TRUST, OUR TOP MOST BOTTOM LINE

SENKADAGALA FINANCE PLC

ANNUAL REPORT 2016/17

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The single most invaluable and cherished quality that runs across our entire business is trust. Whether one examines our business fortunes from the 'top' or the 'bottom', it is clear that mutual trust leads to mutual prosperity.

At every step of initiative and achievement – be it substantial branch expansion, upgrading of our IT infrastructure and indeed, best ever profits and more – the mutual climate of trust that exists amongst the Company and all its stakeholders allow all to derive benefit.

There really is no enterprise without mutual trust.

SENKADAGALA FINANCE PLC

About this Report

Report Structure

In this, the Company's first Integrated Report we disclose our performance, strategy, business model and future outlook more transparently while also fusing the adopted sustainable solutions to the overall performance of the Company.

In our Annual Report 2015/16, we allocated a separate section to report on sustainability. However, this year we chose to report on the way in which sustainability is integrated into every aspect of the business. In addition, this Report provides a comprehensive view of the business model of the Company. This too is a new component that will provide stakeholders with a deeper understanding of how our strategy and day-to-day operations generate revenue and profits on a sustainable basis.

The preparation of this Report draws on concepts and principles provided in the following guides where applicable:

- Global Reporting Initiative (GRI) Sustainability Reporting Guidelines G4 (2013) *[www.globalreporting.org]*.
- The International Integrated Reporting Framework (2013) *[www.theiirc.org]*
- The Smart Integrated Reporting Methodology™ *[www.smart.lk]*

Report Boundary

This Report solely focuses on the operations of Senkadagala Finance PLC within Sri Lanka. However, the performance and operations of Senkadagala Insurance Brokers (Pvt) Ltd. and Newest Capital Ltd. which are subsidiaries of the parent company are also disclosed in the Report. In terms of the scope and aspect of boundaries, there have not been any significant changes from previous reporting periods. There were also no restatements of information provided in previous reports.

Compliance

The Senkadagala Finance PLC Annual Report 2016/17 communicates its operations from 1st April 2016 to 31st March 2017. The Company maintains an annual reporting cycle for financial and sustainability reporting and the latter is in accordance with the GRI G4 guidelines. In addition, the Company complies with all other applicable laws, rules, regulations, directions and standards while also taking into consideration other guidelines for voluntary disclosures.

Queries

The Company is pleased to answer any inquiry and/or further clarify any information 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*

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About Us

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.

Senkadagala Finance PLC

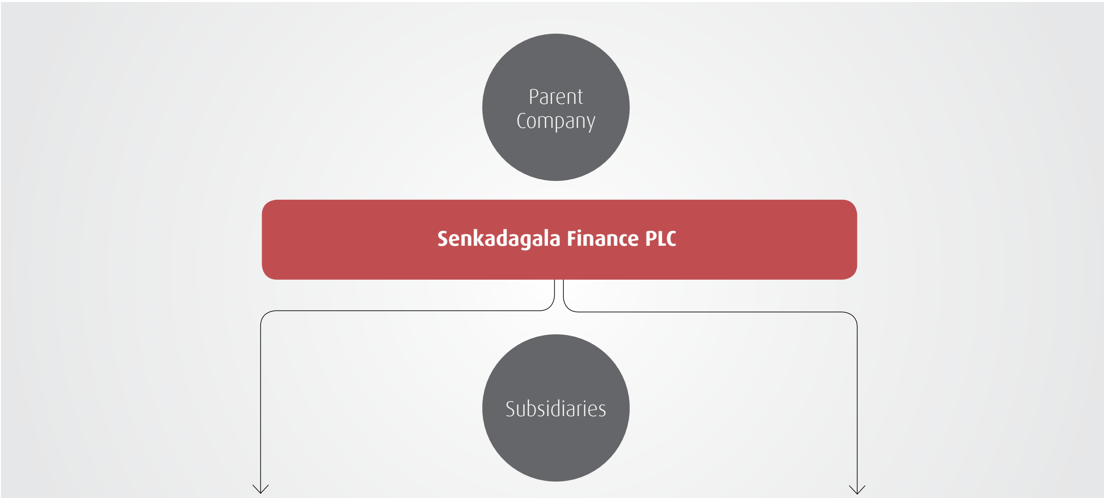
Throughout nearly half a century, Senkadagala Finance PLC has embodied the majesty and fortitude of the city of its inception – Kandy. Growing steadily from 1968, the Company was listed on the *Diri Savi* Board of the Colombo Stock Exchange in March 2011. The Company has since been recognised as one of the largest licensed finance companies in Sri Lanka that showcases a gamut of experience coupled with operating excellence.

The Company provides diverse services, such as finance leases, commercial loans and hire purchases, in addition to accepting deposits in the form of savings deposits, fixed deposits and certificates of deposit. The Company also provides pawn brokering and foreign currency exchange services considering the growing needs of its customers. With a view to diversify and expand operations further, the Company incorporated Senkadagala Insurance Brokers (Pvt) Ltd. in April 2012 as a subsidiary for the provision of insurance broking services while acquiring 100% ownership of Newest Capital Ltd., a Specialised Leasing Company in August 2014.

Dispersed throughout the island are the 49 branches and 41 service centres established by Senkadagala Finance. While targeting to further expand its presence, the Company also continuously focuses on diversifying its products and services. The Company's excellent performance, healthy asset quality, improved credit control systems and long operating history have been recognised by Fitch Ratings Lanka Ltd. which affirmed the BBB+ (lka) credit rating of the Company.

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

Group Structure



Senkadagala Insurance Brokers (Pvt) Ltd.

Relationship	: Subsidiary
Holding	: 100%
Date of incorporation	: 17th April 2012
Joined the Group on	: 17th April 2012
Principal line of business	: Insurance Brokering
Registered address	: 2nd Floor, No. 267, Galle Road, Colombo 3
Board of Directors	: Mr. L Balasuriya Dr. A Balasuriya Dr. M Balasuriya Ms. L Fernando Mr. W A T Fernando Mr. S D Bandaranayake

Financials (Rs. '000)	2016/17	2015/16
Total assets	48,711	54,864
Total liabilities	24,525	36,015
Net assets	24,185	18,849
Total revenue	119,947	98,780
Profit before tax	116,982	95,516
Profit after tax	84,336	68,538

Newest Capital Ltd.

Relationship	: Subsidiary
Holding	: 100%
Date of incorporation	: 27th December 2011
Joined the Group on	: 25th August 2014
Principal line of business	: Leasing business and other investment activities
Registered address	: No. 267, Galle Road, Colombo 3
Board of Directors	: Mr. L Balasuriya Dr. A Balasuriya Ms. L Fernando Dr. P Ramanujam Mr. S D Bandaranayake

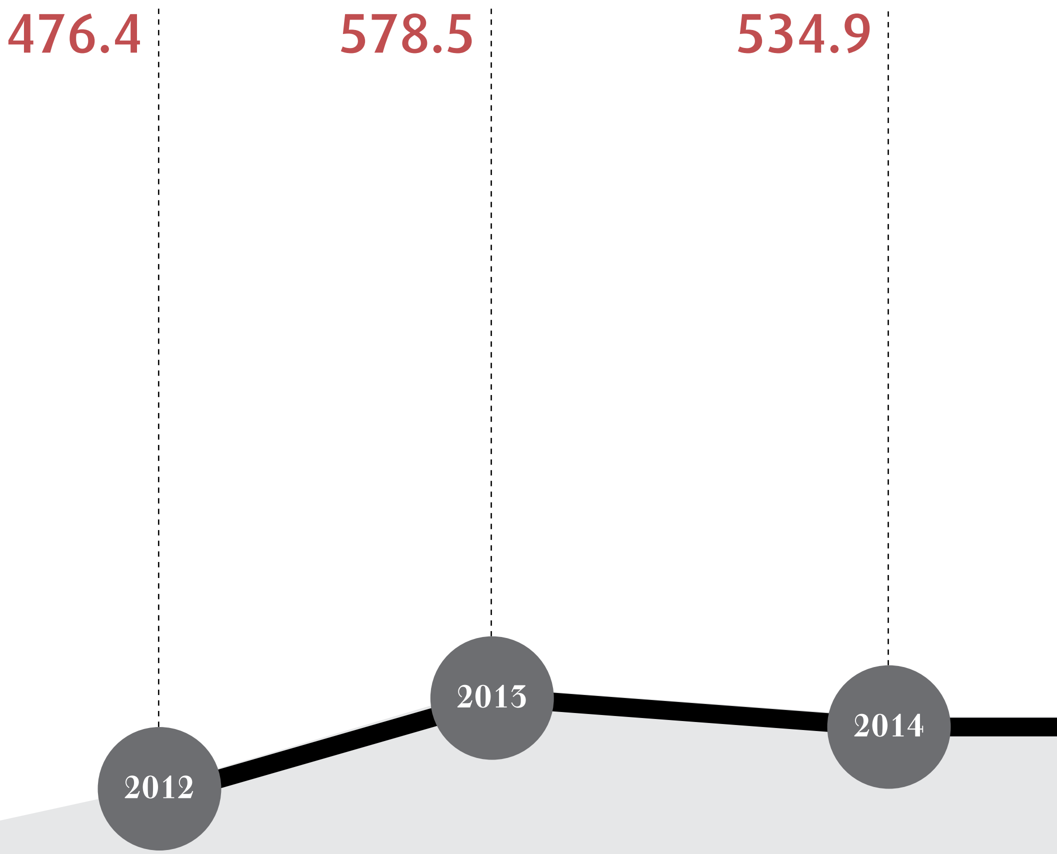
Financials (Rs. '000)	2016/17	2015/16
Total assets	194,941	197,612
Total liabilities	9,196	14,487
Net assets	185,745	183,124
Total revenue	14,832	9,953
Profit before tax	3,610	3,199
Profit after tax	2,621	452

Highlights

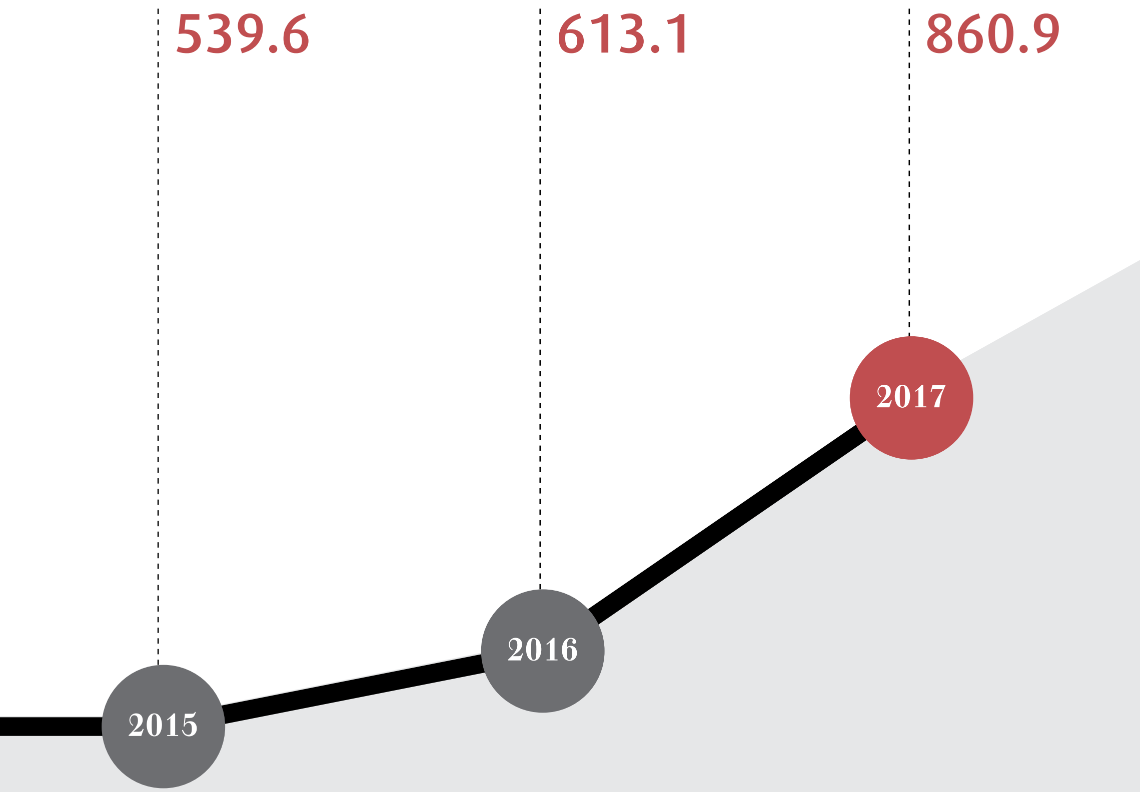
	2017	2016	Change %
Financial Results of the Year (Rs. Million)			
Total income	5,138	3,965	29.60
Interest income	4,826	3,746	28.81
Net interest income	2,423	2,045	18.53
Profit before VAT on financial services and taxation	1,280	971	31.84
Profit before taxation	1,119	883	26.81
Profit for the year	861	613	40.41
Dividends paid	186	166	11.76
Earnings retained during the year	668	456	46.50
Financial Position (Rs. Million)			
Loans and advances	23,758	16,908	40.51
Total assets	30,919	22,270	38.84
Deposit base	7,231	6,510	11.07
Borrowings	13,744	8,692	58.13
Debentures	4,993	3,060	63.17
Shareholders' funds	3,662	2,993	22.32
Operational Results of the Year (Rs. Million)			
New advances disbursed	17,290	11,869	45.67
Net flow of deposits	721	(32)	2,362.33
Debt instruments issued	3,000	–	100.00
Borrowings obtained	7,800	5,500	41.83
Capital expenditure incurred	641	351	82.37
Information per Ordinary Share (Rs.)			
Earnings per share	13.20	9.40	40.41
Dividends per share	2.85	2.55	11.76
Net assets per share	56.14	45.89	22.32

	2017	2016	Change %
Key Performance Indicators			
Return on average total assets (%)	3.24	3.04	0.20
Return on average shareholders' funds (%)	25.87	22.19	3.69
Net interest margin (%)	9.87	11.12	-1.24
Gross non-performing assets ratio (%)	1.64	2.02	-0.38
Interest cost to interest earned ratio (%)	49.78	45.42	4.36
Interest cover (times)	1.36	1.36	–
Equity to assets ratio (%)	11.84	13.44	-1.60
Debt to equity ratio (times)	5.12	3.93	30.34
Price earnings ratio (times)	6.82	6.38	6.83
Dividends yield (%)	3.17	4.25	-1.08
Statutory Regulated Ratios			
Core capital ratio (%)	14.19	15.98	-1.79
– Minimum statutory requirement 5%			
Total capital ratio (%)	16.08	19.90	-3.81
– Minimum statutory requirement 10%			
Liquid assets to deposit liabilities ratio (%)	48.85	29.82	19.03
– Minimum statutory requirement 10%			
Rating			
Fitch Ratings Lanka Ltd.	BBB+ (lka)	BBB+ (lka)	

Profit After Tax
Rs. Million



The Company recorded yet another outstanding performance during the year with a profit after tax of Rs. 861 Million, a growth of 40.41% compared to the previous year.



Branch Network
49

Service Centres
41

Staff Strength
690

	2017	2016	2015	2014	2013	2012
Total assets (Rs. Million)	30,919	22,270	18,073	15,870	14,270	11,018
Profit for the year (Rs. Million)	861	613	540	535	579	476
Equity (Rs. Million)	3,662	2,993	2,534	2,102	1,574	1,127
Loans and advances (Rs. Million)	23,758	16,908	13,583	12,676	11,560	8,969
Staff strength	690	627	601	492	414	347
Branch and service centres	90	80	80	63	52	45

Chairman's Message

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 investments in technology, the dedicated team of employees and a strong management team, your Company is well positioned to deliver increased and sustainable returns to the shareholders.

Dear Shareholders,

I warmly welcome you to the 48th Annual General Meeting of Senkadagala Finance PLC and take great pleasure in presenting you with the Annual Report for the financial year 2016/17.

Continuing on the remarkable progress made over the past several years, your Company performed exceedingly well in the year under review. As part of the growth strategy, the Company continued to expand its reach within the island while concentrating on the risk factors for the Company. Our forward-looking approach and focus on the needs of every stakeholder brought us closer to the successes that we are proud to report.

Tackling a Mixed Operating Environment

The economies of developing and emerging countries remained subdued in 2016 while developed economies grew beyond expectations. The unpredictability in these markets led to the decline of capital flows, currency depreciations and tighter external financial conditions. However, there is agreement that the world economy gained speed in the fourth quarter of the year and this momentum is expected to continue with growth projections for 2017 and 2018 raised to 3.4% and 3.6% respectively against 3.1% for 2016, by the International Monetary Fund.

In Sri Lanka, the economy decelerated from 4.8% in 2015 to 4.4% in 2016. However, amidst volatile conditions, the Sri Lankan economy made notable progress in financial services, wholesale & retail and trade activities. The financial sector expanded as a result of the exponential progress made by banking and other deposit taking financial institutions.

The Licensed Finance Companies (LFC) sector made significant progress in 2016 with a noteworthy asset growth of 21.7% and the expansion of branch network. The sector also witnessed a shifting in its core business activities from leasing to other loan products. Domestic borrowings contributed to the growth in the sector while asset quality, liquidity levels and capital position continued to improve. Cognizant of emerging risks, the Central Bank took precautions to mitigate foreseen risks throughout the year.

Impressive Performance

Reflecting the improvements effected in all its spheres of operations, the Company generated Rs. 17.29 Billion in new business during the year under review compared to Rs. 11.86 Billion achieved in the previous year. The assets reached Rs. 30.9 Billion by end March 2017 while the profit before tax for the year grew to Rs. 1.1 Billion. Special attention was paid to customer retention and turnaround times as well as maintaining healthy collections and asset quality. Bearing testimony to the effectiveness of our efforts, the gross NPL ratio was further reduced during the year to 1.64% as at 31st March 2017 from 2.02% last year.

Pivotal Areas

Senkadagala Finance has a clear view of the direction of its operations. While successfully achieving annual goals and exceeding the expectations of the shareholders, the Company also focused on the sustainability of its operations. Your Company enriches the lives of employees by instilling a growth mindset while also paying attention to the impact of its decisions on the environment and the society at large.

The Company is concerned about the well-being of the people who invigorate and sustain the growing network. Small teams are appointed to undertake the operations of each branch. Many who take on managerial positions have come up through the ranks. Years of training and development enables them to take on greater responsibilities while working closely with their teams.

Island-wide expansion has been one of the main goals for the past few years. With the addition of 10 new branches in 2016, Company doubled its network from 45 to 90 over the past five years. The Company will continue to expand the footprint in areas where there is potential with due understanding of evolving customer preferences and the risks involved.

By adopting a holistic approach to risk management, the Company could mitigate many foreseeable risks. In this regard, the Company has established efficient audit and risk management functions to ensure that these risks and the system of internal controls are reviewed on an ongoing basis.

The risk strategies are continuously updated in tandem with the developments in the industry, the institution and global best practice. This is because sustainable growth is possible only when risk management is incorporated into the strategic decisions of the Company.

To ensure good corporate governance, the Company has set up the necessary institutional framework consisting of Board and Management level committees, an effective system of internal controls, audit and compliance functions etc. This has enabled the Company to ensure full compliance with the relevant directions, codes and best practice on corporate governance.

The operations of the Company were further streamlined by technological advancements. Today, at both the internal and external levels, ICT helps quicken the pace of decision-making. The customer experience is also more satisfying because of the tailor-made ICT system that is in operation within the Company. As technological advancements are made, so are the risk management systems updated.

Strengthening Capital

In keeping with the goal of maintaining a high capital buffer, at the EGM held on 30th March 2017, the Board of Directors with the approval of the Central Bank of Sri Lanka proposed a rights issue of 7,247,506 new ordinary voting shares at Rs. 80/- per share to infuse Rs. 579.8 Million to strengthen the capital adequacy of the Company. The rights issue was successfully concluded on 24th April 2017 and the core capital ratio has since improved to 16.44% from 14.19% as at 31st March 2017, creating sufficient leeway for business expansion in the years to come.

In November 2016, the Company raised Rs. 3 Billion via a debenture issue to fund the lending activities of the Company which was oversubscribed on the opening day itself, a demonstration of trust in the Company by the investors.

Forward-Looking

As we approach our 50th anniversary, we have renewed hopes for expansion and growth. In commemoration of the event the Company is planning to open its 100th branch in the next financial year. Expansion also gives our employees opportunities for growth and development while opening doors for those who wish to join the Company.

Asset quality continues to be a focal point of the Board. Hence, we will continue to improve the credit evaluation, post-sanction monitoring and recovery processes further.

Acknowledgments

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 investments in technology, the dedicated team of employees and a strong management team, your Company is well positioned to deliver increased and sustainable returns to the shareholders.

In conclusion, I express my appreciation to my colleagues on the Board for their continued support and co-operation. While thanking Mr. Sanjay Kulatunga who resigned from the Board with effect from 31st March 2017 for his contribution to the progress of the Company, I welcome Mr. Raja Senanayakege who joined the Board with effect from 1st April 2017.
I especially thank our Managing Director/CEO Mr. Lakshman Balasuriya, Additional CEO, Mr. Sanath Bandaranayake, the Management team 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.

Together, let us scale new heights in the years to come.

Ravi Dias
Chairman

31st May 2017

Managing Director/ CEO's Review

The Company recorded its highest ever profit before tax of Rs. 1,119 Million in the financial year 2016/17. Our asset base also swelled to Rs. 30.9 Billion at the end of the financial year. This is a commendable achievement since it is in the financial year 2015/16 that we exceeded the Rs. 20 Billion milestone.

Inspired by the previous year's performance and heartened by the persistently high credit demand, our Company made heady developments in all areas of its operations during the year under review. While strategically expanding the reach around the country, we took measures to improve the credit evaluation, post sanction monitoring and recovery processes further, enhancing the quality of our assets portfolio.

The Pinnacle of Success

The Company recorded its highest ever profit before tax of Rs. 1,119 Million in the financial year 2016/17. The profit after tax for the year was Rs. 861 Million, a noteworthy growth of 40.41% in comparison to the Rs. 613 Million of the previous financial year. Our asset base also swelled to Rs. 30.9 Billion at the end of the financial year. This is a commendable achievement, since it is in the financial year 2015/16, that we exceeded the Rs. 20 Billion milestone. In a similar manner the loans and advances also recorded a noteworthy growth of 40.5% to reach Rs. 23.75 Billion as opposed to Rs. 16.91 Billion of last year. Added to these achievements was our Company's ability to break even in a majority of its branches that were opened in the recent past.

An Attractive Portfolio

Despite the initial scepticism linked to the falling prices of gold, the Management decided to strengthen the pawning business of the Company. As a result, pawning advances grew by 204% to reach Rs. 548 Million, an unparalleled growth compared to Rs. 180.2 Million of the previous year. The success is attributed to the stabilisation of the prices of gold towards the latter part of the year. While enjoying the success, the Management remains cautious about fluctuating gold prices and its potential effects on the Company. The Company's risk management team takes every possible measure to mitigate any adverse impacts.

Reaching Far and Wide

Our aim to open the hundredth branch in celebration of our 50th anniversary in 2018 came closer to actualisation within the financial year. We opened ten more branches in Akuressa, Athurugiriya, Dehiaththakandiya, Kirindiwela, Maho, Mawathagama, Narammala, Piliyandala, Pothuhera and Thambuththegama. We are happy to report that our plans for expansion are bearing fruit. As projected, most branches broke even or are on the path to doing so. These successes are noteworthy but the Company is taking additional measures to ensure the success of the existing and future branches.

Enhanced Technology

We are constantly updating our ICT system to keep pace with manifesting developments and threats within the industry and the Company while meeting the evolving needs of our customers.

Furthermore, the ICT system which is integrated into the operations of the Company has quickened the decision-making process while also creating an information portal that gives employees easy access to relevant information. The success of the system has encouraged the Management to make more futuristic moves in terms of technological advancement.

Boosted Loans, Advances and Asset Quality

Driven by the high credit demand evident in the market and the relatively lower interest rate regime that prevailed throughout the year, the loans and advances portfolio of the Company experienced a significant growth. However, regulatory measures that are being adopted are deemed to increase the market interest rates. This has urged the Management of the Company to take steps to secure low cost funding to sustain profitability and ensure business growth in the future.

From the inception of the Company, the Management continued to stress the importance of maintaining the highest standards with regard to its asset base. In 2016, the quality of the asset base improved further recording a gross NPL ratio of 1.64% compared to 2.02% last year. Stringent application screening policies and post-sanction monitoring procedures coupled with the system of internal controls ensured that the objective is achieved.

A Sustainable Future

A wide range of mechanisms are embedded into your Company's overall risk management framework to ensure the sustainability of its operations. We are cognisant that we cannot exist in isolation. We foresee our future as one that encompasses not only the smooth operations of the Company but also the contentment of employees, customers, the environment and society at large.

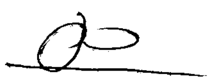
Since 2014, we have been including an addendum to our loan agreements that communicates the Company policy on environment and social risk management to the customers. The agreement emphasises the importance of conducting business activities in line with it. Moreover, the 'online document retrieval system' reduces the need to reproduce important documents. This helps us live up to our commitment to reduce the use of paper. All new service centres have been fitted with LED panel lights which has also helped us reduce energy consumption.

Our employees are the backbone of the Company. As we expand our reach throughout the island we also make sure to recruit employees from the localities in which the Company is established. This empowers the youth of the areas and motivates them to achieve greater heights. The employees who have been with the Company for a long period also continue to progress rapidly within the Company.

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.

Looking forward to sustain similar performances in the future.



Lakshman Balasuriya
Managing Director/CEO

31st May 2017

Business Model

We have developed and fine-tuned a strategically driven business model that has helped us meet challenges; and in the process gained the highest degree of trust of all the stakeholders.

Operating Environment

Despite the fluctuating conditions in the global and local economy, the strengthened financial sector and the robust NBFIs have had favourable impacts on the Company

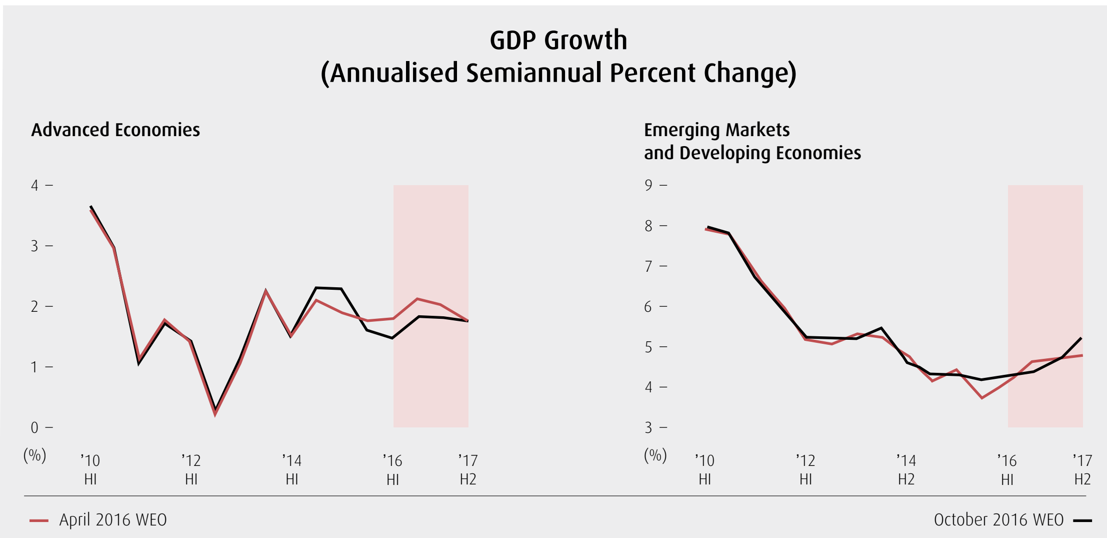
Globally

General outlook

Compared to the economic growth of 2015, global economic activity remained stagnant at 3.1% in 2016. However, growth in economic activity is estimated to rise to 3.4% in 2017 and 3.6% in 2018. Despite the marked deceleration of global economic growth, advanced economies picked up unexpectedly. As reported in the World Economic Outlook of January 2017, the growth was due to the reduced drag from inventories and the recovery in manufacturing output. However, the weakening of emerging markets was caused by a multitude of factors unique to each economy.

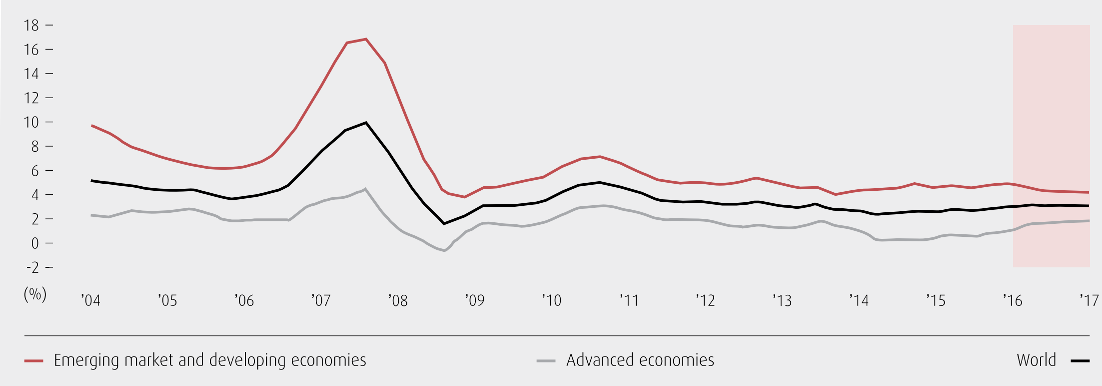
The global economic conditions resulted in the bottoming out of commodity prices while inflation rates remained unchanged and broadly below inflation targets. In the case of emerging markets and developing economies (EMDEs), inflation rates were varied as the countries demonstrated heterogeneous conditions and differing exchange rates. The tightened condition of the economies also resulted in higher long-term interest rates on local-currency bonds and the depreciation of currencies.

Nevertheless, the growth of emerging markets and developing markets is anticipated to accelerate in the coming years. The economies of EMDEs are projected to reach a growth of 4.5% in 2017 as macroeconomies gain a certain amount of vigour.



Source: World Economic Outlook – January 2017

Global Aggregates: Headline Inflation



Source: World Economic Outlook – January 2017

		Estimated		
	2015	2016	2017	2018
World output	3.2	3.1	3.4	3.6
Advanced economies	2.1	1.6	1.9	2.0
United States	2.6	1.6	2.3	2.5
Euro area	2.0	1.7	1.6	1.6
Japan	1.2	0.9	0.8	0.5
United Kingdom	2.2	2.0	1.5	1.4
Canada	0.9	1.3	1.9	2.0
Other advanced economies	2.0	1.9	2.2	2.4
Emerging market and developing economies	4.1	4.1	4.5	4.8
Commonwealth of independent states	-2.8	-0.1	1.5	1.8
Emerging and developing Asia	6.7	6.3	6.4	6.3
China	6.9	6.7	6.5	6.0
India	7.6	6.6	7.2	7.7
Emerging and developing Europe	3.7	2.9	3.1	3.2
Latin America and the Caribbean	0.1	-0.7	1.2	2.1
Middle East, North Africa, Afghanistan and Pakistan	2.5	3.8	3.1	3.5
Sub-Saharan Africa	3.4	1.6	2.8	3.7
World growth based on market exchange rates	2.6	2.4	2.8	3.0
World Trade Volume (Goods and Services)	2.7	1.9	3.8	4.1
Advanced economies	4.0	2.0	3.6	3.8
Emerging markets and developing economies	0.3	1.9	4.0	4.7
Commodity Prices (USD)				
Oil	-47.2	-15.9	19.9	3.6
Non-fuel (average based on world commodity export weights)	-17.4	-2.7	2.1	-0.9
Consumer Prices				
Advanced economies	0.3	0.7	1.7	1.9
Emerging market developing economies	4.7	4.5	4.5	4.4
London Interbank Offer Rate (%)				
On US Dollar deposits (Six month)	0.5	1.0	1.7	2.8
On Euro deposits (Three month)	-0.0	-0.3	-0.3	-0.2
On Japanese Yen deposits (Six month)	0.1	0.0	0.0	0.0

Source: World Economic Outlook – January 2017

Sri Lanka

General outlook

As a result of the unfavourable conditions in the global economy and the decline of the agriculture sector, Sri Lanka recorded an economic growth of 4.4% in 2016, lower than the 4.8% growth recorded in 2015. However, the country made formidable progress in the finance sector, retail trade activities and the personal and public services. Future projections for the economy are positive as Sri Lanka's GDP is projected to edge up to 5.0% in 2017 and 2018.

During the first seven months of 2016, Government revenue as a percentage of the estimated GDP increased to 7% in comparison to 6.4% in the first seven months of 2015. This was the result of an increase in tax revenue. However, the increase in policy rates of the US Federal Reserve prompted continuous outflows of foreign investments during the first four months of 2016.

Within the early months of 2016, inflation remained low but increased later on in the year to record an annual average of 4%. It was deduced that the high levels of inflation during the latter half of 2016 and the beginning of 2017 was caused by the deteriorating weather conditions, rising international commodity prices and tax adjustments.

The depreciation pressure on the Rupee during the first four months of 2016 called for the intervention of the Central Bank in the domestic foreign exchange market by supplying foreign currency liquidity. Moreover, in order to ensure financial system stability the Central Bank tightened its monetary policy stance by increasing its Standing Deposit Facility Rate (SDFR) and the Standing Lending Facility Rate (SLFR) by 50 basis points each, to 6.5% and 8% respectively, in February 2016. Monetary tightening measures, coupled with declining levels of excess market liquidity, resulted in an increase in short-term money market rates, while other market interest rates also started increasing gradually.

The foreign exchange rate was stable during the first few months of the year as a result of heavy intervention by the Central Bank. Towards the latter part of the year, the exchange rate was allowed to reflect market conditions as the interventions made by the Central Bank were limited.

However, in spite of the upward adjustments observed in market interest rates following the increase in statutory reserve ratio (SRR), certain risks to macroeconomic stability continued to persist. Accordingly, the Central Bank further tightened its monetary policy stance. However, amidst an increase in lending rates, credit disbursements to the private sector by commercial banks continued to grow unabated beyond the desired levels during the second quarter of 2016 as well.

Furthermore, the Government encountered issues stemming from weak tax collection and tax avoidance. The high level of transfer payments, Government debts, expenditure on salaries and welfare expenditure further stifled the growth of the country's economy.

Source: Central Bank of Sri Lanka – Annual Report 2016

Macroeconomic performance (2012-2016)

Indicator	Unit	2012	2013	2014	2015 (a)	2016 (b)
Real sector (c)						
Real GDP growth	%	9.1	3.4	5.0(a)	4.8(b)	4.4
GDP at current market price	Rs. bn	8,732	9,592	10,361(a)	10,952(b)	11,839
Per capita GDP (d)	US$	3,351	3,609	3,821(a)	3,843(b)	3,835
External sector						
Trade balance (c)	% of GDP	-13.8	-10.2	-10.4	-10.4	-11.2
Current account balance (c)	% of GDP	-5.8	-3.4	-2.5	-2.3	-2.4
Overall balance	US$ mn	151	985	1,369	-1,489	-500
External official reserves	US$ mn	7,106	7,495	8,208	7,304	6,019
Fiscal sector (c) (e)						
Current account balance	% of GDP	-0.9	-0.7	-1.2	-2.3	-0.6
Overall balance	% of GDP	-5.6	-5.4	-5.7	-7.6	-5.4
Central government debt	% of GDP	68.7	70.8	71.3	77.6	79.3
Monetary sector and inflation						
Broad money growth (M2b) (f)	%	17.6	16.7	13.4	17.8	18.4
Private sector credit growth (in M2b) (f)	%	17.6	7.5	8.8	25.1	21.9
Annual average inflation (g)	%	7.6	6.9	3.3	2.2	4.0

(a) Revised

(b) Provisional

(c) The data is based on the base year 2010 GDP estimates of the Department of Census and Statistics.

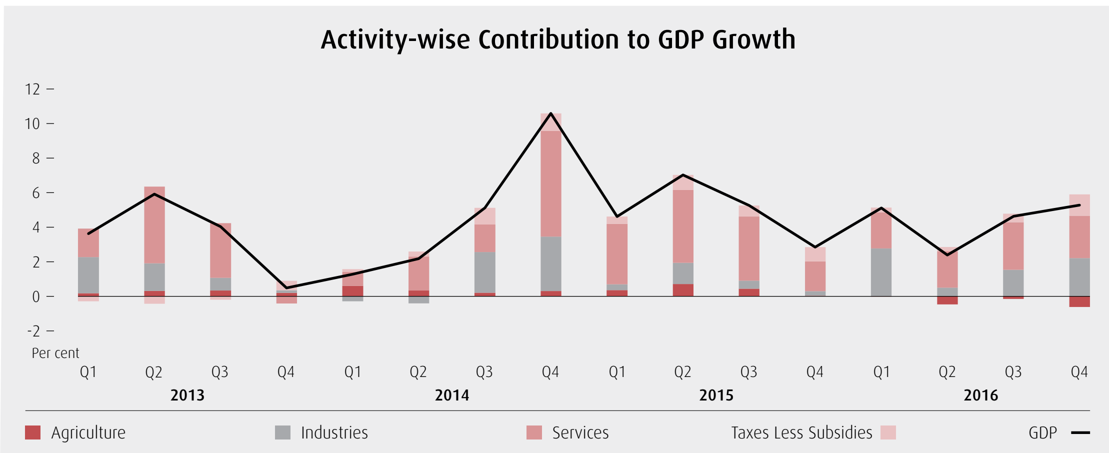
(d) Estimates updated with latest population figures

(e) Based on revised GDP estimates for 2014 and 2015 made available on 15 March 2017 by the Department of Census and Statistics.

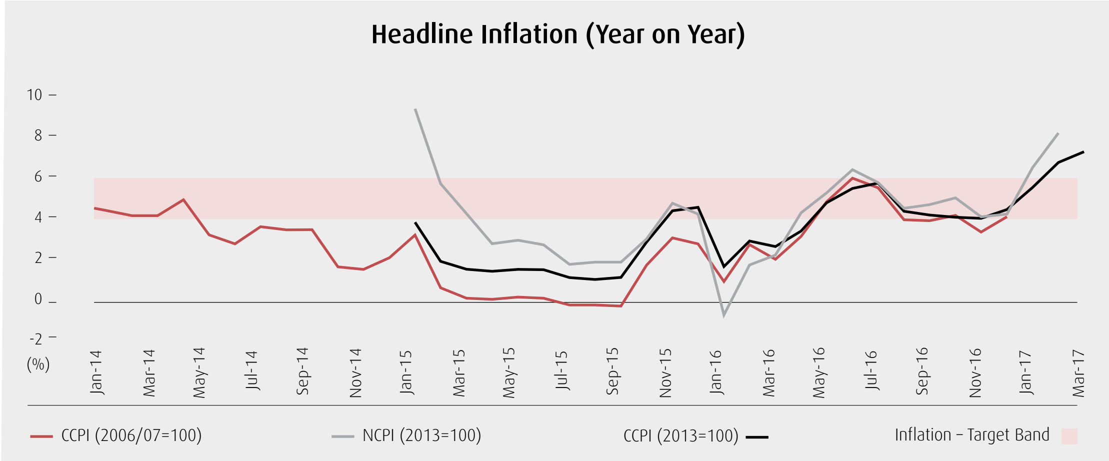
(f) Year-on-year growth based on end year values.

(g) Data up to 2014 is based on CCPI (2006/07=100) while data from 2015 onwards is based on CCPI (2013=100)

Sources: Department of Census and Statistics/Ministry of Finance/Ministry of National Policies and Economic Affairs/Central Bank of Sri Lanka



Source: Central Bank of Sri Lanka – Annual Report 2016



Source: Central Bank of Sri Lanka – Annual Report 2016

The Banking Sector

The banking sector performed reasonably well despite facing lacklustre global and local economic conditions. The asset base of the sector grew by Rs. 969 Billion and stood at Rs. 9,046 Billion at end 2016. However, the growth has visibly decelerated to 12% in 2016 from 15.9% in 2015. The asset base was driven by the expansion in loans and advances. However, the sector maintained its capital and liquidity levels above the required level. Moreover, the borrowings of the banking sector also declined as a result of a drop in foreign currency borrowings.

Moreover, during the period it was also noted that there was a significant decrease in demand deposits and a shift in the type of deposits from demand to term deposits and short-term savings, mainly in three month maturity term deposits. Another marked improvement in the Banking sector was the decrease in the total non-performing loans (NPLs). The NPL ratio decreased to 2.6% by the end of December 2016 in comparison to 3.2% in December 2015. The decrease in the NPL ratio was due to the increased recovery efforts on NPLs leading to a drop in NPLs in absolute terms and increased loan growth during the period.

In keeping with risk management practices within the Banking sector, the Central Bank enforced a few policies that are presently in operation. Banks are told to report instances of cyber security threats that affect banks while licensed banks are requested to display fees charged from customers for fund transfers effected through payment and settlement platforms.

Furthermore, to enhance transparency in dealings, licensed banks were instructed to use the Bloomberg Trading Platform available to Sri Lanka to conduct all outright trades of Government Securities and report yield rates and volumes of all such outright trades in excess of Rs. 50 Million.

The Central Bank also took measures to ensure that the Banking sector adopts the Basel III minimum capital requirements, leverage ratio and the final directions in order to maintain international standards in the structure and operations of banks in Sri Lanka. These requirements enhanced the performance and resilience of banks throughout 2016.

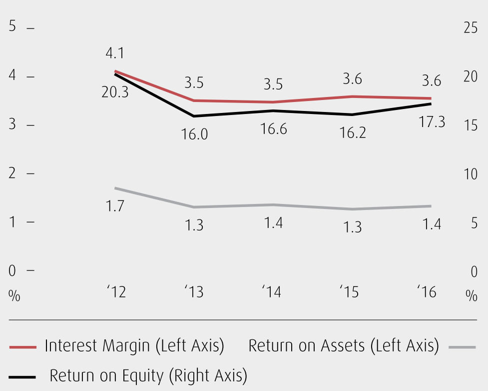
Composition of Assets and Liabilities of the Banking Sector

Item	2015 (a)		2016 (b)		Change (%)	
	Rs. bn	Share (%)	Rs. bn	Share (%)	2015 (a)	2016 (b)
Assets						
Loans and advances	4,715.3	58.4	5,540.8	61.2	21.1	17.5
Investments	2,347.6	29.1	2,270.5	25.1	21.8	-3.3
Other (c)	1,014.6	12.6	1,235.3	13.7	-11.8	21.8
Liabilities						
Deposits	5,403.1	66.9	6,295.6	69.6	15.3	16.5
Borrowings	1,758.4	21.8	1,696.4	18.8	21.4	-3.5
Capital funds	636.7	7.9	707.3	7.8	12.0	11.1
Other	279.2	3.5	347.3	3.8	3.9	24.4
Total assets/liabilities	8,077.5	100	9,046.6	100.0	15.9	12.0

(a) Revised
(b) Provisional
(c) Includes cash and bank balances, placements, reverse repurchase agreements and fixed assets.

Source: Central Bank of Sri Lanka – Annual Report 2016

Profitability Indicators of the Banking Sector



Source: Central Bank of Sri Lanka – Annual Report 2016

Non-bank financial institutions sector

Licensed Finance Companies (LFC) and Specialised Leasing Companies (SLC)

Non-banking financial institutions displayed a mixed performance throughout the year. However, licensed finance companies and specialised leasing companies experienced substantial growth in terms of assets and branch network. The sector also diverted its focus from financing and purchasing of motor vehicles to other loan products. Domestic borrowings, increased business volumes and improved operational efficiency helped increase the profits of the sector in 2016.

The Central Bank carefully monitored the progress of the sector and ensured that all finance companies were stable. In 2016, with the enactment of the Microfinance Act to regulate microfinance institutions, the Central Bank issued prudential directions and guidelines to microfinancing companies. The laws put in place will be a great assurance to the general public.

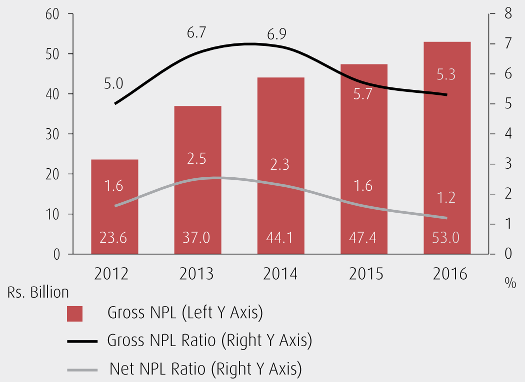
Composition of assets and liabilities of the LFCs/SLCs sector

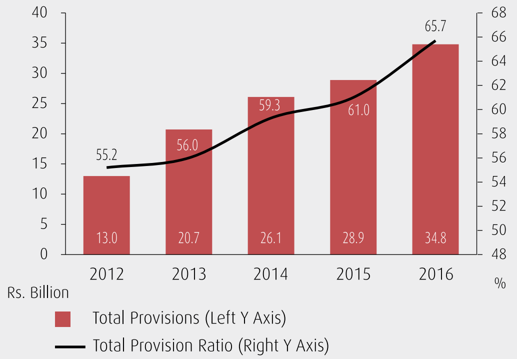
Item	2015 (a)		2016 (b)		Change (%)	
	Rs. Billion	Share (%)	Rs. Billion	Share (%)	2015 (a)	2016 (b)
Assets						
Loans and advances (net)	795.8	79.9	962.7	79.4	31.8	21.0
Investments	99.6	10	111.7	9.2	-9.2	12.1
Other	100.7	10.1	137.0	11.3	-0.4	36.6
Liabilities						
Total deposits	480.6	48.3	531.0	43.8	16.1	10.5
Total borrowings	314.3	31.6	438.7	36.2	44.6	39.6
Capital elements	123.1	12.4	146.1	12.1	5.4	18.7
Total funds	918	92.2	1,115.7	92.1	22.7	21.5
Other	78.1	7.8	96.2	7.9	17.9	23.2
Total assets/liabilities (net)	996.1	100.0	1,211.9	100.0	22.3	21.7

(a) Revised
(b) Provisional

Source: Central Bank of Sri Lanka – Annual Report 2016

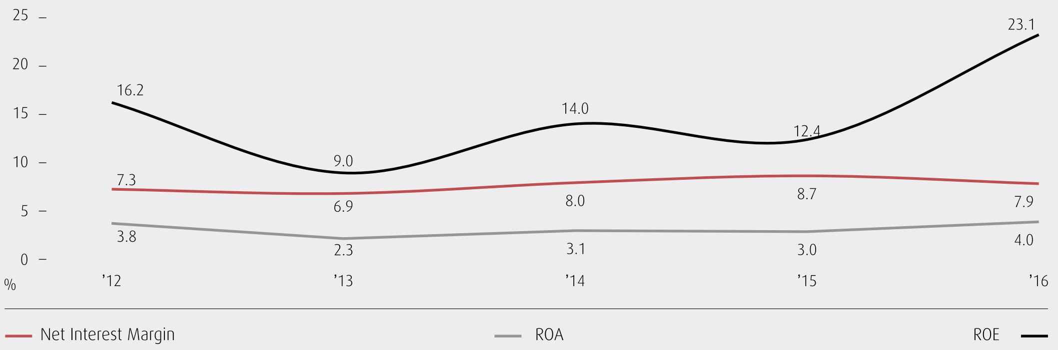
Non-Performing Loans and Provision Coverage of the LFCs/SLCs Sector





Source: Central Bank of Sri Lanka – Annual Report 2016

Profitability Indicators of the LFCs/SLCs Sector



Source: Central Bank of Sri Lanka – Annual Report 2016

Impact on the Company

Despite the fluctuating conditions in the global and local economy, the strengthened financial sector and the robust NBFIs have had favourable impacts on the Company. Senkadagala Finance PLC has amended its strategies in keeping with the inevitable changes that had to be encountered during the reporting period.

Government policy decisions, taxation changes and market uncertainty resulted in the fluctuation of vehicle prices while the political stability in the country created many openings for the Company. Senkadagala Finance PLC widened its reach and also planned to expand its services in the North and the East. While inflation was in a stable position throughout the year, factors such as the volatility in interest rates and exchange rates created a certain amount of uncertainty which resulted in fluctuations in pricing. However, the Company managed to evade impending issues by making the necessary changes to its operations.

In keeping with the Central Bank's decision to mitigate risks in the Finance sector, the public is cautious when placing its trust in NBFIs. However, Senkadagala Finance PLC's solid performance throughout half a century, ensured that the operations of the Company remained unhindered while it also rose to successfully compete in an ever-growing market. Moreover, the Company has integrated sustainable solutions to every aspect of its operations making its performance even more noteworthy.

The Company also makes it a point to understand the changing technological needs and preferences of its customers. It provides secure online transaction facilities while also catering to the increasing demands for card-based payments. Senkadagala Finance PLC has also been sensitive to the legal requirements imposed upon the Company. It continuously improves its documentation systems and successfully manages and strategises when meeting risk related situations. The Company has successfully navigated external conditions to create an impressive plan for the future of its operations.

Trusted Strategy

At the Core

Throughout almost half a century, we have developed and fine-tuned a strategically driven business model that has helped us meet challenges that are specific to our industry and institution and in the process gained the highest degree of trust of all the stakeholders in general and the customers in particular. With sustainable business practices at the core in all aspects of our operations, we strive to yield the highest return for our shareholders while maintaining a quality asset base. Having expanded our reach to cover all parts of the island, we will focus more on capitalising on the infrastructure and the expanding branch network. Moreover, in order to acquire a cost efficient funding base, we will seek access to better institutional credit and low cost customer deposits. Most importantly, we take to heart and in turn cater to the needs of our loyal customers while affording opportunities for the dynamic staff for further development.

All these have led to the delivery of considerable value to customers. The Company has now gained the reputation as a trusted finance company with many repeat customers. As depicted on the cover, trust is in fact our topmost bottom line.

Our Today

Solidly built, our Company is adept at meeting challenges while capitalising on its strengths. The ever growing customer base and the loyal work force bear testimony to the fortitude and reliability of the Company. Our network has also expanded significantly over the years and so, we have reached customers around the country. The robust risk management system has provided a solid foundation to optimise risk return trade off. The healthy capital adequacy ratios have also facilitated high credit growth while the maintenance of healthy liquid asset levels has facilitated business growth and ensured smooth business functions. As technology-related needs continue to grow, our Company also has an internally developed IT system that gives us the agility to customise it to meet the unique needs of our business from meeting the evolving customer needs and supporting operational efficiency to ensuring the quality of the asset base.

While focus is laid on expansion, our Company is also conscious of achieving established targets. In order to maintain growth momentum in performance, the Company limited the number of new branches to 10 in 2016. Moreover, new products such as savings, pawning and foreign currency operations were promoted while low cost borrowings were pursued to finance growth during the year. In order to balance the encumbered to unencumbered portfolio mix a listed debenture was formulated. Also, KPIs were set to further enhance operational efficiency. Furthermore, the Company introduced new tenures of 15 and 18 months for fixed deposits in order to attract price sensitive customers.

The industry also presented us with many opportunities that were incorporated into the overall performance of the Company. Given the demand for high credit, the Company was able to achieve Rs. 23.7 Billion in loans and advances. Moreover, the economic growth in the country also gave the Company a promising future in the tourism sector. Keeping up with the advancements made in the finance industry, the Company successfully issued a listed debenture to the value of Rs. 3 Billion during the year while also introducing new fixed deposit products.

Competition within the industry has fuelled the Company to cater to customers with our range of products and increase our repeat customer base. In the wake of rising interest rates, we procured long-term low cost funding to fix the cost of borrowing at a lower rate. Intense screening procedures and structured recovery processes are established in order to ensure timely collection of dues and the quality of the asset base. Every measure is taken to ensure that the Company meets all compliance requirements of key regulators. Most importantly, the skills of current employees are further enhanced and new talent is recruited to strengthen the forward thinking Company.

Our Tomorrow

Our footprint is already embedded in most parts of the island and will continue to be cautiously placed in other areas where we see potential. The Company will make intelligent decisions in terms of business expansion. Also, as the current trend in market gold rates is creating a better environment for the pawning business, the facility will be made available in many branches while risks will be strategically minimised. The fixed deposit base of the Company also saw a growth this year. The Company is expecting to promote its savings deposits. The deposits will be a reliable and a cheaper source of funding in the years to come. Moreover, at the heart of its operations, the Company will place the needs of its customers by making sure they keep pace with current technological trends. Senkadagala Finance PLC is geared to meet a promising future in Sri Lanka's finance industry.

Convert

Match

Capitalise

Strengths

- Nearly 50 years of operational expertise
- Skilled, well trained and experienced human capital
- Robust risk management system
- Healthy capital adequacy ratios
- Healthy liquid asset levels maintained throughout
- Strategically located network of branches and service centres
- Internally developed IT system tailor-made to our specific needs

Weaknesses

- Expansion of the branch network stressing profitability
- Deterioration of operational efficiency
- High emphasis on the traditional product lines
- High emphasis on borrowings to finance new business growth
- Low growth in the deposit base of the Company

Opportunities

- High credit demand
- Potential economic growth
- Infrastructure developments
- Growth in the financial services sector and improved public confidence in LFCs
- Changes in investor preference to regular income products as opposed to high risk equity investments

Threats

- Increasing trend in market interest rates
- Improved customer awareness and price sensitivity
- High competition due to increased number of participants for leasing business
- Exposure to the high risk segment of the market
- Increasing job opportunities to skilled and trained staff

Stakeholder Engagement and Materiality

We derive strength from the institutions and individuals with whom we interact. Whether it is an investor, customer or employee, we constantly strive to improve the quality of our relationship. By creating value for them and in turn deriving value from them, we ensure that our relationships last a lifetime. While maintaining sustainable relationships we also ensure that we deliver on our promise to better the economy, environment and society at large. We stay true to our commitment to all our stakeholders.

Stakeholder	Impact of the stakeholder	Influence of stakeholder on SFPLC	Influence of SFPLC on the stakeholders
Shareholders and other investors	Shareholders and other investors remain key stakeholders of the Company as they invest capital or fund the growing portfolio of the Company. On a periodic basis investors are provided with information on various covenants, Company performance and corporate governance.	High	High
Customers	Customers play a vital role in the success of SFPLC's business. The Company provides financial support to its customers and focus on customer retention and growth in business.	High	High
Employees	Employees drive the business forward. They maintain relationships with all other stakeholders on behalf of the Company. Hence, their development and career growth goes hand in hand with the success of the Company.	High	High
Suppliers and business partners	Suppliers have become increasingly important to SFPLC with the expansion of its branch network, technological developments and the growing need for other-related supplies.	Medium	High
Government and regulatory authorities	As a listed finance company and a holder of public deposits, the Company has to conduct its operations in accordance with the rules set by various regulators.	High	Medium
Society and environment	Two important dimensions of sustainability, the society and the environment are closely interlinked with the operations of the Company.	Medium	Low

Below are the details of various stakeholder engagement activities carried out by the Company and their frequency, areas of concern and how they were addressed:

Stakeholder	Engagement activity	Frequency	Areas of concern	How these concerns were addressed
Shareholder and other investors	Annual general meetings	Annually	Financial performance, governance, transparency and other disclosures	A constructive dialogue is maintained between the Management and the shareholders during the AGM while other concerns are discussed thereafter.
	Annual reports	Annually	Financial performance, governance, transparency and other disclosures	Comprehensive disclosures are presented to both answer the qualms of shareholders and provide essential information.
	Extraordinary general meetings	As required	Governance, transparency and other disclosures	The proposed rights issue of the Company was duly adopted by the shareholders at the EGM on 30th March 2017.
	Interim financial statements and investor presentations	Quarterly	Financial performance and shareholder/Investor communication	A detailed analysis of the Company's performance is included in the report to cater to the requirements of investors.
	Press conferences and press releases	As required	Business expansion, strategies and transparency	
	Announcements made to the Colombo Stock Exchange	As required	Investor relations, financial information, transparency and customer services	
	One-to-one discussions	As required	Financial inclusion and risk management.	A dialogue with key banks and major investors to communicate, periodic performance and identify optimal funding sources.
	Corporate website	Continuous	Sustainable growth	
Customers	Touch points	Continuous	Financial inclusion	SFPLC provides a wide array of services to meet the requirements of customers. A speedy service is offered with the help of the ICT system.
	Town storming, leaflet campaigns, street promotions and banners	As required	Customer service, financial inclusion, affordability of services and convenience	The pricing and repayment is tailored to the income and repayment capacity of individual customers.
	Relationship Managers	As required	Service quality, customer satisfaction and information security	System security is enhanced to cater to the trending ICT requisites.
	Media advertisements	As required	Affordability of services and convenience	
	Corporate website	Continuous	Customer service, financial inclusion, affordability of services, convenience and dispute resolution	Detailed information of the products and latest developments in the Company are continuously updated
	Customer workshops	As required	Financial education and literacy	
Employees	Executive meetings	Quarterly	Performance management and business developments	Active dialogue among the management on new business developments, macroeconomic changes and other areas of concern.

Stakeholder	Engagement activity	Frequency	Areas of concern	How these concerns were addressed
	Managers' conference	As required	Performance, reward management, business developments and other risk-related issues	Frequent communiqué on performance evaluation mechanisms and business developments.
	Regional review meetings	Quarterly	Local business developments and regional performance	The MIS is developed to provide detailed analysis of performance continuously.
	Memorandums	As required	Financial inclusion	
	Emails	As required	Recruitment, retention and attrition	
	Training programmes	As required	Value driven corporate culture	
	Special events for staff engagement	As required	Diversity, future plans and career progression	
	Open door policy	Continuous	Career progression, performance management and grievances	
	Operational guidelines	Continuously	Business know-how	
	Code of conduct	Continuously	Best practices and business value creation	
	Performance evaluations	On going	Performance management	
Suppliers and business partners	Supplier relationship management	As required	Contractual performance and on-going business development	Dialogue with key suppliers to communicate and identify operational developments and needs.
	On-site visits and meetings	As required	Responsible sourcing and future business opportunities	
Government and regulatory authorities	On-site and off-site surveillance	As required	Compliance with regulations, directives and codes	SFPLC ensures timely submission of periodic financial returns
	Directives and circulars	As required	Corporate governance, expansion, business growth etc.	A compliance process is in place to ensure adherence to all directives and circulars which are enacted, within due dates
	Meetings and consultations	As required	Compliance	
	Press releases	As required	Business trends and financial inclusion	
	Periodic returns	As specified	Financial performance	
Society and environment	Delivery channels	Continuous	Responsible financing ethics and business conduct	The Company continued to expand its reach by opening new branches dispersed around the country
	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	Information pertaining to products and environmental impact	Grievances and concerns are directed to the relevant officer for immediate remedial action
	Corporate website	Continuous	Environmental performance	The Company's latest developments are regularly updated on the website.

Materiality

Materiality takes into consideration the economic, environmental and social concerns that impact the strategy and operations of Senkadagala Finance PLC. An aspect is considered material if it substantively affects the Company's ability to create value over short, medium and long term. These aspects are selected based on the Company's operations and engagement with primary stakeholders – shareholders, business partners, customers, employees and the community.

Aspects Material to Senkadagala Finance PLC

	Aspect	Indicators	Significance To SFPLC	Significance To Stakeholder
	Economic			
1	Economic performance	G4-EC1 G4-EC3	V	V
	Environmental			
2	Energy	G4-EN6	H	H
3	Effluents and waste	G4-EN23	M	M
4	Compliance	G4-EN29	H	H
	Social			
	Labour practices and decent work			
5	Employment	G4-LA1 G4-LA2	H	H
6	Occupational health and safety	G4-LA8	H	H
7	Training and education	G4-LA9 G4-LA10 G4-LA11	V	V
8	Labour practices/grievance mechanisms	G4-LA16	H	H
	Society			
9	Local communities	G4-SO1	H	M
10	Anti-corruption	G4-SO3	H	H
	Product Responsibility			
11	Product and service labeling	G4-PR5	V	H
12	Customer privacy	G4-PR5	V	V

V – Very high H – High M – Medium

Significance to Stakeholders	Medium	High	Very High
Very High			1,7,12
High		2, 4, 5, 6, 8, 10	11
Medium	3	9	

Significance to Senkadagala Finance PLC

Value Creation and Capital Formation

The sustainable value of a company depends on the value it creates for itself and the value it creates for its stakeholders. Evidently, value creation is a two-way process which leads to the formation of capital. In the lingo of integrated reporting, value creation takes on a broader and deeper meaning to encapsulate not only the financial gains and resources of a company but also the relationships used and affected by the Company. Internal capital is owned by the Company while external capital consists of that which does not belong to the Company. Regardless of ownership, in the operations of a company both types of capital are used to derive and most importantly deliver value to its stakeholders.

Financial Capital

Financial Review

Overview

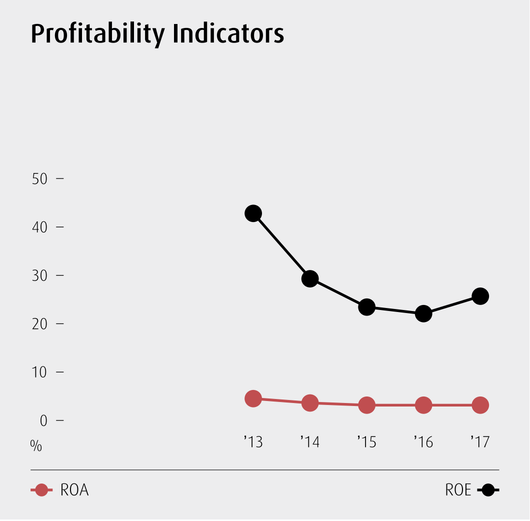
Senkadagala Finance recorded yet another outstanding performance in the financial year 2016/17 reporting a profit after tax of Rs. 861 Million, a growth of 40.41% from Rs. 613 Million of the previous year. The total assets of the Company surpassed Rs. 30 Billion during the year. All the key performance indicators showed an improving trend against the previous financial year. This year's financial performance is an excellent demonstration of the strength and stability of the Company and an attractive return for the trust vested by all its stakeholders.

The financial services industry thrived during the year. The persistently high credit demand despite an increasing trend in market interest rates provided a favourable environment, leading the industry to flourish with high return on investment and lower NPL ratios. However, the regulatory interventions to increase the market interest rates and imposition of stringent loan to value ratios signal a possible slowdown in the growth momentum enjoyed by the industry in the years ahead.

With 10 more branches added to its branch and service centre network during the year, Senkadagala Finance now carries out its operation through 90 locations island-wide. Senkadagala Finance will celebrate its 50th year in service in the year 2018. Enriched with years of operational expertise and a strong asset base, the management is enthusiastic about the future and has a positive outlook on facing an increasingly competitive financial services industry.

Profitability

During the year, the Company recorded the highest ever profits in its 48-year history. Post-tax profit reached Rs. 861 Million with a year on year growth of 40.41% while profit before tax surpassed the Rs. 1 Billion threshold to record at Rs. 1,119 Million, a growth of 26.81% from Rs. 882 Million of last financial year.



Reflecting the growth in profit for the year as aforesaid and the efficient use of assets by the management, profitability as measured in terms of return on assets (ROA) and return on equity (ROE) too recorded healthy growth. ROA and ROE improved to 3.24% and 25.87% respectively compared to 3.04% and 22.19% of the year before.

The consolidated results also showed significant improvement over the year. Pre-tax and post-tax profits for the group were Rs. 1,169 Million and Rs. 869 Million respectively, recording notable year on year growth of 27.27% and 41.96%.

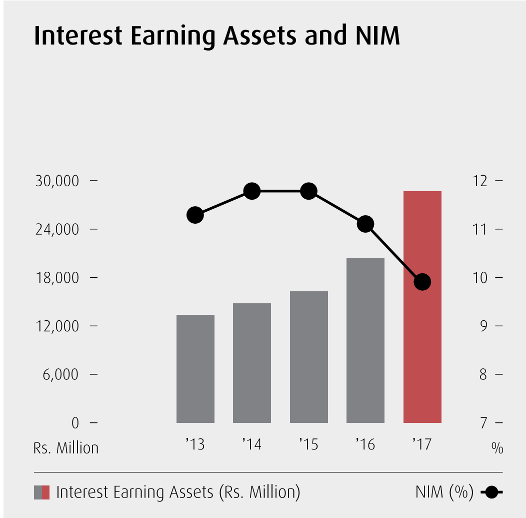
A key contributor for the growth in profitability was the significant decrease of loan losses arising from the improved asset quality of the Company. The growth in new business experienced in the recent past also helped to increase the earning asset base of the Company. The Company's prudent policies in operating expenses management also greatly helped to improve the profitability in the financial year under review.

Net Interest Income

Despite increasing pressure on interest margins the Company recorded a commendable 18.53% growth in net interest income to reach Rs. 2,423 Million for the year ended 31st March 2017.

High business volumes and the improved asset quality were the main contributors for the increase in interest income during the year which grew by 28.81% or Rs. 1.08 Billion when compared to Rs. 3.7 Billion of the previous year. However, demand for funding to finance the business growth and the increasing trend in the market interest rates forced the interest expenses to grow by 41.17% to Rs. 2.4 Billion compared to Rs. 1.7 Billion last year. However, introduction of effective funding management mechanisms to exploit the low cost funding opportunities in the market enabled the Company to record a net interest margin (NIM) of 9.87%.

The decline of NIM from 11.12% of March 2016 to 9.87% in 2017 was due to the high growth experienced in the interest earning assets over the year and the pressure experienced on interest rates.



Income

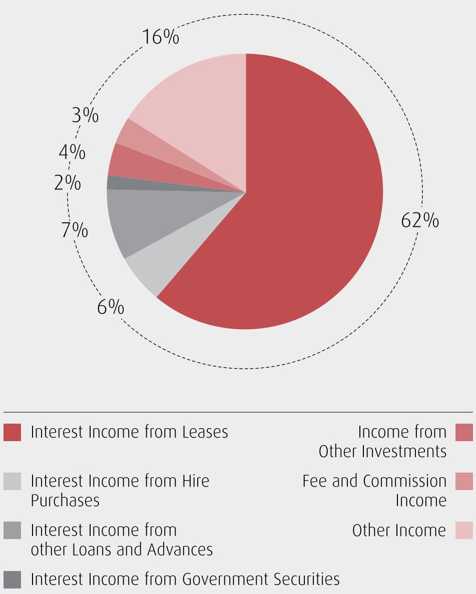
The higher number of new advances disbursed during the year also improved the fee-based income for the Company. Accordingly, growth from this source of income was recorded at 62.36% to reach Rs. 139 Million compared to Rs. 85.4 Million of last year. The Group's income from this avenue increased by 40.41% to reach Rs. 259 Million by 31st March 2017 mainly due to commission income from insurance brokering activities carried out by Senkadagala Insurance Brokers, the insurance brokering arm of the group.

Other operating income also showed a growth of 31.62% to reach Rs. 168 Million from Rs. 127 Million of last year. The Group's income increased by 43.04% to reach Rs. 106 Million mainly attributable to the rental income received from investment property of Newest Capital Ltd., the new member of the Group.

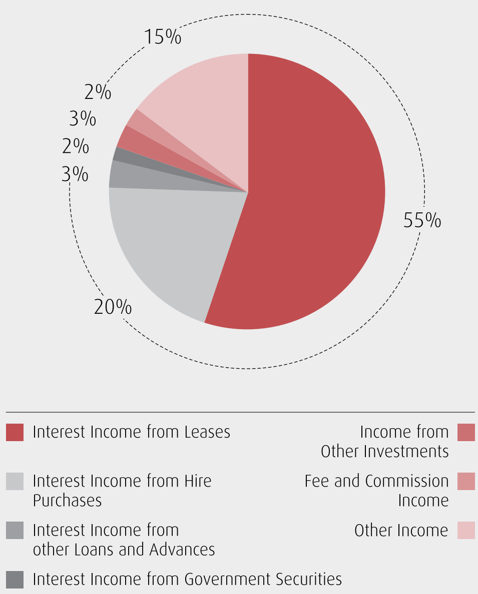
Sources and Utilisation of Income

	2017 Rs. '000	%	2016 Rs. '000	%
Sources of Income				
Interest income from leases	3,205,693	62.39	2,182,057	55.04
Interest income from hire purchases	295,474	5.75	811,188	20.46
Interest income from other loans and advances	433,102	8.43	127,520	3.22
Interest income from Government Securities	88,819	1.73	67,278	1.70
Income from other investments	204,062	3.97	106,364	2.68
Fee and commission income	138,664	2.70	85,405	2.15
Other income	772,322	15.03	584,733	14.75
Total	5,138,136		3,964,546	

Sources of Income – 2017

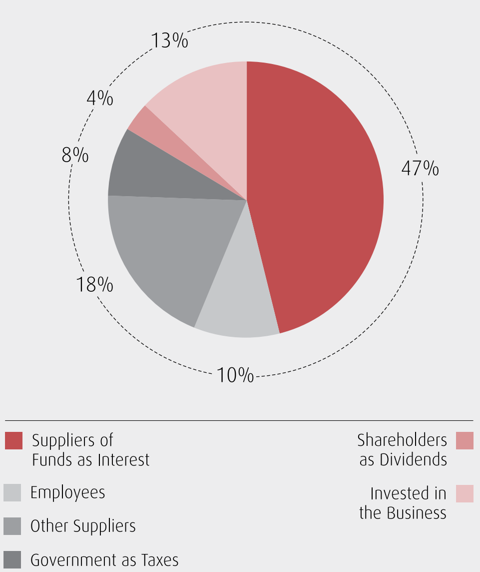


Sources of Income – 2016

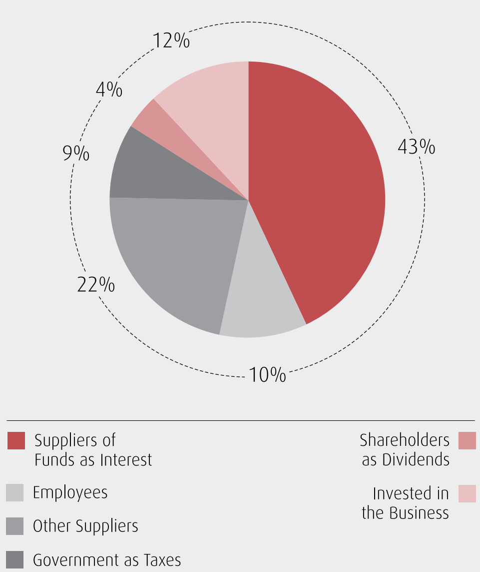


	2017 Rs. '000	%	2016 Rs. '000	%
Utilisation of Income				
Suppliers of funds as interest	2,402,305	46.75	1,701,766	42.92
Employees	518,573	10.09	411,535	10.38
Other suppliers	946,786	18.43	868,618	21.91
Government as taxes	416,902	8.11	341,783	8.62
Shareholders as dividends	185,899	3.63	166,330	4.20
Invested in the business	667,672	12.99	474,515	11.97
Total	5,138,136		3,964,546	

Utilisation of Income – 2017



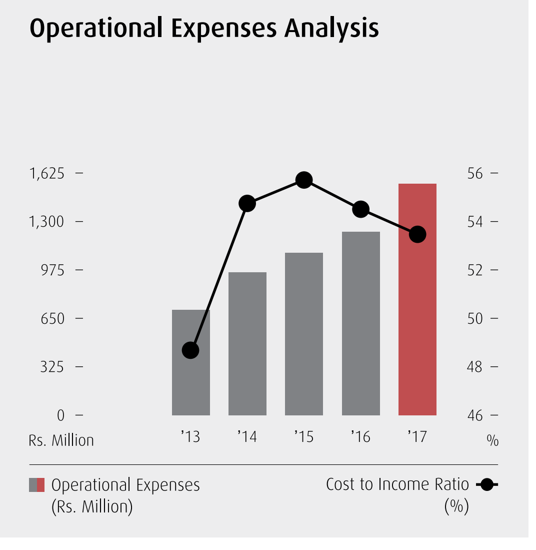
Utilisation of Income – 2016



Expenses

In line with the growth in business volumes, operational expenses of the Company increased. The Company opened its doors in ten new locations around the country and the resulting increase in the headcount caused the personnel expenses to increase by 26% to Rs. 518 Million. On the same basis, the depreciation and amortisation expenses also increased by Rs. 44 Million over the year to Rs. 265 Million as at 31st March 2017. The augmented level of operations caused the other expenses also to record a corresponding growth of 17.49% upto Rs. 649 Million.

Despite increased operating expenses on account of the increasing number of branches, the augmented level of operations caused the cost to income ratio to record a marginal improvement from 54.52% to 53.47% for the year ended 31st March 2017.



The management considers the quality of its asset base to be a key success factor for the finance business. Hence, continuous control measures are taken to manage the non-performing assets of the Company. As a result, impairment and other loan loss charges for the year significantly reduced. The net impairment recorded a reversal of Rs. 25.5 Million compared to a charge of Rs. 26 Million in the previous year. Other loan losses also recorded a reversal of Rs. 33 Million against a charge of Rs. 84 Million during the previous year, mainly driven by gains on sale of repossessed assets and recovery of loans previously written off.

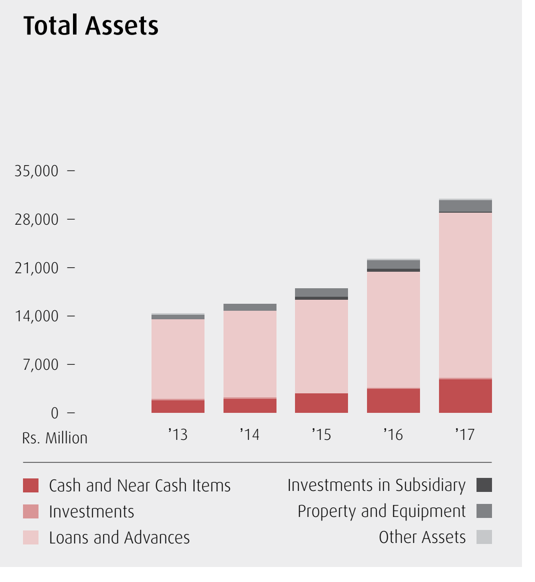
Taxation

During the year, the Company incurred value added tax on financial services and corporate income tax of Rs. 161.1 Million and Rs. 258.1 Million respectively. The 82% year on year growth of the value added tax on financial services was attributable to the increased level of new advances and the changes in the underlying tax regulations.

The corporate income tax expense consists of Rs. 176 Million of deferred tax and Rs. 82 Million of current tax expense.

Financial Position

Total assets of the Company increased by 39% reaching Rs. 30.9 Billion as at 31st March 2017, surpassing the Rs. 30 Billion threshold by the end of the year. Total loans and advances recorded a 40.5% growth from Rs. 16.9 Billion of previous year.



Total loans and advances of Rs. 23.7 Billion constituted 76.8% of total assets. The Company held Rs. 3.5 Billion in liquid assets, 11.42% of total assets to support the working capital requirements of the Company while accommodating the liquid assets prescribed by the regulator. Other major asset components consist of Property, Plant and Equipment and investments in subsidiary companies being 4.4% and 1% of total assets respectively.

Liquid Assets and Cash Flows

The high volume of new advances disbursed demanded high liquidity injections throughout the year; accordingly, the Company used Rs. 5.9 Billion cash in operating activities. This was an increase of Rs. 2.9 Billion from Rs. 3 Billion cash used in operating activities in the preceding financial year.

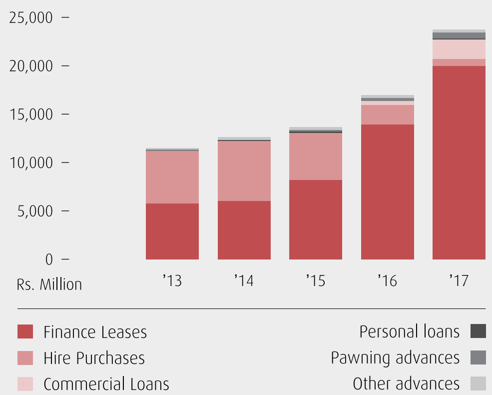
A notable growth of Rs. 344 Million is evident in the cash used in investing activities from Rs. 170 Million of last year to Rs. 515 Million in the current financial year. The Company recommenced its branch expansion, hence the growth in cash used in investing activities, to finance capital investments on commissioning new branches.

Cash and cash equivalents and deposits held with licensed commercial banks increased by 32% and 96% to reach Rs. 604 Million and Rs. 2,424 Million respectively. Total liquid assets increased by Rs. 1.4 Billion, a growth of 40.8%. The Company has managed to maintain a healthy liquid asset level in comparison to its total assets to accommodate working capital requirements and potential business growth.

Loans and Advances

Loans and advances of the Company constitutes of finance leases, hire purchases, commercial loans, personal loans and pawning advances. Total loans and advances stood at Rs. 23.7 Billion by 31st March 2017, boasting a notable year on year growth of 40.5% compared to Rs. 16.9 Billion last year. The growth was driven by the high volume of new finance leases and commercial loans disbursed during the year. Persistently high credit demand coupled with relatively low interest rates helped achieve this growth.

Analysis of Loans and Advances

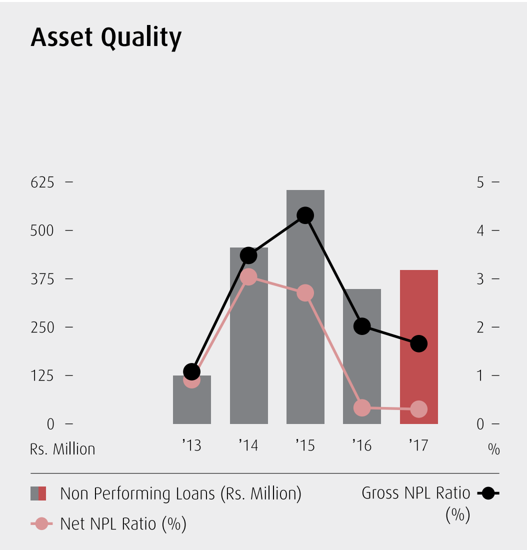


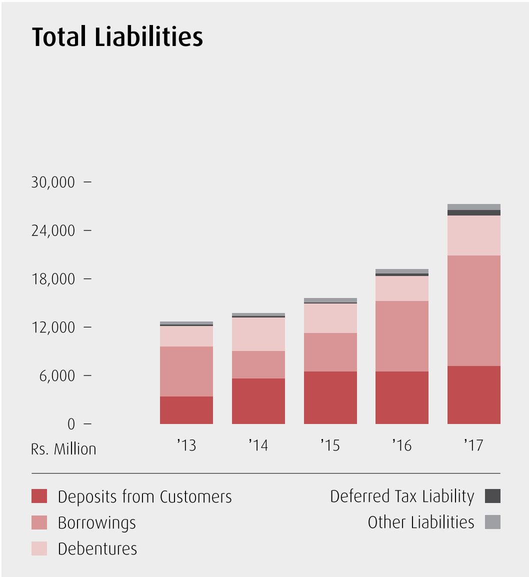
The lease portfolio saw a noteworthy growth of 43.2% from Rs. 13.9 Billion last year to reach Rs. 20 Billion as at 31st March 2017. The budgetary reforms of late 2014 created favourable conditions for finance leases, thus the demand for hire purchases shifted towards finance leases. Hence, the hire purchases reflected a decline of 68% to Rs. 645 Million as at the year end compared to Rs. 2,025 Million of last year.

Commercial loans and pawning also contributed to the bottom-line with notable growths of 518% and 204% to reach Rs. 2,059 Million and Rs. 548 Million respectively. This growth was facilitated by the promotional activities carried out by the Company throughout the year targeting potential market segments.

Asset Quality

The Management accords the highest importance to the asset quality in creating sustainable growth in the finance business. Hence, credit evaluation processes and prudential credit policies are introduced and upgraded from time to time. As a result, Senkadagala Finance boasts one of the lowest NPL ratios in the industry. The Company managed to further improve its Gross Non-Performing Ratio, which is gross non-performing loans as a percentage of total loans and advances to 1.64%, well below the industry average ratio of 5.3% and 2.02% of preceding financial year.





Liabilities

The total liabilities of the Company stood at Rs. 27.2 Billion as at 31st March 2017, a growth of 41% compared to Rs. 19.2 Billion of the preceding financial year. 69% of liabilities consist of borrowings in the form of bank loans, securitised loans and debentures.

Total borrowings increased by 58% to reach Rs. 18.7 Billion by the end of the year when compared to Rs. 11.7 Billion of the previous year. Mid to long-term bank borrowings, which was Rs. 6.9 Billion as at 31st March 2017 forms the biggest component of borrowings. Other borrowings include mid to long-term securitisations and short-term commercial papers amounting to Rs. 4.8 Billion and Rs. 1.9 Billion respectively. The management endeavours to optimise the funding mix with short, mid and long-term funding based on the prevailing market conditions and the future outlook.

The Company raised Rs. 3 Billion through an issue of unsecured, redeemable, senior debenture listed in the Colombo Stock Exchange on 4th November 2016. The issue was fully-subscribed on the opening day, symbolising the unwavering trust of the investors in the Company.

Capitalising on market conditions that prevailed, the new business growth was primarily funded through debentures, bank and other borrowings. This helped to reduce the interest expense whilst creating favourable conditions in managing the maturity mismatch.

Deposits from Customers

Deposits from customers consists of fixed deposits, certificates of deposit and savings deposits totalling Rs. 7.2 Billion as at the year end, recording a 11% growth against Rs. 6.5 Billion recorded during the previous year.

The high volume of new advances granted during the year required large scales of funding within short turnarounds, hence deposits did not prove to be an efficient funding source. However, going forward the market outlook prompts the necessity to have a stronger deposit base to facilitate sustained business growth.

The fixed deposits and savings deposits of the Company recorded Rs. 6.8 Billion and Rs. 341 Million with a growth of 10.6% and 21.3% respectively by the end of the financial year.

Shareholders' Funds

The total shareholders' funds recorded a notable growth of 22.3% primarily triggered by the increased profitability. As at the year end, total shareholders' funds stood at Rs. 3.6 Billion with an increase of Rs. 668 Million from Rs. 2.9 Billion of the last financial year.

There were no new issue of shares during the year and hence the stated capital stood at Rs. 1,008 Million, same as the year before. However, the Board of Directors proposed and an approval in principle was obtained from the Colombo Stock Exchange and the Central Bank of Sri Lanka to issue and list 7,247,506 shares at an issue price of Rs. 80/- per share by way of a rights issue towards the latter part of the year. The resolution pertaining to this issue was duly adopted by the shareholders at the Extraordinary General Meeting held on 30th March 2017. The rights were fully-subscribed and the issue was completed by 24th April 2017. The shares were listed in the Colombo Stock Exchange on 2nd May 2017, consequently increasing the stated capital of the Company to Rs. 1,587,862,680/- (72,475,061 shares in issue).

In compliance with the Finance Companies (Capital Funds) Direction No. 01 of 2003, the Company transferred Rs. 45 Million to the statutory reserve fund, resulting in an increase in the fund of 17% to reach Rs. 310 Million by the end of March 2017.

Other reserves collectively amounted to Rs. 2,344 Million reflecting a year on year growth of 36% compared to Rs. 1,720 Million of the year before.

The core capital ratio and the total capital ratio stood at 14.19% and 16.08% respectively against 15.98% and 19.90% of the preceding year. The decrease of the ratio was mainly due to the high growth rate of assets compared to equity. The primary objective of the aforementioned rights issue was to maintain the Capital Adequacy of the Company at a comfortable level, leaving sufficient leeway for future business expansion.

The Company paid Rs. 185 Million in dividends during the year, a growth of 11% compared to Rs. 166 Million paid last year. Additionally, the Directors have recommended a final dividend of Rs. 0.95 per share to be paid upon approval by the shareholders at the forthcoming Annual General Meeting of the Company.

Group's Performance

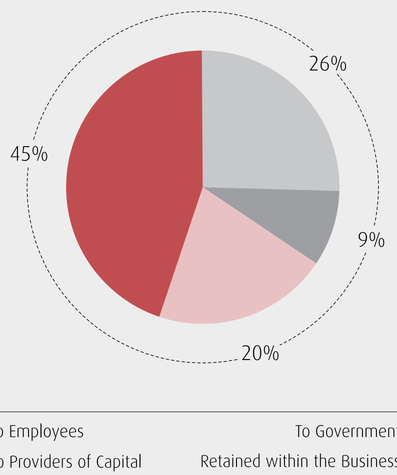
Senkadagala Finance Group performance shows an improvement over the year, recording a 42% growth in post-tax profits to reach Rs. 869 Million compared to Rs. 612 Million of previous year. The total assets of the Group increased by 38.92%, reaching Rs. 30.8 Billion compared against Rs. 22.2 Billion of the year before. Subsidiaries, namely Senkadagala Insurance Brokers (Pvt) Ltd. and Newest Capital Ltd. recorded growths in profits, thereby positively contributing to the bottom-line of the Group.

Senkadagala Insurance Brokers paid dividends to the value of Rs. 79 Million due to its augmented level of performance.

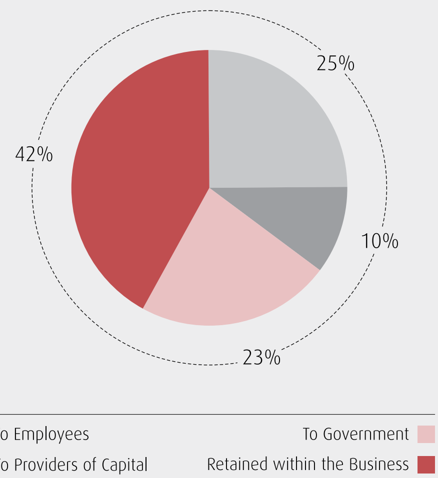
Value Added and Distributed

	2017 Rs. '000		2016 Rs. '000		Change %
Value added					
Gross Income	5,138,136		3,964,546		32
Less					
Cost of borrowings	(2,402,305)		(1,701,766)		41
Payments towards support services	(678,548)		(600,891)		28
(Provisions)/reversals for Loan losses	7,317		(57,984)		-113
	2,064,600		1,603,905		29
Distribution of value additions		% share		% share	
To employees					
as salaries and wages	363,480	17.61	310,011	19.33	17
as other benefits	164,914	7.99	90,012	5.61	82
To shareholders as dividends	185,899	9.00	166,330	10.37	12
To government					
as Income taxation	255,741	12.39	271,993	16.96	-5
as VAT on financial services	161,160	7.81	88,566	5.52	82
Retained within the business					
as depreciation for replenishment of assets	265,734	12.87	221,254	13.79	20
as reserves	667,672	32.34	455,737	28.41	46
	2,064,600		1,603,905		29

Distribution of Value Addition – 2017



Distribution of Value Addition – 2016



Ethical

The code we live by enshrines honesty, transparency, good governance, adherence to regulations and accountability.

Ethics are fundamental to building and sharing trust

Institutional Capital

The Company adopts an inclusive culture based on trust, co-operation and professionalism. Both internal and external stakeholders are exposed to this culture of the Company

The institutional capital of the Company is the non-financial, intangible component that improves stakeholder engagement. In delivering value to its stakeholders, Senkadagala Finance PLC maintains a solid institutional capital base. The integration of ICT processes to the overall operations of the Company, the brand name, brand equity, the corporate culture and the supply chain and procurement policy are those that contribute towards the formation and development of the Company's institutional capital.

An Impregnable ICT System

Senkadagala Finance PLC adopted technology in its operations at the earliest stages of ICT developments. Today, the tailor-made system enables the smooth functioning of the operational and reporting aspects of the Company. It is one that continues to be updated as the Company grows and the needs of stakeholders multiply.

Once a simple PC-based network system, it has now evolved into a sophisticated and stable multi-user servicing system. It is used in the operations of front and back office functions as well as for regulatory reporting purposes and ensures the smooth operations of all departments within the Company. While the system allows employees to derive the information they require promptly, it also enhances the customer experience. The ICT system provides support for divisions such as finance to carry out payments, receipting, management of repossessed assets, general ledger and more importantly to generate MIS to meet internal and external reporting needs. A majority of the basic functions are automated in order to minimise user interactions and non-value adding expenditure.

As the Company's reliance on ICT has significantly increased throughout the years, so have the adoption of suitable risk management techniques. In order to ensure the proper use of ICT systems a company procedure manual has been developed along with an information system security policy and a business continuity plan to ensure minimal business disruption. As ICT-related risks grow, the Company continues to assess and revise its ICT policies to guarantee the smooth operations of day-to-day activities.

A Culture-Based on Trust

The Company adopts an inclusive culture-based on trust, co-operation and professionalism. Both internal and external stakeholders are exposed to the culture of the Company in which an open approach to communication is adopted. Interaction between superiors and subordinates also flows freely thereby establishing relationships that last a lifetime.

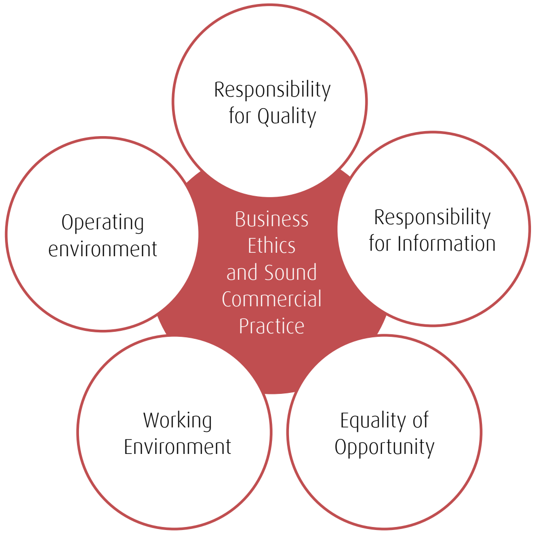
Senkadagala Finance PLC also believes in the identification and cultivation of the talents of its employees. During the financial year 2016/17, employees who performed impressively were elevated to the position of managers. This strategy proved advantageous as those who took up senior positions in the Company were already equipped with technical knowledge, systems, procedures and customer handling techniques. This is a critical component of the Company's value creation process.

Team work is also fostered within the Company. Small groups are assigned to take on the operations of the branches and members of the teams are encouraged to be proficient in all areas of the business irrespective of the role entrusted to them. This culture of learning plays a pivotal role in the professional growth of our employees. Moreover, team performance is acknowledged at the end of the year as salary increments and bonuses depend largely on the success of team work. This approach of collective assessment has instigated a performance-driven culture and also creates healthy competition among branches and centres.

Risk management is another area in which employees display great degrees of competency. As risk management is embedded into the Company's strategy and to the corporate culture, it is also lodged in the conscience of its employees. Every employee is encouraged to take calculated risk for the betterment of the Company and the society at large.

Relationships with External Parties

The Company has been maintaining solid relationships with a number of external parties. From its inception Senkadagala Finance PLC was a member of both the Leasing Association of Sri Lanka and the Finance House Association of Sri Lanka. The Company is also a strategic level training partner of the Charted Institute of Sri Lanka and has collaborated with them in providing its students with managerial and strategic level training. During the financial year the Company also participated in a training on credit evaluations conducted by the Finance House Association of Sri Lanka.



Solid relationships with suppliers

The Company has systematised the procurement of supplies to its growing network by building solid relationships with suppliers of stationery, day-to-day consumables and maintenance-related equipment and services. Even though the Company's dependence on suppliers for provision of materials is minimal in comparison to manufacturing organisations, branch expansion necessitates a transparent and intelligent strategy.

The administrative department is in charge of sourcing and operates in accordance with the purchasing policies and procedures of the Company. The department has developed close ties with a pool of suppliers who deliver according to the needs of the branches. In order to minimise inventory holding, only small stocks of supplies are held at branches, however suppliers respond speedily to the depletion of supplies. The solid relationship that is built ensures timely delivery of goods and lasting relationships with suppliers.

As the Company takes forward its expansion plans, the Administrative Department remains vigilant about the construction processes. While the department keeps in touch with a pool of interior construction companies, it also closely supervises and co-ordinates the construction process. Having a selected pool of interior constructors has enabled the Company to maintain uniformity throughout the network. The suppliers continue to get business while the Company enjoys the timely completion of projects and reasonable pricing as close ties are maintained with the respective entities.

Customer Capital

The Company has an impressive product portfolio that is being constantly updated and upgraded to meet the changing needs of its customers

Athurugiriya Branch Opening

Kirindiwela Branch Opening

Truthfulness is one of the Company's strongest attributes, one that has helped it establish long-lasting relationships with its customers. It is these relationships that have helped the Company develop a deeper understanding of the customer and to deliver its products and services to meet their specific requirements. Their needs and concerns are topmost on the Company's list of priorities. Senkadagala Finance PLC will continue to fine tune its offering by maximising convenience to the customer through widespread reach, gamut of products and services, streamlined internal processes and benchmarked service standards, and enhance customer centricity.

While transparency is always adopted in reporting on the operations and performance of the Company, it also continues to introduce innovative products, update its ICT system and risk management strategies, in view of further strengthening relationships with its customers.

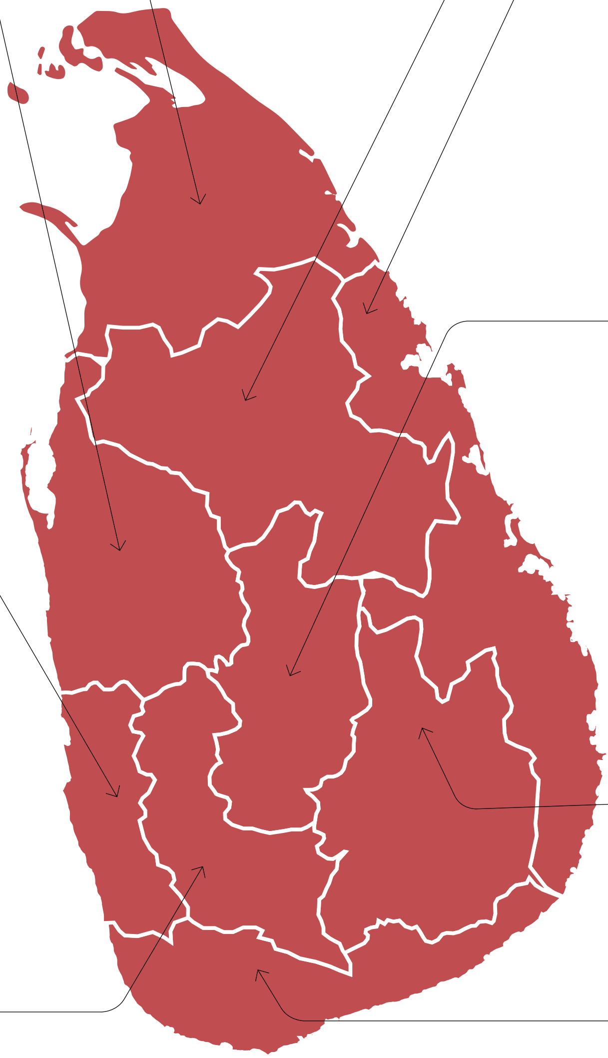
Growth in the Customer Base

The Company's customer base with reference to the loan and deposit portfolios grew to a commendable 62,565 in 2016 as opposed to 59,562 in 2015. This culminated in a commendable growth rate of 4.80% during the financial year. The growth invariably resulted in the growth of the aforementioned portfolios.

	2015	2016	Growth	Growth Rate (%)
Loans	34,475	35,413	938	2.65
Deposits	25,087	27,152	2,065	7.61
Total	59,562	62,565	3,003	4.80

Dispersed to Serve Widely

The Company has expanded and continues to reach its customers and prospective customers around the island. In order to capture the interest of diverse customers, many new centres were established in the North and the East of the country. Its 90 branches and service centres are situated in Sri Lanka's nine provinces. Some of the most recently opened branches and service centres are located in the Northern, Eastern and North Central Provinces.



	Branches	Service Centres
Northern	2	3
North Central	3	2
North Western	7	4
Eastern	2	3
Central	6	3
Western	21	14
Uva	1	4
Sabaragamuwa	4	4
Southern	3	4

Branches   Service Centres

Products that Cater to a Multitude

Senkadagala Finance PLC has an impressive product portfolio that is being updated and upgraded to meet the changing needs of its customers. There are certain products that are at the maturity stage of its product life cycle while others still have the capacity to grow. All new and updated products contribute towards maintaining a healthy flow of returns.

The products and services portfolio primarily consists of lending facilities and the accommodation of deposits. Finance leases and hire purchases consist of the primary lending products while commercial loans, personal loans and pawning complement the loan product portfolio and are gaining momentum. Within the past financial year, the lease portfolio of the Company thrived as a result of the favourable changes in the Government taxation regulations. Moreover, technological advancements helped to rapidly disburse loaned funds to creditworthy customers. The introduction of the loan appraisal process helped hasten the otherwise lengthy process. Now, within a period of two business days loaned funds can be obtained for either commercial or personal needs.

Fixed deposits are the primary form of deposit accommodation while the sub-products consist of those made available to customer groups such as senior citizens and children. The Company is able to offer attractive interest rates for fixed deposit holders within the CBSL regulated rates. The Company also updates its ICT systems to make operations more convenient for customers. Today, fixed deposit holders are given the option of handling their account through an online portal which allows depositors to check deposit balances and interest rates while also transferring funds, withdrawing deposits and placing fresh deposits. Loans that are granted against fixed deposits are a sub-product of fixed deposits. This enables customers to utilise the funds in case of an emergency without compromising the interest receivable on maturity.

In addition, the Company provides services such as foreign currency exchange, insurance brokering activities and Western Union fund transfers.

Product Launches and Relaunches

The Company's savings product is a supplementary of deposit products and one that was introduced recently. The management has strengthened the product by introducing features such as Visa debit cards, online access and real time fund transfer facilities. The online portal also allows customers to make credit card and other utility bill payments. These products greatly benefit customers and will be developed further to better suit the evolving needs of customers.

Boosting Customer Convenience

The well-secured online services provided by the Company are among many of its forward thinking moves. With the help of online services, customers are able to request information regarding current and past fixed deposits, interest rates and the balance of savings deposits. Moreover, customers can use the available online services to transfer funds, set up standing orders, pay utility bills and even create fixed deposit accounts with the use of funds in savings accounts. An SMS alert is sent to customers when transactions take place through the Company's online portal.

The Company also stays true to its promise in catering to the financial needs of customers island-wide. This year, the Company opened its doors to customers in ten new strategic locations spread throughout the country.

Assessing Customer Satisfaction

Senkadagala Finance PLC places a great degree of significance on customer feedback and satisfaction. In order to ensure that the relationship between the customer and the Company is solid from the very beginning, a relationship manager is appointed to liaise with the customer. The necessary information can be gathered from the appointed manager while concerns are also addressed.

The Company takes pride in its loyal customer base around the island. Today, the centralised network system of the Company located in all strategic locations in Sri Lanka makes it possible for customers to stay updated about product upgrades and the launch of new products and services.

The corporate website is also updated regularly and enables inquiries to be placed regarding products and services. Queries and concerns that are mailed to the Company's general e-mail address are also promptly addressed.

Periodic customer satisfaction surveys are carried out while street promotions and leaflet campaigns allow the Company to connect with its customers at a different level. These campaigns provide the Company with inspiration to formulate new products and upgrade existing ones.

The Company has also placed a 'complaints and suggestion box' at all its branches and service centres to allow its customers to mention their grievances and suggestions. The Management pays a great deal of attention to these complaints and suggestions and rectifies issues so that they are not to be repeated in the future.

Challenges Faced

While the Sri Lankan economy is conducive to the success and sustainability of financial institutions, this also poses a threat to the Company as it has to compete with the products and services offered by other established financial institutions. On one hand, commercial and development banks are offering all the products and services offered by the players in the NBFIs sector to a captive clientele at very competitive rates. The rapid pace of technological advancements on the other hand has also brought in unorthodox competition. The price based competitive strategies adopted by various players are gradually impacting the net interest margins of the sector. Moreover, high staff turnover also poses a threat because those who received their training at Senkadagala Finance PLC join competitors and in turn encourage customers of the Company to refinance with the respective competitor. However, this competition is used as a source of motivation by Senkadagala Finance PLC to keep innovating and introducing new products and services.

Some of the regulatory developments introduced by the Central Bank of Sri Lanka such as loan to value ratios, imposition of ceilings on deposit interest rates and relatively high interest rates offered by banks for customer deposits. will have adverse implications on the growth prospects of the NBFIs.

Further, certain mega trends relating to ICT and customer demographics are changing customer needs and preferences at an alarming pace and the resulting need to continue to align the products and services to be customer centric is challenging.

Privacy Secured

The Company handles customer details and transactions with great amounts of care, making sure privacy is maintained at all costs. Many controls, policies and procedures are put in place by the Management to ensure that a customer feels completely secured. During the year, the Company secured its online portals and also conducted a penetration test to ensure that customer data entered through the Company website and other portals is secure.

Effective Communication

The Company uses both centralised and localised strategies to market its products and services. While fixed deposits, savings and other deposit products are regularly advertised through the mass media, a localised approach is used to promote loans and advances. Branch managers and centre heads are encouraged to target specific localities by using leaflet campaigns and street promotions. However, the Management believes that the best form of promotion is through word of mouth. In order that success is ensured the Company maintains an infallible relationship with its loyal customers.

Depositor Information

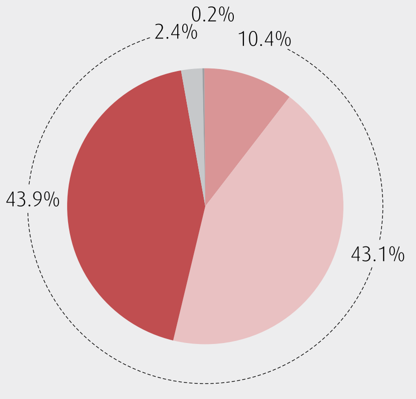
Deposit Base

As at 31st March	2017	2016	2015	2014	2013
Term deposits (Rs. '000)	6,878,553	6,217,221	6,237,346	5,439,663	3,254,899
Certificates of deposit (Rs. '000)	10,548	11,102	11,745	2,792	3,521
Savings deposits (Rs. '000)	341,771	281,711	292,805	181,944	154,044

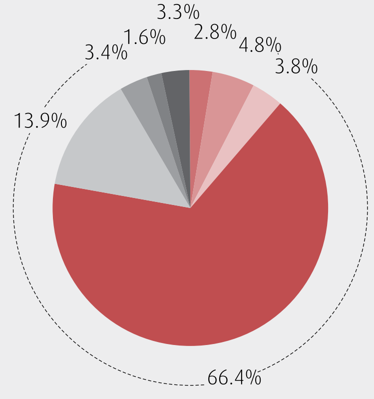
Fixed Deposits Analysed on Rate of Interest, as at 31st March 2017

	No. of Deposits	Value Rs. '000	% of Total
Less than 11%	744	717,021	10.42
More than or equal to 11% and less than 13%	2,117	2,961,455	43.06
More than or equal to 13% and less than 15%	2,522	3,018,510	43.88
More than or equal to 15% and less than 17%	122	167,680	2.44
More than or equal to 17%	26	13,887	0.20
	5,531	6,878,553	100.00

Fixed Deposits Based on Interest Rate



Fixed Deposits Based on Tenor



Financial Indicators for Deposit Holders

	2017	2016	2015	2014	2013
Deposit interest expenses					
Term deposits (Rs. '000)	700,729	563,887	668,309	542,635	391,358
Certificates of deposit (Rs. '000)	1,015	894	1,012	469	376
Savings deposits (Rs. '000)	29,043	19,095	14,218	14,460	8,298
Total deposit interest paid	730,787	583,876	683,540	557,565	400,032
Ratios					
Deposit interest cover (times)	2.54	2.51	1.95	2.12	2.70
Liquid assets as a percentage of term and certificates of deposit	51	56	45	38	57
CBSL minimum requirement (%)	10	10	10	10	10
Liquid assets as a percentage of savings deposits	1,033	1,241	955	1,139	1,208
CBSL minimum requirement (%)	15	15	15	15	15

Reliability

Our word has been our bond for nearly 50 years... and counting. Our name and reputation stands upon the ability of the stakeholder to rely on us – always.

Reliability is fundamental to building and sharing trust

Employee Capital

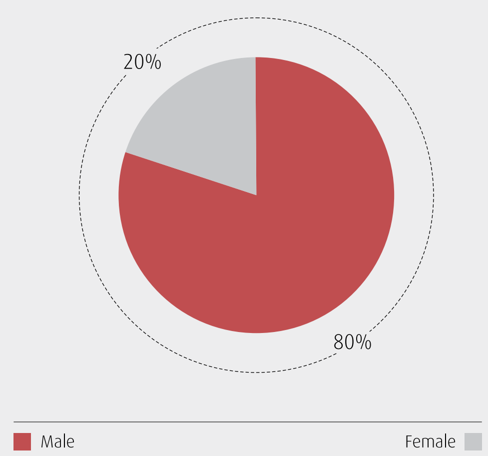
The sustenance of the Company depends largely on the strengths and talents of its employees. Given that the Management has been focusing on expansion throughout the past few years, recruitment and employee retention have also become growing concerns. In order to ensure the soundness of its policies regarding employees, the Company strongly abides by the relevant labour laws and employee regulations. The Company is also inclusive and non-discriminatory with regard to gender, ethnicity, race, religion, sex and disability. All employee rights are secured as the Company adopts policies mentioned in the Wages Boards Ordinance and Shop and Office Employees Act. Furthermore, as the Company maintains a systematic appraisal system, the empowerment, growth and satisfaction of employees are ensured.

Employee Demographics

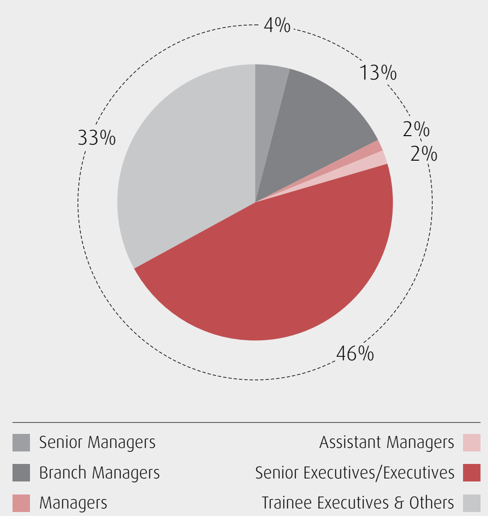
Senkadagala Finance PLC has been restructuring and formulating new teams throughout the island. Within the past year, the staff grew to 690. This is a noteworthy growth and one in keeping with the expansion of the Company. At present, gender-wise the composition is skewed as males account for 80% of employees. The statistics will change in the coming years as the Company promotes diversity within the Company and communicates inclusivity among the localities it penetrates. Given that the Company opened its doors to the youth in different localities, it was noted that 66% of those recruited during the year were between the ages of 20-30. This is in keeping with the trend maintained throughout the years as the Company believes in nurturing and training the youth to take on the ever-expanding institution and industry. It is primarily the staff in this age group that front ends the Company's services to the customers.

Moreover, as many employees were promoted internally, a notable amount were elevated to the positions of branch managers and senior executives while 219 persons joined the Company as trainee executives and others. While branches and service centres are dispersed in the island's nine provinces, the highest number of employees are in the Western and Central Provinces as expected. However, the Management focuses on further strengthening its teams around Sri Lanka.

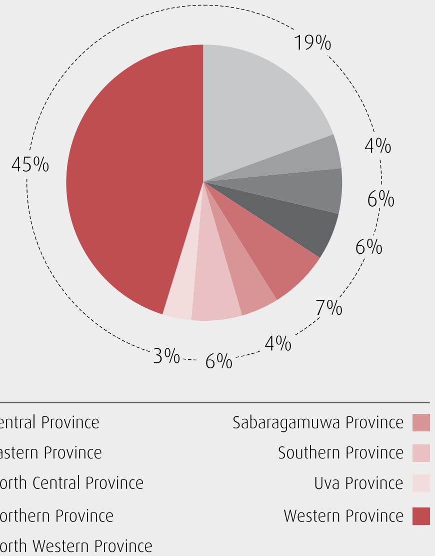
Gender Analysis



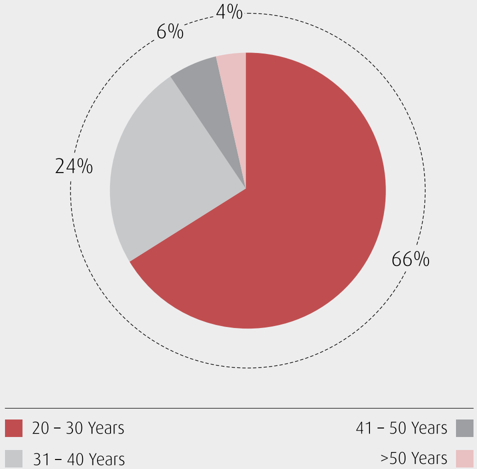
Grade Analysis



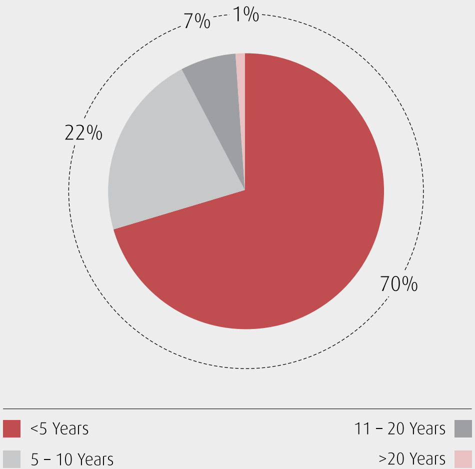
Geographical Analysis



Age of Employees



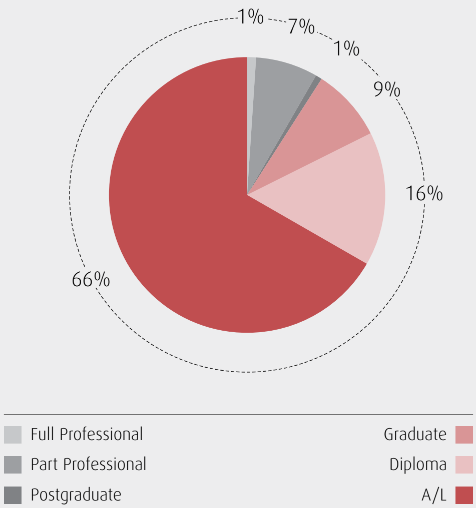
Length of Service



Recruitment

The youth in all areas of the island were targeted by the Company. While many were A/L qualified, a significant number possessed a diploma. The Company also recruited a significant number of graduates who have boosted the talent pool of the Company. As the needs of each branch and service centre differed, a larger number of employees were recruited from the Western and Central Provinces.

Qualifications



Process of recruitment

Senkadagala Finance PLC recruits and hones the skills of people from all walks of life. The Management also pays extra attention to positioning each employee in the role that best fits them. Hence, the recruitment process plays a pivotal role in the development of the Company. Transparency and professionalism are maintained throughout the process to ensure that recruits are completely comfortable.

When a position in the Company is vacant, an advertisement is published in a suitable newspaper, following which, applications are rapidly processed and a short list of candidates is prepared. Nominees are informed two days prior to the first interview which is conducted by the Assistant General Manager. For the final interview the candidate will face a larger panel that consists of the Deputy Chief Executive Officer, Assistant General Manager and the General Manager.

Following the initial selection stages, the application form with comments made by the interview panel will be handed over to the HR Department. The Department will then issue an offer letter along with the letter of appointment and subsequently request copies of relevant certificates from the chosen candidate/s. Following recruitment, relevant departments are updated with important details of the employee. Reference letters are also sent to the referees and if necessary a verification of employment is conducted with the candidate's previous employer. Following the successful completion of this process, the candidate will be ready to join the Company.

Training and Development

Training new recruits and existing employees is of paramount importance to the Company. By inculcating a thirst for knowledge, the Company ensures that its employees stay informed about the developments in the industry. Training and development also has a significant impact on employee turnover.

Within the year, many training programmes and seminars were conducted for employees occupying senior and junior positions within the Company. Executives received training in new computer systems, reporting details and pawn brokering while also being suitably informed about legal procedures.

A maximum of 45 employees took part in these programmes that were spread throughout the year. Programmes were also conducted for those occupying managerial and senior managerial positions. The programmes focused on specialised areas such as the legislation related to banking and financial institutions and the mitigation of organisational frauds. These programmes were conducted for a smaller number of participants. The Company also organised seminars for its legal officers during which they were informed about property mortgages. The officers updated their knowledge through these legal training programmes.

All programmes and seminars were a success as they were widely attended. They also contributed towards the growth of competent and eager teams island-wide.

A training session in progress at the newly refurbished training centre

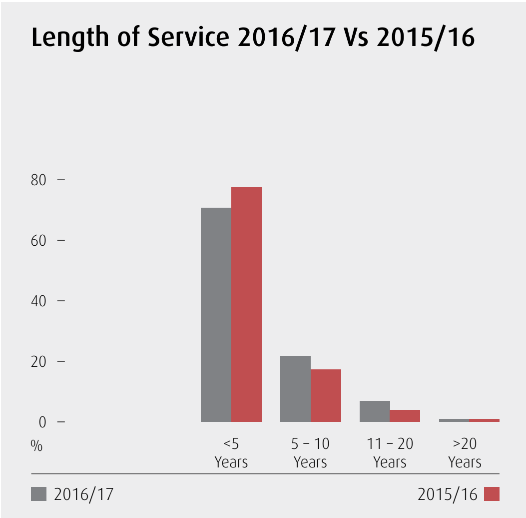
Countering challenges

As the Company's branches and service centres are located in key locations around the island, employees travel long distances to attend training programmes. This may disrupt the operations of branches and service centres where small groups handle overall operations. In order to tackle this issue the Company schedules training programmes on days noted for low customer walk-ins.

Moreover, the Company understands the significance of localised training and on-the-job training. Experienced employees are put in charge of new recruits who receive training while handling day-to-day issues. This ensures that experienced employees gain leadership training while new recruits gain a tremendous amount of knowledge from their seniors.

Employee Turnover

The employee turnover rate has always been an area of concern for the Management. Therefore the Company is focusing on retaining the 70% employees who have been with the Company for less than five years, by organising training programmes and also by promoting them to senior positions.



Ensuring Employee Retention

The Company aims at recruiting young talent and this evidently poses a problem for the Company as the target category is always on the lookout for new and attractive opportunities provided by the competitive finance industries.

However, Senkadagala Finance PLC continuously works towards retaining its best talent by providing performance based annual bonuses. The Company also promotes employees annually after thoroughly assessing their performance. Many employees are also entitled to other fringe benefits.

Perquisites and benefits

Employees' Provident Fund (EPF)

All employees join the Employees' Provident Fund for which the collective contribution will be as follows:
Company Contribution - 12% on the basic salary.
Employee Contribution - 8% on the basic salary.

Employees' Trust Fund (ETF)

The Company makes a contribution of 3% on the basic salary.

Gratuity

Employees are entitled to half a month's salary for each completed year of service when leaving the Company, provided and employee has worked continuously for over five years upto the time of resignation.

Bonus

The employee may be paid an annual bonus depending on the profits made by the Company and the employee's performance. The payment of bonuses is solely decided by the Management.

Medical benefits

Employees can claim hospitalisation expenses of the amount specified in the hospital and surgical expenses insurance policy.

Personal accident cover

Employees also have personal accident insurance for which payment limits will depend on the grade of the employee.

Employee loans

Employees who have completed five years of service are eligible for a loan equal to the gratuity. The loan can be repaid during a period of 60 months.

Salary advance

Employees who are confirmed are eligible to apply for a salary advance equal to one month's salary. It can be repaid within six months

Festival Advance

Employees who are confirmed are also eligible for a festival advance equal to one month's salary which can be paid within ten months. Festival advances are granted for Buddhist and Hindu employees in April and Christian employees in December. This is subject to total deductions not exceeding 40% of the salary.

Company vehicles

A car or a motor bike is provided to eligible staff members.

Mobile SIM

Employees are provided a mobile connection with a monthly allowance.

Maternity leave

The Company is also sensitive to the needs of its female employees, especially when they need time to care for their newborns. As stipulated by labour regulations, for the first two children, female employees are granted paid leave for 84 working days for which Saturday is accounted as half a day. For subsequent births, mothers are granted paid leave for 42 working days. Similarly Saturday is accounted as half a day. Moreover, regardless of the number of children, a feeding hour is granted until the baby is one year old. During the financial year 11 employees took maternity leave and have returned to work as satisfied mothers.

Performance Evaluation

Performance evaluation helps to identify and improve individual performance while being a deciding factor in training, development and the granting of rewards and promotions.

A performance evaluation is conducted once a year and involves the review of the employee's performance for the last 12 months. The head of department will complete the performance review format and submit it to the Personnel Department before the 15th of March every year. In the case of employees working in the sales and marketing teams, real time evaluations are conducted.

The appraisal covers the following aspects of all job functions,

- Knowledge of work
- Initiative and application
- Quality of work
- Personality
- Dependability
- Quantity of completed work

Occupational Health and Safety

Senkadagala Finance PLC takes complete responsibility for the well-being of its employees and ensures their safety within the workplace. Infrastructural changes and security measures have also been made to ensure the safety of its employees. However, the Company also entrusts a certain amount of responsibility to its employees when taking the necessary precautions to avoid fire hazards and making the right moves if an emergency occurs. Most importantly, employees are told to be aware of their surroundings and inform supervisors or mangers if the security of the Company is at stake.

Handling Grievances Proactively

The Company's work culture allows for openness in the case of violation of the rights of employees. The grievances of employees are swiftly dealt with while remedial action is also taken by the relevant authorities. As two-way communication is always encouraged, in the case of any displeasure, employees are told to inform the immediate officer before the grievance is brought to the notice of a higher officer. Employees generally encounter issues in matters concerning transfers, salaries and promotions while also having grievances related to the work environment. The notification of grievances once documented, help in future decision-making processes.

The procedure

- The grievance must be initially conveyed to the immediate officer.
- In the event that the immediate officer does not take adequate action, the employee may convey the grievance to the line manager.
- If the manager also does not take adequate action the employee will have to approach the Head of Human Resources.
- In case the Head of HR does not take adequate action the grievance must be conveyed to the Deputy Chief Executive Officer.
- If the Deputy Chief Executive Officer also does not take adequate action the grievance may be conveyed to the Additional Chief Executive Officer or Managing Director.

Every effort is taken to resolve grievance at the origin of the issue. The problem should be ideally resolved within three working days. However if the problem is grave the process should be completed within five working days or a maximum of ten days.

Social and Environmental Capital

Senkadagala Finance PLC is socially responsible and environmentally friendly. From its inception the Company has been contributing towards the betterment of the environment and society at large. Today, its sustainable solutions are more expansive and its strategies far reaching.

Empowering Communities

The Company continues to open its doors to the youth in an around areas of its operations which are now spread throughout the island. By penetrating into areas that have been long left unexplored, such as those in the North and the East, the Company provides its occupants with opportunities to explore and motivation to learn. Statistics indicate that 77% of new recruits have been hired from the areas in which branches are established, while only 23% are from different areas. It is not only the youth that benefits from the diversification of the Company, because those who take on senior managerial positions are also hired from local communities. The Company also organises training programmes and seminars subsequent to recruitment. These programmes help recruits develop the skills required to succeed in the financial services industry and realise their potential.

'Popham Arboretum' Project

Throughout the past few years, the Company has been providing financial support to the 'Popham Arboretum' project in Dambulla. The Arboretum has also expanded its mission in the recent past. Formerly, it was part of Chena cultivation but now also consists of naturally grown indigenous dry zone trees. While indigenous species of animals roam freely in the area, the Arboretum also educates the public on the importance of natural forestation and warns them of the danger of clearing lands for cultivation and housing. In the future, the Arboretum will diversify and grow with the assistance provided by Senkadagala Finance PLC while also influencing people to choose eco-friendly lifestyles.

Internship Programme

As was conducted in the past, Senkadagala Finance PLC conducted an internship programme, with the aim of empowering the youth of Sri Lanka. The students received adequate training to meet the challenges in the job market and some were also eventually absorbed into the Company. This year, seven graduate students participated in the six month programme that also included practical training in marketing, customer handling, accounting and finance activities, HR function, treasury and deposit department functions. From its inception the programme accommodated 28 students as interns. Majority of them successfully completed the course, six interns were absorbed to the permanent cardre of the Company. All other participants have found positions in well recognised companies in Sri Lanka.

Other CSR Projects

This year, the Company embarked on another fruitful CSR project which involved the donation of bedding and garments worth Rs. 300,000/- to the kidney ward of the Anuradhapura General Hospital. Citizens in the Anuradhapura district are among those who are worst affected by kidney-related diseases. The donation would greatly benefit the patients especially those waiting to undergo dialysis treatment.

Towards the latter part of the year the Company also provided equipment and consumables to the *Sudharshi* Elders Home in Thiththapathara, Dompe. The establishment which was set up in 2007 provides accommodation for 40 elderly patients, some who are disabled and bedridden. The equipment provided by the Company will ensure that the elders receive the comfort and care they require.

Donations made to the Kidney ward of the Anuradhapura General Hospital

Donation made to the Sudharshi Elders Home in Dompe

Social and Environmental Risk Management

The integration of environmental and social risk management to the overall business processes of the Company is a forward thinking move. Since 2014, the Company had in place an Environment and Social Management System (ESMS) which was formulated as a prerequisite of the loan agreement with the International Finance Corporation (IFC). In keeping with the system, an addendum was included in the loan agreement, which communicates the Company's policy on environment and social risk management to customers as well. Customers are urged to conduct their business activities in line with it and encouraged to choose sustainable lifestyles. Moreover, it also communicates to all stakeholders, that the Company stays in line with applicable national environmental legislative requirements, while also adopting relevant international best practices.

Conserving for Tomorrow

The Company is constantly aware of its use of energy and resources and always seeks ways and means to curb wastage. The Company has introduced an online document storage and retrieval system which has reduced the need to reproduce copies of important documents. The system also makes the overall operations of the Company more efficient. There are many other environment friendly moves that the Company adopts that contribute towards the well-being of the environment. These also create tremendous financial savings for the Company.

Saving Electricity and Water

Along with the expansion of the Company, the Management also encouraged the conservation of electricity and water. LED lighting panels have been installed in many branches and service centres while employees are advised to be vigilant about the usage of water. These moves have greatly helped the Company to cut down on utility expenses. Even though the Company's reach has grown, an assessment of the statistics shows that the expenses for the use of water and electricity have not increased significantly. Most importantly, these moves demonstrate that the Company has stayed true to its promise to remain eco-friendly.

	2017	2016	2015	2014	2013
Electricity expenses (Rs '000)	43,263	43,030	42,265	38,910	28,854
Water expenses (Rs '000)	1,017	944	994	961	660

Other Judicious Strategies

As mentioned before the Company introduced a document retrieval system that made the loan approval process more efficient while also helping to reduce the consumption of paper. Moreover employees were encouraged to reuse paper-based materials such as envelopes. This process also makes employees aware of the intelligent use of resources. This year, the Company made another impressive move that reduced the annual expenses on ink cartridges and toners for printers. Instead of procuring these items locally, the procurement process was centralised. Thus bulk purchasing helped reduce the expenses on these items by 12.9% from the expenses of the previous year. It is evident that every move made by the Company will benefit the environment and the society in the long-term while also improving the operations and performance of the Company.

Shareholder and Investor Capital

The Company's investors consist of both individuals and institutions who provide equity and debt capital in the expectation of superior return in the short, medium or long-term. In the wake of ever tightening regulations world over leading to the provision of financial services to be a capital intensive business, the important role investors play need not be overemphasised. We acknowledge with gratitude that it is the capital provided by the investors that enable us to achieve high levels of gearing, which helped us generate attractive Returns on Equity, despite the meager levels of Return on Assets of the industry. It is their capital that helped us maintain the regulatory requirements on capital adequacy which provides a cushion against unforeseen losses. Accordingly, the Company prudently makes use of the capital provided to delivering value to all its stakeholders and to deriving value for the Company and its investors in return. Successful completion of a rights issue in April 2017 infusing Rs. 579.8 Million to strengthen the capital base bears testimony to the strong relationships the Company has built with the shareholders. The fact that the Company has a loyal following of shareholders who are willing to take a long-term view of the Company's prospects is a decisive strength.

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.

Dividend Policy

Senkadagala Finance PLC has a dividend policy that makes intelligent use of shareholder wealth with a clear of view of the future needs of the Company. While making the necessary allocations for the expansion of the Company it provides a steady flow of dividend to shareholders. In deciding the dividend payout ratio, the Company factors in aspects such as earnings after tax, capital requirement, future growth potential and industry practices.

In the current financial year, Company paid Rs. 2.85 per share as dividends amounting to Rs. 185,898,532/-.

Details of dividends paid/declared to shareholders for the year are as follows;

	2017			2016		
Dividend payment	Amount (Rs.)	DPS (Rs.)	Paid Date	Amount (Rs.)	DPS (Rs.)	Paid Date
1st interim dividend paid	39,136,533	0.60	24.11.2016	39,136,533	0.60	10.12.2015
2nd interim dividend paid	58,704,800	0.90	26.01.2017	42,397,911	0.65	16.03.2016
3rd interim dividend paid	39,136,533	0.60	07.04.2017	39,136,533	0.60	15.06.2016
Final dividend proposed/paid	68,851,308	0.95	Subject to AGM approval	48,920,666	0.75	05.09.2016
Total dividends proposed	205,829,173			169,591,643		
Dividends paid during the year	185,898,532			166,330,265		
Earnings during the year	860,971,242			613,181,550		
Dividends pay-out ratio (%)	21.59%			27.13%		
Earnings retention ratio (%)	78.41%			72.87%		

Rights issue – April 2017

The Board of Directors proposed and approval in principal was obtained from the Colombo Stock Exchange and the Central Bank of Sri Lanka to issue and list 7,247,506 shares at an issue price of Rs. 80/- per share to raise Rs. 579,800,480/- by way of a rights issue.

The primary objective of the issue was to maintain a higher capital adequacy. The funds raised was proposed to be utilised in the ordinary course of the business to increase the loan book of the entity.

The resolution pertaining to this issue was duly adopted by the shareholders at the Extraordinary General Meeting held on 30th March 2017. The Rights were fully subscribed, the issue was completed by 24th April 2017. The shares were listed in the Colombo Stock Exchange on 2nd May 2017.

Details of the Capital Adequacy position of the Company are stipulated in page 69 and page 70 of this Report.

Details of utilisation of funds raised via the Rights Issue are as follows;

Objective No.	Objective as in circular	Amount allocated as in circular in Rs.	Proposed date of utilisation as in circular	Amount allocated from proceeds in Rs. (A)	Percentage of total proceeds	Amount utilised in Rs. (B)	Percentage of utilisation against allocation (B/A)	Clarification if not fully utilised including where the funds are invested
1	Maintain a higher capital adequacy	579,800,480	31st March 2017	579,800,480	100	579,800,480	100	N/A
2	Increase the loan book	579,800,480	One month from receipt (i.e. 24th May 2017)	579,800,480	100	579,800,480	100	N/A

Shareholder Information

Twenty largest shareholders

As at 31st March	2017		2016	
	Number of shares	% of holding	Number of shares	% of holding
E. W. Balasuriya & Co. (Pvt) Limited	36,697,014	56.26	36,697,014	56.26
Hallsville Trading Group Inc.	5,308,517	8.14	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 & Mr. S K Balasuriya	1,877,421	2.88	1,877,421	2.88
Mr. L Balasuriya & 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	158,483	0.24
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 Ikiriwatte	15,280	0.02	15,280	0.02
Mr. J K Jayatileke	15,267	0.02	15,267	0.02
Dr. A Balasuriya & Mr. D Balasuriya	3,858	0.01	3,858	0.01
Dr. A Balasuriya & Mr. S Balasuriya	3,857	0.01	3,857	0.01
Mrs. L Fernando & Ms. S A Fernando	2,572	0.00	2,572	0.00
Mrs. S Sellamuttu	–	0.00	144,073	0.22
Total shares	65,222,398	99.99	65,222,398	99.99

The percentage of shares held by the public on 31st March 2017 was 21.60% (2016 – 21.60%) and was distributed among nine (2016 – 10) shareholders.

The Company has 65,227,555 (2016 – 65,227,555) number of voting shares in issue, with right to vote allocated at one vote per share as at 31 st March 2017.

Directors' Shareholdings

As at 31st March	2017		2016	
	Number of shares	% of holding	Number of shares	% of holding
Dr. A Balasuriya	3,747,127	5.74	3,747,127	5.74
Dr. A Balasuriya & Mr. D Balasuriya	3,858	0.01	3,858	0.01
Dr. A Balasuriya & 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 & Ms. S A Fernando	2,572	0.00	2,572	0.00
Mrs. L Fernando & Mr. A R Fernando	2,571	0.00	2,571	0.00
Mrs. L Fernando & Mr. A L Fernando	2,571	0.00	2,571	0.00
Mr. L Balasuriya & Mr. S K Balasuriya	1,877,421	2.88	1,877,421	2.88
Mr. L Balasuriya & 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 (Resigned w.e.f. 31st March 2017)	–	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
Mr. Senanayakege R Pushpakumara (Appointed w.e.f. 1st April 2017)	–	0.00	–	0.00

Distribution of Shareholding

As at 31st March		2017			2016		
		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	6	1,588,301	2.44	7	1,732,374	2.66
1,000,001 –	10,000,000	8	26,867,761	41.19	8	26,723,688	40.97
Over 10,000,001 shares		1	36,697,014	56.26	1	36,697,014	56.26
			65,227,555	100.00		65,227,555	100.00

Resident and Non-Resident Shareholders

As at 31st March	2017			2016		
	Number of Holders	Number of Shares	%	Number of Holders	Number of Shares	%
Resident shareholders	23	59,919,038	91.86	24	60,063,111	92.08
Non-resident shareholders	1	5,308,517	8.14	1	5,164,444	7.92
		65,227,555			65,227,555	

Institutional and Individual Shareholdings

As at 31st March	2017			2016		
	Number of Holders	Number of Shares	%	Number of Holders	Number of Shares	%
Institutional	3	42,005,546	64.40	3	42,019,941	64.42
Individual	21	23,222,009	35.60	22	23,207,614	35.58
		65,227,555			65,227,555	

Information on Market Prices and Other Ratios

As at 31st March	2017	2016
Earnings per share (Rs.)	13.20	9.40
Dividends per share (Rs.)	2.85	2.55
Net assets per share (Rs.)	56.14	45.89
Price earning ratio (times)	6.82	6.38*
Price to book value ratio (times)	1.60	1.31*
Dividends yield (%)	3.17	4.25*
Market Prices		
Highest price (Rs.)	90.00	Not traded
Lowest price (Rs.)	90.00	Not traded
Last traded price (Rs.)	90.00	Not traded
Last traded date	20th December 2016	–
Number of trades	1	–
Number of shares traded	144,073	–
Value of shares traded (Rs.)	12,966,570	–

* *Calculated based on the last traded price as at 31st March 2016 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. The Company issued Rs. 3 Billion worth of unsecured, listed, rated, redeemable debentures in November 2016. Senkadagala Finance has following listed debentures in issue:

Debenture	May 2013		December 2013
	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
Number of debentures	5,852,535	5,000	12,500,000
Issue price	Rs. 100.00	Rs. 100.00	Rs. 100.00
Tenure	4 Years	4 Years	5 years
Date of issue	May 2013	May 2013	December 2013
Date of maturity	May 2017	May 2017	December 2018
Interest rate	Fixed coupon of 17.25% p.a.	6 Month Gross T Bill + 2.50%	Fixed coupon of 15.00% p.a.
Frequency of interest	Quarterly	Quarterly	Quarterly
Effective annual yield (%)	18.40	–	15.87
Interest of comparable government securities (%)	12.45	12.45	12.60
Rating	BBB+ by Fitch Ratings Lanka Ltd.		BBB by Fitch Ratings Lanka Ltd.
Total amount	Rs. 585,253,500	Rs. 500,000	Rs. 1,250,000,000
Market information			
Highest traded value (Rs.)	105.70	Not traded	100.00
Lowest traded value (Rs.)	101.93	Not traded	100.00
Last traded value (Rs.)	105.70	Not traded	100.00
Current yield (%)	16.32	–	15.00
Yield to maturity (%)	2.79	–	3.75

		November 2016		
Type A	Type B	Type C	Type D	Type E
		Senior, Unsecured, Redeemable, Rated		
		Main Board of the Colombo Stock Exchange		
Redeemable	Redeemable	Redeemable	Redeemable	Redeemable
3,972,700	100	1,895,100	622,700	23,509,400
Rs. 100.00	Rs. 100.00	Rs. 100.00	Rs. 100.00	Rs. 100.00
2 years	3 years	3 years	4 years	4 years
November 2016	November 2016	November 2016	November 2016	November 2016
November 2018	November 2019	November 2019	November 2020	November 2020
Fixed coupon of 12.50% p.a.	6-Month Gross T Bill + 1.50%	Fixed coupon of 13.25% p.a.	6-Month Gross T Bill + 1.75%	Fixed coupon of 13.75% p.a.
Semi-annually	Semi-annually	Semi-annually	Semi-annually	Semi-annually
12.89	–	13.69	–	14.22
12.00	12.10	12.10	12.45	12.45
		BBB+ by Fitch Ratings Lanka Ltd.		
Rs. 397,270,000	Rs. 10,000	Rs. 189,510,000	Rs. 62,270,000	Rs. 2,350,940,000
100.00	Not traded	Not traded	100.00	Not traded
98.00	Not traded	Not traded	100.00	Not traded
98.00	Not traded	Not traded	100.00	Not traded
12.76	–	–	12.28	–
6.84	–	–	6.19	–

The Company redeemed listed debentures to the value of Rs. 414,246,500/- during the year.

Proceeds from the debenture issue in May 2013 was, primarily utilised for the on going lending activities of the Company at the time. These proceeds also helped to minimise the funding mismatch of the Company.

The subordinated debenture issue in December 2013 was primarily aimed at strengthening 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 rated fund raised helped to reduce the mismatch between the assets and liabilities on the Balance Sheet.

Proceeds from the debenture issue in November 2016 were, primarily utilised to finance leasing and other lending of the Company. Details of utilisation of funding is given below:

Objective number	Objective as per prospectus	Amount allocated as per prospectus	Proposed date of utilisation as per prospectus	Amount allocated from proceeds in Rs. (A)	Percentage of total proceeds	Amount utilised in Rs. (B)	Percentage of utilisation against allocation (B/A)	Clarification if not fully-utilised including whether the funds are invested
1.	Leasing	Rs. 2,700 Mn	Within 6 months from the date of allotment	Rs. 2,700 Mn	90%	Rs. 2,700 Mn	100%	N/A
2.	Loans and advances	Rs. 300 Mn	Within 6 months from the date of allotment	Rs. 300 Mn	10%	Rs. 300 Mn	100%	N/A

Other financial information

As at 31st March	2017	2016
Debt to equity ratio (Times)	5.12	3.93
Interest cover (Times)	1.47	1.52

Capital Adequacy

In order to be resilient in volatile economic conditions, it's important to maintain adequate capital funds. The 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. 02 of 2017

Finance Companies (Capital Funds) Direction No. 01 of 2003 specifies:

- that every finance company shall maintain capital funds which shall at all times, 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 core capital at a level not less than 5% of its risk-weighted assets, with the total capital constituting not less than 10% of its risk-weighted assets.

Where

Tier 1 – Core capital: comprising of 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 – The 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.

Finance Companies (Minimum Core Capital) Direction No. 02 of 2017 specifies, that every finance company shall at all times maintain an unimpaired core capital not less than Rs. 400 Million until 31st December 2017 and thereafter maintain an unimpaired core capital at levels stipulated therein by the dates specified.

Our Commitment

Senkadagala Finance PLC continues to adhere to the regulatory capital requirements. As at 31st March 2017. The Company recorded a Core Capital ratio of 14.19% and a Total Capital ratio of 16.08%.

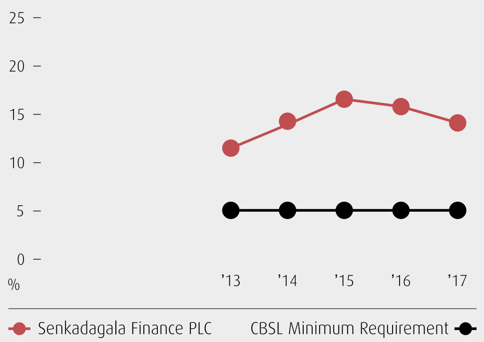
Following were the initiatives taken during the year:

- The Company maintains a Statutory Reserve Fund, which amounted to Rs. 310,036,033/- as at 31st March 2017. During the year, Rs. 45 Million of funds were transferred to the Statutory Reserve Fund.
- Out of profits for the year Rs. 668 Million was retained within the Company to support future growth and to strengthen the capital base of the Company.

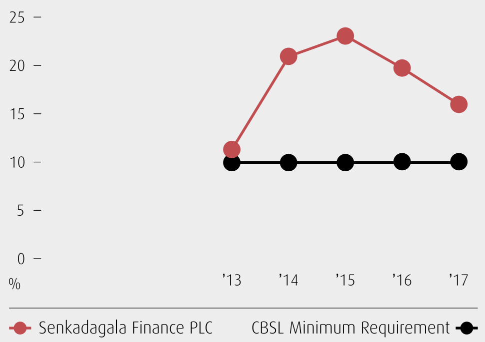
In April 2017 the Company issued, 7,247,506 shares by way of a rights issue, infusing Rs. 579.8 Million to the Capital base.

Subsequent to the issue, the core capital ratio of the Company increased to 16.44% and the total capital ratio increased to 18.33%.

Core Capital Ratio



Total Capital Ratio



Core capital ratio	2017 %	2016 %	2015 %	2014 %	2013 %
Senkadagala Finance PLC	14.19	15.98	16.54	14.00	11.41
CBSL minimum requirement	5.00	5.00	5.00	5.00	5.00

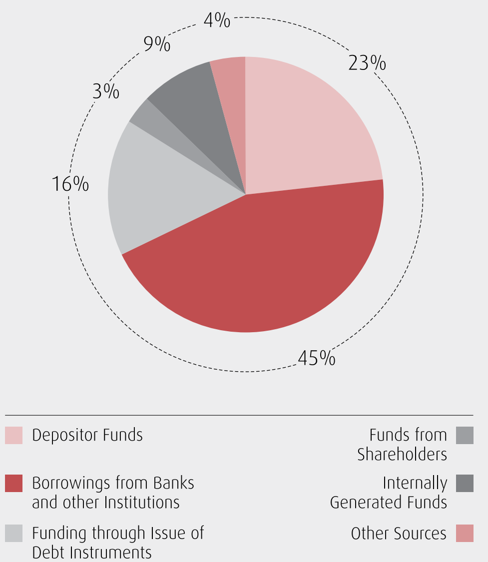
Total capital ratio	2017 %	2016 %	2015 %	2014 %	2013 %
Senkadagala Finance PLC	16.08	19.90	22.97	20.93	11.31
CBSL minimum requirement	10.00	10.00	10.00	10.00	10.00

Sources and Distribution of Funds

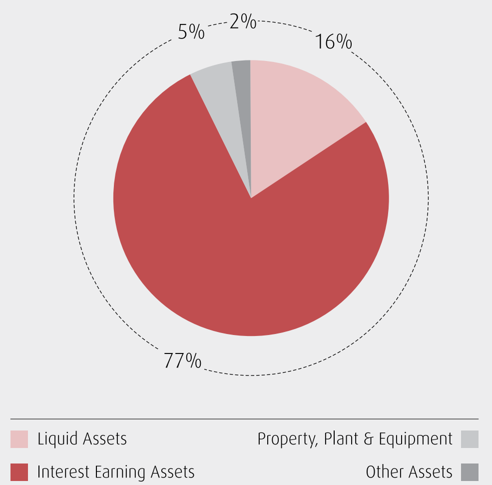
	2017 Rs. '000	2016 Rs. '000	2015 Rs. '000	2014 Rs. '000	2013 Rs. '000
Sources of funds					
Depositor funds	7,230,873	6,510,033	6,541,896	5,624,399	3,412,464
Borrowings from banks and other institutions	13,743,732	8,691,685	4,787,693	3,423,011	6,136,152
Funding through issue of debt instruments	4,992,786	3,059,849	3,579,737	4,157,346	2,618,281
Funds from shareholders	1,008,062	1,008,062	1,008,062	747,152	533,680
Internally-generated funds	2,653,555	1,985,297	1,525,785	1,354,631	1,040,367
Other sources	1,289,819	1,015,019	629,846	563,137	528,634
Total	30,918,827	22,269,945	18,073,018	15,869,676	14,269,579

	2017 Rs. '000	2016 Rs. '000	2015 Rs. '000	2014 Rs. '000	2013 Rs. '000
Distribution of funds					
Liquid assets	4,923,705	3,496,397	2,796,849	2,073,101	1,860,837
Interest-bearing assets	23,757,588	16,908,140	13,582,928	12,675,542	11,559,936
Fixed assets	1,516,891	1,194,663	1,122,864	857,732	629,823
Other assets	720,598	670,744	570,378	263,301	218,982
Total	30,918,827	22,269,945	18,073,018	15,869,676	14,269,579

Sources of Funds



Distribution of Funds



Stewardship

We at Senkadagala Finance place a strong emphasis on adopting and implementing sound principles and practices of good corporate governance derived over its foundation.

Board of Directors' Profiles

Mr. W M R S Dias

FCIBC (London), LLB, Hubert H Humphrey Fellow

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 (LLB) and is a Hubert H Humphrey Fellow. Mr. Dias 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 is the Chairman. Previously he has served on the Boards of Lanka Clear (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), PhD (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 PhD 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 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 of Ceylon Agro Industries Ltd. He functions as an Advisor to the Director General of the International Water Management Institute.

Mr. Lakshman Balasuriya

B.Sc (London), 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 (London) and an 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 (London), PhD (London)

Executive Director

Dr. Balasuriya holds a B.Sc (Lon) and a PhD (Lon) and has over 34 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.)

Executive 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

Executive 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 an 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. and Ceylon Tea Brokers PLC.

Mr. Sanjay Kulatunga

MBA (Booth School of Business), ACMA, CFA

Independent Non-Executive Director
(Resigned with effect from 31 March 2017)

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/Additional CEO

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 (USJ)

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 Jayewardanepura).

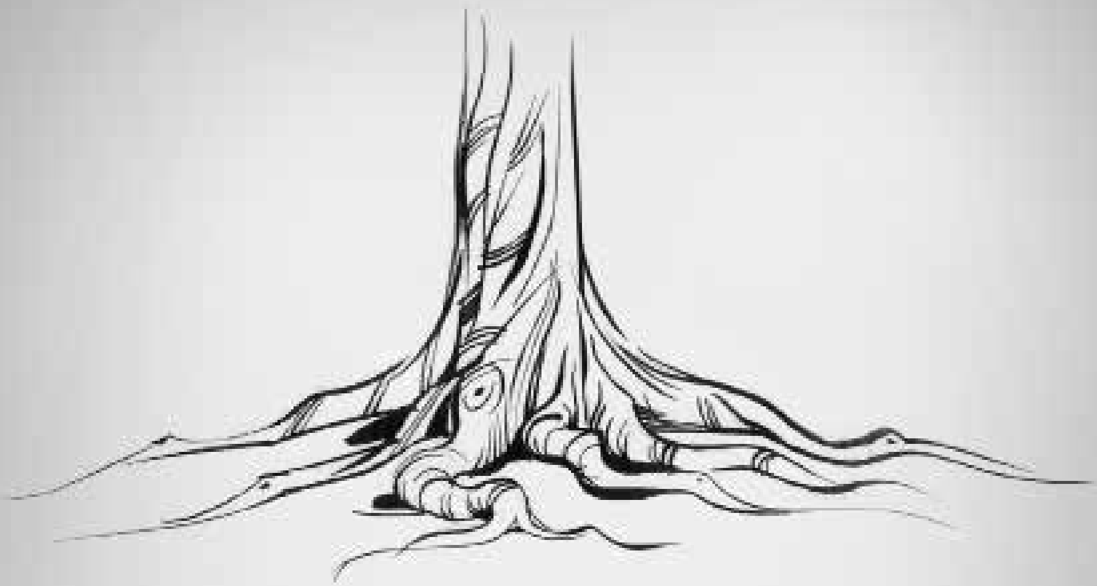
Mr. Senanayakege Raja Pushpakumara

FCA, B.Com (Special) (USJ), P.G.Dip. (B Mgt.)

Independent Non-Executive Director
(Appointed with effect from 1st April 2017)

Mr. Senanayakege completed his articles at M/s. Ernst & Young qualifying as a Chartered Accountant and joined Singer Industries (Ceylon) PLC in 1991 as a Financial Accountant. In 1994, he joined Commercial Bank of Ceylon PLC as the Senior Manager Finance where he worked for 13 years and was the Assistant General Manager (Finance and Planning) when he resigned to join Nations Trust Bank PLC as the Chief Financial Officer. Since his resignation from the bank, he works for Smart Media – The Annual Report Company, helping it on all aspects of Annual Report production.

Mr. Senanayakege also serves as an Independent Non-Executive Director of Serendib Finance Ltd., a fully owned subsidiary of Commercial Bank of Ceylon PLC.



Stability

Over five decades we've built strong. We rest on the most solid of foundations. Every strategy and action go towards making us a successful and stable financial institution. It is the least we owe to our stakeholders.

Stability is fundamental to building and sharing trust

Corporate Governance

The Company's corporate governance framework which is constructed with the bricks of collaborative culture, independent structure, ethical behaviour and the focused approach continues 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. Further, it addresses how the Company conducts business in responding to the numerous opportunities and threats presented by the business environment whilst maintaining the optimum balance between rights of and responsibilities to stakeholders.

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, we 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 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. 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.

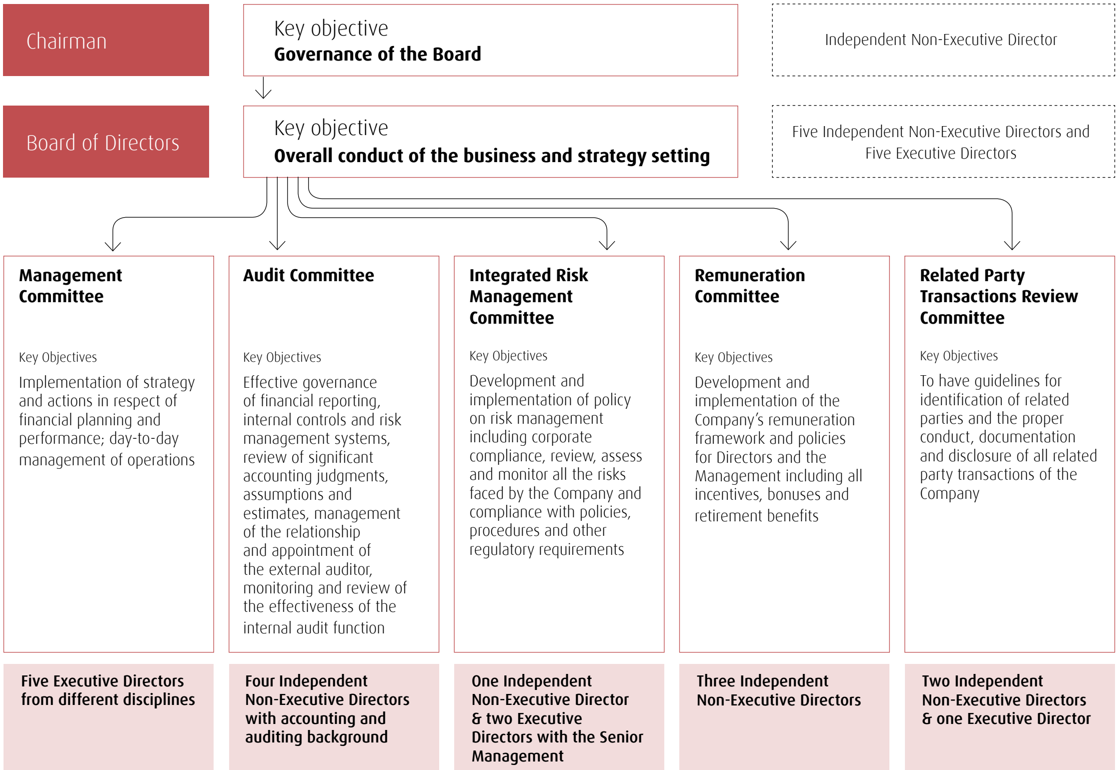
The framework including policies, procedures, structures and processes are reviewed regularly with the view of identifying gaps and areas for improvement to ensure that all elements of the Company's governance framework are fit for the purpose and up to date enabling value creation and growth.

The Governance environment of the Company

Finance Business Act No. 42 of 2011 Finance Leasing Act No. 56 of 2000 Directions and guidelines issued for LFCs and SLCs Continuing Listing Requirements of CSE Companies Act No. 07 of 2007 Inland Revenue Act No. 10 of 2006	EPF – Act No. 15 of 1958 ETF – Act No. 46 of 1980 Financial Transactions Reporting – Act No. 06 of 2006 Shop and Office Employees – Act No. 19 of 1954 CRIB – Act No. 18 of 1990 Sri Lanka Accounting and Auditing Standards – Act No. 15 of 1995 Articles of Association of the Company Organisational Structure Terms of reference and charters of Board and Management Committee Risk Management framework Manuals of Operations Code of ethics for employees Board approved policies on operational aspect	Termination of Employment Act No. 45 of 1971 Gratuity Act No. 12 of 1983 Code of best practice on CG issued jointly by CA Sri Lanka & SEC Code of best practice on related party transactions issued by the SEC & CSE IFC Covenants

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

Corporate Governance Structure of the Company



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. 3 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 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 & 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 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 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.
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)	No. of meetings	Complied	Please refer table of Directors' attendance for the Board meetings given later in this Section. Board papers and other matters which require Board's consent had been taken up directly at Board meetings as much as possible.
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	All Directors have attended the Board meetings as stipulated by the Direction. Attendance of Directors at Board meetings is given later on in this Annual Report.
3 (5)	Board Secretary	Complied	A 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	Board Secretary prepares the agenda for Board meetings under direct supervision of the Chairman. Prior to circulation, Board Secretary obtains Chairman's approval for the Notice of Meeting and the agenda.

CBSL Rule	Corporate Governance Principle	Compliance Status	Level of Compliance
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.

4. Composition of the Board

4 (1)	Number of Directors	Complied	There were ten Directors in 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 2017
Mr. Ravi Dias	Chairman – Independent Non-Executive Director	Completed two years and seven months
Dr. P Ramanujam	Independent Non-Executive Director	Completed four years and seven months
Mr. W A T Fernando	Independent Non-Executive Director	Completed six years and eight months
Mr. S Kulatunga (Resigned w.e.f. 31st March 2017)	Independent Non-Executive Director	Completed four years and five months
Mr. Tilak Collure	Independent Non-Executive Director	Completed two years and ten months

4 (3)	Appointment of an employee as a Director	Complied	The equal proportion of five Executive Directors and five Non-Executive Directors of the Board satisfies the provisions of this section. Further one of the Executive Directors carries out the duties as the Chief Executive Officer of the Company
4 (4)	Number of Independent Non-Executive Directors	Complied	Board comprised five Independent Non-Executive Directors out of total of 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 & 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 the level of experience of each Non-Executive Director have been set out on pages 74-75 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 a satisfactory proportion of Non-Executive Directors was 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 page 93.
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.

CBSL Rule	Corporate Governance Principle	Compliance Status	Level of Compliance
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 CEO and other members of the Board which impair their respective roles and functions as members of the Board.
7 (4) – 7 (11)	Role of the Chairman	Complied	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. Board Secretary prepares the agenda for Board meetings under direct supervision of the Chairman. The agenda with Notice of Meeting is duly circulated to the Directors at least seven days prior to the meeting. All Directors are informed adequately and in a timely manner of the issues arising at each Board meeting. 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. Chairman does not engage in activities involving direct supervision of Key Management Personnel.
8. Board Appointed Committees			
8 (1)	Board Committees	Complied	There are four Board appointed subcommittees namely Audit Committee, Integrated Risk Management Committee, Remuneration Committee and Related Party Transactions Review Committee. Minutes are kept for each of the above committees under the supervision of the Chairman relating to each committee. A report on the performance, duties and functions of each committee has been made available in this Annual Report.

CBSL Rule	Corporate Governance Principle	Compliance Status	Level of Compliance
8 (2)	Audit Committee	Complied	Mr. 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. Other members of the committee are also Independent Non-Executive Directors and possess multifaceted experience including finance background. The details of the Audit Committee are set out in the Audit Committee Report on page 95.
8 (3)	Integrated Risk Management Committee	Complied	IRMC consists of one Independent Non-Executive Director, two Executive Directors including CEO and Key Management Personnel. All key business risks are addressed and assessed on a continuous basis by the IRMC through its periodical meetings. The details of the Integrated Risk Management Committee are set out in the Integrated Risk Management Committee Report on page 96.
9. Related Party Transactions			
9 (2)	Avoiding conflict of interest in Related Party Transactions and favourable treatments	Complied	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 treatments to related parties. Particulars relating to related party transactions, if any, are disclosed in the Notes to the Financial Statements. The Company has not entered into any transaction in a manner that would grant the related party 'more favourable treatment' than if dealt with an unrelated customer. Details of the Related Party Transactions Review Committee are set out in the Related Party Transactions Review Committee Report on page 98.
10. Disclosures			
10 (2)	Disclosures in the Annual Report	Complied	(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 116. (b) Statement of Internal Control by the Board is given on page 123. (c) The Statement referred to in Section (b) above has been certified by Messrs KPMG, External Auditor of the Company. (d) Names and other information of Directors are provided on pages 74 and 75 (e) Fees and remuneration paid by the Company to the Directors in aggregate is given on page 121. (f) There were no accommodations granted to related parties during the year. (g) The details of aggregate values of remuneration paid by the Company to its Key Management Personnel are disclosed on pages 117 and 184. (h) There were no non-compliances to prudential requirements, regulations, laws and internal controls. (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 NBFI and directed by the Monetary Board to be disclosed to the public. (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 Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka.

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 it is in compliance with the Corporate Governance Rules and if it is 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, Criteria 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 93). Brief resume of each Director has been set out on pages 74 and 75. 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 meeting by invitation. The Report of the Remuneration Committee including its policy and scope has been set out on page 97 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 95 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:

Number	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 93.
A.1.2	Board responsibilities	Adopted	The Board of Directors of Senkadagala Finance is responsible for the following: Formulating, implementing and executing a sound business strategy. Ensuring CEO and the management team possesses the skills, experience and knowledge to device the strategy. Having a proper succession plan for the Key Management Personnel including 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.
A.1.5	Independent judgment of Directors	Adopted	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	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.

Number	Corporate Governance Principle	Adoption Status	Level of Adoption

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 the MD/CEO have been separated to ensure that no individual has unfettered powers of decision-making.

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	The Chairman who is a Non-Executive Independent Director ensures effective discharge of Board functions through: ● 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.

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 74 and 75) These Directors are having sufficient financial acumen and knowledge to offer guidance on matters of finance to the Board.

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	The Company has a 1:1 ratio and it ensures that the Board decisions are taken impartially. The roles of the Chairman and the 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	Independence of Directors	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.

Number	Corporate Governance Principle	Adoption Status	Level of Adoption
A.5.7 & A.5.8	Senior Independent Director	Not Applicable	Such situation has not arisen as roles of the Chairman and the 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.

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	Management provides appropriate and timely information to the Board and the 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 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.

A.9 Appraisal of Board Performance

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

A.9.1 & A9.2	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 checklist 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 Sections A 9.1 & A 9.2 above.

Number	Corporate Governance Principle	Adoption Status	Level of Adoption

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	The Name, qualifications and the brief profiles including nature of expertise of all the Directors have been set out on pages 74 and 75 in this Report. Please refer the table given on page 93 for Directorship status, Board meeting and other committee meeting attendance by the Directors of the Company.

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.

B. Directors' Remuneration

B.1 Remuneration Procedure

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 97 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 97 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 Directors' 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.
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.

Number	Corporate Governance Principle	Adoption Status	Level of Adoption
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, 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, 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 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 97. The remuneration paid to the Board of Directors is disclosed in aggregate in Note 45.1 to the Financial Statements on page 184.

C Relations with Shareholders

C.1 Constructive use of the Annual General Meeting and Conduct 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 for 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 Subcommittees namely, Audit Committee, Remuneration Committee, Integrated Risk Management Committee and Related Party Transactions Review Committee are 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. 7 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.

Number	Corporate Governance Principle	Adoption Status	Level of Adoption

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 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 stakeholders 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.
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 in the Annual Report. 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 delivers 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.

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	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 116 to 122.
D.1.3	Statement of Directors' and Auditors' Responsibility for Financial Statements and Statement on Internal Controls	Adopted	The Statement of 'Directors' Responsibility for Financial Reporting' is given on pages 116 and 123 of the Annual Report. Auditors' reporting responsibility is given in their Report on the Financial Statements on page 124. The Directors' Statement on Internal Controls is given on page 123 and Auditors' certification on the Directors' Statement on Internal Controls is given therein.

Number	Corporate Governance Principle	Adoption Status	Level of Adoption
D.1.4	Management Discussion & Analysis in the Annual Report	Adopted	Pages 18 to 71 of this Annual Report contain the information required therein.
D.1.5	Directors' Report on Going Concern	Adopted	This is addressed in 'Annual Report of the Board of Directors' given on pages 116 to 122.
D.1.6	Requirement for calling EGM if the net assets fall below 50% of the shareholders' funds	Not Applicable	Such 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 into 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 96. The Directors' Statement on Internal Controls is given on page 123.
D.2.2	Internal audit function	Adopted	The Company's internal audit function is outsourced and carried out by Messrs Ernst & Young Advisory Services (Pvt) Ltd. Further, the Company Internal Auditor also has been appointed to coordinate the function.
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 Controls' report which is given on page 123.
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 page123.

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	The Audit Committee comprises four Independent Non-Executive Directors including Chairman. Audit Committee Report is given on page 95 of this Annual Report.
D.3.2	Duties of the Audit Committee	Adopted	The Audit Committee monitors and reviews the scope and results of the audits and its effectiveness, independence and objectivity of the Auditors. The Committee has formulated a policy for the engagement of the External Auditor for non-audit services and it was approved by the Board.

Number	Corporate Governance Principle	Adoption Status	Level of Adoption
D.3.3	Terms of Reference of the Audit Committee	Adopted	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. 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 making recommendations to the Board of Directors on matters relating to the Internal and External Auditors including their independence, performance, terms of engagement and remuneration.
D.3.4	Disclosures of the Audit Committee	Adopted	The names of the members of the Audit Committee are given in the Audit Committee Report on page 95. The Audit Committee has undertaken an 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 95.

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 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

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 76 to 93 satisfies the requirement.

Number	Corporate Governance Principle	Adoption Status	Level of Adoption

E. Institutional Investors

E.1 Shareholder Voting

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

E.1.1	Communication with Institutional Shareholders	Adopted	It is the AGM that is mainly used for effective communication with the shareholders. The Chairman communicates the views and queries of the shareholders to the Board and the Senior Management.

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 the Board structure and composition.

F. Other Investors

F.1 Investing/Divesting Decisions

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.

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 notices 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.

G. Sustainability Reporting

G.1 Principles of Sustainability Reporting

Company is gradually moving towards sustainability reporting since 2013 and the details of how Company is adopting the seven principles under sustainability reporting are given on pages 36 to 71.

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**	**03**
Mr. R Dias	Chairman/ Independent Non-Executive Director	12/12*	–	–	–	–
Dr. P Ramanujam	Deputy Chairman/ Independent Non-Executive Director	11/12	04/04	–	04/04	02/03
Mr. L Balasuriya	Managing Director/ Chief Executive Officer Executive Director	12/12	03/04	–	03/04	–
Dr. A Balasuriya	Director – Operations/ Executive Director	08/12	–	–	–	–
Dr. M Balasuriya	Director – Planning/ Executive Director	09/12	–	–	–	–
Mrs. L Fernando	Director – Human Resources/ Executive Director	08/12	–	–	–	–
Mr. W A T Fernando	Independent Non-Executive Director	09/12	03/04	–	–	–
Mr. S Kulatunga (Resigned w.e.f. 31st March 2017)	Independent Non-Executive Director	12/12	04/04	–	03/04	–
Mr. T Collure	Independent Non-Executive Director	12/12	04/04	04/11	04/04	03/03
Mr. S Bandaranayake	Director/ Additional Chief Executive Officer Executive Director	12/12	04/04	11/11	04/04	03/03

*Attended/Eligible to attend

**Key Management Personnel have attended the meetings

Responsibility

We are at all times responsible for our actions, our words and every aspect of enterprise. But our remit reaches far beyond... to responsibility for the advancement and well being of our stakeholders.

Responsibility is fundamental to building and sharing trust

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 (Resigned w.e.f. 31st March 2017) and Mr. T Collure are other three members of the Audit Committee (Brief profiles of Directors have been set out on pages 74 and 75 in this Report).

The Managing Director/Chief Executive Officer, Executive Director/Additional Chief Executive Officer, Assistant General Manager – Accounts, Chief 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 93 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 Company's internal control systems and level of risks pertaining to those findings, effectiveness of implementation of audit recommendations are being 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 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

31st May 2017

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

Senior Management representatives who attend the meetings are:

- Mr. P P K Ikiriwatte – Deputy CEO
- Mr. J K 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 – AGM – Personnel & Administration
- Mr. N Karunaratne – AGM – Legal/Customer Services
- Mr. K Rajapakshe – Chief 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

31st May 2017

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 (Resigned w.e.f. 31st March 2017)

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 74 and 75 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 Subcommittees.

Committee Meetings

Number of meetings and attendance of the members of such meetings are set out in page 93 of this Annual Report.

Access to Professional Advice

The Committee is authorised to seek external professional advice as and when it deems necessary.

Dr. P Ramanujam
Chairman
Remuneration Committee

31st May 2017

Report of the Related Party Transactions Review Committee

The Related Party Transactions Review Committee has been set-up by the Board of Directors in order to strengthen the process of identifying, recording and reporting of related party transactions which in turn ensure strict compliance with the rules and regulations governing Related Party Transactions of Listed Entities and thus improve 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 – Chief 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 of the Company 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 is a related party, unless such Director is requested to do so by the Committee for the express purpose of providing information concerning the related party transaction to the Committee. Also it ensures that immediate market disclosures and disclosures in the Annual Report as required by the applicable rules/regulations are made in a timely and detailed manner.

Related Party Transactions during 2016/17

During the year 2016/17, 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 45 to the Financial Statements.

Committee Meetings

The number of meetings and attendance of the members of such meetings are set out on page 93 of this Annual Report

Declaration

A declaration by the Board of Directors in the Annual Report as a negative statement that no related party transaction which exceeds the threshold levels mentioned in the Listing Rules was entered into by the Company during 2016/17 is given on page 117 of the Annual Report.

Dr. P Ramanujam
Chairman
Related Party Transactions Review Committee

31st May 2017

Risk Management

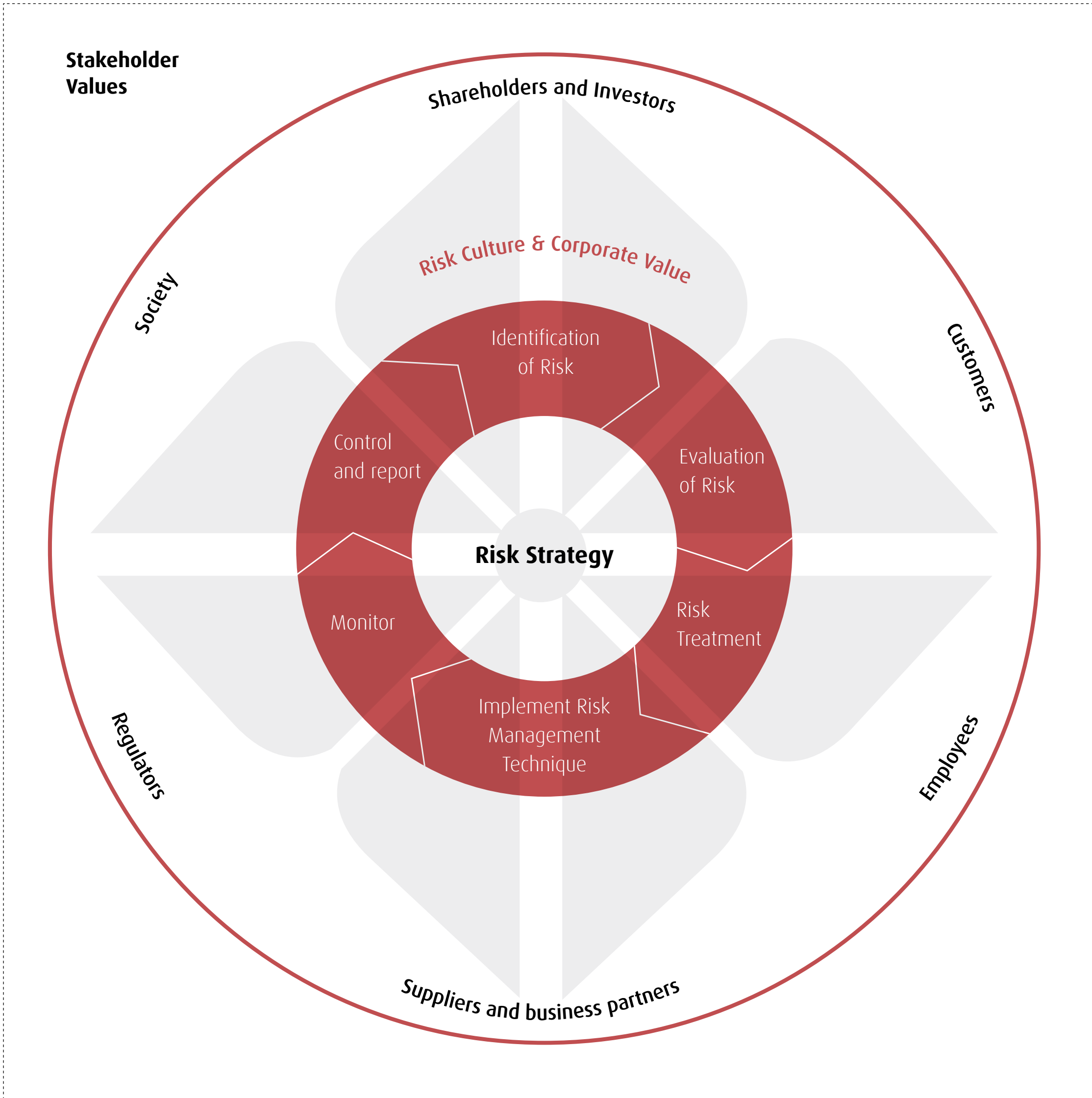
Effective risk management and sound governance go hand in hand when creating sustainable business growth. Modern-day dynamic environment continuously gives rise to new risks; proactive risk management measures are vital to mitigate such risks. Potent risks with material losses are inherent to the finance business, as such meticulous risk management is imperative to optimise the risk return tradeoff. We at Senkadagala Finance, with this understanding, strive to align our risk management techniques with the overall business objectives to optimise business value creation.

Risk Governance at Senkadagala Finance

The primary responsibility for risk governance is assumed at the Board level. The Board holds the ultimate responsibility for risk management and therefore corporate risk strategies are decided and risk objectives are set at this level. We at Senkadagala Finance believe that holistic approach to risk management is vital for a robust control mechanism. As such, the first line of defense on managing risks is at Board level.

The Integrated Risk Management Committee, a Subcommittee 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 the course of action to be taken to counter potential and emerging risks.

The 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 environment to identify emerging risks. Mechanisms and procedures to curtail such emerging risks are also discussed here. Periodical reports are submitted to this 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 to control such risks. This forms the second line of defense, bringing in the middle line managers and the operations in to the risk management process.



Corporate risk objectives are communicated to the operational level staff by way of risk policies and the risk management framework, 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 these risk criteria within tolerable limits is shared among the risk assuming managers and the higher level management. This collective approach enables the Company to manage risk in an effective manner.

We have in place a process of continuous internal audit, utilising the co sourced services of Messrs. 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. This provides an independent assurance for the risk management process of the Company. The presence of continuous monitoring and assurance provides an additional level of defense in the risk management process of the Company.

Improved financial performance enjoyed by the Company over the years and the sustainable growth achieved in the recent past are good indications of the effectiveness of the risk management framework of Senkadagala Finance.

Risk Management objectives of Senkadagala Finance

Primary objectives of Senkadagala Finance with regard to risk management 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 adequate controls are in place to curtail downside of risk, while maximising returns.

How we Assess Risks

Prevalent risk culture of the Company encourages staff at all levels to be mindful of 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. Risk tolerance levels are set, based on the risk appetite of the entity and generally accepted industry norms.

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 impacts are within the risk tolerance levels of the Company.

Collective dialogue amongst different department heads at the Integrated Risk Management Committee, ensures comprehensive assessment of potential risks and their impact. Risks with potent consequences will be monitored regularly; a monthly report is submitted to the IRMC, with identified quantitative ratios, to monitor key risk areas such as credit risk, liquidity risk, market risk and operational risk implications.

This process has enabled the Company to maintain a robust risk management mechanism enabling value creation for stakeholders at all levels.

Risk Policies and Frameworks

Risk objectives are cascaded down to functional levels by way of policies, frameworks and internal controls. Procedure manuals are used to set up the framework for effective risk management, while communicating the risk tolerance levels to functional managers and operational staff.

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 awareness among employees to identify, assume and manage risks, while aligning with the entity's risk appetite.

Risk Controls and Review

To optimise the risk return trade-off it is vital to ensure the adequacy of the risk management process, therefore Senkadagala Finance has stringent reviews and control mechanisms in place.

The Audit Committee, a subcommittee 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 oversee and advise the Board on affairs with the External and Internal Auditors. The Audit Committee is also responsible to ensure adequacy and efficiency of the internal controls adopted by the Company.

Report of the Audit Committee on page ... of this report contains a detailed description of the composition, functionality and scope of the Audit Committee.

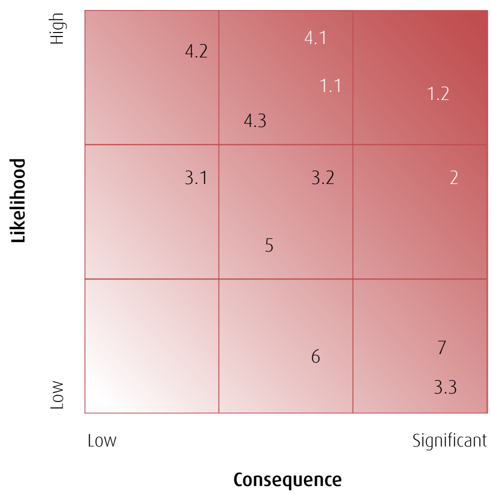
The Integrated Risk Management Committee, another subcommittee of the Board, plays a pivotal role in the risk management process of the Company. The Manager Risk, Audit and Compliance submits a periodic report assessing predetermined risk parameters to the Integrated Risk Management Committee. During this Committee meeting, there is a dialogue on actual risk indicators against the risk tolerance levels for 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 96 of this Report, contains a detailed description of the composition and the functionality of the Integrated Risk Management Committee.

Continuous internal audit, employing the co sourced services of Messrs. Ernst & Young Advisory Services (Pvt) Ltd., is 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.

Risk mapping at Senkadagala Finance

1. Credit Risk
    1.1. Default risk
    1.2. Credit concentration
2. Liquidity Risk
3. Operational Risk
    3.1. Internal controls
    3.2. Technology related risk
    3.3. Disasters and contingencies
4. Market Risks
    4.1. Interest rate risk
    4.2. Equity risk
    4.3. Foreign exchange risk
5. Regulatory and Compliance Risk
6. Strategic Risk
7. Reputation Risk



Credit Risk

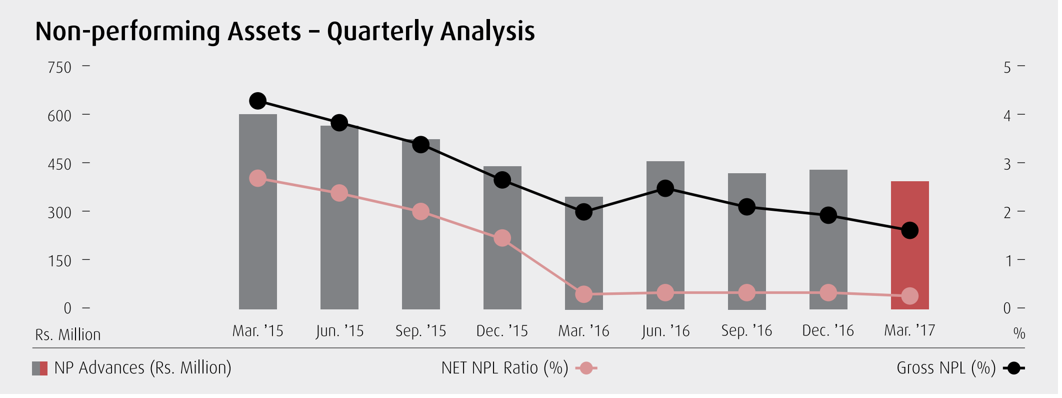
Credit risk is potential financial losses, due to failure of a counterparty to discharge the contractual obligations or in simple terms, losses arising due to defaults. Since the primary products of a financial institution are interest earning loans and advances, high levels of defaults can have detrimental effect on the asset quality, profitability and the liquidity position of the entity.

Credit risk primarily arises due to deteriorated creditworthiness of borrowers. However, adverse fluctuations in market conditions also could cause such losses to crystallize. Nevertheless, credit risk is inseparable from the finance business. Therefore, this risk should be meticulously managed to optimise returns, while restricting the losses within tolerable parameters.

Senkadagala Finance has identified credit risk as a key risk segment for the Company and strives to maintain the Non-performing asset ratio within tolerable limits. As a result the Company has one of the lowest NPL ratios among key industry players. By March 2017, our gross NPL ratio stood at 1.64%, a commendable improvement from 2.02% of March 2016. The industry average NPL ratio of the LFC/SLC Sector was 5.3% for the preceding year.

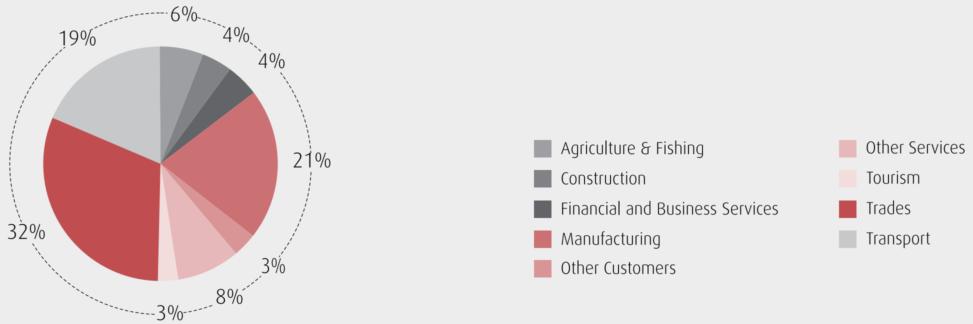
Credit Risk at Senkadagala Finance

Risk Type	Likelihood	Consequence	Objectives of risk mitigation	Course of action
Default risk (failure of counterparty to discharge the contractual obligations)	High (an inherent risk for the finance business)	Low/Moderate (depends on the size of exposure)	Attain a healthy portfolio	• A dynamic credit evaluation process is in place, which comprehensively assesses the customers, rating them in accordance with the potential default risk • Employees are regularly trained on credit evaluation techniques • Approval hierarchies are set to streamline disbursement of loans with high exposures • Risk tolerance levels are set for identified key risk parameters and strict adherence to these levels is monitored • Exposure limits are set for economic sectors, based on the historical loss experience • Exposure limits are set for asset categories, based on past loss given default experience • Maintain a low Loan To Value (LTV) ratio in identified high risk sectors and asset categories • Exposure to individuals is restricted to tolerable limits • Ensure that extended finance is in conformity with the Company's Environmental and Social Management System



Risk Type	Likelihood	Consequence	Objectives of risk mitigation	Course of action
			Maintain a low Non-Performing Asset ratio	● Gross NPL ratio targets are set and communicated to employees periodically ● Create a sense of responsibility with the loan officer by which he/she will be an active participant in the recovery process ● Identify potential defaults proactively by maintaining close links with customers and analysing payment patterns ● Recovery department oversees the recovery process, ensuring that exposure to credit risk is within tolerable limits
			Minimise the loss given default	● Comprehensive review of securities undertaken before extending the loan facility ● Centralised valuation of motor vehicles to prevent judgemental deviations at loan disbursements ● Strict controls over the LTV ratio, specially in identified high risk asset categories ● Continuous auction sale of seized assets through an online system, which enables us to dispose repossessed assets for the highest bid ● A loan protection cover was introduced to prevent losses due to demise of the primary borrower
			Control the movement in arrears buckets	● Centrallised review of the portfolio to maintain portfolio quality
Credit concentration risk (risks arising due to significant single exposures)	High	Significant (depends on the relative size of exposure to individual borrowers)	Controlled exposures	● Exposure limits are set for economic sectors based on the historical loss experience ● Exposure limits are set for asset categories based on past loss given default experience ● Scrutinise the LTV ratio for individual contracts ● Exposure to individual customers is restricted to tolerable limits

Economic Sector Exposure for Loans and Advances



Risk Type	Likelihood	Consequence	Objectives of risk mitigation	Course of action
			Monitor the movement in arrears buckets	● Strengthen ties with individually significant customers ● Recovery responsibility is held with the loan officer
			Loss given default	● Insure the underlying receivable balances for probable losses

Liquidity Risk

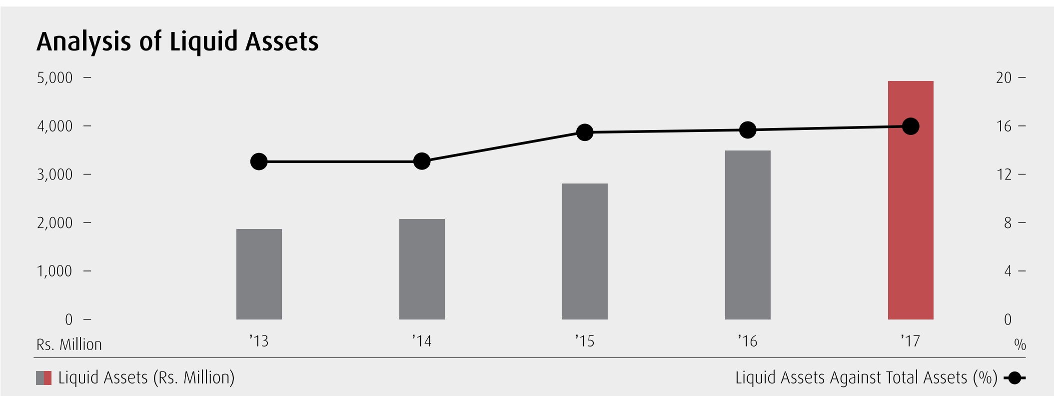
Liquidity risk materialises when an institution fails to honour its financial obligations, as they fall due, without incurring unexpected losses. Crystallization of liquidity risk is one of the common reasons for insolvency of financial institutions; therefore, meticulous liquid asset management is vital 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 business. As such, it is necessary to maintain the optimum 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:

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 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.

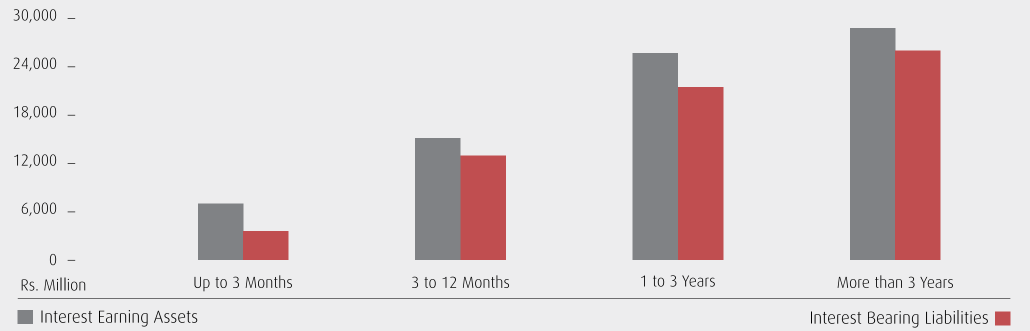
Risk Type	Likelihood	Consequence	Objectives of risk mitigation	Course of action
Liquidity risk (failure to honour financial obligations when they fall due without incurring unexpected losses)	Medium (meticulous liquidity management can prevent crystallisation of this risk)	Significant (realisation would hamper the continuity of the business)	Maintain adequate levels of liquid assets to facilitate business growth	• Set disbursement targets, in line with the expected profitability level for a reporting period • Set target levels and tolerable deviation levels for recovery ratios • Forecast cash flows • Identify potential cash shortages and plan in advance for funding such shortages • Optimise the return from temporary excess liquidity situations
			Plan for major capital repayments in advance	• Analyze the available loans and other borrowings of the entity and strategies methods of refinancing within adequate time • Maintain high collection ratios to facilitate smooth cash flows



			Open-up various funding streams to avoid any contingencies	• Diversify funding methods and investors to dispense the risks involved • Strengthen ties with local commercial banks and other investors • Open up foreign funding streams

Risk Type	Likelihood	Consequence	Objectives of risk mitigation	Course of action
			Optimise the short to long-term funding mix	• Strengthen the deposit base of the Company • Promote deposit retentions and renewals, while reducing the deposit withdrawals • Manage the maturity mismatch, set tolerance levels for each maturity bucket • Continuously review and report regarding tolerance levels • Readjust the tolerance levels in turbulent economic conditions
			Maturity gap and Cumulative maturity gap analysis for asset and liability management	• Set risk tolerance levels for maturity gap and the cumulative maturity gap ratios • Continuously review and control against the tolerance level

Analysis of Cumulative Maturity Gap of Assets and Liabilities



Operational Risk

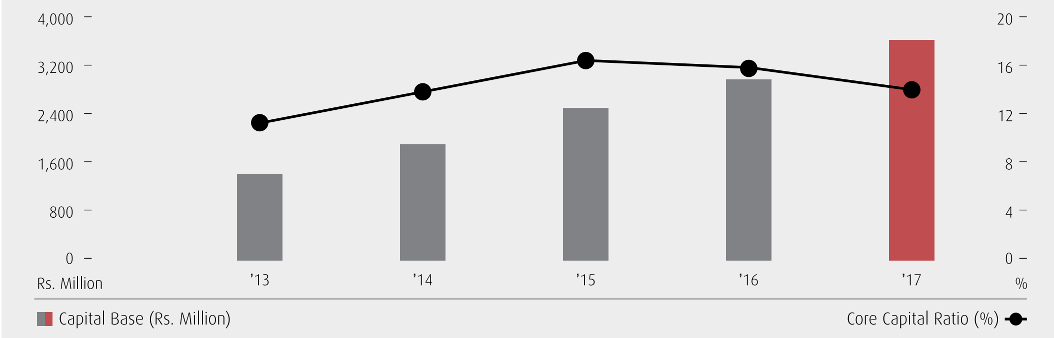
Losses arising due to inadequate or failed internal processes, people and systems, due to internal and/or external events are operational risks. It is difficult to assess the level of operational risk an entity is exposed to as it covers a broad spectrum of activities and functions within an organisation. 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.

The management of Senkadagala Finance iterates on the importance of retaining high capital ratios in order to promote balance sheet strength and to provide an adequate buffer in volatile circumstances. By the end of March 2017, the Company had a core capital base of Rs. 3,657 Million and a total capital base of Rs. 4,144 Million. The core capital ratio of the Company as at 31st March 2017 was 14.19%. The associated industry average by the end of 2016 stood at 11.4%.

In order to further strengthen the capital ratios, the Board of Directors proposed and approval in principle was obtained from the CSE for a rights issue of 7,247,506 shares at Rs. 80/- per share. This will improve the Capital base of the Company by Rs. 579.8 Million to reach Rs. 4,190 Million. Consequent to the rights issue, the total capital ratio would increase up to 16.44%.

Risk Type	Likelihood	Consequence	Objectives of risk mitigation	Course of action
Internal controls	Medium (Stringent internal controls are in place to minimise this further)	Low/Moderate (The consequence varies based on the degree of risk materialised)	Eliminate internal fraud	● A robust internal control system is in place with stringent controls over risk prone functional areas ● Skilled line managers are held accountable for the risk parameters in the relevant operational segment ● Control mechanisms are incorporated in to the information system of the entity to enable good governance ● Authority limits are enforced for high exposure transactions ● A strong risk culture is instigated within the organisation which strengthens the risk policies and frameworks ● The Company continuously reviews and updates its procedure manual to streamline it with developments in different business segments and the information systems ● A Whistle-blowing Policy is in place to encourage stakeholders to bring unethical conducts and illegal activities to the attention of appropriate authorities of the Company
			Avoid external fraud	● Continuously review and upgrade the customer screening process ● Regularly update and upgrade information system security to deter fraud
			Enhance employment practices and work place safety	● Comprehensive employee screening policies ● Provision of continuous training and development opportunities to staff internally as well as externally ● Issuing circulars and memos by way of emails to all staff to inform of various controls and system developments ● Continuous development to our systems, processes and procedures as and when necessary to accommodate new requirements and controls

Capital Base and the Capital Adequacy Ratio

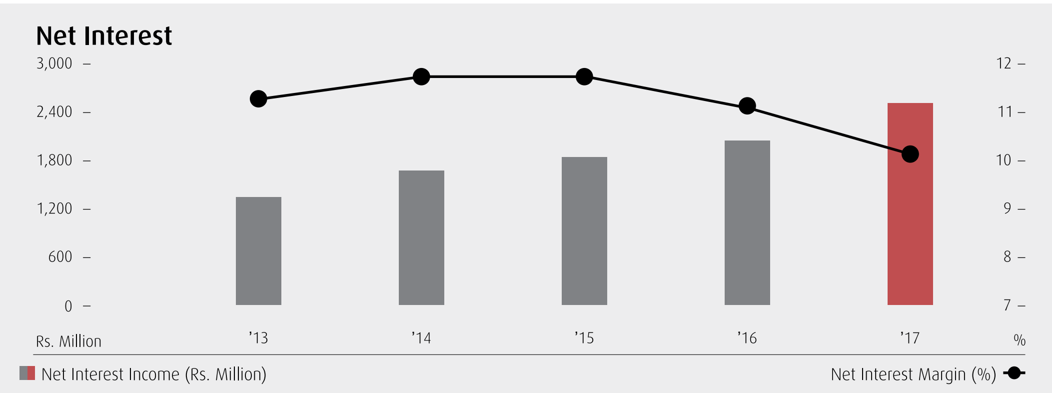


Risk Type	Likelihood	Consequence	Objectives of risk mitigation	Course of action
			Improve client, products and business practices	• Senior management which sets overall management objectives meets at regular intervals to review the progress achieved so far and takes remedial measures for any deviation from the set targets • Promote localised business practices to streamline controls with customer requirements and environmental condition • Managers are encouraged to carry out market surveys and come up with product changes and new viable promotions to capitalise on market changes from time to time
			Develop execution, delivery and process management	• The Company has a comprehensive operations manual which is updated according to the environmental and business process changes • Continuously keep the staff informed of changes to market conditions and business processes through email
Technology related risk	Medium (Stringent controls are in place to minimise IT related risks)	Significant/ Moderate (The consequence varies based on the degree of risk materialised and services interrupted)	Minimise system downtime	• System developments and upgrades are reviewed in the operational risk context • Well trained systems support team is in place to assist staff with IT related issues
			Improve system and data security	• Regularly update and upgrade information system security • State-of-the-art system security software is in place • Ensure adequate controls are in place to ensure accuracy and reliability of management information
			Improve hardware functionality and eliminate breakdowns	• Regular maintenance and upkeep of equipment • Maintenance agreements are in place. Co-sourcing through suppliers enables prompt restoration of system breakdowns • Optimise resources to improve customer experience and satisfaction for the service.
Disasters and contingencies	Low	Significant (realisation would hinder the regular continuity of business)	Minimise business disruption and system failures	• We have in place a Disaster Recovery Site which enables us to continue operations with minimal down time • The Company has in place a Business Continuity Plan • Maintain data backup and backup servers
			Minimise the loss due to damage to physical assets	• All buildings and assets are comprehensively insured • All cash within the premises and in transit are insured • Staff is trained on the fire escape plans, housekeeping activities and other work place safety measures

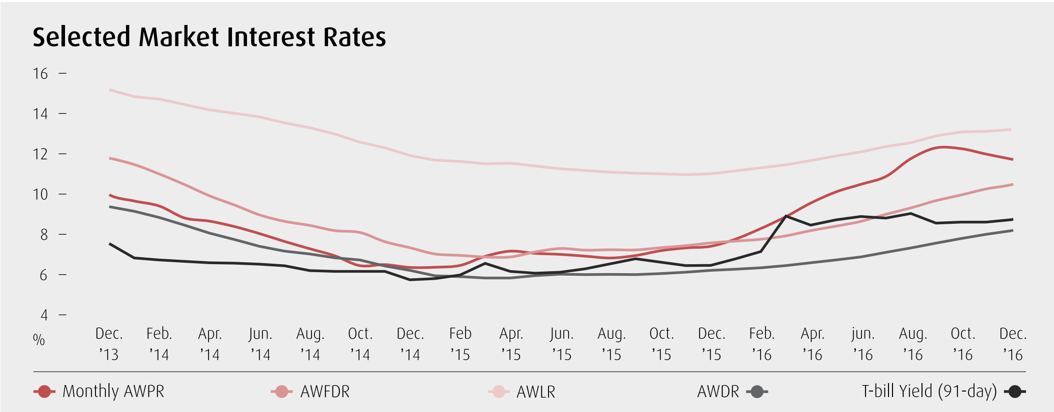
Market Risks

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.

Risk Type	Likelihood	Consequence	Objectives of risk mitigation	Course of action
Interest Rate risk (interest rate risk is the risk that an investment's value will change due to a change in the absolute level of interest rates)	High (Financial institutions act as financial intermediaries, as such are highly vulnerable to losses arising as a result of interest rate fluctuations)	Moderate (Interest rate fluctuations are external factors; as such it is beyond the control of the entity's management)	Maintain an optimal net interest spread	• Meticulous asset and liability management • Set risk tolerance level for interest spread and continuously review it in light of prevailing market trends • Continuous scanning of the changes in the market interest rates and identify trends and patterns in market fluctuations, which helps in deciding future strategies • 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 trend in the market



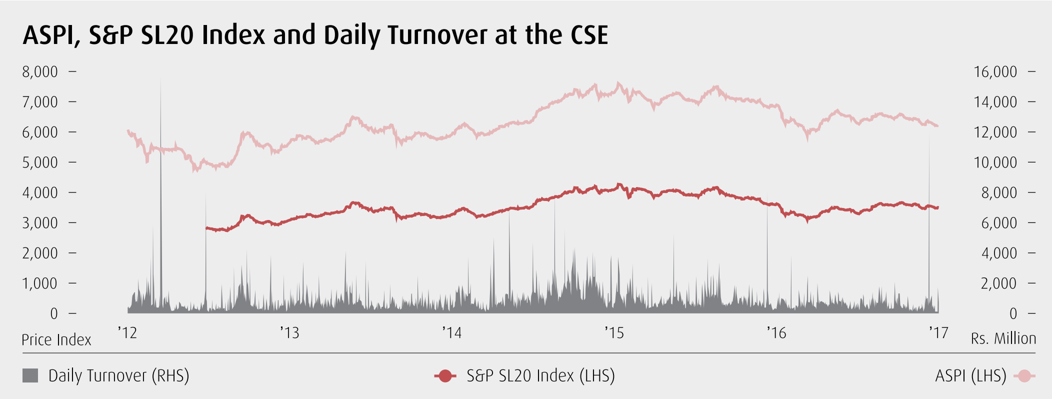
Risk Type	Likelihood	Consequence	Objectives of risk mitigation	Course of action
			Strike a balance between floating and fixed rated borrowings	• Floating rated loans enable the entity reprice its liabilities in accordance with market trends, while fixed rated loans helps to be resilient in a rising interest rate environment, as such, 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 helps to maximise profitability, the set parameters are regularly reviewed



Source: Central Bank of Sri Lanka – Annual Report 20016

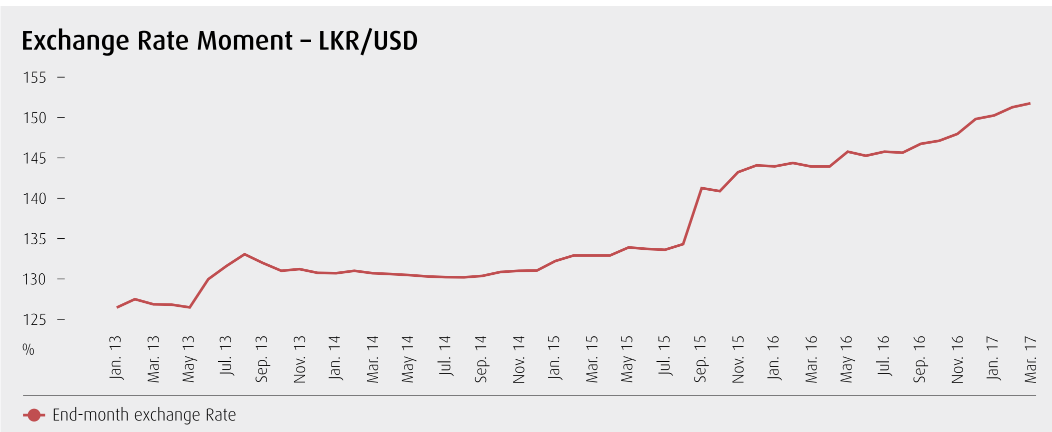
Risk Type	Likelihood	Consequence	Objectives of risk mitigation	Course of action
			Maintain an optimal gearing ratio	• Identify and maintain the optimum mix of equity and borrowing, which gives a lower rate of Weighted Average Cost of Capital (WACC)
Equity Risk (An entity is exposed to losses due to volatility of exchange traded equity instruments and debt instruments)	High (Level of involvement in the securities markets is a deciding factor for likelihood)	Low (Sensitivity to equity risk is dependent on the size of investment in the securities markets)	Maintain the equity related risk at a minimum level	• Maintain equity investments within the risk tolerance level of the entity • Set stop-loss prices to minimise losses in turbulent market conditions. • Closely monitor the market movement of invested equity instruments • The portfolio is marked to market monthly to identify the impact of market trends
			Maintain a diversified portfolio	• Invest in a variety of industries • Diversify the type of securities invested • The Company has sourced the services of Orion Fund Management to manage a section of its equity investment portfolio

Risk Type	Likelihood	Consequence	Objectives of risk mitigation	Course of action



Source: Central Bank of Sri Lanka – Annual Report 2016

Foreign Exchange Risk (Losses that arise due to adverse movements in the foreign currency exchange rates)	High (Until commencing the foreign currency exchange business in the financial year 2012/13 Senkadagala Finance was not exposed to this risk)	Moderate (Since entering into a loan agreement with IFC for a USD borrowing, the exposure to foreign exchange risk increased.)	Minimise transaction losses	• The Company does not hold over-night positions of foreign currency purchased through its branch network daily • Systems are in place to track and monitor transactions regularly • Inform operational staff of counterfeit notes circulating in the market to evade external fraud • Swap cash flows to minimise the exchange risk exposure in major transactions
			Minimise translation losses	• The Company has in place a locally procured hedge to lessen the effects of the foreign currency borrowing • Regular reviews are in place to ensure the efficiency of the hedge • New foreign borrowings are thoroughly reviewed to ensure compliance with internal risk tolerance levels



Source: Central Bank of Sri Lanka – Annual Report 2016

Regulatory and Compliance Risk

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

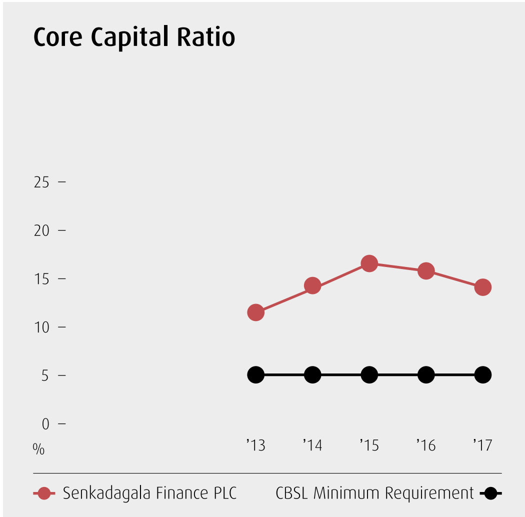
The likelihood and the consequence vary based on the nature of regulations, degree and the repercussions of non-compliance.

Due to the vulnerable nature, the finance business is a highly regulated one. Following are the primary supervisory bodies and the regulations prevailing over the Company.

- The Finance Business Act No. 42 of 2011 (Preceded by the Finance Companies Act No. 78 of 1988)
- Companies Act No. 7 of 2007 (Preceded by the Companies Ordinance No. 51 of 1938)
- Continuing Listing Rules of the Colombo Stock Exchange
- The Central Bank of Sri Lanka and regulations imposed thereby
- Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka
- Registrar of Companies
- Colombo Stock Exchange
- Securities and Exchange Commission and regulations imposed thereby
- Directions, Rules, Determinations, Notices and Guidelines applicable to Licensed Finance Companies
- Rules and regulations imposed by the Department of Inland Revenue
- Regulations imposed by other local and national authorities
- Accounting and other reporting standards issued by The Institute of Chartered Accountants of Sri Lanka
- Covenants imposed by investors and other influential bodies

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

- Incorporated limits and restrictions (e.g. LTV ratios, capital adequacies, etc.) enforced by the regulators into system controls
- Responsibility is assigned to the functional managers and department heads to maintain relevant restrictions and ratios within the stipulated limits
- A compliance function is in place. The compliance officer who directly reports to the Board closely monitors and periodically reports of the status of conformity of the entity against applicable rules and regulations
- A report comprising of regulatory ratios is submitted to the periodic Integrated Risk Management Committee meeting and the Board meeting to ensure continuous compliance
- A quarterly compliance audit function is in place, sourcing the expertise of Messrs Ernst & Young Advisory Services (Pvt) Ltd., providing external assurance to the compliance function.



During this financial year, the Central Bank issued several regulatory controls affecting the NBFIs sector. The direction on the Loan to Value ratio for credit facilities in respect of Motor Vehicles was amended, revised direction restricted the LTV ratio granted for certain vehicle categories in respect of unregistered and registered, vehicles that are being used in Sri Lanka for less than one year. Towards the end of the year a direction was issued specifying the minimum core capital. Such directions have high impact on the operations and the structure of NBFIs.

Strategic Risk

Strategic risks are 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.

Systematic analysis of strategic decisions coupled with sound governance practices, has enabled Senkadagala Finance to minimise the likelihood of materialisation of Strategic risks. However, if materialised, the impact of such losses could be critical based on level of investment and business involvement.

Following controls are in place to safeguard the Company against strategic risk related losses,

- The Vision and the Mission statements outline the general strategic direction of the entity. All strategic decisions and objectives are thoroughly reviewed against these.
- Thorough analysis are done before strategic decision implementation and robust strategic planning and strict budgets are stipulated before commencement.
- Feasibility studies are carried out to identify potential threats and drawbacks for various strategic initiatives.
- A state-of-the-art management information system is in place. The MIS was internally developed, tailored to the requirements of the management and the business structure.
- Periodical review and continuous control actions are undertaken 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.
- Through regular meetings the Board of Directors and the corporate management team monitor the progress of significant strategic initiatives.

Reputation Risk

Reputation risk is the loss of earnings, profitability, capital or brand image due to negative publicity. Tarnished reputation 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 leads to financial losses.

Systematic risk identification and effective management of risks has enabled Senkadagala Finance to mitigate potential reputation risk.

Financial Reports

Annual Report of the Board of Directors of Senkadagala Finance PLC

The Board of Directors of Senkadagala Finance PLC has pleasure in presenting the annual report together with the audited financial statements of the Company and the audited consolidated financial statements for the year ended 31st March 2017 to the shareholders, which was approved by the Board of Directors on 31st May 2017.

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 Act 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, 267, Galle Road, Colombo 03.

Vision and Mission

The Company's vision and mission are stated in page 4 of this 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 broking, 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 25th August 2014 Senkadagala Finance acquired 100% ownership of Newest Capital Limited, a Specialised Leasing company registered under the Finance Business Act No. 42 of 2011. Newest Capital Limited 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 10 to 13), the Managing Director/CEO's review (on pages 14 to 17) and the Value Creation and Capital Formation (on pages 34 to 71). 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

In view of the positive results of the branch expansion in the recent past the Company continued to open its doors in ten new locations around the island. Senkadagala Finance PLC now has 49 branches and 41 service centres.

Directors' Responsibility for Financial Reporting

The financial statements of the Company and the group duly approved by two directors are given on pages 125 to 209.

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 2017 and the profit of the year then ended and have been prepared in conformity with the requirements of the Sri Lanka Accounting Standards

(LKASs and SLFRSs) as issued by the Institute of Chartered Accountants of Sri Lanka and the requirements of the Companies Act, No. 7 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 Listing Rules of the Colombo Stock Exchange.

Auditor's Report

The Auditors of the Company Messrs. KPMG performed the audit on the separate and the consolidated financial statements for the year ended 31st March 2017. The Auditor's Report issued thereon is given on page 124 of this annual report.

Accounting Policies

The accounting policies adopted in preparing and presenting of these financial stamens are given on page 133 to 148 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 2017 in accordance with the Sri Lanka Accounting Standards (LKASs and SLFRSs) 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 120 of this report.

Remuneration and other benefits of Directors

Directors' remunerations in respect of the Company and the group for the financial year under review is Rs. 20,536,250 (2016 – Rs. 19,982,500).

Related Party Transactions

There are no related party transactions which exceed the threshold limits introduced by the Listing Rules of the Colombo Stock Exchange on Related Party Transactions. However, the Directors have disclosed the transactions that could be classified as related party transactions which are adopted in the presentation of the Financial Statements and accordingly given in Note 45 on page 183 of this Annual Report

Donations

A sum of Rs. 4,293,982 (2014 – Rs. 2,189,039) 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 of the following,

	Company		Group	
	2017 (Rs.)	2016 (Rs.)	2017 (Rs.)	2016 (Rs.)
Interest income	4,825,712,446	3,746,373,737	4,825,546,479	3,747,454,172
Fee and commission income	138,664,254	85,404,531	258,611,679	184,184,219
Other operating income	173,759,290	132,767,973	112,003,682	79,414,973
Total	5,138,135,990	3,964,546,241	5,198,161,840	4,011,053,364

Further analysis of income is given in Note 4, 6, 8 and 10 of the Financial Statements on pages 149 and 150 of this report.

Profit and Appropriations

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

	2017 (Rs.)	2016 (Rs.)
Profit before income taxation	1,119,133,119	882,549,575
Income taxation	-258,161,877	-269,368,025
Profit for the period	860,971,242	613,181,550
Other comprehensive income net of income tax	-7,400,624	8,886,208
Balance brought forward	1,716,486,135	1,295,748,642
Profit available for appropriation	2,570,056,753	1,917,816,400
Appropriated as follows;		
Transfers to statutory reserve fund	45,000,000	35,000,000
Dividends paid	185,898,532	166,330,265
Un-appropriated profit carried forward	2,339,158,221	1,716,486,135

Dividends

The directors recommended a final dividend of Rs. 0.95 per share for the financial year ended 31st March 2017. In accordance with the Direction No. 01 of 2013 the Company obtained approval of the Director of the NBFIS of the Central Bank of Sri Lanka for the final dividend.

The following dividends were declared and paid during the financial year,

	2017			2016		
Dividend payment	Amount (Rs.)	DPS (Rs.)	Paid Date	Amount (Rs.)	DPS (Rs.)	Paid Date
1st interim dividend paid	39,136,533	0.60	24.11.2016	39,136,533	0.60	10.12.2015
2nd interim dividend paid	58,704,800	0.90	26.01.2017	42,397,911	0.65	16.03.2016
3rd interim dividend paid	39,136,533	0.60	07.04.2017	39,136,533	0.60	15.06.2016
Final dividend proposed/ paid	68,851,308	0.95	Subject to AGM approval	48,920,666	0.75	05.09.2016

The total dividend payout ratio amounted to 21.59% in 2017 compared to 27.13% of 2016.

Taxation

The Company accounts for deferred taxation under the liability method on all timing differences. Details are disclosed in Note 16 on page 152 and Note 38 on page 177 of this report.

Reserves

The aggregate reserves of the group as at 31st March 2017 amounted to Rs. 3,662 Million, the aggregate reserves as at 31st March 2016 were Rs. 2,993 Million. Movement in reserves during the year is given in Statement of Changes in Equity on page 129 of this report.

The composition of the aggregate reserves is set out below;

	2017 (Rs.)	2016 (Rs.)
Stated capital	1,008,062,200	1,008,062,200
Statutory reserve fund	310,036,033	265,036,033
Available for sale reserve	4,361,183	3,774,586
Retained earnings	2,339,158,221	1,716,486,135
Total reserves	3,661,617,637	2,993,358,954

Capital Expenditure

The total capital expenditure for the year amounted to Rs. 640.9 Million (2015/16 – Rs. 351.4 Million).
Details of property, plant and equipment are available on pages 166 to 170 of this report. Details relating to the depreciation charge for the year are also available on pages 167 and 168.

Market Value of Free Hold Assets

The values of the free hold properties of the Company have been obtained from the reports issued by an external independent property valuer Mr. K M U Dissanayake dated 31st March 2017. The valuer has appropriate recognized professional qualifications and recent experience in the location and category of the property being valued. The Valuation has been carried out based on open market value of similar properties. These values have not been incorporated in the financial statements. Details of free hold property owned by the Company are given in Note 28.1 and note 29.6 of the financial statements on pages 165 and 169 to this report.

Issue of Shares and Debentures

Stated capital

Senkadagala Finance PLC has in issue 65,227,555 ordinary shares to the book value of Rs. 1,008 Million. No new shares were issued during the year under review.

However the Board of Directors proposed to issue and list 7,247,506 voting shares at an issue price of Rs. 80/- per share by way of a rights issue. The resolution pertaining to the issue was duly adopted by the shareholders at the EGM held on 30th March 2017. The rights were fully subscribed and 7,247,506 voting shares were listed in the Colombo Stock Exchange on 2nd May 2017. Subsequent to the listing the Company has in issue 72,475,061 shares to the book value of Rs. 1,588 Million.

The Company does not have any other category of shares in issue.

Debentures

Details of the debentures in issue as at 31st March 2017 are given in detail in Note 36 and Note 37 of the financial statements on page 175 and 176 respectively. Further information on the listed debentures is given on pages 66 to 67 of this report.

Shareholding

The stated capital as at 31st March 2017 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 181 of this 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 63 to 65, under shareholder & Investor Capital. The twenty largest shareholders as at 31st March 2017 together with an analysis of the shareholding are also indicated therein.

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 pages 74 and 75 of this report.

The following were Directors of the Company during the year

- Mr. W M R S Dias
- Dr. P Ramanujam
- Mr. L Balasuriya
- Dr. A Balasuriya
- Mrs. L Fernando
- Dr. M Balasuriya
- Mr. W A T Fernando
- Mr. S S Kulatunga (Resigned w.e.f. 31st March 2017)
- Mr. S D Bandaranayake
- Mr. D T P Collure
- Mr. Senanayakege R. Pushpakumara (Appointed w.e.f. 1st April 2017)

The following were Directors of the Subsidiary, 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
- Mr. S D Bandaranayake

The following were Directors of the Subsidiary, Newest Capital Limited 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 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 is given on pages 74 and 93 of this report

Recommended for Re-election

In accordance with the Finance Companies (Corporate Governance) Direction of No. 03 of 2008, none of the Directors of the Company are 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;

	2017		2016	
	Number of shares	% of holding	Number of shares	% of holding
Dr. A. Balasuriya	3,747,127	5.74	3,747,127	5.74
Dr. A Balasuriya & Mr. D Balasuriya	3,858	0.01	3,858	0.01
Dr. A Balasuriya & 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 & Ms. S A Fernando	2,572	0.00	2,572	0.00
Mrs. L Fernando & Mr. A R Fernando	2,571	0.00	2,571	0.00
Mrs. L Fernando & Mr. A L Fernando	2,571	0.00	2,571	0.00
Mr. L Balasuriya & Mr. S K Balasuriya	1,877,421	2.88	1,877,421	2.88
Mr. L Balasuriya & 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 (Resigned w.e.f. 31st March 2017)	-	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
Mr. Senanayakege R. Pushpakumara (Appointed w.e.f. 1st April 2017)	-	0.00	-	0.00

Directors' Interests in Debentures

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

As at 31st March	2017		2016	
	Number of Debentures	% of holding	Number of Debentures	% of holding
Mr. S D Bandaranayake	225,000	1	225,000	1

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.

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.

Post Balance Sheet Events

The Board of Directors has declared and paid an interim dividend of Rs. 0.60 per share for the nine month period ended 31st December 2016, on 07th April 2017. Further a final dividend of Rs. 0.95 per share for the year ended 31st March 2017, is recommended by the Board of Directors subject to the approval from the shareholders at the Annual General Meeting for the financial year ended 2016/17. 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.

Further the Board of Directors proposed and approval in principle was obtained from the Colombo Stock Exchange and the Central Bank of Sri Lanka to issue and list 7,247,506 shares at an issue price of Rs. 80/- per share to raise Rs. 579,800,480 by way of a rights issue.

The primary objective of the issue was to maintain a higher capital adequacy. The funds raised were proposed to be utilised in the ordinary course of the business to increase the loan book of the entity.

The resolution pertaining to this issue was duly adopted by the shareholders at the Extraordinary General Meeting held on 30th March 2017. The Rights were fully subscribed and the issue was completed by 24th April 2017. The shares were listed in the Colombo Stock Exchange on 02nd May 2017.

Except as mentioned above there were no material events occurring after the reporting period that require adjustment to or disclose in the financial statements other than those disclosed above.

Appointment of Auditors

The financial statements of the year under review have been audited by Messrs KPMG, Chartered Accountants, who offer themselves for re-appointment. A resolution will be proposed at the Annual General Meeting to re-appoint them as auditors and authorising the directors to resolve their remuneration.

Auditor's Remuneration, Other Fees and Payables

The Auditors, Messrs KPMG was paid audit fees of Rs. 1,090,000 (2015/16 – Rs. 990,000) for the Company and Rs. 419,631 (2015/16 – Rs. 327,125) for the subsidiary companies for the period under review. In addition they were paid Rs. 2,592,222 (2015/16 – Rs. 2,131,648), 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.

Amounts pertaining to the audit fee of Rs. 1,090,000 of the Company and Rs. 419,631 of the subsidiaries were payable as at the year end.

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

Risk Management

Specific steps taken by the Company in managing risks are detailed on pages 99 to 113 of this report.

Corporate Governance

The Board place great emphasis on maintaining effective corporate governance practices, 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 77 to 93 of the annual report.

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 seek to manage against material errors or omissions, losses, fraudulent practices and to safeguard assets and secure as far as is 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 690 employees as at 31st March 2017 (2016 – 627).

Going Concern

The directors are satisfied that the Company has at its disposal adequate resources to continue in business in the foreseeable future; and hence the 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 (Private) Limited
Secretaries

Colombo
31st May 2017

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.

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

Sanath D. Bandaranayake
Director/Additional CEO

Ravi Dias
Chairman

Ajith Fernando
Director/Chairman of the Board Audit Committee

Colombo
31st May 2017

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
E-mail : lk-fmkandy@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 2017, the Income Statement, Statements 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 125 to 209 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 2017, 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 2017, 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
31st May 2017

Income Statement

For the year ended 31st March	Note	Company 2017 Rs.	Company 2016 Rs.	Group 2017 Rs.	Group 2016 Rs.
Interest income	4	4,825,712,446	3,746,373,737	4,827,546,479	3,747,454,172
Interest expense	5	(2,402,304,655)	(1,701,766,490)	(2,399,178,562)	(1,698,353,218)
Net interest income		2,423,407,791	2,044,607,247	2,428,367,917	2,049,100,954
Fee and commission income	6	138,664,254	85,404,531	258,611,679	184,184,219
Fee and commission expense	7	(23,359,325)	(35,764,382)	(23,359,325)	(35,764,382)
Net fee and commission income		115,304,929	49,640,149	235,252,354	148,419,837
Net gain from trading	8	5,924,388	5,254,914	5,924,388	5,254,914
Net gain/ (loss) from financial instruments designated at fair value through profit or loss	9	(6,016,377)	(12,579,446)	(6,016,377)	(12,579,446)
Other operating income	10	167,834,902	127,513,059	106,079,294	74,160,059
Total operating income		2,706,455,633	2,214,435,923	2,769,607,576	2,264,356,318
Impairment (charge)/reversal on individual impairment	11	43,125,021	(133,229,696)	43,125,021	(133,229,696)
Impairment (charge)/reversal on collective impairment	12	(68,697,646)	159,543,539	(68,697,646)	159,543,539
Other loan losses (charge)/reversal	13	32,889,638	(84,297,878)	32,889,638	(84,297,878)
Net operating income		2,713,772,646	2,156,451,888	2,776,924,589	2,206,372,283
Personnel expenses	14	(518,573,018)	(411,534,539)	(522,382,836)	(414,484,110)
Depreciation of Property, Plant and Equipment		(251,232,461)	(206,935,307)	(255,996,502)	(210,743,092)
Amortisation of intangible assets		(14,501,318)	(14,318,984)	(14,501,318)	(14,318,984)
Other expenses	15	(649,172,483)	(552,546,986)	(654,257,782)	(560,058,449)
Operating profit before value added tax on financial services		1,280,293,366	971,116,072	1,329,786,151	1,006,767,648
Value added tax on financial services		(161,160,247)	(88,566,497)	(161,160,247)	(88,566,497)
Profit before income tax		1,119,133,119	882,549,575	1,168,625,904	918,201,151
Income tax expense	16	(258,161,877)	(269,368,025)	(299,697,706)	(306,093,594)
Profit for the year		860,971,242	613,181,550	868,928,198	612,107,557
Basic earnings per share	17	13.20	9.40	13.32	9.38

Figures in brackets indicate deductions.

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

Statement of Other Comprehensive Income

For the Year ended 31st March	Note	Company 2017 Rs.	Company 2016 Rs.	Group 2017 Rs.	Group 2016 Rs.
Profit for the year		860,971,242	613,181,550	868,928,198	612,107,557
Other Comprehensive Income					
Items that will not be reclassified to profit or loss					
Acturial gain/(loss) on defined benefit plans	41.2	(9,821,118)	11,511,611	(9,821,118)	11,511,611
Gain/(loss) arising during the year for available-for-sale financial assets		–	–	–	–
Gain losses on cash flow hedges					
Reclassification adjustment for gain/(loss) included in the income statement		–	–	–	–
Deferred tax effect on acturial losses		2,420,494	(2,625,403)	2,420,494	(2,625,403)
Items that are or may be reclassified to profit or loss					
Net change in fair value of available-for-sale financial assets		586,597	3,774,586	586,597	3,774,586
		(6,814,027)	12,660,794	(6,814,027)	12,660,794
Other comprehensive income for the year net of tax		(6,814,027)	12,660,794	(6,814,027)	12,660,794
Total comprehensive income for the year net of tax		854,157,215	625,842,344	862,114,171	624,768,351

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 2017 Rs.	Company 2016 Rs.	Group 2017 Rs.	Group 2016 Rs.
Assets					
Cash and cash equivalents	19	604,224,835	457,725,318	620,729,074	486,127,789
Deposits with licensed commercial banks	20	2,424,623,839	1,234,016,418	2,424,623,839	1,234,016,418
Repurchase agreements		1,000,000,000	972,624,516	1,000,000,000	972,624,516
Financial assets held at fair value through profit or loss	21	80,032,551	82,237,016	80,032,551	82,237,016
Finance leases	22	20,014,694,207	13,975,552,388	20,014,694,207	13,975,552,388
Hire purchases	23	645,872,482	2,024,520,342	645,872,482	2,024,520,342
Other loans and receivables	24	3,097,021,373	908,067,048	3,097,021,373	908,067,048
Financial assets available-for-sale	25	79,700,121	16,400,083	79,700,121	16,400,083
Financial assets held-to-maturity	26	894,901,371	832,030,919	894,901,371	832,030,919
Investments in subsidiaries	27	320,000,000	320,000,000	–	–
Investment property	28	78,721,895	79,024,933	273,106,521	276,414,697
Property, plant and equipment	29	1,367,244,075	1,047,079,572	1,373,175,773	1,049,508,428
Intangible assets	30	70,924,853	68,558,945	135,745,067	133,379,159
Amounts due from related company	31	25,976	6,990,797	–	–
Current tax recoverable	39	64,822,514	20,044,397	46,858,845	–
Other assets	32	176,016,521	225,072,014	176,489,334	225,304,445
Total assets		30,918,826,613	22,269,944,706	30,862,950,558	22,216,183,248
Liabilities					
Due to banks	33	6,980,977,714	4,806,174,120	6,984,829,734	4,819,887,580
Deposits from customers	34	7,230,872,565	6,510,033,106	7,204,514,552	6,486,010,917
Other borrowings	35	6,762,753,851	3,885,511,133	6,762,753,851	3,885,511,133
Debt securities issued	36	3,683,045,483	1,800,155,870	3,683,045,483	1,800,155,870
Subordinated debentures	37	1,309,740,125	1,259,692,805	1,309,740,125	1,259,692,805
Deferred tax liabilities	38	607,702,150	434,104,236	610,885,348	436,663,479
Current tax liabilities	39	–	–	–	282,276
Other liabilities	40	603,617,339	521,473,770	611,964,611	528,167,030
Employee benefits	41	78,499,749	59,440,712	78,848,705	59,659,648
Total liabilities		27,257,208,976	19,276,585,752	27,246,582,409	19,276,030,738

As at 31st March	Note	Company 2017 Rs.	Company 2016 Rs.	Group 2017 Rs.	Group 2016 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	310,036,033	265,036,033	310,190,064	265,059,033
Available for sale reserve	44	4,361,183	3,774,586	4,361,183	3,774,586
Retained earnings		2,339,158,221	1,716,486,135	2,293,754,702	1,663,256,691
Total equity		3,661,617,637	2,993,358,954	3,616,368,149	2,940,152,510
Total liabilities and equity		30,918,826,613	22,269,944,706	30,862,950,558	22,216,183,248

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. 7 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

L Balasuriya
Chief Executive Officer/Managing Director

Kandy,
Sri Lanka

31st May 2017

Statement of Changes in Equity

	Stated capital Rs.	Statutory reserve fund Rs.	Available-for-sale reserve Rs.	Retained earnings Rs.	Total Rs.
Company					
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
Balance as at 1st April 2016	1,008,062,200	265,036,033	3,774,586	1,716,486,135	2,993,358,954
Total comprehensive income					
Profit for the year	–	–	–	860,971,242	860,971,242
Other comprehensive income, net of tax	–	–	586,597	(7,400,624)	(6,814,027)
Total comprehensive income for the year	–	–	4,361,183	853,570,618	854,157,215
Transactions with equity holders recognised directly in equity					
Transfers to reserves	–	45,000,000	–	(45,000,000)	–
Dividends paid	–	–	–	(185,898,532)	(185,898,532)
Balance as at 31st March 2017	1,008,062,200	310,036,033	4,361,183	2,339,158,221	3,661,617,637

	Stated capital Rs.	Statutory reserve fund Rs.	Available-for-sale reserve Rs.	Retained earnings Rs.	Total Rs.
Group					
Balance as at 1st April 2015	1,008,062,200	230,036,033	–	1,243,616,191	2,481,714,424
Total comprehensive income for the year					
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
Balance as at 1st April 2016	1,008,062,200	265,059,033	3,774,586	1,663,256,691	2,940,152,510
Total comprehensive income for the year					
Profit for the year	–	–	–	868,928,198	868,928,198
Other comprehensive income, net of tax	–	–	586,597	(7,400,624)	(6,814,027)
Total comprehensive income for the year	–	–	4,361,183	861,527,574	862,114,171
Transactions with equity holders recognised directly in equity					
Transfers to reserves	–	45,131,031	–	(45,131,031)	–
Dividends paid	–	–	–	(185,898,532)	(185,898,532)
Balance as at 31st March 2017	1,008,062,200	310,190,064	4,361,183	2,293,754,702	3,616,368,149

Statement of Cash Flows

For the year ended 31st March	Company 2017 Rs.	Company 2016 Rs.	Group 2017 Rs.	Group 2016 Rs.
Cash flows from operating activities				
Interest and commission receipts	4,922,095,925	3,807,690,899	5,043,877,383	3,907,551,022
Interest payments	(2,203,788,690)	(1,720,208,628)	(2,200,662,597)	(1,716,795,356)
Recoveries of bad debts	82,116,115	53,548,313	82,116,115	53,548,313
Other operating income	33,986,747	6,209,823	41,473,162	15,856,823
Operating expenditure	(846,868,535)	(809,977,045)	(851,953,834)	(817,488,508)
Cash payments to employees	(506,741,244)	(398,487,322)	(510,421,042)	(401,295,457)
Operating cash flow before changes in operating assets and liabilities (Note A)	1,480,800,318	938,776,040	1,604,429,187	1,041,376,837
Changes in operating assets and liabilities				
Net funds advanced to customers	(6,868,790,219)	(3,279,558,111)	(6,868,790,219)	(3,279,558,111)
Deposits from customers	720,839,459	(31,862,653)	718,503,635	(33,510,357)
Deposits with licensed commercial banks	(1,190,607,421)	(485,858,337)	(1,190,607,421)	(485,858,337)
Government and other securities	(90,245,936)	(160,601,588)	(90,245,936)	(160,601,588)
Other assets	56,020,314	(86,770,628)	48,815,111	(81,186,527)
Other liabilities	100,712,831	158,691,486	99,354,922	164,777,163
	(7,272,070,972)	(3,885,959,831)	(7,282,969,908)	(3,875,937,757)
Net cash flow from operating activities before taxation	(5,791,270,654)	(2,947,183,791)	(5,678,540,721)	(2,834,560,920)
Taxes paid	(146,374,272)	(61,095,475)	(186,637,229)	(91,600,503)
Gratuity paid	(2,593,855)	(2,786,388)	(2,593,855)	(2,786,388)
Net cash used in operating activities	(5,940,238,781)	(3,011,065,654)	(5,867,771,805)	(2,928,947,811)
Cash flows from investing activities				
Net investment in trading securities	(600,963)	1,967,651	(600,963)	1,967,651
Net investment in financial assets available-for-sale	(60,000,001)	(453,610)	(60,000,001)	(453,610)
Dividends received on investments	73,834,412	65,587,614	2,734,412	2,587,614
Purchase of property, plant and equipment	(623,999,946)	(350,552,958)	(630,403,716)	(365,655,727)
Purchase of intangible assets	(16,867,226)	(850,248)	(16,867,226)	(850,248)
Proceeds from sale of property, plant and equipment	112,919,850	114,065,719	115,919,852	114,065,719
Net cash used in investing activities	(514,713,874)	(170,235,832)	(589,217,642)	(248,338,601)
Cash flows from financing activities				
Securitised loans obtained	7,800,000,000	5,499,710,000	7,800,000,000	5,499,710,000
Repayment of loans	(2,890,027,680)	(1,684,778,958)	(2,890,027,680)	(1,684,778,958)
Debentures issued	3,000,000,000	–	3,000,000,000	–
Redemption of debenture	(1,134,246,500)	(480,000,000)	(1,134,246,500)	(480,000,000)
Dividends paid	(185,015,108)	(168,156,554)	(185,015,108)	(168,156,554)
Net cash generated from financing activities	6,590,710,712	3,166,774,488	6,590,710,712	3,166,774,488

Figures in brackets indicate deductions.

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

For the year ended 31st March	Company		Group	
	2017	2016	2017	2016
	Rs.	Rs.	Rs.	Rs.
Net increase/(decrease) in cash and cash equivalents	135,758,057	(14,526,998)	133,721,265	(10,511,924)
Cash and cash equivalents at the beginning of the year	298,162,589	312,689,587	312,851,600	323,363,524
Cash and cash equivalents at the end of the year	433,920,646	298,162,589	446,572,865	312,851,600
Reconciliation of cash and cash equivalents				
Cash and cash equivalents	604,224,835	457,725,318	620,729,074	486,127,789
Bank overdrafts	(170,304,189)	(159,562,729)	(174,156,209)	(173,276,189)
	433,920,646	298,162,589	446,572,865	312,851,600
Note A				
Reconciliation of operating profit				
Profit before income tax	1,119,133,119	882,549,575	1,168,625,904	918,201,151
Depreciation	265,733,779	221,254,291	270,497,820	225,062,076
Dividend receipts on investments	(73,834,412)	(65,587,614)	(2,734,412)	(2,587,614)
Profit on disposal of motor vehicles	(60,013,830)	(55,715,821)	(61,871,807)	(55,715,821)
Provision for defined benefit plan	11,831,774	13,047,217	11,961,794	13,188,653
Impairment charge/(reversal) of financial assets	25,572,626	(26,313,843)	25,572,626	(26,313,843)
Loan losses and write-offs	36,050,084	4,747,210	36,050,084	4,747,210
Loss/(gain) on mark to market valuation of shares	6,016,377	12,579,446	6,016,377	12,579,446
(Gain)/loss on sale of shares	(3,210,947)	(5,254,914)	(3,210,947)	(5,254,914)
Gains form available-for-sale financial assets	(2,713,441)	–	(2,713,441)	–
Interest accrued on loans and advances	(42,280,775)	(24,087,369)	(42,280,775)	(24,087,369)
Accrued interest on borrowings	131,332,532	21,445,834	131,332,532	21,445,834
Accrued interest on debentures	67,183,432	(39,887,972)	67,183,432	(39,887,972)
	1,480,800,318	938,776,040	1,604,429,187	1,041,376,837

Figures in brackets indicate deductions.

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 Act No. 51 of 1938 on 29th December 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. 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 690 (2016-582).

1.3 Consolidated Financial Statement

The Consolidated Financial Statements of Senkadagala Finance PLC for the year ended 31st March 2017 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 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 Private 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 (SLFRSs and LKASs) as issued by The Institute of Chartered Accountants of Sri Lanka and the requirements of the Companies Act. No. 7 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 Listing Rules of 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 Company in accordance with the provisions of the Companies Act No. 07 of 2007 and Sri Lanka Accounting Standards (SLFRSs and LKASs).

The Financial Statements of Senkadagala Finance PLC for the year ended 31st March 2017 were authorised for issue in accordance with a resolution of the Board of Directors on 31st May 2017.

These Financial Statements include the following components:

- An Income Statement providing the information on the financial performance of the Company and 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 Group for the Year under review.
- A Statement of Financial Position providing the information on the financial position of the Company and Group as at the year end.
- A Statement of Changes in Equity providing the information on all changes in shareholder's equity of the Company and 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 Basis 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, defined benefit obligation, 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 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 48. 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 on Presentation of Financial Statements and Amendments to the LKAS 1 'Disclosures Initiative' which was effective from 1st January 2016.

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, critical judgments and assumptions 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 & 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 or liabilities at 'Fair value through profit or loss' (FVTPL), the Group has determined that it has met the criteria for this designation as follows.

  Financial assets are classified as held-for-trading if:

  - they are acquired principally for the purpose of selling or repurchasing in the near term; or
  - they hold as a part of a portfolio that is managed together for short-term profit or position taking; or

- they form part of derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as per the Sri Lanka Accounting Standard – LKAS 39 on 'Financial Instruments: Recognition and Measurement'.

- 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.
- In classifying financial assets as 'available-for-sale' (AFS), the Group has determined that all non-derivative financial assets that are designated as available-for-sale or those financial assets not classified as loans and receivables
- In classifying financial assets as 'Loans and receivables', the Group has determined that all non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

2.7.4 Impairment losses on loans and advances

The Group reviews its individually significant loans and advances at each reporting 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 Group comprise the Financial Statements of the Company and its subsidiaries for the year ended 31st March 2017. 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 in to 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 hold 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 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 balance sheet 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 income 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 Sri Lanka Accounting Standard (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 subsidiary 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:

Class of asset	% per annum	Useful life
Buildings	5	20 years
Office equipment	10	10 years
Computers and other equipment	25	4 years
Furniture, fixtures and fittings	10	10 years
Motor vehicles	16.67	6 years
Generators	12.5	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:

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 property 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 2017, 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	11% p.a.
Basic salary increase for all grades	7.5% 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 Central Bank of Sri Lanka.

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 asset 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 15% 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 –

- Deposit liabilities to member institutions
- Deposit liabilities to the Government of Sri Lanka inclusive of Ministers, Departments and Local Governments.
- Deposit liabilities to Directors, Key Management personnel and other related parties as defined by the Finance Companies (Corporate Governance) Direction No. 3 of 2008.
- Deposit liabilities held as collateral against any accommodation granted.
- Deposits falling within the meaning of abandoned property in terms of the Finance Companies Act, Funds which have been transferred to the Central Company 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 of 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 47 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 No. 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 on '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 three principal classification categories for financial assets:

- measured at amortised cost;
- fair value through other comprehensive income (FVOCI); and
- fair value through profit or loss (FVTPL).

SLFRS 9 replaces the 'incurred loss' model in LKAS 39 with an 'expected credit loss' model. The new model applies to financial assets that are not measured at FVTPL. The measurement basis will generally depend on whether there has been a significant increase in credit risk since initial recognition.

The new standard also carried guidance on new general hedge accounting requirements and introduces new presentation requirements and extensive new disclosure requirements.

SLFRS 9 is effective for annual reporting periods beginning on or after 01st January 2018. The impact on the implementation of the above standard has not been quantified yet.

- SLFRS 15 – 'Revenue from Contracts with Customers'

SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. Entities will apply five-step model to determine when to recognise revenue and at what amount. The model specified that revenue is recognised when or as an entity transfers control of goods and services to a customer at the amount to which the entity expects to be entitled.

SLFRS 15 replaces existing revenue recognition guidance, including LKAS 18 on 'Revenue' and LKAS 11 on 'Construction Contracts' and IFRIC 13 on 'Customer Loyalty Programmes'.

SLFRS 15 is effective for annual reporting periods beginning on or after 01st January 2018. The impact on the implementation of the above standard has not been quantified yet.

- SLFRS 16 – 'Leases'

SLFRS 16 eliminates the current dual accounting model for lessees which distinguishes between On-Balance sheet finance leases and Off- Balance Sheet operating leases. Instead there will be a single On-Balance Sheet accounting model that is similar to current finance lease accounting.

SLFRS 16 is effective for annual reporting period beginning on or after 01st January 2019.

For the year ended 31st March	Note	Company 2017 Rs.	Company 2016 Rs.	Group 2017 Rs.	Group 2016 Rs.

4. Interest Income

	Note	Company 2017 Rs.	Company 2016 Rs.	Group 2017 Rs.	Group 2016 Rs.
Cash and short-term funds		21,582,089	11,543,366	23,416,122	12,623,801
Fixed deposits		119,412,266	49,896,639	119,412,266	49,896,639
Repurchase agreements	4.1	63,068,093	44,924,536	63,068,093	44,924,536
Finance leases		3,205,692,967	2,182,057,333	3,205,692,967	2,182,057,333
Hire purchases		295,474,350	811,188,281	295,474,350	811,188,281
Personal loans		30,802,098	28,478,917	30,802,098	28,478,917
Commercial loans		252,611,261	25,205,022	252,611,261	25,205,022
Pawning advances		76,331,490	27,742,139	76,331,490	27,742,139
Fixed deposit loans		7,833,230	4,774,358	7,833,230	4,774,358
Financial assets – Held-to-maturity	4.1	88,819,320	67,278,215	88,819,320	67,278,215
Interest on delayed insurance premium		65,524,825	41,320,006	65,524,825	41,320,006
Interest on overdue rentals		598,560,457	451,964,925	598,560,457	451,964,925
		4,825,712,446	3,746,373,737	4,827,546,479	3,747,454,172

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 have been grossed up in the Financial Statements, with the resulting notional tax credit amounting to Rs.15,188,741/-
(2016 – Rs.11,220,275/-).

For the year ended 31st March	Note	Company 2017 Rs.	Company 2016 Rs.	Group 2017 Rs.	Group 2016 Rs.

5. Interest Expense

	Note	Company 2017 Rs.	Company 2016 Rs.	Group 2017 Rs.	Group 2016 Rs.
Due to banks		679,690,561	317,351,838	679,690,561	317,351,838
Deposits from customers		730,786,636	583,876,003	727,660,543	580,462,731
Securitisations		303,723,961	191,329,967	303,723,961	191,329,967
Commercial paper		122,528,969	94,911,357	122,528,969	94,911,357
Debt securities issued		378,190,536	326,897,455	378,190,536	326,897,455
Subordinated liabilities		187,383,992	187,399,870	187,383,992	187,399,870
		2,402,304,655	1,701,766,490	2,399,178,562	1,698,353,218

For the year ended 31st March	Note	Company 2017 Rs.	Company 2016 Rs.	Group 2017 Rs.	Group 2016 Rs.

6. Fee and Commission Income

Finance charges		53,979,708	43,833,171	53,979,708	43,833,171
Loan protection fee		70,405,168	30,298,050	70,405,168	30,298,050
Commission income		120,569	446,579	120,067,994	99,226,267
Legal fees		11,438,919	8,926,210	11,438,919	8,926,210
Inspection fees		2,719,890	1,900,521	2,719,890	1,900,521
		138,664,254	85,404,531	258,611,679	184,184,219

7. Fee and Commission Expense

Commission paid		13,661,730	26,144,534	13,661,730	26,144,534
Other		9,697,595	9,619,848	9,697,595	9,619,848
		23,359,325	35,764,382	23,359,325	35,764,382

8. Net gain from Trading

Equities		3,210,947	5,254,914	3,210,947	5,254,914
Financial assets available-for-sale		2,713,441	-	2,713,441	-
		5,924,388	5,254,914	5,924,388	5,254,914

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		(6,016,377)	(12,579,446)	(6,016,377)	(12,579,446)
		(6,016,377)	(12,579,446)	(6,016,377)	(12,579,446)

10. Other Operating Income

Dividend income		73,834,412	65,587,614	2,734,412	2,587,614
Gain from sale of fixed assets		60,013,830	55,715,821	61,871,807	55,715,821
Rent income		3,506,933	1,977,478	17,714,933	11,349,478
Other income		30,372,076	4,104,590	23,650,491	4,379,590
Foreign exchange gain		107,651	127,556	107,651	127,556
		167,834,902	127,513,059	106,079,294	74,160,059

For the year ended 31st March	Note	Company 2017 Rs.	Company 2016 Rs.	Group 2017 Rs.	Group 2016 Rs.

11. Impairment Charge/ (Reversal) on Individual Impairment

	Company 2017 Rs.	Company 2016 Rs.	Group 2017 Rs.	Group 2016 Rs.
Finance leases	(39,244,005)	88,876,514	(39,244,005)	88,876,514
Hire purchases	(25,297,447)	42,512,155	(25,297,447)	42,512,155
Commercial loans	21,418,231	1,837,789	21,418,231	1,837,789
Personnel loans	(1,800)	3,238	(1,800)	3,238
	(43,125,021)	133,229,696	(43,125,021)	133,229,696

12. Impairment Charge/ (Reversal) on Collective Impairment

	Company 2017 Rs.	Company 2016 Rs.	Group 2017 Rs.	Group 2016 Rs.
Finance leases	55,839,521	(124,877,568)	55,839,521	(124,877,568)
Hire purchases	(3,615,058)	(50,242,815)	(3,615,058)	(50,242,815)
Commercial loans	1,774,567	3,997,519	1,774,567	3,997,519
Pawning advances	(200,067)	137,292	(200,067)	137,292
Other advances	14,898,683	11,442,033	14,898,683	11,442,033
	68,697,646	(159,543,539)	68,697,646	(159,543,539)

13. Other Loan losses Charge

	Company 2017 Rs.	Company 2016 Rs.	Group 2017 Rs.	Group 2016 Rs.
Direct write-offs	36,071,882	4,765,840	36,071,882	4,765,840
Net (gain)/ loss on sale of repossessed assets	13,176,393	133,098,981	13,176,393	133,098,981
(Gain) /loss on auction of pawned articles	(21,798)	(18,630)	(21,798)	(18,630)
Recovery of loans previously written off	(82,116,115)	(53,548,313)	(82,116,115)	(53,548,313)
	(32,889,638)	84,297,878	(32,889,638)	84,297,878

For the year ended 31st March	Note	Company 2017 Rs.	Company 2016 Rs.	Group 2017 Rs.	Group 2016 Rs.

14. Personnel Expenses

Salaries and wages	342,943,555	290,028,042	345,686,975	292,209,942
Directors' emoluments	20,536,250	19,982,500	20,536,250	19,982,500
Employer's contribution to employees' provident fund	41,809,801	34,778,566	42,114,074	35,021,194
Employer's contribution to employees' trust fund	10,452,451	8,694,641	10,528,521	8,755,298
Contribution for defined benefit plan	11,831,774	13,047,217	11,961,794	13,188,653
Staff bonus	81,647,189	36,127,388	82,188,989	36,450,338
Other personnel costs	9,351,998	8,876,185	9,366,233	8,876,185
	518,573,018	411,534,539	522,382,836	414,484,110

15. Other Operating Expenses

External Auditors' remuneration – Audit fee and expenses	1,090,000	990,000	1,509,631	1,317,125
Audit related services	2,592,222	2,131,648	2,592,222	2,131,648
Internal Auditors' remuneration	5,400,000	5,850,000	5,400,000	5,850,000
Legal expenses	10,917,975	11,406,335	10,917,975	11,406,335
Contribution to deposit Insurance scheme of CBSL	9,578,490	8,817,474	9,578,490	8,817,474
Other administrative expenses	85,587,920	79,006,806	87,078,060	81,737,418
Establishment expenses	455,892,567	390,152,595	456,592,512	392,547,118
Selling expenses	78,113,309	54,192,128	80,588,892	56,251,331
	649,172,483	552,546,986	654,257,782	560,058,449

16. Income Tax Expense

Current tax expense				
Current income tax charge	82,143,469	35,004,753	115,155,343	62,195,421
Withholding tax on intercompany dividends	–	–	7,900,000	7,000,000
	82,143,469	35,004,753	123,055,343	69,195,421
Deferred tax expense				
Origination and reversal of temporary differences	176,018,408	234,363,272	176,642,363	236,898,173
	258,161,877	269,368,025	299,697,706	306,093,594

For the year ended 31st March	Company		Group	
	2017	2016	2017	2016
	Rs.	Rs.	Rs.	Rs.

16.1 Reconciliation of the total tax charge

Net profit before tax	1,119,133,119	882,549,575	1,168,625,904	918,201,151
Adjustments				
Exempt/allowable income	(1,118,407,361)	(848,779,476)	(1,049,165,928)	(785,779,476)
Disallowable expenses	522,935,136	454,687,055	527,829,198	458,572,333
Allowable expenses	(375,146,191)	(235,847,251)	(380,211,693)	(240,854,346)
Loss on leasing business	144,854,829	53,773,288	144,191,601	53,353,060
Tax credit on consolidation of business	–	(181,366,216)	–	(181,366,217)
Taxable income	293,369,532	125,016,975	411,269,082	222,126,505
Income tax rate (%)	28	28	28	28
Tax expense for the year	82,143,469	35,004,753	115,155,343	62,195,421
Social responsibility levy	–	–	–	–
Income tax on profit for the year	82,143,469	35,004,753	115,155,343	62,195,421
Effective Tax Rate (%)	7.34	3.97	9.85	6.77

17. Basic Earnings Per Share

Basic earnings per share have 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.

For the year ended 31st March	Company		Group	
	2017	2016	2017	2016
	Rs.	Rs.	Rs.	Rs.
Profit attributable to ordinary shareholders of the Company	860,971,242	613,181,550	868,928,198	612,107,557
Weighted average number of ordinary shares	65,227,555	65,227,555	65,227,555	65,227,555
Basic earnings per ordinary share	13.20	9.40	13.32	9.38

18. Dividend 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.

For the year ended 31st March	Company	
	2017	2016
	Rs.	Rs.
Gross dividend paid to ordinary shareholders	185,898,532	166,330,265
Weighted average number of ordinary shares	65,227,555	65,227,555
Gross dividend per share	2.85	2.55

As at 31st March	Company		Group	
	2017	2016	2017	2016
	Rs.	Rs.	Rs.	Rs.
19. Cash and Cash Equivalents				
Cash in hand held in local currency	151,653,097	114,906,260	151,678,097	114,931,260
Cash in hand held in foreign currency	36,301	18,315	36,301	18,315
Balances with licensed commercial banks	452,535,437	342,800,743	469,014,676	371,178,214
	604,224,835	457,725,318	620,729,074	486,127,789
20. Deposits with licensed Commercial Banks				
Fixed deposits	2,424,623,839	1,234,016,418	2,424,623,839	1,234,016,418
	2,424,623,839	1,234,016,418	2,424,623,839	1,234,016,418

20.1 Value of deposits pledged as security for facilities obtained from banks amounted to Rs. 419 million as at 31st March 2017 (2016-604 million).

As at 31st March		Company		Group	
		2017	2016	2017	2016
	Note	Rs.	Rs.	Rs.	Rs.
21. Financial Assets held at fair value through Profit or Loss					
Quoted equity	21.1	77,957,551	80,287,016	77,957,551	80,287,016
Quoted unit trust	21.2	2,075,000	1,950,000	2,075,000	1,950,000
		80,032,551	82,237,016	80,032,551	82,237,016

As at 31st March	Note	Company 2017 No. of shares	Company 2017 Cost Rs.	Company 2017 Market value Rs.	Company 2016 No. of shares	Company 2016 Cost Rs.	Company 2016 Market value Rs.	Group 2017 No. of shares	Group 2017 Cost Rs.	Group 2017 Market value Rs.	Group 2016 No. of shares	Group 2016 Cost Rs.	Group 2016 Market value Rs.
21.1 Quoted equity													
Bank, Finance and Insurance													
Central Finance Company PLC		46,266	243,207	3,988,129	22,387	243,207	4,701,270	46,266	243,207	3,988,129	22,387	243,207	4,701,270
National Development Bank		668	500	93,253	668	500	112,758	668	500	93,253	668	500	112,758
Commercial Bank of Ceylon PLC		2,875	258,096	374,900	2,835	258,096	320,355	2,875	258,096	374,900	2,835	258,096	320,355
Beverage, Food and Tobacco													
Ceylon Tobacco PLC		3,100	142,017	2,699,790	3,100	142,017	3,136,890	3,100	142,017	2,699,790	3,100	142,017	3,136,890
Hotels and Travels													
Aitken Spence PLC		495	3,355	27,819	495	3,355	36,383	495	3,355	27,819	495	3,355	36,383
Manufacturing													
Royal Ceramics Lanka PLC		20	273	2,380	20	273	2,002	20	273	2,380	20	273	2,002
Diversified Holdings													
John Keells Holdings PLC		4,462	164,976	615,310	3,715	132,580	549,820	4,462	164,976	615,310	3,715	132,580	549,820
Hayleys PLC		113	7,175	29,945	113	7,175	27,764	113	7,175	29,945	113	7,175	27,764
Trading													
Lanka Indian Oil Corporation PLC		5,500	148,500	159,500	5,500	148,500	178,750	5,500	148,500	159,500	5,500	148,500	178,750
Portfolio Investment	21.1.1		63,602,015	69,966,525		59,822,502	71,221,024		63,602,015	69,966,525		59,822,499	71,221,024
			64,570,115	77,957,551		60,758,205	80,287,016		64,570,115	77,957,551		60,758,205	80,287,016

As at 31st March	Company					
	2017			2016		
	No. of shares	Cost Rs.	Market value Rs.	No. of shares	Cost Rs.	Market value Rs.

21.1 Portfolio Investment

	No. of shares 2017	Cost Rs. 2017	Market value Rs. 2017	No. of shares 2016	Cost Rs. 2016	Market value Rs. 2016
Bank Finance and Insurance						
Ceylinco Insurance PLC (Non-voting)	10,000	1,560,322	8,200,000	10,000	1,560,322	7,820,000
Commercial Bank of Ceylon PLC	69	4,722	–	69	4,722	–
Lanka Ventures PLC	61,800	2,552,579	2,595,600	61,800	2,552,579	2,657,400
Seylan Bank PLC (Non-voting)	30,000	1,820,160	1,641,000	30,000	1,820,160	1,890,000
Hatton National Bank PLC (Non-voting)	24,708	4,553,753	4,570,980	–	–	–
People's Insurance Ltd	100,000	1,508,032	1,830,000	100,000	1,508,032	1,690,000
Beverage, Food and Tobacco						
Distilleries Company of Sri Lanka PLC				50,000	7,739,521	10,310,000
Lanka Milk Foods (CWE) PLC	72,888	7,308,216	8,527,896	72,888	7,308,217	8,345,676
Chemicals and Pharmaceuticals						
CIC Holdings PLC (Non-voting)	90,000	3,823,735	5,616,000	90,000	3,823,735	6,435,000
Haycarb PLC	18,300	3,010,621	2,763,300	18,300	3,010,621	2,928,000
Plantation						
Kotagala Plantation PLC	10,000	556,151	101,000	10,000	556,151	151,000
Healthcare						
Ceylon Hospitals PLC (Non-voting)	43,838	1,609,492	3,151,952	43,838	1,609,492	3,226,477
Hotels and Travels						
Taj Lanka Hotels PLC	114,432	3,478,514	2,403,072	114,432	3,478,514	2,677,709
John Keells Hotels PLC	251,000	3,197,111	2,510,000	251,000	3,197,111	3,012,000
Investment Trusts						
Renuka Holdings PLC (Non-voting)	183,274	4,031,493	2,675,800	183,274	4,031,492	3,518,861
Land and Property						
C T Land Development PLC	5,000	111,570	220,000	5,000	111,570	227,000
Overseas Realty (Ceylon) PLC	160,000	3,683,802	3,232,000	160,000	3,683,802	3,744,000
Manufacturing						
ACL Cables PLC	20,000	1,243,018	1,090,000	–	–	–
Dipped Products PLC	47,500	5,868,703	3,610,000	50,000	6,177,583	3,650,000
Pelwatte Sugar Industries PLC	31,000	1,064,794	3,100	31,000	1,064,794	3,100
Power and Energy						
Resus Energy PLC	58,437	1,102,729	1,110,303	58,437	1,102,729	1,297,301
Lanka IOC PLC	219,949	5,130,291	6,378,521	235,000	5,481,355	7,637,500
Diversified Holdings						
Expolanka Holdings PLC	500,000	3,286,400	3,000,000	–	–	–
Melstacorp Ltd	80,000	3,095,808	4,736,000			
		63,602,015	69,966,525		59,822,502	71,221,024

21.2 Quoted unit trust

	No. of shares 2017	Cost Rs. 2017	Market value Rs. 2017	No. of shares 2016	Cost Rs. 2016	Market value Rs. 2016
Namal Acuity Value Fund	25,000	1,250,000	2,075,000	25,000	1,250,000	1,950,000
		1,250,000	2,075,000		1,250,000	1,950,000

Group					
2017			2016		
No. of shares	Cost Rs.	Market value Rs.	No. of shares	Cost Rs.	Market value Rs.
10,000	1,560,322	8,200,000	10,000	1,560,322	7,820,000
69	4,722	–	69	4,722	–
61,800	2,552,579	2,595,600	61,800	2,552,579	2,657,400
30,000	1,820,160	1,641,000	30,000	1,820,160	1,890,000
24,708	4,553,753	4,570,980	–	–	–
100,000	1,508,032	1,830,000	100,000	1,508,032	1,690,000
			50,000	7,739,521	10,310,000
72,888	7,308,216	8,527,896	72,888	7,308,216	8,345,676
90,000	3,823,735	5,616,000	90,000	3,823,735	6,435,000
18,300	3,010,621	2,763,300	18,300	3,010,621	2,928,000
10,000	556,151	101,000	10,000	556,151	151,000
43,838	1,609,492	3,151,952	43,838	1,609,492	3,226,477
114,432	3,478,514	2,403,072	114,432	3,478,514	2,677,709
251,000	3,197,111	2,510,000	251,000	3,197,111	3,012,000
183,274	4,031,493	2,675,800	183,274	4,031,493	3,518,861
5,000	111,570	220,000	5,000	111,570	227,000
160,000	3,683,802	3,232,000	160,000	3,683,802	3,744,000
20,000	1,243,018	1,090,000			
47,500	5,868,703	3,610,000	50,000	6,177,582	3,650,000
31,000	1,064,794	3,100	31,000	1,064,794	3,100
58,437	1,102,729	1,110,303	58,437	1,102,729	1,297,301
219,949	5,130,291	6,378,521	235,000	5,481,355	7,637,500
500,000	3,286,400	3,000,000	–	–	–
80,000	3,095,808	4,736,000			
	63,602,015	69,966,525		59,822,502	71,221,024
25,000	1,250,000	2,075,000	25,000	1,250,000	1,950,000
	1,250,000	2,075,000		1,250,000	1,950,000

As at 31st March	Note	Company 2017 Rs.	Company 2016 Rs.	Group 2017 Rs.	Group 2016 Rs.

22. Finance Leases

		Company 2017 Rs.	Company 2016 Rs.	Group 2017 Rs.	Group 2016 Rs.
Gross investment in leases receivable within one year		9,114,156,521	6,532,297,755	9,114,156,521	6,532,297,755
Gross investment in leases receivable between one and five years		17,070,311,975	11,263,800,892	17,070,311,975	11,263,800,892
Gross investment in leases receivable in respect of non-performing leases		153,647,815	135,872,288	153,647,815	135,872,288
Repossessed lease receivable		72,218,665	122,279,447	72,218,665	122,279,447
Leases receivable in arrears		581,368,969	455,284,642	581,368,969	455,284,642
		26,991,703,945	18,509,535,024	26,991,703,945	18,509,535,024
Unearned lease income		(6,697,537,330)	(4,300,305,032)	(6,697,537,330)	(4,300,305,032)
Initial lease rental		(8,074,096)	(9,186,561)	(8,074,096)	(9,186,561)
Prepaid lease rentals		(92,741,210)	(62,429,457)	(92,741,210)	(62,429,457)
Net investment in finance leases		20,193,351,309	14,137,613,974	20,193,351,309	14,137,613,974
Impairment losses					
Provision for individual impairment	22.1	(54,255,176)	(93,499,181)	(54,255,176)	(93,499,181)
Provision for collective impairment	22.2	(124,401,926)	(68,562,405)	(124,401,926)	(68,562,405)
Net investment in finance leases after impairment		20,014,694,207	13,975,552,388	20,014,694,207	13,975,552,388

22.1 Movement in allowance for individual impairment

		Company 2017 Rs.	Company 2016 Rs.	Group 2017 Rs.	Group 2016 Rs.
Opening balance		93,499,181	4,622,667	93,499,181	4,622,667
(Reversal)/Charge for the year	11	(39,244,005)	88,876,514	(39,244,005)	88,876,514
Closing balance		54,255,176	93,499,181	54,255,176	93,499,181
Gross amount of loans individually determined to be impaired		111,468,493	156,463,279	111,468,473	156,463,279

22.2 Movement in allowance for collective impairment

		Company 2017 Rs.	Company 2016 Rs.	Group 2017 Rs.	Group 2016 Rs.
Opening balance		68,562,405	194,581,811	68,562,405	194,581,811
Charge/(reversal) for the year	12	55,839,521	(124,877,568)	55,839,521	(124,877,568)
Net write offs for the year		–	(1,141,838)	–	(1,141,838)
Closing balance		124,401,926	68,562,405	124,401,926	68,562,405
Total of individual and collective impairment		178,657,102	162,061,586	178,657,102	162,061,586

As at 31st March	Note	Company 2017 Rs.	Company 2016 Rs.	Group 2017 Rs.	Group 2016 Rs.

23. Hire Purchase

Gross investment in hire purchase receivable within one year		441,873,754	1,212,577,157	441,873,754	1,212,577,157
Gross investment in hire purchase receivable between one and five years		198,914,685	1,090,501,719	198,914,685	1,090,501,719
Gross investment in hire purchase receivable in respect of non-performing Hire purchase		84,046,294	94,708,435	84,046,294	94,708,435
Repossessed hire purchase receivable		22,141,598	57,777,783	22,141,598	57,777,783
Hire purchase receivable in arrears		59,448,266	152,984,665	59,448,266	152,984,665
		806,424,597	2,608,549,759	806,424,597	2,608,549,759
Unearned hire purchase income		(105,988,601)	(494,405,938)	(105,988,601)	(494,405,938)
Prepaid hire purchase rentals		(4,972,976)	(11,120,436)	(4,972,976)	(11,120,436)
Net investment in hire purchase		695,463,020	2,103,023,385	695,463,020	2,103,023,385
Impairment losses					
Provision for individual impairment	23.1	(19,645,601)	(44,943,048)	(19,645,601)	(44,943,048)
Provision for collective impairment	23.2	(29,944,937)	(33,559,995)	(29,944,937)	(33,559,995)
Net investment in hire purchase after impairment		645,872,482	2,024,520,342	645,872,482	2,024,520,342

23.1 Movement in allowance for individual impairment

Opening balance		44,943,048	2,430,893	44,943,048	2,430,893
(Reversal)/Charge for the year	11	(25,297,447)	42,512,155	(25,297,447)	42,512,155
Closing balance		19,645,601	44,943,048	19,645,601	44,943,048
Gross amount of loans individually determined to be impaired		29,329,347	73,435,603	29,329,347	73,435,603

23.2 Movement in allowance for collective impairment

Opening balance		33,559,995	83,802,810	33,559,995	83,802,810
Charge/(reversal) for the year	12	(3,615,058)	(50,242,815)	(3,615,058)	(50,242,815)
Closing balance		29,944,937	33,559,995	29,944,937	33,559,995
Total of individual and collective impairment		49,590,538	78,503,043	49,590,538	78,503,043

As at 31st March	Note	Company 2017 Rs.	Company 2016 Rs.	Group 2017 Rs.	Group 2016 Rs.

24. Other Loans and Receivables

	Note	Company 2017 Rs.	Company 2016 Rs.	Group 2017 Rs.	Group 2016 Rs.
Commercial loans	24.1	2,059,387,619	333,071,037	2,059,387,619	333,071,037
Personal loans	24.2	98,907,380	93,643,868	98,907,380	93,643,868
Pawning advances	24.3	548,402,600	180,227,250	548,402,600	180,227,250
Other advances	24.4	390,323,774	301,124,893	390,323,774	301,124,893
		3,097,021,373	908,067,048	3,097,021,373	908,067,048

24.1 Commercial loans

	Note	Company 2017 Rs.	Company 2016 Rs.	Group 2017 Rs.	Group 2016 Rs.
Gross investment in commercial loans receivable within one year		1,691,263,087	236,669,455	1,691,263,087	236,669,455
Gross investment in commercial loans receivable between one and five years		877,175,221	192,000,961	877,175,221	192,000,961
Gross investment in commercial loans receivable in respect of non performing loans		11,494,846	7,910,917	11,494,846	7,910,917
Commercial loans receivable in arrears		42,365,815	5,320,129	42,365,815	5,320,129
		2,622,298,969	441,901,462	2,622,298,969	441,901,462
Unearned commercial loan income		(523,662,887)	(94,876,970)	(523,662,887)	(94,876,970)
Prepaid commercial loan rentals		(7,057,134)	(4,954,924)	(7,057,134)	(4,954,924)
Net investment in commercial loans		2,091,578,948	342,069,568	2,091,578,948	342,069,568
Impairment losses					
Provision for individual impairment	24.1.1	(27,101,298)	(5,683,067)	(27,101,298)	(5,683,067)
Provision for collective impairment	24.1.2	(5,090,031)	(3,315,464)	(5,090,031)	(3,315,464)
Net investment in commercial loans after impairment		2,059,387,619	333,071,037	2,059,387,619	333,071,037

24.1.1 Movement in allowance for individual impairment

	Note	Company 2017 Rs.	Company 2016 Rs.	Group 2017 Rs.	Group 2016 Rs.
Opening balance		5,683,067	3,845,278	5,683,067	3,845,278
Charge/(reversal) for the year	11	21,418,231	1,837,789	21,418,231	1,837,789
Closing balance		27,101,298	5,683,067	27,101,298	5,683,067
Gross amount of loans individually determined to be impaired		47,409,316	5,683,067	47,409,316	5,683,067

As at 31st March	Note	Company 2017 Rs.	Company 2016 Rs.	Group 2017 Rs.	Group 2016 Rs.
24.1.2 Movement in allowance for collective impairment					
Opening balance		3,315,464	1,531,560	3,315,464	1,531,560
Charge for the year	12	1,774,567	3,997,519	1,774,567	3,997,519
Net write offs for the year		–	(2,213,615)	–	(2,213,615)
Total collective impairment		5,090,031	3,315,464	5,090,031	3,315,464

24.2 Personal loan

Gross investment in personal loan receivable within one year		57,082,783	54,052,711	57,082,783	54,052,711
Gross investment in personal loan receivable between one and five years		118,687,726	109,214,214	118,687,726	109,214,214
Personal loan receivable in arrears		181,093	268,430	181,093	268,430
		175,951,602	163,535,355	175,951,602	163,535,355
Unearned personal loan income		(71,700,955)	(65,505,419)	(71,700,955)	(65,505,419)
Prepaid personal loan rentals		(5,341,829)	(4,382,830)	(5,341,829)	(4,382,830)
Net investment in personal loan		98,908,818	93,647,106	98,908,818	93,647,106
Impairment losses					
Provision for individual impairment	24.2.1	(1,438)	(3,238)	(1,438)	(3,238)
Net investment in commercial loans after impairment		98,907,380	93,643,868	98,907,380	93,643,868

24.2.1 Movement in allowance for individual impairment

Opening balance		3,238	–	3,238	–
(Reversal)/Charge for the year	11	(1,800)	3,238	(1,800)	3,238
Closing balance		1,438	3,238	1,438	3,238
Gross amount of loans individually determined to be impaired		5,440	3,238	5,440	3,238

As at 31st March	Note	Company 2017 Rs.	Company 2016 Rs.	Group 2017 Rs.	Group 2016 Rs.

24.3 Pawning advances

Gross investment in pawning advances		515,216,509	170,373,363	515,216,509	170,373,363
Interest receivable from pawning advances		33,219,302	10,087,165	33,219,302	10,087,165
Net investment in pawning advances		548,435,811	180,460,528	548,435,811	180,460,528
Impairment losses					
Provision for individual impairment	24.3.1	(33,211)	(233,278)	(33,211)	(233,278)
Net investment in pawning advances after impairment		548,402,600	180,227,250	548,402,600	180,227,250

24.3.1 Movement in allowance for collective impairment

Opening balance		233,278	95,986	233,278	95,986
(Reversal)/Charge for the year	12	(200,067)	137,292	(200,067)	137,292
Total collective impairment		33,211	233,278	33,211	233,278

24.4 Other advances

Loans against fixed deposits		66,394,502	40,244,299	66,394,502	40,244,299
Discounting of cheques		490,000	490,000	490,000	490,000
Insurance		384,691,167	308,204,521	384,691,167	308,204,521
Staff debtors		17,180,175	16,803,180	17,180,175	16,803,180
Sundry debtors		4,932,153	3,848,433	4,932,153	3,848,433
		473,687,997	369,590,433	473,687,997	369,590,433
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	(81,457,829)	(66,559,146)	(81,457,829)	(66,559,146)
Net investment in other advances after impairment		390,323,774	301,124,893	390,323,774	301,124,893

As at 31st March	Note	Company 2017 Rs.	Company 2016 Rs.	Group 2017 Rs.	Group 2016 Rs.
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		5,422,153	4,338,433	5,422,153	4,338,433
24.4.2 Movement in allowance for collective impairment					
Opening balance		66,559,146	55,117,113	66,559,146	55,117,113
Charge for the year	12	14,898,683	11,442,033	14,898,683	11,442,033
Closing balance		81,457,829	66,559,146	81,457,829	66,559,146
Total of individual and collective impairment		83,364,223	68,465,540	83,364,223	68,465,540

25. Financial Assets Available-for-Sale

Quoted units	25.1	5,696,077	5,696,077	5,696,077	5,696,077
Unquoted shares and units	25.2	74,004,044	10,704,006	74,004,044	10,704,006
		79,700,121	16,400,083	79,700,121	16,400,083

25.1 Quoted units

National Equity Fund	5,696,077	5,696,077	5,696,077	5,696,077
	5,696,077	5,696,077	5,696,077	5,696,077

25.2 Unquoted shares and units

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
Senkadagala Hotels Ltd	10,413,420	10,413,420	10,413,420	10,413,420
Guardian Acuity Equity Fund	34,818,021	–	34,818,021	–
Guardian Acuity Money Market Fund	17,718,720	–	17,718,720	–
Capital Alliance High Yield Fund	10,763,297	–	10,763,297	–
	74,004,044	10,704,006	74,004,044	10,704,006

		Company		Group	
As at 31st March		2017	2016	2017	2016
	Note	Rs.	Rs.	Rs.	Rs.

26. Financial Assets Held-to-Maturity

Treasury bills		712,795,529	652,583,486	712,795,529	652,583,486
Treasury bonds		182,105,842	179,447,433	182,105,842	179,447,433
		894,901,371	832,030,919	894,901,371	832,030,919

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		20,000,000	20,000,000	–	–
Newest Capital Ltd					
(150,000,000 Ordinary shares)					
Holding (%)		100	–	–	–
Place of business		No. 267, Galle Road, Colombo 3			
Cost		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	287,885,424	272,782,655
Additions during the year		–	–	–	15,102,769
Balance at the end of the year		87,782,655	87,782,655	287,885,424	287,885,424
Accumulated depreciation					
Balance at the beginning of the year		8,757,722	8,454,684	11,470,727	8,454,684
Charge for the year		303,038	303,038	3,308,176	3,016,043
Balance at the end of the year		9,060,760	8,757,722	14,778,903	11,470,727
Carrying amount at the end of the year		78,721,895	79,024,933	273,106,521	276,414,697

	Extent of land	Cost 2017 Rs.	Valuation as at 31.03.2017 Rs.	Cost 2016 Rs.
28.1 Information of freehold investment property of the group				
Land and building				
98, Dean's Road, Colombo 10	6.000 P	3,500,000	77,300,000	3,500,000
12, Kotugodella Veediya, Kandy Lot 1	9.875 P	7,542,068	86,500,000	7,542,068
12, Kotugodella Veediya, Kandy Lot 2	18.000 P	70,679,827	76,700,000	70,679,827
98, Yatinuwara Veediya, Kandy	7.000 P	6,060,760	55,700,000	6,060,760
30, Kynsey Road, Colombo 07	20.10 P	200,102,769	200,102,769	200,102,769
		287,885,424	496,302,769	287,885,424

Rental income from investment properties amounted to Rs. 14,508,000/- during the year (2016 – Rs. 9,672,000/-)

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, Mr. K M U Dissanayake who valued the properties as at 31st March 2017. 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. 496,302,769/- has been categorised as a Level 3 fair value based on the inputs to the valuation technique used.

(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 (decreases) if, Gross Annual Rental increases (decreases) Years Purchase increases (decreases) Void Period (decrease)/ increases

29. Property, Plant and Equipment

29.1 Company

	As at 01.04.2016	Additions	Disposals	As at 31.03.2017
	Rs.	Rs.	Rs.	Rs.
Cost				
Land	58,609,314	51,762,551	-	110,371,865
Buildings	9,712,924	26,236,849	-	35,949,773
Furniture, fittings and fixtures	428,151,689	21,432,193	(4,649,229)	444,934,653
Office equipment	296,208,771	53,484,233	(1,049,020)	348,643,984
Air conditioner	58,627,104	7,713,854	-	66,340,958
Computer and accessories	268,924,473	112,866,139	-	381,790,612
Facsimile machine	1,960,700	236,298	-	2,196,998
Generator	45,074,555	1,224,174	-	46,298,729
Motor vehicles	659,984,026	342,751,005	(154,333,652)	848,401,379
Photostat machine	11,100,626	1,412,400	(149,000)	12,364,026
Printers	33,791,401	4,880,250	-	38,671,651
	1,872,145,583	623,999,946	(160,180,901)	2,335,964,628

	As at 01.04.2016 Rs.	Charge for the year Rs.	Charge on Disposals Rs.	As at 31.03.2017 Rs.
Accumulated depreciation				
Buildings	6,886,944	778,746	–	7,665,690
Furniture, fittings and fixtures	212,977,235	29,918,314	(4,455,575)	238,439,974
Office equipment	110,116,852	28,099,701	(476,118)	137,740,435
Air conditioner	44,138,007	7,534,158		51,672,165
Computer and accessories	183,812,275	54,712,488	–	238,524,763
Facsimile machine	1,061,175	147,564		1,208,739
Generator	35,517,197	2,428,497		37,945,694
Motor vehicles	194,126,602	122,631,135	(102,194,189)	214,563,548
Photostat machine	9,120,664	1,066,127	(149,000)	10,037,791
Printers	27,309,060	3,612,694	–	30,921,754
	825,066,011	250,929,424	(107,274,882)	968,720,553
Net book value	1,047,079,572			1,367,244,075

29.2 Group

	As at 01.04.2016 Rs.	Additions Rs.	Disposals Rs.	As at 31.03.2017 Rs.
Cost				
Land	58,609,314	51,762,551	–	110,371,865
Buildings	9,712,924	26,236,849	–	35,949,773
Furniture, fittings and fixtures	428,693,664	21,432,193	(4,649,229)	445,476,628
Office equipment	296,366,271	53,484,233	(1,049,020)	348,801,484
Air conditioner	58,627,104	7,813,124	–	66,440,228
Computer and accessories	269,494,373	112,866,139	–	382,360,512
Facsimile machine	2,015,580	236,298	–	2,251,878
Generator	45,074,555	1,224,174	–	46,298,729
Motor vehicles	664,824,026	349,055,505	(159,173,652)	854,705,879
Photostat machine	11,231,666	1,412,400	(149,000)	12,495,066
Printers	33,885,402	4,880,250	–	38,765,652
	1,878,534,879	630,403,716	(165,020,901)	2,343,917,694

	As at 01.04.2016 Rs.	Charge for the year Rs.	Charge on Disposals Rs.	As at 31.03.2017 Rs.
Accumulated depreciation				
Buildings	6,886,944	778,746	–	7,665,690
Furniture, fittings and fixtures	213,226,772	30,005,950	(4,455,575)	238,777,147
Office equipment	110,159,214	28,115,457	(476,118)	137,798,553
Air conditioner	44,138,007	7,558,424	–	51,696,431
Computer and accessories	184,265,214	54,820,727	–	239,085,941
Facsimile machine	1,077,172	153,048	–	1,230,220
Generator	35,517,197	2,428,497	–	37,945,694
Motor vehicles	197,219,455	124,112,059	(105,892,166)	215,439,348
Photostat machine	9,158,884	1,079,231	(149,000)	10,089,115
Printers	27,377,592	3,636,190	–	31,013,782
	829,026,451	252,688,329	(110,972,859)	970,741,921
Net book value	1,049,508,428			1,373,175,773

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.

	2017 Rs.	2016 Rs.
Furniture, fittings and fixtures	3,604,685	1,680,480
Office equipment	73,300	–
Air conditioner	–	568,161
Computer and accessories	–	–
Facsimile machine	–	–
Photostat machine	149,000	–
Motor vehicles	3,304,167	–
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:

	2017 Rs.	2016 Rs.
Buildings	9,060,760	3,000,000
Furniture, fittings and fixtures	101,964,575	103,144,095
Office equipment	24,107,889	19,305,323
Air conditioner	33,172,301	28,033,017
Computer and accessories	152,991,614	134,193,382
Facsimile machine	534,050	534,050
Generator	31,030,000	22,535,598
Motor vehicles	900,464	3,904,167
Photostat machine	7,522,626	7,167,626
Printers	22,632,294	19,805,694

29.5 Property, plant and equipment pledged as security for liability

There were no items of property, plant and equipment pledged as security for liabilities.

29.6 Information of freehold land and building of the Group

	Extent	Cost 2017 Rs.	Carrying value 2017 Rs.	Carrying value as at 31.03.2017 Rs.	Cost 2016 Rs.
Land					
7/4, Mawilmada Road, Kandy	0 A. 1 R. 10.595 P	7,779,960	7,779,960	27,827,250	7,779,960
Highway Park, Amunugama, Pothuhera	0 A. 5 R. 25.49 P	26,229,354	26,229,354	39,310,000	26,229,354
92, Dean's Road, Colombo 10	0 A. 0 R. 8.00 P	24,600,000	24,600,000	72,772,000	24,600,000
No. 255& 257 C, D, C 1/2, Stanley Thilakaratne Mawatha, Nugegoda	0 A. 0 R. 6.845 P	51,762,551	51,762,551	51,762,551	–
		110,371,865	110,371,865	191,671,801	58,609,314
Building					
7/4, Mawilmada Road, Kandy	1,301 sq.ft	5,230,914	1,811,038	2,632,750	5,230,914
Highway Park, Amunugama, Pothuhera	885 sq.ft	4,482,010	345,516	1,190,000	4,482,010
No. 255 & 257 C, D, C 1/2, Stanley Thilakaratne Mawatha, Nugegoda	2,361 sq.ft	26,236,849	26,127,529	26,236,849	–
		35,949,773	28,284,083	30,059,599	9,712,924
Total		146,321,638	138,655,948	221,731,400	68,322,238

29.7 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, Mr. K M U Dissanayake who valued the properties as at 31st March 2017. 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 and building acquired during the year at a cost of Rs. 77,900,400/- is reflective of the fair value of the property as at 31st March 2017

The fair value measurement for the above of Rs.138,580,189/- has been categorised as a Level 3 fair value based on the inputs to the valuation technique used.

(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

30. Intangible Assets

30.1 Company

As at 31st March	Software 2017	Software 2016
Cost		
Balance at the beginning of the year	210,216,637	209,366,389
Additions during the year	16,867,226	850,248
Balance at the end of the year	227,083,863	210,216,637
Accumulated amortisation		
Balance at the beginning of the year	141,657,692	127,338,708
Amortisation for the year	14,501,318	14,318,984
Balance at the end of the year	156,159,010	141,657,692
Carrying amount	70,924,853	68,558,945

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	2017 Rs.	2016 Rs.
Software	102,356,828	93,480,444

30.3 Group

	License	Software	Total
Cost or valuation			
Balance at the beginning of the year	64,820,214	210,216,637	275,036,851
Additions/transfers	–	16,867,226	16,867,226
Balance at the end of the year	64,820,214	227,083,863	291,904,077
Accumulated amortisation			
Balance at the beginning of the year	–	141,657,692	141,657,692
Amortisation for the year	–	14,501,318	14,501,318
Balance at the end of the year	–	156,159,010	156,159,010
Carrying amount at 31st March 2017	64,820,214	70,924,853	135,745,067
Carrying amount at 31st March 2016	64,820,214	68,558,945	133,379,159

31. Amounts due from Related Company

	Company		Group	
For the year ended 31st March	2017	2016	2017	2016
	Rs.	Rs.	Rs.	Rs.
Newest Capital Ltd	25,976	6,990,797	–	–
	25,976	6,990,797	–	–

32. Other Assets

Search fee and seizing charges receivable	765,516	3,386,567	765,516	3,386,567
Stock of gold specimen	259,200	259,200	259,200	259,200
Western union MMBL	355,217	167,509	355,217	167,509
Prepaid building rent	59,842,290	63,260,461	59,842,290	63,260,461
Prepaid WHT on loans and debentures	40,618,635	45,690,532	40,618,635	45,690,532
Advance payments	58,305,427	101,613,625	58,305,427	101,613,625
Funds held at Orion Fund Management	2,772,638	3,341,207	2,772,638	3,341,207
Deposits	6,027,283	4,797,283	6,027,283	4,797,283
Cash cover	1,173,193	209,786	1,173,193	209,786
Other	5,897,122	2,345,844	6,369,935	2,578,275
	176,016,521	225,072,014	176,489,334	225,304,445

As at 31st March	Note	Company 2017 Rs.	Company 2016 Rs.	Group 2017 Rs.	Group 2016 Rs.

33. Due to Banks

Bank overdrafts		170,304,189	159,562,729	174,156,209	173,276,189
Asset securitised loans		6,810,673,525	4,646,611,391	6,810,673,525	4,646,611,391
		6,980,977,714	4,806,174,120	6,984,829,734	4,819,887,580

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.4,910,042,254/= (2016 - Rs. 3,170,876,756/=) have been pledged as security for 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 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 2017 Rs.	Company 2016 Rs.	Group 2017 Rs.	Group 2016 Rs.

34. Deposits from Customers

Saving deposits		341,771,214	281,710,830	341,771,214	281,710,830
Certificate of deposits	34.1	10,548,068	11,101,666	10,548,068	11,101,666
Fixed deposits	34.2	6,878,553,283	6,217,220,610	6,852,195,270	6,193,198,421
		7,230,872,565	6,510,033,106	7,204,514,552	6,486,010,917

34.1 Certificate of deposits

Face value		10,800,000	11,300,000	10,800,000	11,300,000
Interest in suspense		(251,932)	(198,334)	(251,932)	(198,334)
		10,548,068	11,101,666	10,548,068	11,101,666

As at 31st March	Note	Company 2017 Rs.	Company 2016 Rs.	Group 2017 Rs.	Group 2016 Rs.

34.2 Fixed deposits

Fixed deposits		6,650,391,472	6,018,941,366	6,625,833,092	5,996,084,156
Amortised interest payable		228,161,811	198,279,244	226,362,178	197,114,265
		6,878,553,283	6,217,220,610	6,852,195,270	6,193,198,421

35. Other Borrowings

Commercial paper	35.1	1,917,447,375	930,913,225	1,917,447,375	930,913,225
Asset securitised loans	35.2	4,845,306,476	2,954,597,908	4,845,306,476	2,954,597,908
		6,762,753,851	3,885,511,133	6,762,753,851	3,885,511,133

35.1 Commercial paper

Commercial paper capital outstanding		1,840,000,000	880,000,000	1,840,000,000	880,000,000
Amortised interest payable		77,447,375	50,913,225	77,447,375	50,913,225
		1,917,447,375	930,913,225	1,917,447,375	930,913,225

35.2 Asset securitised loans

Assets securitisation loans capital outstanding		4,226,864,920	2,265,256,805	4,226,864,920	2,265,256,805
Borrowings from International Finance Corporation (IFC)		419,027,000	604,380,000	419,027,000	604,380,000
Amortised interest payable		199,414,556	84,961,103	199,414,556	84,961,103
		4,845,306,476	2,954,597,908	4,845,306,476	2,954,597,908

Securities pledged

Lease and hire purchase aggregate portfolio amounting to Rs.4,769,729,417 /= (2016 – 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	Note	Company 2017 Rs.	Company 2016 Rs.	Group 2017 Rs.	Group 2016 Rs.

36. Debt Securities Issued

As at the beginning of the year	1,720,000,000	2,200,000,000	1,720,000,000	2,200,000,000
New debt instruments issued	3,000,000,000	–	3,000,000,000	–
Redemptions	(1,134,246,500)	(480,000,000)	(1,134,246,500)	(480,000,000)
Balance before amortised interest payable	3,585,753,500	1,720,000,000	3,585,753,500	1,720,000,000
Amortised interest payable	97,291,983	80,155,870	97,291,983	80,155,870
As at the end of the year	3,683,045,483	1,800,155,870	3,683,045,483	1,800,155,870

As at 31st March	Interest Payable	Year of Issue	Year of Maturity	Company 2017 Rs.	Company 2016 Rs.	Group 2017 Rs.	Group 2016 Rs.

36.1 Unlisted unsecured redeemable Debentures

2011-2012 – Fixed rated 13% p a	Annually	2011/12	2016/17	–	19,000,000	–	19,000,000
2011-2012 – Fixed rated 14.2% p a	Annually	2011/12	2016/17	–	60,000,000	–	60,000,000
2012-2013 – Fixed rated 17.25% p a	Annually	2012/13	2017/18	–	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
2012-2013 – Fixed rated 17.5% p a	Annually	2012/13	2017/18	–	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
2012-2013 – Fixed rated 15.45% p a	Annually	2012/13	2017/18	–	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
Amortised interest payable				–	80,122,566	–	80,122,566
				–	800,122,566	–	800,122,566

As at 31st March	Interest Payable	Year of Issue	Year of Maturity	Company 2017 Rs.	Company 2016 Rs.	Group 2017 Rs.	Group 2016 Rs.
36.2 Listed unsecured redeemable senior debentures							
2013/14 – Fixed rated 17% p a	Quarterly	2013/14	2016/17	–	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
2016/17 – Fixed Rated 12.5% p.a	Semi annualy	2016/17	2018/19	397,270,000	–	397,270,000	–
2016/17 – Floating rated	Semi annualy	2016/17	2019/20	10,000	–	10,000	–
2016/17 – Fixed Rated 13.25% p.a	Semi annualy	2016/17	2019/20	189,510,000	–	189,510,000	–
2016/17 – Floating rated	Semi annualy	2016/17	2020/21	62,270,000	–	62,270,000	–
2016/17 - Fixed Rated 13.75% p.a	Semi annualy	2016/17	2020/21	2,350,940,000	–	2,350,940,000	–
Amortised interest payable				97,291,983	33,304	97,291,983	33,304
				3,683,045,483	1,000,033,304	3,683,045,483	1,000,033,304

As at 31st March	Company 2017 Rs.	Company 2016 Rs.	Group 2017 Rs.	Group 2016 Rs.
37. Subordinated Debentures				
As at the beginning of the period	1,250,000,000	1,250,000,000	1,250,000,000	1,250,000,000
Amortised interest payable	59,740,125	9,692,805	59,740,125	9,692,805
As at the end of the period	1,309,740,125	1,259,692,805	1,309,740,125	1,259,692,805

Outstanding debentures as at 31st March 2017 consists of 12,500,000 (2016 – 12,500,000) Listed Unsecured Redeemable Subordinated debentures of Rs. 100 each issued by the Company in December 2013, details of which is given below,

	Interest payable	Year of issue	Year of maturity	Value (Rs.) 2017	Value (Rs.) 2016
2013/14 - Fixed rated 15% p a	Quarterly	2013/14	2018/19	1,250,000,000	1,250,000,000

For the year ended 31st March	Note	Company 2017 Rs.	Company 2016 Rs.	Group 2017 Rs.	Group 2016 Rs.

38. Deferred Tax Liabilities

Balance at the beginning of the year	434,104,236	197,115,561	436,663,479	197,139,903
Amount originating during the year-Income statement	176,018,408	234,363,272	176,642,363	236,898,173
Amount originating during the year-Other comprehensive income	(2,420,494)	2,625,403	(2,420,494)	2,625,403
Balance at the end of the year	607,702,150	434,104,236	610,885,348	436,663,479

38.1 Reconciliation of net deferred tax liabilities

Deferred tax – liabilities				
Accelerated depreciation for tax purposes – Property, plant & equipment	103,287,696	93,269,223	106,633,082	96,149,246
Accelerated depreciation for tax purposes – Rentals receivable	601,822,010	404,138,636	601,822,010	404,138,636
	705,109,706	497,407,859	708,455,092	500,287,882
Deferred tax - assets				
Retirement benefit obligation	21,979,930	16,643,399	22,068,340	16,704,697
Tax credits	75,427,626	46,660,224	75,501,404	46,919,706
	97,407,556	63,303,623	97,569,744	63,624,403
Net deferred tax liabilities	607,702,150	434,104,236	610,885,348	436,663,479

As at 31st March	Statement of Financial Position 2017 Rs.	Statement of Financial Position 2016 Rs.	Income Statement 2017 Rs.	Income Statement 2016 Rs.	Statement of Comprehensive Income 2017 Rs.	Statement of Comprehensive Income 2016 Rs.
Company						
Deferred tax liabilities on:						
Accelerated depreciation for tax purposes - Property,plant & equipment	103,287,696	93,269,223	(10,018,473)	(20,057,859)	-	-
Accelerated depreciation for tax purposes - Rentals receivable	601,822,010	404,138,636	(197,683,374)	(180,854,578)	-	-
	705,109,706	497,407,859	(207,701,847)	(200,912,437)	-	-
Deferred tax assets on:						
Retirement benefit obligation	21,979,930	16,643,399	2,916,037	2,575,184	2,420,494	(2,625,403)
Tax credits	75,427,626	46,660,224	28,767,402	(35,726,019)	-	-
	97,407,556	63,303,623	31,683,439	(33,150,835)	2,420,494	(2,625,403)
Deferred tax effect on comprehensive income			(176,018,408)	(234,063,272)	2,420,494	(2,625,403)
Net deferred tax liabilities	607,702,150	434,104,236				
Group						
Deferred tax liabilities on:						
Accelerated depreciation for tax purposes - Property,plant & equipment	106,633,082	96,149,246	(10,483,836)	(22,873,935)	-	-
Accelerated depreciation for tax purposes - Rentals receivable	601,822,010	404,138,636	(197,683,374)	(180,854,578)	-	-
	708,455,092	500,287,882	(208,167,210)	(203,728,513)	-	-
Deferred tax assets on:						
Retirement benefit obligation	22,068,340	16,704,697	2,943,149	2,296,877	2,420,494	(2,625,403)
Tax Credits	75,501,404	46,919,706	28,581,698	(35,466,537)		
	97,569,744	63,624,403	31,524,847	(33,169,660)	2,420,494	(2,625,403)
Deferred tax effect on comprehensive income			(176,642,363)	(236,898,173)	(2,420,494)	(2,625,403)
Net deferred tax liabilities	610,885,348	436,663,479				

As at 31st March	Company 2017 Rs.	Company 2016 Rs.	Group 2017 Rs.	Group 2016 Rs.

39. Current Tax Liabilities/ (Recoverable)

Income tax				
Balance at the beginning of the year	(49,769,121)	(23,678,399)	(37,068,059)	(14,662,977)
Current income tax charge	82,143,469	35,004,753	115,155,343	62,195,421
Payments made during the year	(112,414,097)	(47,664,258)	(144,329,506)	(70,710,664)
Economic service charges	(7,560,207)	-	(7,560,207)	-
Withholding tax on interest income	(26,399,968)	(13,431,217)	(26,847,516)	(13,889,839)
Balance at the end of the year	(113,999,924)	(49,769,121)	(100,649,945)	(37,068,059)
Other tax liabilities	49,177,410	29,724,724	53,791,100	37,350,335
	(64,822,514)	(20,044,397)	(46,858,845)	282,276

As at 31st March	Company 2017 Rs.	Company 2016 Rs.	Group 2017 Rs.	Group 2016 Rs.

40. Other Liabilities

Accured expenditure - Non-interest	1,540,000	20,874,289	1,864,834	21,274,923
Payable to suppliers	561,491,990	479,145,217	561,491,990	479,145,217
Dividend payable	5,337,371	4,453,947	5,337,371	4,453,947
Value added tax payable	10,005,605	4,575,980	12,967,793	6,952,286
Deposit insurance premium	833,087	758,328	833,087	758,328
Other liabilities	24,409,286	11,666,009	29,469,536	15,582,329
	603,617,339	521,473,770	611,964,611	528,167,030

As at 31st March	Note	Company 2017 Rs.	Company 2016 Rs.	Group 2017 Rs.	Group 2016 Rs.

41. Employee Benefits

Balance at the beginning of the year		59,440,712	60,691,494	59,659,648	60,768,994
Retirement benefit expense recognised in the income statement	41.1	11,831,774	13,047,217	11,961,794	13,188,653
Retirement benefit expense recognised in the statement of comprehensive income	41.2	9,821,118	(11,511,611)	9,821,118	(11,511,611)
Benefits paid during the year		(2,593,855)	(2,786,388)	(2,593,855)	(2,786,388)
Balance at the end of the year		78,499,749	59,440,712	78,848,705	59,659,648

As at 31st March	Company 2017 Rs.	Company 2016 Rs.	Group 2017 Rs.	Group 2016 Rs.

41.1 Retirement benefit expense recognised in the income statement

Current service cost	5,887,703	6,978,068	6,017,723	7,119,504
Interest cost	5,944,071	6,069,149	5,944,071	6,069,149
Total	11,831,774	13,047,217	11,961,794	13,188,653

41.2 Retirement benefit expense recognised in the statement of comprehensive income

Actuarial loss/(gain) at the end of the year	9,821,118	(11,511,611)	9,821,118	(11,511,611)
	9,821,118	(11,511,611)	9,821,118	(11,511,611)

Mr Piyal S Goonathilake 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 2017. The valuation was carried out using the Projected Unit Credit Acturial Cost Method, the method recommended by Sri Lanka Accounting Standard - LKAS 19 on Defined benefit obligations.

	2017	2016
Discount rate	11%	10%
Salary scale	7.5%	5%
Retirement age	55 Years	55 Years

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 results for the year Rs.'000	Sensitivity Effect on Employment Benefit obligation increase (Reduction) in the liability Rs.'000
+1%	-	2,871	(2,871)
-1%	-	(3,259)	3,259
-	+1%	(3,222)	3,222
-	-1%	2,886	(2,886)

42. Stated Capital Issued and Fully Paid Share

As at 31st March	2017		2016	
	No. of shares	Value	No. of shares	Value
At the beginning of the year	65,227,555	1,008,062,200	65,227,555	1,008,062,200
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 2017 Rs.	Company 2016 Rs.	Group 2017 Rs.	Group 2016 Rs.

43. Statutory Reserve Fund

	Company 2017 Rs.	Company 2016 Rs.	Group 2017 Rs.	Group 2016 Rs.
Balance at the beginning of the year	265,036,033	230,036,033	265,059,033	230,036,033
Transfers during the year	45,000,000	35,000,000	45,131,031	35,023,000
Balance at the end of the year	310,036,033	265,036,033	310,190,064	265,059,033

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

Capital Funds to Deposit Liabilities	% 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 has transferred an amount of Rs. 45,000,000 , 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	Company 2017 Rs.	Company 2016 Rs.	Group 2017 Rs.	Group 2016 Rs.

44. Available-for-Sale Reserve

	Company 2017 Rs.	Company 2016 Rs.	Group 2017 Rs.	Group 2016 Rs.
Balance at the beginning of the year	3,774,586	–	3,774,586	–
Net gain/(loss) on remeasuring financial investments	(2,126,844)	3,774,586	(2,126,844)	3,774,586
Fair value gains/(losses) realised and reclassified to the Statement of Profit or Loss during the year	2,713,441	–	2,713,441	–
Balance at the end of the year	4,361,183	3,774,586	4,361,183	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.

45. 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 2017 Rs.	Transaction Amount 2016 Rs.	Balance Outstanding as at 31st March 2017 Rs.	Balance Outstanding as at 31st March 2016 Rs.
Parent company					
E.W.Balasuriya and Company (Private) Ltd.	Payment of rent expenses	(5,173,476)	(4,635,063)	–	–
	Dividend payment	(104,586,490)	(93,577,386)	–	–
	Reimbursement of expenses on IT related services	21,807,633	–	–	–
	Rent income	1,920,000	1,920,000	–	–
	Net funds paid	(86,032,333)	(96,292,449)	–	–
Subsidiary					
Senkadagala Insurance Brokers (Pvt) Ltd.	Net investment in fixed deposits	2,335,823	1,647,705	26,358,013	24,022,189
	Deposit interest expense	(3,126,093)	(3,413,272)	–	–
	Rent income	300,000	300,000	–	–
	Dividend income	71,100,000	63,000,000	–	–
	Net funds received	70,609,730	61,534,433	–	–
	Balance payable	–	–	(26,358,013)	(24,022,189)
Subsidiary					
Newest Capital Ltd.	Funds collected on behalf of Newest Capital Ltd	15,717,000	9,672,000		
	Payment made on behalf of Newest Capital Ltd	(1,707,180)	(15,210,428)		
	Reimbursement of expenses to Senkadagala Finance PLC	(7,045,000)	–		
	Net funds paid	6,964,820	(5,538,428)		–
	Balance Receivable	–	–	25,976	6,990,797
Company under common control					
Senkadagala Hotels Ltd.	Payment of rent expense	(668,439)	(787,800)	–	–
	Net funds paid	(668,439)	(787,800)	–	–

45.1 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 Management Team, Deputy CEO, CEO and the other 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.

	2017 Rs.	2016 Rs.
45.1.1 Compensation of key management personnel		
Short-term Employee Benefits		
Board of Directors	20,536,250	19,982,500
Other Key Management Personnel	62,802,080	28,758,600

45.1.2 Post Employment benefits to key management personnel

The key management personnel are entitled to gratuity as in the provisions laid down by the Payment of Gratuity Act No.12 of 1983 and such provision as at 31st March 2017 amounted to Rs. 41,893,890 (2015/16 – Rs. 31,162,150/-)

	2017 Rs.	2016 Rs.
45.1.3 Deposits held by key management personnel		
Deposits held with the Company	36,072,275	27,208,395

46. Commitments and Contingencies

46.1 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:

	2017 Rs.	2016 Rs.
Approved but not contracted for	–	–
Approved and contracted for	6,839,390	1,377,202
	6,839,390	1,377,202

46.2 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.

The Company has undertaken a 'Loan Protection Scheme' during the year with certain customers whereby the Company undertakes to insure a certain amount of the receivable balances of lease and hire purchase contracts with a third party insurance company for a fee collected upfront. The loss in case of death or permanent disability is covered through the insurance policy, However, based on past experience the company expects that the probable loss in the event of death and permanent disability would not result in an loss exceeding the insured amount.

Other than the matters disclosed above there were no material contingent liabilities which require adjustments to or disclosure in the Financial Statements as at the reporting date.

47. Events after the Reporting Year

The Board of Directors has declared and approved an interim dividend of Rs. 0.60 per share for the nine month year ended 31st December 2016, paid on 07th April 2017. Further a final dividend of Rs. 0.95 each share for the year ended 31st March 2017 is recommended by the Board of Directors' subject to the approval from the shareholders at the Annual General Meeting for the financial year ended 2016/17. In accordance with the LKAS 10 on events after the Reporting year, the proposed dividends are not recognised as a liability in the Financial Statements as at year end.

The Company made a rights issue of one (01) share for every (09) ordinary share, at a price of Rs. 80.00 each share with the approval of Central bank of Sri Lanka and Colombo stcok Exchange during the month of April 2017.

	No of Shares	Stated Capital
Before right issue	65,227,555	1,008,062,200
After right issue	72,475,061	1,587,862,680

There were no material events occurring after the reporting year that require adjustment to or disclose in the Financial Statements other than that what is disclosed above.

48. Maturity Analysis

48.1 Company

An analysis of the total assets employed and the total liabilities of the Company as at 31st March 2017, based on the remaining year 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 2017 Rs.
Interest earning assets					
Cash and cash equivalents	604,224,835	–	–	–	604,224,835
Deposit with licensed commercial banks	2,005,599,084	209,513,500	209,511,255	–	2,424,623,839
Investment in government and other securities	1,712,795,529	–	–	182,105,842	1,894,901,371
Loans and advances	3,400,397,605	7,211,349,710	10,267,242,336	2,878,598,411	23,757,588,062
Total interest earning assets	7,723,017,053	7,420,863,210	10,476,753,591	3,060,704,253	28,681,338,107
Non-interest earning assets					
Financial assets held at fair value through profit and loss	80,032,551	–	–	–	80,032,551
Financial assets available-for-sale	63,300,038	2,278,431	3,417,646	10,704,006	79,700,121
Investment in subsidiaries	–	–	–	320,000,000	320,000,000
Property, plant and equipment	–	–	–	1,516,890,823	1,516,890,823
Due from related party	25,976	–	–	–	25,976
Other receivables	110,405,830	49,660,510	33,486,975	47,285,720	240,839,035
Total assets	7,976,781,448	7,472,802,151	10,513,658,212	4,955,584,802	30,918,826,613
Percentage as at 31.03.2017 (%)	26	24	34	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 2017 Rs.
Interest-bearing liabilities					
Deposits from customers	1,672,573,939	4,590,586,807	836,035,295	131,676,524	7,230,872,565
Bank overdrafts	170,304,189	–	–	–	170,304,189
Due to banks	588,477,654	1,871,097,962	3,777,661,109	573,436,800	6,810,673,525
Borrowings	464,714,937	3,007,633,061	2,126,175,706	1,164,230,147	6,762,753,851
Debentures	604,774,756	–	1,896,436,342	2,491,574,510	4,992,785,608
Total interest-bearing liabilities	3,500,845,475	9,469,317,830	8,636,308,452	4,360,917,981	25,967,389,738
Non-interest bearing liabilities	161,701,184	301,448,745	181,464,937	645,204,372	1,289,819,238
Total liabilities	3,662,546,659	9,770,766,575	8,817,773,389	5,006,122,353	27,257,208,976
Percentage as at 31.03.2017 (%)	12	32	29	16	88
Shareholders' funds	–	–	–	3,661,617,637	3,661,617,637
Total shareholders' funds and liabilities	3,662,546,659	9,770,766,575	8,817,773,389	8,667,739,990	30,918,826,613

48.2 Group

An analysis of the total assets employed and the total liabilities of the Group as at 31st March 2017, based on the remaining year 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 2017 Rs.
Interest earning assets					
Cash and cash equivalents	620,729,074	–	–	–	620,729,074
Deposit with licensed commercial banks	2,005,599,084	209,513,500	209,511,255	–	2,424,623,839
Investment in Government and other securities	1,712,795,529	–	–	182,105,842	1,894,901,371
Loans and advances	3,400,397,605	7,211,349,710	10,267,242,336	2,878,598,411	23,757,588,062
Total interest earning assets	7,739,521,292	7,420,863,210	10,476,753,591	3,060,704,253	28,697,842,346
Non-interest earning assets					
Financial assets held at fair value through profit and loss	80,032,551	–	–	–	80,032,551
Financial assets available-for-sale	63,300,038	2,278,431	3,417,646	10,704,006	79,700,121
Investment in subsidiaries	–	–	–	–	–
Property, plant & equipment, Intangible assets and Investment	–	–	–	1,782,027,361	1,782,027,361
Other receivables	92,914,974	49,660,510	33,486,975	47,285,720	223,348,179
Total assets	7,975,768,855	7,472,802,151	10,513,658,212	4,900,721,340	30,862,950,558
Percentage as at 31.03.2017 (%)	26	24	34	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 2017 Rs.
Interest-bearing liabilities					
Deposits from customers	1,672,573,939	4,564,228,794	836,035,295	131,676,524	7,204,514,552
Bank overdrafts	174,156,209	–	–	–	174,156,209
Due to banks	588,477,654	1,871,097,962	3,777,661,109	573,436,800	6,810,673,525
Borrowings	464,714,937	3,007,633,061	2,126,175,706	1,164,230,147	6,762,753,851
Debentures	604,774,756	–	1,896,436,342	2,491,574,510	4,992,785,608
Total interest-bearing liabilities	3,504,697,495	9,442,959,817	8,636,308,452	4,360,917,981	25,944,883,745
Non-interest-bearing liabilities	164,807,070	302,999,633	184,099,748	649,792,213	1,301,698,664
Total liabilities	3,669,504,565	9,745,959,450	8,820,408,200	5,010,710,194	27,246,582,409
Percentage as at 31.03.2017 (%)	12	32	29	16	88
Shareholders' funds	–	–	–	3,616,368,149	3,616,368,149
Total shareholders' funds and liabilities	3,669,504,565	9,745,959,450	8,820,408,200	8,627,078,343	30,862,950,558

49. Segment Report

As at 31st March	Leasing		Hire Purchases		Pawning advances	
	2017	2016	2017	2016	2017	2016
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Revenue						
External customers						
Interest	3,679,082,590	2,477,197,273	406,361,500	965,767,017	76,331,490	27,742,139
Trading	-	-	-	-	-	-
Commissions	-	-	-	-	-	-
Rent	-	-	-	-	-	-
Dividends	-	-	-	-	-	-
Other income	70,405,168	30,298,050	-	-	-	-
Total revenue	3,749,487,758	2,507,495,323	406,361,500	965,767,017	76,331,490	27,742,139
Profit before tax						
Taxation						
Profit after tax						
Segment Assets	20,014,694,207	13,975,552,388	645,872,482	2,024,520,342	548,402,600	180,227,250
Segment Liabilities	20,130,161,891	12,380,775,715	2,181,664,086	4,768,481,405	409,806,712	136,977,006
Information on Cash flows						
Operating activities	(2,582,626,910)	(1,538,761,651)	334,318,764	552,904,503	(91,944,717)	(21,903,562)
Investing activities	-	-	-	-	-	-
Capital expenditure	(415,905,052)	(221,364,812)	(13,421,221)	(32,067,252)	(11,395,798)	(2,854,697)
Financing activities	-	-	-	-	-	-
Net cash flow	(2,998,531,962)	(1,760,126,463)	320,897,543	520,837,251	(103,340,515)	(24,758,259)
Depreciation and amortisation	(213,831,068)	(172,959,839)	(6,900,310)	(25,055,232)	(5,858,971)	(2,230,472)

Other Advances		Investments		Insurance Brokering		Unallocated		Total	
2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
371,055,097	102,024,552	294,715,801	174,723,191	–	–	–	–	4,827,546,478	3,747,454,172
–	–	(91,989)	(7,324,532)	–	–	107,651	127,556	15,662	(7,196,976)
–	–	–	–	120,067,994	99,226,267	–	–	120,067,994	99,226,267
–	–	17,714,933	11,349,478	–	–	–	–	17,714,933	11,349,478
–	–	2,734,412	2,587,614	–	–	–	–	2,734,412	2,587,614
–	–	61,871,807	55,715,821	–	–	91,789,096	59,039,691	224,066,071	145,053,562
371,055,097	102,024,552	376,944,964	237,051,572	120,067,994	99,226,267	91,896,747	59,167,247	5,192,145,550	3,998,474,117
								1,168,625,904	918,201,151
								(299,697,706)	(306,093,594)
								868,928,198	612,107,557
2,548,618,773	727,839,798	5,996,148,705	4,331,972,402	22,352,634	30,841,958	1,086,861,157	945,229,110	30,862,950,558	22,216,183,248
1,992,111,898	503,746,941	2,023,733,277	1,170,443,797	7,627,277	36,015,181	501,477,268	279,590,694	27,246,582,409	19,276,030,738
(459,164,141)	(101,134,390)	(2,810,161,931)	(1,654,760,073)	61,853,878	69,051,745	(320,046,748)	(234,344,383)	(5,867,771,805)	(2,928,947,811)
–	–	(57,866,550)	4,101,655	3,000,000	–	112,919,850	114,065,719	58,053,300	118,167,374
(52,960,261)	(11,528,569)	(124,599,882)	(68,615,983)	(6,304,500)		(22,684,228)	(30,074,662)	(647,270,942)	(366,505,975)
–	–	–	–	–	–	6,590,710,712	3,166,774,488	6,590,710,712	3,166,774,488
(512,124,402)	(112,662,959)	(2,992,628,363)	(1,719,274,401)	58,549,378	69,051,745	6,360,899,586	3,016,421,162	133,721,265	(10,511,924)
(27,228,689)	(9,007,662)	(303,038)	(303,038)	(1,734,639)	(1,079,280)	(14,641,105)	(8,969,542)	(270,497,820)	(219,605,065)

50. 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 2017	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	77,957,551	–	–
Investments in unit trust – quoted	2,075,000	5,696,077	–
Investments in unit trust – unquoted	–	63,300,038	–
	80,032,551	68,996,115	–
Financial assets not measured at fair value			
Cash and cash equivalents	–	–	604,224,835
Deposit with licensed commercial Banks	–	–	2,424,623,839
Repurchase agreements	–	–	1,000,000,000
Loans and advances	–	–	23,367,264,288
Other advances	–	–	390,323,774
Investments in equity securities - unquoted	–	10,704,006	–
Treasury Bonds	–	–	–
Treasury Bills	–	–	–
	–	10,704,006	27,786,436,736
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.
–	–	77,957,551	77,957,551	–	–	77,957,551
–	–	7,771,077	7,771,077	–	–	7,771,077
–	–	63,300,038	63,300,038	–	–	63,300,038
–	–	149,028,666	149,028,666	–	–	149,028,666
–	–	604,224,835	–	–	–	–
–	–	2,424,623,839	–	–	–	–
–	–	1,000,000,000	–	–	–	–
–	–	23,367,264,288	–	–	–	–
–	–	390,323,774	–	–	–	–
–	–	10,704,006	–	–	–	–
182,105,842	–	182,105,842	176,542,106	–	–	176,542,106
712,795,529	–	712,795,529	710,393,556	–	–	710,393,556
894,901,371	–	28,692,042,113	886,935,662	–	–	886,935,662
–	6,980,977,714	6,980,977,714	–	–	–	–
–	6,889,101,351	6,889,101,351	–	7,101,917,072	–	7,101,917,072
–	341,771,214	341,771,214	–	–	–	–
–	1,684,024,010	1,684,024,010	–	1,608,787,328	–	1,608,787,328
–	5,078,729,841	5,078,729,841	–	–	–	–
–	3,683,045,483	3,683,045,483	–	3,782,838,523	–	3,782,838,523
–	1,309,740,125	1,309,740,125	–	1,321,310,888	–	1,321,310,888
–	25,967,389,738	25,967,389,738	–	13,814,853,811	–	13,814,853,811

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	5,696,077	–
	82,237,016	5,696,077	–
Financial assets not measured at fair value			
Cash and cash equivalents	–	–	457,725,318
Deposit 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
–	–	7,646,077	7,646,077	–	–	7,646,077
–	–	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	–	11,501,523,158	–	11,501,523,158

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 2017	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	77,957,551	–	–
Investments in unit trust – quoted	2,075,000	5,696,077	–
Investments in unit trust – unquoted	–	63,300,038	–
	80,032,551	68,996,115	–
Financial assets not measured at fair value			
Cash and cash equivalents	–	–	620,729,074
Deposit with licensed commercial Banks	–	–	2,424,623,839
Repurchase agreements	–	–	1,000,000,000
Loans and advances	–	–	23,367,264,288
Other advances	–	–	390,323,774
Investments in equity securities - unquoted	–	10,704,006	–
Investments in unit trust - unquoted	–		–
Treasury Bonds	–	–	–
Treasury Bills	–	–	–
	–	10,704,006	27,802,940,975
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.
–	–	77,957,551	77,957,551	–	–	77,957,551
–	–	7,771,077	7,771,077	–	–	7,771,077
–	–	63,300,038	63,300,038	–	–	63,300,038
–	–	149,028,666	149,028,666	–	–	149,028,666
–	–	620,729,074	–	–	–	–
–	–	2,424,623,839	–	–	–	–
–	–	1,000,000,000	–	–	–	–
–	–	23,367,264,288	–	–	–	–
–	–	390,323,774	–	–	–	–
–	–	10,704,006	–	–	–	–
	–	–	–	–	–	–
182,105,842	–	182,105,842	176,542,106	–	–	176,542,106
712,795,529	–	712,795,529	710,393,556	–	–	710,393,556
894,901,371	–	28,708,546,352	886,935,662	–	–	886,935,662
–	6,984,829,734	6,984,829,734	–	–	–	–
–	6,862,743,338	6,862,743,338	–	7,075,407,762	–	7,075,407,762
–	341,771,214	341,771,214	–	–	–	–
–	1,684,024,010	1,684,024,010	–	1,608,787,328	–	1,608,787,328
–	5,078,729,841	5,078,729,841	–	–	–	–
–	3,683,045,483	3,683,045,483	–	3,782,838,523	–	3,782,838,523
–	1,309,740,125	1,309,740,125	–	1,321,310,888	–	1,321,310,888
–	25,944,883,745	25,944,883,745	–	13,788,344,501	–	13,788,344,501

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	5,696,077	–
	82,237,016	5,696,077	–
Financial assets not measured at fair value			
Cash and cash equivalents	–	–	486,127,789
Deposit 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
–	–	7,646,077	7,646,077	–	–	7,646,077
–	–	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	–	11,477,326,278	–	11,477,326,278

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.	N/A	N/A
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.	N/A	N/A

*** Other liabilities consists 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 reprice to current market rates frequently.

Assets	Liabilities
Cash and cash equivalents	Other liabilities
Repurchase agreements	Savings deposits from customers
Other advances	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.	N/A	N/A
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.	N/A	N/A

*** Other liabilities consists 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 reprice 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

51. Risk Management

51.1 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 subcommittee 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.

51.2 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 credits 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 encumberences.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 recognized 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 reorganization
- Observable data that suggest that there is a decrease in the estimated future cash flow from the loans

Individually assessed allowances

It is determined the allowances appropriate for each individually significant loan or advance 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 realizable value of collateral and the timing of the expected cash flows. Impairment allowances are evaluated at each reporting date, unless unforeseen circumstances require more careful 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.

The collective assessment bases its analyses on historical experience. However, when there are significant market developments, macro economic factor changes has 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 in to account of data from the loan portfolio (such as historical losses on the portfolio, levels of arrears, credit utilization, loan to collateral ratios and expected receipts and recoveries once impaired) or economic data such as current 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.

51.2.1 Credit quality by class of financial assets

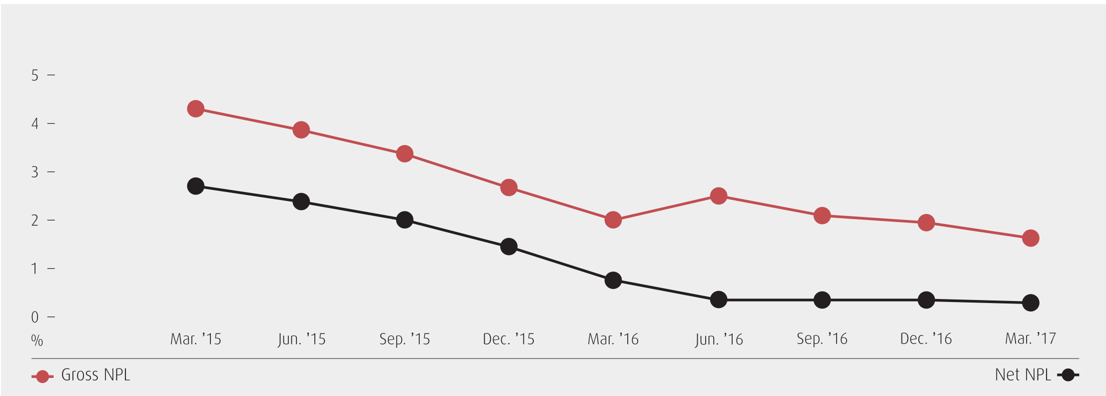
As at 31st March 2017	Neither Past Due Nor Impaired Rs	Past Due But Not Impaired Rs.	Individually Impaired Rs.	Total Rs.
Assets				
Cash and cash equivalents	604,224,835	-	-	604,224,835
Deposit with licensed commercial banks	2,424,623,839	-	-	2,424,623,839
Repurchase agreements	1,000,000,000			1,000,000,000
Financial investments - Fair value through profit & loss	80,032,551	-	-	80,032,551
Loans and advances	13,224,770,269	10,339,183,044	193,634,749	23,757,588,062
Financial investments - Available-for-sale	79,700,121	-	-	79,700,121
Financial investments - Held-to-maturity	894,901,371	-	-	894,901,371
Total Financial Assets	18,308,252,986	10,339,183,044	193,634,749	28,841,070,779

51.2.1.1 Aging analysis of past due(i.e. facilities in arrears of 1 day and above) but not impaired loans by class of financial assets

	Less than 30 days Rs.	31 to 60 days Rs.	61 to 90 days Rs.	More than 91 days Rs.	Total Rs.
Loans and advances	4,403,333,214	2,986,426,538	2,588,870,770	360,552,522	10,339,183,044
	4,403,333,214	2,986,426,538	2,588,870,770	360,552,522	10,339,183,044

51.2.2 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 provisions are deducted from the numerator of the above formula.



51.2.3 Industry Analysis

The following table shows the risk concentration by industry for the components of the Statement of Financial Position as at 31st March 2017.

Sector wise Breakdown	Cash and Cash Equivalent and Sort-Term Deposit	Financial Investments - Held at fair value	Loans and Advances **	Financial Investments Available for Sale	Financial Investments - Held to Maturity	Total Financial Assets
Agriculture	–	101,000	1,425,132,952	–	–	1,425,233,952
Manufacturing	–	31,801,291	4,952,627,254	–	–	4,984,428,545
Construction	–	3,452,000	992,074,488	–	–	995,526,488
Financial Services	4,028,848,674	28,044,662	1,058,023,545	68,996,115	–	5,183,912,996
Trading	–	159,500	6,376,749,273	–	–	6,376,908,773
Retail	–	8,381,255	996,184,034	–	–	1,004,565,289
Government	–	–	–	–	894,901,371	894,901,371
Hotels	–	4,940,891	683,720,317	10,413,420	–	699,074,628
Services	–	3,151,952	7,273,076,199	290,586	–	7,276,518,737
Total	4,028,848,674	80,032,551	23,757,588,062	79,700,121	894,901,371	28,841,070,779

***Provincial breakdown for (01) Loans and advances (02) Lease rentals receivable & 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 geographical well-diversified credit portfolio. Groups 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 31.03.2017
Central	2,895,408,080
Eastern	813,859,564
North Central	1,296,682,115
North Western	1,899,795,848
Northern	1,073,586,686
Sabaragamuwa	2,148,395,000
Southern	1,480,189,527
Uva	1,065,987,177
Western	11,083,684,065
Total	23,757,588,062

51.3 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.

51.3.1 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 deposits; 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 proceeding financial year.

As at March 31st 2017, the Company maintained Government Securities to Average Deposit liabilities and Borrowings ratio of 8.57%.

51.3.2 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 2017.

	Less than 03 Months Rs.	03-12 Months Rs.	01-03 Years Rs.	Over 03 Years Rs.	Total Rs.
Financial Assets					
Cash and cash equivalents	604,224,835	–	–	–	604,224,835
Deposits with licensed commercial banks	2,005,599,084	209,513,500	209,511,255	–	2,424,623,839
Repurchase agreements	1,000,000,000	–	–	–	1,000,000,000
Financial investments – Fair value through profit or loss	80,032,551	–	–	–	80,032,551
Loans and advances	3,400,397,605	7,211,349,710	10,267,242,336	2,878,598,411	23,757,588,062
Financial investments – Available-for-sale	63,300,038	2,278,431	3,417,646	10,704,006	79,700,121
Financial investments – Held-to-maturity	712,795,529	–	–	182,105,842	894,901,371
Total Financial Assets	7,866,349,642	7,423,141,641	10,480,171,237	3,071,408,259	28,841,070,779
Due to banks					
Financial Liabilities					
Deposits from Customers	1,672,573,939	4,590,586,807	836,035,295	131,676,524	7,230,872,565
Bank overdraft	170,304,189	–	–	–	170,304,189
Debt instruments issued and other borrowed funds	1,657,967,347	4,878,731,023	7,800,273,157	4,229,241,457	18,566,212,984
Total Financial Liabilities	3,500,845,475	9,469,317,830	8,636,308,452	4,360,917,981	25,967,389,738
Total Net Financial Assets/ (Liabilities)	4,365,504,167	(2,046,176,189)	1,843,862,785	(1,289,509,722)	2,873,681,041

51.3.3 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. 45 million of net profits for the year, to the Statutory Reserve Fund. Since the capital base of the Company is greater that 25% of total deposit liabilities, only Rs 45 million which is greater than the required 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 that 5% of Risk Weighted Assets. The ratios as at 31st March 2017 were 14.18 % and as at 31st March 2016 were 15.98 %. Detailed calculation is given below:

As at 31st March	2017 Rs.	2016 Rs.	Risk Weighting %	2017 Rs.	2016 Rs.
Risk Weighted Assets					
On-Balance Sheet-Total Assets	30,918,826,613	22,269,944,706		25,766,295,416	18,706,232,164
Cash & current accounts with banks	604,224,835	457,725,318	0	–	–
Deposits with banks	2,424,623,839	1,234,016,418	20	484,924,768	246,803,284
Sri Lanka government securities	1,894,901,371	1,804,655,435	0	–	–
Loans & Advances	23,757,588,062	16,908,139,778		23,043,882,142	16,594,021,123
Against deposits with the Company	165,303,320	133,891,405	0	–	–
Loans against gold and gold jewelery	548,402,600	180,227,250	0	–	–
Other loans & advances	23,043,882,142	16,594,021,123	100	23,043,882,142	16,594,021,123
Fixed assets	1,516,890,823	1,194,663,450	100	1,516,890,823	1,194,663,450
Other assets	720,597,683	670,744,307	100	720,597,683	670,744,307

Capital Base

As at 31st March	2017 Rs.	2016 Rs.
Tier I: Core Capital		
Issued and paid up ordinary shares	1,008,062,200	1,008,062,200
Statutory reserve fund	310,036,033	265,036,033
Published retained profits	2,339,158,221	1,716,486,135
Total Tier 1 Capital	3,657,256,454	2,989,584,368
Tier 2: Capital		
Eligible revaluation reserves	–	–
Eligible general provisions	–	–
Approved hybrid capital instruments	–	–
Eligible approved unsecured subordinated term debt	500,000,000	750,000,000
Total Tier 2 Capital	500,000,000	750,000,000
Deductions		
Equity investments in unconsolidated financial and banking subsidiaries	(13,263,862)	(17,501,783)
Total Capital Base	4,143,992,592	3,722,082,585
Core capital ratio (minimum requirement 5%)		
Core Capital	3,657,256,454	2,989,584,368
Total Risk Weighted Assets	25,766,295,416	18,706,232,164
	14.19%	15.98%
Total capital ratio (minimum requirement 10%)		
Total Capital Base	4,143,992,592	3,722,082,585
Total Risk Weighted Assets	25,766,295,416	18,706,232,164
	16.08%	19.90%

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 2017, only 40% of the said debenture, Rs.500 million is included under Tier 2 of the Company.

51.4 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 markets 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.The Company routinely assesses its assets and liability profile in terms of interest rate risk and depending on this assessment, necessary realignments in the assets and liability structure are undertaken. Overall authority for market risk management is vested in the Integrated Risk Management Committee (IRMC) of the Company.

51.4.1 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.

51.4.2 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.

51.4.3 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.

51.4 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 emphasizing 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.

51.5 Regulatory risk

Regulatory risk is the risk of non-compliance with applicable legislation, regulation and regulatory directives, Senkadagala Finance PLC manages day to 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.

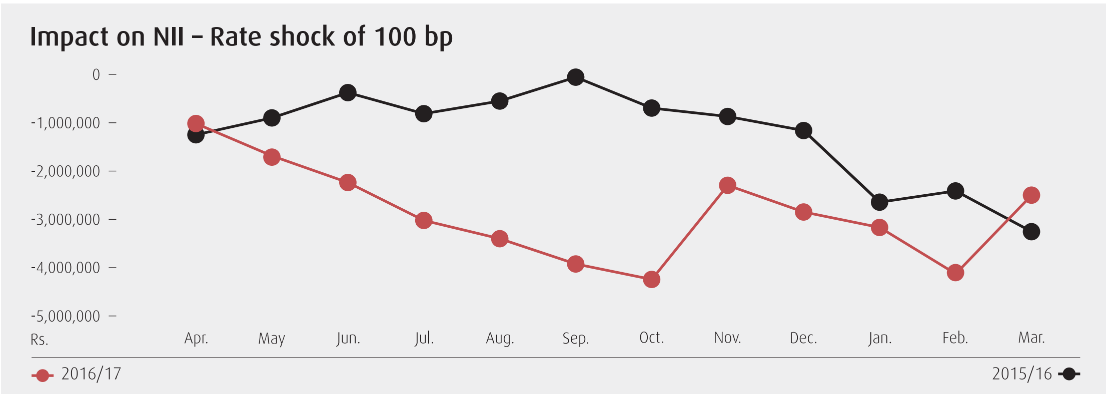
In this latter process, the Compliance Officer is supported and assisted by the Company's internal auditors, Messrs. Ernst & Young Advisory services . who also report on any issues of non-compliance, with both internal and external regulations. Compliance with regulatory requirements is also documented through formal procedure manuals for each business unit.

51.6 Reputation risk

Reputation risk is the risk to earning, 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, earning and capital. Credit, liquidity, interest rate, operational, and regulatory risk must all be managed effectively in order to safeguard the Company's reputation.

52. Sensitivity Analysis

The graph below depicts the sensitivity analysis carried out on the statement of financial position as at 31st March 2017 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 to projected Net Interest Income	100 bp parallel increase/ Decrease*	
As at 31st March	2017 Rs.	2016 Rs.
Average for the period	+/- 2,876	+/- 1,255
Maximum for the period	+/- 1,028	+/- 68
Minimum for the period	+/- 4,253	+/- 3,270

*- *Parallel increase in rates would have a positive impact on earning whereas parallel decrease have a negative effect*

In arriving at the above result the Company considered only rate sensitive asset and liabilities

Annexes

Ten Year Summary

	2017 Rs. '000	2016 Rs. '000	2015 Rs. '000	2014 Rs. '000	2013 Rs. '000	2012 Rs. '000	2011 Rs. '000	2010 Rs. '000	2009 Rs. '000	2008 Rs. '000
Operating results										
Interest Income	4,825,712	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
Interest Expense	2,402,305	1,701,766	1,750,532	1,868,499	1,524,288	841,034	679,358	845,696	931,904	668,737
Net Interest Income	2,423,408	2,044,607	1,833,634	1,659,838	1,337,635	1,043,467	813,730	605,864	628,220	591,156
Other operating income	312,424	218,173	131,220	94,950	113,678	131,523	177,868	100,671	87,309	101,899
Profit Before Taxation and VAT	1,280,293	971,116	697,029	657,054	735,545	692,960	435,584	172,614	132,807	283,098
Profit Before income taxation	1,119,133	882,550	647,444	622,417	680,482	634,872	349,626	138,485	113,583	256,132
Profit for the year	860,971	613,182	539,639	534,942	578,526	476,450	222,400	54,951	61,364	241,092
Dividends paid	185,899	166,330	107,625	214,901	132,886	127,016	63,508	19,212	29,886	75,783
Balance sheet										
Assets										
Cash and near cash items	4,923,750	3,496,397	2,796,849	2,073,101	1,860,837	1,277,793	617,647	659,489	379,798	520,140
Investments	159,733	98,637	103,701	86,912	69,047	61,299	66,126	37,742	32,305	30,398
Loans and advances	23,757,588	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
Investments in subsidiary	320,000	320,000	320,000	20,000	20,000	–	–	–	–	–
Property and equipment	1,516,891	1,194,663	1,122,864	857,732	629,823	557,758	429,969	422,658	401,969	359,627
Other assets	240,865	252,107	146,677	156,390	129,935	152,086	107,544	60,948	51,986	86,454
Total assets	30,918,827	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
Liabilities										
Deposits from customers	7,230,873	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
Borrowings	13,743,732	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
Debentures	4,992,786	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
Deferred tax liability	607,702	434,104	197,116	155,732	199,093	178,788	103,560	70,968	65,240	40,394
Dividends payable	5,337	4,454	6,280	57,295	3,648	2,427	1,684	1,340	1,016	1,125
Other liabilities	676,780	576,461	426,451	350,110	325,894	399,961	439,996	275,061	156,471	278,941
Total Liabilities	27,257,209	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
Equity										
Stated capital	1,008,062	1,008,062	1,008,062	747,152	533,680	533,680	533,680	213,472	213,472	213,472
Statutory reserve fund	310,036	265,036	230,036	195,036	165,036	130,036	100,036	86,536	83,536	79,536
Other reserves	4,361	3,775	–	170,629	154,760	97,059	16,752	–	–	–
Retained earnings	2,339,158	1,716,486	1,295,749	988,966	720,571	365,928	82,870	604,892	589,231	563,888
Total equity	3,661,618	2,993,359	2,533,847	2,101,783	1,574,047	1,126,704	733,337	904,900	886,239	856,896
Total liabilities and equity	30,918,827	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

Key Ratios and Indicators

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Performance indicators										
Return on average total assets (%)	3.24	3.04	3.18	3.55	4.58	5.40	3.56	0.95	1.06	4.56
Return on average shareholders' funds (%)	25.87	22.19	23.28	29.11	42.84	51.23	27.15	6.14	7.04	31.92
Net interest margin (%)	9.87	11.12	11.78	11.78	11.30	12.83	14.33	11.43	11.89	12.64
Growth of Interest Income (%)	28.81	4.53	1.58	23.29	51.87	26.22	2.86	-6.96	23.83	18.98
Growth of profit for the year (%)	40.41	13.63	0.88	-7.53	21.42	114.23	304.73	-10.45	-74.55	-13.13
Growth of loans and advances (%)	40.51	24.48	7.16	9.65	28.89	66.14	15.24	-4.05	1.94	31.06
New Advances Disbursed Rs. ('000)	17,290,095	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
Net flow of Deposits Rs. ('000)	720,839	(31,863)	917,496	2,211,935	680,433	345,210	298,264	696,327	460,836	172,966
Borrowings obtained Rs. ('000)	7,800,000	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
Debentures issued Rs. ('000)	3,000,000	–	–	2,410,000	1,216,000	565,229	300,000	350,000	240,000	241,000
Capital expenditure incurred Rs. ('000)	640,867	351,403	473,130	407,514	213,881	243,266	103,066	103,682	116,993	216,888
Gross Non-performing asset ratio (%)*	1.64	2.02	4.30	3.48	1.07	1.18	2.30	4.31	3.53	6.25
Investor information										
Earnings per share (Rs.)	13.20	9.40	8.27	8.63	10.64	8.93	4.17	1.03	1.15	4.52
Dividends per share (Rs.)	2.85	2.55	1.65	3.66	2.49	2.38	1.51	0.90	1.40	3.55
Net assets per share (Rs.)	56.14	45.89	38.85	35.80	29.49	21.11	13.74	42.39	41.52	40.14
Interest cover (times)	1.47	1.52	1.31	1.29	1.38	1.57	1.33	1.06	1.07	1.36
Dividends cover (times)	4.63	3.69	5.01	2.49	4.35	3.75	3.50	2.86	2.05	3.18
Dividend payout ratio (%)	21.59	27.13	19.94	40.17	22.97	26.66	28.56	34.96	48.70	31.43
Capital and leverage			-0.58							
Core capital (%)	14.19	15.98	16.54	14.00	11.41	10.51	12.07	17.56	16.67	16.84
Total capital (%)	16.08	19.90	22.97	20.93	11.31	10.51	12.07	17.56	16.67	16.84
Equity as a % of total assets (%)	11.84	13.44	14.02	13.24	11.03	10.23	11.08	15.43	15.42	14.81
Equity as a % of total deposits and borrowings (%)	14.10	16.39	17.00	15.92	12.94	12.10	13.73	19.62	19.10	18.59
Growth of total assets (%)	38.84	23.22	13.88	11.21	29.52	66.44	12.86	2.03	-0.65	20.94
Growth of net assets (%)	22.32	18.13	20.56	33.53	39.70	53.64	-18.96	2.11	3.42	31.06
Earnings retention ratio (%)	78.41	72.87	80.06	59.83	77.03	73.34	71.44	65.04	51.30	68.57
Total deposit liabilities to capital (%)	50.64	45.98	38.73	37.37	46.13	41.24	30.72	43.20	63.39	91.42
Debt to equity ratio (times)	5.12	3.93	3.30	3.61	5.56	5.84	4.03	2.78	3.66	4.28
Liquidity										
Liquid assets as a % of total assets	11.42	8.71	15.48	13.06	13.04	11.60	9.33	11.24	6.61	8.99
Liquid assets as a % of total deposit liability	48.85	29.82	42.75	36.86	54.53	46.77	25.88	31.49	27.16	55.49
Operational										
Number of branches	49	39	39	39	39	30	30	30	30	26
Number of service centres	41	41	41	24	13	15	0	0	0	0
Number of staff	690	627	601	492	414	347	235	213	211	185
Staff productivity (Rs. '000)	1,622	1,408	1,077	1,265	1,644	1,830	1,488	650	538	1,384

* As per CBSL Regulations

Branch/Service Centre Network

Branches	Address	Telephone	Fax
Akuressa	No. 24/20, Predeshiya Sabha Road, Akuressa	041-2285060	041-2285065
Aluthgama	No. 168, Galle Road, Kaluwamodara, Aluthgama	034-2270573	034-2270578
Ampara	778 A, D S Senanayaka Mawatha, Ampara	063-2224057	063-2224093
Anuradhapura	No. 561/4, New Bus Stand, Anuradhapura	025-2237969	025-2237989
Aturugiriya	No. 303, Godagama Road , Athurugiriya	011-2185888	011-2185889
Badulla	2, Riverside Road, Badulla	055-2224401	055-2224407
Colombo 03	267, Galle Road, Colombo 3	011-2301301	011-2301937
Dambulla	No. 357, Matale Road, Dambulla	066-2285530	066-2285535
Dehiaththakandiya	No. F-74, New Town , Dehiattakandiya	027-2050800	027-2050805
Embilipitiya	No. 325B Ratnapura Road, Pallegama, Embilipitiya	047-2261991	047-2261996
Galle	No. 143, Colombo Road , Kaluwella, Galle	091-2248111	091-2248116
Gampaha	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	246, Panadura Road, Horana	034-2262770	034-2262776
Ja-Ela	No. 67 , Negombo Road, Ja-Ela	011-2247861	011-2247866
Jaffna	No. 62/3, New Stanley Road, Jaffna	021-2219960	021-2219965
Kaduruwela	292, Saw Mill Junction, Kaduruwella	027-2224739	027-2224743
Kaduwela	502/10, Colombo Road, Kaduwela	011-2538180	011-2538186
Kandy	12, Kotugodella Veediya, Kandy	081-2201201	081-2201207
Katugastota	437B, 1st & 2nd Floor, Katugastota Road, Kandy	081-2213860	081-2213866
Kegalle	263, Colombo Road, Kegalle	035-2221277	035-2221281
Kelaniya	457, Kandy Road, Dalugama, Kelaniya	011-2914714	011-2914887
Kirindiwela	No. 27/16/1, Nugahenawatta, Kirindiwela.	033-2247851	033-2247856
Kotahena	No. 178 (Third Floor) George R De Silva Mawatha, Colombo 13	011-2441261	011-2441267
Kuliyapitiya	74/1/1, Hettipola Road, Kuliyapitiya	037-2284630	037-2284635
Kurunegala	34, Kandy Road, Kurunegala	037-2220402	037-2220405
Maharagama	16/1/A, High Level Road, Maharagama	011-2896888	011-2896052
Maho	No. 234 , Moragollagama Road, Maho	037-2275320	037-2275324
Matale	97,97A, King's Street, Matale	066-2222954	066-2222960
Matara	No. 558, Anagarika Dharmapala Mawatha, Pamburana, Matara	041-2233891	041-2233896
Mawanella	No. 10 (First Floor) Rankothdiwela, Mawanella	035-2247626	035-2247655
Mawathagama	No. 174 "Thissa Saw Mill", 7th Mile Post, Kurunegala Rd, Mawathagama	037-2296443	037-2296448
Mount Lavinia	246, 1/1, Galle Road, Ratmalana South, Mount Lavinia	011-2715001	011-2715002
Narammala	No. 285 , Uyanwatta Road, Narammala	037-2249892	037-2249897
Negombo	149, Rajapakse Broadway, Negombo	031-2223456	011-2223462
Nittambuwa	538/3, 38 Kilometre Post, Malwatta, Nittambuwa	033-2297030	033-2297035
Nugegoda	No. 257 C, D, C 1/2, Stanley Thilakaratne Mawatha, Nugegoda	011-2856600	011-2856650
Nuwara Eliya	26, Upper Lake Road, Nuwara Eliya	052-2224123	052-2224128
Panadura	229, Galle Road, Panadura	038-2243990	038-2243995
Pelawatte	1,067, Pannipitiya Road, Battaramulla	011-2774140	011-2774145
Piliyandala	No. 91B , 93 , Colombo Road , Piliyandala	011-2615740	011-2615745
Pothuhera	Hyway Park, Amunugama, Pothuhera	037-2237783	037-2237784
Puttalam	1,2,3,4, Kurunegala Road, Puttalam	032-2266783	032-2266789
Ratnapura	19, Kudugalawatte, Ratnapura	045-2226890	045-2226895
Thambuththegama	No. 185/158 , Regina Junction, Thambuttegama	025-2275472	025-2275478
Vavuniya	8, 1st Cross Street, Vavuniya	024-2226340	024-2226345
Wattala	264, Negombo Road, Wattala	011-2949611	011-2949616
Wennappuwa	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, Balagahamula, Balangoda	045-2289533	045-2289537
Bandarawela	No. 68, Dharmavijaya Mawatha, Bandarawela	057-2222675	057-2222679
Batticaloa	No. 221 (Ground & First Floors), Trinco Road, Batticaloa	065-2229200	065-2229205
Chavakachcheri	No. 15, Kandy Road, Chavakachcheri	021-2270951	021-2270956
Chilaw	No. 53, Kurunegala Road, Chilaw	032-2224043	032-2224048
Dehiwala	No. 121, Galle Road, Dehiwala	011-2732456	011-2732460
Digana	No. 2,004/18/7, 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, Baticaloa Road, Kalmunai	067-2226860	067-2226865
Kalutara	First floor, No 443,443/1, 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, Meerigama	033-2276868	033-2276911
Monaragala	No. 112, Wellawaya Road, Monaragala	055-2055421	055-2055426
Moratuwa	No. 18, New Galle Road, Moratuwa	011-2644249	011-2644254
Nelliady	No. 58/1, Point Pedro Road, Nelliadi	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	035-2264655
Seeduwa	No. 394, Negombo Road, Seeduwa	011-2251863	011-2251869
Tangalle	35, Sea Road, Tangalle	047-2241902	047-2241907
Tissamaharama	No. 60, Palliyawatta Road, Thissamaharama	047-2239925	047-2239930
Trincomalee	No. 346, (Ground Floor) Main Street, Trincomalee	026-2225115	026-2225119
Warakapola	No. 211C, Colombo Road, Warakapola	035-2267020	035-2267022
Wariyapola	No. 141, Kurunegala Road, Wariyapola	037-2268880	037-2268885
Wellawatte	No. 55, 55A, 55B, Manning Place, Wellawatte	011-2363634	011-2363680
Wellawaya	No. 72, Ella Road, Wellawaya	055-2274194	055-2274198

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FS16	Initiatives to enhance financial literacy	60	

Notice of Meeting

NOTICE IS HEREBY GIVEN that the 48th 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 30th June 2017 at 10.00 a.m. for the following purposes:

1. To receive and consider the statement of accounts for the year ended 31st March 2017 with the Annual Report of the Board of Directors and Auditors' Report thereon.
2. To declare a final dividend of Rs. 68,851,308 (Rs. 0.95 per share) to the shareholders of the Company as recommended by the Board of Directors.
3. To appoint Mr. Senanayakege Raja Pushpakumara who was appointed subsequent to the last Annual General Meeting as a Director of the Company in terms of Section 26 (3) of the Articles of Association of the Company.
4. To reappoint the Auditors, Messrs KPMG, Chartered Accountants and authorise the Board of Directors to determine their remuneration.
5. To authorize the Board of Director to determine donations for the year 2017/18.

By Order of the Board of
Senkadagala Finance PLC

Sgd.
Mrs. C Salgado
Managers and Secretaries (Private) Limited
Secretaries

Colombo

31st May 2017

Form of Proxy

I/We, the under signed...

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. Sanath Divale 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. Senanayakege Raja Pushpakumara of Colombo	or failing him*

Mr./Mrs./Dr...

of ....as my/ our* proxy to attend and vote at the 48th 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 30th June 2017 at 10.00 a.m. and at any adjournment thereof.

		For	Against
1.	To receive and consider the statement of accounts for the year ended 31 March 2017 with the Annual Report of the Board of Directors and Auditors' Report thereon.		
2.	To declare a final dividend of Rs. 68,851,308 (Rs. 0.95 per share) to the shareholders of the Company as recommended by the Board of Directors.		
3.	To appoint Mr. Senanayakege Raja Pushpakumara who was appointed subsequent to the last Annual General Meeting as a Director of the Company in terms of Section 26 (3) of the Articles of Association of the Company.		
4.	To reappoint the Auditors, Messrs. KPMG, Chartered Accountants and authorise the Board of Directors to determine their remuneration.		
5.	To authorise the Board of Director to determine donations for the year 2017/18.		

Signed on this..day of...2017.

....

Signature   NIC/PP/Co. Reg. No.

Note

*Please delete the inappropriate words.

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 Resolution. 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

- 72,475,061 ordinary shares of the company are listed in the 'Diri Savi' Board of the Colombo Stock Exchange with effect from 22nd March 2011
- 5,857,535 Senior, unsecured, redeemable debenture of Rs. 100 each – May 2013 to May 2017 with fixed and floating rate interest payments
- 12,500,000 Subordinate, unsecured, redeemable debentures of Rs. 100 each - December 2013 to December 2018 with fixed rate interest payments
- 3,972,700 Senior, unsecured, listed, redeemable, rated Debenture of Rs. 100 each – November 2016 to November 2018 with fixed rate interest payments
- 1,895,200 Senior, unsecured, listed, redeemable, rated Debentures of Rs. 100/- each – November 2016 to November 2019 with fixed and floating rate interest payments
- 24,132,100 Senior, unsecured, listed, redeemable, rated Debentures of Rs. 100/- each – November 2016 to November 2020 with fixed and floating rate interest payments are listed in the main board of the Colombo Stock Exchange

Credit Rating
Fitch Ratings Lanka Ltd. affirmed BBB+ (lka) with a stable outlook, in 2016

Board of Directors

Mr. W M R S Dias
FCIBC (Lon.), LL.B
Hubert H. Humphrey Fellow
Chairman

Dr. P Ramanujam
B.Sc (Hons.), MSc. PhD in Economics
Independent Non-Executive Director

Mr. L Balasuriya
B.Sc (Lon), M.Sc. (Lancaster)
Managing Director/CEO

Dr. A Balasuriya
B.Sc (Lon), Ph.D. (Lon)
Executive Director – Operations

Dr. M Balasuriya
B.Sc
Executive Director – Planning

Ms. L Fernando
B.Sc (Hons.)
Executive Director – Human Resources

Mr. W A T Fernando
FCMA (UK), MA (Colombo)
Independent Non-Executive Director

Mr. S Kulatunga
(Resigned w.e.f. 31st March 2017)
MBA (Booth School of Business), ACMA, CFA
Independent Non-Executive Director

Mr. S D Bandaranayake
B.Sc (University of Sri Lanka)
Executive Director – Additional CEO

Mr. T Collure
B.Sc (Colombo)
Independent Non-Executive Director

Mr. Senanayakege R Pushpakumara
(Appointed w.e.f. 1st April 2017)
FCA, B.Com. (Special) (USJ), P.G.Dip. (B. Mgt.)
Independent Non-Executive Director

Secretaries
Managers and Secretaries (Pvt) Ltd.
8, Tickell Road, Colombo 08

Auditors
KPMG
Chartered Accountants
32A,
Sir Mohamed Macan Markar Mawatha,
Colombo 03

Legal Consultants
FJ & G de Saram
Attorneys-at-Law
216, De Saram Place,
Colombo 10

Internal Auditors
Ernst & Young Advisory Services (Pvt) Ltd.
839/2, Peradeniya Road, Kandy

Bankers
Commercial Bank of Ceylon PLC
Hatton National Bank PLC
Sampath Bank PLC

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SENKADAGALA FINANCE PLC

ANNUAL REPORT 2016/17

SENKADAGALA FINANCE PLC

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