



Annual Report 2010/11

**Lanka ORIX Finance Company PLC**  
(An LOLC Group Company)



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# *Imagine* *the Opportunities*

*At Lanka ORIX Finance, we have created a legacy of opportunities for all our stakeholders. As a leading financial institution that has strived to provide innovative and valuable solutions, we have become a trusted name, instilling confidence and trust in our customer base. Therefore, our vision is to ensure that your dreams become reality, no matter the shape or scope. This is our promise... So imagine the opportunities.*

*“Lanka ORIX Finance Company PLC places as paramount the importance of providing an inclusive financial service. This commitment is reinforced in all aspects of our business and is defined by our vision, mission and corporate values:*

## *Vision*

*We believe in an inclusive financial service that requires client advocacy and stewardship, a passion for leading-edge solutions and the delivery of services that exceed customer expectations.*

## *Mission*

*Our mission is to help set the industry standard in Non-Bank Financial Services. We reach out to all Small and Medium Enterprises and provide them with affordable and convenient Financial Services tailored to their specific needs.*

## *Corporate Values*

*We are committed to the highest standards of ethical conduct in all we do. We believe that honesty and integrity engenders trust, which is the cornerstone of our business. We abide by the laws of the land and strive to be good citizens and we take responsibility for our actions. We recognise that our success as an enterprise depends on the talent, skills and expertise of our staff and our ability to function as a closely integrated team. We appreciate our diversity and believe that respect – for our employees, customers, partners, regulators and all those with whom we interact – is an essential element of all positive and productive business relationships. We understand the importance of our mission and the trust our customers place in us. With this in mind we strive to excel in every aspect of our business and approach, every challenge, with a determination to succeed.”*

# Financial Highlights

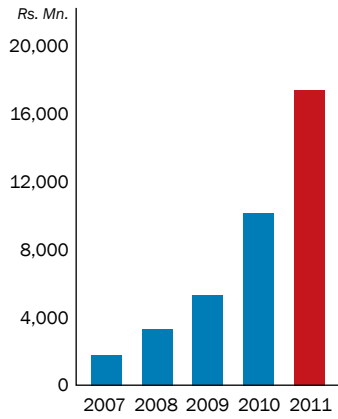
For the year ended 31 March	2007	2008	2009	2010	2011
<b>PERFORMANCE INDICATORS</b>					
<b>(Rs. Mn)</b>					
Profit before tax	25	100	103	199	1,489
Profit after tax	24	50	66	94	1,246
Total Assets	3,023	4,929	6,804	13,706	24,291
New executions	1,272	2,193	2,345	7,870	21,827
Customer Deposits	1,746	3,340	5,304	10,130	17,393
Gross portfolio (rentals receivable)	2,886	4,295	4,501	12,060	26,998
Outstanding borrowings	81	204	89	1,372	1,112
Non-performing portfolio	82	83	387	342	319
Return on equity (%)	4	6	7	8	52
Capital Adequacy Ratio	32	23	23	14	17
<b>Key Indicators</b>					
<b>(Rs per share)</b>					
Net asset value per share (Adjusted)	0.31	0.33	0.35	0.45	1.26
Earnings per share ( Adjusted)	0.04	0.09	0.08	0.08	0.63
<b>(Times)</b>					
Interest cover	1.12	1.21	1.12	1.15	1.85

# 72%

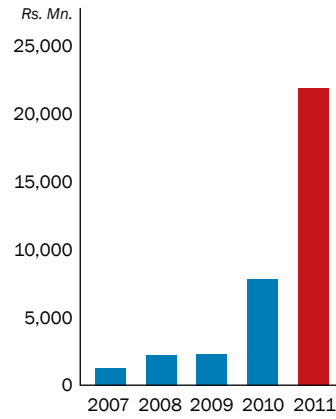
Growth in deposits - financial year 2010/11

## Financial Highlights Contd.

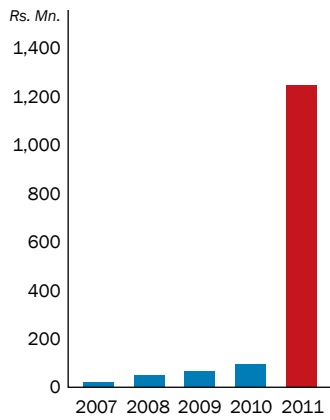
### Public Deposits



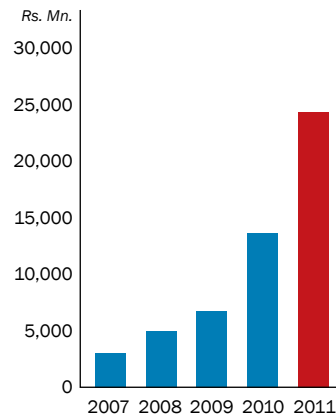
### Execution



### Net Profit After Tax



### Total Assets



# Chairperson's Review



On behalf of the Board of Directors, it gives me great pleasure to present to you the annual report and financial statements of Lanka ORIX Finance Company PLC (LOFC) for the year ended 31st March 2011.

## Background

In March 1980, Lanka ORIX Leasing Company Ltd., (LOLC) was incorporated as the pioneering leasing company in Sri Lanka, sourcing its funds from banks and funding agencies. Subsequently, with the intent of providing total financial solutions to customers by expanding its operations to mobilize public deposits, LOLC Finance Company Ltd (LOFIN) was established as a fully owned subsidiary of LOLC. LOFIN obtained license as a Registered Finance Company (RFC) and commenced commercial operations in 2003. Thereafter, in keeping with the Group's strategy, the Company name was changed to Lanka ORIX Finance Company Ltd., (LOFC). In July 2011, as per the Central Bank of Sri Lanka (CBSL) directions, LOLC divested 10% of its stake in LOFC and obtained a listing in the Colombo Stock Exchange (CSE). This required LOFC to be reclassified as Lanka ORIX Finance Company PLC (LOFC).

## Distinguishing Features

I wish to make a special reference to the unique features which distinguishes LOFC from the rest of the financial institutions in the RFC sector.

After five years of commercial operations, LOFC gained the distinction of being the only non-bank financial institution to have been granted a license from CBSL to engage in foreign currency business. This enabled LOFC to maintain Non-Resident Foreign Currency Accounts (NRFC), Resident Foreign Currency Accounts (RFC) and Special Foreign Investment Deposit Accounts (SFIDA) for its customers, in addition to permitting the Company to be engaged in inward Worker Remittances. During the last 3 years, LOFC has developed a low cost and speedy remittance channel which has had a direct impact on enhancing the balance of payment of our economy through the increased inward worker remittances. Further, the specific Money Changing permit obtained in January 2011 enabled the Company to expand its foreign currency business to include the sale of foreign currency for travel purposes as well.

## Chairman's Review Contd.

Al-Falaah, our Shari'ah compliant business unit was established in order to fill a vacuum in the market for Shari'ah sharing. This strategy not only gave LOFC a competitive edge but facilitated the offering of an inclusive financial service to its customers throughout the regions. Today, Shari'ah financing is an integral component of the banking and finance industry and is fast gaining popularity with a growth rate of approximately 30 to 40 per cent annually. Al Falaah is offered through the entire branch network including the Branches specialised in Islamic business to a wider customer base in the corporate, SME and micro sectors. The growth of this business is commendable with Mudharabah Investments and Savings portfolio growing to Rs.2.9 Bn as at 31st March 2011 from Rs.1.8 Bn a year ago. The asset base of the unit grew by an impressive 218 per cent year on year to Rs.3.5 Bn in the financial year 2010/2011. Al-Falaah can be segregated from the other Islamic finance providers and ranked as the forerunner and trend setter in the industry.

With the objective of providing convenience to our savings account holders, we launched the eZPay scheme through a partnership with NDB Bank and Dialog Axiata during the financial year. This scheme facilitates all our savings account holders to link their savings accounts to their respective Dialog mobile phones. All savings account holders have the opportunity of paying utility bills, checking account balances, obtaining mini statements and transacting with registered merchants using their mobile phones through this facility.

### Business Channels

Our services are offered through a network of 42 fully fledged branches and 10 savings centers strategically located island wide, including a significant presence in the North and the East. These branches are decentralized, linked on-line to the Head Office in Rajagiriya and are fully equipped to handle all financial needs, from the high net-worth customer to the micro customers. A wide range of financial products encompassing leasing, hire purchase, loans, working capital, savings, fixed deposits, advances for margin trading and worker remittance channels are offered through the branch network. LOFC as a member of the LOLC Group spearheads the group strategy to provide 'Total Financial Solutions' to customers, permitting them to deal with the outlet of his/her choice. Further, the partnership with Commercial Bank for the operation of ATM/Debit cards issued by the Company permits savings account holders of LOFC to use the 400 plus Commercial Bank ATMs to withdraw cash without a charge and the use of the Maestro

network globally. Approval has also been obtained from CBSL to collect rentals to credit facilities from the 52 Isuru Diriya (Collection) Centers of the LOLC Group operating from the Post Office network.

### Exemplary Results

I am extremely happy to state that over a period of 8 years, LOFC has made significant progress and established itself as one of the leading financial institutions in the RFC sector. Following its listing in July 2011, LOFC's market capitalization of approximately Rs. 30 Bn is the highest of all RFCs and now could easily claim to be the most valuable Finance Company in the country. The credit portfolio grew by 134 per cent year on year to Rs. 20.6 Bn while the deposit base, including Shari'ah compliant deposits increased by 72 per cent to Rs. 17.4 Bn. Profit after tax grew by 1,229 percent to Rs. 1.25 Bn while the consequent ROE and ROA which amounted to 8.4 per cent and 0.9 per cent during the previous year improved to 52.1 per cent and 6.6 per cent. Disbursement of lending recorded an exponential growth of 134 per cent during the year ended 31st March 2011.

### Economic Climate

These exemplary results were achieved in the milieu of a turbulent local and global economic climate which prevailed during the year. The global economy recovered gradually by approximately 5 per cent, with Asia recording the highest growth rate. Sri Lanka became one of the fastest growing economies in the world, growing by 8 per cent in the first full year after the cessation of hostilities in May 2009. Inflation remained subdued at a mid single digit and the market interest rates continued to decline with CBSL easing its monetary policy further. The financial market remained liquid and the public confidence in financial institutions strengthened in tandem with the stringent regulatory measures adopted by the CBSL during the year.

### The Future

Going forward, LOFC will continue to provide an inclusive financial service to the entire population of our nation, from the enthusiastic entrepreneurs at grass root level to top corporates. As LOLC moves from a financial services company to a diversified conglomerate, LOFC has benefited from LOLC's business franchise in the SME sector and the extensive footprint developed as the pioneering Leasing Company over a period of 30 years. LOFC will take over the mantle of the leading financier, enriched with the expertise, competence, experienced



staff and state-of-the-art technology and is well poised for a quantum growth, penetrating existing and new markets in the ensuing years.

LOFC as a key strategy align its policies to support the Government's initiatives in doubling Sri Lanka's per capita income from \$2000 to \$4000 in the next five years by increasing its capacity to meet the demands for credit and stimulate domestic savings.

### **Appreciation**

I wish to express my appreciation to the Board of Directors for their guidance, support and invaluable contribution. We have grown in strength and achieved exemplary results. My gratitude goes out to the Managing Director, the management team and our highly talented staff members for their dedication and tireless pursuits at all times. I also extend my deep appreciation to all our customers, depositors and shareholders who continued to place their trust and confidence in us, enabling us to achieve a continuous and sustained growth over the years, even in times of volatility.

In an era of promising and exciting opportunities, I am confident that LOFC will continue to make headway as a premier financial services company, playing an integral role in the process of nation building.



**Mrs Rohini Nanayakkara**

*Chairperson*

# Board of Directors



**Mrs R. L. Nanayakkara**  
*Non Executive Chairperson*



**Mr I. C. Nanayakkara**  
*Executive Director*



**Mr W. D. K. Jayawardena**  
*Non Executive Director*



**Mrs K. U. Amarasinghe**  
*Executive Director*



**Mr R. N. Asirwatham**  
*Non Executive Director*



**Dr H. Cabral, PC**  
*Non Executive Independent Director*



**Mr B. C. G. de Zylva**  
*Managing Director/CEO*



**Miss C.S. Emmanuel**  
*Company Secretary*

### **Rohini Letitia Nanayakkara**

Mrs Rohini Nanayakkara was appointed to the Board of Directors of the Company as a Non Executive Director in August 2004 and assumed duties as Chairperson of LOLC and its subsidiaries. She holds a Second Class BA Honours Degree from the University of Peradeniya, Sri Lanka. She also holds a Diploma in French from the Chamber of Commerce, Brussels. She is a Fellow of the Institute of Management & the Institute of Bankers, Sri Lanka. She was also a past President of the Sri Lanka Banks Association, Association of Professional Bankers, a member of the Commission of the University of Colombo, Sri Lanka and of the Task Force setup by the Government for Tsunami re-construction.

She was the first woman executive to join a commercial bank, namely Bank of Ceylon, with the rare distinction of becoming the first woman General Manager/CEO of a Bank in Sri Lanka and the Asian Region.

She was also Chairman/Director of several financial institutions such as the National Development Bank, DFCC Bank, Merchant Bank of Sri Lanka and the First Capital Group of Companies. She has served as Director/General Manager/CEO of one of the largest private banks namely, Seylan Bank PLC.

She is presently the President of United Nations Association of Sri Lanka and also the Chairperson of the Browns Group of Companies, NDB Venture Investments (Pvt) Ltd, Ayojana Fund (Pvt) Ltd and Taprobane Investment Group of Companies. She is also a Director of Overseas Realty (Ceylon) PLC, Mireka Homes (Pvt) Ltd, Trans Asia Hotels PLC and Eastern Merchant PLC.

### **Ishara Chinthaka Nanayakkara**

Mr Nanayakkara was appointed to the Board of Directors of the Company in November 2002 and is instrumental in all investment strategies adopted by the LOLC Group, leading the Group towards diversification and risk mitigation. His business philosophy based on sustainable development has made LOLC to enter into many new business ventures with high potential for growth in all three spheres: economic, social and environment.

Mr Nanayakkara holds a Diploma in Business Accounting from Australia, and is a Director of Ishara Traders Group. He ventured into the arena of Financial Services with the strategic investment in the LOLC Group. He serves as the Deputy Chairman on the Board of LOLC and some of its subsidiaries, including the Commercial Leasing Group.

Mr Nanayakkara is a Shareholder/Director of Taprobane Holdings (Pvt) Ltd, a fund management firm involved in stock broking, treasury management and venture capital activities in finance, real estate, energy and leisure sectors.

Mr Nanayakkara is also a Director of Browns Group of Companies, a conglomerate with leading market position in trade, leisure and manufacturing.

With the experience in the SME sector and going further into the Micro sector, he is a Director of the companies he spearheads LOLC Micro Credit and PRASAC, the largest Microfinance Company in Cambodia.

In line with his focus on sustainable forestry and plantations, Mr Nanayakkara is also a Director of Maturata and Pussellawa Plantations and Gal Oya Plantations, the first Public Private Partnership with the Government of Sri Lanka.

With the strategic investment in Seylan Bank PLC by both LOLC and Browns Group, Mr Nanayakkara was appointed to the Board of Directors of the Bank.

With LOLC's most recent venture into the leisure sector, the acquisition of the Confifi Hotel Holdings PLC in the precious 'golden mile' of southern Sri Lanka, Mr Nanayakkara was appointed as Chairman of the Confifi Group on 7th June 2010, which comprises Eden Resort and Spa, Riverina Hotel and Club Palm Garden.

### **Waduthanthri Dharshan Kapila Jayawardena**

Mr Kapila Jayawardena was appointed to the Board of Directors of the Company in June 2007, when he was also appointed as Managing Director / Group CEO of LOLC. He holds an MBA in Financial Management, is an Associate of the Institute of Cost and Executive Accountants and was awarded Fellowship of the Institute of Bankers (IBSL) in 2006. He has varied experience in the fields of Banking Operations, Audit, Relationship Management, Corporate Finance, Corporate Banking, Investment Banking and Treasury Management.

Mr Jayawardena was appointed as the Chairman of the Sri Lanka Banks Association (SLBA) in 2003/04 and served as President of the American Chamber of Commerce in Sri Lanka in 2006/2007.

## Board of Directors Contd.

He has served as a Director of Commercial Insurance Brokers Ltd, Lanka Clear, National Institute of Business Management (NIBM) and The Institute of Bankers (IBSL). Mr Jayawardena was appointed to the Financial Sector Reforms Committee (FSRC) by the Prime Minister and is a member of the Finance Sector and Capital markets cluster of the National Council of Economic Development (NCED). He was a key member of the inaugural sovereign rating team and sovereign debt for Sri Lanka appointed by the Governor of the Central Bank.

He was presented with the prestigious Combined Support Group Award by the US Navy for services rendered after the Tsunami in 2005. The Government of Sri Lanka appointed him to the Board of the Sri Lanka Fulbright Commission in 2010. Mr Jayawardena has over 27 years experience in all areas of banking out of which 9 years in the capacity of CEO/Country Head, Citibank Sri Lanka and Maldives. He was the first Sri Lankan to be appointed as a Senior Credit Officer (SCO) by Citi Bank in Sri Lanka. During his leadership Citi Bank Sri Lanka was the first foreign Bank to obtain a AAA rating.

He is also a Director of LOLC Micro Credit Ltd, Commercial Leasing Company Ltd, and Chairman of LOLC Motors Ltd, LOLC Insurance Company Ltd, LOLC Securities Ltd and United Dendro Energy (Pvt) Ltd. Mr Jayawardena is also on the Board of HDFC Bank.

With LOLC's most recent venture into the leisure sector, the acquisition of the Confifi Hotel Holdings PLC in the 'golden mile' of southern Sri Lanka, Mr Jayawardena was appointed as Chairman of LOLC Leisure Ltd.

### **Kalsha Upeka Amarasinghe**

Mrs Kalsha Amarasinghe was appointed to the Board of Directors of the Company in March 2003. She holds an Honours Degree in Economics. She serves on the Boards of the LOLC Group Companies including the Commercial Leasing Group. She also serves as a Director on the Board of Ishara Traders (Pvt) Ltd. With the acquisition of Confifi Hotels Holdings PLC, Mrs Amarasinghe was appointed a Director of the Confifi Group.

### **Rajanayagam Nalliah Asirwatham**

Mr Rajan Asirwatham was appointed to the Board of Directors of the Company in November 2008. He is a Fellow of the Institute of Chartered Accountants of Sri Lanka.

He has gained experience as Chairman of the Financial Services Stability Committee at the Central Bank of Sri Lanka. He was a member of the Presidential Commission on Taxation appointed by His Excellency the President.

He also serves as a Director on the Board of Lanka ORIX Leasing Company PLC.

### **Dr Harsha Cabral, PC**

Dr Harsha Cabral was appointed as an Independent Director to the Board in January 2011. He is a President's Counsel and holds a PhD in Corporate Law (University of Canberra) Australia. Dr Cabral is a Senior Counsel in Corporate Law with 23 years experience, specialising in Company Law, Intellectual Property Law, Commercial Law, International Trade Law & Commercial Arbitration.

He serves as a Commissioner, Law Commission of Sri Lanka. He is a Member of the Advisory Commission in Company Law, Sri Lanka (Key member in drafting the new Companies Act No. 07 of 2007), National Council for Economic Development (NCED) – Legal Cluster Sri Lanka, Ministerial Committee appointed to reform the Law on Commercial Arbitration. He is a member of the Board of Studies - the Council of Legal Education in Sri Lanka, Institute of Chartered Accountants of Sri Lanka and the Corporate Governance Committee – 2010 of the Institute of Chartered Accountants of Sri Lanka.

He is currently serving on the boards of Diesel & Motor Engineering PLC (DIMO), Union Bank of Colombo PLC, Richard Pieris & Co. Distributors Ltd., Tokyo Cement Company (Lanka) PLC, Tokyo Super Cement Co. (Pvt) Ltd., Fuji Cement Co. (Lanka) Ltd and Hayleys PLC.

Dr Cabral is the Course Director of University of Wales – IALS –LLM Programme, a lecturer and examiner of University of Wales-UK, University of Colombo & Sri Lanka Law College, Council member/faculty member of Institute for the Development of Commercial Law & Practice, a lecturer and examiner, Post Graduate Diploma in Advanced Corporate Law, Institute of Advanced Legal Studies, Sri Lanka Law College and the Vice President of Business Recovery & Insolvency Practitioners Association of Sri Lanka.

He is the author of several books on Company Law & Intellectual Property Law.

### **Brindley Chrisantha Gajanayake de Zylva**

Mr Brindley de Zylva was appointed to the Board as its Managing Director and Chief Executive Officer in April 2003. He was admitted as a Fellow of the Sri Lanka Institute of Credit Management in 2011, a Member of the Institute of Business Administration in 1992 and an Associate of the Association of Cost and Executive Accountants and the British Institute of Management in 1983.

Mr de Zylva was elected to the Council of Management of the Finance Houses Association of Sri Lanka in 2005 and is currently serving as one of its Vice Chairmen. He was also elected to the Council of Management of the Sri Lanka Institute of Credit Management in 2010 and is now its Honorary Secretary.

He has been engaged in the Non-Banking Financial Services Sector during the past 27 years and has served in both Registered Finance Companies and Finance Leasing Establishments in which he has held managerial positions in Marketing and Sales, Credit and Recovery Management and Finance of which 5 years was in General Managerial positions prior to joining the Company in 2003.

The other Boards that he serves in an honorary capacity are the Finance Houses Association of Sri Lanka, Financial Ombudsman Sri Lanka Limited, Navajeevana Rehabilitation – Tangalle and the Sri Lanka Institute of Credit Management which is a body incorporated by Act of Parliament.

### **Miss C.S. Emmanuel**

Miss Chrisanthi Emmanuel is a Fellow of the Institute of Chartered Secretaries and Administrators - UK and a Fellow of the Institute of Chartered Corporate Secretaries (Sri Lanka). She is Company Secretary of most subsidiaries within the LOLC Group. She is also Secretary of the Leasing Association of Sri Lanka.

# Corporate Governance Report

Lanka ORIX Finance Company PLC comes within the purview of the Central Bank of Sri Lanka (CBSL) as it is a Registered Finance Company and also a Company licensed to engage in Leasing. Consequent to its listing, the Company also complies with the Listing Rules of the Colombo Stock Exchange (CSE).

Detailed below are the corporate governance requirements of the CBSL and the CSE, and the Company's compliance thereto.

Governance Principle	Compliance
<b>BOARD OF DIRECTORS AND BOARD COMMITTEES</b>	
<b>COMPOSITION OF THE BOARD</b>	
Directorate	<p>The current directorate is as given below:</p> <p>Mrs R L Nanayakkara - Non Executive Chairperson            Mr I C Nanayakkara - Executive Deputy Chairman            Mr B C G de Zylva - Executive Managing Director / Chief Executive Officer            Mr W D K Jayawardena - Non Executive Director            Mrs K U Amarasinghe - Executive Director            Mr R N Asirwatham - Non Executive Director            Dr H Cabral, PC - Non Executive Independent Director</p> <p>The Directors profiles are given on pages 9 to 11.</p>
a) Independent directors b) Period of service c) Number of directors d) Age e) Other directorships	) Compliant with CBSL and CSE requirements.
Roles of Chairman and Chief Executive Officer to be separate.	Compliant.
Chairman to be non executive	Compliant.
Relationship between Board members.	There is no financial, business, family or other relationship between the Chairperson and the CEO. Mr I C Nanayakkara and Mrs K U Amarasinghe share a family relationship. There is no financial, business, family or other material relationship between any other members of the Board.
Board appraisal	Have been introduced in accordance with the relevant CBSL Direction and will be conducted annually.
<b>BOARD MEETINGS</b>	
a) Number of meetings per year	Compliant. The Board meets 12 times per year.
b) Period of Notice (at least 7 days)	Compliant.
c) Meeting Agenda	The standard Agenda is supplemented by special items when thought necessary. Standard Agenda items facilitate a review of the operational and compliance activities for the relevant month.
d) Attendance	Compliant with required attendance of each director. The chart on meetings and attendance is on page 17.
e) Participation	All directors participate in discussions at meetings and in decision making.
f) Minutes	Board Minutes contain a record of the discussions of the Board papers and agenda items, and of decisions taken.

<b>Governance Principle</b>	<b>Compliance</b>
<b>AUDIT COMMITTEE</b>	
Committee Chairman to be Non Executive Director with qualifications and experience in accountancy and / or audit	Compliant. The Audit Committee Chairman is Mr Rajan Asirwatham. His profile is on page 10.
Composition of committee to have Non Executive Directors/a majority of Independent Directors	Compliant.
Tasks and responsibilities of the Committee	Compliance is being further ensured by agreeing on an annual schedule to facilitate review of all necessary issues / areas.
Put in place a process to enable employees to raise concerns about any improprieties	Compliant. A whistle blowing policy has been adopted and the number of the hot line has been provided to all employees.  The Audit Committee does not comprise the same members as the audit committee of its parent company.  The Audit Committee Report is on page 22.
<b>INTEGRATED RISK MANAGEMENT COMMITTEE</b>	
Composition of Committee	Compliant.
Tasks and responsibilities of the Committee	Compliant. The Committee reviews identified and foreseeable risks and mitigation methods.  The Integrated Risk Management Committee Report is on page 23.
<b>REMUNERATION COMMITTEE</b>	
Composition of Committee Chairman to be non executive	Compliant. Compliant.  The Remuneration Committee Report is on page 24.  The Remuneration Committee does not comprise the same members as the remuneration committee of its parent company.
a) Identify key management personnel b) Ensure succession c) Ensure adequate supervision d) Meet regularly with KMPs	Compliant, this is reviewed annually by the Board. A succession plan is being finalized for Board approval. Compliant. Reports are called for regularly to facilitate monitoring. Compliant. KMPs and other senior staff members are invited to attend Board sub - committee meetings, in addition to the regular meetings that the Executive Directors have with the KMPs.
<b>TRANSACTIONS WITH DIRECTORS</b>	
Directors shareholdings	None of the Directors held any shares in the Company during the year under review.
Remuneration	Remuneration Paid during the year - Rs. 8 Mn
Deposits held with the Company	<ul style="list-style-type: none"> <li>● Deposits held with the Company at year end - Rs. 494 Mn</li> <li>● Interest paid during the year - Rs. 35 Mn</li> <li>● Interest payable at year end - Rs. 13 Mn</li> </ul>



## Corporate Governance Report Contd.

Governance Principle	Compliance
<b>TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL</b>	
	The Key Management Personnel's remuneration is included in Note 31.2 of the Notes to the Financial Statements.
<b>RELATED PARTY TRANSACTIONS</b>	
	Net accommodations outstanding at year end - Rs. 15 Mn as disclosed in Note 31.1.1 of the Notes to the Financial Statements.
	Net accommodations as a percentage of the capital funds of the Company - 0.43%
<b>RETIREMENT OF DIRECTORS</b>	
	<p>Mr W D K Jayawardena and Mr B C G de Zylva retire by rotation and offer themselves for re-election. The Board recommends their re-election.</p> <p>Dr H Cabral, PC, a director appointed during the year, retires and offers himself for re-election. The Board recommends his re-election.</p> <p>Mrs R L Nanayakkara was over the age of 70 at the time the Direction on Corporate Governance was issued. In view of her valued experience with the financial services sector, and the contribution she could make, the Board requested her to remain on the Board, as permitted by the transitional provisions of the said Direction. With the conclusion of the transitional period on 31st December 2011, Mrs Nanayakkara will step down as Chairperson.</p> <p>The Board places on record its appreciation of her significant contribution to the growth and development of the Company.</p> <p>During the year Mr J M Swaminathan stepped down as Director, on reaching the age of 70. Mr M D D Pieris relinquished his directorship on completion of 9 years as a Director. The Board wishes to thank them for their valuable contribution.</p>
<b>REVIEW OF CORPORATE GOVERNANCE</b>	
External Auditors Certification	The External Auditors have reviewed the Company's compliance with the Corporate Governance Direction No. 3 of 2008 and the Company is in the process of obtaining the certification from the External Auditors. The Directors confirm that no significant deviations have been observed by the External Auditors.



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# Directors' Report

Your Directors have pleasure in presenting their Annual Report, together with the Audited Financial Statements for the year ended 31st March, 2011.

## Principal Activities of the Company

During the period under review, the principal activities of the Company included Finance Business, Finance Leasing, Foreign Currency Business, Islamic Business, Provision of Payment Cards and Provision of Advances for Margin Trading in the Colombo Stock Exchange.

## Directorate

The Directors during the year under review were as follows:

1. Mrs R L Nanayakkara - Non Executive Chairperson
2. Mr I C Nanayakkara - Executive Director
3. Mr J M Swaminathan - Independent Director  
(Resigned W.E.F - 26/01/2011)
4. Mrs K U Amarasinghe - Executive Director
5. Deshamanya M D D Pieris - Non Executive Director  
(Resigned W.E.F - 26/01/2011)
6. Mr W D K Jayawardena - Non Executive Director
7. Mr R N Asirwatham - Non Executive Director
8. Dr H Cabral, PC - Non Executive  
Independent Director  
(Appointed W.E.F - 26/01/2011)
9. Mr B C G de Zylva - Managing Director/CEO

## Directors' Interests in Contracts

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

Lists of other companies on which these Directors serve are included on pages 18 to 19.

## Directors' Remuneration

The Directors' remuneration is included in Note 31.2 of the Notes to the Financial Statements.

## Board Sub Committees

In compliance with regulatory guidelines and also with best practices, the Board has formed the following sub committees:

- The Audit Committee
- The Integrated Risk Management Committee
- The Remuneration Committee

The reports of these Committees can be found on pages 22 to 24.

## Shari'ah Supervisory Board (SSB)

The Board of Directors of LOFC has installed a three member dedicated Shari'ah Supervisory Board comprising of Ash-Shaikh Fazil Farook - Chairman of the SSB, Ash-Shaikh Murshid Mulaffar and, Ash-Shaikh Shafique Jakhura. The SSB reviews all Islamic products offered and periodically audits the processes, thereby providing comfort to customers and further strengthening the Board's control. Two of the three members of the SSB are on the Banking and Finance sub-committee of the All Ceylon Jamiyyathul Ulama (ACJU) and are based in Sri Lanka. The remaining member is an internationally acclaimed Shari'ah scholar based in South Africa.

## Directors' Responsibility for Financial Reporting

The Directors responsibility for financial reporting is set out in page 25.

## Corporate Governance

The External Auditors have reviewed the Company's compliance with the Corporate Governance Direction No. 3 of 2008 and the Company is in the process of obtaining the certification from the External Auditors. The Directors confirm that no significant deviations have been observed by the External Auditors.

## Donations

The Company has made provisions for donations amounting to Rs. 42 Mn during the financial year.

## Going Concern

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

## Financial Statements & Auditor's Report

The financial statements are given on pages 28 to 54.

## Statutory Payments

For the year under review, all known statutory payments have been made and all retirement, gratuities have been provided for. Further, all management fees and payments to related parties for the year under review have been reflected in the accounts.

## Auditors

M/s Ernst and Young, the Auditors of the company retire and offer themselves for re-appointment. The Board recommends their re-appointment for the year 2011/2012 at a fee to be decided upon the Board.

During the year under review, the Auditors were paid Rs. 950,000/- as audit fees.

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

### Compliance with Laws and Regulations

The Company has not engaged in any activity that contravenes any applicable law or regulation.

### Shareholding

The stated capital of the Company is Rs. 2,000,000,000/- divided into 2,800,000,000 shares.

### Post Balance Sheet Events

#### (i) Subdivision of shares

On 5th April 2011, the Company sub divided every one (01) existing issued and fully paid Ordinary Voting Share into 14 Ordinary Voting Shares which resulted in an increase in the number of fully paid Ordinary Voting Shares from 200,000,000 to 2,800,000,000. However, the current stated capital of the Company was not affected by the said sub division.

#### (ii) Listing of the Company

In accordance with the Direction of the Central Bank of Sri Lanka, the Company sought a listing on the Colombo Stock

Exchange, by way of an Introduction. With effect from 7th July 2011, the Company is listed on the Diri Savi Board.

### Change of Company Name

Following the listing of the Company, the word "Limited" was replaced by "PLC". However, as the acronym PLC contains the word "Company", the Directors are of the view that this word need not be stated twice in the Company's name. Accordingly, the Directors recommend to the shareholders that the name of the Company be changed from Lanka ORIX Finance Company Limited to Lanka ORIX Finance PLC. This has been included in the agenda of the Annual General Meeting, for your consideration and approval.



**B C G de Zylva**  
Managing Director/CEO

26th August 2011  
Rajagiriya

### Directors' Attendance at Board and Board Sub Committees

		Board Meetings	Audit Committee	Integrated Risk Management Committee
<b>No. of Meetings</b>		12	4	4
<b>Director</b>	<b>Classification</b>			
Mrs R L Nanayakkara *	Non-Executive	11	N/A	N/A
Mr I C Nanayakkara	Executive	9	N/A	N/A
Mr W D K Jayawardena	Non-Executive	12	N/A	N/A
Mrs K U Amarasinghe	Executive	10	3	N/A
Deshamanya M D D Pieris (resigned w.e.f 26.1.2011)	Non-Executive	10	4	3
Mr J M Swaminathan ** (resigned w.e.f 26.1.2011)	Non-Executive	7	3	3
Mr R N Asirwatham ***	Non-Executive	12	4	4
Mr B C G de Zylva	Executive	12	N/A	4
Dr H Cabral, PC (appointed on 26.1.2011)	Non-Executive Independent	2	N/A	N/A

\* Chairman of the Company

\*\* Committee Chairman - IRMC

\*\*\* Committee Chairman - Audit

## Directors' Report Contd.

### DIRECTORS' DECLARATIONS

Name	Other Directorships Held
<b>Mrs R L Nanayakkara</b>	<p><b>Chairperson:</b>  Lanka ORIX Leasing Company PLC  Lanka ORIX Finance Company PLC  Commercial Leasing Company Ltd  Lanka ORIX Project Development Ltd  LOLC Micro Credit Ltd  Brown &amp; Company PLC  Browns Group Industries (Pvt) Ltd  Browns Group Motels Ltd  Browns Tours (Pvt) Ltd  B.G. Air Services (Pvt) Ltd  C.F.T Engineering Ltd  Engineering Services (Pvt) Ltd  The Hatton Transport and Agency Co. (Pvt) Ltd  I.G Browns Rubber Industries (Pvt) Ltd  Masons Mixture Ltd  Mutugalla Estates (Pvt) Ltd  Pathregalla Estates Ltd  Standard Finance (Pvt) Ltd  NDB Venture Investments (Pvt) Ltd  Ayojana Fund (Pvt) Ltd.  Taprobane Fund Management Co. Ltd  Taprobane Holdings  Taprobane Investment (Pvt) Ltd  Taprobane Plantation Ltd  Hydro Power Free Lanka (Pvt) Ltd  Agrisil Holdings Ltd</p> <p><b>Director:</b>  Sifang Lanka (Pvt) Ltd  Sifang Lanka Trading (Pvt) Ltd  Browns Battery (Pvt) Ltd  Browns Investments (Pvt) Ltd  Walker &amp; Greig (Pvt) Ltd  Trans Asia Hotels PLC  Mireka Homes (Pvt) Ltd  Overseas Realty (Ceylon) Ltd.  Taprobane Mutual Fund Ltd  Eastern Merchants PLC</p>

Name	Other Directorships Held
<b>Mr I C Nanayakkara</b>	<p><b>Chairman:</b>  Confifi Hotel Holdings PLC  Riverina Hotels PLC  Eden Hotel Lanka PLC  Tropical Villas (Pvt) Ltd</p> <p><b>Deputy Chairman:</b>  Lanka ORIX Leasing Company PLC  Lanka ORIX Finance Company PLC  Commercial Leasing Company Ltd</p> <p><b>Director:</b>  PRASAC Microfinance Institution  Pussellawa Plantations (Pvt) Ltd  Maturata Plantations Ltd  Ishara Traders (Pvt) Ltd  Taprobane Fund Management Co. Ltd  Taprobane Holdings Ltd  Free Lanka Capital Holdings (Pvt) Ltd  Brown &amp; Company PLC  Gal Oya Plantations (Pvt) Ltd  Gal Oya Holdings (Pvt) Ltd  Diriya Investments (Pvt) Ltd  Seylan Bank PLC  Sierra Constructions Company Ltd  Agstar Fertilizers (Pvt) Ltd  LOLC Micro Credit Ltd  Agrisil Holdings Ltd  Browns Investments (Pvt) Ltd</p>

Name	Other Directorships Held
<b>Mrs K U Amarasinghe</b>	<p><b>Director:</b>  Commercial Leasing Company Ltd  Ishara Traders (Pvt) Ltd  Lanka ORIX Finance Company PLC  Lanka ORIX Leasing Company PLC  Lanka ORIX Project Development Ltd  LOLC Insurance Company Ltd  LOLC Leisure Ltd  LOLC Micro Credit Ltd  LOLC Motors Ltd  LOLC Securities Ltd  United Dendro Energy (Pvt) Ltd  Eden Hotel Lanka PLC  Riverina Hotels PLC  Confifi Hotel Holdings PLC  Tropical Villas (Pvt) Ltd  LOLC Factors Ltd</p>
<b>Mr W D K Jayawardena</b>	<p><b>Chairman:</b>  LOLC Insurance Company Ltd  LOLC Motors Ltd  LOLC Securities Ltd  LOLC Leisure Ltd  United Dendro Energy (Pvt) Ltd  LOLC Factors Ltd</p> <p><b>Managing Director/Group CEO:</b>  Lanka ORIX Leasing Company PLC</p> <p><b>Managing Director:</b>  Commercial Leasing Company Ltd</p> <p><b>Director:</b>  Lanka ORIX Finance Company PLC  LOLC Micro Credit Ltd  People's Merchant Bank  Eden Hotel Lanka PLC  Riverina Hotels PLC  Tropical Villas (Pvt) Ltd  Confifi Hotel Holdings PLC</p>

Name	Other Directorships Held
<b>Mr R N Asirwatham</b>	<p><b>Director:</b>  Lanka ORIX Leasing Company PLC  Lanka ORIX Finance Company PLC  Brown &amp; Company PLC  Aitken Spence &amp; Company PLC  Royal Ceramics PLC  Vallibel One PLC  CIC Holdings PLC  Yarl Hotels (Pvt) Ltd  Rajawella Holdings Ltd  Aitken Spence Hotels PLC  Browns Beach Hotel PLC  Ceylon Tea Services PLC  Renuka Hotels (Pvt) Ltd  Mercantile Merchant Bank  Dialtex Industries Ltd  Dankotuwa Porcelain PLC</p>
<b>Dr Harsha Cabral, PC</b>	<p><b>Director:</b>  Diesel &amp; Motor Engineering PLC (DIMO)  Union Bank of Colombo Ltd  Richard Pieris &amp; Co. Distributors Ltd  Tokyo Cement Company (Lanka) PLC  Tokyo Super Cement Co. (Pvt) Ltd  Fuji Cement Co. (Lanka) Ltd  Hayleys PLC  Lanka ORIX Finance Company PLC</p>
<b>Mr B C G De Zylva</b>	<p><b>Managing Director/CEO:</b>  Lanka ORIX Finance Company PLC</p> <p><b>Director :</b>  Financial Ombudsman Sri Lanka Ltd  Navajeevana Rehabilitation – Tangalle  Finance Houses Association of Sri Lanka</p> <p><b>Council Member:</b>  Sri Lanka Institute of Credit Management</p>

# Directors' Statement on Internal Controls

## Responsibility

In line with the Finance Companies Act No. 78 of 1988, Finance Companies (Corporate Governance) Direction No 03 of 2008: section 10 (2) b), the Board of Directors present this report on Internal Controls.

The Board of Directors ("the Board") is responsible for the adequacy and effectiveness of the system of internal controls of Lanka ORIX Finance Company PLC. ("the Company"). However, such a system is designed to manage the Company's key areas of risk within an acceptable risk profile, rather than eliminate the risk of, failure to achieve the policies and business objectives of the company. Accordingly, the system of internal controls can only provide reasonable, not absolute, assurance against material misstatement of management and financial information and records or against financial losses or fraud.

The Board has established an on-going process of identifying, evaluating and managing the significant risks faced by the Company and this process includes effecting modifications to the internal control system, to align with constant changes in the business environment or regulatory guidelines. The process is regularly reviewed by the Board & Board appointed sub committees.

The Board is of the view that the system of internal controls in place, is sound and 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 policies and procedures on risk and control, by identifying and assessing the risks faced and in the design, operation and monitoring of suitable internal controls to mitigate and control such risks. Management is accountable to the Board for the design, operation and monitoring of Company's internal control system and for providing assurance to the Board that it has done so.

## Key Features of the Process Adopted in Reviewing the Design and Effectiveness of the Internal Control System

The key processes that have been established in reviewing the adequacy and integrity of the system of internal controls with respect to financial reporting include the following:

- Several Committees are established by the Board to assist in ensuring the effectiveness of the Company's daily operations and that the Company's operations are in accordance with the corporate objectives, strategies, policies and guidelines.
- The Internal Audit Division (Enterprise Risk Management / ERM Division) of the Company checks for compliance with policies and procedures and the effectiveness of the internal control system on an on-going basis, using samples and rotational procedures and highlights significant findings in respect of any non-compliance. Audits are carried out on all units and branches, the frequency of which is determined by the level of risk assessed, to provide an independent and objective report. The annual audit plan is reviewed and approved by the Audit Committee.

Findings of the ERM Division are submitted to the Audit Committee for review at their periodic meetings.

- The Audit Committee of the Company reviews internal control issues identified by the ERM Division, regulatory authorities and management, and evaluates the adequacy and effectiveness of the risk management and internal control system. They also review the functions of ERM, with particular emphasis on the scope and quality of internal audits. The minutes of the Audit Committee meetings are tabled to the Board of the company on a periodic basis. Further details of the activities undertaken by the Audit Committee of the Company are set out in the Audit Committee Report.
- In reviewing the internal control system, 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 were observed and checked by the ERM team for suitability of design and effectiveness on an on-going basis. Due to time constraints arising from the year under review being the 1st year of compliance under the new Corporate Governance Direction: the scope of the internal control review has been limited to only, significant processes identified below that lead to the financial statements.

- Advances and lending
  - Savings and Fixed Deposits
  - Receipting
  - Payments
  - Treasury
  - Cash handling and banking
  - Financial statements generation
  - General controls on Information technology
- The Board along with the relevant committees will review comments made by the external auditors in connection with the internal control system and will ensure appropriate actions are taken on the recommendations made.

#### **Confirmation**

Based on the above process, the Board confirms that 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 has been done in accordance with Sri Lanka Accounting Standards and regulatory requirements of the Central Bank of Sri Lanka.

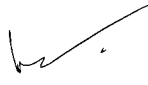
#### **Review of the Statement by External Auditors**

The external auditors have reviewed the above Directors' Statement on Internal Controls included in the annual report of the Company for the year ended 31 March 2011 and reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in the review of the design and effectiveness of the internal control system of the Company.

By order of the Board



**Ishara Nanayakkara**  
Director



**Kapila Jayawardena**  
Director



**R. N. Asirwatham**  
Chairman - Audit Committee



**Brindley de Zylva**  
Managing Director/CEO

29th June 2011

# Audit Committee Report

The Audit Committee which was appointed by the Board on 31st October 2003 comprises the following members with the Company Secretary functioning as its Secretary:

Mr R N Asirwatham - Committee Chairman  
Dr H Cabral, PC - Independent Director  
Deshamanya M D D Pieris - Senior Adviser

The Chairman and the Chief Executive Officer are invited to attend meetings together with the Chief Financial Officer and the Chief Risk Officer. When it is considered relevant to include them in the discussions, the Heads of the various departments are invited to the meeting.

The Audit Committee in accordance with its charter examines matters relating to the financial reporting system of the Company. It also reviews the adequacy of Internal Control procedures for effective management of the organization, the internal audit program and results of the internal audit process and ensures that the internal audit function is independent of the activities it audits.

The Audit Committee periodically meets with the External Auditors to discuss issues in the management letter, including the responses given by management.

The Committee recommends the payment of fees to the External Auditors and has given consideration to the independence of the External Auditors.

During the period under review, the reports of the internal auditors covering all departments and branches were also reviewed by the Committee. It also considered the major findings of internal investigations and management's responses thereto.

The committee met four times during the financial year ended 31st March 2011.

Minutes of the Audit Committee meetings are tabled at meetings of the Board to ensure that all Directors are kept informed of its activities.



**R N Asirwatham**  
*Chairman - Audit Committee*



# Integrated Risk Management Committee

The Integrated Risk Management Committee (IRMC) was appointed on 31st October 2008 in compliance with the Direction on Corporate Governance issued by the Central Bank of Sri Lanka (CBSL) and comprises the following members :

Mr R N Asirwatham	- Committee Chairman (from January 2011)
Dr H Cabral, PC	- Independent Director
Deshamanya M D D Pieris	- Senior Adviser
Mr B C G de Zylva	- Managing Director/CEO
Mrs S Wickremasekera	- Chief Risk Officer
Mrs S Kotakadeniya	- Chief Financial Officer
Mr J Kelegama	- Chief Credit Officer
Mr R Perera	- Group Treasurer
Mr C Dias	- Chief Information Officer

The Committee reviews the adequacy and effectiveness of risk control mechanisms and addresses specific risks within quantitative and qualitative risk limits for better risk mitigation.

The Committee met four times during the year under review. Quarterly Risk Review reports were called for from the above mentioned officers and the issues discussed in order to ensure that the risks were managed at prudent levels.

Minutes of the Committee meetings are tabled at meetings of the Board to ensure that all Directors are kept informed of potential or identified risks and the mitigation strategies being pursued.



**R N Asirwatham**

*Chairman*

*Integrated Risk Management Committee*

# Remuneration Committee Report

The Remuneration Committee was appointed on 26th April 2011 for early compliance with the Listing Rules of the Colombo Stock Exchange and comprises the following members.

Mr R N Asirwatham - Committee Chairman  
Dr H Cabral, PC - Independent Director  
Mr W D K Jayawardena - Non Executive Director

The Committee will be responsible for:

- determining the remuneration policy (salaries, allowances and other cash/non cash benefits) relating to the Managing Director/CEO
- periodically evaluating the performance of the Managing Director/CEO against the set targets and goals and determining the basis for revising remuneration, benefits and other payments of performance based incentives
- determining the remuneration policy (salaries, allowances and other cash/non cash benefits) relating to executive and non executive directors including the alternate directors
- determining the remuneration policy (salaries, allowances and other cash/non cash benefits) of other key management personnel

and recommending these to the Board for adoption.

Committee Meetings will be held twice a year and its minutes will be tabled at meetings of the Board.



**R N Asirwatham**

*Chairman*

*Remuneration Committee*

# Directors' Responsibility for Financial Reporting

The Directors confirm that the Company's Financial Statements for the year ended 31st March 2011, are prepared and presented in conformity with the requirements of the Sri Lanka Accounting Standards, the Regulations and Directions of the Central Bank of Sri Lanka, and the Companies Act No. 07 of 2007. They believe that the Financial Statements present a true and fair view of the state of the affairs of the Company as at the end of the financial year.

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

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

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

The External Auditors, Messrs Ernst & Young, were provided with the opportunity to make appropriate inspections of financial records, minutes and other documents to enable them to form an opinion of the Financial Statements. The Report of the Auditors is set out on page 27.



**Brindley de Zylva**

*Managing Director/ Chief Executive Officer*

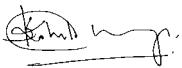
30th May 2011

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

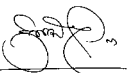
The Financial Statements are prepared in compliance with the Sri Lanka Accounting Standards issued by The Institute of Chartered Accountants of Sri Lanka and the requirements of the Companies Act No. 07 of 2007 and any other applicable statutes to the extent applicable to the Company. There are no departures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

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

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



**Mrs Sunjeevani Kotakadeniya**  
*Chief Financial Officer - LOLC Group*



**Brindley de Zylva**  
*Managing Director/Chief Executive Officer*

30th May 2011

# Independent Auditor's Report



HMAJ/BV/AD

## Chartered Accountants

201 De Saram Place  
P.O. Box 101  
Colombo 10  
Sri Lanka

Tel : (0) 11 2463500  
Fax Gen : (0) 11 2697369  
Tax : (0) 11 5578180  
eysi@lk.ey.com

## INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF LANKA ORIX FINANCE COMPANY LIMITED

### Report on the Financial Statements

We have audited the accompanying financial statements of Lanka Orix Finance Company Limited (the "Company"), which comprise the balance sheet as at 31 March 2011, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### Management's Responsibility for the Financial Statements

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

### Scope of Audit and Basis of Opinion

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

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

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

### Opinion

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended 31 March 2011 and the financial statements give a true and fair view of the Company's state of affairs as at 31 March 2011 and its profit and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

### Report on Other Legal and Regulatory Requirements

These financial statements also comply with the requirements of Section 151(2) of the Companies Act No. 07 of 2007.

2 June 2011  
Colombo

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

# Income Statement

Year ended 31 March 2011	Note	2011 Rs.	2010 Rs.
Interest income	21	3,113,150,099	1,661,048,623
Interest expense	22	(1,760,124,183)	(1,291,258,634)
Net interest income		1,353,025,916	369,789,989
Other Operating income	23	1,504,256,702	530,738,162
Direct expenses excluding interest cost	24	(97,480,661)	(34,446,959)
Provision for Doubtful Debts & Write Offs	25	(155,634,339)	(208,476,381)
Personnel expenses		(309,594,126)	(111,075,977)
Depreciation		(2,048,228)	(2,092,679)
General & Administration Expenses		(666,373,791)	(296,039,719)
<b>Profit from Operations</b>	26	1,626,151,473	248,396,435
Value Added Tax on Financial Service		(137,285,440)	(49,581,096)
Profit before Tax		1,488,866,033	198,815,339
Income Tax expense	17	(242,773,309)	(105,077,686)
<b>Profit for the Year</b>		1,246,092,724	93,737,653
<b>Basic earnings per share</b>	28	0.63	0.08

The accounting policies and notes on pages 32 to 54 form an integral part of the Financial Statements.

# Balance Sheet

As at 31 March 2011	Note	2011 Rs.	2010 Rs.
<b>ASSETS</b>			
Cash and Bank Balances	29.1	812,035,127	1,209,589,620
Investments in Term Deposits		-	143,294,515
Investment in Government Securities		2,136,000,000	3,149,301,719
Rentals Receivable on Leased Assets	3	4,324,700,548	1,249,073,523
Hire Purchases, Loans and Advances	4	16,439,451,634	7,607,262,324
Amount due from related Companies	5	150,867,022	24,156,029
Other Receivables	6	322,054,711	193,430,955
Margin Trading Receivables	7	79,527	8,844,514
Real Estate Stock	8	16,261,676	22,930,299
Investment Property	9	71,500,000	91,989,640
Investments in Shares	10	18,000,000	-
Property, Plant and Equipment	11	-	5,881,503
<b>Total Assets</b>		<b>24,290,950,245</b>	<b>13,705,754,641</b>
<b>LIABILITIES</b>			
Bank Overdraft	29.2	501,514,500	270,443,121
Borrowings	12	610,068,325	1,101,812,000
Deposits from Customers	13	17,393,186,628	10,129,683,226
Trade Payables	14	685,144,389	146,222,857
Accruals and Other Payables	15	667,635,578	414,389,620
Amount due to related Companies	16	734,560,466	321,544,721
Income Tax Liability		72,998,933	11,176,148
Deferred Tax Liability	17.2	108,574,403	39,864,312
Retirement Benefit Obligations	18	2,880,900	2,325,237
<b>Total Liabilities</b>		<b>20,776,564,122</b>	<b>12,437,461,241</b>
<b>SHAREHOLDER'S FUNDS</b>			
Stated Capital	19.2	2,000,000,000	1,000,000,000
Statutory Reserve	20.1	293,023,966	43,805,421
Investment Fund Reserve	20.2	39,539,145	-
Retained Earnings	20.3	1,181,823,012	224,487,978
<b>Total Equity</b>		<b>3,514,386,123</b>	<b>1,268,293,399</b>
<b>Total Liabilities and Equity</b>		<b>24,290,950,245</b>	<b>13,705,754,641</b>

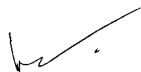
These financial statements are prepared in compliance with the requirements of the Companies Act No 07 of 2007



**Mrs Sunjeevani Kotakadeniya**  
Chief Financial Officer - LOLC Group

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

Signed for and on behalf of the Board



**Mr Kapila Jayawardena**  
Director



**Mr Ishara Nanayakkara**  
Director

The accounting policies and notes on pages 32 to 54 form an integral part of the Financial Statements.

30 May 2011  
Rajagiriya (Greater Colombo)

## Statement of Changes in Equity

Year ended 31st March 2011	Stated Capital Rs.	Statutory Reserve Rs.	Investment Fund Reserve Rs.	Retained Earnings Rs.	Total Equity Rs.
<b>Balance as at 31st March 2009</b>	800,000,000	24,469,671	-	150,086,075	974,555,746
Share issued during the Year	200,000,000	-	-	-	200,000,000
Profit for the Year	-	-	-	93,737,653	93,737,653
Transfer during the Year	-	19,335,750	-	(19,335,750)	-
<b>Balance as at 31st March 2010</b>	1,000,000,000	43,805,421	-	224,487,978	1,268,293,399
Share issued during the Year	1,000,000,000	-	-	-	1,000,000,000
Profit for the Year	-	-	-	1,246,092,724	1,246,092,724
Transfer during the Year	-	249,218,545	-	(249,218,545)	-
Transfer during the Year	-	-	39,539,145	(39,539,145)	-
<b>Balance as at 31st March 2011</b>	2,000,000,000	293,023,966	39,539,145	1,181,823,012	3,514,386,123

The accounting policies and notes on pages 32 to 54 form an integral part of the Financial Statements.



# Cash Flow Statement

Year ended 31st March 2011	Note	2011 Rs.	2010 Rs.
<b>Cash Flows From / (Used in) Operating Activities</b>			
Net Profit before Income Tax Expense		1,488,866,033	198,815,339
Adjustments for:			
Depreciation	11.2	2,048,228	2,092,679
(Profit)/Loss on Sales of Property, Plant and Equipment	26	137,162	(1,415,191)
Profit on disposal of Investments		(52,356,963)	-
Profit on Sale of Pawning Portfolio		(610,000,000)	-
Allowance for Doubtful Debts		155,634,339	51,733,795
Change in Fair Value of Investment Property	9	20,489,640	-
Provision for Defined Benefit Plans	18	652,351	658,072
Investment income		(740,893,523)	(486,361,792)
Finance Costs		1,760,124,183	1,291,258,634
Operating Profit/(Loss) before Working Capital Changes		2,024,701,450	1,056,781,536
(Increase)/Decrease in Other Receivables	6	(228,134,871)	52,714,970
Decrease in Real Estate Stocks	8	6,668,623	6,066,092
Decrease in Margin Trading Receivables	7	8,764,987	42,225,648
Increase/(Decrease) in Trade and Other Payables	14/15	600,809,009	123,742,889
Increase/(Decrease) in Amounts due to/due from related Parties	5/16	299,887,273	129,665,371
(Increase)/Decrease in Lease Receivables	3	(3,069,201,649)	(386,624,682)
Net proceeds from Deposits from Customers	13	5,444,305,540	4,085,623,587
Net proceeds from Savings Deposits	13	1,819,197,862	740,138,665
(Increase)/Decrease in Hire Purchase, Loans and Advances	4	(10,174,890,271)	(4,827,793,759)
Cash Generated from Operations		(3,267,892,047)	1,022,540,317
Finance Cost Paid		(1,368,241,865)	(1,051,133,828)
Gratuity Paid	18	(96,688)	-
Income Tax Paid		(112,240,433)	(67,676,953)
Net Cash From/(Used in) Operating Activities		(4,748,471,033)	(96,270,464)
<b>Cash Flows from / (Used in) Investing Activities</b>			
Proceeds from Sale of Property, Plant and Equipment		(137,162)	9,022,108
Acquisition of Property, Plant and Equipment	11.1	(3,264,080)	(913,290)
Net proceeds from Investments in Term Deposits		143,294,515	1,376,474,060
Net proceeds from Investments in Treasury Bonds		1,013,301,719	(2,344,583,430)
Net proceeds from investments		34,356,963	-
Interest Received		840,404,638	474,859,836
Proceeds from Sale of Pawning Portfolio		1,784,156,081	-
Net Cash Flows from/(Used in) Investing Activities		3,812,112,673	(485,140,716)
<b>Cash Flows from (Used in) Financing Activities</b>			
Proceeds from issuance of new shares	19.2.1	1,000,000,000	200,000,000
Net Proceeds from Interest Bearing Loans and Borrowings	12	(491,743,675)	1,101,812,000
Finance Cost Paid-Over draft		(200,523,837)	(32,623,138)
Net Cash Flows from/(Used in) Financing Activities		307,732,488	1,269,188,862
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>		(628,625,872)	687,777,682
<b>Cash and Cash Equivalents at the beginning of the Year</b>	29	939,146,499	251,368,817
<b>Cash and Cash Equivalents at the end of the Year</b>	29	310,520,627	939,146,499
<b>Analysis of Cash and Cash equivalents at the end of the Year</b>			
Cash and Bank Balances		812,035,127	1,209,589,620
Bank Overdraft		(501,514,500)	(270,443,121)
		310,520,627	939,146,499

The accounting policies and notes on pages 32 to 54 form an integral part of the Financial Statements.

# Notes to the Financial Statements

## 1. Corporate Information

### General

Lanka ORIX Finance Company Limited is an unquoted public company with limited liability incorporated on 13 December 2001 and domiciled in Sri Lanka. The Company has been registered with the Central Bank of Sri Lanka as a Finance Company under the provisions of the Finance Companies Act, No. 78 of 1988.

The Company has obtained registration from the Securities and Exchange Commission, as a Market Intermediary to perform the functions of a Margin Provider under section 19A of the Securities & Exchange Commission Act No. 36 of 1987 as amended by Act Nos. 26 of 1991 & 18 of 2003.

The Financial Statements were authorized for issue by the Directors on 30th May 2011.

### Holding Company

The immediate and ultimate holding company is Lanka ORIX Leasing Company PLC, which is incorporated in Sri Lanka.

### Principal Activities and Nature of Operations

During the year, the principal activities of the Company comprised of leasing, hire purchase, margin trading, pawn broking, loans, property development, mobilization of public deposits and Islamic financing.

### Directors' Responsibility Statement

The Board of Directors takes the responsibility for the preparation and presentation of these Financial Statements as per the provisions of the Companies Act No. 07 of 2007 and the Sri Lanka Accounting Standards.

### Address of the Registered Office of the Company

No. 100/1, Sri Jayewardenepura Mawatha, Rajagiriya.

## 2. Accounting Policies

### 2.1 Basis of Preparation

The Financial Statements are presented in Sri Lankan Rupees where appropriate the significant Accounting Policies disclosed in the succeeding notes. The Financial Statements are prepared on the historical cost basis except investment property that has been measured at fair value. Assets and liabilities are grouped by nature and listed in an order that reflect their relative liquidity. Where appropriate, the Significant Accounting Policies are disclosed in the succeeding notes.

These Financial Statements are prepared in Sri Lankan Rupees, which is the Company's functional currency, unless otherwise stated. The preparation and presentation of these Financial Statements is in compliance with the Companies Act, No. 07 of 2007.

### Statement of Compliance

The Financial Statements of the Company are prepared in accordance with the Sri Lanka Accounting Standards laid down by the Institute of Chartered Accountants of Sri Lanka.

### 2.2 Significant Accounting Judgments, Estimates and Assumptions

The preparation of the financial statements in conformity with SLASs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimate and underlying assumptions are reviewed on an ongoing basis and the management is required to consider, key assumptions concerning the future and other key sources of estimation uncertainty at the Balance Sheet date, that have a significant risk of causing a material adjustments to the carrying amounts of assets and liabilities. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. The respective carrying amounts of assets and liabilities are given in the related Notes to the Financial Statements.

Information about critical judgments, estimates and assumptions in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following notes

- **Impairment Losses on Loans and Advances**

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

- **Defined Benefit Plans**

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

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

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

- **Useful lives of Property, Plant & Equipment**

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

### **Going Concern**

The Directors have made an assessment of the Company's ability to continue as a going concern and they do not intend either to liquidate or to cease trading.

### **Comparative information**

The accounting policies have been consistently applied by the Company and, are consistent with those used in the previous year. Comparative information is reclassified wherever necessary to comply with the current presentation which is more fully described in Note 30 to these financial statements.

### **Foreign currency transactions**

Transactions in foreign currencies are translated to the functional currency at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between the original carrying amount in the functional currency and the carrying amount in foreign currency translated at the exchange rate at the end of the year.

Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognized in profit or loss.

## **2.3 Assets and Bases of their Valuation**

### **i) Cash and Cash Equivalents**

Cash and Cash Equivalents comprise of cash in hand and cash at banks. Bank overdrafts that are repayable on demand, form an integral part of the Company's cash management, are included as a component of Cash and Cash Equivalents for the purpose of cash flows.

### **ii) Finance Leases and Hire purchase**

Assets leased to customers which transfer substantially all the risks and rewards associated with ownership other than legal title, are classified as finance leases. Amounts receivable under finance leases are included under "Rentals receivable on Leased Assets". Leasing balances are stated in the Balance Sheet after deduction of initial rentals received, unearned lease income and the provisions for rentals doubtful of recovery

### **iii) Advances and Other Loans to Customers**

Advances and other loans to customers comprised of revolving loans, loans with fixed installment and Pawning Advances.

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

### **iv) Provision for Doubtful Debts**

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

The Company computes its provisioning for bad and doubtful debts in accordance with Direction No. 03 of 2006 of the Finance Companies Act No. 78 of 1988 as follows

- Fifty percent (50%) of all lease, hire purchases and loan receivables (net of unearned income) which are in arrears for a period of 06 to 12 months.
- One hundred percent (100%) of all lease, hire purchases and loan receivables (net of unearned income) which are in arrears for a period of 12 months and more

## Notes to the Financial Statements Contd.

Additional specific provisions are made upon management review on the performance of the lease, hire purchase and loan portfolios.

Balance receivables on any terminated contracts are provided fully. i.e. one hundred percent (100%) of balance receivables.

Facilities that are fully provided have been written off against the provisions made.

The values of the following items held as collateral for a particular advance have been deducted in arriving at the above provisions.

- With regard to vehicles that have been repossessed by the Company, eighty per cent (80%) of the valuation obtained during the preceding six months from a valuer approved by the Director of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka.
- With regard to land and buildings, the full value, in case of a primary mortgage, such value shall not exceed the value decided by a qualified professional valuer at the time of providing the accommodation.

### v) Real Estate Stocks

Real estate stocks represent the purchase value of properties acquired and any subsequent expenditure incurred on such for development.

### vi) Investments in Treasury Bills and Bonds of Government of Sri Lanka

Investment in Treasury Bills and Treasury Bonds are carried at the total of purchase price, accrued interest and amortization/ (accretion) of premium/(discount).

Gains/losses on disposal are measured at the difference between the sales proceeds and the carrying amount and are recognized in profit or loss.

### Securities Purchased under Re-sale Agreements

Securities purchased under re-sale agreements are recorded separately in the Financial Statements at cost. The difference between the purchase and sale price represents interest income and is recognized in the Income Statement over the period of the resale agreement.

### vii) Other Receivables

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

### viii) Property, Plant and Equipment Recognition and measurement

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

Cost includes expenditure that is directly attributable to the acquisition of the asset.

Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment, and is recognized net within other operating income in profit or loss.

### Subsequent costs

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

### Depreciation

Depreciation is based on the cost of an asset less its residual value. Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of an item of property, plant and equipment.

The estimated useful lives for the current and comparative years are as follows:

Office Equipment	5 Years
Motor Vehicles	4 Years
Furniture & Fittings	5 Years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

#### ix) Intangible Assets

##### Measurement

Intangible assets that are acquired by the company and have finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses.

##### Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expense is recognized in profit or loss as incurred.

##### Amortization

Amortization is based on the cost of an asset less its residual value. Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. The estimated useful lives for the current and comparative years are as follows

Computer software	5 years
-------------------	---------

#### x) Investment Property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognized in profit or loss.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use.

##### Determining Fair value

An external, independent valuer, having appropriate recognized professional qualifications and recent experience in the location and category of property being valued, values the company's investment property portfolio every 3 years. In financial periods within that period the fair value is determined by the Directors.

The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing

seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably.

#### xi) Investment in Non-Quoted Shares

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

#### xii) Impairment of Other Assets

The carrying amounts of the company's non-financial assets, investment property, and inventories are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU. Impairment losses are recognised in profit or loss. Impairment losses recognised in prior periods in respect of non financial assets are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

## 2.4 Liabilities and Provisions

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

## Notes to the Financial Statements Contd.

Liabilities payable after one year from the Balance Sheet date are treated as non-current liabilities in the Balance Sheet.

### i) Deposits from Customers

Deposits include savings deposits and term deposits. They are brought to account at the gross value of the outstanding balance.

Interest for the period is charged to the profit or loss.

### ii) Income Tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates items recognised directly in equity.

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

### iii) Deferred Taxation

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity. A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

### iv) Securities Sold under Repurchase Agreements

These are borrowings collateralized by sale of Treasury Bills and Treasury Bonds held by the company to the counterparty

from whom the company borrowed, subject to an agreement to repurchase them at a predetermined price. Such securities remain on the Balance Sheet of the company and the liability is recorded in respect of the consideration received. The difference between the sale and the purchase price represents interest expense, which is recognized in the Income Statement evenly over the period of the repurchased agreement.

### v) Swap Instruments

Company in its ordinary course of business enters into transactions such as currency swaps and foreign exchange contracts and uses derivative instruments to manage exposure to currency risk.

Currency Swaps are recognised as off balance sheet assets or liabilities. The Company's commitment for the contracted period is converted to Sri Lankan Rupees based on the exchange rate, agreed.

### vi) Employee benefits

#### (i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. All employees of the Company are members of the Employees' Provident Fund (EPF) and Employees' Trust Fund (ETF), to which the Company contributes 12% and 3% of employee salaries respectively.

#### (ii) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit pension plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognised past service costs are deducted.

The calculation is performed every three years by a qualified actuary using the projected unit credit method. For the purpose of determining the charge for any period before the next regular actuarial valuation falls due, an approximate estimate provided by the qualified actuary is used. When the benefits of a plan are improved, the portion of the increased benefit



related to past service by employees is recognised in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in profit or loss.

The Company recognises all actuarial gains and losses arising from the defined benefit plan and all expenses related to defined benefit plans in personnel expenses in profit or loss.

### (iii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus if the company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

## 2.5 Income Statement

Company income represents the gross income receivable for the year on all performing contracts. It includes all income related to operations such as interest on overdue rentals, profit/loss on contracts terminated and collections on contracts written-off.

### i) Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue and associated costs incurred or to be incurred can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable net of trade discounts and sales taxes. The following specific criteria are used for the purpose of recognition of revenue.

#### a) Income from Leases, Hire purchases & Loans & Advances

The excess of aggregated contract receivable over the cost of the assets constitutes the total unearned income at the commencement of a contract. The unearned income is recognized as income over the term of the facility commencing with the month that the facility is executed in proportion to the declining receivable balance, so as to produce a constant periodic rate of return on the net investment.

Non-performing loans are those facilities where the rentals are overdue for 6 months and over. Income accrued is suspended from the date a facility is classified as non-performing and

credited to the "Earned Income in Suspense" in compliance with Direction No. 15 of 1991 of the Finance Companies Act No.78 of 1988. Thereafter such income is recognized on cash basis.

### b) Fee and other service Income

Fees and other service related income are recognized as the services are performed.

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

### c) Income from Other Sources

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

Income from all other interest bearing investments is recognized as revenue on an accrual basis.

### ii) Others

Other income is recognized on an accrual basis.

Net Gains and losses of a revenue nature on the disposal of property, plant & equipment and other noncurrent assets including investments have been accounted for in the income statement, having deducted from proceeds on disposal, the carrying amount of the assets and related selling expenses.

## 2.6 Expenditure Recognition

Expenses are recognised in the income statement on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the property, plant & equipment in a state of efficiency has been charged to income in arriving at the profit for the year.

### Value Added Tax (VAT) on Financial Services

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

The VAT on financial service is recognized as expense in the period it becomes due.

## Notes to the Financial Statements Contd.

### 2.7 Movement of Reserves

Movement of Reserves is disclosed in the Statement of Changes in Equity.

### 2.8 Cash Flow Statements

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

### 2.9 Related Party Transactions

Transactions with related parties are conducted on normal business terms. The relevant disclosures are given in Notes 31 to the Financial Statements.

### 2.10 Earnings per share

The Company presents basic per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

### 2.11 Effect of accounting standards issued but not yet effective

- a) The following standards have been issued by the Institute of Chartered Accountants of Sri Lanka.
- Sri Lanka Accounting Standard 44 Financial Instruments; Presentation (SLAS 44)
  - Sri Lanka Accounting Standard 45 Financial Instruments; Recognition and Measurement (SLAS 45)
  - Sri Lanka Accounting Standard 39 Share Based Payments (SLAS 39)

The effective date of SLAS 44, 45 and 39 was changed during the year to be effective for financial periods beginning on or after 01st January 2012. These three standards have been amended and forms a part of the new set of financial reporting standards mentioned under note (b) below. In order to comply with the requirements of the two Financial Instruments Standards, the Company is in the process of assessing the effect of adoption of these two standards. Due to the complex nature of the effects of these two standards the impact of adoption cannot be estimated as at the date of publication of these Financial Statements.

- b) Following the convergence of Sri Lanka Accounting Standards with the International Financial Reporting Standards, the Council of the Institute of Chartered Accountants of Sri Lanka has adopted a new set of financial reporting standards that would apply for financial periods beginning on or after 01st January 2012.

These new Accounting Standards are prefixed both SLFRS and LKAS, which correspond to the relevant IFRS and IAS. The effect of application of these new financial reporting standards is substantially different to the prevailing standards.



Year ended 31st March 2011	2011 Rs.	2010 Rs.
<b>3. RENTALS RECEIVABLE ON LEASED ASSETS</b>		
<b>Receivable from one to five years</b>		
Rentals receivable	3,995,228,983	1,054,471,597
Unearned income	(856,925,193)	(254,149,852)
Allowance for doubtful debts	(18,245,966)	(2,947,348)
Deposits received from lessees	(5,841,496)	(6,981,937)
	3,114,216,328	790,392,460
<b>Receivable within one year</b>		
Rentals receivable	1,884,047,016	703,992,069
Unearned income	(678,357,221)	(238,098,866)
Allowance for doubtful debts	(6,884,754)	(4,225,356)
	1,198,805,040	461,667,847
<b>Overdue</b>		
Rentals receivable	23,713,352	35,891,411
Allowance for doubtful debts	(11,508,018)	(35,891,411)
Earned income in suspense	(526,154)	(2,986,784)
	11,679,180	(2,986,784)
<b>Total</b>		
Rentals receivable	5,902,989,351	1,794,355,077
Unearned income	(1,535,282,414)	(492,248,717)
Allowance for doubtful debts	(36,638,739)	(43,064,115)
Deposits received from lessees	(5,841,496)	(6,981,937)
Earned income in suspense	(526,154)	(2,986,784)
	4,324,700,548	1,249,073,523
<b>Balance as at 31 March</b>	4,324,700,548	1,249,073,523
<b>3.1 Provision for Lease Rentals receivables</b>		
Balance as at 1st of April	43,064,115	40,016,762
Provision/(Reversal) for the Year	(6,425,376)	3,047,353
Balance as at 31st March	36,638,739	43,064,115

## Notes to the Financial Statements Contd.

Year ended 31st March 2011	2011 Rs.	2010 Rs.
<b>4. HIRE PURCHASES, LOANS AND ADVANCES</b>		
<b>4.1 Hire Purchases</b>		
Receivable from one to five years		
Rentals receivable	3,277,105,616	2,701,744,491
Unearned income	(621,831,685)	(691,997,075)
Allowance for doubtful debts	(46,375,457)	(1,409,626)
Deposits received from lessees	(2,516,804)	(2,753,909)
	2,606,381,671	2,005,583,881
<b>Receivable within one year</b>		
Rentals receivable	1,488,605,808	785,423,319
Unearned income	(543,848,649)	(336,265,342)
Allowance for doubtful debts	(16,200,329)	(179,096)
	928,556,829	448,978,880
<b>Overdue</b>		
Rentals receivable	23,688,150	27,410,108
Allowance for doubtful debts	(7,604,488)	(8,031,709)
Earned income in suspense	(3,408,109)	(774,963)
	12,675,553	18,603,436
<b>Total</b>		
Rentals receivable	4,789,399,573	3,514,577,917
Unearned income	(1,165,680,334)	(1,028,262,417)
Allowance for doubtful debts	(70,180,274)	(9,620,431)
Deposits received from lessees	(2,516,804)	(2,753,909)
Earned income in suspense	(3,408,109)	(774,963)
Balance as at 31st March	3,547,614,052	2,473,166,197
<b>4.2 Provision for Hire Purchases Receivables</b>		
Balance as at 1st of April	9,620,431	13,907,243
Provision/(Reversal) for the Year	60,559,843	(4,286,812)
Balance as at 31st March	70,180,274	9,620,431
<b>4.3 Mortgage Loans</b>		
<b>Receivable from one to five years</b>		
Installments receivable	210,199,386	162,069,998
Unearned income	(43,379,734)	(37,812,187)
Allowance for doubtful debts	-	-
	166,819,653	124,257,811
<b>Receivable within one year</b>		
Installments receivable	151,758,305	82,646,432
Unearned income	(39,901,803)	(33,818,197)
Allowance for doubtful debts	-	-
	111,856,502	48,828,235

Year ended 31st March 2011	2011 Rs.	2010 Rs.
<b>4.1 Hire Purchases Contd.</b>		
Overdue		
Installments receivable	92,702,548	64,646,967
Allowance for doubtful debts	-	(205,618)
Earned income in suspense	(39,036,614)	(28,857,778)
	53,665,934	35,583,571
<b>Total</b>		
Total receivable	454,660,239	309,363,398
Unearned income	(83,281,537)	(71,630,385)
Allowance for doubtful debts	-	(205,618)
Earned income in suspense	(39,036,614)	(28,857,778)
	332,342,088	208,669,616
<b>4.3.1 Provision for Mortgage Loans</b>		
Balance as at 1st of April	205,618	1,644,077
Provision/(Reversal) for the Year	(205,618)	(1,438,458)
Balance as at 31st March	-	205,618
<b>4.4 Sundry Loans</b>		
<b>Receivable from one to five years</b>		
Installments receivable	9,211,642,346	4,666,454,623
Unearned income	(1,597,565,280)	(637,453,375)
Allowance for doubtful debts	(47,978,305)	(8,256,412)
Deposits received from customers	499,500	(6,500)
	7,566,598,262	4,020,738,337
<b>Receivable within one year</b>		
Installments receivable	6,410,766,250	1,142,163,880
Unearned income	(1,530,315,633)	(722,199,506)
Allowance for doubtful debts	(29,370,261)	(6,014,334)
	4,851,080,356	413,950,040
<b>Overdue</b>		
Installments receivable	228,831,465	152,385,456
Allowance for doubtful debts	(31,118,953)	(96,759,837)
Earned income in suspense	(55,895,637)	(45,287,706)
	141,816,875	10,337,913
<b>Total</b>		
Total receivable	15,851,240,062	5,961,003,959
Unearned income	(3,127,880,912)	(1,359,652,881)
Allowance for Doubtful Debts	(108,467,519)	(111,030,583)
Deposits received from customers	499,500	(6,500)
Earned income in suspense	(55,895,637)	(45,287,706)
	12,559,495,493	4,445,026,289

## Notes to the Financial Statements Contd.

Year ended 31st March 2011	2011 Rs.	2010 Rs.
<b>4.4.1 Provision for Sundry Loans</b>		
Balance as at 1st of April	111,030,583	57,598,640
Provision/(Reversal) for the Year	(2,563,064)	54,411,713
Balance as at 31st March	108,467,519	111,030,583
<b>4.5 Pawning Advances</b>		
Pawning Advances	-	454,383,470
Interest Receivable On Pawning Advances	-	26,016,751
	-	480,400,220
<b>Total (Note 4.1+Note 4.3+Note 4.4+Note 4.5)</b>	<b>16,439,451,634</b>	<b>7,607,262,324</b>

**4.6** Non Performing Advances included in the Lease Rentals Receivables, Hire Purchase and Loans & Advances are as follows:

	Lease		Hire Purchase		Loans	
	2011 Rs.	2010 Rs.	2011 Rs.	2010 Rs.	2011 Rs.	2010 Rs.
Net Investment	38,804,558	44,595,493	78,735,547	10,341,697	349,621,581	380,078,257
Allowance for doubtful debts	(36,638,739)	(43,064,115)	(70,180,274)	(9,620,431)	(108,467,519)	(112,215,971)
Net Non Performing Advances	2,165,819	1,531,378	8,555,273	721,265	241,154,062	267,862,286

### 4.7 Segmental Analysis of Loans and Advances, Leases, Hire Purchase by Industry

	2011 Rs.	2010 Rs.
Agriculture	2,013,374,059	899,599,959
Manufacturing	2,957,193,755	1,438,784,248
Economics and Social	149,486,140	148,161,756
Trade	7,749,359,483	3,116,767,078
Tourism	390,282,396	102,436,704
Services	4,666,639,987	1,887,158,571
Transportation	1,839,993,093	592,694,794
Construction	1,102,608,460	383,462,946
Mining and Quarrying	201,014,668	68,396,119
Others	16,211,987	502,578,611
	<b>21,086,164,028</b>	<b>9,140,040,786</b>
Lease Receivables	4,367,706,937	1,302,106,359
Hire Purchase Receivables	3,623,719,239	2,518,450,116
Loans & Advances	13,094,737,852	4,839,084,091
Pawning Advance	-	480,400,220
	<b>21,086,164,028</b>	<b>9,140,040,786</b>

Year ended 31st March 2011	2011 Rs.	2010 Rs.
<b>5. AMOUNTS DUE FROM RELATED COMPANIES</b>		
Receivable from Lanka ORIX Insurance Brokers Limited	-	3,041,881
Receivable from Commercial Leasing Company Limited	65,186,915	21,114,148
Receivable from LOLC Micro Credit Limited	85,680,107	-
	150,867,022	24,156,029
<b>6. OTHER RECEIVABLE</b>		
Interest Receivable on Government Securities & Deposits	-	99,511,115
VAT Receivable	212,119,980	51,781,481
Staff debtors	19,659,567	12,850,110
WHT recoverable	120,658	120,658
Others	86,762,955	25,478,748
Deposit Advance & Prepayments	3,391,551	3,688,843
	322,054,711	193,430,955
<b>7. MARGIN TRADING RECEIVABLES</b>		
Balance as at 1st April	8,844,514	51,070,162
Advances granted during the Year	-	54,651,688
Interest charged for the Year	1,700,637	9,319,949
Less: Settlements during the Year	(6,117,703)	(105,217,516)
Allowance for doubtful debts	-	(979,770)
Written off advances	(4,347,920)	-
<b>Balance as at 31st March</b>	79,527	8,844,514
<b>8. REAL ESTATE STOCK</b>		
Real State Stock	16,261,676	22,930,299
	16,261,676	22,930,299
<b>9. INVESTMENT PROPERTY</b>		
Balance as at 1st April	91,989,640	91,989,640
Net gain/(loss) from fair value adjustment	(20,489,640)	-
	71,500,000	91,989,640
<b>10. INVESTMENT IN SHARES</b>		
Expo Lanka Holdings Ltd	18,000,000	-

## Notes to the Financial Statements Contd.

Year ended 31st March 2011	Balance as at 31.03. 2010 Rs.	Additions Rs.	Disposals Rs.	Balance as at 31.03. 2011 Rs.
<b>11. PROPERTY, PLANT AND EQUIPMENT</b>				
<b>11.1 Cost</b>				
<b>Freehold Assets</b>				
Office Equipment	8,539,675	3,036,230	(11,575,905)	-
Motor Vehicle	1,817,000	-	(1,817,000)	-
Computer Hardware	1,065,629	227,850	(1,293,479)	-
Computer Software	1,202,500	-	(1,202,500)	-
<b>Total Value of depreciable Assets</b>	<b>12,624,804</b>	<b>3,264,080</b>	<b>(15,888,884)</b>	<b>-</b>
	<b>Balance as at 31.03. 2010 Rs.</b>	<b>Charge for the Period Rs.</b>	<b>Disposals Rs.</b>	<b>Balance as at 31.03. 2011 Rs.</b>
<b>11.2 Depreciation</b>				
Office Equipment	3,666,769	1,669,863	(5,336,632)	-
Motor Vehicle	1,817,000	-	(1,817,000)	-
Computer Hardware	651,738	138,524	(790,262)	-
Computer Software	607,793	239,841	(847,634)	-
<b>Total Depreciation</b>	<b>6,743,301</b>	<b>2,048,228</b>	<b>(8,791,528)</b>	<b>-</b>
<b>Net Book Value</b>	<b>5,881,503</b>			<b>-</b>

	2011 Rs.	2010 Rs.
<b>12. BORROWINGS</b>		
<b>Amounts falling due within 1 Year</b>		
Securities Sold under Repurchase Agreements	-	915,000,000
Bank Loans	223,497,591	186,812,000
	223,497,591	1,101,812,000
<b>Amounts falling due after 1 Year</b>		
Bank Loans	386,570,734	-
	386,570,734	-
<b>Total</b>	<b>610,068,325</b>	<b>1,101,812,000</b>
<b>13. DEPOSITS FROM CUSTOMERS</b>		
Fixed Deposits	14,564,209,025	9,119,903,485
Savings Deposits	2,109,572,241	440,198,204
Savings Deposits - Foreign Currency	719,405,362	569,581,537
	17,393,186,628	10,129,683,226
<b>14. TRADE PAYABLES</b>		
Creditors for Lease equipment	685,144,389	146,222,858

Year ended 31st March 2011	2011 Rs.	2010 Rs.
<b>15. ACCRUALS AND OTHER PAYABLES</b>		
Miscellaneous Creditors	61,676,006	12,774,529
Stamp duty Payable	30,836,550	17,850,550
Accrued Interest on Deposits	444,674,285	324,349,027
IBU income Distribution Payable	77,332,411	49,256,478
IBU Charity Fund	53,116,326	10,159,037
	667,635,578	414,389,620
<b>16 AMOUNTS DUE TO RELATED COMPANIES</b>		
Payable to Lanka ORIX Leasing Company PLC	500,689,118	138,506,317
Refinance Loans Payable to Lanka ORIX Leasing Company PLC	143,871,348	162,925,130
Payable to LOLC Micro Credit Limited	-	1,713,274
Payable to Lanka ORIX Information Technology Limited	90,000,000	18,400,000
	734,560,466	321,544,721
<b>17 INCOME TAX EXPENSES</b>		
The major component of income tax expense for the Year ended 31st March are as follows:		
<b>Current Income Tax</b>		
Current Income Tax Charge	170,135,820	80,124,374
Under/(Over) Provision of current taxes in respect of prior years	3,927,398	(2,140,588)
<b>Deferred Income Tax</b>		
Deferred Taxation Charge/(Reversal) (17.2)	68,710,091	27,093,900
<b>Income Tax expense reported in the income statement</b>	<b>242,773,309</b>	<b>105,077,686</b>

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

Year ended 31st March 2011	2011 Rs.	2010 Rs.
<b>Accounting Profit before Income Tax</b>	<b>1,488,866,033</b>	<b>198,815,339</b>
Tax effect @ the Statutory Income Tax Rate of 35% (2010 - 35%)	521,103,112	69,585,369
Tax effect of Other Allowable Credits	(356,373,836)	(270,688,305)
Tax effect of Non deductible expenses	83,502,573	304,996,517
Tax effect of Rate Change	(7,972,862)	-
Social Responsibility Levy @ 1.5%	2,514,322	1,184,105
<b>At the effective Income Tax Rate of 16% (2010 : 53%)</b>	<b>242,773,309</b>	<b>105,077,686</b>

## Notes to the Financial Statements Contd.

### 17.2 Deferred Tax Assets, Liabilities and income Tax relates to the followings:

	Balance Sheet		Income Statement	
	2011 Rs.	2010 Rs.	2011 Rs.	2010 Rs.
<b>Deferred Tax Liability</b>				
Capital Allowances for Tax purposes on Property, Plant & Equipment	-	(443,731)	443,731	(537,369)
Capital Allowances for Tax purposes on Lease Receivables	109,381,055	41,121,876	76,394,808	27,861,594
Effect of Change in Tax Rate	-	-	(8,135,629)	-
	109,381,055	40,678,145	68,702,910	27,324,224
<b>Deferred Tax Assets</b>				
Defined Benefit Plans	806,652	813,833	(155,586)	230,325
Effect of Change in Tax Rate	-	-	162,767	-
	806,652	813,833	7,181	230,325
Deferred income Tax income/(expense)			(68,710,091)	(27,093,900)
Net Deferred Tax Liability	108,574,403	39,864,312		

Year ended 31st March 2011	2011 Rs.	2010 Rs.
<b>18. RETIREMENT BENEFIT OBLIGATIONS</b>		
Current Service Cost	400,146	400,334
Interest Cost	317,127	257,738
Actuarial (Gain)/Loss	(64,922)	-
<b>Net Benefit expense</b>	652,351	658,072
<b>Changes in the Present Value of the Defined Benefit Obligation are as follows:</b>		
Defined benefit obligation as of 01st April	2,325,237	1,667,165
Benefits paid by the plan	(96,688)	-
Interest Cost	317,127	257,738
Current Service Cost	400,146	400,334
Actuarial (gain)/ loss	(64,922)	-
<b>Defined benefit liability as of 31st March</b>	2,880,900	2,325,237
<b>18.1</b> Key assumptions used in the above valuation are as follows:		
Discount Rate	9.30%	12.35%
Salary Increment Rate	8.00%	10.75%
Retirement Age	55	55
Staff Turnover	15.38%	15.38%

The Defined benefit Plan entitles a retired employee to receive a payment equal to half of the last drawn monthly salary multiplied by the number of completed years of service. However, as per the Statute, the company is liable to pay gratuity only upon the completion of continuous 5 years of service. The plan is not externally funded.



	2011 Number	2010 Number
<b>19. STATED CAPITAL</b>		
<b>19.1</b> Fully Paid Ordinary Shares (Number)	200,000,000	100,000,000
	2011 Rs.	2010 Rs.
<b>19.2</b> Fully Paid Ordinary Shares (Value) (19.2.1)	2,000,000,000	1,000,000,000
<b>19.2.1 Fully Paid Ordinary Shares</b>		
Balance at the beginning of the Year	1,000,000,000	800,000,000
Issue of Shares for Cash	1,000,000,000	200,000,000
Balance at the end of the Year	2,000,000,000	1,000,000,000

### 19.3 Rights, Preference and Restrictions of Classes of Capital

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to have one vote per individual present at meetings of the shareholders or one vote per share in case of a poll. They are entitled to participate in any surplus assets of the Company in winding up. There are no preferences or restrictions on Ordinary Shares.

Year ended 31st March 2011	2011 Rs.	2010 Rs.
<b>20. RESERVES</b>		
<b>20.1 Statutory Reserve</b>		
Balance at the beginning of the Year	43,805,421	24,469,671
Transferred during the Year	249,218,545	19,335,750
Balance at the end of the Year	293,023,966	43,805,421

The reserve was created according to Direction No. 1 of 2003 issued under the Finance Companies Act No.78 of 1988. The company transfers 20% of its annual net profit after tax to this reserve in compliance with this direction.

### 20.2 Investment Fund Reserve

Balance at the beginning of the Year	-	-
Transferred during the Year	39,539,145	-
Balance at the end of the Year	39,539,145	-

The reserve is created in accordance with the Central Bank guidelines issued to create an Investment Fund Reserve. 8% of the profits liable for VAT on Financial Services is transferred to this reserve monthly when the payment of VAT on Financial Services for such month becomes due.

In accordance with the guidelines issued, the company maintains government securities equivalent to the value of the reserve. These government securities are included in the government security value presented on the balance sheet.

## Notes to the Financial Statements Contd.

Year ended 31st March 2011	2011 Rs.	2010 Rs.
<b>20.3 Retained earnings</b>		
Balance at the beginning of the Year	224,487,978	150,086,075
Profit for the year net of transfers	957,335,034	74,401,903
Balance at the end of the Year	1,181,823,012	224,487,978
<b>21. INTEREST INCOME</b>		
Interest on Leases	470,203,022	243,991,515
Interest on Hire Purchase	724,659,390	364,774,860
Interest on Loans	1,537,445,177	852,975,603
Interest on Margin Trading	1,700,637	9,319,949
Interest on Pawn Broking	137,641,600	71,414,573
Others	241,500,273	118,572,124
	3,113,150,099	1,661,048,623
<b>22. INTEREST EXPENSE</b>		
Interest on Fixed Deposits	1,224,873,411	1,097,680,782
Interest on Savings Deposits	78,571,799	29,758,915
Interest on Re-Red Refinancing	10,968,028	21,119,951
IBU Income Distribution	227,986,839	110,075,848
Interest on Short Term Loan and Bank Overdraft	217,724,106	32,623,138
	1,760,124,183	1,291,258,634
<b>23. OTHER OPERATING INCOME</b>		
Sundry income	114,278,498	47,521,097
Profit/(loss) on disposal of Property, Plant and Equipment	(137,162)	1,415,191
Amortisation of Premium/Discount and Capital gain on Treasury Bond/Reverse Repo	734,919,074	412,179,861
Interest income on Term Deposits	5,974,449	74,181,931
Exchange Gain/(Loss)	(13,936,284)	(5,222,669)
Profit/(Loss) on disposal of investments	52,356,963	-
Profit on Sale of Pawning Portfolio	610,000,000	-
Interest income from Staff Loan	801,164	662,750
	1,504,256,702	530,738,162

Year ended 31st March 2011	2011 Rs.	2010 Rs.
<b>24. DIRECT EXPENSES EXCLUDING INTEREST COST</b>		
VAT on General expenses	86,248,498	17,287,100
Portfolio handling fee	9,261,003	16,302,377
Others	1,971,160	857,482
	97,480,661	34,446,959
<b>25. PROVISION/(REVERSAL) AND WRITE OFFS</b>		
Provision/(Reversal) for Lease Rentals Receivable	(6,425,376)	3,047,353
Provision/(Reversal) for Receivables from Hire Purchases	60,559,843	(4,286,812)
Provision/(Reversal) for Receivables from Sundry Loans	(2,563,064)	54,411,713
Provision/(Reversal) for Mortgage Loan	(205,618)	(1,438,458)
Provision/(Reversal) for Margin Trading Loan	(979,770)	-
Written off during the Year	105,248,324	156,742,586
	155,634,339	208,476,381
<b>26. PROFIT FROM OPERATIONS is stated after Charging /(Crediting)</b>		
Depreciation and Amortization	2,048,228	2,092,679
Auditor's remuneration	950,000	460,000
Employees Benefits including the following		
- Defined Benefit Plan Costs - Gratuity (included in Employee Benefits)	652,351	658,072
- Defined Contribution Plan Costs - EPF & ETF (included in Employee Benefits)	5,523,487	3,535,258
Exchange Gain/(Loss)	(13,936,284)	(5,222,669)
Profit/(Loss) on Disposal of Property, Plant and Equipment	(137,162)	1,415,191

**27. MATURITY OF ASSETS AND LIABILITIES**

**27.1** An analysis of the total assets of the Company as at the year end based on the remaining period at the Balance Sheet date to the respective contractual maturity dates is given below:

	Up to 3	3 to 12	1 to 3	3 to 5	More than	Total as at	Total as at
	Months	Months	Years	Years	5 Years	31.03.11	31.03.10
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cash and Bank Balances	812,035,127					812,035,127	1,209,589,620
Investment Securities	2,136,000,000	18,000,000				2,154,000,000	3,149,301,719
Investments in Term Deposits	-					-	143,294,515
Rentals receivable on Leased Assets	406,716,539	803,767,680	2,048,300,763	1,065,915,565		4,324,700,548	1,249,073,523
Hire Purchases, Loans and Advances	1,668,047,315	4,431,604,735	7,656,452,633	2,683,346,952		16,439,451,634	7,607,262,324
Amount due from related Companies	150,867,022					150,867,022	24,156,029
Other Receivables	322,054,711					322,054,711	193,430,956
Real Estate Stock	-		16,261,676			16,261,676	22,930,299
Investment Property			71,500,000			71,500,000	91,989,640
Margin Trading Receivables	79,527					79,527	8,844,514
Property, Plant and Equipment							5,881,503
<b>Total Assets as at 31.03.2011</b>	<b>5,495,800,241</b>	<b>5,253,372,415</b>	<b>9,792,515,071</b>	<b>3,749,262,514</b>	<b>-</b>	<b>24,290,950,245</b>	<b>13,705,754,641</b>
<b>Total Assets as at 31.03.2010</b>	<b>2,392,794,359</b>	<b>2,305,703,229</b>	<b>7,143,770,718</b>	<b>1,731,403,893</b>	<b>143,102,909</b>		

**27.2** An analysis of the total liabilities of the Company as at the year end based on the remaining period at the Balance Sheet date to the respective contractual maturity dates is given below:

	Up to 3	3 to 12	1 to 3	3 to 5	More than	Total as at	Total as at
	Months	Months	Years	Years	5 Years	31.03.11	31.03.10
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Bank Overdraft	501,514,500					501,514,500	270,443,121
Borrowings	109,557,636	113,939,955	268,824,623	117,746,110		610,068,325	1,101,812,000
Deposits from Customers	7,147,655,081	6,452,679,313	1,476,676,666	2,316,175,568		17,393,186,628	10,129,683,226
Trade Payables	685,144,389					685,144,389	146,222,857
Accruals and Other Payables	300,162,210	262,271,638	65,035,658	40,166,073		667,635,578	414,389,620
Income Tax Liability	72,998,933					72,998,933	11,176,148
Deferred Tax Liability			108,574,403			108,574,403	39,864,312
Amount due to related Companies	734,560,466					734,560,466	321,544,721
Retirement Benefit Obligations					2,880,900	2,880,900	2,325,237
Stated Capital					2,000,000,000	2,000,000,000	1,000,000,000
Statutory Reserve					293,023,966	293,023,966	43,805,421
Retained Earnings					1,181,823,012	1,181,823,012	224,487,978
Investment Fund Reserve					39,539,146	39,539,146	-
<b>Total Liabilities &amp; Equity as at 31.03.2011</b>	<b>9,551,593,215</b>	<b>6,828,890,906</b>	<b>1,919,111,350</b>	<b>2,474,087,751</b>	<b>3,517,267,024</b>	<b>24,290,950,245</b>	<b>13,705,754,641</b>
<b>Total Liabilities &amp; Equity as at 31.03.2010</b>	<b>6,120,528,980</b>	<b>4,401,660,369</b>	<b>1,342,212,468</b>	<b>514,667,836</b>	<b>1,337,705,455</b>		

## 28. EARNINGS PER SHARE

**28.1** Basic Earnings Per Share is calculated by dividing the net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

**28.2** The following reflects the income and share data used in the Basic Earnings Per Share computations.

	2011 Rs.	2010 Rs.
<b>Amounts Used as the Numerators:</b>		
Profit Attributable to Ordinary Shareholders for basic Earnings Per Share	1,246,092,724	93,737,653
	2011 Number	2010 Number
<b>Number of Ordinary Shares used as the denominator:</b>		
Ordinary shares in issue at the beginning of the year	1,400,000,000	1,120,000,000
Effects of New Share issue during the period	583,333,333	23,333,333
Weighted average number of ordinary shares in issue applicable to basic earnings per share	1,983,333,333	1,143,333,333
Basic earnings per share	0.63	0.08

Subsequent to the balance sheet date in April 2011 the Company subdivided its existing 200 Mn shares into 2.8 Bn shares.

The Earnings per Share for the current year and the comparative year has been adjusted to reflect the subdivision.

	2011 Rs.	2010 Rs.
<b>29. CASH AND CASH EQUIVALENTS IN THE CASH FLOW STATEMENT</b>		
<b>Components of Cash and Cash Equivalents</b>		
<b>29.1 Favourable Cash &amp; Cash Equivalents balance</b>		
Cash & Bank Balances	812,035,127	1,209,589,620
<b>29.2 Unfavourable Cash &amp; Cash Equivalent Balances</b>		
Bank Overdraft	(501,514,500)	(270,443,121)
<b>Total Cash and Cash Equivalents for the Purpose of Cash Flow Statement</b>	<b>310,520,627</b>	<b>939,146,499</b>

## Notes to the Financial Statements Contd.

### 30. COMPARATIVE INFORMATION

**30.1** The presentation and classification of the following items in these Financial Statements were amended to ensure comparability with the current year.

	2010 Rs. Current Presentation	2010 Rs. As Reported Previously	2010 Rs. Change
(a) Hire Purchases, Loans and Advances	7,607,262,324	7,639,396,938	32,134,615
(b) Amount due from related Companies	24,156,029	3,041,881	21,114,148
(c) Amount due to related Companies	321,544,721	332,565,187	11,020,466
	7,309,873,632	7,309,873,632	

### 30.2 Reasons for changes in the presentations and classifications

An amount of Rs. 32,134,615 receivable from Commercial Leasing Company Ltd previously classified under Hire purchase, Loans and Advances was reclassified as receivable from related companies.

### 31. RELATED PARTY DISCLOSURES

Details of significant related party disclosures are as follows:

#### 31.1 Transactions with Related Parties

Other related parties include entities that are related to the entity; including Lanka ORIX Leasing Company PLC, Ishara Traders (Pvt) Ltd, Lanka ORIX Information Technology Limited, & LOLC Micro Credit Ltd.

**31.1.1** The following table provides the significant amount of transactions, which have been entered into with related parties for the relevant financial year (for information regarding outstanding balances at 31 March 2011 and 2010, refer to Notes No. 5 and 16 accordingly).

Company	Relationship	Nature of Transactions	2011 Rs.	2010 Rs.
Lanka ORIX Leasing Company PLC	Parent Company	Inter Company Fund Utilised	280,809,587	212,135,445
		Shared Expenses	524,955,500	220,780,167
		Interest on Re-Red Refinancing	10,968,028	21,119,951
		Portfolio handling fee	9,261,003	16,302,377
		Deposit Held with the Company	35,000,000	35,000,000
		Interest Paid/Charge	3,980,930	924,408
		Interest Payable	312,186	188,540
LOLC Micro Credit Limited	Fellow Subsidiary	Sale of Pawning Portfolio	1,863,841,246	-
		Deposit Held with the Company	20,997	19,777

**31.1.1 Contd.**

Company	Relationship	Nature of Transactions	2011 Rs.	2010 Rs.
Lanka ORIX Information Technology Ltd	Fellow Subsidiary	IT Service Fee	120,000,000	30,000,000
Commercial Leasing Company Ltd	Fellow Subsidiary	Purchase of Loan Portfolio	-	1,000,000,000
		Portfolio Handling fee	62,150,531	53,645,117
Ishara Traders (Pvt) Ltd	Other Related Company	Supply of Leased Vehicles	126,815,801	51,620,001
Other Related Organizations	Other Related Organization	Deposit Held with the Company	12,114,745	7,518,031
Other Related Companies	Fellow Subsidiaries/Affiliates	Deposit Held with the Company	1,790,653,526	17,786,896
		Interest Paid/Charge	4,325,566	-
		Interest Payable	4,025,603	-
		Loan/ Lease Granted	10,900,000	5,545,000
		Rental Collections	2,540,640	844,942
		Interest Income	1,557,814	467,817
		Capital Outstanding	15,019,227	5,242,232

**31.2 Transactions with Key Management Personnel of the Company**

Key Management Personnel (KMPs) are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company. The key management personnel of the Company are the Board of Directors of the Company and its parent and personnel holding Designation Deputy General Manager and above. Transactions with Key Management Personnel and transactions with the Close Family Members (CFMs) of the KMPs, if any, also have been taken into consideration in the following disclosure.

	2011 Rs.	2010 Rs.
<b>31.2.1 Key Management Personnel Compensation</b>		
Short term employee benefits	8,144,705	6,623,267
<b>31.2.2 Other Transactions</b>		
Deposits held with the Company	516,251,281	134,181,917
Interest Paid/Charge	35,749,864	11,860,237
Interest Payable	13,483,774	4,251,543

**32. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE**

There have been no material events occurring after the Balance Sheet date that require adjustment to or disclosure in the financial statements other than those disclosed below:

- The Company subdivided its existing 200,000,000 shares in to 2,800,000,000 shares without any change in the stated capital.
- The Company is in the process of listing on the Dirisavi Board by way of Introduction on or before 30 June 2011.

## Notes to the Financial Statements Contd.

### 33. ASSETS PLEDGED

The following assets have been pledged as security for liabilities.

Nature of Assets	Nature of Liability	Carrying Amount Pledged 2011 Rs.	Carrying Amount Pledged 2010 Rs.
Government Treasury Bonds	Secured against the Repo instrument borrowings	-	1,190,000,000
Term Deposits	Short Term Borrowing	-	136,800,000
Leased Assets	Short Term Borrowing	700,000,000	50,000,000

	2011 Rs.	2010 Rs.
<b>34. COMMITMENTS AND CONTINGENCIES</b>		
<b>34.1 Contingent Liabilities</b>		
Guarantees issued to Banks and Other institutions	38,987,284	25,522,221
<b>34.2 Commitments</b>		
Forward exchange Contracts	1,091,456,300	519,301,400
Unutilised Loan Facilities	336,669,833	222,405,923

On this commitment company will receive USD 4,350,000, EUR 1,445,000, GBP 1,300,000 and AUD 1,460,000 on the conversion.



# Shareholder Information

## Analysis of Ordinary Shares as at 31st March 2011

Range	2011			2010		
	No. of Shareholders	No. of Shares	% of Shares	No. of Shareholders	No. of Shares	% of Shares
1 - 1,000	-	-	-	-	-	-
1,001 - 10,000	-	-	-	-	-	-
10,001 - 100,000	-	-	-	-	-	-
100,001 - 1,000,000	-	-	-	-	-	-
Over 1,000,000 Shares	1	200,000,000	100	1	100,000,000	100.00
Total	1	200,000,000	100.00	1	100,000,000	100.00

The Company was listed on the Colombo Stock Exchange on 7th July 2011.

## Shareholding as at 31st March 2011

	2011		2010	
	No. of Shares	% of Shares	No. of Shares	% of Shares
Residents	200,000,000	100.00	100,000,000	100.00
Non Residents	0	-	0	-
Total	200,000,000	100.00	100,000,000	100.00

The stated capital of the Company as at 31st March 2011 was Rs. 2,000,000,000/- consisting of 200,000,000 Ordinary Voting shares. The Company on 5th April 2011 subdivided 1 existing issued and fully paid Ordinary Voting Share into 14 Ordinary Voting Shares, resulting in the existing 200,000,000 issued and fully paid Voting Ordinary Shares of the Company being increased to 2,800,000,000 Ordinary Voting Shares without effecting any increase to the Stated Capital of the Company.

## Highest, Lowest and Closing Share Prices as at 31st March 2011

The Company was listed on 7th July 2011, after the conclusion of the financial year 2010/11.

## Top 20 Shareholders

Name	No. of shares	Percentage
1. LOLC	200,000,000	100%

The Company was a wholly owned subsidiary of Lanka ORIX Leasing Company PLC during the year under review.

# Segment Information

For the year ended 31st March 2011

	Business Segment						Total (Rs.)
	Leasing (Rs.)	Hire Purchase (Rs.)	Loans (Rs.)	Pawning (Rs.)	Treasury (Rs.)	Others (Rs.)	
<b>2010/11</b>							
Total revenue	470,203,022	724,659,390	1,537,445,177	137,641,600	793,250,486	954,207,126	4,617,406,801
Inter segmental revenue	-	-	-	-	-	-	-
<b>External revenue</b>	<b>470,203,022</b>	<b>724,659,390</b>	<b>1,537,445,177</b>	<b>137,641,600</b>	<b>793,250,486</b>	<b>954,207,126</b>	<b>4,617,406,801</b>
Net interest cost	225,926,999	348,190,279	738,724,251	66,135,163	381,147,491	-	1,760,124,183
Profit before operating expenses	192,125,643	296,096,887	628,202,349	56,240,559	324,123,310	1,360,493,869	2,857,282,618
Operating expenses	(105,252,388)	(162,211,062)	(344,148,738)	(30,810,323)	(177,564,806)	(411,143,827)	(1,231,131,145)
Results from operating activities	86,873,255	133,885,825	284,053,611	25,430,236	146,558,504	949,350,042	1,626,151,473
<b>2009/10</b>							
Total revenue	243,991,515	364,774,860	852,975,603	71,414,573	486,361,792	172,268,442	2,191,786,785
Inter segmental revenue	-	-	-	-	-	-	-
<b>External revenue</b>	<b>243,991,515</b>	<b>364,774,860</b>	<b>852,975,603</b>	<b>71,414,573</b>	<b>486,361,792</b>	<b>172,268,442</b>	<b>2,191,786,785</b>
Net interest cost	156,005,590	233,233,181	545,383,564	45,661,721	310,974,578	-	1,291,258,634
Profit before operating expenses	87,985,925	131,541,679	307,592,038	25,752,852	175,387,214	172,268,442	900,528,151
Operating expenses	(63,716,400)	(95,257,989)	(222,747,644)	(18,649,335)	(127,009,428)	(124,750,920)	(652,131,716)
Results from operating activities	24,269,525	36,283,690	84,844,395	7,103,516	48,377,787	47,517,523	248,396,435
<b>As at 31-3-2011</b>							
Total assets	4,324,700,548	3,547,614,052	12,891,837,582	-	2,136,000,000	1,390,798,063	24,290,950,245
Total liabilities	3,871,019,158	3,175,452,684	10,417,419,080	-	1,726,022,921	1,586,650,280	20,776,564,122
<b>As at 31-3-2010</b>							
Total assets	1,249,073,523	2,473,166,197	4,653,695,906	480,400,220	3,392,107,349	1,457,311,445	13,705,754,641
Total liabilities	1,222,014,408	2,419,589,136	4,370,067,488	451,121,308	3,185,368,864	789,300,037	12,437,461,241

# Notice of Meeting

NOTICE IS HEREBY GIVEN THAT THE TENTH ANNUAL GENERAL MEETING of the above Company will be held on 28th September 2011 at 2.30 p.m. in the LOLC Auditorium for the following purposes:

1. To receive and consider the Statement of Accounts for the year ended 31st March, 2011 with the Reports of the Directors and Auditors thereon.
2. To re-elect as a Director Mr W D K Jayawardena, who retires by rotation in terms of Article 75 of the Articles of Association of the Company.
3. To re-elect as a Director Mr B C G de Zylva, who retires in terms by rotation of Article 75 of the Articles of Association of the Company.
4. To re-elect as a Director Dr H Cabral, PC, who retires by rotation in terms of Article 70 of the Articles of Association of the Company.
5. To re-appoint as auditors M/s Ernst and Young, Chartered Accountants at a remuneration to be fixed by the Directors.
6. To consider and approve the following special resolution;

“That the name of the Company be changed from Lanka ORIX Finance Company PLC to Lanka ORIX Finance PLC”

BY ORDER OF THE BOARD



**Chrisanthi Emmanuel**

Secretary

5th September, 2011  
Rajagiriya (in the greater Colombo)

## NOTE:

- 1) A member entitled to attend and vote at the Meeting is entitled to appoint a Proxy to attend and vote instead of him/her. A Proxy need not be a member of the Company.
- 2) The completed Form of Proxy should be deposited at the registered office of the Company, 100/1, Sri Jayawardenapura Mawatha Rajagiriya, not later than 2.30 p.m. on the 26th day of September 2011.
- 3) A Form of Proxy accompanies this Notice.



# Form of Proxy

I/We .....  
of .....  
being a member/members of the abovenamed Company hereby appoint .....  
of ..... whom failing

Mrs Rohini Lettitia Nanayakkara	of Colombo or failing her
Mr Ishara Chinthaka Nanayakkara	of Colombo or failing him
Mr Waduthantri Dharshan Kapila Jayawardena	of Colombo or failing him
Mrs Kalsha Upeka Amarasinghe	of Colombo or failing her
Mr Rajan Nalliah Asirwatham	of Colombo or failing him
Dr Liyanamohottige Sri Harsha Joseph Cabral, PC	of Colombo or failing him
Mr Brindley Chrisantha Gajanayake de Zylva	of Colombo

as my/our proxy to represent me/us and to speak and vote on my/our behalf at the tenth Annual General Meeting of the Company to be held on Wednesday, 28th September, 2011 and at any adjournment thereof and at every poll which may be taken in consequence of the aforesaid Meeting.

		For	Against
1	To receive and consider the Statement of Accounts for the year ended 31st March, 2011 with the Reports of the Directors and Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2	To re-elect as a Director Mr W D K Jayawardena, who retires by rotation in terms of Article 75 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
3	To re-elect as a Director Mr B C G de Zylva, who retires by rotation in terms of Article 75 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
4	To re-elect as a Director Dr H Cabral, PC, who retires by rotation in terms of Article 70 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
5	To re-appoint as auditors M/s Ernst and Young, Chartered Accountants at a remuneration to be fixed by the Directors.	<input type="checkbox"/>	<input type="checkbox"/>
6	To consider and approve the following special resolution;		

*“That the name of the Company be changed from Lanka ORIX Finance Company PLC to Lanka ORIX Finance PLC”*

dated this ..... day of ..... Two Thousand and Eleven

.....  
Signature of Shareholder

**NOTE:**

- 1) a proxy need not be a member of the Company
- 2) Instructions as to completion appear on the reverse hereof

## Form of Proxy Contd.

### INSTRUCTIONS AS TO COMPLETION

1. Please return the completed Form of Proxy after filling in legibly your full name and address, signing on the space provided and filling in the date of signature.
2. The completed Form of Proxy should be deposited at the registered office of the Company, 100/1, Sri Jayawardenapura Mawatha, Rajagiriya not less than 48 hours before the time appointed for the holding of the Meeting.

# Corporate Information

## Name of the Company

Lanka ORIX Finance Company PLC

## Country of Incorporation

Sri Lanka

## Legal Form

A public company with limited liability

## Date of Incorporation

13th December 2001

## Company Registration No.

PB 244 PQ

## Principal Activities

During the period under review, the principal activities of the Company included Finance Business, Finance Leasing, Foreign Currency Business, Islamic Business, Provision of Payment Cards and Provision of Advances for Margin Trading in the Colombo Stock Exchange.

## Company Secretary

Ms Chrishanthi S. Emmanuel, FCIS

## Auditors

Ernst & Young, Chartered Accountants

## Lawyers

Julius & Creasy  
Nithya Partners

## Registrars

P W Corporate Secretarial (Pvt) Ltd

SWIFT: LOLCLKLC

## Bankers

Nations Trust Bank  
Citi Bank N.A.  
Commercial Bank  
NDB Bank  
Bank of Ceylon  
Seylan Bank  
MCB Bank  
Standard Chartered Bank  
Deutsche Bank  
Hatton National Bank  
Pan Asia Bank  
HSBC  
Sampath Bank

## Registered Office

No. 100/1, Sri Jayewardenepura Mawatha,  
Rajagiriya

## Branches

Ampara  
Anuradhapura  
Ambalangoda  
Avisawella  
Badulla  
Batticaloa  
Chilaw  
City Branch  
Divulapitiya  
Dambulla  
Elpitiya  
Embilipitiya  
Galle  
Gampaha

Horana  
Hatton  
Homagama  
Jaffna  
Kalmunai  
Kalutara  
Kandy  
Kattankudi  
Kegalle  
Kiribathgoda  
Kochchikade  
Kurunegala  
Mahiyangana  
Matara

Mt. Lavinia  
Matugama  
Monaragala  
Nawalapitiya  
Nuwara Eliya  
Oddamavadi  
Polonnaruwa  
Pettah  
Rajagiriya  
Ratnapura  
Trincomalee  
Vavuniya  
Wattala  
Wellawatte

## LIOC Service Station Savings Centers

Aluthgama  
Beliatte  
Debarawewa  
Kadawatha  
Moraweka  
Panadura  
Pilimathalawa  
Padukka  
Seeduwa  
Thalawakelle

