

a show of
STRENGTH



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a show of **STRENGTH**

The ‘tone and muscle’ of the Company in the year under review, portrayed in the improvement in profitability and the development of its technological and staff knowledge bases, can be directly attributable to the strategic investments made in the recent past. We are a strong Company, firmly rooted in the financial firmament of Sri Lanka, with a long history of acclaimed service to customers from all walks of life.



Vision

Our vision is to be a leading financial institution in Sri Lanka that delivers high quality services and achieves excellence in all spheres of activity while being socially conscious, at all times.

Mission

To provide a wide range of diversified financial services and to acquire a portfolio of loanable funds that yields an adequate return to our shareholders, whilst safeguarding the interests of our depositors and other stakeholders.

About Us

Senkadagala Finance PLC was initially formed in the City of Kandy in 1968. The Company has now become one of the largest licensed finance companies in Sri Lanka with nearly 50 years of experience and operating excellence.

Principal lines of business of the Company are finance leases, hire purchases, commercial loans and acceptance of deposits in the form of fixed deposits, certificates of deposit and savings deposits. Moving towards diversification, the Company now provides pawn brokering and foreign currency exchange services to its customers.

With the intention of strengthening its market segment further, the Company initiated an insurance brokering business, which commenced operations in January 2013 and is expected to gain high returns in the future.

Expanding its reach throughout the island has been a key objective of the Company, which was put in motion and was

implemented vigorously in the past few years. Accordingly, Senkadagala Finance has thirty-nine (39) branches and forty-one (41) service centres in dispersed locations in the country.

Senkadagala Finance was listed on the *Diri Savi* Board of the Colombo Stock Exchange in March 2011.

Fitch Ratings Lanka Ltd. has affirmed the BBB+ (lka) credit rating of the Company, noting the excellent track record of performance along with the healthy asset quality, improved credit control systems and the long operating history.

The registered office of the Company is situated at 2nd Floor, No. 267, Galle Road, Colombo 03.

Financial and Operational Highlights

Company	2016	2015	Change %
Financial Results of the Year (Rs. million)			
Total income	3,965	3,715	6.71
Interest income	3,746	3,584	4.53
Net interest income	2,045	1,834	11.51
Profit before VAT on financial services and taxation	971	697	39.32
Profit before taxation	883	647	36.31
Profit for the year	613	540	13.63
Dividends paid	166	108	54.55
Earnings retained during the year	456	432	5.48
Financial Position (Rs. million)			
Loans and advances	16,908	13,583	24.48
Total assets	22,270	18,073	23.22
Deposit base	6,510	6,542	-0.49
Borrowings	8,692	4,788	81.54
Debentures	3,060	3,580	-14.52
Shareholders' funds	2,993	2,534	18.13
Operational Results of the Year (Rs. million)			
New advances disbursed	11,866	8,262	43.62
Net flow of deposits	(32)	917	-103.47
Borrowings obtained	5,500	3,383	62.59
Capital expenditure incurred	351	473	-25.73
Information per Ordinary Share (Rs.)			
Earnings per share	9.40	8.27	13.63
Dividends per share	2.55	1.65	54.55
Net assets per share	45.89	38.85	18.12

613

Profit for the Year
(Rs. million)

2015: Rs. 540 million Change: 13.63%

16,908

Loans and Advances
(Rs. million)

2015: Rs. 13,583 million Change: 24.48%

80

Branches and Service Centres
(Nos.)

2015: 80 Nos. Change: 00%

Company	2016	2015	Change
Key Performance Indicators			
Return on average total assets (%)	3.04	3.18	-0.14%pt
Return on average shareholders' funds (%)	22.19	23.28	-1.09%pt
Net interest margin (%)	11.12	11.78	-0.66%pt
Gross non-performing assets ratio (%)	2.02	4.30	-2.28%pt
Interest cost to interest earned ratio (%)	45.42	48.84	-3.42%pt
Interest cover (times)	1.36	1.31	3.98%
Equity to assets ratio (%)	13.44	14.02	-0.58%pt
Debt to equity ratio (times)	3.93	3.30	18.88%
Price earning ratio (times)	6.38	7.25	-11.99%
Dividends yield (%)	4.25	2.75	1.50%pt
Statutory/Regulated Ratios			
Core capital ratio (%)	15.82	16.54	-0.72%pt
- Minimum statutory requirement 5%			
Total capital ratio (%)	19.69	22.97	-3.28%pt
- Minimum statutory requirement 10%			
Liquid assets to deposit liabilities ratio (%)	53.71	42.75	10.95%pt
- Minimum statutory requirement 10%			
Rating			
Fitch Ratings Lanka Ltd.	BBB+ (lka)	BBB+ (lka)	

22,270

Total Assets
(Rs. million)

2015: Rs. 18,073 million Change: 23.22%

2,993

Shareholders' Funds
(Rs. million)

2015: Rs. 2,534 million Change: 18.13%

620

Staff Strength
(Nos.)

2015: 601 Nos. Change: 3.16%

Chairman's Message

We at Senkadagala Finance strongly believe in attaining sustainable growth. Therefore, we continually strive to safeguard the interests of all our stakeholders whilst facilitating growth and increased value

Dear Shareholders,

It is with great pleasure that I welcome you to the 47th Annual General Meeting of Senkadagala Finance PLC and present to you the Annual Report for the financial year 2015/16.

The financial year in review was a commendable year for Senkadagala Finance. Your Company delivered solid financial results, strengthened areas of governance and risk management and is positioned as a significant player in the financial services industry in Sri Lanka. This performance demonstrates the intrinsic strengths of Senkadagala Finance – the dedication of our employees, the quality of our service and the loyalty of our customers.

Diverse Developments in the Operating Environment

Globally, 2015 was a challenging year characterised by negative sentiments towards emerging markets, persistently low interest rates, a sharp decline in commodity prices, surplus liquidity, regional conflicts and changing regulatory framework. Global GDP growth remained muted during 2015 and is expected to face sustained challenges going forward.

Sri Lanka, too witnessed a low interest rate regime. The complementing high credit demand created a favourable economic environment for the financial services industry leading to high asset growth and lower NPL ratios. The market interest rates remained low during 2015, although an upward movement was observed in the latter part of the year. The Central Bank allowed greater flexibility in determining

the exchange rate based on market forces. This resulted in a faster depreciation of the Rupee from early September 2015, which remained broadly stable during the first eight months of the year.

The NBFIs sector plays a pivotal role in promoting financial inclusion in the nation. The Government introduced various regulatory changes along with the changes in the tax structure with the view of strengthening the financial system stability. However, the maximum Loan to Value (LTV) ratio imposed by the Central Bank on loans and advances granted for the purpose of purchase or utilisation of motor vehicles affected the asset growth of the industry during the financial year.

A Solid Financial Performance

Our 2015/16 result was one of sustained profitability, well-managed portfolios and a strong asset growth.

Your Company's Profit Before Tax increased by 36% Year on Year (YoY) to Rs. 883 million and the asset base swelled to Rs. 22 billion, representing an increase of 23% compared to the previous year. There was a notable improvement in asset quality whilst all the key performance indicators pointed to the right direction. It is noteworthy to mention that through stringent measures adopted to improve collections and credit evaluation process, the Gross NPL ratio was brought down to 2.02% in FY 2015/16.

The Financial Review of this Annual Report outlines our 2015/16 performance in much greater detail and provides our outlook for 2016/17.

Areas of Focus

We at Senkadagala Finance strongly believe in attaining sustainable growth. Therefore, we continually strive to safeguard the interests of all the stakeholders whilst facilitating growth and increased value. This enables us to be resilient and maintain the profitability of the Company.

At the core of the Company's ability to meet the challenges of the future and realise its vision, is our people. The record of success of Senkadagala Finance would not be possible without the strength of the great team of employees who are committed to working together with dedication and commitment. Your Company remains committed to fostering an environment that supports their professional development, facilitating the provision of a standardised service throughout the Company. We have a highly experienced management team with many years of service experience in the industry as well as in the Company.

Recognising the importance of expansion, your Company increased its island-wide coverage by opening 50 branches and service centres in dispersed locations during the period of past four years. In the current financial year, the focus was on consolidating the newly opened branches and centres in their respective localities. Since most of these new centres have reached their breakeven points and are contributing towards the Company's bottom line, we are encouraged to continue with our carefully planned branch expansion strategy in the ensuing year.

The products of the Company were promoted through effective marketing and promotional campaigns throughout

the year resulting in increased revenue. Emphasis was given to customer retention and customer turnaround during the year.

Development in technology brings exciting opportunities to improve efficiency and deliver financial services in completely new ways. Having seen its benefits, your Company has continually introduced the latest technological advancements to offer an exemplary customer experience every time. We are able to offer a speedy and effective service, increase the efficiency of our operations, have a better oversight of the processes and maintain costs at a minimal level. Additionally, technology enables us to manage risks effectively and improve the audit function of the Company as well. So, during the year, we continued to invest in digitalisation and use technology to enhance customer experience. Accordingly, an online real time service was introduced to the savings customers enabling them to carry-out financial transactions through an online portal.

The Board remains committed to excellent corporate governance and, as part of that commitment, we have in place a robust governance structure that enables the Company to succeed and deliver long-term sustainable growth. Additionally, we have continued to strengthen risk management oversight with a focus on internal controls, policies and procedures and engage directly and frequently with regulators and key stakeholders on a range of issues. The Risk Committee and the Audit Committee play a pivotal role in identifying risks and adopting an inclusive holistic approach towards mitigating risks and maximising the risk return trade-off of the Company.

As a part of our Corporate Social Responsibility (CSR) initiatives, we continued to invest in worthy causes

that are of importance to our society apart from driving green concepts in the organisations that contribute towards environmental conservation.

Dividends

The Board is pleased to declare a final dividend of Rs. 0.75 per ordinary share, bringing the full year dividend distribution to Rs. 2.55 per share.

A Look Ahead

Your Company has always pursued a strategy of organic growth. In view of the positive results of the branch expansions in the recent past, we will continue to expand our reach by opening branches and service centres in strategic locations to serve a wider population base in the ensuing year.

Investment in technology will continue to be an area of importance to achieve operational excellence and deliver a high level of customer experience. Through effective promotional campaigns we will continue to grow our lending base and implement measures to maintain a high portfolio quality.

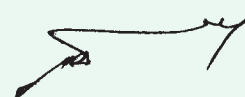
Governance and risk management will be areas of priority that protect the long-term interests of our stakeholders. We will also continue to give back to the communities in which we live and work, whilst nurturing a winning team of employees through training and development.

Acknowledgement

It has been a good year for Senkadagala Finance. The performance has been sound and we have strengthened the Company's balance sheet. With the ongoing investment in technology, dedicated team

of employees and a strong management team, your Company is well positioned to deliver sound and increased returns to the shareholders.

In conclusion, I express my appreciation to my colleagues on the Board for their continued support and co-operation. I especially thank our Managing Director/ CEO, Mr. Lakshman Balasuriya and all the staff members for their dedication and commitment during the year. I appreciate the continued support and guidance extended by the Director and the staff of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka. I deeply appreciate the loyalty and confidence of our shareholders and our valued customers for their patronage.



Ravi Dias
Chairman

22nd July 2016

Lending Strength to Aspirations

We've tailored our product and service portfolio to lend support and strength to the aspirations and needs of every customer – be they big, small or medium sized. And this we do in a considerate and ethical manner – and always with great economy!



Managing Director/ CEO's Review

As the customer is core in our Company's strategy, we have aligned all business functions towards the common purpose of helping customers. During the year, we embarked on several initiatives to nurture strong customer relationships, improve our service standards, extend greater convenience, enhance our service delivery using advanced technology, provide greater customer privacy and introduce new products

Our clear focus on strengthening risk management, prudent investments in technology, stringent NPL management and reinforcing of the existing branch network were critical to delivering a strong performance in the financial year 2015/16. The asset base surpassed the Rs. 20 billion milestone and we earned the highest ever turnover in the history of our Company.

Commendable Performance

Profit after tax increased by 13.6%, to Rs. 613 million, compared to Rs. 540 million in financial year 2014/15. Whilst the asset base reached Rs. 22.2 billion as at the end of the financial year 2015/16, the loan portfolio swelled by 24% YoY to Rs. 16.9 billion, largely on account of the effective promotional campaigns conducted throughout the year. The focus of strengthening the branch network in the recent past facilitated Rs. 11.9 billion of new disbursements enabling the newly opened branches to reach their breakeven during the year.

Expanding Our Coverage

Over the past 4 years, we aggressively expanded our geographical coverage by opening branches in strategic locations. Accordingly, in March 2015, our 80th outlet was opened. In the financial year under review, the key focus of the management was to establish business in the localities of the newly opened centres and strengthen the customer base of the Company. This proved to be a success as most of these newly opened branches

and centres achieved their breakeven during the year and made significant contributions to the Company's bottom line. Going forward, we will re-implement the branch expansion strategy with meticulous planning giving high emphasis to penetrate highly populated and untapped locations to achieve a faster breakeven.

Enhancing Operations through Technology

We adopt advanced technology in our daily operations to achieve operational excellence and extend an unparalleled service to our customers. Technological improvements enabled us to maintain adequate levels of control on operations and management decision-making while improving the internal audit and the risk management functions of the Company. During the year, we made significant and thoughtful investments in technology to simplify and enhance customer experience which is a strong foundation for our ongoing success. Apart from implementing an online real time banking service linked to our savings deposits, a Web Application Firewall and URL filtering equipment were installed to enhance data and network security.

The efficiency brought about by these technological advancements enabled us to serve our customers within a short turnaround time, which is a key selling point for our new businesses. Our island-wide network of 80 branches and service centres are connected through a centralised network enabling us to offer a standardised service to our customers from any of our outlets. Additionally, the use of management information systems has enhanced the decision-making process of the Company. In particular, the

efficiency and the effectiveness of the risk management process have been greatly improved on account of automation.

Improving Asset Quality

This year, there was a notable increase in new businesses in tandem with the favourable developments in the economy. The asset quality deteriorated in the previous year due to numerous internal and external factors. Implementing effective measures, we successfully improved the asset quality of the Company, bringing down the Gross NPL Ratio to 2.02% in March 2016, compared to a high of 4.3% in the previous comparable period. Going forward, we will take advantage of the favourable developments in the economy to further strengthen our Company whilst maintaining a high asset quality.

Strengthening Risk Management

Effective risk management is an important strength of our Company that we give high emphasis to. It is critical for our long-term viability and our entire organisation is geared to manage risk successfully – from our structure to our values. We continued to improve our risk management infrastructure by making significant and long-term investments in technology and data management processes and we recently implemented a formal 'Whistle-blower Policy' to ensure fair and independent investigation on matters of concerns with apt follow-up. The Risk Management Committee and the Audit Committee meet at regular intervals to discuss emerging risks and adopt timely risk control measures to strengthen the risk management process of the Company.

Promoting Sustainability

We remain committed to driving sustainability through continuous improvements in all our operations, active engagement with stakeholders and delivering increased value to them.

The customer is core in our Company's strategy, with all business functions aligned towards a common purpose of helping customers become financially better off. During the year, we embarked on several initiatives to nurture strong customer relationships, improve our service standards, improve access and extend greater convenience, enhance our service delivery using advanced technology, provide greater customer privacy and introduce new products.

We built our human capital through effective training and development programmes and elevated employee motivation by mapping clear career development paths along with performance based incentives and bonuses.

Our business partners were given the opportunity to promote their products and have a greater exposure amongst our customer base.

To the Government, we paid Rs. 35 million as income tax during the financial year 2015/16 and we continued to adhere to all the applicable rules and regulations of the authorities.

Increased value was generated to our shareholders as evidenced by the payment of a high dividend amounting to Rs. 166 million during the financial year 2016. We have also maintained a healthy capital ratio and strengthened the asset base of the Company. Through strong governance and stringent risk management process, the Company has been further safeguarded.

Our responsibility extends to the community and the environment in which we operate. We are conscious of the critical role we play in contributing to social goals as we conduct the business of financing. Apart from helping people to achieve their financial aspirations, we supported the youth of our nation to gain practical experience in our organisation. We also extended our support to the 'Kusum Sevana' day care and pre school managed by the Kotahena Good Shepherd's Convent. In our efforts to conserve the environment, we continued the drive green concept in our Company to minimising our carbon footprint, through automation of functions and promoting a paperless organisation.

More of our sustainability initiatives are detailed under Sustainability Report on pages 33 to 47.

Future Outlook

The future outlook of our Company is promising in particular due to strengthened risk management policies implemented. In the ensuing year, we will focus on aggressively promoting the core business activities of our Company. Therefore, apt measures will be taken to further strengthen the loan appraisal techniques and maintain a high asset quality in the Company. We will also expand our branch network to offer an inclusive service to a wider customer base. In tandem, maintaining a high operational gearing ratio and a healthy cost to income ratio will also be areas of emphasis.

Additionally, we will continue to adopt advanced technology to customise systems to cater to specific customer needs in an efficient manner. Automation would enhance the productivity of the Company, further enabling to realise more cost efficiencies.

We will continue to strengthen and empower our employees – the most valuable asset of the Company whilst being whole heartedly dedicated to our customers, shareholders, business partners and the communities we serve.

Our Company enters 2016/17 with a purpose and a momentum that is truly exciting, generating increased value to all our stakeholders. We have a strong asset base and we are investing prudently in new opportunities and technology with the same level of operational excellence and financial discipline that have always served us well. Most importantly, we have talented and dedicated people at all levels of the organisation who are motivated and driving growth and an outstanding Board of Directors who partner with the Senior Management in developing forward-looking strategies.

Thank you

As I conclude the review of a commendable year, I wish to extend my appreciation to the Chairman and the Board of Directors for their continuous support and guidance. I wish to thank the Senior Management team and staff members for their ongoing dedication and significant efforts towards the success of the Company. I convey my appreciation to the Director and the staff of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka for the continued support and guidance extended. I am grateful to our customers and the shareholders for the confidence and continued patronage.



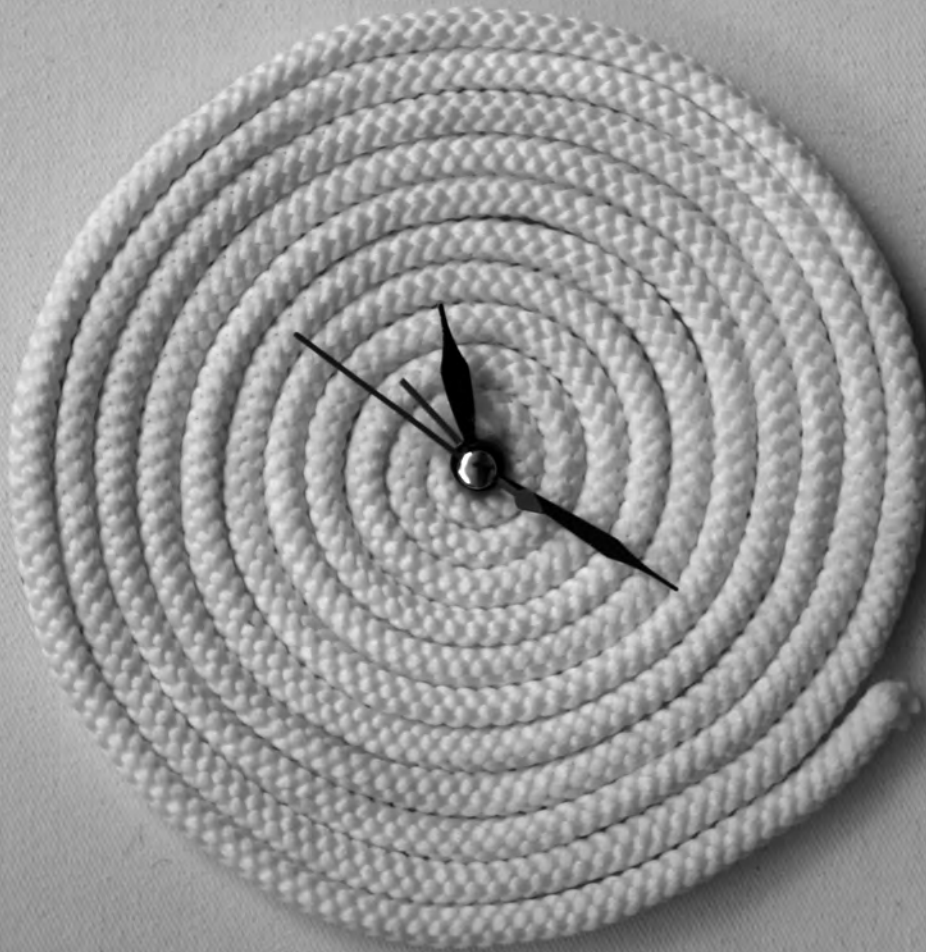
Lakshman Balasuriya
Managing Director/CEO

22nd July 2016

Lending Strength to a Secure Future

We are committed to cherishing the trust and resources reposed in our Company by investors and growing them to become a significant source of strength for a secure future.

The years ahead will unfold at diverse speeds for diverse individuals;
time becomes relative. Our challenge is to strengthen all.



Management Discussion and Analysis

A Macroeconomic Review

Global Economy Grows Moderately

Global economic activity remained subdued and is estimated to have grown by 3.1% in 2015. Although, growth in emerging market and developing economies declined for the fifth consecutive year, they still accounted for 70% of global growth. The modest recovery in advanced economies continued during the year. There was gradual rebalancing of economic activity in China away from investment and manufacturing, towards consumption and services. The prices for energy and other commodities remained low and there was a gradual tightening in monetary policy in the US in the context of a resilient US recovery during 2015.

According to the April 2016 update of the World Economic Outlook of the IMF, global growth is projected to remain at a modest 3.2% in 2016, before picking up to 3.5% in 2017. Despite the weakness in oil exporting countries a moderate slowdown in China on account of the continued rebalancing economic activity and the weak outlook for exporters of non-oil commodities, emerging and developing economies will still account for the lion's share of world growth in 2016. Activity in emerging and developing Asia will remain robust, with India notching up to 7.5% in 2016/17. The growth will continue to be driven by private consumption, benefited from lower energy prices and higher real incomes. The revival of private investment is expected to further strengthen growth with the revival of sentiments and pickup in industrial activity.

A modest and uneven recovery is expected to continue in advanced economies, with a gradual further narrowing of output gaps. Growth is projected to continue in the US at a moderate pace, supported by strengthening balance sheets and an improving housing market.

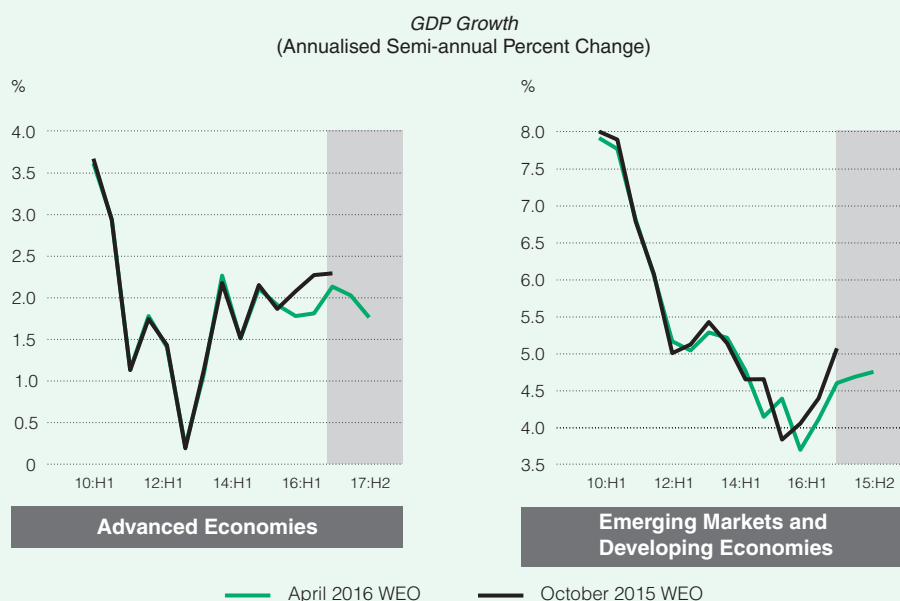
The modest recovery in the Euro area is projected to continue in 2016/17, with weakening external demand outweighed by the favourable effects of lower energy prices, a modest fiscal expansion and supportive financial conditions.

The growth in Japan is projected to remain at 0.5% in 2016, before turning slightly negative to -0.1% in 2017 as the scheduled increase in the consumption tax rate goes into effect.

China is projected to slow to 6.5% in 2016 and 6.2% in 2017, reflecting announced

policy stimulus. A further weakening is expected in the industrial sector, as excess capacity continues to unwind, especially in real estate and related upstream industries and manufacturing.

Inflation in emerging market and developing economies is projected to fall to 4.5% in 2016, from 4.7% in 2015, on account of the decline in commodity prices and the dissipating effects of last year's currency depreciations. The headline inflation in the Euro area is projected to reach 0.4% in 2016, whilst it is expected to be -0.2% in Japan due to strengthening Yen and low energy prices. In the US, inflation is projected to rise to 0.8% from 0.1% in 2015 amid a tightening labour market, even though Dollar appreciation and pass through from lower oil prices are exerting downward pressure on prices. Inflation is forecasted to remain low in China, at about 1.8% in 2016 and India is expected to achieve its inflation target of 5% in the first half of 2017.



Source: IMF World Economic Outlook – April 2016

	Projections			
	2014	2015	2016	2017
World Output	3.4	3.1	3.2	3.5
Advanced Economies	1.8	1.9	1.9	2.0
United States	2.4	2.4	2.4	2.5
Euro Area	0.9	1.6	1.5	1.6
Japan	-0.1	0.5	0.5	-0.1
Emerging Market and Developing Economies	4.6	4.0	4.1	4.6
China	7.3	6.9	6.5	6.2
India	7.2	7.3	7.5	7.5
Word Trade Volume				
Imports				
Advanced Economies	3.5	4.3	3.4	4.1
Emerging Economies	3.7	0.5	3.0	3.7
Commodity Prices (USD)				
Oil	-7.5	-47.2	-31.6	17.9
Non-fuel (average based on world commodity export weights)	-4.0	-17.5	-9.4	-0.7
Consumer Prices				
Advanced Economies	1.4	0.3	0.7	1.5
Emerging Market and Developing Economies	4.7	4.7	4.5	4.2
London Interbank Offered Rate (%)				
On USD Deposits (six months)	0.3	0.5	0.9	1.5
On Euro Deposits (three months)	0.2	0.0	-0.3	-0.4
On Japanese Yen Deposits (six months)	0.2	0.1	-0.1	-0.3

Percentage change unless otherwise noted

Source: IMF World Economic Outlook – April 2016

Commendable Growth of the Sri Lankan Economy

Sri Lanka recorded an economic growth of 4.8% in 2015, marginally lower than the 4.9% growth recorded in 2014. This slowdown is attributed to a slowing

export sector and foreigners taking away their funds from Sri Lanka due to a stronger US economy. The impact of these developments was however, offset to some extent by lower international commodity prices. Nevertheless, domestic consumption rebounded as incomes grew during the year.

Indicator	Unit	2011	2012	2013	2014 (a)	2015 (b)
Real Sector and Inflation						
Real GDP Growth (c)	%	8.4	9.1	3.4	4.9(b)	4.8
GDP at Market Price (c)	Rs. billion	7,219	8,732	9,592	10,448(b)	11,183
Per Capita GDP (c)	US\$	3,129	3,351	3,610	3,853(b)	3,924
Annual Average Inflation (d)	%	6.7	7.6	6.9	3.3	0.9
External Sector						
Trade Balance (c)	% of GDP	-14.9	-13.8	-10.2	-10.4	-10.2
Current Account Balance (c)	% of GDP	-7.1	-5.8	-3.4	-2.5	-2.4
Overall Balance	US\$ million	-1,059	151	985	1,369	-1,489
External Official Reserves	US\$ million	6,749	7,106	7,495	8,208	7,304
Fiscal Sector (c)						
Current Account Balance	% of GDP	-0.8	-0.9	-0.7	-1.2	-2.2
Overall Balance	% of GDP	-6.2	-5.6	-5.4	-5.7	-7.4
Central Government Debt	% of GDP	71.1	68.7	70.8	70.7	76.0
Monetary Sector (e)						
Broad Money Growth (M_{2b})	%	19.1	17.6	16.7	13.4	17.8
Growth in Credit to the Private Sector (in M_{2b})	%	34.5	17.6	7.5	8.8	25.1

(a) Revised

(b) Provisional

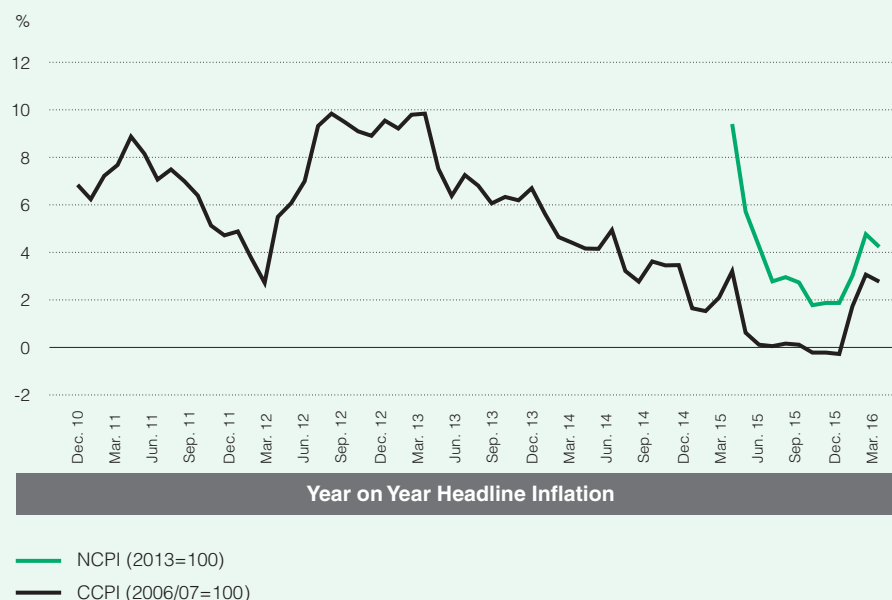
(c) Year on year growth based on end year values

Source: Central Bank of Sri Lanka – Annual Report 2015

The Agriculture sector accelerated its growth momentum to 5.5% and increased its GDP share marginally to 7.9% in 2015. Services related activities, which account for the largest share of GDP, grew by 5.3% in 2015, largely due to the expansion in financial services. The growth in industry sector slowed down to 3.0% marginally reducing its share in GDP to 26.2%.

Consumption demand was the key driver of the real GDP growth in 2015, whilst investment activities made a modest contribution. Domestic savings declined from 24% of GDP in 2014 to 22.6% of GDP in 2015. National savings too declined to 27.8% of GDP in 2015 from 29.5% of GDP the previous year.

Inflation, based on Colombo Consumers' Price Index (CCPI) remained below mid single digit levels, supported by the downward adjustment of prices of several key consumer items, favourable supply side developments in the domestic and international markets and well contained inflation expectations. Headline inflation, as measured by the year on year change of CCPI, declined sharply from 3.2% in January 2015 to 0.6% in February 2015. Accordingly, year on year headline inflation by end 2015 was recorded at 2.8%, compared to 2.1% at the end of 2014. Correspondingly, core inflation, which switches out energy and selected food items from the CCPI basket, grew from 0.8%, on YoY basis in February 2015, to 4.5% at the end of the year. This was driven mainly by the enhanced growth of bank credit as well as higher wages given to Government workers and employees in other sectors of the economy.



Source: Central Bank of Sri Lanka – Annual Report 2015

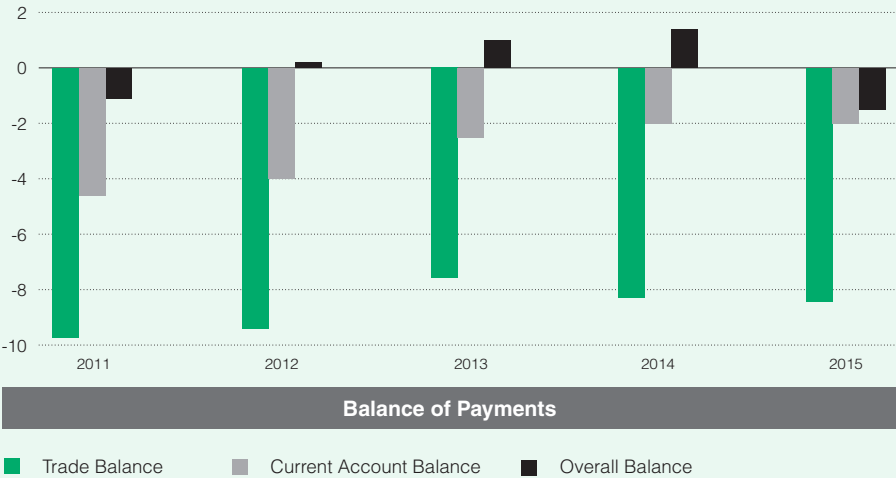
The unemployment rate increased to 4.6% during 2015, as against 4.3% recorded in 2014, amidst a marginal increase in female labour force participation. The female unemployment rate increased to 7.6% from 6.5% in 2014, while the male unemployment rate declined from 3.1% to 3.0% in 2015. There was a notable increase in unemployment among youth and those with GCE A/L and higher qualifications.

With increased participation of rural sector females in the labour force, the labour force participation rate increased to 53.8% in 2015, from 53.3% in 2014. Labour productivity too increased during

2015, with positive contributions from all three sectors of the economy. In addition, there was a sharp decline of 12.4% in the total number of departures for foreign employment, which is partly attributed to escalated geopolitical tensions and the slowdown of economic activity in the Middle East. This had an impact on the unemployment rate as well as the labour force participation rate during 2015.



Source: Central Bank of Sri Lanka – Annual Report 2015



Source: Central Bank of Sri Lanka – Annual Report 2015

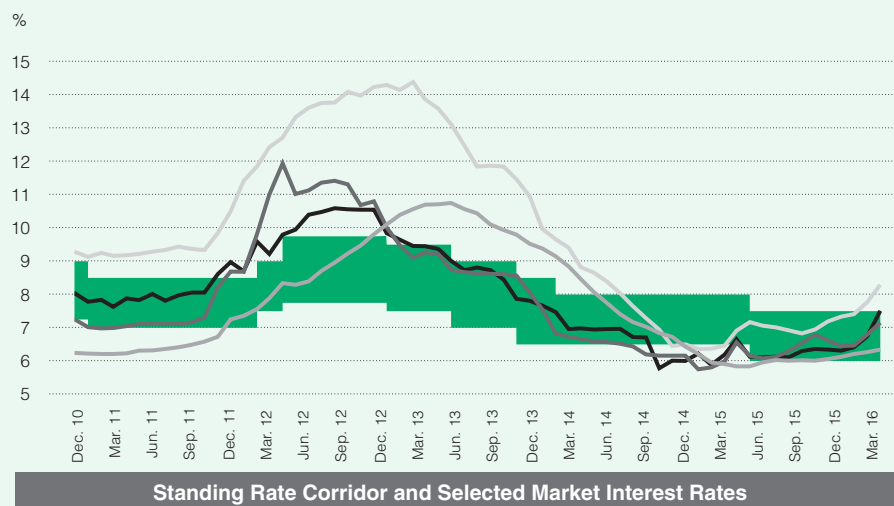
Despite substantial gains from the lower oil prices and continued positive trends in the tourism sector, slowing down of net foreign exchange inflows, including worker remittances and capital outflows, generated an overall deficit in the balance of payments (BOP). Efforts to reverse the downward trend in Government tax and non-tax revenues were moderately successful, but overruns on the expenditure side of the Government Budget caused the budget deficit to expand to 7.4% of GDP as against the targeted deficit of 4.4%.

There was substantial pressure on the domestic foreign exchange market due to the lower than expected inflows to the current and financial accounts, high volume of foreign exchange outflows due to increased imports, debt service payments and the reversal of foreign investments from the Government Securities market. Therefore, in early September 2015, the Central Bank allowed greater flexibility in the determination of the exchange rate. Subsequent to this decision and till the end of the year, the Rupee recorded a depreciation of 6.64% against the US Dollar, resulting in an overall depreciation of 9.03% against the US Dollar in 2015.

In order to address the adverse implications of growing demand pressures on price and financial stability, the Central Bank of Sri Lanka (CBSL) took several measures. These include early corrective action by enforcing the new macro prudential regulation of loan to value (LTV) ratio, tightening monetary policy through an upward adjustment of the Statutory Reserve Requirement (SRR) and later increasing the Central Bank's policy interest rates.

Financial Sector of Sri Lanka

In an environment of continued low inflation, the Central Bank maintained a relaxed monetary policy stance during the year. However, pre-empting the emergence of excessive demand pressures on inflation emanating from high credit and money expansion, CBSL initiated a gradual tightening of monetary policy towards end 2015.



Source: Central Bank of Sri Lanka – Annual Report 2015

Since liquidity in the domestic money market continued to be in excess throughout 2015, the Central Bank conducted various Open Market Operations to maintain the average weighted call money rate (AWCMR). To reduce the impact of this adjustment on short-term interest rates, the Central Bank lowered its policy rates by 50 basis points in April 2015.

As credit and monetary aggregates continued to grow at a higher pace than projected, the Central Bank raised the Statutory Reserve Ratio (SRR) applicable on all Rupee deposit liabilities of commercial banks by 1.50% points, to be effective from January 2016. This measure was expected to permanently absorb a part of excess liquidity from the market.

Monetary aggregates grew at a higher rate than projections in 2015 on account of the expansion in net domestic assets (NDA) of the banking system. This was driven by enhanced credit flows to both private and public sectors amid a contraction in net foreign assets (NFA) of the banking sector. The growth of NDA of the banking system accelerated further during the year, contributing entirely to the broad money expansion. The credit granted by commercial banks to the private sector accelerated to 25.1% by end 2015 from 8.8% at end 2014.

Several policy measures were introduced by CBSL towards the end of 2015 to contain credit flows to selected sectors. Accordingly, a minimum cash margin requirement was imposed on Letters of

Credit (LCs) opened for the importation of motor vehicles, which was replaced later by a maximum Loan to Value (LTV) ratio on loans and advances granted for the purpose of purchase or utilisation of motor vehicles.

Going forward, monetary policy will be conducted to maintain inflation at mid single digits amid volatile global economic conditions and domestic vulnerabilities in 2016. This will enable the economy to realise its potential in the medium-term.

The finance sector showed improved performance in 2015 mainly on account of the favourable economic conditions and the high credit demand. Financial system stability was further strengthened with the supportive prudential regulatory measures implemented.

Total Assets of the Financial System

	2014 (a)		2015 (b)	
	Rs. billion	Share (%)	Rs. billion	Share (%)
Banking Sector	8,442	70.3	9,503	69.6
Central Bank	1,471	12.2	1,426	10.4
Licensed Commercial Banks (LCBs)	5,884	49.0	6,974	51.1
Licensed Specialised Banks (LSBs)	1,087	9.1	1,103	8.1
Other Deposit Taking Financial Institutions	857	7.1	1,042	7.6
Licensed Finance Companies (LFCs)	743	6.2	915	6.7
Co-operative Rural Banks	103	0.8	116	0.8
Thrift and Credit Co-operative Societies	11	0.1	11	0.1
Specialised Financial Institutions	441	3.7	544	4.0
Specialised Leasing Companies (SLCs)	72	0.6	81	0.6
Primary Dealers	195	1.6	283	2.0
Stock Brokers	11	0.1	10	0.1
Unit Trusts/Unit Trust Management Companies	127	1.1	130	1.0
Market Intermediaries (c)	29	0.2	32	0.2
Venture Capital Companies	7	0.1	8	0.1
Contractual Savings Institutions	2,275	18.9	2,573	18.8
Insurance Companies	414	3.4	454	3.3
Employees' Provident Fund	1,487	12.4	1,665	12.2
Employees' Trust Fund	199	1.7	223	1.6
Approved Pension and Provident Funds	134	1.1	185	1.4
Public Service Provident Fund	41	0.3	46	0.3
Total	12,015	100.0	13,662	100.0

(a) Revised

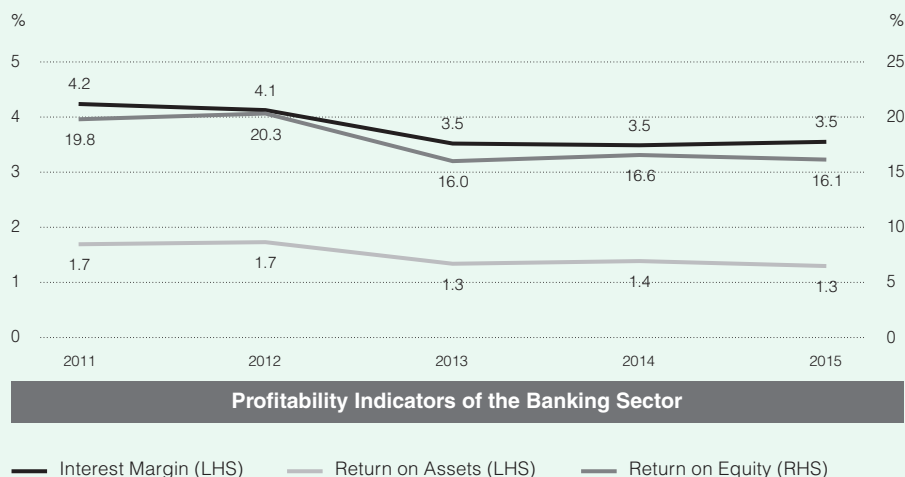
(b) Provisional

(c) Includes Underwriters, Investment Managers and Margin Providers

Source: Central Bank of Sri Lanka – Annual Report 2015

The banking sector continued to expand its asset base, risk management capabilities and also the risk absorption capacities in-line with prudential regulations of the Central Bank during 2015. The asset base of the banking sector, expanded at a slower rate of 15.9% in 2015, compared to 17.3% in 2014 and reached Rs. 8.1 trillion by end 2015. The increase in assets is attributed to the increase in loans and advances accounting for nearly 74.2% of the increase in total assets. This increase in assets was mainly funded by customer deposits which accounted for 66.9% of the liability base. The asset quality improved as reflected by the decline in the NPL ratio from 4.3% in 2014 to 3.2% as at end 2015. Borrowings accounted for 21.8% of total liabilities and primarily consisted of borrowings from foreign sources. The banking sector maintained its liquidity and capital at comfortable levels during the year, whilst prudently managing its credit, market, interest rate and liquidity risks.

The profit after tax grew by 10.3% to Rs. 97 billion in 2015, largely due to the increase in net interest income. Profitability as measured by Return on Assets (ROA) and Return on Equity (ROE) declined marginally due to the increase in the asset base and the capital base. Accordingly, ROA decreased to 1.3% from 1.4% in 2014 and ROE declined to 16.1% from 16.6% in 2014.



Source: Central Bank of Sri Lanka – Annual Report 2015

The Statutory Liquid Assets Ratio (SLAR) of the domestic banking sector at around 33% continued to be well above the minimum statutory requirement of 20%. Along with the growth in total assets, the total risk weighted capital adequacy ratio (CAR) of the sector declined from 16.6% in 2014 to 14.2% at the end of 2015.

Licensed Finance Companies (LFC) Sector

Reflecting the extended economic activities, appropriateness of policy initiatives and supportive regulatory and supervisory measures in place, the performance of the LFC sector remained robust in terms of the expansion of both business volume and outreach during

2015. Accordingly, the branch network was expanded in 2015 by 84 to 1,216 branches with emphasis placed on areas outside the Western Province.

The asset base of the LFC and Specialised Leasing Companies (SLCs) sector increased by 22.3% to Rs. 996 billion at the end of 2015, compared to the growth of 19% in 2014. This growth was largely supported by the increase in loans and advances by 31.8% and primarily financed by the increase in total borrowings with an increase of 44.8%. There was a strong demand for credit on vehicle leasing and other secured loans during the year. The improved assets quality was reflected in the NPL ratio, which decreased to 5.7% from 6.9% in 2014.

Distribution of Branches of the LFC/SLC Sector

Province	End 2014	End 2015 (a)
Western	369	394
Southern	125	134
Sabaragamuwa	83	92
North Western	118	129
Central	128	139
Uva	60	61
North Central	86	89
Eastern	88	98
Northern	75	80
Total	1,132	1,216

(a) Provisional

Source: Central Bank of Sri Lanka – Annual Report 2015

Composition of Assets and Liabilities of the LFC/SLC Sector

Item	2014 (a)		2015 (b)		Change (%)	
	Rs. billion	Share (%)	Rs. billion	Share (%)	2014 (a)	2015 (b)
Assets						
Loans and Advances	604	74.1	796	79.9	15.8	31.8
Investments	110	13.5	100	10.0	111.9	-9.2
Other	101	12.4	101	10.1	-9.3	-0.4
Liabilities						
Total Deposits	414	50.8	481	48.2	22.8	16.1
Total Borrowings	217	26.7	314	31.6	12.9	44.8
Capital Elements	117	14.3	123	12.4	20.3	5.1
Total Funds	748	91.8	918	92.2	19.3	22.7
Other	67	8.2	78	7.8	14.9	17.9
Total Assets/ Liabilities (Net)	815	100.0	996	100.0	19.0	22.3

(a) Revised

(b) Provisional

Source: Central Bank of Sri Lanka – Annual Report 2015

The sector operated with a lower market risk exposure due to the lower exposure to trading portfolio and foreign currency transactions. There were excess levels of liquidity and the overall statutory liquid assets available in LFC/SLC sector by end 2015 recorded a surplus of Rs.13.7 billion.

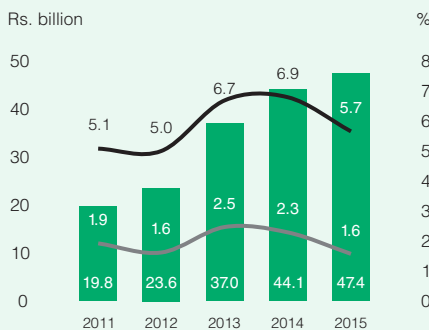
The profit after tax of the sector increased to Rs.15.2 billion compared to Rs.14.8 billion in 2014. Despite the improvements of core business operations, the profits moderated during the year due to a sharp increase in operational costs. The net interest income increased significantly by 32% to Rs. 82 billion due to expansion of the credit portfolio, particularly due to increasing higher yields on microfinance lending and of finance lease portfolios. This resulted in an improved net interest margin which increased to 8.7% in 2015 from 8.0% in 2014. A sharp increase in operational costs during the year affected the ROA and ROE of the sector, which decreased marginally to 3.0% and 12.3% in 2015 compared to 3.1% and 14.0% of 2014, respectively. Total CAR of 11.2% of the sector at the end of 2015 reflected a decrease from 13.5% in 2014.

There was a steady growth in deposits as the sector continued to offer relatively high deposit rates compared to banks. However, the share of deposits in total funding decreased to 48.2% in 2015 from 50.8% in 2014. Total deposits grew at a lesser magnitude of 16.1% compared to 22.8% in 2014. The deposit mobilisation was mainly through time deposits which accounted for 95% of the total deposit base. Total borrowings increased by 44.8% to Rs. 314.3 billion by end 2015 compared to 12.9% growth in 2014. The share of borrowings increased to 31.6%

in 2015 and the high growth in borrowings was mainly due to funds obtained from the banking system and debenture issues.

The total regulatory capital increased by 5.8% to Rs. 92.8 billion in 2015 due to retention of profits. The total CAR decreased to 11.2% at end 2015 from 13.5% at end 2014 and the core capital ratio decreased to 10.5% from 12.8% in 2014. The reduction of capital ratios was mainly due to the greater increase of risk weighted assets.

Assets quality of the sector improved during the year as evident by improved NPLs and provision coverage ratios. Due to the high growth of the loan portfolio, gross and net NPLs ratios decreased to 5.7% and 1.6% respectively, in 2015 from 6.9% and 2.3% in 2014. The Rs. 3.3 billion increase in NPLs in 2015 was not significant compared to the 7.1 billion in 2014.

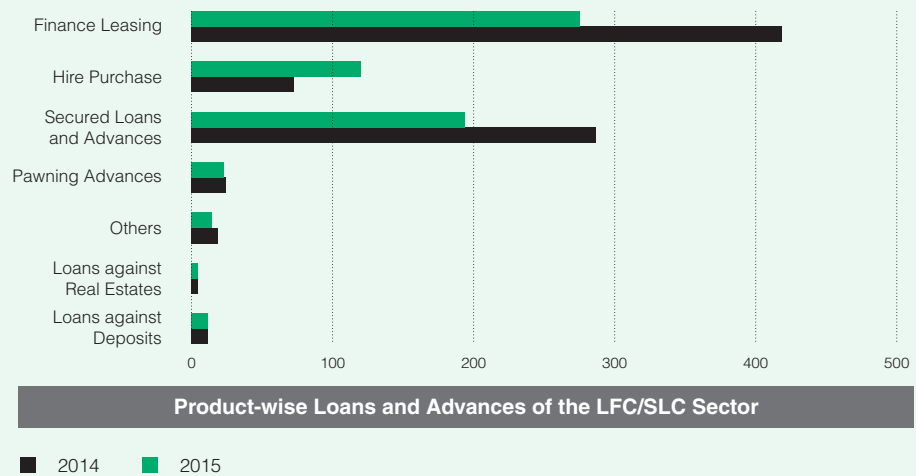


Non-Performing Loans of the LFC/SLC Sector

- Gross NPA (LHS)
- Gross NPA Ratio (RHS)
- Net NPA Ratio (RHS)

Source: Central Bank of Sri Lanka – Annual Report 2015

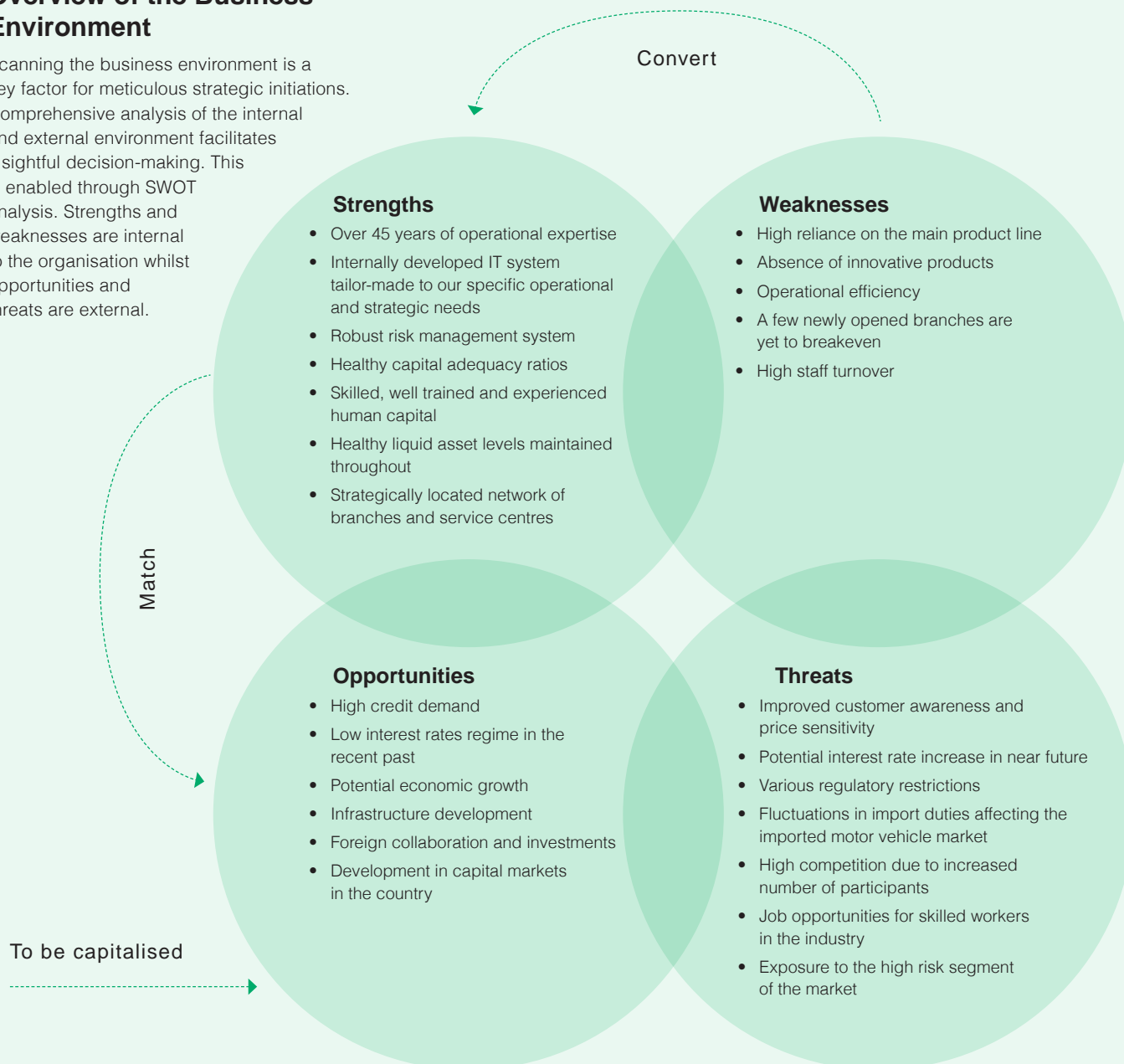
Acceleration in the credit demand for vehicle leasing facilities was observed by the Central Bank in 2015. With a view to pre-empt this trend, which may develop into a system-wide risk to the financial sector, the Central Bank imposed a maximum LTV of 70% in respect of loans and advances granted for the purpose of purchase or utilisation of motor vehicles by banks and LFC/SLC. Further, a new regulatory framework was designed to strengthen and streamline the existing policies and practices in respect of the opening, closure and relocation of branches and other outlets of LFC/SLC.



Source: Central Bank of Sri Lanka – Annual Report 2015

Overview of the Business Environment

Scanning the business environment is a key factor for meticulous strategic initiations. Comprehensive analysis of the internal and external environment facilitates insightful decision-making. This is enabled through SWOT analysis. Strengths and weaknesses are internal to the organisation whilst opportunities and threats are external.



Lending Strength to Talent

We are committed to harnessing the raw talent, skills and aptitude of our employees and honing them into a closely knit composite that empowers and strengthens.



Operational Review

Strategic Initiatives

During the year, the Company embarked on several initiatives to reap the benefits of the favourable economic conditions that prevailed in the country. The Company strengthened its balance sheet whilst creating strategic partnerships to create value in the future.

Cutting edge Technology

Senkadagala Finance is equipped with an internally developed, advanced Information Technology (IT) system which is tailor-made to our requirements. This fully integrated system facilitates all IT needs in the organisation, from routine transaction recording to generating management information reports that enable sound decision-making. This has not only paved the way to maintain a higher level of operational efficiency, but to provide a superior level of service to customers as well. So, the Company continuously strives to enhance the use of Information Technology within the organisation and upgrade its IT systems to maintain the competitive edge amongst competitors.

In March 2016, the Company joined the CEFTS (Common Electronic Fund Transfer Switch) with LankaClear (Pvt) Ltd., facilitating its customers to transfer funds on an online real time basis to banks and other finance companies. The customers are able to enjoy a state-of-the-art banking experience with high returns on investments offered by a Non-Bank Financial Institution (NBFI).

Through a partnership with eZ Cash merchant network, the Company facilitates its customers to pay their lease rentals through their eZ Cash wallet, either directly through their mobile or at any of the 20,000 plus eZ Cash merchant points island-wide. eZ Cash is Sri Lanka's pioneering mobile money network and the world's first end to end interoperable mobile money service offering subscribers an unparalleled reach to send and receive money from rural villages to bustling cities. The Company's customers who have subscribed to an eZ Cash wallet on Dialog, Etisalat or Hutch networks can avail themselves of this facility.

Marketing Promotions and Business Affiliations

Several promotional campaigns were launched during the year to take advantage of the favourable economic conditions – low interest rates, high liquidity and improved credit demand that prevailed throughout the year. At the beginning of the year, the Company signed an MOU with 'Ideal Motors' to conduct a joint promotion island-wide. This was highly beneficial to the Company as it helped to augment its lending base and expose its branches/centres to customers and industry. A range of benefits including, free registration, free insurance and free services were granted for the vehicles leased under this promotion.

Mid-year, the Company launched a campaign to promote small and microfinance products such as brand new motor bikes, three-wheelers and mini trucks. This included daily visits to local suppliers, town storming, leaflet campaigns, street promotions and

displaying banners. A special benefit of Dialog TV post-paid connections worth Rs. 6,000/- were given free to microfinance clients.

A loan protection cover was introduced for all new facilities granted after 23rd November 2015, preventing the outstanding lease liability from being passed on to guarantors and/or family in the event of the death of the hirer/borrower. This has reduced the credit risk associated with the loans to a certain extent. A single premium was charged at the time of granting the facility.



Business Promotions in Gampola



Business Promotions in Kandy



Business Promotions in Kandy



Introduction of Pawning Facility at Chavakachcheri Branch

Expanding Our Reach

This year, the Company focused on establishing the newly opened branches and centres in their respective localities. The favourable economic conditions along with the support and guidance offered by the Management, enabled most of these newly opened centres to breakeven by the year end. The contribution from these newly opened centres to the bottom line has encouraged us to continue on a carefully planned expansion of the branch network.

Financial Review

Overview

Senkadagala Finance recorded an outstanding performance, reflecting the strength and stability of the organisation. Profit Before Tax increased by 36% YoY to Rs. 883 million in the financial year 2016, whilst all key performance indicators recorded an upward movement against the previous year.

The low interest rate regime and the complementing high credit demand created a favourable economic environment for the financial services industry which was characterised by high return on investments and lower NPL ratios. However, going forward, challenges such as regulatory restrictions and potential upward movement of market interest rates signal a slowdown in the industry over the upcoming year.

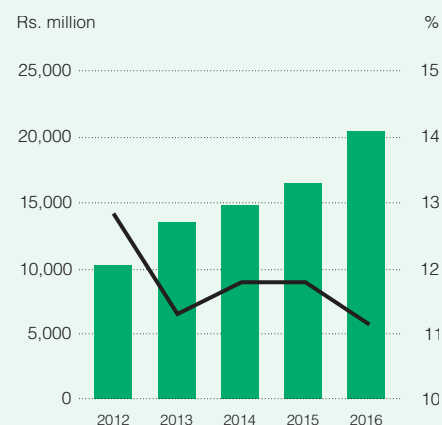
The Company operates with its 80 branches and service centres with most branches and centres set up in the recent past reaching its break even point. This has provided a positive outlook in facing an increasingly competitive financial services industry in the future.

Profitability

Despite the volatility in the vehicle market and the challenges posed by the regulatory environment, Senkadagala Finance recorded the highest Profit After Tax (PAT), in its history. The PBT increased by a whopping 36.3% YoY to Rs. 883 million whilst PAT rose by 13.6% YoY to Rs. 613 million in the financial year ended 31st March 2016.

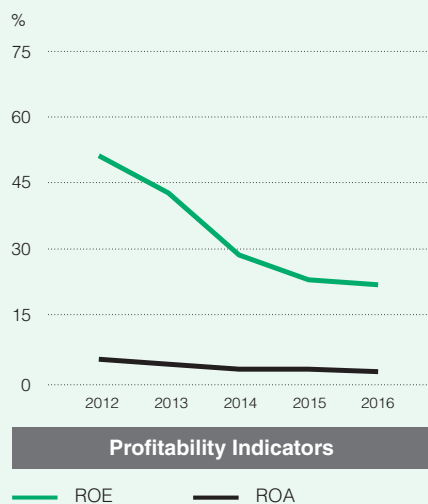
Return on Assets (ROA) declined marginally to 3.04% in 2015/16, compared to 3.18% of the preceding year, due to the accelerated growth in the asset base.

The pre-tax and post-tax profits for the Group amounted to Rs. 918 million and Rs. 612 million respectively, reflecting YoY growth rates of 49% and 26%. The key contributors for this growth were the reduction in interest expenses and the significant decrease in loan losses due to improved asset quality of the Company. The prudent policies in operating expenses management greatly improved the profitability in the financial year ended 31st March 2016.



Return on Interest Earning Assets

■ Interest Earning Assets (Rs. million)
— NIM (%)



Net Interest

Despite the low interest rates which prevailed in the market, Senkadagala Finance recorded a 4.5% growth in interest income largely due to the higher number of advances granted to customers and improved asset quality. Additionally, the introduction of effective funding management mechanisms helped to take advantage of the low interest rates that prevailed in the market. This enabled the Company to record a 2.8% YoY decrease in interest expenses in the fiscal year 2016. In tandem with the increase in interest income, the net interest income rose by 11.5% YoY to Rs. 2,045 million in 2015/16.

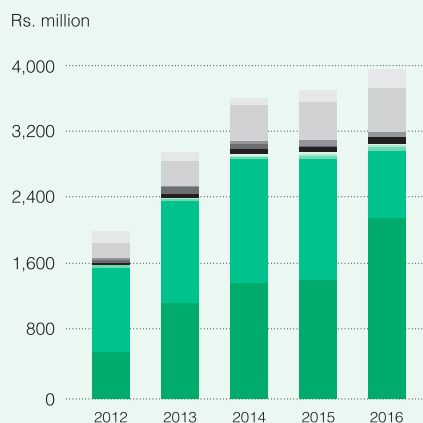
The Net Interest Margin (NIM) recorded a marginal decline from 11.78% to 11.12% as at 31st March 2016, primarily due to the high growth in the interest earning assets during the year.

Income

The higher number of new advances disbursed during the year improved the fee based income of the Company.

Accordingly, fee based income increased by a staggering 142% YoY to Rs. 85 million in FY 2015/16, compared to Rs. 35 million in the previous financial year.

Other operating income also recorded a notable increase of 67% YoY to Rs. 127 million, compared to Rs. 76 million in 2014/15. This was driven largely by the increase in dividends received and disposal of assets. At Group level, other income increased by 186% to Rs. 74 million in FY 2016, mainly due to rent income from investment property of Newest Capital Ltd., which is the newest member of the Group.



Analysis of Income

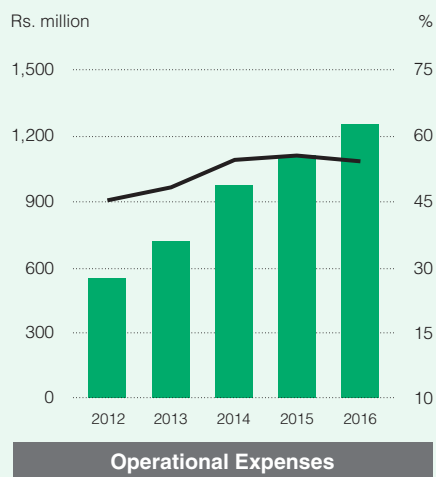
- Non-Interest Income
- Other Interest Income
- Repurchase Agreements
- Money Market
- Government Securities
- Fixed Deposit Loans
- Pawning Advances
- Commercial Loans
- Personal Loans
- Hire Purchases
- Finance Leases

Expenses

Operational expenses of the Company increased in tandem with the growth in business volumes. Due to the increased headcount as a result of the growth in the number of branches and service centres, the personnel expenses rose by 13.5% YoY to Rs. 411 million. Similarly, depreciation and amortisation expenses swelled by Rs. 39 million YoY to Rs. 221 million for the FY 2016. The fee and commission expenses and other expenses increased by 46% and 5% respectively YoY to Rs. 36 million and Rs. 553 million, due to the high level of operations during the year under review.

Although the total operating expenses indicated an increasing trend, the Company brought down the cost to income ratio to 54.5% in FY 2016, compared to 55.7% of last year, through meticulous operational management.

Due to the deteriorating asset quality at the end of the previous financial year, the Management implemented several measures to improve the non-performing assets and the general quality of the asset base. As a result, the impairment and other loan loss charges for the year reduced significantly. In the year under review, the net charge on impairment and other loan losses improved by 65% YoY to Rs. 57.9 million in FY 2016 compared to Rs. 168 million in FY 2015.



■ Operational Expenses (Rs. million)
 — Cost to Income Ratio (%)

Taxation

The value added tax on financial services of Senkadagala Finance amounted to Rs. 88.6 million, whilst the corporate income tax charge amounted to Rs. 269 million for the FY 2016, reflecting an YoY increase of 127% on the total tax expense.

The increase in value added tax on financial services is mainly attributed to the increased level of loans and advances granted during the year. The corporate income tax expense which recorded an YoY increase of 150%, comprise of deferred tax amounting to Rs. 234 million and the current tax expense of Rs. 35 million. The higher level of income from the finance leasing business which was exempt from corporate income tax resulted in an effective tax rate of 3.97% in FY 2016, compared to 10.26% in the previous financial year.

Financial Position

Total assets of the Company increased by 23% YoY to Rs. 22 billion as at end March 2016, surpassing the Rs. 20 billion milestone within the first few months of the financial year. Total loans and advances of Rs. 16.9 billion constituted 75.9% of total asset base of the Company. The liquid assets amounted to Rs. 3.5 billion as 15.7% of total assets supporting the working capital requirements of the Senkadagala Finance, while accommodating the regulatory liquid asset requirements. Other major assets components include property, plant and equipment and investments in subsidiary companies.

Liquid Assets and Cash Flows

Cash and cash equivalents increased by 13% YoY to Rs. 458 million, whilst deposits held with licensed commercial banks increased by 65% to Rs. 1,234 million as at end FY 2016. However, the contribution of cash and cash equivalents and deposits with banks to the total asset base changed to 2% and 5.5% respectively in FY 2016, compared to 2.2% and 4% in FY 2015. Total liquid assets increased by 25% YoY. Thus, the Company succeeded in maintaining healthy liquid asset levels in comparison to its total asset base to accommodate the working capital requirements and potential business growth.

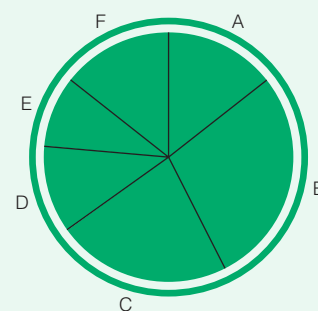
The large volume of new advances disbursed demanded high liquidity injections throughout the year. Accordingly, the cash used in operating activities of Senkadagala Finance amounted to Rs. 3,011 million. This was an increase of Rs. 3,059 million from the Rs. 48 million cash generated from operating activities in FY 2014/15.

A notable decrease was evident in the cash used in investing activities from Rs. 684 million in the previous financial year to Rs. 170 million in the financial year under review. Since the Management made a decision to postpone branch expansion, there was an improvement in the cash used in investing activities.

Loans and Advances

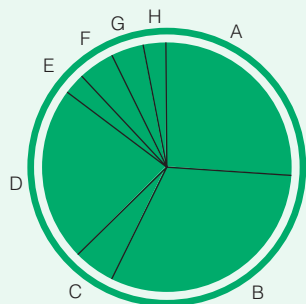
The Rs. 16.9 billion loans and advances portfolio of Senkadagala Finance comprise receivables from finance leases, hire purchases, commercial loans, personal loans and pawning. The portfolio increased by a healthy 24% YoY, driven by the high volume of new finance lease executions and the low interest rate environment coupled with the high credit demand during the year.

Analysis of Loan Portfolio by Size of Facility



A - 14% Below Rs. 0.5 million
 B - 29% Rs. 0.5 million to Rs. 1.0 million
 C - 23% Rs. 1.0 million to Rs. 1.5 million
 D - 11% Rs. 1.5 million to Rs. 2.0 million
 E - 9% Rs. 2.0 million to Rs. 2.5 million
 F - 14% Above Rs. 2.5 million

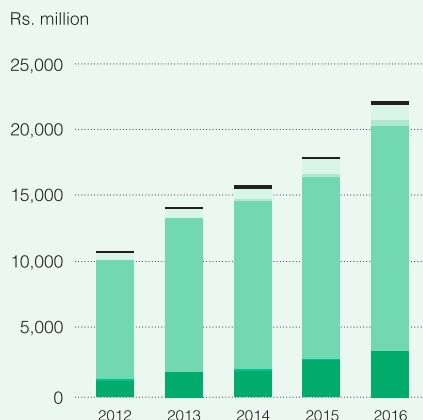
Analysis of Loans and Advances by Vehicle Types



- A - 26% Cars/Jeeps
- B - 31% Vans
- C - 5% Buses
- D - 23% Lorries
- E - 3% Land Vehicles - Tractors
- F - 5% Motor Cycles
- G - 4% Three Wheelers
- H - 3% Others

The lease portfolio grew by an impressive 71.4% YoY from Rs. 8,151 million to Rs. 13,976 million as at 31st March 2016. The budgetary reforms in late 2014 created favourable conditions for finance leases, thereby shifting the demand from hire purchases towards finance leases. So, hire purchase portfolio reflected a decline of 58% to Rs. 2,024 million in 2015/16 from Rs. 4,925 million in 2014/15.

Commercial loans and pawing also contributed to the growth of the advances portfolio with notable growth rates of 406% and 78% respectively. Accordingly, commercial loans increased to Rs. 333 million whilst pawing rose to Rs. 180 million in FY 2015/16. This growth was fuelled by the promotional activities carried out throughout the year targeting potential market segments.



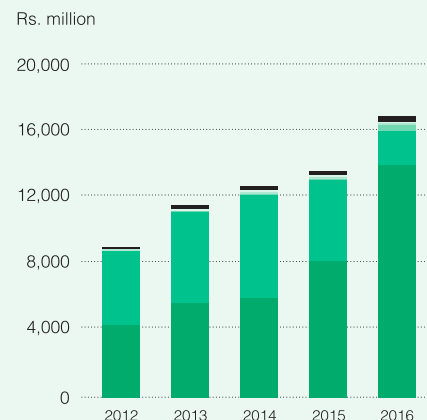
Total Assets

- Other Assets
- Property and Equipment
- Investments in Subsidiary
- Loans and Advances
- Investments
- Cash and Near Cash Items

Asset Quality

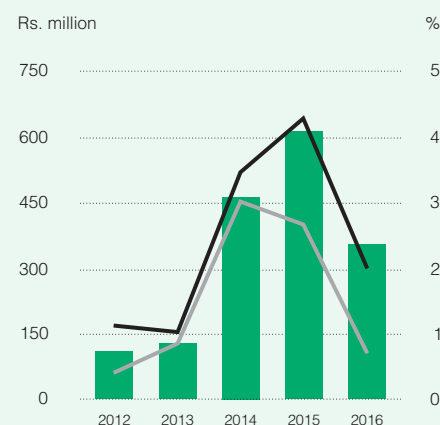
Several corrective measures were implemented to improve the asset quality of the portfolio in the light of the deteriorating NPA ratio of previous year. These efforts resulted in a 93.5% collection ratio for the financial year ended 31st March 2016.

Improved credit evaluation processes and prudent credit policies enabled to enhance the asset quality of the Company. The non-performing ratio, which is the gross non-performing advances as a percentage of total loans and advances, was 2.02% in 2015/16. This was well below the industry average of 5.7% and the NPL ratio of the previous financial year of 4.30%.



Analysis of Loans and Advances

- Other Advances
- Pawing Advances
- Personal Loans
- Commercial Loans
- Hire Purchases
- Finance Leases



Asset Quality

- Non-Performing Advances (Rs. million)
- Gross NPA Ratio (%)
- Net NPA Ratio (%)

Liabilities

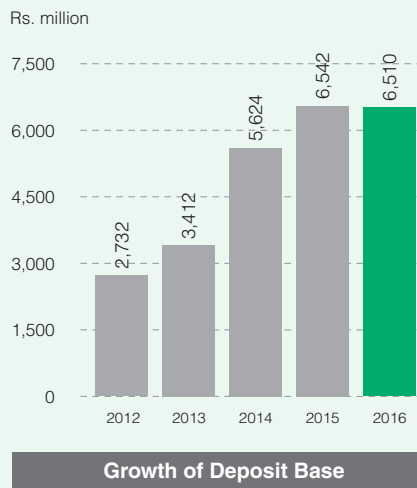
The total liabilities of the Company stood at Rs. 19,277 million as at 31st March 2016, recording a growth of 24% YoY compared to Rs. 15,539 in 2014/15. Bank loans, securitised loans and debentures accounted for 61% of total liabilities.

Total borrowings of the Company increased by 40% to Rs. 11,751 million in FY 2015/16, which consisted of mid to long-term bank borrowings amounting to Rs. 4,806 million as at end of March 2016. Capitalising on the low interest rate regime and the high liquidity which prevailed in the market, the new business growth was primarily funded through bank and other securitised borrowings. This helped to reduce the interest expense whilst creating favourable conditions to managing the maturity mismatch.

Senkadagala Finance did not issue any new debentures during the year. As a result debt securities in issue decreased by 14.5% to Rs. 3,059 million by the end of the fiscal year. The Company has issued Rs. 1,260 million subordinated debentures to support its capital adequacy requirement.

Deposits from customers consists of fixed deposits, certificates of deposit and savings deposits totalling Rs. 6,510 million in FY 2015/16. Total deposits declined marginally by 0.49% from Rs. 6,542 million in 2014/15. The availability of relatively cheap funding through bank and other borrowings reduced the necessity to generate funds through deposits. The high volume of new advances granted during the year required high volumes of funding within short turnarounds; so deposits were not a suitable funding source.

Consequently, the fixed deposits decreased by 0.32% YoY to Rs. 6,217 million, whilst savings deposits declined by 3.79% YoY to Rs. 281 million by end of March 2016.



Shareholders' Funds

The total shareholders' funds recorded a healthy growth of 18% primarily due to increased profitability. The shareholders' funds stood at Rs. 2,993 million in FY 2015/16, reflecting an increase of Rs. 460 million from Rs. 2,534 million in the previous financial year.

There were no new issue of shares, so the stated capital stood at Rs. 1,008 million; the same as last year. In compliance with the Finance Companies (Capital Funds) Direction No. 01 of 2003, Senkadagala Finance transferred Rs. 35 million to the statutory reserve fund, resulting in an increase of 15% to Rs. 265 million as at end March 2016.

Other reserves collectively amounted to Rs. 1,716 million, reflecting a YoY growth of 32%, compared to Rs. 1,296 million of FY 2014/15.

The core capital ratio and the total capital ratio stood at 15.82% and 19.69% respectively compared to 16.54% and 22.97% of FY 2014/15. The decrease of the ratio was mainly attributed to the higher growth in assets compared to equity.

Senkadagala Finance paid Rs. 166 million as dividends during the year. This was a growth of 54% compared to Rs. 108 million of 2014/15. Additionally a third interim dividend was paid on 15th June 2016 and the Directors have recommended a final dividend of Rs. 0.75 for each share to be paid upon approval by the shareholders at the Annual General Meeting of the Company.

Group Performance

The Group performance of Senkadagala Finance reflected an improvement, with PBT recording an increase of 49% YoY to Rs. 918 million, compared to Rs. 616 million in 2014/15. Subsidiaries, namely Senkadagala Insurance Brokers (Pvt) Ltd., and Newest Capital Ltd. recorded an increase in profits, thereby positively contributing to the overall financial performance of the Group.

Senkadagala Insurance Brokers paid dividends to the tune of Rs. 70 million on account of its improved performance.

Future Outlook

Branch expansion has proved to be an effective means of business expansion. So the Management will continue with the branches expansion drive in strategic locations to facilitate business growth in the future. This will be done in a cautious and prudent manner. Whilst exploiting untapped markets, the Company aims to further penetrate highly populated areas.

With the introduction of new tax regulations following the 2015 Budget, the Management has taken measures to capitalise on the favourable changes. As a result, leases were promoted during the year which will continue into the ensuing year as well.

The current positive trend in the market gold rates is creating a favourable environment for the pawning business. So, the Company will open pawning windows in many of its new branch locations. However, the Management will exercise due caution in promoting this business, especially due to the associated operational risk aspect of this business.

The Company continually strives to enhance the deposit backed funding of the Company. The Fixed Deposit base witnessed an exceptional growth in the year before. However, with the low interest rates in the market and banks offering competitive rates for deposits, the growth momentum slowed down last year. Senkadagala Finance aims to promote its savings deposit base, which is a source of low cost funding for the Company. With the introduction of new facilities such as online transactions, SMS alert systems etc., this product is expected to create greater value in the future. More emphasis will be given to promoting the deposit backed funding base. With the increasing interest rate trends and the regulations brought into curtail the liquidity in the market, deposits will be a reliable and a cheaper source of funding in the years to come.

Sustainability Report

Our Annual Report 2014/15 was based on the guidelines of the Global Reporting Initiative GRI G3.1 version sustainability reporting guidelines. Developing on this approach, this year the Company has adopted GRI 4 and made every attempt to report all material and relevant information comprehensively and transparently.

The Report is confined to the Company's operations within Sri Lanka and covers the 12 month period from 1st April 2015 to 31st March 2016. This is consistent with the Company's usual annual reporting cycle for financial and sustainability reporting. The information contained in the Report is in compliance with all applicable laws, regulations and standards as well as guidelines for voluntary disclosures.

Queries

The Company is pleased to answer any inquiry and/or clarify any material contained in this Report. Please Contact:

The ESMS Planning Manager,
Senkadagala Finance PLC
2nd Floor
267, Galle Road
Colombo 3
Sri Lanka
Telephone: +94 11 2 301301
Fax: +94 11 2 301937
Email: senk@senfin.com

Stakeholder Engagement

Our stakeholders are individuals or groups who can affect or be affected by the activities of the Company. The main stakeholder groups include shareholders and investors, customers, employees, suppliers and business partners, society and the environment and the Government and the regulatory authorities.

From its inception, the Company has been creating sustainable value for all

our stakeholders. This is evident by the sustainable growth of the Company over the years, the long-term relationships nurtured with our loyal customers and the highly dedicated team of employees.

Introduction of new products and services to suit the diverse needs of our 60,000+ customer base and our efforts to strengthen the risk management techniques to safeguard the investments of our shareholders are some of our sustainability initiatives. In addition, we strive to provide effective development opportunities and pave clear career paths to our employees. We also take great efforts to strengthen the long-term relationships with our strategic business partners and ensure compliance with applicable laws and regulations introduced by the Government. We are also mindful about the communities and the environment we operate in and continually promote the well-being of the society whilst preserving the environment.

The method and frequency of engagement with our stakeholders is detailed in the table below:

Stakeholder	Engagement Activity	Frequency	Areas of Concern
Shareholders and other investors	Annual Reports and Annual General Meetings	Annually	Financial performance, governance, transparency and other disclosures
	Extraordinary General Meetings	As required	Governance, transparency and other disclosures
	Interim Financial Statements	Quarterly	Financial performance and shareholder communication
	Investor presentations		
	Press conferences and releases	As required	Business expansion strategies, transparency
	Announcements to Colombo Stock Exchange	As required	Customer services, business expansion and transparency
	One-to-one discussions	As required	Financial inclusion
		As required	Risk management
	Corporate website	Continuous	Sustainable growth

Stakeholder	Engagement Activity	Frequency	Areas of Concern
Customers	Town storming, leaflet campaigns, street promotions, displaying banners	As required	Customer service, financial inclusion, affordability of services and convenience
	Relationship managers	As required	Service quality, customer satisfaction
	Touch points	As required	Financial inclusion
	Media advertisements	As required	Affordability of services and convenience
	Corporate website	Continuous	Dispute resolution
	Customer workshops	As required	Financial education
Employees	Executive meetings	Quarterly	Performance management
	Managers' conference	As required	Performance and reward management
	Regional review meetings	Quarterly	Investment in HR
	Memorandums	As required	Inclusion
	Emails	As required	Recruitment, retention and attrition
	Training programmes	As required	Value driven corporate culture
	Special events for staff engagement	As required	Diversity and inclusion Future plans Career progression
Suppliers and business partners	Supplier relationship management	As required	Contractual performance and ongoing business development
	On-site visits and meetings	As required	Responsible sourcing, future business opportunities
Government and regulatory authorities	On-site and off-site surveillances	As required	Compliance with regulations, directives and codes
	Directives and circulars	As required	Expansion
	Meetings and consultations	As required	Compliance
	Press releases	As required	Business expansion
	Periodic returns	As specified	
Society and environment	Delivery channels	Continuous	Responsible financing
	Press releases, conferences and media briefings	As required	Community investments
	Informal briefings and communications	As required	Financial inclusion
	Public events	As required	Recruitment
	Call centre and information centre	Continuous	Microfinance and SME development
	Corporate website	Continuous	Ethics, business conduct and environmental performance

Economic Performance

Senkadagala Finance continued to create economic value to all its stakeholders. This was in many forms including, generation of profits and returns to investors, extending financial support to customers, providing healthy returns to depositors and offering attractive salary packages and other benefits to employees. In addition, the

timely payment and collection of taxes on behalf of the Government and extending donations and providing continuous support to deprived sections of the society were the other efforts of creating economic value to stakeholders.

The newly opened branches provide easy access to financial facilities to the customers in the localities. In addition,

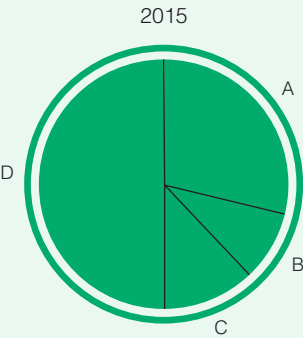
the Company provides employment opportunities to the local youth by following a policy of local recruitment.

For over 45 years, the Company has extended financial assistance to people from different walks of life contributing to personal development as well as to sustained growth of the Company.

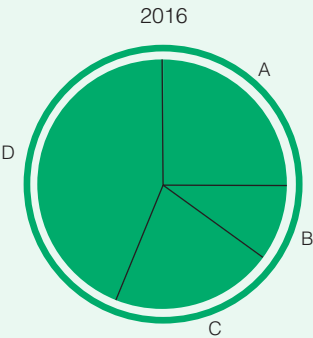
Statement of Value Added and Distributed

	2016 Rs. '000	Share %	2015 Rs. '000	Share %	Change %
Value Added					
Gross income	3,964,546		3,715,385		7
<i>Less</i>					
Cost of borrowings	(1,701,766)		(1,750,532)		-3
Payments towards support services	(600,891)		(549,748)		9
Provisions for loan losses and other provisions	(57,984)		(167,955)		-65
	1,603,905		1,247,151		29
Distribution of Value Addition					
To employees					
– as salaries and wages	310,011	19.33	266,382	21.36	16
– as other benefits	90,012	5.61	95,915	7.69	-6
To shareholders as dividends	166,330	10.37	107,625	8.63	55
To Government					
– as income tax	271,993	16.96	107,819	8.65	152
– as VAT on financial services	88,566	5.52	49,586	3.98	79
Retained within the business					
– as depreciation for replenishment of assets	221,254	13.79	187,760	15.06	18
– as reserves	455,737	28.41	432,064	34.64	5
	1,603,905		1,247,151		29

Distribution of Value Addition



- A - 29% To Employees
- B - 9% To Providers of Capital
- C - 12% To Government
- D - 50% Retained within the Business



- A - 25% To Employees
- B - 10% To Providers of Capital
- C - 23% To Government
- D - 42% Retained within the Business

Social Performance

Customers

Our Products

Senkadagala Finance offers financial services in the form of lending and accommodating deposits. The Company strives to maintain a product portfolio which yields a high return while complementing each other. Customer satisfaction and requirements remains a key consideration in the management of our product portfolio. The principal lines of business of the Company are lending and accepting customer deposits.

The primary lending products are finance leases and hire purchase facilities. Loan products such as commercial loans,

personal loans and pawning constitute the loan product portfolio of the Company. Certificates of deposit, savings and fixed deposits are the forms of accepting deposits. In addition, foreign currency exchange activities are carried out. Through our fully owned subsidiary, Senkadagala Insurance Brokers, insurance brokering services are also provided to the Company customers. The Company is committed to provide our customers a full spectrum of financial services.

Adopting the latest technological advancements, the Company rapidly disbursed loans to potential customers. This has proved to be a competitive advantage as creditworthy customers can obtain loans for either commercial or personal needs within a short period of one or two business days.

Loans and Advances

With many market participants such as specialised leasing companies, peer finance companies and commercial banks providing customers with many variations of financial products to choose from, finance lease market continues to be a highly competitive one. Increasing customer awareness and price sensitivity creates price based competition futile.

At Senkadagala Finance, the Company has a customer centric approach for business promotion, with the help of our state-of-the-art technology we are in a position to disburse loaned funds to the customers in a shorter span of time. This has become our competitive advantage.

The imposition of a maximum loan to value ratio by the Central Bank on loans and advances granted for the purpose of purchase or utilisation of motor vehicles affected the growth of finance leases.

Hire purchases with the changes in applicable taxation regulation in late 2014 became a relatively unattractive product, so was not actively promoted during the year under review.

Commercial loans are granted to entrepreneurs and small to medium size enterprises to fulfil their short to medium-term financial requirements, whereas personal loans are granted to individuals who need to finance their short to medium-term, non-commercial financial needs.

Pawning business is the latest addition to the Company's lending product portfolio, introduced with the intension of diversifying the product portfolio of the Company. Pawning advances experienced a year on year increase of 78%.

Given below is the loan appraisal process of the Company which facilitates speedy disbursement of loans.

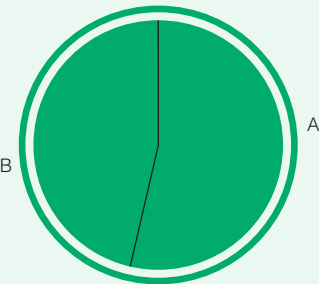


Deposits

Senkadagala Finance is one of the licensed finance companies operating under the purview of the Central Bank of Sri Lanka, so is authorised to accept deposits from the general public. The Company accommodates deposits in the form of certificates of deposit, savings and fixed deposits.

Fixed deposits are accepted for a period ranging from 1 month to 5 years, interest payable at monthly, quarterly intervals or at maturity in accordance with customer's preference. Interest rates offered to deposits are governed by ceiling rates imposed by the Central Bank of Sri Lanka. Fixed deposits provide a valuable source of funding for finance companies. The primary form of deposit accommodation is fixed deposits. This has several sub products for different customer groups such as senior citizens and children etc. The Company offers attractive interest rates within the CBSL regulations. The Company's fixed deposit holders can manage their account transactions through the online portal on the Company's corporate website. They can also perform a range of activities such as checking deposit balances, latest interest rates on offer, transfer of funds, withdraw deposits, make new deposits and perform many other services. The Company also offers loans against fixed deposits. This enables customers to utilise funds in an emergency without compromising the potential maturity interests.

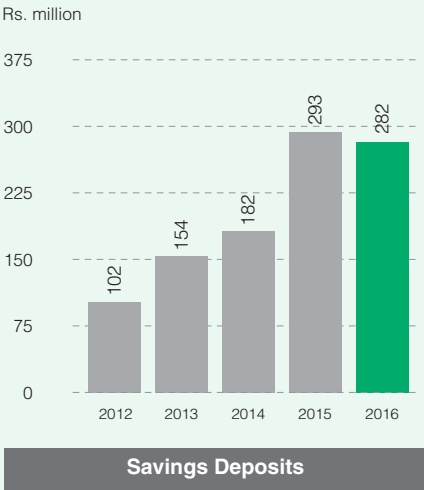
Analysis on Deposits
Based on Customer Age



A - 54% Senior Citizens
B - 46% Other Customers

Savings and certificates of deposit are supplementary deposit products. Several features and added benefits have been introduced to Senkadagala Finance savings accounts which were launched in the recent past. These include Visa debit card facilities, online access, real time fund transfer facilities and payment of credit card and other utility bills through the online portal. These have generated greater benefits to the customers. There is high potential for the growth of this product in the future.

The Company also provides services such as foreign currency exchange, insurance brokering activities and Western Union fund transfer facilities to customers.



Senkadagala Insurance Brokers (SIB)

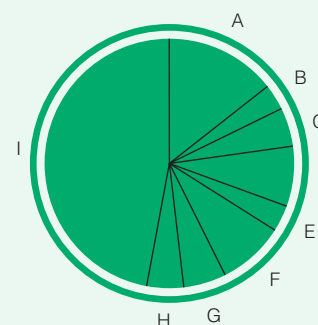
Senkadagala Insurance Brokers (Pvt) Ltd., is a fully owned subsidiary of Senkadagala Finance. The subsidiary provides intermediary services to Senkadagala Finance by insuring its lease and hire purchase asset portfolio. Through its services, the insurance brokering arm retains the customers within the Group, who would otherwise sever its ties with Senkadagala Finance once their lease or hire purchase commitments are fulfilled. In the financial year 2015/16, SIB generated a Profit Before Tax (PBT) of Rs. 95.4 million, reflecting a growth of 35% compared to Rs. 70.8 million of the previous year.

Our Markets

Senkadagala Finance has 80 branches and service centres spread across the island. Several new centres were opened in the North and the East in the recent past. As a result, there was a significant growth in new businesses in the Districts of Jaffna, Polonnaruwa, Trincomalee and Batticaloa. The number of customers, value of loans and the YoY increase is detailed in the table below:

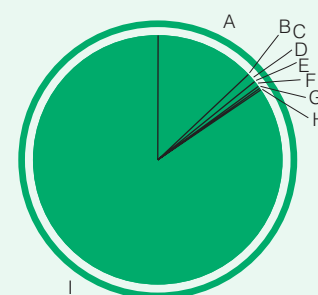
	2015/16			2014/15			Growth	
	No. of contracts	Value Rs. million	Share %	No. of contracts	Value Rs. million	Share %	Value Rs. million	Change %
Ampara	466	187	1.58	214	120	1.46	66	55.16
Anuradhapura	506	406	3.42	414	334	4.05	71	21.35
Badulla	528	335	2.83	398	232	2.81	103	44.46
Batticaloa	805	179	1.51	325	81	0.98	98	121.58
Colombo	2,788	2,663	22.44	2,462	1,901	23.00	763	40.12
Galle	496	360	3.03	394	267	3.24	92	34.51
Gampaha	2,196	1,757	14.81	1,690	1,318	15.95	439	33.33
Hambantota	749	235	1.98	430	155	1.88	80	51.78
Jaffna	777	302	2.55	192	147	1.78	155	104.92
Kalutara	786	642	5.41	525	371	4.48	272	73.30
Kandy	1,386	946	7.97	1,234	712	8.62	233	32.76
Kegalle	949	673	5.67	690	466	5.64	207	44.29
Kurunegala	1,118	852	7.18	822	567	6.86	286	50.38
Mannar	5	3	0.02	2	3	0.03	0	13.26
Matale	543	383	3.22	328	223	2.70	160	71.81
Matara	290	170	1.43	246	172	2.08	(2)	-1.12
Moneragala	723	241	2.03	636	185	2.24	56	30.30
Mullaitivu	11	4	0.03	5	2	0.03	2	74.19
Nuwara-Eliya	329	234	1.97	223	166	2.01	68	41.03
Polonnaruwa	580	284	2.39	336	142	1.71	143	100.65
Puttalam	397	311	2.62	289	230	2.79	81	35.14
Ratnapura	847	433	3.65	582	315	3.81	118	37.44
Trincomalee	417	129	1.09	185	64	0.77	66	103.42
Vavuniya	119	41	0.35	33	23	0.28	18	78.30
Kilinochchi	218	95	0.80	176	66	0.80	29	43.56
	11,866			8,262			3,604	

Province-wise Break Down of the Loan Portfolio



- A - 14% Central
- B - 3% Eastern
- C - 5% North Central
- D - 8% North Western
- E - 3% Northern
- F - 8% Sabaragamuwa
- G - 6% Southern
- H - 5% Uva
- I - 48% Western

Province-wise Break Down of the Deposits

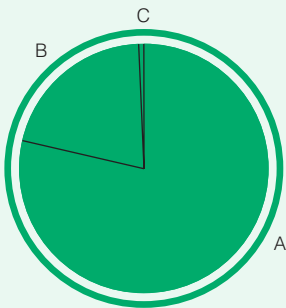


- A - 13.10% Central
- B - 0.01% Eastern
- C - 0.02% North Central
- D - 0.90% North Western
- E - 0.21% Northern
- F - 0.68% Sabaragamuwa
- G - 0.41% Southern
- H - 0.18% Uva
- I - 84.48% Western

Customer Analysis

The Company strives to maintain a balanced product portfolio. Certain products are at the maturity stage, whilst some products are newly introduced with a high potential for growth. All these products contribute to a healthy flow of returns to the Company.

Gender-wise Break Down of Overall Customers



- A - 78.68% Male
- B - 20.89% Female
- C - 0.43% Corporate

Customer Satisfaction

The Company connects with its customers in several ways including town storming campaigns, leaflet campaigns, street promotions and displaying of banners.

Relationship Managers are assigned to each customer whilst the marketing officer acts as a relationship manager at the initial period of the contract. The customer can directly communicate with these officers either to ascertain information about the products or forward any complaints.

The centralised network enables customers to access services of the Company through any of its 39 branches and 41 service centres. The customers can obtain information about their loan facilities and deposits through any of these touch points.

The corporate website has a customer portal enabling customers to make direct inquiries about the Company's products and services and forward complaints, if any. The Company email is open for such inquiries and complaints as well.

Periodic customer satisfaction surveys are carried out to assess customer satisfaction about the Company's products and services.

The Company has a high rate of return customers which is a good indication of the high level of customer satisfaction and the loyalty of its customer base. The Company also has a loyal deposit customer base. By continuously introducing sub products and new features to our existing products we effectively satisfy and delight our customers.

Employees

Employees are our most important asset. The excellence of the organisation and long-term sustainability are driven by the commitment of its people, individually and collectively. The Company's human resource initiatives are focused on fair and merit based employment, continuous career progression and development, maintaining a healthy work-life balance and ongoing communication and engagement between the Management and employees through an open door policy.

The Company also nurtures a team-based culture, recognising and respecting the rights of every employee. The Company complies with all the applicable national as well as international conventions and they are important aspects of its employment policy. In addition, the Company does not engage or promote child labour, forced labour, harassment, bullying or discrimination of any sort in the organisation.

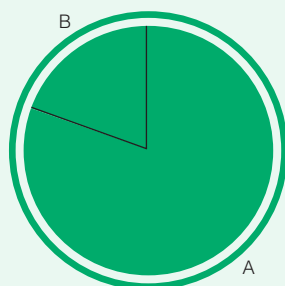
The recruitment policy of the Company is aimed at recruiting the most suitable candidate for the job, based on relevant skills and competencies. The Company gives priority to applicants who are domiciled in the localities of its branches as their deep understanding of local requirements would be a valuable input in offering an enhanced and effective service to the masses in the respective locality.

Some of the important statistics pertaining to the Company's workforce is depicted below:

Analysis of Employees

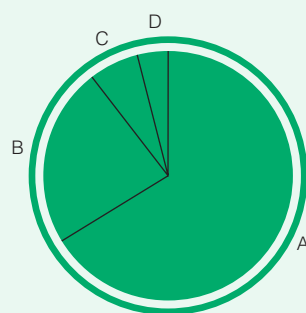
The staff strength of the Company stood at 620 employees as at end of March 2016. This was a 3.16% increase compared to the total staff strength of 601 employees in FY 2014/15.

Gender Analysis of Employees



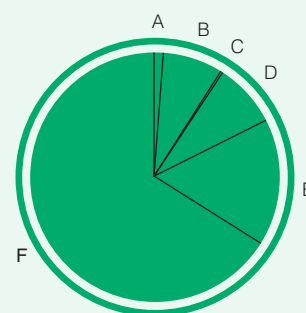
A - 80% Male
B - 20% Female

Age Analysis of Employees



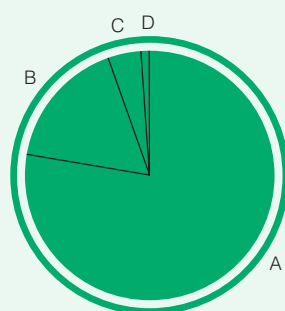
A - 66% 20-30 Years
B - 23% 31-40 Years
C - 7% 41-50 Years
D - 4% >50 Years

Analysis of Staff Qualifications



A - 1% Full Professional
B - 8% Part Professional
C - 0% Post Graduate
D - 8% Graduate
E - 16% Diploma
F - 67% GCE Advanced Level

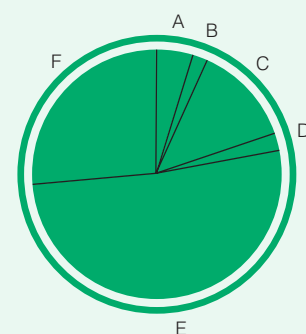
Service Analysis of Employees



A - 78% <5 Years
B - 17% 5-10 Years
C - 4% 11-20 Years
D - 1% >20 Years

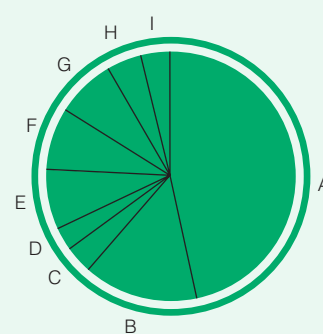
The Company has a relatively young workforce with 66% of employees between the ages of 20 to 30 years.

Staff Category Analysis



A - 5% Senior Managers
B - 2% Managers
C - 13% Branch Managers
D - 2% Assistant Managers
E - 52% Executives
F - 26% Trainee Executives and Others

Geographical Analysis



A - 47% Western Province
B - 14% Central Province
C - 4% Eastern Province
D - 3% North Central Province
E - 8% Northern Province
F - 8% North Western Province
G - 8% Sabaragamuwa Province
H - 4% Southern Province
I - 4% Uva Province

Benefits Given to Full Time Employees**Employees' Provident Fund (EPF)**

All employees are entitled to the EPF. Both Company and employees contribute to the Fund amounting to 12% and 8% respectively of the employees' basic salary. This is the largest Social Security Scheme in Sri Lanka.

Employees' Trust Fund (ETF)

The Company contributes 3% of the basic salary of an employee to the ETF.

Gratuity

According to the provisions of the Payment of Gratuity Act No. 12 of 1983, all permanent staff members are entitled to a ½ month's salary for each completed year of service at the time of leaving the Company, provided that the member has worked for over five years continuously at the time of resignation.

Bonus

Employees are entitled to an annual bonus, the quantum of which depends on the profitability of the Company and employee performance.

Medical Benefits

Hospitalisation expenses are reimbursed subject to a maximum amount specified in the Hospital and Surgical Expenses Insurance Policy.

Personal Accident Cover

All staff members are covered by the Personal Accident Insurance and the payment limits depend on the Grade of the employees.

Staff Loan

Staff members who have completed five years of service are eligible for a loan equal to the gratuity balance, subjected to maximum repayment period of 60 months.

Salary Advance

Confirmed employees are eligible to apply for a salary advance equal to 1 month's salary subject to a maximum repayment period of six months.

Festival Advance

Confirmed employees are eligible to apply for a festival advance equal to a month's salary subject to a maximum repayment period of ten months. Festival advances are granted for Buddhist and Hindu employees in the month of April and Christian employees in the month of December, subject to total deductions not exceeding 40% of the monthly salary.

Company Vehicle

Motor cars and bikes are provided to staff members based on their Grade.

Mobile SIM

A mobile connection is provided with an allowance to all employees.

Staff Appraisal and Employee Development

An annual structured appraisal and development system is conducted for all staff members of the Company. The career progression plan for branch managers is based on branch performance. Targets are set for each branch prior to the commencement of each financial year. This is based on joint discussions between the respective branch managers and the Senior Management. The actual performance of each employee is accessible to all employees through the Company's computer system to facilitate transparency. Each employee is evaluated against the predetermined KPIs. This system enables the Company to encourage a performance based culture which is beneficial to the employees and the organisation.

Career progression for executive cadre is based on the 'Executive Score System.' This is a transparent performance evaluation technique, maintained on an interactive IT platform. Points are allocated to each executive based on performance and target achievement on an individual basis and collectively as a branch or a centre. Executives can access their respective performance record at any given time to ascertain his/her performance. This interactive mechanism enables self-motivated employees to map out their career progression within the organisation. The executive score is used to determine the annual incentive payment and promotions for each executive. Additionally, the Company introduced an evaluation mechanism to measure branch/centre performance of the Company.

Training and Development

The Company invests in people development. So, numerous training and development programmes are organised including on-the-job training, professional training, technical seminars, courses, workshops and the like. Employees are encouraged to participate in training to update themselves with relevant job-related skills in order to meet corporate objectives. They are also encouraged to share knowledge and skills gained from

these training programmes with their colleagues.

During the financial year in review, several training programs were conducted to hone the skills of employees to achieve the desired outcomes in their performance. Accordingly, all training programmes were geared to assist the personal development of employees as well as the organisational growth, contributing to its long-term sustainability.



Senkadagala Finance PLC 7 A Side Cricket Team

Training Conducted During the Year

Date	Programme	Participation	No. of Employees Participated	Gender
10.04.2015*	Programme on Exchange Control Regulations for Financial Institutions – (CBS), Central Bank of Sri Lanka	Senior Secretary and Trainee Executive – Marketing	2	M - 1 F - 1
26.05.2015*	Seminar on Real Time Gross Settlement System in Sri Lanka – Central Bank of Sri Lanka	Manager and Assistant Manager – Accounts	2	M - 2
06.06.2015	Staff Training (CRIB and Credit Evaluation, MC Cases, Vehicle Insurance, Reporting details to CRIB and its Errors and Valuation of Vehicles)	Senior Executives, Executives and Trainee Executives – Marketing	22	M - 22
13.06.2015*	Programme on Lending Against Pawn Brokering – Central Bank of Sri Lanka	Executive Officer – Pawning	1	M - 1
13.06.2015	Staff Training (Foreign Currency, FD and Savings Accounts, Audit & Compliance and Accounts)	Secretaries, Trainee Executives – Marketing and Intern	30	M - 9 F - 21
16-17.06.2015*	NHRC 2015 – HR for National Prosperity – Institute of Personnel Management	Board Secretary	1	F - 1
23/30.06.2015*	Programme on Essentials for Non-Bank Financial Institutions – (CBS), Central Bank of Sri Lanka	Senior Manager – Audit	1	M - 1
04.07.2015	Programme on System Development and Its Applications (Legal Platform)	Assistant Manager, Senior Executives, Secretary and Trainee Executive – Legal Customer Services	18	M - 17 F - 1
07.07.2015*	Programme on Essentials for Non-Bank Financial Institutions (CBS), Central Bank of Sri Lanka	Senior Manager – Audit	1	M - 1

Date	Programme	Participation	No. of Employees Participated	Gender
07.07.2015*	Seminar on Commercial Contract and Negotiations (Association of Corporate Lawyers Sri Lanka)	Assistant Manager and Executives – Legal Customer Services	3	M - 3
13 - 14.07.2015*	FortiWeb 5.0, Web Application Firewall Course # 251 – Jalan University, Malaysia	Network and Security Engineer – IT	1	M - 1
19.07.2015*	Workshop on Sales Management – Institute of Sales Management	Officer-in-Charge – Pawning, Senior Executive, Executive and Secretary – Marketing	4	M - 3 F - 1
30.07.2015*	Workshop on Decision-Making Techniques - Lt. Col. Wasantha Pamunuwa, Segue Consultancy Service	Senior Executive – Documentation	1	M - 1
06 - 07.08.2015*	Programme on Forecasting, Budgeting and Financial Management – (CBS), Central Bank of Sri Lanka	Manager and Senior Executive – Accounts	2	M - 2
12.08.2015*	Programme on Delight Your Customer – Ms. Denuka Perera, 3i Training Solutions	Senior Secretary and Secretaries	10	F - 10
27.08.2015*	Administrative/Office Assistant Training Programme – Cherish Plans (Pvt) Ltd.	Office Assistant – Administrative	1	M - 1
22.09.2015*	Programme on Delight Your Customer – Ms. Denuka Perera, 3i Training Solutions	Secretaries	10	F - 10
23.09.2015*	Session on HR & Labour Banking and Finance Insurance Law – Association of Corporate Lawyers Sri Lanka	Manager – Legal	1	M - 1
04.10.2015* (20 weeks)	English Language Skills for Employment – University of Moratuwa	Regional Manager	1	M - 1
10.11.2015	Training – Up Grade Version of Reporting Legal Remarks	Assistant Manager, Senior Executive, Executives, Secretary, Trainee Executives and Typist – Legal Customer Services	12	M - 10 F - 2
13.11.2015*	Anti-Money Laundering/Countering the Financing of Terrorism Awareness Programme – Central Bank of Sri Lanka	Assistant Manager and Executive – Marketing	2	M - 2
28.11.2015*	Staff Motivation Workshop – Global Education Providers (Pvt) Ltd.	Senior Executive – Treasury and Secretary	2	M - 1 F - 1
15.01.2016	IT Training (New System)	Senior Regional Managers and Regional Managers	10	M - 10
16 - 17.01.2016*	Kandy Law Conference 2016 – Junior Bar Committee of the Kandy Bar Association	Legal Officer	1	M - 1
12.02.2016*	One Day Workshop/Seminar (Credit Evaluation) – Finance Houses Association of Sri Lanka	Senior Executives, Executives and Trainee Executives – Marketing	7	M - 7

Date	Programme	Participation	No. of Employees Participated	Gender
13.02.2016*	Workshop on Personality and Image Consultants – Ms. Dammi Peiris	Manager and Assistant Manager – Deposits	2	F - 2
02.03.2016*	Workshop on Result Driven Business Communication – eSolve Business Solutions	Assistant Manager – HR, Senior Executive – Recoveries and Senior Executive – Marketing	3	M - 3
12.03.2016	Staff Training (CRIB and Credit Evaluation, Legal Cases, Vehicle Insurance, Reporting details to CRIB and its Errors and Valuation of Vehicles)	Executives and Trainee Executives – Marketing	38	M - 38
17.03.2016*	Training on IFRS 16 (Impact for Lessees on New Leasing Standard) – Financial Accounting Advisory Services	Senior Finance Officer, Manager and Senior Executives – Accounts	4	M - 4

* External Training Programmes, Seminars and Workshops

Recruitments and Resignations

During the financial year 2015/16, a total of 166 employees were recruited whilst 140 employees resigned. The highest number of 111 employees were recruited to the executive cadre whilst 81% of the new recruits were female employees.

The highest number of resignations during the year was in the executive category.

Community

Corporate Social Responsibility (CSR) has rapidly gained momentum in corporates across the globe. Accordingly, an increasing number of companies in almost every sphere are adopting CSR principles and initiating CSR programmes. It is imperative that companies play an active role in their communities whilst enhancing their financial performance as it strengthens the sustainability of the Company.

Today CSR has become a key aspect in the overall corporate plans of companies alongside traditional functions such

as marketing, branding, research and development etc.

The CSR agenda of the Company forms an integral part of the Company's growth strategy. It is based on the objective of generating measurable and sustainable social dividends for the different segments of society. So, the Company's focus was on fostering education and healthcare in communities and driving environmental conservation.



Poson Dansala – Maharagama Branch

Internship Programme

The Company continued with the internship programme, providing opportunities to qualified young graduates to gain in depth knowledge on core areas of businesses such as branding, marketing, finance, information technology, treasury, deposits and savings and HR. The total training period spanned six months during which a monthly allowance was paid to the trainees. Suitable candidates were absorbed to the permanent cadre when opportunities arose. Post survey results indicate that almost all these interns have joined well established companies and banks with the experience and the knowledge gained from the Company's internship programme.

The Company also continued the educational development programme of the Dompe Primary School. Previously, the Company provided specially designed chairs for the differently - abled children of this school. This year, partnering the school authorities, the Company

implemented the 5S system and provided specially designed tables, cupboards and stationery items to the school.



Donation to Dompe Primary School



Uththama Nanasavi Pooja

Popham Arboretum Project

The Company environment activities were mainly focused on the ongoing Dambulla 'Popham Arboretum' project. Having seen the progress in the past year, the Company continued to extend financial support for this project during the FY 2016 as well. The Arboretum which was part of the chena activities at one stage, now consists of naturally grown indigenous dry zone trees and is home to some of the indigenous species of animals. The Arboretum also educates the public on the importance of natural forestation and the danger of clearing lands for cultivation and housing.



'Popham Arboretum' Project

Supporting People through Product Development

Since its inception in 1968, the Company has catered to the various financial needs of its customers. Through financing facilities, the Company has contributed to uplifting the lives of our customers, their dependents and beneficiaries.

As stated elsewhere, the Company joined eZ Cash merchant network, giving its customers the opportunity to pay their lease payments through eZ Cash wallet.

Environmental Performance

Although the Company does not pose a significant threat to the environment, it is mindful of its responsibilities towards environmental conservation. So, it promotes environmentally friendly practices in the organisation and also ensures that its customers do not engage in businesses that adversely affect the environment. The Company has taken stringent measures to mitigate any indirect impact caused by the businesses it finances. The Company has in place environmental indicators which is an integral part of its business. These include performances related to environmental compliance.

Reusing and Recycling

The Company has in place an online document retrieval system, which has contributed to reducing paper usage significantly. This has also made the loan approval process faster and increased the productivity of the Company as well. Additionally, the Management actively promotes reuse of materials such as paper in the organisation.

Energy Conservation

As an initiative to reduce energy consumption in the organisation, LED panel lights were installed in the new service centres. Although this has slightly increased the procurement and installations costs, the energy consumption has been reduced significantly, contributing to financial savings.

Effective Waste Management

The Management actively promotes reuse of materials such as paper. The administrative department gives timely reminders stressing the necessity of reusing envelopes for internal courier purposes. This has helped not only to cut down costs but also promote environmental friendly trends among staff members.

Promoting Environmental Friendly Practices

An Environment and Social Management System (ESMS) is in place to integrate environmental and social risk management in to the business process of the Company. This was formulated as a prerequisite of the loan agreement with International Finance Corporation (IFC).

The ESMS conforms to the applicable national environmental legislative requirements and relevant international best practices. This system facilitates the screening of lending facilities against the exclusion list. It also helps the clients to identify, mitigate and manage environmental and social risks.

A mechanism is in place to monitor, supervise and assist the effective implementation of the ESMS in the organisation.

Additionally, the Company ensures the implementation of environmental and social management practices in all its activities and services as follows:

- Ensure that relevant local, national as well as international best practices on environmental and social protection are integrated by the customer prior to or soon after obtaining finances and throughout project implementation.
- Ensure all activities that the Company undertakes are consistent with its own environmental and social standards, and are monitored accordingly.
- Integrate environmental and social risk management practices into internal risk management analysis.
- Influence interested parties, especially clients and other domestic business partners to be more environmentally and socially responsible.
- Ensure transparency in Environmental and Social Management System & Procedures (ESMS & P).

An addendum was included to our loan agreement, in implementing the policy in April 2014. This communicates to the customers, the Company policy on environment and social risk management, emphasising strict compliance.

Donations to Environmental Protection Activities

During the year, the Company donations amounted to Rs. 2.2 million, of which Rs. 300,000 was for environmental conservation projects.

Profiles of the Board of Directors

Mr. W. M. R. S. Dias

Chairman

Mr. Ravi Dias, a banker by profession, served Commercial Bank of Ceylon PLC for four decades and retired as the Managing Director/Chief Executive Officer.

He is a Fellow of the Chartered Institute of Bankers – UK, holds a Degree in Law (LL.B) and is a Hubert H Humphrey Fellow.

Mr. Dias is a Committee Member of the Ceylon Chamber of Commerce and serves on the Boards of Carson Cumberbatch PLC, Tokyo Cement (Lanka) PLC, Ceylon Tea Marketing Group, South Asia Textile Industries Lanka (Pvt) Ltd. and Seylan Bank PLC, where he was recently appointed Chairman.

Previously he has served on the Boards of LankaClear (Pvt) Ltd., Lanka Financial Services Bureau Ltd., and was a Council Member of the Employers' Federation of Ceylon.

Dr. Prathap Ramanujam

B.Sc. (Hons), M.Sc. (UK), Ph.D. (Aus.)
Deputy Chairman

Dr. Ramanujam holds a first class B.Sc. (Hons.) Degree from the University of Peradeniya and a M.Sc. Degree in Economics from the University of Bristol (UK). He obtained his Ph.D. in Economics from the Australian National University, Canberra, Australia. He retired after 38 years of distinguished service in the public sector. He was the Permanent Secretary to several key ministries including Tourism, Livestock Development and Estate Infrastructure, Civil Aviation and Urban Development during the last 14 years of

his career in the public sector. He has also served as a Director of the National Savings Bank and the State Mortgage and Investment Bank during his career in the public sector.

In recognition of his service in the public sector, Dr. Ramanujam was appointed as a member of the independent Public Service Commission by the Constitutional Council.

Dr. Ramanujam is currently Chairman and CEO of Panasian Power PLC, Chairman and Director of Manelwela Hydropower (Pvt) Ltd., and Padiyapelella Hydropower (Pvt) Ltd. He is also a Director of Panasian Investments (Pvt) Ltd., and a Director in Ceylon Agro Industries Ltd.

Mr. Lakshman Balasuriya

B.Sc. (Lond.), M.Sc. (Lancaster)
Managing Director/Chief Executive Officer

Mr. Lakshman Balasuriya is a Director of Senkadagala Hotels Ltd., E. W. Balasuriya & Co. (Pvt) Ltd. and Thompsons Beach Hotels Ltd. He holds a B.Sc. (Lond.) and M.Sc. (Lancaster) and has 35 years of experience in finance, hotels and other commercial fields. He is the Managing Director and Chief Executive Officer of Senkadagala Finance PLC.

Dr. Asoka Balasuriya

B.Sc. (Lond.), Ph.D. (Lond.)
Director

Dr. Balasuriya holds a B.Sc. (Lond.) and a Ph.D. (Lond.) and has over 31 years of experience in the field of gem and jewellery. He is also a Director of Senkadagala Hotels Ltd., Thompsons Beach Hotels Ltd., and is the Chairman of E. W. Balasuriya & Co. (Pvt) Ltd.

Ms. Lakshmi Fernando

B.Sc. (Hons.)
Director

Ms. Fernando holds a B.Sc. (Hons.) and has over 18 years of experience in the field of finance as well as in hotel management. She is a Director of Thompsons Beach Hotels Ltd., Senkadagala Hotels Ltd., and E.W. Balasuriya & Co. (Pvt) Ltd.

Dr. Mahendra Balasuriya

B.V.Sc.
Director

Dr. Balasuriya is a Director of Senkadagala Hotels Ltd., E. W. Balasuriya & Co. (Pvt) Ltd., and Thompsons Beach Hotels Ltd., He holds a Bachelor's Degree in Veterinary Science and has over 28 years of experience in hotels and other related fields.

Mr. Widanalage Ajith Terence Fernando

FCMA, MA (Colombo)

Independent Non-Executive Director

Mr. Fernando is a Fellow of the Chartered Institute of Management Accountants of the United Kingdom (FCMA) and has a MA in Financial Economics from the University of Colombo.

He counts over 26 years experience in the capital markets of Sri Lanka. He founded Capital Alliance in 2000 and currently serves as the Group CEO. The Capital Alliance Group includes Capital Alliance Ltd. (a primary dealer for Government Securities, appointed by the Central Bank of Sri Lanka), Capital Alliance Securities (Pvt) Ltd. (which is a trading member of the Colombo Stock Exchange), Capital Alliance Investments Ltd. (a licensed unit trust manager), and Capital Alliance Partners Ltd., the leading Investment banking firm.

In addition, he serves on the Boards of many listed and unlisted companies including ADZ Insurance Brokers (Pvt) Ltd., Ashthi Holdings (Pvt) Ltd., Ceylon Tea Brokers PLC and Zen Capital (Pvt) Ltd.

Mr. Sanjay Kulatunga

MBA (Booth School of Business),
B.Com, ACMA, CFA

Independent Non-Executive Director

Mr. Sanjay Kulatunga has experience as a founder and an Executive Director in a diverse array of industries ranging from Finance, Export Manufacturing and Import Substitution. He holds a series of Non-Executive Directorships in listed as well as unlisted companies.

Mr. Kulatunga has an MBA from the University of Chicago 'Booth School of Business'. He is an Associate Member of the Chartered Institute of Management Accountants (ACMA) as well as a Chartered Financial Analyst (CFA).

Mr. Sanath Divale Bandaranayake

B.Sc. (University of Sri Lanka)

Executive Director

Mr. Bandaranayake joined the Company after his retirement from Commercial Bank of Ceylon PLC, the largest and the most awarded bank in Sri Lanka, having completed 36 years of service.

He has served the Bank in various capacities such as Branch Manager (Kandy, City Office), Chief Manager, Assistant General Manager and Deputy General Manager (Operations) and was a core member of the Management teams which led the Bank to important milestones: i.e. introducing the Banking Software to the bank's operations which is used even today, introduction of Holiday Banking, Supermarket Banking and a 24-hour banking service.

During his career at the Bank he was appointed as Director at LankaClear and also served as Director of Commex Sri Lanka S.R.L. (subsidiary of Commercial Bank based in Italy) and OneZero Company Ltd. (subsidiary of Commercial Bank engaged in the business of Information Technology).

Mr. Bandaranayake holds a Bachelor's Degree in Physical Sciences from the University of Sri Lanka, Vidyodaya Campus.

Mr. Tilak Collure

B.Sc. (Colombo) MPA (USriJ)

Independent Non-Executive Director

Mr. Collure is a former Public Servant from the Sri Lanka Administrative Service Special Grade, who has held a number of high level positions during 35 years in the Government Service mainly in the areas of Trade, Commerce and Logistics.

He has served as the Secretary of the Ministry of Industry and Commerce, Secretary, Ministry of Transport and as Secretary, Ministry of Ports and Aviation.

During his career, he has headed several public sector institutions such as the Ceylon Shipping Corporation, Ceylon Fertilizer Corporation, Ceylon Petroleum Corporation, National Insurance Corporation and the Sri Lanka Standards Institute.

He also serves at present as a Member of the National Police Commission.

Mr. Collure holds a B.Sc. in Natural Sciences (Colombo) and a Masters in Public Administration with Merit Award (PIM/University of Sri Jayewardanapura).

Corporate Governance

The Company's collaborative culture, independent structure and the focused approach continue to ensure good governance within the Company with the strong foundation laid down by the Board through its governance philosophy which is discussed in detail in this section.

As per the concept of Corporate Governance, which has been defined as a system by which companies are directed, managed and controlled; the effective, transparent and accountable governance of affairs of a company by its management, including the conduct of the Board, ensures good corporate governance. Therefore, at Senkadagala Finance PLC, place a strong emphasis on adopting and implementing sound principles and practices of good corporate governance derived over its foundation. The Company's policy of employing principles and practices of good governance ensures that its affairs are conducted in an effective and transparent manner and is well communicated to all its branches, service centres and departments within the Organisation.

Moreover, governance of financial institutions should aim at protecting the interests of all stakeholders such as shareholders, customers, employees, suppliers, regulators, depositors and the general public. Therefore, to that effect, the overall responsibility for governing the Company has been initiated by the Board of Directors and followed by the Management Committee who takes leadership and a supervisory role in ensuring that the business is conducted in a transparent, sound and prudent manner. In governing the operations of the Company, the Board ascertains its core objectives and devises strategic

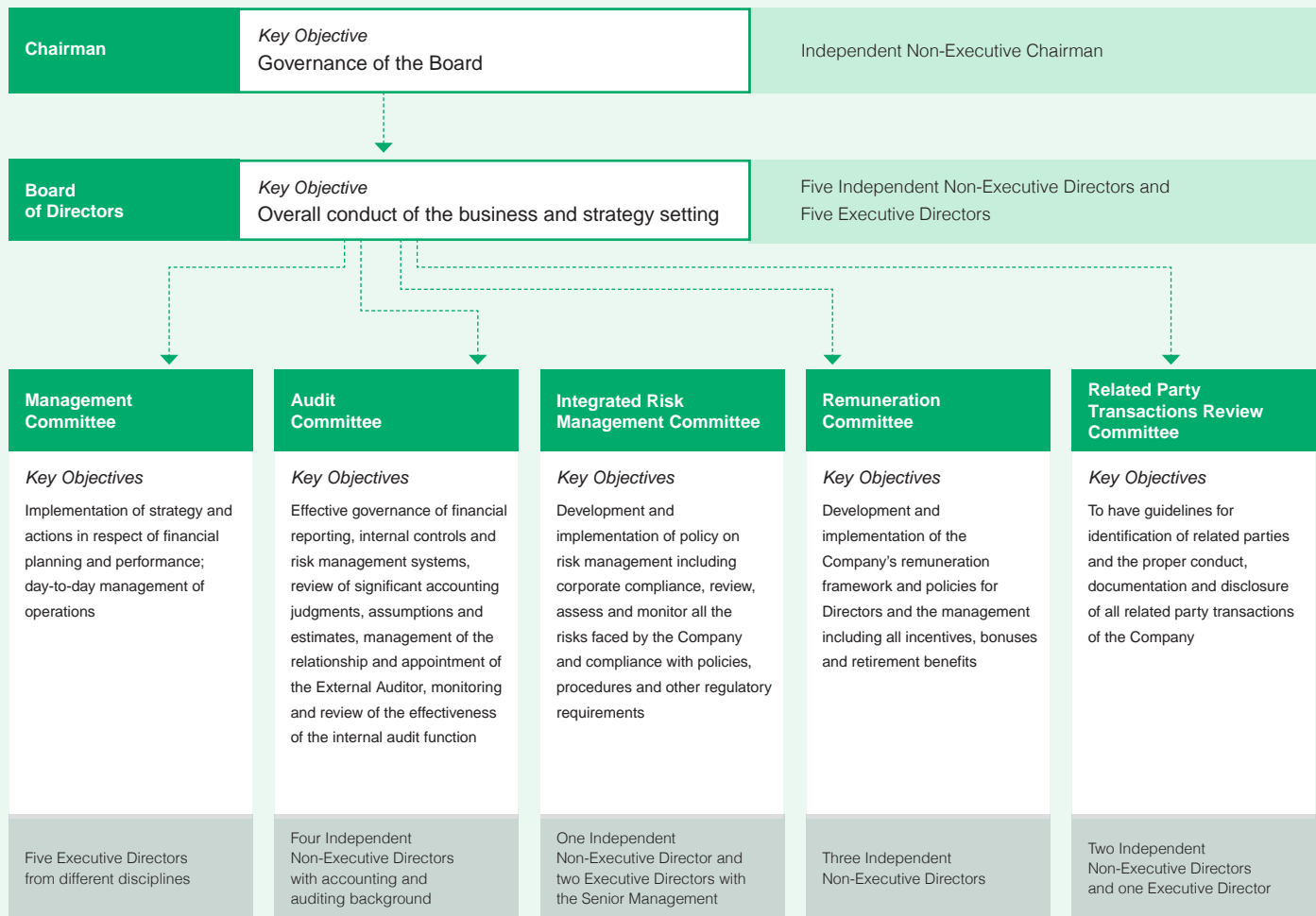
plans in keeping with its corporate vision, mission and corporate values. The Board as part of its duties establishes policies, procedures and practices for smooth conduct of operations while providing financial, human and other resources for the attainment of its corporate objectives. The Company continues to excel in the area of financial reporting which enhances transparency, one of the key features of an enterprise practicing sound corporate governance practices.

The Company's corporate governance structure has been designed based on recommended best practices, regulatory requirements and industry standards. It has further been developed in the recent past in order to accommodate additional requirements of the regulators.

Key Initiatives During the Year

In its continued commitment to foster and maintain the highest standards of governance in all operational aspects, a policy for Whistle-blowing was approved and communicated to employees during the year. Further, a related Party Transactions Review Committee has been set-up and to guide this Sub committee a policy document for related party transactions has also been introduced with the approval of the Board of Directors.

The governance structure adopted by the Company is a standard top down approach which in parallel has formed several Sub committees to monitor and provide feedback to the Board on key areas of concern as given in the below diagram:



The Company, during the year, has committed to comply with all corporate governance requirements including the following:

- The Direction on Corporate Governance for Licensed Finance Companies issued by the Central Bank of Sri Lanka (CBSL) under Direction No. 03 of 2008 and amendments thereto which is effective from 1st January 2009.
- The Continuing Listing Requirements, Section 7.10 on Corporate Governance for Listed Companies issued by the Colombo Stock Exchange (CSE).
- The Code of Best Practice on Corporate Governance issued jointly by the Securities and Exchange Commission (SEC) of Sri Lanka and The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka).

Finance Companies Direction No. 03 of 2008 (and Subsequent Amendments thereto) on Corporate Governance for Licensed Finance Companies in Sri Lanka

This Direction which comprises nine fundamental principles, namely the responsibilities of the Board of Directors, meetings of the Board, composition of the Board, criteria to assess the fitness and propriety of Directors, delegation of functions, the Chairman and the Chief Executive Officer, Board-appointed committees, related party transactions and disclosures. The established structures in place and the conformance to the requirements are tabulated below under each fundamental principle.

CBSL Rule	Corporate Governance Principle	Compliance Status	Level of Compliance
2. The Responsibilities of the Board of Directors			
2 (1)	Strengthening the safety and soundness of the operations of the finance company	Complied	The Board is responsible for overseeing the strategic direction, ensuring adequacy of risk management procedures, maintaining effective communication with all stakeholders, reviewing internal control systems and management information systems for their effectiveness, identifying and defining the responsibilities of Key Management Personnel including succession planning, understanding the regulatory environment and exercising due diligence in hiring and oversight of External Auditors.
2 (2)	Chairman and CEO	Complied	The functions and the responsibilities of the Non-Executive Chairman and the Managing Director/CEO have been in-line with the Section 7 of the direction. The Chairman is required to provide leadership to the Board to ensure that the Board effectively discharges its responsibilities. The Managing Director/CEO on the other hand being an Executive Director is responsible for effective running of day-to-day operations of the Company.
2 (3)	Independent professional advice	Complied	Independent professional advice could be obtained by the Directors as and when required at the Company's expense.
2 (4)	Voting for resolutions in matters of interest	Complied	There had been no such circumstances that arose during the year and procedure is in place to avoid conflict of interest in relation to matters of interest. There is proper identification and disclosure of Directors Interest in Contracts and Related Party Transactions through proper recording and disclosure in Financial Statements.
2 (5)	Formal schedule of matters	Complied	The Board ensures direction and the control of the finance company is under its authority through decisions made by way of a formal schedule of matters reserved for it, which has been approved by the Board.
2 (6)	Situation of Insolvency	Complied	Such a situation has not arisen as Company fulfilled all its obligations accordingly. The Company makes payment of interest and capital on due maturity dates to its depositors and its borrowers, when they fall due.

CBSL Rule	Corporate Governance Principle	Compliance Status	Level of Compliance
2 (7)	Corporate Governance Report	Complied	This report satisfies the stipulated requirement.
2 (8)	Scheme of self-assessment	Complied	Annual self-assessment by each Director on Board performance has been done accordingly during the financial year.
3. Meetings of the Board			
3 (1)	Number of meetings	Complied	<p>Please refer table of Directors' attendance for the Board meetings given later in this section.</p> <p>Board papers and other matters which require Board's consent had been taken up directly at Board meetings as much as possible.</p>
3 (2)	Inclusion of proposals by all Directors in the agenda	Complied	All Directors are able to submit proposals for discussion on matters pertaining to promotion of business and the risk management of the Company.
3 (3)	Notice of meetings	Complied	Directors are given adequate time and minimum notice period for all Board meetings.
3 (4)	Attendance of Directors	Complied	<p>All Directors have attended the Board meetings as stipulated by the Direction.</p> <p>Attendance of Directors at Board Meetings is given later on in this Annual Report.</p>
3 (5)	Board Secretary	Complied	The Board Secretary has been appointed by the Board to handle secretarial services of the Board and other functions specified by the statutes.
3 (6)	Agenda for Board meetings	Complied	<p>Board Secretary prepares the agenda for Board meetings under direct supervision of the Chairman.</p> <p>Prior to circulation, Board Secretary obtains Chairman's approval for the Notice of Meeting and the agenda.</p>
3 (7)	Access to the Company Secretary	Complied	All Directors have the opportunity to obtain advice and services of the Company Secretary without any restriction.
3 (8)	Minutes of Board meetings	Complied	Duly perfected minutes of the Board meetings are available with the Board Secretary and those are accessible by any Director at any point in time.
3 (9)	Details of minutes	Complied	Minutes of all Board meetings are duly recorded in sufficient details and retained by the Board Secretary under the direct supervision of the Chairman.

CBSL Rule	Corporate Governance Principle	Compliance Status	Level of Compliance		
4. Composition of the Board					
4 (1)	Number of Directors	Complied	There were ten Directors on the Board as at the end of the year.		
4 (2)	Period of Service of a Director	Complied	Period of service of Non-Executive Directors has not exceeded nine years.		
			Name of Director	Directorship Status	Number of Months/Years in Position as at 31st March 2016
			Mr. Ravi Dias	Chairman – Independent Non-Executive Director	Completed 1 year and 7 months
			Dr. P. Ramanujam	Deputy Chairman – Independent Non-Executive Director	Completed 3 years and 7 months
			Mr. W. A. T. Fernando	Independent Non-Executive Director	Completed 5 years and 8 months
			Mr. S. Kulatunga	Independent Non-Executive Director	Completed 3 years and 5 months
Mr. Tilak Collure	Independent Non-Executive Director	Completed 1 year and 10 months			
4 (3)	Appointment of an employee as a Director	Complied	No such situation has arisen during the year.		
4 (4)	Number of Independent Non-Executive Directors	Complied	Board comprised five Independent Non-Executive Directors out of total ten Directors in the Board as at the end of the financial year.		
4 (5)	Alternate Director	Complied	No such situation has arisen during the year.		
4 (6)	Skills and Experience of Non-Executive Directors	Complied	All five Non-Executive Directors of the Board possess adequate skills and experience to contribute to the Board in effectively discharging its obligations. The details of experience level of each Non-Executive Director have been set out on pages 48 to 49 in this Report.		
4 (7)	Non-Executive Directors in the Quorum of the meetings	Complied	Required quorum was maintained at the Board meetings convened during the year and the satisfactory proportion of Non-Executive Directors were present at these meetings.		
4 (8)	Directors' information	Complied	Composition of the Board by category of Directors, Executive Directors, Non-Executive Directors and Independent Non-Executive Directors has been disclosed in this Report on pages 48 to 49.		

CBSL Rule	Corporate Governance Principle	Compliance Status	Level of Compliance
4 (9)	Appointment of new Directors	Complied	There has been a formal and transparent procedure for the appointment of new Directors to the Board.
4 (10)	Filling a casual vacancy of a Director	Complied	No such situation has arisen during the year.
4 (11)	Resignation/Removal of a Director	Complied	All new appointments and resignations are informed to the Director, Department of Supervision of Non-Bank Financial Institutions and also to the Colombo Stock Exchange on a timely manner.

5. Criteria to Assess the Fitness and Propriety of Directors

5 (1)	Directors over 70 years of age	Complied	As at the end of the financial year, all Directors of the Company were below the age of 70 years.
5 (2)	Holding of office in companies	Complied	Holding of office by the Directors of Senkadagala Finance PLC has been in accordance with this corporate governance requirement.

6. Delegation of Functions

6 (1)	Delegating work	Complied	The Board ensures delegation of authority at various levels does not hinder or reduce its ability as a whole to discharge its functions.
6 (2)	Reviewing of delegation process	Complied	Delegation of authority is being reviewed by the Board as and when necessary.

7. The Chairman and the Chief Executive Officer

7 (1)	Roles of Chairman and CEO	Complied	The roles of Chairman and CEO are segregated and are not performed by the same person.
7 (2)	Chairman is an Independent Non-Executive Director, if not appointing a Senior Director	Complied	The Chairman of Senkadagala Finance PLC, Mr. Ravi Dias is an Independent Non-Executive Director.
7 (3)	Relationship between Chairman and CEO and other Directors	Complied	There are no material relationships, including financial, business or family between the Chairman and the CEO and other members of the Board which impair their respective roles and functions as members of the Board.

CBSL Rule	Corporate Governance Principle	Compliance Status	Level of Compliance
7 (4) - 7 (11)	Role of the Chairman	Complied	<p>Chairman provides leadership to the Board and ensures the Board works effectively and discharges its responsibilities. He also ensures that all key issues are discussed by the Board in a timely manner.</p> <p>Board Secretary prepares the agenda for Board meetings under direct supervision of the Chairman.</p> <p>The agenda with Notice of Meeting is duly circulated to the Directors at least seven days prior to the meeting.</p> <p>All Directors are informed adequately and in a timely manner of the issues arising at each Board meeting.</p> <p>Chairman ensures full and active contribution of all members of the Board and also ensures the Board acts in the best interests of the Company.</p> <p>Chairman does not engage in activities involving direct supervision of Key Management Personnel.</p>
8. Board Appointed Committees			
8 (1)	Board Committees	Complied	<p>There are four Board-appointed Sub committees namely – Audit Committee, Integrated Risk Management Committee, Remuneration Committee and Related Party Transactions Review Committee.</p> <p>Minutes are kept for each of the above committees under the supervision of the Chairman relating to each committee.</p> <p>A report on the performance, duties and functions of each committee has been made available in this Annual Report.</p>
8 (2)	Audit Committee	Complied	<p>W.A.T. Fernando, a qualified Chartered Management Accountant and an Independent Non-Executive Director of the Company acts as the Chairman of the Audit Committee.</p> <p>Other members of the committee are also Independent Non-Executive Directors and possess multifaceted experience including finance background.</p> <p>The details of the Audit Committee are set out in the Audit Committee Report on page 74.</p>
8 (3)	Integrated Risk Management Committee	Complied	<p>IRMC consists one Independent Non-Executive Director, two Executive Directors including the CEO and Key Management Personnel.</p> <p>All key business risks are addressed and assessed on a continuous basis by the IRMC through its periodical meetings.</p>

CBSL Rule	Corporate Governance Principle	Compliance Status	Level of Compliance
9. Related Party Transactions			
9 (2)	Avoiding conflict of interest in related party transactions and favourable treatments	Complied	<p>There were no such transactions reported during the year. The Board has taken steps to avoid conflict of interest due to related party transactions as well as favourable treatment to related parties.</p> <p>Particulars relating to related party transactions have been disclosed in the Notes to the Financial Statements.</p> <p>The Company has not entered in to any transaction in a manner that would grant the related party 'more favourable treatment' than if dealt with an unrelated customer.</p> <p>Also a Related Party Transactions Review Committee has been set up during the year and the details of the same are given on page 77 of this Report.</p>
10. Disclosures			
10 (2)	Disclosures in the Annual Report	Complied	<p>(a) A statement to the effect that the Annual Audited Financial Statements have been prepared in-line with applicable accounting standards and regulatory requirements, inclusive of specific disclosures is given on page 88.</p> <p>(b) Statement of internal control by the Board is given on page 94.</p> <p>(c) The statement referred on Section (b) above has been certified by Messrs KPMG, External Auditor of the Company.</p> <p>(d) Names and other information of Directors are provided on pages 48 and 49.</p> <p>(e) Fees and remuneration paid by the Company to the Directors in aggregate is given on page 89.</p> <p>(f) There were no accommodations granted to related parties during the year.</p> <p>(g) The details of aggregate values of remuneration paid by the Company to its Key Management Personnel are disclosed on page 148.</p> <p>(h) There were no non-compliances to prudential requirements, regulations, laws and internal controls.</p> <p>(i) There were no regulatory and supervisory concerns on lapses in the finance company's risk management, non-compliance with the Act and Rules and Directions that have been communicated by the Director of NBF and directed by the Monetary Board to be disclosed to the public.</p> <p>(j) The External Auditor of the Company has submitted a factual finding report on the corporate governance status and its compliance with Directions issued by the Director, Department of Non-Bank Supervision of the Central Bank of Sri Lanka.</p>

The Continuing Listing Requirements, Section 7.10 on Corporate Governance for Listed Companies issued by the Colombo Stock Exchange (CSE)

Section 7.10 of the CSE Listing Rules requires a listed entity to publish in the Annual Report relating to the financial year commencing on or after 1st April 2007 a statement confirming that as at the date of the Annual Report they are in compliance with the Corporate Governance Rules and if they are unable to confirm compliance, set out the reasons for its inability to comply. The rule addresses the areas such as Non-Executive Directors, Independent Directors, Disclosures relating to Directors, Criterion for defining Independence, Remuneration and Audit Committees. Following table depicts the level of compliance of the Company under each area.

CSE Rule	Corporate Governance Principle	Compliance Status	Level of Compliance
7.10.1	Non-Executive Directors	Complied	There were five Non-Executive Directors and it was more than one-third of the Board of Directors.
7.10.2	Independent Directors	Complied	All five Non-Executive Directors were Independent Directors as well. Non-Executive Directors have submitted the signed declarations of their independence.
7.10.3	Disclosures relating to Directors	Complied	Annual determinations as to the independence of Directors have been made and disclosed in the Annual Report. (Refer directorship status under Board and Committee meetings attendance on page 72). Brief resume of each Director has been set out on pages 48 and 49. Information relating to new appointments to the Board is disclosed to the CSE, when appointments are made to the Board.
7.10.4	Criteria for defining independence	Complied	All criteria given for determining the independence of Directors have been taken into consideration for the determination of independence status of the Company's Independent Directors.
7.10.5	Remuneration Committee	Complied	The Remuneration Committee solely consists of Independent Non-Executive Directors and the MD/CEO attends the meetings by invitation. The report of the Remuneration Committee including its policy and scope has been set out on page 76 of this Annual Report.
7.10.6	Audit Committee	Complied	The Audit Committee consists of four Independent Non-Executive Directors The report of the Audit Committee including its composition, policy and scope has been set out on page 74 of this Annual Report.

Code of Best Practice on Corporate Governance issued jointly by the Securities and Exchange Commission (SEC) of Sri Lanka and The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka)

This voluntary code consists of seven fundamental principles, namely Directors, Directors' Remuneration, Relations with Shareholders, Accountability and Audit, Institutional Investors, Other Investors and Sustainability Reporting. The level of adoption of the best practices mentioned under each fundamental principle is depicted below:

No.	Corporate Governance Principle	Adoption Status	Level of Adoption
A. Directors			
A.1 The Board			
Senkadagala Finance is headed by an effective Board which direct, lead and control the Company.			
A.1.1	Board meetings	Adopted	Board met 12 times during the year, at approximately monthly intervals. Details of the meetings and individual attendance are given on page 72.
A.1.2	Board's responsibilities	Adopted	<p>The Board of Directors of Senkadagala Finance is responsible for the following:</p> <ul style="list-style-type: none"> • Formulating, implementing and executing a sound business strategy. • Ensuring CEO and the management team possess the skills, experience and knowledge to devise the strategy. • Having a proper succession plan for the Key Management Personnel including the CEO. • Securing integrity of information, prudent management of risks, designing effective internal controls and, ensuring business continuity. • Ensuring compliance with laws and regulations. • Considering all stakeholder interests in the corporate decision-making process. • Recognising sustainable business development in Company's strategy, decisions and other activities. • Company's values and standards are set with emphasis on adopting appropriate accounting policies.
A.1.3	Independent professional Advice	Adopted	Independent professional advice could be obtained by the Directors as and when required at the Company's expense.
A.1.4	Access to the Company Secretary	Adopted	All Directors have the opportunity to obtain advice and services of the Company Secretary without any restriction. There has not been any instance where there is a requirement to remove the secretaries of the Company.

No.	Corporate Governance Principle	Adoption Status	Level of Adoption
A.1.5	Independent judgment of Directors	Adopted	The Directors bring independent judgment and scrutiny on decisions taken by the Board on issues of strategy, performance, resources and standard of its business conduct.
A.1.6	Directors' dedication of adequate time and efforts	Adopted	The Board of Directors of the Company dedicates sufficient time to review Board papers and call for additional information and clarifications, if required and also follows-up on actions taken for issues discussed at the meetings.
A.1.7	Training for Directors	Adopted	All Directors are given the opportunity to get trained. Specific training on financial services industry is also available by way of presentations to the Board and attending seminars such as Directors' symposium at CBSL, etc.

A.2 Chairman and Chief Executive Officer

In Senkadagala Finance PLC Chairman is responsible for conducting the business of the Board while MD/CEO of the Company is responsible for conducting the business of the Company.

A.2.1	Key tasks of Chairman and CEO	Adopted	The roles of the Chairman and MD/CEO have been separated to ensure that no individual has unfettered powers of decision-making.
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A.3 Chairman's Role

Chairman of the Company is responsible for effective conduct of the Board as to preserve the order and good corporate governance.

A.3.1	Role of the Chairman	Adopted	<p>The Chairman who is a Non-Executive Independent Director ensures effective discharge of Board functions through:</p> <ul style="list-style-type: none"> • Having monthly Board meetings with adequate notice preserving the agenda prepared by the Company Secretary under his close supervision. • Ensuring effective participation of both Executive and Non-Executive Directors in the decision-making process while maintaining the balance of power among them. • Encouraging effective contribution of all the Directors' respective capabilities towards benefit of the Company. • Obtaining views of all Directors for issues under consideration. • Ensuring that the Board is in complete control of the Company's affairs and alerts to its obligations to shareholders while maintaining proper communication with all the stakeholders.
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No.	Corporate Governance Principle	Adoption Status	Level of Adoption
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A.4 Financial Acumen

The Board of the Company consists of members with sufficient financial acumen and knowledge to offer guidance on matters of finance.

A.4	Availability of sufficient financial acumen and knowledge	Adopted	The Board includes fellow members of both local and international professional accounting bodies. (The details of qualifications of Directors are given on pages 48 and 49) These Directors are having sufficient financial acumen and knowledge to offer guidance on matters of finance to the Board.
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A.5 Board Balance

The Board of the Company consists of five Non-Executive Directors and five Executive Directors.

A.5.1	Ratio of Executive and Non-Executive Directors	Adopted	A ratio of 1:1 is maintained and it ensures that the Board decisions are taken impartially. The roles of the Chairman and MD/CEO are not vested in one person.
A.5.2	Independent Directors	Adopted	All the Non-Executive Directors are independent and within the requirements of the Code.
A.5.3	Mode of Independence	Adopted	All independent Directors are independent of management and free of business relationships so that they could exercise their unfettered and independent judgment over decisions without any material interference.
A.5.4	Declaration of Independence	Adopted	All Independent Non-Executive Directors submit their annual declarations as to their independence against the specified criteria.
A.5.5	Determination of Independence of the Directors by the Board	Adopted	The Board determines that the submission of declaration by the Independent Directors as to their independence is a fair representation and continues to evaluate it annually.
A.5.6	Alternate Director	Not Applicable	The requirement for appointing an Alternate Director has not arisen during the year.
A.5.7 & A.5.8	Senior Independent Director	Not Applicable	Such situation has not arisen as roles of Chairman and MD/CEO have been clearly separated.
A.5.9	Meetings with Non-Executive Directors	Adopted	The Chairman can meet with Non-Executive Directors without the presence of Executive Directors if necessary twice a year when Non-Executive Directors meet the External Auditor without Executive Directors being present as per the requirement under CBSL Direction on Corporate Governance.
A.5.10	Recording of concerns in Board minutes	Not Applicable	There have been no concerns about the matters of the Company which could not be resolved unanimously. All matters taken up for discussion were resolved through unanimity at Board meetings.

No.	Corporate Governance Principle	Adoption Status	Level of Adoption
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A.6 Supply of Information

Company has provided appropriate timely information to the Board enabling it to discharge its duties effectively.

A.6.1	Information to the Board by Management	Adopted	The Management provides appropriate and timely information to the Board and Board calls for further information where necessary. The Chairman ensures all Directors are provided with all necessary information pertaining to the issues discussed at Board meetings.
A.6.2	Notice of Board Meetings	Adopted	The Board papers including previous meeting minutes and agenda are sent to the Directors at minimum seven days before the respective Board meeting. This would give adequate time for Directors to study the related matters and get ready for effective discussion at Board meetings.

A.7 Appointments to the Board

There should be a formal and transparent procedure on new appointments to the Board.

A.7.1	Nomination Committee	Not Adopted	The Board as a whole decides on the selection of new Directors.
A.7.2	Assessment of Board Composition	Adopted	The Board as a whole annually assesses the Board composition, to ascertain whether the combined knowledge and experience of the Board matches the strategic demands facing the Company. Findings of the assessment of the Board are considered for new Board appointments and re-election of Directors.
A.7.3	Disclosure of details of new Directors to Shareholders	Adopted	When appointing a new Director to the Board, a brief resume of the Director, experience and skills, other directorships, status of independence, etc. are disclosed not only to the shareholders but also to the general public as per the requirements under CSE Listing Rules.

A.8 Re-election

All Non-Executive Directors should be required to submit for re-election at regular intervals and at least once in every three years.

A.8.1	Appointment of Non-Executive Directors	Adopted	Non-Executive Directors are only appointed for a period of nine years with the age limit of seventy.
A.8.2	Election of Directors	Adopted	Appointment and reappointment of all Directors including the Chairman of the Board is subject to election by shareholders.

No.	Corporate Governance Principle	Adoption Status	Level of Adoption
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A.9 Appraisal of Board Performance

Board performance is evaluated annually in order to ensure satisfactory discharge of its responsibilities.

A.9.1 & A.9.2	Appraisal of Board Performance and annual self-evaluation of Board performance and its committees	Adopted	A formal Board performance evaluation process has been implemented and it is carried out annually. A check list has been introduced for this purpose and it is filed with minutes of the Board meetings by the Secretary.
A.9.3	Mode of Board performance appraisal	Adopted	Board performance evaluation is being carried out as detailed in above Section A.9.1 & A.9.2

A.10 Disclosure of Information in Respect of Directors

Details of Directors should be made available for the shareholders.

A.10.1	Disclosure of details of Directors in the Annual Report	Adopted	<p>The name, qualifications and the brief profiles including nature of expertise of all the Directors have been set out on pages 48 and 49 in this Report.</p> <p>Please refer the table given on page 72 for directorship status, Board meeting and other committee meetings attendance by the Directors of the Company.</p>
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A.11 Appraisal of Chief Executive Officer (CEO)

Performance of CEO is to be assessed at least annually to see whether the Company has achieved the objectives set by the Board.

A.11.1	Financial and non-financial targets for the CEO	Adopted	At the commencement of the financial year, reasonable financial and non-financial targets for the CEO are set by the Board in consultation with the CEO in line with the short, medium and long-term objectives of the Company
A.11.2	Evaluation of the performance of CEO	Adopted	The Board periodically assesses the performance of the Company to ensure its short, medium and long-term objectives are achieved against its targets set and approved by the Board.

No.	Corporate Governance Principle	Adoption Status	Level of Adoption
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B. Directors' Remuneration

B.1 Remuneration Procedure

The Company should have a well established, formal and transparent procedure for developing an effective policy on executive remuneration and remuneration packages for individual Directors where no Director is involved in deciding his/her own remuneration

B.1.1	Remuneration Committee	Adopted	A Remuneration Committee has been set up to make recommendations to the Board on the Company's remuneration framework. Details have been given on page 76, in the report of the Remuneration Committee.
B.1.2	Composition of the Remuneration Committee	Adopted	All the members of the Remuneration Committee are Independent Non-Executive Directors.
B.1.3	Disclosures in the Annual Report	Adopted	Details of the members and the Chairman of the Remuneration Committee have been given on page 76 of this Annual Report under Report of the Remuneration Committee.
B.1.4	Remuneration of the Non-Executive Directors	Adopted	The Board as a whole decides on the remuneration of the Non-Executive Directors.
B.1.5	Consultation of the Chairman or the CEO and access to professional advice	Adopted	Remuneration Committee consults the Chairman about its proposals where necessary. CEO attends the Remuneration Committee meetings by invitation. External professional advice is obtained where necessary in determining the remuneration of the Directors and senior level staff members.

B.2 The Level and Make Up of Remuneration

The Code requires the Board to establish the levels of remuneration for both Executive and Non-Executive Directors which should be sufficient to attract and retain the Directors needed to run the Company successfully. A proportion of the Executive Director's remuneration should be structured to link rewards to corporate and individual performance.

B.2.1	Remuneration of Executive Directors	Adopted	The remuneration framework of the Executive Directors has been designed to attract, retain and motivate them of the quality required and avoid paying more than what is necessary for the purpose.
B.2.2	Positioning remuneration levels of the Company	Adopted	The Remuneration Committee in deciding the remuneration levels of the Company takes account of such levels in comparable companies while paying attention to its relative performance.

No.	Corporate Governance Principle	Adoption Status	Level of Adoption
B.2.3	Comparison of remuneration with other companies in the Group	Not Applicable	This is not applicable as there are no units comparable for this purpose within the Group.
B.2.4	Inclusion of performance related elements in the remuneration	Adopted	Performance related elements have been included in the design of remuneration packages of the Company at all levels.
B.2.5	Executive share options	Not Applicable	There are no share option plans for Executives.
B.2.6	Designing the remuneration	Adopted	The Remuneration Committee has considered the provisions given in Schedule E to this Code in designing the remuneration schemes of the Company.
B.2.7	Early termination of Directors	Adopted	Such situation has not arisen during the year. However, the Remuneration Committee is aware that it should consider the compensation commitments given in the contracts of employment of Executive Directors, if any, in case of early termination, other than in the case of removal for misconduct.
B.2.8	Early termination where compensation commitment not included in the initial contract	Adopted	Such situation has not arisen during the year. However, the Remuneration Committee is aware that in case of an early termination, it should tailor their approach with the aim of fair dealing with regard to compensation commitments for those who have performed well, if the initial contract does not explicitly provide for such commitments.
B.2.9	Remuneration for Non-Executive Directors	Adopted	Non-Executive Directors' remuneration has been calculated to reflect time commitment, responsibilities of their role and market practices. No share options are available for Non-Executive Directors.

B.3 Disclosure of Remuneration

The Company should disclose the remuneration policy and the details of remuneration of the Board as a whole in the Annual Report.

B.3.1	Disclosure of remuneration	Adopted	The Remuneration Committee's Report setting out the policy and scope of the Committee is given on page 76. The remuneration paid to the Board of Directors is disclosed in aggregate in Note 46.1 to the Financial Statements on page 148.
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No.	Corporate Governance Principle	Adoption Status	Level of Adoption
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C. Relations with Shareholders

C.1 Constructive use of the Annual General Meeting and Conducting of General Meetings

Board should use the Annual General Meeting to communicate with shareholders and encourage their participation.

C.1.1	Use of proxy votes	Adopted	The Company has adopted a methodology to count all proxy votes and to indicate the level of proxies lodged on each resolution, if any.
C.1.2	Separate resolutions for separate issues	Adopted	A separate resolution is proposed to the adoption of Financial Statements and the shareholders are given the opportunity to vote separately for each substantially separate issue by having separate resolutions, if any.
C.1.3	Availability of Board Sub committee Chairmen at the AGM	Adopted	The Chairman of the Board ensures that Chairmen of all Sub committees namely, Audit Committee, Remuneration Committee, Integrated Risk Management Committee and Related Party Transactions Review Committee to be present at the AGM to answer questions raised at the AGM.
C.1.4	Adequate notice of the AGM	Adopted	Notice of the AGM is given as per the requirements of the Companies Act No. 07 of 2007.
C.1.5	Procedure of voting at General Meetings	Adopted	Notice and the summary of the procedures governing voting at the meeting including any other business to be transacted at the meeting are circulated to the shareholders along with the Annual Report.

C.2 Communication with Shareholders

Board should implement effective communication with shareholders.

C.2.1	Channel to reach all shareholders of the Company	Adopted	The Annual Report and the AGM form the primary channel of communication. Shareholders are given the Annual Report with adequate time to raise any issues at the AGM based on the information published therein. Moreover interim reports, stock exchange announcements, etc. also form part of effective communication as those are available in the respective websites and in the Company website.
C.2.2	Policy and methodology for communication with shareholders	Adopted	The Company has adopted an open communication policy with its shareholders by making them available timely, relevant and accurate information with fair disclosures.
C.2.3	Disclosure of Implementation of the above Policy and Methodology	Adopted	Printed Annual Reports are sent along with the notice of the AGM. Annual Report, interim Financial Statements and CSE announcements are published in respective institution's website and the Company website.

No.	Corporate Governance Principle	Adoption Status	Level of Adoption
C.2.4	Contact person for communication	Adopted	The Directors and the Senior Management could be contacted by the shareholders. The contact details are available in the Company's website and also for any questions, requests and comments, shareholders may at any time contact the Company Secretary.
C.2.5 & C.2.6	Communication by the shareholders with the Company	Adopted	The Company Secretary receives all the correspondence and deliver to the Board or relevant individual Director at the earliest possible time.
C.2.7	The process for responding to shareholders' matters	Adopted	Through the Company's Board Secretary the Board or individual Director/s will respond to shareholders' matters.

C.3 Major and Material Transactions

Directors should disclose all major and material transactions to shareholders.

C.3.1	Major transactions	Not Applicable	Company did not enter into or committed to any 'major transaction' during the financial year.
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D. Accountability and Audit

D.1 Financial Reporting

The Board should present a balanced and understandable assessment of the Company's financial position, performance and prospects.

D.1.1	The Board's responsibility for statutory and regulatory reporting	Adopted	Interim and annual Financial Statements, other price sensitive public reports, reports to regulators and reports required as per statutory requirements have been presented as per the requirements of the Companies Act No. 07 of 2007, the Finance Business Act No. 42 of 2011, other Regulatory Authorities such as the Central Bank of Sri Lanka, Colombo Stock Exchange and Department of Inland Revenue.
D.1.2	Declarations in the Directors' Report	Adopted	The Directors have made all their declarations in the 'Annual Report of the Board of Directors' given on pages 88 to 93.
D.1.3	Statement of Directors' and Auditors responsibility for Financial Statements and statement on Internal Controls	Adopted	<p>The Statement of "Directors' Responsibility for Financial Reporting" is given on pages 88 of this Annual Report.</p> <p>Auditors' reporting responsibility is given in their report on the Financial Statements on page 95.</p> <p>The Directors' Statement on Internal Controls is given on page 94 and Auditors' certification on The Directors' Statement on Internal Controls is given on page 94.</p>

No.	Corporate Governance Principle	Adoption Status	Level of Adoption
D.1.4	Management Discussion & analysis in the Annual Report	Adopted	Pages 14 to 32 of this Annual Report contains the Management Discussion and Analysis.
D.1.5	Directors' Report on Going Concern	Adopted	This is addressed in 'Annual Report of the Board of Directors' given on pages 88 to 93.
D.1.6	Requirement for calling EGM if the net assets fall below 50% of the shareholders' funds	Not Applicable	Such a situation has not arisen during the year. However, should the situation arise, an EGM will be called for and shareholders will be notified.
D.1.7	Disclosure of Related Party Transactions in the Annual Report	Adopted	The Board ensures that the related party transactions are properly captured in to the system of accounts, keep proper records on them and make necessary disclosures in the Financial Statements accordingly.

D.2 Internal Control

The Board should have a process of risk management and a sound system of internal control to safeguard shareholders' investments and Company's assets.

D.2.1	Annual review of risks and the effectiveness of the internal control system	Adopted	The Board is responsible for establishing a sound framework of risk management and internal controls. Further, it has to be monitored for its effectiveness on a continuous basis. Integrated Risk Management Committee has been set-up by the Board in order to look after the risk aspects of the Company and report any concerns to the Board. IRMC report is given on page 75. The Directors' Statement on Internal Controls is given on page 94.
D.2.2	Internal audit function	Adopted	The Company's internal audit function is outsourced and carried out by Ernst & Young Advisory Services (Pvt) Ltd. Further, to coordinate the function well, the Company Internal Auditor has also been appointed by the Audit Committee.
D.2.3	Review of process and effectiveness of internal controls	Adopted	Internal audit carries out regular reviews on the internal controls and reports to the Audit Committee. Audit Committee, once satisfied, reports to the Board on the effectiveness of the internal control systems and based on that the Board issues 'Directors Statement on Internal Control' Report which is given on page 94. The External Auditor reviews this statement independently and certifies.
D.2.4	Responsibilities of Directors in maintaining a sound internal control system	Adopted	This has been stated in the 'Directors Statement on Internal Controls' on page 94.

No.	Corporate Governance Principle	Adoption Status	Level of Adoption
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D.3 Audit Committee

The Board should establish formal and transparent arrangements in selecting and applying accounting policies, financial reporting and internal control principles and maintaining an appropriate relationship with the Company's Auditors.

D.3.1	Composition of the Audit Committee	Adopted	<p>The Audit Committee comprises four Independent Non-Executive Directors including the Chairman.</p> <p>The Audit Committee Report is given on page 74 on this Annual Report.</p>
D.3.2	Duties of the Audit Committee	Adopted	<p>The Audit Committee monitors and reviews the scope and results of the audits and its effectiveness, independence and objectivity of the Auditors.</p> <p>The Committee has formulated a policy for the engagement of the External Auditor for non-audit services and it was approved by the Board.</p>
D.3.3	Terms of Reference of the Audit Committee	Adopted	<p>The Audit Committee has been established by the Board of Directors to assist oversight of financial reporting, internal controls, risk management and functions relating to internal and external audit.</p> <p>The Committee holds the responsibility for overseeing the preparation and presentation of the Company's Financial Statements with adequate disclosures in the Financial Statements in accordance with the Companies Act No. 07 of 2007 and applicable Sri Lanka Financial Reporting Standards. The Committee is also responsible for ensuring the adequacy and efficiency of internal controls adopted by the Company in maintaining accounting records and preparing Financial Statements and make recommendations to the Board of Directors on matters regarding the Internal and External Auditors including their independence, performance, terms of engagement and remuneration.</p>
D.3.4	Disclosures of the Audit Committee	Adopted	<p>The names of the members of the Audit Committee are given in the Audit Committee Report on page 74.</p> <p>The Audit Committee has undertaken annual evaluation of the independence and objectivity of the External Auditor and the effectiveness of the audit process and is satisfied as disclosed in the Audit Committee Report on page 74.</p>

No.	Corporate Governance Principle	Adoption Status	Level of Adoption
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D.4 Code of Business Conduct and Ethics

Company must adopt a Code of Business Conduct and Ethics for Directors and Key Management Personnel and must promptly disclose any deviations from that Code.

D.4.1	Code of Business Conduct and Ethics	Adopted	Senkadagala Finance PLC has incorporated in its HR Code as well as in other manuals of operations, areas such as addressing of conflicts of interest, conditions in receiving gifts or any other benefits, accountability, confidentiality of information, record keeping, corporate opportunities, fair dealing, protection and proper use of the Company's assets and compliance with applicable laws and regulations including insider trading laws and, encouraging the reporting of any illegal or unethical behaviour.
D.4.2	Affirmation of the Code of Conduct and Ethics	Adopted	The Chairman, hereby confirms that he is not aware of any material violations of the terms and conditions contained in above mentioned Code of Conduct and Ethics.

D.5 Corporate Governance Disclosures

The Company should disclose the extent of adherence to principles and practices of good Corporate Governance.

D.5.1	Corporate Governance Report	Adopted	This report from pages 50 to 72 satisfies the requirement.
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E. Institutional Investors

E.1 Shareholder Voting

Institutional shareholders have a responsibility to make considered use of their votes and encouraged to ensure that their voting intentions are translated into practice.

E.1.1	Communication with institutional shareholders	Adopted	Mainly the AGM is used for effective communication with the shareholders. The Chairman communicates the views and queries of the shareholders to the Board and Senior Management. The requirement relates to institutional investors.
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E.2 Evaluation of Governance Disclosures

Company should encourage institutional investors to give due weightage to all relevant factors drawn to their attention when evaluating the governance arrangements of the Company, particularly those relating to Board structure and composition.

E.2	Evaluation of the Corporate Governance arrangements	Adopted	When evaluating the Company's Corporate Governance arrangements, institutional investors are encouraged to give due weight to all relevant factors drawn to their attention particularly in the Board structure and composition.
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No.	Corporate Governance Principle	Adoption Status	Level of Adoption
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F. Other Investors

F.1 Investing/ Divesting Decision

Individual shareholders should be encouraged to carry out adequate analysis or seek independent advice in investing and divesting decisions.

F.1	Individual investors investing/divesting decisions	Adopted	Company by disclosing all required information that would be useful for individual shareholders, encourages them to carry out adequate analysis or seek independent advice on investing or divesting decisions.
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F.2 Shareholder Voting

Individual shareholders should be encouraged to participate and exercise their voting rights in General Meetings.

F.2	Individual shareholders' voting rights	Adopted	The Company sends adequate notice to all shareholders encouraging them to participate at General Meetings and this adequate time allows them to be prepared to duly exercise their voting rights.
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G. Sustainability Reporting

G.1 Principles of Sustainability Reporting

The Company is moving towards sustainability reporting since 2013 and the details of how the Company is adopting the seven principles under sustainability reporting have been given on pages 33 to 47.

Board and Committee Meetings – Attendance

Name	Directorship Status	Board	Audit Committee	Integrated Risk Management Committee**	Remuneration Committee	Related Party Transactions Review Committee
Number of Meetings Held		12	04	11	04	01
Mr. R. Dias	Chairman Independent Non-Executive Director	12/12*	–	–	–	–
Dr. P. Ramanujam	Deputy Chairman Independent Non-Executive Director	11/12	03/04	–	04/04	01/01
Mr. L. Balasuriya	Managing Director/ Chief Executive Officer/ Executive Director	12/12	04/04	–	03/04	–
Dr. A. Balasuriya	Director – Operations Executive Director	09/12	–	–	–	–
Dr. M. Balasuriya	Director – Planning Executive Director	08/12	–	–	–	–
Ms. L. Fernando	Director – Human Resources Executive Director	08/12	–	–	–	–
Mr. W. A. T. Fernando	Independent Non-Executive Director	08/12	03/04	–	–	–
Mr. S. Kulatunga	Independent Non-Executive Director	08/12	02/04	–	03/04	–
Mr. T. Collure	Independent Non-Executive Director	12/12	04/04	02/11	04/04	01/01
Mr. S. D. Bandaranayake	Director/Additional Chief Executive Officer/ Executive Director	12/12	04/04	11/11	04/04	01/01

* Attended/Eligible to attend

** Key Management Personnel have attended the meetings

Lending Strength towards a Better World

Through a vibrant portfolio of community engagement and CSR activity, the Company lends strength to the holistic effort to care meaningfully for community and environment helping them to flower in all the right ways.



Report of the Audit Committee

The Audit Committee has been established by the Board of Directors to assist oversight of financial reporting, internal controls and functions relating to internal and external audit. The Committee holds the responsibility for overseeing the preparation and presentation of the Company's Financial Statements with adequate disclosures in the Financial Statements in accordance with the Companies Act No. 07 of 2007 and applicable Sri Lanka Financial Reporting Standards. The Committee is also responsible for ensuring the adequacy and efficiency of internal controls adopted by the Company in maintaining accounting records and preparing Financial Statements and make recommendations to the Board of Directors on matters regarding the Internal and External Auditors including their independence, performance, terms of engagement and remuneration.

Composition

The Audit Committee comprised four Independent Non-Executive Directors. The Chairman of the Audit Committee Mr. W. A. T. Fernando is a Fellow Member of the Chartered Institute of Management Accountants of UK., Dr. Pratap Ramanujam, Mr. S. Kulatunga and Mr. T. Collure are the other three members of the Audit Committee (Brief profiles of Directors have been set out on pages 48 and 49 in this Report). The Managing Director/Chief Executive Officer, Executive Director/Additional Chief Executive Officer, Assistant General Manager - Accounts,

Senior Financial Officer, Company Internal Auditor, representatives of the firms of Internal Auditors and External Auditors attend Audit Committee meetings by invitation to brief the Committee on specific issues. Other Senior Managers of the Company also attend whenever their presence is requested.

Policy and Scope

The Committee discharges its responsibilities through a series of meetings during the year. At these meetings, the Committee reviews the reports of the Internal Auditors and of the External Auditors of the Company and interim and final Financial Statements of the Company ensuring their compliance with statutory and other requirements. The number of meetings and attendance by the Committee members at each of those meetings are given in the table on page 72 of the Annual Report.

The Committee has reviewed the independence, objectivity and performance of the internal audit function and the adequacy of its resources. The findings of internal audits, their evaluation of the Company's internal control systems and level of risks pertaining to those findings, effectiveness of implementation of audit recommendations are thoroughly discussed at the meetings and accordingly advised the Board on matters of high significance.

The Audit Committee has undertaken the annual evaluation of the independence and objectivity of the External Auditor and the effectiveness of the audit process. Also, the Audit Committee had meetings with the External Auditors without the presence of Executive Directors as per the Corporate Governance requirements.



W. A. T. Fernando
Chairman
Audit Committee
22nd July 2016

Report of the Integrated Risk Management Committee

The Integrated Risk Management Committee was formed in order to assess the overall risk faced by the Company mainly credit, market, liquidity, operational, strategy and other statutory and regulatory risks.

Composition

The Integrated Risk Management Committee comprised following Directors.

Mr. S. D. Bandaranayake –
Executive Director/Additional CEO -
Chairman of the Committee

Mr. L. Balasuriya –
Executive Director,
CEO/Managing Director

Mr. T. Collure –
Independent Non-Executive Director

The Senior Management representatives who attended the meetings were

Mr. P. Ikiriwatte – Deputy CEO

Mr. J. Jayatilake – GM-Operations

Mr. T. De Silva – DGM-IT

Mr. T. K. Aturupana – AGM-Accounts

Mr. A. D. Hettiarachchi – AGM-Credit Control

Mr. N. Rasingolla – AGM-IT

Mr. S.D.R.S. Fernando –
Chief Manager-Personnel and
Administration

Mr. N. Karunaratne –
AGM-Legal/Customer Services

Mr. K. Rajapakshe – Senior Financial Officer

Mr. S. Supramaniam –
Senior Manager-Treasury

Mr. L. Perera – Manager-Foreign Currency

Mr. T. Ranathunga –
Senior Manager-Internal Audit

Policy and Scope

The Committee meets on a regular basis and minutes are maintained to ensure timely and adequate follow up/remedial actions are taken to address the areas of high significance. The policies and the scope of activities of the Committee are as follows:

- Assessing all risks, including credit, market, liquidity, operational and strategic risk on a continuous basis using specific risk indicators through the Company's reporting systems.
- Ensuring the level of current risks of the Company is within the prudent levels acceptable to the Management, based on the Company's risk appetite and the regulatory and supervisory requirements.
- Taking appropriate remedial actions to mitigate the effects of specific risks in case such risks are beyond the prudent and acceptable levels on the basis of the Company's policies, procedures and regulatory requirements.
- Review of the portfolio on a business line basis such as product, sector, trends, etc.
- Review of the performance branch wise, district wise and region wise in evaluating the branch expansion criteria.
- Reviewing any compliance related matters with local laws and regulations, etc.



S. D. Bandaranayake
Chairman
Integrated Risk Management Committee
22nd July 2016

Report of the Remuneration Committee

The Remuneration Committee has been set-up to determine the human resources and remuneration policies relating to Directors, the Managing Director/CEO and other Key Management Personnel of the Company.

Composition

Dr. P. Ramanujam – Independent
Non-Executive Director-Chairman of
the Remuneration Committee

Mr. T. Collure –
Independent Non-Executive Director

Mr. S. Kulatunga –
Independent Non-Executive Director

Mr. L. Balasuriya –
Managing Director/
Chief Executive Officer and

Mr. S.D. Bandaranayake –
Executive Director/Additional Chief
Executive Officer, attend meetings
of the Remuneration Committee
by invitation.

Brief profiles of the members of the committee are set out on pages 48 and 49 of the Annual Report.

Policy and Scope

The Company's remuneration policy aims to attract, motivate and retain talent in a highly competitive environment with the appropriate professional, managerial and operational expertise necessary to achieve the objectives of the Company. The Company remuneration framework for the Managing Director/CEO and the Corporate Management team is designed to create

and enhance value for all stakeholders of the Company and to ensure alignment between short and long-term interests of the Company. The Committee reviews all significant human resource policies and initiatives, salary structures and terms and conditions relating to staff at executive level. The Committee deliberates upon and recommends to the Board of Directors the remuneration packages, annual increments and bonuses of the Managing Director, members of the Corporate Management team and Senior Staff.

Fees

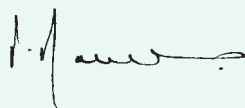
All Non-Executive Directors receive a fee for attendance at Board meetings and for serving on Sub committees.

Committee Meetings

The number of meetings and attendance of the members of such meetings are set out on page 72 of this Annual Report.

Access to Professional Advice

The Committee is authorised to seek external professional advice as and when it's deemed necessary.



Dr. P. Ramanujam
Chairman
Remuneration Committee
22nd July 2016

Report of the Related Party Transactions Review Committee

The Related Party Transactions Review Committee has been set-up during the year by the Board of Directors in order to strengthen the process of identifying, recording and reporting of related party transactions which in turn ensures strict compliance with the rules and regulations governing Related Party Transactions of Listed Entities and thus improves its internal control mechanisms.

Composition

Dr. P. Ramanujam –
Independent Non-Executive Director -
Chairman of the Related Party
Transactions Review Committee

Mr. T. Collure –
Independent Non-Executive Director

Mr. S. D. Bandaranayake –
Executive Director/
Additional Chief Executive Officer

Mr. K. Rajapakshe –
Senior Financial Officer and

Mr. T. Ranathunga –
Senior Manager - Internal Audit attend
the meeting by invitation.

Policy and Scope

With the approval of the Board, the Company has adopted a policy on Related Party Transactions that gives necessary guidelines in recognising, recording and reporting of such transactions. It helps to determine whether Related Party

Transactions that are to be entered into by the Company require the approval of the Board or Shareholders of the Company. Further, the policy ensures that no Director of the Company shall participate in any discussion of a proposed Related Party Transaction for which he or she has interest, unless such a Director is requested to do so by the Committee for the express purpose of providing information concerning the transaction. Also, it ensures that immediate market disclosures and disclosures in the Annual Report, as required by the applicable rules and regulations are made in a timely and detailed manner.

Related Party Transactions during 2015/16

During the year 2015/16, there were no non-recurrent or recurrent related party transactions that exceeded the respective thresholds mentioned in the Listing Rules of the Colombo Stock Exchange.

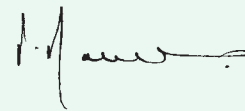
Details of other related party transactions of the Company during the above period are disclosed in Note 46 to the Financial Statements.

Committee Meetings

The number of meetings and attendance of the members of such meetings are set out on page 72 of this Annual Report.

Declaration

A declaration by the Board of Directors in the Annual Report that no related party transaction, which exceeds the threshold levels mentioned in the Listing Rules, was entered into by the Company during 2015/16, is given on page 89 of the Annual Report of the Board of Directors on the affairs of the Company.



Dr. P. Ramanujam
Chairman
Related Party Transactions
Review Committee
22nd July 2016

Risk Management

Effective risk management and sound governance go hand-in-hand when creating sustainable corporate growth. Modern-day dynamic environment continuously gives rise to new risks; proactive risk management measures need to be adopted to mitigate such risks. Meticulous risk management is imperative for a financial institution especially due to the sensitivity of monetary assets and liabilities to various risk factors and severity of repercussions in the event of failure to manage risks effectively.

The importance of sound risk management is frequently emphasised by regulators, which obligates the financial institutions to initiate proactive risk management mechanisms. Nevertheless from time to time, huge industry players collapse due to materialisation of various risks. We at Senkadagala Finance have aligned risk strategies with the overall business strategy of the Company; this has enabled us to optimise the trade-off between risk and reward.

Risk Governance

The ultimate responsibility for risk management is assumed by the Board of Directors. Risk objectives are set at Board level. The holistic approach to risk management is vital for a robust control mechanism. The Integrated Risk Management Committee, a Sub committee of the Board assesses the overall risk strategy of the Company in the context of various changes in the environment and recommends effective risk management policies to safeguard stakeholder interests. Further, it advises the Board on course of action to be taken to counter emerging risks.

Risk strategy is communicated to the operational level staff by way of risk policies and frameworks, which defines the risk appetite of the entity and prompts a risk culture in the organisation. Controls are regularly streamlined to identify and counter day-to-day operational risks.

The responsibility to manage the risk parameters within tolerable limits is shared among the risk assuming managers and the higher level management, which enables the Company to manage risk in an effective manner.

Periodically, senior managers and department heads gather in conjunction with the Integrated Risk Management Committee in order to discuss the effectiveness of the risk management policies and procedures, evaluate current business activities in the context of risk and developments in the environment to identify emerging risks. They also discuss mechanisms and procedures to curtail such emerging risks. Periodical reports are submitted to the meeting assessing the risk indicators against the predetermined risk parameters and against the prescribed regulatory risk parameters. Reasons for variances are discussed while evaluating suggestions for control and minimise such risks.

Key Objectives of Risk Management

The main risk management objectives of Senkadagala Finance are as follows:

- Identify, measure and control potential risks that hinder the profitability of the entity.

- Manage the financial position in order to strike a balance between assets and liabilities to optimise the value creation for the entity.
- Ensure that parameters are adequate to curtail downside of risk while maximising returns.

Assessment of Risk at Senkadagala Finance

The management is mindful about potential emerging risks. When new risks are identified they are assessed for the likelihood of occurrence and the severity of impact. Both these factors are considered when control actions are decided. Based on the risk appetite of the entity, risk tolerance levels are set.

Control measures are formulated to ensure that the identified risks are within the tolerable levels. Exposures which exceed the tolerable limits are identified; mitigatory action for such risks will be decided based on the probability of occurrence. Continuous assessment is done to ensure likelihood of occurrence and the severity of impact are within the risk tolerance levels of the Company. Collective dialogue amongst different department managers at the Integrated Risk Management Committee ensures a comprehensive assessment of potential risks and their impact. This process has enabled the Company to maintain a robust risk management mechanism.

Risk Policies and Frameworks

Risk objectives set at the Board level are put in to action in the functional/operational levels by way of policies, procedures, frameworks and internal controls.

Procedure manuals outline the details of controls which are used to set-up the framework for effective risk management. Risk tolerance limits are communicated to process owners to promote control within said limits.

The Management with its proactive attitude towards risk management has created a risk culture within the organisation. This has put in place a risk management framework effective at all levels of the Organisation. The risk culture helps to improve the attitude of the employees to identifying, assuming and managing risk while aligning it to the entity's risk appetite.

Risk Controls and Review

The main objective of the risk management process is to optimise the risk return trade-off. Periodical reviews and control mechanisms play an important part in upholding a robust risk management system.

The Audit Committee, a Sub committee of the Board plays a key role in this. The primary purpose of this Committee is to assist the Board of Directors with the general oversight of the financial reporting mechanism; they also oversee and advise the Board on affairs with the External

and Internal Auditors. Also, ensuring the adequacy and the efficiency of the internal control processes adopted by the Company is a critical function of the Audit Committee. Report of the Audit Committee on page 74 of this report contains a detailed description of the composition, functionality and scope of the Audit Committee.

A periodic Risk Assessment Report is forwarded to discussion at the Integrated Risk Management Committee. During this Committee meeting, there is dialogue on actual risk indicators against the risk tolerance levels on various risk areas of the entity and on adequacy and the efficiency of control measures taken for risk prone functions. Consequently, a report summarising and recommending feasible course of action regarding emerging risk elements and the effectiveness of the existing risk control mechanisms is submitted to the Board of Directors. Report of the Integrated Risk Management Committee on page 75 of this Report contains a detailed description of the composition and the functionality of the Integrated Risk Management Committee.

The Company has in place a process of continuous internal audit, employing the co sourced services of Ernst & Young Advisory Services (Pvt) Ltd., reporting directly to the Audit Committee and the Board of Directors. Monthly reports are submitted, communicating deviations from the standard operating procedures, misconducts and lapses in the internal control process while identifying the severity of impact.

Following are the primary risk categories that are actively controlled by the risk management process of Senkadagala Finance PLC.

Credit Risk

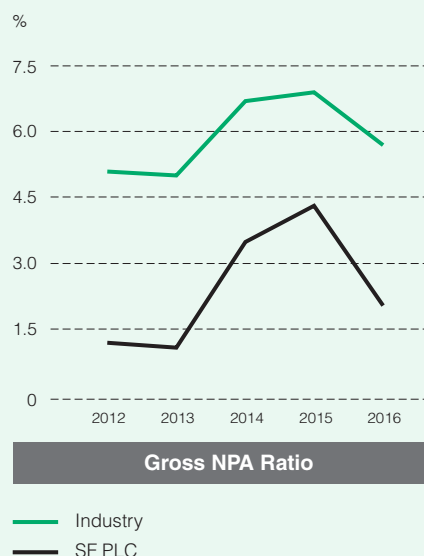
Credit risk is materialisation of financial losses due to failure of the counterparty to discharge the contractual obligations or in simple terms it is loss arising due to defaults. Since the major form of earning for a financial institution is interest earning loans and advances, high levels of defaults can have detrimental effect on the asset quality as well as on the profitability of the entity. Credit risk primarily arises due to deteriorated creditworthiness of borrowers. However, adverse fluctuations in the market could also materialise such losses. Nevertheless, credit risk is inseparable from the finance business. Therefore, this risk should be meticulously managed to optimise the returns while restricting the losses within tolerable parameters.

How We Manage Credit Risk

Credit Risk Objective	Course of Action
Attain a healthy portfolio	<ul style="list-style-type: none"> – Risk tolerance levels are set for identified key risk parameters and strict adherence to these levels – Exposure limits are set for economic sector based on the historical loss experience – Exposure limits are set for asset category based on past loss given default experience – Exposure to individuals is restricted for tolerable limits – Employees are regularly trained in credit evaluation techniques – A robust credit evaluation process is in place which comprehensively assesses the customers rating them in accordance with the potential default risk – Loan officer, branch manager and/or a higher level officer approves the facility in accordance with the approval hierarchy – Ensure that the extended finance is in conformity with the Company's Environmental and Social Management System
Maintain a low non-performing Asset ratio	<ul style="list-style-type: none"> – Create a sense of accountability with the loan officer by which he/she will be an active participant in the recovery process
Maintain a low infection ratio	<ul style="list-style-type: none"> – Identify potential defaulters proactively by maintaining close links with customers and by analysing payment patterns – Recovery department oversees the recovery process ensuring that exposure is within tolerable limits – Set performance objectives to persuade employees to maintain the Company's risk objectives within the accepted parameters – Closely monitor and control the infection ratio in order to reduce NPAs
Minimise the loss given default	<ul style="list-style-type: none"> – Comprehensive review of securities undertaken before extending the loan facility – Centralised valuation of motor vehicles to prevent judgmental deviations at loan disbursements – Strict controls over the loan to value ratio specially in identified high risk asset categories – Continuous auction sale of seized assets through an online system which enables us to sell for the highest bidder
Control the movement in arrears buckets	<ul style="list-style-type: none"> – Identify individually significant customers and constantly review them against risk parameters – Recovery responsibility is held with the loan officer

Senkadagala Finance has identified credit risk as a key risk segment for the Company and strives to maintain the non-performing asset ratio within a tolerable limit. As a result the Company has one of the lowest NPA ratios among key industry players. By March 2016, our gross NPA ratio stood at 2.02%, a commendable improvement from 4.3% of March 2015. The industry average NPA ratio of the LFC/SLC Sector was 5.7% for the preceding year.

Mainly due to adverse economic conditions prevailed during the 2014/15 financial year, the Company incurred high losses in said period due to increased defaults. With the intention of minimising the effects of such losses, the Management revised its provisioning policy. From 2015/16 financial year an additional provision was put in place to buffer potential losses that could arise from repossessed assets.



Liquidity Risk

Liquidity risk materialises when an institution fails to honour its financial

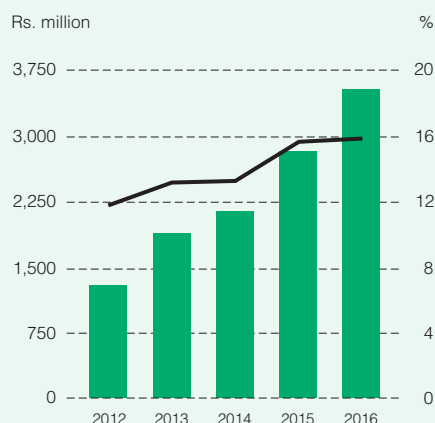
obligations as they fall due without incurring unexpected losses. Crystallisation of liquidity or solvency risk is one of the common reasons for insolvency of financial institutions; therefore meticulous liquid asset management is vital for a financial institution's success.

Absence of adequate funding could hamper the growth potential for a business while presence of excess liquidity will result in opportunity cost for the entity. Hence, it is necessary to maintain the right amount of liquid assets to maximise profitability.

The Central Bank of Sri Lanka through its Finance Companies (Liquid Assets) Direction No. 04 of 2013 governs the level of liquid assets a finance company should maintain. To comply with these levels and to maintain an optimal level of liquid assets while maximising the profitability of the entity Senkadagala Finance pursues the following objectives:

Liquidity Risk Objective	Course of Action
Maintain adequate levels of liquid assets to promote portfolio growth	<ul style="list-style-type: none"> – Set disbursement targets in-line with the expected profitability level for a Reporting period – Close monitoring and control of collection ratios – Budget for the likely cash flows – Identify potential cash shortages and plan for funding mechanisms – Strategies to get an optimum return from temporary excess liquidity situations
Timely generation of funds for loan repayments	<ul style="list-style-type: none"> – Analyse the available loans and other borrowings of the entity and plan methods of refinancing – Maintain the loan recovery rates at tolerable levels to facilitate smooth cash flows
Optimise the short to long-term funding ratio	<ul style="list-style-type: none"> – Managing the maturity mismatch, set tolerable levels of mismatch for various maturity buckets – Continuously review and report regarding the tolerance levels – Readjust the tolerance levels in turbulent economic conditions
Cumulative maturity gap management	<ul style="list-style-type: none"> – Set risk tolerance levels for cumulative maturity gap ratios – Continuously review and control against the tolerance level

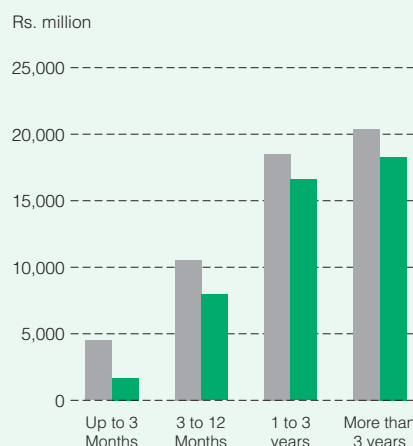
Senkadagala Finance has continuously adhered to Central Bank regulations on liquidity management. Further, the Company has been able to capitalise on emerging market opportunities due



Analysis of Liquid Assets

■ Liquid Assets (Rs. million)
— Liquid Assets Against Total Assets (%)

to maintaining healthy liquidity levels. Due to meticulous liquidity management, Senkadagala Finance has been able to achieve a surplus in the short-term cumulative maturity mismatch.



Cumulative Maturity Gap

■ Interest - Earning Assets
■ Interest - Bearing Liabilities

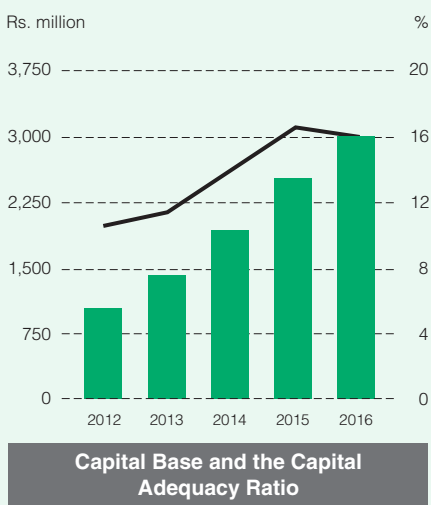
Operational Risk

Losses arising due to inadequate or failed internal processes, people and systems due to internal and/or external events are operational risks. It is difficult to assess the level of operational risk an entity is exposed to as it covers a broad spectrum of activities and functions within an organisation. However, a robust internal control system as well as adequate levels of capital should be in place to mitigate and buffer for losses due to materialisation of operational risk.

Following are examples of operational risk types and mitigatory controls practiced by Senkadagala Finance:

Operational Risk Types	Steps Taken to Manage Operational Risk
Internal fraud	<ul style="list-style-type: none"> - A strong risk culture is created within the Organisation which strengthens the risk policies and the risk framework of the entity - A robust internal control system is in place with stringent controls over sensitive functional areas - Control mechanisms are incorporated in to the information system of the entity to enable good governance - A panel of skilled line managers who are accountable for the risk parameters in the relevant operational section - Higher level authority limits are enforced based on the exposure - Ongoing internal audit is in place with the co sourced services of Ernst & Young Advisory Services (Pvt) Ltd.
External fraud	<ul style="list-style-type: none"> - Regularly update and upgrade information system security to deter fraud - Continuously review and upgrade the customer screening process

Operational Risk Types	Steps Taken to Manage Operational Risk
Employment practices and work place safety	<ul style="list-style-type: none"> – Comprehensive employee screening policies – Provide continuous training and development to staff through internal as well as external resources – Continuous development to systems, processes and procedures as and when necessary to accommodate new challenges – Effective communication of changes in policies and controls through Memos by way of emails to staff
Client, products and business practices	<ul style="list-style-type: none"> – the senior management sets overall management objectives, meets at regular intervals to review progress achieved so far and takes remedial measures for any deviation from the desired objective – Line managers are given the opportunity to do market surveys and come up with products and new viable promotions to suit different localities and market developments
Damage to physical assets	<ul style="list-style-type: none"> – All buildings and assets are comprehensively insured – All cash within the premises and in transit are insured – Staff is trained regularly on the fire escape plans and work place safety measures
Business disruption and system failures	<ul style="list-style-type: none"> – We have in place a Disaster Recovery Site which enables us to continue operations with minimal downtime – The Company has in place a Business Continuity Plan – During the year, the Company constructed a sophisticated Data Centre to create a sound environment for computer servers which is expected to minimise downtime
Execution, delivery and process management	<ul style="list-style-type: none"> – The Company has a comprehensive operations manual which is updated accordingly to the environmental and business process changes – Continuously educate the staff on changes to market conditions and business processes through email



■ Capital Base (Rs. million)

— Core Capital Ratio (%)

With the expectation of further strengthening the operational risk policies and procedures, during the year the BOD approved and adopted a Whistle-blowing Policy. Whistle-blowing Policy is expected to encourage stakeholders to bring unethical conduct and illegal activities to the attention of appropriate authorities of the Company.

In addition to these, the Company is maintaining adequate capital funds to provide buffer in volatile circumstances. By the end of March 2016, the Company had a core capital base of Rs. 2,990 million

and a total capital of Rs. 3,722 million. The core capital ratio of the Company as at 31st March 2016 was 15.82%. The industry average core capital ratio by the end of 2015 was 10.5%.

Market Risk Factors

Crystallisation of market risk could create losses as a result of unfavourable movements in market factors such as interest rates, tradable equity prices, exchange rates and commodity prices. Probable loss exposures vary with the volatility of the underlying variable.

Interest Rate Risk

Financial institutions act as financial intermediaries, hence they are highly vulnerable to losses that could arise as a result of interest rate fluctuations. These fluctuations are external factors; hence it is beyond the control of the entity's management. In order to minimise the effects of adverse variances, meticulous management of assets and liabilities is essential by which net interest return could be optimised.

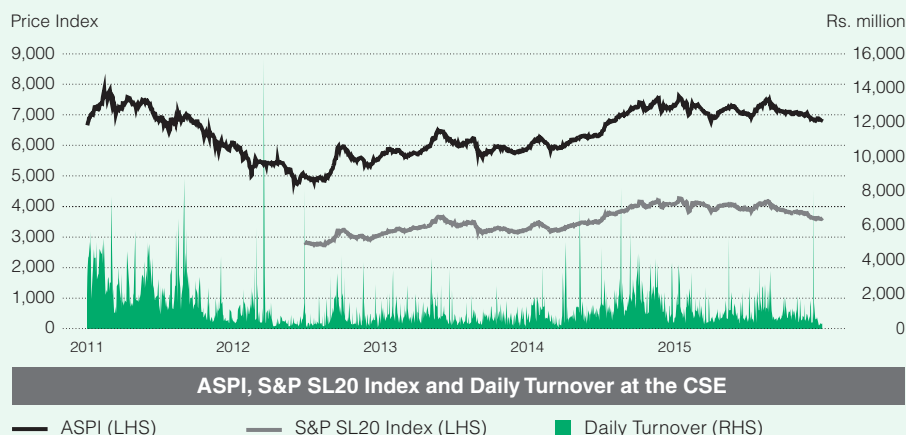
Interest Rate Risk Objective	Course of Action
Maintain the net interest spread	<ul style="list-style-type: none"> – Continuous scanning of the changes in the market interest rates and identifying trends and patterns in market fluctuations which help in deciding future strategies – Set risk tolerance level for interest spread and continuously review it in light of prevailing market trends – Carry out yield curve analysis – Periodical review of the pricing of loans, leases and other products, based on the market trends and competitor rates – Identify optimum sources of funding in light of the current market trends and setting risk parameters and budgetary targets to achieve them – Reprice assets and liabilities to make use of favourable trends in the market
Strike a balance between floating and fixed-rated borrowings	<ul style="list-style-type: none"> – Floating rated loans enable the entity to reprice its liabilities in accordance with market trends, while fixed rated loans help to be resilient in a rising interest rate environment, hence optimal levels of fixed to floating rated funding is set to improve net interest margins – Earning assets of Senkadagala Finance PLC, is primarily fixed rated, hence maintaining adequate levels of fixed rated funding is important, an optimal parameter is set for fixed rated funding – Optimal level of fixed to floating rated borrowings help to maximise profitability. The set parameters are regularly reviewed
Maintain an optimal gearing ratio	<ul style="list-style-type: none"> – Identify and maintain the optimum mix of equity and borrowing which gives a lower rate of Weighted Average Cost of Capital (WACC)

Equity Risk

Equity risk is another form of market risk where the entity is exposed to losses due to volatility of exchange traded equity and debt instruments. Sensitivity of an entity to this risk is dependent on its engagement in the securities markets.

Senkadagala Finance has continuously maintained a minimal exposure to market traded equity instruments; only Rs. 82 million equity investments trading in the Colombo Stock Exchange which is 0.4% of total assets was available as at 31st March 2016. Mark-to-market calculations are conducted monthly to evaluate the impact of changing market prices. Due to the relatively small exposure, the Company has outsourced the management of these investments to a specialised fund manager as a portfolio investment.

During the year, the Company recorded Rs. 5.3 million gains by trading exchange traded equity instruments and a capital loss of Rs. 12.6 million on mark-to-market of assets held at the Reporting date.



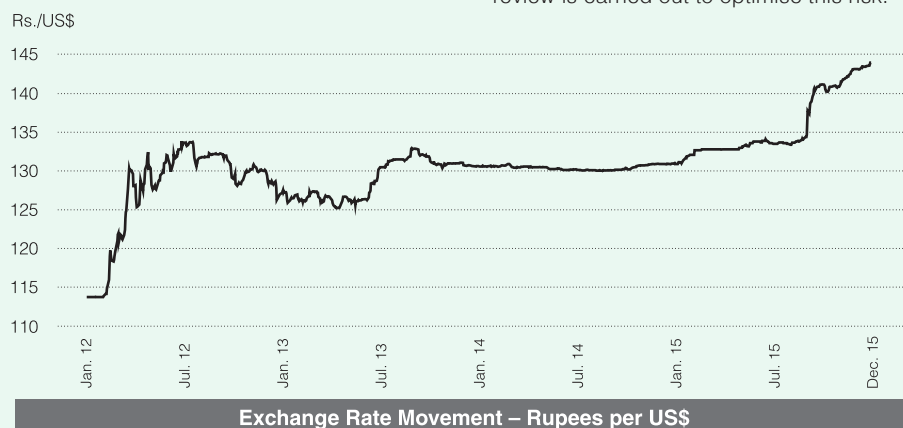
Source: Central Bank of Sri Lanka – Annual Report 2015

Foreign Exchange Risk

Foreign exchange risk is the losses that could arise due to an adverse movement in the foreign currency exchange rates.

Until commencing the foreign currency exchange business in the financial year 2012/13 Senkadagala Finance was not exposed to this risk; since then, we actively manage this risk as well. The Company does not hold any currency positions, therefore exposure to adverse fluctuations

are minimal. With the Management entering into a loan agreement with the International Finance Corporation (IFC) for a US Dollar borrowing, the exposure to foreign exchange risk increased. This exposed the Company to both translation and transaction risks. In order to minimise this risk, the Management decided to procure locally available hedging mechanisms, by which we were able to attain an almost perfect hedge while minimising the cost of hedging. Regular review is carried out to optimise this risk.



Source: Central Bank of Sri Lanka – Annual Report 2015

Regulatory Risk

Regulatory risk is the loss that could arise due to failure of the Company to comply with applicable rules, regulations and codes of conduct. The loss could be financial, loss of opportunity or damages to the reputation of the entity.

Due to its vulnerable nature, finance business is a highly regulated industry. The Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka oversees the operations of Licensed Finance Companies (LFCs) and Specialised Leasing Companies (SLCs). They are governed by the new Finance Business Act of No. 42 of 2011.

During the financial year, the Central Bank imposed a maximum Loan to Value ratio (LTV) of 70% in respect of loans and advances granted for the purpose of purchase or utilisation of motor vehicles by banks and LFC/SLC.

As a listed company, Senkadgala Finance is required to follow the Continuous Listing Requirements of the Colombo Stock Exchange and regulations of the Securities and Exchange Commission as well. In addition, the Company is obliged to comply with accounting standards issued by The Institute of Chartered Accountants of Sri Lanka, rules and regulations enforced by Local and National Government Authorities and various other regulations, standards and directives which govern the industry.

The Management has taken the following steps to mitigate regulatory risk and ensure sound governance:

- The Management has incorporated limits and restrictions enforced by the regulations into its system and controls
- Responsibility is assigned to the functional managers and department heads to maintain relevant ratios within the stipulated limits
- A compliance function is in place, a compliance officer who directly reports to the Board closely monitors and periodically reports of the status of conformity of the entity with all the requirements of the applicable regulatory bodies
- A report comprising of all regulatory ratios is submitted to the periodic Integrated Risk Management Committee meeting and the Board meeting to ensure compliance
- A quarterly compliance audit function is in place with the expertise of Ernst & Young Advisory Services (Pvt) Ltd., which ensures that the Company is in compliance with respective regulations and directives

Strategic Risk

Strategic risk is losses arising due to strategic decisions, which may occur due to external or internal events. Examples of Internal events are misguided decisions causing financial losses, improper implementation of business decisions, etc. The external events such as unfavourable changes in underlying economic conditions, or unexpected moves of competitors could also lead to financial losses.

The Company has in place a Vision statement and a Mission statement in order to outline the general strategic direction; the strategic objectives are thoroughly reviewed against these. Critical analysis is done before strategic decisions are made and implemented and robust strategic planning and budgetary processes are carried out before commencement. Periodical review and continuous control action is undertaken in order to ensure the success of strategic decisions. An overall business strategy including a four year financial forecast is in place to govern the future direction of the Company.

The entity has in place a continuous environmental scanning system, which maintains a watchful eye over changes in the macroeconomic conditions, potential trends and competitor behaviour.

Reputation Risk

Reputation risk is the loss of earning, profitability, capital or brand image due to negative publicity. Losses due to tarnished reputation may arise due to lapses in internal controls, failure to deliver up to customer expectations, system failures, non-compliance with regulatory requirements, unethical business practices, labour unrest, etc.

By effective management of all aspects of risks the Company has been able to mitigate potential reputation risk as well.

Financial Reports

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Annual Report of the Board of Directors on the Affairs of the Company

The Board of Directors of Senkadagala Finance PLC has pleasure in presenting their Annual Report together with the Audited Financial Statements of the Company and the Audited Consolidated Financial Statements for the year ended 31st March 2016 to the shareholders, which was approved by the Board of Directors on 10th June 2016.

The details set out here provide information required by the Companies Act No. 07 of 2007, Finance Business Act No. 42 of 2011 and the Listing Rules of the Colombo Stock Exchange and recommendations of best accounting practices.

Domicile and Legal form of the Company

Senkadagala Finance PLC is a public limited liability company domiciled in Sri Lanka, incorporated under the Companies Ordinance No. 51 of 1938 on 29th December 1968 bearing Registration No. PB 238 PQ and registered under the Finance Companies Act No. 78 of 1988 which was replaced by the Finance Business Act No. 42 of 2011. The Company was re-registered under the Companies Act No. 07 of 2007. The Company is listed in the *Diri Savi* Board of the Colombo Stock Exchange with effect from 22nd March 2011.

The registered office of the Company is situated at 2nd Floor, No. 267, Galle Road, Colombo 03.

Vision and Mission

The Company's vision and mission are stated on page 2 of this Annual Report.

Principal Activities and Nature of Operations

The principal lines of business of the Company include providing financial

accommodation in the form of finance leases, hire purchase, commercial loans and personal loans. Additional lines of business include pawn brokering, foreign exchange transactions, bill discounting, investment in money market instruments and the acceptance of term deposits, certificates of deposit and savings deposits.

The principal line of business of the Subsidiary, Senkadagala Insurance Brokers (Pvt) Ltd. is insurance brokering activities.

On 5th August 2014 Senkadagala Finance acquired 100% ownership of Newest Capital Ltd., a Specialised Leasing Company registered under the Finance Business Act No. 42 of 2011. Newest Capital engages in finance leasing business and other investment activities.

There have been no significant changes in the principal activities of the Company and of the Group during the financial year under review.

Management and Financial Review of Business

A detailed description and analysis of the operations of the Company for the year under review is contained in the Chairman's Message (on pages 6 to 8), the Managing Director/CEO's Review (on pages 10 to 18) and the Management Discussion and Analysis (on pages 14 to 32). These reports together with the Audited Financial Statements provide an overall assessment of the Company's performance during the financial year.

Branch Expansion and Future Developments

Senkadagala Finance PLC has 39 branches and 41 service centres. During the financial year, no new branches or service centres were opened.

Directors' Responsibility for Financial Reporting

The Financial Statements of the Company and the Group duly approved by two Directors are given on pages 96 to 172.

The Directors are responsible for the preparation of Financial Statements, the maintaining of proper accounting records and disclosures regarding accounting policies and principles of the Company and the Group.

The Directors are of the view that the Financial Statements presented give a true and fair view of the affairs of the Company as at 31st March 2016 and the profit of the year then ended and has been prepared in conformity with the requirements of the Sri Lanka Accounting Standards (SLFRSs and LKASs) as issued by The Institute of Chartered Accountants of Sri Lanka and the requirements of the Companies Act No. 07 of 2007, Finance Companies Act No. 78 of 1988 which is replaced by the new Finance Business Act No. 42 of 2011 and amendments thereto and provide appropriate disclosures as required by the Central Bank of Sri Lanka and the Listing Rules of Colombo Stock Exchange.

Auditors' Report

The Auditors of the Company Messrs KPMG performed an audit on the Company and the Consolidated Financial Statements for the year ended 31st March 2016. The Auditors' Report issued thereon is given on page 95 of this Annual Report.

Accounting Policies

The accounting policies adopted in preparing and presenting of these Financial Statements are given on pages 103 to 116 of this Annual Report.

The Company and the Group prepared the Financial Statements for all periods up to and including the year ended

31st March 2016 in accordance with the Sri Lanka Accounting Standards (SLFRSs and LKASs) as issued by The Institute of Chartered Accountants of Sri Lanka, which has materially converged with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board.

Directors' Interests

As required by the Section 192 (1) and (2) of the Companies Act all Directors have made declarations of the interests with the Company. The share ownership of Directors is disclosed on page 91 of this Annual Report.

Remuneration and other Benefits of Directors

Directors' remunerations in respect of the Company and the Group for the financial year under review are Rs. 18,150,000/- (2015 – Rs. 24,110,000/-).

Related Party Transactions

There were no related party transactions which exceeded 10% of the equity or 5% of the total assets whichever is lower and the Company has complied with the requirements of the Listing Rules of the Colombo Stock Exchange (CSE) on Related Party Transactions. However, the Directors have disclosed the transactions that would be classified as related party transactions in the presentation of Financial Statements and accordingly given in Note 46 on page 147.

Donations

A sum of Rs. 2,189,039/- (2015 – Rs. 481,856/-) was paid out by way of donations during the financial year under review.

Income

The income generated by the Company during the financial year comprise the following:

	Company		Group	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Interest income	3,746,373,737	3,584,165,290	3,747,454,172	3,584,905,128
Fee and commission income	85,404,531	35,172,125	184,184,219	108,314,672
Other operating income	132,767,973	96,047,528	79,414,973	45,707,528
Total	3,964,546,241	3,715,384,943	4,011,053,364	3,738,927,328

Further analysis of income is given in Notes 4, 6 and 8 to 10 of the Financial Statements on pages 117 to 118 of this Annual Report.

Profit and Appropriations

Details of appropriation of profit of the Company is given below:

	2016 Rs.	2015 Rs.
Profit before income taxation	882,549,575	647,443,598
Income taxation paid	(269,368,025)	(107,804,557)
Profit for the period	613,181,550	539,639,041
Other comprehensive income net of income tax	12,660,794	50,792
Balance brought forward net of adjustments arising from conversion to SLFRS/LKAS	1,295,748,642	988,965,872
Profit available for appropriation	1,917,816,400	1,528,655,705
Appropriated as follows:		
Transfers to statutory reserve fund	35,000,000	35,000,000
Capitalisation of reserves	–	260,910,200
Transfers to/(from) investment fund account	–	(170,628,603)
Dividends paid	166,330,265	107,625,466
Unappropriated profit carried forward	1,716,486,135	1,295,748,642

Dividends

The Directors recommended a final dividend of Rs. 0.75 per share for the financial year ended 31st March 2016. In accordance with the Direction No. 01 of 2013 the Company is in the process of obtaining the approval from the Director of the NBIFs of the Central Bank of Sri Lanka.

The following dividends were declared during the financial year,

Dividend Payment	2016			2015		
	Amount Rs.	DPS Rs.	Paid Date	Amount Rs.	DPS Rs.	Paid Date
1st interim dividend paid	39,136,533	0.60	10.12.2015	–	–	–
2nd interim dividend paid	42,397,911	0.65	16.03.2016	55,443,422	0.85	20.02.2015
3rd interim dividend paid	39,136,533	0.60	15.06.2016	32,613,778	0.50	15.05.2015
Final dividend proposed/paid	48,920,666	0.75	Subject to AGM approval	52,182,044	0.80	04.09.2015

The total dividend payout ratio amounted to 27.13% in 2016 compared to 19.94% of 2015.

Taxation

The Company accounts for deferred taxation under the liability method on all timing differences. Details are disclosed in Note 16 on page 120 and Note 38 on page 141 of this Annual Report.

Total Equity

The aggregate of stated capital and reserves of the Group as at 31st March 2016 amounted to Rs. 2,993 million, the aggregate reserves as at 31st March 2015 were Rs. 2,534 million. Movement in reserves during the year is given in Statement of Changes in Equity on page 100 of this Annual Report.

The composition of the aggregate of stated capital and reserves is set out below:

	2016 Rs.	2015 Rs.
Stated capital	1,008,062,200	1,008,062,200
Statutory reserve fund	265,036,033	230,036,033
Other reserves	3,774,586	–
Retained earnings	1,716,486,135	1,295,748,642
Total reserves	2,993,358,954	2,533,846,875

Capital Expenditure

The total capital expenditure for the year amounted to Rs. 351.4 million (2015 – Rs. 473.1 million). Details of property, plant and equipment are available on pages 132 to 136 of this Annual Report. Details relating to the depreciation charge for the year are also available on page 133.

Market Value of Freehold Assets

The values of the freehold properties of the Company have been obtained from the reports issued by qualified valuers Messrs Arthur Perera & Company dated 31st March 2015. The valuation has been carried out based on market comparable method and on investment method based on the value in best use. These values have not been incorporated in the

Financial Statements. Details of freehold property owned by the Company are given in Note 28.1 and Note 29.6 of the Financial Statement on page 130 and page 135 to the Annual Report.

Issue of Shares and Debentures Stated Capital

Senkadagala Finance PLC has in issue 65,227,555 ordinary shares to the value of Rs. 1,008 million. No new shares were issued during the year under review. The Company does not have any other category of shares in issue.

Debentures

Details of the debentures in issue as at 31st March 2016 are given in detail in Note 36 and Note 37 of the Financial Statements on page 139 and page 141 respectively. Further information on the listed debentures is given on page 183 of this Annual Report.

Shareholding

The stated capital as at 31st March 2016 was Rs. 1,008 million, consisting of 65,227,555 shares in issue. Details of the stated capital are given in Note 42 of the Financial Statements on page 145 of this Annual Report.

Share Information

Information relating to earnings per share, dividends per share, net assets per share, market price per share and the distribution of shareholding is indicated on page 180, under shareholder information.

The twenty largest shareholders as at 31st March 2016 together with an analysis of the shareholding are also indicated on page 180 of this Annual Report.

Equitable Treatment to Shareholders

The Company has taken all possible steps to ensure equitable treatment to all its shareholders.

Directors

The Board of Directors of Senkadagala Finance PLC consists of Directors with financial and commercial experience. The qualifications and experience of the Directors are stated on page 48 of this Annual Report.

The following were Directors of the Company during the year:

- Mr. W. M. R. S. Dias (Chairman)
- Dr. P. Ramanujam
- Mr. L. Balasuriya
- Dr. A. Balasuriya
- Mrs. L. Fernando
- Dr. M. Balasuriya
- Mr. W. A. T. Fernando
- Mr. S. S. Kulatunga
- Mr. S. D. Bandaranayake
- Mr. D. T. P. Collure

The following were Directors of Senkadagala Insurance Brokers (Pvt) Ltd. during the year:

- Mr. L. Balasuriya
- Dr. A. Balasuriya
- Mrs. L. Fernando
- Dr. M. Balasuriya
- Mr. W. A. T. Fernando

The following were Directors of Newest Capital Ltd. during the year:

- Mr. L. Balasuriya
- Dr. A. Balasuriya
- Mrs. L. Fernando
- Dr. P. Ramanujam
- Mr. S. D. Bandaranayake

Board and Committee Meetings

A number of Board meetings, Audit Committee meetings, Remuneration Committee meetings and Integrated Risk Management Committee meetings were held during the year at the Registered Office of the Company. Members of each of these committees have attended these

meetings on a regular basis. Details of the members and the attendance are given on page 48 and page 72 of this Annual Report.

Recommended for Re-election

In accordance with the Finance Companies (Corporate Governance) Direction No. 03 of 2008, none of the Directors of the Company is coming up for re-election.

Directors and Shareholdings

The Directors of the Company at the date of the report are shown below together with their respective shareholdings as at the year end:

	2016		2015	
	Number of Shares	Percentage of Holdings	Number of Shares	Percentage of Holdings
Dr. A. Balasuriya	3,747,127	5.74	3,747,127	5.75
Dr. A. Balasuriya and Mr. D. Balasuriya	3,858	0.01	3,858	0.01
Dr. A. Balasuriya and Mr. S. Balasuriya	3,857	0.01	3,857	0.01
Dr. M. Balasuriya	3,754,842	5.76	3,754,842	5.76
Mrs. L. Fernando	3,141,113	4.82	3,141,113	4.82
Mrs. L. Fernando and Ms. S. A. Fernando	2,572	0.00	2,572	0.00
Mrs. L. Fernando and Mr. A. R. Fernando	2,571	0.00	2,571	0.00
Mrs. L. Fernando and Ms. A. L. Fernando	2,571	0.00	2,571	0.00
Mr. L. Balasuriya and Mr. S. K. Balasuriya	1,877,421	2.88	1,877,421	2.88
Mr. L. Balasuriya and Ms. A. S. Balasuriya	1,877,420	2.88	1,877,420	2.88
Mr. L. Balasuriya – The Trustee of the Capitalisation Issue	15	0.00	15	0.00
Mr. W. A. T. Fernando	–	0.00	–	0.00
Dr. P. Ramanujam	–	0.00	–	0.00
Mr. S. S. Kulatunga	–	0.00	–	0.00
Mr. S. D. Bandaranayake	–	0.00	–	0.00
Mr. D. T. P. Collure	–	0.00	–	0.00
Mr. W. M. R. S. Dias	–	0.00	–	0.00

Directors' Interests in Debentures

Details of Debentures held by the Directors of the Company are mentioned below:

	2016		2015	
	Number of Debentures	Percentage of Holding	Number of Debentures	Percentage of Holding
Mr. S. D. Bandaranayake	225,000	1.00	225,000	1.00

Amounts pertaining to the audit fee of Rs. 990,000/- of the Company and Rs. 50,000/- of the subsidiary was payable as at the year end.

As far as the Directors are aware, the Auditors do not have any other relationship or interest in contract with the Company.

Environment

The Directors are of the belief that the Company does not engage in any form of activity that is detrimental to the environment. Compliance with all environmental regulations has been adhered to during the year.

There were no material events occurring after the Reporting period that require adjustment to or disclosure in the Financial Statements other than that what is disclosed above.

Risk Management

Specific steps taken by the Company in managing risks are detailed on pages 78 to 86 of this Annual Report.

Statutory Payments

The Directors are of the view that all statutory payments in relation to Government agencies and employees have been made up to date.

Appointment of Auditors

The Financial Statements of the year under review have been audited by Messrs KPMG, Chartered Accountants, who offer themselves for reappointment. A resolution will be proposed at the Annual General Meeting to reappoint them as Auditors and Authorising the Directors to resolve their remuneration.

Corporate Governance

The Board places great emphasis on maintaining effective corporate governance practices and policies and systems are structured accordingly and reviewed from time to time to enhance transparency and accountability. The report on corporate governance is given on pages 50 to 72 of this Annual Report.

Post Balance Sheet Events

The Board of Directors has declared and approved an interim dividend of Rs. 0.60 per share for the nine month period ended 31st December 2015 and paid it on 15th June 2016. Further a final dividend of Rs. 0.75 per share for the year ended 31st March 2016 is recommended by the Board of Directors subject to the approval from the shareholders at the Annual General Meeting for the financial year ended 31st March 2016. In accordance with the LKAS 10 – 'Events After the Reporting Period' the proposed dividends are not recognised as a liability in the Financial Statements as at year end.

Auditors' Remuneration, Other Fees and Payables

The Auditors, Messrs KPMG was paid audit fees of Rs. 990,000/- (2014/15 – Rs. 895,000/-) for the Company and Rs. 99,000/- (2014/15 – Rs. 50,000/-) for the subsidiary companies for the period under review. In addition, they were paid Rs. 2,131,648/- (2014/15 – 1,355,322/-), for permitted non-audit related services. This information is disclosed as required by the Section 168 (1) of the Companies Act No. 07 of 2007.

Internal Control

The Directors of the Company are responsible for setting out the policy regarding internal control. The set of internal control procedures laid down seeks to manage against material errors or omissions, losses, fraudulent practices and to safeguard assets and secure as far as possible the accuracy and reliability of the records.

Employment Policies

The Company is an equal opportunity employer. In its goals and objectives, it seeks to achieve excellence and market orientation in its service. Continuous training and social participation amongst employees are encouraged. A holistic approach prevails in the Company's strategic outlook where a participatory management style ensures that employees are involved in the decision-making process. Incentive schemes which are related to employee performance are one of the ways in which the Company ensures that rewards are directly related to performance. A Remuneration Committee ensures that a balance is struck between performance and related employee rewards structures.

The Company has also set up an in-house training facility in order to ensure that all employees meet certain standard requirements before job placement and also to enhance the existing skills of its staff. The Company had 620 employees as at 31st March 2016 (2015 – 601).

Going Concern

The Directors are satisfied that the Company has at its disposal adequate resources to continue in business in the foreseeable future; hence going concern concept is adopted in the preparation of the Financial Statements.

Compliance with Laws and Regulations

The Directors are of the belief that the Company has not engaged in any activities contravening the law and has complied with all applicable regulations.

By order of the Board of
Senkadagala Finance PLC

(Sgd.)
Managers and Secretaries (Pvt) Ltd.
Secretaries

Colombo
22nd July 2016

Directors' Statement on Internal Control Over Financial Reporting

Responsibility

In line with Section 10 (2) (b) of the Finance Companies Corporate Governance Direction No. 03 of 2008 as amended by the Direction No. 06 of 2013, the Board of Directors presents this Report on internal control over financial reporting.

The Board of Directors ('Board') is responsible for the adequacy and effectiveness of the internal control mechanism in place at Senkadagala Finance PLC ('Company').

The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company and this process includes the system of internal control over financial reporting. The process is regularly reviewed by the Board. The Board is of the view that the system of internal control over financial reporting in place, is adequate to provide reasonable assurance regarding the reliability of financial reporting, and that the preparation of Financial Statements for external purposes is in accordance with relevant accounting principles and regulatory requirements.

The management assists the Board in the implementation of the Board's policies and procedures pertaining to internal control over financial reporting. The management is continuously in the process of enhancing the documentation of the systems of internal control over financial reporting. In assessing the internal control system over financial reporting, identified officers of the Company collated all procedures and controls that are connected with significant accounts and disclosures of the Financial Statements of the Company. These in turn are being observed and checked by the Internal Audit Department of the Company for suitability of design and effectiveness on an ongoing basis.

Consequent to full convergence of Sri Lanka Accounting Standards with International Accounting Standards that became effective from the financial year beginning 1st April 2012 the Company has strengthened the processes and procedures initially adopted to comply with the said accounting standards based on the feedback received from the External Auditors, Internal Audit Department, Regulators and the Board Audit Committee. Progressive improvements on processes to comply with new Sri Lanka Accounting Standards requirements of recognition, measurement, classification and disclosure are being made.

Confirmation

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

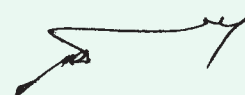
External Auditors' Certification

The External Auditors have submitted a certification on the process adopted by the Directors on the system of internal controls over financial reporting. The matters addressed by the External Auditors will be considered and appropriate steps would be taken to rectify them in the future.

By Order of the Board,



S. D. Bandaranayake
Director/Additional CEO



Ravi Dias
Chairman



Ajith Fernando
Director/Chairman of the
Board Audit Committee

Colombo

22nd July 2016

Independent Auditors' Report



KPMG
Kandy Branch
 (Chartered Accountants)
 483 A 1/4, William Gopallawa Mawatha,
 Kandy 20000.
 Sri Lanka.

Tel : +94 81 223 4610
 +94 81 563 1181
 +94 81 563 1187
 +94 81 563 1189
 Fax : +94 81 223 4610
 E-mail : kpmgudarata@kpmg.com

To the Shareholders of Senkadagala Finance PLC

Report on the Financial Statements

We have audited the accompanying Financial Statements of Senkadagala Finance PLC ("the Company") and the Consolidated Financial Statements of the Company and its subsidiaries ("the Group"), which comprise the Statement of Financial Position as at 31st March 2016, the Income Statement, Statement of Other Comprehensive Income, Changes in Equity and Cash Flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information set out on pages 103 to 116 of the Financial Statements.

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.

Opinion

In our opinion, the Consolidated Financial Statements give a true and fair view of the financial position of the Group as at 31st March 2016, and of its financial

performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

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

- a) The basis of opinion and scope and limitation of the audit are as stated above.
- b) In our opinion
 - We have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.
 - The Financial Statements of the Company giving a true and fair view of its financial position as at 31st March 2016, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.
 - The Financial Statements of the Company, and the Group comply with the requirements of Sections 151 and 153 of the Companies Act No. 07 of 2007.

Chartered Accountants
Kandy

10th June 2016

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.

M.R. Mihular FCA
 T.J.S. Rajakarier FCA
 Ms. S.M.B. Jayasekara ACA
 G.A.U. Karunaratne ACA
 R.H. Rajan ACA

P.Y.S. Perera FCA
 W.W.J.C. Perera FCA
 W.K.D.C. Abeyrathne ACA
 R.M.D.B. Rajapakse ACA

C.P. Jayatilake FCA
 Ms. S. Joseph FCA
 S.T.D.L. Perera FCA
 Ms. B.K.D.T.N. Rodrigo ACA

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

Income Statement

For the Year ended 31st March	Note	Company		Group	
		2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Interest income	4	3,746,373,737	3,584,165,290	3,747,454,172	3,584,910,846
Interest expense	5	(1,701,766,490)	(1,750,531,743)	(1,698,353,218)	(1,746,294,517)
Net interest income		2,044,607,247	1,833,633,547	2,049,100,954	1,838,616,329
Fee and commission income	6	85,404,531	35,172,125	184,184,219	108,314,672
Fee and commission expense	7	(35,764,382)	(24,371,280)	(35,764,382)	(24,371,280)
Net fee and commission income		49,640,149	10,800,845	148,419,837	83,943,392
Net gain from trading	8	5,254,914	4,044,740	5,254,914	4,044,740
Net gain/(loss) from financial instruments designated at fair value through profit or loss	9	(12,579,446)	15,761,153	(12,579,446)	15,761,153
Other operating income	10	127,513,059	76,241,635	74,160,059	25,901,635
Total operating income		2,214,435,923	1,940,481,920	2,264,356,318	1,968,267,249
Impairment charge on individual impairment	11	(133,229,696)	(67,433)	(133,229,696)	(67,433)
Impairment charge/(reversal) on collective impairment	12	159,543,539	(73,567,087)	159,543,539	(73,567,087)
Other loan losses charge	13	(84,297,878)	(94,320,114)	(84,297,878)	(94,320,114)
Net operating income		2,156,451,888	1,772,527,286	2,206,372,283	1,800,312,615
Personnel expenses	14	(411,534,539)	(362,361,297)	(414,484,110)	(364,871,212)
Depreciation of property, plant and equipment		(206,935,307)	(169,685,868)	(210,743,092)	(170,776,392)
Amortisation of intangible assets		(14,318,984)	(12,604,089)	(14,318,984)	(28,809,143)
Impairment loss of property, plant and equipment		–	(5,470,240)	–	(5,470,240)
Other operating expenses	15	(552,546,986)	(525,376,403)	(560,058,449)	(565,002,919)
Operating profit before VAT and NBT on financial services		971,116,072	697,029,389	1,006,767,648	665,382,709
VAT and NBT on financial services		(88,566,497)	(49,585,791)	(88,566,497)	(49,585,791)
Profit before income tax		882,549,575	647,443,598	918,201,151	615,796,918
Income tax expense	16	(269,368,025)	(107,804,557)	(306,093,594)	(133,432,491)
Profit for the year		613,181,550	539,639,041	612,107,557	482,364,427
Basic earnings per share	17	9.40	8.27	9.38	7.40

Figures in brackets indicate deductions.

Notes to the Financial Statements form an integral part of these Financial Statements.

Statement of Profit or Loss and Other Comprehensive Income

For the Year ended 31st March	Note	Company		Group	
		2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Profit for the year		613,181,550	539,639,041	612,107,557	482,364,427
Other Comprehensive Income					
Items that will not be reclassified to profit or loss					
Actuarial gain on defined benefit plans	41.2	11,511,611	65,082	11,511,611	65,082
Deferred tax effect on actuarial losses		(2,625,403)	(14,290)	(2,625,403)	(14,290)
Items that are or may be reclassified to profit or loss					
Net change in fair value of available-for-sale financial assets		3,774,586	–	3,774,586	–
		12,660,794	50,792	12,660,794	50,792
Other comprehensive income for the year, net of tax		12,660,794	50,792	12,660,794	50,792
Total comprehensive income for the year, net of tax		625,842,344	539,689,833	624,768,351	482,415,219

Figures in brackets indicate deductions.

Notes to the Financial Statements form an integral part of these Financial Statements.

Statement of Financial Position

As at 31st March	Note	Company		Group	
		2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Assets					
Cash and cash equivalents	19	457,725,318	404,636,587	486,127,789	427,833,458
Deposits with licensed commercial banks	20	1,234,016,418	748,158,081	1,234,016,418	748,158,081
Repurchase agreements		972,624,516	581,421,556	972,624,516	581,421,556
Financial assets held at fair value through profit or loss	21	82,237,016	91,529,198	82,237,016	91,529,198
Finance leases	22	13,975,552,388	8,151,414,340	13,975,552,388	8,151,414,340
Hire purchases	23	2,024,520,342	4,925,414,552	2,024,520,342	4,925,414,552
Other loans and receivables	24	908,067,048	506,098,773	908,067,048	506,098,773
Financial assets available-for-sale	25	16,400,083	12,171,887	16,400,083	12,171,887
Financial assets held-to-maturity	26	832,030,919	1,062,632,291	832,030,919	1,062,632,291
Investments in subsidiaries	27	320,000,000	320,000,000	–	–
Investment property	28	79,024,933	79,327,971	276,414,697	264,327,971
Property, plant and equipment	29	1,047,079,572	961,508,782	1,049,508,428	965,032,418
Intangible assets	30	68,558,945	82,027,681	133,379,159	146,847,895
Amounts due from related company	31	6,990,797	1,452,369	–	–
Current tax recoverable	39	20,044,397	1,384,413	–	–
Other assets	32	225,072,014	143,839,814	225,304,445	144,117,918
Total assets		22,269,944,706	18,073,018,295	22,216,183,248	18,027,000,338
Liabilities					
Due to banks	33	4,806,174,120	2,928,337,801	4,819,887,580	2,940,860,735
Deposits from customers	34	6,510,033,106	6,541,895,759	6,486,010,917	6,519,521,274
Other borrowings	35	3,885,511,133	1,859,354,847	3,885,511,133	1,859,354,847
Debt securities issued	36	1,800,155,870	2,319,430,013	1,800,155,870	2,319,430,013
Subordinated debentures	37	1,259,692,805	1,260,306,634	1,259,692,805	1,260,306,634
Deferred tax liabilities	38	434,104,236	197,115,561	436,663,479	197,139,903
Current tax liabilities	39	–	–	282,276	13,655,300
Other liabilities	40	521,473,770	372,039,311	528,167,030	374,248,214
Employee benefits	41	59,440,712	60,691,494	59,659,648	60,768,994
Total liabilities		19,276,585,752	15,539,171,420	19,276,030,738	15,545,285,914

As at 31st March	Note	Company		Group	
		2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Equity					
Stated capital	42	1,008,062,200	1,008,062,200	1,008,062,200	1,008,062,200
Statutory reserve fund	43	265,036,033	230,036,033	265,036,033	230,036,033
Investment fund account	44	–	–	–	–
Available-for-sale reserve	45	3,774,586	–	3,774,586	–
Retained earnings		1,716,486,135	1,295,748,642	1,663,256,691	1,243,616,191
Total equity		2,993,358,954	2,533,846,875	2,940,152,510	2,481,714,424
Total liabilities and equity		22,269,944,706	18,073,018,295	22,216,183,248	18,027,000,338

Figures in brackets indicate deductions.

Notes to the Financial Statements form an integral part of these Financial Statements.


It is certified that the Financial Statements have been prepared in compliance with the requirements of the Companies Act No. 07 of 2007 and the Finance Business Act No. 42 of 2011.



S. D. Bandaranayake
Additional Chief Executive Officer

The Board of Directors is responsible for the preparation and presentation of these Financial Statements.

Approved and signed for and on behalf of the Board,



W. M. R. S. Dias
Chairman

Kandy, Sri Lanka
10th June 2016



L. Balasuriya
Chief Executive Officer/Managing Director

Statement of Changes in Equity

	Stated Capital Rs.	Statutory Reserve Fund Rs.	Investment Fund Account Rs.	Available-for- Sale Reserve Rs.	Retained Earnings Rs.	Total Rs.
Company						
Balance as at 1st April 2014	747,152,000	195,036,033	170,628,603	–	988,965,872	2,101,782,508
Total comprehensive income for the year						
Profit for the year	–	–	–	–	539,639,041	539,639,041
Other comprehensive income, net of tax	–	–	–	–	50,792	50,792
Total comprehensive income for the year	–	–	–	–	539,689,833	539,689,833
Transactions with equity holders						
Recognised directly in equity						
Bonus issue of shares	260,910,200	–	–	–	(260,910,200)	–
Transfers to reserves	–	35,000,000	(170,628,603)	–	135,628,603	–
Dividends paid	–	–	–	–	(107,625,466)	(107,625,466)
Balance as at 31st March 2015	1,008,062,200	230,036,033	–	–	1,295,748,642	2,533,846,875
Balance as at 1st April 2015	1,008,062,200	230,036,033	–	–	1,295,748,642	2,533,846,875
Total comprehensive income for the year						
Profit for the year	–	–	–	–	613,181,550	613,181,550
Other comprehensive income, net of tax	–	–	–	3,774,586	8,886,208	12,660,794
Total comprehensive income for the year	–	–	–	3,774,586	622,067,758	625,842,344
Transactions with equity holders						
Recognised directly in equity						
Transfers to reserves	–	35,000,000	–	–	(35,000,000)	–
Dividends paid	–	–	–	–	(166,330,265)	(166,330,265)
Balance as at 31st March 2016	1,008,062,200	265,036,033	–	3,774,586	1,716,486,135	2,993,358,954
Group						
Balance as at 1st April 2014	747,152,000	195,036,033	170,628,603	–	994,108,035	2,106,924,671
Total comprehensive income for the year						
Profit for the year	–	–	–	–	482,364,427	482,364,427
Other comprehensive income, net of tax	–	–	–	–	50,792	50,792
Total comprehensive income for the year	–	–	–	–	482,415,219	482,415,219
Transactions with equity holders						
Recognised directly in equity						
Bonus issue of shares	260,910,200	–	–	–	(260,910,200)	–
Transfers to reserves	–	35,000,000	(170,628,603)	–	135,628,603	–
Dividends paid	–	–	–	–	(107,625,466)	(107,625,466)
Balance as at 31st March 2015	1,008,062,200	230,036,033	–	–	1,243,616,191	2,481,714,424
Balance as at 1st April 2015	1,008,062,200	230,036,033	–	–	1,243,616,191	2,481,714,424
Total comprehensive income:						
Profit for the year	–	–	–	–	612,107,557	612,107,557
Other comprehensive income, net of tax	–	–	–	3,774,586	8,886,208	12,660,794
Total comprehensive income for the year	–	–	–	3,774,586	620,993,765	624,768,351
Transactions with equity holders						
Recognised directly in equity						
Transfers to reserves	–	35,023,000	–	–	(35,023,000)	–
Dividends paid	–	–	–	–	(166,330,265)	(166,330,265)
Balance as at 31st March 2016	1,008,062,200	265,059,033	–	3,774,586	1,663,256,691	2,940,152,510

Figures in brackets indicate deductions.

Notes to the Financial Statements form an integral part of these Financial Statements.

Statement of Cash Flows

For the Year ended 31st March	Company		Group	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Cash Flows from Operating Activities				
Interest and commission receipts	3,807,690,899	3,584,665,629	3,907,551,022	3,658,553,732
Interest payments	(1,720,208,628)	(1,833,991,872)	(1,716,795,356)	(1,829,754,646)
Recoveries of bad debts	53,548,313	38,180,282	53,548,313	38,180,282
Other operating income	6,209,823	10,270,655	15,856,823	9,970,655
Operating expenditure	(809,977,045)	(728,432,935)	(817,488,508)	(733,442,409)
Cash payments to employees	(398,487,322)	(351,360,321)	(401,295,457)	(353,792,736)
Operating cash flow before changes in operating assets and liabilities (Note A)	938,776,040	719,331,438	1,041,376,837	789,714,878
Changes in Operating Assets and Liabilities				
Net funds advanced to customers	(3,279,558,111)	(949,749,593)	(3,279,558,111)	(949,749,593)
Deposits from customers	(31,862,653)	917,496,274	(33,510,357)	932,382,881
Deposits with licensed commercial banks	(485,858,337)	(748,158,081)	(485,858,337)	(748,158,081)
Government and other securities	(160,601,588)	24,999,612	(160,601,588)	24,999,612
Other assets	(86,770,628)	11,097,595	(81,186,527)	12,406,857
Other liabilities	158,691,486	186,002,837	164,777,163	188,897,397
	(3,885,959,831)	(558,311,356)	(3,875,937,757)	(539,220,927)
Net cash inflow from operating activities before taxation	(2,947,183,791)	161,020,082	(2,834,560,920)	250,493,951
Taxes paid	(61,095,475)	(110,350,861)	(91,600,503)	(142,616,527)
Gratuity paid	(2,786,388)	(2,360,358)	(2,786,388)	(2,360,358)
Net cash generated from operating activities	(3,011,065,654)	48,308,863	(2,928,947,811)	105,517,066
Cash Flows from Investing Activities				
Acquisition of subsidiary	—	(300,000,000)	—	(299,686,937)
Net investment in trading securities	1,967,651	3,188,981	1,967,651	3,188,981
Purchase of financial assets available-for-sale	(453,610)	(172,604)	(453,610)	(172,604)
Dividends received on investments	65,587,614	52,374,192	2,587,614	2,334,192
Purchase of property, plant and equipment	(350,552,958)	(418,231,256)	(365,655,727)	(418,254,056)
Purchase of intangible assets	(850,248)	(54,898,774)	(850,248)	(54,898,774)
Proceeds from sale of property, plant and equipment	114,065,719	33,834,289	114,065,719	33,834,289
Net cash used in investing activities	(170,235,832)	(683,905,172)	(248,338,601)	(733,654,909)

For the Year ended 31st March	Company		Group	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Cash Flows from Financing Activities				
Securitised loans obtained	5,499,710,000	3,382,550,000	5,499,710,000	3,382,550,000
Repayment of loans	(1,684,778,958)	(2,049,965,325)	(1,684,778,958)	(2,049,965,325)
Redemption of debentures	(480,000,000)	(554,000,000)	(480,000,000)	(554,000,000)
Dividends paid	(168,156,554)	(158,640,430)	(168,156,554)	(158,640,430)
Net cash generated from/(used in) financing activities	3,166,774,488	619,944,245	3,166,774,488	619,944,245
Net increase/(decrease) in cash and cash equivalents	(14,526,998)	(15,652,064)	(10,511,924)	(8,193,598)
Cash and cash equivalents at the beginning of the year	312,689,587	328,341,651	323,363,524	331,557,122
Cash and cash equivalents at the end of the year	298,162,589	312,689,587	312,851,600	323,363,524
Reconciliation of Cash and Cash Equivalents				
Cash and cash equivalents	457,725,318	404,636,587	486,127,789	427,833,458
Bank overdrafts	(159,562,729)	(91,947,000)	(173,276,189)	(104,469,934)
	298,162,589	312,689,587	312,851,600	323,363,524
Note A				
Reconciliation of Operating Profit				
Profit before income tax	882,549,575	647,443,598	918,201,151	615,796,918
Depreciation	221,254,291	182,289,957	225,062,076	199,585,535
Dividend receipts on investments	(65,587,614)	(52,374,192)	(2,587,614)	(2,334,192)
Profit on disposal of motor vehicles	(55,715,821)	(13,596,788)	(55,715,821)	(13,596,788)
Provision for defined benefit plan	13,047,217	11,000,976	13,188,653	11,078,476
Impairment charge/(reversal) of financial assets	(26,313,843)	73,634,520	(26,313,843)	73,634,520
Loan losses and write-offs	4,747,210	3,400,935	4,747,210	3,400,935
Loss/(gain) on mark-to-market valuation of shares	12,579,446	(15,761,153)	12,579,446	(15,761,153)
(Gain)/loss on sale of shares	(5,254,914)	(4,044,740)	(5,254,914)	(4,044,740)
Interest accrued on loans and advances	(24,087,369)	(34,671,786)	(24,087,369)	(34,671,786)
Accrued interest on borrowings	21,445,834	(59,850,316)	21,445,834	(59,850,316)
Accrued interest on debentures	(39,887,972)	(23,609,813)	(39,887,972)	(23,609,813)
Impairment loss of property, plant and equipment	–	5,470,240	–	5,470,240
Investment property written off	–	–	–	34,617,042
	938,776,040	719,331,438	1,041,376,837	789,714,878

Figures in brackets indicate deductions.

The Notes to the Financial Statements form an integral part of these Financial Statements.

Notes to the Financial Statements

1. Corporate Information

1.1 Domicile and Legal Form

Senkadagala Finance PLC is a public limited liability company domiciled in Sri Lanka, incorporated under the Companies Ordinance No. 51 of 1938 on December 29th 1968 and registered under the Finance Company Act No. 78 of 1988 which was replaced by the Finance Business Act No. 42 of 2011. The Company has re-registered under the Companies Act No. 07 of 2007. The registered office of the Company is situated at 2nd Floor, No. 267, Galle Road, Colombo 03.

As a registered finance company, it is supervised by the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka.

1.2 Number of Employees

The number of employees of the Company at the end of the year was 620 (2015 – 601).

1.3 Consolidated Financial Statements

The Consolidated Financial Statements of Senkadagala Finance PLC for the year ended 31st March 2016 comprise those of the Company (Parent Company) and its subsidiaries (together referred to as the 'Group').

1.4 Principal Activities and Nature of Operations

Company

The principal lines of business of the Company can be broadly classified under two categories – Fund based and Fee based. The fund based services include leasing, hire purchase finance, trade loans and pledge loans. The fee based services include vehicle valuations etc.

Subsidiaries

The subsidiary companies and their principal line of business are as follows:

Senkadagala Insurance Brokers (Pvt) Ltd.

During the year, the principal activity of the Senkadagala Insurance Brokers (Pvt) Ltd. was providing insurance brokering services. The Company holds 100% share capital of Senkadagala Insurance Brokers (Pvt) Ltd.

Newest Capital Ltd.

The Company acquired 100% equity stake of Newest Capital Ltd. under the consolidation programme implemented by the Central Bank of Sri Lanka. The principal activities of the Company was Finance Leasing business. However, Newest Capital Ltd. had not carried out any finance leasing business during the year under review.

1.5 Parent Enterprise and Ultimate Parent Enterprise

E.W. Balasuriya and Company (Pvt) Ltd. which is incorporated and domiciled in Sri Lanka is the immediate and Ultimate Parent of Senkadagala Finance PLC.

2. Basis of Preparation

2.1 Statement of Compliance

The Financial Statements of the Company and the Group are prepared in accordance with Sri Lanka Accounting Standards (SLFRS and LKAS) as issued by The Institute of Chartered Accountants of Sri Lanka and the requirements of the Companies Act No. 07 of 2007, Finance Companies Act No. 78 of 1988 which is replaced by the new Finance Business Act No. 42 of 2011 and the amendments to these acts and provide appropriate disclosures as required by the Central Bank of Sri Lanka and the Listing Rules of the Colombo Stock Exchange.

The formats used in the preparation of the Financial Statements and the disclosures made therein also comply with the specified format prescribed by the Central Bank of Sri Lanka for the preparation, presentation and publication of Annual Audited Financial Statements of Non-Bank Financial Institutions.

2.2 Responsibility for Financial Statements

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

The Financial Statements of Senkadagala Finance PLC for the year ended 31st March 2016 were authorised for issue in accordance with a resolution of the Board of Directors on 10th June 2016.

These Financial Statements include the following components:

- An Income Statement providing the information on the financial performance of the Company and the Group for the year under review.
- A Statement of Profit or Loss and Other Comprehensive Income Statement providing the Other Comprehensive Income of the Company and the Group for the year under review.
- A Statement of Financial Position providing the information on the financial position of the Company and the Group as at the year end.
- A Statement of Changes in Equity providing the information on all changes in shareholders' equity of the Company and the Group during the year under review.
- A Statement of Cash Flows providing the information on the cash and cash equivalents generating ability of the Company and the Group and the utilisation of those cash flows.
- Notes to the Financial Statements comprising accounting policies used and other Notes.

2.3 Bases of Measurement

The Financial Statements of the Senkadagala Finance PLC ('The Company') and consolidated subsidiaries ('Group') are prepared in Sri Lankan Rupees on a historical cost basis except for available-for-sale investments, other financial assets and liabilities held for trading and financial assets and liabilities designated at fair value through profit or loss, all of which have been measured at fair value. No adjustments have been made for inflationary factors.

2.4 Functional and Presentation Currency

Items included in the Financial Statements of the Group and 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 and its subsidiary's functional currency. There was no change in the Group's presentation and functional currency during the year under review.

2.5 Preparation of Financial Statements

The Company and the Group presents its Statement of Financial Position broadly in order of liquidity. An analysis regarding recovery or settlement based on maturity is presented in Note 49. No adjustments have been made for inflationary factors affecting the Financial Statements.

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

2.6 Materiality and Aggregation

Each material class of similar items is 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'.

2.7 Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Financial Statements in conformity with Sri Lanka Accounting Standards (SLFRS/LKAS) 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 differ from these estimates.

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

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the Financial Statements are described in Notes below:

2.7.1 Going Concern

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

2.7.2 Fair Value of Financial Instruments

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values.

This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values and reports directly to the CFO.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of SLFRS, including the level in the fair value hierarchy in which such valuations should be classified.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- **Level 1:** Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- **Level 2:** Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- **Level 3:** Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the Reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following Notes:

- Note 28.2 – Investment Property
- Note 29.7 – Property, Plant and Equipment
- Note 51 A and B – Financial Instruments

2.7.3 Financial Assets and Liabilities Classification

The Group classifies financial assets and liabilities into different accounting categories in certain circumstances.

In classifying financial assets as held-to-maturity, the Group has determined that it has both the positive intention and the ability to hold the assets until their maturity date.

2.7.4 Impairment Losses on Loans and Advances

The Group reviews its individually significant loans and advances at each Statement of Financial Position date to assess whether an impairment loss should be recorded in the Income Statement. In particular, management's judgment is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about

a number of factors and actual results may differ, resulting in future changes to the allowance.

Loans and advances have been assessed individually if such loans and advances are considered individually significant and all other loans and advances are then assessed collectively, in groups of assets with similar risk.

Characteristics, to determine whether provision should be made due to incurred loss events for which there is objective evidence, but the effects of which are not yet evident. The collective assessment takes account of data from the loan portfolio (such as loan types, levels of arrears, type of the borrowers, industries, etc.) and judgments on the effect of concentrations of risks and economic data (including levels of unemployment, prices indices, Inflation etc.). The impairment of financial assets is disclosed in more detail in Note 3.6.

2.7.5 Impairment of Available-for-Sale Investments

The Group reviews its debt securities classified as available-for-sale investments at each Reporting date to assess whether they are impaired. This requires similar judgment as applied to the individual assessment of loans and advances.

The Group also records impairment charges on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is 'significant' or 'prolonged' requires judgment. In making this judgment, the Group evaluates, among other factors, historical share price movements and duration and extent to which the fair value of an investment is less than its cost.

2.7.6 Defined Benefit Obligation

The cost of the defined benefit plan is determined using an actuarial valuation. The actuarial valuation involves making assumptions about discounting rates, future salary increases and mortality rates. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

2.7.7 Useful Life of Property, Plant and Equipment

The Group reviews the residual values, useful life and method of depreciation for property, plant and equipment at each Reporting date. Judgment of the management is exercised in the estimation of these values, rate methods and hence subject to uncertainty.

3. Significant Accounting Policies

3.1 Basis of Consolidation

The Financial Statements of the Company and the Group comprise the Financial Statements of the Company and its subsidiaries for the year ended 31st March 2016. The Financial Statements of the Company's subsidiaries for the purpose of consolidation are prepared for the same Reporting year as that of Senkadagala Finance PLC, using consistent accounting policies.

All intra-group balances, transactions, income and expenses are eliminated in full.

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The

Financial Statements of subsidiaries are included in the Consolidated Financial Statements from the date on which control commences until the date on which control ceases.

3.1.1 Non-controlling Interests

Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

3.1.2 Loss of Control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

3.1.3 Transactions Eliminated on Consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3.2 Foreign Currency Translation

Transactions in foreign currencies are translated into the respective functional currencies of the operations at the spot exchange rates at the dates of

the transactions. All differences arising on non-trading activities are taken to 'Other Operating Income' in the Income Statement. Monetary assets and liabilities denominated in foreign currencies at the Reporting date are translated into the functional currency at the spot exchange rate at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Unrealised gains and losses are dealt under 'Other Operating Income' in the Income Statement.

3.3 Financial Instruments – Initial Recognition and Subsequent Measurement

(i) Date of Recognition

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

(ii) Initial Measurement of Financial Instruments

The classification of financial instruments at initial recognition depends on their purpose and characteristics and the management's intention in acquiring them. All financial instruments are measured initially at their fair value plus transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss.

(iii) Classification and Subsequent Measurement of Financial Assets

At initial recognition financial assets are classified into one of the following categories:

- At fair value through profit or loss account
 - Held for trading; or
 - Designated at fair value through profit or loss
- Loans and receivables
- Available-for-sale; or
- Held-to-maturity

Subsequent measurement depends on the financial asset category.

(a) Financial Assets Held for Trading

Financial assets held for trading are recorded in the Statement of Financial Position at fair value. Changes in fair value are recognised in 'Net gain/(loss) from financial instruments designated at fair value through profit or loss'. Interest and dividend income or expense is recorded in 'Other operating income' according to the terms of the contract, or when the right to the payment has been established. Included in this classification are debt securities and equities that have been acquired principally for the purpose of selling or repurchasing in the near term.

(b) Financial Assets Designated at Fair Value Through Profit or Loss

Financial assets classified in this category are those that have been designated by management upon initial recognition. Management may only designate an instrument at fair value through profit or loss upon initial recognition when the following criteria are met, and designation

is determined on an instrument by instrument basis:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis.
- The assets are part of a group of financial assets, financial liabilities or both, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.
- The financial instrument contains one or more embedded derivatives, which significantly modify the cash flows that would otherwise be required by the contract.
- Financial assets at fair value through profit or loss are recorded in the Statement of Financial Position at fair value. Changes in fair value are recorded in 'Net gain/(loss) on financial instruments designated at fair value through profit or loss. Interest earned, dividend income on these assets are recorded in 'Other operating income'.

(c) Loans and Receivables

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

- Those that the Group intends to sell immediately or in the near term and those that the Group at initial recognition designates as at fair value through profit or loss.
- Those that the Group upon initial recognition, designates as available-for-sale.

- Those for which the Group may not recover substantially all of its initial investment, other than because of credit deterioration.

When the Group is the lessor in a lease agreement that transfers substantially all the risks and rewards incidental to ownership of the asset to the lessee, the arrangement is classified as a finance lease. Amount receivable under finance leases net of initial rentals received, unearned lease income and provision for impairment are classified as lease receivable and presented under 'Finance lease' in the Statement of Financial Position.

A lease that does not transfer substantially all the risk and rewards incidental to ownership is classified as operating lease. Group does not have any operating leases as at the Reporting date.

Subsequent to the initial measurement, lease, hire purchases and other loans and advances are subsequently measured at amortised cost using the EIR, less provision for impairment except when the Group recognises loans and receivable at fair value through profit or loss. Amortised cost is calculated by taking into account any discounts or premium on acquisition and fees and costs that are integral part of the EIR. The amortisation is included in interest income in the Income Statement. The losses arising from impairment are recognised in the Income Statement.

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.

(d) Available-for-Sale Financial Investments

Available-for-sale investments include equity and debt securities. Equity investments classified as available-for-sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are intended to be held for an indefinite period of time and may be sold in response to needs for liquidity or in response to changes in the market conditions.

Insignificant investments in security that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are stated at cost.

Interest earned whilst holding available-for-sale financial investments is reported as interest income using the EIR. Dividends earned whilst holding available-for-sale financial investments are recognised in the Income Statement as 'Other operating income' when the right to receive has been established. The losses arising from impairment of such investments are recognised in the Income Statement.

(e) Held-to-Maturity Financial Investments

Held-to-maturity financial investments are non-derivative financial assets with fixed or determinable payments and fixed maturities, which the Group has the intention and ability to hold to maturity. After initial measurement, held-to-maturity financial investments are subsequently measured at amortised cost using the EIR, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR.

The amortisation is included in 'Interest income' in the Income Statement. The losses arising from impairment of such investments are recognised in the Income Statement. If the Group were to sell or reclassify more than an insignificant amount of held-to-maturity investments before maturity (other than in certain specific circumstances), the entire category would be tainted and would have to be reclassified as available-for-sale. Furthermore, the Group would be prohibited from classifying any financial asset as held-to-maturity during the following two years.

(iv) Classification and Subsequent Measurement of Financial Liabilities

At initial recognition financial liabilities are classified into one of the following categories:

- At fair value through profit or loss
 - Held for trading; or
 - Designated at fair value through profit or loss
- At amortised cost

Subsequent measurement depends on the financial liability category.

(a) Financial Liabilities at Fair Value Through Profit or Loss

Financial liabilities acquired principally for the purpose of selling or repurchasing in the near term or held as a part of a portfolio that is managed for short-term profit or position taking are classified as financial liabilities at fair value through profit or loss.

Gains or losses on liabilities held at fair value through profit or loss are recognised in the Income Statement.

The Group has not designated any financial liabilities upon initial recognition as at fair value through profit or loss.

(b) Financial Liabilities at Amortised Cost

Financial instruments issued by the Group that are not designated at fair value through profit or loss, are classified as liabilities under 'due to banks', 'other borrowings', 'debt securities issued' and 'subordinated debentures' as appropriate, where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder.

After initial recognition, debt issued and other borrowings are subsequently measured at amortised cost using the EIR. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR.

(v) Reclassification of Financial Assets

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

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

The Group may reclassify a non-derivative trading asset out of the 'held for trading' category and into the 'loans and receivables' category if it meets the definition of loans and receivables and the Group has the intention and ability to hold the financial asset for the foreseeable future or until maturity. If a financial asset is reclassified, and if the Group subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognised as an adjustment to the EIR from the date of the change in estimate.

Reclassification is at the election of management, and is determined on an instrument by instrument basis. The Group does not reclassify any financial instrument into the fair value through profit or loss category after initial recognition.

3.4 Derecognition of Financial Assets and Financial Liabilities

(i) Financial Assets

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

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

(ii) Financial Liabilities

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

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

3.5 Repurchase Agreements

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

3.6 Impairment of Financial Assets

The Group assesses at each Reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the

asset (an 'incurred loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

(i) Loans and Advances Carried at Amortised Cost

Losses for impaired loans are recognised promptly when there is objective evidence that impairment of a loan or portfolio of loans has occurred. Impairment allowances are calculated on individual loans and for groups of loans, this is done collectively. Impairment losses are recorded as charges to the Income Statement. The carrying amount of Impaired loans on the Reporting date is reduced through the use of impairment allowance accounts. Losses expected from future events are not recognised.

Individually Assessed Lease, Hire Purchase, Loans and Advances

For all lease, hire purchase, loans and advances that are considered individually significant, the Group assesses on a case-by-case basis at each balance sheet Reporting date whether there is any objective evidence that a loan is impaired. The criteria used to determine that there is such objective evidence include:

- known cash flow difficulties experienced by the borrower;
- past due contractual payments of either principal or interest;
- breach of loan covenants or conditions;
- the probability that the borrower will enter bankruptcy or other financial realisation; and
- a significant downgrading in credit rating by an external credit rating agency.

For those lease, hire purchases, loans and advances where objective evidence of impairment exists, impairment losses are determined considering the following factors:

- Group's aggregate exposure to the customer;
- the viability of the customer's business model and their capacity to trade successfully out of financial difficulties and generate sufficient cash flow to service debt obligations;
- the amount and timing of expected receipts and recoveries;
- the complexity of determining the aggregate amount and ranking of all creditor claims and the extent to which legal and insurance uncertainties are evident;
- the realisable value of security and likelihood of successful repossession; and
- the likely deduction of any costs involved in recovery of amounts outstanding;

Impairment losses are calculated by discounting the expected future cash flows of a loan at its original effective interest rate and comparing the resultant present value with the loan's current carrying amount. The impairment allowances on individually significant accounts are reviewed more regularly when circumstances require. This normally encompasses reassessment of the enforceability of any collateral held and the timing and amount of actual and anticipated receipts. Individually assessed impairment allowances are only released when there is reasonable and objective evidence of a reduction in the established loss estimate.

Collectively Assessed Lease, Hire Purchase, Loans and Advances

Impairment is assessed on a collective basis in two circumstances:

- Known cash flow difficulties experienced by the borrower; to cover losses which have been incurred but have not yet been identified on lease, hire purchase, loans and advances subject to individual assessment; and
- For homogeneous groups of lease, hire purchase, loans and advances that are not considered individually significant.

Incurred But Not Yet Identified Impairment

Individually assessed lease, hire purchase, loans and advances for which no evidence of loss has been specifically identified on an individual basis are grouped together according to their credit risk characteristics for the purpose of calculating an estimated collective loss. This reflects impairment losses that the Group has incurred as a result of events occurring before the Reporting date, which the Group is not able to identify on an individual loan basis, and that can be reliably estimated. These losses will only be individually identified in the future.

As soon as information becomes available which identifies losses on individual loans within the group, those loans are removed from the group and assessed on an individual basis for impairment.

The collective impairment allowance is determined after taking into account:

- Historical loss experience in portfolios of similar credit risk; and
- Management's experienced judgment as to whether current economic and credit conditions are such that the actual level of inherent losses at the Reporting date is likely to be greater or less than that suggested by historical experience.

Homogeneous Groups of Lease, Hire Purchase, Loans and Advances

Statistical methods are used to determine impairment losses on a collective basis for homogeneous groups of loans. Losses in these groups of loans are recorded on an individual basis when individual loans are written off, at which point they are removed from the Group.

Write-off of Loans and Advances

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

Reversals of Impairment

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

(ii) Available-for-Sale Financial Investments

For available-for-sale financial investments, the Group assesses at each Reporting date whether there is objective evidence that an investment is impaired.

In the case of debt instruments classified as available-for-sale, the Group assesses individually whether there is objective evidence of impairment based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that

investment previously recognised in the Income Statement. Future interest income is based on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

3.7 Recognition of Income and Expenses

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

(i) Interest and Similar Income and Expense

For all financial instruments measured at amortised cost, interest-bearing financial assets classified as available-for-sale and financial instruments designated at fair value through profit or loss, interest income or expense is recorded using the EIR. EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses.

The carrying amount of the financial asset or financial liability is adjusted if the Group revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original EIR and the change in carrying amount is recorded as 'interest income' for financial assets and 'interest expense' for financial liabilities.

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

(a) Lease

In accordance with Sri Lanka Accounting Standard LKAS 17 – 'Leases', recognition of finance income on leasing is accounted based on a pattern reflecting a constant periodic rate of return on capital outstanding. The excess of aggregate rentals receivable over the cost of leased assets constitutes the total unearned interest income at the commencement of the contract. The Group recognises the interest income from unearned income on the lease on an accrual basis over the term of the lease in proportion to the remaining balance of the lease.

(b) Hire Purchase

Recognition of interest income from hire purchase facilities is similar to that of leases, which recognises interest income based on a pattern reflecting a constant rate of return on capital outstanding.

(c) Commercial Loans and Other Loans and Advances

Recognition of interest income from loans and advances is similar to that of leases, which recognises interest income based on a pattern reflecting a constant rate of return on the capital outstanding.

(d) Gold Loans (Pawning)

Interest on gold loans (pawning) are recognised on an accrual basis over a maximum period of 12 months.

(ii) Fee and Commission Income

The Group earns fee and commission income from a diverse range of services it provides to its customers.

Fee Earned from Services that are Provided Over a Certain Period of Time

Fees earned for the provision of services are not integral part of main source. These income are collection from the customers for reimbursement of expenses. These fees include commission income and finance charge, legal fees, valuation and document charges and are recognised when earned.

(iii) Dividend Income

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

(iv) Net Gain from Trading

Results arising from trading activities include all gains and losses from sale of financial assets and financial liabilities 'held for trading'.

3.8 Cash and Cash Equivalents

Cash and cash equivalents as referred to in the Statement of Cash Flow comprises cash on hand, non-restricted current accounts and balances on demand with an original maturity of three months or less.

3.9 Business Combinations and Goodwill

Business combinations are accounted for using the purchase method of accounting. This involves recognising identifiable assets (including previously unrecognised intangible assets) and liabilities (including contingent liabilities but excluding future restructuring) of the acquired business

at fair value. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill.

If the cost of acquisition is less than the fair values of the identifiable net assets acquired, the discount on acquisition is recognised directly in the Income Statement in the year of acquisition.

Goodwill acquired in a business combination is initially measured at cost, being the excess of the cost of the business combination over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually, or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash-generating units (CGUs) or group of CGUs, which are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Each unit to which the goodwill is allocated represents the lowest level within the Company at which the goodwill is monitored for internal management purposes, and is not larger than an operating segment in accordance with SLFRS 8 – 'Operating Segments'.

Where goodwill forms part of a CGU (or group of CGUs) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or

loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

When subsidiaries are sold, the difference between the selling price and the net assets plus cumulative translation differences and goodwill is recognised in the Income Statement.

3.10 Property, Plant and Equipment

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

Depreciation is calculated using the straight-line method to write down the cost of property, plant and equipment to their residual values over their estimated useful lives. Land is not depreciated.

The depreciation rates and estimated useful lives of the different types of assets are as follows:

Buildings	5% per annum (20 years)
Office equipment	10% per annum (10 years)
Computers and other equipment	25% per annum (4 years)
Furniture, fixtures and fittings	10% per annum (10 years)
Motor vehicles	16.67% per annum (6 years)
Generators	12.5% per annum (8 years)

Property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in 'other operating income' in the Income Statement in the year the asset is derecognised.

3.11 Intangible Assets

The Group's other intangible assets include the value of computer software and license. An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Group.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Amortisation is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful lives as follows:

The Class of Intangible Assets	Useful Life	Amortisation Method
Computer Software	8.34 years	Straight line method

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite

life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

3.12 Investment Property

Property held to earn rental income and property held for capital appreciation have been classified as investment property. Investment properties are initially recognised at cost. Subsequent to the initial recognition, the investment properties are accounted using cost model.

Depreciation is calculated using the straight-line method to write-down the cost of property to their residual values over their estimated useful lives. Land is not depreciated. Buildings are estimated to have a useful life of 20 years, the depreciation rate adopted is 5% per annum.

3.13 Impairment of Non-Financial Assets

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

multiples, quoted share prices for publicly traded subsidiary or other available fair value indicators.

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

3.14 Employee Benefits

(i) Defined Benefit Plan

The cost of providing benefits under the defined benefit plan is determined separately using the Projected Unit Credit method. This method involves 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.

The past service cost is recognised as an expense on a straight-line basis over the period until the benefits become vested. If the benefits are already vested following the introduction of, or changes to, a

defined benefit plan, past service cost is recognised immediately.

The latest actuarial valuation was carried out as at 31st March 2016, by Piyal S. Gunatilleke F.S.A. (USA), a Fellow of the Society of Actuaries (USA), Member of the American Academy of Actuaries, Consulting Actuary.

The principal financial assumptions used in the valuation are:

Interest/Discount Rate	10% p.a.
Basic Salary increase for all Grades	5% p.a.
Retirement age	55 years

The actuarial gain or losses are recognised in the Income Statement in the year in which they arise.

Funding Arrangement

The gratuity liabilities are not externally funded.

Gratuity payments are made by the Group according to the Payment of Gratuity Act No. 12 of 1983. Accordingly, the Group is liable to pay gratuity to employees who have completed a minimum of five-year service in the Group at the rate of 50% of the last drawn salary for each completed year of service.

(ii) Defined Contribution Plan

The Group contributes to the following Schemes:

Employees' Provident Fund

The Group and employees contribute 12% and 8% respectively of the employee's monthly gross salary (excluding overtime) to the Employees' Provident Fund managed by the Central Bank of Sri Lanka.

Employees' Trust Fund

The Group contributes 3% of the employee's monthly gross salary excluding overtime to the Employees' Trust Fund maintained by the Employees' Trust Fund Board of the Ministry of National Policies and Economic Affairs.

3.15 Provisions

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

3.16 Taxes**(i) Current Taxation**

Current tax assets and liabilities consists of amounts expected to be recovered from or paid to the Commissioner General of Inland Revenue in respect of the current as well as prior years. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted by the Reporting date. Accordingly, provision for taxation is made on the basis of the profit for the year as adjusted for taxation purpose in accordance with the provision of the Inland Revenue Act No. 10 of 2006 and the amendment thereto, at the rates specified in the Financial Statements.

(ii) Deferred Taxation

Deferred tax is provided using the liability method on temporary differences at the Reporting date between the tax bases of assets and liabilities and their carrying

amounts for financial reporting purpose. Deferred tax liabilities are recognised for all temporary differences.

Deferred tax assets are recognised for all deductible differences. Carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profits will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of a deferred tax asset is reviewed at each Reporting date and reduced to the extent it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each Reporting date and are recognised to the extent that is probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rate that are expected to apply in the year when the assets are realised or the liabilities are settled, based on tax rates and tax laws that have been enacted or substantially enacted at the Reporting date.

(iii) Value Added Tax on Financial Services

Company's total value addition is subject to a 11% Value Added Tax as per Section 25 A of the Value Added Tax Act No. 14 of 2002 and amendments thereto.

(iv) Nation Building Tax on Financial Services

With effect from 1st January 2014, NBT of 2% was introduced on supply of financial services via an amendment to the NBT Act

No. 09 of 2009. NBT is chargeable on the same base used for calculation of VAT on financial services.

(v) Crop Insurance Levy

As per the provisions of the Section 14 of the Finance Act No. 12 of 2013, the CIL was introduced with effect from 1st April 2013 and is payable to the National Insurance Trust Fund. Currently, the CIL is payable at 1% of the profit after tax.

(vi) Withholding Tax on Dividends Distributed by the Company

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

3.17 Deposit Insurance Scheme

As per the Direction No. 01 of 2010, Sri Lanka Deposit Insurance Scheme, which was effected from 1st October 2010 all licensed finance companies are required to pay an insurance premium calculated at the rate of 0.15% per annum payable monthly for all eligible deposits as at the end of the month. Eligible deposits includes all the time deposits held by Senkadagala Finance PLC except for –

- a. Deposit liabilities to member institutions.
- b. Deposit liabilities to the Government of Sri Lanka inclusive of Ministries, Departments and Local Governments.
- c. Deposit liabilities to Directors, Key Management Personnel and other related parties as defined by the Finance Companies Act (Corporate Governance) Direction No. 3 of 2008.
- d. Deposit liabilities held as collateral against any accommodation granted.

e. Deposits falling within the meaning of abandoned property in terms of the Finance Companies Act, i.e. funds which have been transferred to the Central Bank of Sri Lanka in terms of the relevant directions issued by the Monetary Board.

3.18 Segment Reporting

A segment is a distinguishable component of the Group that is engaged in providing services (Business Segment).

In accordance with Sri Lanka Financial Reporting Standard (SLFRS) 8 – ‘Operating Segments’, segmental information is presented in respect of the Group. The segments comprise financing and investing segments.

Segment results, assets and liabilities include those items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprises mainly of head office expenses.

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

3.19 Events after the Reporting Date

Events after the Reporting date are those events, favourable and unfavourable, that occur between the Reporting date and the date when the Financial Statements are authorised for issue.

In this regard, all material and important events that occurred after the Reporting date have been considered and appropriate disclosures are made in Note 48 where necessary.

3.20 Earnings per Share

The Group presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. The details of the earnings per share are given in Note 17.

3.21 Maturity Analysis

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

3.22 Cash Flow Statement

The Cash Flow Statement has been prepared using the ‘Direct Method’ of preparing Cash Flows in accordance with the Sri Lanka Accounting Standard (LKAS) 7 – ‘Statement of Cash Flows’. 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, balances with banks, placements with banks, money at call and short notice and money market funds.

3.23 Commitments and Contingencies

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be reliably measured. Contingent liabilities are not recognised 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 of a subsidiary for which the Company is also liable severally or otherwise are also included with appropriate disclosures.

3.24 New Accounting Standards Issued But Not Yet Effective

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

SLFRS 9 – ‘Financial Instruments’

SLFRS 9, issued in 2014, replaces the existing guidance in LKAS 39 – ‘Financial Instruments: Recognition and Measurement’. SLFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from LKAS 39.

SLFRS 9 is effective for annual Reporting periods beginning on or after 1st January 2018. The impact on the implementation of the above Standard has not been quantified yet.

SLFRS 14 – ‘Regulatory Deferral Accounts’

The scope of this Standard is limited to first-time adopters of SLFRS that already recognise Regulatory Deferral Account Balances in their Financial Statements. Consequently, the Financial Statements of rate regulated entities that already apply SLFRS, or that do not otherwise recognise such balances, will not be affected by this Standard.

SLFRS 15 is effective for annual Reporting periods beginning on or after 1st January 2016.

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 existing revenue recognition guidance, including LKAS 18 – ‘Revenue’ and LKAS 11 – ‘Construction Contracts’.

SLFRS 15 is effective for annual Reporting periods beginning on or after 1st January 2018. The impact on the implementation of the above Standard has not been quantified yet.

Amendments to Existing Accounting Standards

The Institute of Chartered Accountants of Sri Lanka has published the following amendments to existing accounting standards effective for periods beginning on or after 1st January 2016. These amendments are not expected to have a significant impact on the Consolidated Financial Statements of the Group.

Accounting for Acquisitions of Interests in Joint Operations (Amendments to SLFRS 11) – Effective date 1st January 2016.

Disclosure Initiative (Amendment to LKAS 1 – ‘Presentation of Financial Statements’) – Effective date 1st January 2016.

The Group plans to apply these Standards on the respective effective dates.

		Company		Group	
For the Year ended 31st March	Notes	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
4. Interest Income					
Cash and short-term funds		11,543,366	11,910,727	12,623,801	12,656,283
Fixed deposits		49,896,639	38,396,660	49,896,639	38,396,660
Repurchase agreements	4.1	44,924,536	67,793,001	44,924,536	67,793,001
Finance leases		2,182,057,333	1,424,612,045	2,182,057,333	1,424,612,045
Hire purchases		811,188,281	1,472,811,593	811,188,281	1,472,811,593
Personal loans		28,478,917	30,075,998	28,478,917	30,075,998
Commercial loans		25,205,022	14,778,208	25,205,022	14,778,208
Pawning advances		27,742,139	19,255,735	27,742,139	19,255,735
Fixed deposit loans		4,774,358	5,959,891	4,774,358	5,959,891
Financial assets – held-to-maturity	4.1	67,278,215	66,584,414	67,278,215	66,584,414
Interest on delayed insurance premium		41,320,006	36,014,602	41,320,006	36,014,602
Interest on overdue rentals		451,964,925	395,972,416	451,964,925	395,972,416
		3,746,373,737	3,584,165,290	3,747,454,172	3,584,910,846

4.1 Notional Tax 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 would be entitled to a notional tax credit (being one-ninth of net interest income), provided such interest income forms part of the statutory income of the Company for that year of assessment.

Accordingly, the net interest earned by the Company from the secondary market transactions in Government Securities has been grossed-up in the Financial Statements, with the resulting notional tax credit amounting to Rs. 11,220,275/- (2015 – Rs. 13,437,741/-).

For the Year ended 31st March	Company		Group	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
5. Interest Expense				
Due to banks	317,351,838	170,125,549	317,351,838	170,125,549
Deposits from customers	583,876,003	683,540,063	580,462,731	679,302,837
Securitisations	191,329,967	250,458,937	191,329,967	250,458,937
Commercial paper	94,911,357	58,846,599	94,911,357	58,846,599
Debt securities issued	326,897,455	400,026,084	326,897,455	400,026,084
Subordinated liabilities	187,399,870	187,534,511	187,399,870	187,534,511
	1,701,766,490	1,750,531,743	1,698,353,218	1,746,294,517

For the Year ended 31st March	Company		Group	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
6. Fee and Commission Income				
Finance charges	43,833,171	25,907,875	43,833,171	25,907,875
Loan protection fee	30,298,050	–	30,298,050	–
Commission income	446,579	623,503	99,226,267	73,766,050
Legal fees	8,926,210	7,374,961	8,926,210	7,374,961
Inspection fees	1,900,521	1,265,786	1,900,521	1,265,786
	85,404,531	35,172,125	184,184,219	108,314,672
7. Fee and Commission Expense				
Commission paid	26,144,534	14,300,071	26,144,534	14,300,071
Other	9,619,848	10,071,209	9,619,848	10,071,209
	35,764,382	24,371,280	35,764,382	24,371,280
8. Net Gain from Trading				
Equities	5,254,914	4,044,740	5,254,914	4,044,740
	5,254,914	4,044,740	5,254,914	4,044,740
9. Net Gain/(Loss) from Financial Instruments Designated at Fair Value through Profit or Loss				
Financial assets designated at fair value through profit or loss	(12,579,446)	15,761,153	(12,579,446)	15,761,153
	(12,579,446)	15,761,153	(12,579,446)	15,761,153
10. Other Operating Income				
Dividend income	65,587,614	52,374,192	2,587,614	2,334,192
Gains from sale of property, plant and equipment	55,715,821	13,596,788	55,715,821	13,596,788
Rent income	1,977,478	1,986,607	11,349,478	1,686,607
Other income	4,104,590	8,182,326	4,379,590	8,182,326
Foreign exchange gain	127,556	101,722	127,556	101,722
	127,513,059	76,241,635	74,160,059	25,901,635

For the Year ended 31st March

		Company		Group	
		2016	2015	2016	2015
	Notes	Rs.	Rs.	Rs.	Rs.
11. Impairment Charge on Individual Impairment					
Finance leases	22.1	88,876,514	33,440	88,876,514	33,440
Hire purchases	23.1	42,512,155	396,330	42,512,155	396,330
Commercial loans	24.1.1	1,837,789	(362,337)	1,837,789	(362,337)
Personal loans	24.2.1	3,238	–	3,238	–
		133,229,696	67,433	133,229,696	67,433

12. Impairment Charge on Collective Impairment

Finance leases	22.2	(124,877,568)	24,429,694	(124,877,568)	24,429,694
Hire purchases	23.2	(50,242,815)	17,368,378	(50,242,815)	17,368,378
Commercial loans	24.1.2	3,997,519	1,420,458	3,997,519	1,420,458
Pawning advances	24.3.1	137,292	(3,422,210)	137,292	(3,422,210)
Other advances	24.4.2	11,442,033	33,770,767	11,442,033	33,770,767
		(159,543,539)	73,567,087	(159,543,539)	73,567,087

13. Other Loan Losses Charge

Direct write-offs		4,765,840	–	4,765,840	–
Net loss on sale of repossessed assets		133,098,981	129,099,461	133,098,981	129,099,461
(Gain)/loss on auction of pawned articles		(18,630)	3,400,935	(18,630)	3,400,935
Recovery of loans previously written off		(53,548,313)	(38,180,282)	(53,548,313)	(38,180,282)
		84,297,878	94,320,114	84,297,878	94,320,114

14. Personnel Expenses

Salaries and wages		290,028,042	247,581,673	292,209,942	249,573,773
Directors' emoluments		19,982,500	18,800,000	19,982,500	18,800,000
Employer's contribution to Employees' Provident Fund		34,778,566	29,687,964	35,021,194	29,916,216
Employer's contribution to Employees' Trust Fund		8,694,641	7,421,991	8,755,298	7,479,054
Contribution for defined benefit plan		13,047,217	11,000,976	13,188,653	11,078,476
Staff bonus		36,127,388	29,428,954	36,450,338	29,583,954
Other personnel costs		8,876,185	18,439,739	8,876,185	18,439,739
		411,534,539	362,361,297	414,484,110	364,871,212

For the Year ended 31st March	Notes	Company		Group	
		2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
15. Other Operating Expenses					
External Auditors' remuneration – Audit fee		990,000	895,000	1,317,125	1,069,000
– Audit-related services		2,131,648	1,355,322	2,131,648	1,532,655
Internal Auditors' remuneration		5,850,000	5,808,000	5,850,000	5,808,000
Legal expenses		11,406,335	11,994,574	11,406,335	11,994,574
Contribution to deposit insurance scheme of CBSL		8,817,474	8,996,881	8,817,474	8,996,881
Other administrative expenses		79,006,806	69,477,206	81,737,418	70,958,018
Establishment expenses		390,152,595	375,976,165	392,547,118	377,010,877
Selling expenses		54,192,128	50,873,255	56,251,331	87,632,914
		552,546,986	525,376,403	560,058,449	565,002,919
16. Income Tax Expenses					
Current Tax Expense					
Current income tax charge	16.1	35,004,753	66,434,918	62,195,421	86,514,635
Withholding tax on inter-company dividends		–	–	7,000,000	5,560,000
		35,004,753	66,434,918	69,195,421	92,074,635
Deferred Tax Expense					
Origination and reversal of temporary differences		234,363,272	41,369,639	236,898,173	41,357,856
		269,368,025	107,804,557	306,093,594	133,432,491
16.1 Reconciliation of the Total Tax Charge					
Net profit before tax		882,549,575	647,443,598	918,201,151	615,796,918
Adjustments:					
Exempt/allowable income		(848,779,476)	(369,920,844)	(785,779,476)	(369,920,844)
Disallowable expenses		454,687,055	356,637,369	458,572,333	460,395,853
Allowable expenses		(235,847,251)	(391,129,138)	(240,854,346)	(391,527,670)
Loss on leasing business		53,773,288	112,870,365	53,353,060	112,870,365
Tax credit on consolidation of business		(181,366,216)	(118,633,784)	(181,366,216)	(118,633,784)
Taxable income		125,016,975	237,267,568	222,126,506	308,980,838
Income tax rate (%)		28	28	28	28
Tax expense for the period		35,004,753	66,434,918	62,195,422	86,514,635
Effective tax rate (%)		3.97	10.26	6.77	14.05

17. Basic Earnings Per Share

Basic earnings per share has been calculated by dividing the net profit for the year attributable to the ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

<i>For the Year ended 31st March</i>	Company		Group	
	2016	2015	2016	2015
Profit attributable to ordinary shareholders of the Company (Rs.)	613,181,550	539,639,041	612,107,557	482,364,427
Weighted average number of ordinary shares	65,227,555	65,227,555	65,227,555	65,227,555
Basic earnings per ordinary share (Rs.)	9.40	8.27	9.38	7.40

18. Dividends Per Share

Dividends per share is calculated by dividing dividends paid to ordinary shareholders of the Company, by the number of ordinary shares in issue.

<i>For the Year ended 31st March</i>	Company	
	2016	2015
Gross dividend paid to ordinary shareholders (Rs.)	166,330,265	107,625,466
Weighted average number of ordinary shares	65,227,555	65,227,555
Gross dividend per share (Rs.)	2.55	1.65

<i>As at 31st March</i>	Company		Group	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
19. Cash and Cash Equivalents				
Cash in hand held in local currency	114,906,260	103,693,310	114,931,260	103,718,310
Cash in hand held in foreign currency	18,315	20,017	18,315	20,017
Balances with licensed commercial banks	342,800,743	300,923,260	371,178,214	324,095,131
	457,725,318	404,636,587	486,127,789	427,833,458

As at 31st March	Company		Group	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
20. Deposits with Licensed Commercial Banks				
Fixed deposits	1,234,016,418	748,158,081	1,234,016,418	748,158,081
	1,234,016,418	748,158,081	1,234,016,418	748,158,081

20.1 Value of deposits pledged as security for facilities obtained from banks amounted to Rs. 604 million as at 31st March 2016 (2015 – Rs. 748 million).

As at 31st March	Note	Company		Group	
		2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
21. Financial Assets Held at Fair Value through Profit or Loss					
Quoted equity	21.1	80,287,016	89,279,198	80,287,016	89,279,198
Quoted unit trust	21.2	1,950,000	2,250,000	1,950,000	2,250,000
		82,237,016	91,529,198	82,237,016	91,529,198

As at 31st March	Company						Group					
	No. of Shares	Cost Rs.	Market Value Rs.	No. of Shares	Cost Rs.	Market Value Rs.	No. of Shares	Cost Rs.	Market Value Rs.	No. of Shares	Cost Rs.	Market Value Rs.
21.1 Quoted Equity												
Bank, Finance and Insurance												
Central Finance Company PLC	22,387	243,207	4,701,270	22,387	243,207	5,598,989	22,387	243,207	4,701,270	22,387	243,207	5,598,989
National Development Bank PLC	668	500	112,758	668	500	165,664	668	500	112,758	668	500	165,664
Commercial Bank of Ceylon PLC	2,835	258,096	320,355	2,764	258,096	457,166	2,835	258,096	320,355	2,764	258,096	457,166
Beverage, Food and Tobacco												
Ceylon Tobacco PLC	3,100	142,017	3,136,890	3,100	142,017	3,098,450	3,100	142,017	3,136,890	3,100	142,017	3,098,450
Hotels and Travels												
Aitken Spence PLC	495	3,355	36,383	495	3,355	49,253	495	3,355	36,383	495	3,355	49,253

As at 31st March	Company						Group					
	2016			2015			2016			2015		
	No. of Shares	Cost Rs.	Market Value Rs.	No. of Shares	Cost Rs.	Market Value Rs.	No. of Shares	Cost Rs.	Market Value Rs.	No. of Shares	Cost Rs.	Market Value Rs.
Manufacturing												
Royal Ceramics Lanka PLC	20	273	2,002	20	273	2,220	20	273	2,002	20	273	2,220
Diversified Holdings												
John Keells Holdings PLC	3,715	132,580	549,820	3,085	101,825	615,149	3,715	132,580	549,820	3,085	101,825	615,149
Hayleys PLC	113	7,175	27,764	113	7,175	33,900	113	7,175	27,764	113	7,175	33,900
Trading												
Lanka Indian Oil Corporation PLC	5,500	148,500	178,750	5,500	148,500	221,650	5,500	148,500	178,750	5,500	148,500	221,650
Portfolio Investment (Note 21.1.1)	–	59,822,502	71,221,024	–	56,565,991	79,036,757	–	59,822,499	71,221,024	–	56,565,991	79,036,757
	–	60,758,205	80,287,016	–	57,470,939	89,279,198	–	60,758,203	80,287,016	–	57,470,939	89,279,198

As at 31st March	Company						Group					
	2016			2015			2016			2015		
	No. of Shares	Cost Rs.	Market Value Rs.	No. of Shares	Cost Rs.	Market Value Rs.	No. of Shares	Cost Rs.	Market Value Rs.	No. of Shares	Cost Rs.	Market Value Rs.
21.1.1 Portfolio Investment												
Bank, Finance and Insurance												
Ceylinco Insurance PLC (Non-voting)	10,000	1,560,322	7,820,000	10,000	1,560,322	6,250,000	10,000	1,560,322	7,820,000	10,000	1,560,322	6,250,000
Commercial Bank of Ceylon PLC	69	4,722	–	69	4,722	–	69	4,722	–	69	4,722	–
Lanka Ventures PLC	61,800	2,552,579	2,657,400	21,800	903,811	959,200	61,800	2,552,579	2,657,400	21,800	903,811	959,200
Seylan Bank PLC (Non-voting)	30,000	1,820,160	1,890,000	30,000	1,820,160	1,902,000	30,000	1,820,160	1,890,000	–	1,820,160	1,902,000
People's Insurance Ltd.	100,000	1,508,032	1,690,000	–	–	–	100,000	1,508,032	1,690,000	–	–	–
Beverage, Food and Tobacco												
Ceylon Cold Stores PLC	–	–	–	15,000	1,563,695	4,473,000	–	–	–	17,500	1,563,695	4,473,000
Distilleries Company of Sri Lanka PLC	50,000	7,739,521	10,310,000	50,000	7,739,521	12,025,000	50,000	7,739,521	10,310,000	50,000	7,739,521	12,025,000
Lanka Milk Foods (CWE) PLC	72,888	7,308,217	8,345,676	72,888	7,308,216	10,204,320	72,888	7,308,216	8,345,676	72,888	7,308,216	10,204,320
Chemicals and Pharmaceuticals												
CIC Holdings PLC (Non-voting)	90,000	3,823,735	6,435,000	90,000	3,823,735	5,184,000	90,000	3,823,735	6,435,000	90,000	3,823,735	5,184,000
Haycarb PLC	18,300	3,010,621	2,928,000	18,300	3,010,621	3,348,900	18,300	3,010,621	2,928,000	18,300	3,010,621	3,348,900
Plantations												
Kotagala Plantations PLC	10,000	556,151	151,000	10,000	556,151	247,000	10,000	556,151	151,000	10,000	556,151	247,000

As at 31st March	Company						Group					
	2016			2015			2016			2015		
	No. of Shares	Cost Rs.	Market Value Rs.	No. of Shares	Cost Rs.	Market Value Rs.	No. of Shares	Cost Rs.	Market Value Rs.	No. of Shares	Cost Rs.	Market Value Rs.
Healthcare												
Ceylon Hospitals PLC (Non-voting)	43,838	1,609,492	3,226,477	38,838	1,205,012	2,916,734	43,838	1,609,492	3,226,477	38,838	1,205,012	2,916,734
Hotels and Travels												
Taj Lanka Hotels PLC	114,432	3,478,514	2,677,709	114,432	3,478,514	2,998,118	114,432	3,478,514	2,677,709	114,432	3,478,514	2,998,118
John Keells Hotels PLC	251,000	3,197,111	3,012,000	251,000	3,197,111	3,589,300	251,000	3,197,111	3,012,000	251,000	3,197,111	3,589,300
Investment Trusts												
Renuka Holdings PLC (Non-voting)	183,274	4,031,493	3,518,861	108,904	2,167,784	2,624,586	183,274	4,031,493	3,518,861	108,904	2,167,784	2,624,586
Land and Property												
C T Land Development PLC	5,000	111,570	227,000	5,000	111,570	175,000	5,000	111,570	227,000	5,000	111,570	175,000
Overseas Realty (Ceylon) PLC	160,000	3,683,802	3,744,000	—	—	—	160,000	3,683,802	3,744,000	—	—	—
Manufacturing												
ACL Cables PLC	—	—	—	15,000	1,076,928	1,140,000	—	—	—	15,000	1,076,928	1,140,000
Dipped Products PLC	50,000	6,177,583	3,650,000	50,000	6,177,582	6,900,000	50,000	6,177,582	3,650,000	50,000	6,177,582	6,900,000
Pelwatte Sugar Industries PLC	31,000	1,064,794	3,100	31,000	1,064,794	3,100	31,000	1,064,794	3,100	31,000	1,064,794	3,100
Tokyo Cement Company (Lanka) PLC (Non-voting)	—	—	—	—	—	—	—	—	—	—	—	—
Power and Energy												
Resus Energy PLC	58,437	1,102,729	1,297,301	220,000	4,151,484	4,158,000	58,437	1,102,729	1,297,301	220,000	4,151,484	4,158,000
Lanka IOC PLC	235,000	5,481,355	7,637,500	195,000	3,877,591	7,858,500	235,000	5,481,355	7,637,500	185,000	3,877,591	7,858,500
Telecommunications												
Dialog Axiata PLC	—	—	—	200,000	1,766,668	2,080,000	—	—	—	200,000	1,766,668	2,080,000
		59,822,502	71,221,024		56,565,991	79,036,757		59,822,499	71,221,024		56,565,991	79,036,757
21.2 Quoted Unit Trust												
NAMAL Acuity Value Fund	25,000	1,250,000	1,950,000	25,000	1,250,000	2,250,000	25,000	1,250,000	1,950,000	25,000	1,250,000	2,250,000
		1,250,000	1,950,000		1,250,000	2,250,000		1,250,000	1,950,000		1,250,000	2,250,000

As at 31st March	Note	Company		Group	
		2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
22. Finance Leases					
Gross investment in leases receivable within one year		6,532,297,755	4,059,887,723	6,532,297,755	4,059,887,723
Gross investment in leases receivable between one and five years		11,263,800,892	6,144,103,211	11,263,800,892	6,144,103,211
Gross investment in leases receivable in respect of non-performing leases		135,872,288	117,358,637	135,872,288	117,358,637
Repossessed lease receivable		122,279,447	326,712,571	122,279,447	326,712,571
Leases receivable in arrears		455,284,642	332,976,845	455,284,642	332,976,845
		18,509,535,024	10,981,038,987	18,509,535,024	10,981,038,987
Unearned lease income		(4,300,305,032)	(2,583,280,256)	(4,300,305,032)	(2,583,280,256)
Initial lease rental		(9,186,561)	(9,945,904)	(9,186,561)	(9,945,904)
Pre-paid lease rental		(62,429,457)	(37,194,009)	(62,429,457)	(37,194,009)
Net investment in finance leases		14,137,613,974	8,350,618,818	14,137,613,974	8,350,618,818
Impairment Losses					
Provision for individual impairment	22.1	(93,499,181)	(4,622,667)	(93,499,181)	(4,622,667)
Provision for collective impairment	22.2	(68,562,405)	(194,581,811)	(68,562,405)	(194,581,811)
Net investment in finance leases after impairment		13,975,552,388	8,151,414,340	13,975,552,388	8,151,414,340

As at 31st March	Note	Company		Group	
		2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
22.1 Movement in Allowance for Individual Impairment					
Opening balance		4,622,667	4,589,227	4,622,667	4,589,227
Charge for the year	11	88,876,514	33,440	88,876,514	33,440
Closing balance		93,499,181	4,622,667	93,499,181	4,622,667
Gross amount of loans individually determined to be impaired		156,463,279	25,996,380	156,463,279	25,996,380
22.2 Movement in Allowance for Collective Impairment					
Opening balance		194,581,811	170,152,117	194,581,811	170,152,117
Charge/(Reversal) for the year	12	(124,877,568)	24,429,694	(124,877,568)	24,429,694
Net write-offs for the year		(1,141,838)	–	(1,141,838)	–
Closing balance		68,562,405	194,581,811	68,562,405	194,581,811
Total of individual and collective impairment		162,061,586	199,204,478	162,061,586	199,204,478

As at 31st March	Note	Company		Group	
		2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
23. Hire Purchases					
Gross investment in hire purchases receivable within one year		1,212,577,157	2,537,723,171	1,212,577,157	2,537,723,171
Gross investment in hire purchases receivable between one and five years		1,090,501,719	3,649,881,766	1,090,501,719	3,649,881,766
Gross investment in hire purchases receivable in respect of non-performing hire purchase		94,708,435	89,121,378	94,708,435	89,121,378
Reposessed hire purchases receivable		57,777,783	143,992,113	57,777,783	143,992,113
Hire purchases receivable in arrears		152,984,665	248,583,017	152,984,665	248,583,017
		2,608,549,759	6,669,301,445	2,608,549,759	6,669,301,445
Unearned hire purchase income		(494,405,938)	(1,624,345,930)	(494,405,938)	(1,624,345,930)
Pre-paid hire purchase rental		(11,120,436)	(33,307,260)	(11,120,436)	(33,307,260)
Net investment in hire purchases		2,103,023,385	5,011,648,255	2,103,023,385	5,011,648,255
Impairment Losses					
Provision for individual impairment	23.1	(44,943,048)	(2,430,893)	(44,943,048)	(2,430,893)
Provision for collective impairment	23.2	(33,559,995)	(83,802,810)	(33,559,995)	(83,802,810)
Net investment in hire purchases after impairment		2,024,520,342	4,925,414,552	2,024,520,342	4,925,414,552

As at 31st March	Note	Company		Group	
		2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
23.1 Movement in Allowance for Individual Impairment					
Opening balance		2,430,893	2,034,563	2,430,893	2,034,563
Charge for the year	11	42,512,155	396,330	42,512,155	396,330
Closing balance		44,943,048	2,430,893	44,943,048	2,430,893
Gross amount of loans individually determined to be impaired		73,435,603	14,692,651	73,435,603	14,692,651
23.2 Movement in Allowance for Collective Impairment					
Opening balance		83,802,810	66,434,432	83,802,810	66,434,432
Charge/(Reversal) for the year	12	(50,242,815)	17,368,378	(50,242,815)	17,368,378
Closing balance		33,559,995	83,802,810	33,559,995	83,802,810
Total of individual and collective impairment		78,503,043	86,233,703	78,503,043	86,233,703

As at 31st March	Note	Company		Group	
		2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
24. Other Loans and Receivables					
Commercial loans	24.1	333,071,037	65,757,852	333,071,037	65,757,852
Personal loans	24.2	93,643,868	88,098,401	93,643,868	88,098,401
Pawning advances	24.3	180,227,250	101,408,214	180,227,250	101,408,214
Other advances	24.4	301,124,893	250,834,306	301,124,893	250,834,306
		908,067,048	506,098,773	908,067,048	506,098,773
24.1 Commercial Loans					
Gross investment in commercial loans receivable within one year		236,669,455	43,368,234	236,669,455	43,368,234
Gross investment in commercial loans receivable between one and five years		192,000,961	39,366,272	192,000,961	39,366,272
Gross investment in commercial loans receivable in respect of non-performing loans		7,910,917	9,400,558	7,910,917	9,400,558
Commercial loans receivable in arrears		5,320,129	2,852,569	5,320,129	2,852,569
		441,901,462	94,987,633	441,901,462	94,987,633
Unearned commercial loans income		(94,876,970)	(23,381,833)	(94,876,970)	(23,381,833)
Pre-paid commercial loan rentals		(4,954,924)	(471,110)	(4,954,924)	(471,110)
Net investment in commercial loans		342,069,568	71,134,690	342,069,568	71,134,690
Impairment Losses					
Provision for individual impairment	24.1.1	(5,683,067)	(3,845,278)	(5,683,067)	(3,845,278)
Provision for collective impairment	24.1.2	(3,315,464)	(1,531,560)	(3,315,464)	(1,531,560)
Net investment in commercial loans after impairment		333,071,037	65,757,852	333,071,037	65,757,852
24.1.1 Movement in Allowance for Individual Impairment					
Opening balance		3,845,278	4,207,615	3,845,278	4,207,615
Charge/(Reversal) for the year	11	1,837,789	(362,337)	1,837,789	(362,337)
Closing balance		5,683,067	3,845,278	5,683,067	3,845,278
Gross amount of loans individually determined to be impaired		5,683,067	4,676,259	5,683,067	4,676,259
24.1.2 Movement in Allowance for Collective Impairment					
Opening balance		1,531,560	111,102	1,531,560	111,102
Charge for the year	12	3,997,519	1,420,458	3,997,519	1,420,458
Net write-offs for the year		(2,213,615)	–	(2,213,615)	–
Total collective impairment		3,315,464	1,531,560	3,315,464	1,531,560

As at 31st March	Note	Company		Group	
		2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
24.2 Personal Loans					
Gross investment in personal loans receivable within one year		54,052,711	53,054,840	54,052,711	53,054,840
Gross investment in personal loans receivable between one and five years		109,214,214	103,452,999	109,214,214	103,452,999
Personal loans receivable in arrears		268,430	202,955	268,430	202,955
		163,535,355	156,710,794	163,535,355	156,710,794
Unearned personal loan income		(65,505,419)	(61,852,236)	(65,505,419)	(61,852,236)
Prepaid personal loan rentals		(4,382,830)	(6,760,157)	(4,382,830)	(6,760,157)
Net investment in personal loans		93,647,106	88,098,401	93,647,106	88,098,401
Impairment Losses					
Provision for individual impairment	24.2.1	(3,238)	–	(3,238)	–
Net investment in commercial loans after impairment		93,643,868	88,098,401	93,643,868	88,098,401
24.2.1 Movement in Allowance for Individual Impairment					
Opening balance		–	–	–	–
Charge for the year	11	3,238		3,238	
Closing balance		3,238	–	3,238	–
Gross amount of loans individually determined to be impaired		3,238	–	3,238	–
24.3 Pawning Advances					
Gross investment in pawning advances		170,373,363	95,543,811	170,373,363	95,543,811
Interest receivable from pawning advances		10,087,165	5,960,389	10,087,165	5,960,389
Net investment in pawning advances		180,460,528	101,504,200	180,460,528	101,504,200
Impairment Losses					
Provision for collective impairment	24.3.1	(233,278)	(95,986)	(233,278)	(95,986)
Net investment in pawning advances after impairment		180,227,250	101,408,214	180,227,250	101,408,214
24.3.1 Movement in Allowance for Impairment					
Opening balance		95,986	3,518,196	95,986	3,518,196
Charge/(Reversal) for the year	12	137,292	(3,422,210)	137,292	(3,422,210)
Total impairment		233,278	95,986	233,278	95,986

As at 31st March

As at 31st March	Note	Company		Group	
		2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
24.4 Other Advances					
Loans against fixed deposits		40,244,299	34,085,037	40,244,299	34,085,037
Discounting of cheques		490,000	490,000	490,000	490,000
Insurance		308,204,521	255,379,658	308,204,521	255,379,658
Staff debtors		16,803,180	14,424,498	16,803,180	14,424,498
Sundry debtors		3,848,433	3,478,620	3,848,433	3,478,620
		369,590,433	307,857,813	369,590,433	307,857,813
Impairment Losses					
Provision for individual impairment	24.4.1	(1,906,394)	(1,906,394)	(1,906,394)	(1,906,394)
Provision for collective impairment	24.4.2	(66,559,146)	(55,117,113)	(66,559,146)	(55,117,113)
Net investment in other advances after impairment		301,124,893	250,834,306	301,124,893	250,834,306
24.4.1 Movement in Allowance for Individual Impairment					
Opening balance		1,906,394	1,906,394	1,906,394	1,906,394
Charge/(Reversal) for the year	11	–	–	–	–
Closing balance		1,906,394	1,906,394	1,906,394	1,906,394
Gross amount of loans individually determined to be impaired		4,338,433	3,968,620	4,338,433	3,968,620
24.4.2 Movement in Allowance for Collective Impairment					
Opening balance		55,117,113	21,346,346	55,117,113	21,346,346
Charge for the year	12	11,442,033	33,770,767	11,442,033	33,770,767
Closing balance		66,559,146	55,117,113	66,559,146	55,117,113
Total of individual and collective impairment		68,465,540	57,023,507	68,465,540	57,023,507
25. Financial Assets Available-for-Sale					
Credit Information Bureau of Sri Lanka		90,586	90,586	90,586	90,586
Finance House Consortium (Pvt) Ltd.		200,000	200,000	200,000	200,000
National Equity Fund		5,696,077	1,467,881	5,696,077	1,467,881
Senkadagala Hotels Ltd.		10,413,420	10,413,420	10,413,420	10,413,420
		16,400,083	12,171,887	16,400,083	12,171,887
26. Financial Assets Held-to-Maturity					
Treasury Bills		652,583,486	885,581,616	652,583,486	885,581,616
Treasury Bonds		179,447,433	177,050,675	179,447,433	177,050,675
		832,030,919	1,062,632,291	832,030,919	1,062,632,291

As at 31st March	Company		Group	
	2016	2015	2016	2015
27. Investments in Subsidiaries				
Unquoted				
Senkadagala Insurance Brokers (Pvt) Ltd.				
(2,000,000 Ordinary shares)				
Holding (%)	100	100	–	–
Place of business	No. 437B, 1st Floor, Katugastota Road, Kandy			
Cost (Rs.)	20,000,000	20,000,000	–	–
Newest Capital Ltd.				
(150,000,000 Ordinary shares)				
Holding (%)	100	100	–	–
Place of business	No. 36, Kirula Road, Colombo 5			
Cost (Rs.)	300,000,000	300,000,000	–	–
	320,000,000	320,000,000	–	–
28. Investment Property				
Cost or Valuation				
Balance at the beginning of the year	87,782,655	87,782,655	272,782,655	87,782,655
Additions during the year	–	–	15,102,769	–
On acquisition of subsidiary	–	–	–	219,607,475
Written off during the year	–	–	–	(34,607,475)
Balance at the end of the year	87,782,655	87,782,655	287,885,424	272,782,655
Accumulated Depreciation				
Balance at the beginning of the year	8,454,684	8,151,646	8,454,684	8,151,646
Charge for the year	303,038	303,038	3,016,043	303,038
Balance at the end of the year	8,757,722	8,454,684	11,470,727	8,454,684
Carrying amount at the end of the year	79,024,933	79,327,971	276,414,697	264,327,971

As at 31st March	Extent of Land	Cost	Valuation	Cost
	Perches	2016 Rs.	2015 Rs.	2015 Rs.
28.1 Information of Freehold Investment Property of the Group				
Land and Building				
No. 98, Deans Road, Colombo 10	6.000	3,500,000	58,000,000	3,500,000
No. 12, Kotugodella Veediya, Kandy – Lot 1	9.875	7,542,068	74,496,000	7,542,068
No. 12, Kotugodella Veediya, Kandy – Lot 2	18.000	70,679,827	83,900,000	70,679,827
No. 98, Yatinuwara Veediya, Kandy	7.000	6,060,760	46,126,500	6,060,760
No. 30, Kynsey Road, Colombo 7	20.10	200,102,769	200,102,769	185,000,000
		287,885,424	462,625,269	272,782,655

Rental income from investment properties amounted to Rs. 11,349,478/- during the year (2015 – Rs. 1,686,607/-).

Additional cost of Rs. 15,102,769/- incurred on the building situated at Kynsey Road subsequent to the valuation report dated 31st March 2015 has been capitalised to the property value as at 31st March 2016.

28.2 Measurement of Fair Value

(i) Fair Value Hierarchy

The fair value of properties set out above was determined by a report from an external independent property valuer, Arthur Perera & Company who valued the properties as at 31st March 2015. The valuer has appropriate recognised professional qualifications and recent experience in the location and category of the property being valued.

These values have not been incorporated in the Financial Statements.

The fair value measurement for the above of Rs. 462,625,269/- has been categorised as a Level 3 fair value based on the inputs to the valuation technique used.

The Directors have assessed that there is no significant change in the fair value of the properties as at 31st March 2016 when compared to the previous year.

(ii) Valuation Technique and Significant Unobservable Inputs

The following table shows the valuation technique used in measuring the fair value of the freehold properties mentioned above, as well as the significant unobservable inputs used:

Valuation Technique	Significant Unobservable Inputs	Inter-Relationship Between Significant Unobservable Inputs and Fair Value Measurement
Market Comparable Method: This method considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of the property being revalued. This involves evaluation of recent active market prices of similar assets, making appropriate adjustments for differences in size, nature, location, condition of specific property in this process outlier transactions, indicative of particularly motivated buyers or sellers are too compensated for since the price may not adequately reflect the fair market value.	Price per perch for Land. Price per square foot for building depreciation rate.	Estimated fair value would increase/ (decrease) if – Price per perch increases/ (decreases). Price per square foot increases/(decreases). Depreciation rate for building (decreases)/ increases.
Investment Method: This method involves capitalisation of the expected rental income at an appropriate rate of years purchase currently characterised by the real estate market.	Gross monthly rental years purchase (Present value of 1 unit per period Void Period).	Estimated fair value would increase/ (decrease) if – Gross Annual Rental increases/(decreases). Years Purchase increases/(decreases). Void Period (decreases)/increases.

	As at 01.04.2015 Rs.	Additions/ Transfers Rs.	Disposals Rs.	As at 31.03.2016 Rs.
29. Property, Plant and Equipment				
29.1 Company				
Cost				
Land	42,233,644	16,375,670	–	58,609,314
Buildings	17,072,289	–	–	17,072,289
Furniture, fittings and fixtures	414,335,364	15,706,581	(1,890,256)	428,151,689
Office equipment	281,474,306	14,744,465	(10,000)	296,208,771
Air conditioners	56,821,452	2,373,813	(568,161)	58,627,104
Computers and accessories	212,782,600	56,141,873	–	268,924,473
Facsimile machines	1,866,580	94,120	–	1,960,700
Generators	44,022,933	1,051,622	–	45,074,555
Motor vehicles	569,881,308	242,494,754	(152,392,036)	659,984,026
Photostat machines	10,715,626	385,000	–	11,100,626
Printers	32,606,341	1,185,060	–	33,791,401
	1,683,812,443	350,552,958	(154,860,453)	1,879,504,948

	As at 01.04.2015 Rs.	Charge for the Year Rs.	Charge on Disposals Rs.	As at 31.03.2016 Rs.
Accumulated Depreciation/Impairment Losses				
Buildings	13,573,612	672,697	–	14,246,309
Furniture, fittings and fixtures	185,182,441	29,669,378	(1,874,584)	212,977,235
Office equipment	82,663,462	27,463,057	(9,667)	110,116,852
Air conditioners	36,233,454	8,472,714	(568,161)	44,138,007
Computers and accessories	154,130,967	29,681,308	–	183,812,275
Facsimile machines	904,672	156,503	–	1,061,175
Generators	32,565,453	2,951,744	–	35,517,197
Motor vehicles	185,712,216	102,472,529	(94,058,143)	194,126,602
Photostat machines	7,936,108	1,184,556	–	9,120,664
Printers	23,401,276	3,907,784	–	27,309,060
	722,303,661	206,632,270	(96,510,555)	832,425,376
Net book value	961,508,782			1,047,079,572

	As at 01.04.2015 Rs.	Additions/ Transfers Rs.	Disposals Rs.	As at 31.03.2016 Rs.
29.2 Group				
Cost				
Land	42,233,644	16,375,670	–	58,609,314
Buildings	17,072,289	–	–	17,072,289
Furniture, fittings and fixtures	414,877,339	15,706,581	(1,890,256)	428,693,664
Office equipment	281,631,806	14,744,465	(10,000)	296,366,271
Air conditioners	56,821,452	2,373,813	(568,161)	58,627,104
Computers and accessories	213,352,500	56,141,873	–	269,494,373
Facsimile machines	1,921,460	94,120	–	2,015,580
Generators	44,022,933	1,051,622	–	45,074,555
Motor vehicles	574,721,308	242,494,754	(152,392,036)	664,824,026
Photostat machines	10,846,666	385,000	–	11,231,666
Printers	32,700,341	1,185,060	–	33,885,401
	1,690,201,739	350,552,958	(154,860,453)	1,885,894,244

	As at 01.04.2015 Rs.	Charge for the Year Rs.	Charge on Disposals Rs.	As at 31.03.2016 Rs.
Accumulated Depreciation/Impairment				
Buildings	13,573,612	672,697	–	14,246,309
Furniture, fittings and fixtures	185,344,342	29,757,014	(1,874,584)	213,226,772
Office equipment	82,690,068	27,478,813	(9,667)	110,159,214
Air conditioners	36,233,454	8,472,714	(568,161)	44,138,007
Computers and accessories	154,441,434	29,823,780	–	184,265,214
Facsimile machines	915,185	161,987	–	1,077,172
Generators	32,565,453	2,951,744	–	35,517,197
Motor vehicles	187,998,237	103,279,361	(94,058,143)	197,219,455
Photostat machines	7,961,224	1,197,660	–	9,158,884
Printers	23,446,312	3,931,280	–	27,377,592
	725,169,321	207,727,050	(96,510,555)	836,385,816
Net book value	965,032,418			1,049,508,428

29.3 Property, Plant and Equipment Retired from Active Use

Following fully-depreciated property, plant and equipment of the Company were retired from active use as at the Statement of Financial Position date:

<i>As at 31st March</i>	2016 Rs.	2015 Rs.
Furniture, fittings and fixtures	1,680,480	–
Office equipment	–	–
Air conditioners	568,161	1,923,824
Computers and accessories	–	–
Facsimile machines	–	–
Photostat machines	–	288,000
Motor vehicles	–	4,583,333
Printers	–	–

29.4 Fully-Depreciated Property, Plant and Equipment

The cost of fully-depreciated property, plant and equipment of the Company which are still in use as at the Statement of Financial Position date is as follows:

<i>As at 31st March</i>	2016 Rs.	2015 Rs.
Buildings	3,000,000	3,000,000
Furniture, fittings and fixtures	103,144,095	94,656,887
Office equipment	19,305,323	12,174,344
Air conditioners	28,033,017	21,553,143
Computers and accessories	134,193,382	103,692,322
Facsimile machines	534,050	366,050
Generators	22,535,598	16,581,598
Motor vehicles	3,904,167	3,904,167
Photostat machines	7,167,626	5,330,676
Printers	19,805,694	15,788,193

29.5 Property, Plant and Equipment Pledged as Security for Liabilities

There were no items of property, plant and equipment pledged as security for liabilities.

29.6 Information of Freehold Land and Buildings of the Group

	Extent	Cost 31.03.2016 Rs.	Carrying Value 31.03.2016 Rs.	Valuation as at 31.03.2016 Rs.	Cost 31.03.2015 Rs.
Land					
7/4, Mawilmada Road, Kandy	0 A. 1 R. 12.27 P	7,779,960	7,779,960	25,297,500	7,779,960
Highway Park, Amunugama, Pothuhera	0 A. 3 R. 31 P	26,229,354	26,229,354	33,375,670	9,853,684
92, Deen's Road, Colombo 10	0 A. 0 R. 8.00 P	24,600,000	24,600,000	72,772,000	24,600,000
		58,609,314	58,609,314	131,445,170	42,233,644
Building					
7/4, Mawilmada Road, Kandy	1,327 sq. ft.	5,230,914	2,148,365	2,925,000	5,230,914
Highway Park, Amunugama, Pothuhera	885 sq. ft.	11,841,375	677,615	1,088,750	11,841,375
		17,072,289	2,825,980	4,013,750	17,072,289
Total		75,681,603	61,435,294	135,458,920	59,305,933

29.7 Measurement of Fair Value

(i) Fair Value Hierarchy

The fair value of all properties set out above except for the Pothuhera land acquired during the year was determined by a report from an external independent property valuer Arthur Perera & Company who has valued these properties as at 31st March 2015. The valuer has appropriate recognised professional qualifications and recent experience in the location and category of the property being valued.

These values have not been incorporated in the Financial Statements.

The Directors have assessed that the land acquired during the period at a cost of Rs.16,375,670/- is reflective of the fair value of the property as at 31st March 2016.

The fair value measurement for the above of Rs.135,458,920/- has been categorised as a Level 3 fair value based on the inputs to the valuation technique used.

The Directors have assessed that there is no significant change in the fair value of the properties as at 31st March 2016 when compared to the previous year.

(ii) Valuation Technique and Significant Unobservable Inputs

The following table shows the valuation technique used in measuring the fair value of the freehold properties mentioned above, as well as the significant unobservable inputs used:

Valuation Technique	Significant Unobservable Inputs	Inter-Relationship Between Significant Unobservable Inputs and Fair Value Measurement
Market Comparable Method: This method considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of the property being revalued. This involves evaluation of recent active market prices of similar assets, making appropriate adjustments for differences in size, nature, location, condition of specific property in this process outlier transactions, indicative of particularly motivated buyers or sellers are too compensated for since the price may not adequately reflect the fair market value.	Price per perch for land. Price per square foot for building, depreciation rate.	Estimated fair value would increase/ (decrease) if – Price per perch increases/ (decreases). Price per square foot increases/ (decreases). Depreciation rate for building (decreases)/ increases.

As at 31st March	Software	
	2016 Rs.	2015 Rs.
30. Intangible Assets		
30.1 Company		
Cost		
Balance at the beginning of the year	209,366,389	154,467,615
Additions during the year	850,248	54,898,774
Balance at the end of the year	210,216,637	209,366,389
Accumulated Amortisation		
Balance at the beginning of the year	127,338,708	114,734,619
Amortisation for the year	14,318,984	12,604,089
Balance at the end of the year	141,657,692	127,338,708
Carrying amount	68,558,945	82,027,681

30.2 Fully-Amortised Intangible Assets

The cost of fully-amortised intangible assets of the Company which are still in use as at the Statement of Financial Position date is as follows:

As at 31st March	2016 Rs.	2015 Rs.
Software	93,480,444	87,800,237

	License Rs.	Software Rs.	Total Rs.
30.3 Group			
Cost or Valuation			
Balance at 1st April 2015	64,820,214	209,366,389	274,186,603
Additions/transfers	–	850,248	850,248
Balance at 31st March 2016	64,820,214	210,216,637	275,036,851
Accumulated Amortisation			
Balance at 1st April 2015	–	127,338,708	127,338,708
Amortisation for the year	–	14,318,984	14,318,984
Balance at 31st March 2016	–	141,657,692	141,657,692
Carrying amount at 31st March 2016	64,820,214	68,558,945	133,379,159
Carrying amount at 31st March 2015	64,820,214	82,027,681	146,847,895

	Company		Group	
<i>As at 31st March</i>	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
31. Amounts due from Related Company				
Newest Capital Ltd.	6,990,797	1,452,369	–	–
	6,990,797	1,452,369	–	–

	Company		Group	
<i>As at 31st March</i>	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
32. Other Assets				
Search fee and seizing charges receivable	3,386,567	5,183,940	3,386,567	5,183,940
Stock of gold specimen	259,200	259,200	259,200	259,200
Western Union MMBL	167,509	184,674	167,509	184,674
Pre-paid building rent	63,260,461	73,460,243	63,260,461	73,460,243
Pre-paid WHT on loans and debentures	45,690,532	1,431,264	45,690,532	1,431,264
Advance payments	101,613,625	52,743,139	101,613,625	52,743,139
Funds held at Orion Fund Management	3,341,207	3,741,518	3,341,207	3,741,518
Deposits	4,797,283	4,367,283	4,797,283	4,367,283
Cash cover	209,786	659,666	209,786	659,666
Other	2,345,844	1,808,887	2,578,275	2,086,991
	225,072,014	143,839,814	225,304,445	144,117,918

As at 31st March	Company		Group	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
33. Due to Banks				
Bank overdrafts	159,562,729	91,947,000	173,276,189	104,469,934
Asset-securitised loans	4,646,611,391	2,836,390,801	4,646,611,391	2,836,390,801
	4,806,174,120	2,928,337,801	4,819,887,580	2,940,860,735

Securities Pledged

Senkadagala Finance PLC has issued a Promissory Note amounting to Rs. 400,000,000/- as security for the loan obtained from DFCC Bank PLC. Lease and hire purchase aggregate portfolio amounting to Rs. 3,170,876,756/- has been pledged as security for the other bank loans.

In the ordinary course of business the Company enters into transactions that result in the transfer of financial assets to third parties, the information above sets out the extent of such transfers and retained interest in transferred assets.

The Company has transferred future rental receivable of leases and hire purchases, but has retained substantially all of the credit risk associated with the transferred assets. Due to the retention of substantially all the risk and rewards on these assets, the Company continues to recognise these assets within lease rental receivable and hire purchase receivable.

As at 31st March	Note	Company		Group	
		2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
34. Deposits from Customers					
Savings deposits		281,710,830	292,804,504	281,710,830	292,804,504
Certificates of deposit	34.1	11,101,666	11,744,758	11,101,666	11,744,758
Fixed deposits	34.2	6,217,220,610	6,237,346,497	6,193,198,421	6,214,972,012
		6,510,033,106	6,541,895,759	6,486,010,917	6,519,521,274
34.1 Certificates of Deposit					
Face value		11,300,000	12,000,000	11,300,000	12,000,000
Interest in suspense		(198,334)	(255,242)	(198,334)	(255,242)
		11,101,666	11,744,758	11,101,666	11,744,758
34.2 Fixed Deposits					
Fixed deposits		6,018,941,366	6,057,514,176	5,996,084,156	6,036,397,184
Amortised interest payable		198,279,244	179,832,321	197,114,265	178,574,828
		6,217,220,610	6,237,346,497	6,193,198,421	6,214,972,012

As at 31st March	Note	Company		Group	
		2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
35. Other Borrowings					
Commercial paper	35.1	930,913,225	627,319,859	930,913,225	627,319,859
Asset-securitised loans	35.2	2,954,597,908	1,232,034,988	2,954,597,908	1,232,034,988
		3,885,511,133	1,859,354,847	3,885,511,133	1,859,354,847
35.1 Commercial Paper					
Commercial paper capital outstanding		880,000,000	595,143,867	880,000,000	595,143,867
Amortised interest payable		50,913,225	32,175,992	50,913,225	32,175,992
		930,913,225	627,319,859	930,913,225	627,319,859
35.2 Asset-Securitised Loans					
Assets securitisation loans capital outstanding		2,265,256,805	380,354,301	2,265,256,805	380,354,301
Borrowings from International Finance Corporation (IFC)		604,380,000	748,160,000	604,380,000	748,160,000
Amortised interest payable		84,961,103	103,520,687	84,961,103	103,520,687
		2,954,597,908	1,232,034,988	2,954,597,908	1,232,034,988

Securities Pledged

Lease and hire purchase aggregate portfolio amounting to Rs. 3,527,969,524/- have been pledged as security for the above loans.

In the ordinary course of business the Company enters into transactions that result in the transfer of financial assets to third parties, the information above sets out the extent of such transfers and retained interest in transferred assets.

The Company has transferred future rental receivable of leases and hire purchases, but has retained substantially all of the credit risk associated with the transferred assets. Due to the retention of substantially all the risk and rewards on these assets, the Company continues to recognise these assets within lease rental receivable and hire purchase receivable.

As at 31st March	Company		Group	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
36. Debt Securities Issued				
As at the beginning of the year	2,200,000,000	2,754,000,000	2,200,000,000	2,754,000,000
Redemptions	(480,000,000)	(554,000,000)	(480,000,000)	(554,000,000)
Balance before amortised interest payable	1,720,000,000	2,200,000,000	1,720,000,000	2,200,000,000
Amortised interest payable	80,155,870	119,430,013	80,155,870	119,430,013
As at the end of the year	1,800,155,870	2,319,430,013	1,800,155,870	2,319,430,013

As at 31st March	Interest Payable	Year of Issue	Year of Maturity	Company		Group	
				2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
36.1 Unlisted Secured Debentures							
2013/14 – Fixed rated 19% p.a.	Semi-Annually	2012/13	2015/16	–	100,000,000	–	100,000,000
Amortised interest payable				–	3,169,542	–	3,169,542
				–	103,169,542	–	103,169,542
36.2 Unlisted Unsecured Redeemable Debentures							
2010-2011 – Fixed rated 14% p.a.	Annually	2010/11	2015/16	–	40,000,000	–	40,000,000
2010-2011 – Fixed rated 12% p.a.	Annually	2010/11	2015/16	–	60,000,000	–	60,000,000
2011-2012 – Fixed rated 12% p.a.	Annually	2011/12	2016/17	–	100,000,000	–	100,000,000
2011-2012 – Fixed rated 13% p.a.	Annually	2011/12	2016/17	19,000,000	159,000,000	–	159,000,000
2011-2012 – Fixed rated 13.15% p.a.	Annually	2011/12	2016/17	–	20,000,000	–	20,000,000
2011-2012 – Fixed rated 14.2% p.a.	Annually	2011/12	2016/17	60,000,000	80,000,000	79,000,000	80,000,000
2012-2013 – Fixed rated 17.25% p.a.	Annually	2012/13	2017/18	80,000,000	80,000,000	80,000,000	80,000,000
2012-2013 – Fixed rated 16.5% p.a.	Annually	2012/13	2017/18	80,000,000	80,000,000	80,000,000	80,000,000
2012-2013 – Fixed rated 17.5% p.a.	Annually	2012/13	2017/18	200,000,000	200,000,000	200,000,000	200,000,000
2012-2013 – Fixed rated 16.75% p.a.	Annually	2012/13	2017/18	121,000,000	121,000,000	121,000,000	121,000,000
2013-2014 – Fixed rated 15.25% p.a.	Annually	2013/14	2018/19	120,000,000	120,000,000	120,000,000	120,000,000
2013-2014 – Fixed rated 15.20% p.a.	Annually	2013/14	2018/19	40,000,000	40,000,000	40,000,000	40,000,000
Amortised interest payable				80,122,566	96,637,726	80,122,566	96,637,726
				800,122,566	1,196,637,726	800,122,566	1,196,637,726

Unlisted unsecured redeemable debentures amounting to Rs. 380 million has been redeemed during the year prior to maturity by mutual consent between the Company and the debenture holders.

As at 31st March	Interest Payable	Year of Issue	Year of Maturity	Company		Group	
				2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
36.3 Listed Unsecured Redeemable Senior Debentures							
2013/14 – Fixed rated 17% p.a.	Quarterly	2013/14	2016/17	414,246,500	414,246,500	414,246,500	414,246,500
2013/14 – Fixed rated 17.25% p.a.	Quarterly	2013/14	2017/18	585,253,500	585,253,500	585,253,500	585,253,500
2013/14 – Floating rated	Semi-Annually	2013/14	2017/18	500,000	500,000	500,000	500,000
Amortised interest payable				33,304	19,622,745	33,304	19,622,745
				1,000,033,304	1,019,622,745	1,000,033,304	1,019,622,745

As at 31st March	Company		Group	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
37. Subordinated Debentures				
As at the beginning of the year	1,250,000,000	1,250,000,000	1,250,000,000	1,250,000,000
Amortised interest payable	9,692,805	10,306,634	9,692,805	10,306,634
As at the end of the year	1,259,692,805	1,260,306,634	1,259,692,805	1,260,306,634

Outstanding debentures as at 31st March 2016 consists of 12,500,000 (2015 – 12,500,000). Listed Unsecured Redeemable Subordinated Debentures of Rs. 100/- each issued by the Company in December 2013, details of which are given below:

As at 31st March	Interest Payable	Year of Issue	Year of Maturity	Value	
				2016 Rs.	2015 Rs.
2013/14 – Fixed rated 15% p.a.	Quarterly	2013/14	2018/19	1,250,000,000	1,250,000,000

As at 31st March	Company		Group	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
38. Deferred Tax Liabilities				
Balance at the beginning of the year	197,115,561	155,731,632	197,139,903	155,767,757
Amount originating during the year – Income statement	234,363,272	41,369,639	236,898,173	41,357,856
Amount originating during the year – Other comprehensive income	2,625,403	14,290	2,625,403	14,290
Balance at the end of the year	434,104,236	197,115,561	436,663,479	197,139,903
38.1 Reconciliation of Net Deferred Tax Liabilities				
Deferred Tax – Liability				
Accelerated depreciation for tax purposes – Property, plant and equipment	93,269,223	73,211,364	96,149,246	73,275,311
Accelerated depreciation for tax purposes – Rentals receivable	404,138,636	223,284,058	404,138,636	223,284,058
	497,407,859	296,495,422	500,287,882	296,559,369
Deferred Tax – Assets				
Retirement benefit obligation	16,643,399	16,993,618	16,704,697	17,033,223
Tax credits	46,660,224	82,386,243	46,919,706	82,386,243
	63,303,623	99,379,861	63,624,403	99,419,466
Net deferred tax liability	434,104,236	197,115,561	436,663,479	197,139,903

As at 31st March	Statement of Financial Position		Income Statement		Statement of Comprehensive Income	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Company						
Deferred Tax Liabilities on –						
Accelerated depreciation for tax purposes – Property, plant and equipment	93,269,223	73,211,364	(20,057,859)	(29,157,546)	–	–
Accelerated depreciation for tax purposes – Rentals receivable	404,138,636	223,284,058	(180,854,578)	(97,013,776)	–	–
	497,407,859	296,495,422	(200,912,437)	(126,171,322)	–	–
Deferred Tax Assets on –						
Retirement benefit obligation	16,643,399	16,993,618	2,275,184	2,415,440	(2,625,403)	(14,290)
Tax credits	46,660,224	82,386,243	(35,726,019)	82,386,243	–	–
	63,303,623	99,379,861	(33,450,835)	84,801,683	(2,625,403)	(14,290)
Deferred tax effect on comprehensive income			(234,363,272)	(41,369,639)	(2,625,403)	(14,290)
Net deferred tax liability	434,104,236	197,115,561				

As at 31st March	Statement of Financial Position		Income Statement		Statement of Comprehensive Income	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Group						
Deferred Tax Liabilities on –						
Accelerated depreciation for tax purposes – Property, plant and equipment	96,149,246	73,275,311	(22,873,935)	29,185,368	–	–
Accelerated depreciation for tax purposes – Rentals receivable	404,138,636	223,284,058	(180,854,578)	97,013,776	–	–
	500,287,882	296,559,369	(203,728,513)	126,199,144	–	–
Deferred Tax Assets on –						
Retirement benefit obligation	16,704,697	17,033,223	2,296,877	(2,440,755)	(2,625,403)	(14,290)
Tax Credits	46,919,706	82,386,243	(35,466,537)	–	–	–
	63,624,403	99,419,466	(33,169,660)	(2,440,755)	(2,625,403)	(14,290)
Deferred tax effect on comprehensive income	–	–	(236,898,173)	123,758,389	(2,625,403)	(14,290)
Net deferred tax liability	436,663,479	197,139,903				

As at 31st March	Notes	Company		Group	
		2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
39. Current Tax Liabilities/ (Recoverable)					
Income Tax					
Balance at the beginning of the year		(23,678,399)	20,237,544	(14,662,977)	35,158,064
Current income tax charge		35,004,753	66,434,918	62,195,421	86,514,635
Income tax liability on acquisition		–	–	–	720,852
Payments made during the period		(47,664,258)	(95,722,555)	(70,710,664)	(121,849,378)
Withholding tax on interest income		(13,431,217)	(14,628,306)	(13,889,839)	(15,207,150)
Balance at the end of the year		(49,769,121)	(23,678,399)	(37,068,059)	(14,662,977)
Other tax liabilities		29,724,724	22,293,986	37,350,335	28,318,277
		(20,044,397)	(1,384,413)	282,276	13,655,300
40. Other Liabilities					
Accrued expenditure – Non-interest		20,874,289	9,624,060	21,274,922	9,959,560
Payables to suppliers		479,145,217	342,345,052	479,145,217	342,345,052
Dividend payable		4,453,947	6,280,236	4,453,947	6,280,236
Value added tax payable		4,575,980	4,817,089	6,952,286	6,466,243
Deposit insurance premium		758,328	771,157	758,328	771,157
Other liabilities		11,666,009	8,201,717	15,582,329	8,425,966
		521,473,770	372,039,311	528,167,030	374,248,214
41. Employee Benefits					
Balance at the beginning of the year		60,691,494	52,115,958	60,768,994	52,115,958
Retirement benefit expense recognised in the income statement	41.1	13,047,217	11,000,976	13,188,653	11,078,476
Retirement benefit expense recognised in the statement of comprehensive income	41.2	(11,511,611)	(65,082)	(11,511,611)	(65,082)
Benefits paid during the year		(2,786,388)	(2,360,358)	(2,786,388)	(2,360,358)
Balance at the end of the year		59,440,712	60,691,494	59,659,648	60,768,994

As at 31st March	Notes	Company		Group	
		2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
41.1 Retirement Benefit Expense Recognised in the Income Statement					
Current service cost		6,978,068	5,789,381	7,119,504	5,866,881
Interest cost		6,069,149	5,211,595	6,069,149	5,211,595
Total		13,047,217	11,000,976	13,188,653	11,078,476
41.2 Retirement Benefit Expense Recognised in the Statement of Comprehensive Income					
Actuarial (gain)/loss at the end of the year		(11,511,611)	(65,082)	(11,511,611)	(65,082)
		(11,511,611)	(65,082)	(11,511,611)	(65,082)

Mr. Piyal S. Goonathileke FSA (USA), a member of the American Academy of Actuaries has carried out an independent actuarial valuation of the defined benefit obligation as at 31st March 2016. The valuation was carried out using the Projected Unit Credit method, the method recommended by Sri Lanka Accounting Standard (LKAS) 19 – 'Employee Benefits'.

	2016	2015
Discount rate	10%	10%
Salary scale	5%	10%
Retirement age (Years)	55	55

The following table demonstrates the sensitivity to a reasonably possible change in the key assumptions employed with all other variables held constant in the employment benefit liability measurement.

The sensitivity of the Income Statement and Statement of Financial Position is the effect of the assumed changes in discount rate and salary increment rate on the Income Statement and employment benefit obligation for the year.

Increase/(Decrease) in Discount Rate	Increase/(Decrease) in Salary Increment Rate	Sensitivity Effect on Income Statement Increase/(Reduction) in Result for the Year Rs. '000	Sensitivity Effect on Employment Benefit Obligation Increase/(Reduction) in the Liability Rs. '000
+1%	-	1,870	(1,870)
-1%	-	(2,115)	2,115
-	+1%	(2,123)	2,123
-	-1%	1,907	(1,907)

42. Stated Capital

As at 31st March	2016		2015	
	No. of Shares	Value Rs.	No. of Shares	Value Rs.
Issued and Fully-Paid Shares:				
At the beginning of the year	65,227,555	1,008,062,200	58,704,800	747,152,000
Capitalisation of reserves	–	–	6,522,755	260,910,200
At the end of the year	65,227,555	1,008,062,200	65,227,555	1,008,062,200

In accordance with Companies Act No. 07 of 2007 the above shares do not have a par value.

As at 31st March	Company		Group	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
43. Statutory Reserve Fund				
Balance at the beginning of the year	230,036,033	195,036,033	230,036,033	195,036,033
Transfer during the year	35,000,000	35,000,000	35,023,000	35,000,000
Balance at the end of the year	265,036,033	230,036,033	265,059,033	230,036,033

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 profit of each year after due provisions has been made for taxation and bad and doubtful debts, on the following basis:

Capital Funds to Deposit Liabilities	Percentage of Transfer to Reserve Fund
Not less than 25%	5
Less than 25% and not less than 10%	20
Less than 10%	50

Accordingly, the Company and the Group has transferred an amount of Rs. 35,000,000/- and Rs. 35,023,000/- respectively, which is above the required 5% of its net profit after taxation to the reserve fund as the Company's and the Group's Capital Funds to Deposit Liabilities, belongs to not less than 25% category.

As at 31st March	Note	Company		Group	
		2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
44. Investment Fund Account					
Balance at the beginning of the year		–	170,628,603	–	170,628,603
Transfer during the period	44.1	–	(170,628,603)	–	(170,628,603)
Balance at the end of the year		–	–	–	–

44.1 In accordance with the Guidelines on the Operations of the of the Investment Fund Account dated 7th August 2014, the remaining balance in the IFA of Rs. 170,628,603/- was transferred to the retained earnings through the Statement of Changes in Equity on 1st October 2014.

As at 31st March	Company		Group	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
45. Available-for-Sale Reserve				
Balance at the beginning of the year	–	–	–	–
Net gain/(loss) on re-measuring financial investments	3,774,586	–	3,774,586	–
Balance at the end of the year	3,774,586	–	3,774,586	–

The available-for-sale reserve comprises the cumulative net change in fair value of financial investments available-for-sale until such investments are derecognised or impaired.

46. Related Party Transactions

The Company carries out transactions in the ordinary course of its business with parties who are defined as related parties in Sri Lanka Accounting Standard (LKAS) 24 – 'Related Party Disclosures'. Details of related party transactions are reported below:

Name of the Company	Nature of Transaction	Transaction Amount 2016 Rs.	Transaction Amount 2015 Rs.	Balance Outstanding as at 31st March 2016 Rs.	Balance Outstanding as at 31st March 2015 Rs.
Parent Company					
E. W. Balasuriya and Company (Pvt) Ltd.	Payment of rent expenses	(4,635,063)	(3,686,352)	–	–
	Dividend payment	(93,577,386)	(89,899,152)	–	–
	Rent income	1,920,000	1,920,000	–	–
	Net funds paid	(100,132,449)	(95,505,503)	–	–
Subsidiary					
Senkadagala Insurance Brokers (Pvt) Ltd.	Net investment in fixed deposits	1,647,705	21,116,992	24,022,189	22,374,484
	Deposit interest expense	(3,413,272)	(4,237,226)	–	–
	Rent income	300,000	300,000	–	–
	Dividend income	63,000,000	55,600,000	–	–
	Net funds received	59,886,728	51,662,774	–	–
	Balance payable	–	–	(24,022,189)	(22,374,484)
Subsidiary					
Newest Capital Ltd.	Funds collected on behalf of Newest Capital Ltd.	9,672,000	–	–	–
	Payment of expenses	(15,210,428)	(1,452,369)	–	–
	Net funds paid	(5,538,428)	(1,452,369)	–	–
	Balance receivable	–	–	6,990,797	1,452,369
Company Under Common Control					
Senkadagala Hotels Ltd.	Payment of rent expenses	(787,800)	(722,150)	–	–
	Net funds paid	(787,800)	(722,150)	–	–

46.1 Transactions with Key Management Personnel (KMP) of the Company

According to Sri Lanka Accounting Standard (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, Senior Finance Officer, AGM – Credit Control, AGM – IT, AGM – Accounts, DGM – IT, GM – Operations, Deputy CEO and the members of the Board of Directors of the Company (including Executive and Non-Executive Directors), and of the Ultimate Parent Company have been classified as Key Management Personnel of the Company.

	2016 Rs.	2015 Rs.
46.1.1 Compensation of Key Management Personnel		
Short-term Employee Benefits		
Board of Directors	18,150,000	24,110,000
Other Key Management Personnel	28,758,600	26,813,000

46.1.2 Post-Employment Benefits to Key Management Personnel

The Key Management Personnel are entitled to gratuity as per the provisions laid down by Payment of Gratuity Act No. 12 of 1983 and such provision as at 31st March 2016 was Rs. 31,162,150/- (2014/15 – Rs. 28,596,298/-).

46.1.3 Deposits Held by Key Management Personnel

	2016 Rs.	2015 Rs.
Deposits held with the Company	27,208,395	16,798,938

47. Commitments and Contingencies

47.1 Capital Expenditure Commitments

Capital expenditure approved by the Board of Directors for which provision has not been made in the Financial Statements amounted to the following:

	2016 Rs.	2015 Rs.
Approved but not contracted for	—	—
Approved and contracted for	1,377,202	1,693,395
	1,377,202	1,693,395

47.2 Contingent Liabilities

Court action has been filed against the Company in Commercial High Court, Colombo bearing No. HC/Civil/541/15MR for the recovery of Rs. 29,142,086/- citing Senkadagala Finance PLC as the defendant. The Company has disputed the claim and is of the opinion that there will not be an unfavourable outcome in relation to this case.

Other than the matter disclosed above there were no material contingent liabilities which require adjustments to or disclosure in the Financial Statements as at the Reporting date.

48. Events after the Reporting Period

The Board of Directors has declared and approved an interim dividend of Rs. 0.60 per share for the nine month period ended 31st December 2015 which was paid on 15th June 2016.

Further a final dividend of Rs. 0.75 per share for the year ended 31st March 2016 is recommended by the Board of Directors subject to the approval from the shareholders at the Annual General Meeting for the financial year ended 2015/16. In accordance with the LKAS 10 on Events after the Reporting Period, the proposed dividends are not recognised as a liability in the Financial Statements as at year end.

There were no material events occurring after the Reporting period that require adjustment to or disclose in the Financial Statements other than what is disclosed above.

49. Maturity Analysis

49.1 Company

An analysis of the total assets and the total liabilities of the Company as at 31st March 2016, based on the remaining period from the Reporting date to the respective contractual maturity dates is given below:

	Up to 3 Months Rs.	3 to 12 Months Rs.	1 to 3 Years Rs.	More than 3 Years Rs.	Total as at 31st March 2016 Rs.
Interest Earning Assets					
Cash and cash equivalents	457,725,318	–	–	–	457,725,318
Deposit with licensed commercial banks	629,638,576	201,460,000	302,190,000	100,727,842	1,234,016,418
Investment in Government and other securities	972,624,516	659,663,422	–	172,367,497	1,804,655,435
Loans and advances	2,461,749,041	5,111,507,708	7,666,051,539	1,668,831,490	16,908,139,778
Total interest earning assets	4,521,737,451	5,972,631,130	7,968,241,539	1,941,926,829	20,404,536,949
Non-Interest Earning Assets					
Financial assets held at fair value through profit or loss	82,237,016	–	–	–	82,237,016
Financial assets available-for-sale	–	4,100,021	8,200,041	4,100,021	16,400,083
Investment in subsidiaries	–	–	–	320,000,000	320,000,000
Property, plant and equipment	–	–	–	1,194,663,450	1,194,663,450
Due from related party	6,990,797	–	–	–	6,990,797
Other receivables	98,184,729	58,808,308	36,316,998	51,806,376	245,116,411
Total assets	4,709,149,993	6,035,539,459	8,012,758,578	3,512,496,676	22,269,944,706
Percentage as at 31st March 2016	21	27	36	16	100

	Up to 3 Months Rs.	3 to 12 Months Rs.	1 to 3 Years Rs.	More than 3 Years Rs.	Total as at 31st March 2016 Rs.
Interest-Bearing Liabilities					
Deposits from customers	396,342,966	3,574,807,207	2,318,925,447	219,957,486	6,510,033,106
Bank overdrafts	159,562,729	–	–	–	159,562,729
Due to banks	359,146,624	1,164,601,961	2,681,420,432	441,442,374	4,646,611,391
Borrowings	314,599,257	1,481,038,792	1,064,374,360	1,025,498,724	3,885,511,133
Debentures	426,778,318	81,389,914	2,551,680,443	–	3,059,848,675
Total interest-bearing liabilities	1,656,429,894	6,301,837,874	8,616,400,682	1,686,898,584	18,261,567,034
Non-Interest-Bearing Liabilities					
Total liabilities	1,808,997,378	6,555,586,615	8,764,306,152	2,147,695,577	19,276,585,722
Percentage as at 31st March 2016	8	29	39	10	87
Shareholders' funds	–	–	–	2,993,358,954	2,993,358,954
Total shareholders' funds and liabilities	1,808,997,378	6,555,586,615	8,764,306,152	5,141,054,531	22,269,944,676

49.2 Group

An analysis of the total assets and the total liabilities of the Group as at 31st March 2016, based on the remaining period from the Reporting date to the respective contractual maturity dates is given below:

	Up to 3 Months Rs.	3 to 12 Months Rs.	1 to 3 Years Rs.	More than 3 Years Rs.	Total as at 31st March 2016 Rs.
Interest Earning Assets					
Cash and cash equivalents	486,127,789	–	–	–	486,127,789
Deposits with licensed commercial banks	629,638,576	201,460,000	302,190,000	100,727,842	1,234,016,418
Investments in Government and other securities	972,624,516	659,663,422	–	172,367,497	1,804,655,435
Loans and advances	2,461,749,040	5,111,507,708	7,666,051,539	1,668,831,491	16,908,139,778
Total interest-earning assets	4,550,139,921	5,972,631,130	7,968,241,539	1,941,926,830	20,432,939,420
Non-Interest Earning Assets					
Financial assets held at fair value through profit and loss	82,237,016	–	–	–	82,237,016
Financial assets available-for-sale	–	4,100,021	8,200,041	4,100,021	16,400,083
Investment in subsidiary	–	–	–	–	–
Property, plant and equipment, intangible assets, investment – Property	–	–	–	1,459,302,284	1,459,302,284
Other receivables	63,510,401	73,670,670	36,316,997	51,806,377	225,304,445
Total assets	4,695,887,338	6,050,401,821	8,012,758,577	3,457,135,512	22,216,183,248
Percentage as at 31st March 2016	21	27	36	16	100

	Up to 3 Months Rs.	3 to 12 Months Rs.	1 to 3 Years Rs.	More than 3 Years Rs.	Total as at 31st March 2016 Rs.
Interest-Bearing Liabilities					
Deposits from customers	396,342,965	3,550,785,018	2,318,925,448	219,957,486	6,486,010,917
Bank overdrafts	173,276,189	–	–	–	173,276,189
Borrowings	673,745,881	2,645,640,753	3,745,794,792	1,466,941,098	8,532,122,524
Debentures	426,778,318	81,389,914	2,551,680,443	–	3,059,848,675
Total interest-bearing liabilities	1,670,143,353	6,277,815,685	8,616,400,683	1,686,898,584	18,251,258,304
Non-Interest-Bearing Liabilities					
Total liabilities	1,806,907,705	6,551,471,534	8,766,329,993	2,151,321,476	19,276,030,707
Percentage as at 31st March 2016	8	29	39	10	87
Shareholders' funds	–	–	–	2,940,152,510	2,940,152,510
Total shareholders' funds and liabilities	1,806,907,705	6,551,471,534	8,766,329,993	5,091,473,986	22,216,183,217

As at 31st March	Leasing		Hire Purchases		Pawning Advances	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
50. Segment Report						
Revenue						
External customers						
Interest	2,477,197,273	1,638,859,037	965,766,951	1,653,037,246	27,742,139	19,255,735
Trading	–	–	–	–	–	–
Commissions	–	–	–	–	–	–
Rent	–	–	–	–	–	–
Dividends	–	–	–	–	–	–
Other income	30,298,050	–	–	–	–	–
Total revenue	2,507,495,323	1,638,859,037	965,766,951	1,653,037,246	27,742,139	19,255,735
Profit before tax	–	–	–	–	–	–
Taxation	–	–	–	–	–	–
Profit after tax	–	–	–	–	–	–
Segment assets	13,975,552,388	8,151,414,340	2,024,520,342	4,925,414,552	180,227,250	101,408,214
Segment liabilities	12,367,885,734	6,938,249,450	4,763,516,480	6,998,274,106	136,834,395	81,520,796
Information on Cash Flows						
Operating activities	(1,538,761,651)	373,805,177	552,904,503	917,564,361	(21,903,562)	4,007,966
Investing activities	–	–	–	–	–	–
Capital expenditure	(221,364,812)	(214,257,154)	(32,067,252)	(129,462,847)	(2,854,697)	(2,665,480)
Financing activities	–	–	–	–	–	–
Net cash flow	(1,760,126,463)	159,548,023	520,837,251	788,101,514	(24,758,259)	1,342,486
Depreciation and amortisation	(172,959,839)	(103,150,246)	(25,055,232)	(62,327,555)	(2,230,472)	(1,283,248)

Other Advances		Investments		Insurance/Broking		Unallocated		Total	
2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
102,024,618	88,328,470	174,723,191	185,430,358	—	—	—	—	3,747,454,172	3,584,910,846
—	—	(7,324,532)	19,805,893	—	—	127,556	101,722	(7,196,976)	19,907,615
—	—	—	—	99,226,267	73,766,050	—	—	99,226,267	73,766,050
—	—	11,349,478	1,686,607	—	—	—	—	11,349,478	1,686,607
—	—	2,587,614	2,334,192	—	—	—	—	2,587,614	2,334,192
—	—	55,715,821	13,596,788	—	—	59,039,691	42,730,948	145,053,562	56,327,736
102,024,618	88,328,470	237,051,572	222,853,838	99,226,267	73,766,050	59,167,247	42,832,670	3,998,474,117	3,738,933,046
—	—	—	—	—	—	—	—	918,201,151	615,796,918
—	—	—	—	—	—	—	—	(306,093,594)	(133,432,491)
—	—	—	—	—	—	—	—	612,107,557	482,364,427
727,839,798	404,690,559	4,331,972,402	3,618,777,448	30,841,958	26,766,334	945,229,110	798,528,891	22,216,183,248	18,027,000,338
503,222,800	373,946,108	1,169,225,214	943,470,719	36,015,181	28,765,891	299,330,933	181,058,845	19,276,030,738	15,545,285,914
(101,140,216)	27,098,179	(1,654,760,073)	(1,080,907,507)	69,051,745	53,265,260	(234,338,557)	(189,316,369)	(2,928,947,811)	105,517,066
—	—	4,101,655	(294,336,368)	—	—	114,065,719	33,834,289	118,167,374	(260,502,079)
(11,528,569)	(10,637,154)	(68,615,983)	(95,118,335)	—	(22,800)	(30,074,661)	(20,989,060)	(366,505,975)	(473,152,830)
—	—	—	—	—	—	3,166,774,488	619,944,245	3,166,774,488	619,944,245
(112,668,785)	16,461,025	(1,719,274,401)	(1,470,362,210)	69,051,745	53,242,460	3,016,426,989	443,473,104	(10,511,924)	(8,193,598)
(9,007,662)	(5,121,066)	(303,038)	(303,038)	(1,079,280)	(1,078,900)	(14,426,552)	(26,321,484)	(225,062,076)	(199,585,536)

51. Financial Instruments – Fair Values

A. Accounting Classifications and Fair Values – Company

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

As at 31st March 2016	Carrying Amount		
	Designated as FVTPL Rs.	Available- for-Sale Rs.	Loans and Receivables Rs.
Financial Assets Measured at Fair Value			
Investments in equity securities – Quoted	80,287,016	–	–
Investments in unit trust – Quoted	1,950,000	–	–
Investments in unit trust – Unquoted	–	5,696,077	–
	82,237,016	5,696,077	–
Financial Assets Not Measured at Fair Value			
Cash and cash equivalents	–	–	457,725,318
Deposits with licensed commercial banks	–	–	1,234,016,418
Repurchase agreements	–	–	972,624,516
Loans and advances	–	–	16,607,014,885
Other advances	–	–	301,124,893
Investments in equity securities – Unquoted	–	10,704,006	–
Treasury Bonds	–	–	–
Treasury Bills	–	–	–
	–	10,704,006	19,572,506,030
Financial Liabilities Not Measured at Fair Value			
Due to banks	–	–	–
Deposits from customers	–	–	–
Savings deposits from customers	–	–	–
Other borrowings	–	–	–
Short-term and floating rated borrowings	–	–	–
Debt securities issued	–	–	–
Subordinated debentures	–	–	–
	–	–	–

Carrying Amount			Fair Value			
Held-to-Maturity Rs.	Other Financial Liabilities Rs.	Total Rs.	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total Rs.
–	–	80,287,016	80,287,016	–	–	80,287,016
–	–	1,950,000	1,950,000	–	–	1,950,000
–	–	5,696,077	5,696,077	–	–	5,696,077
–	–	87,933,093	87,933,093	–	–	87,933,093
–	–	457,725,318	–	–	–	–
–	–	1,234,016,418	–	–	–	–
–	–	972,624,516	–	–	–	–
–	–	16,607,014,885	–	–	–	–
–	–	301,124,893	–	–	–	–
–	–	10,704,006	–	–	–	–
179,447,433	–	179,447,433	–	189,267,759	–	189,267,759
652,583,486	–	652,583,486	–	652,284,928	–	652,284,928
832,030,919	–	20,415,240,955	–	841,552,687	–	841,552,687
–	4,806,174,120	4,806,174,120	–	–	–	–
–	6,228,322,276	6,228,322,276	–	6,374,457,323	–	6,374,457,323
–	281,710,830	281,710,830	–	–	–	–
–	1,846,983,924	1,846,983,924	–	1,840,031,646	–	1,840,031,646
–	2,038,527,209	2,038,527,209	–	–	–	–
–	1,800,155,870	1,800,155,870	–	1,928,790,788	–	1,928,790,788
–	1,259,692,805	1,259,692,805	–	1,358,243,401	–	1,358,243,401
–	18,261,567,034	18,261,567,034	–	11,501,523,157	–	11,501,523,157

As at 31st March 2015	Carrying Amount		
	Designated as FVTPL Rs.	Available- for-Sale Rs.	Loans and Receivables Rs.
Financial Assets Measured at Fair Value			
Investments in equity securities – Quoted	89,279,198	–	–
Investments in unit trust – Quoted	2,250,000	–	–
	91,529,198	–	–
Financial Assets Not Measured at Fair Value			
Cash and cash equivalents	–	–	404,636,587
Deposits with licensed commercial banks	–	–	748,158,081
Repurchase agreements	–	–	581,421,556
Loans and advances	–	–	13,332,093,359
Other advances	–	–	250,834,306
Investments in equity securities – Unquoted	–	10,704,006	–
Treasury Bonds	–	–	–
Treasury Bills	–	–	–
	–	12,171,887	15,317,143,889
Financial Liabilities Not Measured at Fair Value			
Due to banks	–	–	–
Deposits from customers	–	–	–
Savings deposits from customers	–	–	–
Other borrowings	–	–	–
Short-term and floating rated borrowings	–	–	–
Debt securities issued	–	–	–
Subordinated debentures	–	–	–
	–	–	–

Carrying Amount			Fair Value			
Held-to-Maturity Rs.	Other Financial Liabilities Rs.	Total Rs.	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total Rs.
–	–	89,279,198	89,279,198	–	–	89,279,198
–	–	2,250,000	2,250,000	–	–	2,250,000
–	–	91,529,198	91,529,198	–	–	91,529,198
–	–	404,636,587	–	–	–	–
–	–	748,158,081	–	–	–	–
–	–	581,421,556	–	–	–	–
–	–	13,332,093,359	–	14,004,741,996	–	14,004,741,996
–	–	250,834,306	–	–	–	–
–	–	10,704,006	–	–	–	–
177,050,675	–	177,050,675	–	197,115,945	–	197,115,945
885,581,616	–	885,581,616	–	886,303,380	–	886,303,380
1,062,632,291	–	16,391,948,067	–	15,088,161,321	–	15,088,161,321
–	2,928,337,801	2,928,337,801	–	–	–	–
–	6,249,091,255	6,249,091,255	–	6,288,661,893	–	6,288,661,893
–	292,804,504	292,804,504	–	–	–	–
–	204,028,833	204,028,833	–	123,096,047	–	123,096,047
–	1,655,326,014	1,655,326,014	–	–	–	–
–	2,319,430,013	2,319,430,013	–	2,550,361,871	–	2,550,361,871
–	1,260,306,634	1,260,306,634	–	1,392,841,571	–	1,392,841,571
–	14,909,325,054	14,909,325,054	–	10,354,961,382	–	10,354,961,382

B. Accounting Classifications and Fair Values – Group

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

As at 31st March 2016	Carrying Amount		
	Designated as FVTPL Rs.	Available- for-Sale Rs.	Loans and Receivables Rs.
Financial Assets Measured at Fair Value			
Investments in equity securities – Quoted	80,287,016	–	–
Investments in unit trust – Quoted	1,950,000	–	–
Investments in unit trust – Unquoted	–	5,696,077	–
	82,237,016	5,696,077	–
Financial Assets Not Measured at Fair Value			
Cash and cash equivalents	–	–	486,127,789
Deposits with licensed commercial banks	–	–	1,234,016,418
Repurchase agreements	–	–	972,624,516
Loans and advances	–	–	16,607,014,885
Other advances	–	–	301,124,893
Investments in equity securities – Unquoted	–	10,704,006	–
Treasury Bonds	–	–	–
Treasury Bills	–	–	–
	–	10,704,006	19,600,908,501
Financial Liabilities Not Measured at Fair Value			
Due to banks	–	–	–
Deposits from customers	–	–	–
Savings deposits from customers	–	–	–
Other borrowings	–	–	–
Short-term and floating rated borrowings	–	–	–
Debt securities issued	–	–	–
Subordinated debentures	–	–	–
	–	–	–

Carrying Amount			Fair Value			
Held-to-Maturity Rs.	Other Financial Liabilities Rs.	Total Rs.	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total Rs.
–	–	80,287,016	80,287,016	–	–	80,287,016
–	–	1,950,000	1,950,000	–	–	1,950,000
–	–	5,696,077	5,696,077	–	–	5,696,077
–	–	87,933,093	87,933,093	–	–	87,933,093
–	–	486,127,789	–	–	–	–
–	–	1,234,016,418	–	–	–	–
–	–	972,624,516	–	–	–	–
–	–	16,607,014,885	–	–	–	–
–	–	301,124,893	–	–	–	–
–	–	10,704,006	–	–	–	–
179,447,433	–	179,447,433	189,267,759	–	–	189,267,759
652,583,486	–	652,583,486	652,284,928	–	–	652,284,928
832,030,919	–	20,443,643,426	841,552,687	–	–	841,552,687
–	4,819,887,580	4,819,887,580	–	–	–	–
–	6,204,300,087	6,204,300,087	–	6,350,260,443	–	6,350,260,443
–	281,710,830	281,710,830	–	–	–	–
–	1,846,983,924	1,846,983,924	–	1,840,031,646	–	1,840,031,646
–	2,038,527,209	2,038,527,209	–	–	–	–
–	1,800,155,870	1,800,155,870	–	1,928,790,788	–	1,928,790,788
–	1,259,692,805	1,259,692,805	–	1,358,243,401	–	1,358,243,401
–	18,251,258,305	18,251,258,305	–	11,477,326,277	–	11,477,326,277

As at 31st March 2015	Carrying Amount		
	Designated as FVTPL Rs.	Available- for-Sale Rs.	Loans and Receivables Rs.
Financial Assets Measured at Fair Value			
Investments in equity securities – Quoted	89,279,198	–	–
Investments in unit trust – Quoted	2,250,000	–	–
	91,529,198	–	–
Financial Assets Not Measured at Fair Value			
Cash and cash equivalents	–	–	427,833,458
Deposits with licensed commercial banks	–	–	748,158,081
Repurchase agreements	–	–	581,421,556
Loans and advances	–	–	13,332,093,359
Other advances	–	–	250,834,306
Investments in equity securities – Unquoted	–	10,704,006	–
Investments in unit trust – Unquoted	–	1,467,881	–
Treasury Bonds	–	–	–
Treasury Bills	–	–	–
	–	12,171,887	15,340,340,760
Financial Liabilities Not Measured at Fair Value			
Due to banks	–	–	–
Deposits from customers	–	–	–
Savings deposits from customers	–	–	–
Other borrowings	–	–	–
Short-term and floating rated borrowings	–	–	–
Debt securities issued	–	–	–
Subordinated liabilities	–	–	–
	–	–	–

Carrying Amount			Fair Value			
Held-to-Maturity Rs.	Other Financial Liabilities Rs.	Total Rs.	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total Rs.
–	–	89,279,198	89,279,198	–	–	89,279,198
–	–	2,250,000	2,250,000	–	–	2,250,000
–	–	91,529,198	91,529,198	–	–	91,529,198
–	–	427,833,458	–	–	–	–
–	–	748,158,081	–	–	–	–
–	–	581,421,556	–	–	–	–
–	–	13,332,093,359	–	–	–	–
–	–	250,834,306	–	–	–	–
–	–	10,704,006	–	–	–	–
–	–	1,467,881	–	–	–	–
177,050,675	–	177,050,675	197,115,945	–	–	197,115,945
885,581,616	–	885,581,616	886,303,380	–	–	886,303,380
1,062,632,291	–	16,415,144,938	1,083,419,325	–	–	1,083,419,325
–	2,940,860,735	2,940,860,735	–	–	–	–
–	6,226,716,770	6,226,716,770	–	6,266,560,213	–	6,266,560,213
–	292,804,504	292,804,504	–	–	–	–
–	361,928,833	361,928,833	–	123,096,047	–	123,096,047
–	1,497,426,014	1,497,426,014	–	–	–	–
–	2,319,430,013	2,319,430,013	–	2,550,361,871	–	2,550,361,871
–	1,260,306,634	1,260,306,634	–	1,392,841,571	–	1,392,841,571
–	14,899,473,503	14,899,473,503	–	10,332,859,702	–	10,332,859,702

C. Measurement of Fair Values – Company

1. Valuation Techniques and Significant Unobservable Inputs used for Financial Instruments not Measured at Fair Value

The following tables show the valuation techniques used in measuring Level 2 fair values, as well as the significant unobservable inputs used:

Type	Valuation Technique	Significant Unobservable Inputs	Inter-Relationship Between Significant Unobservable Inputs and Fair Value Measurement
Other liabilities **	Discounted cash flows using prevailing current market rates for similar financial instruments.	Not applicable	Not applicable
Corporate debt securities	Market comparison technique: The fair values are based on broker quotes. Similar contracts are traded in an active market and the quotes reflect the actual transactions in similar instruments.	Not applicable	Not applicable

** Other Liabilities consist of Due to Banks, Deposits from Customers, Borrowings and Debentures.

The following is a list of financial instruments which have not been considered under the fair value measurement hierarchy, because the carrying amount of those financial instruments is a reasonable approximation of fair value since they are short term in nature or re-price to current market rates frequently:

Assets

- Cash and cash equivalents
- Repurchase agreements
- Other advances

Liabilities

- Other liabilities
- Savings deposits from customers
- Short term and floating-rated borrowings
- Bank overdrafts

D. Measurement of Fair Values – Group

1. Valuation Techniques and Significant Unobservable Inputs used for Financial Instruments not Measured at Fair Value

The following tables show the valuation techniques used in measuring Level 2 fair values, as well as the significant unobservable inputs used:

Type	Valuation Technique	Significant Unobservable Inputs	Inter-Relationship Between Significant Unobservable Inputs and Fair Value Measurement
Other liabilities **	Discounted cash flows using prevailing current market rates for similar financial instruments.	Not applicable	Not applicable
Corporate debt securities	Market comparison technique: The fair values are based on broker quotes. Similar contracts are traded in an active market and the quotes reflect the actual transactions in similar instruments.	Not applicable	Not applicable

** Other Liabilities consist of Due to Banks, Deposits from Customers, Borrowings and Debentures.

The following is a list of financial instruments which have not been considered under the fair value measurement hierarchy, because the carrying amount of those financial instruments is a reasonable approximation of fair value since they are short term in nature or re-price to current market rates frequently:

Assets

Cash and cash equivalents
Repurchase agreements
Other advances

Liabilities

Other liabilities
Savings deposits from customers
Short term and floating-rated borrowings
Bank overdrafts

52. Risk Management

52.1 Introduction

The Company's risk management strategy is based on a clear understanding of various risks, disciplined risk assessment and measurement procedures and continuous monitoring. Risk is an integral component of the business model of any finance company. Accordingly, the purpose of risk management is that the institution properly identifies, measures and handles risk and prepares adequate reports on all these efforts so that the extent of risks which the Company has assumed have been compensated with adequate return.

With this in mind, the Company has established and operates mechanisms, which ensure the on-going assessment of relevant risk types on an individual basis and of the overall risk position of the Organisation.

At Senkadagala Finance PLC, the Board of Directors approves the integrated Risk Management Policy, which sets the objectives, principles, processes and responsibilities for risk management within the Company. The policy sets guidelines for defining, quantifying, monitoring and reporting financial risks. The Integrated Risk Management Committee, which is a Sub Committee of the Board, is responsible for reviewing the effectiveness of risk control policies, procedures and regulations.

More specifically, the Committee is responsible for ensuring –

- Integrity and adequacy of the risk management function of the Company.
- Adequacy of the Company's capital.
- Risk exposures and risk profiles of the Company are within acceptable parameters and to make recommendations to the Board of Directors on any action required.
- The compliance of the Company's operations with relevant laws, regulations and standards.

The Company is primarily exposed to credit risk, market risk, liquidity risk, operational risk and regulatory risk.

52.2 Credit Risk

Credit risk is the risk that a borrower is unable to meet its financial obligations to the lender. In order to manage credit risk, the Company has established robust policies for credit appraisal and the staff is regularly trained in evaluating creditworthiness of prospective clients, Senkadagala Finance PLC manages high risk sectors through sector restrictions that require prior high-level clearance before taking on new exposures even for small amounts. Once credit facilities are funded, they are continually monitored to identify changes in risk profiles. Further, sourcing and approval of clients are segregated to achieve independence. Recovery and NPA management are also given greater emphasis and are aggressively monitored.

The Company has undertaken for a fee received from certain customers that in the event of a death of a lessee the Company will not pursue litigation on the outstanding due on the next of kin or legal heir of the deceased and release them from all legal encumbrances. The Company has mitigated this risk by obtaining an insurance policy to cover its exposure on the above.

Impairment Assessment

The Company uses Net Flow Rate model for the recognition of losses on impaired financial assets. The losses can only be recognised when objective evidence of a specific loss event has been observed. This includes –

- Significant financial difficulty of the customer.
- A breach of contract such as a default of payment.
- It becomes probable that the customer will enter bankruptcy or other financial reorganisation.
- Observable data that suggest that there is a decrease in the estimated future cash flow from the loans.

Individually Assessed Allowances

The allowances appropriate for each individually significant loan or advance is determined on an individual basis, including any overdue payments of interests, credit rating downgrades, or infringement of the original terms of the contract. Items considered when determining allowance amounts include the sustainability of the counterparty's business plan, its ability to improve performance if it is in financial difficulty. Projected receipts and the expected pay out should bankruptcy ensue, the availability of other financial support, the realisable value of collateral and the timing of the expected cash flows. Impairment allowances are evaluated at each Reporting date, unless unforeseen circumstances require more frequent attention.

Collectively Assessed Allowances

Allowances are assessed collectively for losses on loans and advances and for held-to-maturity debt investments that are not individually significant.

Generally, the analysis is based on historical experience. However, when there are significant market developments, macro economic factor changes have to be considered. These factors include, current level of bad debts, changes in law, changes in regulations and other customer data. The Company may use the aforementioned factors as appropriate to adjust the impairment allowances.

The collective assessment is made for groups of assets with similar risk characteristics, in order to determine whether provision should be made due to incurred loss events for which there is objective evidence, but the effects of which are not yet evident in the individual loans assessments. The collective assessment takes account of data from the loan portfolio (such as historical losses on the portfolio, levels of arrears, credit utilisation, loan to collateral ratios and expected receipts and recoveries once impaired) or economic data (such as current economic conditions, unemployment levels and recoveries once impaired) or economic data (such as current economic conditions, unemployment levels and recoveries once impaired) or economic conditions, unemployment levels and local or industry-specific problems). The approximate delay between the time a loss is likely to have been incurred and the time it will be identified as requiring an individually assessed impairment allowance is also taken into consideration. Local management is responsible for deciding the length of this period, which can extend for as long as one year. The impairment allowance is then reviewed by credit management to ensure alignment with the Company overall policy.

52.2.1 Credit Quality by Class of Financial Assets

As at 31st March 2016	Neither Past Due Nor Impaired Rs.	Past Due But Not Impaired Rs.	Individually Impaired Rs.	Total Rs.
Assets				
Cash and cash equivalents	457,725,318	–	–	457,725,318
Deposits with licensed commercial banks	1,234,016,418	–	–	1,234,016,418
Repurchase agreements	972,624,516	–	–	972,624,516
Financial investments – Fair value through profit and loss	82,237,016	–	–	82,237,016
Loans and advances	8,927,081,579	7,749,853,328	231,204,871	16,908,139,778
Financial investments – Available-for-sale	16,400,083	–	–	16,400,083
Financial investments – Held-to-maturity	832,030,919	–	–	832,030,919
Total financial assets	12,522,115,849	7,749,853,328	231,204,871	20,503,174,048

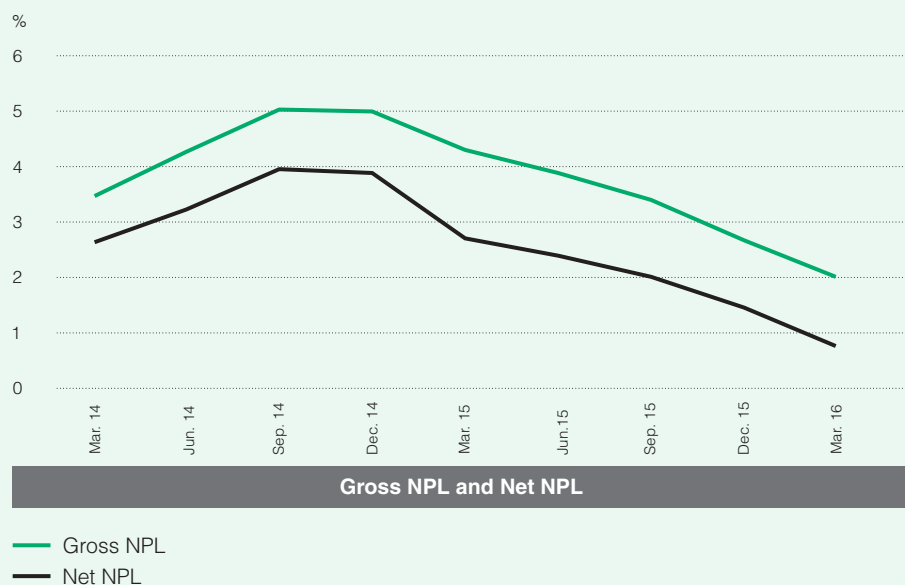
52.2.1.1 Aging Analysis of Past Due (i.e., Facilities in arrears of one day and above) but not Impaired Loans by Class of Financial Assets

	Past Due but not Impaired				Total Rs.
	Less than 30 Days Rs.	31 to 60 Days Rs.	61 to 90 Days Rs.	More than 91 Days Rs.	
Loans and advances	2,899,178,486	2,275,628,227	2,305,236,377	269,810,238	7,749,853,328
	2,899,178,486	2,275,628,227	2,305,236,377	269,810,238	7,749,853,328

52.2.2 Non-Performing Asset Ratio

Non-performing assets percentage movement which depicts the quality of the loan portfolio of the Company during the financial period.

The gross Non-performing Assets ratio includes loans and advances receivable net of interest in suspense which are in arrears for more than six months as the numerator and total advances net of interest in suspense as the denominator. To arrive at the Net Non-performing Assets ratio specific provision is deducted from the numerator of the above formula.



52.2.3 Industry Analysis

The following table shows the risk concentration by industry for the components of the Statement of Financial Position as at 31st March 2016:

Sector-wise Breakdown	Cash and Cash Equivalents and Sort-Term Deposit Rs.	Financial Investments – Held at Fair Value Rs.	Loans and Advances** Rs.	Financial Investments – Available-for-Sale Rs.	Financial Investments – Held-to-Maturity Rs.	Total Financial Assets Rs.
Agriculture	–	151,000	986,613,801	–	–	986,764,801
Manufacturing	–	43,745,469	3,501,180,178	–	–	3,544,925,647
Construction	–	3,971,000	586,657,783	–	–	590,628,783
Financial services	2,664,366,252	24,660,644	741,007,716	5,696,077	–	3,435,730,689
Trading	–	178,750	4,290,672,087	–	–	4,290,850,837
Retail	–	577,584	644,998,542	–	–	645,576,126
Government	–	–	–	–	832,030,919	832,030,919
Hotels	–	5,726,091	410,335,219	10,413,420	–	426,474,730
Services	–	3,226,477	5,746,674,452	290,586	–	5,750,191,515
Total	2,664,366,252	82,237,016	16,908,139,778	16,400,083	832,030,919	20,503,174,048

** Provincial breakdown for (01) Loans and advances, (02) Lease rentals receivable and Stock out on hire from customers within Sri Lanka is as follows:

Group reviews its geographical diversification on regular basis and sets long-term target in achieving a geographically well-diversified credit portfolio. Group's strategy on geographical diversification was executed through the establishment of distribution network of the Group. The geographical concentration is considered when selecting prospective location for new branches as well. The credit concentration of the economy is mostly affected by the wealth distribution of the country where high concentration was seen in the Western Province.

Province	Loans and Advances as at 31st March 2016 Rs.
Central	2,425,680,826
Eastern	566,842,354
North Central	860,975,334
North Western	1,314,017,231
Northern	568,067,906
Sabaragamuwa	1,410,386,034
Southern	957,054,131
Uva	757,225,057
Western	8,047,890,905
Total	16,908,139,778

52.3 Liquidity Risk and Fund Management

Liquidity risk is the risk of inadequate resources to meet financial obligations in time and in full, at an acceptable cost. As was seen in some registered finance companies in the recent past, liquidity risk can pose serious threats to the existence of finance companies. The Company understands the importance of a robust liquidity risk management policy and constantly monitors the liquidity position of the Company.

Further, It is the difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial assets. Liquidity risk arises because of the possibility that the Company might be unable to meet its payment obligations when they fall due under both normal and stress circumstances. To limit the risk, management has arranged diversified funding sources in addition to its core deposit base, and adopted a policy of managing assets with liquidity in mind and monitoring future cash flows and liquidity on a daily basis. Therefore, the Company is not exposed to significant concentration risk.

52.3.1 Statutory Liquid Assets Ratio

As per the requirements of Finance Companies (Liquid Assets) Direction No. 04 of 2013, Company has maintained minimum liquid assets, not less than 10% of the outstanding value of time deposits and face value of certificates of deposit; and 15% of the outstanding value of savings deposits received by the Company at a given day; and 5% of total outstanding borrowings excluding borrowings which are included in the capital funds of the finance company and borrowings which are secured by mortgage of any asset of the Company.

Further in accordance with the Finance Companies (Liquid Assets) Direction No. 04 of 2013 every finance company has to maintain assets in the form of approved securities equivalent to 7.5% of the average of month end total deposit liabilities and borrowings of the twelve months of the preceding financial year.

As at 31st March 2016, the Company maintained Government Securities to Average Deposit Liabilities and Borrowings ratio at 8.67%.

52.3.2 Analysis of Financial Assets and Liabilities by Remaining Contractual Maturities

The table below summarises the maturity profile of the undiscounted cash flows of the Company's financial assets and liabilities as at 31st March 2016:

	Less than 3 Months Rs.	3-12 Months Rs.	1-3 Years Rs.	Over 3 Years Rs.	Total Rs.
Financial Assets					
Cash and cash equivalents	457,725,318	–	–	–	457,725,318
Deposits with licensed commercial banks	629,638,576	201,460,000	302,190,000	100,727,842	1,234,016,418
Repurchase agreements	972,624,516	–	–	–	972,624,516
Financial investments – Fair value through profit or loss	82,237,016	–	–	–	82,237,016
Loans and advances	2,461,749,041	5,111,507,708	7,666,051,539	1,668,831,490	16,908,139,778
Financial investments – Available-for-sale	–	4,100,021	8,200,041	4,100,021	16,400,083
Financial investments – Held-to-maturity	–	652,583,486	–	179,447,433	832,030,919
Total financial assets	4,603,974,467	5,969,651,215	7,976,441,580	1,953,106,786	20,503,174,048
Financial Liabilities					
Bank overdraft	159,562,729	–	–	–	159,562,729
Deposits from customers	396,342,966	3,574,807,207	2,318,925,447	219,957,486	6,510,033,106
Debt instruments issued and other borrowed funds	741,377,575	1,562,428,706	3,616,054,803	1,025,498,724	6,945,359,808
Total financial liabilities	1,297,283,270	5,137,235,913	5,934,980,250	1,245,456,210	13,614,955,643
Total net financial assets/(liabilities)	3,306,691,197	832,415,302	2,041,461,330	707,650,576	6,888,218,405

52.3.3 Capital Management and Capital Adequacy

In order to be resilient in volatile economic conditions it's important to maintain an adequate capital base. Central Bank of Sri Lanka has laid down directions to promote the strengthening of the capital base of NBFIs.

In accordance with the Finance Companies (Capital Funds) Direction No. 01 of 2003, the Company transferred Rs. 35 million of net profits for the year, to the Statutory Reserve Fund. Since the capital base of the Company is greater than 25% of total deposit liabilities only 5% of profits for the year was transferred to this reserve.

Further in accordance with the Finance Companies (Risk Weighted Capital Adequacy Ratio) Direction No. 02 of 2006, all the NBFIs are required to maintain, at all times its Capital at a level not less than 10% of its Risk Weighted Assets and the Core Capital at a level not less than 5% of Risk Weighted Assets. The ratios as at 31st March 2016 were 19.69% and 15.82% respectively. Detailed calculation is given below:

As at 31st March	2016 Rs.	2015 Rs.	Risk Weights %	2016 Rs.	2015 Rs.
Risk-Weighted Assets					
On-Balance sheet – Total assets	22,269,944,706	18,073,018,295		18,900,757,067	15,318,494,055
Cash and current accounts with banks	457,725,318	404,636,587	0	–	–
Deposits with banks	2,206,640,934	1,329,579,637	20	441,328,187	265,915,927
Sri Lanka Government Treasury Bills	832,030,919	1,062,632,291	0	–	–
Loans and advances	16,908,139,778	13,582,927,665		16,594,021,123	13,359,336,013
Loans against deposits with the Company	133,891,405	122,183,438	0	–	–
Loans against gold and gold jewellery	180,227,250	101,408,214	0	–	–
Other loans and advances	16,594,021,123	13,359,336,013	100	16,594,021,123	13,359,336,013
Fixed assets	1,194,663,450	1,122,864,434	100	1,194,663,450	1,122,864,434
Other assets	670,744,307	570,377,681	100	670,744,307	570,377,681

As at 31st March	2016 Rs.	2015 Rs.
Capital Base		
Tier I: Core Capital		
Issued and paid-up ordinary shares	1,008,062,200	1,008,062,200
Statutory reserve fund	265,036,033	230,036,033
Published retained profits	1,716,486,135	1,295,748,642
Total Tier I Capital	2,989,584,368	2,533,846,875
Tier II: Capital		
Eligible revaluation reserves	–	–
Eligible general provisions	–	–
Approved hybrid capital instruments	–	–
Eligible approved unsecured subordinated term debt	750,000,000	1,000,000,000
Total Tier II Capital	750,000,000	1,000,000,000

As at 31st March	2016 Rs.	2015 Rs.
Deductions		
Equity investments in unconsolidated financial and banking subsidiaries	(17,501,783)	(15,333,019)
Total Capital Base	3,722,082,585	3,518,513,856
Core Capital Ratio (Minimum requirement 5%)		
Total core capital	2,989,584,368	2,533,846,875
Total risk-weighted assets	18,900,757,067	15,318,494,055
	15.82%	16.54%
Total Capital Ratio (minimum requirement 10%)		
Total capital base	3,722,082,585	3,518,513,856
Total risk-weighted assets	18,900,757,067	15,318,494,055
	19.69%	22.97%

During the 2013/14 financial year the Company Issued a Subordinated, Unsecured, Listed Debenture for a sum of Rs. 1,250 million. With the approval of the CBSL this was included in the capital base of the Company, it was expected to strengthen the capital base and to strike a balance between Tier I and Tier II capital. Accordingly, as at 31st March 2016, 60% of the said Debenture, Rs. 750 million is included under Tier II of the Company.

52.4 Market Risk

Market risk is the risk of potential losses accruing through adverse fluctuation in market interest rates, equity prices and exchange rates. Of these market risks, the more frequent and most likely is the risk of adverse fluctuation of interest rates. The effect of such adverse movements could have an immediate and direct bearing on the Company. Interest rate risk is the risk of loss in the net interest income of the Company due to adverse changes in market interest rates. The Company routinely assesses its asset and liability profile in terms of interest rate risk and depending on this assessment, necessary realignments in the asset and liability structure are undertaken. Overall authority for market risk management is vested in the Integrated Risk Management Committee (IRMC) of the Company.

52.4.1 Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Board has established limits on the non-trading interest rate gaps for stipulated periods. The Company policy is to monitor positions on a daily basis and hedging strategies are used to ensure position are maintained within the established limits.

52.4.2 Currency Risk

Currency risk is that the value of a financial instrument will fluctuate due to changes in foreign exchange rates and arises from financial instruments dominated in a foreign currency. Intention of managing currency risk is to curtail the currency losses incurred due to foreign currency transactions. The Company monitors this on a daily basis however the Company is not exposed to significant currency risk.

52.4.3 Equity Price Risk

Equity price risk is that the fair value of equities decreases as the result of changes in the level of equity indices and individual stocks. The non-trading equity price risk exposure arises from equity securities classified as available-for-sale.

52.5 Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems and from external events. Senkadagala Finance PLC manages operational risk in a variety of ways. These include maintaining a comprehensive system of internal controls including disaster recovery plans and business continuity plans, using technology to automate processes and reduce manual errors, Monitoring and analysing risk, events and trends, employing experienced staff, monitoring business activities by compliance and audit professionals, requiring education and training of employees, and emphasising the importance of management oversight.

The Company has in place a process of continuous internal audit utilising the services of Messrs Ernst & Young Advisory Services (Pvt) Ltd.

52.6 Regulatory Risk

Regulatory risk is the risk of non-compliance with applicable legislation, regulation and regulatory directives, Senkadagala Finance PLC manages day by day regulatory risk primarily by educating and training employees about regulatory requirements, establishing and maintaining appropriate policies and procedures and monitoring for compliance. The Company has appointed a Compliance Officer for communicating regulatory requirements to each business unit, ensuring that business units have appropriate policies and procedures in place and that staff are trained to meet regulatory requirements and for tracking, escalating and reporting significant issues and finding to senior management and the Board.

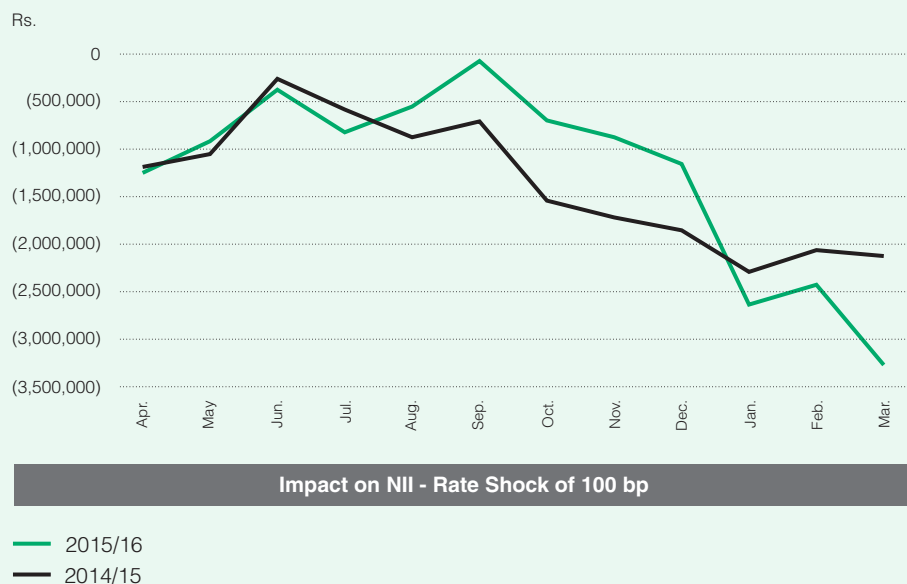
In this latter process, the Compliance Officer is supported and assisted by the Company's Internal Auditors, Messrs Ernst & Young, Advisory Services (Pvt) Ltd., who also reports on any issues of non-compliance, with both internal and external regulations. Compliance with regulatory requirements is also documented through formal procedure manuals for each business unit.

52.7 Reputation Risk

Reputation risk is the risk to earnings, capital or brand arising from negative public or employee opinion. A Company's reputation is a valuable business asset in its own right, essential to optimising shareholder value. Reputation risk cannot be managed in isolation from other forms of risks, since all risks can have an impact on reputation, which in turn can impact the brand, earnings and capital. Credit, liquidity, interest rate, operational and regulatory risk must all be managed effectively in order to safeguard the Company's reputation.

53. Sensitivity Analysis

The graph below depicts the sensitivity analysis carried out on the Statement of Financial Position as at 31st March 2016, on the changes of interest rate right across the market in a hypothetical situation. The Company is exposed to sudden interest rate fluctuations due to the availability of short term and floating rate funding. The exposure will partly diminish by the short term, rate sensitive investments. The time horizon of the study is restricted to a 12 months period. The Company undertakes varying degrees of such rate shocks and evaluate them to ensure that the risk exposures are within the risk appetite of the Company as compared to the anticipated market rate movements.



Sensitivity of Projected Net Interest Income	100 bp Parallel Increase/Decrease*	
	2016 Rs. '000	2015 Rs. '000
As at 31st March	+/- 3,270	+/- 2,125
Average for the year	+/- 1,255	+/- 1,355
Maximum for the year	+/- 3,270	+/- 2,289
Minimum for the year	+/- 68	+/- 265

* Parallel increase in rates would have a positive impact on earnings whereas parallel decrease have a negative effect.

In arriving at the above result the Company considered only rate sensitive assets and liabilities.

Ten Year Summary

Rs. '000

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Operating Results										
Interest income	3,746,374	3,584,165	3,528,336	2,861,923	1,884,502	1,493,088	1,451,560	1,560,124	1,259,893	1,058,870
Interest expense	1,701,766	1,750,532	1,868,499	1,524,288	841,034	679,358	845,696	931,904	668,737	499,471
Net interest income	2,044,607	1,833,634	1,659,838	1,337,635	1,043,467	813,730	605,864	628,220	591,156	559,399
Other operating income	218,173	131,220	94,950	113,678	131,523	177,868	100,671	87,309	101,899	104,487
Profit before taxation and VAT	971,116	697,029	657,054	735,545	692,960	435,584	172,614	132,807	283,098	260,671
Profit before income taxation	882,550	647,444	622,417	680,482	634,872	349,626	138,485	113,583	256,132	257,750
Profit for the year	613,182	539,639	534,942	578,526	476,450	222,400	54,951	61,364	241,092	277,547
Dividends paid	166,330	107,625	214,901	132,886	127,016	63,508	19,212	29,886	75,783	82,400
Balance Sheet										
Assets										
Cash and near cash items	3,496,397	2,796,849	2,073,101	1,860,837	1,277,793	617,647	659,489	379,798	520,140	387,240
Investments	98,637	103,701	86,912	69,047	61,299	66,126	37,742	32,305	30,398	26,459
Loans and advances	16,908,140	13,582,928	12,675,542	11,559,936	8,968,566	5,398,168	4,684,291	4,882,142	4,789,265	3,654,387
Investments in subsidiary	320,000	320,000	20,000	20,000	—	—	—	—	—	—
Property and equipment	1,194,663	1,122,864	857,732	629,823	557,758	429,969	422,658	401,969	359,627	206,853
Other assets	252,107	146,677	156,390	129,935	152,086	107,544	60,948	51,986	86,454	509,271
Total assets	22,269,945	18,073,018	15,869,676	14,269,579	11,017,502	6,619,454	5,865,128	5,748,200	5,785,883	4,784,210
Liabilities										
Deposits from customers	6,510,033	6,541,896	5,624,399	3,412,464	2,732,031	2,386,821	2,094,478	1,398,151	937,315	764,349
Borrowings	8,691,685	4,787,693	3,423,011	6,136,152	4,805,838	1,528,532	1,428,382	2,401,083	2,921,212	2,566,478
Debentures	3,059,849	3,579,737	4,157,346	2,618,281	1,771,753	1,425,524	1,090,000	840,000	750,000	509,000
Deferred tax liability	434,104	197,116	155,732	199,093	178,788	103,560	70,968	65,240	40,394	34,099
Dividends payable	4,454	6,280	57,295	3,648	2,427	1,684	1,340	1,016	1,125	—
Other liabilities	576,461	426,451	350,110	325,894	399,961	439,996	275,061	156,471	278,941	256,459
Total liabilities	19,276,586	15,539,171	13,767,894	12,695,532	9,890,798	5,886,117	4,960,228	4,861,961	4,928,987	4,130,385
Equity										
Stated capital	1,008,062	1,008,062	747,152	533,680	533,680	533,680	213,472	213,472	213,472	213,472
Statutory reserve fund	265,036	230,036	195,036	165,036	130,036	100,036	86,536	83,536	79,536	61,026
Other reserves	3,775	—	170,629	154,760	97,059	16,752	—	—	—	—
Retained earnings	1,716,486	1,295,749	988,966	720,571	365,928	82,870	604,892	589,231	563,888	379,327
Total equity	2,993,359	2,533,847	2,101,783	1,574,047	1,126,704	733,337	904,900	886,239	856,896	653,825
Total liabilities and equity	22,269,945	18,073,018	15,869,676	14,269,579	11,017,502	6,619,454	5,865,128	5,748,200	5,785,883	4,784,210

Key Ratios and Indicators

Rs. '000	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Performance Indicators										
Return on average total assets (%)	3.04	3.18	3.55	4.58	5.40	3.56	0.95	1.06	4.56	6.19
Return on average shareholders' funds (%)	22.19	23.28	29.11	42.84	51.23	27.15	6.14	7.04	31.92	49.90
Net interest margin (%)	11.12	11.78	11.78	11.30	12.83	14.33	11.43	11.89	12.64	14.60
Growth of Interest Income (%)	4.53	1.58	23.29	51.87	26.22	2.86	(6.96)	23.83	18.98	64.08
Growth of profit for the year (%)	13.63	0.88	(7.53)	21.42	114.23	304.73	(10.45)	(74.55)	(13.13)	35.00
Growth of loans and advances (%)	24.48	7.16	9.65	28.89	66.14	15.24	(4.05)	1.94	31.06	15.34
New advances disbursed (Rs.'000)	11,868,522	8,263,649	6,861,202	7,009,369	7,325,099	4,069,048	2,361,059	2,672,551	2,737,712	2,363,626
Net flow of deposits (Rs.'000)	(31,863)	917,496	2,211,935	680,433	345,210	298,264	696,327	460,836	172,966	77,609
Borrowings obtained (Rs.'000)	5,499,710	3,382,550	1,860,000	3,703,345	4,568,600	1,020,910	1,005,723	1,251,489	1,830,201	1,351,715
Debentures issued (Rs.'000)	—	—	2,410,000	1,216,000	565,229	300,000	350,000	240,000	241,000	259,000
Capital expenditure incurred (Rs.'000)	351,403	473,130	407,514	213,881	243,266	103,066	103,682	116,993	216,888	122,612
Gross Non-performing asset ratio (%)	2.02	4.30	3.48	1.07	1.18	2.30	4.31	3.53	6.25	6.35
Investor Information										
Earnings per share (Rs.)	9.40	8.27	8.63	10.64	8.93	4.17	1.03	1.15	4.52	5.20
Dividends per share (Rs.)	2.55	1.65	3.66	2.49	2.38	1.51	1.90	1.40	3.55	3.86
Net assets per share (Rs.)	45.89	38.85	35.80	29.49	21.11	13.74	42.39	41.52	40.14	30.63
Interest cover (times)	1.36	1.31	1.29	1.38	1.57	1.33	1.06	1.07	1.36	1.56
Dividends cover (times)	3.69	5.01	2.49	4.35	3.75	3.50	2.86	2.05	3.18	3.37
Dividend payout ratio (%)	27.13	19.94	40.17	22.97	26.66	28.56	34.96	48.70	31.43	29.69
Capital and Leverage										
Core capital (%)	15.82	16.54	14.00	11.41	10.51	12.07	17.56	16.67	16.84	15.85
Total capital (%)	19.69	22.97	20.93	11.31	10.51	12.07	17.56	16.67	16.84	15.85
Equity as a percentage of total assets (%)	13.44	14.02	13.24	11.03	10.23	11.08	15.43	15.42	14.81	13.67
Equity as a percentage of total deposits and borrowings (%)	16.39	17.00	15.92	12.94	12.10	13.73	19.62	19.10	18.59	17.03
Growth of total assets (%)	23.22	13.88	11.21	29.52	66.44	12.86	2.03	(0.65)	20.94	14.38
Growth of net assets (%)	18.13	20.56	33.53	39.70	53.64	(18.96)	2.11	3.42	31.06	42.55
Earnings retention ratio (%)	72.34	74.01	70.03	70.11	73.34	71.44	65.04	51.30	68.57	70.31
Total deposit liabilities to capital (%)	45.98	38.73	37.37	46.13	41.24	30.72	43.20	63.39	91.42	85.54
Debt to equity ratio (times)	3.93	3.30	3.61	5.56	5.84	4.03	2.78	3.66	4.28	4.70
Liquidity										
Liquid assets as a percentage of total assets (%)	15.70	15.48	13.06	13.04	11.60	9.33	11.24	6.61	8.99	8.09
Liquid assets as a percentage of total deposit liability (%)	53.71	42.75	36.86	54.53	46.77	25.88	31.49	27.16	55.49	50.66
Operational										
Number of branches	39	39	39	39	30	30	30	30	26	18
Number of service centres	41	41	24	13	15	0	0	0	0	0
Number of staff	620	601	492	414	347	235	213	211	185	146
Pre-tax profit per employee (Rs. '000)	1,423	1,077	1,265	1,644	1,830	1,488	650	538	1,384	1,765

Depositor Information

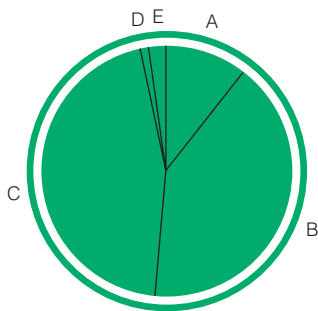
Value of Deposit Base

	2016 Rs. '000	2015 Rs. '000	2014 Rs. '000	2013 Rs. '000	2012 Rs. '000
Term deposits	6,217,221	6,237,346	5,439,663	3,254,899	2,627,293
Certificates of deposit	11,102	11,745	2,792	3,521	2,925
Savings deposits	281,711	292,805	181,944	154,044	101,813

Term Deposits Analysed by Rate of Interest Basis as at 31st March 2016

	No. of Deposits	Value Rs. '000	Percentage of Total
Less than 8%	1,163	655,214	10.54
More than or equal to 8% and less than 10%	2,691	2,537,861	40.82
More than or equal to 10% and less than 12%	1,026	2,809,028	45.18
More than or equal to 12% and less than 14%	79	75,930	1.22
More than 14%	172	139,188	2.24
	5,131	6,217,221	100.00

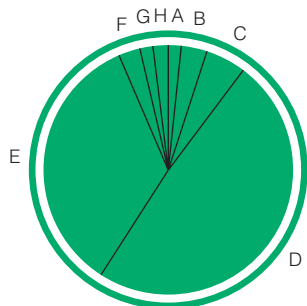
Analysis of Term Deposits Based on Interest Rate



- A - 11% Less than 8%
- B - 41% More than or Equal to 8% and Less than 10%
- C - 45% More than or Equal to 10% and Less than 12%
- D - 1% More than or Equal to 12% and Less than 14%
- E - 2% More than 14%

Term Deposits Analysed by Deposit Period as at 31st March 2016

	No. of Deposits	Value Rs. '000	Percentage of Total
01 Month	109	105,488	1.70
03 Months	365	206,915	3.33
06 Months	370	322,276	5.18
01 Year	2,917	3,047,936	49.02
02 Years	879	2,140,132	34.42
03 Years	191	174,887	2.81
04 Years	97	96,630	1.55
05 Years	203	122,957	1.98
	5,131	6,217,221	100.00

**Analysis of Term Deposits
Based on Period**

A - 2% 1 Month	B - 3% 3 Months
C - 5% 6 Months	D - 49% 1 Year
E - 34% 2 Years	F - 3% 3 Years
G - 2% 4 Years	H - 2% 5 Years

Depositor Indicators

	2016	2015	2014	2013	2012
Deposit interest expenses (Rs. '000)					
Term deposits	563,887	668,309	542,635	391,358	261,904
Certificates of deposit	894	1,012	469	376	325
Savings deposits	19,095	14,218	14,460	8,298	5,711
Total deposit interest paid	583,876	683,540	557,565	400,032	267,940
Deposit interest cover (Times)	2.51	1.95	2.12	2.70	3.37
Liquid assets as a percentage of term and certificates of deposit (%)	56	45	38	57	49
CBSL minimum requirement (%)	10	10	10	10	10
Liquid assets as a percentage of savings deposits (%)	1,241	955	1,139	1,208	1,255
CBSL minimum requirement (%)	15	15	15	15	15

Capital Adequacy

In order to be resilient in volatile economic conditions it's important to maintain adequate capital funds. Central Bank of Sri Lanka has issued the following directives to regulate the capital structure of NBFIs:

- Finance Companies (Capital Funds) Direction No. 01 of 2003
- Finance Companies (Risk-Weighted Capital Adequacy Ratio) Direction No. 02 of 2006
- Finance Companies (Minimum Core Capital) Direction No. 01 of 2011

Finance Companies (Capital Funds) Direction No. 01 of 2003 specifies:

- that every finance company shall maintain capital funds which shall at all time be more than 10% of its total deposit liabilities
- also every finance company shall maintain a Statutory Reserve Fund, transferring a specified fraction of its net profit for the year based on the ratio of capital funds to total deposit liabilities.

Finance Companies (Risk-Weighted Capital Adequacy Ratio) Direction No. 02 of 2006 specifies:

- that every finance company shall, at all times maintain its capital at a level not less than 10% of its risk-weighted assets, with the core capital constituting not less than 5% of its risk-weighted assets.

Where,

Tier 1 – Core capital: comprising paid up ordinary share capital, statutory reserves and/or any other reserves created or increased by transferring of retained earnings excluding special purpose reserves.

Tier 2 – Supplementary capital: comprising revaluation reserves, general provisions and other capital instruments which combine characteristics of equity and debt instruments and unsecured subordinated term debts.

Risk Weighted Assets – Central Bank defines weightings based on the risk inherent in each category of assets. Cash and cash equivalent items as well as Government Securities are 0% weighted, securitised assets are weighted in accordance with risk exposure of the security, etc. Detailed calculation is given on page 178.

Finance Companies (Minimum Core Capital) Direction No. 01 of 2011 specifies:

- that every finance company shall at all times maintain an unimpaired core capital not less than Rs. 400 million.

Our Commitment

Senkadagala Finance continues to adhere to the regulatory capital requirements.

As at 31st March 2016 the Company recorded Core Capital Ratio of 15.82% and a Total Capital Ratio of 19.69%.

Following were the initiatives taken during the year:

- The Company maintains a Statutory Reserve Fund, which amounts to Rs. 265,036,033/- as at 31st March 2016. During the year Rs. 35 million of funds were transferred to the Statutory Reserve Fund.
- Out of profits for the year, Rs. 455,737,493/- was retained within the Company to support future growth and to strengthen the capital base of the Company.

Calculation of Risk-Weighted Capital Adequacy Ratios

Risk-Weighted Assets

Rs. '000	2016	2015	2014	2013	2012	Risk Weights	2016	2015	2014	2013	2012
On-balance sheet – total assets	22,269,945	18,073,018	15,869,677	14,269,579	11,017,502		18,900,757	15,318,494	13,791,906	12,440,300	9,797,980
Cash and current accounts with banks	457,725	404,637	404,048	333,440	233,762	0%	–	–	–	–	–
Deposits with banks	2,206,653	1,329,580	1,114,280	1,137,541	739,919	20%	441,331	265,916	222,856	227,508	147,984
Deposits with finance companies	–	–	–	–	–	20%	–	–	–	–	–
Due from Central Bank of Sri Lanka	–	–	–	–	–	0%	–	–	–	–	–
Sri Lanka Government Treasury Bills	832,031	1,062,632	554,773	389,856	304,111	0%	–	–	–	–	–
Sri Lanka Government/ Central Bank Securities	–	–	–	–	–	0%	–	–	–	–	–
Other securities guaranteed by Sri Lanka Government	–	–	–	–	–	0%	–	–	–	–	–
Loans and advances	16,908,140	13,582,928	12,675,542	11,559,936	8,968,566	–	16,594,021	13,359,336	12,448,017	11,363,987	8,878,853
Against deposits with the Company	133,888	122,183	124,640	126,314	88,347	0%	–	–	–	–	–
Against SL Government Guarantee/Securities	–	–	–	–	–	0%	–	–	–	–	–
Against dues/Securities/ Guarantees of CBSL	–	–	–	–	–	0%	–	–	–	–	–
Loans against gold and gold jewellery	180,227	101,408	102,885	69,635	1,366	0%	–	–	–	–	–
Other loans and advances	16,594,021	13,359,336	12,448,017	11,363,987	8,878,853	100%	16,594,021	13,359,336	12,448,017	11,363,987	8,878,853
Fixed assets	1,194,663	1,122,864	857,732	629,823	557,758	100%	1,194,663	1,122,864	857,732	629,823	557,758
Other assets	670,744	570,378	263,301	218,982	213,385	100%	670,744	570,378	263,301	218,982	213,385
Capital Base											
Tier I: Core Capital							2,989,584	2,533,847	1,931,154	1,419,287	1,029,644
Issued and paid up ordinary shares							1,008,062	1,008,062	747,152	533,680	533,680
Statutory reserve fund							265,036	230,036	195,036	165,036	130,036
Published retained profits/(accumulated losses)							1,716,486	1,295,749	988,966	720,571	365,928
Tier 2: Supplementary Capital							750,000	1,000,000	965,577	–	–
Eligible revaluation reserves							–	–	–	–	–
Eligible general provisions							–	–	–	–	–
Approved hybrid capital instruments							–	–	–	–	–
Minority interest arising from preference shares issued by subsidiaries							–	–	–	–	–
Eligible approved unsecured subordinated term debt							750,000	1,000,000	965,577	–	–

Rs. '000

2016 2015 2014 2013 2012

Deductions

Equity investment in unconsolidated financial and banking subsidiaries	(17,502)	(15,333)	(9,753)	(12,048)	–
Total capital base	3,742,947	3,518,514	2,886,978	1,407,239	1,029,644

Core Capital Ratio

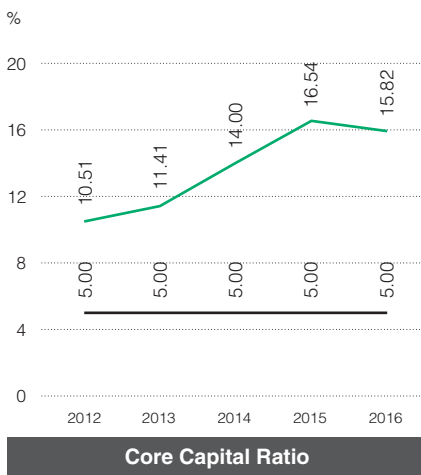
Core capital ratio $\frac{\text{Core Capital}}{\text{Risk-Weighted Assets}} \times 100$

Senkadagala Finance PLC	15.82%	16.54%	14.00%	11.41%	10.51%
CBSL minimum requirement	5.00%	5.00%	5.00%	5.00%	5.00%

Total Capital Ratio

Total capital ratio $\frac{\text{Total Capital Base}}{\text{Risk-Weighted Assets}} \times 100$

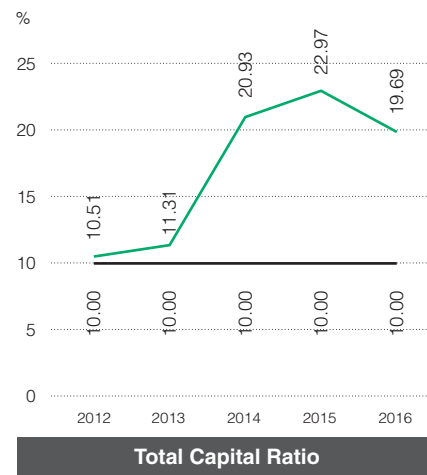
Senkadagala Finance PLC	19.69%	22.97%	20.93%	11.31%	10.51%
CBSL minimum requirement	10.00%	10.00%	10.00%	10.00%	10.00%



15.82%

2015: 16.54% Change: -0.72%pt

— Senkadagala Finance PLC
— CBSL Minimum Requirement



19.69%

2015: 22.97% Change: -3.28%pt

— Senkadagala Finance PLC
— CBSL Minimum Requirement

Shareholder Information

Senkadagala Finance PLC was listed in the *Diri Savi* Board of the Colombo Stock Exchange with effect from 22nd March 2011. All shares listed are voting shares. The Company does not have any other category of shares in issue.

During the year under review the Company retained 80.91% of its earnings compared to 74.01% of last year.

Details of dividends paid to shareholders during the year are as follows:

Dividend Payment	2016			2015		
	Amount Rs.	DPS Rs.	Paid Date	Amount Rs.	DPS Rs.	Paid Date
1st interim dividend paid	39,136,533	0.60	10.12.2015	–	–	–
2nd interim dividend paid	42,397,911	0.65	16.03.2016	55,443,422	0.85	20.02.2015
3rd interim dividend paid	39,136,533	0.60	15.06.2016	32,613,778	0.50	15.05.2015
Final dividend proposed/paid	48,920,666	0.75	Subject to AGM approval	52,182,044	0.80	04.09.2015
Total dividends proposed	169,591,643			140,239,243		
Dividends paid during the year	166,330,265			107,625,466		
Earnings during the year	631,961,871			539,639,041		
Dividends pay-out ratio (%)	27.13			19.94		
Earnings retention ratio (%)	80.91			80.06		

1. Twenty Largest Shareholders as at 31st March

	2016		2015	
	Number of Shares	Percentage of Holding	Number of Shares	Percentage of Holding
E. W. Balasuriya & Co. (Pvt) Ltd.	36,697,014	56.26	36,697,014	56.26
Hallsville Trading Group Inc.	5,164,444	7.92	5,164,444	7.92
Dr. M. Balasuriya	3,754,842	5.76	3,754,842	5.76
Mr. R. Balasuriya	3,754,842	5.76	3,754,842	5.76
Dr. (Mrs.) G. Madan Mohan	3,754,841	5.76	3,754,841	5.76
Dr. A. Balasuriya	3,747,127	5.74	3,747,127	5.74
Mrs. L. Fernando	3,141,113	4.82	3,141,113	4.82
Mr. L. Balasuriya and Mr. S. K. Balasuriya	1,877,421	2.88	1,877,421	2.88
Mr. L. Balasuriya and Ms. A. S. Balasuriya	1,877,420	2.88	1,877,420	2.88
Mr. D. K. C. R. Fernando	606,014	0.93	606,014	0.93
Mrs. C. Fernando	172,888	0.27	172,888	0.27
Estate of the late Mr. D. G. K. Hewamallika	172,888	0.27	172,888	0.27
Mrs. S. Thaha	158,483	0.24	172,890	0.27
Mrs. S. Sellamuttu	144,073	0.22	129,666	0.20
Mr. I. M. Thaha	129,666	0.20	129,666	0.20
Mr. M. M. Ariyaratne	28,488	0.04	28,488	0.04
Mr. P. P. K. Ikirowatte	15,280	0.02	15,280	0.02
Mr. J. K. Jayatileke	15,267	0.02	15,267	0.02
Dr. A. Balasuriya and Mr. D. Balasuriya	3,858	0.01	3,858	0.01
Dr. A. Balasuriya and Mr. S. Balasuriya	3,857	0.01	3,857	0.01
Total shares	65,219,826	99.99	65,219,826	99.99

2. The percentage of shares held by the public on 31st March 2016 was 21.60% (2015 – 21.60%) and was distributed among 10 (2015 – 13) shareholders.

3. The Company has 65,227,555 (2015 – 65,227,555) number of voting shares in issue, with right to vote allocated at one vote per share.

4. Directors' Shareholdings

	2016		2015	
	Number of Shares	Percentage of Holding	Number of Shares	Percentage of Holding
Dr. A. Balasuriya	3,747,127	5.74	3,747,127	5.75
Dr. A. Balasuriya and Mr. D. Balasuriya	3,858	0.01	3,858	0.01
Dr. A. Balasuriya and Mr. S. Balasuriya	3,857	0.01	3,857	0.01
Dr. M. Balasuriya	3,754,842	5.76	3,754,842	5.76
Mrs. L. Fernando	3,141,113	4.82	3,141,113	4.82
Mrs. L. Fernando and Ms. S. A. Fernando	2,572	0.00	2,572	0.00
Mrs. L. Fernando and Mr. A. R. Fernando	2,571	0.00	2,571	0.00
Mrs. L. Fernando and Mr. A. L. Fernando	2,571	0.00	2,571	0.00
Mr. L. Balasuriya and Mr. S. K. Balasuriya	1,877,421	2.88	1,877,421	2.88
Mr. L. Balasuriya and Ms. A. S. Balasuriya	1,877,420	2.88	1,877,420	2.88
Mr. L. Balasuriya – The Trustee of the Capitalisation Issue	15	0.00	15	0.00
Mr. W. A. T. Fernando	–	0.00	–	0.00
Dr. P. Ramanujam	–	0.00	–	0.00
Mr. S. S. Kulatunga	–	0.00	–	0.00
Mr. S. D. Bandaranayake	–	0.00	–	0.00
Mr. D. T. P. Collure	–	0.00	–	0.00
Mr. W. M. R. S. Dias	–	0.00	–	0.00

5. Shareholding as at 31st March

	2016			2015		
	Number of Holders	Number of Shares	%	Number of Holders	Number of Shares	%
1 – 1,000	1	15	0.00	1	15	0.00
1,001 – 10,000	5	15,429	0.02	5	15,429	0.02
10,001 – 100,000	3	59,035	0.09	3	59,035	0.09
100,001 – 1,000,000	7	1,732,374	2.66	7	1,732,374	2.66
1,000,001 – 10,000,000	8	26,723,688	40.97	8	26,723,688	40.97
Over 10,000,000 shares	1	36,697,014	56.26	1	36,697,014	56.26
		65,227,555	100.00		65,227,555	100.00

6. Residential and Non-Residential Shareholders as at 31st March

	2016			2015		
	Number of Holders	Number of Shares	%	Number of Holders	Number of Shares	%
Resident shareholders	24	60,063,111	92.08	24	60,063,111	92.08
Non-resident shareholders	1	5,164,444	7.92	1	5,164,444	7.92
		65,227,555			65,227,555	

7. Institutional and Individual Shareholding as at 31st March

	2016			2015		
	Number of Holders	Number of Shares	%	Number of Holders	Number of Shares	%
Institutions	3	42,019,941	64.42	3	42,019,941	64.42
Individuals	22	23,207,614	35.58	22	23,207,614	35.58
		65,227,555			65,227,555	

8. Information on Ratios and Market Prices per Share

As at 31st March	2016	2015
Earnings per share (Rs.)	9.40	8.27
Dividends per share (Rs.)	2.55	1.65
Net assets per share (Rs.)	45.89	38.85
Price earnings ratio (times)	6.38	7.25
Price to book value ratio (times)	1.31	1.54
Dividends yield (times)	4.33	3.58
Market Prices		
Highest price (Rs.)	Not traded	60.00
Lowest price (Rs.)	Not traded	60.00
Last traded price (Rs.)	Not traded	60.00

* Calculated based on the last traded price of Rs. 60.00.

Information on Listed Debentures

The listed debentures provide a reliable source of funding for corporates, which is readily accessible and allows the investors to reap benefits of favourable market movements. Senkadagala Finance has following listed debentures in issue:

Debenture	May 2013			December 2013
	Type 1	Type 2	Type 3	
Instrument	Senior, Unsecured, Redeemable, Rated			Subordinated, Unsecured, Redeemable, Rated
Listing	Main Board of the Colombo Stock Exchange			Main Board of the Colombo Stock Exchange
Redemption	Redeemable	Redeemable	Redeemable	Redeemable
Number of debentures	4,142,465	5,852,535	5,000	12,500,000
Issue price (Rs.)	100.00	100.00	100.00	100.00
Tenure	3 Years	4 Years	4 Years	5 years
Date of issue	May 2013	May 2013	May 2013	December 2013
Date of maturity	May 2016	May 2017	May 2017	December 2018
Interest rate (%)	Fixed coupon of 17	Fixed coupon of 17.25	6 Month Gross T Bill + 2.50	Fixed coupon of 15.00 p.a.
Frequency of interest	Quarterly	Quarterly	Quarterly	Quarterly
Effective annual yield (%)	18.11	18.40	–	15.87
Interest rate of comparable Government Securities (%)	11.75	12.78	12.78	13.00
Rating	BBB+ by Fitch Ratings Lanka Ltd.			BBB by Fitch Ratings Lanka Ltd.
Total amount (Rs.)	414,246,500	585,253,500	500,000	1,250,000,000
Market information				
Highest traded value (Rs.)	105.00	111.05	Not traded	108.00
Lowest traded value (Rs.)	101.00	105.00	Not traded	100.15
Last traded value (Rs.)	101.00	108.00	Not traded	100.19
Current yield (%)	16.83	15.97	–	14.97
Yield to maturity (%)	10.96	10.00	–	14.92

Proceeds from the Debenture issue in May 2013 was primarily utilised for the ongoing lending activities of the Company. These proceeds also helped to minimise the funding mismatch of the Company.

The subordinated debenture issue in December 2013 was primarily objected to strengthen the capital structure of the Company. The approved subordinated debenture helped to improve the Total Capital Ratio of the Company. The proceeds of this issue was also used to finance the growth of the lending portfolio of the Company. Exposure to interest rate risk reduced consequent to the issue of this debenture, as the five year fixed rate funds raised helped to reduce the mismatch between the assets and liabilities on the Financial Position.

Other Financial Information

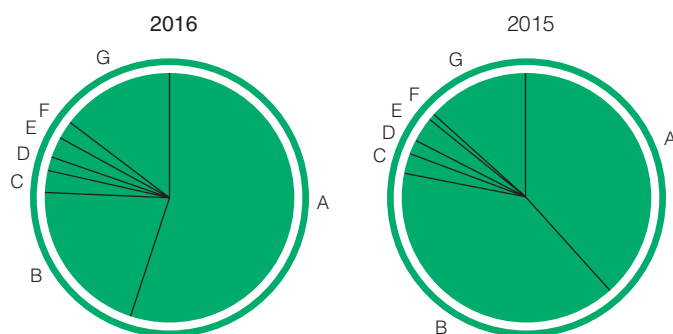
	2016	2015
Debt to equity ratio (Times)	3.93	3.30
Interest cover (Times)	1.36	1.31

Sources and Utilisation of Income

	2016 Rs. '000	%	2015 Rs. '000	%
Sources of Income				
Interest income from lease	2,182,057	55.04	1,424,612	38.34
Interest income from hire purchases	811,188	20.46	1,472,812	39.64
Interest income from other loans and advances	127,520	3.22	106,084	2.86
Interest income from Government Securities	67,278	1.70	66,584	1.79
Income from other investments	106,368	2.68	118,100	3.18
Commission income	85,405	2.15	35,172	0.95
Other income	584,733	14.75	492,020	13.24
Total	3,964,549		3,715,385	

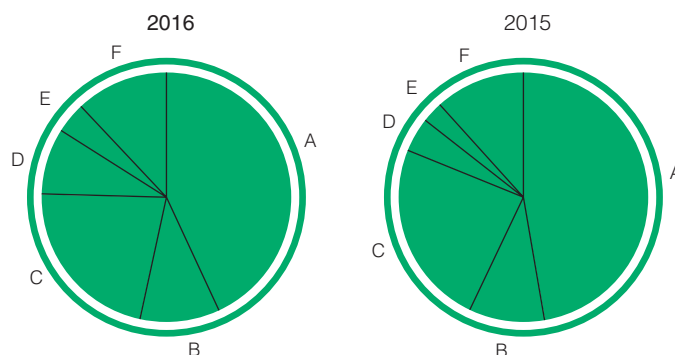
Utilisation of Income				
Suppliers of funds as interest	1,701,766	42.92	1,750,532	47.12
Employees	411,535	10.38	362,361	9.75
Other suppliers	868,618	21.91	905,397	24.37
Government as taxes	341,783	8.62	157,405	4.24
Shareholders as dividends	166,330	4.20	107,625	2.90
Invested in the business	474,518	11.97	432,064	11.63
Total	3,964,549		3,715,385	

Sources of Income



2016	2015	
A - 55%	38%	Interest Income from Lease
B - 20%	40%	Interest Income from Hire Purchases
C - 3%	3%	Interest Income from Other Loans and Advances
D - 2%	2%	Interest Income from Government Securities
E - 3%	3%	Income from Other Investments
F - 2%	1%	Commission Income
G - 15%	13%	Other Income

Utilisation of Income



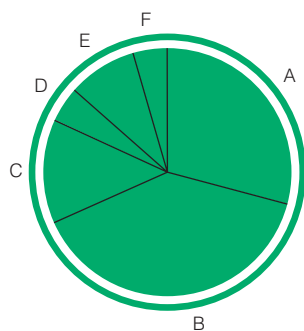
2016	2015	
A - 43%	47%	Suppliers of Funds as Interest
B - 10%	10%	Employees
C - 22%	24%	Other Suppliers
D - 9%	4%	Government as Taxes
E - 4%	3%	Shareholders as Dividends
F - 12%	12%	Invested in the Business

Sources and Distribution of Funds

	2016 Rs. '000	2015 Rs. '000	2014 Rs. '000	2013 Rs. '000	2012 Rs. '000
Sources of Funds					
Depositor funds	6,510,033	6,541,896	5,624,399	3,412,464	2,732,031
Borrowings from banks and other institutions	8,691,685	4,787,693	3,423,011	6,136,152	4,805,838
Funding through issue of debt instruments	3,059,849	3,579,737	4,157,346	2,618,281	1,771,753
Funds from shareholders	1,008,062	1,008,062	747,152	533,680	533,680
Internally-generated funds	1,985,297	1,525,785	1,354,631	1,040,367	593,024
Other sources	1,015,019	629,846	563,137	528,634	581,176
Total	22,269,945	18,073,018	15,869,676	14,269,579	11,017,502

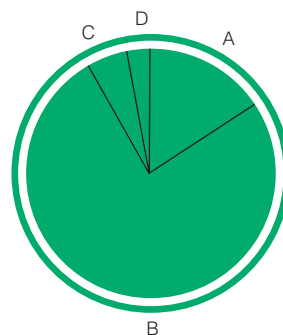
Distribution of Funds					
Liquid assets	3,496,410	2,796,849	2,073,101	1,860,837	1,277,793
Interest-earning assets	16,908,140	13,582,928	12,675,542	11,559,936	8,968,566
Fixed assets	1,194,663	1,122,864	857,732	629,823	557,758
Other assets	670,744	570,378	263,301	218,982	213,385
Total	22,269,945	18,073,018	15,869,676	14,269,579	11,017,502

Sources of Funds



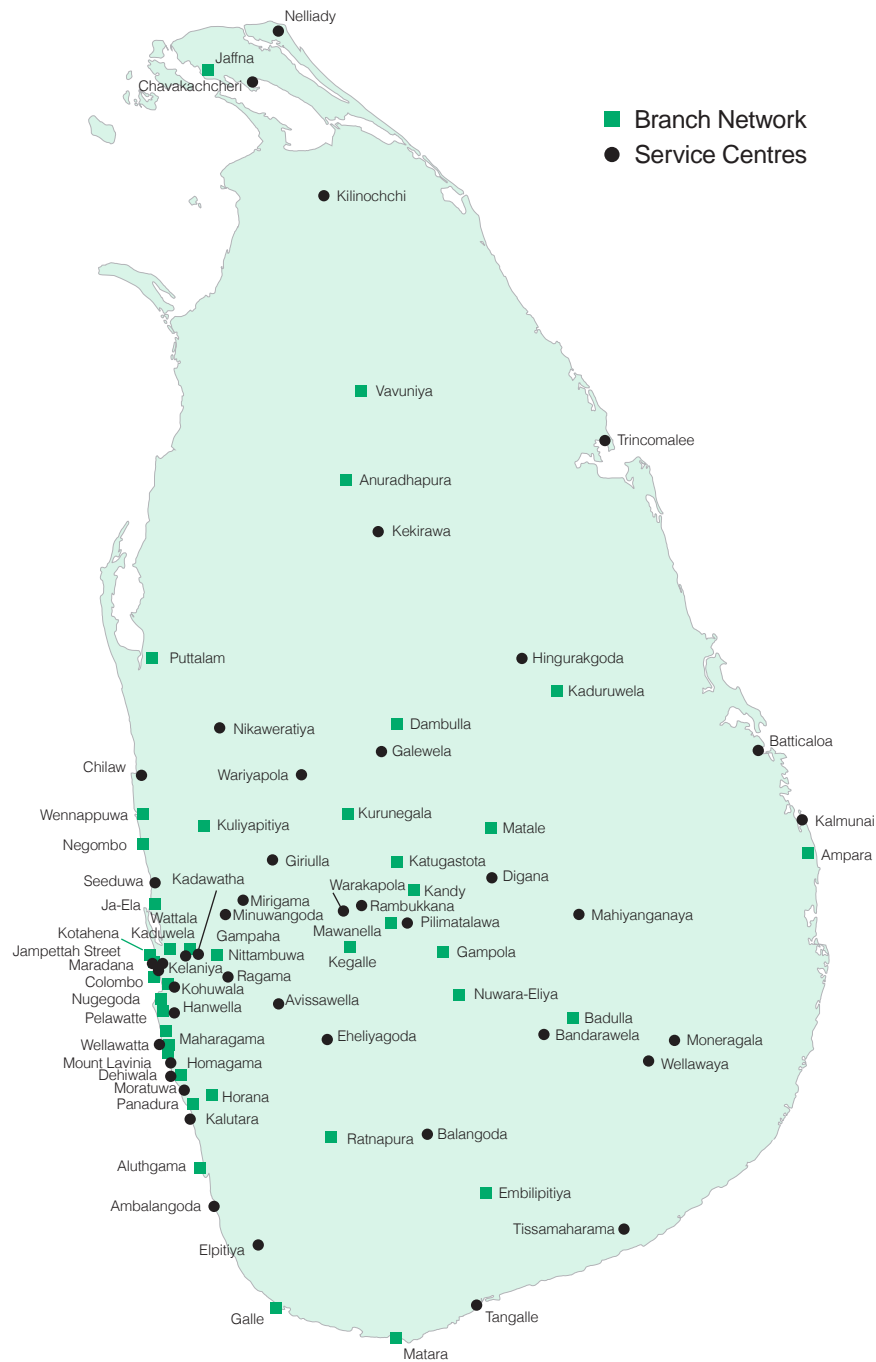
- A - 29% Depositor Funds
- B - 39% Borrowings from Banks and Other Institutions
- C - 14% Funding Through Issue of Debt Instruments
- D - 4% Funds from Shareholders
- E - 9% Internally-Generated Funds
- F - 5% Other Sources

Distribution of Funds



- A - 16% Liquid Assets
- B - 76% Interest Earning Assets
- C - 5% Fixed Assets
- D - 3% Other Assets

Branch/Service Centre Network



Branches

	Address	Telephone	Fax
Aluthgama	No. 168, Galle Road, Kaluwamodara, Aluthgama	034-2270573	034-2270578
Ampara	778A, D. S. Senanayaka Mawatha, Ampara	063-2224057	063-2224093
Anuradhapura	No. 561/4, New Bus Stand, Anuradhapura	025-2237969	025-2237989
Badulla	No. 02, Riverside Road, Badulla	055-2224401	055-2224407
Colombo 03	No. 267, Galle Road, Colombo 03	011-2301301	011-2301937
Dambulla	No. 358 (First & Second) Matala Road, Dambulla	066-2285530	066-2285535
Embilipitiya	No. 325B, Ratnapura Road, Pallegama, Embilipitiya	047-2261991	047-2261996
Galle	No. 143, Colombo Road, Kaluwella, Galle	091-2248111	091-2248116
Gampaha	No. 560 A, Colombo Road, Gampaha	033-2233555	033-2233560
Gampola	No. 240, (First Floor) Kandy Road, Gampola	081-2350100	081-2351850
Homagama	No. 94/1 (First Floor) Highlevel Road, Homagama	011-2857878	011-2857880
Horana	No. 246, Panadura Road, Horana	034-2262770	034-2262776
Jaffna	No. 62/3, New Stanley Road, Jaffna.	021-2219960	021-2219965
Ja-Ela	No. 67, Negombo Road, Ja-Ela.	011-2247861	011-2247866
Kaduvela	No. 502/10, Colombo Road, Kaduwela	011-2538180	011-2538186
Kandy	No. 12, Kotugodella Vidiya, Kandy	081-2201201	081-2201207
Katugastota	No. 437B, 1st & 2nd Floor, Katugastota Road, Kandy	081-2213860	081-2213866
Kaduruwela	No. 292, Saw Mill Junction, Kaduruwela	027-2224739	027-2224743
Kegalle	No. 263, Colombo Road, Kegalle	035-2221277	035-2221281
Kelaniya	No. 457, Kandy Road, Dalugama, Kelaniya	011-2914714	011-2914887
Kotahena	No. 178 (Third Floor) George R. De Silva Mawatha, Colombo 13	011-2441261	011-2441267
Kuliyaipitiya	No. 74/1/1, Hettipola Road, Kuliyaipitiya	037-2284630	037-2284635
Kurunegala	No. 34, Kandy Road, Kurunegala	037-2220402	037-2220405
Maharagama	No. 16/1/A, High Level Road, Maharagama	011-2896888	011-2896052
Matara	No. 558, Anagarika Dharmapala Mawatha, Pamburana, Matara	041-2233891	041-2233896
Mawanella	No. 10 (First Floor) Rankothdiwela, Mawanella	035-2247626	035-2247655
Mount Lavinia	No. 246, 1/1, Galle Road, Ratmalana South, Mount Lavinia	011-2715001	011-2715002
Matala	No. 97, 97A, Kings Street, Matala	066-2222954	066-2222960
Negombo	No. 149, Rajapakse Broadway, Negombo	031-2223456	011-2223462
Nittambuwa	No. 538/3, 38th Kilometer Post, Malwatta, Nittambuwa	033-2297030	033-2297035
Nuwara-Eliya	No. 26, Upper Lake Road, Nuwara-Eliya	052-2224123	052-2224128
Nugegoda	No. 257 C, D, C 1/2, Stanley Thilakarathne Mawatha, Nugegoda	011-2856600	011-2856650
Panadura	No. 229, Galle Road, Panadura	038-2243990	038-2243995
Pelawatte	No. 1067, Pannipitiya Road, Battaramulla	011-2774140	011-2774145
Puttalam	No. 1,2,3,4, Kurunegala Road, Puttalam	032-2266783	032-2266789
Ratnapura	No. 19, Kudugawatte, Ratnapura	045-2226890	045-2226895
Vavuniya	No. 8, 1st Cross Street, Vavuniya	024-2226340	024-2226345
Wattala	No. 264, Negombo Road, Wattala	011-2949611	011-2949616
Wennappuwa	No. 272, Chilaw Road, Wennappuwa	031-2245226	031-2245271

Service Centres

	Address	Telephone	Fax
Ambalangoda	No. 118B, Galle Road, Ambalangoda	091-2254901	091-2254906
Avissawella	No. 19, Kudagama Road, Avissawella	036-2222800	036-2222805
Balangoda	No. 281, Colombo Road, Balagamula, Balangoda	045-2289533	045-2289537
Bandarawela	No. 68, Dharmavijaya Mawatha, Bandarawela.	057-2222675	057-2222679
Batticaloa	No. 221 (Ground & First Floor), Trinco Road, Batticaloa	065-2229200	065-2229205
Chavakachcheri	No. 15, Kandy Road, Chavakachcheri	021-2270951	021-2270956
Chilaw	No. F 12, 1st Floor, New Shopping Complex, Urban Council, Chilaw	032-2224043	032-2224048
Dehiwala	No. 121, Galle Road, Dehiwala	011-2732456	011-2732460
Digana	No. 2004/18/7, Kandy Road, Digana	081-2376623	081-2376643
Eheliyagoda	No. 320, Main Street, Eheliyagoda	036-2257341	036-2257346
Elpitiya	No. 42, Ambalangoda Road, Elpitiya	091-2290485	091-2290495
Galewela	No. 87/3A, Kurunegala Road, Galewela	066-2288025	066-2288075
Giriulla	No. 101, Negombo Road, Giriulla	037-2288700	037-2288770
Hanwella	No. 40, Pahala Hanwella, Hanwella	036-2252190	036-2252195
Hingurakgoda	No. 9, Airport Road, Hingurakgoda	027-2245680	027-2245685
Jampettah Street	No. 124, Jampettah Street, Colombo 13	011-2380804	011-2380809
Kadawatha	No. 316 H, Kandy Road, Kadawatha	011-2929010	011-2929090
Kalmunai	No. 202, Batticaloa Road, Kalmunai	067-2226860	067-2226865
Kalutara	No. 443,443/1, First floor, Galle Road, Kalutara	034-2227101	034-2227106
Kekirawa	No. 55, Main Road, Kekirawa	025-2263234	025-2263239
Kilinochchi	Opposite Commercial Bank, Kandy Road, Kilinochchi	021-2283720	021-2283725
Kohuwala	No. 210, Dutugemunu Street, Kohuwala	011-2890800	011-2890805
Mahiyanganaya	No. 205/5, Padiyathalawa Road, Mahiyanganaya	055-2258280	055-2258285
Maradana	No. 92, Deans Road, Colombo 10, Maradana	011-2683600	011-2683222
Minuwangoda	No. 12, Weyangoda Road, Minuwangoda	011-2295177	011-2295189
Mirigama	No. 71, Negombo Road, Mirigama	033-2276868	033-2276911
Moneragala	No. 112, Wellawaya Road, Moneragala	055-2055421	055-2055426
Moratuwa	No. 18, New Galle Road, Moratuwa	011-2644249	011-2644254
Nelliady	No. 58/1, Point Pedro Road, Nelliady	021-2261430	021-2261435
Nikaweratiya	No. 245/A, Puttalam Road, Nikaweratiya	037-2260117	037-2260217
Pilimathalawa	No. 96/07, Colombo Road, Pilimathalawa	081-2579622	081-2579623
Ragama	No. 46B, Kadawatha Road, Ragama	011-2953992	011-2953993
Rambukkana	No. 63 & 67, Mawanella Road, Rambukkana	035-2266650	035-2266655
Seeduwa	No. 394, Negombo Road, Seeduwa	011-2251863	011-2251869
Tangalle	35, Sea Road, Tangalle	047-2241902	047-2241907
Tissamaharama	No. 60, Palliyawatta Road, Tissamaharama	047-2239925	047-2239930
Trincomalee	No. 346, (Ground Floor) Main Street, Trincomalee	026-2225115	026-2225119
Warakapola	No. 129, Kandy Road, Warakapola	035-2267020	035-2267022
Wariyapola	No. 141, Kurunegala Road, Wariyapola	037-2268880	037-2268885
Wellawatta	No. 55, 55A, 55B, Manning Place, Wellawatta	011-2363634	011-2363680
Wellawaya	No. 72, Ella Road, Wellawaya	055-2274194	055-2274198

GRI Content Index

This Report contains 'Standard Disclosures from the GRI G4 Sustainability Reporting Guidelines'. This is the Organisation's first attempt to comply with the guidelines and hence is not in accordance with core or comprehensive criteria.

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Aspect:	Compliance	
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Notice of Meeting

NOTICE IS HEREBY GIVEN that the 47th Annual General Meeting of Senkadagala Finance PLC will be held at the Registered Office of the Company, 2nd Floor, No. 267, Galle Road, Colombo 03, on 31st August 2016 at 10.00 a.m. for the following purposes:

1. To receive and consider the statement of accounts for the year ended 31st March 2016 with the Annual Report of the Board of Directors and Auditors' Report thereon.
2. To declare a final dividend of Rs. 48,920,666/- (Rs. 0.75 per share) to the shareholders of the Company as recommended by the Board of Directors.
3. To reappoint the Auditors, Messrs KPMG, Chartered Accountants and authorise the Board of Directors to determine their remuneration.

By Order of the Board of
Senkadagala Finance PLC

(Sgd.)
C. Salgado
Managers and Secretaries (Pvt) Ltd.
Secretaries

Colombo
22nd July 2016

Form of Proxy

I/We, the undersigned

of

being a member/members* of Senkadagala Finance PLC hereby appoint –

Mr. Lakshman Balasuriya of Colombo or failing him*

Dr. Asoka Balasuriya of Kandy or failing him*

Dr. Mahendra Balasuriya of Colombo or failing him*

Mrs. Lakshmi Fernando of Colombo or failing her*

Mr. Widanalage Ajith Terrence Fernando of Colombo or failing him*

Dr. Prathap Ramanujam of Colombo or failing him*

Mr. Sanjay Kulatunga of Colombo or failing him*

Mr. Sanath Bandaranayake of Colombo or failing him*

Mr. Don Tilak Padmanabha Collure of Colombo or failing him*

Mr. Wadugamudalige Marius Ravindra Sirilal Dias of Colombo or failing him*

Mr./Mrs./Dr.

of as my/our* proxy to attend and

vote at the 47th Annual General Meeting of the Company to be held at the Registered Office of the Company, 2nd Floor, No. 267, Galle Road, Colombo 03 on 31st August 2016 at 10.00 a.m. and at any adjournment thereof.

For Against

1. To adopt the Financial Statements of the Company for the year ended 31st March 2016

2. To declare a final dividend of Rs. 0.75 per share for the financial year ended 31st March 2016

3. To reappoint the Auditors Messrs KPMG, Chartered Accountants and authorise the Board of Directors to determine their remuneration.

Signed on this.....day of.....2016.

.....
Signature

Note:

1. *Please delete the inappropriate words.

2. Instructions on completing the Form of Proxy are set out on the reverse.

Instructions for Completion of Proxy Form

1. Kindly perfect the Form of Proxy by filling in legibly your full name and address, signing in the space provided and filling in the date of signature.
2. Please indicate clearly how your proxy should vote on the Resolutions.
If no indication is given, the proxy in his/her discretion will vote as he/she thinks fit.
3. In the case of a company/corporation, the proxy must be under its common seal, which should be affixed and attested in the manner prescribed by its Articles of Association.
4. The completed Form of Proxy should be deposited at the Registered Office of the Company at Senkadagala Finance PLC, 2nd Floor, No. 267, Galle Road, Colombo 03, 48 hours before the time appointed for the meeting.

CORPORATE INFORMATION

Name of Company

Senkadagala Finance PLC

Date of Incorporation

29th December 1968

Legal Status

- Listed public limited liability company incorporated on 29th December 1968. The Company re-registered under the Companies Act No. 07 of 2007.
- Approved and registered under the Finance Business Act No. 42 of 2011.
- Approved and registered under the Finance Leasing Act No. 56 of 2000.

Company Registration Number

PB 238 PQ

Taxpayer Identification Number (TIN)

104028349

Registered Office

2nd Floor, 267, Galle Road,
Colombo 03, Sri Lanka
Tel: 011-2301301
Fax: 011-2301937
SWIFT code: SENFLKLX
Email: senk@senfin.com
Website: www.senfin.com

Stock Exchange Listing

The ordinary shares are listed in the 'Diri Savi' Board of the Colombo Stock Exchange with effect from 22nd March 2011.

Senior, unsecured, redeemable debenture of May 2013/16 and 2013/17 with fixed and floating interest rates and Subordinated unsecured, redeemable debenture of December 2013/18 with fixed interest rates are listed on the Main Board of the Colombo Stock Exchange.

Credit Rating

Fitch Ratings Lanka affirmed BBB+(lka) with a stable outlook, in August 2015

Board of Directors

Mr. Ravi Dias

FCIBC (London), LL.B

Hubert H. Humphrey Fellow

Independent Non-Executive Director

Dr. Prathap Ramanujam

B.Sc. (Hons.), M.Sc., Ph.D. in Economics

Independent Non-Executive Director

Mr. Lakshman Balasuriya

B.Sc. (London), M.Sc. (Lancaster)

Managing Director/CEO

Dr. Asoka Balasuriya

B.Sc. (London), Ph.D. (Lond.)

Executive Director – Operations

Dr. Mahendra Balasuriya

B.V.Sc.

Executive Director – Planning

Ms. Lakshmi Fernando

B.Sc. (Hons.)

Executive Director – Human Resources

Mr. Ajith Fernando

FCMA (UK), MA (Colombo)

Independent Non-Executive Director

Mr. Sanjay Kulatunga

MBA (Booth School of Business), B.Comm.,

ACMA, CFA

Independent Non-Executive Director

Mr. Sanath Bandaranayake

B.Sc. (University of Sri Lanka)

Executive Director – Additional CEO

Mr. Tilak Collure

B.Sc. (Colombo)

Independent Non-Executive Director

Secretaries

Managers and Secretaries (Pvt) Ltd.
8, Tickell Road, Colombo 08, Sri Lanka

Auditors

KPMG

Chartered Accountants

32A, Sir Mohamed Macan Markar Mawatha,
Colombo 03, Sri Lanka

Legal Consultants

FJ & G de Saram

Attorneys-at-Law

216, De Saram Place,
Colombo 10, Sri Lanka

Internal Auditors

Ernst & Young Advisory Services (Pvt) Ltd.
839/2, Peradeniya Road, Kandy, Sri Lanka

Bankers

Commercial Bank of Ceylon PLC

Hatton National Bank PLC

Sampath Bank PLC



This Annual Report is Carbon Neutral

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SENKADAGALA FINANCE PLC



2nd Floor, No. 267, Galle Road, Colombo 3, Sri Lanka
Tel: +94 11 2301301 | Fax: +94 11 2301937 | Email: senk@senfin.com
www.senfin.com