund value plus an expense provision, where the expenses provision has been set equal to any excess of expected future outgo over future income on he prudent basis calculated at the policy level.

The calculated provisions were floored at zero at the individual policy level, i.e. negative provisions have not been allowed for any policy.

The calculated provisions for each individual policy is note less than the applicable surrender value as on valuation date, as no surrender value is currently applicable for any of the in-force policies. Majority of the products are protection based which do not offer any surrender value. Surrender value on the savings products is payable only after the third policy year with none of the in-force policies having exceeded that duration.

Assumptions

The following reserving assumptions have been used for the purpose of the annual statutory valuation as at December 2013;

- Mortality rates

  100% of A67/70 (Ultimate) table has been used as the reserving assumptions.

- Rates for benefits other than mortality

  110% of the applicable reinsurance premium rates provided by reinsurer, made available to actuaries at the time of pricing the various riders attaching to the dividend based fund accumulation products.

- Lapses

  No lapses have been assumed for prudence, except for dividend based fund accumulation products, where lapses equal to 50% of the best estimate pricing assumption have been used for the calculation of the expense provision. The lapse rates assumed for pricing the dividend based products are tabulated below;

Policy year	Lapse Rates
1	40%
2	20%
3	10%
4	5%
5	5%
6-10	5%
11+	2.5%

- Investment return

  The assumed investment returns are as prescribed by the regulations for life insurers with less than three years of operations. The following table summarises the annual investment returns assumed for different classes of business and premium payment options;

Business class (Premium payment option)	Investment return
Participating (Regular premium)	5.0%
Non-participating (Regular premium)	6.5%
Non-participating (Single premium)	8.0%

- Expenses inflation

  Real annual investment returns have been assumed to be 1.0%, based on which expense inflation has been set to be 1.0% lower than the assumed annual investment returns tabulated above.

- Expense assumptions

  The reserving expense assumptions have been set out in the table below. For group products these represent the expense assumption applicable to each policy and not the scheme.

Type of expense	Expense assumption
Fixed per annum	LKR 220
% of provisions	0.275%
% of renewal premium*	2.750%
Regular commission*	Commission rates as per the pricing certificates of respective products

**Applicable only for regular premium products*

- Loan repayment rate

  Mortgage reduction plan (MRP) and Divisaviya are reducing terms assurance plans to cover the outstanding loan liability of the policyholder. However, the policy data for theses products does not contain the loan repayment rate applicable for individual policies. Actuaries have used an average loan repayment rate of 28% of 12% per annum for the MRP and Divisaviya product respectively. These have been estimated based on the original sum assured, sum assured as at valuation date and issue date information present in the policy data.

3.30 Plantation Sector

3.30.1 Agricultural Activities

The Group considers all the activities that are managed in biological transformation and harvest of biological assets for sale or for conversion into agricultural produce or into additional biological asset.

3.30.2 Biological Assets

Biological assets are classified as mature biological assets and immature biological assets. Mature biological assets are those that have attained harvestable specifications or are able to sustain regular harvests. Immature biological assets are those that have not yet attained harvestable specifications. Tea, Rubber, Coconut, Timber, Other plantations and nurseries are classified as biological assets.

The biological assets are further classified as bearer biological assets and consumables biological assets. Bearer biological assets includes tea, rubber and coconut trees, those that are not intended to be sold or harvested, however, used to grow for harvesting agricultural produce from such biological assets. Consumable biological assets includes managed timber own by the company (Eucalyptus Torariyana, Albezzia, Graveelia, Eucalyptus Grandis, Astonia, Pinus, Toona, Mahogany, Teak, Jak, Rubber, Nadun, Mango, Pellen, Hora, Domba, Lunumidella, Wal Del and Mara on the plantations have been taken into consideration in this valuation of timber trees) those that are to be harvested as agricultural produce or sold as biological assets.

The entity recognises the biological assets when, and only when, the entity controls the assets as a result of past event, it is probable that future economic benefits associated with the assets will flow to the entity and the fair value or cost of the assets can be measured reliably.

Nursery cost includes the cost of direct materials, direct labour and an appropriate proportion of directly attributable overheads, less provision for overgrown plants.

Notes to the Financial Statements

3.30.3 Bearer Biological Assets
The bearer biological assets are measured at cost less accumulated depreciation and accumulated impairment losses, if any, in terms of LKAS 16 – "Property, Plant & Equipment".

The cost of land preparation, rehabilitation, new planting, replanting, 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. The expenditure incurred on bearer biological assets (Tea, Rubber) which comes into bearing during the year, is transferred to mature plantations.

The Group recognises tea, rubber, coconut and mixed crop, at cost in accordance with the new ruling provide the option to measure bearer biological assets using LKAS16 – Property, Plant and Equipment.

3.30.4 Limited Life Land Development Cost on Bearer Biological Assets at Cost (New/Re-Planting)
The total cost of land preparation, rehabilitation, new planting, re-planting, crop diversification, inter-planting and fertilizing, incurred between the time of planting and harvesting (When the planted area attains maturity) are recognised as initial cost for capitalisation. These immature plantations are shown at direct costs plus attributed overheads, including interest attributable to long-term loans used for financing immature plantations. Attributable overheads incurred on the plantation are apportioned based on the labour days spent on respective re-planting and new planting and capitalised on the immature areas. The remaining non-attributable overhead is expensed in the accounting period in which it is incurred.

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

The expenditure incurred on perennial crop (Tea/Rubber/Coconut) fields, which come into bearing during the year, has been transferred to mature plantations and depreciated over their useful life period. These mature plantations are depreciated over their useful lives or unexpired lease period, whichever is less. No depreciation is provided for immature plantations.

3.30.5 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 - 16 and depreciated over the useful life at rates applicable to mature plantation. These rates are re-evaluated annually.

Infilling cost that are not capitalised have been charged to the statement of profit or loss in the year in which they are incurred.

3.30.6 Growing Crop Nurseries
Nursery cost includes the cost of direct materials, direct labour and an appropriate proportion of directly attributable overheads.

3.30.7 Useful Life of Bearer Biological Assets
The estimated useful lives for the current and comparative years are as follows;

Tea	30-33 1/3 years
Rubber	20 years
Coconut	50 years
Cardamom / Cinnamon	15 years

3.30.8 Consumable Biological Assets
Trees namely teak, mahogany, Nadun, mango, Albezzia, Wal del, and etc. are considered as consumable biological assets and measured in accordance with LKAS 41- Agriculture. The initial costs incurred in planting such trees are capitalised until the market determined prices or values are not available and for which alternative estimates of fair value are to be clearly unreliable. Once the fair value of such a biological asset becomes reliably measurable, the group measures it at its fair value less costs to sell. The change in fair values will be directly identified in statement of profit or loss.

The Group has engaged an Independent Chartered Valuation Surveyor Mr. W. M. Chandrasena in determining the fair value of managed Timber Plantation. The valuer has valued the Timber Plantation per tree valuation basis by using available log prices in city centers less point-of-sale-costs. The timber plants having less than three years old have not been taken in to the valuation and hence, the cost of such plants has been added to the valuation. All other assumptions are given in Note No. 28.2. The Group measures the Timber Plantation at fair value less estimated-point-of-sale-costs as at each date of Statement of Financial Position. The gain or loss on changes in fair value of Timber Plantation is recognised in the statement of profit or loss

- Growing Crop Nurseries

  Nursery cost includes the cost of direct materials, direct labour and an appropriate proportion of directly attributable overheads.

3.30.9 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.

Right-To-Use of Land on Lease

"Right-To-Use of Land on Lease" as above was previously titled "Leasehold Right to Bare land". The change is in order to comply with Statement of Alternative Treatment (SOAT) issued by the Institute of Chartered Accountants of Sri Lanka dated 21 August 2013. Such leases have been executed for all estates for a period of 53 years.

This right-to-use of land is amortised over the remaining lease term or useful life of the right whichever is shorter and is disclosed under non-current assets. The Statement of Alternative Treatment (SOAT) for right-to-use of land does not permit further revaluation of right-to-use of land. However, an adjustment to the "Right-To-Use of Land" could be made to the extent that the change relate to the future period on the reassessment of liability to make the lease payment. The values taken into the 18th June 1992 Statement of Financial Position Date and amortisation of the right to use of land up to 31 March 2018 are describe in to note no. 34.10 to these financial statements.

3.30.10 Amortisation
The Right-to-use of land on lease is amortised over the remaining lease term of such asset or over the useful life of the underlying asset if shorter. Leasehold rights are tested for impairment annually and are written down where applicable. The impairment loss, if any, is recognised in the statement of profit or loss.

Amortisation rates used for the purpose are as follows:

Policy year	No. of Years	Rate %
Bare Land	53	1.89
Improvement to Lands	30	3.33
Mature Plantations	30	3.33
Buildings	25	4.00
Machinery	15	6.67
Crop Diversification	30	3.33
Water and Sanitation	20	5.00
Other Vested Assets	30	3.33
Permanent Land Development	53	1.89

3.30.11 Liability to make lease rentals
The liability to make the rentals to the lessor is recognised on amortised cost using effective interest rate method. The finance cost is recognised in the statement of profit or loss under finance cost using effective interest rate method.

Notes to the Financial Statements

4 GROSS INCOME

For the year ended 31 March	Note	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
Interest income	4.1	104,772,109	54,573,085	3,018,226	3,832,011
Revenue	4.2	22,602,826	23,441,032	-	-
Income	4.3	12,032,101	7,687,454	4,210,110	3,967,725
Other income	5	10,109,178	6,013,713	9,076,103	12,466,078
		149,516,214	91,715,284	16,304,439	20,265,814

4.1 Interest income

	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
Leasing interest income	13,164,747	10,861,963	-	-
Hire purchases interest income	121	1,928	-	-
Interest income on deposits	715,778	310,062	-	-
Advances and other loans interest income	81,661,497	35,818,073	2,916,756	3,586,547
Operating lease and hire rental income	453,655	419,111	88,457	185,630
Overdue interest income	3,216,398	2,125,679	13,013	59,834
Debt factoring income	5,559,913	5,036,269	-	-
	104,772,109	54,573,085	3,018,226	3,832,011

4.2 Revenue

Sectorial revenue	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
Manufacturing	388,983	508,193	-	-
Trading	14,511,666	13,508,792	-	-
Leisure	1,601,472	1,505,514	-	-
Provision of services	1,379,893	958,233	-	-
Plantation	2,281,891	5,469,193	-	-
Travel & tours	1,421,158	926,821	-	-
Construction	564,349	243,284	-	-
Power generation	453,414	233,184	-	-
Others	-	87,818	-	-
	22,602,826	23,441,032	-	-

4.3 Income

	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
Securities trading income	80,234	37,419	-	-
Earned premium on insurance contracts	5,484,907	4,453,052	-	-
Rentals & sales proceeds - contracts written off	641,711	691,511	32,587	83,987
Transfer fees and profit on termination	1,889,281	1,493,731	144	384
Arrangement / documentation fee & other	3,356,633	349,680	1	55
Other operational income/ shared service income	579,335	662,061	4,177,378	3,883,299
	12,032,101	7,687,454	4,210,110	3,967,725

5 OTHER INCOME/(EXPENSES)

For the year ended 31 March	Note	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
Rental income		75,385	183,393	3,300	3,000
Royalty income		-	-	865,516	635,900
Dividends income		341,815	69,558	111,927	309,111
Franchise fees		-	-	135	159,271
Insurance policy fees		126,678	88,185	-	-
Treasury handling charges		-	-	776,663	893,389
Restructuring and arrangement charges		-	-	741,394	536,051
Asset hire income		-	-	248,169	248,169
Guarantee fee income		-	-	27,333	51,225
Income from show back charges		-	-	-	283,770
Interest received from government securities & other interest earning assets	5.1	4,375,769	4,587,406	6,290	2,937
Debenture interest income		66,908	6,006	410	-
Gain / (loss) on disposal of quoted and non-quoted shares		903,588	(21,448)	5,673,440	9,111,520
Gain on disposal of property, plant and equipment		112,331	40,942	60,874	59,256
Change in fair value of investment properties	27	1,548,491	855,409	4,400	23,600
Gain on change in fair value of consumable biological assets	28.1	285,256	214,816	-	-
Foreign exchange gain / (loss)		(1,525,851)	38,925	(434)	40,551
Change in fair value of derivatives - forward contracts		1,648,223	(28,699)	(3,341)	-
Appreciation / (fall) in value of investments		551,259	161,794	(108,347)	32,691
Amortisation of deferred income	41	73,482	85,169	-	-
Penalty and early settlement interests		406,462	106,722	-	-
Commission income		268,214	35,128	-	-
Sale of refuse tea		121,445	94,678	-	-
Sundry income		729,723	727,362	668,374	75,637
(-) Interest income/Finance cost relating to non-financial sectors		-	(1,231,633)		-
		10,109,178	6,013,713	9,076,103	12,466,078

5.1 Credit for withholding tax on government securities on secondary market transactions

Section 137 of the Inland Revenue Act No 10 of 2006 provides that a Company which derives interest income from the secondary market transactions in Government securities be entitled to a notional tax credit (being one ninth of the net Interest income) provided such interest income forms part of the statutory income of the Company for that year of assessment.

Notes to the Financial Statements

6 INTEREST EXPENSES

For the year ended 31 March	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
Customer deposits	24,948,470	9,786,200	-	-
Commercial papers and promissory notes	2,641,600	769,455	1,518,141	768,876
Overdraft and other short-term borrowings	8,015,847	9,836,794	2,891,103	3,291,244
Long term borrowings	17,791,700	9,899,878	932,760	740,160
Finance leases	118,629	204,117	9,661	17,060
Debenture interests	1,650,463	949,395	715,237	452,921
Charges on forward rate contracts	3,351,000	1,713,373	-	-
	58,517,709	33,159,212	6,066,902	5,270,261

7 DIRECT EXPENSES EXCLUDING FINANCE EXPENSES

For the year ended 31 March	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
Value Added Tax (VAT) on leases/general expenses other than VAT on financial services	2,930,006	2,235,764	150,752	110,052
Nation Building Tax (NBT), debits tax and others	328,777	354,216	6,911	21,046
Insurance benefits, losses and expenses	2,058,251	1,508,581	-	-
Increase in long term insurance fund	586,414	1,092,480	-	-
Insurance expenses	1,886,600	1,745,602	-	-
Other direct expenses	379,358	263,116	-	-
	8,169,406	7,199,759	157,663	131,098

8 PERSONNEL EXPENSES

For the year ended 31 March	Note	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
Salaries, wages and other benefits		16,634,497	11,238,262	1,429,632	1,726,245
Contribution to EPF/CCPS/ESPS		1,333,958	940,615	111,612	101,191
Contribution to ETF		292,801	93,496	25,773	23,168
Post-employment defined benefit plans cost	42.1	414,982	345,491	49,318	45,874
		18,676,238	12,617,864	1,616,335	1,896,478

9 NET IMPAIRMENT LOSS ON FINANCIAL ASSETS

For the year ended 31 March	Note	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
Net impairment loss / (reversal) on;					
Finance lease receivables	20.1.5				
Allowance for individually significant impairment		1,006,902	22,901	-	-
Allowance for individually non-significant impairment		729,334	580,591	-	-
Hire purchase receivables	20.2.5				
Allowance for individually significant impairment		1,244	25,541	-	-
Allowance for individually non-significant impairment		(9,567)	(15,143)	-	-
Operating lease receivables	20.3.1				
Allowance for individually non-significant impairment		(3,000)	(2,255)	(3,000)	(2,255)
Advances and loans	21.1.1				-
Allowance for individually significant impairment		1,942,938	762,496	-	(3,166)
Allowance for individually non-significant impairment		1,575,445	1,056,341	11,556	583
Factoring receivables	21.2.1				
Allowance for individually significant impairment		(99,737)	696,743	-	-
Allowance for individually non-significant impairment		103,092	32,614	-	-
Pawning advances	21.3.1				
Allowance for individually non-significant impairment		(2,472)	12,835	-	-
Bad debts written off net of reversals		4,812,960	1,107,014	4,671	(70)
		10,057,139	4,279,678	13,227	(4,908)

10 DEPRECIATION AND AMORTISATION

For the year ended 31 March	Note	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
Amortisation of prepaid lease rentals	26	6,042	9,222	-	-
Amortisation of intangible assets	33.5 /33.9	193,820	144,997	95,128	89,770
Depreciation of property, plant and equipment	34	2,072,765	1,531,530	430,518	347,161
Amortisation of bearer biological assets	29.1	48,268	184,042	-	-
		2,320,895	1,869,791	525,646	436,931

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11 OTHER OPERATING EXPENSES

For the year ended 31 March	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
Administration cost	6,924,557	3,000,019	2,266,676	1,354,279
Operating and marketing cost	6,593,170	5,520,130	895,310	1,032,305
	13,517,727	8,520,149	3,161,986	2,386,584

12 RESULTS FROM OPERATING ACTIVITIES

Expenses are recognised in the statement of profit or loss on the basis of a direct association between the cost incurred and the earnings of specific items of income. All expenditure incurred in the running of the business and in maintaining the property, plant and equipment in a state of efficiency has been charged to the statement of profit or loss.

For the purpose of presentation of the income statement, the "function of expenses" method has been adopted, on the basis that it presents fairly the elements of the Company's and Group's financial performance.

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

For the year ended 31 March	Note	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
Remuneration to Directors	50.1.1	114,937	137,796	36,155	19,868
Auditors' remuneration	12.1	69,302	48,654	17,269	4,302
Legal expenses		171,802	47,167	76,554	5,366
Secretarial fees		51,059	41,805	16,557	8,213
Professional fees		231,388	212,659	194,663	42,614
Deposit insurance premium		4,112	109,851	-	-
Advertising related expenses		1,085,862	1,139,328	755,989	535,197
Donations		13,158	7,037	8,635	5,714

12.1 Auditors' remuneration

	Group 2018	Group 2017	Company 2018	Company 2017
Remuneration for				
Audit related services	52,818	47,469	3,665	3,080
Non-audit related services	16,484	1,185	13,604	1,222
	69,302	48,654	17,269	4,302

13 RESULTS OF EQUITY ACCOUNTED INVESTEES

For the year ended 31 March		Group	
		2018	2017
	Note	Rs.'000	Rs.'000
13.1 Share of profits of equity accounted investees, net of tax			
Associates	31.6	1,763,093	3,827,962
		1,763,093	3,827,962
13.2 Share of other comprehensive income of equity accounted investees (net of tax)			
Other comprehensive income that will never be reclassified to profit or loss in subsequent periods:			
Associates	31.6	402,701	314,947
		402,701	314,947
Other comprehensive income that are or may be reclassified to profit or loss in subsequent periods :			
Associates	31.6	847,083	688,830
		847,083	688,830
		1,249,784	1,003,777

14 RESULTS ON ACQUISITION AND DIVESTMENT OF GROUP INVESTMENTS

For the year ended 31 March		Group	
		2018	2017
	Note	Rs.'000	Rs.'000
Lotus Hydro Power PLC	30.7.6	-	196,208
FLMC Plantations (Pvt) Ltd	30.7.6	-	3,371,252
PRASAC Micro Finance Institution Limited	31.5.2	-	7,026,871
NPH Investments Limited	31.5.1	63,774	-
		63,774	10,594,331

Notes to the Financial Statements

15 INCOME TAX EXPENSE

The Company is liable for tax at the rate of 28% on its taxable income in accordance with the Inland Revenue Act No 10 of 2006 and subsequent amendments made thereto.

Group tax expense is based on the taxable profit of individual companies within the Group. At present the tax laws of Sri Lanka do not provide for Group taxation.

15.1 Major components of income tax expense are as follows:

For the year ended 31 March	Note	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
Current tax expense	15.3	5,996,620	2,601,953	109,684	186,323
Deferred tax expense	32.5	(530,304)	856,500	(46,356)	185,748
Income tax expense reported in profit or loss		5,466,316	3,458,453	63,328	372,071

15.2 Numerical Reconciliation of accounting profits to income tax expense

For the year ended 31 March	Note	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
Profit before income tax expense		24,655,819	24,379,065	4,762,680	10,149,370
(+)Disallowable expenses		47,219,965	35,408,025	1,017,732	901,543
(-)Allowable expenses		(19,351,463)	(21,890,118)	(670,132)	(691,894)
(-) Tax exempt income		(27,432,911)	(27,322,631)	(5,854,704)	(9,593,558)
(-) Allowable tax credits		(840,064)	(750,282)	-	-
(+)Tax losses incurred	15.6	6,723,065	2,060,046	744,424	-
(-)Tax losses utilised	15.6	(787,636)	(185,125)	-	(267,914)
(-) Others/Consolidation adjustments		(1,826,869)	1,625,400	-	-
Taxable Income		28,359,906	13,324,380	-	497,547
Income tax @					
28%		2,211,116	1,904,203	-	139,315
25%		34,900	21,116	-	-
20%		3,640,569	570,333	-	-
12%		12,652	51,419	-	-
Total tax expense		5,899,237	2,547,071	-	139,315
Average tax rate		20.80%	19.12%	-	28.00%

15.3 Current Tax Expense

For the year ended 31 March	Note	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
Tax Expense	15.2	5,899,237	2,547,071	-	139,315
Under provision in respect of previous years		92,604	54,491	104,967	47,008
Deemed dividend tax paid		4,779	391	4,717	-
		5,996,620	2,601,953	109,684	186,323

15.4 Effective Tax Rate

For the year ended 31 March	Group 2018 %	Group 2017 %	Company 2018 %	Company 2017 %
	22.17	14.19	1.33	3.67

15.5 A reconciliation of effective tax rate is as follows;

For the year ended 31 March	Group 2018 Rs.'000	2018 %	Group 2017 Rs.'000	2017 %
Accounting profit before income tax	24,655,819		24,379,065	
Income tax expense at the average statutory income tax rate	5,128,738	20.80%	4,660,270	19.12%
Disallowable expenses	9,292,076	37.69%	7,625,052	31.28%
Allowable expenses	(4,025,361)	(16.33%)	(4,184,486)	(17.16%)
Tax exempt income	(5,706,410)	(23.14%)	(5,222,958)	(21.42%)
Allowable tax credits	(174,744)	(0.71%)	(143,423)	(0.59%)
Tax losses incurred	1,398,487	5.67%	393,796	1.62%
Tax losses utilised	(163,839)	(0.66%)	(35,388)	(0.15%)
Consolidation adjustments	(380,013)	(1.54%)	310,709	1.27%
Under / (Over) provision in respect of previous years	92,604	0.38%	54,491	0.22%
Deemed dividend tax paid	4,779	0.02%	391	0.00%
Current tax expense	5,466,316	22.17%	3,458,453	14.19%

For the year ended 31 March	Company 2018 Rs.'000	2018 %	Company 2017 Rs.'000	2017 %
Accounting profit before income tax	4,762,680		10,149,370	
Income tax expense at the average statutory income tax rate	-	-	2,841,861	28.00%
Disallowable Expenses	(46,356)	(0.97%)	438,183	4.32%
Allowable Expenses	-	-	(193,733)	(1.91%)
Tax Exempt Income	-	-	(2,686,232)	(26.47%)
Tax losses utilised	-	-	(75,017)	(0.74%)
Under / (Over) provision in respect of previous years	104,967	2.20%	47,008	0.46%
Tax on Intercompany Dividends	4,717	0.10%	-	-
Current tax expense	63,328	1.33%	372,071	3.67%

The New Income Tax Act No.24 of 2017 was certified on 24th October 2017 and is effective from 01 April 2018. Accordingly, Income tax provisions for the year ended 31 March 2018 were made based on rates applicable for the Year of Assessment 2017/18 with deferred tax for the same period computed based on rates applicable post 1 April 2018. Group tax expense is based on the taxable profit of individual companies within the Group. At present the tax laws of Sri Lanka do not provide for Group taxation.

Notes to the Financial Statements

15.6 Tax Losses

For the year ended 31 March	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
Losses brought forward	13,265,922	13,077,702	298,588	933,477
Adjustments for brought forward tax losses	(2,447,941)	(986,517)	(268,770)	(366,975)
Losses incurred	6,723,065	2,060,046	744,424	-
Losses utilised	(787,636)	(185,125)	-	(267,914)
Disposal of subsidiaries	-	(700,184)	-	-
Losses carried forward	16,753,410	13,265,922	774,242	298,588

15.7 Tax exemptions, concessions or holidays that have been granted

The tax liability of resident companies are computed at the standard rate of 28% except for the following companies which enjoy full or partial exemptions and concessions.

15.7.1 Companies exempt from income tax

Company	Basis/ Statute	Period
Samudra Beach Resorts (Pvt) Ltd	Section 17 of BOI Law no. 04 of 1978	7 years after commencing commercial operations
Browns Properties (Pvt) Ltd	Section 17 of BOI Law no. 04 of 1978	7 years ending 2020/21
Sagasolar Power (Pvt) Ltd	Section 17 of BOI Law no. 04 of 1978	10 years ending 2025/2026
Riverina Resorts (Pvt) Ltd	Section 17 of BOI Law no. 04 of 1978	12 years after commencing commercial operations
Sun & Fun Resorts Ltd	Section 17 of BOI Law no. 04 of 1978	15 years ending 2030/2031

15.7.2 Income tax concessions of local subsidiaries

Company	Concessionary rate and statute	Period
Maturata Plantations Ltd	10% under section 48A-14A of Inland Revenue (amendment) Act No.22 of 2011	Ended on 31 March 2018
FLPC Management (Pvt) Ltd	12% under section 45(2)(a)(i1) of Inland Revenue (amendment) Act No.22 of 2011	Ended on 31 March 2018
Ajax Engineers (Pvt) Ltd	12% under section 46(c) of Inland Revenue (amendment) Act No.22 of 2011	Ended on 31 March 2018
Eden Hotel Lanka PLC	12% under section 46(b) of Inland Revenue (amendment) Act No.22 of 2011	Ended on 31 March 2018
Palm Garden Hotels PLC	12% under section 46(b) of Inland Revenue (amendment) Act No.22 of 2011	Ended on 31 March 2018
Green Paradise (Pvt) Ltd	12% under section 46(b) of Inland Revenue (amendment) Act No.22 of 2011	Ended on 31 March 2018
Tropical Villas (Pvt) Ltd	12% under section 46(b) of Inland Revenue (amendment) Act No.22 of 2011	Ended on 31 March 2018
Dickwella Resorts (Pvt) Ltd	12% under section 46(b) of Inland Revenue (amendment) Act No.22 of 2011	Ended on 31 March 2018
BG Air Services (Pvt) Ltd	12% under section 46(b) of Inland Revenue (amendment) Act No.22 of 2011	Ended on 31 March 2018
Ceylon Roots (Pvt) Ltd	12% under section 46(b) of Inland Revenue (amendment) Act No.22 of 2011	Ended on 31 March 2018
Creations Wooden Fabricators (Pvt) Ltd	12% under section 46(c) of Inland Revenue (amendment) Act No.22 of 2011	Ended on 31 March 2018
Excel Restaurant (Pvt) Ltd	12% under section 46(b) of Inland Revenue (amendment) Act No.22 of 2011	Ended on 31 March 2018

Other miscellaneous concessions

Exemption on interest income earned from foreign currency denominated accounts. Capital gains from sale of shares is excluded from chargeability to income tax. Income/profits from offshore dividends and interest is exempt from income tax.

Company	Country of incorporation	Rate
Bodufaru Beach Resort (Pvt) Ltd	Republic of Maldives	15%
NPH Investments (Pvt) Ltd	Republic of Maldives	15%
LOLC Myanmar Micro-Finance Company Limited	Republic of the Union of Myanmar	25%
LOLC Cambodia PLC	Kingdom of Cambodia	20%
B Commodities MEZ	United Arab Emirates	Nil
PRASAC Micro Finance Institution Limited	Kingdom of Cambodia	20%
Pak Oman Micro finance Bank Limited	Islamic Republic of Pakistan	31%
PT LOLC Management Indonesia	Republic of Indonesia	25%
PT Sarana Sumut Ventura	Republic of Indonesia	25%
LOLC Asia (Pvt) Ltd	Republic of Singapore	17% (Max)
LOLC (Pvt) Ltd	Republic of Singapore	17% (Max)
LOLC International (Pvt) Ltd	Republic of Singapore	17% (Max)

Notes to the Financial Statements

15.8 Income tax recognised in other comprehensive income

For the year ended 31 March	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
Tax (benefit) / expense on;				
Revaluation of property, plant and equipment	797,619	59,807	153,413	34,258
Re-measurement of defined benefit liabilities	(13,480)	7,576	(3,837)	-
Fair value differences on cash flow hedges	(114,146)	16,996	-	-
Net change in fair value of available-for-sale financial assets	(3,019)	-	-	-
	666,974	84,379	149,576	34,258

16 EARNINGS PER SHARE

16.1 Basic earnings per share

The calculation of basic earnings per share for the year is based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding calculated as follows;

For the year ended 31 March	Note	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
Profit attributable to equity holders of the Company		9,728,108	17,157,762	4,699,352	9,777,299
Weighted average number of ordinary shares	16.2	475,200	475,200	475,200	475,200
Basic earnings per share (Rs.)		20.47	36.11	9.89	20.58

16.2 Weighted average number of ordinary shares

For the year ended 31 March	Group 2018 '000	Group 2017 '000	Company 2018 '000	Company 2017 '000
Balance as at 01 April	475,200	475,200	475,200	475,200
Movement during the period	-	-	-	-
Balance as at 31 March	475,200	475,200	475,200	475,200

16.3 Diluted earnings per share

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

17 CASH AND CASH EQUIVALENTS

17.1 Cash in hand and favorable bank balances

As at 31 March	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
Cash in hand – local currency	2,710,849	1,906,876	7,490	4,374
Cash in hand – foreign currency	9,604,010	11,495,073	-	-
Balances with local banks	33,555,684	9,374,564	273,719	451,335
Balances with foreign banks	4,725,008	30,617,209	-	-
Other Instruments	537,609	821,517	-	4,306
	51,133,160	54,215,239	281,209	460,015

17.2 Unfavourable bank balances used for cash management purposes

	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
Bank overdrafts	(9,293,783)	(7,365,332)	(2,459,828)	(1,691,299)
Net cash and cash equivalents as in cash flow statement	41,839,377	46,849,907	(2,178,619)	(1,231,284)

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits and other instruments are made for varying periods of between one day to three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

The Group has pledged a part of its short-term deposits to fulfil collateral requirements. Refer to Note 48 for further details

18 TRADING ASSETS - FAIR VALUE THROUGH PROFIT OR LOSS

As at 31 March	Note	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
Corporate securities	18.1	2,525,402	2,765,497	-	-
Government securities	18.2	1,562	1,895	-	-
Equity securities	18.3	507,958	665,826	341,399	451,115
Derivative assets held for risk management	18.4	133,541	216,343	-	2,089
		3,168,463	3,649,561	341,399	453,204

Notes to the Financial Statements

18.1 Corporate securities

As at 31 March	Group					
	2018			2017		
	No. of Units	Cost Rs. '000	Fair Value Rs. '000	No. of Units	Cost Rs. '000	Fair Value Rs. '000
Investments in unit trusts	209,945,552	1,665,000	1,845,887	184,722,465	2,750,000	2,765,497
Investments in debentures	454,200	460,245	455,420	-	-	-
Investment in mutual funds	1,575,895	220,094	224,095	-	-	-
		2,345,339	2,525,402		2,750,000	2,765,497

18.2 Government securities

As at 31 March	Group			
	2018		2017	
	Cost Rs. '000	Fair Value Rs. '000	Cost Rs. '000	Fair Value Rs. '000
Investments in treasury bills and bonds	1,515	1,562	1,850	1,895
	1,515	1,562	1,850	1,895

18.3 Equity securities

Details of the equity trading portfolio

As at 31 March	Company					
	2018			2017		
	No. of Shares	Cost Rs. '000	Fair Value Rs. '000	No. of Shares	Cost Rs. '000	Fair Value Rs. '000
Manufacturing						
Acme Printing & Packaging PLC	25,876	602	153	25,876	602	124
Chemical & Pharmaceuticals						
Chemanex PLC	604	81	38	604	81	33
Diversified Holding						
Hayleys PLC	1,700,000	667,518	341,190	1,700,000	667,518	450,500
Power & Energy						
Laugfs Gas PLC	500	28	18	500	28	14
Trading						
Radiant Gems International PLC	-	-	-	19,392	1,370	444
		668,229	341,399		669,599	451,115

18.3 Equity securities contd.

As at 31 March	Group					
	2018			2017		
	No. of Shares	Cost Rs. '000	Fair Value Rs. '000	No. of Shares	Cost Rs. '000	Fair Value Rs. '000
Manufacturing						
Acme Printing & Packaging PLC	25,876	602	153	25,876	602	124
Land & Property						
C T Land Development PLC	19,500	470	606	19,500	470	858
Overseas Realty (Ceylon) PLC	113,680	1,665	2,058	113,680	1,665	2,296
Cargo Boat Development Company PLC	300	10	36	-	-	-
Chemical & Pharmaceuticals						
Chemanex PLC	604	81	38	604	81	33
Construction & Engineering						
Colombo Dockyard PLC	4,315	86	358	4,315	86	328
Banking, Finance & Insurance						
DFCC Bank PLC	38	-	4	38	-	4
Nation Lanka Finance PLC	181,327	920	181	181,327	920	181
The Finance Company PLC	20	1	-	20	1	-
Hatton National Bank PLC	152	7	34	-	-	-
Diversified Holding						
Expolanka Holdings PLC	1,000,000	18,000	4,900	1,000,000	18,000	6,600
Hayleys PLC	2,462,849	895,641	499,409	2,462,849	895,641	654,786
John Keells Holdings PLC	343	26	58	329	26	50
Power & Energy						
Laugfs Gas PLC	500	28	18	500	28	14
Plantations						
Malwatte Valley Plantations PLC	500	11	5	500	11	1
Trading						
Radiant Gems International PLC	-	-	-	19,392	1,370	444
Motors						
Lanka Ashok Leyland PLC	100	293	99	100	293	106
Investment Trust						
Ambeon Holdings PLC	100	-	1	100	-	1
		917,841	507,958		919,194	665,826

18.4 Derivative assets held for risk management

As at 31 March	Group 2018 Rs. '000	Group 2017 Rs. '000	Company 2018 Rs. '000	Company 2017 Rs. '000
Forward rate contracts				
Sales	133,541	-	-	-
Purchases	-	216,343	-	2,089
Total	133,541	216,343	-	2,089

Hedge Accounting

The Group entered in to forward exchange contracts in order to hedge the risk of variability in functional currency equivalent cash flows associated with the foreign currency- denominated loans. The forward contract is designated as a hedge of the changes in the cash flows relating to the changes in foreign currency rates relating to the loans.

Details	Description of the hedge
Hedge Instruments	Forward foreign exchange contracts
Hedge Items	Foreign currency denominated borrowings

The fair value of derivatives designated as cash flow hedges are as follows:

As at 31 March Instrument type:	2018 Assets Rs. '000	2018 Liabilities Rs. '000	2017 Assets Rs. '000	2017 Liabilities Rs. '000
Group				
Forward rate contracts	133,541	482,464	216,343	64,035
Notional amount	6,748,820	20,285,307	4,694,130	4,790,153
Company				
Forward rate contracts	-	-	1,702	-
Notional amount	-	-	-	-

The maturity analysis of cash flows of the hedge item is given below.

Forecasted payable cash flows	Up to 3 Months Rs. '000	4 to 12 Months Rs. '000	1 to 5 Years Rs. '000	Total Rs. '000
As at 31 March 2018				
Group	2,415,913	4,332,908	28,759	6,777,579
Company	-	-	-	-
As at 31 March 2017				
Group	8,624,949	7,291,036	19,614,192	35,530,177
Company	-	-	-	-

19 INVESTMENT SECURITIES

As at 31 March	Note	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
Available-for-sale investment securities	19.1	12,419,668	9,449,096	380,209	348,508
Loans & receivables	19.2	67,716,945	45,930,225	9,556,021	-
		80,136,613	55,379,321	9,936,230	348,508

19.1 Available-for-sale investment securities

As at 31 March	Note	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
Corporate securities	19.1.1	180,403	-	-	-
Government securities	19.1.2	11,767,740	8,009,170	-	-
Designated available-for-sale investment securities	19.1.3	380,209	348,508	380,209	348,508
Equity securities with readily determinable fair values	19.1.4	3,651	3,299	-	-
Unquoted equity securities	19.1.5	87,655	1,088,119	-	-
		12,419,668	9,449,096	380,209	348,508

Notes to the Financial Statements

19.1 Available-for-sale investment securities contd.

19.1 .1 Corporate securities

	Group			
	2018		2017	
As at 31 March	Cost Rs.'000	Fair Value Rs.'000	Cost Rs.'000	Fair Value Rs.'000
Investment in debenture	180,403	180,403	-	-
	180,403	180,403	-	-

19.1.2 Government securities

	Group			
	2018		2017	
As at 31 March	Cost Rs.'000	Fair Value Rs.'000	Cost Rs.'000	Fair Value Rs.'000
Investments in Treasury Bills	4,051,917	4,115,230	2,105,500	2,105,132
Investments in Treasury Bonds	7,683,657	7,652,510	6,222,613	5,904,038
	11,735,574	11,767,740	8,328,113	8,009,170

19.1.3 Designated available-for-sale investment securities

The Group designated certain investments in equity securities as fair value through other comprehensive income as listed below. These investments were classified as available-for-sale. This designation was chosen as the investments are expected to be held for the long-term for strategic purposes.

	Group					
As at 31 March	2018			2017		
	No. of Shares	Cost Rs. '000	Fair Value Rs. '000	No. of Shares	Cost Rs. '000	Fair Value Rs. '000
Banking, Finance & Insurance						
The Housing Development and Finance PLC	9,707,740	451,700	325,209	9,707,740	451,700	348,508
Technology						
Sri Lanka Institute of Nanotechnology	5,500,000	55,000	55,000	-	-	-
		506,700	380,209		451,700	348,508

	Company					
As at 31 March	2018			2017		
	No. of Shares	Cost Rs. '000	Fair Value Rs. '000	No. of Shares	Cost Rs. '000	Fair Value Rs. '000
The Housing Development and Finance PLC	9,707,740	451,700	325,209	9,707,740	451,700	348,508
Sri Lanka Institute of Nanotechnology	5,500,000	55,000	55,000			
		506,700	380,209		451,700	348,508

19.1.4 Equity securities with readily determinable fair values

As at 31 March	Group					
	2018			2017		
	No. of Shares	Cost Rs. '000	Fair Value Rs. '000	No. of Shares	Cost Rs. '000	Fair Value Rs. '000
Banking, Finance & Insurance						
DFCC Bank PLC	3,810	375	445	3,810	375	434
Vallibel Finance PLC	33,900	497	2,271	33,900	497	1,983
Beverage Food & Tobacco						
Raigam Wayamba Salterns PLC	26,200	66	63	26,200	66	52
Plantations						
Hapugastenne Plantations PLC	100	1	3	100	1	2
Power & Energy						
Lanka IOC PLC	27,800	751	853	27,800	751	806
Manufacturing						
Sierra Cables PLC	7,400	22	16	7,400	22	22
		1,712	3,651		1,712	3,299

19.1.5 Unquoted equity securities

As at 31 March	Group					
	2018			2017		
	No. of Shares	Cost Rs. '000	Fair Value Rs. '000	No. of Shares	Cost Rs. '000	Fair Value Rs. '000
Badulla Transport & Agency	10,000	100	-	10,000	100	-
Ceylon Studios Limited	500	5	-	500	5	-
Ceylon Marine & Travel Services (Private) Limited	5,200	31	-	5,200	31	-
Credit Information Bureau Limited	20,210	758	558	20,210	758	558
Confifi Trading (Private) Limited	39,100	391	2,238	39,100	391	1,865
Equity Investments Lanka Limited	16,875	173	169	16,875	173	169
Indo Lanka Steel Limited	200,000	6,000	-	200,000	6,000	-
Lanka Glass Manufacturing Limited	3,000,000	3,000	-	3,000,000	3,000	-
Magpek Exports Limited	250,000	1,000	-	250,000	1,000	-
Rain Forest Eco Lodge (Private) Limited	6,483,375	64,834	44,351	6,483,375	64,834	40,860
Ambeon Holdings PLC	-	-	-	18,616	37	37
Digital Mobility (Private) Limited	1,224	40,349	40,349	1,224	40,349	40,349
Finance Houses Consortium (Private) Limited	20,000	200	-	20,000	200	-
Credit Bureau Investment under CMA	-	-	-	28,167	4,281	4,281
FLMC Plantations (Pvt) Ltd	-	-	-	990,000	108,000	1,000,000
		116,841	87,655		229,155	1,088,119

Notes to the Financial Statements

19.1.5 Unquoted equity securities contd.

As at 31 March	Company					
	2018			2017		
	No. of Shares	Cost Rs. '000	Fair Value Rs. '000	No. of Shares	Cost Rs. '000	Fair Value Rs. '000
Indo Lanka Steel Limited	200,000	6,000	-	200,000	6,000	-
Lanka Glass Manufacturing Limited	3,000,000	3,000	-	3,000,000	3,000	-
Magpek Exports Limited	250,000	1,000	-	250,000	1,000	-
		10,000	-		10,000	-

19.2 Loans & receivables

As at 31 March		Group		Company	
		2018	2017	2018	2017
	Note	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Corporate securities	19.2.1	-	1,339,018	-	-
Government securities	19.2.2	34,041,987	20,568,025	9,556,021	-
Investments in term deposits		33,674,958	24,023,182	-	-
		67,716,945	45,930,225	9,556,021	-

19.2.1 Corporate securities

As at 31 March	Group		Company	
	2018	2017	2018	2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Investment in debentures	-	33,141	-	-
Investment in commercial papers	-	1,305,877	-	-
	-	1,339,018	-	-

19.2.2 Government securities

As at 31 March	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
Investments in treasury bills	7,096	-	-	-
Reverse repo instruments	22,230,315	20,568,025	9,556,021	-
Investments in other treasury securities	11,804,576	-	-	-
	34,041,987	20,568,025	9,556,021	-

When the group purchases a financial asset and simultaneously enters into an agreement to resell the asset (or a substantially similar asset) at a fixed price on a future date (reverse repo or stock borrowing), the arrangement is accounted for as a loan or advance, and the underlying asset is not recognised in the group's financial statements.

Notes to the Financial Statements

20 FINANCE LEASE RECEIVABLES, HIRE PURCHASES AND OPERATING LEASES

As at 31 March	Note	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
Finance lease receivables	20.1	56,709,102	51,869,659	-	-
Hire purchase receivables	20.2	12,884	12,908	-	-
Operating lease receivables	20.3	2,888	4,422	2,888	4,422
		56,724,874	51,886,989	2,888	4,422

20.1 Finance lease receivables

	Note	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
Receivables within one year	20.1.1	17,668,355	19,442,379	-	-
Receivable from one to five years	20.1.2	37,382,972	31,611,209	-	-
Overdue rental receivable	20.1.3	2,801,188	1,622,339	-	-
Allowance for impairment	20.1.5	(1,143,413)	(806,268)	-	-
		56,709,102	51,869,659	-	-

20.1.1 Receivables within one year

	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
Gross rentals receivable	29,649,460	28,879,086	-	-
Unearned finance income	(11,981,105)	(9,436,707)	-	-
	17,668,355	19,442,379	-	-

20.1.2 Receivable from one to five years

	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
Gross rentals receivable	55,419,902	47,906,870	-	-
Unearned finance income	(10,734,415)	(8,284,246)	-	-
Prepayments received from lessees	(7,302,515)	(8,011,415)	-	-
	37,382,972	31,611,209	-	-

20.1.3 Overdue rental receivable

	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
Gross rentals receivable	2,801,188	1,853,499	-	-
Unearned finance income	-	(231,160)	-	-
	2,801,188	1,622,339	-	-

20.1.4 Total finance lease receivables

As at 31 March	Note	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
Gross rentals receivable		87,870,550	78,639,455	-	-
Unearned finance income		(22,715,520)	(17,952,113)	-	-
Net investments in finance leases		65,155,030	60,687,342	-	-
Allowance for impairment	20.1.5	(1,143,413)	(806,268)	-	-
Prepayments received from lessees	20.1.2	(7,302,515)	(8,011,415)	-	-
Balance as at 31 March		56,709,102	51,869,659	-	-

20.1.5 Allowance for impairment

For the year ended 31 March	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
Allowance for individually significant impairment				
Balance as at 01 April	220,691	575,387	-	-
Charged for the year	1,006,902	22,901	-	-
Write offs & other movements	(563,510)	(377,597)	-	-
Balance as at 31 March	664,083	220,691	-	-
Allowance for individually non-significant impairment				
Balance as at 01 April	585,577	248,522	-	-
Charged for the year	729,334	580,591	-	-
Write offs & other movements	(835,581)	(243,536)	-	-
Balance as at 31 March	479,330	585,577	-	-
Total allowances for impairment	1,143,413	806,268	-	-

Notes to the Financial Statements

20.2 Hire purchase receivables

As at 31 March	Note	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
Receivables within one year	20.2.1	13,072	43,662	-	-
Receivable from one to five years	20.2.2	417	1,785	-	-
Overdue rental receivable	20.2.3	1,275	40,069	80	80
(-) Allowance for impairment	20.2.5	(1,880)	(72,608)	(80)	(80)
		12,884	12,908	-	-

		Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
20.2.1	Receivables within one year				
	Gross rentals receivable	13,897	45,793	-	-
	Unearned finance income	(825)	(2,131)	-	-
		13,072	43,662	-	-
20.2.2	Receivable from one to five years				
	Gross rentals receivable	432	2,018	-	-
	Unearned finance income	(15)	(233)	-	-
		417	1,785	-	-
20.2.3	Overdue rental receivable				
	Gross rentals receivable	1,275	40,069	80	80
	Unearned finance income	-	-	-	-
		1,275	40,069	80	80
20.2.4	Total rentals receivable on hire purchase				
	Gross rentals receivable	15,604	87,880	80	80
	Unearned finance income	(840)	(2,364)	-	-
	Net investments in finance	14,764	85,516	80	80
	Allowance for impairment (Note 20.2.5)	(1,880)	(72,608)	(80)	(80)
	Balance as at 31 March	12,884	12,908	-	-

20.2.5 Allowance for impairment

For the year ended 31 March	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
Allowance for individually significant impairment				
Balance as at 01 April	32,471	32,595	-	-
Charge for the year	1,244	25,541	-	-
Write offs & other movements	(33,054)	(25,665)	-	-
Balance as at 31 March	661	32,471	-	-
Allowance for individually non-significant impairment				
Balance as at 01 April	40,137	21,765	80	80
Reversal for the year	(9,567)	(15,143)	-	-
Write offs & other movements	(29,351)	33,515	-	-
Balance as at 31 March	1,219	40,137	80	80
Total allowances for impairment	1,880	72,608	80	80

20.3 Operating lease receivables

As at 31 March	Note	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
Gross rentals receivable		116,277	162,065	116,277	162,065
Unearned finance income		(103,550)	(144,804)	(103,550)	(144,804)
Allowance for impairment	20.3.1	(9,839)	(12,839)	(9,839)	(12,839)
Balance as at 31 March		2,888	4,422	2,888	4,422

20.3.1 Allowance for impairment

For the year ended 31 March	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
Allowance for individually non-significant impairment				
Balance as at 01 April	12,839	15,094	12,839	15,094
Reversal for the year	(3,000)	(2,255)	(3,000)	(2,255)
Balance as at 31 March	9,839	12,839	9,839	12,839
Total allowances for impairment	9,839	12,839	9,839	12,839

Notes to the Financial Statements

20.4 Total finance lease receivables, hire purchases and operating leases

As at 31 March	Note	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
Gross rentals receivable		88,002,431	78,889,400	116,357	162,145
Unearned finance income		(22,819,910)	(18,099,281)	(103,550)	(144,804)
Allowance for impairment	20.5	(1,155,132)	(891,715)	(9,919)	(12,919)
Prepayments received from lessees	20.1.2	(7,302,515)	(8,011,415)	-	-
Balance as at 31 March		56,724,874	51,886,989	2,888	4,422

20.5 Allowance for impairment

For the year ended 31 March	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
Allowance for individually significant impairment				
Balance as at 01 April	253,162	607,982	-	-
Charge for the year	1,008,146	48,442	-	-
Write offs & other movements	(596,564)	(403,262)	-	-
Balance as at 31 March	664,744	253,162	-	-
Allowance for individually non-significant impairment				
Balance as at 01 April	638,553	285,381	12,919	15,174
Charge for the year	716,767	563,193	(3,000)	(2,255)
Write offs & other movements	(864,932)	(210,021)	-	-
Balance as at 31 March	490,388	638,553	9,919	12,919
Total allowances for impairment	1,155,132	891,715	9,919	12,919

20.6 Analysis of gross portfolio receivables by currency

As at 31 March	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
Sri Lankan Rupee	57,878,533	52,777,231	12,807	17,341
Foreign currencies	1,473	1,473	-	-
Gross loans and receivables	57,880,006	52,778,704	12,807	17,341

21 ADVANCES AND OTHER LOANS

As at 31 March	Note	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
Advances and loans	21.1	477,245,097	342,626,367	2,342,042	785,112
Factoring receivables	21.2	14,035,137	22,376,268	-	-
Gold loan advances receivables	21.3	1,970,863	1,806,743	-	-
		493,251,097	366,809,378	2,342,042	785,112

21.1 Advances and other loans

As at 31 March	Note	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
Rentals receivable on loans to customers		495,801,006	353,009,017	2,245,155	618,867
Capital outstanding of revolving loans		2,752,246	7,297,778	213	44,823
Gross rental receivables		498,553,252	360,306,795	2,245,368	663,690
Future interest		(18,358,242)	(15,920,151)	-	-
Net rental receivables		480,195,010	344,386,644	2,245,368	663,690
Overdue loan instalments		5,535,237	4,297,454	155,530	168,722
Allowance for impairment	21.1.1	(8,485,150)	(6,057,731)	(58,856)	(47,300)
		477,245,097	342,626,367	2,342,042	785,112

Notes to the Financial Statements

21.1.1 Allowance for impairment

For the year ended 31 March	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
Allowance for individually significant impairment				
Balance as at 01 April	3,912,125	796,155	-	3,166
Charge / (reversal) for the year	1,942,938	762,496	-	(3,166)
Acquisition of subsidiaries	15,904	2,670,789	-	-
Other movements	371,645	(317,315)	-	-
Effect of changes in foreign currency movements	96,581	-	-	-
Balance as at 31 March	6,339,193	3,912,125	-	-
Allowance for individually non-significant impairment				
Balance as at 01 April	2,145,606	1,237,050	47,300	46,717
Charge for the year	1,575,445	1,056,341	11,556	583
Acquisition of subsidiaries	6,863	-	-	-
Write offs and other movements	(1,598,342)	(147,785)	-	-
Effect of changes in foreign currency movements	16,385	-	-	-
Balance as at 31 March	2,145,957	2,145,606	58,856	47,300
Total allowances for impairment	8,485,150	6,057,731	58,856	47,300

21.2 Factoring receivables

As at 31 March	Note	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
Factoring receivables		15,226,131	24,054,767	-	-
Allowance for impairment	21.2.1	(1,190,994)	(1,678,499)	-	-
Balance as at 31 March		14,035,137	22,376,268	-	-

21.2.1 Allowance for impairment

For the year ended 31 March	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
Allowance for individually significant impairment				
Balance as at 01 April	1,195,728	569,948	-	-
Charge / (reversal) for the year	(99,737)	696,743	-	-
Write offs and other movements	(390,747)	(70,963)	-	-
Balance as at 31 March	705,244	1,195,728	-	-
Allowance for individually non-significant impairment				
Balance as at 01 April	482,771	450,157	-	-
Charge for the year	103,092	32,614	-	-
Write offs and other movements	(100,113)	-	-	-
Balance as at 31 March	485,750	482,771	-	-
Total allowances for impairment	1,190,994	1,678,499	-	-

21.3 Gold loan advances receivables

As at 31 March	Note	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
Gross receivables		2,008,687	1,847,517	-	-
Allowance for impairment	21.3.1	(37,824)	(40,774)	-	-
Balance as at 31 March		1,970,863	1,806,743	-	-

21.3.1 Allowance for impairment

For the year ended 31 March	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
Allowance for individually non-significant impairment				
Balance as at 01 April	40,774	34,029	-	-
Charge / (reversal) for the year	(2,472)	12,835	-	-
Write offs and other movements	(478)	(6,090)	-	-
Balance as at 31 March	37,824	40,774	-	-

Notes to the Financial Statements

21.4 Analysis of gross advance and other loans receivables by currency

As at 31 March	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
Sri Lankan Rupee	182,294,643	161,379,708	2,400,898	832,412
United States Dollar	271,169,110	160,779,275	-	-
Cambodian Riel	31,215,703	36,804,434	-	-
Pakistani Rupee	1,094,075	-	-	-
Myanmar Kyat	3,704,041	1,586,662	-	-
Others	13,487,493	14,036,303	-	-
Gross loans and receivables	502,965,065	374,586,382	2,400,898	832,412

21.5 Concentration by Sector

21.5.1 Lending portfolio

As at 31 March 2018	2018 Finance lease, hire purchases and operating leases Rs. '000	2018 Advances and other loans Rs. '000	2018 Total Rs. '000	2017 Finance lease, hire purchases and operating leases Rs. '000	2017 Advances and other loans Rs. '000	2017 Total Rs. '000
Group						
Agriculture	11,413,078	88,460,161	99,873,239	10,430,164	73,780,816	84,210,980
Manufacturing	2,749,208	21,614,745	24,363,953	2,673,431	19,047,653	21,721,084
Trade	8,600,701	89,654,751	98,255,452	6,998,095	70,434,416	77,432,511
Tourism	459,375	2,648,656	3,108,031	507,586	2,243,591	2,751,177
Services	11,222,226	71,029,196	82,251,422	8,560,204	48,399,993	56,960,197
Transportation	9,346,653	23,185,662	32,532,315	7,785,280	19,929,061	27,714,341
Construction	2,106,846	15,648,849	17,755,695	2,215,646	10,113,461	12,329,107
Plantation	248,075	9,870,711	10,118,786	143,810	7,409,502	7,553,312
Financial services	575,522	1,771,206	2,346,728	340,311	1,698,203	2,038,514
Others	10,003,190	169,367,160	179,370,350	12,232,462	113,752,682	125,985,144
	56,724,874	493,251,097	549,975,971	51,886,989	366,809,378	418,696,367
Company						
Manufacturing	-	49,264	49,264	-	51,060	51,060
Trade	-	1,466,029	1,466,029	4,422	66,494	70,916
Plantation	-	762,800	762,800	-	602,802	602,802
Others	2,888	63,949	66,837	-	64,756	64,756
	2,888	2,342,042	2,344,930	4,422	785,112	789,534

21.5.2 Other financial assets

As at 31 March 2018	Cash in hand and favorable bank balances Rs. '000	Trading assets - fair value through profit or loss Rs. '000	Investment securities Rs. '000	Trade and other current assets Rs. '000	Total Rs. '000
Group					
Government	-	1,562	79,452,519	-	79,454,081
Banks, Financial and Business Services	38,818,301	2,659,129	510,143	3,885,447	45,873,020
Manufacturing	-	153	79	-	232
Trade	-	137	2,238	-	2,375
Leisure	-	-	44,351	-	44,351
Construction	-	358	-	-	358
Plantation	-	5	15,170	-	15,175
Others	12,314,859	507,119	127,280	22,172,697	35,121,955
	51,133,160	3,168,463	80,151,780	26,058,144	160,496,380
Company					
Government	-	-	9,556,021	-	9,556,021
Banks, Financial and Business Services	273,719	-	380,209	3,216,131	3,870,059
Manufacturing	-	153	-	-	153
Trade	-	38	-	76,861	76,899
Tourism	-	-	-	12,577,929	12,577,929
Services	-	-	-	1,009,992	1,009,992
Plantation	-	-	-	6,479	6,479
Others	7,490	341,208	-	1,419,650	1,768,348
	281,209	341,399	9,936,230	18,307,042	28,865,880

Notes to the Financial Statements

21.5.2 Other financial assets contd.

As at 31 March 2017	Cash in hand and favorable bank balances Rs. '000	Trading assets - fair value through profit or loss Rs. '000	Investment securities Rs. '000	Trade and other current assets Rs. '000	Total Rs. '000
Group					
Government	-	1,895	52,600,377	-	52,602,272
Banks, Financial and Business Services	40,813,290	2,982,026	1,694,951	4,836,471	50,326,738
Manufacturing	-	124	74	-	21,368
Trade	-	583	1,865	-	3,218,346
Tourism	-	-	40,860	-	1,472,408
Services	-	-	-	-	1,039,998
Construction	-	328	-	-	8,098
Plantation	13,401,949	1	1,000,002	-	17,643,251
Others	-	664,604	41,192	10,142,647	1,890,760
	54,215,239	3,649,561	55,379,321	14,979,118	128,223,239
Company					
Government	4,306	-	-	-	4,306
Banks, Financial and Business Services	451,335	2,089	348,508	15,964,601	16,766,533
Agriculture	-	-	-	4,074	4,074
Manufacturing	-	124	-	-	124
Trade	-	477	-	105,850	106,327
Tourism	-	-	-	6,441,175	6,441,175
Services	-	-	-	25,729	25,729
Construction	-	-	-	63,870	63,870
Plantation	-	-	-	2,014	2,014
Others	4,374	450,514	-	3,655,264	4,110,152
	460,015	453,204	348,508	26,262,577	27,524,304

22 INSURANCE PREMIUM RECEIVABLES

As at 31 March	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
Insurance premium receivables	1,190,625	1,157,016	-	-
Allowance for impairment	(77,659)	(76,258)	-	-
	1,112,966	1,080,758	-	-

Fair value of premium receivables

The carrying amount disclosed above approximates the fair value at the reporting date.

Collateral details

The company does not hold any collateral as security against potential default by policyholders or intermediaries.

23 INVENTORIES

As at 31 March	Note	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
Raw materials		285,001	142,829	109,657	-
Work-in-progress		78,702	49,977	-	-
Finished goods and trading stocks		3,481,878	3,096,009	-	-
Input materials		70,274	39,235	865	-
Harvested crops					
- Tea		171,706	211,438	-	-
- Rubber		7,527	5,296	-	-
- Coconut		721	32	-	-
- Cinnamon		169	-	-	-
Unharvested produce stock at fair value		14,546	14,473	-	-
Consumables, maintenance and spares		18,569	22,413	-	-
Vehicle stocks		141,886	364,744	141,353	364,029
Food and beverages		22,663	23,403	-	-
Goods in transit		458,700	205,043	-	-
Others		16,843	96,239	-	-
		4,769,185	4,271,131	251,875	364,029
(-) Allowance for slow moving inventories	23.1	(189,982)	(200,608)	-	-
		4,579,203	4,070,523	251,875	364,029

Notes to the Financial Statements

23.1 Allowance for slow moving inventories

For the year ended 31 March	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
Balance at 01 April	200,608	176,971	-	-
Provision for the period	6,899	53,448	-	-
Write backs	(17,525)	(29,811)	-	-
Balance as at 31 March	189,982	200,608	-	-

24 CURRENT TAX ASSETS

As at 31 March	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
Income tax recoverable	26,204	139,577	-	98,498
Value added tax (VAT) recoverable	607,028	974,842	99,576	-
With-holding tax (WHT) recoverable	358,154	234,457	34,646	46,023
Economic service charge (ESC) recoverable	164,791	53,106	38,568	(12,955)
Nation building tax (NBT) recoverable	2,728	2,443	-	-
Other tax recoverable	125,746	-	-	-
	1,284,651	1,404,425	172,790	131,566

25 TRADE AND OTHER CURRENT ASSETS

As at 31 March	Note	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
Financial Assets					
Trade receivables	25.1	15,580,414	6,336,764	17,566	-
Amount due from related parties	50.3.1	4,388,687	3,286,080	18,046,288	25,900,678
Loans given to employees	25.2	428,914	315,396	5,819	6,590
Refundable deposits	25.3	55,738	23,834	-	-
Dividend receivables		124,056	136,845	-	68,918
Insurance commission receivable		418,004	301,658	-	-
Re-insurance receivable		238,510	188,035	-	-
Other financial receivables		478,696	660,285	42,035	58,398
		21,713,019	11,248,897	18,111,705	26,034,584
Non-financial Assets					
Prepayments & advances		3,786,050	3,307,177	195,337	227,787
Prepaid staff costs	25.4	125,461	102,924	-	-
Non refundable deposits		3,841	22,915	-	-
Other non-financial receivables		429,773	297,205	-	206
		4,345,125	3,730,221	195,337	227,993
		26,058,144	14,979,118	18,307,045	26,262,577

25.1 Trade receivables

As at 31 March	Note	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
Trade receivables		16,328,741	7,205,572	17,566	-
(-) Allowance for impairment	25.1.1	(748,327)	(868,808)	-	-
Balance as at 31 March		15,580,414	6,336,764	17,566	-

25.1.1 Allowance for impairment

For the year ended 31 March	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
Specific allowance for impairment				
Balance as at 01 April	166,148	58,401	-	-
Charge for the year	64,806	61,794	-	-
Written offs and other movements	(43,401)	45,953	-	-
Balance as at 31 March	187,553	166,148	-	-
Collective allowance for impairment				
Balance as at 01 April	702,660	429,117	-	-
Charge for the year	28,637	154,169	-	-
Written offs and other movements	(170,523)	119,374	-	-
Balance as at 31 March	560,774	702,660	-	-
Total allowances for impairment	748,327	868,808	-	-

25.2 Loans given to employees

As at 31 March	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
Balance at 01 April	315,396	266,661	6,590	5,079
Granted during the period	175,831	57,071	5,670	4,967
Recovered during the period	(65,557)	(34,130)	(6,560)	(5,453)
Transfers and other adjustments	3,244	25,794	119	1,997
Balance as at 31 March	428,914	315,396	5,819	6,590

Notes to the Financial Statements

25.3 Refundable deposits

For the year ended 31 March	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
Balance at 01 April	23,834	25,724	-	73,237
Additions during the period	32,938	5,216	-	-
Adjustment of fair value	(907)	3,902	-	-
Refunded during the period	(127)	(11,008)	-	(73,237)
Balance as at 31 March	55,738	23,834	-	-

25.4 Prepaid staff costs

For the year ended 31 March	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
Balance at 01 April	102,924	141,786	-	-
Amortised to profit or loss	3,020	-	-	-
Other Adjustments	19,517	(38,862)	-	-
Balance as at 31 March	125,461	102,924	-	-

26 PREPAID LEASE RENTALS ON LEASEHOLD PROPERTIES

As at 31 March	Note	Group 2018 Rs.'000	Group 2017 Rs.'000
Cost			
Balance at the beginning of the period		768,925	762,973
Acquisition of subsidiaries and additions		1,606,553	-
Transferred to property, plant and equipment		(53,205)	(11,537)
Currency translations		17,578	29,986
Disposal of subsidiaries			(12,497)
Balance at the end of the period	26.1	2,339,851	768,925
Accumulated amortisation			
Balance at the beginning of the period		27,646	20,438
Currency translations		302	(2,271)
Amortisation for the period		6,042	9,222
Transfers and other movements		-	2,753
Disposal of subsidiaries		-	(2,496)
Balance at the end of the period		33,990	27,646
Carrying Amount			
Balance as at 31 March		2,305,861	741,279

Prepaid lease rentals paid to acquire land use rights have been classified as lease rentals paid in advance and are amortised over the lease term.

26.1 Details of lease rentals paid in advance

As at 31 March	Note	Land extent Acres	Initial lease period Years	Lease rental value 2018 Rs.'000	2017 Rs.'000
Cultivation Agreement with Sri Lanka Army	26.3	1,000	30 Years	22,285	22,285
Bodufarufinolhu - Maldives	26.2	4.94	50 Years	215,940	215,940
Bodufinolhu in South Ari Atoll - Maldives	26.2	14.82	50 Years	144,680	144,680
Plot of Lagoons - Maldives	26.2	74.10	50 Years	241,892	241,892
Mahaweli Authority	26.4	45.00	30 Years	7,956	7,956
Orugodawatta Land - Urban Development Authority	26.6	0.93	99 Years	130,012	130,012
Orugodawatta Land Plot 02 - Urban Development Authority	26.6	0.17	50 Years		
Janatha Estate Development Board - Hanthana Land	26.6	9.15	30 Years	1,360	1,360
Nasandhura Land - City of Male		0.88	30 Years	1,570,926	-
Browns Industrial Park - Pannala	26.5	25.5	30 Years	4,800	4,800
				2,339,851	768,925

26.2 Bodufaru Beach Resorts (Private) Limited

Bodufarufinolhu Island

Pursuant to the sales and purchase agreement entered into with Maldives Marketing and Public Relation Corporation and the deed of assignment dated 23rd November 2014 the company has obtained the leasehold rights of the Bodufarufinolhu island in Raa atoll for a period of 50 years commencing from 23rd November 2014. The amount paid to acquire the lease right is amortised over the lease term.

Bodufinlhu Island

Pursuant to the sales and purchase agreement entered into with Maldives Marketing and Public Relation Corporation and the deed of assignment dated 07th June 2015 the company has obtained the leasehold rights of the Bodufinlhu island in South Ari atoll for a period of 50 years commencing from 07th June 2015. The amount paid to acquire the lease right is amortised over the lease term.

Lagoon in Male' Atoll

Pursuant to the sales and purchase agreement entered into with Maldives Marketing and Public Relation Corporation and the deed of assignment dated 13th September 2015 the company has obtained the leasehold rights of the plot of lagoons in Male' atoll for a period of 50 years commencing from 13th September 2015. The amount paid to acquire the lease right is amortised over the lease term.

26.3 Browns Global Farm (Private) Limited

Leasehold right represents the acquisition cost of lease right of the Welikanda army camp farm and the Mahaweli building for a period of 30 years by Browns Global Farm (Private) Limited by entering into a cultivation agreement with the Sri Lanka Army on 21st May 2014 (effective from 01st April 2014). Pursuant to the lease agreement entered into with Sri Lanka Army the company has obtained the leasehold rights of the Welikanda army camp farm and adjoining Mahaweli building to facilitate, cultivation and farming of Bana, Teak and Mango. The amount paid to acquire the lease right is recognised (amortised) over the lease term.

26.4 Sagasolar Power (Pvt) Ltd

Leasehold right represents the acquisition cost of lease right of Lot D 1325 and Lot C 9841 situated at Bolhinda village, Magarnpattu Hambantota AGA Division in the District of Hambantota for a period of 30 years by Sagasolar Power (Pvt) Ltd by entering into an agreement with Maithripala Sirisena, President of the Democratic Socialist Republic of Sri Lanka on 19th March 2015 (effective from 17th November 2014) to generate electrical energy, using solar power and sell to the Ceylon Electricity Board. The amount paid to acquire the lease right is amortised over the lease period of 30 years.

26.5 Browns Industrial Park (Pvt) Ltd

Pursuant to advance payment made on operating lease for the "right to use" the warehouse at Industrial park, Makadura, Pannala. The said warehouse is leased for a period of 30 years from 1st April 2014 , and is amortised over the balance lease period.

26.6 Brown and Company PLC

Pursuant to lease premium paid in respect of the Land obtained on an operating lease basis for a period of 50 to 99 years. The amount paid is amortised over the lease period.

27 INVESTMENT PROPERTIES

	Group		Company	
For the year ended 31 March	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Balance at the beginning of the year	9,750,928	9,073,216	376,600	353,000
Additions	252,713	113,844	-	-
Additions to investment properties from foreclosure of contracts	730,627	42,000	-	-
Acquisition of subsidiaries	62,071	-	-	-
Disposals	(53,200)	(69,555)	(359,000)	-
Transfers (to)/from property plant and equipment	2,060,701	(263,986)	860,500	-
Change in fair value during the year	1,548,491	855,409	4,400	23,600
Balance as at 31 March	14,352,331	9,750,928	882,500	376,600

Investment property comprises of number of commercial properties that are leased / rented out to third parties. Each of the agreement contains an initial non-cancellable period of one year. Subsequent renewals are being negotiated with the lessee and on average renewal periods considered are three to five years.

27.1 Details of investment properties

As at 31 March	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
Owned properties	7,848,331	4,628,246	882,500	376,600
Properties held under operating leases	6,504,000	5,122,682	-	-
	14,352,331	9,750,928	882,500	376,600

27.2 Summary of Investment Properties

As at 31 March	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
Land	8,738,269	5,055,442	882,500	376,600
Building	5,614,062	4,695,486	-	-
	14,352,331	9,750,928	882,500	376,600

27.3 Relevant income and expenditure relating to investment properties

For the year ended 31 March	Group 2018 Rs.'000	Group 2017 Rs.'000
Rent income earned	428,776	258,345
Direct operating expenses generating rental income	134,256	111,746
Direct operating expenses not generating rental income	77,539	86,176

27.4 Valuation of investment properties

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

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

The fair value measurement for all of the investment properties has been categorised as a Level 3 fair value based on the inputs to the valuation techniques used.

The following table shows the valuation techniques used in measuring the fair value of investment property, as well as the significant unobservable inputs used.

Valuation Technique	Significant observable and unobservable inputs	Interrelationship between key inputs and fair value measurement
Sales comparison method - value derived based on recent transactions of similar properties	Not applicable	'The estimated fair value would increase (decrease) if: - comparable property value was higher / (lesser)
Depreciated replacement cost method	Value per square feet determined based on similar properties value and depreciated for period used	The estimated fair value would increase (decrease) if: - Depreciation rate was lesser / (higher) - Square feet value was higher / (lesser)
Net income approach	Net rental income (profit rent) determined based on similar properties value and decapitalisation rate and years of purchase for period used Discount rate - 6.25% - 9% Annual Rental Income - Rs. 72 Mn - Rs. 130 Mn	The estimated fair value would increase (decrease) if: - Decapitalisation rate was lesser / (higher) - Years of purchases were higher / (lesser) - Discount rate was lesser / (higher) - Annual rental income were higher / (lesser)

28 CONSUMABLE BIOLOGICAL ASSETS

For the year ended 31 March	Note	Group 2018 Rs.'000	Group 2017 Rs.'000
Balance as at 01 April		2,984,091	6,150,990
Increase due to new planting and re-planting		48,623	62,480
Decrease due to harvesting of timber trees		(17,556)	(79,968)
Net increase due to births/deaths (Growing crop nurseries)		5,505	1
Write offs		-	(5,072)
Change in fair value	28.1	285,256	214,816
Disposal of subsidiary		-	(3,359,156)
Balance as at 31 March		3,305,919	2,984,091

28.1 Change in fair value less estimated costs to sell

As at 31 March	Group 2018 Rs.'000	Group 2017 Rs.'000
Due to price changes	74,703	79,613
Due to physical changes	210,553	135,203
	285,256	214,816

28.1.1 The carrying value of consumable biological assets as at the year end has been computed as follows;

As at 31 March	Note	Group 2018 Rs.'000	Group 2017 Rs.'000
Valuation of consumer biological assets		3,215,092	2,941,488
Cost of timber plant below three years of age, not considered for valuation		83,626	40,906
Growing crop nurseries	28.1.2	7,201	1,697
		3,305,919	2,984,091

Managed timber trees include commercial timber plantations cultivated on estates. The above carrying amount as at 31st March 2018 includes a sum of Rs. 83.6 Mn- (As at 31st March 2017 - Rs. 40.9 Mn) which is the cost of immature trees up to the age of 4 years which is treated as approximate fair value particularly on the ground of little biological transformation taking place and impact of such transformation on price is expected to be immaterial.

Borrowing costs of Rs. 8.3 Mn (Previous year - 0.08 Mn) have been capitalized during the year in to immature fields and immature plantations have been capitalized at a rate of 15.78% p.a.

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28.1.2 Growing crop nurseries

As at 31 March	Group 2018 Rs.'000	2017 Rs.'000
Balance as at 01 April	1,697	2,966
Additions	5,504	112
Transfers	-	(112)
Disposal of subsidiaries	-	(1,269)
Balance as at 31 March	7,201	1,697

28.1.3 Plantation area

As at 31 March	Group 2018 Ha.	2017 Ha.
Mature plantations	888.56	846.78
Immature plantations	323.25	315.79
	1,211.81	1,162.57

28.2 Valuation techniques and significant unobservable inputs

Following table shows the valuation techniques in measuring Level 3 fair value of consumable biological asses as well as the significant unobservable inputs used.

Valuation technique	Significant observable and unobservable inputs	Interrelationship between key inputs and fair value measurement
Discounted cash flows The valuation model considers present value of future net cash flows expected to be generated by the plantation from the timber content of managed timber plantation on a tree-per-tree basis .	Determination of timber content Timber trees in inter-crop areas and pure crop areas have been identified field-wise and spices were identified and harvestable trees were separated, according to their average girth and estimated age.	The estimated fair value would increase / (decrease) if; - the estimated timber content were higher/ (lower) - the estimated timber prices per cubic meter were higher/(lower) - the estimated timber prices per cubic meter were higher/(lower)

Valuation technique	Significant observable and unobservable inputs	Interrelationship between key inputs and fair value measurement
Expected cash flows are discounted using a risk-adjusted discount rate of 15% comprising a risk premium of 4%.	Timber trees that have not come up to a harvestable size are valued working out the period that would take for those trees to grow up to a harvestable size. Determination of price of timber Trees have been valued as per the current timber prices per cubic meter based on the price list of the State Timber Corporation and prices of timber trees sold by the estates and prices of logs sawn timber at the popular timber traders in Sri Lanka. In this exercise, following factors have been taken into consideration. a) Cost of obtaining approval of felling b) Cost of felling and cutting into logs c) Cost of transportation d) Sawing cost Risk-adjusted discount rate 2017/2018 - 15% (Risk Premium - 4%) 2016/2017 - 16% (Risk premium - 4%)	- the estimated selling related costs were lower/(higher) - the estimated maturity age were higher/(lower) - the risk-adjusted discount rate were lower/(higher)

28.3 The valuation of consumable biological assets was carried by Mr. W. M. Chandrasena, an independent Chartered Valuation Surveyor, using Discounted Cash Flow (DCF) methods. The Valuation Report dated 10th May 2018 is prepared on the physically verified timber statistics provided by the Group.

28.4 Timber Trees namely Eucalyptus Torariyana, Albezzia, Graveelia, Eucalyptus Grandis, Astonia, Pinus, Toona, Mahogany, Teak, Jak, Turpentine, Nadun, Mango, Pellen, Hora, Domba, Lunumidella, Wal Del and Mara on the plantations have been taken into consideration in this valuation of Timber Trees.

Notes to the Financial Statements

28.5 In valuing the timber plantations, under-mentioned factors have been taken into consideration.

1 The present age of trees

2 Maturity age of the tree - Maturity of the tree is based on the variety of the species of the tree

3 Annual marginal increase in timber content

4 Number of years to harvest

5 Timber content of harvestable trees on maturity

6 Timber Plants having below three years of age have not been taken into the valuation

7 The timber content of immature trees at an estimated future harvestable year

8 The current price of species of timber per cubic foot at the relevant year

28.6 Trees have been valued as per the current timber prices in the domestic market based on the price list of the State Timber Corporation and prices of timber trees sold by estates and prices of logs and sawn timber in the popular timber traders in Sri Lanka.

28.7 The fair value is determined on the basis of net present value of expected future cash flows using a discount rate of 15% per annum. The significant assumptions used in the valuation of Consumable Biological Assets are as follows:

1 Future cash flows are determined by references to current timber prices without considering the inflationary effect

2 The ongoing cost of growing trees which are deducted in determining the net cash flows are constant in real terms

3 Timber trees that have not come up to a harvestable size are valued working out the period that would take for those trees to grow up to a harvestable size

4 The present value of the trees is worked out based on the projected size and the estimated number of years it would take to reach the size. This is worked out on the basis of an annual marginal increase of timber content which normally ranges from 0.50 to 1.50 cm per year for trees of diameter girth over 10 cm

5 The value of each matured species of timber is worked out on the price of a cubic foot of timber in the market of the species and the available cubic content of timber in the tree

6 Due consideration has been given for cost of felling, transport, sawing, cost to sell including obtaining of approval for felling

28.8 Managed trees include commercial timber plantations cultivated in estates. The cost of immature trees is treated at approximate fair value particularly on the ground of little biological transformation has taken place and impact of the biological transformation on price is not material. When such Plantations become mature, the additional investments since taken over to bring them to maturity are transferred from immature to mature.

28.9 The fair value of managed trees was ascertained since LKAS 41 is only applicable for managed agricultural activity in terms of the ruling issued by the Institute of Chartered Accountants of Sri Lanka. The valuation was carried but by using Discounted Cash Flow (DCF) methods. In ascertaining the fair value of timber a physical verification was carried out covering all the estates.

28.10 The valuations, as presented in the external valuation models based on net present values, take into account the long-term exploitation of the timber plantation. Because of the inherent uncertainty associated with the valuation at fair value of the biological assets due to the volatility of the variables, their carrying value may differ from their realisable value. The Board of Directors retains their view that commodity markets are inherently volatile and that long-term price projections are highly unpredictable. Hence, the sensitivity analysis regarding selling price and discount rate variations as included in this note allows every investor to reasonably challenge the financial impact of the assumptions used in LKAS 41 against his own assumptions.

28.11 The biological assets of Group is cultivated in the leasehold lands. When measuring the fair value of the biological assets it was assumed that these concessions can and will be renewed at normal circumstances. Timber content expects to be realised in future and is included in the calculation of the fair value that takes into account the age of the timber plants and not the expiration date of the lease.

28.12 Sensitivity analysis for biological assets

28.12.1 Sensitivity variation on sales price

Values as appearing in the Statement of Financial Position are sensitive to price changes with regard to the average sales prices applied. Simulation made for timber to show that a rise or a decrease by 10% of the estimated future selling price has the following effect on the net present value of biological assets:

As at 31 March	Note		Group 2018 Rs.'000	2017 Rs.'000
Carrying amount	28.1.1		3,305,919	2,984,091
Sensitivity on sales price		+10%	321,509	294,149
		-10%	(321,509)	(294,149)

28.12.2 Sensitivity variation on discount rate

Values as appearing in the Statement of Financial Position are sensitive to changes of the discount rate applied. Simulations made for timber to show that a rise or decrease by 1% of the estimated future discount rate has the following effect on the net present value of biological assets;

As at 31 March	Note		Group 2018 Rs.'000	2017 Rs.'000
Carrying amount	28.1.1		3,305,919	2,984,091
Sensitivity on Discount Rate		+1%	(96,453)	(75,217)
		-1%	128,604	66,335

28.13 Risk factors

The Group is exposed to a number of risks related to its timber plantations;

Regulatory and environmental risks

The Group is subject to laws and regulations imposed by the environmental authorities of Sri Lanka. The Group established environmental policies and procedures aimed at compliance with local environmental and other laws. Management performs regular reviews to identify environmental risks and to ensure that the systems in place are adequate to manage those risks.

Supply and demand risk

The Group is exposed to risks arising from fluctuations in the price and sales volume of timber. When possible Group manages this risk by aligning its harvest volume to market supply and demand. Management performs regular industry trend analyses to ensure that Group's pricing structure is in line with the market and to ensure that projected harvest volumes are consistent with the expected demand.

Climate and other risks

The Group's timber plantations are exposed to the risk of damage from climatic changes, diseases, forest fires and other natural forces. The Group has extensive processes in place aimed at monitoring and mitigating those risks, including regular forest health inspections and industry pest and disease surveys.

29 BEARER BIOLOGICAL ASSETS

As at 31 March	Note	Group 2018 Rs.'000	Group 2017 Rs.'000
On finance lease	29.3	42,626	54,397
Investments after formation of the plantation companies	29.4	1,163,176	1,091,668
Growing crop nurseries	29.5	6,395	5,429
		1,212,197	1,151,494

29.1 Amortisation/ depreciation for the period recognised for bearer biological assets

For the year ended 31 March	Note	Group 2018 Rs.'000	Group 2017 Rs.'000
On finance lease	29.3	7,654	19,729
Investments after formation of the plantation companies	29.4	40,614	164,313
		48,268	184,042

29.2 Carrying amount of bearer biological assets

	On finance lease Rs. '000	Investments after formation Rs. '000	Growing crop nurseries Rs. '000	2017/18 Total Rs. '000	2016/17 Total Rs. '000
Cost	224,217	1,551,529	6,395	1,782,141	1,686,995
Accumulated depreciation	(181,591)	(388,353)	-	(569,944)	(535,501)
	42,626	1,163,176	6,395	1,212,197	1,151,494

29.3 On finance lease

Mature plantations	Tea	Rubber	Coconut	Mixed crops	2017/18 Total	2016/17 Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cost						
Balance as at 01 April	203,272	30,616	8,271	-	242,159	596,307
Disposal	-	(17,942)	-	-	(17,942)	-
Disposal of subsidiaries	-	-	-	-	-	(354,148)
Balance as at 31 March	203,272	12,674	8,271	-	224,217	242,159
Accumulated depreciation						
Balance as at 01 April	157,942	23,445	6,375	-	187,762	440,627
Charge for the year	6,750	628	276	-	7,654	19,729
Disposal	-	(13,825)	-	-	(13,825)	-
Disposal of subsidiaries	-	-	-	-	-	(272,594)
Balance as at 31 March	164,692	10,248	6,651	-	181,591	187,762
Carrying amount	38,580	2,426	1,620	-	42,626	54,397

29.4 Investments after formation of the plantation companies

Immature Plantations	Tea	Rubber	Cinnamon	Mixed crops	2017/18 Total	2016/17 Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cost						
Balance as at 01 April	5,065	292,880	52,283	17,281	367,509	2,126,004
Additions / transfer in from growing crop nurseries	4,125	40,616	59,506	7,875	112,122	315,510
Transfer out	-	(68,101)	(11,357)	(4,252)	(83,710)	(457,339)
Written off during the year	-	-	-	-	-	(14,715)
Disposal of subsidiaries	-	-	-	-	-	(1,601,951)
Balance as at 31 March	9,190	265,395	100,432	20,904	395,921	367,509

These are investments in immature/ mature plantations before and after the formation of Maturata Plantations Ltd. These assets (including plantation assets) taken over by way of estate leases are set out in Note 34.10 Further investments in immature plantations taken over by way of these leases are shown in the above note. When such plantations become mature, the additional investments, since initial investment to bring them to maturity, will be moved from immature to mature under this note.

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29.4 Investments after formation of the plantation companies contd.

Mature Plantations	Tea Rs. '000	Rubber Rs. '000	Coconut Rs. '000	Cinnamon Rs. '000	Mixed crops Rs. '000	2017/18 Total Rs. '000	2016/17 Total Rs. '000
Cost							
Balance as at 01 April	739,614	179,306	15,646	119,982	17,350	1,071,898	3,570,612
Transfer In	-	68,101	-	11,357	4,252	83,710	457,339
Written Offs	-	-	-	-	-	-	(1,312)
Disposal of subsidiaries	-	-	-	-	-	-	(2,954,741)
Balance as at 31 March	739,614	247,407	15,646	131,339	21,602	1,155,608	1,071,898
Accumulated depreciation							
Balance as at 01 April	263,004	70,778	4,246	6,403	3,308	347,739	1,064,855
Charge for the year	24,538	8,978	313	3,883	2,902	40,614	164,313
Disposal of subsidiaries	-	-	-	-	-	-	(881,429)
Balance as at 31 March	287,542	79,756	4,559	10,286	6,210	388,353	347,739
Carrying Amount							
As at 31 March	452,072	167,651	11,087	121,053	15,392	767,255	724,159

29.5 Growing crop nurseries

Immature Plantations	Tea Rs. '000	Rubber Rs. '000	Cinnamon Rs. '000	Mixed crops Rs. '000	2017/18 Total Rs. '000	2016/17 Total Rs. '000
Cost						
Balance as at 01 April	2,355	818	2,135	121	5,429	23,912
Additions	367	-	1,246	395	2,008	3,593
Transfers	-	(818)	-	(224)	(1,042)	(3,112)
Written Offs	-	-	-	-	-	(795)
Disposal of subsidiaries	-	-	-	-	-	(18,169)
Balance as at 31 March	2,722	-	3,381	292	6,395	5,429

29.6 **Additions to the immature plantations**

These are investments in bearer biological assets carried at cost which comprises of immature/mature plantations since the formation of the plantation companies. Further, investment in immature plantations taken over by way of leases is shown in this note. When such plantations become mature, the additional investments need to be incurred since, taken over to bring them to maturity will be moved from immature to mature under this note. A corresponding movement from immature to mature of the investment undertaken by JEDB/SLSPC on the same plantation prior to the lease will also be carried out under this note.

The additions to bearer biological assets shown above includes the following costs among other costs incurred during the year in respect of uprooting, planting and up-keeping of bearer plants.

	Group			
	2018		2017	
As at 31 March	Extent Ha	Amount Rs. '000	Extent Ha	Amount Rs. '000
Uprooting				
Tea	-	-	23.55	3,539
Rubber	3.25	2,097	-	-
Mixed Crop	-	-	48.50	2,391
	3.25	2,097	72.05	5,930.00
Planting				
Tea	4.75	4,438	23.10	26,797
Rubber	5.25	6,103	62.51	24,180
Cinnamon	110.00	42,844	-	-
Mixed Crop	10.00	469	53.88	13,108
	130.00	53,854	139.49	64,085.00
Upkeep				
Tea	0.26	312	93.02	21,315
Rubber	124.12	32,416	1,227.04	168,584
Coconut	9.00	138	1.25	437
Cinnamon	91.26	16,470	162.35	33,414
Mixed Crop	19.49	7,460	45.15	11,633
	244.13	56,796	1,528.81	235,383.00
	377.38	112,747	1,740.35	305,398.00

29.7 Borrowing Costs amounting to Rs. 37.5Mn (Previous Year - Rs 24.07Mn) incurred on borrowings obtained to meet expenses relating to immature plantations have been capitalized at rate of 15.78% p.a. (2017 - 10.3%) as part of the cost of immature plantations. Capitalization of borrowing costs will be ceased when the plantations are ready for bearing.

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30 SUBSIDIARY COMPANIES

30.1 Company

	As at 31 March 2018 Subsidiaries	2018 No. of Shares	2018 Holding %	2018 Cost Rs. '000	2017 No. of Shares	2017 Holding %	2017 Cost Rs. '000
	Listed subsidiaries						
1	BRAC Lanka Finance PLC	132,180,572	55.55%	1,321,907	-	-	-
2	Brown and Company PLC	3,382,800	4.77%	532,474	3,382,800	4.77%	532,474
3	Browns Investments PLC	14,344,100	0.77%	83,426	14,344,100	0.77%	83,426
4	Commercial Leasing & Finance PLC	6,308,876,426	98.92%	10,599,809	6,308,876,426	98.92%	10,599,809
5	LOLC Finance PLC	3,919,921,531	93.33%	17,543,428	2,520,000,000	90.00%	11,663,428
				30,081,044			22,879,137
	Non-listed subsidiaries						
6	Ceylon Roots (Pvt) Limited	366,104,433	100.00%	3,909,794	366,104,433	100.00%	3,679,544
7	Commercial Factors Limited	8,000,001	100.00%	80,000	1	100.00%	-
8	Eagle Recoveries (Private) Limited	15,400,001	100.00%	154,000	1	100.00%	-
9	East Coast Land Holding (Private) Limited	28,700,000	100.00%	287,000	13,300,000	100.00%	133,000
10	Galoya Holdings Limited	1,000,000	50.00%	13,005	1,000,000	50.00%	13,005
11	I Pay (Private) Limited (Formerly known as Green Valley Asset Holdings (Private) Limited)	16,000,001	100.00%	160,000	1	100.00%	-
12	Lanka ORIX Information Technology Services Limited	1,700,000	100.00%	17,000	1,700,000	100.00%	17,000
13	Lanka ORIX Project Development Limited	5,200,000	100.00%	52,000	5,200,000	100.00%	52,000
14	LOLC Asset Holdings Limited	167,048,951	100.00%	1,670,500	151,050,000	100.00%	1,510,500
15	LOLC Capital One (Pvt) Limited	15,360,001	100.00%	153,600	1	100.00%	-
16	LOLC Corporate Services Limited	15,400,001	100.00%	154,000	1	100.00%	-
17	LOLC Eco Solutions Limited	64,100,000	100.00%	641,000	2,500,000	100.00%	25,000
18	LOLC Factors Limited	1	100.00%	700,000	1	100.00%	700,000
19	LOLC International Limited	83,220,000	74.14%	12,601,467	83,320,000	100.00%	12,616,752
20	LOLC Investments Limited	1,148,300,000	100.00%	11,864,200	1,101,800,000	100.00%	11,403,000
21	LOLC Micro Credit Limited	-	-	-	62,959,191	80.00%	4,161,560
22	LOLC Micro Investments Limited	250,000,000	100.00%	2,603,000	250,000,000	100.00%	2,603,000
23	LOLC Motors Limited	101,000,000	100.00%	1,010,000	65,000,000	100.00%	650,000
24	LOLC Myanmar Micro Finance Limited	8,119,433	88.50%	1,022,408	8,119,432	88.50%	1,022,408
25	LOLC Private Limited	9,166,104	13.04%	1,025,115	3,843,904	11.77%	410,815
26	Green Orchard Property Investments (Private) Limited	23,795,660	100.00%	237,957	8,395,660	100.00%	83,957
27	Prospere Realty (Private) Limited	30,400,001	100.00%	304,000	15,000,001	100.00%	150,000
28	LOLC Securities Limited	10,000,000	100.00%	100,000	10,000,000	100.00%	100,000
29	LOLC Securities Limited - Preference Shares	25,000,000	100.00%	250,000	25,000,000	100.00%	250,000
30	Sundaya Lanka (Private) Limited	624,490	51.00%	6,245	624,490	51.00%	6,243
				39,016,291			39,587,784
	Allowance for Impairment (Note 30.2)			(796,245)			(796,245)
	Total			68,301,090			61,670,676

30.2 Allowance for Impairment

As at 31 March	Note	Company 2018 Rs.'000	2017 Rs.'000
1 Galoya Holdings Limited			
2 Lanka ORIX Project Development Limited		13,000	13,000
3 LOLC Eco Solutions Limited		52,000	52,000
4 LOLC Factors Limited		25,000	25,000
5 Sundaya Lanka (Private) Limited		700,000	700,000
		6,245	6,245
	30.2.1	796,245	796,245

30.2.1 Movement in allowance for impairment

As at 31 March	Company 2018 Rs.'000	2017 Rs.'000
Balance as at 01 April	796,245	803,179
Reversal for the period	-	(6,934)
Balance as at 31 March	796,245	796,245

Notes to the Financial Statements

30.3 Group holdings in subsidiaries

Details of the Group's subsidiaries at the end of the reporting period are as follows;

	As at 31 March Subsidiary		Principal Activities	Proportion of ownership interest held by the Group 2018 No. of Shares	2018 Control Holding %	2017 No. of Shares	2017 Control Holding %
	Listed subsidiaries						
1	BRAC Lanka Finance PLC	BRAC	Financial services	237,679,520	99.89%	105,499,048	99.76%
2	Brown & Company PLC	BCL	Trading and manufacturing	70,875,000	54.54%	70,875,000	54.54%
3	Browns Capital PLC	BC PLC	Investments holding	831,578,217	60.79%	831,578,217	60.79%
4	Browns Investments PLC	BIL	Investments holding	2,017,255,625	54.23%	2,017,255,625	54.23%
5	Commercial Leasing & Finance PLC	CLC	Financial services	6,348,876,426	99.55%	6,348,876,426	99.55%
6	Eden Hotels Lanka PLC	Eden	Hotelier	93,793,173	88.82%	93,793,173	88.82%
7	LOLC Finance PLC	LOFC	Financial services	3,919,921,531	93.33%	2,520,000,000	90.00%
8	Palm Garden Hotels PLC	Palm	Investments holding	38,671,013	89.38%	38,671,013	89.38%
	Non-listed subsidiaries						
9	Ajax Engineers (Private) Limited	Ajax	Aluminium fabrication	469,987	100.00%	469,987	100.00%
10	B G Air Services (Private) Limited	BG Air	Air ticketing and outbound tours	50,000	100.00%	50,000	100.00%
11	BI Logistics and Commodities (Private) Limited		Timber preservation and pallet manufacturing	1,000,000	100.00%	1,000,000	100.00%
12	BI Zhongtian Holdings (Pvt) Ltd		Pre-operational	25,499,949	51.00%	25,499,949	51.00%
13	Bright View Ltd (Formerly known as Golden Vistas (Private) Limited)	BVL	Strike off	-	-	1	100.00%
14	Browns Advance Technologies (Pvt) Limited	BAT	Technology	1	100.00%	-	-
15	Browns Capital Holdings (Private) Limited	BCHPL	Investing in ventures	880,000,000	100.00%	880,000,000	100.00%
16	Browns Engineering & Construction (Pvt) Ltd	BE&C	Pre-operational	1	100.00%	-	-
17	Browns Fertilizer (Pvt) Ltd	BFL	Pre-operational	1,000,000	54.54%	-	-
18	Browns Global Farm (Private) Limited	BGFL	Plantations	25,000	100.00%	25,000	100.00%
19	Browns Group Industries (Private) Limited	BGIL	Providing marine solutions	2,800,000	100.00%	2,800,000	100.00%
20	Browns Group Motels Limited	BGML	Non-operational	399,859	79.97%	399,859	79.97%
21	Browns Health Care (Private) Limited	BHCL	Healthcare services	150,000,000	100.00%	67,000,000	100.00%
22	Browns Health Care Negombo (Private) Limited	BHNEGOMBO	Non-operational	500,000	100.00%	500,000	100.00%
23	Browns Health Care North Colombo (Private) Limited	BHCNC	Healthcare services	10,000,000	100.00%	10,000,000	100.00%
24	Browns Holdings Limited	BHL	Investments holding	518,290,140	100.00%	518,290,140	100.00%
25	Browns Hotels and Resorts Limited	BHR	Investments holding	1,191,919,624	100.00%	849,166,000	100.00%
26	Browns Industrial Park (Private) Limited	BIPL	Renting of properties	15,405,137	100.00%	15,405,137	100.00%
27	Browns Leisure (Pvt) Ltd	BLL	Pre-operational	10	100.00%	-	-
28	Browns Metal & Sands (Pvt) Ltd	BM&S	Pre-operational	1	100.00%	-	-
29	Browns Pharma (Pvt) Ltd	BPharma	Vet pharma	10,000,000	100.00%	-	-

	As at 31 March			Proportion of ownership interest held by the Group			
				2018		2017	
	Subsidiary		Principal Activities	No. of Shares	Control Holding %	No. of Shares	Control Holding %
30	Browns Pharmaceuticals Ltd	BPL	Pre-operational	1	100.00%	-	-
31	Browns Power Holding Limited	BPHL	Investing in ventures	100,000,000	100.00%	100,000,000	100.00%
32	Browns Properties (Private) Limited	BProperties	Real estate business	60,000,000	100.00%	60,000,000	100.00%
33	Browns Real Estate (Private) Limited	BREL	Pre-operational	5,000,000	100.00%	5,000,000	100.00%
34	Browns Teas (Pvt) Ltd		Pre-operational	1	100.00%		
34	Browns Thermal Engineering (Private) Limited	BTEL	Importing and manufacturing Radiators	1,499,997	100.00%	1,499,997	100.00%
35	Browns Tours (Private) Limited	BTL	GSA for Austrian airlines and inbound tour operations	2,030,000	100.00%	2,030,000	100.00%
36	Ceylon Roots Lanka (Pvt) Ltd	CRL	Inbound tour operations	1	100.00%	-	-
37	Ceylon Roots (Private) Limited	Roots	Inbound tour operations	366,104,433	100.00%	366,104,433	100.00%
38	CFT Engineering Limited	CFT	Non-operational	3,450	95.04%	3,450	95.04%
39	Commercial Factors (Private) Limited	CFL	Non-operational	8,000,001	100.00%	1	100.00%
40	Creations Wooden Fabricators (Private) Limited	C & C	Manufacturing	10,000	50.00%	10,000	50.00%
41	Dickwella Resort (Private) Limited	DRS	Hotelier	481,314	100.00%	481,314	100.00%
42	Diriya Investments (Private) Limited	Diriya	Investments holding	383,358,564	100.00%	216,106,704	100.00%
43	Dolekanda Power (Private) Limited	Dolekanda	Hydro power generation	10,000,000	100.00%	10,000,000	100.00%
44	E.S.L Trading (Private) Limited	ESLT	Pre-operational	1	100.00%	1	100.00%
45	Eagle Recoveries (Private) Limited	ERPL	Real estate	8,000,001	100.00%	1	100.00%
46	East Coast Land Holdings (Private) Limited	LLHL	Real estate	21,300,000	100.00%	13,300,000	100.00%
47	Engineering Services (Private) Limited	ESL	Selling generators & related services	147,501	100.00%	147,501	100.00%
48	Enselwatte Power (Private) Limited	Enselwatte	Hydro power generation	10,000,000	100.00%	10,000,000	100.00%
49	Excel Global Holding Limited	EGHL	Investments holding	53,448,329	100.00%	53,448,329	100.00%
50	Excel Restaurant (Private) Limited	ERL	Operating restaurant	10,004	100.00%	10,004	100.00%
51	F L C Estates Bungalows (Private) Limited	FLC EB	Leisure	1,000,000	100.00%	1,000,000	100.00%
52	F L P C Management (Private) Limited	FLPC	Plantation management	92,052,842	95.34%	92,052,842	95.34%
53	Fairview Lands Limited	FVLL	Pre-operational	1	100.00%	1	100.00%
54	Fortune Fields (Private) Limited		Strike off	-	-	1	100.00%
55	Galoya Holdings (Private) Limited	GHL	Managing plantations	2,600,000	100.00%	2,600,000	100.00%
56	Green Orchard Property Investments (Private) Limited	LPIL	Real estate	16,395,660	100.00%	1	100.00%
57	Green Paradise Resorts (Private) Limited	GPR	Hotelier	5,000,007	100.00%	5,000,007	100.00%
58	I Pay (Pvt) Ltd (Formerly known as Green Valley Asset Holdings (Private) Limited)		Fintec	16,000,001	100.00%	1	100.00%
59	Distant Horizons (Private) Limited		Strike off	-	-	1	100.00%
60	Invest Land (Private) Limited	ILL	Strike off	-	-	1	100.00%
61	Klevenberg (Private) Limited	KPL	Trading	15,600,000	100.00%	15,600,000	100.00%

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	As at 31 March Subsidiary		Principal Activities	Proportion of ownership interest held by the Group 2018 No. of Shares	 Control Holding %	2017 No. of Shares	Control Holding %
62	Lanka ORIX Information Technology Services Limited	LOITS	Software design development and distribution	1,700,000	100.00%	1,700,000	100.00%
63	Lanka ORIX Project Development (Private) Limited	LOPD	Non-operational	5,200,000	100.00%	5,200,000	100.00%
64	LOLC Capital One (Private) Limited	LOLC Capital	Pre-operational	500,001	100.00%	1	100.00%
65	LOLC Corporate Services (Pvt) Ltd	COSER	Secretarial services	8,000,001	100.00%	1	100.00%
66	LOLC Eco Solutions Limited	LOLC Eco	Investments holding	64,100,000	100.00%	2,500,000	100.00%
67	LOLC Factors Limited	LOFAC	Factoring services	70,000,001	100.00%	1	100.00%
68	LOLC General Insurance Limited	LGEN	General insurance	70,000,000	100.00%	70,000,000	100.00%
69	LOLC Asset Holdings Limited	LAH	Investments holding	167,048,951	100.00%	140,000,000	100.00%
70	LOLC Investments Limited	LOIV	Investments holding	1,148,300,000	100.00%	1,101,800,000	100.00%
71	LOLC Life Assurance Limited	LLIFE	Life assurance	80,000,000	100.00%	80,000,000	100.00%
72	LOLC Micro Credit Limited	LOMC	Amalgamated with LOFC	-	-	62,959,191	80.00%
73	LOLC Micro Investments Limited	LOMI	Investments holding	250,000,000	100.00%	250,000,000	100.00%
74	LOLC Motors Limited	LOMO	Vehicle trading & repair services	101,000,000	100.00%	65,000,000	100.00%
75	LOLC Securities Limited	LOSEC	Stock trading	10,000,000	100.00%	10,000,000	100.00%
76	LOLC Technologies Limited	LOTEC	It services	16,000,001	100.00%	1	100.00%
77	Masons Mixture Limited	MML	Non-operational	4,289,849	99.67%	4,289,849	99.67%
78	Maturata Plantation Limited	MPL	Plantations	25,200,000	72.00%	25,200,000	72.00%
79	Millennium Development Limited	MDL	Recreational activities	44,390,823	100.00%	44,390,823	100.00%
80	Pleasure Landscape Limited		Strike off	-	-	1	100.00%
81	Prospere Realty (Private) Limited	LRL	Real estate	23,000,001	100.00%	1	100.00%
82	Riverina Resort (Private) Limited	RRL	Leisure	35,050,000	100.00%	35,050,000	100.00%
83	S.F.L. Services (Private) Limited	SFL	Lending to related companies	986,591	100.00%	986,591	100.00%
84	Saga Solar Power (Private) Limited	SSP	Solar power generation	38,703,370	50.10%	38,703,370	50.10%
85	Sifang Lanka (Private) Limited	Sifang	Importing, assembling & selling of agro equipment's	2,050,000	100.00%	2,050,000	100.00%
86	Sifang Lanka Trading (Private) Limited	SFTL	Non-operational	3,000,002	100.00%	3,000,002	100.00%
87	Snowcem Products Lanka (Private) Limited	SPLL	Non-operational	400,000	100.00%	40,000	100.00%
88	Speed Italia Limited	SIL	Non-operational	100,000	100.00%	100,000	100.00%
89	Samudra Beach Resorts (Private) Limited	Samudra	Hotelier - pre-operational	33,127,500	100.00%	33,127,500	100.00%
90	Sun & Fun Resorts (Private) Limited	Sun & Fun	Hotelier	16,287,848	51.00%	16,287,848	51.00%
91	Sundaya Lanka (Private) Limited	Sundaya	Non-operational	624,490	51.00%	624,490	51.00%
92	Tea Leaf Resort (Private) Limited	TLRL	Leisure	250,000	50.00%	250,000	50.00%
93	The Hatton Transport & Agency Company (Private) Limited	HTAC	Non-operational	1,000	100.00%	112,000	100.00%
94	Thurushakthi (Private) Limited		Non-operational	8,000,001	100.00%	1	100.00%

	As at 31 March			Proportion of ownership interest held by the Group			
				2018		2017	
	Subsidiary		Principal Activities	No. of Shares	Control Holding %	No. of Shares	Control Holding %
95	Tropical Villas (Private) Limited	TVL	Real estate	10,344,300	100.00%	10,344,300	100.00%
96	United Dendro Energy (Private) Limited	UDE	Strike off	-	-	750	75.00%
97	United Dendro Energy Ambalantota (Private) Limited	UDEA	Non-operational	8,000,001	100.00%	1	100.00%
98	United Dendro Energy Kawantissapura (Private) Limited	UDEK	Strike off	-	-	1	100.00%
99	United Dendro Energy Puttalam (Private) Limited	UDEP	Strike off	-	-	1	100.00%
100	United Dendro Energy Walawewatte (Private) Limited	UDEW	Non-operational	8,000,001	100.00%	1	100.00%
101	Walker & Greig (Private) Limited	WGL	Non-operational	1	100.00%	1	100.00%
	Foreign subsidiaries using different functional currencies						
102	Bodufaru Beach Resorts (Private) Limited	BBR	Hotelier	235,800	99.96%	130,800	99.92%
103	B Commodities ME(FZE)	BCOM	Wealth management	150,000	100.00%	-	-
104	LOLC Asia (Pvt) Ltd	LOLC ASIA	Investment holdings	33,600,000	100.00%	-	-
105	LOLC (Pvt) Ltd	LOPL	Investment holdings	70,266,966	100.00%	32,663,566	1.00
106	LOLC Cambodia PLC	TPC	Financial services	695,122	96.97%	140,210	60.00%
107	LOLC International (Pvt) Ltd	LOIL	Investment holdings	112,253,842	100.00%	83,320,000	100.00%
108	LOLC Myanmar Micro-Finance Company Limited	LMML	Financial services	9,174,964	100.00%	9,174,964	100.00%
109	NPH Investment (Private) Limited	NPH	Leisure	141,555,600	51.00%	138,778,951	-
110	Pak Oman Micro finance Bank Limited	Pak Oman	Financial services	115,648,000	50.10%	-	-
111	PRASAC Micro Finance Institution Limited	PRASAC	Financial services	77,000,000	70.00%	77,000,000	70.00%
112	PT LOLC Management Indonesia	PTLMI	Investment holdings	15,960	60.00%	-	-
113	PT Sarana Sumut Ventura	PTSSV	Financial services	5,292	52.92%	-	-

Notes to the Financial Statements

30.4 Fair values of subsidiaries

The Directors' valuation of investments in subsidiaries has been done on consolidated net assets basis. The following subsidiaries are listed in the Colombo Stock Exchange and their market value details given below;

	Group			
	2018		2017	
As at 31 March	No. of Shares	Market value Rs.'000	No. of Shares	Market value Rs.'000
BRAC Lanka Finance PLC	237,679,520	7,082,850	105,499,048	981,141
Brown & Company PLC	70,875,000	4,890,375	70,875,000	5,032,125
Browns Capital PLC	831,578,217	2,993,682	831,578,217	1,247,367
Browns Investments PLC	2,017,255,625	5,446,590	2,017,255,625	2,824,158
Commercial Leasing & Finance PLC	6,348,876,426	17,141,966	6,348,876,426	16,507,079
Eden Hotels Lanka PLC	93,793,173	1,425,656	93,793,173	1,022,346
LOLC Finance PLC	3,919,921,531	15,287,694	2,520,000,000	5,544,000
Palm Garden Hotels PLC	38,671,013	908,769	38,671,013	931,971
		55,177,582		34,090,187

30.5 Nature of the relationship between the parent and subsidiaries when the parent does not own, more than half of the voting power

30.5.1 Creations Wooden Fabricators (Private) Limited - CWF

The group owns one half of the voting power of CWF (50%). However, based on the nature of the business the CWF engaged in, the Group receives substantially all the returns relating to their operations (significant component of the entity's businesses come from the Group), management has determined that the group has the control over the investee.

30.6 Acquisition of a subsidiary

30.6.1 Financial Year 2018

30.6.1.1 Pak Oman Microfinance Bank Ltd (POMB)

On 27th June, 2017, LOLC (Pvt) Ltd a fully owned subsidiary of the group has acquired 50.1 per cent equity stake with controlling interest in Pak Oman Microfinance Bank Ltd by way of a primary issuance of shares by POMB for the value of USD 11.6Mn. PMOB is a licensed micro finance bank registered in Pakistan.

30.6.1.2 NPH Investment Pvt Ltd (NPHI)

On 30th October 2017, Browns Hotels & Resorts Ltd, a subsidiary of the Group has increased controlling stake in NPH Investment Pvt Ltd from 50% to 51% with the further acquisition of balance 01% hold by third party investor. With the above acquisition, NPHI became subsidiary of the group with effect from October 2017.

30.6.1.3 Business of Finlay Rentokil Ceylon (Pvt) Ltd (FRCL)

In January 2018, BI Commodities and Logistics (Pvt) Ltd, a subsidiary of the Group acquired all the assets and liabilities (Business) of Finlay Rentokil Ceylon (Pvt) Ltd and commenced its business of Timber preservation and pallet manufacturing under BI Commodities and Logistics (Pvt) Ltd.

30.6.1.4 PT LOLC Management Indonesia (PTLMI)

On 27th March, 2018, LOLC (Pvt) Ltd has acquired 60 per cent equity stake with controlling interest in PT LOLC Management Indonesia for the value of USD 2Mn. PTLMI owns 52.92% stake in PT Sarana Sumut Ventura (PTSSV) which owns Venture Capital License in Indonesia.

30.6.1.5 Consideration paid

For the year ended 31 March 2018	Control holding acquired %	Cash and cash equivalents paid Rs. '000	Acquisition related costs Note 30.6.1.5.1 Rs. '000	Fair value of the consideration paid Rs. '000	Fair value of previously held interest Rs. '000	Total consideration of acquisition Rs. '000
Pak Oman Microfinance Bank Ltd (POMB)	50.10%	1,781,367	(3,625)	1,777,742	-	1,777,742
NPH Investment Pvt Ltd (NPHI)	51.00%	76,975	-	76,975	1,390,730	1,467,705
PT LOLC Management Indonesia (PTLMI)	60.00%	309,694	-	309,694	-	309,694
		2,168,036	(3,625)	2,164,411	1,390,730	3,555,141

30.6.1.5.1 Acquisition related costs

The Group incurred acquisition-related costs of Rs. 3.6 Mn as share transfer levies and payment made to independent advisors as transaction arrangement and advisory fee. These costs have been included in other expenses in the consolidated statement of profit or loss.

30.6.1.6 The provisional fair values of the identifiable assets and liabilities of the acquiree as at the date of acquisition were;

As at 31 March	POMB Rs.'000	NPHI Rs.'000	PTLMI/ PTSSV Rs.'000	Total Rs.'000
Assets				
Cash and cash equivalents	2,469,416	15,176	110,930	2,595,522
Investment securities	334,792	-	-	334,792
Current tax assets	8,057	120,983	524	129,564
Advances and other loans	679,448	-	292,004	971,452
Trade and other receivables	71,421	122,806	39,040	233,267
Prepaid lease rentals on leasehold properties	-	1,606,553	-	1,606,553
Investment properties	-	-	62,071	62,071
Investments in group of companies;				
Equity accounted investees - Associates	-	991	4,246	5,234
Deferred tax assets	39,544	1,409	-	40,953
Intangible assets	1,782	-	724	2,506
Property, plant and equipment	36,324	2,295,269	76,028	2,407,621
Total assets	3,640,784	4,163,187	585,567	8,389,538
Liabilities				
Deposit liabilities	216,522	-	-	216,522
Interest bearing borrowings	-	-	198,767	198,767
Current tax payable	6,613	-	36	6,649
Trade and other payables	77,972	1,434,607	7,283	1,519,862
Retirement benefit obligations	3,383	-	-	3,383
Total liabilities	304,490	1,434,607	206,086	1,945,183
Fair value of net assets acquired	3,336,294	2,728,580	379,481	6,444,355

Notes to the Financial Statements

30.6.1.7 Goodwill on acquisition

Goodwill on acquisition is recognised as a result of the acquisitions as follows;

For the year ended 31 March 2018	Note	POMB Rs.'000	NPHI Rs.'000	PTLMI/ PTSSV Rs.'000	Total Rs.'000
Fair value of the consideration paid	30.6.1.5	1,777,742	1,467,705	309,694	3,555,141
Net Non-controlling interests, based on their proportionate interest in the recognised amounts of the assets and liabilities		1,659,336	1,288,356	254,619	3,202,311
		3,437,078	2,756,061	564,313	6,757,452
Fair value of identifiable net assets	30.6.1.6	3,336,294	2,728,580	379,481	6,444,355
Goodwill on acquisition		100,784	27,481	184,832	313,097

30.6.1.8 Net cash used in acquisition

For the year ended 31 March 2018	Note	POMB Rs.'000	NPHI Rs.'000	PTLMI/ PTSSV Rs.'000	Total Rs.'000
Purchase consideration paid	30.6.1.5				
Fair value of the consideration paid		1,777,742	76,975	309,694	2,164,411
Acquisition related costs		3,625	-	-	3,625
		1,781,367	76,975	309,694	2,168,036
Cash & cash equivalents acquired	30.6.1.6				
Positive cash balances		2,469,416	15,176	110,930	2,595,522
Net cash used in acquisition		688,049	(61,799)	(198,764)	427,486

30.6.2 Financial Year 2017

30.6.2.1 PRASAC Microfinance Institution Limited - PRASAC

In March 2017, LOLC Group has increased its controlling stake in PRASAC Microfinance Institution Limited ("PRASAC") from 22.25% to 70%. This transaction was facilitated through the purchase of 47.75% issued share capital of PRASAC for a value of Rs. 40 Bn (USD 186Mn) through LOLC International Private Limited, a wholly owned subsidiary of the LOLC Group based in Singapore. The LOLC Group has received all required regulatory approvals, including approvals from the Central bank of Sri Lanka, Ministry of Finance of Sri Lanka, National Bank of Cambodia and the Ministry of Commerce of Cambodia for the acquisition.

30.6.2.2 Consideration paid

For the year ended 31 March 2017	Control holding acquired	Cash and cash equivalents paid	Acquisition related costs Note 30.6.2.2.1	Fair value of the consideration paid	Fair value of previously held interest	Total consideration of acquisition
	%	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
PRASAC Microfinance Institution Ltd	70.00%	28,001,492	(303,970)	27,697,522	12,611,012	40,308,534

30.6.2.2.1 Acquisition related costs

The Group incurred acquisition-related costs of Rs. 304 Mn as share transfer levies and payment made to independent advisors as transaction arrangement and advisory fee. These costs have been included in other expenses in the consolidated statement of profit or loss.

Notes to the Financial Statements

30.6.2.3 The provisional fair values of the identifiable assets and liabilities of the acquiree as at the date of acquisition were;

	Group Rs. '000
Assets	
Cash and cash equivalents	33,247,681
Advances and other loans	172,144,789
Trade and other receivables	2,766,924
Deferred tax asset	488,026
Intangible assets	278,138
Property, plant and equipment	921,953
Total assets	209,847,511
Liabilities	
Deposit liabilities	107,618,064
Interest bearing borrowings	68,664,425
Current tax payable	615,425
Trade and other payables	4,368,082
Retirement benefit obligations	754,429
Total liabilities	182,020,425
Fair value of net assets acquired	27,827,086

30.6.2.4 Goodwill on acquisition

Goodwill on acquisition is recognised as a result of the acquisitions as follows;

For the year ended 31 March 2017	Note	Group Rs. '000
Fair value of the consideration paid	30.6.2.2	40,308,534
Net Non-controlling interests, based on their proportionate interest in the recognised amounts of the assets and liabilities		(2,066,662)
		38,241,872
Fair value of identifiable net assets	30.6.2.3	27,827,086
Goodwill on acquisition		10,414,786

30.6.2.5 Net cash used in acquisition

For the year ended 31 March 2017	Note	Group Rs. '000
Purchase consideration paid	30.6.2.2	
Fair value of the consideration paid		27,697,522
Acquisition related costs		303,970
		28,001,492
(-) Cash & cash equivalents acquired	30.6.2.3	
Positive cash balances		33,247,681
Net cash used in acquisition		5,246,189

30.7 Disposal of Subsidiaries

30.7.1 Lotus Hydro Power PLC

In July 2016, LOLC Group has disposed of 72.13% control holding of Lotus Hydro Power PLC (Formerly known as Browns Hydro Power PLC) which intern hold 100% stake of Halgranoya Hydro Power (Pvt) Ltd, Thembuwana Hydro Power (Pvt) Ltd and Stellenberg Hydro Power (Pvt) Ltd respectively. The results of the disposal are as follows;

30.7.2 FLMC Plantations (Pvt) Ltd

In March 2017, LOLC Group has disposed 45.1% stake of FLMC Plantations (Pvt) Ltd which intern hold 59.70% of Pussellawa Plantations Ltd, 46.43% of Melfort Green Teas Ltd and 100% of Ceylon Estate Teas (Pvt) Ltd for a consideration of Rs. 4,695 Mn. The results of the disposal are as follows;

30.7.3 Consideration received

During the previous financial year group has divested following subsidiaries;

	Controlling interest sold %	Cash and cash equivalents paid Rs. '000	Disposal related costs Note 30.7.4 Rs. '000	Fair value of the consideration received Rs. '000	Fair value of previously held interest Rs. '000	Total consideration of disposal Rs. '000
FLMC Plantations (Pvt) Ltd	45.10%	4,694,548	(58,750)	4,635,798	1,000,000	5,635,798
Lotus Hydro Power PLC	72.13%	543,995	(3,461)	540,534	-	540,534
Fair value of the consideration received		5,238,543	(62,211)	5,176,332	1,000,000	6,176,332

30.7.4 Disposal related costs

The Group incurred disposal-related costs of Rs. 62 Mn as share transfer levies. These costs have been included in other expenses in the consolidated statement of profit or loss.

Notes to the Financial Statements

30.7.5 Fair values of the identifiable assets and liabilities of the disposed;

Fair values of the identifiable assets and liabilities of the disposed groups at the date of disposal were;

	FLMC Group	Lotus Hydro Group	Total
	Rs. '000	Rs. '000	Rs. '000
Assets			
Cash and cash equivalents	275,153	35,720	310,873
Investment securities	264,994	-	264,994
Inventories	406,844	8,158	415,002
Current tax assets	34,260	-	34,260
Trade and other receivables	497,574	61,106	558,680
Consumable biological assets	3,359,155	-	3,359,155
Bearer biological assets	3,774,986	-	3,774,986
Deferred tax asset	210,364	-	210,364
Property, plant and equipment	1,050,139	864,492	1,914,631
	9,873,469	969,476	10,842,945
Liabilities			
Bank overdrafts	64,987	1,707	66,694
Interest bearing borrowings	371,530	136,368	507,898
Trade and other payables	683,562	37,335	720,897
Deferred tax liabilities	924,463	56,888	981,351
Deferred income	472,944	-	472,944
Retirement benefit obligations	711,207	3,579	714,786
	3,228,693	235,877	3,464,570
Net assets disposed	6,644,776	733,599	7,378,375

30.7.6 Gain on disposal of subsidiaries

	Note	FLMC Group Rs. '000	Lotus Hydro Group Rs. '000	Total Rs. '000
Total consideration received	30.7.3	5,635,798	540,534	6,176,332
De-recognition of non-controlling interests		4,380,230	389,273	4,769,503
Fair value of net assets disposed	30.7.5	(6,644,776)	(733,599)	(7,378,375)
Gain on disposal		3,371,252	196,208	3,567,460

30.7.7 Net cash received from divestment

	Note	FLMC Group Rs. '000	Lotus Hydro Group Rs. '000	Total Rs. '000
Purchase consideration received	30.7.3	4,635,798	540,534	5,176,332
(-) Cash & cash equivalents disposed	30.7.5			
Positive cash balances		(275,153)	(35,720)	(310,873)
Bank overdrafts		64,987	1,707	66,694
Net cash received from divestment		4,425,632	506,521	4,932,153

30.8 Acquisition of non-controlling interests

During the financial year, Group acquired non-controlling interests from the following subsidiaries.

Subsidiary	% of NCI acquired	Consideration paid Rs. '000	Net assets acquired Rs. '000	Results on acquisitions Rs. '000
LOLC Cambodia PLC	35.93%	5,657,868	3,978,713	(1,679,155)
LOLC Micro Credit Ltd (Subsequently amalgamated with LOLC Finance PLC)	18.00%	2,458,240	2,191,962	(266,278)
		8,116,108	6,170,675	(1,945,433)

The results of non-controlling interests acquisitions (difference of net assets acquired over the consideration) were directly charged to equity under shareholder transactions.

Notes to the Financial Statements

30.10 Non-controlling interests

The following table summarises the information relating to each of the Group's subsidiaries that has material NCI, before any intra-group eliminations.

	Financial Services				Leisure & Entertainment		
As at 31 March 2018	**LOFC**	**PAKOMAN**	**LOCAM**	**PRASAC**	**PALM**	**EDEN**	**DRS**
NCI %	**6.67%**	**49.90%**	**3.03%**	**30.00%**	**10.62%**	**11.18%**	**-**
	Rs. '000	**Rs. '000**	**Rs. '000**	**Rs. '000**	**Rs. '000**	**Rs. '000**	**Rs. '000**
Total Assets	211,114,232	3,263,167	66,749,929	295,564,482	4,725,959	9,083,709	2,340,654
Total liabilities	194,008,598	129,199	56,119,179	257,178,176	1,382,287	5,995,775	1,201,903
Net assets	17,105,634	3,133,968	10,630,750	38,386,306	3,343,672	3,087,934	1,138,751
Carrying amount of NCI	1,140,695	1,607,936	432,517	23,524,439	2,264,860	2,152,573	793,814
Gross income	25,398,785	386,692	11,164,706	39,152,405	289,205	961,871	263,102
Profit/ (Loss) for the period	2,201,426	68,424	2,629,570	9,670,212	117,490	(510,269)	(138,725)
OCI for the period	87,275	(270,749)	74,442	889,009	619	153,075	150,481
Profits/ (Loss) allocated to NCI	220,143	35,106	1,051,819	6,285,638	79,583	(355,704)	(96,704)
OCI allocated to NCI	8,728	(138,912)	29,776	577,856	420	21,282	(16,707)

	Financial Services				Leisure & Entertainment		
As at 31 March 2017	**LOFC**	**LOMC**	**LOCAM**	**PRASAC**	**PALM**	**EDEN**	**DRS**
NCI %	**10.00%**	**20.00%**	**40.00%**	**30.00%**	**10.62%**	**11.18%**	**-**
	Rs. '000	**Rs. '000**	**Rs. '000**	**Rs. '000**	**Rs. '000**	**Rs. '000**	**Rs. '000**
Total Assets	122,612,580	62,386,190	42,063,523	209,847,510	4,210,717	5,741,637	2,142,672
Total liabilities	111,590,414	53,480,820	33,951,555	182,020,425	985,155	2,296,509	1,015,678
Net assets	11,022,166	8,905,370	8,111,968	27,827,085	3,225,562	3,445,128	1,126,994
Carrying amount of NCI	1,102,217	1,781,074	3,244,759	18,087,605	2,184,857	2,401,570	785,618
Gross income	20,838,394	13,985,769	8,704,717	-	1,955	904,428	243,931
Profit/ (Loss) for the period	1,590,549	1,728,042	2,030,083	-	(112,489)	(271,797)	(174,318)
OCI for the period	222,723	(124,057)	-	-	(76)	1,633	158
Profits/ (Loss) allocated to NCI	159,055	345,608	812,026	-	(76,195)	(189,467)	(121,516)
OCI allocated to NCI	22,272	(24,811)	-	-	(51)	1,138	110

GPR	MDL	Manufacturing & Trading BCL	Investment Holdings BCAP	BIPLC	Plantation & Power Generation MPL	PPL	SAGA	Total
-	-	45.46%	39.21%	45.77%	28.00%	-	49.90%	
Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
1,437,540	5,884,993	31,853,956	9,104,734	18,177,697	6,088,911	-	2,711,792	668,101,755
173,924	739,784	14,710,785	271,548	9,152,835	4,777,807	-	1,869,410	547,899,797
1,263,616	5,145,209	17,143,171	8,833,186	9,024,862	1,311,104	-	842,382	120,201,958
880,856	3,287,848	7,818,278	6,894,856	5,766,991	1,113,611	-	749,772	58,297,582
212,933	124,999	14,215,006	1,820,155	1,413,283	2,833,148	-	454,058	98,690,348
(14,016)	1,316,161	743,055	1,490,119	175,672	249,790	-	45,972	18,044,881
28,687	43	(139,933)	-	25,764	(53,780)	-	-	764,393
(9,770)	841,042	114,993	1,163,131	112,256	212,164	-	40,918	9,694,616
15,750	28	(63,818)	-	16,463	(45,679)	-	-	402,620

GPR	MDL	Manufacturing & Trading BCL	Investment Holdings BCAP	BIPLC	Plantation & Power Generation MPL	PPL	SAGA	Total
-	-	45.46%	39.21%	45.77%	28.00%	-	49.90%	
Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
1,411,348	4,052,730	27,164,232	9,251,099	15,425,352	5,822,425	-	2,852,474	514,984,489
170,449	223,725	10,624,183	1,360,832	6,601,927	4,707,332	-	2,056,065	411,085,069
1,240,899	3,829,005	16,540,049	7,890,267	8,823,425	1,115,093	-	796,409	103,899,420
792,948	2,446,778	7,543,219	6,158,848	5,638,270	947,125	-	708,853	53,823,744
208,543	115,127	14,187,159	5,197,487	524,360	2,395,372	3,840,696	178,819	71,326,757
8,336	47,683	1,477,189	5,085,528	(341,071)	2,783	147,291	(51,498)	11,166,311
104,084	58	8,044	-	11,856	27,344	19,330	-	271,097
5,327	30,470	673,684	3,969,574	(217,948)	2,364	136,707	(45,836)	5,483,851
66,511	37	3,669	-	7,576	23,225	17,941	-	117,617

Notes to the Financial Statements

31 ASSOCIATES

31.1 Company

As at 31 March	2018 No. of Shares	2018 Cost Rs.'000	2017 No. of Shares	2017 Cost Rs.'000
AgStar PLC	60,213,500	390,184	60,213,500	390,184
Galoya Plantations (Private) Limited	27,267,058	348,702	27,267,058	348,702
Seylan Bank PLC	79,955,301	2,775,115	74,238,665	2,775,115
Sierra Construction (Private) Limited	12,488,250	600,000	12,488,250	600,000
Sierra Holding (Private) Limited	4,494,492	200,000	4,496,492	200,000
		4,314,001		4,314,001

31.2 Group holdings in equity accounted investees

Details of the Group's equity accounted investees at the end of the reporting period are as follows;

			Proportion of ownership interest held by the Group			
			2018		2017	
	As at 31 March Investee	Investor Company	No. of Shares	Holding %	No. of Shares	Holding %
1	Associated Battery Manufacturers (Ceylon) Limited (ABM)	SFL	2,439,355	38.50%	2,439,355	38.50%
2	AgStar PLC (AFPLC) - Group	LOLC	60,213,500	18.53%	60,213,500	18.53%
		BIL	40,520,061	12.47%	40,520,061	12.47%
		Total AFPLC	100,733,561	30.99%	100,733,561	30.99%
3	Beira Parawood Products (Private) Limited (Beira)	LOIV	80,546,372	26.25%	80,546,372	26.25%
4	Commercial Insurance Brokers (Private) Limited (CIB)	CLC	240,000	40.00%	240,000	40.00%
5	Galoya Plantations Limited (GPL)	LOLC	27,267,058	26.95%	27,267,058	26.95%
		BCL	22,309,413	22.05%	22,309,413	22.05%
		Total GPL	49,576,471	49.00%	49,576,471	49.00%

	As at 31 March	Investor	Proportion of ownership interest held by the Group 2018			2017	
	Investee	Company	No. of Shares	Holding %		No. of Shares	Holding %
6	Seylan Bank PLC - Group	LOLC	79,955,209	43.93%	(NV)	74,238,665	43.93%
		LOLC	92	-	(V)	89	-
	V - Voting shares	LOIV	17,584,715	9.55%	(V)	16,808,502	9.55%
	NV - Non-voting shares	BCL	25,544,310	13.87%	(V)	24,416,750	13.87%
		CLC	79,978	0.04%	(NV)	74,261	0.04%
		LOITS	1,584,901	0.87%	(NV)	1,471,587	0.87%
		Total - V	43,129,117	23.43%		41,225,341	23.43%
		Total - NV	81,620,088	44.85%		75,784,513	44.85%
7	Sierra Construction (Private) Limited (SCPL) - Group	LOLC	12,488,250	10.00%		12,488,250	9.99%
		BIL	12,488,250	9.99%		12,488,250	9.99%
		Total SCPL	24,976,500	19.99%		24,976,500	19.99%
8	Sierra Holdings Limited (SHL) - Group	LOLC	4,494,492	10.00%		4,494,492	9.99%
		BIL	4,494,492	9.99%		4,494,492	9.99%
		Total SHL	8,988,984	19.99%		8,988,984	19.99%
9	Taprobane Plantation Limited (TPL)	BIL	22,500	44.94%		22,500	44.94%
10	Virginia International Limited (VIL)	BIL	800,000	40.00%		800,000	40.00%
11	NPH Investments (Pvt) Ltd (NPH)	BHR	-	-		138,778,951	50.00%
12	NPH Development (Pvt) Ltd	NPHI	161,999	50.00%		-	-
13	Patronus Wealth Holdings Limited	LOPL	2,000,000	20.00%		-	-

Notes to the Financial Statements

31.3 The summarized financial information of equity accounted investees for the year ended 31 March 2018 not adjusted for the percentage of ownership held by the Group;

Component	Principal Activities	As at 31 March 2018			For the year ended 31 March 2018			
		Total Assets	Total Liabilities	Equity	Income	Expenses	Profit or loss	Other comprehensive income
		Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
ABM	Battery manufacturing	2,522,271	1,568,435	953,836	3,370,178	(3,175,991)	194,187	-
AFPLC	Fertilizer manufacturing	4,989,202	2,173,309	2,815,893	3,339,445	(3,287,730)	51,715	361,787
Beira	Brush manufacturing	3,647,590	1,388,882	2,258,708	2,616,349	(2,244,014)	372,335	-
CIB	Insurance broking	302,776	69,291	233,485	264,560	(233,400)	31,160	(166)
GPL	Sugar plantations	2,552,835	6,970,237	(4,417,402)	1,284,395	(2,631,923)	(1,347,528)	(4,911)
SBPLC	Banking	415,405,868	378,111,760	37,294,108	22,614,790	(17,419,312)	5,195,478	2,311,575
SCPL	Construction	21,054,345	16,916,929	4,137,416	16,620,968	(15,958,668)	662,300	566,470
SHL	Investing	33,625,895	23,856,200	9,769,695	26,916,011	(27,023,988)	(107,977)	849,376
TPL	Entertainment operations	66,965	112,204	(45,239)	131,568	(130,662)	906	-
VIL	Non-operational	12,767	190	12,577	237	(73)	164	-
NPHI	Mix development	4,163,188	1,434,607	2,728,581	26	(8,636)	(8,610)	124,354
NPHD	Mix development	155,429	2,306	153,123	-	-	-	-
PATRONUS	Wealth Management	272,314	4,168	268,146	-	(196,896)	(196,896)	24,654
		488,771,445	432,608,518	56,162,927	77,158,527	(72,311,293)	4,847,234	4,233,139

31.4 **Fair values of equity accounted investees**

The Directors' valuation of investments in equity accounted investees has been done on net assets basis. The following associates are listed in the Colombo Stock Exchange and their market value details given below;

	Group			
	2018		2017	
As at 31 March	No. of Shares	Market value Rs.'000	No. of Shares	Market value Rs.'000
AgStar PLC	100,733,561	503,668	100,733,561	433,154
Seylan Bank PLC - voting shares	43,129,117	3,743,607	41,225,341	3,586,605
Seylan Bank PLC - non-voting shares	81,620,088	4,503,796	75,784,513	4,145,413
		8,751,071		8,165,172

31.5 Divestment of equity accounted investees

31.5.1 Financial Year 2018

NPH Investments (Pvt) Ltd (NPH)

LOLC group had 50% stake in NPHI which was accounted as equity accounted investees (associate) in the LOLC group financials till 31st March 2017 using equity accounting under LKAS 27. With the further acquisition of 01.00% issued share capital of the NPHI by the group, NPHI became a subsidiary of the LOLC group and accounted as subsidiary under SLFRS 10.

The results of the disposal shown below;

For the year ended 31 March 2018	Note	Group Rs. '000
Carrying amount of the previously held interest of NPHI	31.6	1,390,730
Fair value of the previously held interest	30.6.1.5	1,390,730
Gain/ (Loss) on divestment of associate		-
Total Gain on disposal of associate		
Reclassify the previously recognised Foreign Currency Translation Reserve to Income Statement		63,774
Total gain recognised in income statement		63,774

The gain on divestment recognised in the profit or loss under "Results on acquisition and divestment of Group investments"

31.5.2 Financial Year 2017

PRASAC Microfinance Institution Limited - PRASAC

LOLC group had 22.25% stake in PRASAC which was accounted as equity accounted investees (associate) in the LOLC group financials till 31st March 2017 using equity accounting under LKAS 27. With the further acquisition of 47.75% issued share capital of the PRASAC by the group, PRASAC became a subsidiary of the LOLC group and accounted as subsidiary under SLFRS 10.

The results of the disposal shown below;

For the year ended 31 March 2017	Note	Group Rs. '000
Carrying amount of the previously held interest of PRASAC	31.6	6,352,603
Fair value of the previously held interest		12,601,885
Gain on divestment of associate		6,249,282
Total Gain on disposal of associate		
Gain on disposal of associate		6,249,282
Reclassify the previously recognised Foreign Currency Translation Reserve to Income Statement		777,589
Total gain recognised in income statement		7,026,871

The gain on divestment recognised in the profit or loss under "Results on acquisition and divestment of Group investments"

31.6 Equity value of investment in equity accounted investees to the Group

	For the year ended 31 March 2018				Share of OCI						
	Equity accounted investee	As at 01 April 2017	Acquisitions / (disposals)	Reclassifications / transfers	Share of profit / (loss) net of tax	never be reclassified to profit or loss	to be classified to P & L	Dividend received	Foreign currency translations	Gain on bargain purchase	As at 31 March 2018
		Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
1	ABM	311,378	-	-	74,762		-	(19,515)	-	-	366,625
2	AFPLC	1,035,979	-	-	16,029	112,136	-	-	-	-	1,164,144
3	Beira	461,303	-	-	97,738	-	-	(33,829)	-	-	525,212
4	CIB	82,564	-	-	12,464	(67)	-	(4,000)	-	-	90,961
5	SBPLC	10,343,519	-	-	1,705,008	2,379	785,296	(150,977)	-	-	12,685,225
6	SCPL	1,365,757	-	-	(132,542)	114,967	-	-	(1,748)	-	1,346,434
7	SHL	827,090	-	-	33,253	173,286	(2,914)	(38,633)	(657)	-	991,425
8	VIL	4,072	-	-	65	-	-	-	-	-	4,137
9	NPHI	1,332,860	-	(1,390,730)	(4,305)	-	-	-	62,175	-	-
10	NPHD	-	991	-	-	-	-	-	-	-	991
11	PATRONUS	-	306,440	-	(39,379)	-	-	-	4,931	-	271,992
12	Venture Capital	-	4,246	-	-	-	-	-	-	-	4,246
		15,764,522	311,677	(1,390,730)	1,763,093	402,701	782,382	(246,954)	64,701	-	17,451,392

	For the year ended 31 March 2017				Share of OCI						
	Equity accounted investee	As at 01 April 2016	Acquisitions / (disposals)	Reclassifications / transfers	Share of profit / (loss) net of tax	never be reclassified to profit or loss	to be classified to P & L	Dividend received	Foreign currency translations	Gain on bargain purchase	As at 31 March 2017
		Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
1	ABM	285,720	-	-	65,907	-	-	(40,249)	-	-	311,378
2	AFPLC	1,048,805	-	-	6,577	744	-	(20,147)	-	-	1,035,979
3	Beira	380,841	-	-	114,216	-	-	(33,754)	-	-	461,303
4	CIB	79,173	-	-	10,392	197	-	(7,200)	-	-	82,564
5	PRASAC	4,500,142	(6,352,603)	-	1,727,377	-	-	(150,550)	275,634	-	-
6	SBPLC	8,361,203	-	-	1,410,408	301,957	413,288	(143,337)	-	-	10,343,519
7	SCPL	1,237,666	-	-	244,227	(10,601)	(1,934)	(103,601)	-	-	1,365,757
8	SHL	596,087	-	-	248,540	22,650	243	(40,430)	-	-	827,090
9	VIL	4,000	-	-	72	-	-	-	-	-	4,072
10	NPHI	-	1,331,015	-	246	-	-	-	1,599	-	1,332,860
		16,493,637	(5,021,588)	-	3,827,962	314,947	411,597	(539,268)	277,233	-	15,764,522

32 DEFERRED TAX ASSETS AND LIABILITIES

32.1 Recognised deferred tax assets

Deferred tax assets are attributable to the origination of following temporary differences:

As at 31 March	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
Property, plant & equipment	(222,793)	(149,157)	-	-
Revaluation	(197,650)	-	-	-
Lease receivables	3,007,335	-	-	-
Unutilised tax Losses	4,080,228	3,997,329	-	-
Provision for inventories	654,521	-	-	-
Employee benefits	377,381	1,152,027	-	-
General provisions	2,018,572	418,508	-	-
Unrealized loss on exchange	146,482	5,020	-	-
Net deductible temporary difference	9,864,076	5,423,727	-	-
Total recognised deferred tax assets	1,914,813	1,492,249	-	-

32.2 Movement in recognised deferred tax assets

For the year ended 31 March	Note	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
Balance as at 01 April		1,492,249	490,243	-	80
Origination / reversal to the profit or loss	32.5	557,237	291,869	-	(80)
Acquisition of subsidiaries		40,953	488,026	-	-
Directly charged to the equity	32.7	(190,913)	(17,876)	-	-
Other adjustments / transfers		15,287	450,244	-	-
Disposal of subsidiary		-	(210,257)	-	-
Balance as at 31 March		1,914,813	1,492,249	-	-

Notes to the Financial Statements

32.3 Recognised deferred tax liabilities

Deferred tax liabilities are attributable to the origination of following temporary differences:

As at 31 March	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
Property, plant & equipment	4,057,867	2,765,659	1,132,332	412,530
Revaluation of properties	2,064,428	1,953,396	986,519	34,258
Lease receivables	14,026,845	6,549,004	-	-
Unutilised tax losses	(1,839,047)	(83,526)	(744,424)	(244,252)
Employee benefits	(509,157)	(98,767)	(291,462)	4,020
Forward exchange contracts assets	(529,479)	89,502	-	235
Consumer biological assets	3,305,919	2,984,091	-	-
Bearer biological assets	1,138,382	1,125,033	-	-
Tax relief on amalgamation	(2,326,395)	-	-	-
Other movements	145,729	(3,131)	71,128	(3,131)
Net taxable temporary difference	19,535,092	15,281,261	1,154,093	203,660
Total recognised deferred tax liabilities	4,935,030	4,492,485	323,146	219,926

32.4 Movement in recognised deferred tax liabilities

For the year ended 31 March	Note	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
Balance as at 01 April		4,492,485	3,930,668	219,926	-
Originations / reversal to the profit or loss	32.5	(671)	1,148,369	(46,356)	185,668
Directly charged to the equity	32.7	476,061	66,503	149,576	34,258
Impact due to rate change		27,604	-	-	-
Other adjustments / transfers		(60,449)	328,296	-	-
Disposal of subsidiary		-	(981,351)	-	-
Balance as at 31 March		4,935,030	4,492,485	323,146	219,926

32.5 Deferred tax expense

For the year ended 31 March	Note	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
Deferred tax assets					
Originations / reversal during the period	32.2	(557,237)	(291,869)	-	80
Deferred tax liabilities					
Originations / reversal during the period	32.4	(671)	1,148,369	(46,356)	185,668
Impact due to rate change		27,604	-	-	-
		(530,304)	856,500	(46,356)	185,748

32.6 Unrecognised deferred tax assets for deferred taxation

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available in respective group companies against which the Group can utilise the benefits therefrom.

As at 31 March	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
Unutilised tax losses	10,834,135	9,185,067	-	-
	10,834,135	9,185,067	-	-

32.7 Deferred tax liability charged directly to equity

For the year ended 31 March	Note	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
Charged to / reversed from					
Deferred tax assets	32.2	190,913	17,876	-	-
Deferred tax liabilities	32.4	476,061	66,503	149,576	34,258
	15.8	666,974	84,379	149,576	34,258

According to Sri Lanka Accounting Standard - LKAS 12 "Income Taxes", deferred tax shall be charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or in a different period, directly to equity. Accordingly, the deferred tax liability or asset arising on revaluation of Property, Plant & Equipment & Actuarial Gain or (Loss) of the Group was charged directly to revaluation reserve and Retained Earnings in the Statement of Changes in Equity in 2017/18.

Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the year when the asset is realized or liability is settled, based on the tax rates and tax laws that have been enacted or substantively enacted as at the reporting date.

Deferred tax has been computed at 28% for all standard rate companies (including listed companies), and at 12% for leisure Group companies and at rates as disclosed in notes 15.7. The deferred tax effect on undistributed reserves of subsidiaries has not been recognised since the parent can control the timing of the reversal of these temporary differences.

32.8 Deferred tax assets and liabilities set offs

Net deferred tax assets / liabilities of one entity cannot be set-off against another entity's assets and liabilities since there is no legally enforceable right to set-off. Therefore net deferred tax assets and liabilities of different entities are separately recognised in the Statement of Financial Position.

Notes to the Financial Statements

33 INTANGIBLE ASSETS

As at 31 March	Note	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
Goodwill on acquisition	33.1	13,060,913	12,451,697	-	-
Other intangible assets	33.5				
Computer software		681,189	665,997	192,037	199,215
License and fees	33.6	28,468	10,104	22,233	3,869
Brand value	33.7	18,958	28,436	-	-
Customer base	33.7	-	-	-	-
Right to generate solar power	33.8	135,871	143,217	-	-
Capital Work-in-Progress (CWIP)		29,392	-	6,108	-
Total		13,954,791	13,299,451	220,378	203,084

33.1 Goodwill on acquisition

For the year ended 31 March	Note	Group 2018 Rs.'000	Group 2017 Rs.'000
Cost recognised at the point of acquisition	33.2	12,658,058	12,344,962
Effect on currency translation	33.4	461,855	165,735
Allowance for impairment		(59,000)	(59,000)
		13,060,913	12,451,697

33.2 Cost of the goodwill recognised at the point of acquisition

For the year ended 31 March	Note	Group 2018 Rs.'000	2017 Rs.'000
Ajax Engineers (Private) Limited		10,390	10,390
BRAC Lanka Finance PLC		400,364	400,364
Ceylon Roots (Private) Limited		46,831	46,831
Commercial Leasing and Finance Company PLC		151,415	151,415
Creations Wooden Fabricators (Private) Limited		8,671	8,671
Excel Restaurant (Private) Limited		20,524	20,524
Palm Garden Hotels PLC		180,299	180,299
Saga Solar Power (Private) Limited		5,038	5,038
Speed Italia Limited		59,000	59,000
Sun & Fun Resorts (Private) Limited		57,643	57,643
LOLC Cambodia PLC - LOCAM		990,000	990,000
PRASAC Microfinance Institution Limited	30.6.2.4	10,414,787	10,414,787
Pak Oman Microfinance Bank Ltd (POMB)	30.6.1.7	100,784	-
NPH Investment Pvt Ltd (NPHI)	30.6.1.7	27,481	-
PT LOLC Management Indonesia (PTLMI)	30.6.1.7	184,831	-
		12,658,058	12,344,962

Goodwill as at the reporting date has been tested for impairment.

33.3 Effect on currency translation

Goodwill arising on the acquisition of LOCAM, PRASAC, Pak Oman, NPHI and PTLMI (an foreign operations) was treated as an asset of the foreign operation. Thus it was expressed in the functional currency of the foreign operation and translated at the closing rate.

For the year ended 31 March	Note	Group 2018 Rs.'000	2017 Rs.'000
Cost recognised at the point of acquisition		11,717,883	11,404,787
Accumulated effect on currency translation	33.4	461,855	165,735
		12,179,738	11,570,522

33.4 Accumulated effect on currency translation

	2018	2017
Balance as at 01 April	165,735	110,224
Effect on currency translation	296,120	55,511
Balance as at 31 March	461,855	165,735

33.5 Other intangible assets

Group	Note	Computer Software Rs. '000	License and fees Rs. '000 33.6	Brand value Rs. '000 33.7	Customer base Rs. '000 33.7	Right to generate solar power Rs. '000 33.8	Capital Work-in-Progress (CWIP) Rs. '000	Total 2017/2018 Rs. '000	Total 2016/2017 Rs. '000
Cost									
Balance as at 01 April 2017		1,498,016	47,764	94,785	49,422	146,919	-	1,836,906	1,149,186
Additions		173,712	24,348	-	-	-	157,014	355,074	219,758
Disposals		-	-	-	-	-	-	-	(8,642)
Transfers		(79)	-	-	-	-	(128,747)	(128,826)	3,825
Exchange translation difference		16,333	-	-	-	-	526	16,859	(248)
Acquisition of Subsidiaries	30.6.1.6	12,137	-	-	-	-	599	12,736	473,027
Balance as at 31 March 2018		1,700,119	72,112	94,785	49,422	146,919	29,392	2,092,749	1,836,906
Accumulated amortisation and Impairment losses									
Balance as at 01 April 2017		832,019	37,660	66,349	49,422	3,702		989,152	648,539
Amortisation charged		172,949	4,047	9,478	-	7,346		193,820	144,997
Amortisation on disposal		-	-	-	-	-		-	(313)
Transfers		(1,956)	1,937	-	-	-		(19)	1,078
Exchange translation difference		5,688	-	-	-	-		5,688	(38)
Acquisition of Subsidiaries		10,230	-	-	-	-		10,230	194,889
Balance as at 31 March 2018		1,018,930	43,644	75,827	49,422	11,048		1,198,871	989,152
Carrying amount									
Balance as at 31 March 2018		681,189	28,468	18,958	-	135,871	29,392	893,878	
Balance as at 01 April 2017		665,997	10,104	28,436	-	143,217	-		847,754

33.6 License and fees

This includes the license obtained by LOLC Securities Limited (LOSEC) to operate as a registered stock broker in the Colombo Stock Exchange (CSE) in 2010/11 financial period. The cost of the license amounted to Rs. 28,242,784/- and the remaining carrying amount as at 31 March 2018 is Rs. 20,591,766 (31 March 2017 - Rs. 20,591,766).

33.7 Brand value and customer base

These intangible assets were recognised with the acquisition of Commercial Leasing and Finance PLC in May 2008. These intangible assets identified are separable from the goodwill arose on the acquisition and are recognised based on the present value of the future cash flows separately identified for these assets.

The estimated useful lives are as follows;	Initial estimation	Remaining useful life
Brand value	10 Yrs	1 Yrs
Customer base	5 Yrs	-

33.8 Right to generate solar power

The right represents amount paid to purchase an exclusive right to generate solar electric power. Group will amortize this right over 20 years on a straight line basis beginning from the year of commercial operations.

33.9 Other Intangible assets

Company	Computer Software Rs. '000	License and fees Rs. '000	Capital Work-in-Progress (CWIP) Rs. '000	Total 2017/2018 Rs. '000	Total 2016/2017 Rs. '000
Cost					
Balance as at 01 April 2017	537,487	13,180	-	550,667	467,834
Additions	82,026	24,348	69,786	176,160	82,833
Transfers	(79)	-	(63,678)	(63,757)	-
Balance as at 31 March 2018	619,434	37,528	6,108	663,070	550,667
Accumulated Amortisation and Impairment losses					
Balance as at 01 April 2017	338,272	9,311		347,583	257,813
Amortisation during the year	91,081	4,047		95,128	89,770
Transfers	(1,956)	1,937		(19)	
Balance as at 31 March 2018	427,397	15,295		442,692	347,583
Carrying Amount					
Balance as at 31 March 2018	192,037	22,233	6,108	220,378	
Balance as at 01 April 2017	199,215	3,869	-		203,084

34 PROPERTY, PLANT AND EQUIPMENT

Group	Freehold lands Rs. '000	Leasehold lands Rs. '000	Freehold buildings Rs. '000	Leasehold buildings Rs. '000	Freehold motor vehicles Rs. '000	Leasehold motor vehicles Rs. '000	Furniture & fittings Rs. '000
Cost/ valuation							
Balance as at 01 April	17,509,796	1,149,651	6,762,504	750,925	2,778,196	2,938,022	2,792,501
Additions	742,217	108,077	239,095	53,677	125,891	750,998	314,814
Revaluations	1,842,775	-	97,150	15,007	-	-	-
Disposal	(134,388)	-	(41,000)	(32,709)	(167,757)	(3,404)	(22,989)
Transfers / WIP transfers	501,317	(722,024)	(943,653)	769,638	20,745	13,399	(241,587)
Acquisition of subsidiaries	57,675	-	13,655	7,795	56,983	-	10,381
Disposal of subsidiaries	-	-	-	-	-	-	-
Exchange translation difference	-	-	1,129	8,074	19,656	-	19,482
Balance as at 31 March	20,519,392	535,704	6,128,880	1,572,407	2,833,714	3,699,015	2,872,602
Accumulated depreciation and impairment losses							
Balance as at 01 April		110,007	437,511	386,453	1,636,489	408,983	1,496,948
Charge for the year		13,736	148,250	102,271	199,734	263,974	353,587
Revaluations		-	(149,587)	(32,275)	-	-	-
Disposal		-	(1,179)	(27,983)	(112,521)	(2,723)	(21,321)
Transfers / WIP transfers		2,559	(279,158)	8,025	8,269	5,502	10,375
Acquisition of subsidiaries		-	1,056	4,605	28,150	-	7,090
Disposal of subsidiaries		-	-	-	-	-	-
Exchange translation difference		-	1,952	5,103	15,305	-	13,061
Balance as at 31 March		126,302	158,845	446,199	1,775,426	675,736	1,859,740
As at 31 March 2018	20,519,392	409,402	5,970,035	1,126,208	1,058,288	3,023,279	1,012,862
As at 31 March 2017	17,509,796	1,039,644	6,324,993	364,472	1,141,707	2,529,039	1,295,553

Office equipment Rs. '000	Computers Rs. '000	Freehold plant & machinery Rs. '000	Leasehold machinery Rs. '000	Assets on operating leases Rs. '000	Other tangible assets Note 34.1 Rs. '000	Immovable (JEDB/ SLSPC) assets on finance lease (other than bare land) Note 34.10 Rs. '000	Capital work-in-progress (CWIP) Rs. '000	Total 2017/18 Rs. '000	Total 2016/17 Rs. '000
1,278,162	2,391,493	1,330,305	60,826	194,528	3,072,191	126,129	6,888,537	50,023,766	40,324,926
258,440	653,623	83,060	-	-	152,017	4,353	2,731,561	6,217,823	10,724,812
-	-	-	-	-	(10,127)	-	-	1,944,805	3,021,078
(5,504)	(58,114)	(3,372)	-	(4,000)	(478)	-	-	(473,715)	(338,641)
(287,863)	64,206	(5,165)	(14,980)	(89,462)	449,600	(16,435)	(335,401)	(837,665)	(2,600,847)
14,983	25,211	-	-	-	-		2,293,224	2,479,907	2,192,982
-	-	-	-	-	-	-	-	-	(3,357,411)
1,429	27,119	-	-	-	-		75,088	151,977	56,867
1,259,647	3,103,538	1,404,828	45,846	101,066	3,663,203	114,047	11,653,009	59,506,898	50,023,766
773,544	1,346,857	709,400	12,039	110,960	216,721	112,340		7,758,252	6,771,187
157,254	472,578	116,628	3,438	10,428	229,104	1,783		2,072,765	1,531,530
-	-	-	-	-	(25,052)	-		(206,914)	(153,415)
(5,314)	(22,655)	(305)	-	(4,000)	(478)	-		(198,479)	(181,334)
(100,191)	22,598	(19,216)	(3,283)	(68,614)	78,133	(1,259)		(336,260)	(32,760)
10,165	21,219	-	-	-	-	-		72,285	1,271,031
	-	-	-	-	-	-		-	(1,452,842)
846	15,966	-	-	-	-	-		52,233	4,855
836,304	1,856,563	806,507	12,194	48,774	498,428	112,864		9,213,882	7,758,252
423,343	1,246,975	598,321	33,652	52,292	3,164,775	1,183	11,653,009	50,293,016	
504,618	1,044,636	620,905	48,787	83,568	2,855,470	13,789	6,888,537		42,265,514

Notes to the Financial Statements

34.1 Other Tangible Assets

Group	Water sanitation & others Rs. '000	Roads & bridges Rs. '000	Cutlery, crockery & glassware Rs. '000	Linen & furnishing Rs. '000	Swimming pool Rs. '000	Tools & equipments (Rs.)	Others Rs. '000	Total Rs. '000
Cost/ valuation								
Balance as at 01 April	-	18,349	26,196	75,144	138,091	-	2,814,411	3,072,191
Additions	-		1,876	5,113	1,772	2,152	141,104	152,017
Revaluations	-	-	-	-	(10,127)	-	-	(10,127)
Disposal	-	-	-	(478)	-	-	-	(478)
Transfers / WIP transfers	23,871	-	5,181	-	-	98,299	322,249	449,600
Balance as at 31 March 2018	23,871	18,349	33,253	79,779	129,736	100,451	3,277,764	3,663,203
Accumulated depreciation								
Balance as at 01 April	-	1,781	15,887	58,653	11,111	-	129,289	216,721
Charge for the year	1,041	917	6,767	6,515	13,941	4,852	195,071	229,104
Revaluations	-	-	-	-	(25,052)	-		(25,052)
Disposal	-	-	-	(478)	-	-		(478)
Transfers / WIP transfers	17,159	-	2,240	-	-	17,919	40,815	78,133
Balance as at 31 March 2018	18,200	2,698	24,894	64,690	-	22,771	365,175	498,428
Carrying Amount								
Balance as at 31 March 2018	5,671	15,651	8,359	15,089	129,736	77,680	2,912,589	3,164,775
Balance as at 31 March 2017	-	16,568	10,309	16,491	126,980	-	2,685,122	2,855,470

34.2 Revaluation of land and buildings

Accounting judgements,estimates and assumptions

The Group uses the revaluation model of measurement of land and buildings. The Group engaged independent expert valuers, to determine the fair value of its land and buildings. Fair value is determined by reference to market-based evidence of transaction prices for similar properties. Valuations are based on open market prices, adjusted for any difference in the nature, location or condition of the specific property. These valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimizing the use of unobservable inputs. The date of the most recent revaluation was carried out on 31 March 2018.

The changes in fair value recognised in other comprehensive income and in the statement of equity. The valuer has used valuation techniques such as market values and discounted cash flow methods where there was lack of comparable market data available based on the nature of the property.

34.2.1 Summary description of valuation methodologies

Open market value method (OMV)

Open market value method uses prices and other relevant information generated by market transactions involving identical or comparable assets, liabilities or a group of assets and liabilities, such as a business.

Direct capital comparison method (DCC)

This method may be adopted when the rental value is not available from the property concerned, but there are evidences of sale price of properties as a whole. In such cases, the capitalized value of the property is fixed by direct comparison with capitalized value of similar property in the locality.

Contractors method (CM)

The replacement cost (contractor's) method is used to value properties which do not generally exchange on the open market and for which comparable evidence therefore does not exist. The valuations are based on two components: the depreciated cost of the building element and the market value of the land. Current build costs and often the land price will be established by comparison.

Investment method (IM)

The investment method is used to value properties which are let to produce an income for the investor. Conventionally, investment value is a product of rent and yield. Each of these elements is derived using comparison techniques.

34.3 Carrying value of fully depreciated assets

The following Property, plant and equipment have been fully depreciated and continue to be in use by the Group.

For the year ended	Group 31 Mar 2018 Rs.'000	Group 31 Mar 2017 Rs.'000
Cost of the fully depreciated assets	2,347,602	2,442,828

34.4 Temporarily idle property, plant and equipment

There were no idle property, plant and equipment as at the reporting date (2016/17: Nil)

34.5 Property, plant and equipment retired from active use

There were no property, plant and equipment retired from active use as at the reporting date (2016/17: Nil)

34.6 Title restriction on property, plant and equipment

There were no restriction on the title of property, plant and equipment as at 31st March 2018.

34.7 Property, plant and equipment pledged as security for liabilities

There were no items of property, plant and equipment pledged as securities for liabilities other than those disclose in Note 48 to these financial statements.

34.8 Compensation from third parties for items of property, plant and equipment

There were no compensation received during the year from third parties for items of property, plant and equipment that were impaired, lost or given up (2016/17: Nil).

34.9 Borrowing cost capitalization

Borrowing Costs incurred on borrowings obtained to finance the acquisition, construction or production of qualifying asset, which takes substantial period of time to get ready for its intended use or sale, have been capitalized during the year. The borrowing cost capitalization will be ceased when the respective asset is ready for use.

For the year ended	Group 31 Mar 2018 Rs.'000	Group 31 Mar 2017 Rs.'000
Capitalized borrowing costs	547,039	292,595

34.10 Immovable (JEDB/SLSPC) estate assets on Finance Lease (other than bare land)

Group As at 31 March 2018	Improvements to lands Rs. '000	Buildings Rs. '000	Machinery Rs. '000	Water sanitation Rs. '000	Roads and bridges Rs. '000	Other vested assets Rs. '000	Total Rs. '000
Capitalized value							
Balance as at 01 April	18,654	82,243	16,798	6,610	501	1,323	126,129
Additions	4,353	-	-	-	-	-	4,353
Transfers	(16,435)	-	-	-	-	-	(16,435)
Balance as at 31 March 2018	6,572	82,243	16,798	6,610	501	1,323	114,047
Accumulated amortisation							
Balance as at 31 March 2017	5,882	107,635	27,872	16,348	224	4,995	162,956
Charged for the period	702	4,535	-	35	9	156	5,437
Disposal of subsidiaries	(703)	(30,676)	(11,074)	(9,773)	-	(3,827)	(56,053)
Balance as at 31 March 2017	5,881	81,494	16,798	6,610	233	1,323	112,340
Charged for the period	1,025	749	-	-	9	-	1,783
Transfers	(1,259)	-	-	-	-	-	(1,259)
Balance as at 31 March 2018	5,647	82,243	16,798	6,610	242	1,323	112,864
Carrying Amount							
Balance as at 31 March 2018	925	-	-	-	259	-	1,183
Balance as at 31 March 2017	12,773	749	-	-	268	-	13,789

Right-To-Use of Land on Lease (Leasehold Rights to Bare Land of JEDB/SLSPC Estates)

Lease agreements of all JEDB/SLSPC estates handed over to the Group's sub subsidiary Maturata Plantations Limited have been executed to date. All of these leases are retroactive to 15th/22nd June 1992, the dates of formation of the Group's sub subsidiary. The leasehold rights to the bare land on all of these estates have been taken into the books of the Group's sub subsidiary on 15th/22nd June 1992, immediately after formation of the Group's sub subsidiary, in terms of the ruling obtained from the Urgent Issue Task Force (UITF) of the Institute of Chartered Accountants of Sri Lanka. For this purpose, Board of the Group's sub subsidiary decided at its meetings that lease bare land would be revalued at the value established for this land by Valuation Specialist Dr. D. R. Wickramasinghe just prior to the formation of the Group's sub subsidiaries. The values as at 22nd June 1992 and 15th June 1992 were taken in to the books of Maturata Plantations Limited.

The leasehold rights to land is recorded in accordance with the Statement of Recommended Practice for the Right-to-Use of land on lease which was approved by the Council of the Institute of Chartered Accountants of Sri Lanka on 19 December 2012. Corresponding liability is shown as a lease payable to JEDB/SLSPC.

The right to use bare land on lease 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 financial reporting date is 27.25 years.

34 PROPERTY, PLANT AND EQUIPMENT (CONT.)

Company	Freehold lands	Freehold buildings	Freehold motor vehicles	Leasehold motor vehicles	Furniture & fittings	Office equipment	Computers	Assets on operating leases	Capital work-in-progress (CWIP)	Total 2017/18	Total 2016/17
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cost/Valuation											
Balance as at 01 April	3,978,316	735,608	1,486,503	159,358	559,207	618,444	1,000,525	86,304	181,636	8,805,901	6,310,402
Additions	33,897	77,974	50,481	-	90,808	101,839	319,174	-	85,550	759,723	879,320
Revaluations	65,864	42,506	-	-	-	-	-	-	-	108,370	1,845,875
Disposals	(672,000)	(41,000)	(99,066)	-	(2,363)	(34)	(39,067)	-	-	(853,530)	(229,696)
Transfers	(499,577)	(360,923)	24,280	13,400	-	79	-	(37,680)	(66,954)	(927,375)	-
Balance as at 31 March	2,906,500	454,165	1,462,198	172,758	647,652	720,328	1,280,632	48,624	200,232	7,893,089	8,805,901
Accumulated Depreciation and impairment losses											
Balance as at 01 April		1,664	750,442	49,449	367,351	412,044	558,284	33,100		2,172,334	1,929,023
Charge for the year		22,259	23,173	8,985	76,822	86,096	210,582	2,601		430,518	347,161
Revaluations		(20,420)	-	-	-	-	-	-		(20,420)	-
Depreciation on disposals		(1,179)	(51,855)	-	(1,638)	(34)	(4,322)	-		(59,028)	(118,622)
Depreciation on transfers		57	15,366	1,467	-	19	-	(16,833)		76	14,772
Balance as at 31 March		2,381	737,126	59,901	442,535	498,125	764,544	18,868		2,523,480	2,172,334
Carrying Amount											
As at 31 March 2018	2,906,500	451,784	725,072	112,857	205,117	222,203	516,088	29,756	200,232	5,369,609	
As at 31 March 2017	3,978,316	733,944	736,061	109,909	191,856	206,400	442,241	53,204	181,636		6,633,567

34.11 Property, plant & equipment includes fully depreciated assets that are still in use having a gross amount of Rs. 1,243 Mn as at 31st March 2018 (2016/17 - Rs. 864.71 Mn)

34.12 The fair value of the revalued properties were determined by Mr. W. M. Chandrasena, an independent valuer who holds recognised and relevant professional qualification and have recent experience in the location and category of the revalued properties.

Date of the revaluation	31 March 2018
Method of determining fair value	Sales comparison

There is no significant difference in fair value of properties from 31 March 2017 to 31 March 2018

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

As at 31 March	2018 Rs.'000	2017 Rs.'000
Cost	727,445	1,976,610
Accumulated depreciation and impairment	(34,053)	(37,030)
	693,392	1,939,580

Notes to the Financial Statements

34.13 Changes in estimates

The company re-estimated the realisable value and useful economic life of all its motor vehicles as at the reporting date. The financial impact on change in realisable value was taken into financial year of 2012-2013 and impact on change in economic life will be considered from 1st April 2014 onwards.

As at 31 March 2018	2015/16 Rs.'000	2016/17 Rs.'000	2017/18 Rs.'000	Later Rs.'000
Effect of change to depreciation	82,000	82,000	82,000	-

34.14 Property, plant and equipment pledged as security for liabilities

There were no items of property, plant and equipment pledged as securities for liabilities other than those disclose in Note 48 to these financial statements.

34.15 The following table shows the valuation techniques used in measuring the fair value of significant properties of the group, as well as the significant unobservable inputs used.

Valuation Technique	Significant observable and unobservable inputs	Interrelationship between key inputs and fair value measurement
Sales comparison method - value derived based on recent transactions of similar properties	Per perch value Colombo Region - Rs. 1.1 Mn to 13 Mn Southern Coast Region - Rs. 0.45 Mn - to Rs. 1.2 Mn Other Regions - Rs. 0.035 Mn to Rs. 4 Mn	The estimated fair value would increase (decrease) if: - comparable property value was higher / (lesser)
Depreciated replacement cost method	Value per square feet determined based on similar properties value, depreciated for period used and adjusting acquisition cost	The estimated fair value would increase (decrease) if: - Depreciation rate was lesser / (higher) - Square feet value was higher / (lesser)

35 TRADING LIABILITIES

As at 31 March	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
Derivative liabilities				
Forward rate agreements	754,089	65,287	-	1,252
	754,089	65,287	-	1,252

36 DEPOSITS LIABILITIES

As at 31 March	Note	Group 2018 Rs.'000	Group 2017 Rs.'000
36.1 Deposits from customers			
Fixed deposits	36.2	279,412,460	193,145,583
Saving / demand deposits	36.3	23,439,881	14,666,682
Interest / profits payable	36.4	4,676,259	3,315,742
		307,528,600	211,128,007
36.2 Fixed deposits			
Local currency deposits			
Conventional deposits		109,596,520	82,960,952
Islamic - Mudharabah		5,725,070	4,539,207
Islamic - Wakala		4,589,245	1,958,708
Others		193,350	395,098
Foreign currency deposits			
Conventional deposits		144,803,959	103,010,403
Others		14,504,316	281,215
		279,412,460	193,145,583
36.3 Saving / demand deposits			
Local currency deposits			
Conventional deposits		3,607,835	3,122,376
Islamic		899,420	110,109
Foreign currency deposits			
Conventional deposits		17,368,401	10,330,275
Others		1,564,225	1,103,922
		23,439,881	14,666,682
36.4 Interest / profits payable			
Interest payable on conventional deposits		4,499,428	3,174,565
Profits payable on Islamic deposits		176,831	141,177
		4,676,259	3,315,742

Notes to the Financial Statements

37 INTEREST BEARING BORROWINGS

As at 31 March	Note	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
Commercial papers & promissory notes		20,275,575	12,234,118	4,593,581	11,241,493
Short-term loans and others		69,189,822	76,237,144	34,509,800	29,264,398
Debentures	37.1	18,668,757	15,071,541	7,808,392	5,000,000
Finance lease liabilities	37.2	671,973	1,251,456	47,251	97,405
Long-term borrowings	37.3	223,448,675	181,955,025	4,822,277	5,403,702
		332,254,802	286,749,284	51,781,301	51,006,998

37.1 Information on Group's listed debentures

37.1.1 Interest rate of comparable government security

Buying and selling prices of treasury bond at the auction held on 29th March 2018

	Buying Price	Buying Yield %	Selling Price	Selling Yield %
4 Year Bond	103.86	10.05	104.21	9.95
5 Year Bond	103.82	10.26	104.59	10.07

37.1.2 Market prices and yield during the year (ex-interest)

	Market Yield %	Market Price
4 Year Bond	10.00	104.04
5 Year Bond	10.17	104.20

	Current period
Yield to maturity of trade done on 29th March 2018	13%

Debt to equity	1.05	times
Interest cover	1.79	times
Quick asset ratio	0.54	times

The market prices during the period (ex interest)	
Highest price	91.05
Lowest price	89.30
Last traded price	90.84

a) Debenture detail

Year of issue	Year of redemption	Type of issue	Interest payable frequency: Fixed rate annually	Fixed rate semi-annually	Fixed rate quarterly	Group 2018 Rs. '000	Group 2017 Rs. '000	Company 2018 Rs. '000	Company 2017 Rs. '000
2014	2019	Senior, unsecured, listed, redeemable, rated debentures	-	-	9.00%	5,000,000	5,000,000	5,000,000	5,000,000
2017	2022	Senior, unsecured, listed, redeemable, rated debentures	-	13.00%	-	2,000,000	-	2,000,000	-
2017	2019	Senior, unsecured, listed, redeemable, rated debentures	-	12.65%	-	750,000	-	750,000	-
2014	2019	Senior, unsecured, listed, redeemable, rated debentures	-	-	9.00%	254,741	254,024	-	-
2014	2019	Senior, unsecured, listed, redeemable, rated debentures	-	9.10%	-	1,049	1,046	-	-
2014	2019	Senior, unsecured, listed, redeemable, rated debentures	9.25%	-	-	4,824,186	4,824,186	-	-
2015	2020	Senior, unsecured, listed, redeemable, rated debentures	9.75%	-	-	5,000,000	5,000,000	-	-
						17,829,976	15,079,256	7,750,000	5,000,000

Note

1. AWPLR (Five-year floating rate) – ('AWPLR' means the simple average of the Average Weighted Prime Lending Rate published by the Central Bank of Sri Lanka for the 12-week period, immediately preceding each Interest Determination Date).

37.2 Finance lease liabilities

As at 31 March	Note	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
JEDB/SLSPC estates lease liabilities	37.2.1	51,492	54,123	-	-
Other lease liabilities	37.2.2	620,481	1,197,333	47,251	97,405
		671,973	1,251,456	47,251	97,405

Notes to the Financial Statements

37.2.1 JEDB/SLSPC estates lease liabilities

For the year ended 31 March	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
Gross liability				
Balance as at 1st April	90,215	490,969	-	-
Leases obtained during the year	-	1,914	-	-
Amortised interest	-	(319)	-	-
Repayments	(3,137)	(16,744)	-	-
Other movements	(1,595)	(1,859)	-	-
Disposal of subsidiaries	-	(383,746)	-	-
Balance as at 31st March	85,483	90,215	-	-
Finance costs allocated to future years	(33,991)	(192,245)	-	-
Disposal of subsidiaries	-	156,153	-	-
Net liability	51,492	54,123	-	-
Payable within one year				
Gross liability	3,137	4,094	-	-
Finance costs allocated to future years	(2,060)	(2,337)	-	-
Net liability transferred to current liabilities	1,077	1,757	-	-
Payable within two to five years				
Gross liability	12,548	13,503	-	-
Finance costs allocated to future years	(7,790)	(8,056)	-	-
Net liability	4,758	5,447	-	-
Payable after five years				
Gross liability	69,798	72,618	-	-
Finance costs allocated to future years	(24,141)	(25,699)	-	-
Net liability	45,657	46,919	-	-

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The lease rental have been amended, with effect from 21st June 1996 to a substantially higher amount than the previous nominal lease rental of Rs. 500 per estate per annum.

The basic rental payable under the revised basis is Rs. 3.14 Mn per annum and this amount is to be inflated annually by the Gross Domestic Production (GDP) Deflator and is in the form contingent lease rental. Consequently, contingent lease rentals charged for the current year in the income statement amounts to Rs. 8.60 Mn.

This lease agreement was further amended on 21st June 2002, freezing annual lease rental at Rs. 22.93 Mn for a period of six years commencing from 21st June 2002. Hence, the GDP Deflator adjustment had been frozen at Rs. 6.18 Mn per annum until 21st June 2008.

Lease rental has been revised by the Ministry of Finance after the relief period of 2002-2008. The rental has been computed in accordance with Amendment of Leases.

Future liability on annual lease payments of Rs. 3.14 Mn would continue until year 2045. The net present value of this liability at 4% discounting rate (as recommended by UITF) would result in a liability of Rs. 51.49 Mn (Last year - Rs.52.53 Mn)

Gross contingent rental in respect of leasehold right to bear land for the remaining 27.25 Years of the lease term at the current contingent rental is estimated as Rs. 85.48 Mn.

37.2.2 Other lease liabilities

For the year ended 31 March	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
Gross lease rentals payable as at 01 April	1,392,790	1,476,729	114,996	129,024
Leases obtained during the year	15,403	686,991	-	93,449
Other movements	2,048	1,971	-	-
Lease rentals paid during the year	(698,957)	(772,901)	(59,815)	(107,477)
Gross lease rentals payable as at 31 March	711,284	1,392,790	55,181	114,996
Less: Unamortised finance cost	(90,803)	(195,457)	(7,930)	(17,591)
Net lease liability	620,481	1,197,333	47,251	97,405
Repayable within one year				
Gross lease rentals payable	357,444	681,771	25,236	60,665
Less: Unamortised finance cost	(53,620)	(90,791)	(4,167)	(9,661)
Net lease liability	303,824	590,980	21,069	51,004
Repayable after one year before five years				
Gross lease rentals payable	353,841	711,019	29,946	54,331
Less: Unamortised finance cost	(37,184)	(104,666)	(3,764)	(7,930)
Net lease liability	316,657	606,353	26,182	46,401

Notes to the Financial Statements

37.3 Long-term borrowings

For the year ended 31 March	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
Gross balance as at 01 April	182,438,590	117,890,062	5,399,443	6,437,073
Received during the year	109,109,531	52,719,587	3,620,500	1,000,000
Acquisition of subsidiaries	152,151	50,476,696	-	-
Disposal of subsidiaries	-	(223,890)	-	-
Repaid during the year	(67,986,105)	(38,423,865)	(4,170,917)	(2,037,630)
Gross borrowings as at 31 March	223,714,167	182,438,590	4,849,026	5,399,443
Less: Unamortised finance cost	(265,492)	(483,565)	(26,749)	4,259
Balance as at 31 March	223,448,675	181,955,025	4,822,277	5,403,702
Long-term borrowings - current	94,436,686	40,613,609	4,325,163	1,852,936
Long-term borrowings - non-current	129,011,989	141,341,416	497,114	3,550,766
Total	223,448,675	181,955,025	4,822,277	5,403,702
Analysis of non-current portion of long-term borrowings				
Repayable within 3 years	112,035,056	119,656,990	497,114	3,550,766
Repayable after 3 years	16,976,933	21,684,426	-	-
Total	129,011,989	141,341,416	497,114	3,550,766

The borrowings include long term and short term loans which carry interest rates which are variable and are reset on a monthly / quarterly /semi-annually / annual basis. Consequent to the merger with the two subsidiaries call LOFC and LOMC certain debt covenants are being renegotiated with the lenders to suit the merged entity. As a result, loans amounting to Rs. 34.9 Bn has been classified as current even though the contractual maturity is long term. Of this amount Rs. 21.6 Bn has a contractual maturity within 1-3 years and Rs. 5 Bn has a maturity after 3 years.

38 INSURANCE CONTRACT LIABILITIES

As at 31 March	Note	Group 2018 Rs.'000	Group 2017 Rs.'000
Long-term insurance contracts	38.1	2,877,925	2,048,422
Non-life insurance contracts	38.2	3,438,534	2,729,985
Total insurance contract liabilities		6,316,459	4,778,407

The company has satisfied liability adequacy test in both life & general insurance businesses.

38.1 Long-term insurance contract liabilities

As at 31 March 2018	Group					
	2018			2017		
	Insurance contract liabilities	Reinsurance of liabilities	Net	Insurance contract liabilities	Reinsurance of liabilities	Net
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
At 01 April	2,129,871	(129,187)	2,000,684	1,561,464	(69,914)	1,491,550
Premiums received	2,634,140	(132,101)	2,502,039	1,962,079	(107,001)	1,855,078
Claims incurred	(446,659)	101,526	(345,133)	(199,653)	33,953	(165,700)
Fees deducted	(285,920)	9,624	(276,296)	(246,607)	13,775	(232,832)
Investment return	351,913	-	351,913	261,620	-	261,620
Expenses	(1,272,142)	-	(1,272,142)	(823,484)	-	(823,484)
Gratuity - actuarial gain/(loss)	(1,076)	-	(1,076)	1,464	-	1,464
Net gain / (loss) on available-for-sale assets - Life policyholders	183,936	-	183,936	(68,256)	-	(68,256)
Life deficit transfer	(373,968)	-	(373,968)	(318,756)	-	(318,756)
	3,111,203	(150,138)	2,769,957	2,515,419	(129,187)	2,000,684
Claims outstanding	107,968	-	107,968	47,738	-	47,738
At 31 March	3,219,171	(150,138)	2,877,925	2,563,157	(129,187)	2,048,422

38.2 Non-life insurance contract liabilities

As at 31 March 2018		2018			2017		
		Insurance contract liabilities	Reinsurance of liabilities	Net	Insurance contract liabilities	Reinsurance of liabilities	Net
	Note	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
At 01 April							
Provision for reported claims	38.3	994,915	(421,269)	573,646	731,229	(147,773)	583,456
IBNR		312,877	-	312,877	267,290	-	267,290
Outstanding claims provision		1,307,793	(421,269)	886,523	998,519	(147,773)	850,746
Commission reserves		(126,672)	167,209	40,536	(69,798)	113,712	43,914
Provision for unearned premiums	38.4	2,742,246	(652,040)	2,090,205	2,153,119	(465,567)	1,687,552
Total non-life contract liabilities		3,923,366	(906,101)	3,017,265	3,081,840	(499,628)	2,582,212

Notes to the Financial Statements

38.3 Outstanding claims provision

As at 31 March 2018	2018 Insurance contract liabilities Rs. '000	2018 Reinsurance of liabilities Rs. '000	2018 Net Rs. '000	2017 Insurance contract liabilities Rs. '000	2017 Reinsurance of liabilities Rs. '000	2017 Net Rs. '000
At 01 April	731,229	(147,773)	583,456	509,740	76,942	432,798
Claims incurred in the current accident year	2,211,684	(546,204)	1,665,480	2,229,753	(678,606)	2,908,359
Claims paid during the year	(1,947,997)	272,708	(1,675,290)	(2,008,264)	453,891	(2,462,155)
Total non-life contract liabilities	994,915	(421,269)	573,646	731,229	(147,773)	879,002

As at 31 March 2018	2018 Insurance contract liabilities Rs. '000	2018 Reinsurance of liabilities Rs. '000	2018 Net Rs. '000	2017 Insurance contract liabilities Rs. '000	2017 Reinsurance of liabilities Rs. '000	2017 Net Rs. '000
At 01 April	(69,798)	113,712	43,914	(51,001)	80,214	29,213
Change in commission reserves	(56,874)	53,497	(3,378)	(18,797)	33,498	14,701
Total non-life contract liabilities	(126,672)	167,209	40,536	(69,798)	113,712	43,914

38.4 Provision for unearned premiums

As at 31 March 2018	2018 Insurance contract liabilities Rs. '000	2018 Reinsurance of liabilities Rs. '000	2018 Net Rs. '000	2017 Insurance contract liabilities Rs. '000	2017 Reinsurance of liabilities Rs. '000	2017 Net Rs. '000
At 01 April	2,153,119	(465,567)	1,687,552	1,657,684	(267,133)	1,390,551
Premiums written in the year	4,071,568	(677,652)	3,393,915	3,524,910	(421,653)	3,103,257
Premiums earned during the year	(3,482,441)	491,179	(2,991,262)	(3,029,475)	223,219	(2,806,256)
At 31 March	2,742,246	(652,040)	2,090,205	2,153,119	(465,567)	1,687,552

39 CURRENT TAX PAYABLES

As at 31 March	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
Income tax payables	3,060,904	2,176,711	41,705	141,244
VAT payables	1,191,547	1,162,445	589,253	431,589
WHT payables	148,184	119,688	31,599	9,925
ESC payables	7,926	20,707	-	-
NBT payables	101,521	44,896	27,299	-
Other tax payables	302,014	111,756	28,300	40,676
	4,812,096	3,636,203	718,156	623,434

40 TRADE AND OTHER PAYABLES

As at 31 March	Note	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
Financial liabilities					
Trade payables		24,295,005	6,730,887	324,218	204,503
Creditors for leased equipment		2,063,931	3,240,108	-	-
Amount due to related companies	50.3.2	23,832	134,084	3,118,147	644,297
Insurance premium payable		328,842	569,621	-	-
Staff related payments		967,748	-	1,709	-
Other financial liabilities		2,116,046	2,910,166	52,463	345,041
		29,795,404	13,584,866	3,496,537	1,193,841
Non-financial liabilities					
Unclaimed dividends		54,240	53,448	-	2,093
Accrued expenses/ advance payment		5,268,627	1,927,388	-	42,270
Excess payment received		929,661	-	17,266	-
Other non-financial liabilities		1,145,580	2,116,561	-	-
		7,398,108	4,097,397	17,266	44,363
		37,193,512	17,682,263	3,513,803	1,238,204

41 DEFERRED INCOME

	Note	Capital grants	Operating lease receivables - PHDT	Transfer of shares	Income received in advance	Total 2017/2018	Total 2016/2017
		41.1	41.2	41.3			
		Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Group							
Gross deferred income							
Balance as at 01 April		130,234	12,424	63,994	165,476	372,128	946,185
Deferred Income received		-	-	-	26,241	26,241	142,508
Transfers/re-classifications /adjustments		30,274	(1,689)	-	(89,146)	(60,561)	-
Disposal of subsidiaries		-	-	-	-	-	(716,565)
Balance as at 31 March		160,508	10,735	63,994	102,571	337,808	372,128
Accumulated amortisation							
Balance as at 01 April		27,272	6,251	22,008	80,764	136,295	295,164
Amortised to profit & loss		9,949	537	1,861	61,135	73,482	85,169
Transfers/re-classifications /adjustments		34,087	(1)	(10,540)	(79,919)	(56,373)	-
Disposal of subsidiaries		-	-	-	-	-	(244,038)
Balance as at 31 March		71,308	6,787	13,329	61,980	153,404	136,295
Carrying amount							
Balance as at 31 March 2018		89,200	3,948	50,665	40,591	184,404	
Balance as at 01 April 2017		102,962	6,173	41,986	84,712		235,833

41.1 Capital grants

The above capital grants represent the following;

1 Funds received from the Plantation Housing and Human Development Trust (PHDT), MTIP, MPI for the development of workers welfare facilities and improvements to institutional facilities.

2 Funds received from the plantation reform project for the development of forestry plantations.

The amounts spent is capitalized under the relevant classification of property, plant and equipment. The corresponding grant component is reflected under deferred income and is being amortised over the useful life span of the related asset.

Grant related to the biological assets which are measured at fair value less point to sell cost is directly charged to the carrying value of such assets in accordance with the Sri Lanka Accounting Standards.

41.2 Operating lease receivables - PHDT

Premises at St. Andrew's Drive in Nuwara Eliya has been leased out to Plantation Human Development Trust for a period of 20 years commencing from August'2005 at a total lease rental of Rs. 10.73 Mn.

Lease Rentals received are deferred and amortised over the lease period commencing from August 2005.

The timing of future operating lease rentals are as follows;

As at 31 March	Group	
	2018	2017
	Rs.'000	Rs.'000
Less than one year	537	537
Between one and five years	2,147	2,147
More than five years	1,264	3,489
	3,948	6,173

41.3 Deferred income in respect of transfer of shares - Maturata Plantations Ltd

This represents the value of 6,399,375 number of shares received by Maturata Plantations Limited originally equivalent to 20% of the issued ordinary shares of RFELL at Rs.10/-each in lieu of releasing the leasehold rights of 488 Hectares in Enselwatte , Deniyaya for Eco Tourism Project. The value of ordinary shares are deferred and amortised over the unexpired balance lease period. However, due to the rights issue shareholdings percentage has come down from 20% to 13.44% subsequently.

The timing of future operating lease rentals are as follows;

As at 31 March	Group	
	2018	2017
	Rs.'000	Rs.'000
Less than one year	1,861	1,861
Between one and five years	7,445	7,445
More than five years	41,359	43,220
	50,665	52,526

42 RETIREMENT BENEFIT OBLIGATIONS

As at 31 March		Group		Company	
		2018	2017	2018	2017
	Note	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as the beginning of the year		2,175,902	2,063,282	234,548	184,863
Acquisition of subsidiaries	30.6.2.3	-	754,429	-	-
Benefits paid by the plan		(1,275,542)	(236,596)	(6,106)	(7,534)
Expenditure recognised in the income statement	42.1	414,982	345,491	49,318	45,874
(Gain)/Loss arising from changes in assumptions		90,375	(35,918)	13,703	11,345
Exchange translation difference		28,444	-	-	-
Disposal of subsidiaries	30.7.5	-	(714,786)	-	-
Balance as at the end of the period		1,434,161	2,175,902	291,463	234,548

Notes to the Financial Statements

42.1 Expense recognised in the income statement

For the year ended 31 March	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
Current service costs	287,974	174,162	21,172	21,034
Interest costs	127,008	171,329	28,146	24,840
	414,982	345,491	49,318	45,874

42.2 Actuarial assumptions

Principal actuarial assumptions at the reporting date;

For the year ended 31 March		Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
Discount rate	%	11%	12%	11%	12%
Future salary increases	%	5% - 12%	5% - 12%	9%	9%
Staff turnover factor	%	2.5% - 15%	2.5% - 15%	2.5% -15%	2.5% -15%
Retirement age	Yrs	55-60	55-60	55	55

42.3 Sensitivity of the actuarial assumptions

For the year ended 31 March	Rate	2018		2017	
	change	Financial position - liability	Comprehensive income - charge for the period	Financial position - liability	Comprehensive income - charge for the period
Assumption		Rs. '000	Rs. '000	Rs. '000	Rs. '000
Group					
Discount rate	+1	(127,667)	127,667	(145,066)	145,066
	-1	46,745	(46,745)	134,154	(134,154)
Future salary increases	+1	31,430	(31,430)	113,563	(113,563)
	-1	(115,788)	115,788	(128,637)	128,637
Company					
Discount rate	+1	(16,630)	16,630	(12,993)	12,993
	-1	18,731	(18,731)	14,582	(14,582)
Future salary increases	+1	20,383	(20,383)	14,364	(14,364)
	-1	(18,384)	18,384	(13,022)	13,022

Mortality	-	GA 1983 Mortality Table
Disability	-	Long-Term Disability 1987 Soc. Sec. Table
Retirement Age	-	Normal Retirement Age, or Age on Valuation Date, if greater

The Group and company does not have any material issues pertaining to the employees and Industrial relations as of 31st March 2018.

42.4 Maturity analysis of the payments

The following payments are expected on employee benefit liabilities in future years

For the year ended 31 March	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
Within the next 12 months	265,123	699,031	36,232	40,676
Between 1 and 2 years	212,392	524,924	77,703	73,725
Between 2 and 5 years	393,570	624,585	137,510	134,177
Between 5 and 10 years	791,386	803,531	288,921	232,440
Beyond 10 years	186,807	431,454	-	-
Total expected payments	1,849,278	3,083,525	540,366	481,018

Notes to the Financial Statements

43 STATED CAPITAL

As at 31 March	Note	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
Issued and Fully Paid	43.1	475,200	475,200	475,200	475,200
No. of Shares	43.2	475,200	475,200	475,200	475,200

All shares rank equally with regard to the Company's residual assets. The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

43.1 Movement in stated capital

As at 31 March	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
Balance at the beginning of the period	475,200	475,200	475,200	475,200
Movement during the period	-	-	-	-
Balance at the end of the period	475,200	475,200	475,200	475,200

43.2 Movement in no. of shares

As at 31 March	Group 2018 No. Shares	Group 2017 No. Shares	Company 2018 No. Shares	Company 2017 No. Shares
Balance at the beginning of the period	475,200,000	475,200,000	475,200,000	475,200,000
Movement during the period	-	-	-	-
Balance at the end of the period	475,200,000	475,200,000	475,200,000	475,200,000

44 RESERVES

As at 31 March	Note	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
Revaluation reserve	44.1	7,583,355	6,601,609	2,715,503	3,139,620
Cash flow hedge reserve	44.2	(41,026)	118,356	-	-
Fair value reserve on AFS	44.3	171,674	(895,216)	9,708	33,007
Translation reserve	44.4	1,101,555	744,534	-	-
Future taxation reserve	44.5	205,000	205,000	205,000	205,000
Statutory reserve fund	44.6	2,663,011	2,158,161	-	-
		11,683,569	8,932,444	2,930,211	3,377,627

Nature and purpose of reserves

44.1 Revaluation reserve

The revaluation reserve relates to the revaluation surplus of property, plant and equipment . Once the respective revalued items have been disposed, the relevant portion of revaluation surplus if any is transferred to retained earnings.

44.2 Cash flow hedge reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in fair value hedges pending subsequent recognition of the hedged cash flows.

44.3 Fair value reserve on AFS

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the assets are derecognised or impaired.

44.4 Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

44.5 Future taxation reserve

This reserve was created in order to accommodate unexpected future tax liabilities that might arise at a future date.

44.6 Statutory reserve fund

The Statutory reserves of LOLC Finance PLC and Commercial Leasing and Finance PLC were created in accordance with the Finance Companies (Capital Funds) Direction No. 01 of 2003 issued under the Finance Business Act No. 42 of 2011 (which supersedes the Finance Companies Act No. 78 of 1988) which requires the Company to transfer 20% of its annual profit to this reserve.

45 RETAINED EARNINGS

The carrying amount of the retained earnings represents the undistributed earnings held by the Group and the Company. This could be used to absorb future losses and dividend declaration.

Notes to the Financial Statements

46 COMMITMENTS AND CONTINGENCIES

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefits is not probable or cannot be readily measured as defined in the Sri Lanka Accounting Standard – LKAS 37 (Provisions, Contingent Liabilities and Contingent Assets).

In the normal course of business, the Group makes various commitments and incurs certain contingent liabilities with legal recourse to its customers. No material losses are anticipated as a result of these transactions.

To meet the financial needs of customers and subsidiaries, the Company/ Group enters into various irrevocable commitments and contingent liabilities. These consist of financial guarantees, letter of credit and other undrawn commitments to lend. Letter of credit, guarantees and acceptance commit the group to make payments on behalf of customers or subsidiaries in the event of a specific act, generally related to the import or export of goods. Guarantees and standby letters of credit carry a similar credit risk to loans.

Contingent liabilities are not recognised in the Statement of Financial Position but are disclosed unless its occurrence is remote.

Operating lease commitments of the Group (as a lessor and as a lessee) form part of commitments and pending legal claims against the Group form part of contingencies.

Even though these obligations may not be recognised on the Statement of Financial Position, they do contain credit risk and are therefore part of the overall risk of the group as disclosed in Note 55.

In the normal course of business, the group makes various irrevocable commitments and incurs certain contingent liabilities with legal recourse to its customers. Even though these obligations may not be recognised on the date of the Statement of Financial Position, they do contain credit risk and are therefore form part of the overall risk profile of the group.

46.1 Contingent liabilities

As at 31 March	Group		Company	
	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Guarantees issued to banks and other institutions	2,946,673	1,911,322	318,205	-
Corporate guarantees given to subsidiaries to obtain loans	9,237,550	7,756,350	6,550,000	3,550,000
Other contingencies	165,631	119,902	-	466,219
	12,349,854	9,787,574	6,868,205	4,016,219

46.2 Commitments

As at 31 March	Note	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
Forward exchange contracts	46.2.1	45,089,089	47,651,713	-	447,361
Capital commitments	46.2.2	9,979,152	7,587,035	-	-
Letter of credits opened		740,019	558,347	-	-
Undrawn credit lines		17,318,913	15,158,641	-	-
Operating lease commitments	46.2.3	21,388,683	9,363,923	58,711	92,219
		94,515,856	80,319,659	58,711	539,580

46.2.1 On the commitment for forward exchange contracts, the Group will receive USD 257,306,344/- Euro 36,450,197/- GBP 2,700,000/- AUD 5,750,000/- on the conversion.

46.2.2 Capital commitments

The Group has commitments for acquisition of property, plant & equipment and intangible assets incidental to the ordinary course of business which have been approved by the Board of Directors, the details of which are as follows:

As at 31 March	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
Approved and contacted for	8,108,962	6,477,448	-	-
Approved but not contacted for	1,870,190	1,109,587	-	-
	9,979,152	7,587,035	-	-

Samudra Beach Resorts (Private) Limited

Samudra Beach Resorts (Pvt) Ltd. has entered into an agreement for a contract with Sierra Civil Engineering (Pvt) Ltd. as a designing and building contractor to construct a 4-Star Hotel at Kosgoda. The total cost was estimated to be Rs. 2,919 Mn. out of which Rs. 2,510 Mn already incurred.

Riverina Resorts (Private) Limited

Riverina Resorts (Private) Limited is in the process of putting up a 475 key, 5 star, 20 Acre Resort situated in Golden Mile Bentota. The total cost was estimated to be Rs. 7,200 Mn. out of which Rs. 2,930 Mn already incurred.

46.2.3 Operating lease commitments

The Group leases a number of Land, branch and office premises under operating leases. The leases generally run for a period of 10-50 years. The future minimum lease payments under non-cancellable operating leases, payable based on the maturity of the lease contracts as at 31st March are as follows:

As at 31 March	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
Less than one year	1,198,422	669,472	38,502	49,759
Between one and five years	3,767,772	2,142,671	20,209	42,460
More than five years	16,422,489	6,551,780	-	-
	21,388,683	9,363,923	58,711	92,219

46.3 Litigation against the Group

Litigation is a common occurrence in the finance industry due to the nature of the business undertaken. The Group has formal controls and policies for managing legal claims. Once professional advice has been obtained and the amount of loss reasonably estimated, the Group makes adjustments to account for any adverse effects which the claims may have on its financial standing. At the Reporting date the Group had several unresolved legal claims. The significant unresolved legal claims against the Group for which legal advisor of the Group is of the opinion that there is possible loss, however there is a probability that the action will not succeed. Accordingly, no provision for any claims has been made in these Financial Statements.

47 SUBSEQUENT EVENTS AND RE-CLASSIFICATIONS

47.1 Subsequent events

No circumstances have arisen subsequent to the reporting date which would require adjustment to or disclosure in the financial statements other than followings;

Amalgamation of Browns Capital PLC with Browns Investments PLC

The Board of Directors of Browns Investments PLC a sub subsidiary of the Group at its Board meeting held on 22nd May 2018, has formally approved the amalgamation of Browns Capital Holdings (Pvt) Ltd and Browns Capital PLC with Browns Investments PLC subject to the Colombo Stock Exchange, Shareholders and other requisite approvals.

Browns Investments PLC will issue shares to the shareholders of Browns Capital PLC at a ratio of two shares of Browns Investments PLC to the each one share of Browns Capital PLC.

48 ASSETS PLEDGED

The Group pledges assets that are in its statement of financial position in day to day transaction which are conducted under the usual terms and conditions applying such agreements. The Group has pledged following assets including right to use assets of leasehold properties. The details of the pledged securities are given below.

		Carrying amount of the assets pledged			
		Group		Company	
As at 31 March		2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Nature of assets	Nature of liability				
Foreign currency term deposits	Interest bearing loans and borrowings	14,028,237	11,391,600	-	-
Lease, hire purchase and loans receivable	Term loan/bank drafts/short -term loan/ field and processing developments	23,303,917	28,523,767	119,806	165,995
Marketable shares and loans portfolio	Bank overdrafts/term loans/investments in field development	22,909,888	11,523,519	21,780,651	5,010,335
Leasehold right	Finance lease	3,183,094	3,329,889		-
Leasehold property and vehicles	Term loan	171,703	109,909	112,857	109,909
Freehold land & buildings	Interest bearing loans and borrowings	3,109,937	8,119,059	-	-
Promissory Notes, Securitised debt certificates, Stock and book debts	Interest bearing loans and borrowings	2,168,900	3,483,838	-	-
		68,875,676	66,481,581	22,013,314	5,286,239

49 FOREIGN CURRENCY TRANSLATION

The principal exchange rates used for translation purposes were;

		2018		2017	
		Closing Rate	Average Rate	Closing Rate	Average Rate
United States Dollar	USD	155.97	153.45	151.99	147.29
Cambodian Riel	KHR	0.0390	0.0379	0.0379	0.0364
Pakistani Rupee	PKR	1.3481	1.4287	N/A	N/A
Myanmar Kyat	MMK	0.1168	0.1132	0.1118	0.1174
Indonesian Rupiah	IDR	0.0113	0.0113	N/A	N/A

Notes to the Financial Statements

50 RELATED PARTY DISCLOSURES

50.1 Transactions with key management personnel

The Company and the group Carries out transactions in the ordinary course of business with the parties who are defined as related parties in Sri Lanka Accounting Standard – LKAS 24 (Related Party Disclosures), the details of which are reported below.

Terms and conditions of transactions with related parties

The Group and Company carried out transactions in the ordinary course of business with the following related entities. The list of Directors at each of the subsidiary, joint venture and associate companies have been disclosed in the Group directory under the Supplementary Information section of the Annual Report.

Transactions with related parties are carried out in the ordinary course of the business. These transactions carried at arm's length basis. Outstanding current account balances at year end are unsecured, interest free and settlement occurs in cash.

Non-recurrent related party transactions

Other than the transaction disclosed underneath, there were no any non-recurrent related party transactions which aggregate value exceeds 10% of the equity or 5% of the total assets whichever is lower of the Company as per 31 March 2017 audited financial statements, which required additional disclosures in the 2017/18 Annual Report under Colombo Stock Exchange listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Security Exchange Commission Directive issued under Section 13 (c)of the Security Exchange Commission Act.

Name of the related party	Relationship	Nature of the transactions	Value of related party transactions entered into during the financial year	Value of related party transactions as a % of equity and as a % of total assets	Terms and conditions of the related party transactions
				% of Total Equity	
LOLC Finance PLC	Subsidiary	Sale LOMC to LOFC	9,832,960	16.71%	Arms length transaction to sale subsidiary under financials sector consolidation plan for subsequent amalgamation
				% of Total Assets	
			9,832,960	1.53%	

Recurrent related party transactions

All the transactions which are disclosed under note 50.2.1 with Related Parties which are recurrent, of revenue or trading nature and which is necessary for day-to-day operations of the company and subsidiaries, in the opinion of the Related Party Transactions Review Committee, terms for all these transactions are not favourable to the Related Party than those generally available to the public.

Except the above, there were no any recurrent related party transactions which in aggregate value exceeds 10% of the consolidated revenue of the Group as per 31 March 2018 audited financial statements, which required additional disclosures in the2017/18 Annual Report under Colombo Stock Exchange listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Security Exchange Commission Directive issued under Section 13 (c) of the Security Exchange Commission Act.

Transactions with Key Management Personnel (KMP)

According to Sri Lanka Accounting Standard LKAS 24 – 'Related Party Disclosures', Key Management Personnel (KMP) are those persons having authority and responsibility for planning, directing and controlling the activities of the entity directly or indirectly, including any Director (whether executive or otherwise) of that entity. Accordingly, the Board of Directors, Director/Chief Executive Officer, Key Employees of the Company holding directorships in subsidiary companies have been classified as Key Management Personnel (KMP) of the Group.

Close family members are defined as spouse or dependent. Dependent is defined as anyone who depends on the respective Director for more than 50% of his/her financial needs. Close family members of the KMP are those family members who may be expected to influence or be influenced by that KMP in their dealings with the entity. They may include KMP's domestic partner, children of the KMP's domestic partner and dependants of the KMP.

As the Company is the Ultimate Parent of its subsidiaries mentioned in Note 1.3 and the Board of Directors of the Company has the authority and responsibility for planning, directing and controlling the activities of the group, the Directors of the Company and their close family members have been identified as the KMP of the Group.

Therefore, employees of the Company who are Directors of the subsidiary have also been classified as KMP of the subsidiary only.

Key management personnel compensation

For the year ended 31 March	Note	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
50.1.1 Short term Employment benefits					
Includes:					
Director's emoluments		114,937	137,796	36,155	19,868
Other KMP emoluments and other short term benefits		666,002	586,272	212,626	563,537
		780,939	724,068	248,781	583,405

50.1.2 Long term employment benefits ;

There are no long-term employment benefits paid to the Key Management Personnel during the year.

50.1.3 Other transactions with key management personnel

For the year ended 31 March	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
Other transactions with key management personnel				
Rentals paid	15,209	31,144	15,209	31,144
Advances granted during the period	22,345	-	-	-
Balance rentals outstanding	52,267	-	-	-
Deposits taken during the period	1,265,844	-	-	-
Deposits balance	921,646	1,113,431	-	-
Interest paid / charged	128,292	138,867	-	-
Interest payable	41,938	-	-	-

Notes to the Financial Statements

50.2 Transactions with Related Parties

The Company carries out transactions in the ordinary course of its business with parties who are defined as related parties in Sri Lanka Accounting Standard 24 "Related Party Disclosures".

The Group had the following financial dealings during the year 2017/18 with companies which are considered, related parties and unless otherwise stated, transactions were carried out in the ordinary course of business at commercial rates with companies mentioned below.

The parties given below are considered related parties mainly due to significant influence arising as a result of common directorships and through shareholdings. These companies, names of the Directors and the nature of transactions entered into are listed below.

50.2.1 Transactions with subsidiaries, associates and joint-ventures

For the year ended 31 March	Note	Company 2018 Rs.'000	Company 2017 Rs.'000
Subsidiaries			
Fund transfers in		123,011,600	115,781,233
Fund transfers out		104,204,589	117,617,520
Expenses shared		4,873,182	8,491,761
Asset hire income	5	248,169	248,169
Interest received on fund transfer		2,748,644	3,428,081
Treasury handling charges	5	776,663	893,389
Royalty income	5	865,516	635,900
Franchise fees	5	134	159,271
Advisory services for handling fund mobilization & investing	5	97,770	57,392
Guarantee fee income	5	27,333	51,225
Investments in subsidiaries		2,215,850	6,492,113
Rental income		3,300	3,000
Arrangement & Disbursement Fee		741,394	536,051
Show back income		292,164	269,284
Secretarial fee		7,191	6,774
Conversion of loan to equity		-	130,248
Interest received on facilities granted		-	1,902
Associates			
Interest charged/received		-	10,266
Repayment of loans and finance leases obtained		36,613	299
Interest paid		449	-

Balance Outstanding on facilities granted to related parties as at 31 March

As at 31 March		Company 2018 Rs.'000	2017 Rs.'000
Subsidiaries	Finance leases and loans granted	-	7,998
Associates	Finance leases and loans granted	68	44,411
		69	52,409

Notes 50.3 shows other balances with related parties.

50.2.1 Transactions with associates and joint-ventures

For the year ended 31 March	Group 2018 Rs.'000	2017 Rs.'000
Associates		
Trading transactions		
- Sales	48,940	139
- Purchases	2,572,559	817,761
Settlement of cost of purchases	111,633	99,119
Interest charged/received	670,513	732,656
Loans Granted	909,666	1,548,921
Repayment of loans and finance leases obtained	364,593	1,408,950
Expenses shared	226	2,178
Rental income	36,613	536,445
Dividend income	246,954	539,268
Balances receivables on facilities granted	677,925	490,409
Commission income received	56,754	54,482

Notes to the Financial Statements

50.2.2 Transactions and balances with other related parties

A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of these entities.

A number of these entities transacted with the Group during the year. The terms and conditions of the transactions with key management personnel and their related parties were no more favorable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

The transactions related to key management personnel and entities over which they have control were as follows;

For the year ended 31 March	Group		Company	
	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Loans obtained	10,735,150	10,047,047	4,000,000	-
Settlement of loans obtained	(6,520,514)	(7,733,736)	(1,750,579)	-
Interest paid on loans	2,300,071	2,168,051	313,642	264,499
Interest received on loans given	253,902	253,902	-	-
Interest paid on debentures	248,486	233,902	-	-
Balances payable on;				
- Loans obtained	21,760,292	15,147,973	4,000,000	-
- Debentures	2,745,000	2,745,000	-	-
Balances receivables on loans granted	2,744,890	2,744,890	-	1,750,579
Supply of leased vehicles	3,250	119,100	-	-

50.3 Balances with Related Parties

50.3.1 Amounts due from related parties

As at 31 March	Note	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
Subsidiaries					
B G Air Services (Private) Limited		-	-	7,291	6,867
BI Commodities & Logistics (Private) Limited		-	-	7,893	-
Bodufaru Beach Resorts (Private) Limited		-	-	5	-
BRAC Lanka Finance PLC		-	-	1,810,471	1,714,343
Brown and Company PLC		-	-	14,685	59,506
Browns Capital (Private) Limited		-	-	20,880	
Browns Hotel and Resorts Limited		-	-	2,830,045	2,213,391
Browns Investments PLC		-	-	1,842,754	3,277,824
Ceylon Roots (Private) Limited		-	-	3,385,242	2,807
Commercial Leasing & Finance PLC		-	-	142,002	63,597
Dickwella Resort Limited		-	-	621,520	489,570
Diriya Investments (Private) Limited		-	-	132	20
East Coast Land Holdings (Private) Limited		-	-	2,260	1,234
Eden Hotels Lanka PLC		-	-	2,403,229	1,089,226
Excel Restaurant (Private) Limited		-	-	2,962	4,253
Green Orchard Property Investments Limited		-	-	188	6
Green Paradise Resorts (Private) Limited		-	-	99	1,229
LOLC Capital One (Private) Limited		-	-	17,316	
LOLC Corporate Services (Private) Limited		-	-	27,706	25,729
LOLC Factors Limited		-	-	-	99,515
LOLC Finance PLC		-	-	963,725	400,782
LOLC General Insurance Limited		-	-	67,608	129,188
LOLC Investments Limited		-	-	-	5,297
LOLC Life Assurance Limited		-	-	66,287	78,466
LOLC Micro Credit Limited		-	-	-	13,102,718
LOLC Motors Limited		-	-	74,329	46,344
LOLC Myanmar Micro-Finance Company Limited		-	-	19,402	19,402
LOLC Securities Limited		-	-	280,531	356,589
LOLC Technologies Limited		-	-	18,561	-
Maturata Plantations Limited		-	-	986	764
Millennium Development Limited		-	-	8,174	9,359
PALM Garden Hotels PLC		-	-	857,770	731,443
Prospere Realty (Private) Limited		-	-	-	50,429
Riverina Resort (Private) Limited		-	-	2,480,120	1,855,046
Speed Italia Limited		-	-	43,615	43,551
Sun & Fun Resorts (Private) Limited		-	-	51	1,068
Sundaya Lanka (Private) Limited		-	-	8	-
Tropical Villas (Private) Limited		-	-	-	36,915
United Dendro Energy (Private) Limited		-	-	24,250	24,250

Notes to the Financial Statements

50.3.1 Amounts due from related parties contd.

As at 31 March	Note	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
Associates					
Associates Battery Manufactures (Ceylon) Limited		17,877	21,170	-	-
AgStar PLC		18	-	-	-
Galoya Plantations Limited		4,114,269	3,240,002	4,191	2,014
Seylan Bank PLC		15,983	15,604	-	-
Sierra Construction (Private) Limited		454	7,770	-	-
Taprobane Plantations (Private) Limited		74,049	-	-	-
NPH Development Limited		166,037			
Other related Parties					
Agalawatte Plantations PLC		-	26	-	26
Ceylon Tea Estate (Private) Limited		-	105	-	105
Pussellawa Plantations Limited		-	1,166	-	1,166
Taprobane Holdings PLC		-	237	-	237
(-) Allowance for impairment	50.3.1.1	-	-	-	(43,598)
		4,388,687	3,286,080	18,046,288	25,900,678

50.3.1.1 Movement in allowance of impairment

For the year ended 31 March	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
Opening balance	-	-	43,598	476,779
Reversal for the period	-	-	(43,598)	(433,181)
Provided for the period	-	-		-
Balance as at 31 March	-	-	-	43,598

50.3.2 Amounts due to related parties

For the year ended 31 March	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
Subsidiaries				
Commercial Factors (Pvt) Ltd	-	-	3,000	-
LOLC Finance PLC	-	-	-	13
Lanka ORIX Information Technology Services Limited	-	-	216,167	383,784
LOLC Asset Holdings Limited	-	-	19,906	-
LOLC Eco Solutions Limited	-	-	4,256	4,331
LOLC Factors Limited	-	-	2,273,384	1,591
LOLC Investments Limited	-	-	43,728	-
LOLC Micro Investments Limited	-	-	179,191	-
LOLC Micro Investments Limited	-	-	-	235,301
Prospere Reality Limited	-	-	378,515	-
LOLC Technologies Limited	-	-	-	19,277
Associates				
AgStar Fertilizers PLC	2,007	16,382	-	-
Associates Battery Manufactures (Ceylon) Limited	-	79,888	-	-
Galoya Plantations Limited	15,817	15,140	-	-
Seylan Bank PLC	2,778	19,444	-	-
Taprobane Plantations (Private) Limited	3,230	3,230	-	-
	23,832	134,084	3,118,147	644,297

51 ASSETS AND LIABILITIES MEASURED AT FAIR VALUE AND FAIR VALUE HIERARCHY

51.1 Fair value hierarchy

The Group's accounting policy on fair value measurements is discussed in accounting policy 3.4.5.

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

1 Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

When available, the Group measures the fair value of an instrument using active quoted prices or dealer price quotations (assets and long positions are measured at a bid price; liabilities and short positions are measured at an ask price), without any deduction for transaction costs. A market is regarded as active if transactions for asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

2 Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using:

a) quoted market prices in active markets for similar instruments;

b) quoted prices for identical or similar instruments in markets that are considered less than active; or

c) other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Notes to the Financial Statements

51.1 Fair value hierarchy contd.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Valuation techniques include net present value and discounted cash flow models comparison with similar instruments for which observable market prices exist, option pricing models and other valuation models.

Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, risk premiums in estimating discount rates, bond and equity prices, foreign exchange rates, expected price volatilities and corrections.

Observable prices or model inputs such as market interest rates are usually available in the market for listed equity securities and government securities such as treasury bills and bonds. Availability of observable prices and model inputs reduces the need for management judgement and estimation while reducing uncertainty associated in determining the fair values.

Models are adjusted to reflect the spread for bid and ask prices to re-elect costs to close out positions, credit and debit valuation adjustments, liquidity spread and limitations in the models. Also, profit or loss calculated when such financial instruments are first recorded ('Day 1' profit or loss) is deferred and recognised only when the inputs become observable or on derecognition of the instrument.

The following table provides an analysis of assets and liabilities measured at fair value as at the Reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised. These amounts were based on the values recognised in the Statement of Financial Position.

There were no material transfers between levels of fair value hierarchy during 2017/18 and 2016/17.

The independent valuers provide the fair value of land and buildings once in three years according to the Group's policy. Therefore the fair value exist in the recent valuation which was carried out by professionally qualified independent valuers in compliance with Sri Lanka Accounting Standards - SLFRS 13 (Fair Value Measurement) less subsequent accumulated depreciation and impairment losses is considered as the fair value exist as at the reporting date (31st March 2018).

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

		As at 31st March 2018			
	Note	Level 1 Quoted prices in active markets Rs.'000	Level 2 Significant observable inputs Rs.'000	Level 3 Significant un-observable inputs Rs.'000	Total Rs.'000
Group					
Financial assets					
Trading assets - fair value through profit or loss					
Corporate securities	18.1	2,525,402	-	-	2,525,402
Government securities	18.2	-	1,562	-	1,562
Equity securities	18.3	507,958	-	-	507,958
Derivative assets held for risk management	18.4	-	133,541	-	133,541
		3,033,360	135,103	-	3,168,463
Investment securities					
Corporate securities	19.1.1	180,403	-	-	180,403
Government securities	19.1.2	-	11,767,740	-	11,767,740
Designated available-for-sale investment securities	19.1.3	380,209	-	-	380,209
Equity securities with readily determinable fair values	19.1.4	3,651	-	-	3,651
Unquoted equity securities	19.1.5	-	87,665	-	87,665
		564,263	11,855,405	-	12,419,668
Total financial assets at fair value		3,597,623	11,990,508	-	15,588,131
Non-financial assets					
Investment properties	27	-	-	14,352,331	14,352,331
Consumable biological assets	28	-	-	3,305,919	3,305,919
Property, plant & equipment					
- Land (Freehold)	34	-	-	20,519,392	20,519,392
- Buildings (Leasehold & Freehold)	34	-	-	7,096,243	7,096,243
Total non-financial assets at fair value		-	-	45,273,885	45,273,885
Total assets at fair value		3,597,623	11,990,508	45,273,885	60,862,016
Financial liabilities					
Derivative financial liabilities	35	-	754,089	-	754,089
Total liabilities at fair value		-	754,089	-	754,089

Notes to the Financial Statements

51.1 Fair value hierarchy contd.

		As at 31st March 2017			
	Note	Level 1 Quoted prices in active markets Rs.'000	Level 2 Significant observable inputs Rs.'000	Level 3 Significant un-observable inputs Rs.'000	Total Rs.'000
Group					
Financial assets					
Trading assets - fair value through profit or loss					
Corporate securities	18.1	2,765,497	-	-	2,765,497
Government securities	18.2	-	1,895	-	1,895
Equity securities	18.3	665,826	-	-	665,826
Derivative assets held for risk management	18.4	-	216,343	-	216,343
		3,431,323	218,238	-	3,649,561
Investment securities					
Available-for-sale investment securities					
Government securities	19.1.2	-	8,009,170	-	8,009,170
Designated available-for-sale investment securities	19.1.3	348,508	-	-	348,508
Equity securities with readily determinable fair values	19.1.4	3,299	-	-	3,299
Unquoted equity securities	19.1.5	-	1,088,119	-	1,088,119
		351,807	9,097,289	-	9,449,096
Total financial assets at fair value		3,783,130	9,315,527	-	13,098,657
Non-financial assets					
Investment properties	27	-	-	9,750,928	9,750,928
Consumable biological assets	28	-	-	2,984,091	2,984,091
Property, plant & equipment					
- Land (Freehold)	34	-	-	17,509,796	17,509,796
- Buildings (Leasehold & Freehold)	34	-	-	6,689,465	6,689,465
Total non-financial assets at fair value		-	-	36,934,280	36,934,280
Total assets at fair value		3,783,130	9,315,527	36,934,280	50,032,937
Financial liabilities					
Derivative financial liabilities		-	65,287	-	65,287
Total liabilities at fair value		-	65,287	-	65,287

		As at 31st March 2018			
	Note	Level 1 Quoted prices in active markets Rs.'000	Level 2 Significant observable inputs Rs.'000	Level 3 Significant un-observable inputs Rs.'000	Total Rs.'000
Company					
Financial assets					
Trading assets - fair value through profit or loss					
Equity securities	18.3	341,399	-	-	341,399
		341,399	-	-	341,399
Investment securities					
Available-for-sale investment securities					
Equity securities with readily determinable fair values	19.1.3	380,209	-	-	380,209
		380,209	-	-	380,209
Total financial assets at fair value		721,608	-	-	721,608
Non-financial assets					
Investment properties	27	-	-	882,500	882,500
Property, plant & equipment					
- Land (Freehold)	34	-	-	2,906,500	2,906,500
- Buildings (Leasehold & Freehold)	34	-	-	451,784	451,784
Total non-financial assets at fair value		-	-	4,240,784	4,240,784
Total assets at fair value		721,608	-	4,240,784	4,962,392
Financial liabilities					
Derivative financial liabilities		-	-	-	-
Total liabilities at fair value		-	-	-	-

Notes to the Financial Statements

51.1 Fair value hierarchy contd.

		As at 31st March 2017			
	Note	Level 1 Quoted prices in active markets Rs.'000	Level 2 Significant observable inputs Rs.'000	Level 3 Significant un-observable inputs Rs.'000	Total Rs.'000
Company					
Financial assets					
Trading assets - fair value through profit or loss					
Equity securities	18.3	451,115	-	-	451,115
Derivative assets held for risk management	18.4	-	2,089	-	2,089
		451,115	2,089	-	453,204
Investment securities					
Available-for-sale investment securities					
Equity securities with readily determinable fair values	19.1.3	348,508	-	-	348,508
		348,508	-	-	348,508
Total financial assets at fair value		799,623	2,089	-	801,712
Non-financial assets					
Investment properties	27	-	-	376,600	376,600
Property, plant & equipment					
- Land (Freehold)	34	-	-	3,978,316	3,978,316
- Buildings (Leasehold & Freehold)	34	-	-	733,944	733,944
Total non-financial assets at fair value		-	-	5,088,860	5,088,860
Total assets at fair value		799,623	2,089	5,088,860	5,890,572
Financial liabilities					
Derivative financial liabilities		-	1,252	-	1,252
Total liabilities at fair value		-	1,252	-	1,252

51.2 **Financial instruments not measured at fair value**

The following table sets out the fair values of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorised.

As at 31 March	Note	2018 Carrying amount Rs.'000	2018 Fair Value Rs.'000	2017 Carrying amount Rs.'000	2017 Fair Value Rs.'000
Group					
Financial assets					
Loans & receivables	19.2	67,716,945	68,429,030	45,930,225	44,279,785
Finance lease receivables, hire purchases and operating leases	20	56,724,874	57,299,901	51,886,989	51,641,070
Advances and other loans	21	493,251,097	493,781,849	366,809,378	365,261,117
		617,692,916	619,510,780	464,626,592	461,181,972
Financial liabilities					
Deposits liabilities	36.1	307,528,600	308,359,254	211,128,007	211,937,220
Interest bearing borrowings	37	332,254,802	333,936,603	286,749,284	289,304,723
		639,783,402	642,295,857	497,877,291	501,241,943
Company					
Financial assets					
Loans & receivables	19.2	9,556,021	9,364,901	-	-
Finance lease receivables, hire purchases and operating leases	20	2,888	2,888	4,422	4,422
Advances and other loans	21	2,342,042	1,734,660	785,112	634,577
		11,900,951	11,102,449	789,534	638,999
Financial liabilities					
Interest bearing borrowings	37	51,781,301	52,418,210	51,006,998	52,027,138
		51,781,301	52,418,210	51,006,998	52,027,138

For the cash and cash equivalents, short term receivables and payables, the fair value reasonably approximates its costs.

There are various limitations inherent in this fair value disclosure particularly where prices may not represent the underlying value due to dislocation in the market. Not all the Group's financial instruments can be exchanged in an active market. The Group obtains the fair values for investment securities from quoted market prices where available. Where securities are unlisted and quoted prices are not available, the Group obtains the fair values, by means of discounted cash flows and other valuation techniques that are commonly used by market participants. These techniques address factors such as interest rates, credit risk and liquidity.

The following table sets out the fair values of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy in to which each fair value measurement is categorized.

Notes to the Financial Statements

51.2 Financial instruments not measured at fair value

As at 31st March 2018	Group Level 1 Quoted prices in active markets Rs.'000	Level 2 Significant observable inputs Rs.'000	Level 3 Significant un-observable inputs Rs.'000	Total Rs.'000
Financial assets				
Loans & receivables	-	8,301,689	60,127,340	68,429,029
Finance lease receivables, hire purchases and operating leases	-	-	57,299,901	57,299,901
Advances and other loans	-	-	493,781,850	493,781,850
	-	8,301,689	611,209,091	619,510,780
Financial liabilities				
Deposits liabilities	-	-	308,359,254	308,359,254
Interest bearing borrowings	-	-	333,936,603	333,936,603
	-	-	642,295,857	642,295,857
As at 31st March 2017				
Financial assets				
Loans & receivables	-	44,279,785	-	44,279,785
Finance lease receivables, hire purchases and operating leases	-	-	51,641,070	51,641,070
Advances and other loans	-	-	365,261,117	365,261,117
	-	44,279,785	416,902,187	461,181,972
Financial liabilities				
Deposits liabilities	-	-	211,937,220	211,937,220
Interest bearing borrowings	-	-	289,304,723	289,304,723
	-	-	501,241,943	501,241,943

As at 31st March 2018	Company Level 1 Quoted prices in active markets Rs.'000	Level 2 Significant observable inputs Rs.'000	Level 3 Significant un-observable inputs Rs.'000	Total Rs.'000
Financial assets				
Loans & receivables	-	9,364,901	-	9,364,901
Finance lease receivables, hire purchases and operating leases	-	-	2,888	2,888
Advances and other loans	-	-	1,734,660	1,734,660
	-	9,364,901	1,737,548	11,102,449
Financial liabilities				
Interest bearing borrowings	-	-	52,418,210	52,418,210
	-	-	52,418,210	52,418,210
As at 31st March 2017				
Financial assets				
Finance lease receivables, hire purchases and operating leases	-	-	4,422	4,422
Advances and other loans	-	-	634,577	634,577
	-	-	638,999	638,999
Financial liabilities				
Interest bearing borrowings	-	-	52,027,138	52,027,138
	-	-	52,027,138	52,027,138

Notes to the Financial Statements

51.3 Assets measured at level 3

The following table shows a reconciliation from the beginning balances to the ending balances of fair value measurements in Level 3 of the fair value hierarchy.

Note 34.15 provides information on significant unobservable inputs used as at March 31, 2018 in measuring fair value of land and buildings categorised as Level 3 in the fair value hierarchy.

Note 34.2.1 provides details of valuation techniques used and sensitivity of fair value measurement to changes in significant unobservable inputs.

As at 31st March 2018	Freehold Land and Buildings Group Rs.'000	 Company Rs.'000
Balance as at 1st April 2016	21,138,994	2,666,878
Additions	747,806	173,891
Revaluations	3,021,078	1,845,875
Disposals / deductions	65,758	-
Acquisition of subsidiaries	128,722	-
Disposal of Subsidiaries	(848,000)	-
Depreciation of buildings	(55,097)	25,616
Balance as at 31st March 2017	24,199,261	4,712,260
Additions	1,034,989	111,871
Revaluations	2,136,794	128,790
Disposals / deductions	419,500	(1,572,378)
Acquisition of subsidiaries	73,464	-
Disposal of Subsidiaries	2,148	-
Depreciation of buildings	(250,521)	(22,259)
Balance as at 31st March 2018	27,615,635	3,358,284

52 ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS

Financial instruments are measured on an on-going basis either at fair value or at amortised cost. The Accounting Policies describe how each category of financial instrument is measured and how income and expenses, including fair value gain and losses, are recognised. The following table analyses the carrying amounts of the financial instruments by category as defined in Sri Lanka Accounting Standards – LKAS 39 (Financial Instruments: Recognition & Measurement) under headings of the Statement of Financial Position.

			Group		
As at 31 March 2018	Held for trading Rs. '000	Loans and receivables Rs. '000	Held to maturity Rs. '000	Available for sale Rs. '000	Total Rs. '000
Financial assets					
Cash in hand and favorable bank balances	-	51,133,160	-	-	51,133,160
Trading assets - fair value through profit or loss	3,168,463	-	-	-	3,168,463
Investment securities	-	67,716,945	-	12,419,668	80,136,613
Finance lease receivables, hire purchases and operating leases	-	56,724,874	-	-	56,724,874
Advances and other loans	-	493,251,097	-	-	493,251,097
Trade and other financial assets	-	21,713,019	-	-	21,713,019
Total financial assets	3,168,463	690,539,095	-	12,419,668	706,127,226
Financial liabilities					
Bank overdrafts	-	9,293,783	-	-	9,293,783
Trading liabilities	754,089	-	-	-	754,089
Deposits liabilities	-	307,528,600	-	-	307,528,600
Interest bearing borrowings	-	332,254,802	-	-	332,254,802
Trade and other financial payables	-	29,795,404	-	-	29,795,404
Total financial liabilities	754,089	678,872,589	-	-	679,626,678
As at 31st March 2017					
Financial assets					
Cash in hand and favorable bank balances	-	54,215,239	-	-	54,215,239
Trading assets - fair value through profit or loss	3,649,561	-	-	-	3,649,561
Investment securities	-	45,930,225	-	9,449,096	55,379,321
Finance lease receivables, hire purchases and operating leases	-	51,886,989	-	-	51,886,989
Advances and other loans	-	366,809,378	-	-	366,809,378
Trade and other financial assets	-	11,248,897	-	-	11,248,897
Total financial assets	3,649,561	530,090,728	-	9,449,096	543,189,385
Financial liabilities					
Bank overdrafts	-	7,365,332	-	-	7,365,332
Trading liabilities	65,287	-	-	-	65,287
Deposits liabilities	-	211,128,007	-	-	211,128,007
Interest bearing borrowings	-	286,749,284	-	-	286,749,284
Trade and other financial payables	-	13,584,866	-	-	13,584,866
Total financial liabilities	65,287	518,827,489	-	-	518,892,776

Notes to the Financial Statements

Analysis of Financial Instruments by Measurement Basis

As at 31 March 2018	Held for trading Rs. '000	Loans and receivables Rs. '000	Company Held to maturity Rs. '000	Available for sale Rs. '000	Total Rs. '000
Financial assets					
Cash in hand and favorable bank balances	-	281,209	-	-	281,209
Trading assets - fair value through profit or loss	341,399	-	-	-	341,399
Investment securities	-	9,556,021	-	380,209	9,936,230
Finance lease receivables, hire purchases and operating leases	-	2,888	-	-	2,888
Advances and other loans	-	2,342,042	-	-	2,342,042
Trade and other financial assets	-	18,111,705	-	-	18,111,705
Total financial assets	341,399	30,293,865	-	380,209	31,015,473
Financial liabilities					
Bank overdrafts	-	2,459,828	-	-	2,459,828
Interest bearing borrowings	-	51,781,301	-	-	51,781,301
Trade and other financial payables	-	3,496,537	-	-	3,496,537
Total financial liabilities	-	57,737,666	-	-	57,737,666
As at 31st March 2017					
Financial assets					
Cash in hand and favorable bank balances	-	460,015	-	-	460,015
Trading assets - fair value through profit or loss	453,204	-	-	-	453,204
Investment securities	-	-	-	348,508	348,508
Finance lease receivables, hire purchases and operating leases	-	4,422	-	-	4,422
Advances and other loans	-	785,112	-	-	785,112
Trade and other financial assets	-	26,034,584	-	-	26,034,584
Total financial assets	453,204	27,284,133	-	348,508	28,085,845
Financial liabilities					
Bank overdrafts	-	1,691,299	-	-	1,691,299
Trading liabilities	1,252	-	-	-	1,252
Interest bearing borrowings	-	51,006,998	-	-	51,006,998
Trade and other financial payables	-	1,193,841	-	-	1,193,841
Total financial liabilities	1,252	53,892,138	-	-	53,893,390

53 MATURITY ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES

53.1 Maturity analysis of financial assets

As at 31 March 2018	Note	Carrying amount Rs. '000	less than one month Rs. '000	1-3 months Rs. '000	4-12 months Rs. '000	13-60 months Rs. '000	> 60 months Rs. '000
Group							
Cash and cash equivalents	17.1	51,133,160	48,774,747	2,319,420	38,993	-	-
Trading assets - fair value through profit or loss							
Unit trusts	18.1	2,525,402	1,845,887	679,515	-	-	-
Government securities	18.2	1,562	1,562	-	-	-	-
Equity Securities	18.3	507,958	495,416	7,642	4,900	-	-
Derivative assets held for risk management	18.4	133,541	-	54,241	79,300	-	-
Investment securities							
Available-for-sale investment securities	19.1	12,419,668	2,264,949	775,847	5,148,081	2,590,226	1,640,565
Loans & receivables	19.2	67,716,945	17,255,192	18,611,887	18,268,727	13,578,799	2,340
Finance lease receivables, hire purchases and operating leases							
Finance lease receivables	20.1	56,709,102	4,346,266	5,226,731	10,512,012	36,235,434	388,659
Hire purchase receivables	20.2	12,884	660	11,029	778	417	-
Operating lease receivables	20.3	2,888	2,888	-	-	-	-
Advances and other loans							
Advances and loans	21.1	477,245,097	24,619,550	41,130,499	129,756,855	261,712,651	20,025,542
Factoring receivables	21.2	14,035,137	3,805,289	5,747,600	1,320,050	3,162,198	-
Pawning advances	21.3	1,970,863	689,803	985,431	295,629	-	-
Trade and other current assets							
Financial Assets	25	21,713,019	4,453,998	10,407,601	5,600,495	1,188,690	62,235
		706,127,226	108,556,207	85,957,443	171,025,820	318,468,415	22,119,341
Company							
Cash and cash equivalents	17.1	281,209	281,209	-	-	-	-
Trading assets - fair value through profit or loss							
Equity Securities	18.3	341,399	341,399	-	-	-	-
Investment securities							
Available-for-sale investment securities	19.1	380,209	-	-	-	-	380,209
Loans & receivables	19.2	9,556,021	-	9,556,021	-	-	-
Finance lease receivables, hire purchases and operating leases							
Operating lease receivables	20.3	2,888	2,888	-	-	-	-
Advances and other loans							
Advances and loans	21.1	2,342,042	272,965	-	2,057,959	-	11,118
Trade and other current assets							
Financial Assets	25	18,111,705	18,082,743	18,757	-	3,704	6,501
		31,015,473	18,981,204	9,574,778	2,057,959	3,704	397,828

Notes to the Financial Statements

53.2 Maturity analysis of financial liabilities

As at 31 March 2018	Note	Carrying amount Rs. '000	less than one month Rs. '000	1-3 months Rs. '000	4-12 months Rs. '000	13-60 months Rs. '000	> 60 months Rs. '000
Group							
Non-derivative liabilities							
Bank overdrafts	17.2	9,293,783	6,839,108	2,380,303	74,372	-	-
Deposits liabilities							
Deposits from customers	36.1	307,528,600	57,813,709	58,299,609	156,671,155	34,744,127	-
Interest bearing borrowings							
Commercial papers & promissory notes	37	20,275,575	2,848,011	1,758,431	4,076,095	11,593,038	-
Short-term loans and others	37	69,189,822	42,626,971	18,661,941	7,389,908	511,002	-
Debentures	37	18,668,757	-	-	855,772	15,812,985	2,000,000
Finance lease liabilities	37.2	671,973	43,824	64,686	196,390	319,326	47,747
Long-term borrowings	37.3	223,448,675	38,088,355	11,630,078	44,718,252	119,452,999	9,558,991
Other current liabilities	40	29,795,404	7,511,621	16,689,001	5,147,290	447,492	-
Derivative liabilities	35	754,089	384,427	169,203	200,459	-	-
		679,626,678	156,156,026	109,653,252	219,329,693	182,880,969	11,606,738
Company							
Non-derivative liabilities							
Bank overdrafts	17.2	2,459,828	2,459,828	-	-	-	-
Interest bearing borrowings							
Commercial papers & promissory notes	37	4,593,581	2,848,011	1,175,227	570,343	-	-
Short-term loans and others	37	34,509,800	34,509,800	-	-	-	-
Debentures	37	7,808,392	-	-	58,392	5,750,000	2,000,000
Finance lease liabilities	37.2	47,251	5,255	7,203	8,611	24,093	2,089
Long-term borrowings	37.3	4,822,277	41,883	608,656	1,833,395	1,590,391	747,952
Other current liabilities	40	3,496,537	3,496,537	-	-	-	-
		57,737,666	43,361,314	1,791,086	2,470,741	7,364,484	2,750,041

54 OPERATING SEGMENTS

For the year ended 31 March 2017	Financial services Rs. '000	Long term & general insurance Rs. '000	Manufacturing & trading Rs. '000	Leisure & entertainment Rs. '000	Plantation & power generation Rs. '000	Equity accounted investees Rs. '000	Others & eliminations Rs. '000	Total Rs. '000
2017/18								
Gross income	133,283,593	6,393,399	21,112,287	3,292,333	3,363,490	-	(17,928,888)	149,516,214
Net interest cost	(57,631,460)	(8,503)	(1,808,925)	(1,698,925)	(547,715)	-	3,177,819	(58,517,709)
Cost of sales	-	-	(14,038,553)	(380,814)	(948,022)	-	(60,759)	(15,428,148)
Profit before operating expenses	75,652,133	6,384,896	5,264,809	1,212,594	1,867,753	-	(14,811,828)	75,570,357
Operating expenses	(48,867,031)	(5,678,491)	(4,269,736)	(1,348,338)	(1,488,595)	-	8,910,786	(52,741,405)
Results from operating expenses	26,785,102	706,405	995,073	(135,744)	379,158	-	(5,901,042)	22,828,952
Share of profits of equity accounted investees, net of tax	-	-	-	-	-	1,763,093	-	1,763,093
Results on acquisition and divestment of group investments	-	-	-	-	-	-	63,774	63,774
Profit before taxation	26,785,102	706,405	995,073	(135,744)	379,158	1,763,093	(5,837,268)	24,655,819
2016/17								
Gross income	83,040,289	5,099,982	18,567,797	2,785,890	11,422,106	-	(29,200,780)	91,715,284
Net interest cost	(34,407,470)	-	(1,231,633)	(971,794)	(634,777)	-	4,086,462	(33,159,212)
Cost of sales	-	-	(11,343,469)	(1,112,339)	(1,725,405)	-	69,154	(14,112,059)
Profit before operating expenses	48,632,819	5,099,982	5,992,695	701,757	9,061,924	-	(25,045,164)	44,444,013
Operating expenses	(28,856,495)	(4,467,909)	(3,803,924)	(1,604,664)	(4,238,306)	-	8,484,057	(34,487,241)
Results from operating expenses	19,776,324	632,073	2,188,771	(902,907)	4,823,618	-	(16,561,107)	9,956,772
Share of profits of equity accounted investees, net of tax	-	-	-	-	-	3,827,962	-	3,827,962
Results on acquisition and divestment of group investments	-	-	-	-	-	-	10,594,331	10,594,331
Profit before taxation	19,776,324	632,073	2,188,771	(902,907)	4,823,618	3,827,962	(5,966,776)	24,379,065

Inter-segment revenues are eliminated upon consolidation and reflected in the 'adjustments and eliminations' column. All other adjustments and eliminations are part of detailed reconciliations presented further below.

Notes to the Financial Statements

54 OPERATING SEGMENTS CONTD.

For the year ended 31 March 2017	Financial services Rs. '000	Long term & general insurance Rs. '000	Manufacturing & trading Rs. '000	Leisure & entertainment Rs. '000	Plantation & power generation Rs. '000	Equity accounted investees Rs. '000	Others & eliminations Rs. '000	Total Rs. '000
2017/18								
Depreciation and amortisation	1,431,674	56,158	301,729	245,800	251,845	-	33,689	2,320,895
Net impairment loss on financial assets	10,004,888	1,401	34,894	640	-	-	15,316	10,057,139
2016/17								
Depreciation and amortisation	857,531	47,896	269,199	282,151	393,989	-	19,025	1,869,791
Net impairment loss on financial assets	4,081,329	861	197,488	-	-	-	-	4,279,678
As at 31 March 2018								
Total assets	800,514,742	11,669,929	53,917,652	48,300,318	10,255,848	-	(102,418,998)	822,239,491
Total liabilities	669,241,356	7,704,977	28,128,828	21,995,638	6,809,506	-	(29,173,369)	704,706,936
As at 31 March 2017								
Total assets	623,139,736	9,030,458	31,631,751	40,999,938	19,428,821	-	(83,305,862)	640,924,842
Total liabilities	525,837,051	5,920,706	14,146,667	15,062,881	8,254,854	-	(30,913,156)	538,309,003

54.1 Geographical segments, based on the location of assets

	Sri Lanka Rs. '000	Singapore Rs. '000	Cambodia Rs. '000	Maldives Rs. '000	Myanmar Rs. '000	Indonesia Rs. '000	Pakistan Rs. '000	Group Total Rs. '000
2017/18								
Segmental income	98,018,579	15,514	50,317,110	26,780	751,539	-	386,692	149,516,214
Segmental results	9,798,436	(755,580)	15,398,611	5,857	117,446	-	91,049	24,655,819
Segmental assets	382,424,219	58,468,316	362,314,411	9,510,969	5,388,645	884,937	3,263,167	822,239,491
Segmental liabilities	371,868,117	11,882,245	313,297,355	3,136,389	4,187,546	206,086	129,199	704,706,936

	Sri Lanka Rs. '000	Singapore Rs. '000	Cambodia Rs. '000	Maldives Rs. '000	Myanmar Rs. '000	Indonesia Rs. '000	Pakistan Rs. '000	Group Total Rs. '000
2016/17								
Segmental income	82,663,427	-	8,704,717	-	347,140	-	-	91,715,284
Segmental results	21,840,165	(51)	2,509,112	(54,782)	84,621	-	-	24,379,065
Segmental assets	340,294,967	44,367,170	251,911,034	2,402,052	1,949,617	-	-	640,924,840
Segmental liabilities	312,607,726	8,359,175	215,971,980	490,639	879,483	-	-	538,309,003

55 FINANCIAL RISK MANAGEMENT

Trade and other receivables and cash and short-term deposits that arise directly from its operations. The Group also holds other financial instruments such as available for sale and fair value through profit or loss financial instruments and may enter into derivative transactions. The Group's principal financial liabilities, comprise of loans and borrowings, trade and other payables and financial guarantee contracts. The main purpose of these financial liabilities is to finance the Group's operations and to provide guarantees to support its operations. The financial risk governance framework provides assurance to the Group's senior management that the Group's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives.

The Group has exposure to the following risks from financial instruments:

1 Credit risk

2 Liquidity risk

3 Market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

Risk management framework

The board of directors of each Company has overall responsibility for the establishment and oversight of Group's risk management framework for the companies within the group. The Board has established Integrated Risk Management Committees (IRMC) for each financial sector company, which are responsible for developing and monitoring financial services risk management policies in their specified areas. All Board committees have both executive and non-executive members and report regularly to the Board of Directors on their activities.

The Group's risk management policies are established to identify and analyse the risks faced by Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Audit Committee of each Company is responsible for monitoring compliance with the risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the each Group of Company. Each financial sector Company's audit committee is assisted in these functions by Enterprise Risk Management division (ERM). ERM undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to each financial sector Company's Audit Committee.

1 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's loans and advances to customers.

The Group exposure to the credit risk is mainly derived from financial sector companies as the sector engage primarily in providing financing facilities to its customers. The Credit risk is managed by evaluating the credit worthiness and by periodical review on the credit granted.

Notes to the Financial Statements

55 FINANCIAL RISK MANAGEMENT CONTD.

Management of credit risk

The Board of Directors of each financial sector Company has delegated responsibility for the oversight of credit risk to its Credit Committee. A separate Credit department, reporting to each Credit Committees, is responsible for management of the Financial sector Companies' credit risk, including:

1. Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.

2. Establishing the authorization structure for the approval and renewal of credit facilities. Authorization limits are allocated to business unit Credit Officers. Larger facilities require approval by Group Credit, Head of Group Credit, Credit Committee or the board of directors as appropriate.

3. Reviewing and assessing credit risk. Group Credit assesses all credit exposures in excess of designated limits, prior to facilities being committed to customers by the business unit concerned. Renewals and reviews of facilities are subjected to the same review process.

4. Reviewing compliance of business units with agreed exposure limits, including those for selected industries, country risk and product types. Regular reports on the credit quality of local portfolios are provided to Group Credit who may require appropriate corrective action to be taken.

5. Providing advice, guidance and specialist skills to business units to promote best practice throughout the financial sector in the management of credit risk.

Impaired facilities and loans

Individually impaired loans and securities are loans and advances for which each financial sector Company determines that there is objective evidence of impairment and it does not expect to collect all principal and interest due according to the contractual terms of the loan/investment security agreement(s).

Past due but not impaired loans and investment debt securities

Past due but not impaired loans and investment debt securities, other than those carried at fair value through profit or loss, are those for which contractual interest or principal payments are past due, but each financial sector Company believes that impairment is not appropriate on the basis of the level of security/collateral available and/or the stage of collection of amounts owed to each Company.

The following table shows the overdue amounts for the financial assets categories.

	Group		Company	
For the year ended 31 March	Neither past due nor impaired Rs.'000	Overdue Rs.'000	Neither past due nor impaired Rs.'000	Overdue Rs.'000
Cash in hand and favorable bank balances	51,133,160	-	281,209	-
Trading assets - fair value through profit or loss	3,168,463	-	341,399	-
Investment securities	80,151,780	-	9,936,230	-
Loan portfolio	541,639,230	8,336,741	2,189,400	155,530
Trade and other current assets	21,713,019	-	18,111,705	-

Impairment losses related to each of the above asset classes are shown in note 9 to these financial statements.

The following table shows the maximum exposure and net exposure to credit quality by class of financial assets.

The following table shows the overdue amounts for the financial assets categories.

For the year ended 31 March	Group		Company	
	Neither past due nor impaired Rs.'000	Overdue Rs.'000	Neither past due nor impaired Rs.'000	Overdue Rs.'000
Cash in hand and favorable bank balances	51,133,160	51,133,160	281,209	281,209
Trading assets - fair value through profit or loss	3,168,463	3,166,901	341,399	341,399
Investment securities	80,136,613	46,094,626	9,936,230	9,936,230
Loan portfolio	549,975,971	(88,237,165)	2,344,930	2,344,930
Trade and other current assets	21,713,019	21,713,019	18,111,705	18,111,705

Loans with renegotiated terms

Loans with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position. In respect of some of these loans, financial sector companies have made concessions that it would not otherwise consider. Once the loan is restructured it remains in this category independent of satisfactory performance after restructuring.

Allowances for impairment

Each financial sector Company establishes an allowance for impairment losses on assets carried at amortised cost that represents its estimate of incurred losses in its loan. The main components of this allowance are a specific loss component that relates to individually significant exposures, and, for assets measured at amortised cost, a collective loan loss allowance established for each financial sector Company's homogeneous assets as well as for individually significant exposures that were subject to individual assessment for impairment but not found to be individually impaired. Assets carried at fair value through profit or loss are not subject to impairment testing as the measure of fair value reflects the credit quality of each asset.

"Write-off policy"

Each financial sector Company writes off a loan, and any related allowances for impairment losses, when management determines that the loan or security is uncollectible. This determination is made after considering information such as the occurrence of significant changes in the borrower's/ issuer's financial position such that the borrower/issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardized loans, write-off decisions generally are based on a product-specific past due status.

Each financial sector Company holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired.

Trade & Other Receivables

Each group of Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for each group of Company's similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics of the portfolio.

Notes to the Financial Statements

2 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

Management of liquidity risk

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's entities.

For the financial sector companies, a Central Treasury manages the liquidity risk for financial sector. Central Treasury receives information from other business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. Central Treasury then maintains a portfolio of short-term liquid assets, largely made up of short-term liquid investment securities, loans and advances to customers and other inter-group facilities, to ensure that sufficient liquidity is maintained within the financial sector as a whole. The liquidity requirements of business units and subsidiaries are met through short-term loans from Central Treasury to cover any short-term fluctuations and longer term funding to address any structural liquidity requirements.

When a financial sector subsidiary is subject to a liquidity limit imposed by its local regulator, the subsidiary is responsible for managing its overall liquidity within the regulatory limit in co-ordination with central Treasury.
The financial sector relies on deposits from customers and issued debt securities and borrowings as its primary sources of funding. While the Group's debt securities have maturities of over one year, deposits from customers generally have shorter maturities and a large proportion of them are repayable on demand. The short-term nature of these deposits increases the financial sector's liquidity risk and the sector actively manages this risk through maintaining competitive pricing and constant monitoring of market trends.

Maturity analysis for financial liabilities

Note 53 to these financial statements shows the discounted cash flows on the Company's non-derivative financial liabilities on the basis of their earliest possible contractual maturity.

To manage the liquidity risk arising from financial liabilities, the Group holds liquid assets comprising cash and cash equivalents and investment securities for which there an active and liquid market is available.

3 Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

Overall non-trading interest rate risk positions are managed by Financial sector's Central Treasury, which uses investment securities, advances to customers, deposits from customers and derivative instruments to manage the overall position arising from the Group's market based activities.

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Company's financial assets and liabilities to various standard and non-standard interest rate scenarios. An analysis of the Company's sensitivity to an increase or decrease in market interest rates, assuming no asymmetrical movement in yield curves and a constant financial position, is as follows;

Sensitivity of projected

	net interest income		reported equity	
Group	1% parallel increase Rs.'000	1% parallel decrease Rs.'000	1% parallel increase Rs.'000	1% parallel decrease Rs.'000
For the year ended 31 March 2018	346,127	(346,127)	260,800	(260,800)

Sensitivity of projected

Company	net interest income 1% parallel increase Rs.'000	net interest income 1% parallel decrease Rs.'000	reported equity 1% parallel increase Rs.'000	reported equity 1% parallel decrease Rs.'000
For the year ended 31 March 2018	(234,672)	234,672	(168,964)	168,964

Currency risk

The Group has exposure to the currency fluctuations through its foreign assets and liabilities held by following main foreign subsidiaries.

Subsidiary	Country of incorporation	Functional currency
Bodufaru Beach Resorts (Private) Limited	Maldives	United State Dollar - USD
B Commodities ME(FZE)	UAE	United State Dollar - USD
LOLC Asia (Pvt) Ltd	Singapore	United State Dollar - USD
LOLC (Pvt) Ltd	Singapore	United State Dollar - USD
LOLC Cambodia PLC	Cambodia	Cambodian Riel - KHR
LOLC International (Pvt) Ltd	Singapore	United State Dollar - USD
LOLC Myanmar Micro-Finance Company Limited	Myanmar	Myanmar Kyat (MMK)
NPH Investment (Private) Limited	Singapore	United State Dollar - USD
Pak Oman Micro finance Bank Limited	Pakistan	Pakistani Rupee (PKR)
PRASAC Micro Finance Institution Limited	Cambodia	United State Dollar - USD
PT LOLC Management Indonesia	Indonesia	Indonesian Rupiah (IDR)
PT Sarana Sumut Ventura	Indonesia	Indonesian Rupiah (IDR)

Sensitivity analysis

A reasonably possible strengthening (weakening) of KHR, USD and MMK against all other currencies as at 31 March 2018, would have affected the measurement of individual assets and liabilities denominated in a foreign currency and affected equity by the amounts shown below. This analysis assumes that all other variables, in particular interest rates remain constant and any change in assets liability positions.

As at 31 March 2018	100 basis points movement in Strengthening Rs.'000	100 basis points movement in Weakening Rs.'000
KHR	107,381	(107,381)
MMK	12,132	(12,132)
USD	1,456,925	(1,456,925)
IDR	6,857	(6,857)
PKR	28,765	(28,765)

Notes to the Financial Statements

56 CURRENT/NON-CURRENT DISTINCTION

As at 31 March 2018	Group Carrying amount Rs.'000	Group Non-current Rs.'000	Group Current Rs.'000	Company Carrying amount Rs.'000	Company Non-current Rs.'000	Company Current Rs.'000
Assets						
Cash in hand and favorable bank balances	51,133,160	-	51,133,160	281,209	-	281,209
Trading assets - fair value through profit or loss	3,168,463	-	3,168,463	341,399	-	341,399
Investment securities	80,136,613	17,811,930	62,324,683	9,936,230		9,936,230
Finance lease receivables, hire purchases and operating leases	56,724,874	36,624,510	20,100,364	2,888	-	2,888
Advances and other loans	493,251,097	284,900,391	208,350,706	2,342,042		2,342,042
Insurance premium receivables	1,112,966	-	1,112,966	-	-	-
Inventories	4,579,203	-	4,579,203	251,875	-	251,875
Current tax assets	1,284,651	-	1,284,651	172,790	-	172,790
Trade and other current assets	26,058,144	1,250,925	24,807,219	18,307,042		18,307,042
Prepaid lease rentals on leasehold properties	2,305,861	2,305,861	-	-	-	-
Investment properties	14,352,331	14,352,331	-	882,500	882,500	-
Biological assets;			-	-	-	-
Consumer biological assets	3,305,919	3,305,919	-	-	-	-
Bearer biological assets	1,212,197	1,212,197	-	-	-	-
Investments in group of companies;						
Subsidiary companies	-	-	-	68,301,090	68,301,090	-
Equity accounted investees	17,451,392	17,451,392	-	4,314,001	4,314,001	-
Deferred tax assets	1,914,813	1,914,813	-	-	-	-
Intangible assets	13,954,791	13,954,791	-	220,378	220,378	-
Property, plant and equipment	50,293,016	50,293,016	-	5,369,609	5,369,609	-
Total assets	822,239,491	445,378,076	376,861,415	110,723,053	79,087,578	31,635,475
Liabilities and equity						
Liabilities						
Bank overdrafts	9,293,783	-	9,293,783	2,459,828	-	2,459,828
Trading liabilities	754,089	-	754,089	-	-	-
Deposits liabilities	307,528,600	34,744,127	272,784,473	-	-	-
Interest bearing borrowings	332,254,802	159,296,088	172,958,714	51,781,301	-	51,781,301
Insurance provision - life	2,877,925	2,877,925	-	-	-	-
Insurance provision - general	3,438,534	1,307,793	2,130,742	-	-	-
Current tax payables	4,812,096	-	4,812,096	718,156	-	718,156
Trade and other payables	37,193,512	447,492	36,746,020	3,513,803	-	3,513,803
Deferred tax liabilities	4,935,030	4,935,030	-	323,146	-	323,146
Deferred income	184,404	184,404	-	-	-	-
Retirement benefit obligations	1,434,161	1,434,161	-	291,463	291,463	-
Total liabilities	704,706,936	205,227,020	499,479,917	59,087,697	291,463	58,796,234

Visionary. Sustainable. Trailblazing.

Supplementary Information

Property Details of the Company

Details of Land & Building of Company

	Address	Land Extent	Building Extent	Cost	
				Land	Building
		A-R-P	Sq.Ft.	Rs.	Rs.
1	No. 100/1, Sri Jayawardenapura Mawatha, Rajagiriya	1A-0R-04.86P	57,585	535,795,000	149,205,000
2	No. 100 A, Sri Jayawardenapura Mawatha, Rajagiriya	0A-2R-20.00P		245,000,000	-
3	Ampara Yard			-	7,164,540
4	No. 189, Puttalam Road, Kurunegala	1A-1R-12.83P		261,999,000	-
5	No. 538 & 538A, Main Street, Kalutara South, Kalutara	0A-1R-10.76P		94,694,000	-
6	Attikkagahawatta, Kochchikade	0A-0R-30P		42,679,000	-
				1,180,167,000	156,369,540

	Investment Property Details				
1	No.246/56, Kandy Road, Eldeniya, Kadawatha	0A-0R-23.37P	1,831	11,000,000	-
2	No. 25/7, Wimalawatta Road, Mirihana, Nugegoda	0A-0R-33.40P		20,000,000	-
3	No. 52/40, Stanly Road, Jaffna	0A-0R-37.31P	9,984	64,630,000	81,828,695
4	No. 241 A, Maithreepala Senanayake Mawatha, Anuradhapura	0A-0R-13.01P	13,182	18,129,736	75,362,191
5	No. 240, Moragahayata, Colombo Road, Ratnapura	0A-0R-15.80P	10,173	20,919,000	8,400,000
6	Boralukanda, Athabendiwewa, Thalakiriyagama, Dambulla	2A-1R-15.9P	440	2,647,000	2,354,537
7	No. 54, Queen Mary Road, Gampaha	0A-0R-19.4P	10,975	27,500,000	71,399,465
8	No. 245, Katugastota Road, Mahaiyawa, Katugastota, Kandy	0A-0R-25.40P	9,136	63,924,800	48,904,024
9	No. 249/1, Katugastota Road, Kandy	0A-0R-7.3P		8,760,000	-
10	No. 245/1A, Maithreepala Senanayake Mawatha, Anuradhapua	0A-0R-10P		23,999,000	-
11	No.162, Kolonnawa Road, Gothatuwa	0A-0R-1.25P		1,559,000	-
12	No.164, 164A, Kolonnawa Road, Gothatuwa	0A-0R-3.8P		8,339,000	-
				271,407,536	288,248,912

Accumulated Depreciation	Last Valuation Land	Building	Carrying Amount 2018	2017
Rs.	Rs.	Rs.	Rs.	Rs.
-	1,648,000,000	447,000,000	2,095,000,000	2,068,000,000
-	760,000,000	-	760,000,000	760,000,000
2,379,020	-	-	4,785,520	5,501,974
-	351,000,000	-	351,000,000	324,000,000
-	101,000,000	-	101,000,000	101,000,000
-	46,500,000	-	46,500,000	45,000,000
2,379,020	2,906,500,000	447,000,000	3,358,285,520	3,303,501,974

-	22,000,000	-	22,000,000	17,600,000
-	43,000,000	-	43,000,000	36,000,000
-	156,702,000	84,298,000	241,000,000	234,000,000
-	45,535,000	87,465,000	133,000,000	123,000,000
-	31,600,000	47,400,000	79,000,000	68,000,000
-	16,560,000	2,440,000	19,000,000	17,500,000
-	53,000,000	77,000,000	130,000,000	48,500,000
-	106,680,000	62,320,000	169,000,000	160,000,000
-	11,000,000	-	11,000,000	8,760,000
-	25,000,000	-	25,000,000	-
-	1,600,000	-	1,600,000	-
-	8,900,000	-	8,900,000	-
-	521,577,000	360,923,000	882,500,000	713,360,000

Decade at a Glance

For the year ended 31 - March	2009	2010	2011
Group			
Operating results			
Gross income	13,621,721	14,901,831	32,505,970
Revenue	3,495,607	3,571,367	15,531,630
Cost of sales	(2,993,076)	(2,869,272)	(9,911,222)
Income	9,843,454	9,941,904	11,971,270
Other income/(expenses)	282,660	1,388,560	5,003,070
Interest costs	(6,441,182)	(6,178,137)	(6,504,682)
Profit before operating expenses	4,187,463	5,854,422	16,090,066
Other operating expenses	(3,080,622)	(4,386,721)	(8,373,770)
Results from operating activities	1,106,841	1,467,701	7,716,296
Negative goodwill	-	1,423,837	271,911
Profit/(loss) on disposal of subsidiaries and associates	-	(167,088)	-
Share of profit of associate companies	140,458	116,337	178,522
Profit before tax	1,247,299	2,840,787	8,166,729
Income tax expense	(192,122)	(455,382)	(1,259,279)
Net profit after tax	1,055,177	2,385,405	6,907,450
As at 31 March			
Assets			
Net lending portfolio	32,697,993	35,084,686	58,569,073
Total assets	46,287,066	75,371,319	113,070,643
Liabilities			
Total liabilities	40,195,588	55,631,672	78,255,809
Shareholders' funds			
Share capital	475,200	475,200	475,200
Reserves	5,536,270	7,428,554	12,581,747
Non-controlling interests	80,008	11,553,927	21,757,886
Shareholders' funds	6,091,478	19,457,681	34,814,834
Investor ratios			
Return on assets (%)	3.00	4.00	8.00
Return on equity (%)	18.72	18.67	25.88
Other information			
No. of branches	26	48	73
No. of service centres	25	49	103
No. of subsidiary companies	9	41	48
No. of associate companies	2	7	7
No. of joint ventures	1	15	18

* The figures are derived from financial statements prepared in accordance with SLFRS/LKAS. Figures for the remaining periods are derived from financial statements prepared in accordance with previous SLASs.

2012*	2013*	2014*	2015*	2016*	2017*	2018*
35,532,754	42,391,175	40,204,723	44,585,605	66,765,048	91,715,284	149,516,214
16,849,174	16,988,149	10,783,295	10,728,830	20,228,126	23,441,032	22,602,826
(10,958,288)	(10,721,916)	(7,430,790)	(7,239,535)	(12,702,851)	(14,112,059)	(15,428,148)
18,020,866	22,890,876	27,524,846	32,527,184	45,406,578	62,260,539	116,804,210
662,714	2,512,150	1,896,582	1,329,591	1,130,344	6,013,713	10,109,178
(9,345,806)	(14,527,658)	(14,849,178)	(12,508,370)	(18,850,392)	(33,159,212)	(58,517,709)
15,228,660	17,141,601	17,924,755	24,837,700	35,211,805	44,444,013	75,570,357
(11,345,046)	(15,182,502)	(15,516,766)	(19,286,758)	(26,499,091)	(34,478,017)	(52,741,405)
3,883,615	1,959,099	2,407,989	5,550,942	8,712,714	9,956,772	22,828,952
2,914,536	1,500,943	493,586	538,138	50,963	-	-
-	-	79,845	-	-	10,594,331	63,774
269,649	246,129	1,454,158	2,080,221	3,094,237	3,827,962	1,763,093
7,067,801	3,706,171	4,435,578	8,169,301	11,857,914	24,379,065	24,655,819
(1,364,033)	(1,153,884)	(1,366,889)	(1,870,647)	(2,526,527)	(3,458,452)	(5,466,316)
5,703,768	2,552,287	3,068,689	6,298,654	9,331,387	20,920,613	19,189,503
79,113,885	87,814,685	90,544,883	139,860,426	212,782,765	418,696,357	549,975,971
145,204,176	162,981,531	167,175,043	244,917,412	379,594,558	640,924,840	822,239,491
101,990,824	119,608,773	127,519,528	188,830,107	313,218,333	538,309,003	704,706,936
475,200	475,200	475,200	475,200	475,200	475,200	475,200
19,093,875	20,413,040	22,162,352	27,758,485	37,223,180	58,374,448	69,986,814
23,644,277	22,484,518	17,017,963	27,853,620	28,677,845	43,766,139	47,070,543
43,213,352	43,372,758	39,655,515	56,087,305	66,376,225	102,615,837	117,532,555
4.42	2.00	3.82	3.06	2.99	2.05	2.62
14.62	5.90	7.05	13.16	15.24	35.54	15.05
80	80	87	85	89	99	100
112	112	47	55	52	42	40
66	84	69	121	105	102	100
9	10	13	12	11	11	11
18	19	18	-	-	-	-

Decade at a Glance

For the year ended 31 - March	2009	2010	2011
Company			
Operating results			
Gross income	6,697,753	5,744,617	6,344,361
Income	6,626,308	4,722,479	3,511,733
Other income/(expenses)	71,445	1,022,138	2,832,627
Interest costs	(4,205,474)	(3,090,912)	(2,384,015)
Profit before operating expenses	2,492,279	2,653,705	3,960,346
Other operating expenses	(1,910,159)	(2,162,578)	(2,062,356)
Profit before tax	582,120	491,127	1,897,989
Income tax expense	(76,532)	(164,187)	(374,646)
Net profit after tax	505,588	326,940	1,523,343
As at 31 March			
Assets			
Total assets	31,335,180	29,737,969	54,212,952
Liabilities			
Total liabilities	26,233,467	24,309,315	23,602,917
Shareholders' funds			
Share capital	475,200	475,200	475,200
Reserves	4,626,513	4,953,454	30,134,835
Shareholders' funds	5,101,713	5,428,654	30,610,035
Investor ratios			
Gross dividends	133,056	-	-
Total assets to shareholders' funds (times)	6.00	5.00	1.77
Return on assets (%)	2.00	1.00	3.63
Return on equity (%)	10.00	6.00	24.00
Other information			
No. of employees	664	787	848

* The figures are derived from financial statements prepared in accordance with SLFRS/LKAS. Figures for the remaining periods are derived from financial statements prepared in accordance with previous SLASs.

	2012*	2013*	2014*	2015*	2016*	2017*	2018*
	7,561,277	4,683,628	5,460,558	2,914,376	7,762,465	20,265,814	16,304,439
	3,016,783	3,541,670	2,111,378	1,046,238	4,885,984	7,799,736	7,228,336
	4,544,494	1,141,958	3,349,180	1,868,138	2,876,481	12,466,078	9,076,103
	(2,571,566)	(3,464,147)	(2,720,484)	(1,686,278)	(3,191,053)	(5,270,261)	(6,066,902)
	4,989,712	1,219,481	2,740,074	1,228,098	4,571,412	14,995,553	10,237,537
	(1,917,994)	(1,151,579)	(2,051,032)	(769,894)	(3,736,480)	(4,846,183)	(5,474,857)
	3,071,718	67,902	689,042	458,204	834,932	10,149,370	4,762,680
	(94,464)	(33,718)	5,218	45,408	(146,152)	(372,071)	(63,328)
	2,977,254	34,184	694,260	503,612	688,780	9,777,299	4,699,352
	58,028,455	53,239,340	49,254,147	62,609,260	75,493,914	102,007,361	110,723,053
	24,776,791	20,518,752	15,124,870	27,712,892	39,992,477	55,015,661	59,087,697
	475,200	475,200	475,200	475,200	475,200	475,200	475,200
	32,776,464	32,245,388	33,654,077	34,421,168	35,026,237	46,516,500	51,160,156
	33,251,664	32,720,588	34,129,277	34,896,368	35,501,437	46,991,700	51,635,356
	-	237,600	-	-	-	-	-
	1.75	1.63	1.00	1.79	2.13	2.17	2.14
	5.31	0.06	1.35	0.90	1.00	11.02	4.42
	9.32	0.10	2.08	1.46	1.96	23.70	9.53
	948	1,007	1075	1086	1198	1,235	1,269

Summarised Quarterly Statistics

Income Statement - Rs '000	2017/18				2016/17			
For the 3 months ended	30-Jun	30-Sep	31-Dec	31-Mar	30-Jun	30-Sep	31-Dec	31-Mar
Group								
Gross income	33,770,853	35,734,620	38,150,971	41,859,767	19,442,672	21,660,401	24,912,611	25,699,600
Interest income	23,388,081	25,021,996	27,211,971	29,150,060	11,809,879	13,067,208	14,064,733	15,631,265
Interest expense	(13,662,011)	(14,410,194)	(15,403,788)	(15,042,883)	(6,682,711)	(7,162,226)	(9,923,769)	(9,390,506)
Net interest income	9,726,070	10,611,802	11,808,183	14,107,177	5,127,168	5,904,982	4,140,964	6,240,759
Revenue	4,842,678	5,799,466	6,212,330	5,792,567	5,058,548	5,845,837	5,876,331	6,660,316
Cost of sales	(2,954,345)	(3,791,993)	(4,198,222)	(4,504,178)	(3,148,814)	(3,575,283)	(3,695,197)	(3,692,765)
Gross profit	1,888,333	2,007,473	2,014,108	1,288,389	1,909,734	2,270,554	2,181,134	2,967,551
Income	2,859,707	3,565,981	3,667,364	2,591,688	2,219,317	2,623,617	2,966,504	(121,984)
Other income/(expenses)	2,680,387	1,347,177	1,059,306	4,325,452	354,928	123,739	2,005,043	3,530,003
Profit before operating expenses	17,154,497	17,532,433	18,548,961	22,312,706	9,611,147	10,922,892	11,293,645	12,616,329
Other operating expenses	(11,243,031)	(12,667,960)	(13,250,642)	(15,387,473)	(7,488,836)	(8,574,010)	(8,665,633)	(9,758,762)
Results from operating activities	5,911,466	4,864,473	5,298,319	6,925,233	2,122,311	2,348,882	2,628,012	2,857,567
Results on acquisition and divestment of group investments	-	-	1,597	62,177	-	920,333	-	10,398,123
Share of profit of associate companies	577,292	357,044	631,577	197,181	1,046,664	196,208	1,064,858	796,107
Profit before tax	6,488,758	5,221,517	5,931,493	7,184,591	3,168,975	3,465,423	3,692,870	14,051,797
Income tax expense	(1,410,104)	(1,484,033)	(1,503,746)	(1,237,216)	(763,910)	(769,525)	(878,533)	(1,046,485)
Net profit after tax	5,078,654	3,737,484	4,427,747	5,947,375	2,405,065	2,695,898	2,814,337	13,005,312

Balance Sheets - Rs '000	2017/18				2016/17			
As at	30-Jun	30-Sep	31-Dec	31-Mar	30-Jun	30-Sep	31-Dec	31-Mar
Group								
Assets	690,280,408	747,970,928	770,223,988	822,362,468	394,590,272	408,376,946	424,232,120	640,924,840
Liabilities	583,145,147	637,899,570	654,315,435	704,070,277	325,887,011	338,292,817	351,790,029	538,309,003
Net Assets	107,135,261	110,071,358	115,908,553	118,292,191	68,703,261	70,084,129	72,442,091	102,615,837
Share capital	475,200	475,200	475,200	475,200	475,200	475,200	475,200	475,200
Reserves	62,093,058	63,682,190	66,530,061	70,455,757	39,528,862	41,428,661	44,008,266	58,374,498
Non controlling interest	44,567,003	45,913,968	48,903,292	47,361,234	28,699,199	28,180,268	27,958,625	43,766,139
Share capital,reserves & minority interest	107,135,261	110,071,358	115,908,553	118,292,191	68,703,261	70,084,129	72,442,091	102,615,837

Income Statement - Rs '000	2017/18				2016/17			
For the 3 months ended	30-Jun	30-Sep	31-Dec	31-Mar	30-Jun	30-Sep	31-Dec	31-Mar
Company								
Gross income	2,907,644	2,186,761	2,683,081	8,526,953	1,658,272	2,494,344	2,936,198	12,440,125
Interest income	910,939	541,247	683,553	882,486	668,706	826,927	1,118,544	1,217,834
Interest expense	(1,506,760)	(1,421,745)	(1,520,505)	(1,617,891)	(1,044,260)	(1,245,535)	(1,442,081)	(1,538,385)
Net interest income	(595,821)	(880,498)	(836,952)	(735,405)	(375,554)	(418,608)	(323,537)	(320,551)
Income	1,008,775	780,604	1,248,194	1,172,538	9,244	623,712	894,994	1,702,900
Other income	987,930	864,910	751,334	6,471,929	980,322	1,043,705	922,660	9,519,391
Profit before operating expenses	1,400,884	765,016	1,162,576	6,909,062	614,012	1,248,809	1,494,117	10,901,740
Other operating expenses	(1,146,800)	(1,294,544)	(1,337,897)	(1,695,616)	(254,382)	(886,494)	(1,110,284)	(1,858,148)
Results from operating activities	254,084	(529,528)	(175,321)	5,213,446	359,630	362,315	383,833	9,043,592
Income tax expense	(71,135)	(40,049)	(43,532)	91,389	(84,332)	(52,185)	(101,468)	(134,086)
Net profit after tax	182,949	(569,577)	(218,853)	5,304,835	275,298	310,130	282,365	8,909,506

Balance Sheets - Rs '000	2017/18				2016/17			
As at	30-Jun	30-Sep	31-Dec	31-Mar	30-Jun	30-Sep	31-Dec	31-Mar
Company								
Assets	96,743,410	95,683,642	102,824,900	110,723,055	81,510,556	86,037,017	89,004,594	102,007,361
Liabilities	49,505,659	49,060,123	56,469,744	58,945,449	45,717,370	49,906,467	52,657,692	55,015,661
Net Assets	47,237,751	46,623,519	46,355,156	51,777,606	35,793,186	36,130,550	36,346,902	46,991,700
Share capital	475,200	475,200	475,200	475,200	475,200	475,200	475,200	475,200
Reserves	46,762,551	46,148,319	45,879,956	51,302,406	35,317,986	35,655,350	35,871,702	46,516,500
Share capital & reserves	47,237,751	46,623,519	46,355,156	51,777,606	35,793,186	36,130,550	36,346,902	46,991,700

Value Addition

Value Addition	2017/18 Rs'000	(%)	2016/17 Rs'000	(%)
Group				
Value added				
Income	123,978,888		71,589,512	
Other income	10,109,178		6,013,713	
Cost of borrowing and services	(76,946,059)		(46,289,138)	
Provisions	(10,057,139)		(4,279,678)	
Results on acquisition and divestment of Group investments	63,774		10,594,331	
Share of profits of associate companies	1,763,093		3,827,962	
	48,911,735		41,456,702	
Distribution of value added				
To employees				
Remuneration and other benefits	18,676,238	38	12,617,864	30
To government				
Indirect taxes	3,258,783	7	2,589,982	6
Direct taxes	5,466,316	11	3,458,453	8
To Providers of capital				
Minority interest	9,461,395	19	3,762,850	9
To expansion and growth				
Retained profits	9,728,108	20	17,157,762	41
Depreciation and amortisation	2,320,895	5	1,869,791	5
	48,911,735	100	41,456,702	100

Value Addition	2017/18 Rs'000	(%)	2016/17 Rs'000	(%)
Company				
Value added				
Income	7,228,336		7,799,736	
Other income	9,076,103		12,466,078	
Cost of borrowing and services	(9,228,888)		(7,656,845)	
Provisions	(13,227)		4,908	
Value added tax	-		-	
	7,062,324		12,613,877	
Distribution of value added				
To Employees				
Remuneration and other benefits	1,616,335	23	1,896,478	15
To Government				
Indirect taxes	157,663	2	131,098	1
Direct taxes	63,328	1	372,071	3
To Expansion and Growth				
Retained profits	4,699,352	67	9,777,299	78
Depreciation and amortisation	525,646	7	436,931	3
	7,062,324	100	12,613,877	100

Indicative US Dollar Financial Statements

Statement of Financial Position for Information Purposes Only

As at 31 March	Note	Group 2018 USD.'000	Group 2017 USD.'000	Company 2018 USD.'000	Company 2017 USD.'000
Assets					
Cash in hand and favourable bank balances	17.1	327,834	356,714	1,803	3,027
Trading assets - fair value through profit or loss	18	20,314	24,013	2,189	2,982
Investment securities	19	513,787	364,374	63,705	2,293
Finance lease receivables, hire purchases and operating leases	20	363,685	341,395	19	29
Advances and other loans	21	3,162,423	2,413,458	15,016	5,166
Insurance premium receivables	22	7,136	7,111	-	-
Inventories	23	29,359	26,782	1,615	2,395
Current tax assets	24	8,236	9,241	1,108	866
Trade and other current assets	25	167,069	98,557	117,374	172,797
Prepaid lease rentals on leasehold properties	26	14,784	4,877	-	-
Investment properties	27	92,018	64,157	5,658	2,478
Biological assets;					
Consumable biological assets	28	21,196	19,634	-	-
Bearer biological assets	29	7,772	7,576	-	-
Investments in group of companies;					
Subsidiary companies	30	-	-	437,905	405,768
Associates	31	111,888	103,724	27,659	28,384
Deferred tax assets	32.1	12,277	9,818	-	-
Intangible assets	33	89,470	87,505	1,413	1,336
Property, plant and equipment	34	322,448	278,090	34,427	43,646
Total assets		5,271,695	4,217,026	709,888	671,167

Indicative US Dollar Financial Statements

Statement of Financial Position for Information Purposes Only

As at 31 March	Note	Group 2018 USD.'000	Group 2017 USD.'000	Company 2018 USD.'000	Company 2017 USD.'000
Liabilities and equity					
Liabilities					
Bank overdrafts	17.2	59,586	48,461	15,771	11,128
Trading liabilities	35	4,835	430	-	8
Deposits liabilities	36	1,971,685	1,389,137	-	-
Interest bearing borrowings	37	2,130,214	1,886,695	331,990	335,605
Insurance provision - life	38.1	18,451	13,478	-	-
Insurance provision - general	38.2	22,046	17,962	-	-
Current tax payables	39	30,852	23,925	4,604	4,102
Trade and other payables	40	238,462	116,338	22,528	8,148
Deferred tax liabilities	32.3	31,640	29,559	2,072	1,447
Deferred income	41	1,182	1,552	-	-
Retirement benefit obligations	42	9,195	14,317	1,869	1,543
Total liabilities		4,518,149	3,541,854	378,834	361,981
Equity					
Stated capital	43	3,047	3,127	3,047	3,127
Reserves	44	74,908	58,772	18,787	22,223
Retained earnings	45	373,805	325,309	309,221	283,836
Equity attributable to shareholders of the Company		451,759	387,208	331,054	309,186
Non-controlling interests		301,787	287,964		-
Total equity		753,547	675,172	331,054	309,186
Total liabilities & equity		5,271,695	4,217,026	709,888	671,167
Net assets per share (USD.)		0.95	0.81	0.70	0.65
Exchange rate USD/LKR		155.97	151.99	155.97	151.99

This information does not constitute a full set of financial statements in compliance with SLFRS/LKAS. The above should be read together with the Auditors' opinion and the notes to the financial statements. Exchange rates prevailing at year end USD/LKR 155.97 (2017 : 151.99) have been used to convert the income statement and statement of financial position

Statement of Comprehensive Income for Information Purposes Only

For the year ended 31 March	Note	Group 2018 USD.'000	Group 2017 USD.'000	Company 2018 USD.'000	Company 2017 USD.'000
Gross income	4	958,606	603,450	104,534	133,341
Interest Income	4.1	671,734	359,069	19,351	25,213
Interest expenses	6	(375,180)	(218,174)	(38,897)	(34,676)
Net interest income		296,555	140,895	(19,546)	(9,463)
Revenue	4.2	144,915	154,233	-	-
Cost of sales		(98,916)	(92,852)	-	-
Gross profit		46,000	61,381	-	-
Income	4.3	77,142	50,580	26,993	26,106
Other income/(expenses)	5	64,814	39,568	58,190	82,022
Profit before operating expenses		484,511	292,424	65,637	98,665
Operating expenses					
Direct expenses excluding finance expenses	7	(52,377)	(47,372)	(1,011)	(862)
Personnel expenses	8	(119,741)	(83,020)	(10,363)	(12,478)
Net impairment loss on financial assets	9	(64,480)	(28,159)	(85)	32
Depreciation and amortisation	10	(14,880)	(12,302)	(3,370)	(2,875)
Other operating expenses	11	(86,667)	(56,059)	(20,273)	(15,703)
Results from operating activities	12	146,365	65,512	30,535	66,779
Share of profits of equity accounted investees, net of tax	13.1	11,304	25,186	-	-
Results on acquisition and divestment of Group investments	14	409	69,706	-	-
Profit before income tax expense		158,078	160,404	30,535	66,779
Income tax expense	15	(35,047)	(22,755)	(406)	(2,448)
Profit for the year		123,031	137,649	30,129	64,331
Profit attributable to;					
Equity holders of the Company		62,371	112,891	30,129	64,331
Non-controlling interests		60,661	24,758	-	-
		123,031	137,649	30,129	64,331
Basic earnings per share (USD.)		0.13	0.24	0.06	0.14
Exchange rate USD/LKR		155.97	151.99	155.97	151.99

This information does not constitute a full set of financial statements in compliance with SLFRS/LKAS. The above should be read together with the Auditors' opinion and the notes to the financial statements. Exchange rates prevailing at year end USD/LKR 155.97 (2017 : 151.99) have been used to convert the income statement and statement of financial position

Milestones

1992

- Launched its first subsidiary - LOFAC

1995

- First branch office opened in Kandy
- Negotiated the first long-term Rupee loan from FMO

1996

- The first to extend Dollar denominated leases to BOI companies

1997

- The first to introduce export factoring through LOFAC
- Branch office opened in Matara

1998

- Branch offices opened in Badulla and Ratnapura

1999

- LOFAC enters into strategic alliance with Dunn and Bradstreet
- Branch office opened in Anuradhapura
- Launched its insurance subsidiary, LOIB

2000

- Negotiated the second tranche of long-term Rupee loan from FMO
- Branch office opened in Kochchikade

2001

- Launched its finance subsidiary - LOFC
- Branch offices opened in Kurunegala and Kalutara

2002

- The first leasing company to be recognised as a Participating Financial Institution for the Indian Line of Credit
- Branch office opened in Galle

2003

- Received the first US Dollar long-term Loan from OPEC Fund
- The first to win the Leasing Category 'Award for Excellence in Annual Reports and Accounts' conducted by The Institute of Chartered Accountants of Sri Lanka
- Negotiated the third tranche of long-term Rupee loan from FMO
- Branch offices opened in Nuwara Eliya and Kiribathgoda

2004

- Entered into stock broking through LOSEC
- Launched LOITS, the Information Technology arm
- The first to win the 'Non-Banking Sector Award' at the South Asian Federation of Accountants (SAFA) for Best Presented Accounts Competition
- Branch office opened in Gampaha

2005

- The first Leasing Company to be ranked among the Top 10 Brands by Sting Consultants Brand Power Index
- Launched LOPD, the project development subsidiary
- LOLC cricket team emerged Mercantile 'C' Division Champions
- Negotiated the second tranche of long-term US Dollar Loan from OPEC Fund
- Negotiated the fourth tranche of long-term Rupee loan from FMO
- Negotiated the long-term US Dollar Loan from Praparco
- Branch offices opened in Kegalle, Embilipitiya and Polonnaruwa

2006

- Negotiated the long-term US Dollar Loan from DEG
- Negotiated the long-term US Dollar Loan from OPEC Fund
- Branch office opened in Wattala
- The first Regional Expansion to Cambodia through 18% holding of PRASAC
- First to introduce a branded product 'Guardian' range from an insurance broker through LOIB
- Won the Leasing Category 'Award for Excellence in Annual Reports and Accounts' conducted by The Institute of Chartered Accountants of Sri Lanka for 2005/06

2007

- Branch offices opened in Chilaw and Mahiyangana
- Ranked among the Top 50 brands by Super Brands
- Launched the New Strategic Plan for the Company and its Subsidiaries
- Opened the first Hospital Savings Centre in Oasis
- Opened the first Student Savings Centre at Royal College - Polonnaruwa
- LOFC operations expanded to Wattala, Kegalle, Mahiyangana, Mount Lavinia and Chilaw
- LOPD received Cabinet sub-committee approval for the project on Off-Shore Sand Mining, Washing, Sieving and Grading to supply construction and related industries
- Signed up with LIOC to establish LOLC sub-branches at LIOC filling stations
- LIOC Centres opened in Morawaka and Trincomalee
- Set up the Islamic BU with an in-house Shari'ah Supervisory Board
- Dairy farmer loans, cultivation loans, business set up loans and skills enable loans were introduced
- Partnered with GTZ for capacity building of the microfinance staff, setting up low cost branch network and development of a microbanking system

2008

- Launched a lottery for customers with a house as the prize
- Launched Western Union Money transfer services at LOLC branches
- Entered into a joint venture agreement with Agri Tec for manufacture of precipitated silica and allied products using rice husk ash
- LIOC Centres opened in Pilimathalawa, Seeduwa, Aluthgama, Kadawatha, Ambalangoda, Debarawewa, Beliatta and Talawakelle
- Won Bronze Award at Effie Awards 2008 in the Financial Services/ Products Category
- Spin-off of Micro Finance Business Unit as LOLC Micro Credit Ltd. (LOMC) together with FMO
- LOLC Micro Credit Ltd. was appointed as the only representative from the private sector to the Micro Finance Steering Committee appointed by the Department of Development Finance attached to Ministry of Finance and Planning
- Won the International Assets and Liability Management competition held by FMO and DEG
- Joined with Sri Lanka Post to open up Isuru Diriya Centres at post offices and sub-post offices

2009

- Opened 40 Service Centres in Post Offices around the country consequent to the agreement with Sri Lanka Post to offer products of LOLC Micro Credit Ltd. to the rural community
- Opened branches in Jaffna, Ampara, Batticaloa, Vavuniya and Trincomalee, thereby making our services available to the Northern and Eastern Regions of the country
- Opened the first dedicated Shari'ah finance branches in Kathankudi, Oddamavadi and Kalmunai.
- Selected as the Winner of the Specialised Banking and Finance Category at the National Business Excellence Awards
- Received BOI status for Lanka ORIX Information Technology Services Ltd. (LOITS - the IT arm)
- IT arm, Lanka ORIX Information Technology Services Ltd. earns 'ISO/IEC 27001:2005' certification for its enterprise data and software development functions
- Ranked amongst the Top 20 Brands in Sri Lanka by Brand Finance Lanka
- Won Best Annual Report Award and a Merit Award for Best Website from ADFIAP (Association of Development Finance Institutions in Asia and the Pacific)
- Won the Silver Award at the Sri Lankan HR Awards 2010 organised by the Association of HR Professionals Sri Lanka together with the Hewitt Associates, India Milestones
- LOLC Micro Credit Ltd. (LOMC) received a total of $14 Mn from Symbiotics and Three Triodos Funds to expand Microfinance Operations in Sri Lanka
- Lanka ORIX Finance Company Ltd. started to transact in international financial markets via SWIFT
- Received a USD 5.0 Mn guarantee facility from USAID
- Invested in United Dendro Energy (Pvt) Ltd. through LOLC Eco Solutions Ltd.

2010

- Opened 29 Service Centres in Post Offices around the country
- Opened branches in Avissawella, Pettah, Moneragala, Trincomalee, Matugama, Homagama, Nawalapitiya, Kohuwala, Hatton, Ambalangoda and Elpitiya

Milestones

- Acquisition of Confifi Hotel Holdings PLC, Riverina Hotels PLC and Tropical Villas (Pvt) Ltd.
- National Business Excellence Awards 2010 - conducted by the National Chamber of Commerce, Sri Lanka - Gold Award for ‘Diversified Group of Companies Sector’, Silver Award for Best ‘Capacity Builder’ and Bronze Award for ‘Extra Large Sector’. LOLC Leisure Ltd. was awarded Silver for ‘Hospitality’ for Eden Resorts and Spa.
- IT arm - Lanka ORIX Information Technology Services Ltd. (LOITS) earns re-certification for its conformance with the ISO/IEC 27001:2005, covering ‘The Management of Information Security for Providing IT Services at Enterprise Data Center’
- LOITS was the only winner in the category of programme and application security at the ISACA Security Awards last year
- Investments made in Sierra Holdings, Sierra Constructions and AgStar Fertilizers
- Received a long-term loan from Symbiotics
- Received a long-term loan from Triple Jump
- Received a long-term loan from Minlam
- Received a long-term loan from Praparco
- Received a long-term loan from Triodos
- Most Outstanding Financial Performer 2010/11 in the Global ORIX Network
- Top 20 Most Valuable Stocks in the Colombo Bourse

2011

- Excellent Performance in the Overseas Operations Category for FY 2012 in the Global ORIX Network
- LOLC won the Achievement Award for Governance, Risk Management and Compliance (GRC) from the Open Compliance and Ethics Group (OCEG), USA
- First Money Exchange Outlet opened in Matara
- Launch of eZ pay services
- LOLC Micro Credit (LOMC) became the largest agriculture implement financier in Sri Lanka with an excess of over 100,000 customer base
- Commencement of operations of LOLC Insurance Co. Ltd.
- Formation of LOLC Securities Ltd.
- Formation of LOLC Motors and authorised distributors for FIAT in Sri Lanka
- The LOLC team won the Mercantile Basketball Championship in their respective division
- The LOLC Badminton team were placed second at the Mercantile Badminton Team Championships for 2011
- LOLC obtained the consent of the Central Bank of Sri Lanka (CBSL) to relinquish its leasing license from April 2011 and LOLC consolidated its position as a Holding Company
- LOFC obtained CBSL approval to list on the CSE and was renamed as Lanka ORIX Finance PLC
- LOLC Leisure acquires 100% ownership of Dickwella Resort & Spa
- LOFC became one of the largest deposit base holders in the Registered Finance Company sector
- LOLC was awarded the Most Outstanding Financial Performer 2010/11 in the global ORIX network, by the ORIX Corporation of Japan
- LOLC Annual Report 2010/11 won Gold at the ARC Awards 2011 and won the Grand Prize in its category
- LOLC Annual Report 2010/11 won Gold at the League of American Communications Professionals (LACP) Vision Awards 2010 in the ‘Conglomerates and Holding Companies’ category
- LOLC Annual Report 2010/11 wins the ADFIAP Awards 2012 for ‘Best Annual Report’ in the Special Awards category
- 2010 Annual Report of Al-Falaah - the Islamic Business Unit of LOFC, won Bronze at the League of American Communications Professionals (LACP) Vision Awards 2011
- LOLC becomes the Overall Silver Winner; Winner for Best ‘Capacity Builder’; First Runner-up for ‘Extra Large Sector’ and Runners-up for ‘Diversified Group of Companies’ and ‘Excellence in Business & Financial Performance’ at the National Business Excellence Awards 2010/11
- Eden Resort & Spa of LOLC Leisure Ltd. was awarded Runners-up in the ‘Hospitality’ category at the National Business Excellence Awards 2010/11
- Eden Resort & Spa won an overall 36 medals at the 14th Culinary Art 2011 organised by the Chefs Guild of Sri Lanka and was also placed 7th in the overall ranking amongst 211 hotels and other catering establishments in Sri Lanka

- Eden Resort & Spa received the ISO 9001:2008+HACCP certificate for an additional period of 3 years, effective from January 2012
- LOLC was ranked among Business Today's Top 20 Corporates of Sri Lanka 2011
- LOLC's Brand was listed among the Most Valuable Brands of 2011 by Brand Finance Lanka
- LOLC was ranked among LMD's Top 50 Listed Companies of Sri Lanka
- LOLC became the Top 20 Most Valuable Stocks/Companies in the Colombo Bourse 2011
- LOLC was placed among the Top 20 Most Respected Entities in Sri Lanka 2010/11
- During the FY, a total of 36 service points were opened across the island
- LOLC records highest ever profits of Rs. 10.3Bn PBT

2012

- LOLC, Lanka ORIX Finance and Commercial Leasing & Finance were independently assigned Issuer Rating of '[SL] A-'with stable outlook by ICRA Lanka Ltd.
- LOLC Micro Credit secures the largest micro finance syndicated loan of USD 55.5Mn in Sri Lanka
- LOLC was awarded the Best Financial Services Provider at SLIM – Nielsen Peoples Awards 2013
- LOLC ranks 5th top corporate at Business Today Top 25 Awards 2012
- LOLC amongst LMD's top 100 leading listed companies of Sri Lanka
- LOLC amongst Sri Lanka's Leading Brands for 2012 by Brands Finance
- ICRA Lanka assigns [SL]A- with stable outlook to the Rs 1.25 Bn unsecured debenture programmes of LOLC
- Newly constructed LOLC CARE Child Development Centre was opened.
- Eden Resort & Spa emerged Runners-up (Large Category) at the National Business Excellence Awards 2012
- Eden Resort & Spa becomes the only leisure brand honoured with a National Level Merit Award (National Level Extra Large category -Services sector) at the CNCI Achiever Award 2012 organised by The Ceylon National Chamber of Industries.
- Eden Resort & Spa wins Gold for Sri Lanka at the World Culinary Olympics 2012, wins Travelers' Choice 2013 award and receives Certificate of Excellence by TripAdvisor for 2012
- Al-Falaah opens first Shari'ah Compliant Student Savings Centre in Sri Lanka
- Al-Falaah opens 5th branch in Akkaraipattu.
- Al-Falaah renews identity of Al-Falaah Junior Minor Savings Account
- Al-Falaah wins Gold for 'Financial services – General' Summary Annual Review Category at the 2012 ARC International Annual Report Awards and wins 2 bronze awards for 'Written Text and Printing & Production", and 2 Honours awards for 'Cover / Photo Design and Interior Design' for the 2010/11 Annual review 'Values Generate Value'.
- Al-Falaah wins Silver Award in the "Financials – Diversified Services" category at the 2011 League of American Communications Professionals (LACP) Vision Awards and is placed among the Top 25 Sri Lankan Annual Reports for the year in review.
- Lanka ORIX Finance expands foot print to North & East with new branches opened in Mannar, Mullaitivu, Nelliady, Chunnakam and Chavakachcheri.
- Branches were also opened in Dehiattakandiya, Medawachchiya, Aralaganwila, Nikaweratiya, JaEla, Balangoda, Kekirawa and Tissamaharama.

2013-14

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

Milestones

- LOLC wins accolades at the SLIBFI Awards 2013.
- Al-Falaah's Annual Report "Choice" wins Gold.
- Eden Resort & Spa wins awards at CNCI Achiever Awards 2013.
- LOLC, LOMC & CLC among the Top 5 Best Companies to work in Sri Lanka.
- Al-Falaah Ladies launched.
- BRAC & LOLC acquires Nanda Investments.
- LOLC ranked among Business Today's Top 25 Corporates for the year 2013.
- LOFC & CLC ranked among LMD's 100 Leading Listed Companies of Sri Lanka.
- LOLC & CLC among the Brand Annual's most valuable brands.
- New branches were opened in Ambalantota and Matale.

2015

- LOLC Technologies wins the Gold Award for Best Islamic Finance IT Solutions Provider at the 3rd consecutive Sri Lanka Islamic Banking and Finance Industry (SLIBFI) Awards.
- Al-Falaah was adjudged the Islamic Finance Entity of the Year 2014 at the 4th Sri Lanka Islamic Banking and Finance Industry (SLIBFI) Awards.
- At the 4th SLBFI Awards, Al-Falaah also emerged at the top for the Social Upliftment Award (CSR) category by winning Gold and a Silver award in the category for the Rising Islamic Personality of the Year 2014.
- LOFC introduces "Fixed Deposit Bond" which is the first transferable term investment product introduced to the financial services sector in Sri Lanka.
- LOLC Insurance holds Inaugural Sales Convention & Awards Night.
- LOLC ranked among the top 20 most respected entities in Sri Lanka.
- LOLC Group acquires 60% stake in Cambodian Microfinance Company, TPC.
- LOLC Leisure rebranded as Browns Hotels and Resorts.
- LOLC Insurance and Al-Falaah joins in partnership to introduce "Al-Falaah Takaful".
- LOLC announces record breaking production at Hingurana Sugar Factory.
- LOLC wins "Silver Award" at HRP awards organised by the Human Resources Professionals Sri Lanka.
- LOFC Joins LankaPay's Electronic Fund Transfer Network.

2015-16

- Al-Falaah wins three accolades at the 1st IFFSA Awards, organised by UTO EduConsult and Adjudicated KPMG Sri Lanka. Al-Falaah bagged the Silver Award for the Islamic Finance Entity of the Year, Sri Lanka, Gold in the Social Upliftment Award, Sri Lanka and Gold for the Rising Islamic Finance Personality of the Year.
- LOLC Group was bestowed a Silver Award at the SLITAD People Development Awards 2015.
- LOLC Finance enters Kaduwela
- Kandy Branch which is the first branch office of LOLC Finance moved to its very own premises.
- LOLC Securities Limited won Gold and Silver awards for the Best Equity Research report at the Capital Market Awards & Forecast Dinner organised by CFA Society Sri Lanka.
- LOLC is ranked among the TOP 10 Most Respected Firms in Sri Lanka.
- The LOLC Finance Branch in Ambalangoda moved to a new location.
- Al-Falaah Takaful Celebrates a Successful First Year
- LOLC Finance connects to CEFTS (Common Electronic Fund Transfer Switch) enabling faster and reliable real-time electronic payment
- BRAC Lanka Finance opens its first regional office in Matara
- LOLC was placed 7th in the Business Today's TOP 25 Edition 2014-15.
- ICRA Lanka Limited, a Group Company of Moody's Investor Services upgraded the credit rating of LOLC, LOLC Finance PLC and Commercial Leasing & Finance PLC to [SL] A with stable outlook from [SL] A- with stable outlook.
- LOLC was ranked 13th among Sri Lanka's Leading Listed Companies in the 22nd edition of the LMD 100 annual magazine.
- Al Falaah, BRAC and Browns Tours moved to its new corporate office at Darley Road, Colombo 10.
- The LOLC Finance City office at Union Place was relocated to T.B. Jayah Mawatha (Darley Road), Colombo 10.

- Lanka ORIX Finance PLC changes name to LOLC Finance PLC
- LOLC invests US $ 35 Mn in four Male Hotels
- The name Thaneakea Phum (Cambodia) Ltd, was changed to LOLC Cambodia PLC.
- Al-Falaah receives top recognition at the IFN Best Banks Poll global awards 2015. Al-Falaah was adjudged Runners-Up in the category of "Best Islamic Leasing Provider (Overall) 2015" at the Redmoney's Annual Global Awards - Islamic Finance News (IFN) Best Banks Poll 2015.
- 3 LOLC Group Companies Receive Largest Syndicated Loan in History of Sri Lanka's NBFI Sector.
- The 2nd LOLC Vasana Super Draw, took place awarding 6 winners with brand new Fiat Linea motor cars.
- The LOLC Finance Jaffna office moved into its very own premises at No. 62/40, Stanley Road, Jaffna.
- The LOLC Finance City office moved to No. 481, T.B. Jayah Mawatha (Darley Road), Colombo 10.
- The HR Team organised its Annual CSR project this year at the Missionaries of Charity Sisters of Mother Teresa Shanthi Nivasa, Home for the Elders in Mattakkuliya.

2016-2017

- The Eden Resort & Spa Inaugurated the New wing at the Moragalla Junior School.
- LOLC Finance PLC successfully issued a Rs. 500 million (US$3.37 million) Sukuk from the domestic market, setting a precedent for corporate Sukuk issuances in South Asia.
- LOLC Finance PLC relocated its Anuradhapura branch to its very own sophisticated premises at No. 242/2, Maithripala Senanayake Mawatha, Anuradhapura.
- LOLC Micro Credit felicitates over 750 top-achieving Grade 5 Scholars at its annual Isuru Diriya Sisu Upahara Scholarship Awards Ceremony.
- LOLC Group inked a Landmark Agreement with Club Med S A S, France, the World's Most Prestigious Club Resort Operator, to Pave the Way for Sri Lanka's First Club Med Resort.
- LOLC Group was crowned as the overall Gold Award Winner at the National Business Excellence Award (NBEA) 2016. LOLC Group also won a number of other sub-sector awards at the awards ceremony.
- The head office of LOLC Life Assurance relocated to their modern premises at No. 481, T. B. Jaya Mawatha (Darley Road), Colombo 10.
- LOLC Group company, Sagasolar Power (Private) Limited (Sagasolar) launched the first ever Utility Scale Solar Power plant in Sri Lanka.
- LOLC launched a Group-wide competition titled 'Rewarding you for Sustainability' to increase the awareness and promote the adoption of sustainability amongst the staff.
- LOLC Group stepped into the year 2017 with its tree planting campaign named, 'Ratak Surakinna, Gasak Sitawanna – Plant a tree and Preserve the Country'.
- The Eden Resort & Spa was crowned the best in the Hospitality & Tourism Sector of Sri Lanka for the 2nd Consecutive year at the National Business Excellence Awards (NBEA) 2016.
- The LOLC Group inked a historic joint venture with Pak Oman Microfinance Bank Limited to introduce LOLC's exceptional and globally accepted Microfinance model to the people of Pakistan.
- LOLC Finance PLC unveiled a comprehensive payment platform named, LOLC Real Time.
- LOLC was crowned the Financial Services Provider of the Year 2017 at the SLIM-Nielsen People's Awards 2017.
- BEA Partners with LOLC to Acquire Shares in Cambodia's PRASAC Microfinance - Under the new ownership structure, the LOLC Group's stake in PRASAC increased to 70%.
- LOLC Al-Falaah won top awards at the 6th Sri Lanka Islamic Banking & Finance Industry (SLIBFI) awards 2017 including the Gold award for being adjudged the Islamic Finance Entity of the Year. LOLC Al-Falaah also clinched the Silver award for Social Upliftment in the CSR category and the Gold award for the Best Deal of the year.
- LOLC records historic PBT of Rs. 24 Billion.

2017-2018

- LOLC Securities conducts Capital Market & Mobile App Awareness Workshop to the students of SLIIT, Malabe
- LOLC Finance was bestowed with 3 top awards at the inaugural LankaPay Technnovation Awards. The coveted titles include Financial Institution of the year for Customer Convenience, Most Popular Electronic Payment Product and Best Mobile Payment Application of the Year.
- LOLC General Insurance sign-up as a corporate sponsor for the YCF Premiership 2017 organised by the Young Constructors Forum

Milestones

- LOLC Securities crowned the Best Brokerage Research House in Sri Lanka 2017
- LOLC General Insurance celebrates the opening of its new corporate head office.
- LOLC Al-Falaah clinches top awards at the 2nd IFFSA Awards night – wins the Silver award for the Entity of the year, gold for Window/Unit of the year and silver for CSR Project of the year.
- LOLC Micro Credit Limited held its annual 'Isuru Diriya Sisu Upahara Scholarship Awards Ceremony' at the BMICH for the 8th consecutive year, awarding over 900 students who passed the 2017 national Grade 5 scholarship examination with flying colours.
- The Eden Resort & Spa wins another Gold Award at the National Business Excellence Awards (NBEA) 2017, making it three years in a row as the best in the Hospitality and Tourism Sector category.
- Both LOLC Life Assurance and LOLC General Insurance joined hands to organise, "Walk for health 2018" which commenced from the LOLC Insurance head office premises located at No. 481, T.B. Jaya Mawatha (Darley Road), Colombo 10.
- LOLC Al-Falaah, was awarded the Winner of the "Best Islamic Bank" category for Sri Lanka in the "IFN Best Banks Poll 2017" according to the results published by IFN.
- The LOLC Group merged its micro credit company, LOLC Micro Credit Ltd (LOMC), with its flagship finance company, LOLC Finance PLC (LOFC) in a historic move.

List of Directors

Company	Directors
Lanka ORIX Leasing Co. PLC	I.C. Nanayakkara, W.D.K. Jayawardena, Mrs. K.U. Amarasinghe, M.D.D. Pieris, Dr. R.A. Fernando
LOLC Finance PLC	I.C. Nanayakkara, Mrs. K.U. Amarasinghe, Mrs. D.P. Pieris, A. Nissanka, P.A. Wijeratne
Commercial Leasing & Finance PLC	P.D.J. Fernando, D.M.D.K. Thilakaratne, L. Jayarathne, U.H.E. Silva
LOLC Life Assurance Ltd	I.C. Nanayakkara, Mrs. K.U. Amarasinghe
LOLC General Insurance Ltd	W.D.K. Jayawardena, A.K.P. Gunawardena, Dr. J.M. Swaminathan
LOLC Securities Ltd	W.D.K. Jayawardena, S. Gurusinghe, K.A.K.P. Gunawardena, Dr. J.M. Swaminathan
LOLC Factors Ltd	K.A.K.P. Gunawardena, J.B.W. Kelegama, F.G.A. Lawrence
LOLC Investments Ltd	K.A.K.P. Gunawardena, J.B.W. Kelegama, P.D.G. Jayasena
LOLC Micro Investments Ltd	K.A.K.P. Gunawardena, R.D. Tissera, J.B.W. Kelegama
BRAC Lanka Finance PLC	I.C. Nanayakkara, W.D.K. Jayawardena, R.D. Tissera, A.J.L. Peiris, W.R.D. Dharmarathne, W.R.A. Kumara
Browns Hotels and Resorts Ltd	K.A.K.P. Gunawardena, Mrs V.G.S.S. Kotakadeniya, J.B.W. Kelegama, D.S.K. Amarasekera
Browns Leisure(Private) Limited	K.A.K.P. Gunawardena, Mrs. V.G.S.S. Kotakadeniya
Eden Hotels Lanka PLC	W.D.K. Jayawardena, Mrs. K.U. Amarasinghe, D.S.K. Amarasekera, M.T.A. Furkhan, S. Furkhan, Dr. J.M. Swaminathan,
Palm Garden Hotels PLC	W.D.K. Jayawardena, Mrs. K.U. Amarasinghe, D.S.K. Amarasekera, Dr. J.M. Swaminathan
LOLC Asset Holdings Ltd	K.A.K.P. Gunawardena, J.B.W. Kelegama
Lanka ORIX Information Technology Services Ltd	F.K.C.P.N. Dias, K.A.K.P. Gunawardena, J.B.W. Kelegama
LOLC Technologies Ltd	F.K.C.P.N. Dias, K.A.K.P. Gunawardena, J.B.W. Kelegama
LOLC Eco Solutions Ltd	K.A.K.P. Gunawardena, P.D.G. Jayasena, J.B.W. Kelegama
United Dendro Energy Walawewatte (Pvt) Ltd	K.A.K.P. Gunawardena, P.D.G. Jayasena
United Dendro Energy Ambalantota (Pvt) Ltd	K.A.K.P. Gunawardena, P.D.G. Jayasena
Thurushakthi (Pvt) Ltd	K.A.K.P. Gunawardena, P.D.G. Jayasena
Sundaya Lanka (Pvt) Ltd	M.R. Adema, R.D. Tissera, K.A.K.P. Gunawardena, J.B.W. Kelegama
LOLC Motors Ltd	K.A.K.P. Gunawardena, P.D.G. Jayasena, Mrs. V.G.S.S. Kotakadeniya
Speed Italia (Pvt) Ltd	W.D.K. Jayawardena, K.A.K.P. Gunawardena, P.D.G. Jayasena
Dickwella Resorts (Pvt) Ltd	K.A.K.P. Gunawardena, J.B.W. Kelegama, P.D.G. Jayasena
Tropical Villas (Pvt) Ltd	D.S.K. Amarasekera, K.A.K.P. Gunawardena, J.B.W. Kelegama
Riverina Resorts (Pvt) Ltd	W.D.K. Jayawardena, Mrs. K.U. Amarasinghe, D.S.K. Amarasekera, K.A.K.P. Gunawardena
Lanka ORIX Project Development Ltd	K.A.K.P. Gunawardena, J.B.W. Kelegama, P.D.G. Jayasena
Commercial Factors (Pvt) Ltd	K.A.K.P. Gunawardena, D.M.D.K. Thilakaratne, J.B.W. Kelegama
LOLC Capital One (Pvt) Ltd	K.A.K.P. Gunawardena, J.B.W. Kelegama, S. Gurusinghe, B.D.T. Rohan Perera,
LOLC Corporate Services (Pvt) Ltd	K.A.K.P. Gunawardena, Miss C.S. Emmanuel, Mrs. R.T. Seneviratne, Mrs. J.K. Vaas
East Cost Land Holdings (Pvt) Ltd	K.A.K.P. Gunawardena, P.D.G. Jayasena, J.B.W. Kelegama
Prospere Realty (Pvt) Ltd	K.A.K.P. Gunawardena, P.D.G. Jayasena, J.B.W. Kelegama
Green Orchard Property Investments (Pvt) Ltd	K.A.K.P. Gunawardena, P.D.G. Jayasena, J.B.W. Kelegama
Eagle Recoveries (Pvt) Ltd	K.A.K.P. Gunawardena, P.D.G. Jayasena, J.B.W. Kelegama

List of Directors

Company	Directors
I Pay (Private) Ltd	K.A.K.P. Gunawardena, P.D.G. Jayasena, J.B.W. Kelegama, F.K.C.P.N. Dias
Fairview Lands Ltd	K.A.K.P. Gunawardena, P D G Jayasena, J.B.W. Kelegama
Diriya Investments (Pvt) Ltd	Mrs. R.N.A. Nanayakkara, K.A.K.P. Gunawardena
LOLC Property One (Pvt) Ltd	K.A.K.P. Gunawardena
LOLC Property Two (Pvt) Ltd	K.A.K.P. Gunawardena
LOLC Property Three (Pvt) Ltd	K.A.K.P. Gunawardena
LOLC Property Four (Pvt) Ltd	K.A.K.P. Gunawardena
LOLC Property Five (Pvt) Ltd	K.A.K.P. Gunawardena
LOLC Property Six (Pvt) Ltd	K.A.K.P. Gunawardena
LOLC Property Seven (Pvt) Ltd	K.A.K.P. Gunawardena
LOLC Property Eight (Pvt) Ltd	K.A.K.P. Gunawardena
LOLC Property Nine (Pvt) Ltd	K.A.K.P. Gunawardena
LOLC Property Ten (Pvt) Ltd	K.A.K.P. Gunawardena
Browns Tours (Pvt) Ltd	Mrs. R. Nilmini Avanthi Nanayakkara , Mr. Tilak Selviah, Mr. D.S.K. Amarasekera, Mr. P.A. Dishan Frank Perera, Mr. S.A. Nishantha Perera
B.G. Air Services (Pvt) Ltd	Mrs. R. Nilmini Avanthi Nanayakkara , Mr. D.S.K. Amarasekera
Samudra Beach Resorts(Pvt)Ltd	Mr. D.S.K. Amarasekera, Mrs. R.L. Nanayakkara, Mr. Tilak Selviah (Alternate Director for D.S.K. Amarasekera), Mr. K.A.K.P. Gunawardena
Millennium Development (Pvt) Ltd	Mr. D.S.K. Amarasekera, Mr. Tilak Selviah, Mr. K.A.K.P. Gunawardena, Mr. Eksath Chamikara Wijeratne
Excel Global Holdings (Pvt) Ltd	Mr. D.S.K. Amarasekera, Mr. Tilak Selviah (Alternate Director for Mr. D.S.K. Amarasekera), Mr. K.A.K.P. Gunawardena,
Taprobane Plantations Ltd	Mrs. R.N.A. Nanayakkara, Mrs. M.S. Rohini Jayaweera,
Excel Restaurants (Pvt) Ltd	Mr. Tilak Selviah, Mr. D.S.K. Amarasekera, Mr. K.A.K.P. Gunawardena, Mr. Eksath Chamikara Wijeratne,
Ajax Engineers (Pvt) Ltd	Mr. S. Karunarathne, Mr. J. Sheriff, Mr. D.S.K. Amarasekera, Mrs. Sunjeevani Kotakadeniya,
Ceylon Roots (Pvt) Ltd	Mr. S.A. Nishantha Perera, Mr. P.A. Dishan Frank Perera, Mr. D.S.K. Amarasekera, Mr. K.A.K.P. Gunawardena,
Green Paradise (Pvt) Ltd	Mr. D.S.K. Amarasekera, Mr. K.A.K.P. Gunawardena, Mrs. K.U. Amarasinghe, Mr. Thilak Selviah (Alternate Director to Mr. D.S.K. Amarasekera),
Sun & Fun Resorts Ltd	Mr. Charkravarthy Melappati, Mr. Tennekoon Rusiripala, Mr. V.K. Vemuru, Mr. D.S.K. Amarasekera, Mr. K.A.K.P. Gunawardena, Mr. Thilak Selviah (Alternate Director to Mr. D.S.K. Amarasekera), Mrs. K.U. Amarasinghe,
Creations Wooden Fabricators (Pvt) Ltd	Mr. A.P. Weeratunga, Ms. H. Mala Mangalika, Mr. K.A.K.P. Gunawardena, Mr. D.S.K. Amarasekera,
Browns Global Farm (Pvt) Ltd	Mrs. R. Nilmini Avanthi Nanayakkara, Mr. D.S.K. Amarasekera,
B I Commodities and Logistics (Pvt) Ltd	Mr. D.S.K. Amarasekera, Mr. K.A.K.P. Gunawardena, Mrs. Sunjeevani Kotakadeniya, Mr. Gunendra Jayasena, Mr. Danesh Abeyrathne, Mr. Manju Gunawardena,

Company	Directors
BI Zhongtian Holdings (Pvt) Ltd	Mr. D.S.K. Amarasekera, Mr. K.A.K.P. Gunawardena, Mr. Thilak Selviah (Alternate Director to D.S.K. Amarasekera), Mr. W. Zhong Feng, Mr. W. Zhong Shan,
Ceylon Roots Lanka (Pvt) Ltd	Mr. K.A.K.P. Gunawardena, Mr. D.S.K. Amarasekera, Mr. S.A. Nishantha Perera, Mr. P.A.D.F. Perera,
Browns Teas (Pvt) Ltd	Mr. D.S.K. Amarasekera, Mr. K.A.K.P. Gunawardena, Mrs. Sunjeevani Kotakadeniya, Mr. K.G. Punchihewa,
Browns Metal & Sands (Private) Ltd	Mr. D.S.K. Amarasekera, Mr. K.A.K.P. Gunawardena, Mrs. Sunjeevani Kotakadeniya, Mr. K.G. Punchihewa,
Browns Engineering and Construction (Pvt) Ltd	Mr. D.S.K. Amarasekera, Mrs. Sunjeevani Kotakadeniya, Mr. K.A.K.P. Gunawardena,
Browns Capital Holdings (Pvt) Ltd	Mr. Kithsiri Gunawardena, Mr. D.S.K. Amarasekera, Mrs. Sunjeevani Kotakadeniya,
Browns Capital PLC	Mr. Kapila Jayawardena, Mr. D.S.K. Amarasekera, Mr. A.I. Fernando, Mr. U.H. Palihakkara, Mrs. K.U. Amarasinghe, Mrs. Sunjeevani Kotakadeniya,
F L P C Management (Pvt) Ltd	Mr. D.S.K. Amarasekera, Mrs. Sunjeevani Kotakadeniya, Mr. Kithsiri Gunawardena,
Browns Power Holdings (Pvt) Ltd	Mr. D.S.K. Amarasekera, Mrs. Sunjeevani Kotakadeniya, Mr. Kithsiri Gunawardena,
Dolekanda Power (Pvt) Ltd	Mr. D.S.K. Amarasekera, Mrs. Sunjeevani Kotakadeniya,
Enselwatte Power (Pvt) Ltd	Mr. D.S.K. Amarasekera, Mrs. Sunjeevani Kotakadeniya,
Browns Properties (Pvt) Ltd	Mr. D.S.K. Amarasekera, Mrs. Sunjeevani Kotakadeniya, Mr. Kithsiri Gunawardena,
F L C Estate Bungalows (Pvt) Ltd	Mr. D.S.K. Amarasekera, Mrs. Sunjeevani Kotakadeniya,
Maturata Plantations Ltd	Mrs. Sunjeevani Kotakadeniya, Mr. D.S.K. Amarasekera, Mr. Kithsiri Gunawardena, Mr. M.J.R. Puviraj,
F L M C Sudima Timber Products (Pvt) Ltd	Mr. J.M.S. De Mel
Sagasolar Power (Pvt) Ltd	Mr. A.S. Kumara Vidanagamage, Mr. P.D. Rajeeva Hettiaratchi, Mr. Anand Raheja, Mrs. Sunjeevani Kotakadeniya, Mr. D.S.K. Amarasekera, Mr. M.A. Sanjaya Fernando (Alternate Director to Anand Raheja) , Mr. D.F.J. Pradeep Gamlath (Alternate Director to Mr. A.S. Kumara Vidanagamage), Mr. K.A.K.P. Gunawardena,
Brown & Company PLC	Mr. I.C. Nanayakkara, Mr. H.P. Janaka De Silva, Mr. W.D. Kapila Jayawardena, Mrs. K.U. Amarasinghe, Mr. Tissa Bandaranayake,
Associated Battery Manufacturers Ceylon Ltd	Mr. Subir Chakraborty, Mr. A.K. Mukherjee, Mr. Saha Arnab, Mr. M. Ramachandran, Mr. T. Sanakan, Mr. M.S. Gunawardena, Mr. I.C. Nanayakkara, Mr. Winston Wong,
S.F.L.Services (Pvt) Ltd	Mrs. R.L. Nanayakkara, Mrs. R. Nilmini Avanthi Nanayakkara, Mr. K.A.K.P. Gunawardena,
Engineering Services (Pvt) Ltd	Mrs. R.L. Nanayakkara , Mrs. R. Nilmini Avanthi Nanayakkara, Mr. Kithsiri Gunawardena,
Masons Mixture Limited	Mrs. R.L. Nanayakkara , Mrs. R. Nilmini Avanthi Nanayakkara, Mr. K.A.K.P. Gunawardena,
Browns Group Motels Ltd	Mrs. R.L. Nanayakkara, Mrs. R. Nilmini Avanthi Nanayakkara,
C.F.T.Engineering Ltd	Mrs. R.L. Nanayakkara, Mrs. R. Nilmini Avanthi Nanayakkara,
Browns Group Industries (Pvt) Ltd	Mrs. R.L. Nanayakkara, Mrs. R. Nilmini Avanthi Nanayakkara,
The Hatton Transport And Agency Company (Pvt) Ltd	Mrs. R.L. Nanayakkara, Mrs. R. Nilmini Avanthi Nanayakkara,
Walker & Greig (Pvt) Ltd	Mrs. R.L. Nanayakkara, Mrs. R. Nilmini Avanthi Nanayakkara,

List of Directors

Company	Directors
Browns Investments PLC	Mr. I.C. Nanayakkara, Mr. Kamantha Amarasekera, Mr. Stefan Furkhan, Mrs. Kalsha Amarasinghe, Mr. W.D. Kapila Jayawardena, Mr. J.M. Swaminathan,
Klevenberg (Pvt) Ltd	Mrs. R. Nilmini Avanthi Nanayakkara, Mr. K.A.K.P. Gunawardena,
Sifang Lanka Trading (Pvt) Ltd	Mrs. R.L. Nanayakkara - Chairperson, Mrs. R. Nilmini A. Nanayakkara,
Sifang Lanka (Pvt) Ltd	Mrs. R.L. Nanayakkara, Mrs. R. Nilmini Avanthi Nanayakkara, Zhou Haifeng, Huang Yilin,
Galoya Holdings (Private) Ltd	Mr. R.M.G.K.B. Ratnayake, Mr. K.A.K.P. Gunawardena, Mr. W.K.D.T. Abeyrathne, Mr. S.G. Kaliyadasa, Ms. J. Chandramohan,
Galoya Plantations (Pvt) Ltd	Dr. K.B. Kotagama, Mr. K.A. Kithsiri P Gunawardena, Mr. R.M.G.K.B. Ratnayake, Mr. Danesh Abeyrathne, Ms. C. Sriyani Perera, Mr. Thushitha Wanigasinghe, Mr. M.M. Fouz, Mr. B.M.D. Bandara Basnayake, Mr. Wasantha Batagoda, Mr. S. Giridaran,
Browns Thermal Engineering (Pvt) Ltd	Mrs. R.L. Nanayakkara, Mr. D. Fernando, Mr. A.K.D. Munidasa,
Browns Health Care Negombo (Pvt) Ltd	Mrs. Indra Nanayakkara, Mrs. R. Nilmini Avanthi Nanayakkara,
Browns Industrial Park Ltd	Mrs. R.L. Nanayakkara - Chairperson, Mrs. R. Nilmini Avanthi Nanayakkara,
Snowcem Products Lanka (Pvt) Ltd	Mrs. R. Nilmini Avanthi Nanayakkara, Mr. K.A.K.P. Gunawardena,
Browns Healthcare (Pvt) Ltd	Mrs. R.L. Nanayakkara - Chairperson, Mrs. R. Nilmini Avanthi Nanayakkara,
Browns Real Estates (Pvt) Ltd	Mrs. R.L. Nanayakkara - Chairperson, Mrs. R. Nilmini Avanthi Nanayakkara,
Browns Health Care North Colombo (Pvt) Ltd	Mrs. R.L. Nanayakkara, Mrs. R. Nilmini Avanthi Nanayakkara
E.S.L. Trading (Pvt) Ltd	Mrs. R.L. Nanayakkara, Mrs.R. Nilmini Avanthi Nanayakkara,
Browns Holdings Ltd	Mrs. R.N.A. Nanayakkara, Mrs. K.U. Amarasinghe, Mr. K.A.K.P. Gunawardena,
Browns Pharma Ltd	Mr. C.N. Rathakrishnan, Mr. T. Sanakan, Mr. Manju Gunawardena,
Browns Advanced Technologies (Pvt)Ltd	Mr. W.D. Kapila Jayawardena, Mr. Manju Gunawardena, Mr. Danesh Abeyrathne, Mr. K.A.K.P. Gunawardena,
Browns Agri Solutions (Pvt) Ltd	Mr. K.A.K.P. Gunawardena, Mr. Danesh Abeyrathne, Mr. Manju Gunawardena,
Browns Pharmaceuticals Limited	Mr. T. Sanakan, Mr. C.N. Rathakrishnan, Mr. Mangala Wijesinghe,
PRASAC MFI	Mr. Chan Tze Ching Ignatius, Mr. Yuen Wai Hung Peter, Mr. Ishara C. Nanayakkara, Mr. Kahandawela Arachige Kithsiri Perera Gunawardena, Mr. Sim Senacheert, Mr. Hiep Van Ho, Mr. Minki Brian Hong,
LOLC Cambodia	Mr. Brindley de Zylva , Mr. Ravindra Tissera , Mr. Conrad Dias , Mr. Michael Moormann , Mr. Indrajith Wijesiriwardana,
LOLC Myanmar Micro Finance Co. Ltd	Mr. Brindley de Zylva , Mr. Ishara Nanayakkara , Mr. Kithsiri Gunawardena , Mr. Ravindra Tissera, Mr. Conrad Dias , Mr. Dulip Samaraweera,
Pak Oman Micro Finance Bank	H.E. Yahya Bin Said Bin Abdullah Al Jabri, H.H. Julanad Jaifar Salim Al Said, Mr. Bahauddin Khan, Mr. Ishara Chinthaka Nanayakkara, Mr. Ravindra Dhammika Tissera, Mr. Haitham Yousuf Juma Al Zadjali, Mr. Ali Salman Abbasi, Mr. Rehman Ghani,
Bodufaru Beach Resort Private Limited	Mr. Kamantha Amarasekera, Mr. Kithsiri Gunawardena, Mr. Mohamed Niham,
Seylan Bank PLC	Mr. W.M.R.S. Dias, Mr. I.C. Nanayakkara, Ms. M.C. Pietersz, Mr. K.P. Ariyaratne, Mr. S.P.S. Ranatunga, Mr. W.D.K. Jayawardena, Mr. P.L.S.K. Perera, Mr. S.V. Corea, Mr. A.S. Wijesinha, Mrs. S.K. Salgado,

Company	Directors
NPH Investments	Mr. Mohamed Manik, Mr. Ibrahim Mohamed, Mr. Kamantha Amarasekera, Mr.Tilak Selviah, Mr. Ali Niman, Mr. Kithsiri Gunawardena, Mrs. Sunjeevani Kotakadeniya,
AgStar Fertilizers PLC	Mr N.G.R. Karunaratne, Mr D.N.N. Lokuge, Mr A.P. Weerasekera, Mr D.S.K. Amarasekera, Mr W.A.P. Perera, Mr A.G. Weerasinghe, Mr H.P.J. de Silva, Ms S. Wickramasinghe,
Sierra Construction (Private) Limited	Mr. F.A.W. Irugalbandara (Alternate –A.C.P. Irugalbandara), Mr. D.N.N. Lokuge (or by his alternate Ms. S.N. Lokuge), Mr W.A.P. Perera, Mr E.A.D.T.B. Perera (or by his alternate Mr. Nimesh Perera), Mr E.M.M. Boayagoda (or by his alternate Mr. M.R.C. Cooray), Mr. I.C. Nanayakkara, Mr. D.S.K. Amarasekera,
Sierra Holdings (Private) Limited	Mr. F.A.W. Irugalbandara, Mr. D.N.N. Lokuge (or by his alternate Ms. S.N. Lokuge), Mr. W.A.P. Perera, Mr. E.A.D.T.B. Perera , Mr. D.S.K. Amarasekera,
Virginia International Investments Limited.	Ajith Rohan Gunawardena, Don Soshan Kamantha Amarasekera, Ekanayake Mudiyanselage Mangala Boyagoda, Telge Nihal Mahinda Peiris, Edinadura Kuvera Isuru De Zoysa,
Commercial Insurance Brokers Ltd	Mr. M.P. Jayawardena, Mr. R.A.M. Seneviratne, Mr. U. I.S. Tillakawardana, Mr. S.P.S. Ranatunga, Mr. D.M.D.K. Thilakaratne, Mr. N Weerapana

Share Distribution

SHAREHOLDING AS AT 31ST MARCH

Range			2018 No. of Shareholders	2018 No. of Shares	2018 %	2017 No. of Shareholders	2017 No. of Shares	2017 %
1	-	1,000	1,800	603,080	0.13	1,960	690,209	0.13
1,001	-	10,000	719	2,794,687	0.59	850	3,313,354	0.69
10,001	-	100,000	269	8,293,858	1.74	281	8,203,310	1.73
100,001	-	1,000,000	43	11,500,047	2.42	46	11,073,042	2.33
Over		1,000,000	13	452,008,328	95.12	14	451,920,085	95.10
			2,844	475,200,000	100.00	3,151	475,200,000	100.00

CATEGORIES OF SHAREHOLDERS AS AT 31ST MARCH

Range	2018 No. of Shareholders	2018 No. of Shares	2018 %	2017 No. of Shareholders	2017 No. of Shares	2017 %
Local Individuals	2,574	136,980,260	28.83	2,865	279,840,745	58.90
Local Institutions	221	313,887,581	66.05	240	32,512,879	6.84
Foreign Individuals	38	350,326	0.07	37	593,343	0.12
Foreign Institutions	11	23,981,833	5.05	9	162,253,033	34.14
	2,844	475,200,000	100.00	3,151	475,200,000	100.00

SHARE PRICES FOR THE YEAR AS AT 31ST MARCH

	2018 (Rs.)	2017 (Rs.)
Market price per share		
Highest during the year	145.00	93.00
Lowest during the year	60.50	59.00
As at end of the year	118.00	61.00

PUBLIC HOLDING

The percentage of shares held by the public 16.11% (2017 – 15.50%) comprising 2,836 shareholders

TWENTY LARGEST SHAREHOLDERS OF THE COMPANY AS AT 31ST MARCH

		2018		2017	
		No. of Shares	%	No. of Shares	%
1	LOLC Holdings (Private) Limited	142,458,490	29.98	NIL	NIL
2	Mr. I C Nanayakkara	91,613,792	19.28	59,895,500	12.60
3	Commercial Bank of Ceylon PLC/ Mr. I C Nanayakkara	79,000,000	16.63	NIL	NIL
4	Sampath Bank PLC/ Mr. I C Nanayakkara	61,774,000	13.00	NIL	NIL
5	Mrs K U Amarasinghe	23,760,000	5.00	23,760,000	5.00
6	Employees Provident Fund	15,182,259	3.20	15,182,259	3.20
7	HSBC INTL Nom Ltd-BBH- Matthews International Funds-Matthews Asia Growth Fund	12,121,473	2.55	12,121,473	2.55
8	Renaissance Capital (Pvt) Ltd	8,671,625	1.83	8,671,625	1.83
9	HSBC INTL Nom Ltd-BBH- Matthews Emerging Asia Fund	7,511,241	1.58	573,466	0.12
10	Creation Investments SL1 LLC	3,889,246	0.82	NIL	NIL
11	Mrs. I Nanayakkara	2,827,948	0.60	2,827,948	0.60
12	Mr. R C De Silva	1,683,200	0.35	1,634,000	0.34
13	J B Cocoshell (Pvt) Ltd	1,515,054	0.32	NIL	NIL
14	Swastika Mills Ltd	985,703	0.20	1,006,800	0.21
15	Mrs. S N Fernando	818,440	0.17	818,440	0.17
16	Dr. M Ponnambalam	772,616	0.16	1,044,960	0.22
17	Mr. G G Ponnambalam	766,818	0.16	1,044,960	0.22
18	Mr. R Maheswaran	500,000	0.11	500,000	0.11
19	Miss. A Radhakrishnan	500,000	0.11	500,000	0.11
20	Miss M P Radhakrishnan	500,000	0.11	500,000	0.11
		456,851,905	96.14	130,081,431	27.37
		18,348,095	3.86	345,118,569	72.63
		475,200,000	100.00	475,200,000	100.00

Corporate Information

Name of the Company
Lanka ORIX Leasing Company PLC

Country of Incorporation
Sri Lanka

Date of Incorporation
14th March 1980

Legal Form
A quoted public company with limited liability.

Company Registration No.
PQ 70

Stock Exchange Listing
The ordinary shares of the Company are listed on the Colombo Stock Exchange of Sri Lanka.

Registered Office
100/1, Sri Jayewardenepura Mawatha, Rajagiriya, Sri Lanka.

Head Office
No. 100/1, Sri Jayewardenepura Mawatha,
Rajagiriya, Sri Lanka
Telephone: 011-5880880
Fax: 011-2865606 (Gen)
Website: www.lolc.com

Directors
Ishara Chinthaka Nanayakkara
Executive Deputy Chairman

Waduthantri Dharshan Kapila Jayawardena
Managing Director / Group CEO

Kalsha Upeka Amarasinghe
Executive Director

Minuwanpitiyage Dharmasiri Dayananda Pieris
Independent Director

Dr. Ravindra Ajith Fernando
Independent Director

Harukazu Yamaguchi
Non-Executive Director (Resigned w.e.f. 20th April 2018)

Hiroshi Nishio
Non-Executive Director (Resigned w.e.f. 20th April 2018)

Keiji Okuno
Non Executive Director (Alternate to H Nishio)
(Resigned w.e.f. 20th April 2018)

Kiyokazu Ishinabe
Non Executive Director (Alternate to H Yamaguchi)
(Resigned w.e.f. 20th April 2018)

Board Sub Committees

Audit Committee
M D D Pieris - Committee Chairman
Dr. R A Fernando

Talent Development and Remuneration Committee
Dr. R A Fernando - Committee Chairman
M D D Pieris

Related Party Transactions Review Committee
M D D Pieris - Committee Chairman
W D K Jayawardena
Mrs. K U Amarasinghe

Corporate Governance Committee
M D D Pieris - Committee Chairman
W D K Jayawardena
Mrs. K U Amarasinghe

Integrated Risk Management Committee
M D D Pieris - Committee Chairman
W D K Jayawardena
Mrs. S Wickremasekera
Mrs. S Kotakadeniya
F K C P N Dias
K A K P Gunawardena
B D T R Perera
J B W Kelegama
A Dharmaprema
P Uluwaduge
P Pathirana

Company Secretaries
L O L C Corporate Services (Private) Limited

Auditors
Ernst & Young,
Chartered Accountants

Lawyers
Julius & Creasy
Nithya Partners

Registrars
P.W. Corporate Secretarial (Pvt) Ltd.

Principal Activities
Monitoring and managing the Group's investments and providing centralised support services to its subsidiaries and associates.

Bankers
Bank of Ceylon
Citi Bank N A., Hatton National Bank PLC,
Hongkong & Shanghai Banking Corporation,
Deutsche Bank AG, Cargills Bank Ltd
Nations Trust Bank PLC,
Commercial Bank of Ceylon PLC,
NDB Bank PLC, Sampath Bank PLC,
Seylan Bank PLC, Union Bank PLC, MCB Bank
Pan Asia Banking Corporation PLC

Glossary

A

Accrual Basis

Recognising the effects of transactions and events when they occur, without waiting for receipt or payment of cash or cash equivalent.

Amortisation

Amortisation is the systematic allocation of the depreciable amount of an intangible asset over its useful life.

Associate

An associate is an entity, including an unincorporated entity such as a partnership, over which the investor has significant influence and that is neither a subsidiary nor a joint venture.

Available-for-Sale Financial Instruments

Non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

C

Cash Basis

Recognising the effects of transactions and events when receipt or payment of cash or cash equivalent occurs.

Cash Equivalents

Short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk in change in value.

Consolidated Financial Statements

Financial Statements of a Group presented as those of a single company.

Corporate Governance

The process by which corporate entities are governed. It covers the way in which power is exercised over the management and direction of entity, the supervision of executive actions and accountability to owners and others.

D

Depreciation

Depreciation is the allocation of the depreciable amount of an asset over its estimated useful life. Depreciation for the accounting period is charged to profit or loss for the period either directly or indirectly.

E

Executions

Advances granted to customers under leasing, hire purchase, installment sales and loan facilities.

Earned Premium The proportion of net written premium recognised for accounting purposes as income in a given period.

F

Fair Value

Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction.

Financial Asset

Any asset that is cash, an equity instrument of another entity or a contractual right to receive cash or another financial asset from another entity.

Finance Lease

A lease that transfers substantially all the risks and rewards incidental to ownership of the asset to the lessee. Title may or may not eventually be transferred.

Financial Liability

Contractual obligation to deliver cash or another financial asset to another entity.

G

Goodwill

Any excess of the cost of the acquisition over the acquirer's interest in the fair value of the identifiable assets and liabilities acquired as at the date of the exchange transaction and is recognised as an asset.

Gross Dividend

The proportion of profit distributed to shareholders inclusive of tax withheld.

Gross Portfolio

Total rental installment receivable of the advances granted to customers under leasing, hire purchase, installment sales and loan facilities.

H

Hire Purchase

A hire purchase is a contract between hirer and financier where the hirer takes on hire a particular article from the financier, with the option to purchase the article at the conclusion of the agreed rental payments.

I

Impairment

Amount by which the carrying amount of an asset or cash-generating unit exceeds its recoverable amount.

Insurance Provisions

Amounts set aside on the basis of actuarial calculations to meet obligations to policyholders.

Glossary

Intangible Asset An intangible asset is an identifiable non- monetary asset without physical substance held for use in the production or supply of goods or services, for rental to others, or for administrative purposes.

Interest Cost

The sum of monies accrued and payable to the sources of borrowed working capital.

Interest in Suspense

Interest income of non-performing portfolio; these interests are accrued but not considered as part of income.

Investment Property

Investment property is property (land or a building - or part of a building - or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes; or sale in the ordinary course of business.

J

Joint Venture

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity which is subject to joint control.

K

Key Management Personnel

Key Management Personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly.

L

Lease

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time.

M

Minority Interest

Part of the net results of operations and of net assets of a subsidiary attributable to interests who are not owned, directly or indirectly through subsidiaries, by the Parent.

N

Negative Goodwill

Any excess, as at the date of the exchange transaction, of the acquirer's interest in the fair values of the identifiable assets and liabilities acquired over the cost of the acquisition and is treated as income in the period it arises.

Net Portfolio

Total rental installment receivable excluding interest of the advances granted to customers under leasing, hire purchase, installment sales and loan facilities.

Non-Performing Portfolio

Facilities granted to customers who are in default for more than six months.

O

Operating Lease

An operating lease is a lease other than a finance lease.

P

Provision

Amounts set aside against possible losses on net receivable of facilities granted to customers, as a result of them becoming partly or wholly uncollectible.

R

Reinsurance

An arrangement whereby Insurers transferring portions of risk portfolios to other parties (Reinsurers) in order to reduce part or all of the liability assumed by the insurer under a policy or policies of insurance.

Related Parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operating decisions.

Related Party Transactions

A transfer of resources or obligations between related parties, regardless of whether a price is charged.

Residual Value

The estimated amount that is currently realisable from disposal of the asset, after deducting estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life.

Revenue Reserve

Reserves set aside for future distribution and reinvestment.

S

Segmental Analysis

Analysis of information by segments of an enterprise, specifically the different industries and the different geographical areas in which it operates.

Shareholders' Funds (Equity)

Total of issued and fully-paid ordinary share capital and reserves.

Stated Capital

All amounts received by the Company or due and payable to the Company - (a) in respect of the issue of shares, (b) in respect of calls on shares.

Subsidiary Company

Subsidiary is a company that is controlled (power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities) by another company known as the Parent.

Substance Over Form

The consideration that the accounting treatment and the presentation in Financial Statements of transactions and the events should be governed by their substance and financial reality and not merely by legal form.

U

Unearned Premium

Premiums received by an insurer outside the current accounting period (unearned premium). Such premiums are not treated as income until they become earned during the period to which they relate.

V

Value Addition

Value of wealth created by providing leasing and other related services considering the cost of providing such services.

RATIOS

Method of computation and indicates:

C

Cost to Income Ratio

Operating expenses excluding provision for bad and doubtful debts as a percentage of total operating income, net of interest cost. Efficiency of cost management in generating income.

D

Debt to Equity (Gearing) Ratio

Total debts divided by equity. The extent to which debt contributes to fund total assets, compared to the contribution from equity.

Dividend Cover

Profit attributable to ordinary shareholders divided by gross dividends of ordinary shares. Number of times dividend is covered by current year's distributable profits.

Dividend Per Share (DPS)

Value of the dividend proposed and paid out to ordinary shareholders divided by the number of ordinary shares in issue. Share of current year's dividend distributable to an ordinary share in issue.

E

Earnings Per Share (EPS)

Profit attributable to ordinary shareholders divided by the weighted average number of ordinary shares outstanding during the year. Share of current year's earnings attributable to an ordinary share in issue.

I

Interest Cover

Earnings before interest and tax divided by interest charges. Ability to cover or service interest charges of the debtholders.

M

Market Capitalisation

Number of ordinary shares in issue multiplied by market value of a share. Total market value of all ordinary shares in issue.

N

Net Asset Value Per Ordinary Share

Ordinary shareholders' funds divided by the number of ordinary shares in issue. Book value of an ordinary share.

Non-Performing Facilities Ratio

Total gross non-performing portfolio divided by total gross portfolio. Percentage of total gross non-performing portfolio against the total gross portfolio.

P

Price Earning Ratio (PER Ratio)

Market price of a share divided by Earnings Per Share (EPS). Number of years that would be taken to recoup shareholders' capital outlay in the form of earnings.

R

Return On Assets (ROA)

Net profits expressed as a percentage of average total assets. Overall effectiveness in generating profits with available assets; earning power of invested total capital.

Return On Equity (ROE)

Net profit, less preference share dividends if any, expressed as a percentage of average ordinary shareholders' funds. Earning power on shareholders' book value of investment (equity).

Notes

Notice of Meeting

NOTICE IS HEREBY GIVEN THAT THE THIRTY NINTH ANNUAL GENERAL MEETING of the Company will be held on 28th September, 2018 at 10.30 a.m. in the LOLC Auditorium, Head Office, Rajagiriya for the following purposes:

1. To receive and consider the Report of the Directors and Statement of Accounts for the year ended 31st March 2018 with the Report of the Auditors thereon.
2. To re-elect as a Director I C Nanayakkara who retires by rotation in terms of Article 88 (i) of the Articles of Association of the Company.
3. To re-elect as a Director Deshamanya M D D Pieris, who retires in terms of Section 210 of the Companies Act No. 7 of 2007. Special Notice has been received from a shareholder of the intention to pass a resolution which is set out below in relation to his re-election (see note 4 below)
4. To re-appoint M/s Ernst and Young Chartered Accountants as auditors for the ensuing financial year at a remuneration to be fixed by the Directors
5. To approve changing the Company's name by a Special Resolution from Lanka ORIX Leasing Company PLC to LOLC HOLDINGS PLC"

By order of the Board

LANKA ORIX LEASING COMPANY PLC

LOLC Corporate Services (Pvt) Ltd
Secretaries

15th August 2018

Rajagiriya (in the greater Colombo)

NOTE:

1) A member entitled to attend and vote at the Meeting is entitled to appoint a Proxy to attend and vote instead of him/her. A Proxy need not be a member of the Company

2) The completed Form of Proxy should be deposited at the registered office of the Company, 100/1, Sri Jayawardenapura Mawatha, Rajagiriya, not later than 10.30 a.m. on 26th September 2018.

3) A Form of Proxy accompanies this Notice

4) Special Notice was received by the Company from a shareholder of the Company giving Notice of intention to move the following Resolution at the above Annual General Meeting :

   Resolved that Deshamanya M D D Pieris who reached the age of 70 years in 2007, be and is hereby re-elected a Director of the company and it is further specifically declared that the age limit of 70 years referred to in Section 210 of the Companies Act No. 7 of 2007 shall not apply to the said Director, Deshamanya M D D Pieris.

Form of Proxy

I/ We .... of ....

being a member/members of the above named Company hereby appoint; ....

.... of .... whom failing

I C Nanayakkara	of Colombo or failing him
W D K Jayawardena	of Colombo or failing him
Deshamanya M D D Pieris	of Colombo or failing him
Mrs. K U Amarasinghe	of Colombo or failing her
Dr. R A Fernando	of Colombo

as my/our proxy to represent me/us and vote on my/our behalf at the Thirty Ninth Annual General Meeting of the Company to be held on 28th September 2018 and at any adjournment thereof and at every poll which may be taken in consequence of the aforesaid Meeting.

		For	Against
1	To re-elect as a Director Mr. I C Nanayakkara who retires by rotation in terms of Article 88 (i) of the Articles of Association of the Company.		
2	To re-elect as a Director Deshamanya M D D Pieris, who retires in terms of Section 210 of the Companies Act No. 7 of 2007.		
3	To re-appoint as auditors M/s Ernst and Young Chartered Accountants for the ensuing financial year at a remuneration to be fixed by the Directors		
4	To approve changing the Company's name by a Special Resolution from Lanka ORIX Leasing Co. PLC to LOLC HOLDINGS PLC"		

dated this .... day of 2018

....

Signature of Shareholder

NOTE:

1) a proxy need not be a member of the company

2) Instruction as to completion appear on the reverse hereof

INSTRUCTIONS AS TO COMPLETION

1 Please return the completed Form of Proxy after filling in legibly your full name and address, signing on the space provided and filling in the date of signature.

2 The completed Form of Proxy should be deposited at the registered office of the Company No: 100/1, Sri Jayawardenapura Mawatha, Rajagiriya not less than 48 hours before the time appointed for the holding of the Meeting.

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the possibilities

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