

ROADMAP TO THE FUTURE

Multi Finance PLC | Annual Report 2015/16

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ROADMAP TO THE FUTURE

For over 41 years, Multi Finance PLC (MFP) has been a pivotal player in the growth stories of people across Sri Lanka, as a supportive partner in their drive towards a better future. Our comprehensive portfolio of products offers our customers myriad opportunities whether they are from the grass root levels, or SMEs or corporate institutions.

In the same spirit as our customers, Multi Finance PLC has never been afraid to explore new opportunities and, most importantly, turn these explorations into profitable enterprises. The year under review has been a challenging one; but we are confident that our strength lies in transforming challenges that come our way into opportunities. We are excited at the plans we have for the year ahead - plans that will see our company restructuring and streamlining processes for enhanced productivity and speed.

Read this report carefully. It's our roadmap to the future.

Our Vision

- To be the first choice for financial solutions.

Our Mission

- To enhance shareholder value through financial stability and growth.
- To satisfy our valued customers by providing innovative solutions to their financial needs.
- To train, develop and empower employees to give their best.
- To achieve highest operational efficiency through advanced technology.
- To adhere to the highest corporate ethics and social responsibilities.
- To be recognised for our expertise and professionalism.

What We do....

Fixed Deposits

A part of our core range of products, we have built up 41 years of trust around our fixed deposit products. Offering higher guaranteed return on investment and flexibility on terms and conditions, our fixed deposits are the best path to a stable secure future.

Suraksha Savings Accounts

Our general savings account that offers a high yield for your hard earned money, the Suraksha account allows for unlimited withdrawals and also offers a special rate for senior citizens while enabling further special rates for leasing and loan facilities.

Muthuhara Savings Accounts

Our children's savings account, Muthuhara gives higher returns that grow with your child. In addition to protecting and growing your investment, Muthuhara comes with a medical insurance package and also gives you the ability to withdraw money for your child's educational and medical requirements.

Leasing

Presenting the ideal opportunity for you to capture your dream vehicle, we offer flexible repayment plans to suite any budget. Offering facilities of up-to 100%, our personalised service is delivered speedily and with the utmost professionalism.

Hire Purchase

Our hire-purchase services offer flexible repayment plans tailored to suit the financing requirements of our individual clients. Our branch network, spread across major Sri Lankan cities, offers financing for any type of vehicle and our services in this field are highly sought after.

Pawning

Our pawning facilities are designed to satisfy the urgent financial requirements of our clients. We ensure confidentiality and security for all transactions while delivering the highest value for your articles at the lowest interest rates.

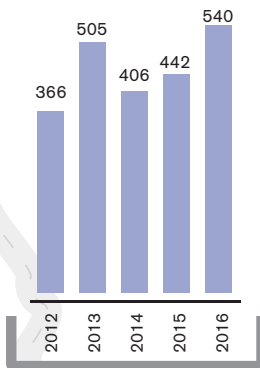
Business Loans

Ideal for catering to the short-term working capital requirements of a range of corporate clients, our structured payment patterns enable speedy cheque disbursement with minimum waiting time.

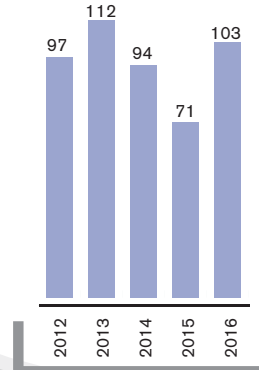
Microfinance

A fast-growing business segment, our microfinance products are focused on elevating living standards and livelihoods of underprivileged rural micro-industrialists. Offering capital and advisory services our products are aimed at creating a vibrant entrepreneurial culture among Sri Lanka's small and medium enterprises through best-in-class lending practices.

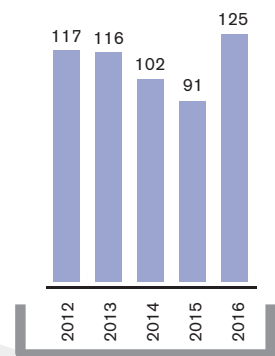
Public Deposits



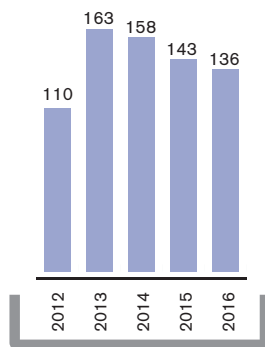
Net Interest Income



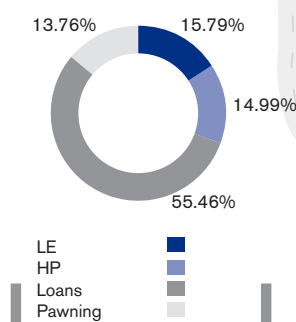
Net Income from Operation



Overhead Expenses



Loan Portfolio



16%

LEASING

15%

HIRE PURCHASE

55%

LOANS

14%

PAWNING

Strict financial discipline and a steadfast performance helped to secure strong results for the company. While external factors placed notable limitations on Multi Finance, the company was still able to record excellent results across many crucial key performance indicators. Strong fundamentals ensured our survival and will be the foundation of our success moving forward.

FINANCIAL HIGHLIGHTS

Results	2015 / 2016 Rs.	2014 / 2015 Rs.	Change %
Operating Results - Income Statements			
Income	198,617,972	233,887,616	(15.08)
Net Interest Income	103,385,391	71,030,023	45.55
Net Income from Operations	125,285,910	91,227,657	37.33
Net Profit/(Loss) after Tax	(19,862,740)	12,546,406	(258.31)
Accumulated Loss	(52,795,404)	(33,313,464)	(58.48)

Financial Position

Total Assets	1,034,022,283	1,022,174,809	1.16
Interest Earning Assets	920,095,481	884,264,565	4.05
Lending Portfolio	801,598,808	773,617,311	3.62
Share Holders' Funds	312,815,965	332,584,379	(5.94)
Public Deposits	539,969,177	441,557,169	22.29
Borrowings	116,187,512	202,756,735	(42.70)

Ratios

Earnings/(Loss) per Share	(0.88)	0.56	(258.31)
Dividend per Share	-	-	-
Net Assets Value Per Share	13.93	14.81	(5.94)
Return on Average Shareholders' Funds (%)	(6.16)	3.86	(259.49)
Debt Equity Ratio	0.37	0.61	(39.07)

Statutory Ratios (%) / Requirements

	Minimum Requirement	Actual
Core Capital Ratio	5%	41.30%
Total Risk Weighted Capital Ratio	10%	41.30%
Liquid Assets		29.45%

Market Value per Share

	Rs.
Highest value recorded during the Financial Year	29.00
Lowest value recorded during the Financial Year	07.20
Closing value at the end of Financial Year	11.40



Multi Finance CEO Together with the Team's Best Performers for the Year 2015/16



Multi Finance Team Participates in Training and Development Programmes

Operational Highlights



Launch of Revamped Multi Finance Website



Items Donated During Emergency Flood Relief Programme 2016



Members of Multi Finance Team and CEO Pushpika Unwind at Company X-Mas Party

It is with a sense of great pleasure that we present the Annual Report of Multi Finance PLC for the financial year ended 31st March 2016. Our company has weathered tremendous challenges over the past year and I am happy to report that Multi Finance PLC has been able to endure and overcome these difficulties with tenacity and determination. Through the application of intensive strategic planning and the execution of the same through the efforts of our dedicated team of employees, Multi Finance PLC is poised for a new chapter in its development.

From a macroeconomic perspective, Sri Lanka has borne witness to several notable shifts in Government policy, which, when combined with global economic conditions, has resulted in constrained operating conditions for domestic economic activity. In particular, the continuing devaluation experienced by the Sri Lankan rupee and the introduction of new tax policies created notable uncertainty during the past year. These conditions resulted in a contraction in the wider Sri Lankan economy. However, it is anticipated that many of the planned and implemented reforms advanced during the year in review will help to place the Sri Lankan economy on a firmer footing moving forward.

22%↑

PUBLIC DEPOSITS

Our company has weathered tremendous challenges over the past year and I am happy to report that Multi Finance PLC has been able to endure and overcome these difficulties with tenacity and determination

While such conditions presented notable challenges for Multi Finance and its industry peers, the Company was nevertheless able to maintain the positive momentum it had gathered during the previous financial year into January 2016.



Working closely with the regulator and through the application of prudent management policies, Multi Finance was able to successfully navigate this difficult environment while successfully maintaining the confidence of both the regulator and the general public in our institution

With the extensive restructuring programme carried out by the Company over the previous financial year, Multi Finance was set on the right track for development despite limitations in relation to the Company's Capital Adequacy Ratio (CAR) which was initially to be resolved through the stipulated programme of consolidation in the banking and financial services industry.

With the abandoning of this programme of consolidation and following the change of Government in 2015, the biggest challenge for Multi Finance once again was to secure the necessary capital infusion needed to achieve our corporate objectives.

However, due to a sequence of unfortunate events taking place in relation to operations of Multi Finance's parent company, Multi Finance was once again compelled to independently reassess its strategy in order to take all prudent and necessary steps to withstand any external challenges. Working closely with the regulator and through the application of prudent management policies, Multi Finance was able to successfully navigate this difficult environment while successfully maintaining the confidence of both the regulator and the general public in our institution, without any negative effects to our position as one of Sri Lanka's most trusted financial services institutions.

I am also pleased to report that as a result of Multi Finance's prudent and skilful management of its fundamentals; ranging from the stringent control of

CHAIRMAN'S STATEMENT

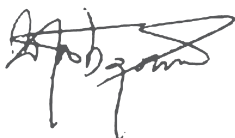
its asset quality to zero-low level external and intra-company borrowing, and of course, the extremely high levels of public and depositor confidence in Multi Finance, we have been able to attract investors seeking to capitalize the Company and move forward into a new chapter under the guidance of the Central Bank of Sri Lanka.

At this juncture I would like to make special mention of the strong and positive role that the regulator has played in helping to further strengthen Multi Finance PLC.

The guidance and positive approach adopted by the regulator has been instrumental in pinning down the most feasible and prudent investment strategy necessary to take Multi Finance forward. With the finalization of this capital infusion over the coming months, the Company has developed a comprehensive strategic plan to return Multi Finance to its former glory and serve an expanded role in the Sri Lankan economy.

In particular, the Company plans to maintain its focus on assisting and supporting the development of the rural economy in a sustained and sustainable manner. As such, we hope to uplift the living standards of underserved rural communities across Sri Lanka and provide them with access to the financial assistance necessary to truly empower our citizens and bring them into a more productive roles within the Sri Lankan economy.

In that context, the recent adoption of the Microfinance Act is a highly welcome development for the industry and we are confident that the passing of this legislation will play an important role in levelling the playing field and ultimately creating a more stable and vibrant microfinance industry. This will prove invaluable for the development of local entrepreneurship and Small and Medium Enterprises.



Mr. Kuvera De Zoysa
Chairman

30th June 2016

While the last year proved to be challenging, we are confident that Multi Finance will be able to make great strides in the coming year. Rejuvenated by a capital infusion and backed by a carefully considered and holistic business plan, Multi Finance is now ready to turn a new chapter as we move towards becoming the preferred financial services provider in Sri Lanka.

At this juncture, I wish to thank my Board of Directors, Chief Executive Officer, senior management and our skilled and dedicated team of employees and finally our loyal and valued customers for extending their fullest support in driving this Company forward.

I also wish to thank the Directors and Governor of the Central Bank of Sri Lanka for their valuable guidance and support extended to us in many ways, which have helped us forge ahead in such a challenging environment. I am confident that we can look forward to the years ahead with courage and optimism.

Thank You





We take extreme satisfaction in the demonstrated ability of Multi Finance to display deep and fundamental resilience in the face of serious challenges to our external environment. Our proven ability to rise above such difficulties is a testament to our strict financial discipline and to the operational efficiency and excellence instilled throughout the organization.

Introduction

It is with great pleasure that I present the Annual Report of Multi Finance PLC for the financial year ended 31st March 2016. The year in review has been an extremely challenging one that in many ways has served as a litmus test for the Company.

While external factors had placed serious constraints on the operations of the Company, particularly over the 2nd half of the year, I am pleased to report that through the strategic approach of our management, the dedicated efforts of our employees - both at our head office and across our island-wide branch network - and the visionary guidance of the Central

Bank of Sri Lanka, our Company has emerged stronger and better equipped to serve the needs of a rapidly changing Sri Lankan economy and deliver meaningful value to our shareholders and varied stakeholder groups.

Sri Lankan economy

Economic activities remained relatively stagnant over the past year with GDP growth slowing from 4.9% in 2014 down to 4.8% by the end of 2015. Growth continued to contract over the first half of 2016 dropping to 2.5% before rebounding to 5.5% by the end of the first quarter of the year. These conditions were a result of a combination of factors, including international trade dynamics which recorded negative trends, particularly in the case of many of Sri Lanka's traditional export markets.

**37%**

**LOANS
&
ADVANCES**

The Company continues to maintain a strong balance sheet, with no additions to liabilities to external parties and inter-company borrowings. All of these remarkably strong fundamentals have served to position Multi Finance PLC as a highly attractive investment opportunity.

CEO'S STATEMENT

Domestic uncertainty prevailed around taxation policy and the depreciation of the rupee – which has steadily lowered in value relative to the US dollar from approximately Rs. 133.2 in April 2015 to Rs. 146.7 in March 2016. While such depreciation does play a role in making Sri Lankan exports more competitive, these dynamics have also generated inflationary pressure in the Sri Lankan economy which remains largely import-driven.

While inflation dropped into negative territory by September 2015, headline inflation once again rose to 2.8% by the end of 2015, as compared with 2.1% in the previous year. Since that time however, inflation in Sri Lanka has recorded increases over the final half of the financial year, reaching 3.1% by April 2016 and rising to a high of 6% in subsequent months.

Company perspective

Over the last financial year, Multi Finance PLC made important strides in terms of realigning its internal structures in order to provide a substantially increased emphasis on the SME sector and uplifting Sri Lanka's rural economy.

The Company was able to achieve highly encouraging and commendable results across all of its key performance indicators during the majority of the first half of the financial year. However commencing from October, the Company began to face tremendous challenges as a result of the sequence of unfortunate events that took place in the parent company, which I believe was a litmus test for Multi Finance in order to assess and validate the strict management controls and processes introduced to the Company over the years.

We take extreme satisfaction in the demonstrated ability of Multi Finance to display deep and fundamental resilience in the face of serious challenges to our external environment. Our proven ability to rise above such difficulties is a testament to our strict financial discipline and to the operational efficiency and excellence instilled throughout the organization. Despite the above mentioned challenges Multi Finance has been able to attract high-level investors who seek to capitalize the Company under the guidance of the Central Bank of Sri Lanka.

In many ways, the developments that took place over the year in review have served as an opportunity to test and re-evaluate our strengths, and ultimately, to streamline and refine our product and service offering through a concentrated focus on innovation, and process excellence. Such initiatives have helped to further refine the operational efficiency of Multi Finance PLC, which we are confident will serve the Company in good stead in years to come.



Steadfast Performance

Subsequent to the disturbance that took place at our parent company and its capital adequacy ratio, Multi Finance recorded marginal losses from the month of October, and despite the positive performance delivered by the Company over the first half of the year, the Company recorded a loss of Rs. 8.4 Mn before taxation for the financial year ended 31st March 2016.

Nevertheless, the Company continued to adopt a policy of strict financial discipline which had the effect of enabling strong performances across several of our most important key performance indicators. The Company's liquid assets increased by 18% while our total overheads recorded a 4.8% reduction down to Rs. 135.8 million.

Notably, Multi Finance's Non-Performing Assets ratio was maintained well below industry averages standing at 1.7% during the year in review. Similarly, the Company's total asset base expanded by 1.2% to Rs. 1.03 billion. Meanwhile, serving as evidence of the trust and confidence reposed in the Multi Finance brand, public deposit mobilisation in the Company increased by a remarkable 22.3% up to Rs. 540 million by the end of the year.

The Company continues to maintain a strong balance sheet, with no additions to liabilities to external parties and inter-company borrowings. All of these remarkably strong fundamentals have served to position Multi Finance PLC as a highly attractive investment opportunity.

In that context, Multi Finance has continued to maintain a consistent and cordial relationship with the regulator in working together to clear the way for investments capable of delivering the capital infusion necessary to propel Multi Finance back into the top-tier of the Sri Lankan financial services industry.

Future Outlook

Having commenced the final phase of securing this substantial capital infusion, plans are already being developed to aggressively expand Multi Finance both in terms of its brick-and-mortar presence through branch expansions, and also in terms of our product line.

In keeping with that strategy, the Company has introduced an array of new products including: leasing, business loans, microfinance, trader financing, gold loans, pawning, and multi-draft. Additionally, the Company provides an attractive interest rate on timed deposits and savings accounts within the guidelines stipulated by the Central Bank of Sri Lanka in order to provide the best possible returns to our valued customers.

Significant efforts are also being channeled into ensuring that our customers are given highly personalised products tailored to suit their individual needs. Our team of employees ensures that we carefully identify the needs of our clients that cannot be fulfilled by competitor organisations and we formulate and design our product line accordingly.

Steps are also underway to embark on a recruitment drive in order to bring in fresh expertise and strengthen our existing team with high caliber personnel. Backed by a highly skilled and motivated team, we are confident that Multi Finance will be able to forge new benchmarks in performance and service delivery.

Fuelled by the capital infusion discussed above, Multi Finance is gearing for a highly significant period of expansion in the coming year. In particular, we will place great emphasis on the expansion of our microfinance portfolio which we aim to extend to self-employed entrepreneurs and SMEs in a professional and diversified manner, in alignment with the government's policy of supporting and developing the rural economy. In this manner, we aim to substantially increase the market share of Multi finance PLC.

CEO'S STATEMENT

1.7%**NPA
RATIO**

We take pride in the continued ability of Multi Finance to endure and thrive in challenging conditions. Subsequent to securing its capital infusion, the Company will continue to deliver innovative products while further expanding its branch network

Conclusion

We take pride in the continued ability of Multi Finance to endure and thrive in challenging conditions. Subsequent to securing its capital infusion, the Company will continue to deliver innovative products while further expanding its branch network in order to reach new markets and customer demographics, once again making Multi Finance PLC a strong player in the industry and Sri Lanka's preferred financial solutions provider.

It has been a challenging journey for our Company and I would like to express my gratitude to our Chairman, Board of Directors, senior management, and our highly dedicated team of employees. Through their efforts, and through the loyalty of our esteemed customers, Multi Finance is now poised for an exciting new chapter in our company's history. I have every confidence that we will be able to transform our vision into a reality and move together towards greater prosperity and success. Thank you

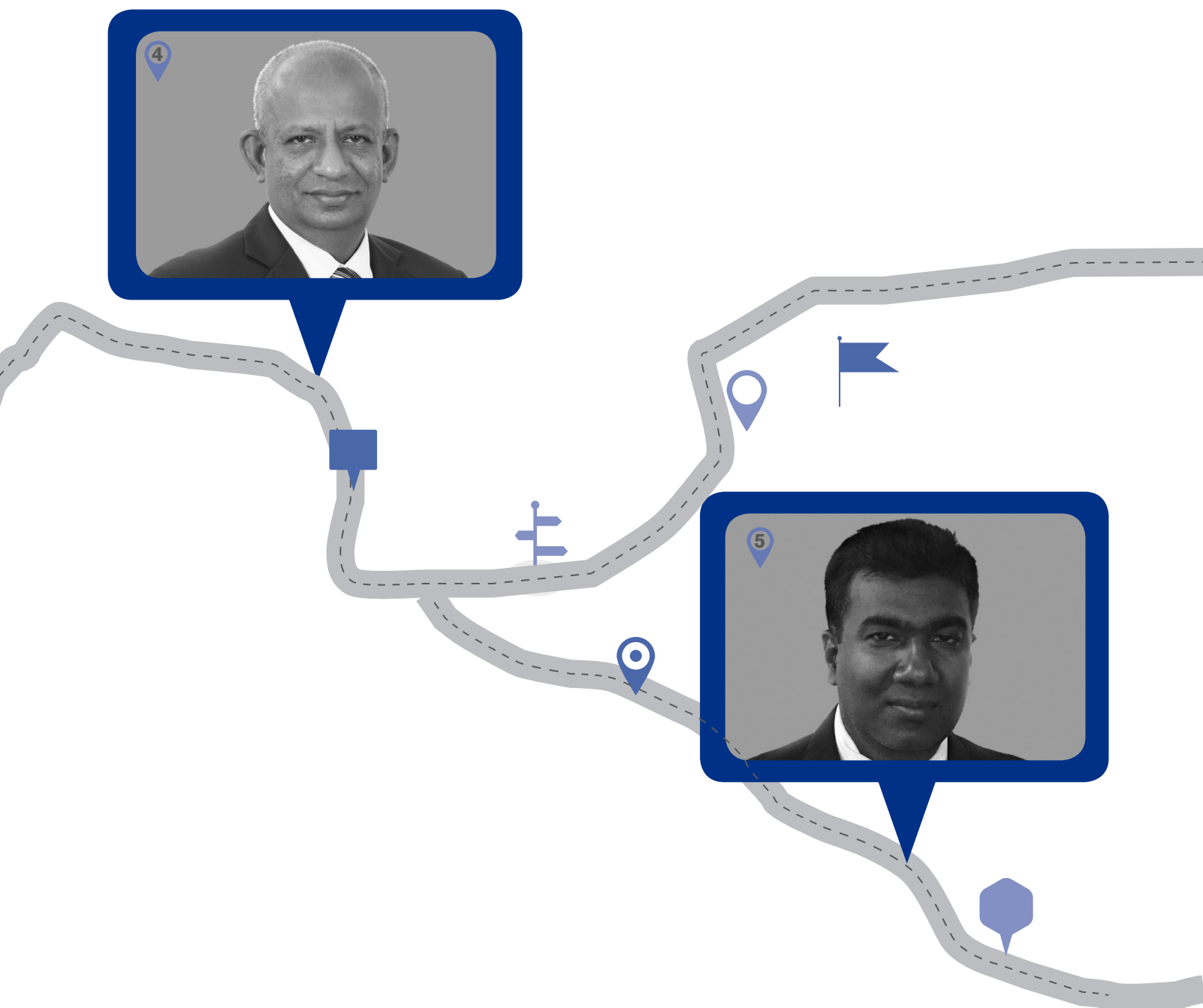


Pushpike Jayasundera
CEO

30th June 2016



BOARD OF DIRECTORS



1. **Mr. Kuvera De Zoysa**
Chairman - Independent /
Non - Executive Director
2. **Mr. R. M. M. J. Ratnayake**
Deputy Chairman - Independent /
Non - Executive Director
3. **Mrs. C. J. Atapattu**
Executive Director
4. **Prof. H. Dissabandara**
Independent / Non - Executive Director
5. **Mr. H. S. S. Fernando**
Non - Executive Director

Mr. Kuvera de Zoysa

Chairman/Independent, Non-Executive Director

Appointed to the Board as an Independent Non-Executive Director in March 2011, Mr. Kuvera de Zoysa was later appointed as Chairman of Multi Finance PLC in July of the same year.

A President's Counsel of the Supreme Court of Sri Lanka, Mr. De Zoysa has been active in the legal practice since 1993 in areas of Commercial and Civil Law. He holds a Master's Degree (LLM) in International Trade Law from the University of Wales.

A well respected figure in Sri Lanka's legal and corporate spheres, Mr. De Zoysa has received significant recognition for his professional achievements including "Young Outstanding Persons" Award by HSBC - JCI TOYP 2007, by the Junior Chamber International Sri Lanka for Legal Accomplishment in recognition of his contribution to the legal profession.

Prior to his tenure at Multi Finance, Mr. De Zoysa served as Chairman / Director of People's Merchant Bank PLC and as a Director of the boards of People's Bank, Export Development Board and Sanasa Development Bank. He has also served as Acting Chairman of People's Bank and as Chairman of the Audit, Legal and Risk Management Committees of People's Bank.

He currently serves on the Boards of several listed companies and non-listed companies in IT, Power, Healthcare and Leisure sectors.

Mr. Mohan Ratnayake

Deputy Chairman/Independent Non-Executive Director

Appointed to the Board as an Independent Non-Executive Director in April 2011, Mr. Mohan Ratnayake was subsequently appointed to the post of Deputy Chairman of Multi Finance PLC in July of the same year. Holding an MBA in Finance, he is also Fellow Member of the Chartered Institute of Management Accountants UK and a Member of the Society of Certified Management Accountants. Mr. Ratnayake holds extensive experience in Tea Exports, Tea Plantations, Telecommunications and the Automotive Industry. Serving on the Boards of several listed companies, both in an Executive and Non-Executive capacity, Mr. Ratnayake currently serves as Managing Director of Colonial Motors Ceylon Ltd.

Mrs. Champika Atapattu

Executive Director

Appointed to the Board in August 2002 Mrs. Champika Atapattu serves the Company as Director – Legal and Recoveries.

An Attorney-at-Law & Notary Public, Mrs. Atapattu graduated from Sri Lanka Law College in 1991 and holds over 21 years of experience as a practicing lawyer and legal officer holding wide-ranging experience across most aspects of the legal profession including litigation, court work, contract and agreement drafting and advisory services. She also has further exposure in secretarial work, and in addition to her experience in the field of conveyancing.

During her long tenure at Multi Finance, she has served as a Legal Officer, Director and General Manager. Mrs. Atapattu currently overlooks legal and recoveries and has headed operations at our head office and branch network. She has followed several training programs, workshops and seminars conducted by the Central Bank of Sri Lanka.

Prof. Hareendra Dissabandara

Non- Executive Director

Appointed to the Board 14.01.2016. He is a Professor in Finance backed by the following professional and academic qualifications and has held the positions of Directors General; Securities and Exchange Commission of Sri Lanka (2012 to 2013), Director Capital Market Education & Training (CMET) of the securities and Exchange Commission of Sri Lanka (2008-2013)

- MCSI, UK (Member Chartered Institute for Securities & Investments)
- MAAT (Association of Accounting Technicians, Sri Lanka)
- PhD in Finance, Nagoya University & Chukyo University, Japan (Japanese Government Monbukagakusho Scholar)
- M.Sc. in Management (Finance), University of Sri Jayawardhanapura
- B.Sc. in Management (Public) Special Degree (Hons), University of Sri Jayawardenapura

Mr. H.S.Sanjeewa Fernando

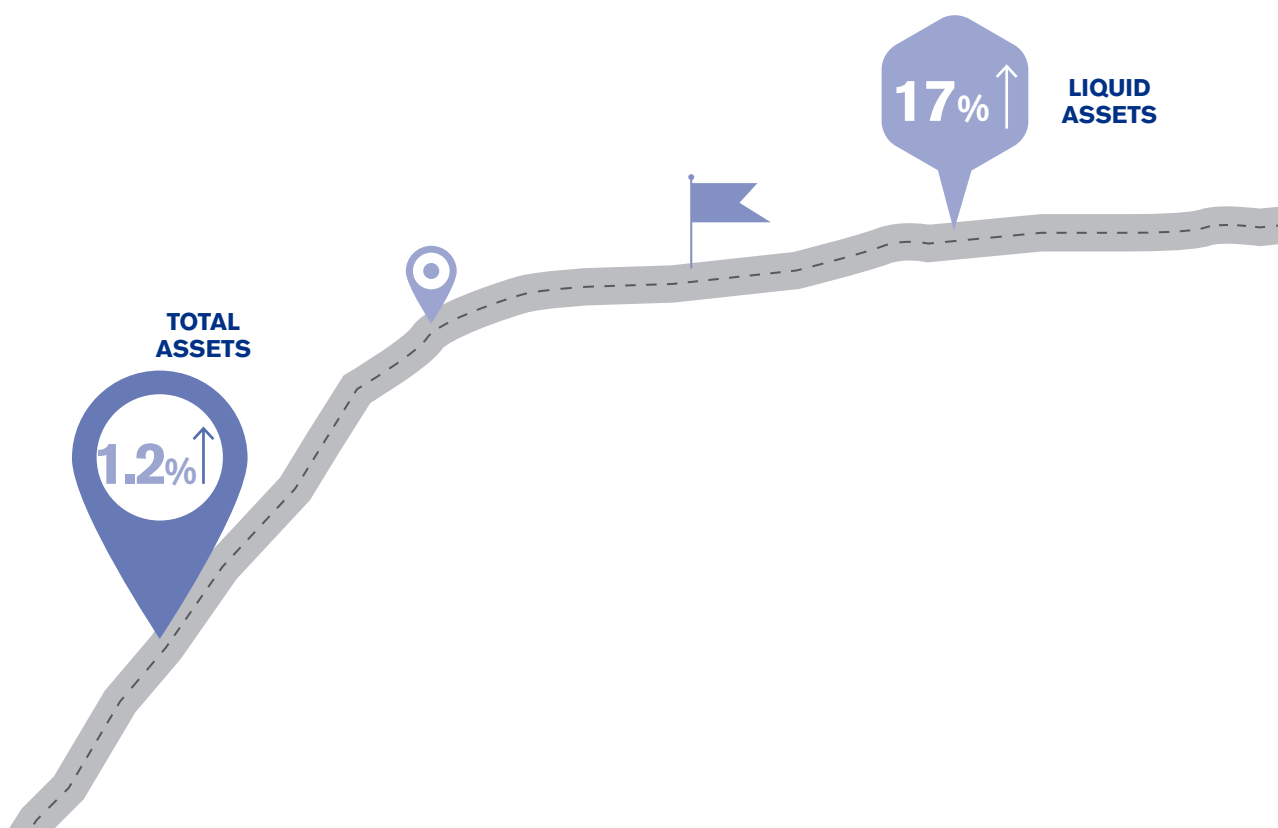
Non- Executive Director

Appointed to the Board 14.01.2016 currently employed in the capacity of Group Chief Strategic & Risk Officer at Perpetual Capital Holdings . He has held the following positions.

- Director- Acuity Securities Ltd (a primary dealer) from November 2012 to December 2015
- Chairman of the Board Integrated Risk Management Committee of Acuity Securities for 2015
- Appointed member of the Risk Management Committee of NAMAL from June 2013 to December 2015
- Vice President- Intergrated Risk Management Department of DFCC Bank from October 2013 to December 2015
- Assistant Vice President- Integrated Risk Management of DFCC Bank from October 2010 to September 2013.

Mr. Fernando is also a CFA Charterholder, CFA Institute USA- 2006, with the following Academic Qualifications.

- Bachelor of Business Management (Accountancy) Special (First Class Hons) Degree from the University of Kelaniya 1998
- Licentiate Part II of ACA examinations- 1996- & 1997



1 2 3 4



5 6 7 8



9 10 11 12

13 14 15 16



OUR TEAM



- 01 Asanka Melroy Galbadaarachchi - Accountant
- 02 Gayan Wickramasinghe - Assistant Accountant
- 03 Samila Fernando - Manager - Operations / Compliance Officer
- 04 Selvamani Ramesh - Senior Executive - Finance
- 05 Nolin Danushka - Executive - Finance
- 06 Dilshan Chathuranga - Executive - Finance
- 07 Thushara Alawatta - Executive - Finance
- 08 Sanjeewa Liyanage - Executive - Finance
- 09 Sanath Rupasinghe - Manager - Micro Finance
- 10 Ayesha Jayarathna - Executive - Human Resources
- 11 Kumara Boteju - Office Assistant
- 12 Thilini Lanka - Accounts Assistant
- 13 Sahan Galappaththi - Assistant Manager - Recoveries
- 14 Imali Abeygunawardena - Assistant Manager - Fixed Deposits
- 15 Kavindu Madushan - Junior Executive
- 16 Laxme Devika - Recovery Assistant

- 17 Harshani Fernando - Manager - Legal
- 18 Samith Fernando - Junior Executive
- 19 Magnolia Bowen - Confidential Secretary to CEO
- 20 Supun Sangadasa - Executive - Marketing
- 21 Poornima Lenora - Manager - Credit
- 22 Roshan Buultjens - Assistant Manager - Pawning
- 23 Ashan Buddhakorala - Assistant Manager - HRD & Admin
- 24 Danushka Maduwanthi - Assistant Manager - Operation
- 25 Milka Madushanki - Senior Executive
- 26 Damith Perera - Executive - Branch Coordinator
- 27 Sewwandi Gamage - Legal Assistant
- 28 Chamara Madushanka - Cashier
- 29 Ashanthi Wickramarathne - Executive - Pawning
- 30 Priyan Silva - Assistant Manager
- 31 Gayathri Perera - Receptionist
- 32 Shiroma Rathnayake - Executive - Pawning

Sri Lankan economy

Constrained conditions in the domestic market resulted in contractions within the Sri Lankan economy during the year in review, with GDP growth shrinking from 4.9% down to 4.8% by the end of 2015 on the back of weak exports and uncertainty around taxation and other state policies.

Instability in the international economy also created hindrances for the domestic operating environment, and resulted in notably weaker external sector performance during the year – the combined effect of lowered foreign remittances and weak demand in traditional export markets, particularly in the case of Sri Lanka's agricultural exports.

In terms of contribution by sector, Sri Lanka's services sector continued to remain the single largest contributor to national output, accounting for 56.6% of GDP, supported in particular by growth in the financial services sector which accounted for 15.8%, followed by real estate activities, which contributed 9.6%, transport with 5.5% and rounded out by the wholesale and retail trade segment with 4.7%.

A slowdown in the construction segment was reflected in contractions across the industrial sector which accounted for 26.2% of total GDP during the year in review, as compared with 26.7% in the previous year. Construction accounted for 6.8% of GDP, as compared with 7.2% in the previous year due to a combination of major state projects being revaluated and the private sector holding back on its own construction investments as a result of uncertainty around the country's macroeconomic direction following the initiation of key policy reforms.

Meanwhile, the contribution of mining and quarrying activities recorded a slight decrease from 2.5% down to 2.3% while manufacturing remained stable over the last two years at 15.7% of GDP.

Finally the agriculture sector recorded marginal increases to its share of GDP, accounting for 7.9% in 2015, as compared with 7.8% previously. This growth largely came from the agriculture and forestry which took a 6.5% share of GDP, as compared with 6.3% previously and despite a 0.1% reduction in the GDP share of the fisheries sector, which stood at 1.4% by the end of 2015. Overall growth in the sector was largely a result of the expanded growth of rice paddy which recorded a high growth of 23.3%, reflecting improvements in weather conditions during 2015 when compared with the previous year when extreme weather conditions had severely affected cultivation.



Instability in the international economy also created hindrances for the domestic operating environment, and resulted in notably weaker external sector performance during the year – the combined effect of lowered foreign remittances and weak demand in traditional export markets

MANAGEMENT DISCUSSION & ANALYSIS

Notably however, despite improvements in many key agricultural sub-sectors, the country’s tea and rubber plantation industries continued their negative trends during the year in review. Tea production contracted by 2.6%, amounting to the second consecutive year of declines for the industry.

The country’s external sector recorded a subdued performance during the year. Agricultural exports recorded a drastic 11.2% reduction in value while industrial exports lost 3.5% of its value during the year in review. Worker remittances fell from US\$ 7 billion down to US\$ 6.98 billion.

While the Government was able to enjoy modest success in reversing the downward trend in tax and non-tax revenue collection, increases to Government expenditure widened the budget deficit up to 7.4% of GDP, above a prior targeted level of 4.4% of GDP.

Headline inflation during the same period increased from 2.1% up to 2.8% in 2015 despite the positive effects of an extended period of lower international commodity trading prices and historic drops in the price of crude oil.

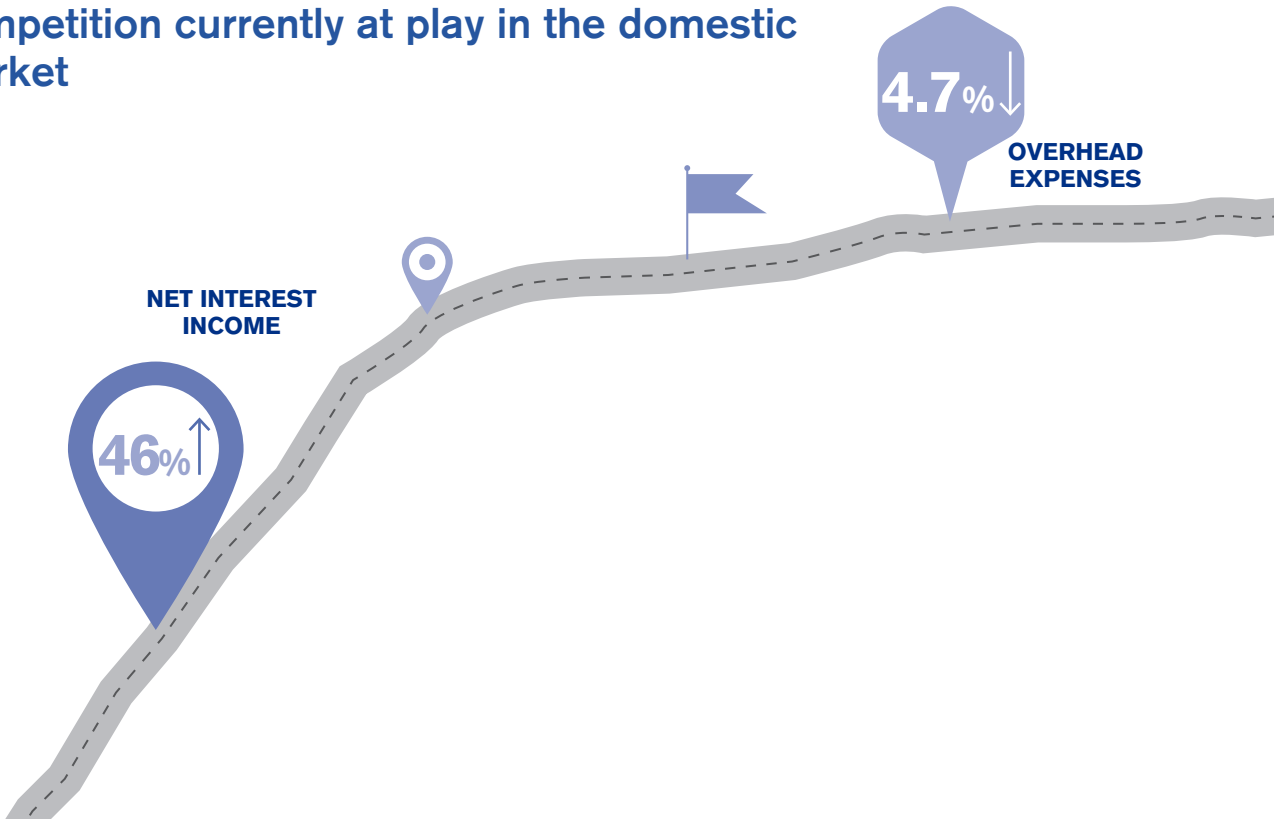
Industry performance

As briefly discussed above, the financial services sector recorded notable improvements during 2015 with the total assets of the banking sector increasing by 15.9% in 2015, against 17.3% in 2014, to record a total asset base of Rs. 8.1 trillion. Non-performing assets (NPAs) within the banking sector fell one full percentage point down to 3.2% while the segment’s operating profits rose by 10.3%.

Meanwhile, shifting to the financial services segment of the market, licensed finance companies (LFCs) and specialized leasing companies (SLCs) recorded sharp increases in their total asset bases, reaching Rs. 996 billion by the end of the year, reflecting an increase of 22.3% Year-on-Year (YoY). This improvement in asset quality was carried over to the segment’s average NPL ratio which fell from 6.4% in 2014, down to 5.7% during the year in review.



The financial services segment was able to make important strides during the course of the year, expanding both in terms of branch network coverage and business volumes reflecting the continued potential for growth in this sector despite the high levels of competition currently at play in the domestic market



However, in terms of the segment's return on assets (ROA) and return on equity (ROE), increased operational costs across the financial services industry resulted in a reduction of 10 basis points and 170 basis points respectively down to an average of 3% and 12.3% respectively.

A further notable development in the industry during the course of 2015 was the decrease in average Capital Adequacy Ratios (CAR), across the financial services industry which stood at 11.2% by the end of the year, as compared with a CAR of 13.5% in 2014.

Nevertheless, the financial services segment was able to make important strides during the course of the year, expanding both in terms of branch network coverage and business volumes reflecting the continued potential for growth in this sector despite the high levels of competition currently at play in the domestic market.

In total, the segment recorded an interest income of Rs. 150.4 billion, as compared with 2014's Rs. 131.2 billion while interest expenses rose by 7.2% to Rs. 68.2 billion during the same period. Consequently, average Net Interest Income within the financial services sector increased by 8.7% YoY up to Rs. 82.2 billion by the end of 2015.

Company performance

During the course of the last financial year, Multi Finance PLC was faced with several challenges, mostly arising out of a sequence of events taking place at the parent company. Following regulatory intervention from the Central Bank of Sri Lanka, certain limitations were placed imposed on companies within the group and restructuring actions were initiated.

Despite the effects of a change in strategic direction following the abandoning of a regulator-directed programme of consolidation within the banking and financial services sector, the company was able to achieve commendable profits during the course of the 2014/15 financial year and continued to make profits well into the financial year under review.

Unfortunately, with the bewildering events of the parent company, Multi Finance was affected in its plan to increase its core capital which in turn had a direct impact on its negative performance in the second half of the year under review.



The company was able to achieve a 1.2% increase in its total asset base, which expanded to Rs. 1.03 billion, of which liquid assets stood at an impressive 30.2% by the end of the financial year, while the company's total overhead costs dropped by 4.8% down to Rs. 135.8 million.

Given the difficulties faced by the company, Multi Finance ultimately ended the year with a marginal loss before tax of Rs. 8.4 million, as compared with a profit of Rs. 12.5 million as at the end of the prior financial year despite achieving strong performances across multiple key performance indicators.

The Company's net interest income increasing by 45.6% to Rs. 103.4 million against Rs. 71 million in the previous year. Net income from operations for the year

MANAGEMENT DISCUSSION & ANALYSIS

similarly increased by 37.3% up to Rs. 125.3 million while the company's total overhead costs dropped by 4.8% down to Rs. 135.8 million.

The company was able to achieve a 1.2% increase in its total asset base, which expanded to Rs. 1.03 billion, of which liquid assets stood at an impressive 30.2% by the end of the financial year, as compared with 25% previously.

In addition to these important indicators, a further signal of the trust and confidence reposed in the Multi Finance brand was seen in the substantial 22.3% increase in public deposits into the company over the course of the year in review. The company ended the year with a loss per share of Rs. 0.88, against earnings per share of Rs. 0.56 per share in FY2014/15.

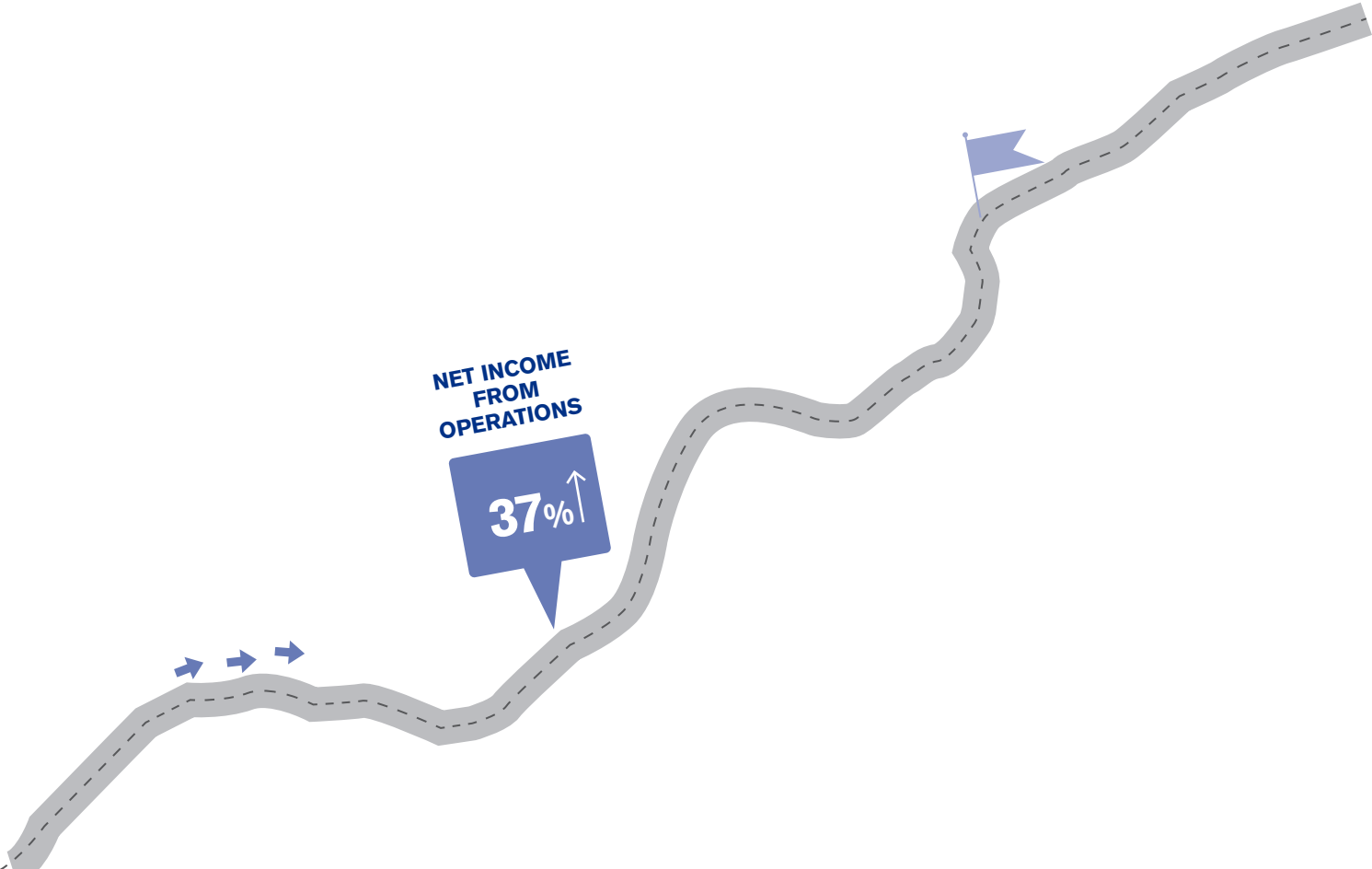
Outlook

Having successfully navigated these difficult challenges, the company is now gearing for a fresh round of growth and expansion. The company remains a highly attractive prospect for investment and company officials are currently in the process of working closely with the Central Bank of Sri Lanka in order to secure approval for an investor and substantial capital infusion. In preparation for such developments, the company has already rolled out several new products including: leasing, business loans, microfinance, trader financing, gold loans, pawning, and multi-draft. Many of the strategies that the company will adopt moving forward have been outlined in our Chairman's and CEO's statements, including a strong emphasis on product innovation and personalization, particularly in the case of the company's rapidly growing microfinance portfolio.

Such objectives represent an alignment with the national goals of the Government to uplift the standards of living in underserved rural communities across the island through access to finance. However, the company is also cognizant of the immense potential for growth arising out of a successful expansion into this sector.

In that context, it is also notable that Multi Finance was able to achieve total compliance with the recently enacted Micro Finance Act through its existing processes and procedures; a testament to the strong and effective management controls and strategies employed by the company.

As a result of the above outlined dynamics, the company anticipates limited volatility over the short term. However, having worked closely with regulators, the Management has full confidence that Multi Finance will be able to secure the capital infusion over the short-medium term and subsequently expand the scope of its operations accordingly.



Corporate Governance is the framework of rules and practices by which a Board of Directors ensures accountability, fairness and transparency in an organisation's relationship with its all stakeholders. The Board of Directors is responsible for the governance of the Company and has placed considerable emphasis on developing rules, structures and processes to ensure integrity and transparency in all of the Company's dealings and making the best effort in achieving performance and quality profits. At Multi Finance PLC, we adopt best governance practices and strive to satisfy legitimate claims of all stakeholders ensuring transparency and timely financial reporting. We have continuously refined our structure and systems to ensure governance on the lines as defined, all the time, and the Company is accountable to its stakeholders and the general public. The Board of Directors have committed themselves to ensure that there is effective overseeing of the business operations and to ensure that all such business affairs of the Company are conducted adhering to the highest standards of good governance, embracing established best practices.

The components of the governance structure are designed in a way that the executive authority is well transferred and delegated through a structure ensuring that the Chairman, CEO, Executive Directors and Senior Management are accountable for the Company's functions. This statement describes the application of the Corporate Governance practices within the Company during the period under review.

Roles and responsibilities of Chairman and CEO

The separation of responsibilities between the Chairman and the CEO is clearly defined. The functions of Chairman and CEO are assigned to two different individuals who ensure that there is a separation of power. The Chairman provides leadership to the Board and ensures that proceedings at meetings are conducted in a proper manner. The Chairman promotes high standards of Corporate Governance.

Board of Directors

The Board is the highest body of Multi Finance PLC that carries the responsibilities of directing the Company. The members of the Board possess the required expertise, skill and experience to effectively manage and direct the Company in order to maintain highest standards of good governance and attain the organisational goals. They are persons with vision, leadership qualities, proven competence and integrity. The individual profiles of the members of the Board are given in pages 16 to 17 of this Report.

Composition and Independence

The Board comprises of five (05) members during the period under review, one (01) is an Executive Director and four (04) Directors are Non-Executive Directors, of them three (03) being Independent Non-Executive Directors. This gives the Board of Multi Finance PLC the appropriate balance of skills and experience which is conducive for the business carried out by the Company. There exists a diversity of experience and skill on the current Board and the Directors contribute a balance of financial and banking experience together with business experience and skills. Collectively, the Non-Executive Directors (NEDs) bring a wealth of experience and add value through their knowledge, arising from domestic and/or international experience, and specialized functional know-how, ensuring adequate Board diversity in accordance with the principles of Corporate Governance. In order to avoid potential conflicts or bias, the Independent Directors adhere to best practices as illustrated below in addition to making a general disclosure of interests every year and also changes thereto.

The names of the Directors who served during the year under review are disclosed in the Annual Report of the Board of Directors on the Affairs of the Company on page 49.

CORPORATE GOVERNANCE

Tenure, Retirement and Re-election of Directors

At each Annual General Meeting, one of the Directors for the time being, shall retire from office and seek re-election by the shareholders.

The provisions of the Company's Articles of the Association also require Directors appointed by the Board to hold office until the next Annual General Meeting and seek appointment by the shareholders at that meeting.

Board Meetings

The results of the Company are regularly considered and monitored against the budgets at Board meetings at which a standard agenda is discussed together with any other matter that requires the attention of the Board. The Board meets monthly on a regular basis, and wherever necessary special meetings of the Board are held.

During the year ended 31st March 2016, sixteen (16) meetings of the Board were held. The attendance at the meetings was:

Name of Member	Executive/ Non - Executive/ Independent Non - Executive	Board Meetings		
		No. of Meetings Held	No. of Meetings Attended	Percentage of Attendance %
1 Mr. E K I de Zoysa	Independent Non - Executive Director	16	14	88
2 Mr. R M M J Rathnayake	Independent Non - Executive Director	16	14	88
3 Mrs. C J Atapattu	Executive Director	16	15	94
4 Prof. H Dissabandara	Independent Non - Executive Director	4	4	100
5 Mr. H S S Fernando	Non - Executive Director	4	3	75

Board Sub-Committees

The Board strives to ensure that the management of the Company maintains an effective system of internal controls that provides assurance on efficient operations and compliance with applicable laws and regulations. The Board of Directors has delegated some of its functions to Board Sub-Committees, while retaining final decision rights pertaining to matters under the purview of these committees. The following Sub-Committees were appointed by the Board & were in operation during the period under review;

1. Audit Committee
2. Remuneration Committee
3. Integrated Risk Management Committee

The relevant Sub-Committee Reports are given on page 42 to 47 in this Report.

Compliance Officer

The Manager Operation functioned as the Compliance Officer to ensure compliance with the Regulatory and Statutory requirements and the laws and regulations governing Finance Companies, Public Listed Companies and generally, in business activities undertaken by the Company.

Management Committees

The Company has identified Committees in-house for Recoveries, Credit, Asset & Liability Management to regulate the relevant areas thereby ensure that decision-making is on a participatory basis.

The Management

The day-to-day operations of the Company are entrusted to the Corporate and Senior Management headed by the Chief Executive Officer. They ensure that risks and opportunities are identified and steps are taken to achieve targets within defined time frames and budgets.

Financial Disclosures and Transparency

The Financial Statements are prepared in accordance with the Sri Lanka Accounting Standards, the Companies Act, Finance Business Act and the directions and rules issued thereunder. Since being listed on the Colombo Stock Exchange, the unaudited provisional quarterly statements of accounts have been published, in compliance with the Listing Rules of the Colombo Stock Exchange.

Messrs. KPMG act as External Auditors of the Company. The Auditors are allowed to act independently and without intervention from the Management or the Board of the Company to express an opinion on the financial statements of the Company. All the required information is provided for examination to the Auditors.

COMPLIANCE WITH THE FINANCE COMPANIES DIRECTION NO. 03 OF 2008 (AND SUBSEQUENT AMENDMENTS THERETO) ON CORPORATE GOVERNANCE FOR LICENSED FINANCE COMPANIES IN SRI LANKA ISSUED BY MONETARY BOARD OF THE CENTRAL BANK OF SRI LANKA

Corporate Governance Principle	Reference to CBSL Rule	Degree of Compliance
2. The Responsibilities of the Board of Directors		
Strengthening the safety and soundness of the Finance Company	2 (1) (a)	<p>Complied with.</p> <p>The Board is responsible for formulating strategy, ensuring the adequacy of the risk management processes, review of the internal control system and defining the responsibilities of Corporate Management.</p> <p>The Board of Directors approves and oversees the implementation of strategies mainly through the monthly Board meetings and the Boards views relating to such strategies are communicated to the staff through management meetings.</p>
	2 (1) (b)	<p>Complied with.</p> <p>The Board sets and oversees the vision, mission, strategic objectives and corporate values of the company and these are regularly communicated to all levels of the company.</p>
	2 (1) (c)	<p>Complied with.</p> <p>A strategic plan covering the overall risk parameters has been set up with regular reviews in place through Assets and Liabilities Committee (ALCO) and Integrated Risk Management Committee (IRMC).</p>
	2 (1) (d)	<p>Complied with.</p> <p>The Board is responsible for ensuring effective communication with all stakeholders including depositors, creditors, shareholders and borrowers. The Annual General Meeting is used to have an effective dialogue with the shareholders on matters which are relevant and of concern to the general membership.</p>
	2 (1) (e)	<p>Complied with.</p> <p>Audit committee will review the adequacy and integrity of internal controls of the company.</p>
	2 (1) (f)	<p>Complied with.</p> <p>Identification and designation of Key Management Personnel is in place and periodically reviewed by the Board.</p>
	2 (1) (g)	<p>Complied with.</p> <p>The Board comprises of one Executive Director who has specific areas of responsibility. In addition, Non-executive Directors have specific areas of responsibility through the various Sub-committees of the Board. Similarly, Key Management Personnel have specific areas of responsibility assigned to them through their employment contracts and exigencies of evolving business needs.</p>

Corporate Governance Principle	Reference to CBSL Rule	Degree of Compliance
	2 (1) (h)	Complied with. Audit committee will review the affairs of the company.
	2 (1) (i)	Complied with. The Board ensures that effectiveness of Governance practices is periodically assessed. A transparent procedure is in place for selection, nomination and election of Directors and Key Management Personnel. Conflicts of interests are rigidly managed through a balanced Board of Directors. Wherever improvements are necessary, they are made.
	2 (1) (j)	Complied with. A documented Succession Plan is in place for all Key Management positions and are being continuously reviewed and formulated to ensure that there is adequate succession capacity at all levels.
	2 (1) (k)	Complied with. Regular updating/ trainings are facilitated through various seminars and programmes for the Directors and other Key Management Personnel.
	2 (1) (l)	Complied with. Audit committee will keep inform regulatory changes to the board on regular basis.
	2 (1) (m)	Complied with.
Chairman & CEO	2 (2)	Complied with. The Board has appointed the Chairman and CEO, and the roles of the Chairman and the CEO are separate.
Independent advice	2 (3)	Complied with. Directors are permitted to seek independent advice when necessary at the Company's expense.
Conflict of interests	2 (4)	Complied with. Procedures are in place to ensure that conflicts and potential conflict of interests are properly disclosed to the Board.
Formal schedule of matters to the Board	2 (5)	Complied with. The Board has a formal schedule of matters specifically reserved for it.
Situation of Insolvency	2 (6)	This situation has not arisen during the year.
Corporate Governance Report	2 (7)	Complied with. This report addresses the requirement.
Self-assessment by Directors	2 (8)	Complied with. Each Director performs an annual self-assessment based on the predefined criteria set by the Board.
3. Meetings of the Board		
Board Meetings	3 (1)	Complied with. The Board met 16 times during the year at approximately monthly intervals.
Inclusion of proposals by all Directors in the agenda	3 (2)	Complied with. Proposals from all Directors on promotion of business and management of risk are included in the agenda for regular meetings as and when they arise.
Notice of meetings	3 (3)	Complied with. Directors are given notice for Board Meetings and a reasonable time period for other meetings to study the relevant papers and proposals for meaningful discussions.

Corporate Governance Principle	Reference to CBSL Rule	Degree of Compliance
Non-attendance of Directors	3 (4)	Complied with. Director's Attendance at the Board Meetings are given above in this Report.
Board Secretary	3 (5)	Complied with. The Board has appointed a Board Secretary to handle the secretarial services to the Board and to carry out other functions required by statute.
Agenda for Board Meetings	3 (6)	Complied with. The Board Secretary prepares the Agenda, which function has been delegated by the Chairman.
Access to the Board Secretary	3 (7)	Complied with. Service of the Board Secretary is available for all Directors in discharging their duties to the company.
Minutes of the Meetings	3 (8)	Complied with. The Company Secretary records the minutes of the Board Meetings and Directors have full access to the Minutes of the Board Meetings which are circulated to all Board Directors.
Details of Minutes	3 (9)	(3.9 a to 3.9 f) Complied with. Minutes of the Board Meetings are maintained in sufficient detail by the Board Secretary.
4. Composition of the Board		
Number of Directors	4 (1)	Complied with. The Board comprised of 05 Directors during the year as at 31st March 2016. But subsequently Mr. Mohan Ratnayake (An independent non-executive director) has given the resignation.
Period of service of Non-Executive Directors	4 (2)	Complied with. Non-Executive Directors serving on the Board have not served on the Board for more than 9 years.
Appointment of an employee as a Director	4 (3)	Complied with. The Board consists of five members of whom one of them is an Executive Director. Accordingly, the number of Executive Directors does not exceed one-half of Directors of the Board.
Independent Non-Executive Directors	4 (4)	Complied with. The Board reviews the independence of Non-Executive Directors on a regular basis. Board comprises of three Independent Non-Executive Directors. Based on the declarations made by the Independent Non-Executive Directors under the Listing Rules, the Board determined that Mr. H. Dissabandara, Mr. Kuvera de Zoysa who held office during the period under review, were independent as against the criteria for defining independence set out in the Listing Rules and the Finance Companies (Corporate Governance) Direction No. 3 of 2008
Alternate Director	4 (5)	This situation has not arisen during the year.
Credibility, skills & experience of Non-Executive Directors	4 (6)	Complied with. Biographic details of the Directors are given on pages 16 to 17.
Board Meetings without half the quorum of Non-Executive Directors	4 (7)	Complied with. Articles of the Company provides for same. At all Board Meetings held in the year 2015/16, more than one half of the number of directors constitute the quorum were Independent Non-Executive Directors

CORPORATE GOVERNANCE

Corporate Governance Principle	Reference to CBSL Rule	Degree of Compliance
Details of Directors	4 (8)	Complied with. Please refer page 25 Corporate Governance for the biographic details of the Directors.
Appointment of new Directors	4 (9)	Complied with. The Board has a formal and transparent procedure in place when appointing Directors to the Board. Nominated individuals are screened in accordance with CBSL and CSE's requirements and submitted for prior approval of the Director of Supervision of Non-Bank Financial Institutions of Central Bank of Sri Lanka.
Appointment to fill a casual vacancy	4 (10)	All directors appointed to the board are subject to re-election by the Shareholders at the first AGM after their appointment.
Resignation/ removal of a Director	4 (11)	Complied with. Notifications of resignations of Directors of the company are given to the Shareholders by way of the Annual Report and to the Director – Director of Supervision of Non-Bank Financial Institutions of CBSL and CSE.
5. Criteria to assess the Fitness and Propriety of Directors		
Directors over 70 Years of age	5 (1)	Complied with. Directors serving on the Board have not reached the age of 70.
Holding of office in more than 20 entities	5 (2)	Complied with. As at 31.03.2016 none of the Directors hold Directorships in more than 20 entities.
6. Management Function delegated by the Board		
Delegation of work to the management	6 (1)	Complied with. The Board annually evaluates the delegated authority process to ensure that the delegation of work does not materially affect the ability of the Board as a whole in discharging its functions.
Evaluation of the delegated process	6 (2)	Complied with. Delegation process is reviewed by the board based on business requirements.
7. The Chairman and the Chief Executive Officer		
Division of responsibilities of the Chairman & CEO	7 (1)	Complied with. The roles of the Chairman and the Chief Executive Officer are separate and performed by two different individuals.
Chairman preferably be an Independent Director and if not appoint a Senior Director	7 (2)	Complied with. The Chairman is an Independent Non-Executive Director.
Relationship between Chairman and CEO & other Directors	7 (3)	Complied with. There are no material relationships between the Chairman and CEO and other Members of the Board which will impair their respective roles.
Role of the Chairman	7 (4)	Complied with. Chairman ensures that board functions are properly executed. 7(5) Complied with. 7(6) Complied with. 7(7) Complied with. 7(8) Complied with. 7(9) Complied with. 7(10) Complied with.
Role of the CEO	7 (11)	Complied with. The CEO performs as apex Executive-in-Charge of the day-to-day management of company's operations and business.
8. Board Appointed Sub-Committees		
Board Appointed Sub-committees	8 (1)	Complied with. There are 03 Board appointed Sub-committees namely Audit Committee, Remuneration Committee and Integrated Risk Management Committee. Minutes of the Sub-committee Meetings and matters arising from the minutes as well as reports that require Board's attention and/ or decisions are circulated to the Board members.

Corporate Governance Principle	Reference to CBSL Rule	Degree of Compliance
Audit Committee	8 (2)	<p>The following shall apply in relation to the audit committee.</p> <p>8 (2) (a) to 8(2) (f) Complied with.</p> <p>8 (2) (g) Not - Complied.</p> <p>Audit Committee will meet the external auditor before commencing the next financial year audit.</p> <p>8 (2) (h) Complied with.</p> <p>8 (2) (i) Not - Complied.</p> <p>Will comply in future.</p> <p>8 (2) (j) to 8(2) (k) Complied with.</p> <p>8 (2) (l) Not - Complied.</p> <p>Will comply in future.</p> <p>8 (2) (m) Not - Complied.</p> <p>Will comply in future.</p> <p>8 (2) (n) to 8(2) (q) Complied with.</p> <p>8 (2) (r) Not - Complied.</p> <p>Will comply in future.</p>
Integrated Risk Management Committee	8 (3)	<p>8 (3) (a) Complied with.</p> <p>8 (3) (b) Not - Complied.</p> <p>Will comply in future.</p> <p>8 (3) (c) to 8(3) (d) Complied with.</p> <p>8 (3) (e) Not - Complied.</p> <p>8 (3) (f) Complied with.</p> <p>IRM committee submits the reports to the board with relevant actions against the material failures of the officers responsible.</p> <p>8 (3) (g) Part - Complied with.</p> <p>Upon convening the IRM meeting, committee submit the report to the board.</p> <p>8 (3) (h) Complied with.</p>
9. Related Party Transactions		
Avoiding conflict of interests in related party transactions and favorable treatment	9 (2) to 9 (4)	<p>Complied with.</p> <p>The Board has taken necessary steps to avoid any conflict of interests that may arise, in transacting with related parties as per the definition of this Direction and Sri Lanka Accounting Standard 24 (LKAS 24) on "Related Party Transactions". The Board also ensures that no related party benefits from favorable treatment</p> <p>9 (2) Not - Complied.</p> <p>In the process of establishing the document.</p> <p>9 (3) Not - Complied.</p> <p>In the process of establishing the document.</p> <p>9 (4) (a) to (e) Not - Complied.</p> <p>Will comply in future.</p>
10. Disclosures		
Financial reporting, statutory and regulatory reporting	10 (1) a to b	<p>Complied with.</p> <p>The financial statements for the year ended 31st March 2016 and the bi-annual financial statements are in conformity with all rules and regulatory requirements and applicable accounting standards.</p>
Minimum disclosure in the Annual Report	10 (2)	<p>All necessary disclosures have been included in the Annual Report 2015/16 as follow</p> <p>10 (2) (a) to 10(2) (b) Complied with.</p> <p>10 (2) (c) Part - Complied with.</p> <p>10 (2) (d) to 10(2) (i) Complied with.</p>
11.		
External auditor's certification on effectiveness of internal control system	11	<p>Not - Complied.</p> <p>Will comply in future.</p>

CORPORATE GOVERNANCE

COMPLIANCE WITH SECTION 7.10 ON CORPORATE GOVERNANCE OF THE CONTINUING LISTING RULES OF THE COLOMBO STOCK EXCHANGE

Section	Rule No.	Requirement	Compliance Status	Details
Non Executive Directors	7.10.1 (a)	Two or one third of the Directors, whichever is higher, should be Non-Executive Directors	Complied with.	Board comprises of four (4) Non - Executive Directors.
	7.10.1 (b)	The total number of directors is to be calculated based on the number as at the conclusion of the immediately preceding Annual General Meeting	Complied with.	Board has been changed during the year and there are four NEDs.
	7.10.1 (c)	Any change occurring to this ratio shall be rectified within ninety (90) days from the date of the change.	Not Applicable.	-
Independent Directors	7.10.2 (a)	Two or one third of Non Executive Directors, whichever is higher, should be independent	Complied with.	The Board comprises of three Independent Non-Executive Directors
	7.10.2 (b)	Each Non-Executive Director should submit a declaration of independence/ non independence in the prescribed format	Complied with.	The Non-Executive Directors have submitted the required declarations.
Disclosures relating to Directors	7.10.3 (a)	Names of independent Directors should be disclosed in the Annual Report	Complied with.	The company's Independent Non-Executive Directors are 1. Mr. Kuvera de Zoysa (Chairman) 2. Mr. H. Dissabandara 3. Mr. R.M.M.J Ratnayake (Has given resignation subsequent to the year)
		In the event a Director does not qualify as independent as per the rules on corporate governance but if the Board is of the opinion that the Director is nevertheless independent, it shall specify the basis of the determination in the Annual Report	Not Applicable.	No such determination was required to be made by the Board.
	7.10.3 (c)	A brief resume of each Director should be published in the Annual Report including the areas of expertise	Complied with.	Please refer Profiles of Directors
	7.10.3 (d)	Provide a brief resume of any new Director appointed to the Board	Complied with.	Please refer Profiles of Directors
Criteria for defining independence	7.10.4 (a-h)	Requirements for meeting criteria to be Independent	Complied with.	-
Remuneration committee	7.10.5	A listed company shall have a Remuneration Committee	Complied with.	Please refer the Report of the Remuneration Committee

Section	Rule No.	Requirement	Compliance Status	Details
	7.10.5 (a)	The Remuneration Committee shall comprise a minimum of two Independent Non-Executive Directors or a majority of Independent Non-Executive Directors, whichever is higher.	Part - Complied with.	The Remuneration Committee comprises of the 2 Independent Non-Executive Directors, 1. Mr. Kuvera de Zoysa 2. Mrs. C. J. Atapattu
		One Non-Executive Director shall be appointed as Chairman of the committee by the Board	Complied with.	Mr. Kuvera de Zoysa who is an Independent, Non-Executive Director functions as Chairman of the Remuneration Committee
	7.10.5 (b)	The Remuneration Committee shall recommend the remuneration of the Chief Executive Officer and the Executive Directors.	Complied with.	Please refer the Report of the Remuneration Committee
	7.10.5 (c)	The annual report shall set out: <ul style="list-style-type: none"> ▪ The names of the Directors that comprise the Remuneration Committee ▪ A statement of remuneration policy ▪ Aggregate remuneration paid to Executive and Non-Executive Directors 	Complied with.	Please refer the Report of the Remuneration Committee.
Audit Committee	7.10.6	A listed company shall have an Audit Committee	Complied with.	-
	7.10.6 (a)	The Audit Committee shall comprise a minimum of two Independent Non Executive Directors, or a majority of Independent Non-Executive Directors, whichever is higher.	Complied with.	Mr. R. M. M. J. Ratnayake who was the Chairman of the Audit Committee during the period under review is an Independent Non-Executive Director. (Has given the resignation subsequent to the year).
		One Non-Executive Director shall be appointed as Chairman of the Audit Committee by the Board	Complied with.	Mr. R. M. M. J Ratnayake an Independent, Non-Executive Director, functioned as the Chairman of the Audit Committee during the year. (Has given the resignation subsequent to the year).

Section	Rule No.	Requirement	Compliance Status	Details
		The Chief Executive Officer and Manager Finance shall attend Audit Committee meetings	Complied with.	The CEO, and Accountant attended all Audit Committee meetings
		The Chairman or one member of the Committee should be a member of a recognized professional accounting body	Complied with.	Chairman & one member of the Audit Committee are members of a professional accounting body.
	7.10.6 (b)	<p>The functions of the Audit Committee shall include</p> <p>Overseeing of the preparation and presentation and adequacy of disclosures in the financial statements in accordance with Sri Lanka Accounting Standards</p> <p>Overseeing the compliance with financial reporting requirements, information requirements as per laws and regulations</p> <p>Ensuring the internal controls and risk management are adequate to meet the requirements of the Sri Lanka Auditing Standards</p> <p>Assessing of the independence and performance of the external auditors</p> <p>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</p>	Complied with.	Please refer the Report of the Audit Committee
	7.10.6 (c)	<p>The annual report shall set out; The names of the Directors who comprise the Audit Committee</p> <p>The Audit Committee shall make a determination of the independence of the auditors and disclose the basis for such determination</p> <p>A report by the Audit Committee setting out the manner of compliance of the functions set out in section 7.10 of the listing rules</p>	Complied with.	Please refer the Report of the Audit Committee

COMPANY'S ADHERENCE WITH THE CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE ISSUED JOINTLY BY THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA AND THE SECURITIES AND EXCHANGE COMMISSION OF SRI LANKA ("CODE")

Section 1 – THE COMPANY

Corporate Governance Principle	Reference to Code	Degree of Compliance
A. DIRECTORS		
A.1 The Board The Company is headed by an effective Board which comprises of professionals having required professional competence, skills and experience to lead and control the Company. The Board gives leadership in setting the strategic direction and implements sound control environment for the successful functioning of the Company.		
Board Meetings	A.1.1	Complied with. During the year, the Board met 16 times.
Role of the Board	A.1.2	Complied with. The Board engages in providing direction in formulating a sound business strategy and closely monitors the implementation of the strategy effectively.
Compliance with laws & seeking Independent Professional Advice	A.1.3	Complied with. The Board collectively, and directors individually, complied with the laws applicable to the Company. The Directors are permitted to seek independent professional advice at the Company's expense.
Access to advice & services of the Company Secretary	A.1.4	Complied with. All directors have access to the advice & services of the Company Secretary & the appointment/removal of the Company Secretary should be by resolution involving the whole Board.
Independent Judgment of Directors	A.1.5	Complied with. All directors exercise independent judgment on issues of strategy, performance, resources and standard of business conduct.
Dedication of adequate time & effort by the Directors	A.1.6	Complied with. All Directors dedicate their time and effort to ensure their duties towards the Board & the Company are satisfactorily discharged. In addition, Directors function as members of one or more sub-committees & ensure that adequate time & effort is allocated to discharge their duties towards the Board Sub-Committees.

Corporate Governance Principle	Reference to Code	Degree of Compliance
Training for new & existing Directors	A.1.7	Complied with. Every director is provided adequate training when appointed to the Board. The directors are constantly updated on the latest trends and issues facing the Company and the industry in general.
A.2 Chairman & the Chief Executive Officer There should be a clear division of responsibilities at the head of the Company which will ensure balance of power and authority so that no one individual has unfettered powers of decision. The Chairman as well as the CEO have a clear distinction of responsibilities and balance in power and authority.		
Separation of the roles of Chairman & CEO	A.2.1	Complied with.
A.3 Chairman's Role The Chairman's role in preserving good corporate governance is crucial. As the person responsible for running of the Board, the Chairman should preserve order and facilitate the effective discharge of the Board.		
Role of the Chairman	A.3.1	Complied with. The Chairman conducts Board proceedings in a proper manner and ensures that effective participation of both Executive and Non-Executive Directors is secured and the balance of power between Executive and Non-Executive directors is maintained.
A.4 Financial Acumen The Code requires that the Board should be comprised of members with sufficient financial acumen and knowledge to offer guidance on financial matters.		
Financial Acumen & Knowledge	A.4.1	Complied with. The Board comprises of members with academic & professional qualifications in Accounting, Business Finance & Management. Please refer Profiles of the Directors.
A.5 Board Balance The Code requires the Board to maintain a balance between Executive Directors and Non-Executive Directors (NEDs) so that, no individual or small group can dominate the Board's decision making.		
Have a balance of Executive and Non - Executive Directors	A.5.1	Complied with. The Board comprises of 4 Non-Executive Directors of whom 3 are independent Non-Executive Directors and 1 Executive Director as at 31st March 2016.
Independence of NEDs	A.5.2 & A.5.3	Complied with. The following 3 NEDs were Independent Directors during the year; 1. Mr. Kuvera de Zoysa (Chairman) 2. Mr. H. Dissabandara 3. Mr. R.M.M.J Ratnayake (Has given the resignation subsequent to the year)
Annual Declaration by NEDs on Independence	A.5.4	Complied with. Both Independent Directors above have submitted their written declarations with regard to their independence as required by the Code.
Annual Determination by the Board on Independence of NEDs	A.5.5	Complied with. The Board has determined the independence of the NEDs based on the written declarations submitted.
Appointment of an Alternate Director	A.5.6	Situation did not arise during the year.
Appointment of Senior independent Director & Availability of himself for confidential discussions	A.5.7 & A.5.8	Not relevant.
Conducting meetings with NEDs only	A.5.9	Complied with.

Corporate Governance Principle	Reference to Code	Degree of Compliance
Recording in Board Minutes concerns which cannot be unanimously resolved	A.5.10	Complied with. Concerns of the Directors which cannot be unanimously resolved if any, are recorded with adequate details. All minutes are circulated to the members of the Board & formally approved at the subsequent meeting.
A.6 Supply of Information The Code requires the Management to provide timely information in a form and of a quality appropriate to enable the Board members to discharge their duties.		
Obligation of the Management to provide appropriate & timely information to the Board	A.6.1	Complied with.
Adequate Notice for Board Meetings	A.6.2	Complied with.
A.7 Appointments to the Board The Code requires the Company to have formal & transparent procedure to appoint new Directors to the Board.		
Presence of a Nomination Committee & Annual Assessment of composition of the Board	A.7.1 & A.7.2	Not Complied.
Disclosure requirements when new appointments are made to the Board	A.7.3	Complied with.
A.8 Re-Election The Code requires all directors to submit themselves for re-election at regular intervals and at least once in every 3 years.		
Re-election of NEDs	A.8.1	Complied with.
Appointment of Chairman & Directors subject to election by shareholders at the first opportunity	A.8.2	Complied with.
A.9 Appraisal of Board Performance Board should periodically appraise their own performance in order to ensure that Board responsibilities are satisfactorily discharged.		
Appraisal of Board performance	A.9.1	Complied with.
Annual self-evaluation by the Board	A.9.2	Complied with.
Disclosure of Criteria for Performance Evaluation	A.9.3	Complied with.
A.10 Disclosure of Information in respect of Directors Shareholders should be kept advised of relevant details in respect of directors.		
Disclosure of Information on the Directors in the Annual Report	A.10.1	Complied with. Brief Profiles of the Directors with expertise & experience, other business interests, Remuneration & status of independence are disclosed in this Annual Report.

Corporate Governance Principle	Reference to Code	Degree of Compliance
A.11 Appraisal of the Chief Executive Officer (CEO)		
The Code requires that the Board should assess the performance of the CEO at least annually.		
Setting Annual Targets & Appraisal of Performance of the CEO	A.11.1 & A.11.2	Complied with. At the end of the year, the Board evaluates the performance of the CEO and ascertains if the agreed objectives have been achieved.
B. DIRECTOR'S REMUNERATION		
B.1 Remuneration Procedure		
The Code requires that the Company should establish a formal & transparent procedure for developing an effective remuneration policy for both Executive Directors & NEDs where no director is involved in deciding his/her own remuneration to avoid conflicts of interests.		
Establishment of a Remuneration Committee	B.1.1	Complied with. A Remuneration Committee has been appointed and functions within agreed terms of reference. Refer Report of the Remuneration Committee.
Composition of the Remuneration Committee	B.1.2 & B.1.3	Complied with. Refer Report of the Remuneration Committee.
Determination of Remuneration of the NEDs	B.1.4	Complied with. The NEDs receive a fee for being a director of the Board.
Ability to consult the Chairman and/or CEO and to seek professional advice by the Committee	B.1.5	Complied with.
B.2 Level & Make-Up of Remuneration		
Levels of remuneration of both Executive and Non-Executive Directors should be sufficient to attract and retain the director's needed to run the Company successfully. A proportion of Executive Director's remuneration should be structured to link rewards to corporate and individual performance.		
Remuneration of Executive Directors	B.2.1	Complied with. Executive directors do not set their own remuneration.
Competitiveness of levels of Remuneration	B.2.2	Complied with. When positioning remuneration levels relative to other companies in the industry, due care is taken to ensure that remuneration is commensurate with the comparative performance/scale of other companies in the industry.
Annual Revisions in Remuneration & Comparison with other Group Companies	B.2.3	Complied with. The Remuneration Committee reviews the annual increments provided to Companies within the Group, when deciding on increments for staff.
Performance based Remuneration for Executive Directors	B.2.4	Not applicable.
Executive Share Options	B.2.5	Not applicable.
Designing schemes of Performance related Remuneration	B.2.6	Complied with. Performance related Remuneration Schemes are approved by the Remuneration Committee.
Early Termination of Executive Directors	B.2.7 & B.2.8	Not applicable. Terminations of Executive Directors, CEO & Chief Operating Officer are governed by their contracts of service/employment.
Levels of Remuneration of NEDs	B.2.9	Complied with. NEDs are remunerated in line with market practices.
B.3 Disclosure of Remuneration		
The Company's Annual Report should contain a statement of Remuneration Policy and details of remuneration of the Board as a whole.		

Corporate Governance Principle	Reference to Code	Degree of Compliance
Disclosure of Remuneration	B.3.1	Complied with. Refer the Report of the Remuneration Committee for the Remuneration Policy and details of the Remuneration Committee. Aggregate remuneration paid to the Directors is disclosed in the Financial Statements.
C. RELATIONS WITH SHAREHOLDERS		
C.1 Constructive Use of the Annual General Meeting (AGM) and Conduct of General Meetings The Code requires that the Board uses the AGM to communicate with shareholders and encourage their participation. The Board should encourage all shareholders to attend and actively participate at the AGM. The shareholders may raise any queries they have with the Directors. The Chairman, the CEO and the Chairmen of Board Sub-Committees should be present at the AGM to answer any queries.		
Use of proxy votes	C.1.1	Complied with. As a matter of practice, proxy votes together with the votes of shareholders present at the AGM are considered for each resolution.
Separate resolutions for separate issues	C.1.2	Complied with. Separate resolutions are placed before shareholders for business transactions at the AGM.
Availability of Chairmen of Board Committees	C.1.3	Complied with. Chairman of the Company ensures that all Sub-Committee Chairmen are present at the AGM to answer any queries.
Adequate Notice of AGM to the Shareholders together with the summary of the Procedure	C.1.4 & C.1.5	Complied with. Adequate notice is given to the shareholders for the AGM & a summary of the procedures governing voting at the AGM is provided in the proxy form.
C.2 Communication with Shareholders The Board should implement effective communication with Shareholders.		
Channel to reach all shareholders to disseminate timely information	C.2.1	Complied with. Primary modes of communication with shareholders are the Annual Report & AGM. The following channels were also used; 1. Financial and other notices as and when required through the Colombo Stock Exchange 2. Corporate website 3. Press notices
Policy and Methodology of Communication & Implementation	C.2.2 & C.2.3	Complied with. Refer Section C.2.1 above.
Contact Person	C.2.4	Complied with. Contact person is the Company secretary
Awareness of Directors on major issues and concerns of Shareholders	C.2.5	Complied with. A process has been adopted to ensure that all Directors are aware of the major issues and concerns raised by Shareholders.
Contact Person for Shareholders	C.2.6	The relevant person with statutory responsibilities to contact in relation to shareholders' matters is the Company Secretary.
Process for responding to Shareholders	C.2.7	All shareholder correspondence is via company secretarial division.

Corporate Governance Principle	Reference to Code	Degree of Compliance
C.3 Major and Material Transactions The Code requires the Directors to disclose to all shareholders all proposed material transactions which would materially alter the net asset position of the Company.		
Major Transactions	C.3.1	Complied with.
D. ACCOUNTABILITY AND AUDIT		
D.1 Financial Reporting The Code requires the Board to present a balanced and understandable assessment of the Company's financial position, performance and prospects.		
Board's responsibility for Statutory & Regulatory reporting	D.1.1	Complied with. The interim accounts and annual financial statements were published on a timely basis during the year. Regulatory reports were filed by the due dates. Price sensitive information was also disclosed to the Colombo Stock Exchange (CSE) on a timely basis during the year.
Declarations by Directors in the Director's Report	D.1.2	Complied with. Refer Annual Report of the Board of Directors.
Statements by Directors & Auditors on Responsibility for Financial Reporting	D.1.3	Complied with. Refer the Statement of Directors' Responsibility and Report of the Independent Auditors.
Management Discussion and Analysis	D.1.4	Complied with. Refer Management Discussion and Analysis.
Declaration by Directors on the Going Concern of the Business	D.1.5	Complied with. Refer Annual Report of the Board of Directors.
Serious Loss of Capital	D.1.6	Situation has not arisen.
Disclosure of Related Party Transactions	D.1.7	Complied with. Each related party has submitted signed and dated declarations mentioning whether they had related party transactions with the Company during the year.
D.2 Internal Control The Board has overall responsibility for the system of internal controls to safeguard shareholder's investments and the Company's assets and has delegated some of these responsibilities to the Board appointed Audit Committee (AC).		
Evaluation of internal controls by the Board	D.2.1	Complied with. In order to ensure that a sound system of internal controls is maintained, the Audit Committee ensures that an internal audit programme (which is adequate in terms of coverage and scope) is prepared on an annual basis.

Corporate Governance Principle	Reference to Code	Degree of Compliance
Internal Audit function	D.2.2	Complied with. The internal audit function has been outsourced to a leading firm of Chartered Accountants PWC. The Board believes that this provides greater access to global best practices and independence from management. The internal auditors may also carry out any additional tasks they deem necessary to effectively discharge their duties. The Company's internal audit function is carried out by PWC – Chartered Accountants.
D.3 Audit Committee The Board has delegated its responsibility with regard to financial reporting, internal controls and maintaining an appropriate relationship with the Company's Auditors to the Audit Committee. Accounting policies are agreed with auditors and the AC and are applied on a consistent basis.		
Composition of the Audit Committee	D.3.1	Complied with. All Members of the Audit Committee are NEDs & the Chairman of the Committee during the period was Independent. Refer Report of the Audit Committee.
Duties of the Committee	D.3.2	Complied with. As per its charter, the Audit Committee is responsible for reviewing the scope and results of the audit and its effectiveness.
Terms of Reference for Audit Committee	D.3.3	Complied with. The Audit Committee operates within clearly defined Terms of Reference which have been approved by the Board.
Disclosure of Names of Members of the Audit Committee	D.3.4	Complied with. The details and composition of the Audit Committee are provided in the Report of the Audit Committee.
D.4 Code of Business Conduct and Ethics The Code requires the Company to adopt an Internal Code of Conduct & Ethics to be followed by all Directors and Key Management Personnel.		
Code of Business Conduct and Ethics	D.4.1	Complied with. The Company has issued a Code of Conduct & all Directors, Senior Management & all Employees are required to adhere to same.
Affirmation from the Chairman	D.4.2	Complied with. The Chairman is not aware of any violation of the Company's Code of Ethics.
D.5 Corporate Governance Disclosures The company is fully compliant with the Code of Best Practice on Corporate Governance jointly issued by the ICASL and SEC as well as the Corporate Governance Rules for Listed Companies issued by the CSE.		
Annual Corporate Governance Report in the Annual Report	D.5.1	Complied with. This requirement is met through the presentation of this report.

Section II – SHAREHOLDERS

Corporate Governance Principle	Reference to Code	Degree of Compliance
E. INSTITUTIONAL INVESTORS		
E.1 Shareholder Voting The Code requires institutional shareholders to make considered use of their votes and they are encouraged to ensure that their voting intentions are translated into practice.		
Regular and structured dialogue with Shareholders	E.1.1	Complied with. The AGM is used as a forum to have a structured, objective dialogue with Shareholders. The Chairman ensures that the views expressed at the AGM are communicated to the Board as a whole.
E.2 Evaluation of Governance Disclosures The Code requires the Company to encourage Institutional investors to give due weight to all relevant factors drawn to their attention.		
Due weight by Institutional Investors	E.2.1	Complied with. The Institutional Investors are at liberty to give due weight to the matters related to the Board structure & composition, when they consider resolutions related to same.
F. OTHER INVESTORS		
F.1 Investing/Divesting Decisions The Code requires the Company to encourage other investors to seek independent advice in investing or divesting decisions.		
Seek independent advice in investing or divesting decisions	F.1.1	Complied with. Individual shareholders are encouraged & at liberty to carry out independent analysis & research and seek independent advice prior to making investing or divesting decisions.
F.2 Shareholder Voting The Code requires the Company to encourage individual shareholders to participate at shareholder meetings & exercise their voting rights.		
Encourage voting by Individual Shareholders	F.2.1	Complied with. All shareholders are encouraged to participate at general meetings and cast their votes & notices of meetings are dispatched to them by the Company with adequate time.

The Integrated Risk Management Committee (IRMC) is a sub-committee of the Board, established in compliance with the Finance Companies (Corporate Governance) Direction No.03 of 2008 to provide an independent oversight of the Company's Risk management. This is sought to be achieved through reviewing reports on the Company's IRM framework, reports that assess the nature and extent of risks faced by the Company and its risk appetite and reviewing the Risk Strategy Action Plan. The IRMC is required to monitor and review any escalated items and also monitor any outputs of any investigations and the implementation of management activities related to any escalated items. The Committee reports to the Board on the outcome of its monitoring and review of activities.

Composition

The IRMC of the Company during the period under review comprised of the following members:

1. Mr. H.S.S.Fernando-Committee Chairman (Non-Executive Director)
2. Prof. H. Dissabandara - Independent Non - Executive Director
3. Mr. Pushpike Jayasundera - Chief Executive Officer
4. Mr. Asanka Melroy Galbadaarachchi - Accountant

Authority

The Committee is authorised to:

1. Investigate any activity within its Terms of Reference.
2. Set priorities for the work of the functions related to the IRMC.
3. Seek any information it requires from any employee and all employees should co-operate with the requests of the IRMC.
4. Obtain outside legal or independent professional advice and such advisors may be requested to attend meetings as necessary.

Responsibilities

The IRMC is responsible for undertaking;

1. The matters specified and to ensure that the Company has a comprehensive risk management framework and to ensure that appropriate compliance policies and systems are in place.
2. To assess all risk types, including but not limited to credit, market, liquidity, operational and strategic risks to the Company through appropriate risk indicators and management information.
3. To ensure risk decisions are taken in accordance with established delegated authorities and corrective actions are taken to mitigate risks taken beyond the risk tolerance of the Committee on the basis of the Company's policies and regulatory and supervisory requirements.
4. To monitor and assess the effectiveness of the Company's Risk Management System and the robustness of the risk management function.
5. To establish a compliance function to assess the Company's compliance with laws, regulations, regulatory guidelines, internal controls and approved policies relating to all areas of business operations.

Other

1. Decide upon appropriate recruitment, training and development for the Board, IRMC, Senior Management, Audit, Finance and Operations Divisions to ensure the requisite skills are available to monitor and control risk.
2. Review results of internal audit reports, feedback from external auditors and any other regulations/pronouncements/correspondence from external bodies which, consider the effectiveness and appropriateness of the control environment of the core business function and authorize specific actions arising thereof.
3. Review compliance with the appropriate company and regulatory guidelines.

REPORT OF THE INTEGRATED RISK MANAGEMENT COMMITTEE

Committee Evaluation

1. The Committee members shall conduct an annual review of their effectiveness by the end of each financial year of the Company and any changes to the approved Terms of Reference (TORs) will be documented and reported to the Board.
2. If required the approved TORs can be made available on the Company's website in line with the best practices and to uphold Corporate Governance values.

Meetings

Meetings should be held on a quarterly basis and it should not be less than four (04) meetings per financial year. Additional meetings of the Committee may be held as and when required. The Chairman of the IRMC shall have the authority to convene a special meeting to discuss any urgent business or operational matter that may arise.



Mr. H.S.S. Fernando

Chairman

Integrated Risk Management Committee

30th June 2016

The Audit Committee (AC) assists the Board in carrying out its responsibilities in relation to financial reporting requirements, risk management, internal auditing and the assessment of internal controls. The AC also reviews the effectiveness of the Company's internal controls through review and follow-up of the company's internal audit reports and manages the Company's relationship with the External Auditors.

The Committee in discharging its responsibilities, places reliance on the work to the extent and in the manner it considers appropriate, without prejudicing the independence of the other Committees.

Composition of the Audit Committee

The Audit Committee comprises of Four Non-Executive Directors. The Chairman of the Audit Committee was a Non- Independent, Non-Executive Director, during the period under review. The Audit Committee comprised of the following members;

- Prof. H. Dissabnadara (Chairman) - Non-Executive Director
- Mr. E.K.De Zoysa - Non-Executive Director
- Mr. H.S.S.Fernando-Non-Executive Director
- Mr.R.M.M.J.Ratnayake-Non-Executive Director
- Mr. R.M.S. Tillakawardena - Non-Executive Director (Ceased to be a Director w.e.f. 14.01.2016)
- Mr.B.N.R.Mendis - Non-Executive Director (Ceased to be a Director w.e.f. 14.01.2016)

Functions

The duties of the Audit Committee include keeping under review the scope and results of the audit and its effectiveness, and the independence and objectivity of the auditors. Where the auditors also supply a substantial volume of non-audit services to the Company, the Committee shall keep the nature and extent of such services under review, seeking to balance objectivity, independence and value for money.

Authority, Duties and Responsibilities

1. Assist the Board oversight in the Preparation, presentation and adequacy of disclosures in the financial statements, in accordance with Sri Lanka Accounting Standards.
2. Ensures Company's compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements.
3. To ensure that the Company's internal controls and risk management procedures are adequate to meet the requirements of the Sri Lanka Auditing Standards.
4. To assess the Company's ability to continue as a going concern in the foreseeable future.
5. Assessing the independence and performance of the Company's external auditors.
6. 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;
7. Discussion of the audit plan, key audit issues and their resolution, management responses and the proposed remuneration of the auditor.
8. Discussion of the Company's annual audited financial statements and quarterly financial statements with management and the auditor.
9. Discussion of the Company's earnings press releases and financial information and earnings guidance provided to analysts and rating agencies.
10. Discussion of policies and practices with respect to risk assessment and risk management.
11. Ensuring that a process of sound system of internal control is in place.
12. Ensuring that an effective internal audit function is in place.
13. Meeting separately, periodically, with Management, internal auditors and external auditors.

REPORT OF THE AUDIT COMMITTEE

14. Establishing mechanisms for the confidential receipt, retention and treatment of complaints alleging fraud, received from internal/external sources and pertaining to accounting, internal controls or other such matters.
15. Assuring confidentiality to whistle blowing employees and formulation of proper 'Whistle-Blowing' policy.
16. Presenting a report to the Board on identified related parties and related party transactions on a regular basis.
17. Setting clear hiring policies for employees or former employees of the auditors.
18. Reporting regularly to the Board of Directors regarding the Financial Reporting System.

The Committee reviewed the financial reporting system adopted by the company with particular reference to the following:

- The preparation, presentation and adequacy of the disclosures in the company's annual and interim financial statements in accordance with Sri Lanka Accounting Standards, the Companies Act, No. 7 of 2007 and other applicable statutes.
- The rationale and basis for the significant estimates and judgments underlying the financial statements.

Meetings

The Committee met five (05) times during the period under review. The Chief Executive Officer and the Accountant attend the meetings by invitation. The attendance at the meeting were;

Financial Reporting

The Audit Committee has reviewed and discussed the Company's quarterly and annual financial statements prior to publication with the management including the extent of compliance with Sri Lanka Accounting Standards, the appropriateness of its accounting policies and material judgmental matters.

Internal Audit

During the year under review, the Committee reviewed the Audit Reports presented by Messrs. PWC Chartered Accountants, to whom the Internal Audit function is outsourced together with the management responses. A risk-based audit approach was adopted with the view to rationalize the usage of audit resources.

During the year, audit reports were received by the Committee from the Internal Auditors covering audits and investigations which were reviewed and discussed with management and the Internal Auditors. The recommendations of the Internal Auditors have been followed up and implemented. Formal confirmations and assurances were received from the Management on a quarterly basis regarding the efficacy and status of the internal control systems.

The Audit Committee monitored and reviewed the scope, extent and effectiveness of the activity that included updates on audit activities and achievements against the Company's audit plan, advising management to take precautionary measures on significant audit findings and assessment of resource requirements of the Company.

Name of Member	Audit Committee Meetings		
	No. of Meetings Held	No. of Meetings Attended	Percentage of Attendance
Prof. H. Dissabanadara -Chairman	04	01	25%
Mr. R. M. M. J. Ratnayake - Member	04	02	50%
Mr. R. M. S. Tillakawardana - Member (Resigned w.e.f. 14th January 2016)	04	03	75%
Mr. B. N. R. Mendis – Member (Resigned w.e.f. 14th January 2016)	04	03	75%
Mr. E.K.De Zoysa - Member	04	01	25%
Mr. H.S.S.Fernando- Member	04	01	25%

The Committee carried out the following activities;

During the year, the Audit Committee reviewed the internal audit plan and monitored the progress on a regular basis. The sections covered and the regularity of audits depends on the risk level of each section, with higher risk sections being audited more frequently.

External Audit

At the conclusion of the audit, the Committee met with the Auditors to discuss the audit findings. The meetings were held without the presence of the Management and the Auditors have assured that they have no cause to compromise their independence.

The Committee is satisfied that the independence of the External Auditors has not been impaired by any event or service that gives rise to a conflict of interest. Due consideration has been given to the nature of the services provided by the Auditors and the level of audit and non-audit fees received by the Auditors from the Company. The Committee also reviewed the arrangements made by the Auditors to maintain their independence and confirmation has been received from the Auditors of their compliance with the independence guidance given in the Code of Ethics of the Institute of Chartered Accountants of Sri Lanka.

The Audit Committee has recommended to the Board of Directors that Messrs. KPMG, Chartered Accountants, be re-appointed as the Auditors of the Company for the financial year ending 31st March 2017, subject to the approval of the Shareholders at the next Annual General Meeting.

Conclusion

The Board appointed Audit Committee is of the view that adequate controls are in place to safeguard the Company's assets and to ensure that the financial position and the results disclosed in the Audited Accounts are free from any material misstatements.



Prof. H. Dissabandara

*Chairman
Audit Committee*

30th June 2016

REPORT OF THE AUDIT COMMITTEE

The Board appointed Remuneration Committee (RC) comprises of three (03) Independent Non-Executive Directors. The RC comprises of the following members;

1. Mr. Kuvera de Zoysa (Chairman) - Independent, Non-Executive Director
2. Mr. Mohan Ratnayake - Independent, Non-Executive Director
3. Prof. H. Dissabandara - Independent, Non-Executive Director (appointed w.e.f. 14.1.2016)

Duties and Responsibilities

The Committee was established for the purpose of recommending the remuneration of the Board of Directors including Chairman, CEO and any other Executive Director or Key Management Personnel. The Committee has acted within the parameters set by its Terms of Reference. No Director is involved in determining his own remuneration. All Non-Executive Directors receive a fee for serving on the Board.

Remuneration Policy

The primary objective of the Remuneration Policy of the Company is to attract and retain highly qualified and experienced staff and reward for their performance commensurate with each employee's level of experience and contribution, bearing in mind the business performance and long term shareholder return.

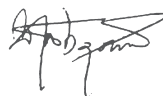
Attendance and seeking Professional Advice

1. The Chief Executive and other relevant Executive Director shall be invited to attend meetings and shall be consulted on the performance and remuneration of Executive Directors and make proposals as necessary.
2. The Committee is authorised by the Board to seek appropriate professional advice inside and outside the Company as and when it considers this necessary.

Frequency of Meetings

The Committee meets as often as necessary and make recommendations on compensation structures and bonuses, increments and also on matters pertaining to recruitment of Key Management Personnel to ensure that the management and staff at all levels are adequately rewarded for their performance and commitment to the Company's goals on a competitive basis.

The total of Directors' remuneration paid during the year under review is set out in Note 33.3.1 to the Financial Statements.



Kuvera de Zoysa

Chairman

Remuneration Committee

30th June 2016

REPORT OF THE REMUNERATION COMMITTEE

The Directors of Multi Finance PLC have pleasure in presenting the Annual Report for the year ended 31st March 2016 that includes and covers the Audited Financial Statements, Chairman's Statement, CEO's Review, Governance & Risk Management Report, Committee Reports, Statements of Responsibility and other relevant information, Disclosures required by the Companies Act No.07 of 2007 which form part of this Annual Report of the Board of Directors.

General

The Company was initially incorporated as a public limited liability company on 14th October 1974 and re-registered under the Companies Act No.07 of 2007 on 26th February 2009. The Ordinary Shares of the Company were listed on the Diri Savi Board of the Colombo Stock Exchange on 13th July 2011 and accordingly, the status of the Company changed to a public listed company and the new Company Registration Number is PB 891 PQ.

Multi Finance PLC is a finance company registered by the Monetary Board of the Central Bank of Sri Lanka in terms of Finance Business No.42 of 2011 and also a registered leasing establishment under Section 5 of the Finance Leasing Act No.56 of 2000. It is also an Approved Credit Agency under the Mortgage Act No.06 of 1949 and the Trust Receipts Ordinance No.12 of 1947.

Principal Business Activities

The Company's principal business activities during the year were acceptance of deposits, maintenance of savings accounts, granting facilities such as leases, hire purchase, micro-finance, gold loans, pawning, vehicle loans, mortgage loans, business loans and other value added services permitted by the Central Bank of Sri Lanka for a Finance Company.

There was no significant change in the nature of business of the Company during the year under review that may have a significant impact on the state of the Company's affairs.

This Report and the Financial Statements reflect the state of affairs of the Company.

Vision, Mission & Corporate Conduct

The Company's Vision and Mission are available on page 2. The Directors and all the employees conduct their activities with the highest level of ethical standards and integrity in achieving the Vision and Mission.

Review of Business Performance

Review of Business Performance and future outlook of the Company is available in the Chairman's Statement in pages 8 to 9 and in Chief Executive Officer's Review in pages 10 to 13.

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

Financial Statements

The Financial Statements of the Company have been prepared in accordance with Sri Lanka Accounting Standards (SLFRSs/ LKASs), laid down by the Institute of Chartered Accountants of Sri Lanka and comply with requirements of the Companies Act No.07 of 2007. The aforementioned Financial Statements for the year ended 31st March 2016 duly signed by two Directors on behalf of the Board are given on page 57 which form an integral part of this Annual Report.

Auditor's Report

The Report of the Auditors on the Financial Statements of the Company appears on page 55.

Accounting Policies

The Accounting Policies which are adopted by the Company in the preparation of Financial Statements are given on pages 60 to 69. They are consistent with those of the previous period.

The Board of Directors

As at 31st March 2016, the Board of Directors of the Company consisted of five (05) members. The information on Directors of the Company is available in the Director's Profile in pages 16 to 17.

The names of the Directors who held office as at the end of the accounting period are given below:

Executive Directors

- Mrs. C.J. Atapattu

Non - Executive Directors

- Mr. S. Fernando
Non- Executive Director
- Prof. H. Dissabandara
Independent, Non- Executive Director
- Mr. Kuvera de Zoysa
Independent, Non- Executive Director
- Mr. R. M. M. J. Ratnayake- Deputy Chairman
Independent, Non- Executive Director

New Appointments and Resignations to the Board

Following new appointments were made to the Board during the financial year ended 31st March 2016.

- Mr. S. Fernando (appointed w.e.f. 14.01.2016)
- Prof. H. Dissabandara (appointed w.e.f. 14.01.2016)

Following resignations from the Board were recorded during the period under review.

- Mr.RM.S. Tilakawardana (resigned w.e.f. 14.01.2016)
- Mr.K.P.N.S.Dayaratne (resigned w.e.f. 14.01.2016)
- Mr.B.N.R.Mendis (resigned w.e.f. 14.01.2016)
- Mr. I.D.B.Dassanayake (resigned w.e.f. 14.01.2016)
- Mr.C.U.Ratwatte (resigned w.e.f. 14.01.2016)
- Mrs. R.D.Senerath (resigned w.e.f. 14.01.2016)

Retirement by Rotation and Re-Election of Directors

Mr. S. Fernando retires by rotation pursuant to Article 87 of the Articles of Association of the Company and being eligible offers himself for re-election with the support of the continuing Directors.

The Independence of Directors has been determined in terms of the Listing Rules of the Colombo Stock Exchange.

Related Party Transactions

Related party transactions have been declared at meeting of the Directors and are detailed in Note No 33 of the financial statements.

Directors' Interest

As required by the Companies Act, No. 7 of 2007, an Interest Register was maintained by the Company during the period under review. All Directors have made declarations as provided for in Section 192 (2) of the Companies Act aforesaid. The Interest Register is available for inspection as required under the Companies Act.

The Company carries out transactions in the ordinary course of business with entities in which a Director of the Company is a Director. The Transactions with entities where a Director of the Company either has control or exercises significant influence have been classified as related party transactions and disclosed in Note No. 33 to the Financial Statements.

Remuneration and Fee

Details of the Directors remuneration and fees are set out in Note No. 33.3.1 to the Financial Statements. All fees and remuneration have been duly approved by the Board of Directors of the Company.

Risk and Internal Control

The Board Directors has satisfied itself that there exists an effective and comprehensive system of internal controls to monitor, control and manage the risk to which the company is exposed, to carry on its business in an orderly manner, to safeguard its assets and to secure as far as possible the reliability and accuracy of records.

Corporate Governance

The Directors acknowledge their responsibility for the Company's corporate governance and the system of internal control.

The Directors are responsible to the shareholders for providing strategic direction to the Company and safeguarding the assets of the Company. The Board is satisfied with the effectiveness of the system of internal control for the period up to the date of signing the Financial Statements. The performance of the Company is monitored by way of regular review meetings. These meetings provide an opportunity to ensure that progress is in line with agreed targets. Regular Board meetings are held to further strengthen the review process and ensure compliance with all statutory and regulatory obligations.

Statutory Payments and Compliance with Laws and Regulations

The Directors, to the best of their knowledge and belief are satisfied that all statutory payments due to the Government and in relation to the employees have been made on time.

Auditors

The Company's Auditors during the period under review were Messrs. KPMG. The fees paid to auditors are disclosed in Note No. 9 to the Financial Statements.

Based on the declaration from Messrs. KPMG, and as far as the Directors are aware, the Auditors do not have any relationship or interest in the Company other than disclosed.

The Auditors have expressed their willingness to continue in office.

In accordance with the Company's Act, No.7 of 2007, an Ordinary Resolution proposing the re-appointment of Messrs. KPMG, Chartered Accountants, as Auditors of the Company will be submitted at the Annual General Meeting.

Independent Auditor's Report

The Independent Auditor's report on the Financial Statements is given on page 55 of the Annual Report.

Stated Capital

The Stated Capital of the Company is Rs. 346,990,186/-

Director's Shareholding

The relevant interest of Directors in the shares of the Company as at 31st March 2016 are as follows.

	31.03.16	31.03.15
Mr. Kuvera De Zoysa	Nil	Nil
Mr. R. M. M. J. Ratnayake	Nil	Nil
Pro. H. Dissabandara	Nil	Nil
Ms. C. J. Atapattu	20,575	20,575
Mr. H. S. S. Fernando	Nil	Nil

Shareholders

There were 925 shareholders registered as at 31st March 2016. The details of the distribution are given on page 106 of this report.

Major Shareholders, Distribution Schedule and other information

Information on the distribution of shareholding, analysis of shareholders, market value per share, twenty largest shareholders of the Company, percentage of shares held by the public as per the listing rules of the Colombo Stock Exchange are given on pages 105 to 107 under Investor Information.

Equal Opportunities

The Company is committed to providing equal opportunities to all employees irrespective of their gender, marital status, age, religion, race or disability. It is the Company's policy to give full and fair consideration to persons, with respect to applications for employment, continues employment, training, career development and promotion, having regard for each individual's particular aptitudes and abilities.

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

Internal Control

The Board of Directors has taken steps to ensure the implementation of an effective and comprehensive system of internal controls covering financial, operational and compliance control. The Internal Auditors are responsible to review and report on the efficacy of the internal control system and other regulations and company's accounting and operational policies which are subject to further review by the Audit Committee as elaborated in the report of Audit Committee on pages 44 to 46.

Compliance

The Company has established a permanent and effective compliance function. A dedicated Compliance Officer appointed by the Board Independently monitors adherence with all applicable laws, regulations and statutory requirements and reports to the Board and the Integrated Risk Managements Committee. Monthly and quarterly compliance reports are submitted confirming compliance with law and regulations as applicable to the Company.

The Compliance Office also ensures that compliance reports are submitted to the Central Bank of Sri Lanka confirming the Company's compliance with the directions, rules, determinations, notices and guidelines issued under the Finance Business Act.

Risk Management

An ongoing process is in place to identify and manage the risks that are associated with the business and operations of the Company.

Environmental Protection

The Company has not engaged in any activity that is harmful or hazardous to the environment.

Statutory Payments

The Directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the Company, all contributions, levies and taxes payable on

behalf of and in respect of employees of the Company and all other known statutory dues as were due and payable by the Company as at Reporting date have been paid or where relevant provided for, except for certain assessments where appears have been lodged.

Going Concern

The Board of Directors had reviewed the Company's Business Plans and is satisfied that the Company had adequate resources to continue its business operations in the foreseeable future. Accordingly, the Financial Statements are prepared considering the Company as a going concern concept.

Annual General Meeting

The Annual General Meeting will be held at the Lecture Hall Sri Lanka Foundation, No. 100, Sri Lanka Padanama Mawatha, Independence Square, Colombo 7 at 3.00 p.m on 28th September 2016.

The notice of the Annual General Meeting appears on page 110.

Acknowledgement on the Content of the Report
As required by Section 168(1) (k) of the Companies Act No.07 of 2007. This report is signed on behalf of the Board by two Directors and the Secretary of the Company.



Kuvera de Zoysa
Chairman



Business Intelligence (Private) Limited
Secretaries

30th June 2016
Colombo

FINANCIAL STATEMENTS

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STATEMENT OF DIRECTORS' RESPONSIBILITY

The responsibility of the Directors, in relation to the Financial Statements of Multi Finance PLC is set out in this Statement.

In terms of Section 150(1) and 151 of the Companies Act, No. 7 of 2007, the Directors of the Company are responsible for ensuring that the Company keeps proper books of accounts of all the transactions and prepare Financial Statements that give a true and fair view of the Financial Position of the Company as at end of each financial year and place them before a general meeting. The Directors are also responsible to ensure that the financial statements comply with any regulations made under the Companies Act which specifies the form and content of financial statements and any other requirements which apply to the Company's financial statements under any other law.

The Directors are responsible for ensuring that the Company keeps sufficient accounting records, which disclose the financial position of the Company with reasonable accuracy and enable them to ensure that the financial statements have been prepared and presented as aforesaid. They are also responsible for taking measures to safeguard the assets of the Company and in that context to have proper regard to the establishment of appropriate systems of internal control with a view to prevention and detection of fraud and other irregularities.

It is also the responsibility of the Directors to ensure that the company maintains proper accounting records and to take reasonable steps as far as practical to ensure the accuracy and reliability of accounting records and to prepare Financial Statements using appropriate Accounting Policies applied consistently and supported by reasonable and prudent judgment and estimates in compliance with the Sri Lanka Accounting & Auditing Standards, the Companies Act No. 07 of 2007, the Listing Rules of the Colombo Stock Exchange and Finance Business Act No.42 of 2011 and the Directions issued there under by the Central Bank of Sri Lanka. Changes in the Accounting Policies where applicable and the rationale for the changes have been disclosed in the 'Notes to the Financial Statements.

The Directors have been responsible for taking reasonable measures and care to safeguard the assets of the company and to prevent and detect frauds and other irregularities. The Directors have instituted an effective and comprehensive system of internal controls and an effective system of monitoring its effectiveness, internal audit being one of them. The Board has been provided additional assurance on the reliability of the Financial Statements through a process of independent and objective review performed by the Audit Committee.

The Directors continue to adopt the going concern basis in preparing the financial statements. The Directors, after making inquiries and review of the Company's Business Plan for the financial year 2015/2016, including cash flows and borrowing facilities, consider that the Company has adequate resources to continue in operation.

BY ORDER OF THE BOARD



MULTI FINANCE PLC
Company Secretary

30th June 2016

INDEPENDENT AUDITORS' REPORT



KPMG
(Chartered Accountants)
32A, Sir Mohamed Macan Markar Mawatha,
P. O. Box 186,
Colombo 00300,
Sri Lanka.

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Fax : +94 - 11 244 5872
+94 - 11 244 6058
+94 - 11 254 1249
+94 - 11 230 7345
Internet : www.lk.kpmg.com

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF MULTI FINANCE PLC Report on the Financial Statements

We have audited the accompanying financial statements of Multi Finance PLC, ("the Company"), which comprise the statement of financial position as at 31st March 2016, the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information as set out on page 56 to 103.

Board's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

KPMG, a Sri Lankan partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31st March 2016, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Emphasis of Matter

We draw attention to Note 40 to the Financial Statements which indicates that the Company has recorded a loss of Rs. 19.8 Million for the financial year ended 31st March 2016 an accumulated loss of Rs. 52.7 Million as at the reporting date and, as of that date, the Company does not meet the minimum core capital requirement of Rs. 400 Million. These conditions, along with other matters more fully described in Note 40, indicate the action and measures that have been and are expected to be adopted by the Directors, for the Company to continue its business activities.

We further draw attention to Note 33.2.3 to the Financial Statements, which more fully describes that the Directors interest in contracts were not endorsed by certain Directors.

Our opinion is not qualified in respect of the above matters.

Report on Other Legal and Regulatory Requirements

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

- The basis of opinion and scope and limitations of the audit are as stated above.
- In our opinion we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company and the financial statements of the Company, comply with the requirements of section 151 of the Companies Act.

CHARTERED ACCOUNTANTS

Colombo
30th June 2016

M.R. Mihular FCA	P.Y.S. Perera FCA	C.P. Jayatilake FCA
T.J.S. Rajakarier FCA	W.W.J.C. Perera FCA	Ms. S. Joseph FCA
Ms. S.M.B. Jayasekara ACA	W.K.D.C. Abeyrathne FCA	S.T.D.L. Perera FCA
G.A.U. Karunaratne FCA	R.M.D.B. Rajapakse FCA	Ms. B.K.D.T.N. Rodrigo FCA
R.H. Rajan ACA		

Principals - S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31st March	Note	2016 Rs.	2015 Rs.
Income	4	198,617,971	233,887,617
Interest income	5	168,078,273	189,857,966
Interest expenses	6	(64,692,882)	(118,827,943)
Net interest income		103,385,391	71,030,023
Other operating income	7	21,900,519	20,197,634
Net income from operations		125,285,910	91,227,657
Operating expenses			
Personnel cost		(50,243,211)	(50,606,174)
Net impairment of available-for-sale financial assets		(28,747)	(140,000)
Provision for retiring gratuity		(1,238,113)	(1,247,798)
Depreciation of property, plant and equipment		(10,243,529)	(9,343,729)
Other operating expenses		(74,076,880)	(81,264,342)
Total operating expenses		(135,830,480)	(142,602,043)
Loss before other income		(10,544,570)	(51,374,386)
Other income	8	8,639,179	23,832,017
Loss before impairment and taxation		(1,905,391)	(27,542,369)
Impairment (charge)/reversal for loan and other advances		(1,981,929)	31,736,905
Profit/(loss) before Value Added Tax and NBT	9	(3,887,320)	4,194,536
Value added tax on financial services and NBT		(4,511,178)	(5,296,367)
Loss before taxation		(8,398,498)	(1,101,831)
Income tax expense	10	(11,464,241)	13,648,237
Profit/(loss) for the year		(19,862,739)	12,546,406
Other comprehensive income			
Net change in fair value of available-for-sale financial assets		(286,474)	2,252,385
Remeasurement on retirement benefits obligation		528,888	257,752
Tax on remeasurement on retirement benefits obligation		(148,089)	(72,171)
Other comprehensive income for the period, net of tax		94,325	2,437,966
Total comprehensive income / (expense) for the period		(19,768,414)	14,984,372
Earnings/(Loss) Per Share (Rs.)	11	(0.88)	0.56

The Accounting Policies and Notes form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

STATEMENT OF FINANCIAL POSITION

As at 31st March	Note	2016 Rs.	2015 Rs.
ASSETS			
Cash and cash equivalents	12	167,097,091	129,639,500
Fair value through profit or loss financial assets	13	857,125	1,821,724
Rentals receivables on lease	14	126,535,795	143,271,992
Rentals receivables on hire purchase	15	120,187,456	226,571,336
Advances and other loans	16	554,875,558	403,773,983
Trade and other receivables	17	38,067,934	44,947,451
Amount due from related companies	18	65,051	-
Income tax receivable		-	1,299,025
Held to maturity financial assets	19	-	36,317,412
Financial assets available for sale	20	12,855,704	9,354,305
Intangible assets	21	1,094,820	2,881,634
Property, plant & equipment	22	4,713,515	10,852,431
Deferred tax asset	28	7,672,234	11,444,016
TOTAL ASSETS		1,034,022,283	1,022,174,809
LIABILITIES AND EQUITY			
Bank overdraft	12	28,225,054	10,943,456
Deposits	23	539,969,177	441,557,169
Other borrowings	24	61,602,721	117,024,527
Trade and other payables	25	30,893,633	30,931,535
Amount due to related companies	26	54,584,791	85,732,209
Income tax payable		1,820,183	
Retirement benefit obligation	27	4,110,759	3,401,534
TOTAL LIABILITIES		721,206,318	689,590,430
EQUITY			
Stated capital	29	346,990,186	346,990,186
Statutory reserve fund	30.1	5,389,222	5,389,222
General reserve	30.2	11,266,050	11,266,050
Available for sale reserve		1,965,911	2,252,385
Accumulated losses		(52,795,404)	(33,313,464)
TOTAL EQUITY		312,815,965	332,584,379
TOTAL LIABILITIES & EQUITY		1,034,022,283	1,022,174,809

The accounting policies and notes form an integral part of these financial statements.

Figures in brackets indicate deductions.

It is certified that these Financial Statements have been prepared in compliance with the requirements of the Companies Act No. 7 of 2007.



Mr. A. M. Galbadaarachchi
Accountant

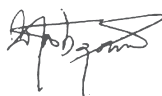


Mr. P. Jayasundara
Chief Executive Officer

The Board of Directors are responsible for the preparation and presentation of these Financial Statements.
Signed for and on behalf of the Board of Directors of Multi Finance PLC.



Mrs. C. J. Atapattu
Executive Director



Mr. Kuvera De Zoysa
Chairman - Independence/Non
Executive Director

30th June 2016
Colombo

STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March 2016	Stated Capital	Statutory Reserve Fund	General Reserve	Investment Fund Reserve	Available For Sale Reserve	Accumulated Losses	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 31st March 2014	346,990,186	4,761,902	11,266,050	5,287,577	-	(50,705,708)	317,600,007
Transfer from Investment Fund Reserve	-	-	-	(5,287,577)	-	5,287,577	-
Transfer to Statutory Reserve Fund	-	627,320	-	-	-	(627,320)	-
Profit for the year	-	-	-	-	-	12,546,406	12,546,406
Other comprehensive income, net of tax for the year	-	-	-	-	2,252,385	185,581	2,437,966
Balance as at 31st March 2015	346,990,186	5,389,222	11,266,050	-	2,252,385	(33,313,464)	332,584,379
Loss for the year	-	-	-	-	-	(19,862,739)	(19,862,739)
Other comprehensive income, net of tax for the year	-	-	-	-	(286,474)	380,799	94,325
Balance as at 31st March 2016	346,990,186	5,389,222	11,266,050	-	1,965,911	(52,795,404)	312,815,965

The accounting policies and notes form an integral part of these financial statements.

Figures in brackets indicate deductions.

STATEMENT OF CASH FLOWS

For the year ended 31st March	Note	2016 Rs.	2015 Rs.
Profit /(Loss) Before Taxation		(8,398,498)	(1,101,831)
Adjustments for:			
Provision for Retirement Benefit Obligation		1,238,113	1,247,798
Depreciation on Property, Plant and Equipment		7,156,524	9,343,729
Interest Expenses		64,692,882	118,827,943
Amortisation of Intangible Assets		3,087,004	3,027,844
Profit on Disposal of Property, Plant & Equipment		(230,792)	(145,319)
Impairment charge/(reversal) for loan and other advances		1,981,929	(31,736,905)
Profit from Sale of Dealing Securities		(100,577)	(90,930)
Provision/(reversal) for diminution in share value		182,283	(893,210)
Loss on pawning auction		60,548	11,483,578
Impairment of AFS Investment		(28,747)	140,000
Provision for Other Receivables		-	4,579,376
Interest Income on Government Securities		(1,905,841)	(946,185)
Interest Income on Reverse Repurchase Agreements		(5,600,130)	(3,765,783)
Gain on Sale of Long Term Government Securities		(1,341,193)	-
Waive off of interest on related party loan		-	(10,000,000)
		60,793,505	99,970,107
Changes in working capital:			
(Increase)/Decrease in Investment in Hire purchase, Lease and Other Loans		(41,847,877)	70,320,162
(Increase)/Decrease in Trade & Other Receivables		6,879,516	3,801,009
(Increase)/ Decrease in Amounts Due from Related Companies		(65,051)	32,525
(Increase)/Decrease in Inventories		-	(31,155,545)
Increase/ (Decrease) in Deposits from Customers		98,412,007	35,154,332
Increase / (Decrease) in Amounts Due to Related Companies		(31,147,418)	(30,411,066)
Increase/ (Decrease) in Trade & Other Payables		(37,901)	(15,660,766)
Cash generated from Operating Activities		92,986,781	132,050,758
Income Tax Paid		(4,721,340)	-
Gratuity Paid		-	(551,000)
Interest Paid		(64,692,882)	(73,539,451)
Net cash used in Operating Activities		23,572,559	57,960,307
Cash flows from Investing Activities			
Purchase of Property, Plant and Equipment		(1,303,816)	(1,757,621)
Proceeds from Sale of Property, Plant & Equipment		517,000	1,428,655
Investment in Dealing Securities		-	(209,699)
Cash Received from Pawning Auction		11,696,960	64,463,030
Proceeds from Disposal of Investment Securities		778,509	40,003
Proceeds from Disposal of Dealing Securities		2,654,764	937,325
Purchase of Intangible Assets		(1,300,190)	-
Interest Receipt on Government Securities		1,905,842	612,086
Interest Income on Reverse Repurchase Agreements		5,600,130	3,543,051
Proceeds from Disposal of Government Securities		31,476,042	-
Investment in Long term Government Securities		-	(29,381,494)
Net Cash Generated from Investing Activities		52,025,241	39,675,336
Cash Flow from Financing Activities			
Loans Obtained During the Year		-	154,104,042
Loans Repayments During the Year		(55,421,807)	(206,158,656)
Net Cash Used in Financing Activities		(55,421,807)	(52,054,614)
Net Increase in Cash and Cash Equivalents		20,175,993	45,581,028
Cash & Cash Equivalents at the Beginning of the Period		118,696,044	73,115,016
Cash & Cash Equivalents at the end of the Period	12	138,872,037	118,696,044

The Accounting Policies and Notes form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

NOTES TO THE FINANCIAL STATEMENTS

1. REPORTING ENTITY

Multi Finance PLC is a company incorporated and domiciled in Sri Lanka and listed on the Diri Savi Board of the Colombo Stock Exchange. The Company is regulated under the Finance Business Act No. 42 of 2011. The Company's registered office is located at Level 23, East Tower, World Trade Center, Echelon Square, Colombo 01 and the principal place of business is carried out from No. 17, Charles' Drive, Colombo 03.

The principal lines of business of the Company are granting finance leases, hire purchase, trade loans, pledge loans, pawning and acceptance of public deposits in the form of term deposits and savings deposits.

Entrust Limited is the parent company of Multi Finance PLC, which is incorporated and domiciled in Sri Lanka.

2. BASIS OF PREPARATION

2.1. Statement of compliance

The Financial Statements of the Company which comprise the Statement of Financial Position, Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows and Notes thereto have been prepared in accordance with Sri Lanka Accounting Standards (SLFRS and LKAS) laid down by the Institute of Chartered Accountants of Sri Lanka, and comply with the requirements of Companies Act No. 7 of 2007 and Finance Business Act No 42 of 2011 and amendments thereto and provide appropriate disclosures as required by the Central Bank of Sri Lanka.

These financial statement, except for information on cash flow have been prepared following the accrual basis of accounting.

The financial statements for the year ended 31st March 2016 were authorized for issue by the Board of Directors in accordance with the resolution passed on 30th June 2016.

2.2. Responsibility for Financial Statements

The Board of Directors is responsible for the preparation and presentation of the Financial Statements of the Company as per the provisions of the Companies Act No 07 of 2007.

The Board of Directors acknowledges this responsibility and those includes the following components:

- A statement of Profit or Loss and Other Comprehensive income providing the Information on the financial performance of the Company for the year under review.

- A statement of the Financial Position providing the information on the financial position of the Company as at the year end.
- A statement of changes in Equity showing all changes in shareholders' equity during the year under review of the Company.
- A statement of Cash Flows providing information to the users on the movement of the cash and cash equivalents of the Company.
- Notes to the financial statements including the Accounting Policies and other explanatory notes.

2.3. Basis of Measurement

The Financial Statements have been prepared on the historical cost basis and applied consistently, with no adjustments being made for inflationary factors affecting the Financial Statements, except for the following;

- Assets and liabilities held for trading are measured at fair value;
- Financial instruments designated at fair value through profit or loss are measured at Fair value;
- Available for sale financial assets are measured at fair value;
- Liability for defined benefit obligations is recognized as the present value of the defined benefit obligation.

2.4. Functional and Presentation Currency

Items included in the Financial Statements of the Company are measured using the currency of the primary economic environment in which the Company operates. Financial Statements are presented in Sri Lankan Rupees, which is the Company's functional currency. There was no change in the Company's presentation and functional currency during the year under review.

2.5. Presentation of Financial Statements

The assets and liabilities of the Company presented in its Statement of Financial Position are grouped by nature and listed in an order that reflects their relative liquidity and maturity pattern. No adjustments have been made for inflationary factors affecting the Financial Statements. An analysis on recovery or settlement within 12 months after the Reporting date and more than 12 months after the Reporting date is presented in Note 38.

2.6. Use of Estimate and Judgment

The preparation of the Financial Statements in conformity with Sri Lanka Accounting Standards (LKAS/SLFRS) requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense.

Actual amount may defer from these estimates.

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

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

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the financial statements are included in the table below:

Critical accounting estimate/ judgment	Note Reference
Income Tax Expenses	10
Rentals Receivable on Lease	14
Rentals Receivable on Hire Purchase	15
Advances and Other Loans	16
Trade and Other Receivable	17
Intangible Assets	21
Property, Plant and Equipment	22
Retirement Benefit Obligation	27

2.7. Materiality and Aggregation

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 as permitted by the Sri Lanka Accounting Standard LKAS 1 'Presentation of Financial Statements'.

2.8. Going Concern

The management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Therefore, the financial statements continue to be prepared on a going concern basis. (Refer Note 40)

2.9. Comparative Figures

The Company has consistently applied the accounting policies with those used in the previous year. Previous year's figures and phrases have been re-arranged wherever necessary to conform to the current year's presentation.

2.10. Fair Value of Financial Instruments

The determination of fair values of financial assets and financial liabilities recorded on the Statement of Financial Position for which there is no observable market price are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but if this is not available, judgment is required to establish their fair values.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Assets and Liabilities and Bases of their Valuation

3.1.1 Cash and Cash Equivalents

Cash and cash equivalents include cash in hand and balance with banks. They are brought in to account at the face value or the gross value where appropriate. Bank overdraft that are repayable on demand and form an integral part of the Company's cash resources are included as a component of cash equivalents for the purpose of the Statement of Cash Flows.

3.1.2 Financial Instruments

3.1.2.1 Recognition and initial measurement

Financial assets within the scope of LKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Company determines the classification of its financial assets at initial recognition. All financial assets are recognized initially at fair value plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

3.1.2.2 Subsequent Measurement

(a) Financial assets

The subsequent measurement of financial assets depends of their classification as follows,

- ♦ At fair value through profit or loss (either as held for trading or designated at fair value through profit or loss)
- ♦ Loans and Receivables
- ♦ Held to maturity financial assets
- ♦ Available for sale financial assets

NOTES TO THE FINANCIAL STATEMENTS

Financial assets and financial liabilities at fair value through profit or loss

A financial asset or a financial liability is classified as fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets and financial liabilities are designated as fair value through profit or loss when;

- The designation eliminates or significantly reduces measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities on a different basis
- A group of financial assets and/or liabilities is managed and its performance evaluated on a fair value basis.
- The assets or liabilities include embedded derivatives and such derivatives are required to be recognized separately.

Upon initial recognition attributable transaction costs are recognised in statement of profit or loss as incurred. Financial assets and financial liabilities at fair value through profit or loss are measured at fair value, and changes therein are recognised in statement of profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Company does not intend to sell immediately or in the near term. Loans and receivables are subsequently carried at amortised cost using the effective interest rate method.

Loans and advances, bills of exchange, commercial papers and lease receivables are classified as loans and receivables.

Held to maturity financial assets

Held-to-maturity (HTM) investments are non-derivative assets with fixed or determinable payments and fixed maturity that the Company has the positive intent and ability to hold to maturity, and which were not designated as at fair value through profit or loss or as available-for-sale.

Held-to-maturity investments are carried at amortized cost using the effective interest method. A sale or reclassification of a more than insignificant amount of held-to-maturity investments would result in the reclassification of all held-to-maturity investments as available-for-sale, and would prevent the Company from classifying investment securities as held to maturity for the current and the following two financial years. However, sales and reclassifications in any of the following circumstances would not trigger a reclassification:

- Sale or reclassification that are so close to maturity that changes in the market rate of interest would not have a significant effect on that financial assets fair value.
- Sale or reclassification after the company has collected all the assets original principal.
- Sale or reclassification attributable to non recurring isolated events beyond the Company's control that could not have been reasonably anticipated.

Available for sale financial assets

Available-for-sale investments (AFS) are non-derivative investments that were designated as available-for-sale or are not classified as another category of financial assets. Unquoted equity securities whose fair value cannot reliably be measured are carried at cost.

All other available-for-sale investments are carried at fair value. Interest income on AFS financial assets is recognised in profit or loss using the effective interest method. Dividend income is recognised in profit or loss when the Company becomes entitled to the dividend. Foreign exchange gains or losses on available-for sale debt security investments are recognised in profit or loss.

Other fair value changes are recognized in other comprehensive income until the investment is sold or impaired, whereupon the cumulative gains and losses previously recognised in other comprehensive income are reclassified to profit or loss as a reclassification adjustment.

(b) Financial liabilities

The company classifies financial liabilities in to one of the following categories:

- financial liabilities at fair value through profit or loss
- financial liabilities at amortised cost

Financial liabilities at fair value through profit or loss

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date. When available, the Company 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, then the Company establishes fair value using a valuation technique. 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 analyses and option pricing models. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Company, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument. The Company calibrates valuation techniques and tests them for validity using prices from observable current market transactions in the same instrument or based on other available observable market data.

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, i.e. without modification or repackaging, 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 profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is supported wholly by observable market data or the transaction is closed out. Any difference between the fair value at initial recognition and the amount that would be determined at that date using a valuation.

Technique in a situation in which the valuation is dependent on unobservable parameters is not recognized in profit or loss immediately but is recognized over the life of the instrument on an appropriate basis or when the instrument is redeemed, transferred or sold, or the fair value becomes observable. Assets and long positions are measured at a bid price; liabilities and short positions are measured at an asking price. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Company and the counterparty where appropriate. Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties; to the extent that the Company believes a third-party market participant would take them into account in pricing a transaction.

Financial liabilities at amortized cost

Financial liabilities not classified as fair value through profit or loss are classified as amortised cost instruments. Deposit liabilities including non interest bearing deposits, savings deposits, term deposits, deposits redeemable at call and certificates of deposit and borrowings are classified as financial liabilities measured at amortized cost.

The amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment.

3.1.2.3 Reclassifications

The Company reclassifies non derivative financial assets out of the 'held for trading' category and into the 'available-for-sale', 'loans and receivables', or 'held to maturity' categories as permitted by the Sri Lanka Accounting Standards - LKAS 39 on 'Financial Instruments: Recognition and Measurement'. Further, in certain circumstances, the Company 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 asset using the EIR. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the EIR. In the case of a financial asset does not have a fixed maturity, the gain or loss is recognised in the profit or loss when such financial asset is sold or disposed off. If the financial asset is subsequently determined to be impaired, then the amount recorded in Equity is recycled to profit or loss.

The Company may reclassify a non derivative trading asset out of the 'held for trading' category and into the 'loans and receivables' category if it meets the definition of loans and receivables and the Company has the intention and ability to hold the financial asset for the foreseeable future or until maturity. If a financial asset is reclassified, and if the Company 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.

NOTES TO THE FINANCIAL STATEMENTS

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

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

3.1.2.4 *De recognition of Financial Assets and Financial Liabilities*

(a) *Financial Assets*

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

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

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

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

(b) *Financial Liabilities*

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

3.1.2.5 *Offsetting of financial assets*

Financial assets and liabilities are offset and the net amount presented in the Statement of Financial Position when, and only when, the Company has a legal right to set off the recognized amounts and it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under SLFRSs, or for gains and losses arising from a group of similar transactions such as in the Company's trading activity.

3.1.2.6 *Identification, measurement and assessment of impairment*

At each reporting date the Company 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 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 Company on terms that the Company 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 Company, or economic conditions that correlate with defaults in the Company. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment. The Company considers evidence of impairment for loans and advances and held-to-maturity investment securities at both a specific asset and collective level. 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 and held-to-maturity investment

securities that are not individually significant are collectively assessed for impairment by grouping together loans and advances and held-to-maturity investment securities with similar risk characteristics.

In assessing collective impairment, the Company uses of historical trends of the probability of default, 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 data.

Impairment losses on assets carried at amortized cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate.

Impairment losses are recognized in profit or loss and reflected in an allowance account against loans and advances. Interest on impaired assets continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale investment securities are recognized by transferring the cumulative loss that has been recognized in other comprehensive income to profit or loss as a reclassification adjustment. The cumulative loss that is reclassified from other comprehensive income to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortization, and the current fair value, less any impairment loss previously recognized in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognized in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income.

The Company writes off certain loans and advances and investment securities when they are determined to be uncollectible.

3.1.3. Rescheduled Loans

Loans whose original terms have been modified including those subject to forbearance strategies are considered rescheduled loans. If the renegotiations are on terms that are not consistent with those readily available on the market, this provides objective evidence of impairment and the loan is assessed accordingly.

3.1.4. Inventories

The inventories are valued at cost or net realizable value whichever is lower. The cost of an inventory is the purchase price. Net realizable value is the estimated realizable value less estimated cost necessary to make the sale.

(a) Repossessed Stock

Repossessed stock includes assets of facilities which were in default and are now repossessed. Repossessed stocks are valued at outstanding facility balance at the time of closing the facility and net realizable value of the asset whichever is lower. Net realizable value is the estimated selling price less the estimated cost necessary to make the sale.

(b) Vehicle Stock

Vehicle stock represents vehicles purchased for the purpose of granting loan facilities. These are valued at cost or net realisable value whichever is lower.

3.1.5. Intangible Assets

The company's Intangible Assets include value of the computer software

(a) Basis of Recognition

An intangible asset is recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the entity and the cost of the assets can be measured reliably. An intangible asset is initially measured at cost.

(i) Software

All computer software costs incurred, licensed for use by the Company, which are not integrally related to associated hardware, which can be clearly identified, reliably measured and it's probable that they will lead to future economic benefits, are included in the Statement of Financial Position under the category Intangible Assets and carried at cost less accumulated amortization and any accumulated impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

(b) *Subsequent Expenditure*

Expenditure incurred on software is capitalized only when it is probable that this expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standard of performance and this expenditure can be measured and attributed to the asset reliably. All other expenditure is expensed as incurred.

(c) *Amortisation*

Intangible assets, are amortized on a straight line basis in the Profit or Loss from the date when the asset is available for use, over the best estimate of its useful economic life based on a pattern in which the asset's economic benefits are consumed by the Company. The estimated useful life of software is 3 years. Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

(d) *Retirement and Disposal*

An intangible asset is derecognised on disposal or when no future economic benefits are expected from its use and subsequent disposal.

3.1.6. Property, Plant and Equipment

Property, plant and equipment are tangible items that are held for use in the provision of services, for rental to others or for administrative purposes and are expected to be used during more than one year.

(a) *Basis of Recognition*

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

(b) *Measurement*

An item of property, plant and equipment that qualifies for recognition as an asset is initially measured at its cost. Cost includes expenditure that is directly attributable to the acquisition of the asset and cost incurred subsequently to add to, replace part of, or service it. The cost of self constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalized as part of computer equipment.

(c) *Subsequent Costs*

The subsequent cost of replacing a component of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within that part will flow to the Company and its cost can be reliably measured. The costs of day to day servicing of property, plant and equipment are charged to the Profit or Loss and Other Comprehensive Income as incurred. Costs incurred in using or redeploying an item are not included under carrying amount of an item.

(d) *De-recognition*

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the de-recognition of an item of property, plant and equipment is included in Profit or Loss and when the item is derecognised. When replacement costs are recognized in the carrying amount of an item of property, plant and equipment, the remaining carrying amount of the replaced part is derecognised. Major inspection costs are capitalized. At each such capitalisation, the remaining carrying amount of the previous cost of inspections is derecognised.

(e) *Depreciation*

The Company provides depreciation from the date the assets are available for use up to the date of disposal, at the following rates on a straight line basis over the periods appropriate to the estimated useful lives based on the pattern in which the asset's future economic benefits are expected to be consumed by the Company of the different types of assets, except for which are disclosed separately. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or the date that the asset is derecognised. Depreciation does not cease when the assets become idle or is retired from active use unless the asset is fully depreciated.

Computer Hardware	25%
Furniture and fittings	25%
Office equipment	25%
Motor vehicles	20%

3.1.7. Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset have been capitalized as part of the cost of the asset in accordance with Sri Lanka Accounting Standard 23 (LKAS 23) "Borrowing Costs". Capitalization of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use are completed.

3.1.8. Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets, other than deferred tax 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. For Intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. An impairment loss is recognized if the carrying amount of an asset or its Cash Generating Unit (CGU) exceeds its estimated recoverable amount. The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU.

In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

3.1.9. Employee Retirement Benefits

(a) *Defined Benefit Plans – Retiring Gratuity*

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 plans is calculated separately for each plan 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 and the fair value of any plan assets are deducted.

The calculation is performed annually by a qualified actuary using the Projected Unit Credit (PUC) method as recommended by LKAS 19 - "Employee Benefits". When the calculation results in a benefit to the Company, the recognised asset is limited to the total of any unrecognised past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to

any minimum funding requirements that apply to any plan in the Company. An economic benefit is available to the Company if it is realizable during the life of the plan, or on settlement of the plan liabilities. 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 assumptions based on which the results of actuarial valuation was determined, are included in Note 27 to the financial statements.

The Company recognises all actuarial gains and losses arising from defined benefit plans immediately in other comprehensive income and all expenses related to defined benefit plans in employee benefit expense in profit or loss.

The Company recognises gains and losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment or settlement comprises any resulting change in the fair value of plan assets, any change in the present value of the defined benefit obligation, any related actuarial gains and losses and past service cost that had not previously been recognised.

(b) *Funding Arrangement*

The gratuity liabilities are not externally funded.

Gratuity payments are being made by the company according to the Gratuity Act No 12 of 1983.

Accordingly the company is liable to pay gratuity to permanent employees who have completed a minimum of five years service in the company at the rate of 50% of the last drawn salary for each completed year of service.

(c) *Defined Contribution Plan*

(i) *Employees' Provident Fund*

The Company and employees contribute 12% and 8% respectively on the salary of each employee to the approved Employee Provident Fund.

(ii) *Employees' Trust Fund*

The Company contribute 3% of the salary of each employee to the Employees' Trust Fund.

3.1.10. Dividend Payable

Dividends on ordinary shares are recognized as a liability and deducted from equity when they are recommended and declared by the Board of Directors and approved by the shareholders. Interim dividends are deducted

NOTES TO THE FINANCIAL STATEMENTS

3.1.11. Other Liabilities

Other Liabilities include interest, fees and expenses and amounts payable suppliers and other provisions. These liabilities are recorded at amounts expected to be payable at the reporting date.

3.2 Income and Expense Recognition

3.2.1 Income Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue and associated costs incurred or to be incurred can be reliably measured. The following specific criteria are used for the purpose of recognition of revenue.

3.2.1.1 Interest

Interest income and expense are recognized in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Company 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 transaction costs and fees that 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 expense presented in the Statement of Profit or Loss and Other Comprehensive Income include Interest on financial assets and financial liabilities measured at amortized cost calculated on an effective interest basis.

Interest income on available-for-sale investment securities calculated on an effective interest basis is also included in interest income. Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

3.2.1.2 Dividend

Dividend income is recognized in the Statement of Profit or Loss and Other Comprehensive Income on an accrual basis when the Company's right to receive the dividend is established.

3.2.1.3 Fee and Commission Income

Fees and commission income, including account servicing fees, investment management fees, sales commission, placement fees and syndication fees are recognized as the related services are performed.

3.2.1.4 Profit / (Loss) from Sale of Lease Assets

Profit / (loss) from sale of Lease Assets is recognized in the period in which the sale occurs and is classified as other income /expense.

3.2.2 Expense Recognition

All the expenditure incurred in the running of the business and in maintaining the Property, Plant & Equipment in a state of efficiency has been charged to the income in arriving at the profit or loss for the year.

3.2.2.1 Fee and Commission Expenses

Fee and commission expenses are recognized on an accrual basis.

3.2.2.2 Income Tax Expense

Income tax expense comprises of current and deferred tax. Income tax expense is recognized in the Statement of Profit or Loss and Other Comprehensive Income except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

(i) Current Tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted on the Statement of Financial Position date, and any adjustment to tax payable in respect of previous years.

Provision for taxation is based on the profit for the year adjusted for taxation purposes in accordance with the provisions of the Inland Revenue Act No 10 of 2006 and the amendments thereto at the schedule specified in Note 10.

(ii) Deferred Tax

Deferred taxation is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax base of assets and liabilities, which is the amount attributed to those assets and liabilities for tax purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted as at the reporting date. Deferred tax liabilities are not recognized for the temporary differences.

The initial recognition of assets and liabilities in a transaction that is not business combination and that affects neither accounting nor taxable profit nor differences relating to investments in Subsidiaries to the extent that they probably will not reverse in the foreseeable future. Deferred tax assets, including those related to temporary tax effects of income tax losses and credits available to be carried forward, are recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Current and deferred tax assets and liabilities are offset only to the extent that they relate to income taxes imposed by the same taxation authority, there is a legal right and intention to settle on a net basis and it is allowed under the tax law of the relevant jurisdiction.

(iii) Value Added Tax on Financial Services

The base for the computation of Value Added Tax on Financial Services is the accounting profit before income tax adjusted for the economic depreciation and emoluments of employees computed on prescribed rate.

(iv) Withholding Tax on Dividends, distributed by the Company

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

3.2.3 Offsetting of Income and Expenses

Income and expenses are not offset unless required or permitted by accounting standards.

3.3 Maturity Analysis

The Company has disclosed an analysis of assets and liabilities in to relevant maturity baskets based on the remaining period as at the reporting date to the contractual maturity date.

3.4 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 Standards (LKAS) 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. The cash and cash equivalent include cash in hand and balance in banks.

3.5 Events after the reporting period

All material events after the Statement of Financial Position date have been considered and where appropriate adjustments to / or disclosures have been made in the respective notes to the Financial Statement.

3.6 Commitment 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 benefit is not probable or cannot be reliably measured. Contingent Liabilities are not recognized in the Statement of Financial Position but are disclosed unless its occurrence is remote.

All discernible risks are accounted for in determining the amount of all known liabilities. The Company's share of any contingencies and capital commitments are also included with appropriate disclosures.

3.7 Sri Lanka Accounting Standards (SLFRS/LKAS) issued but not yet effective

Standard issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. This listing is of standards issued, which the Company reasonably expects to be applicable at a future date. The company intends to adopt those standards when they become effective.

a) SLFRS 9 – Financial Instruments

SLFRS 9 as issued reflects the replacement of LKAS 39 and applies to the classification and measurement of financial assets and financial liabilities as defined in LKAS 39. This standard becomes effective for annual periods beginning on or after January 01, 2018. The adoption of SLFRS 9 will have an impact on classification and measurement of Company's financial assets.

b) SLFRS 15 - Revenue from Contracts with Customers

SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces the existing revenue recognition contracts. SLFRS 15 is effective for annual periods beginning on or after January 01, 2018. The Company is currently in the process of evaluating the potential effect of these standards on its Financial Statements and the impact of the adaptation of these standards have not been quantified as at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March	2016 Rs.	2015 Rs.
4. INCOME		
Interest Income (Note 5)	168,078,273	189,857,966
Other Operating Income (Note 7)	21,900,519	20,197,634
Other Income (Note 8)	8,639,179	23,832,017
	198,617,971	233,887,617

5. INTEREST INCOME		
Lease Finance	29,485,171	49,376,345
Hire Purchase	38,638,753	85,764,653
Loans	54,848,224	36,724,473
Fixed Deposit Loans	670,772	1,700,909
Pawning	23,172,296	2,644,764
Micro Finance	13,757,086	8,934,854
Reverse Repurchase Agreement	5,600,130	3,765,783
Treasury Bonds	1,905,841	946,185
	168,078,273	189,857,966

5.1 Notional 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.

For the year ended 31st March	2016 Rs.	2015 Rs.
6. INTEREST EXPENSES		
Fixed Deposits	49,291,438	53,769,391
Savings Deposits	209,334	130,514
Loan From Entrust Limited	3,743,009	45,288,492
Repurchase Agreement	160,753	176,567
Bank Loans	11,288,348	18,430,084
Short Term Loans / Commercial Papers	-	1,032,895
	64,692,882	118,827,943

For the year ended 31st March	2016 Rs.	2015 Rs.
7. OTHER OPERATING INCOME		
Loss on Repossessed Stock	(1,766,072)	(2,635,445)
Loss on Pawning Auction	(60,548)	(11,483,578)
Default Charges	10,865,646	16,412,730
Service / Documentation Charges	3,682,794	3,238,561
Termination Income on Lease and Hire Purchase	7,392,966	11,998,018
Transfer Fees	1,036,453	1,639,120
Other Charges	749,280	1,028,228
	21,900,519	20,197,634

8. OTHER INCOME		
Insurance Commission	1,821,152	2,771,956
Profit on Disposal of Property, Plant and Equipment	230,792	145,319
Dividend Income	356,671	219,026
Profit from Sale of Dealing Securities	100,577	90,930
(Provision)/Reversal of Diminution in Share Value	161,686	893,210
Money Market/ Savings Interest	2,372,592	2,575,499
Written Back of Unidentified Deposits	-	438,821
Gain on Sale of Long Term Government Securities	1,341,193	-
Waive off of Related Party Loan Interest	-	10,000,000
Sundry Income	2,254,516	6,697,255
	8,639,179	23,832,016

9. PROFIT/(LOSS) BEFORE TAXATION AND VALUE ADDED TAXATION (VAT)

is stated after charging all the expenses including the followings:

Auditor's Remuneration		600,000	575,000
Depreciation of Property, Plant and Equipment		7,156,524	9,343,729
Amortisation of Intangible Assets		3,087,004	3,027,844
Provision for Other Receivables		-	4,579,376
Provision for Retirement Benefit Obligation		1,238,113	1,247,798
Personnel Costs include,			
Salaries and Wages		42,091,609	37,098,149
Defined Contribution Plan	EPF	4,776,495	4,438,298
	ETF	1,194,124	1,109,575
Other Staff Cost		2,180,984	7,960,151

NOTES TO THE FINANCIAL STATEMENTS

9. PROFIT/(LOSS) BEFORE TAXATION AND VALUE ADDED TAXATION (VAT) CONTD.

9.1 Penalties imposed by the Central Bank

During the period concerned, CBSL imposed a penalty of Rs. 200,000 on delay in submission of monthly reports to the FInNet. Subsequently the management of the Company has taken necessary action to comply with the same and there is no any reported delay.

For the year ended 31st March	2016	2015
	Rs.	Rs.

10. INCOME TAX EXPENSES

Current tax expense

Taxation

Current Income Tax Expense on Profits for the Year (Note 10.1)	3,119,210	-
(Over) / under provision in respect of previous year	4,721,337	-
	7,840,547	-
Deferred Tax Charge/(reversal) for the year (Note 28)	3,623,694	(13,648,237)
Total charge/(reversal) to Profit or Loss	11,464,241	(13,648,237)

10.1 Reconciliation between Accounting Loss and Taxable Loss

Accounting Loss before Income Tax expenses	(8,398,499)	(1,101,831)
Income from other sources and exempt income	(4,542,460)	(3,645,807)
Aggregate Disallowed Items	86,953,007	125,221,170
Aggregate Allowable Expenses	(56,873,530)	(64,449,987)
Taxable Profit from the entire business	17,138,518	56,023,545
Tax Profit/(Loss) from other business	812,818	(37,049,317)
Taxable Profit from Leasing business	16,325,700	93,072,862
Tax loss claimed during the year	(5,998,482)	(93,072,862)
Assessable Income/ Taxable Income	11,140,036	-
Income tax @ 28%	3,119,210	-

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. Accordingly, income tax on the profit of the Company has been computed at the rate of 28% on the taxable income.

For the year ended 31st March	2016 Rs.	2015 Rs.
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10.2 Reconciliation of Tax Loss from Leasing Business

Tax loss brought forward	-	47,164,096
Adjustment to Tax loss brought forward	-	19,207,133
Tax loss utilised during the year	-	(66,371,229)
Tax loss carried forward	-	-

10.3 Reconciliation of Tax Loss from Other Business

Tax loss brought forward	74,032,622	67,120,643
Adjustment to Tax loss brought forward	(14,249,691)	(3,435,704)
Tax loss for the year	-	37,049,317
Tax loss utilised during the year	(5,998,482)	(26,701,634)
Tax loss carried forward	53,784,449	74,032,622

11. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share has been based on the profit/(loss) after tax attributable to equity shareholders and the weighted average number of ordinary shares outstanding during the year.

Profit/(Loss) attributable to ordinary share holders (Rs.)	(19,862,740)	12,546,406
Weighted average number of ordinary shares outstanding during the year	22,462,039	22,462,039
Earnings/(Loss) per share (Rs.)	(0.88)	0.56

As at 31st March	2016 Rs.	2015 Rs.
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12. CASH AND CASH EQUIVALENTS

Favourable balance

Investment in Reverse Repurchase Agreement	118,496,673	74,329,842
Cash at Bank	40,407,720	44,792,291
Cash in Hand	8,192,698	10,517,367
	167,097,091	129,639,500

Unfavourable balance

Bank Overdraft	(28,225,054)	(10,943,456)
Cash and Cash Equivalents for the Purpose of Statement of Cash Flows	138,872,037	118,696,044

NOTES TO THE FINANCIAL STATEMENTS

As at 31st March	2016 Rs.	2015 Rs.
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13. FAIR VALUE THROUGH PROFIT OR LOSS FINANCIAL ASSETS

Quoted Investments (Note 13.1)	857,125	1,821,724
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As at 31st March	2016			2015		
	No. of Shares	Cost Rs.	Market Value Rs.	No. of Shares	Cost Rs.	Market Value Rs.
13.1 Quoted Investments						
Ceylon Leather Products PLC	9,882	1,024,642	617,625	10,000	1,036,876	855,000
MTD Walkers PLC	-	-	-	14,660	925,805	680,224
Maskeliya Plantation PLC	10,000	320,041	77,000	10,000	320,041	99,000
York Arcade PLC	12,500	510,047	162,500	12,500	510,047	187,500
		1,854,730	857,125		2,792,769	1,821,724
Less : Provision for diminution in value		(997,605)	-		(971,045)	-
		857,125	857,125		1,821,724	1,821,724

As at 31st March	2016 Rs.	2015 Rs.
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14. RENTALS RECEIVABLE ON LEASED ASSETS

Receivable from over five years

Rentals Receivable	-	961,950
Less: Unearned Income	-	(64,071)
	-	897,879

Receivable from one to five years

Rentals Receivable	94,470,522	98,090,301
Less: Unearned Income	(18,051,434)	(19,815,682)
Rentals Received in Advance	(2,097,622)	(1,490,868)
	74,321,466	76,783,751

Receivable within one year

Rentals Receivable	65,290,806	82,014,743
Less: Unearned Income	(18,570,153)	(25,177,766)
	46,720,653	56,836,977

Overdue rental receivable

Rentals Receivable	5,493,676	8,753,385
	5,493,676	8,753,385

Total

Rentals Receivable	165,255,004	189,820,379
Less: Unearned Income	(36,621,587)	(45,057,519)
Provision for Impairment of Finance Leases (Note 14.1)	-	-
Rentals Received in Advance	(2,097,622)	(1,490,868)
	126,535,795	143,271,992

As at 31st March	2016 Rs.	2015 Rs.
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14.1 Movement in Impairment Charge for Lease Receivables

Balance at the beginning of the year	-	16,354,800
Provision/(reversal) during the year	-	(16,354,800)
Balance at the end of the year	-	-

As at 31st March	2016 Rs.	2015 Rs.
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15. RENTALS RECEIVABLES ON HIRE PURCHASE

Receivable from over five years

Rentals Receivable	-	129,348
Less: Unearned Income	-	(4,314)
	-	125,034

Receivable from one to five years

Rentals Receivable	68,684,936	144,129,336
Less: Unearned Income	(10,955,389)	(27,907,603)
Rentals Received in Advance	(554,490)	(1,372,123)
	57,175,057	114,849,610

Receivable within one year

Rentals Receivable	72,398,643	139,900,496
Less: Unearned Income	(17,182,087)	(39,143,829)
	55,216,556	100,756,667

Overdue rental receivable

Rentals Receivable	7,876,179	10,840,025
Less: Provision for Impairment of Hire Purchases	(80,336)	-
	7,795,843	10,840,025

Total

Rentals Receivable	148,959,758	294,999,206
Less: Unearned Income	(28,137,476)	(67,055,747)
Provision for Impairment of Hire Purchase (Note 15.1)	(80,336)	-
Rentals Received in Advance	(554,490)	(1,372,123)
	120,187,456	226,571,336

15.1 Movement in Impairment Charge for Hire Purchase Receivables

Balance at the beginning of the year	-	19,587,738
Provision/(reversal) during the year	80,336	(19,587,738)
Balance at the end of the year	80,336	-

NOTES TO THE FINANCIAL STATEMENTS

As at 31st March	2016 Rs.	2015 Rs.
16. ADVANCES AND OTHER LOANS		
Net Investment in Loans (Note 16.1)	442,524,744	299,344,579
Net Investment in Loans against Fixed Deposits (Note 16.2)	2,042,654	3,831,223
Net Investment in Pawning Advances (Note 16.3)	110,308,160	100,598,181
	554,875,558	403,773,983
16.1 Net Investment in Loans		
Loan Rentals Receivable	458,304,082	343,591,713
Rentals in arrears	45,899,550	13,672,933
Less: Unearned Income	(55,905,163)	(54,310,085)
Rentals Received in Advance	(2,364,249)	(1,616,799)
Provision for Bad and Doubtful Debts	(3,409,476)	(1,993,183)
	442,524,744	299,344,579
16.2 Net Investment in Loans against Fixed Deposits		
Fixed Deposit Loan Rentals Receivable	2,042,429	3,831,223
Rentals in Arrears	225	-
	2,042,654	3,831,223
16.3 Net Investment in Pawning Advances		
Pawning Advances	104,653,167	94,053,821
Interest Receivable on Pawning Advances	5,654,993	6,544,360
	110,308,160	100,598,181
17. TRADE AND OTHER RECEIVABLES		
Interest Receivable on Reverse Repurchase Agreements	229,914	144,390
Other Receivables (Note 17.1)	12,304,298	17,900,031
Deposits and Prepayments (Note 17.2)	25,533,722	26,903,048
	38,067,934	44,947,451
17.1 Other Receivable		
Withholding Tax Receivables	1,911,605	4,311,393
Value Added Tax Receivable	7,412,066	9,192,555
ESC Receivable	645,591	1,657,381
SRL Receivable	102,270	-
Others	4,930,517	8,991,542
Less: Provision for other receivables	(2,697,751)	(6,252,858)
	12,304,298	17,900,031
17.2 Deposits and Prepayments		
Deposits	199,074	199,074
Rent Advances	18,740,003	18,040,929
Prepayments	6,594,645	8,663,045
	25,533,722	26,903,048

As at 31st March	2016 Rs.	2015 Rs.
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18. AMOUNT DUE FROM RELATED COMPANIES

Entrust Securities Limited	65,051	-
	65,051	-

19. INVESTMENT IN LONG TERM GOVERNMENT SECURITIES

Treasury Bonds	-	36,317,412
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19.1 Reclassification

A significant amount of financial instruments classified as Held to Maturity was disposed during the year and the remaining amount of Held to Maturity Instruments was classified as Available for Sale Financial Assets as at 31st March 2016 in accordance with LKAS – 39, Financial Instruments: Recognition and Measurement.

As at 31st March	2016 Rs.	2015 Rs.
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20. FINANCIAL ASSETS AVAILABLE FOR SALE

Quoted Share Investment (Note 20.1)	6,670,641	9,351,805
Non Quoted Shares Investment (Note 20.2)	2,500	2,500
Investment in Long Term Government Securities (Note 20.3)	6,182,563	-
	12,855,704	9,354,305

20.1 Quoted Shares Investment

As at 31st March	No. of Shares	2016 Cost Rs.	Market Value Rs.	No. of Shares	2015 Cost Rs.	Market Value Rs.
Environmental Resources PLC	-	-	-	30,000	3,143,004	405,000
Three Acre Farms PLC	6,500	1,220,550	553,800	14,200	2,666,433	650,360
Central Finance PLC	2,583	758,400	542,430	2,583	758,400	646,008
Galadari Hotels (Lanka) PLC	70,000	2,408,226	609,000	70,000	2,408,226	875,000
HVA Foods PLC	100,000	7,303,489	530,000	100,000	7,303,489	800,000
Laugfs Gas PLC	21,600	873,545	788,400	21,600	873,545	775,440
Panasian Power PLC	389,692	2,585,627	1,247,014	650,000	4,312,785	2,210,000
Vallibel Finance PLC	-	-	-	10,000	442,983	450,000
Entrust Securities PLC (Note 20.1.1)	100,000	5,157,120	2,399,997	100,000	5,157,120	2,539,997
	690,375	20,306,957	6,670,641	998,383	27,065,985	9,351,805
Less : Provision for diminution in value		(13,636,316)			(17,714,180)	
		6,670,641			9,351,805	

NOTES TO THE FINANCIAL STATEMENTS

20. FINANCIAL ASSETS AVAILABLE FOR SALE CONTD.

20.1.1 Mark to Market Valuation

Value per share of Entrust Securities PLC is valued at fair value as at 31st March 2016 using the last available trading share price on 04th January 2016 due to the suspension of trading of shares of the company by CBSL on 04th January 2016.

As at 31st March	2016 Rs.	2015 Rs.
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20.2 Non Quoted Shares Investment

Credit Information Bureau of Sri Lanka	2,500	2,500
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20.3 Investment in Long Term Government Securities

Balance at the beginning of the year	-	-
Add: Reclassified during the year	6,182,563	-
Balance at the end of the year	6,182,563	-

21. INTANGIBLE ASSETS

Cost

Balance at the beginning of the year	15,405,195	15,405,195
Additions during the year	1,300,190	-
Balance at the end of the year	16,705,385	15,405,195

Amortisation

Balance at the beginning of the year	12,523,561	9,495,717
Charge for the year	3,087,004	3,027,844
Balance at the end of the year	15,610,565	12,523,561

Carrying Value at the end of the year	1,094,820	2,881,634
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22. PROPERTY, PLANT AND EQUIPMENT

	Computers Rs.	Furniture & Fittings Rs.	Office Equipment Rs.	Motor Vehicles Rs.	Total 2016 Rs.	Total 2015 Rs.
Cost						
Balance at the beginning of the year	13,833,261	22,163,784	12,284,919	6,274,958	54,556,922	55,307,127
Additions during the year	711,670	-	592,146	-	1,303,816	1,757,621
Disposals during the year	-	-	-	(1,206,754)	(1,206,754)	(2,507,826)
Balance at the end of the year	14,544,931	22,163,784	12,877,065	5,068,204	54,653,984	54,556,922
Accumulated Depreciation						
Balance at the beginning of the year	10,964,538	18,131,843	9,164,778	5,443,332	43,704,491	35,585,156
Charge for the year	1,743,895	2,510,787	1,893,823	1,008,019	7,156,524	9,343,729
Disposal/Transfers during the year	-	-	-	(920,546)	(920,546)	(1,224,394)
Reclassification during the year	-	-	557,974	(557,974)	-	-
Balance at the end of the year	12,708,433	20,642,630	11,616,575	4,972,831	49,940,469	43,704,491
Carrying Value as at 31st March 2016	1,836,498	1,521,154	1,260,490	95,373	4,713,515	-
Carrying Value as at 31st March 2015	2,868,723	4,031,940	3,120,141	831,626	-	10,852,431

Fully depreciated assets as at the reporting date are as follows;

Description	Amount (Rs.)
Computers	8,685,296
Furniture & Fittings	13,836,186
Office Equipment	6,230,818
Motor Vehicles	665,204

As at 31st March	2016 Rs.	2015 Rs.
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23. DEPOSITS FROM CUSTOMERS

Fixed Deposits	532,413,424	439,767,364
Saving Deposits	7,555,753	1,789,805
	539,969,177	441,557,169

NOTES TO THE FINANCIAL STATEMENTS

As at 31st March	2016	2015
	Rs.	Rs.

24. OTHER BORROWINGS

Bank loan	61,602,721	117,024,527
	61,602,721	117,024,527

24.1 Terms and conditions of the securitisation loan is as follows,

Type	Lender	Balance outstanding	Repayment	Security
Trust Certificate	Seylan Bank	Rs.61.6 Million	Repayment in six installments from April 2016 onwards	Selected lease and hire purchase receivables

As at 31st March	2016	2015
	Rs.	Rs.

25. TRADE & OTHER PAYABLES

Direct Deposit made by the Existing Customers	-	14,136
Payable to Suppliers	11,613,001	11,079,334
Statutory Payables (Note 25.1)	2,551,514	2,179,547
Accrued Expenses	13,332,372	10,166,983
Other Payables	3,396,746	7,491,535
	30,893,633	30,931,535

25.1 Statutory Payables

VAT on Financial Service	380,786	(89,889)
WHT	650,178	717,267
NBT Payable	-	50,000
PAYE	2,000	2,000
Stamp Duty	1,518,550	1,519,663
Semi Luxury Tax	-	82,776
	2,551,514	2,281,817

26. AMOUNT DUE TO RELATED COMPANIES

Entrust Limited (Note 26.1)	54,584,791	85,558,022
Entrust Securities PLC	-	174,187
	54,584,791	85,732,209

As at 31st March	2016 Rs.	2015 Rs.
26.1 Entrust Limited		
Loan from Entrust Limited (Note 26.1.1)	13,847,083	79,212,855
Others	40,737,708	6,345,167
	54,584,791	85,558,022

26.1.1 Loan from Entrust Limited

The above related party loan was obtained at the interest rate of AWPLR + 3% p.a. The interest charged for the year is Rs. 3,743,009/- (2014/15 - Rs. 45,288,492/-).

As at 31st March	2016 Rs.	2015 Rs.
Balance at the beginning of the year	79,212,855	410,107,451
Capitalization of interest	3,743,009	45,288,492
Payments made during the year	(69,108,780)	(30,000,000)
Set off against transfer of portfolio	-	(336,183,088)
Waive off of interest during the year	-	(10,000,000)
	13,847,084	79,212,855

26.1.1 Amount payable to Entrust Limited (EL) includes cash collected and not yet remitted to EL in relation to the portfolio disposed during the previous year amounting to Rs. 33,476,301/-.

As at 31st March	2016 Rs.	2015 Rs.
27. RETIREMENT BENEFIT OBLIGATION		
Balance at the beginning of the year	3,401,534	2,962,488
Amount recognized in Profit or Loss (Note 27.2)	1,238,113	1,247,798
Amount recognized in Other Comprehensive Income (Note 27.2)	(528,888)	(257,752)
	4,110,759	3,952,534
Payments during the year	-	(551,000)
Balance at the end of the year	4,110,759	3,401,534

NOTES TO THE FINANCIAL STATEMENTS

As at 31st March	2016	2015
	Rs.	Rs.

27. RETIREMENT BENEFIT OBLIGATION CONTD.

27.1 Amount recognised in the statement of financial position

Present value of unfunded obligation	4,110,759	3,401,534
Present value of funded obligation	-	-
Total present value of obligation	4,110,759	3,401,534
Fair value of plan assets	-	-
Present value of net obligations	4,110,759	3,401,534
Unrecognized actuarial (gains)/losses	-	-
Recognized liability for defined benefit obligations	4,110,759	3,401,534

27.2 Amount recognised in the statement of profit or loss

Current Service Cost	884,354	936,737
Interest on obligation	353,759	311,061
	1,238,113	1,247,798

Amount recognised in the statement of other comprehensive income

Remeasurement of Retirement Benefit Obligation	(528,888)	(257,752)
	709,225	990,046

27.3 An Actuarial Valuation of the retirement benefit obligation as at 31st March 2016 was carried out by Mr. Piyal S Goonetilleke, FIA, of Messrs Piyal S Goonetilleke and Associates, a firm of professional actuaries.

27.4 The Valuation method used by the actuaries to value the Retirement benefit obligation is the 'Projected Unit Credit Method', the method recommended by the Sri Lanka Accounting Standard - LKAS No. 19, 'Employee Benefits'.

The key assumptions used by the actuary include the following,

As at 31st March	2016	2015
i) Rate of Interest (per annum):	10.50%	10.40%
ii) Rate of Salary Increase (per annum):	10.00%	10.00%
iii) Retirement Age	55 years	55 years
iv) The company will continue as a going concern.		

The liability is not externally funded.

27.4 Sensitivity Analysis

Sensitivity variation on discount rate

Impact of change in discount rate when the base assumption is increased/decreased by 1% is measured as follows;

Discount rate	Defined Benefit Obligation as at 31.03.2016 (Rs.)
11.50%	3,759,331
9.50%	4,515,761

Sensitivity variation on salary increment rate

Impact of change in salary increment rate when the base assumption is increased/decreased by 1% is measured as follows;

Salary Increment Rate	Defined Benefit Obligation as at 31.03.2016 (Rs.)
11.00%	4,509,108
9.00%	3,758,200

As at 31st March	2016 Rs.	2015 Rs.
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28. DEFERRED TAXATION

Deferred Tax Liability

At the beginning of the year	-	2,132,050
Charge /(Reversal) for the year	-	(2,132,050)
At the end of the year	-	-

Deferred Tax Asset

At the beginning of the year	11,444,016	-
Origination/(reversal) of temporary differences during the year	(3,771,782)	11,444,016
At the end of the year	7,672,234	11,444,016

Deferred Tax asset/liability has been recognized in respect of the following temporary differences arising from difference between accounting and tax base. Deferred Tax has been computed at the rate of 28%.

NOTES TO THE FINANCIAL STATEMENTS

28. DEFERRED TAXATION CONTD.

Deferred Tax provision as at the year end is made up as follows;

	2016		2015	
	Temporary Difference Rs.	Tax Impact Rs.	Temporary Difference Rs.	Tax Impact Rs.
Deferred Tax (asset)/liability from:				
Property, Plant and Equipment	(2,578,798)	(722,063)	(1,346,539)	(377,031)
Lease Rental Receivable	24,322,765	6,810,374	37,909,208	10,614,578
Retirement Benefit Obligation	4,639,647	1,299,101	4,210,286	(952,429)
Carried forward Tax losses	(53,784,449)	(15,059,646)	(74,032,622)	(20,729,134)
	(27,400,835)	(7,672,234)	(33,259,667)	(11,444,016)
On remeasurement of retirement benefit obligation	(528,888)	(148,089)	(257,752)	(72,171)
	(27,400,835)	(7,672,234)	(33,259,667)	(11,444,016)

As at 31st March	2016 Rs.	2015 Rs.
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29. STATED CAPITAL

Issued and Fully Paid:

22,462,039 Ordinary Shares	346,990,186	346,990,186
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The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per individual present at meetings of the shareholders or one vote per share in the case of a poll.

As at 31st March	2016 Rs.	2015 Rs.
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30. RESERVES

31.1 Statutory Reserve

Balance at the beginning of the year	5,389,222	4,761,902
Transfer during the year	-	627,320
Balance at the end of the year	5,389,222	5,389,222

The reserve fund is maintained in compliance with Direction No 1 of 2003 Central Bank of Sri Lanka (Capital Funds) issued to Finance Companies .

As per the said Direction , every Licensed Finance Company shall maintain a Reserve Fund and transfer to such reserve fund out of the net profits of the each year after due provisions has been made for taxation and bad and doubtful debts on following basis.

- (i) So long as the capital funds are not less than twenty five (25) per cent of total deposit liabilities, a sum equal to not less than five (5) per cent of the net profits;
- (ii) so long as the capital funds are less than twenty five (25) per cent of total deposit liabilities, but not less than ten (10) per cent thereof, a sum equal to not less than twenty (20) per cent of the net profits; and
- (iii) so long as the capital funds are less than ten (10) per cent of the total deposit liabilities, a sum equal to not less than fifty (50) per cent of the net profits.

As at 31st March	2016 Rs.	2015 Rs.
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30.2 General Reserve

Balance at the end of the year	11,266,050	11,266,050
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30.3 Investment Fund Reserve

Balance at the beginning of the year	-	5,287,577
Transfer from/(to) retained earnings	-	(5,287,577)
Balance at the end of the year	-	-

NOTES TO THE FINANCIAL STATEMENTS

31. FINANCIAL INSTRUMENTS

31.1 Financial Instruments - Statement of Financial Position

Financial Assets

	Assets at fair value		Assets at amortized cost		Total
	Fair Value Through Profit & loss	Available for sale	Loans & receivables	Held to maturity	
	Rs.	Rs.	Rs.	Rs.	Rs.
31st March 2016					
Investment in Reserves Repurchases Agreements	-	-	118,496,673	-	118,496,673
Fair Value Through Profit or Loss Financial Assets	857,125	-	-	-	857,125
Rental Receivables on Lease	-	-	126,535,795	-	126,535,795
Rental receivables on Hire purchase	-	-	120,187,456	-	120,187,456
Advance and other Loans	-	-	554,875,558	-	554,875,558
Trade and Other Receivables	-	-	21,401,758	-	21,401,758
Amount Due from Related Companies	-	-	65,051	-	65,051
Financial Assets Available for Sale	-	12,855,704	-	-	12,855,704
Cash at Bank & in Hand	-	-	48,600,418	-	48,600,418
Total Financial Assets	857,125	12,855,704	1,006,828,886	-	1,020,541,715

31st March 2015

Investment in Repurchase Agreement	-	-	74,329,842	-	74,329,842
Financial Assets held for trading	1,821,724	-	-	-	1,821,724
Rental receivables on Lease	-	-	143,271,992	-	143,271,992
Rental receivables on Hire purchase	-	-	226,571,336	-	226,571,336
Advance and Other loans	-	-	403,773,983	-	403,773,983
Trade and Other Receivables	-	-	21,020,806	-	21,020,806
Investment in Long term Government Securities	-	-	-	36,317,412	36,317,412
Financial Assets available for sale	-	9,354,305	-	-	9,354,305
Cash at Bank & in Hand	-	-	55,309,659	-	55,309,659
Total Financial Assets	1,821,724	9,354,305	948,204,263	36,317,412	995,697,704

Financial Liabilities

	Fair value through profit or loss Rs.	Other financial liabilities Rs.	Total Rs.
31st March 2016			
Deposits	-	539,969,177	539,969,177
Trade and Other Payable	-	30,893,633	30,893,633
Other borrowings	-	61,602,721	61,602,721
Amount Due to Related Parties	-	54,584,791	54,584,791
Bank Overdraft	-	28,225,054	28,225,054
Total Financial Liabilities	-	715,275,376	715,275,376
31st March 2015			
Deposits	-	441,557,169	441,557,169
Trade and Other Payable	-	30,931,535	30,931,535
Other borrowings	-	117,024,527	117,024,527
Amount Due to Related Parties	-	85,732,209	85,732,209
Bank Overdraft	-	10,943,456	10,943,456
Total financial Liabilities	-	686,188,896	686,188,896

31.2 Valuation of financial instruments

Financial instruments recorded at fair values are determined for financial instruments that are recorded at fair value using several valuation techniques. These incorporate the Company's estimate of assumptions that a market participant would make when valuing the instruments.

Financial Assets - Fair value through profit or loss

Multi Finance PLC has classified the investment in Dealing securities under fair value through profit or loss financial assets.

These investments are held by Multi Finance PLC acquired for the trading purpose. Accordingly this investment was classified under the category of Financial assets fair value through profit or loss.

Financial Assets - available for sale

Multi Finance PLC has classified the investment in Investment securities under Available for Sale Financial Assets.

These investments are held by Multi Finance PLC as a strategic investment and this was not acquired for the trading purpose. Accordingly this investment was classified under the category of Available for Sale Investment.

Further the Directors assessed the valuation of the said investment and concluded that the value of investment has not significantly increased or impaired.

Fair value of the investment was obtained by reference to market price as per last trading date.

NOTES TO THE FINANCIAL STATEMENTS

31. FINANCIAL INSTRUMENTS CONTD.

Determination of fair value and fair value hierarchy

Multi Finance PLC uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

Available for sale financial assets of Multi Finance PLC has been valued using the Level 1 techniques of the valuation hierarchy and fair value as at 31st March 2016 is Rs. 6,670,641 (2015 : Rs. 9,351,805). Total gain recognised in the equity on this investment for the year ended 31st March 2016 is Rs. (286,474) (2015 : Rs. 2,252,385).

	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total Rs.
31st March 2016				
Fair value through profit or loss financial assets	857,125	-	-	857,125
Financial assets available for sale	12,853,205		2,500	12,855,705
	13,710,330	-	2,500	13,712,830
31st March 2015				
Financial assets held for trading	1,821,724	-	-	1,821,724
Financial assets available for sale	9,351,805		2,500	9,354,305
	11,173,529	-	2,500	11,176,029

32. FINANCIAL RISK MANAGEMENT

32.1 Introduction and Overview

The Company has exposure to following risks from financial instruments:

- ♥ Credit Risk
- ♥ Liquidity Risk
- ♥ Market Risk
- ♥ Operational Risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

32.2 Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. For risk management reporting purposes the Company considers and consolidates all elements of credit risk exposure (such as individual obligations or default risk and sector risk).

Maximum Exposure to Credit Risk

Credit Quality by Class of Financial Assets

Credit quality of the company based on the class of financial assets is analysed below.

As at 31st March 2016	Neither past due not individually impaired Rs.	Past due but not individually impaired Rs.	Individually impaired Rs.	Total Rs.
Cash and Cash Equivalents	8,192,698	-	-	8,192,698
Placements with Banks and Other Finance Companies	40,407,720	-	-	40,407,720
Reverse Repurchase Agreements	118,496,673	-	-	118,496,673
Financial Investments - Held for Trading	857,125	-	-	857,125
Loans and Receivables to Other Customers	338,263,275	216,612,283	-	554,875,558
Less : Impairment	-	(3,409,476)	-	(3,409,476)
Lease Rental and Hire Purchase Receivables	112,932,902	133,790,349	-	246,723,251
Less : Impairment	-	(80,337)	-	(80,337)
Financial Investments - Available for Sale	12,855,704	-	-	12,855,704
Financial Investments - Held to Maturity	-	-	-	-
	632,006,097	346,912,819	-	978,918,916

Age analysis of Past Due (i.e facilities in arrears of 1 day and above) but not individually impaired financial assets	Less than 30 days Rs.	31 to 179 days Rs.	180 to 365 days Rs.	More than 365 days Rs.	Total Rs.
Loans and Receivables to Other Customers	107,063,643	76,730,088	10,385,912	22,432,641	216,612,284
Lease Rental and Hire Purchase Receivables	58,892,144	74,526,047	372,157	-	133,790,348
	165,955,787	151,256,135	10,758,069	22,432,641	350,402,632

NOTES TO THE FINANCIAL STATEMENTS

32. FINANCIAL RISK MANAGEMENT CONTD.

32.2 Credit Risk Contd.

As at 31st March 2015	Neither past due not individually impaired Rs.	Past due but not individually impaired Rs.	Individually impaired Rs.	Total Rs.
Cash and Cash Equivalents	10,517,367	-	-	10,517,367
Placements with Banks and Other Finance Companies	44,792,290	-	-	44,792,290
Repurchase Agreements	74,329,842	-	-	74,329,842
Financial Investments - Held for Trading	1,821,724	-	-	1,821,724
Loans and Receivables to Other Customers	284,613,944	119,160,039	-	403,773,983
Less : Impairment	-	(1,993,183)	-	(1,993,183)
Lease Rental and Hire Purchase Receivables	125,690,019	244,153,309	-	369,843,328
Less : Impairment	-	-	-	-
Financial Investments - Available for Sale	9,354,305	-	-	9,354,305
Financial Investments - Held to Maturity	36,317,412	-	-	36,317,412
	587,436,903	361,320,165	-	948,757,068

Age analysis of Past Due (i.e facilities in arrears of 1 day and above) but not individually impaired financial assets	Less than 30 days Rs.	31 to 179 days Rs.	180 to 365 days Rs.	More than 365 days Rs.	Total Rs.
Loans and Receivables to Other Customers	37,250,655	76,391,135	4,180,759	1,337,490	119,160,039
Lease Rental and Hire Purchase Receivables	90,409,146	153,744,163	-	-	244,153,309
	127,659,801	230,135,298	4,180,759	1,337,490	363,313,348

Analysis of Risk Concentration

Provincial breakdown for Lease Rental and Hire Purchase Receivables (gross balances) from customers is as follows.

Province	Lease Rental Receivables		Hire Purchase Receivables	
	2016	2015	2016	2015
	Rs.	Rs.	Rs.	Rs.
Western	46,858,542	50,495,211	39,770,789	88,611,718
Southern	8,481,225	46,590	4,788,718	7,640,737
Sabaragamuwa	12,904,971	18,841,241	8,564,782	14,533,380
Central	21,181,727	28,610,666	19,934,203	38,813,181
Uva	-	166,386	663,079	1,085,311
Eastern	-	37,723	-	139,935
North Western	20,791,519	24,493,741	27,575,491	43,956,898
North Central	15,514,569	18,760,398	18,970,730	31,790,176
Northern	803,242	1,820,035	-	-
	126,535,795	143,271,991	120,267,792	226,571,335

32.3 Liquidity Risk

Liquidity risk is that which the Company will encounter in terms of difficulties in meeting obligations associated with its financial liabilities which are settled by delivering cash or other financial assets. The Company'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 Company's reputation. Finance Division receives information from other business lines regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. Finance Division then maintains a portfolio of short-term liquid assets, largely made up of cash and cash equivalents, fixed and calls deposits and short term government securities, to ensure that sufficient liquidity maintained within the Company as a whole. All liquidity policies and procedures are subject to review and approval by Integrated Risk Management Committee. Daily reports cover the liquidity position of the Company. A summary report, including any exceptions and remedial action taken, is submitted regularly to Integrated Risk Management Committee. The Company relies on deposits from customers and borrowing liabilities as its primary sources of funding. While the Company's borrowing liabilities have maturities of over one year, deposits from customers generally have shorter maturities. The short-term nature of these deposits increases the Company's liquidity risk and the Company actively manages this risk through maintaining competitive pricing and constant monitoring of market trends.

Exposure to Liquidity Risk

Exposure to Liquidity Risk is monitored through the Liquid Asset Ratio (LAR) of the Company.

As at 31st March	2016	2015
Liquid Asset Ratio (LAR)		
Average for the year	26.17%	31.76%
Maximum for the year	40.94%	53.04%
Minimum for the year	17.37%	20.43%

NOTES TO THE FINANCIAL STATEMENTS

32. FINANCIAL RISK MANAGEMENT CONTD.

32.3 Liquidity Risk Contd.

Components of the Company's liquid assets used for the purpose of calculating the Statutory Liquid Asset Ratio calculation as at 31st March 2016 is given below.

As at 31st March	2016 Rs.	2015 Rs.
Cash in Hand	8,192,698	10,517,368
Balances in Current Accounts free from lien	40,323,505	44,711,112
Deposits in Commercial Banks free from lien	84,215	81,179
Any Other Approved Securities	118,496,674	66,094,259
Total liquid assets as at end of March	167,097,092	121,403,918

An analysis of the interest bearing assets and liabilities employed by the company as at 31st March 2016, based on the remaining period at the Statement of Financial Position date to the respective contractual maturity date is given below;

	Up to 3 months Rs.	3 to 12 months Rs.	1 to 3 years Rs.	3 to 5 years Rs.	More than 5 years Rs.	Total Rs.
Interest Bearing Assets						
Placements with Banks and Other Finance Companies	40,407,720					40,407,720
Repurchase Agreements	118,496,673					118,496,673
Financial Investments - Available for Sale	857,125					857,125
Financial Investments - Held to Maturity	-					-
Loans and Receivables from Other Customers*	264,369,803	198,427,931	83,367,966	8,709,859	-	554,875,559
Finance Lease Receivables*	16,187,972	33,928,733	57,206,872	19,212,217	-	126,535,794
Hire Purchase Receivables*	23,361,901	39,096,008	51,091,214	6,638,333	-	120,187,456
Total Interest Bearing Assets	463,681,194	271,452,672	191,666,052	34,560,409	-	961,360,327
Interest Bearing Liabilities						
Bank Overdrafts	28,225,054					28,225,054
Interest Bearing Borrowings	22,635,703	38,967,019	-	-	-	61,602,722
Deposits Due to Customers	181,654,740	280,193,627	67,851,805	10,269,006	-	539,969,178
Total Interest Bearing Liabilities	232,515,497	319,160,646	67,851,805	10,269,006	-	629,796,954

* Loans and Receivables from Other Customers and Lease Rental & Hire Purchase Receivables are reported net of impairment.

32.4 Market Risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. Overall authority for market risk is vested in Integrated Risk Management Committee (IRMC) of the Company.

Interest Rate Risk

Interest Rate Risk arises due to fluctuations in the interest rate resulting in adverse impact to future cash flows or the fair values of financial instruments of the Company.

Rate Sensitive Assets (RSA) and Rate Sensitive Liabilities (RSL)

As at 31st March	2016 Rs.	2015 Rs.
Rate Sensitive Assets (RSA)	815,311,638	784,793,340
Rate Sensitive Liabilities (RSL)	601,571,898	558,581,696
GAP (RSA-RSL)	213,739,740	226,211,644

Equity Risk

Equity risk is the risk that company's investments in equity shares will depreciate because of stock market dynamics causing company to lose money.

Equity based investment Portfolio risk Analysis

The given below Analysis shows the maximum impact of change in the equity prices to the comprehensive income as at 31st March each Financial Year.

	Market Value as at 31st March 2016 Rs.	Lowest Market Value for last 3 years Rs.	Effect to the Comprehensive Income if the market price drops to the lowest value Rs.
Bank , Finance & Insurance	2,942,427	2,922,923	19,504
Diversified Holdings	4,585,339	5,921,710	-
Total	7,527,766	8,844,633	19,504

	Market Value as at 31st March 2016 Rs.	Lowest Market Value for last 3 years Rs.	Effect to the Comprehensive Income if the market price drops to the lowest value Rs.
Bank , Finance & Insurance	3,636,005	2,922,923	713,082
Diversified Holdings	7,537,524	5,921,710	1,615,814
Total	11,173,529	8,844,633	2,328,896

NOTES TO THE FINANCIAL STATEMENTS

32. FINANCIAL RISK MANAGEMENT CONTD.

32.5 Operational Risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the Company's operations. The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity. The primary responsibility for the development and implementation of controls is to address operational risk assigned to senior management within each business line. This responsibility is supported by the development of overall Company standards for the management of operational risk in the following areas:

- ♥ Requirements for appropriate segregation of duties, including the independent authorisation of transactions.
- ♥ Requirements for the reconciliation and monitoring of transactions.
- ♥ Compliance with regulatory and other legal requirements.
- ♥ Documentation of controls and procedures.
- ♥ Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified.
- ♥ Requirements for the reporting of operational losses and proposed remedial actions.
- ♥ Development of contingency plans.
- ♥ Training and professional development.
- ♥ Risk mitigation, including insurance where it is effective.

Compliance with Company standards is supported by a programme of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the management of the business line to which they relate, with summaries submitted to the Audit Committee and senior management of the Company.

Capital Management

The Regulatory Capital requirements for the Finance Companies are set by the Central Bank of Sri Lanka.

The details of the computation of risk weighted assets, capital and the ratios of the Company are given below:

Capital Adequacy

Total Risk Weighted Assets Computation

As at 31st March	Balance		Risk Weight Factor %	Risk Weighted Balance	
Assets	2016 Rs.	2015 Rs.		2016 Rs.	2015 Rs.
Cash and Cash Equivalents	48,516,203	55,228,479	0%	-	-
Placements with Banks and Other Finance Companies	84,215	81,179	20%	16,843	16,236
Repurchase Agreements	118,496,673	74,329,842	0%	-	-
Financial Investments - Held for Trading (excluding items deducted from the total Capital)	857,125	1,821,724	100%	857,125	1,821,724
Financial Investments - Available for Sale					
Government of Sri Lanka Treasury Bonds	6,182,563	36,317,412	0%	-	-
Unquoted Equities	2,500	2,500	100%	2,500	2,500
Financial Investments - Held to Maturity			0%	-	-
Loans and Receivables:					
Loans against Fixed Deposits	2,042,654	3,831,223	0%	-	-
Loans against Gold and Gold Jewellery (Less than 10% in Total Advances)	80,159,881	77,361,731	0%	-	-
Loans against Gold and Gold Jewellery (Less than 10% to 50% in Total Advances)	30,148,279	23,236,450	10%	3,014,828	2,323,645
Loans and Receivables to Other Customers	442,524,744	299,344,580	100%	442,524,744	299,344,580
Lease Rental and Hire Purchase Receivables	246,723,251	369,843,327	100%	246,723,251	369,843,327
Other Financial Assets	6,670,641	9,351,805	100%	6,670,641	9,351,805
Other Assets	39,329,743	46,246,476	100%	39,329,743	46,246,476
Property, Plant and Equipment	4,713,515	10,852,431	100%	4,713,515	10,852,431
Intangible Assets	1,094,820	2,881,634	100%	1,094,820	2,881,634
Deferred Tax Assets	7,672,234	11,444,016	100%	7,672,234	11,444,016
Total Risk Weighted Assets	1,035,219,041	1,022,174,809		752,620,244	754,128,374

NOTES TO THE FINANCIAL STATEMENTS

32. FINANCIAL RISK MANAGEMENT CONTD.

32.5 Operational Risk Contd.

Total Capital Base Computation

As at 31st March	2016	2015
Tier I : Core Capital		
Stated Capital	346,990,186	346,990,186
Statutory Reserve Fund	5,389,222	5,389,222
General Reserve	11,266,050	11,266,050
Retained Earnings	(52,795,404)	(33,313,464)
Total Tier I Capital	310,850,054	330,331,994
Tier II : Supplementary Capital		
Eligible Approved Unsecured Subordinated Term Debt	-	-
Total Eligible Tier II Capital	-	-
Total Capital	310,850,054	330,331,994
Deductions		
Investments in capital of other banks	-	-
Capital Base	310,850,054	330,331,994
Computation of Capital Adequacy Ratios		
Core Capital Ratio (Minimum Requirement 5%)	41.30%	43.80%
Core Capital x 100		
Risk Weighted Assets		
Total Risk Weighted Capital Ratio (Minimum Requirement 10%)	41.30%	43.80%
Capital Base x 100		
Risk Weighted Assets		

33. RELATED PARTY TRANSACTIONS

33.1 Transaction with related Companies

The Company carries out transaction in the ordinary course of its business with parties who are defined as related parties in Sri Lanka Accounting Standard LKAS 24 'Related Party Disclosure', the details of which are reported below.

Name of the Company	Name of Director	Nature of transactions	Amount (Paid)/ Received 2016 Rs.	Amount (Paid)/ Received 2015 Rs.
Entrust Limited	Mr I D B Dassanayake	Loan obtained	-	-
	Mr C U Ratwatte	Capitalisation of interest	3,743,009	45,288,492
	Mr K P N S Dayaratne	Loan repayment	(69,108,780)	(30,000,000)
	Mr B N R Mendis	Settlement against disposal of portfolio	-	(336,183,088)
	Mr T Kanagasabai	Waive off of interest charge on loan	-	(10,000,000)
	Mrs R D Senerath	Outstanding balance against disposal of portfolio	33,476,301	-
		Reimbursement of expenses	8,798	2,209,632
		Rent	-	(729,696)
		IT & HR Services	4,950,000	6,600,000
		Repayment IT & HR services	(3,900,000)	(9,856,089)
		Repayment welfare & other charges	-	(106,768)
		Telephone charges	(37,891)	8,798
		Tea & others	(16,667)	1,195,980
		Fixed assets transfer	(88,000)	92,890
Entrust Securities Limited	Mr I D B Dassanayake	Fixed assets transfer	-	9,600
	Mr C U Ratwatte	Others	1,670,089	2,445,647
	Mr G A K Nanayakkara	Repayment expenses	(1,855,411)	(2,269,925)
	Mrs R D Senerath	Reimbursement of expenses	76,771	154,422
	Mr R M S Tilakawardana	Rent	(130,099)	(130,099)
	Mr N N P Jayasuriya	Promotion & other expenses	(587)	(2,933)
Entrust Health Care Limited	Mr I D B Dassanayake	Fixed assets transfer	-	-
	Mr C U Ratwatte	Repayment expenses	-	(14,325)
	Mr T Kanagasabai	Telephone charges	-	14,325
	Mrs R D Senerath	Reimbursement of expenses	-	-
	Mr K P N S Dayaratne			
	Mr B N R Mendis			

NOTES TO THE FINANCIAL STATEMENTS

33. RELATED PARTY TRANSACTIONS CONTD.

33.1 Transaction with related Companies Contd.

Name of the Company	Name of Director	Nature of transactions	Amount (Paid)/ Received 2016 Rs.	Amount (Paid)/ Received 2015 Rs.
Gowers Solutions (PVT) Ltd	Mr Kuvera De Zoyza	Facility Grants	-	(15,892,857)
		Due Interest	(2,206,448)	(1,687,741)
		Other Charges	-	-
		VAT	(514,116)	(408,951)
		Facility Receipts	12,116,203	3,480,956
World Air (Pvt) Ltd	Mr C U Ratwatte	Facility Grants	(57,000,000)	(5,300,000)
		Due Interest	(4,294,107)	(997,733)
		Other Charges	(85,573)	-
		VAT	-	-
		Facility Receipts	29,978,841	1,833,469
ABS Information System (PVT) Ltd	Mr R M S Tilakawardana	Facility Grants	-	(682,839)
		Due Interest	(143,319)	(70,178)
		Other Charges	-	(21,940)
		VAT	(14,088)	(8,642)
		Facility Receipts	345,312	206,874
Maruthi Estate (Pvt) Ltd	Mr I D B Dassanayake	Facility Grants	(6,000,000)	-
		Due Interest	(257,183)	-
		Other Charges	(27,200)	-

33.3 Transactions with Key Management Personnel

Transactions with key management persons according to LKAS 24 'Related Party Disclosures', key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the entity. Accordingly, the Board of Directors (including Executive and Non-Executive) are selected key employees who meet the above criteria have been classified as Key Management Personnel of the Company.

33.3.1 Key Management Personnel Compensation

As at 31st March	2016 Rs.	2015 Rs.
Short-term employee benefits	5,309,312	6,224,000
Total	5,309,312	6,224,000

33.3.2 Key Management Personnel Transactions

	Balance outstanding as at 31st March 2016 Rs.	Balance outstanding as at 31st March 2015 Rs.
Deposit held with the company	2,429,456	12,494,191
	2,429,456	12,494,191

33.2.3 The following directors have not endorsed their Directors interest in contracts for the year ended 31st March 2016.

- ♦ Isira D. B Dassanayake
- ♦ Romesha Senarath
- ♦ Niroshan Mendis
- ♦ Sanjeeva Dayaratna
- ♦ Manohara Thilakawardana



NOTES TO THE FINANCIAL STATEMENTS

34. COMPARATIVE INFORMATION

To facilitate comparison and where relevant, the balances pertaining to the previous year have been reclassified to confirm to the current year classification and presentation.

	Reclassified Rs.	As per Audited Accounts Rs.	Change Rs.
Property, plant & equipment			
Accumulated Depreciation			
Office Equipment	11,616,575	11,058,601	557,974
Motor Vehicles	4,972,831	5,530,805	(557,974)

35. CAPITAL COMMITMENTS

The Company had no material capital commitments outstanding as at the Reporting date.

36. CONTINGENCIES

There were no material contingent liabilities as at the balance sheet date, which require adjustments to or disclosure in the Financial Statements.

37. EVENTS OCCURRING AFTER THE REPORTING PERIOD

There have been no material events occurring after the reporting date, that require adjustments to or disclosure in the Financial Statements.

38. MATURITY ANALYSIS

An analysis of the total assets employed and total liabilities as at the year end, based on the remaining period at the reporting date to the respective contractual maturity dates is given below.

Assets/Liabilities	Maturity Period					Total Rs.
	Up to 3 Months Rs.	3 to 12 Months Rs.	1 to 3 Years Rs.	3 to 5 Years Rs.	More than 5 Years Rs.	
Cash & Cash Equivalents	167,097,091	-	-	-	-	167,097,091
Financial assets held for trading	857,125	-	-	-	-	857,125
Rental Receivable on Lease	16,187,972	33,928,733	57,206,872	19,212,217	-	126,535,794
Rental Receivable on Hire Purchase	23,361,901	39,096,008	51,091,214	6,638,333	-	120,187,456
Advances & Other Loans	264,369,803	198,427,931	83,367,966	8,709,859	-	554,875,559
Trade & Other Receivable	2,462,680	6,696,915	21,297,199	7,412,066	199,074	38,067,934
Investment in Long term Government securities	-	-	-	4,348,102	(4,348,102)	-
Financial assets available for sale	12,855,704	-	-	-	-	12,855,704
Intangible Assets	1,094,820	-	-	-	-	1,094,820
Property, Plant & Equipment	-	-	-	-	4,713,515	4,713,515
Deferred Tax Asset	-	-	-	-	7,672,234	7,672,234
Total Assets	488,352,146	278,149,587	212,963,251	46,320,577	8,236,721	1,034,022,282
Bank overdraft	28,225,054	-	-	-	-	28,225,054
Deposits	181,654,740	280,193,627	67,851,805	10,269,006	-	539,969,178
Other Borrowings	22,635,703	38,967,019	-	-	-	61,602,722
Trade & Other Payables	30,893,634	-	-	-	-	30,893,634
Amount Due to Related Parties	54,584,791	-	-	-	-	54,584,791
Retirement Benefit Obligation	-	-	-	-	4,110,759	4,110,759
Income Tax Payable	-	1,820,183	-	-	-	1,820,183
Total Liabilities	317,993,922	320,980,829	67,851,805	10,269,006	4,110,759	721,206,321

NOTES TO THE FINANCIAL STATEMENTS

38. MATURITY ANALYSIS CONTD.

Assets/Liabilities	Maturity Period					Total
	Up to 3	3 to 12	1 to 3	3 to 5	More than 5	
	Months	Months	Years	Years	Years	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rental Receivable on Lease						
Rentals Receivable	20,762,893	47,923,965	73,196,399	21,274,123	-	163,157,380
Unearned Income	(4,574,921)	(13,995,232)	(15,989,527)	(2,061,906)	-	(36,621,586)
	16,187,972	33,928,733	57,206,872	19,212,217	-	126,535,794
Rental Receivable on Hire Purchase						
Rentals Receivable	28,026,950	51,613,046	61,442,049	7,242,887	-	148,324,932
Unearned Income	(4,665,049)	(12,517,038)	(10,350,835)	(604,554)	-	(28,137,476)
	23,361,901	39,096,008	51,091,214	6,638,333	-	120,187,456
Advances & Other Loans	264,369,803	198,427,931	83,367,966	8,709,859	-	554,875,559
Other Borrowings	22,635,703	38,967,019	-	-	-	61,602,722
Rental Receivables deposit						
	Up to 3	3 to 12	1 to 3	3 to 5	More than 5	Total
	Months	Months	Years	Years	Years	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
	154,381,639	280,193,627	67,851,805	10,269,006	-	512,696,077

39. SEGMENTAL ANALYSIS

	Finance		Investing		Total	
	2016/15	2015/14	2016/15	2015/14	2016/15	2015/14
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Revenue						
Interest	160,572,303	185,145,998	7,505,971	4,711,967	168,078,274	189,857,966
Other income	25,976,187	22,969,590	4,563,511	21,060,060	30,539,698	44,029,650
Total Gross Income	186,548,490	208,115,588	12,069,482	25,772,027	198,617,972	233,887,616
Interest expenses					(64,692,882)	(118,827,943)
Unallocated expenses					(153,787,829)	(102,513,267)
Net profit for the period					(19,862,739)	12,546,406
Average interest earning assets	787,608,060	955,113,484	114,571,964	78,705,506	902,180,023	1,033,818,990

40. EXPLANATION FOR TURN AROUND

The Company recorded a loss of Rs. 19.8 Mn for the financial Y/E 31st March 2016 and accumulated loss of Rs. 52.7 Mn as at the reporting date as a direct consequence of the shortfall of its minimum Core capital requirement of Rs.400 Mn. Further, complying of the above requirement was deferred in the previous year due to the withdrawal from the consolidation plan. Also the Company had to undergo a challenging situation during the year concerned with the disturbance that took place with its parent Company and its main subsidiary. However, due to the fact that the Company operated in a total independent manner with high level of governance, it weathered all challenges and stood strong in moving forward.

Under these circumstances Multi Finance PLC was attractive to many investors and the green light has been given by the regulator to increase the core capital to operate the Company in a strong manner. Therefore the board is of the view that enhancing the core capital will enable Multi Finance PLC to achieve its core business objectives and function as a strong going concern.

INVESTOR INFORMATION

Top 20 Major Shareholders as at 31st March 2016

Serial	Name	Shares	%
1	ENTRUST HOLDINGS LIMITED	19,037,186	85.16
2	MISS. RASSAMANUKULA WARNAKULADIYA KURUKULASURIYA COLAMBA MAHAP	500,000	2.24
3	ENTRUST LIMITED	186,000	0.83
4	LAUGFS GAS LIMITED	184,900	0.83
5	MR. VAGEESHA DINENDRA RANAPURA	116,184	0.52
6	MR. MIGARA MUNASINGHE DISSANAYAKE	115,539	0.52
7	MR. WIJITHA NANDA ABEYSURIYA	84,194	0.38
8	MRS. SAROJANI GUNASINGHE	58,000	0.26
9	MR. PANGIRAS ARIYARATNAM RAJANIKANTH	43,800	0.20
10	MR. PALLEWATTHA GAMARALALAGE WIJAYANANDA SIRISENA	38,000	0.17
11	MERCHANT BANK OF SRI LANKA PLC/W.A.S.P.ABESIRIWARDANA	37,958	0.17
12	BIMPUTH FINANCE PLC	34,000	0.15
13	MR. KOSALA MUNASINGHE DISSANAYAKE	32,600	0.15
14	MERCHANT BANK OF SRI LANKA PLC/S M PATHIRANAGE	32,515	0.15
15	MISS. DIVMINI SACHINTHANA SENARATHNE	32,225	0.14
16	MRS. ERIKA WYMANNNANAYAKKARA	30,534	0.14
17	LB FINANCE PLC/N.A. GAYAN UDAYA KUMARA WICKRAMARATHNE LB FINANCE	30,119	0.13
18	MRS. MENAKA PRIYADHARSHANI RAJAPAKSE	30,000	0.13
19	PAN ASIA BANKING CORPORATION/ALMAR INTERNATIONAL (PVT) LTD PAN ASIA	30,000	0.13
20	MR. NIHAL WINSLEY EVERISTUS PERERA	29,142	0.13
Directors' Shareholding		20,575	0.09
Other Shareholding		1,758,568	7.83
		22,464,039	100%

Public Shareholding	14.33%
Shares un-lodged with the CDS	107,552

Top 20 Major Shareholders as at 31st March 2015

Serial	Name	Shares	%
1	ENTRUST HOLDINGS LIMITED	19,037,186	84.75
2	MISS. R.W.K.C.M.M.A.S. FERDINANDO	500,000	2.22
3	ENTRUST LIMITED	186,000	0.82
4	LAUGFS GAS LIMITED	184,900	0.82
5	SEYLAN BANK PLC/R.P.L. EHELIYAGODA & S.U.R. EHLY	175,677	0.78
6	MR. V.D. RANAPURA	116,194	0.51
7	MR. M.M. DISSANAYAKE	115,539	0.51
8	MR. W.N. ABEYSURIYA	88,007	0.39
9	MRS. K.V.W.S. MADDUMAGE	78,115	0.34
10	MRS. S. GUNASINGHE	58,000	0.25
11	MR. P.A. RAJANIKANTH	43,800	0.19
12	MR. P.G.W. SIRISENA	38,000	0.16
13	FIRST CAPITAL MARKETS LIMITED/BIMPUTH FINANCE PLC	34,000	0.15
14	MR. K.M. DISSANAYAKE	32,600	0.14
15	ALMAR INTERNATIONAL (PVT) LTD	30,000	0.13
16	MRS. M.P. RAJAPAKSE	30,000	0.13
17	MR. S. C. HEWAWITHARANA	26,800	0.11
18	MR. U.D. RAJAPAKSHA	26,623	0.11
19	MERCHANT BANK OF SRI LANKA PLC/W.A.S.P.ABESIRIWARDANA	26,521	0.11
20	MR. M.S. IQBAL	26,450	0.11
Directors' Shareholding		22,575	0.03
Other Shareholding		1,585,052	6.71
Total		22,462,039	100%

Public Shareholding 14.32%

Shares un-lodged with the CDS 107,552

INVESTOR INFORMATION

Distribution of Shareholding as at 31st March 2016

Description	No of Shareholders	No of Shares	%
1 To 1000 Shares	632	181,803	0.81
1001 To 10000 Shares	260	949,463	4.23
10001 To 100000 Shares	53	1,190,964	5.30
100001 To 1000000 Shares	5	1,102,623	4.91
OVER 10000000 Shares	1	19,037,186	84.75
Total	951	22,462,039	100.00

Analysis of Shareholders as at 31st March 2016

Category	No of Shareholders	No of Shares	%
Local	944	22,417,205	99.80%
Foreign	7	44,834	0.20%
	951	22,462,039	100.00%

Category	No of Shareholders	No of Shares	%
Institutions	50	19,848,595	88.37%
Individuals	901	2,613,444	11.63%
	951	22,462,039	100.00%

Ordinary Shares

1	Mr. E. K. De Zoysa	NIL
2	Mr. R. M. M. J. Ratnayake	NIL
3	Prof. H. Dissabandara	NIL
4	Ms. C. J. Atapattu	20575
5	Mr. H. S. S. Fernando	NIL

Notes

[illegible]



[illegible]



NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting 2016 of Multi Finance PLC will be held on Wednesday, 28th September 2016 at 3.00 pm at the Lecture Hall Sri Lanka Foundation, No. 100, Sri Lanka Padanama Mawatha, Independence Square, Colombo 7 for the following purposes:

1. To receive and consider the Report of the Directors and the Statement of Accounts for the Financial Year ended 31st March 2016 together with the Report of the Auditor's thereon.
2. Appointment of Directors in terms of article 81 of the articles of association of the Company
 - a. To appoint Professor. Hareendra Dissabandara who have been appointed to the Board of Directors of Multi Finance PLC subsequent to the last Annual General meeting.
 - b. To appoint Mr. Sanjeewa Fernando, who have been appointed to the Board of Directors of Multi Finance PLC subsequent to the last Annual General meeting
3. To re-appoint Messrs. KPMG, Chartered Accountants, as Auditors to the Company and to authorize the Directors to determine their remuneration.
4. To authorize the Directors to determine and make donations.

By Order of the Board
MULTI FINANCE PLC

Mrs. C. Salgado
Company Secretary

26th August 2016
Colombo

Notes:

1. Only persons who are shareholders of the Company and whose names appear on the Share Register as at the AGM date will be entitled to attend the above meeting.
2. A shareholder entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote in his/her place by completing the Form of Proxy enclosed herewith.
3. A proxy need not be a shareholder of the Company. However, the proxy must be above 18 years of age.
4. Shareholders/Proxy holders are kindly advised to bring with them their National Identity Card when attending the meeting.

FORM OF PROXY

I/We (name of shareholder/s)
 (holder of NIC/Company Registration No./s.....) of (address of shareholder/s)

 being a shareholder/s of Multi Finance PLC hereby appoint:

☐ (Name of proxy)
 (holder of NIC/Passport No.....)
 of (address of proxy)

☐ OR failing him/her
 Edinadura Kuvera Isuru de Zoysa (Chairman of the Company) or, failing him, one of the Directors of the Company

as my/our proxy to represent me/us and vote on my/our behalf in accordance with the preference as indicated below at the Annual General Meeting – 2016 of the Company to be held on Wednesday, 28th September 2016 at 3.00 pm and at any adjournment thereof and at every poll which may be taken in consequence thereof.

	For	Against
1. To receive and consider the Annual Report of the Board of Directors and the Statement of Audited Accounts for the year ended 31st March 2016 and the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. Appointments /Re-election of Directors <ul style="list-style-type: none"> ▪ Appointment of Prof. H. Dissabandara ▪ Appointment of Mr. S. Fernando 	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-appoint the Auditors KPMG and to authorize the Board of Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>
4. To authorize Directors to determine contribution to Charities.	<input type="checkbox"/>	<input type="checkbox"/>

Signed this.....day of2016.

.....
 Signature of Shareholder

Note:

Instructions as to completion of the Form of Proxy are on the reverse hereof.

Notes and Instructions as to completion of Form of Proxy

1. A shareholder entitled to attend and vote at the meeting but is unable to attend the meeting, can appoint not more than one proxy to attend and vote at the AGM instead of him/her, by completing the Form of Proxy.
2. Please complete the Form of Proxy by filing in legibly, your full name, address and contact number and thereafter date and sign in the space provided.
3. In order to be valid, the Form of Proxy must be duly completed and forwarded to the Registered Office Secretary, Business Intelligence (Private) Limited No. 8, Tickell Road, Colombo 08 and must be received not later than 48 hours before the time appointed for holding the meeting, i.e. before 3.00 pm on 26th September 2016.
4. If the Form of Proxy is signed by an Attorney, the relevant Power of Attorney should accompany the completed Form of Proxy for registration, if such Power of Attorney has not already been registered with the Company.
5. If the appointer is a Company or Corporation, the Form of Proxy should be executed either under its Common Seal or by a duly authorized officer of the Company or Corporation in accordance with its Articles of Association or Constitution.
6. The Form of Proxy should only be used for the purpose of appointing a proxy to attend and vote on your behalf at the AGM in the event you are unable to attend the meeting, and should not be used to confirm participation at the AGM.
7. If a shareholder has submitted a Form of Proxy prior to the meeting and subsequently decides to attend the meeting him/herself, he/she should take immediate steps to revoke the appointment of proxy.

CORPORATE INFORMATION

Name of Company

Multi Finance PLC

Legal Form

Incorporated as a public limited liability company on 14th October 1974 under the Companies Ordinance No.51 of 1938, the Company was re-registered under the Companies Act No. 07 of 2007 on 26th February 2009. The Ordinary Shares of the Company were listed on the 'Diri Savi' Board of the Colombo Stock Exchange on 13th July 2011.

Company Registration Number

PB 891 PQ

Licenses to Operate

Multi Finance PLC is a finance company registered by the Monetary Board of the Central Bank of Sri Lanka in terms of Finance Business No.42 of 2011 and also a registered leasing establishment under Section 5 of the Finance Leasing Act No.56 of 2000. It is also an Approved Credit Agency under the Mortgage Act No.06 of 1949 and the Trust Receipts Ordinance No.12 of 1947.

Accounting Year-end

31st March 2016

Board of Directors

Mr. E. K. I. de Zoysa

Chairman/Independent, Non-Executive Director

Mr. R. M. M. J. Ratnayake

Deputy Chairman/Independent, Non-Executive Director

Mrs. C. J. Atapattu

Director-Legal & Recoveries/Executive Director

Prof. Hareendra Dissabandara

Non-Executive Director

Mr. Sanjeewa Fernando

Non-Executive Director

External Auditors

M/S. KPMG, Chartered Accountants

Internal Auditors

M/S PricewaterhouseCoopers, Chartered Accountants

Bankers

Commercial Bank of Ceylon PLC

People's Bank

Seylan Bank PLC

Pan Asia Banking Corporation PLC

Company Secretary

Ms. Sanjani de S. Gamage

(resigned w.e.f. 15.03.2016)

M/s Business Intelligence (Private) Limited

(Appointed w.e.f.15.03.2016)

Registered Office

No.17, Charles Drive,

Colombo 03

Tel: +94-11-4645555

Fax: +94-11-4645564

Business Office

No.17, Charles' Drive,

Colombo 03

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Website: www.multifinance.lk

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