ASSETLINE LEASING COMPANY LIMITED

FINANCIAL STATEMENTS

31 MARCH 2018

Building a better working world

Ernst & Young
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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF ASSETLINE LEASING COMPANY LIMITED

Report on the audit of the financial statements

We have audited the financial statements of Assetline Leasing Company Limited, which comprise the statement of financial position as at 31 March 2018, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

Opinion

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

Basis for opinion

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

Responsibilities of management and those charged with governance for the financial statements

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

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

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

(Contd..2/)

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Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on other legal and regulatory requirements

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

Ernst & Young

30 August 2018
Colombo

Assetline Leasing Company Limited

STATEMENT OF PROFIT OR LOSS

Year ended 31 March 2018

	Note	2018 Rs.	2017 Rs.
Interest Income	3.1	8,271,773,426	7,366,544,375
Interest Expenses	3.2	(2,436,367,530)	(2,297,485,192)
Net Interest Income		5,835,405,896	5,069,059,183
Fee & Service Charge Income	4	225,753,819	202,037,228
Other Operating Income	5	50,427,065	64,969,300
Change in Fair Value of Investment Property	19.1	(165,843,267)	1,600,000
Total Operating Income		5,945,743,513	5,337,665,711
Impairment (Charges) / Reversal for Loans, Lease and Other Losses	6	(588,559,862)	(159,967,643)
Net Operating Income		5,357,183,651	5,177,698,067
Operating Expenses			
Personnel Costs	7	(629,881,496)	(495,547,066)
Other Operating Expenses	8	(1,034,610,363)	(880,003,082)
Operating Profit before VAT & NBT on Financial Services		3,692,691,792	3,802,147,919
VAT & NBT on Financial Services	9	(618,582,050)	(452,942,025)
Profit before Income Tax		3,074,109,742	3,349,205,894
Income Tax Expense	10	(1,143,625,659)	(1,057,481,312)
Profit for the Period		1,930,484,083	2,291,724,582
Earnings Per Share (Rs)	11	14.41	17.11

The Accounting Policies & Notes from pages 08 to 53 form an integral part of these Financial Statements.

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STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2018

	Note	2018 Rs.	2017 Rs.
Profit for the Year		1,930,484,083	2,291,724,582
Other Comprehensive Income			
Other Comprehensive Income to be Reclassified to Statement of Profit or Loss in Subsequent Periods			
Gains/(Losses) arising on re-measuring Financial Assets - Available for Sale	31	13,131,199	(5,181,233)
Net Other Comprehensive Income/(Loss) to be Reclassified to Statement of Profit or Loss in Subsequent Periods		13,131,199	(5,181,233)
Other Comprehensive Income not to be Reclassified to Statement of Profit or Loss in subsequent periods			
Actuarial Gains/(Losses) on Retirement Obligation	27.3	(12,141,194)	7,775,891
Deferred Tax on Actuarial Gain/(Loss)	22	3,399,534	(2,177,249)
Net Other Comprehensive Income/(Loss) not to be Reclassified to Statement of Profit or Loss in Subsequent Periods		(8,741,660)	5,598,642
Other Comprehensive Income for the Year, Net of Tax		4,389,539	417,409
Total Comprehensive Income for the Year, Net of Tax		1,934,873,622	2,292,141,991

The Accounting Policies & Notes from pages 08 to 53 form an integral part of these Financial Statements.

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Assetline Leasing Company Limited

STATEMENT OF FINANCIAL POSITION

As at 31 March 2018

	Note	2018 Rs.	2017 Rs.
Assets			
Cash and Bank Balances	12	319,211,224	381,561,088
Securities Purchased Under Resale Agreement		-	2,041,531,166
Investments in Fixed Deposits	13	2,870,148,270	-
Loans and Advances	14	1,828,012,513	1,282,649,571
Lease Rentals Receivable & Stock Out on Hire	15	32,781,432,883	31,588,354,718
Other Financial Assets	16	120,174,042	53,282,576
Financial Instruments- Available for Sale	17	242,750,448	224,576,110
Other Non Financial Assets	18	59,989,012	48,742,435
Investment Properties	19	325,400,000	490,500,000
Property, Plant & Equipment	20	134,307,326	120,621,413
Goodwill and Intangible Assets	21	66,378,073	179,772,233
Total Assets		38,747,803,791	36,411,591,310
Liabilities			
Bank Overdraft		911,107,393	677,649,980
Debt Instruments Issued & Other Borrowed Funds	23	24,007,540,553	19,277,063,316
Other Financial Liabilities	24	1,495,851,080	1,307,075,087
Other Non Financial Liabilities	25	94,819,663	144,722,407
Income Tax Payable	26	467,049,110	194,639,817
Deferred Tax Liability	22	1,117,242,682	990,757,904
Retirement Benefit Obligations	27	52,454,163	31,834,059
Total Liabilities		28,146,064,644	22,623,742,570
Shareholders' Funds			
Stated Capital	28	3,550,000,000	3,550,000,000
Statutory Reserve Fund	29	741,102,713	645,444,161
Available for Sale Reserve	31	6,658,046	(6,473,153)
Retained Earnings		6,303,978,388	9,598,877,732
Total Shareholders' Funds		10,601,739,147	13,787,848,740
Total Liabilities and Shareholders' Funds		38,747,803,791	36,411,591,310

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

....

Divisional Manager - Finance and Accounting

The Board of Directors is responsible for these Financial Statements.
Signed for and on behalf of the Board by,

....
Director

....
Director

The Accounting Policies & Notes from pages 08 to 53 form an integral part of these Financial Statements.

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Chartered Accountants
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30 August 2018
Colombo

Assetline Leasing Company Limited

STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2018

	Stated Capital Rs. Note 28	Statutory Reserve Fund Rs. Note 29	Available for Sale Reserve Rs. Note 31	Retained Earnings Rs. Note 30	Total Rs.
Balance as at 31 March 2016	3,550,000,000	530,857,932	(1,291,920)	7,788,546,676	11,868,112,688
Net Profit for the Year	-	-	-	2,291,724,582	2,291,724,582
Other Comprehensive Income net of Tax	-	-	(5,181,233)	5,598,642	417,409
Transfer to Statutory Reserve	-	114,586,229	-	(114,586,229)	-
Dividend Declared	-	-	-	(372,405,939)	(372,405,939)
Balance as at 31 March 2017	3,550,000,000	645,444,161	(6,473,153)	9,598,877,732	13,787,848,740
Transfer of Reserve on Acquisition of Lisvin Investments (Pvt) Ltd		(865,652)		(1,545,281)	(2,410,933)
Net Profit for the Year	-	-	-	1,930,484,083	1,930,484,083
Other Comprehensive Income net of Tax (Refer Note No. 31)	-	-	13,131,199	(8,741,660)	4,389,539
Transfer to Statutory Reserve Fund	-	96,524,204	-	(96,524,204)	-
Dividend Declared	-	-	-	(5,118,572,282)	(5,118,572,282)
Balance as at 31 March 2018	3,550,000,000	741,102,713	6,658,046	6,303,978,388	10,601,739,147

The Accounting Policies & Notes from pages 08 to 53 form an integral part of these Financial Statements.

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Assetline Leasing Company Limited

STATEMENT OF CASH FLOWS

Year ended 31 March 2018

Cash Flows From / (Used in) Operating Activities	Note	2018 Rs.	2017 Rs.
Profit before Income Tax Expense		3,074,109,742	3,349,205,894
Adjustments for			
Depreciation of Property Plant & Equipment	8	52,725,639	65,299,288
Amortization of Intangible Assets	8	13,443,577	4,206,015
Provision for Impairment of Goodwill	6	149,643,651	-
Notional Tax Credit on Government Securities		(10,869,106)	(14,325,736)
Withholding Tax Attributed to Deposits		(15,937,959)	(10,001,152)
Provision for Gratuity	7	16,335,270	13,726,814
Profit on Disposal of Property, Plant & Equipment	5	(27,550,976)	(49,730,898)
Change in Fair Value of Investment Property	19.1	165,843,267	(1,600,000)
Impairment on Loans, Lease and Other Losses	6	438,916,211	159,967,643
Interest Cost	3.2	2,436,367,530	2,297,485,192
Dividend Income	5	(360,000)	(117,000)
Operating Profit before Working Capital Changes		6,292,666,846	5,814,116,060
(Increase)/Decrease in Lease Rentals Receivable & Stock Out on Hire		(1,435,577,614)	(2,771,808,085)
(Increase)/Decrease in Loans and Advances		(741,779,705)	244,560,547
(Increase)/Decrease in Financial Asset - Available for Sale		(5,043,139)	(3,347,086)
(Increase)/Decrease in Other Non Financial Assets		(136,287,779)	(98,742,692)
(Increase)/Decrease in Other Financial Assets		(66,891,466)	(12,274,176)
Increase/(Decrease) in Other Financial Liabilities		189,211,726	(266,372,675)
Increase/(Decrease) in Other Non Financial Liabilities		(49,902,744)	76,827,173
Cash used in Operations		4,046,396,125	2,982,959,066
Gratuity Paid	27.4	(7,856,360)	(5,031,550)
Income Tax Paid	26	(565,134,208)	(498,578,939)
Dividend Tax Paid		(534,898,171)	(28,935,138)
Net Cash From/(Used in) Operating Activities		2,938,507,386	2,450,413,439
Cash Flows from / (Used in) Investing Activities			
Acquisition of Property, Plant & Equipment and Intangible Assets		(131,078,095)	(76,334,081)
Improvement Cost in Investment Property	19.1	(743,267)	-
Proceeds from Disposal of Property, Plant & Equipment		39,677,780	72,556,083
Dividend Received		360,000	117,000
Net Cash Flows from/(Used in) Investing Activities		(91,783,582)	(3,660,998)
Cash Flows from / (Used in) Financing Activities			
Proceeds From Bank Borrowing	23.1	11,350,000,000	11,770,000,000
Repayment of Bank Borrowing	23.1	(10,699,527,000)	(19,017,744,333)
Net Proceeds From Commercial Paper		1,000,000,000	(25,356,923)
Net Proceeds From Inter Company Borrowings		3,148,750,000	7,780,000,000
Dividend Paid		(4,606,715,053)	(335,165,345)
Interest Paid		(2,506,421,924)	(2,449,668,939)
Net Cash Flows From /(Used in) Financing Activities		(2,313,913,977)	(2,277,935,540)
Net Increase in Cash and Cash Equivalents		532,809,827	168,816,901
Cash and Cash Equivalents at the beginning of the year	12.1	1,745,442,274	1,576,625,373
Cash and Cash Equivalents at the end of the year		2,278,252,101	1,745,442,274

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The Accounting Policies & Notes from pages 08 to 53 form an integral part of these Financial Statements.

1. CORPORATE INFORMATION

1.1 General

Assetline Leasing Company Limited is a public limited liability company incorporated and domiciled in Sri Lanka. The Company was incorporated on 4th March 2003 and obtained the trading certificate on 23rd March 2003. The Company was re-registered under the Companies Act No 07 of 2007. The registered office of the Company is located at No.75, Hyde Park Corner, Colombo 02.The principal place of business is located at No. 120,120A Pannipitiya Road, Battaramulla. The Company is registered under the Finance Leasing Act No 56 of 2000 and amendments thereto.

1.2 Principal Activities and Nature of Operations

The Company provides a comprehensive range of financial services encompassing Providing Finance Lease, Hire Purchase, Mortgage Loans, Margin Trading Facilities, Personnel Loans, Factoring and Trade Finance Loans and Other Credit Facilities.

There were no significant changes in the nature of the principal activities of the Company during the financial year under review.

1.3 Parent Enterprise and Ultimate Parent Enterprise

The Company's parent undertaking is DPMC Assetline Holdings (Private) Limited. In the opinion of the directors, the Company's ultimate parent undertaking and controlling party is David Pieris Holdings (Private) Limited, which is incorporated in Sri Lanka.

1.4 Approval of Financial Statements by the Board of Directors

The Financial Statements of the Company for the year ended 31 March 2018 were authorized for issue by the Board of Directors in accordance with a resolution of the Board of Directors on 30 August 2018.

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2.1 BASIS OF PREPARATION

2.1.1 Statement of Compliance

The Financial Statements of the Company which comprise Statement of Financial Position, Statement of Profit or Loss, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows together with Accounting Policies and Notes to the Financial Statements have been prepared and presented in accordance with Sri Lanka Accounting Standards (SLFRSs and LKASs) laid down by the Institute of Chartered Accountants of Sri Lanka and in compliance with the requirements of the Companies Act No. 07 of 2007.

2.1.2 Responsibility for Financial Statements

The Board of Directors of the Company is responsible for the preparation and presentation of Financial Statements of the Company as per Sri Lanka Accounting Standards (SLFRSs and LKASs) and the provisions of the Companies Act No 7 of 2007.

2.1.3 Basis of Measurement

The Financial Statements have been prepared on the historical cost basis, except for the following material items in the Statement of Financial Position.

Item	Basis of measurement	Note No.	Page Ref. No
Financial Instrument - Available for Sale	Fair Value	17	33
Investment Property	Fair Value	19	34
Defined Benefit Obligation	Present Value	27	39-40

2.1.4 Presentation of Financial Statements

Assets and Liabilities in the Statement of Financial Position of the Company are grouped by nature and listed in an order that reflects their relative liquidity and maturity pattern. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non–current) is presented in note 34 to the Financial Statements.

2.1.5 Functional & Presentation Currency

The Financial Statements of the Company are presented in Sri Lankan Rupees (Rs.), which is the currency of the primary economic environment, in which the Company operates.

2.1.6 Materiality, Aggregation offsetting and Rounding off

In compliance with LKAS 01 on Presentation of Financial Statements, each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or functions too are presented separately, unless they are immaterial.

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Offsetting

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

Rounding off

The amounts in the financial statements have been rounded off to the nearest Rupee, except where otherwise indicated as permitted by the Sri Lanka Accounting Standard (LKAS 1) – 'Presentation of Financial Statements'.

2.1.7 Comparative Information

The accounting policies have been consistently applied by the Company with those of the previous financial year. Further comparative information is re-classified whenever necessary to comply with the current presentation in note 39 to the Financial Statements.

2.1.8 Events After the Reporting Date

Events after the Reporting Date are those events, favorable and unfavorable, that occur between the reporting date and the date when the Financial Statements are authorised for issue. In this regard, all material and important events that occurred after the reporting period have been considered and appropriate disclosures are made in note 38 to the Financial Statements.

2.1.9 Statement of Cash Flows.

The Statement of Cash Flows has been prepared by using the 'Indirect Method' of preparing cash flows in accordance with the Sri Lanka Accounting Standard –LKAS 7 on 'Statement of Cash Flows' whereby operating activities, investing activities and financing activities are separately recognized. Cash and cash equivalents comprise of short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Cash and cash equivalents as referred to in the Statement of Cash Flows are comprised of those items as explained in note 12.1 to the Financial Statements.

2.2 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of Financial Statements of the Company in conformity with Sri Lanka Accounting Standards requires the management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

The most significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have most significant effect on the amounts recognised in the Financial Statements of the Company are as follows:

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2.2.1 Going Concern

The Directors have made an assessment of the Company's ability to continue as a going concern and are satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, Board of Directors is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern and they do not intend either to liquidate or to cease operations of the Company. Therefore, the Financial Statements continue to be prepared on the going concern basis.

2.2.2 Impairment Losses on Loan & Advances and Lease Rental Receivable & Stock out on Hire

The Company reviews its individually significant loans and advances at each reporting date to assess whether an impairment loss should be provided for in the Statement of Profit or Loss and Other Comprehensive Income. In particular, management's judgment is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance made.

Loans and advances that have been assessed individually and found not to be impaired and all individually insignificant loans and advances are then assessed collectively, by categorizing them into groups of assets with similar risk characteristics, to determine whether a provision should be made due to incurred loss events for which there is objective evidence, but the effects of which are not yet evident. The collective assessment takes account of data from the loan portfolio and judgment on the effect of concentrations of risks and economic data. Impairment of Loans & advances is discussed in detail under in note 14, 15 and 2.3.2.9.1 to the Financial Statements.

2.2.3 Impairment of Available for Sale Financial Assets

Details of the 'Impairment of available-for-sale assets' are given in note 2.3.2.9.2 to the Financial Statements.

2.2.4 Fair Value of Financial Instruments

The determination of fair values of financial assets and financial liabilities recorded on the Statement of Financial Position for which there is no observable market price are determined using a variety of valuation techniques that include the use of mathematical models. The valuation of financial instruments is described in more detail in note no 33. The Company measures fair value using the fair value hierarchy that reflects the significance of input used in making measurements. The fair value hierarchy is given in note 33.1 to the Financial Statements.

2.2.5 Useful Life-time of the Property, Plant, Equipment and Intangible Assets

The Company reviews the residual values, useful lives and methods of depreciation and amortization of Property, Plant, Equipment and Intangible Assets at each reporting date. Details are given in note 2.3.6.3 and 2.3.7.3

2.2.6 Transfer Pricing Regulation

The Company is subject to income taxes and other taxes including transfer pricing regulations. Prevailing uncertainties with respect to the interpretation of respective transfer pricing regulations necessitated using management judgment to determine the impact of transfer pricing regulations. Accordingly, critical judgments and estimates were used in applying the regulations in aspects including but not limited to

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identifying associated undertakings, estimation of the respective arm's length prices and selection of appropriate pricing mechanism. The current tax charge is subject to such judgments. Differences between estimated income tax charge and actual payable may arise as a result of management's interpretation and application of transfer pricing regulation.

2.2.7 Deferred Tax Liabilities/(Assets)

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Details of deferred tax liability and asset are given in note 22

2.2.8 Defined Benefit Plans

The cost of defined benefit plan is determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and their long term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of Sri Lanka Government bonds with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables. Future salary increases are based on expected future inflation rates and expected future salary increase rate of the Company. The details are discussed in note 27 to the Financial Statements.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.3.1 Business Combinations and Goodwill

Business Combinations are accounted for using the acquisition method as per the requirements of Sri Lanka Accounting Standard - SLFRS 03 (Business Combination).

The Company measures goodwill as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

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

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed annually, or more frequently, if events or changes in circumstance indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash-generating units (CGUs) or group of CGUs, which are expected to the benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

When goodwill associated with a CGU (or group of CGUs) are sold, the difference between the selling price and carrying value of the CGU and goodwill is recognised in the Statement of Profit or Loss.

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2.3.2 Financial Instruments – Initial Recognition, Classification, and Subsequent Measurement

2.3.2.1 Date of Recognition

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

2.3.2.2 Classification and Initial Measurement of Financial Instruments

The classification of financial instruments at the initial recognition depends on their purpose and characteristics and the management's intention in acquiring them. Details on classification of financial assets and financial liabilities are under note 2.3.2.3 and 2.3.2.4 respectively.

All financial instruments are measured initially at their fair value plus transaction costs that are directly attributable to acquisition or issue of such financial instruments except in the case of financial assets and financial liabilities at fair value through profit or loss as per the Sri Lanka Accounting Standard - LKAS 39 (Financial Instruments: Recognition and Measurement). Transaction cost in relation to financial assets and financial liabilities at fair value through profit or loss are dealt with in the Statement of Profit or Loss

'Day 1' profit or loss

When the transaction price differs from the fair value of other observable current market transactions in the same instrument, or based on a valuation technique whose variables include only data from observable markets, the company immediately recognises the difference between the transaction price and fair value (a 'Day 1' profit or loss) in 'Operating Income'

2.3.2.3 Classification and Subsequent Measurement of Financial Assets

Financial assets at fair value through profit and loss and available for sale financial investments are subsequently measured at fair value. Changes in fair value of financial assets at fair value through profit and loss are recognized in Operating Income. Unrealised gains and losses from available for sale financial investments are recognised directly in equity through 'other comprehensive income/expense' in the 'available for sale reserve'. When the investment is disposed of, the cumulative gain or loss previously recognised in equity is recognised in the income statement in 'operating income'. Interest earned whilst holding 'available for sale financial investments' is reported as 'interest income' using the effective interest rate (EIR) and the Dividend earned recognized in as other operating income when the right to receive the payment has been established.

Financial assets classified as Held to Maturity financial investments are non-derivative financial assets with fixed or determinable payments and fixed maturities, which the company has the intention and ability to hold to maturity. After the initial recognition, held to maturity financial investments are subsequently measured at amortized cost using the effective interest rate(EIR), less impairment if any.

Financial assets classified under loans and advances are or subsequently measured at amortised cost using the EIR method. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR. The EIR amortisation is included in 'interest income' in the statement of comprehensive income.

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2.3.2.4 Classification and Subsequent Measurement of Financial Liabilities

At the inception, the Company determines the classification of its financial liabilities. Accordingly, all financial liabilities are classified as financial liabilities at amortised cost.

Financial Instruments issued by the Company that are not designated at fair value through profit or loss, are classified as liabilities under 'Debt Instrument Issued & Other Borrowed Funds' and other financial liabilities as appropriate, where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder at amortised cost using the EIR method.

After initial recognition, such financial liabilities are substantially measured at amortised cost using the EIR method. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR. The EIR amortisation is included in 'interest expenses' in the statement of comprehensive income. Gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognised as well as through the EIR amortisation process.

2.3.2.5 Reclassification of Financial Instruments

The Company does not reclassify any financial instrument into the 'fair value through profit or loss' category after initial recognition. Also the Company does not reclassify any financial instrument out of the 'fair value through profit or loss' category if upon initial recognition it was designated as at fair value through profit or loss. The Company reclassifies non derivative financial assets out of the 'held for trading' category and into the 'available for sale', 'loans and receivables', or 'held to maturity' categories as permitted by the Sri Lanka Accounting Standard - LKAS 39 (Financial Instruments: Recognition and Measurement).

In certain circumstances the Company is also permitted to reclassify financial assets out of the 'available for sale' category and into the 'loans and receivables', 'held for trading' or 'held- to-maturity' category.

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

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

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

Reclassification is at the election of management, and is determined on an instrument by instrument basis. The Company has not reclassified any financial assets during the financial year

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2.3.2.6 Derecognition of Financial Assets & Liabilities

Financial Assets

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

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

On derecognition of a financial asset, the difference between the carrying amount of the asset and consideration received and any cumulative gain or loss that has been recognised in Statement of Comprehensive Income is recognised in Statement of Profit or Loss.

Financial Liability

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

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

2.3.2.7 Offsetting of Financial Instruments

Offset and the net amount presented in the Statement of Financial Position when and only when the Company has a legal right to set off the recognised amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted under LKASs / SLFRSs.

2.3.2.8 Determination of Fair Value

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. An analysis of fair values of financial instruments and further details as to how they are measured are provided in note 33 to the Financial Statements.

2.3.2.9 Impairment of Financial Assets

The Company assesses at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an 'incurred loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

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2.3.2.9.1 Impairment of Loans and Advances

Losses for impaired loans are recognised promptly when there is objective evidence that impairment of a loan or portfolio of loans has occurred. Impairment allowances are calculated on individual and collectively basis. Impairment losses are recorded as charges to the Statement of Profit or Loss. The carrying amount of impaired loans on the Statement of Financial Position is reduced through the use of impairment allowance accounts. Losses expected from future events are not recognised.

Individually assessed loan and receivables

The Company evaluates all individual significant loan and receivable at each reporting date to determine whether there is any objective evidence that a loan is impaired. The criteria used to determine whether there is objective evidence include:

- Past due contractual payments of either principal or interest
- The probability that the borrower will enter bankruptcy or other financial realisation
- A significant downgrading in credit rating by an external credit rating agency
- known cash flow difficulties experienced by the borrower
- Current economic conditions of the borrower
- Any other legal proceedings against the borrower

Impairment losses are calculated by discounting the expected future cash flows of loans and receivables at its original effective interest rate and comparing the resultant present value with the loans and receivables current carrying amount. Individually assessed impairment allowances are only released when there is reasonable and objective evidence of a reduction in the established loss estimate.

Collectively assessed loans and receivables

Company policy is to evaluate all the loans and advances using collective impairment which were classified in following two circumstances.

- To cover losses which have been incurred but have not yet been identified on loans subject to individual assessment; and
- For homogeneous groups of loans those are not considered individually significant.

Incurred but not yet identified impairment

Individually assessed loans for which no evidence of loss has been specifically identified on an individual basis are grouped together according to their credit risk characteristics for the purpose of calculating an estimated collective loss. This reflects impairment losses that the company has incurred as a result of events occurring before the reporting date, which the company is not able to identify on an individual loan basis, and that can be reliably estimated. These losses will only be individually identified in the future. As soon as information becomes available which identifies losses on individual loans within the group, those loans are removed from the group and assessed on an individual basis for impairment.

The collective impairment allowance is determined after taking into account:

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

Homogeneous group of loans and advances

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

Following method is used to calculate historical loss experience on a collective basis

Net flow rate method

Under this methodology, the movement in the outstanding balance of customers in to bad categories over the periods are used to estimate the amount of loans that will eventually be written off as a result of the events occurring before the reporting date which the Company is not able to identify on an individual loan basis and that can be reliably estimated.

Under this methodology, loans are grouped into ranges according to the number of days in arrears and statistical analysis is used to estimate the likelihood that loans in each range will progress through the various stages of delinquency and ultimately prove irrecoverable.

Current economic conditions and portfolio risk factors are also evaluated when calculating the appropriate level of allowance required covering inherent loss.

These additional macro and portfolio risk factors may include

- Recent loan portfolio growth and product mix,
- Unemployment rates, Gross Domestic Production (GDP) growth, inflation
- Exchange rates, interest rates
- Changes in government laws and regulations

Renegotiated Loans

Where possible, the company seeks to restructure accommodations rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, impairment is measured using the original EIR as calculated before the modification of terms and the loan is considered with past due. Management continually reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to a criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment.

Reversal of Impairment

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

Write-off of Financial Assets Carried at Amortized Cost

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

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2.3.2.9.2 Impairment of Available for Sale Financial Investments

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

In the case of debt instruments classified as available for sale, the Company assesses individually whether there is objective evidence of impairment based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the Income Statement. Future interest income is based on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to a credit event occurring after the impairment loss was recognised in the Statement of Profit or Loss, the impairment loss is reversed through the Statement of Profit or Loss.

In the case of equity investments classified as available for sale, objective evidence would also include a 'significant' or 'prolonged' decline in the fair value of the investment below its cost.

Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the Statement of Profit or Loss is removed from equity and recognised in the Statement of Profit or Loss. However, any subsequent recovery in the fair value of an impaired available for sale equity security is recognised in Other Comprehensive Income.

The Company writes-off certain Available for Sale financial investments when they are determined to be uncollectible.

2.3.2.9.3 Impairment of Held-to-maturity financial assets

An impairment loss in respect of held-to-maturity financial assets measured at amortised cost is calculated as the difference between its carrying amount and the present value of estimated future cash flows discounted at the asset's original EIR and is recognized in profit or loss. Interest on impaired assets continues to be recognized through the unwinding of discount. When a subsequent event caused the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

2.3.3 Finance and operating leases

The determination of whether an arrangement is a lease or it contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Finance lease

Agreements which transfer to counterparties substantially all the risks and rewards incidental to the ownership of assets, but not necessarily legal title, are classified as finance leases. When the Company is a lessor under finance leases the amounts due under the leases, after deduction of unearned charges and impairment provision, are included in 'Lease rentals receivable. The finance income receivable is recognised in 'Net interest income' over the periods of the leases so as to give a constant rate of return on the net investment in the leases.

Operating Lease

Agreements which do not transfer to the Company all the risk and rewords incidental to ownership of the leased items are operating lease.

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- **Company as a lessee**

When the Company is the lessee, leased assets are not recognised on the statement of financial position. Operating lease payments are recognised as an expense in the Statement of Profit or Loss on a straight line basis over the lease term. Contingent rental payable is recognised as an expense in the period in which they are incurred.

- **Company as a lessor**

Lease rental receivable under operating lease is recognized as income on a straight-line basis over the lease term. Contingent rents are recognised as revenue in the period in which they are earned.

2.3.4 Other Non-Financial Assets

Other Non-Financial Assets includes advances paid for suppliers, prepayments, trading stock and tax receivables. Trading stock includes repossessed assets. Other Non-Financial Assets except for trading stock are valued at the lower. Trading stock is measured at the lower of cost or net realisable value.

Impairment of other Non–Financial Assets other than trading stock

The company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or Cash Generating unit's fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre–tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

2.3.5 Investment Properties

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

Investment properties are initially, recognised at its cost including related transactions cost. Subsequent to the initial recognition, Investment Properties are stated at fair value, which reflect market conditions at the reporting date.

Fair Value of Investment Property

Investment properties of the Company are carried at fair value, any gains or losses arising from changes in fair value are recognised to the Statement of Profit or Loss in the year in which they arise.

Determining Fair Value

External and independent valuers, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the investment property portfolio every year.

Derecognition

Investment property is derecognised upon disposal or when no future economic benefit is expected from its disposal. Any gains or losses arising on derecognition is included in the Statement of Profit or Loss in the year the investment property is derecognised.

2.3.6 Property, Plant and Equipment

2.3.6.1 Basis of Recognition

Property, Plant and Equipment are tangible items that are held for servicing, or for administrative purposes, and are expected to be used during more than one year. Property, Plant & Equipment are recognised if it is probable that future economic benefits associated with the asset will flow to the Company and the cost of the asset can be measured reliably in accordance with LKAS 16 on Property, Plant & Equipment.

2.3.6.2 Basis of Measurement

An item of Property, Plant & Equipment that qualifies for recognition as an asset is initially measured at its cost. Cost includes expenditure that is directly attributable to the acquisition of the asset and subsequent costs

Cost Model

Subsequent to the initial measurement

Property, Plant and Equipment of the Company is stated at cost excluding the costs of day–to–day servicing, less accumulated depreciation and accumulated impairment in value. Such cost includes the cost of replacing part of the equipment when that cost is incurred, if the recognition criteria are met.

Subsequent Cost

Subsequent expenditure is capitalised only when it is probable that the future economic benefits of the expenditure will flow to the Company. Ongoing repairs and maintenance cost are expensed as incurred

2.3.6.3 Depreciation

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

Estimated useful lives are as follows

Class of Asset	Useful life	% per annum
Motor Vehicles	4 Years	25
Furniture & Fittings	5 Years	20
Office Equipment	5 Years	20
Leasehold Improvements	3 Years	33.33

2.3.6.4 Derecognition

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

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2.3.6.5 Changes in Estimates

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

2.3.7 Intangible Assets

An intangible asset is an identifiable non-monetary asset without physical substance held for use in the production or supply of goods or services, for rental to others or for administrative purposes. The Company's intangible assets include the value of acquired goodwill and computer software.

2.3.7.1 Basis of Recognition and Subsequent Measurement

An intangible asset is recognised if it is probable that the future economic benefits that are attributable to the asset will flow to the entity and the cost of the assets can be measured reliably. An intangible asset is initially measured at cost. Expenditure incurred on an intangible item that was initially recognised as an expense by the Company in previous Annual Financial Statements or Interim Financial Statements are not recognised as part of the cost of an intangible asset at a later date.

Goodwill

Goodwill that arises upon the acquisition of subsidiaries which subsequently merged is included in intangible assets.

2.3.7.2 Subsequent Expenditure

Computer Software

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

Goodwill

Goodwill is measured at cost less accumulated impairment losses. Impairment of non-financial assets is discussed under note 21 to the Financial Statements.

Computer Software

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

2.3.7.3 Useful Economic lives, Amortisation and Impairment

Amortisation of Intangible Assets

Intangible assets, except for goodwill, are amortised on a straight line basis in the Statement of Profit or Loss from the date when the asset is available for use, over the best estimate of its useful economic life based on a pattern in which the asset's economic benefits are consumed by the Company. Indefinite-lived intangible assets are not amortised, but are tested for impairment annually or more frequently if events or circumstances indicate the asset may be impaired. Only finite-lived intangible asset is computer software of the Company. Goodwill is indefinite-lived intangibles assets which are subject to annual impairment test.

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Finite-lived Intangible assets represent the cost of computer software and the useful life time is as follows.

Asset Category	Useful life	% per annum
Computer software	4 years	25

Impairment Tests for Goodwill

Goodwill acquired through business combinations has been allocated to lease, hire purchase unit and investment Properties. The Company undertakes an annual test for impairment, based on value in use computation using cash flow projections.

2.3.7.4 Derecognition of Intangible Assets

Intangible assets are derecognised on disposal or when no future economic benefits are expected from its use. The gain or loss arising from de-recognition of an item of intangible asset is included in the Statement of Profit or Loss when the item is derecognised.

2.3.8 Borrowing Cost

As per the Sri Lanka Accounting Slandered – LKAS 23 on Borrowing Cost, The Company capitalises borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of the asset. A qualifying asset is an asset which takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are recognised in the profit or loss in the period in which they occur.

2.3.7 Other Financial Liabilities

Other financial liabilities are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method. Other financial liabilities include trade payables, advances collected from customers and other financial payable. Trade payables are obligations to pay for vehicle suppliers in the ordinary course of business.

2.3.8 Other Non-Financial liabilities

The Company classifies all non-financial liabilities other than post employment benefit liability, deferred tax and current tax liabilities under other non-financial liabilities. Other non-financial liabilities include guarantee fee, statutory payments, provision and other non-financial payable. These liabilities are non-interest bearing and recorded at the amounts that are expected to be paid.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation in accordance with the Sri Lanka Accounting Standard – LKAS 37 on 'Provision, Contingent Liabilities and Contingent Assets'. When the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Statement of Profit or Loss net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense

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2.3.9 Taxation

As per Sri Lanka Accounting Standard - LKAS 12 (Income Taxes), tax expense is the aggregate amount included in determination of profit or loss for the period in respect of current and deferred taxation. Income tax expense is recognised in the Income Statement except to the extent it relates to items recognised directly in 'Equity' or 'Other Comprehensive Income (OCI)', in which case it is recognised in Equity or in OCI.

2.3.9.1 Current taxation

Current tax assets and liabilities consist of amounts expected to be recovered from or paid to the Commissioner General of Inland Revenue in respect of the current year and any adjustment to tax payable in respect of prior years. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted by the reporting date. Accordingly, provision for taxation is based on the profit for the year adjusted for taxation purposes in accordance with the provisions of the Inland Revenue Act No 10 of 2006 and the amendments thereto at the rates specified in note 10 to the Financial Statements.

2.3.9.2 Deferred Taxation

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred Tax Liability

Deferred income tax liabilities are recognised for all taxable temporary differences except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred Tax Assets

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred income tax relating to items recognised directly in equity is recognised in the equity and not in the Statement of Profit or Loss.

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2.3.10 Retirement Benefit Obligations

Defined Benefit Plan – Gratuity

The Company measures the present value of the promised retirement benefits for gratuity, which is a defined benefit plan with the advice of an independent professional actuary using the Projected Unit Credit Method (PUC) as required by LKAS No 19, Employee Benefits.

The item is stated under Defined Benefit Liability in the Statement of Financial Position.

Recognition of Actuarial Gains and Losses

Actuarial gains and losses are recognized as income or expenses in the year in which it arose itself.

Funding Arrangements

The Gratuity liability is not externally funded.

Defined Contribution Plans – Employees' Provident Fund & Employees' Trust Fund

Employees are eligible for Employees' Provident Fund Contributions and Employees' Trust Fund Contributions in line with the respective statutes and regulations. The Company contributes 12 % and 3% of gross emoluments of employees to Employees' Provident Fund and Employees' Trust Fund respectively.

2.3.11 Recognition of Income and Expenses

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

2.3.11.1 Interest Income and Interest expense

For all financial instruments measured at amortised cost, interest bearing financial assets classified as available for sale and financial instruments designated at fair value through profit or loss, interest income or expense is recorded using the effective interest rate method (EIR). EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability.

The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the company revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original EIR and the change in carrying amount is recorded as 'Interest and similar income' for financial assets and 'Interest and similar expense' for financial liabilities. However, for a reclassified financial asset for which the company subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognised as an adjustment to the EIR from the date of the change in estimate.

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

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2.3.11.2 Fee and Service Charge income

Fee and Service charge income includes transfer fee and service charges arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the documents and inspection of vehicle are recognised on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognised after fulfilling the corresponding criteria. Fee and Service charge income are given in note 4 to the Financial Statements.

2.3.11.3 Other Operating Income

Income earned from other sources, which are not directly related to the normal operations of the Company is recognised as other operating income. Other operating income includes gains/loss on disposal of property, plant and equipment, hiring income, rent income and dividend income. Other operating income is given in note 5 to the Financial Statements.

Dividend income

Dividend income is recognised when the right to receive the payment is established

Gain or Losses on Disposal of Property, Plant and Equipment

Gains or losses resulting from the disposal of property, plant and equipment are recognised in the Statement of Profit or Loss, in the period in which the sale occurs.

Operating Lease Income

Income arising on operating leases is accounted for on a straight-line basis over the lease terms on ongoing leases and is recorded in the Statement of Profit or Loss in other operating income.

2.3.11.4 Personnel Expense

Personnel expenses include salaries and bonus, terminal benefits and other staff-related expenses. The provision for bonus is recognised when it is probable that an outflow of resource embodying economic benefits will be required to settle the obligation and a reliable estimate can be made on the amount of the obligation.

Retirement benefit obligation is recognised in the Statement of Profit or Loss based on an actuarial valuation carried out for the gratuity liability in accordance with Sri Lanka Accounting Standard- LKAS 19 - Employee Benefits. Personnel expenses are given in note 7 to the Financial Statements.

2.3.11.5 Other Operating Expenses

Other operating expenses are recognised in the Statement of Profit or Loss on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the property, plant and equipment in a state of efficiency has been charged to the Statement of Profit or Loss in arriving at the profit for the year. Other operating expenses are given in note 8 to the financial Statements.

Deferred Expenses

The costs of acquiring new businesses including commission, marketing and promotional expenses, which vary with and directly related to production of new businesses, are deferred to the extent that these costs are recoverable out of future rentals.

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2.3.11.6 Impairment (Charges)/Reversal for Loans, Lease and Other Losses

The Company recognises the changes to the impairment provision for loans and other losses which are assessed as per the Sri Lanka Accounting Standard - LKAS 39 (Financial Instruments: Recognition and Measurement). The methodology adopted by the Company is explained in the note 2.3.2.9.1 to these Financial Statements. Recovery of amounts written-off as bad and doubtful debts is recognised on a cash basis.

2.3.12 Taxation

Income taxation

Income tax expense is the aggregate amount included current taxation for the financial year and deferred taxation. Income tax expense is recognised in the income statement except to the extent it relates to items recognised directly in 'Equity' or 'Other Comprehensive Income (OCI)', in which case it is recognised in equity or in OCI. Income tax of the Company is given in note 10 to the Financial Statements.

✓ **Current tax**
Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities.

✓ **Deferred taxation**
Detailed disclosure of accounting policies and estimate of deferred tax are given in note 22 & 2.2.7 to the Financial Statements.

Value added tax (VAT) on finance service

VAT on financial services is calculated in accordance with Value Added Tax Act No. 14 of 2002 and subsequent amendments thereto. The base for the computation of value added tax on financial services is the accounting profit before VAT and income tax adjusted for the economic depreciation and emoluments of employees including cash benefits, none cash benefits and provision relating to termination benefits computed on prescribed rate.

National building tax (NBT) on finance service

NBT on Financial Services is calculated in accordance with the Nations Building Tax Act (NBT) Act No. 9 of 2009 and amendments thereto, NBT was payable at 2 percent on Company's value additions attributable to financial services with effect from 1st January 2014.

Economic service charge (ESC)

As per provisions of the Economic Service Charge (ESC) Act No. 13 of 2006 and amendments thereto, Economic service charge is payable at 0.25 percent on Company's liable turnover and is deductible from income tax payable. ESC is not payable on turnover on which income tax is payable.

Withholding tax on dividend (WHT)

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

2.3.13 Dividends on Ordinary Shares

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Company's shareholders. Interim dividends are deducted from equity when they are declared and no longer at the discretion of the Company. Dividends for the year that are approved after the reporting date are disclosed as an event after the reporting date.

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2.4 Sri Lanka Accounting Standards issued but not yet effective as at 31 March 2018

The following new accounting standards/ amendments have been issued by the Institute of Chartered Accountants of Sri Lanka that have an effective date in the future and have not been applied in preparing these Financial Statements. Those accounting standards will have an effect on the accounting policies currently adopted by the Company and may have an impact on the future Financial Statements. None of those have been early adopted by the Company.

i) Sri Lanka Accounting Standard – SLFRS 9 (Financial Instruments)

Sri Lanka Accounting Standard - SLFRS 9 (Financial Instruments) will replace Sri Lanka Accounting Standard - LKAS 39 (Financial Instruments - Recognition and Measurement) for annual periods beginning on or after 1 January 2018 with early adoption permitted.

Classification and Measurement

From a classification and measurement perspective, Sri Lanka Accounting Standard - SLFRS 9 (Financial Instruments) requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the Company's business model for managing the assets and the instruments' contractual cash flow characteristics.

a) Business model assessment

The Company determines its business model at the level that best reflects how it manages the financial assets to achieve its objectives. The Company's business model is not assessed on an instrument by instrument basis, but at a higher level of aggregated portfolios and is based on observable factors.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Company's original expectation, the Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets.

b) Contractual Cash flow Characteristic Test

As the second test of the classification process the Company assesses the contractual terms of the financial asset to identify whether they meet Solely the Payment of Principle & Interest (SPPI) Principle' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principle or amortisation of the premium/ discount). The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk.

Impairment of Financial Assets

Overview of Expected Credit Loss Principle (ECL)

Sri Lanka Accounting Standard - SLFRS 9 (Financial Instruments) principally changes the Company's loan loss provision method by replacing the incurred loss approach as per Sri Lanka Accounting Standard - LKAS 39 (Financial Instruments - Recognition and Measurement) with a forward looking ECL Approach. ECL allowance is based on credit losses expected to arise over the life of the asset (Lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination in which case the loss allowance will be 12 month expected credit loss (12mECL).

12mECL is the portion of LTECL that represents the ECL which results from default events of a financial instrument which may arise within 12 months after the reporting date.

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The Company has established a policy to perform an assessment, at the end of each reporting period to identify whether a financial instrument's credit risk has increased significantly since initial recognition. Based on such process Company groups loans into Stage 1, Stage 2, and Stage 3 as described below;

Stage 1: When loans are first recognised, the Company recognises an allowance based on 12mECL. Stage 1 loans also include the facilities which are reclassified from Stage 2 since the credit risk has improved. Assessment of Stage 1 is performed collectively.

Stage 2: When a loan has shown a significant increase in credit risk since origination, the Company records an allowance for the LTECL. Stage 2 loans also include facilities, which are reclassified from stage 2 since the credit risk has improved. Assessment of stage 2 is performed collectively.

Stage 3: When a loan is considered to be credit impaired/contain objective evidences of incurred loss, the Company records an allowance for the LTECL. Stage 3 assessment will be performed collectively

Individually Significant Assessment and Not Impaired Individually

Individual assessment will be performed for all significant customers with objective evidence of incurred losses. Loans which are individually significant but not impaired will be assessed collectively for impairment.

Grouping Financial Assets Measured on a Collective Basis

All assets will be categorised in to smaller homogeneous exposures based on a combination of internal and external characteristics such as product type, customer type, equipment type, days past due etc.

Calculation of Expected Credit Loss

The expected credit losses are calculated by multiplying respective PDs, EADs and LGDs. PDs and LGDs are adjusted to the forward looking information.

Probability of Default (PD): Probability of default will be calculated by analyzing the historical data for the past 12 months of customer default instalments. The PD will identify the possibility of a customer, from one arrears category moving to the other. The PD Ratio will be calculated on monthly basis for each product category.

Exposure at Default (EAD): EAD is calculated for each product as at reporting date including the principle amount and all arrears amount.

Loss Given Default (LGD): LGD is an estimate of the loss arising, where a default occurs at a given time calculated based on historical recovery data.

ii) Sri Lanka Accounting Standard – SLFRS 15 (Revenue from Contracts with Customers)

The objective of this Standard is to establish the principles that an entity shall apply to report useful information to users of Financial Statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer.

SLFRS 15 introduces a five-step approach for revenue recognition from contracts with customers and replaces all other currently applicable revenue Standards and related interpretations.

SLFRS 15 will become effective on 1 January 2018. The impact on the implementation of the above Standard has not been quantified yet.

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iii) Sri Lanka Accounting Standard – SLFRS 16 (Leases)

Sri Lanka Accounting Standard – SLFRS 16 (Leases) provides a single lessee accounting model, requiring leases to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value even though lessor accounting remains similar to current practice. Those currently classified as operating leases will create on balance sheet long term asset and lease creditor. This supersedes: Sri Lanka Accounting Standard – LKAS 17 (Leases), IFRIC 4 (Determining Whether an Arrangement Contains a Lease), SIC 15 (Operating Leases - Incentives) and SIC 27 (Evaluating the Substance of Transactions Involving the Legal form of a Lease). Earlier application is permitted for entities that apply Sri Lanka Accounting Standard – SLFRS 15 (Revenue from Contracts with Customers).

Sri Lanka Accounting Standard – SLFRS 16 (Leases) is effective for annual reporting periods beginning on or after 1 January 2019

The Company is assessing the potential financial impact on its Financial Statements from Sri Lanka Accounting Standard – SLFRS 16 (Leases). We expect to have the main impact from the properties which has taken (as a lessee) on long term rent basis.

iv) IFRIC Interpretation 23 : Uncertainty over income tax treatment

This interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of Sri Lanka Accounting Standard - LKAS 12 (Income tax) and does not apply to taxes or levies outside the scope of Sri Lanka Accounting Standard - LKAS 12 (Income tax), nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The interpretation specifically addresses the followings

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances. An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019.

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3. NET INTEREST INCOME

3.1 Interest Income

	2018 Rs.	2017 Rs.
Interest on Lease	7,349,471,718	6,578,952,811
Interest on Stock Out on Hire	7,506,219	26,746,096
Overdue Interest	377,765,522	300,209,769
Interest on Trade Finance	244,620,667	229,220,989
Interest on Margin Trading	10,773,667	10,992,941
Interest on Saving Deposits	438,722	13,889
Interest on Fixed Deposits	172,505,667	77,128,766
Interest on Government Securities	108,691,244	143,279,114
Total Interest Income	8,271,773,426	7,366,544,375

3.2 Interest Expenses

	2018 Rs.	2017 Rs.
Interest on Commercial Papers	1,972,603	87,491,355
Interest on Bank Loans	948,705,225	1,829,775,908
Interest on Bank Overdrafts	26,924,431	47,201,801
Interest on Intercompany Loans	1,458,765,271	333,016,128
Total Interest Expenses	2,436,367,530	2,297,485,192
Net Interest Income	5,835,405,896	5,069,059,183

Notional Tax Credit for Withholding Tax on Government Securities on Secondary Market Transactions

The Inland Revenue Act No.10 of 2007, provided that a Company which derives interest income from the secondary market transactions in Government Securities (on or after April 1, 2002) would be entitled to a notional tax credit (being one ninth of the net interest income) provided such interest income forms part of the statutory income of the Company for that year of assessment.

Accordingly the net interest income earned from the secondary market transactions in Government Securities for the year, has been grossed up in the Financial Statement & the resulting notional tax credit amounts to Rs. 10,869,124/- (2017 Rs. 14,325,736/-).

4. FEE & SERVICE CHARGE INCOME

	2018 Rs.	2017 Rs.
Service Charge	153,526,638	144,190,280
Transfer Fee	72,227,181	57,846,948
	225,753,819	202,037,228

5. OTHER OPERATING INCOME

	2018 Rs.	2017 Rs.
Dividend Income	360,000	117,000
Profit/(Loss) on Disposal of Property, Plant and Equipment	27,550,976	49,730,898
Rent Income	17,841,303	11,678,653
Other Income	4,674,786	3,442,749
	50,427,065	64,969,300

6. IMPAIREMENT CHARGES/ (REVERSAL) FOR LOANS, LEASE AND OTHER LOSSES

	2018 Rs.	2017 Rs.
Lease Rentals Receivable and Stock Out on Hire	19,642,305	(19,699,325)
Loans and Advances	93,546,097	15,673,398
Goodwill Write Off	149,643,651	-
Write Off During the Year	555,667,203	383,125,804
Write Back During the Year	(229,939,394)	(219,132,234)
	588,559,862	159,967,643

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7. PERSONNEL COSTS

	2018 Rs.	2017 Rs.
Salary & Bonus	494,633,889	384,129,660
Contribution to Defined Contribution Plan	49,463,145	40,150,882
Gratuity Charge for the Year (Refer Note No.27.2)	16,335,270	13,726,814
Staff Training	8,643,469	7,608,782
Staff Welfare Expenses	60,805,723	49,930,928
	629,881,496	495,547,066

8. OTHER OPERATING EXPENSES

	2018 Rs.	2017 Rs.
Directors' Emoluments	47,139,015	45,249,152
Auditors' Remuneration	3,140,706	2,195,979
Non-Audit Fee to Auditors	683,359	1,603,060
Professional & Legal Expenses	31,598,171	20,828,657
Depreciation on Property, Plant & Equipment	52,725,639	65,299,288
Amortization of Intangible Assets	13,443,577	4,206,015
Office Administration & Establishment Expenses	751,466,131	540,726,390
Advertising and Sales Commission Expenses	96,420,454	165,571,817
Insurance Expenses	17,854,397	16,929,477
Community Welfare Expense	20,138,914	17,393,247
	1,034,610,363	880,003,082

9. VAT & NBT ON FINANCIAL SERVICES

	2018 Rs.	2017 Rs.
VAT on Financial Services	545,310,124	394,648,612
NBT on Financial Services	73,271,926	58,293,413
	618,582,050	452,942,025

10. TAXATION

10.1 The major components of income tax expense for the years ended 31 March are as follows.

Income Statement	2018 Rs.	2017 Rs.
Current Income Tax		
Income Tax for the Year	999,249,272	631,072,401
Under/ (Over) Provision of Current Taxes in Respect of Previous Year	14,492,075	(451,216)
	1,013,741,347	630,621,185
Deferred Tax		
Deferred Taxation Charge/ (Reversal) (Refer Note 22)	129,884,312	426,860,127
	1,143,625,659	1,057,481,312

10.2 A reconciliation between tax expenses and the product of accounting profit multiplied by the statutory tax rate is as follows.

	2018 Rs.	2017 Rs.
Accounting Profit Before Income Taxation	3,074,109,742	3,349,205,894
At the Statutory Income Tax Rate of 28%	860,750,728	937,777,650
Tax Effect of Non Deductible Expenses	2,807,860,487	2,362,875,740
Tax Effect of Other Allowable Credits	(2,669,261,143)	(2,669,954,229)
Tax Effect of Exempt Income	(100,800)	(32,760)
	999,249,272	630,666,401
Under/(Over) Provision of Current Taxed in respect of Previous Year	14,492,075	(45,216)
Deferred Taxation Charge/(Reversal) (Refer Note 22)	129,884,312	426,860,127
Total Expenses for the years	1,143,625,659	1,057,481,312
Effective Tax Rate	37.20%	31.57%

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11. EARNINGS PER SHARE

Earnings per share is calculated by dividing the net profit for the year attributable to ordinary shareholders by weighted average number of ordinary shares outstanding during the year, as per LKAS 33- Earnings Per Share.

For the Year ended 31st March	**2018 Rs.**	**2017 Rs.**
Profit/ (Loss) attributable to Ordinary Shareholders	1,930,484,083	2,291,724,582
Weighted Average Number of Ordinary Shares During the Year	133,958,971	133,958,971
Earnings Per Share	14.41	17.11

12. CASH AND BANK BALANCES

	2018 Rs.	**2017 Rs.**
Cash at Bank	30,222,682	161,367,136
Cash in Hand	288,988,542	220,193,952
	319,211,224	381,561,088

12.1 For the purposes of the statement of cash flow, the year end cash and cash equivalents comprise the followings

Cash and Bank Balances	319,211,224	381,561,088
Securities Purchased Under Resale Agreement	-	2,041,531,166
Investments in Fixed Deposits - Short Term (Refer Note 13)	2,870,148,270	-
Bank Overdraft	(911,107,393)	(677,649,980)
Cash and Cash Equivalent for Cash Flows Purpose	2,278,252,101	1,745,442,274

13. INVESTMENTS IN FIXED DEPOSITS

	2018 Rs.	**2017 Rs.**
Investment in Fixed Deposits	2,856,588,356	-
Interest Receivables	13,559,914	-
	2,870,148,270	-

14. LOANS AND ADVANCES

	2018 Rs.	**2017 Rs.**
Trade Finance	1,842,139,573	1,247,313,173
Margin Trading	102,584,385	59,126,196
	1,944,723,958	1,306,439,369
Less: Specific Provision	(81,398,682)	(2,647,459)
Less: Collective Impairment	(35,312,763)	(21,142,339)
	1,828,012,513	1,282,649,571

15. LEASE RENTALS RECEIVABLES & STOCK OUT ON HIRE

	2018 Rs.	**2017 Rs.**
Gross Rentals Receivables	44,526,384,109	42,267,253,416
Less: Unearned Income	(11,646,225,869)	(10,600,320,606)
Less: Specific Provision	(549,253)	-
Less: Collective Impairment	(98,176,104)	(78,578,092)
Total Rentals Receivable (Note 15.1 & 15.2)	32,781,432,883	31,588,354,718

The Company has not pledged lease rental receivables as collateral for liabilities or contingent liabilites in the 2018. (2017 Rs. 420 Mn)

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15. LEASE RENTALS RECEIVABLES & STOCK OUT ON HIRE (Contd...)

15.1 As at 31st March 2018	1 Year Rs.	1- 5 Year Rs.	More than 5 Year Rs.	Total Rs.
Rental Receivables	20,443,084,136	23,947,407,341	135,892,632	44,526,384,109
Less: Unearned Income	(6,385,001,639)	(5,249,705,054)	(11,519,176)	(11,646,225,869)
	14,058,082,497	18,697,702,287	124,373,456	32,880,158,240
Less: Specific Provision				(549,253)
Less: Collective Impairment				(98,176,104)
				32,781,432,883

15.2 As at 31st March 2017	1 Year Rs.	1- 5 Year Rs.	More than 5 Rs.	Total Rs.
Rental Receivables	19,175,901,271	22,923,648,344	167,703,801	42,267,253,416
Less: Unearned Income	(5,815,537,693)	(4,770,030,596)	(14,752,317)	(10,600,320,606)
	13,360,363,578	18,153,617,748	152,951,484	31,666,932,810
Less: Collective Impairment				(78,578,092)
				31,588,354,718

16. OTHER FINANCIAL ASSETS

	Note	2018 Rs.	2017 Rs.
Deposits and Prepayment		7,853,427	8,372,061
Amounts Due From Related Parties	16.1	67,627,702	8,941,648
Other Charges Receivable from Client	16.2	44,692,913	35,968,867
		120,174,042	53,282,576

16.1 Amounts Due From Related Parties	Relationship	Note	2018 Rs.	2017 Rs.
DP Logistics (Pvt) Ltd	Affiliate Company	32.3	-	2,500
DP Automobiles (Pvt) Ltd	Affiliate Company	32.3	63,619,000	8,437,000
Hill Cottega Nuwara-Eliya	Affiliate Company	32.3	-	1,000
DP Technologies (Pvt) Ltd	Affiliate Company	32.3	3,583,761	308,062
Assetline Securities (Pvt) Ltd	Affiliate Company	32.3	65,877	51,779
Assetline Insurance Brokers (Pvt) Ltd	Affiliate Company	32.3	161,633	14,908
Assetline Capital (Pvt) Ltd	Affiliate Company	32.3	178,855	126,399
David Pieris Information Technologies (Pvt) Ltd	Affiliate Company	32.3	18,576	-
			67,627,702	8,941,648

16.2 Other Charges Receivable from client	2018 Rs.	2017 Rs.
Other Charges Receivable from Client	44,903,854	36,060,318
Less: Specific Provision	(72,642)	-
Less: Collective Impairment	(138,299)	(91,451)
	44,692,913	35,968,867

17. FINANCIAL INSTRUMENTS - AVAILABLE FOR SALE

	2018 Rs.	2017 Rs.
Treasury Bond	242,555,748	224,381,410
Unquoted Shares	194,700	194,700
	242,750,448	224,576,110

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The unquoted ordinary shares include investments that have been made primarily for the regulatory purpose. Such investments are reordered at cost due to unavailability of information to value such investments at fair value.

18. OTHER NON FINANCIAL ASSETS

	2018 Rs.	2017 Rs.
Refundable Deposits and Other Receivables	43,828,103	25,630,510
Trading Stock	16,160,909	23,111,925
	59,989,012	48,742,435

19. INVESTMENT PROPERTY

19.1 Qualitative and Quantitative disclosures of the Investment Properties

	2018 Rs.	2017 Rs.
Balance at the Beginning of the Year	490,500,000	488,900,000
Improvement Cost	743,267	-
Change in Fair Value of Investment Property	(165,843,267)	1,600,000
Balance at the End of the Year	325,400,000	490,500,000

Investment properties are stated at fair value based on the valuation performed by M/s. Prathap Chartered Valuation & Consultancy (Pvt) Ltd as at 31 March 2018.The valuation is made mainly on the basis of present market value during the time of valuation. The Investment Property of the Company includes the followings

Location	Buildings Sq. Ft	Land in Extent	Fair Value 2018	Fair Value 2017
Pelawatta - Parliament Road	10016	08P	95,000,000	119,750,000
Pelawatta - Pannipitiya Road	7356	08.46P	82,000,000	101,250,000
Ward Place - Colombo 08	2685	03.36P	48,000,000	63,000,000
Embilipitiya	1224	27A 01R 24P	21,200,000	95,000,000
Bolgoda	-	21.53P	5,400,000	28,000,000
Kaluaggala	-	03R 05P	5,800,000	15,500,000
Nugegoda	-	17P	68,000,000	68,000,000
			325,400,000	490,500,000

Net Profit from Investment Properties

	2018 Rs.	2017 Rs.
Rental income derived from investment properties	10,327,528	3,694,781
Direct operating expenses (including repair and maintenance) generate rental income	(109,368)	(183,397)
Direct operating expenses (including repair and maintenance) that did not generate rental income	(970,387)	(1,931,439)
Net profit arising from investment properties carried at fair value	9,247,773	1,579,945

19.2 Fair Value Related Disclosures of the Investment Properties

Fair Value hierarchy

The fair value of the Company's investment property are categorised into Level 3 of the fair value hierarchy.

Valuation Techniques and Significant Unobservable Inputs

The following table shows the valuation techniques used in measuring the fair value of investment property, as well as the significant unobservable inputs used.

Type of Property	Valuation technique	Significant unobservable inputs	Range 2018	Range 2017
Building	Investment Method	Monthly Estimated Rental Income p.sq.ft	Rs. 40 - Rs. 65	Rs. 75 - Rs. 158
		Discounting Rate	5.5% - 6%	4% - 5.88%
		No of years Capitalized the Net Income	perpetuity	17 - 25
		Annual Maintenance cost - % of Gross Annual Rent	25%	25%
Land	Direct Comparison Method	Estimated Price Per Perch	Rs. 0.05 Mn - Rs. 10 Mn	Rs. 0.125 Mn - Rs. 13 Mn

Significant increase/(decrease) in this input in isolation would result in a significant (lower)/higher fair value.

20. PROPERTY, PLANT AND EQUIPMENT

20.1 Gross Carrying Amounts

	Balance As at 01.04.2017 Rs.	Additions for the year Rs.	Disposals Rs.	Balance As at 31.03.2018 Rs.
Motor Vehicles	62,247,279	-	(56,628,279)	5,619,000
Furniture & Fittings	37,755,527	10,154,697	(6,512,418)	41,397,806
Office Equipment	207,052,951	39,614,835	(19,696,895)	226,970,891
Leasehold Improvements	73,442,698	29,204,563	(19,649,604)	82,997,657
Total	380,498,455	78,974,095	(102,487,196)	356,985,354

20.2 Depreciation

	Balance As at 01.04.2017 Rs.	Charge for the year Rs.	Disposals Rs.	Balance As at 31.03.2018 Rs.
Motor Vehicles	48,323,226	2,611,179	(45,318,561)	5,615,844
Furniture & Fittings	27,271,847	4,422,657	(6,421,802)	25,272,702
Office Equipment	130,257,039	29,643,766	(18,913,140)	140,987,665
Leasehold Improvements	54,024,930	16,048,037	(19,271,148)	50,801,817
	259,877,042	52,725,639	(89,924,651)	222,678,028

20.3 Gross Carrying Amounts

	Balance As at 01.04.2017 Rs.	Additions for the year Rs.	Disposals Rs.	Balance As at 31.03.2018 Rs.
Motor Vehicles	141,653,494	-	(79,406,215)	62,247,279
Furniture & Fittings	34,460,681	3,776,302	(481,456)	37,755,527
Office Equipment	173,965,188	40,123,943	(7,036,180)	207,052,951
Leasehold Improvements	65,214,150	8,228,548	-	73,442,698
	415,293,513	52,128,793	(86,923,851)	380,498,455

20.4 Depreciation

	Balance As at 01.04.2017 Rs.	Charge for the year Rs.	Disposals Rs.	Balance As at 31.03.2018 Rs.
Motor Vehicles	83,718,576	21,853,330	(57,248,680)	48,323,226
Furniture & Fittings	23,727,891	3,969,772	(425,816)	27,271,847
Office Equipment	110,588,126	26,093,082	(6,424,169)	130,257,039
Leasehold Improvements	40,641,825	13,383,105	-	54,024,930
	258,676,418	65,299,289	(64,098,665)	259,877,042

20.5 Net Book Values

	2018 Rs.	2017 Rs.
Motor Vehicles	3,156	13,924,053
Furniture & Fittings	16,125,104	10,483,680
Office Equipment	85,983,226	76,795,912
Leasehold Improvements	32,195,840	19,417,768
	134,307,326	120,621,413
Total Carrying Amount of Property, Plant & Equipment	134,307,326	120,621,413

20.6 During the financial year, the Company acquired Property, Plant & Equipment to the aggregate value of Rs.78.97 Mn (2017 Rs. 52.13 Mn).

20.7 Cost of fully depreciated assets which are still in use by the company as at 31st March 2018 is Rs. 171.33 Mn (2017 Rs. 175.69 Mn).

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21. GOODWILL AND INTANGIBLE ASSETS

	Computer Software Rs.	Goodwill Rs.
Cost		
At 31st March 2017	55,343,129	152,054,583
Additions and Improvements	52,104,000	-
Transfer of Reserve on Acquisition of Lisvin Investments (Pvt) Ltd	-	(2,410,932)
At 31st March 2018	107,447,129	149,643,651
Amortisation & Impairment		
At 31st March 2017	27,625,479	-
Amortisation/Write off	13,443,577	149,643,651
At 31st March 2018	41,069,056	149,643,651

	Computer Software	Goodwill	Total
Net Book Value			
At 31st March 2018	66,378,073	-	66,378,073
At 31st March 2017	27,717,650	152,054,583	179,772,233

Goodwill acquired through business combinations has been allocated to investment property. The recoverable amount of the investment property has been determined based on the fair value less cost to sell since the value in used of the investment property is lower than the fair value less cost to sell. Value in use was computed using cash flow projections based on financial budgets approved by the Management. The discount rate of 11.93% and cash flows are considered as perpetual cash flows for this purpose. The discount rate was estimated based on an average percentage of weighted average cost of borrowing of the company.

An Impairment loss of Rs.150 Mn was recognised during the financial year since the recoverable value (Rs. 321 Mn) was lower than the carrying value (Rs.471 Mn) of the cash generating unit.

22. DEFERRED TAXATION

Deferred income taxes are calculated on all temporary differences under the liability method using the effective tax rate of 28% (2017 - 28%).

The movement on the deferred income tax asset/(liability) account is as follows.

	2018 Rs.	2017 Rs.
Balance as at the beginning of the year	(990,757,904)	(561,720,528)
Charge to Profit or Loss	(129,884,312)	(426,860,127)
Charge to OCI	3,399,534	(2,177,249)
Balance as at the end of the year	(1,117,242,682)	(990,757,904)

Deferred Tax Assets (Liabilities) and Income Tax relates to the following.

	Statements of Financial Position		Statement of Profit or Loss		Other Comprehensive Income	
	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
Deferred Tax Liability						
Depreciation of Property Plant & Equipment	(19,398,460)	(13,292,997)	(6,105,463)	(2,727,744)	-	-
Depreciation of Lease Assets	(1,112,531,387)	(986,378,444)	(126,152,943)	(426,567,057)	-	-
	(1,131,929,847)	(999,671,441)	(132,258,406)	(429,294,801)	-	-
Deferred Tax Assets						
Retirement Benefit Obligation	14,687,165	8,913,537	2,374,094	2,434,674	3,399,534	(2,177,249)
	14,687,165	8,913,537	2,374,094	2,434,674	3,399,534	(2,177,249)
Deferred Income Tax (charge)/Reversal			(129,884,312)	(426,860,127)	3,399,534	(2,177,249)
Net Deferred Tax Asset/(Liability)	(1,117,242,682)	(990,757,904)				

23. DEBT INSTRUMENTS ISSUED & OTHER BORROWED FUNDS

	Note	2018 Repayable within 1 year Rs.	2018 Repayable after 1 year Rs.	2018 Total Rs.	2017 Repayable within 1 year Rs.	2017 Repayable after 1 year Rs.	2017 Total Rs.
Bank Loans	23.1	9,000,444,949	1,556,527,333	10,556,972,282	6,398,630,534	3,567,263,333	9,965,893,867
Commercial Papers	23.2	1,001,972,603	-	1,001,972,603	-	-	-
Inter Company Borrowings	23.3	3,278,595,668	9,170,000,000	12,448,595,668	4,881,169,449	4,430,000,000	9,311,169,449
		13,281,013,220	10,726,527,333	24,007,540,553	11,279,799,983	7,997,263,333	19,277,063,316

23. DEBT INSTRUMENTS ISSUED & OTHER BORROWED FUNDS (Contd..)

23.1 Bank Loans

	As at 01.04.2017			Loans	Interest	Deferred Securitisation	Capital	Interest	As at 31.03.2018		
	Capital Rs.	Int. Payable Rs.	Total Rs.	Obtained Rs.	Expenses Rs.	Expenses Rs.	Repayment Rs.	Paid Rs.	Capital Rs.	Int. Payable Rs.	Total Rs.
Commercial Bank of Ceylon PLC											
LoanNo:1490755	50,032,001	109,002	50,141,003	-	3,051,264	-	50,032,000	3,160,265	-	-	-
LoanNo:1492276	50,032,001	109,002	50,141,003	-	3,052,555	-	50,032,000	3,161,557	-	-	-
LoanNo:1702068	92,000,000	200,434	92,200,434	-	8,011,779	-	48,000,000	8,117,534	44,000,000	94,678	44,094,678
LoanNo:1714288	104,012,000	226,604	104,238,604	-	9,181,111	-	51,996,000	9,295,788	52,016,000	111,927	52,127,927
LoanNo:1915253	1,334,030,000	2,906,358	1,336,936,358	-	132,204,424	-	399,600,000	133,100,094	934,430,000	2,010,689	936,440,689
LoanNo:1989383	800,008,000	2,211,091	802,219,091	-	90,212,037	-	199,992,000	90,783,194	600,016,000	1,639,934	601,655,934
STL	-	-	-	850,000,000	70,914,589	-	850,000,000	70,914,589	-	-	-
Hatton National Bank PLC											
Loan 3	251,200,000	334,475	251,534,475	-	16,631,890	-	251,200,000	16,966,365	-	-	-
Loan 4	252,100,000	1,258,773	253,358,773	-	11,977,632	-	252,100,000	13,236,406	-	-	-
Loan 5	666,656,000	3,188,625	669,844,625	-	67,010,294	-	250,008,000	68,349,915	416,648,000	1,849,004	418,497,004
STL	1,880,000,000	11,364,142	1,891,364,142	5,300,000,000	66,254,871	-	2,830,000,000	60,444,931	4,350,000,000	17,174,082	4,367,174,082
Sampath Bank PLC											
Loan No :492	55,000,000	107,589	55,107,589	-	934,252	-	55,000,000	1,041,841	-	-	-
Loan No :494	104,975,000	205,397	105,180,397	-	2,091,584	-	104,975,000	2,296,981	-	-	-
Loan No :719	475,000,000	929,178	475,929,178	-	42,864,710	-	252,000,000	43,364,262	223,000,000	429,626	223,429,626
Loan No :759	1,125,140,000	2,200,959	1,127,340,959	-	106,967,314	-	499,920,000	107,963,739	625,220,000	1,204,533	626,424,533
Loan No :913	427,200,000	905,898	428,105,898	-	47,939,701	-	124,800,000	48,213,293	302,400,000	632,306	303,032,306
Loan No :920	316,100,000	670,305	316,770,305	-	35,468,825	-	92,400,000	35,671,383	223,700,000	467,748	224,167,748
STL	-	-	-	2,800,000,000	69,757,671	-	1,500,000,000	67,179,151	1,300,000,000	2,578,521	1,302,578,521
Standard Chartered Bank	1,300,000,000	34,809,342	1,334,809,342	1,150,000,000	112,779,753	-	1,900,000,000	143,416,329	550,000,000	4,172,767	554,172,767
Nations Trust Bank PLC - STL	200,000,000	928,259	200,928,259	1,000,000,000	16,583,481	-	700,000,000	13,441,603	500,000,000	4,070,137	504,070,137
NDB Bank PLC - STL	-	-	-	250,000,000	3,123,288	-	-	-	250,000,000	3,123,288	253,123,288
Securitisation - Trust 05	68,821,948	21,637,525	90,459,474	-	2,773,935	533,393	69,472,000	24,411,460	-	-	-
Securitisation - Trust 06	42,341,416	16,012,154	58,353,570	-	1,230,185	775,240	43,000,000	17,242,339	-	-	-
UBC - LTL	270,833,333	97,055	270,930,388	-	27,688,079	-	125,000,000	27,635,425	145,833,333	149,709	145,983,042
	9,865,481,700	100,412,167	9,965,893,867	11,350,000,000	948,705,225	1,308,633	10,699,527,000	1,009,408,443	10,517,263,333	39,708,949	10,556,972,282

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23. DEBT INSTRUMENTS ISSUED & OTHER BORROWED FUNDS (Contd..)

23.1 Bank Loans (Contd...)

Name of the Bank	Repayment Terms	Security
Commercial Bank of Ceylon PLC	60 equal monthly installments	The corporate guarantee of Rs.2.02 Bn from DPMC Assetline Holdings (Pvt) Ltd
Commercial Bank of Ceylon PLC	60 equal monthly installments	Term loan agrement
Commercial Bank of Ceylon PLC	60 equal monthly installments	Term loan agrement
Hatton National Bank PLC	48 equal monthly installments	The corporate guarantee of Rs.1 Bn from DPMC Assetline Holdings (Pvt) Ltd
Hatton National Bank PLC	Within 1 months	The corporate guarantee of Rs.500 Mn from DPMC Assetline Holdings (Pvt) Ltd
NDB Bank PLC	Within 3 months	The corporate guarantee of Rs.300 Mn from DPMC Assetline Holdings (Pvt) Ltd
Nations Trust Bank PLC	Within 1 months	The corporate guarantee of Rs.250 Mn from DPMC Assetline Holdings (Pvt) Ltd
Sampath Bank PLC	48 equal monthly installments	The corporate guarantee of Rs.2.8 Bn from DPMC Assetline Holdings (Pvt) Ltd
Sampath Bank PLC	48 equal monthly installments	Term loan agrement
Sampath Bank PLC	48 equal monthly installments	Term loan agrement
Sampath Bank PLC	48 equal monthly installments	Term loan agrement
Sampath Bank PLC	Within 4 months	Loan agrement
Union Bank PLC	48 equal monthly installments	Term loan agrement
Standard Chartered Bank	Within 3 months	Loan agrement

23.2 Commercial Papers

	2018 Repayable within 1 year Rs.	2018 Repayable after 1 year Rs.	2018 Total Rs.	2017 Repayable within 1 year Rs.	2017 Repayable after 1 year Rs.	2017 Total Rs.
Commercial Papers	1,000,000,000	-	1,000,000,000	-	-	-
Interest Payable	1,972,603	-	1,972,603	-	-	-
	1,001,972,603	-	1,001,972,603	-	-	-

23.3 Inter Company Borrowings

	2018 Repayable within 1 year Rs.	2018 Repayable after 1 year Rs.	2018 Total Rs.	2017 Repayable within 1 year Rs.	2017 Repayable after 1 year Rs.	2017 Total Rs.
David Pieris Holdings (Private) Ltd	3,250,000,000	1,750,000,000	5,000,000,000	612,916,667	220,000,000	832,916,667
David Pieris Motor Company (Lanka) Ltd	-	6,780,000,000	6,780,000,000	4,228,333,333	4,210,000,000	8,438,333,333
Assetline Insurance Brokers (Pvt) Ltd	-	140,000,000	140,000,000	-	-	-
DPMC Assetline Holdings (Pvt) Ltd	-	500,000,000	500,000,000	-	-	-
Interest Payable	28,595,668	-	28,595,668	39,919,449	-	39,919,449
	3,278,595,668	9,170,000,000	12,448,595,668	4,881,169,449	4,430,000,000	9,311,169,449

Terms & condition for Inter Bank borrowings

Inter Company Borrowings	Facility Amount	Maturity Date	Period	Repayment Terms	Security Statust
David Pieris Holdings (Private) Ltd	3,250,000,000	3/29/2019	12 Months	At Maturity	Loan agrement
David Pieris Holdings (Private) Ltd	1,750,000,000	9/29/2019	18 Months	At Maturity	Term loan agrement
David Pieris Motor Company (Lanka) Ltd	250,000,000	6/14/2019	18 Months	At Maturity	Term loan agrement
David Pieris Motor Company (Lanka) Ltd	900,000,000	6/22/2019	18 Months	At Maturity	Term loan agrement
David Pieris Motor Company (Lanka) Ltd	1,000,000,000	9/15/2019	18 Months	At Maturity	Term loan agrement
David Pieris Motor Company (Lanka) Ltd	1,500,000,000	9/22/2019	18 Months	At Maturity	Term loan agrement
David Pieris Motor Company (Lanka) Ltd	2,000,000,000	9/27/2019	18 Months	At Maturity	Term loan agrement
David Pieris Motor Company (Lanka) Ltd	530,000,000	9/27/2019	18 Months	At Maturity	Term loan agrement
David Pieris Motor Company (Lanka) Ltd	600,000,000	9/28/2019	18 Months	At Maturity	Term loan agrement
Assetline Insurance Brokers Pvt Ltd	140,000,000	9/15/2019	18 Months	At Maturity	Term loan agrement
DPMC Assetline Holdings Pvt Ltd	500,000,000	9/28/2019	18 Months	At Maturity	Term loan agrement

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24. OTHER FINANCIAL LIABILITIES

	Note	2018 Rs.	2017 Rs.
Trade - Related Parties (24.1)	24.1	237,103,323	318,837,866
Trade - Other Parties		537,674,008	237,073,264
Amount Collected from Customers		511,724,889	610,143,498
Amounts Due to Related Parties	24.2	31,069,191	12,432,910
Advertising and Promotion Expenses Payable		34,098,145	35,561,317
Sundry Creditor		144,181,524	93,026,233
		1,495,851,080	1,307,075,087

24.1 Trade Payables to Related Parties

	Relationship	Note	2018 Rs.	2017 Rs.
David Pieris Holdings (Pvt) Ltd	Ultimate Parent Company	32.3	7,930,145	287,192,176
David Pieris Motor Company (Lanka) Ltd	Affiliate Company	32.3	228,418,178	30,660,690
David Pieris Automobiles Ltd	Affiliate Company	32.3	755,000	985,000
			237,103,323	318,837,866

24.2 Amounts Due to Related Parties

	Relationship	Note	2018 Rs.	2017 Rs.
David Pieris Holdings (Pvt) Ltd	Ultimate Parent Company	32.3	28,038,202	10,321,476
DPMC Assetline Holdings (Pvt) Ltd	Parent Company	32.3	659,504	166,545
David Pieris Information Technologies (Pvt) Ltd	Affiliate Company	32.3	-	94
Assetline Corporate Services (Pvt) Limited	Affiliate Company	32.3	181,593	98,734
DP Global Ventures (Pvt) Ltd	Affiliate Company	32.3	67,052	608,000
DP Automobiles (Pvt) Ltd	Affiliate Company	32.3	1,360,486	1,238,061
DP Logistics (Pvt) Ltd	Affiliate Company	32.3	762,354	-
			31,069,191	12,432,910

25. OTHER NON FINANCIAL LIABILITIES

	2018 Rs.	2017 Rs.
Guarantee Fee	1,087,188	3,241,289
Statutory Payment	91,871,008	139,832,194
Sundry Creditors	1,861,467	1,648,924
	94,819,663	144,722,407

26. INCOME TAX LIABILITIES

Income Taxation Payable	2018 Rs.	2017 Rs.
As at Beginning of the Year	194,639,817	187,290,922
Dividend Tax Provision	-	37,240,594
Dividend Tax Paid for Prior Year Provision	(23,040,943)	(28,935,138)
Income Tax Paid	(565,134,208)	(498,578,939)
Adjustment (ESC/ WHT ect.)	(153,156,903)	(132,998,807)
Prior Year (Over)/Under Provision	14,492,075	(451,216)
Provision for the Year	999,249,272	631,072,401
As at the End of the Year	467,049,110	194,639,817

27. RETIREMENT BENEFIT OBLIGATIONS

27.1 Net Liability Recognised in the Statement of Financial Position

	Note	2018 Rs.	2017 Rs.
Balance as at 1 April		31,834,059	30,914,686
Provision made during the year	27.3 & 27.4	28,476,464	5,950,923
Benefits paid by the plan	27.2	(7,856,360)	(5,031,550)
Balance as at 31 March		52,454,163	31,834,059

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27. RETIREMENT BENEFIT OBLIGATIONS (Contd..)

27.2 Defined Benefit Obligation

	Note	2018 Rs.	2017 Rs.
Balance as at 1 April		31,834,059	30,914,686
Current Service Cost	27.3	12,703,320	10,327,464
Interest Cost	27.3	3,631,950	3,399,350
Benefits paid by the plan		(7,856,360)	(5,031,550)
(Gains) /Losses due to the Changes in Financial Assumptions	27.4	3,569,502	(6,304,209)
(Gains) /Losses due to the Changes in Experience	27.4	8,564,000	(1,471,682)
(Gains) /Losses due to the Changes in Demographic Assumptions	27.4	7,692	-
Balance as at 31 March		52,454,163	31,834,059

27.3 Amounts Recognised in Profit or Loss

	2018 Rs.	2017 Rs.
Current service Cost for the Year	12,703,320	10,327,464
Interest cost for the year	3,631,950	3,399,350
	16,335,270	13,726,814

27.4 Amounts Recognised in Other Comprehensive Income

	2018 Rs.	2017 Rs.
(Gains) /Losses due to the Changes in Financial Assumptions	3,569,502	(6,304,209)
(Gains) /Losses due to the Changes in Experience	8,564,000	(1,471,682)
(Gains) /Losses due to the Changes in Demographic Assumptions	7,692	-
	12,141,194	(7,775,891)

27.5 Assumptions

	2018	2017
Discount Rate	9.89%	13.02%
Salary Increment	10.00%	10.00%
Retirement Age	55 Years	55 Years
Expected average Future Working Years	6.06 Years	5.83 Years

27.6 Sensitivity of Assumptions Employed in Actuarial Valuation

The following table demonstrates the sensitivity to a reasonably possible change in the key assumptions employed with all other variables held constant in the retirement benefit liability measurement.

The sensitivity of the statement of Comprehensive income and statement of Financial Position is the effect of the assumed changes in discount rate and salary scale in the profit or loss and retirement benefit obligation for the year.

	2018		
Increase/(Decrease) in discount rate	Increase/(Decrease) in salary increment	Sensitivity Effect on statement of Comprehensive Income - Increase/(Reduction) in results for the year (Rs. Mn)	Sensitivity Effect on Retirement Benefit Obligation - Increase/(Reduction) in liability (Rs. Mn)
1%		3.24	-3.24
-1%		-3.67	3.67
	1%	-3.63	3.63
	-1%	3.27	-3.27

	2017		
Increase/(Decrease) in discount rate	Increase/(Decrease) in salary increment	Sensitivity Effect on statement of Comprehensive Income - Increase/(Reduction) in results for the year (Rs. Mn)	Sensitivity Effect on Retirement Benefit Obligation - Increase/(Reduction) in liability (Rs. Mn)
1%		1.66	-1.66
-1%		-1.84	1.84
	1%	-1.87	1.87
	-1%	1.71	-1.71

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28. STATED CAPITAL

	2018		2017	
Issued and Fully Paid-Ordinary Shares	**No of Shares**	**Rs.**	**No of Shares**	**Rs.**
Stated Capital	133,958,971	3,550,000,000	133,958,971	3,550,000,000
	133,958,971	3,550,000,000	133,958,971	3,550,000,000

The Authorised Capital and Par Value Concept in relation to shares were abolished by the Companies Act No. 07 of 2007. The total amount received by the Company or due and payable to the Company in respect of the issue and calls of the shares are referred to as stated capital.

Stated Capital

The holders of ordinary shares are entitled to receive a dividend as declared from time to time and are entitled to one vote per share at meetings of the Company.

29. STATUTORY RESERVE FUND

The Reserve Fund is maintained in compliance with the Central Bank Direction No. 5 of 2006 issued to specialised leasing companies. As per the said Direction, every registered Finance Leasing Establishment shall maintain a reserve fund, out of the net profit after the payment of tax of each year, before any dividend is declared. A sum equivalent to not less than 5 percent of such profits should be transferred until the amount of the Reserve Fund is equal to 50 percent of the issued and paid up ordinary share capital of the relevant establishment and further a sum equivalent to not less than 2 percent of such profits until the amount of Reserve Fund is equal to the issued and paid- up ordinary share capital of the relevant establishment.

	2018 Rs.	2017 Rs.
At the Beginning of the Year	645,444,161	530,857,932
Transfer of Reserve on Acquisition of Lisvin Investments (Pvt) Ltd	(865,652)	-
Profit Transferred During the Year	96,524,204	114,586,229
At the End of the Year	741,102,713	645,444,161

30. RETAINED EARNINGS

This represents the undistributed earnings held by the Company to be used in the Company's operations. This could be used to absorb future possible losses or dividends payment.

31. AVAILABLE FOR SALE RESERVE

Available for sale reserve, which comprises changes in fair value of available for sale investments.

	2018 Rs.	2017 Rs.
At the Beginning of the Year	(6,473,153)	(1,291,920)
Changes in Fair Value During the Year	13,131,199	(5,181,233)
At the End of the Year	6,658,046	(6,473,153)

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32. RELATED PARTY TRANSACTIONS

The Company carries out transactions in the ordinary course of business with the parties who are defined as related parties in the Sri Lanka Accounting Standards - LKAS 24 (Related Party Disclosures), the details which are reported below,

32.1 Terms and Condition

The Company carries out transactions with KMPs & their close family members (CFM) in the ordinary course of its business on an arms length basis at commercial rates.

32.2 Transactions with Key Management Personnel (KMP)

According to Sri Lanka Accounting Standards - LKAS 24 (Related Party Disclosures) key managerial personnel (KMP) are those having authority and responsibility for planning, directing and controlling the activities of the entity. According to the above definition, a person cannot be considered as a KMP unless such person has both the authority and responsibility to carry out all of the three activities mentioned in the above definition (i.e planning, directing and controlling the activities of the entity).

Key Management Personnel of the Company

Key Management Person as a Director of the Company, a Director of its parent Company and a Director of its ultimate parent Company. In the event the Compliance Officer is not selected from the Board of Directors, such Compliance Officer shall be considered as a Key Management Person of the Company.

32.2.1 Key Management Personnel Compensation

	2018 Rs.	2017 Rs.
Short Term Employees Benefits	58,428,660	43,679,552
Post - Employment Benefits	2,804,778	1,569,600
Other Long Term Benefits	3,920,000	3,052,000
	65,153,438	48,301,152
Direct and indirect accommodations as a percentage of Capital funds	0.08%	0.06%

32.2.2 Transactions, Arrangements, Agreements and Expense by KMP and their CFMs

	2018 Rs.	2017 Rs.
Commercial Papers		
Commercial Paper Issued During the Year	1,000,000,000	25,916,396
Commercial Paper Matured During the Year	-	52,548,190
Expenses		
Interest Expense	1,972,603	1,021,336

Accommodations Granted to KMP	Type of Security	Transactions Amount Rs.	Amount of Outstanding 2018 Rs.	 2017 Rs.
Lease Rental Receivable	Absolute Ownership of the Leased Assets & Personal Guarantee	5,224,330	8,685,770	8,721,926

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32. RELATED PARTY DISCLOSURES (Contd...)

32.3 Transactions with Group Companies

Name of the Company and Relationship	**Nature of Transactions**	**2018 Rs**	**2017 Rs**
DPMC Assetline Holdings (Pvt) Ltd	**As at March 31**		
- Parent Company	Non Trading Payable	659,504	166,545
	Transactions for the period		
	Loan Obtained	500,000,000	-
	Dividend Payment	4,606,714,985	335,165,340
	Reimbursed Expenses	795,177	2,019,896
	Interest Expenses	656,985	-
	Professional Charges	3,515,075	-
	Vehicle Hiring Income	821,100	-
David Pieris Holdings (Private) Ltd	**As at March 31**		
- Ultimate Parent Company	Non Trading Payable	28,038,202	10,321,476
	Trading Payable	7,930,145	287,192,176
	Transactions for the period		
	Commercial Paper Issued	-	814,568,545
	Commercial Paper Matured	-	823,231,814
	Loan Obtained	5,000,000,000	220,000,000
	Loan Repayments	832,916,667	-
	Leasing of Motor Vehicles	2,712,411,114	5,752,089,781
	Interest Expenses	42,724,971	101,330,355
	Internal Audit Fees	7,499,996	2,484,000
	Rent Expenses	47,014,763	72,074,949
	Promotion & Other Expenses	1,444,757	48,410,250
	Vehicle Repaired Expenses	258,623	6,631,018
	RMV Charges	45,932,020	78,986,500
	Purchase of Fixed Assets	12,256,745	104,250
	Reimbursed Expenses	135,429,791	15,812,383
	Service Charge Income	422,280	-
	As at March 31		
David Pieris Motor Company (Lanka) Ltd	Trading Payable	228,418,178	30,660,690
- Affiliate Company	**Transactions for the period**		
	Commercial Paper Issued	-	6,276,558,415
	Commercial Paper Matured	-	6,343,203,704
	Loan Obtained	13,910,000,000	7,560,000,000
	Loan Repayments	15,568,333,333	-
	Leasing of Motor Vehicles	3,164,961,497	4,330,156,593
	Interest Expenses	1,412,542,257	306,994,331
	Purchased of Three Wheeler	-	534,420,150
	RMV Charges	50,866,150	52,468,340
	Vehicle Repaired and Transport Charges	-	16,558,910
	Other Expense	303,459	-
	As at March 31		
Assetline Insurance Brokers Ltd	Intercompany Receivable	161,633	14,908
- Affiliate Company	**Transactions for the period**		
	Loan Obtained	420,000,000	-
	Loan Repayments	280,000,000	-
	Interest Expenses	1,984,126	-
	Reimbursed Expenses	1,514,452	2,684,034
	Leasing of Motor Vehicles	245,000	-
	As at March 31		
DP Logistics (Pvt) Ltd	Intercompany Receivable	-	2,500
- Affiliate Company	Trading Payable	762,354	-
	Transactions for the period		
	Transport Charges	5,983	912,702
	Supplier Payment	-	2,975,000
	Outsource Service	25,118,125	892,096
	Reimbursed Expenses	108,070	-
	Building Rent Income	5,369,563	-
	As at March 31		
Hill Cottege (Pvt) Ltd	Intercompany Receivable	-	1,000

32. RELATED PARTY DISCLOSURES (Contd..)

32.3 Transactions with Group Companies (Contd…)

		2018 Rs.	2017 Rs.
Assetline Corporate Services (Pvt) Ltd	**As at March 31**		
- Affiliate Company	Intercompany Payable	181,593	98,734
	Transactions for the period		
	Secretarial Fees	3,258,191	2,666,958
	Reimbursed Expenses	283,385	648,481
Assetline Securities (Pvt) Ltd	**As at March 31**		
- Affiliate Company	Intercompany Receivable	65,877	51,779
	Transactions for the period		
	Reimbursed Expenses	939,111	3,635,852
	Margin Trading	49,803,990	47,051,800
	Dividend Payment	34	-
	Vehicle Repaire Charges	-	11,676
DP Automobiles (Private) Ltd	**As at March 31**		
- Affiliate Company	Intercompany Receivable	63,619,000	8,437,000
	Intercompany Payable	1,360,486	1,238,061
	Trading Payable	755,000	985,000
	Transactions for the period		
	Leasing of Motor Vehicles	90,730,920	61,281,200
	Commission & Other Expenses	2,315,075	9,066,059
	Karting Circuit Membership Fee	2,905,406	-
	Rent Expenses	153,000	300,000
	Vehicle Sale Amount	98,231,150	169,359,509
	Reimbursed Expenses	1,041,506	-
DP Global Ventures (Pvt) Ltd	**As at March 31**		
- Affiliate Company	Intercompany Payable	67,052	608,000
	Transactions for the period		
	Reimbursed Expenses	4,735,256	157,612
DP Technologies (Pvt) Ltd	**As at March 31**		
- Affiliate Company	Intercompany Receivable	3,583,761	308,062
	Transactions for the period		
	Repair and Maintenance	30,386,847	17,609,663
	Purchase of Computers & Other Accessories	49,345,994	-
	Reimbursed Expenses	1,981,112	-
	Building Rent Income	3,398,880	-
David Piers Information Technologies Ltd	**As at March 31**		
- Affiliate Company	Intercompany Receivable	18,576	-
	Intercompany Payable	-	94
	Transactions for the period		
	Reimbursed Expenses	18,576	-
	Purchase of Computer Accessories	-	4,780,991
	Purchase of Office Equipment	75,900	10,029,944
	Other Expenses	139,099	966,993
David Pieris Racing & Leisure (Pvt) Ltd	**Transactions for the period**		
- Affiliate Company	Sponsorship	2,000,000	-
Assetline Capital (Pvt) Ltd	**As at March 31**		
- Affiliate Company	Intercompany Receivable	178,855	126,399
	Transactions for the period		
	Commercial Paper Issued	-	1,004,819,315
	Commercial Paper Matured	-	1,015,980,776
	Loan Obtained	200,000,000	-
	Loan Repayments	200,000,000	
	Interest Expense	856,932	11,161,461
	Dividend Payment	34	-
	Courier Charges	353,582	334,150
	Reimbursed Expenses	560,046	3,215,628

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33. FAIR VALUE OF FINANCIAL INSTRUMENTS

33.1 Determination of Fair Value and Fair Value Hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by Valuation techniques.

Level 1 : Quoted (unadjusted) prices in active markets for identical assets or liabilities in active market

Level 2 : Valuation technique using observable inputs : quoted prices for similar assets and liabilities in active markets are valued using models where all significant inputs are observable.

Level 3: Valuation technique with significant unobservable inputs : assets valued using valuation techniques where one or more significant inputs are unobservable

The following table shows an analysis of assets recorded/disclosed at fair value by level of the fair value hierarchy.

As at 31st March

Assets	2018			2017		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Financial Instrument Available-for- Sale						
Treasury Bond	242,555,748	-	-	224,381,410	-	-
Investment Property	-	-	325,400,000	-	-	490,500,000
Total Assets	242,555,748	-	325,400,000	224,381,410	-	490,500,000

33.2 Fair Value of Financial Assets & Liabilities Not Carried at Fair Value

The following describes the methodologies and assumptions used to determine fair values of those financial instruments which are not already recorded at fair value in the Financial Statements

Assets for which Fair Value Approximates Carrying Value
Financial Assets and Liabilities that have a short term maturity, it is assumed that the carrying amounts approximate their fair values.

Fixed Rate Financial Instruments
The fair Valc of fixed rate financial assets and liabilities carried at amortised cost are estimated by comparing market interest rates when they were first recognized with current market rates for similar financial instruments

Variable Rate Financial Instruments
Variable rate is a fair measure which reflects market movements. Hence the carrying value represents the fair value of the variable rate instruments.

Set out below is the comparison, by class, of the carrying amounts of fair values of the company's financial instruments that are not carried at fair value in the financial statements. This table does not include the fair values of non- financial assets and non- financial liabilities.

	2018				2017			
	Fair Value			Carrying Amount	Fair Value			Carrying Amount
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
FINANCIAL ASSETS								
Loans and Advances	-	2,038,475,675	-	1,828,012,513	-	1,293,445,193	-	1,282,649,571
Lease Rentals & Stock Out on Hire	-	33,738,193,960	-	32,781,432,883	-	31,949,922,584	-	31,588,354,718
	-	35,776,669,635	-	34,609,445,396	-	33,243,367,777	-	32,871,004,289
FINANCIAL LIABILITIES								
Debt Instruments Issued and Other Borrowed Funds	-	24,007,540,553	-	24,007,540,553	-	19,277,063,316	-	19,277,063,316
	-	24,007,540,553	-	24,007,540,553	-	19,277,063,316	-	19,277,063,316

The following is a list of financial instruments whose carrying amount is a reasonable approximation of fair value because, they are short-term in nature or re-price to current rated frequently:

FINANCIAL ASSETS
Cash and Bank Balances
Securities Purchase under Resale Agreement
Investments in Fixed Deposits
Other Financial Assets

FINANCIAL LIABILITIES
Bank Overdraft
Other Financial Liabilities

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34. MATURITY ANALYSIS

An analysis of assets and liabilities based on the remaining period at the Balance Sheet date to the respective contractual maturity dates is as follows.

As at 2018	Up to 03 Months	03-12 Months	01-03 Years	03-05 Years	Over 05 Years	Total as at 31.03.2018
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
ASSETS						
Cash and Bank Balances	319,211,224	-	-	-	-	319,211,224
Investments in Fixed Deposits	9,641,096	2,860,507,174	-	-	-	2,870,148,270
Loans and Advances	846,832,092	671,678,470	255,501,499	53,917,950	82,502	1,828,012,513
Lease Rentals Receivable & Stock Out on Hire	4,794,251,361	9,221,500,040	15,307,912,532	3,333,778,273	123,990,677	32,781,432,883
Other Financial Assets	119,599,192	-	574,850	-	-	120,174,042
Financial Instruments- Available for Sale	4,793,658	11,499,761	114,323,908	111,938,421	194,700	242,750,448
Other Non Financial Assets	29,105,771	12,935,700	12,559,187	5,388,354	-	59,989,012
Investment Properties	-	-	-	-	325,400,000	325,400,000
Property, Plant & Equipment	-	-	-	-	134,307,326	134,307,326
Intangible Assets	-	-	-	-	66,378,073	66,378,073
TOTAL ASSETS	6,123,434,394	12,778,121,145	15,690,871,976	3,505,022,998	650,353,278	38,747,803,791
LIABILITIES						
Bank Overdraft	911,107,393	-	-	-	-	911,107,393
Debt Instruments Issued and Other Borrowed Funds	8,531,206,220	4,749,807,000	10,726,527,333	-	-	24,007,540,553
Other Financial Liabilities	1,495,851,080	-	-	-	-	1,495,851,080
Other Non Financial Liabilities	94,819,663	-	-	-	-	94,819,663
Income Taxation Payable	467,049,110	-	-	-	-	467,049,110
Deferred Tax Liability	-	-	-	-	1,117,242,682	1,117,242,682
Retirement Benefit Obligations	-	-	-	-	52,454,163	52,454,163
TOTAL LIABILITIES	11,500,033,466	4,749,807,000	10,726,527,333	-	1,169,696,845	28,146,064,644

As at 2017	Up to 03 Months	03-12 Months	01-03 Years	03-05 Years	Over 05 Years	Total as at 31.03.2017
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
ASSETS						
Cash and Bank Balances	381,561,088	-	-	-	-	381,561,088
Securities Purchased Under Resale Agreement	2,041,531,166	-	-	-	-	2,041,531,166
Loans and Advances	673,343,489	384,119,477	176,854,398	47,039,034	1,293,173	1,282,649,571
Lease Rentals Receivable & Stock Out on Hire	4,381,468,363	8,945,764,614	14,814,082,265	3,294,476,076	152,563,400	31,588,354,718
Other Financial Assets	53,282,576	-	-	-	-	53,282,576
Financial Instruments- Available for Sale	6,401,366	-	99,702,224	94,635,539	23,836,982	224,576,110
Other Non Financial Assets	37,705,593	6,023,009	3,915,833	1,098,000	-	48,742,435
Investment Properties					490,500,000	490,500,000
Property, Plant & Equipment	-	-	-	-	120,621,413	120,621,413
Goodwill and Intangible Assets	-	-	-	-	179,772,233	179,772,233
TOTAL ASSETS	7,575,293,641	9,335,907,100	15,094,554,720	3,437,248,648	968,587,201	36,411,591,310
LIABILITIES						
Bank Overdraft	677,649,980	-	-	-	-	677,649,980
Debt Instruments Issued and Other Borrowed Funds	7,866,361,983	3,413,438,000	7,570,301,333	426,962,000	-	19,277,063,316
Other Financial Liabilities	1,307,075,087	-	-	-	-	1,307,075,087
Other Non Financial Liabilities	144,722,407	-	-	-	-	144,722,407
Income Tax Payable	124,140,943	70,498,874	-	-	-	194,639,817
Deferred Tax Liability	-	-	-	-	990,757,904	990,757,904
Retirement Benefit Obligations	-	-	-	-	31,834,059	31,834,059
TOTAL LIABILITIES	10,119,950,400	3,483,936,874	7,570,301,333	426,962,000	1,022,591,963	22,623,742,570

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35. RISK MANAGEMENT

35.1 Introduction

Risk is inherent in a financial business and such risks are managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Company's continuing profitability and each individual within the Company is accountable for the risk exposures relating to his or her responsibilities.

The Company is exposed to credit risk, interest rate risk, liquidity risk, operational risk, the latter being subdivided into regulatory & compliance risk, reputation risk and environmental risk. The independent risk control process does not include business risks such as changes in the environment, technology and industry.

The Company's policy is to monitor those business risks through the Company's strategic planning process.

35.1.1 Risk Management Structure

The board is primarily responsible for risk management initiatives. Integrated Risk Management committee, which is a sub-committee of the board has been established and delegated risk management responsibilities. This Committee plays a vital role in establishing best practices in relation to risk policies and practices within the company.

The quantum and level of risks that the company is willing to accept is decided at the Board Risk Committee level, and the decisions made by this committee is communicated to the Board of Directors. The Board ratifies the risk policies and risk tolerance levels agreed at the Integrated Risk Management Committee meetings.

The committee fulfils the requirement set out in the Finance Leasing Direction No. 4 of 2009 on Corporate Governance for Finance Leasing Establishments issued by Central Bank of Sri Lanka (CBSL) under Finance Leasing Act, No. 56 of 2000.

This Committee consists of such number of members, as the board may determine from time to time. The committee currently consists of membership of 2 Directors, Chief Executive Officer and key management personnel supervising broad risk categories, i.e. credit, market, liquidity, operational and strategic risks.

In addition to the IRM Committee, Risk Management function is managed by Risk Management Unit (RMU). RMU is responsible for implementing and maintaining risk related procedures to ensure an independent control process is maintained. The unit works closely with the Risk Committee to ensure that procedures are compliant with the overall framework. RMU is also responsible for monitoring compliance with risk principles, policies and limits across the Company. This unit also ensures the complete capture of the risks in risk measurement and reporting systems. Exceptions are reported on a monthly basis, where necessary, to the Risk Committee, and the relevant actions are taken to address exceptions and any areas of weakness.

The Company's policy is to ensure that risk management processes throughout the Company are audited annually by the Internal Audit function, which examines both the adequacy of the procedures and the Company's compliance with the procedures. Internal Audit division discusses the results of all assessments with management, and reports its findings and recommendations to the Board Audit Committee.

35.1.2 Risk measurement & Reporting System and Risk Mitigation

The positioning map of each risk component is placed within the risk grid. Tolerance levels are set by using sustainable measurements and these are discussed at risk management meetings. The risk console indicates the severity of each component of risk.

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35. RISK MANAGEMENT (Contd...)

35.2 Credit Risk

Credit risk refers to the risk that borrowers will default on any type of debt by failing to make payments they are obligated to do. The risk of loss of principal or loss of a financial reward stems from a borrower's failure to repay a loan or otherwise meet a contractual obligation. The risk is primarily that of the lender and includes lost principal and interest, disruption to cash flows, and increased collection costs. The loss may be complete or partial and can arise in a number of circumstances.

Credit risk is closely tied to the potential return, the most notable being that the yields on portfolios correlate strongly to their perceived credit risk. The strategy of Company is not to eliminate risk, but to maintain the same within pre-determined acceptance levels. The Company manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits.

35.2.1 Impairment Assessment

For accounting purposes, the Company uses an incurred loss model for the recognition of losses on impaired financial assets. This means that losses can only be recognised when objective evidence of a specific loss event has been observed. Triggering events include the following:

- Significant financial difficulty of the customer
- A breach of contract such as a default of payment
- Where the Company grants the customer a concession due to the customer experiencing financial difficulty
- It becomes probable that the customer will enter bankruptcy or encounter other financial difficulties
- Observable data that suggests that there is a decrease in the estimated future cash flows from the loans

Individually assessed allowances

The Company determines the allowances appropriate for each individually significant loan on an individual basis, including any overdue payments of interests, credit rating downgrades, or infringement of the original terms of the contract. Impairment allowances are evaluated at each reporting date.

Items considered when determining allowance amounts include the sustainability of the counterparty's business plan, its ability to improve performance if it is in a financial difficulty, projected receipts and the expected pay-out, the availability of other financial support, the realizable value of collateral and the timing of the expected cash flows.

Collectively assessed allowances

Allowances are assessed collectively for losses on loans that are not individually significant. Allowances are evaluated separately at each reporting date with each portfolio.

The collective assessment is made for group of assets with similar risk characteristics, in order to determine whether provision should be made due to incurred loss events for which there is objective evidence, but the effects of which are not yet evident in the individual loans assessments.

The collective assessment takes account of data from the loan portfolio (such as historical losses on the portfolio, levels of arrears, credit utilization, loan to collateral ratios and expected receipts and recoveries once impaired) or economic data (such as current economic conditions, unemployment levels and local or industry–specific problems).

The approximate delay between the time a loss is likely to have been incurred and the time it will be identified as requiring an individually assessed impairment allowance is also taken into consideration. Management is responsible for deciding the length of this period, which can extend for as long as one year. The impairment allowance is then reviewed by credit management to ensure alignment with the Company's overall policy.

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35. RISK MANAGEMENT (Contd...)

35.2.2 Analysis of Maximum Exposure to Credit Risk

The following table shows the maximum exposure to credit risk by class of financial assets and fair value of collateral held by the Company.

	2018		2017	
	Maximum Exposure to Credit Risk Rs.	Net Exposure Rs.	Maximum Exposure to Credit Risk Rs.	Net Exposure Rs.
Cash and Bank Balance	319,211,224	30,222,682	381,561,088	161,367,136
Securities Purchased Under Resale Agreement	-	-	2,041,531,166	2,041,531,166
Investments in Fixed deposits	2,870,148,270	2,870,148,270	-	-
Loan and Advances	1,828,012,513	-	1,282,649,571	-
Lease Rentals Receivable & Stock Out on Hire	32,781,432,883	-	31,588,354,718	-
Other Financial Assets	120,174,042	75,481,129	53,282,576	17,313,709
Financial Instruments - Available for Sale	242,750,448	242,750,448	224,576,110	224,576,110
	38,161,729,380	3,218,602,529	35,571,955,229	2,444,788,121

35.2.3 Credit Quality by class of Financial Assets

As at 2018	Neither Past Due Nor Impaired Rs.	Past Due Not Impaired Rs.	Individually Impaired Rs.	Total Rs.	Percentage
Assets					
Cash and Bank Balances	319,211,224	-	-	319,211,224	0.83%
Investments in Fixed Deposits	2,870,148,270	-	-	2,870,148,270	7.49%
Loans and Advances	1,575,808,712	287,516,565	81,398,682	1,944,723,959	4.87%
Lease Rentals Receivable & Stock Out on Hire	16,800,062,401	16,079,546,585	549,253	32,880,158,239	85.86%
Other Financial Assets	75,481,129	44,831,213	72,642	120,384,984	0.31%
Financial Instruments- Available for Sale	242,750,448	-	-	242,750,448	0.63%
Total	21,883,462,184	16,411,894,363	82,020,577	38,377,377,124	100%

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

	Past Due but Not Impaired				
	Less than 30 days 2018 Rs.	31 to 60 days 2018 Rs.	61 to 90 days 2018 Rs.	More than 91 days 2018 Rs.	Total Rs.
Loans and Advances	83,074,426	80,880,043	46,667,144	76,894,952	287,516,565
Lease Rentals Receivable & Stock Out on Hire	4,778,993,662	6,474,899,339	3,362,460,035	1,463,193,549	16,079,546,585
Other Financial Assets	5,303,712	16,653,181	8,194,122	14,680,198	44,831,213
	4,867,371,800	6,572,432,563	3,417,321,301	1,554,768,699	16,411,894,363

As at 2017	Neither Past Due Nor Impaired Rs.	Past Due Not Impaired Rs.	Individually Impaired Rs.	Total Rs.	Percentage
Assets					
Cash and Bank Balances	381,561,088	-	-	381,561,088	1.07%
Securities Purchased Under Resale Agreement	2,041,531,166			2,041,531,166	5.72%
Loans and Advances	1,070,400,345	233,391,566	2,647,459	1,306,439,369	3.65%
Lease Rentals Receivable & Stock Out on Hire	17,661,374,195	14,005,558,615	-	31,666,932,810	88.77%
Other Financial Assets	17,313,709	36,060,318	-	53,374,027	0.15%
Financial Instruments- Available for Sale	224,576,110	-	-	224,576,110	0.63%
Total	21,396,756,613	14,275,010,499	2,647,459	35,674,414,570	100%

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35. RISK MANAGEMENT (Contd.)

35.2.3 Credit Quality by Class of Financial Assets (Contd.)

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

	Past Due but Not Impaired				
	Less than 30 days 2017	31 to 60 days 2017	61 to 90 days 2017	More than 91 days 2017	Total
	Rs.	Rs.	Rs.	Rs.	Rs.
Loans and Advances	65,193,160	54,467,258	36,953,854	76,777,294	233,391,566
Lease Rentals Receivable & Stock Out on Hire	4,584,821,495	5,770,001,966	2,802,584,257	848,150,897	14,005,558,615
Other Financial Assets	5,293,975	15,625,953	7,291,319	7,849,071	36,060,318
	4,655,308,630	5,840,095,177	2,846,829,430	932,777,262	14,275,010,499

35.2.4 Analysis of Risk Concentration

The following table shows the risk concentration by sector for the Financial Assets components of the Statement of Financial Position.

As at 2018	Cash and Bank Balances	Investments in Fixed Deposits	Loans and Advances	Lease Rentals Receivable & Stock Out on Hire	Other Financial Assets	Financial Instruments- Available for Sale
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Agriculture	-	-	52,430,603	6,886,860,307	11,314,242	-
Construction	-	-	59,781,365	797,858,250	1,239,457	-
Conversion Category - Undefined	-	-	-	580,597	-	-
Industry & Manufacture	-	-	62,446,639	179,580,414	206,821	-
Services	-	-	509,391,393	17,204,314,806	26,209,564	-
Tourism	-	-	29,698,257	109,216,627	143,582	-
Trading	-	-	1,184,521,876	1,563,320,354	65,784,760	-
Transport	-	-	45,658,993	6,130,442,338	7,609,237	-
Bank & Finance	319,211,224	2,870,148,270	-	-	-	-
Government	-	-	-	-	-	242,750,448
Others	-	-	794,832	7,984,547	7,877,320	-
Less: Impairment charges	-	-	(116,711,445)	(98,725,357)	(210,941)	-
Total	319,211,224	2,870,148,270	1,828,012,513	32,781,432,883	120,174,042	242,750,448

As at 2017	Cash and Bank Balances	Loans and Advances	Lease Rentals Receivable & Stock Out on Hire	Other Financial Assets	Financial Instruments- Available for Sale & REPO
	Rs.	Rs.	Rs.	Rs.	Rs.
Agriculture	-	33,400,551	6,890,604,248	8,682,580	-
Construction	-	34,976,516	670,271,055	887,079	-
Conversion Category - Undefined	-	-	741,231	-	-
Industry & Manufacture	-	27,905,000	167,566,090	228,723	-
Services	-	352,869,839	16,689,836,885	18,247,686	-
Tourism	-	14,556,104	75,339,672	78,981	-
Trading	-	822,827,707	1,231,754,650	2,071,329	-
Transport	-	16,781,967	5,929,386,063	14,344,112	-
Bank & Finance	381,561,088	-	-	-	-
Government	-	-	-	-	2,266,107,276
Others	-	3,121,685	11,432,917	8,833,537	-
Less: Impairment Charges	-	(23,789,798)	(78,578,092)	(91,451)	-
Total	381,561,088	1,282,649,571	31,588,354,719	53,282,576	2,266,107,276

35.3 Interest Rate Risk

Interest rate risk refers to the variability in value borne by an interest-bearing asset, such as a loan or a bond, due to variability of interest rates. In general, as rates rise, the price of a fixed rated bond or Loan Portfolio will fall, and vice versa. Asset liability management is a common name for the complete set of techniques used to manage interest rate risk within a general enterprise risk management framework.

The fluctuation of interest rates is an external factor which is beyond the control of the company. Assetline leasing though is affected by movements in interest rates to the extent that its asset / liability mismatches gives rise to interest paying liabilities being re-priced faster than its interest earning assets. This in turn affects Net Interest income and Net Interest Yields.

Interest rate risk analysis is almost always based on simulating movements in one or more yield curve. The strategy of the company is not to eliminate risk, but to maintain the same within pre-determined acceptance levels.

In setting the Tolerance levels for Interest rate risk, the following metrics are used.

Minimum Net Interest Spread: In order to maintain the required Net Interest Spread at the budgeting level the required ROA, ROE are inputs. Further the NPL ratios for different categories of assets are used as a proxy for setting the risk premium.

Setting the proportion of Variable Rated Borrowing's within the Overall Borrowing Mix. This would be set by using the extent to which Budgeted Net Interest Income (NII) is affected by the extensive use of Variable Rated Borrowings.

Setting the Lending to Borrowing ratio in order to maintain gearing at the desired levels.

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35. RISK MANAGEMENT (contd...)

35.3.1 Interest Rate Sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the company's Income Statement & Equity.

Currency of Borrowings/ Advance	Increase (Decrease) in basis points	Sensitivity of profit or loss(Before Tax)	Sensitivity of equity
	%	Rs. Mn	Rs. Mn
Long Term Loans linked to AWPLR - 2018	+1/ (-1)	(246)/ 246	(246)/ 246
Long Term Loans linked to AWPLR - 2017	+1/ (-1)	180/ (180)	180/ (180)

The base ratio considers in the Interest Rate Sensitivity Analysis is the AWPLR. Since 98.99% of total borrowings are linked to AWPLR, the above sensitivity ratio indicates the impact on Income Statement and Equity.

35.3.2 Interest rate Risk

Interest rate risk exposure on non trading Financial Assets and Liabilities

The table below analyses the company's interest rate risk exposure on financial assets & liabilities. The company's assets & liabilities are included at carrying amount and categorized by the earlier of contractual re-pricing or maturity dates.

As at 2018	Up to 03 Months	03-12 Months	01-03 Years	03-05 Years	Over 05 Years	Non Interest Bearing	Total as at 31/03/2018
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Assets							
Cash and Bank Balances	1,834,581	-	-	-	-	317,376,643	319,211,224
Investments in Fixed Deposits	9,641,096	2,860,507,174	-	-	-	-	2,870,148,270
Loans and Advances	846,832,092	671,678,470	255,501,499	53,917,950	82,502	-	1,828,012,513
Lease Rentals Receivable & Stock Out on Hire	4,794,251,361	9,221,500,040	15,307,912,532	3,333,778,273	123,990,677	-	32,781,432,883
Other Financial Assets	44,692,913	-	-	-	-	75,481,129	120,174,042
Financial Instruments- Available for Sale	4,793,658	11,499,761	114,323,908	111,938,421	-	194,700	242,750,448
Total Liabilities	5,702,045,701	12,765,185,445	15,677,737,939	3,499,634,644	124,073,179	393,052,472	38,161,729,380
Liabilities							
Bank Overdraft	911,107,393	-	-	-	-	-	911,107,393
Debt Instruments Issued and Other Borrowed Funds	24,007,540,553	-	-	-	-	-	24,007,540,553
Other Financial Liabilities	-	-	-	-	-	1,495,851,080	1,495,851,080
Total Liabilities	24,918,647,946	-	-	-	-	1,495,851,080	26,414,499,026
Total Interest Sensitivity Gap	(19,216,602,245)	12,765,185,445	15,677,737,939	3,499,634,644	124,073,179	(1,102,798,608)	11,747,230,354

As at 2017	Up to 03 Months	03-12 Months	01-03 Years	03-05 Years	Over 05 Years	Non Interest Bearing	Total as at 31/03/2017
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Assets							
Cash and Bank Balances	103,687,261	-	-	-	-	277,873,827	381,561,088
Securities Purchased Under Resale Agreement	2,041,531,166	-	-	-	-	-	2,041,531,166
Investments in Fixed Deposits		-	-	-	-	-	-
Loans and Advances	673,343,489	384,119,477	176,854,398	47,039,034	1,293,173	-	1,282,649,571
Lease Rentals Receivable & Stock Out on Hire	4,381,468,363	8,945,764,614	14,814,082,265	3,294,476,076	152,563,400	-	31,588,354,718
Other Financial Assets	35,968,867	-	-	-	-	17,313,709	53,282,576
Financial Instruments- Available for Sale	6,401,366	-	99,702,224	94,635,539	23,642,282	194,700	224,576,110
Total Liabilities	7,242,400,512	9,329,884,091	15,090,638,887	3,436,150,649	177,498,855	295,382,236	35,571,955,229
Liabilities							
Bank Overdraft	677,649,980	-	-	-	-	-	677,649,980
Debt Instruments Issued and Other Borrowed Funds	17,941,255,316	1,335,808,000	-	-	-	-	19,277,063,316
Other Financial Liabilities	-	-	-	-	-	1,307,075,087	1,307,075,087
Total Liabilities	18,618,905,296	1,335,808,000	-	-	-	1,307,075,087	21,261,788,383
Total Interest Sensitivity Gap	(11,376,504,784)	7,994,076,091	15,090,638,887	3,436,150,649	177,498,855	(1,011,692,851)	14,310,166,846

35. RISK MANAGEMENT (contd...)

35.4 LIQUIDITY RISK

Liquidity risk refers to the availability of sufficient cash balances to meet new lending targets as well as provide a flow of net liquid assets to meet contractual borrowings and other commitments. Liquidity risk is financial risk due to uncertain liquidity. An institution might lose liquidity if its credit rating falls, it experiences sudden unexpected cash outflows, or some other event causes counterparties to avoid trading with or lending to the institution. A firm is also exposed to liquidity risk if markets on which it depends are subject to loss of liquidity.

The Company maintains a portfolio of highly marketable and diverse assets that are assumed to be easily liquidated in the event of an unforeseen interruption of cash flow. The Company also has committed lines of credit that it can access to meet liquidity needs. In addition, the Company maintains the liquidity ratio prescribed by Central Bank of Sri Lanka.

35.4.1 Statutory Liquid Asset Ratio

As per the requirements of Finance Leasing (Liquid Assets) Direction No. 04 of 2012, Company has to maintain minimum liquid assets, not less than 10% of Total Liabilities and Off Balance Sheet items excluding liabilities to Shareholders, securitizations & Asset backed Long Term Borrowings.

As at 31st March 2018, the Company maintained Statutory Liquid Asset ratio at 14.11%. (As at 2017- 11.21%)

35.4.2 Contractual maturities of Undiscounted Cash flows of Financial Assets & Liabilities

The table below analyses the company's internal interest rate risk exposure on non- trading financial assets & liabilities. The company's assets & liabilities are included at carrying amount and categorized by the earlier of contractual repricing or maturity dates.

As at 2018	**Up to 03 Months**	**03-12 Months**	**01-03 Years**	**03-05 Years**	**Over 05 Years**	**Total as at 31/03/2018**
Assets	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**
Cash and Bank Balances	319,211,224	-	-	-	-	319,211,224
Investments in Fixed Deposits	67,487,671	2,976,126,356	-	-	-	3,043,614,027
Loans and Advances	920,618,994	767,876,296	319,053,366	61,613,888	85,001	2,069,247,545
Lease Rentals Receivable & Stock Out on Hire	6,699,494,639	13,701,258,401	20,044,704,314	3,846,691,546	135,509,853	44,427,658,753
Other Financial Assets	119,599,192	-	574,850	-	-	120,174,042
Financial Instruments- Available for Sale	4,793,658	11,665,758	121,954,955	117,089,051	194,700	255,698,122
Total Financial Assets	8,131,205,378	17,456,926,811	20,486,287,485	4,025,394,485	135,789,554	50,235,603,713
Liabilities						
Bank Overdraft	911,107,393	-	-	-	-	911,107,393
Debt Instruments Issued and Other Borrowed Funds	9,121,073,318	6,072,581,146	11,353,117,380	-	-	26,546,771,844
Other Financial Liabilities	1,495,851,080	-	-	-	-	1,495,851,080
Total Financial Liabilities	11,528,031,791	6,072,581,146	11,353,117,380	-	-	28,953,730,317

As at 2017	**Up to 03 Months**	**03-12 Months**	**01-03 Years**	**03-05 Years**	**Over 05 Years**	**Total as at 31/03/2017**
Assets	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**
Cash and Bank Balances	381,561,088	-	-	-	-	381,561,088
Securities Purchased Under Resale Agreement	2,043,656,016	-	-	-	-	2,043,656,016
Investments in Fixed Deposits	-	-	-	-	-	-
Loans and Advances	724,150,445	441,656,017	221,853,608	53,381,156	1,361,977	1,442,403,202
Lease Rentals Receivable & Stock Out on Hire	6,118,811,725	13,023,958,945	19,109,350,359	3,769,238,577	167,315,717	42,188,675,325
Other Financial Assets	53,282,576	-	-	-	-	53,282,576
Financial Instruments- Available for Sale	6,401,366	-	107,670,581	105,990,936	22,365,333	242,428,216
Total Financial Assets	9,327,863,216	13,465,614,962	19,438,874,548	3,928,610,669	191,043,027	46,352,006,422
Liabilities						
Bank Overdraft	677,649,980	-	-	-	-	677,649,980
Debt Instruments Issued and Other Borrowed Funds	8,252,917,347	4,313,221,935	8,120,457,814	445,906,963	-	21,132,504,059
Other Financial Liabilities	1,307,075,087	-	-	-	-	1,307,075,087
Total Financial Liabilities	10,237,642,414	4,313,221,935	8,120,457,814	445,906,963	-	23,117,229,126

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36. CAPITAL

The Company maintains an activity managed capital basis to cover risks inherent in the business and meet the capital adequacy requirements of Central Bank of Sri Lanka. The adequacy of the company's capital is monitored based on the measures, rule and ratios adopted by Central Bank of Sri Lanka.

Capital Management

The primary objective of Company's capital management policy are to ensure that the company complies with externally imposed capital requirements and healthy capital ratios in order to support its business and to maximize shareholder's value.

37. COMMITMENT AND CONTINGENT LIABILITIES

37.1 There were no material contingent liabilities outstanding as at the reporting date.

37.2 Commitment

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be reliably measured. Contingent liabilities are not recognised in the Statement of Financial Position but are disclosed unless they are remote.

37.2.1 Operating Lease Commitments - As the Lessee	2018 Rs.	2017 Rs.
Less than 1 year	49,643,613	33,124,050
01 - 05 years	103,861,742	50,742,440
Total	153,505,355	83,866,490

37.2.2 Un - Utilised Facilities	2018 Rs.	2017 Rs.
Margin trading	55,714,223	18,083,959

38. EVENTS OCCURRED AFTER THE REPORTING DATE

Subsequent to the reporting date, no circumstances have arisen which would require adjustment to or disclosure in the financial statements.

39. COMPARATIVE INFORMATION

The following comparative figures have been reclassified in the 2017 Statement of Financial Position to maintain comparability of financial statements in order to provide a better presentation.

Statement of Financial Position	Note		As disclosed in 2017 Rs.	Adjustment Rs.	Reclassified Rs.
Goodwill and Intangible Assets					
Cost of Intangible Assets	21	A	51,883,185	3,459,944	55,343,129
Amortisation of Intangible Assets			(24,165,535)	(3,459,944)	(27,625,479)
			27,717,650	-	27,717,650
Liabilities					
Other Financial Liabilities	24	B	1,271,513,771	35,561,316	1,307,075,087
Other Non Financial Liabilities	25		180,283,723	(35,561,316)	144,722,407

A Amortization expenses of Intangible Assets acquired from Livin Investments (Pvt) Ltd netted off with cost were separated

B Advertising & Promotion expenses Payable was reclassified from other non financial liabilities to other financial liability

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