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our story*



Al-Falaah, Islamic Business Unit of LOLC Finance

Annual Report 2014-15

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At Al-Falaah, we believe that your story is our story. You are at the center of our attention and helping you realize your dream of success is our primary goal.

In the eight years since inception, we have helped write thousands of stories of hope and happiness, keeping our promise of prosperity for individuals and communities across the island.

Since 2007, Al-Falaah has been a powerful force in driving the local Islamic banking & finance industry forward, bringing a full range of Shari'ah-compliant financing products to a diversity of people who previously had little or no access to such services. We're writing a story of success for ourselves, and for the many Sri Lankans we serve through the work we do each day.

*Because at Al-Falaah, your success is our success.
Your story is our story*



Al-Falaah,
Islamic Business Unit of LOLC Finance

Who We Are

"Al-Falaah's product portfolio offers a superior range of Shari'ah compliant financial solutions."

"Al-Falaah commenced operations in 2007, led by a mandate to promote and offer Islamic financial solutions in keeping with the growing global popularity of Islamic finance."

It differentiated its services by focusing on a wider customer base which encompassed clients from all religious persuasions and not merely the Muslim community.

Buoyed by the company's viable alternative products and services, as compared to conventional financing modes, Al-Falaah gained a steady and loyal customer base. Its key differentiator is the fact that its customised and innovative product portfolio addresses both business and socio-economic requirements of diverse market segments, whilst meeting the specialized needs of individuals.

Al-Falaah's product portfolio offers a superior range of Shari'ah compliant financial solutions in areas of Profit

Sharing Investment & Savings Accounts, Leasing, Trade Financing, Import Financing, Property & Project Financing and Business & Working Capital Financing. Customers can access these products and services via dedicated windows within LOFC's extensive network of over 100 branches & service centres island-wide, including 5 stand-alone Al-Falaah centres across the country.

The operations of Al-Falaah are closely monitored and guided by a dedicated Shari'ah Supervisory Board to ensure that it is at all times, and in every way, compliant with the rules and principles of Shari'ah law vis-a-vis Islamic financing.

Vision, Mission & Values

Our Vision

To be the most preferred Shari'ah compliant financial solutions provider.

Our Mission

Assist those driven by the spirit of enterprise to reach greater heights, through our innovative, personalised and wide-ranging Shari'ah compliant financial solution.

Our Values

The guiding principles of Al-Falaah, strictly concentrates to maintain that no element of 'Gharar' (Uncertainty) is in any transaction. Therefore, in order to adopt clear separation of in-flow and out-flow of funds, Al-Falaah maintains separate financials, systems, processes and operations in the strictest form. Al-Falaah has appointed a dedicated Shari'ah Supervisory Board (SSB) with representation of eminent local and international industry leading scholars together with an In-house Shari'ah Advisor for guidance and advice on Shari'ah. The SSB also conducts periodic Shari'ah audits on all transactions done by Al-Falaah.

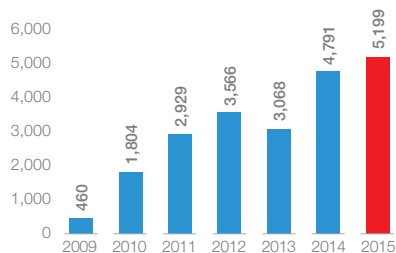
- Make available broad-based Shari'ah compliant financial services island-wide.
- Spread the concept amongst all stakeholders and to champion the process of development of Islamic finance in Sri Lanka.
- Create long-term value for all stakeholders and build lasting relationships with them.
- Inculcate a 'Service-First' mindset across the organisation and go the extra mile to provide innovative financial solutions to our customers.
- Nurture an enterprising spirit through the generation and power of ideas.
- Respect diversity in the workplace, provide dignity and purpose and collectively share talents to attain the corporate vision as well as to achieve departmental and individual goals, objectives and aspirations.
- Be a model corporate citizen by maintaining highest professional and ethical standards.

Financial Highlights

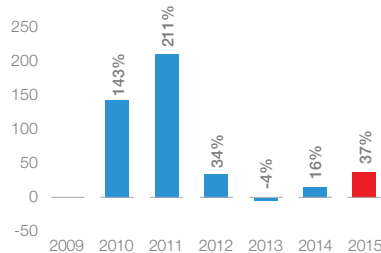
Seven year Summary

Since 2007 Al-Falaah has taken Islamic Financing in Sri Lanka to great heights, extending our product portfolio to offer a number of finance options to all communities across the country.

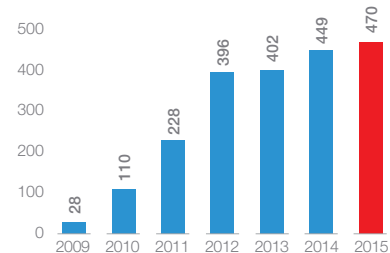
Customer Investments Rs. (Mn)



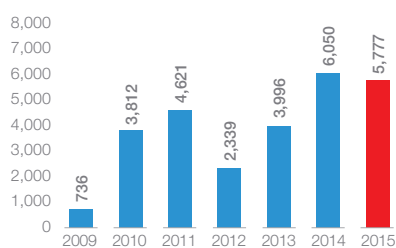
Deposit Growth (%)



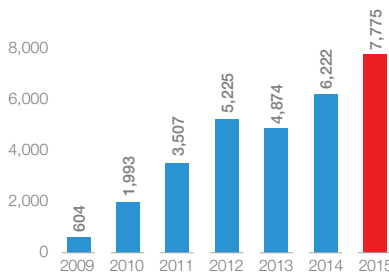
Profit to Depositors Rs. (Mn)



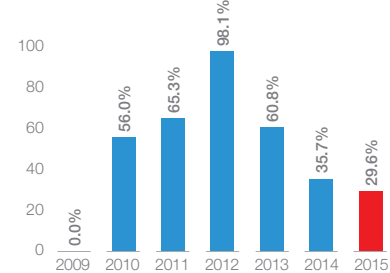
Customer Borrowings Rs. (Mn)



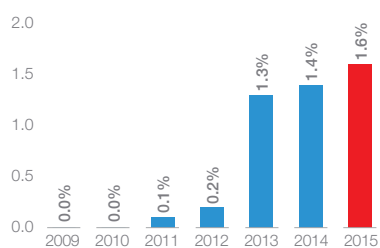
Assets Portfolio Growth Rs. (Mn)



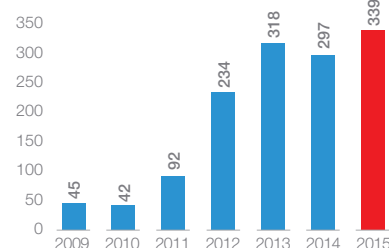
ROE (%)



NPL Ratio (%)



PBT Rs. (Mn)



Rs. **7.8**Bn
Cumulative Asset Base

Rs. **5.2**Bn
Customer Deposit Base

Rs. **938**Mn
Cumulative Retained Earnings

Current Financial Year

The company was able to record the highest-ever profit before tax in its history during the 2014/15 financial year, resulting in significant growth of its asset portfolio and distribution of substantial profits amongst investors.

	2015 Rs.	2014 Rs.
ASSETS		
Cash and bank balances	594,644,793	502,404,345
Investment in government securities	-	477,648,185
Murabaha/Musawamah receivables	2,141,021,835	1,840,643,183
Diminishing Musharakah receivables	3,038,759,952	2,193,964,888
Ijarah rent receivables	1,942,105,632	1,166,046,629
Investment in quoted shares	8,500,000	8,700,000
Other receivables	37,325,294	20,461,139
Inventories	-	980,000
Investment properties	12,500,000	11,000,000
Total assets	7,774,857,506	6,221,848,369
LIABILITIES		
Mudharabah investments	4,034,438,048	2,778,460,796
Mudharabah savings	384,263,173	344,202,671
Profit payable on Mudharabah investments	65,927,515	61,161,358
Wakala investments	780,000,000	1,668,500,000
Profit payable on Wakala investments	2,378,658	11,975,336
Income tax payable	97,619,204	85,875,553
Accruals and other payables	237,721,812	159,723,210
Due to head office	1,234,101,928	415,381,532
Total liabilities	6,836,450,338	5,525,280,456
OWNER'S FUND		
Retained earnings	938,407,168	696,567,913
Total owners fund	938,407,168	696,567,913
Total liabilities & owners fund	7,774,857,506	6,221,848,369

Our Branch Network

Our branch network of 127 service outlets now extends across the island.

Northern Province

LOLC Finance Branches : 8

Eastern Province

LOLC Finance Branches : 14
LOLC Al-Falaah Centers : 04

North Central Province

LOLC Finance Branches : 14

Sabaragamuwa Province

LOLC Finance Branches : 09

North Western Province

LOLC Finance Branches : 09

Uva Province

LOLC Finance Branches : 08

Western Province

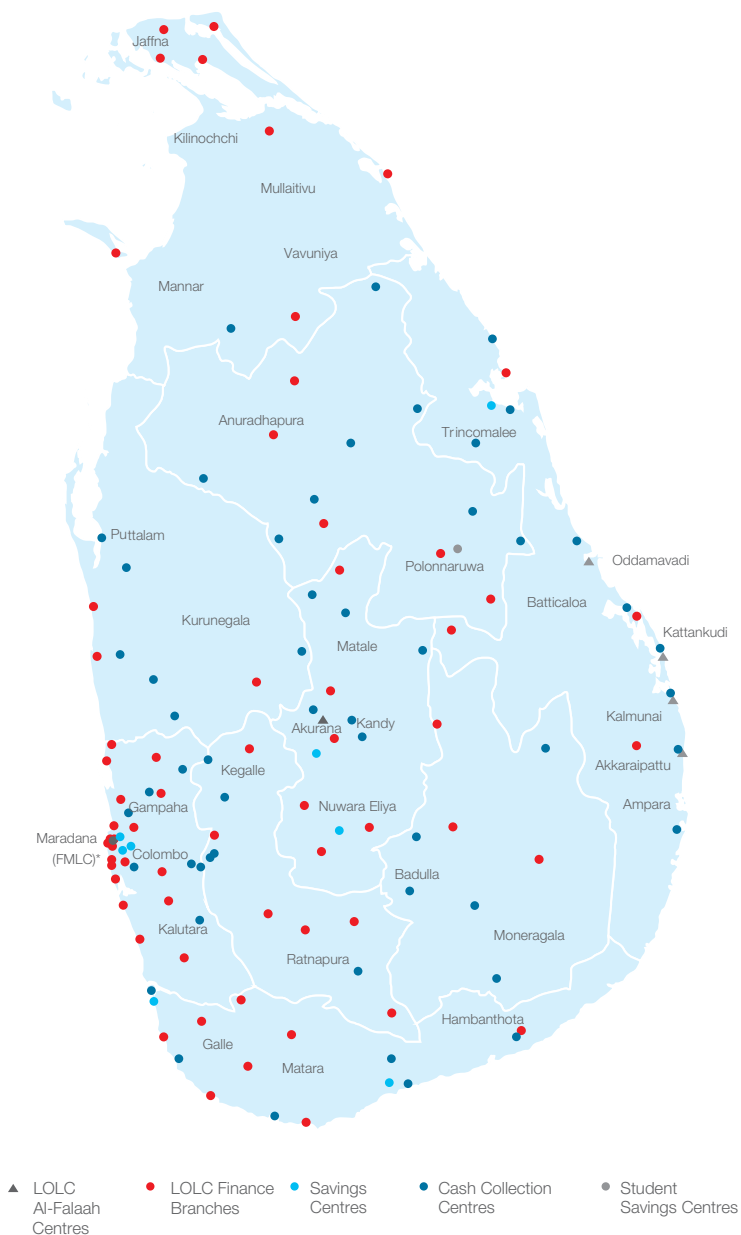
LOLC Finance Branches : 29
Student Savings Centre : 01

Southern Province

LOLC Finance Branches : 17

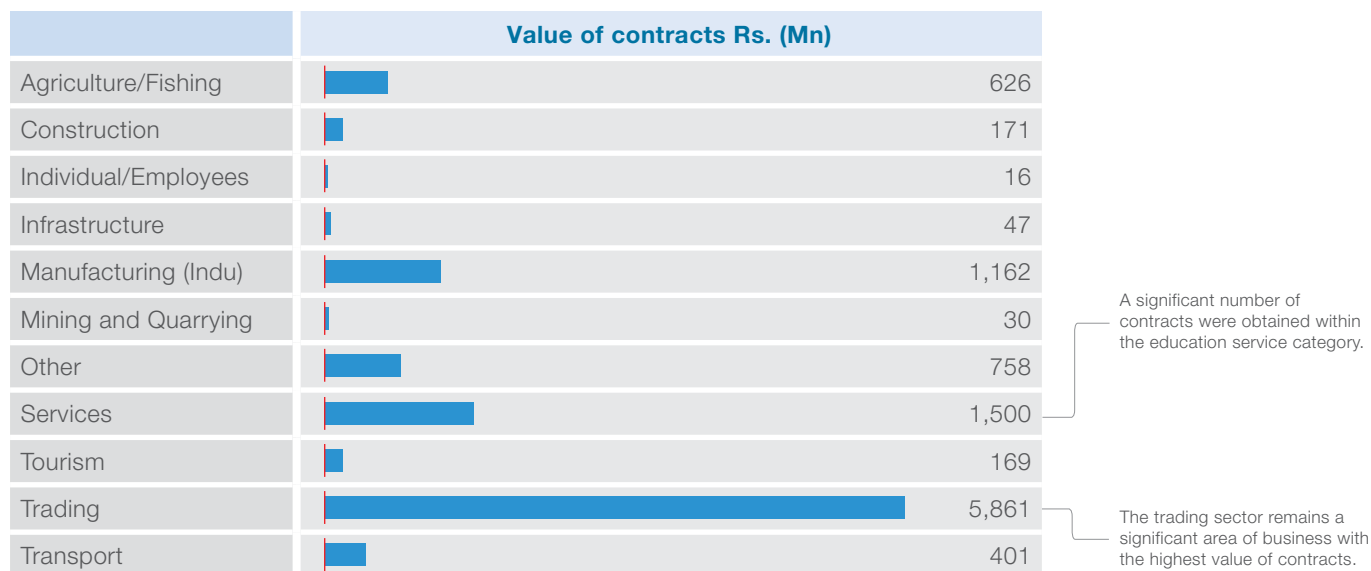
Central Province

LOLC Finance Branches : 14
LOLC Al-Falaah Centers : 01

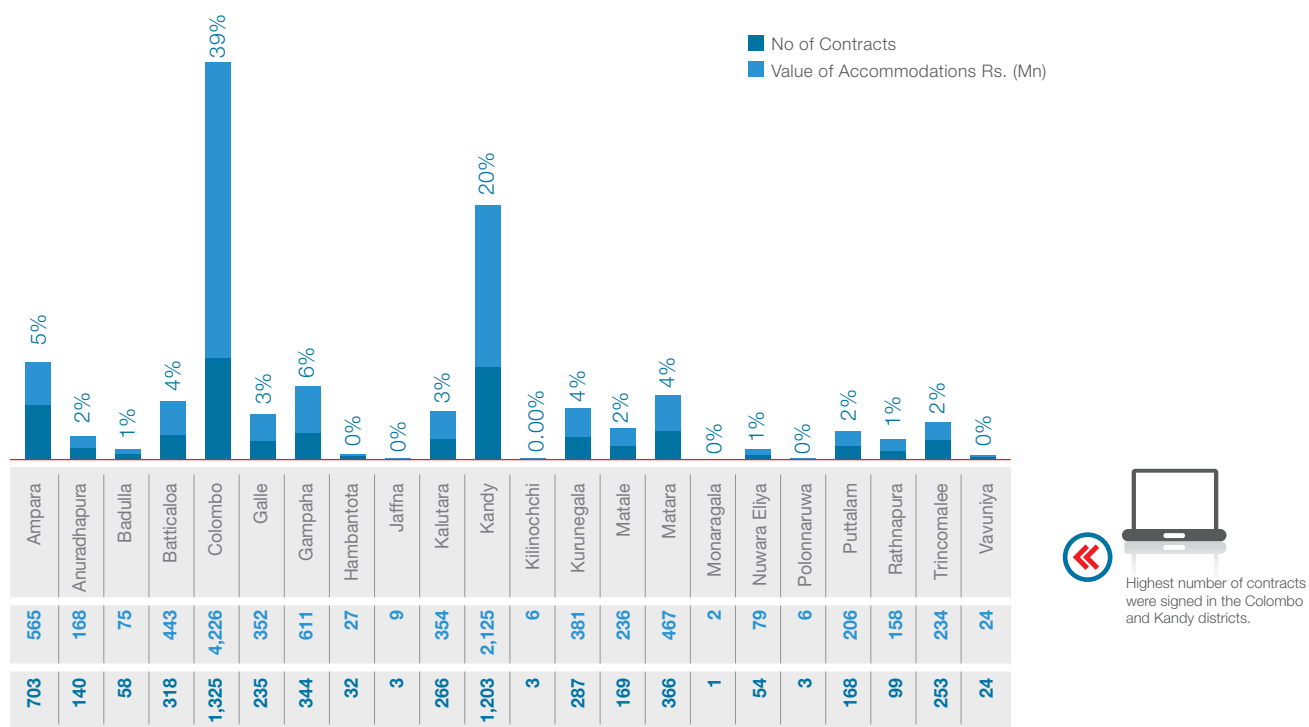


* FMLC - Fathima Muslim Ladies College

Al-Falaah has facilitated the establishment and development of many industries across the island



Districtwise Value of Accommodations Rs. (Mn)



Your story is our story



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“Thanks to the help and support I received from Al-Falaah, I was able to build my seafood export business. The financial assistance provided to me by Al-Falaah has helped me grow and expand my operations to a reasonable size. I have whole-heartedly recommended Al-Falaah to several other businessmen who require financial support to build their business and I am sure they will have the positive experience like I did.”

Mr. Ismath Inoon

M/s. KM Exports.

Negombo

Chairman's Message





"Al-Falaah was able to successfully entrench its position as the trendsetter in the Islamic Finance business by outperforming industry growth."

"The performance was supported by reasonable macro economic growth in the country."

Chairman's Message

"During the year under review, Al-Falaah recorded its highest-ever Profit Before Tax (PBT), which exceeded Rs. 339 Mn."

"I am proud to announce that as a result of this breakthrough financial performance, we distributed a profit of Rs. 470 Mn amongst our investors for the financial year."

It gives me immense pleasure to place before you the Annual Report and Audited Financial Statements for Al-Falaah, the Islamic Business unit of the LOLC Group. I am happy to report that the company was able to improve further on its commendable financial performance during the previous financial year. During the 2014/15 financial year, Al-Falaah was able to successfully entrench its position as the trendsetter in the Islamic Finance business by outperforming industry growth. The performance of the company during the year under review was supported by reasonable macro economic growth in the country.

Macro Economic Overview

Demonstrating resilience in the face of domestic as well as external challenges, the Sri Lankan economy continued on its growth momentum since 2013; to grow at a robust 7.4% in 2014, compared with a growth of 7.2% in 2013 and 6.3% in 2012. Accordingly, GDP Per Capita increased to US Dollars 3,625 in 2014 from US Dollars 3,280 in the previous year. The economy was driven by domestic consumption expenditure that constitutes the largest share of aggregate demand, while investments, particularly on construction, also provided an impetus to the economic expansion during

the year. GDP Growth was broad-based, with the exception of agriculture which suffered from drought early in the year and heavy rains and flooding in the fourth quarter.

Sri Lanka's financial sector improved moderately in 2014 (compared with 2013) supported by continued expansionary monetary policy and improved macroeconomic performances. The Banking sector continued to expand. The Licensed Finance Companies (LFC) and Specialized Leasing Companies (SLC) sector, which represented 7% of Sri Lanka's financial system, also played a vital role in the financial sector in 2014. The LFC and SLC sector asset growth moderated during 2014 due to lower demand for credit, particularly during the early part of the year. However, the demand for credit picked up during the second half of 2014 encouraged by the lower interest rate scenario which helped to improve credit demand and to maintain the rising non-performing loans at a manageable level.

Strong Company Performance

During the year under review, Al-Falaah recorded its highest-ever Profit Before Tax (PBT), which exceeded Rs. 339 Mn. Al-Falaah's asset portfolio too rose by as much



as 25% to reach Rs. 7.7 Bn while its topline surpassed the Rs. 1 Bn mark. I am proud to announce that as a result of this breakthrough financial performance, we distributed a profit of Rs. 470 Mn amongst our investors for the financial year.

The upsurge in our investor base and our strategic leveraging of its parent group LOLC's extensive branch network that spans the length and breadth of the country is driving strident growth in our business. A steady growth in retail and corporate clients was witnessed during the year, which is a testimonial to the rising influence of Al-Falaah.

Al-Falaah reached the pinnacle in its specialized business arena by making a clean sweep of the most prized industry award, as it was awarded the 'Islamic Finance Entity of the Year' for 2014/15 by the Sri Lanka Islamic Banking & Finance Industry (SLIBFI). Al-Falaah also won Gold for the 'Social Upliftment Award (CSR)' category. One of our promising employees, Ihsam Awfer, walked away with a Silver award in the category of the 'Rising Islamic Personality of the Year 2014'. The company is staffed by a professional team, skilled in Islamic Finance.

Looking Ahead

We perceive great potential for the Islamic Finance business in LOLC's diverse group interests and are committed to put our weight behind expanding Al-Falaah's footprint further. I am proud to announce that Al-Falaah will be moving into its very own premises during the 2015/16 financial year, which will offer enhanced facilities to its clientele. The company's vibrant track record thus far gives me the confidence to expect an even stronger performance in the upcoming financial year.

Appreciation


I would like to thank fellow directors on the Board for their support and commend the management and staff of Al-Falaah for their many achievements during the year. I extend my gratitude to the Shari'ah Supervisory Board (SSB) for their cooperation; guidance and mentoring to ensure Al-Farah's services are in full compliance with the Shari'ah system. As a vital member of the LOLC group, Al-Falaah is an asset for the group.

Kapila Jayawardena

Chairman

LOLC Finance PLC

General Manager's Review



"The period under review reinforced the company's leadership position as it achieved many milestones which we are proud to share."

"We are proud to announce that LOLC Al-Falaah was awarded the 'Islamic Finance Entity of the Year' for 2014/15 at the 4th Sri Lanka Islamic Banking & Finance Industry (SLIBFI) awards."



Krishan Thilakaratne
General Manager
Al-Falaah, Islamic Business Unit

General Manager's Review

"The year witnessed Al-Falaah's asset portfolio growing by 25% to reach Rs. 7.7 Bn, while the company's topline surpassed the Rs. 1 Bn mark."

"The company was able to keep its promise to its investors and distribute a profit of Rs. 470 Mn amongst the Mudharabah and Wakala investors during the financial year."

The financial year under consideration proved to be a memorable one during which we achieved several breakthroughs. The period under review reinforced the company's leadership position as it achieved many milestones which we are proud to share. The foremost of these would most definitely be the performance of the company during the financial year as well as the prestigious awards and accolades that we clinched. The further expansion of our network and continuous acknowledgment from the community and business leaders has elevated the Al-Falaah brand on to a strong platform.

Outstanding Financials

The year witnessed Al-Falaah's asset portfolio growing by 25% closer to reach Rs. 7.7 Bn, while the company's topline surpassed the Rs. 1 Bn mark. As a result of this strong financial performance, the company was able to keep its promise to its investors and distribute a profit of Rs. 470 Mn amongst the Mudharabah and Wakala investors during the financial year. What is significant about this profit

distribution is the rate at which we paid dividends, which even exceeded conventional deposit rates at times.

Needless to say, the Islamic Finance seeking investor is different from the conventional investor, as he is inherently willing to take a higher risk. He is only allowed a profit sharing ratio based on the actual performance of the entity. Therefore it is only fair that we reward them with higher returns for the risk they are willing to take.

It is very encouraging to note that over 90% of our portfolio is funded by Mudharabah and Wakala products, which creates a perfect balance and match against Assets and Liabilities. Moreover, Al -Falaah recorded the highest Profit Before Tax (PBT) and Profit After Tax (PAT) during the year under review. PBT is almost Rs. 339 Mn, which reflects almost 36% Return on Equity (ROE) with an average equity of Rs. 1 Bn.

We are happy that Al-Falaah is setting the trend for sustainable high returns and continues to bring greater credibility to the

Rs. **339**Mn
Profit before Tax

Rs. **470**Mn
Profit Paid to Depositors

Rs. **938**Mn
Retained Earnings

Islamic Finance (IF) market in Sri Lanka. I truly believe that IF is a fantastic alternative to the conventional financing model.

Award-winning Performance

We are proud to announce that LOLC Al-Falaah was awarded the 'Islamic Finance Entity of the Year' for 2014/15 at the 4th Sri Lanka Islamic Banking & Finance Industry (SLIBFI) awards in April 2015. I remember quoting the following words at the awards ceremony, stating that "Al-Falaah has been knocking at the door for this award for a long time and has finally won it, which makes this win all the more memorable".

Al-Falaah also emerged at the very top of the 'Social Upliftment Award (CSR)' category by winning Gold. A further recognition with a Silver award was given for the category of the 'Rising Islamic Personality of the Year 2014', which was awarded to Ihsan Awfer, a member of the Al-Falaah team.

Al-Falaah, with its window operation within LOLC Finance, has proved that a window operation with proper firewalls can be sustainable and profitable. I believe it is fair to say that it was this success that led other banks and financial institutions to open their own Islamic Finance (IF) windows.

IF continues to play a pivotal role in LOLC Finance's business model. It can be accessed from all branches of LOLC. Furthermore, all our marketers are trained and dedicated to bring forth IF facilities to customers across all regions of LOLC's locations. Al-Falaah has built up a considerable portfolio of assets and, currently, the company's IF assets portfolio stands at 13% of LOLC Finance's total portfolio.

Company Prospects

We continuously concentrate on our product incubator and we have recently introduced Wakala base lending facilities, which is aimed to function as the key landmark product in years to come. Our processes are continually improved and simplified with continuous consultation with the Shari'ah Supervisory Board. We were also able to add value to existing products through schemes such as the Al-Falaah Empress card, a discount card introduced for Al-Falaah depositors. The merchant network for the Al-Falaah Empress Card now exceeds 80 top-end outlets across the island.

The success of the Al-Falaah brand was also extended to insurance during the year. LOLC Insurance, duly introduced Takaful under the name, 'Al-Falaah Takaful'. The potential for the Takaful business is immense, with very few players in the fray due to the low level of market penetration at present. However, this status quo needs to be changed. I believe LOLC Insurance will take the necessary steps to rectify this situation by educating potential clients about the benefits of Takaful product offerings.

Sector Outlook

LOLC is committed to make further inroads in the IF business through product development, extended channel operations, and resource and staff utilization. The IF industry in our view, is growing at a much faster pace, compared to the conventional banking industry. Last year alone, the IF industry witnessed a 25% growth. It is generating high interest amongst many financial companies and most importantly, the eco system itself is evolving at a rapid pace. The IF eco system would include Takaful companies and windows, educational institutions, fund management companies, legal consultants and more Shari'ah scholars specialized in IF, in addition to banks and non banking financial institutions.

Appreciation

I wish to place on record my gratitude to the Shari'ah Supervisory Board for their guidance, support and commitment towards LOLC Finance, while extending my appreciation to the Al-Falaah team for their tireless pursuit of excellence and in propelling the company to the forefront of the IF sector. My thanks also to the channel and operations teams, and to LOLC and its shared services team, all of whom are equally dedicated and devoted to the cause and strongly believe that Islamic Finance is a true alternative to the conventional finance and banking business model.

Krishan Thilakaratne

General Manager

*Al-Falaah, Islamic Business Unit
LOLC Finance PLC*

Your story is our story



Management Discussion & Analysis

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“LOLC offers a very friendly service, the whole staff from the manager down to the others are very cooperative and friendly. Their flexibility is another key plus point to me as they are very good at understanding the customer’s requirements and try to match those requirements. I recently proposed a unique idea for an Islamic financing solution and they have taken it very positively and are trying to work out a solution for me.”

Mr. Nabhan Akeel

M/s. Kiddies and Toys International (Pvt) Ltd.
Colombo

Message from Chairman of Shari'ah Supervisory Board

"All products and solutions offered by Al-Falaah are in accordance with SSB guidelines."

"I am pleased to report that LOLC's Al-Falaah has grown beyond a mere window operation and is in fact poised to become a fully-fledged business arm of the company."



Message from Chairman of Shari'ah Supervisory Board

"For LOLC's Islamic financial services operations – Al-Falaah, 2014/15 marked yet another significant financial year."

"Over the year under review, the company strengthened its human capital and now boasts a strong adept team."

Islamic finance has been on the rise both locally and internationally. In Sri Lanka, the period under consideration witnessed several finance companies entering this arena after witnessing the strident growth displayed by Islamic financial services in the industry over the past few years.

For LOLC's Islamic financial services operations – Al-Falaah, 2014/15 marked yet another significant financial year. Owing to the continued progress, LOLC is determined to expand this segment of its business further by investing greater resources to expand its scale of operations.

Islamic Finance's popularity can be traced back to many roots. It has the capability of supporting business ventures of any size. Moreover, as it takes the burden of interest of conventional modes of financing off of customers, shares risk and profits, it has now become the preferred method of accessing financial services among many.

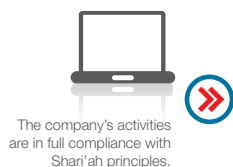
I am pleased to report that LOLC's Al-Falaah has grown beyond a mere window operation and is in fact poised to become a fully-fledged business arm of the company.

Towards the end of this year, we have advised the management to expand into a wider range of Islamic financial services so as to render it a standalone business entity and a leader in the marketplace.

We are also content with the compliance the group's Islamic financial services arm Al-Falaah; has demonstrated with regard to meeting criteria laid down by the Shari'ah Supervisory Board (SSB).

All products and solutions offered by Al-Falaah are in accordance with SSB guidelines. In fact, the company is in the process of introducing Factoring Solutions and is working closely with SSB to ensure that the product design and mechanism adheres to Shari'ah laws. Currently, SSB is collaborating with Al-Falaah on the practicality and implementation aspects of the new, proposed product.

During the year under review, the company strengthened its human capital and now boasts a strong adept team whose members are equipped with thorough knowledge of the intricacies of the Islamic financial system.



Speaking on behalf of the SSB, I would like to see Al-Falaah introducing new products such as micro finance, as Islamic finance is essentially conceived as a vehicle to uplift under-served sections of communities and to bring about greater equality whilst reducing socio economic disparities.

The Shari'ah Supervisory Board remained committed to guiding and mentoring Al-Falaah to realize its potential during the year. As is the practice, SSB continued its quarterly and annual audits of Al-Falaah's operations. These audits have affirmed that the company's activities are in full compliance with Shari'ah principles. SSB has great faith in Al-Falaah spearheading the growth of Shari'ah compliant financial services across the length and breadth of the country.

In conclusion, I would like to extend my gratitude to the management of LOLC and staff of Al-Falaah for giving importance to the Shari'ah standard in a challenging business environment.

Ash-Shaikh Fazil Farook

Chairman - Shari'ah Supervisory Board

Our Product Concepts



Mudharabah

Mudharabah is a profit-sharing investment option, where an Investor (Fund Provider or Depositor) and an Entrepreneur (Fund Manager or Al-Falaah) enter into an agreement to utilise funds provided by the investor to enact business projects.

A defining characteristic of Mudharabah is that profits derived from such business projects are shared between both parties at a predetermined ratio, agreed upon by them beforehand.

The better the performance of the business, the higher the profit payable shared between both parties. Al-Falaah's Mudharabah product offers Flexible Savings Accounts and Term Investment Options to its clientele.



Wakala Investments

Wakala Investments constitutes a contract concluded between an Investor (Fund Provider or Depositor) as the Principal and an Entrepreneur (Fund Manager or Al-Falaah) as the Agent for the Investor.

Under such an investment contract, Al-Falaah is authorised to manage the investor's funds by investing in Shari'ah compliant business activities and remunerate profits under agreed terms to the Investor for a fixed management fee (Wakala Fee).

Profit of the Wakala will be paid according to a mutually pre-agreed profit rate. If the agent managed to conclude a surplus (higher than agreed profit rate), he may retain it as an incentive as agreed on the Wakala Agreement. Wakala is offered for corporate fixed term investments.



Ijarah

Ijarah is a form of leasing whereby a Lessor (Al-Falaah) leases an asset to a Lessee (Client) at an agreed rental. From thereon, the principles of usufruct apply, where the asset belonging to the Lessor will be used by the Lessee, usually on a mutually agreed fixed term/ fixed rent basis.

Thus, in conformity with the precepts of Ijarah, Al-Falaah as the Lessor, takes away the Lessee's burden of having to incur often substantial capital expenditure, but instead purchases the Lessee's asset of choice and comprehensively insures it under a Takaful arrangement for the duration of the lease. On completion of on-time lease rental payment by the Lessee as agreed upon, the asset ownership is gifted to the Lessee.

Al-Falaah offers Ijarah options for Brand New/Unregistered Vehicles, Equipment and Machinery.



Murabaha

Murabaha is a trade financing option. It stipulates that the price governing the sale of goods under this option should reflect profit margins as well as costs. Thus, a valid contract under Murabaha would require price, other costs and the profit margin of the seller to be disclosed and stated at the time of entering into agreement between seller and buyer.

Al-Falaah facilitates cash flows in a client's payments to suppliers. Murabaha is a convenient mode of finance, which can be used to purchase trading commodities and almost any type of asset-backed financing. As an asset-based finance option, this product is also ideal for personal goals - such as securing a home or a vehicle. Under the features of this product, Al-Falaah will purchase an asset on behalf of a customer whilst the customer is only required to pay fixed monthly installments as agreed upon.

Al-Falaah offers Murabaha for activities such as trade finance as well as purchase of property, registered vehicles, equipment, machinery and commodity.



Diminishing Musharakah

Diminishing Musharakah is a versatile financial instrument, through which Al-Falaah will join hands with the customer in providing the financial backing required to initiate a business venture right from its inception. It is essentially a financing partnership, which ultimately provides complete ownership to a partner who purchases the shares of another partner by a redeeming mechanism agreed upon by both partners. In this regard, Al-Falaah will enter into a partnership with the customer in order to purchase a property and/or invest in a project of the customer's choice, thereby becoming a co-owner of it.

The ownership of the project will reflect on the financial contributions of each party, which, over an agreed period of time, will lead to the acquisition of all shares owned by Al-Falaah as the customer purchases a pre-agreed percentage of our share of the property/ project periodically. Once the installments are completed, the ownership of the asset transfers fully to the customer. The partnership then dissolves as the goal of the Diminishing Musharakah has been achieved.

Diminishing Musharakah is offered for property/project and working capital financing.

Our Product Concepts



Musawamah

Musawamah is a form of Islamic financing under which negotiations between buyer and seller preclude the revelation of the seller's costs or asking price. While the seller may or may not have full knowledge of the cost of the item being negotiated, they are under no obligation to reveal these costs as part of the negotiation process.

This difference in obligation by the seller is the key distinction between Murabaha and Musawamah with all other rules as described in Murabaha remaining same.

Al-Falaah offers Musawamah for Import Financing.



Wakala for Lending

Wakala for Lending is by concept similar to Wakala Investments, but constitutes a contract where the Principal would be Al-Falaah (Fund Provider or Investor) who would then appoint the Client as the Agent (Entrepreneur) for the Investment. Under such investment contract, the entrepreneur is authorised to manage the investor's funds by investing in Shari'ah compliant business activities and remunerate profits under agreed terms to the Investor for a fixed management fee (Wakala Fee).

Profit of the Wakala will be paid according to a mutually pre-agreed profit rate. If the agent managed to conclude a surplus (higher than agreed profit rate), he may retain it as an incentive as agreed within the Wakala Agreement.

Al-Falaah offers Wakala for short-term business and working capital finance.

Product Review

"Mudharabah product grew by as much as 42% year on year, which reflects the positive performance of the company."

"The company was able to keep its promise to its investors and distribute a profit of Rs. 470 Mn amongst the Mudharabah and Wakala investors during the financial year."

Investment Options

Mudharabah - Profit-Sharing Investments and Savings

Mudharabah Investments

During the year under review, the Mudharabah product grew by as much as 42% year on year, which reflects the confidence laid by the investors in the company.

Mudharabah Investments are structured as a profit-sharing agreement between the investor and the company. The better the performance of the company, the higher the profit for the investor. The profit is shared on a pre-determined ratio agreed on by both parties.

Features at a glance:

- Profits can be paid to a Mudharabah Savings Account maintained with Al-Falaah or to another bank account as required by the investor
- Choice of investment options ranging from 1 month to 60 months term
- Option of receiving profit returns on monthly, annually or at maturity basis, whichever is preferred

Mudharabah Savings Account

This savings account provides the facility of savings, with an electronically updated passbook. Essentially an extension of the Mudharabah, this account can be accessed from any branch in the company's network and also via ORIX-Realtime internet access. Account holders can also avail of an industry-first ATM card linked to the VISA network, thereby enabling holders to access their accounts via all the local and international ATM networks.

Benefits at a glance:

- Unlimited withdrawals and deposits
- Highest profit returns on a monthly basis
- Fully-integrated Savings Account with Pass Book, ATM facilities and internet access
- Global Access through VISA network
- Access to over 5 dedicated Al-Falaah centres and over 100 LOFC branches and Saving centres island-wide
- Supervised by industry leading Shari'ah scholars

Product Review

Al-Falaah Junior

A pioneering product in the Sri Lankan Islamic Financial Services sector, Al-Falaah Junior is designed to help children achieve their full potential with the aim of encouraging the savings habit and inculcating financial discipline from a young age.

A minor's savings account, Al-Falaah Junior offers a comprehensive savings plan based on the Shari'ah principle of profit sharing.

It offers attractive benefits, high profit returns and exciting complimentary gifts. This children's savings account empowers to build a secure financial future for children, so that on completing 18 years, the child holds substantial savings in his account to pursue ambitious academic goals.

Features at a glance:

Highest profit returns on a monthly with;

- Fully-integrated Savings Account with Pass Book
- Applicable only for minors under the age of 17 and below
- Attractive and exciting with complimentary gifts for account holders on offer

Al-Falaah Senior

Al-Falaah Senior offers an opportunity for senior citizens to avail of a prudential investment that accrues maximum benefits. Whilst enjoying the highest profits on the Mudharabah category of investments, it provides accessibility to the account through a network.

Al-Falaah Senior Mudharabah Fixed Deposits

'Al-Falaah Senior' Fixed Deposits offers a choice of investment between 1 to 60 months with highest profit returns, either on a monthly basis or at maturity.

Features at a glance:

- Choice of investment options from 1 month to 60 months term
- Option to receive profit returns on a monthly basis or at maturity
- Profits payable to 'Al-Falaah Senior' savings A/C or to another bank A/C, as preferred

Al-Falaah Senior Mudharabah Savings Account

'Al-Falaah Senior' Mudharabah Savings Account is a one-of-a-kind savings option that provides flexibility, attractive profit returns and multiple value additions.

Features at a glance:

- Fully-integrated Savings Passbook with the flexibility of unlimited deposits and withdrawals
- Global Access through VISA network
- Access to over 5 dedicated Al-Falaah centres and over 100 LOFC branches and Saving centres island-wide

Al-Falaah Ladies

Al-Falaah Ladies - Mudharabah Profit-Sharing Investments and Al-Falaah Ladies Savings account are excellent products exclusively designed for ladies to invest wisely and plan finances to reap maximum benefits. Titled 'Blossom of Success', this unique business concept offers the maximum profits on 'Mudharabah Ladies' Savings and Fixed Deposits as well as tailor-made credit facilities to suit

busy professionals and the self-employed. The services are accessible through a network of over 60 LOFC branches and 5 dedicated Al-Falaah service centres located island-wide.

Features at a glance:

- A Dedicated Business Unit to ladies
- Highest professional service
- Global Access through VISA network
- Access to over 5 dedicated Al-Falaah centres and over 100 LOFC branches and Saving centres island-wide
- Attractive and exciting complimentary gifts for all 'Mudharabah Ladies' account holders
- Tailor-made credit facilities are also available for self-employed individuals and professionals, with flexible repayment options

Mudharabah Ladies Savings Account

'Mudharabah Ladies' Savings Account is another value addition for ladies that offers greater flexibility, attractive profit returns and many value additions.

Features at a glance:

- Fully-integrated Savings Passbook with the flexibility of unlimited deposits and withdrawals
- Global Access through VISA network
- Access to over 5 dedicated Al-Falaah centres and over 100 LOFC branches and Saving centres island-wide
- Be eligible for an Empress discount card with over 80 merchant partners worldwide

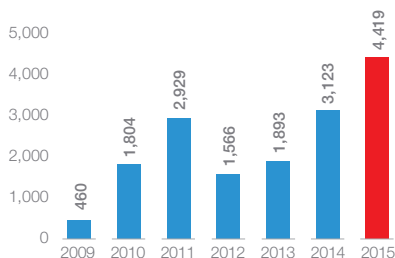
Mudharabah Ladies Fixed Deposits

'Mudharabah Ladies' Fixed Deposits offers a choice of investment options between 1 to 60 months with higher profit returns, either on a monthly basis or at maturity.

Features at a glance:

- Select investment options from 1 month to 60 months term
- Receiving profit returns on a monthly basis or at Maturity
- Profits payable to 'Mudharabah Ladies' savings A/C or to another bank A/C, as preferred

Mudharabah Rs. (Mn)



Wakala for Term Investments

Wakala Investments

During the year under review, there was a trend for investors to move towards Mudharabah as a result of which the performance of Wakala Investments fell slightly below forecasted growth for the period.

Wakala denotes a contract whereby an investor authorises an entrepreneur (Al-Falaah) to conduct certain financial transactions on their behalf. Therefore, the financial institution (Al-Falaah) operates as an agent of the customer (Investor) and ensures that the funds invested are utilised for Shari'ah compliant business transactions to earn profits.

Product Review

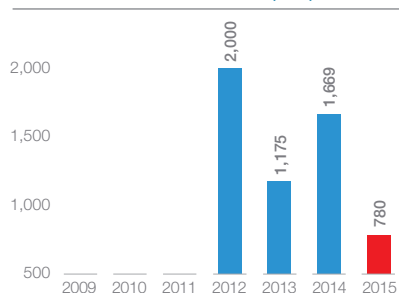
Whilst the institution charges a fixed management fee (Wakala fee) for its efforts, the profits are paid according to a predefined/agreed rate. If the agent manages to acquire a surplus of profits than what is mentioned in the said profit rate, the agent may retain it as an incentive agreed on the Wakala agreement and if not, the investor returns will be limited to the actual profits earned.

Wakala Investments, while providing an alternative to fixed or term deposit methodology, gives the corporate investor a path to plan out investment returns and financial security.

Benefits at a glance:

- Higher profits
- Highest safety and security
- Long-term financial planning
- Corporate fixed deposits

Wakala Investments Rs. (Mn)



Financing Options and Credit Facilities

Ijarah for Leasing

During the period under review, the company's portfolio of alternate leasing or Ijarah products recorded a strong performance to reach a value of Rs. 1,942 Mn, which reflects a steep 67% increase over the previous year.

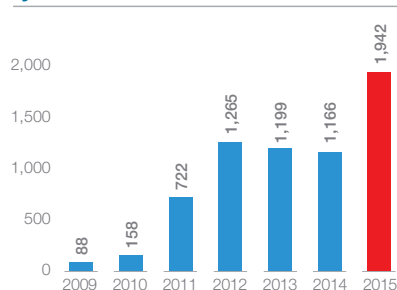
Islamic leasing, known as Ijarah, is another attractive option from the conventional concept of leasing. It is an agreement, under which a certain asset is leased to you for an agreed rental for the usage of the asset. Al-Falaah financing products are tailor-made in compliance with Shari'ah requirements while providing the functionality of conventional lending products. In this regard, Al-Falaah will take away your burden of capital expenditure by purchasing the asset of your choice, comprehensively insuring it while you use it over the lease period.

Although the ownership of the asset remains with Al-Falaah, the asset will be in lessee's possession to enjoy the benefits of the asset leased. At the end of the agreed rental period, where lessee's obligations towards Al-Falaah is complete, we will gift the asset to you so you can enjoy the full ownership of it.

Features at a glance:

- Competitive rentals
- Tailor made finance options
- Service is ideal for unregistered and brand-new vehicles as well as plant, equipment and machinery

Ijarah Rs. (Mn)



Murabaha for Trade Finance

During the financial year under consideration, the Company's Murabaha product more or less sustained its performance from the previous year.

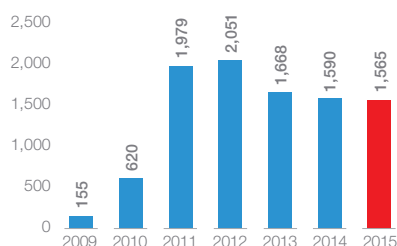
Murabaha is a contract of sale between a customer and Al-Falaah under which Al-Falaah first purchases the goods at the request of the customer and then sells these goods to the same customer adding profit. Anyone wishing to buy a commodity or an asset is guided by this product towards the most suitable solution to satisfy your needs and help you achieve success.

Ideal for enterprises, it is designed to help businesses grow as Al-Falaah believes in encouraging entrepreneurship – the driving force towards prosperity. As an asset-based finance, this product is also ideal for personal goals, as we know how important securing a home or a vehicle is to our customers. As this partner, we will purchase an asset and sell it customers while enjoying the benefits customer simply paying fixed monthly installments.

Features at a glance:

- Assets are purchased based on market- prices, where profit margins are competitive
- Payments can be made through installment or as structured payments to suit cash flows
- Applicable only for trade finance and purchase of property, registered vehicles, plant, machinery, equipments and commodities

Murabaha Rs. (Mn)



Musawamah for Import Finance

This product gained momentum during the year under review, increasing in value from Rs. 13,162 Mn in the previous year to reach Rs. 15,991 Mn in the 2014/15 financial year, reflecting a growth of 21%.

Musawamah is a mode of financing by which negotiations between buyer and seller precludes the revelation of the seller's costs or asking price. While the seller may or may not have full knowledge of the cost of the item being negotiated, they are under no obligation to reveal these costs as part of the negotiation process.

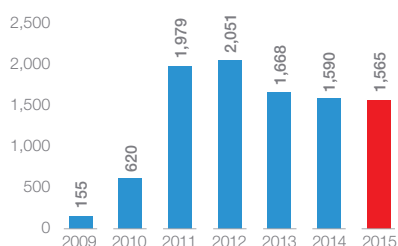
This difference in obligation by the seller is the key distinction between Murabaha and Musawamah, with all other rules as described in Murabaha remaining the same.

Features at a glance:

- Musawamah is the most common type of trading negotiation seen in Islamic commerce
- Widely used for import financing

Product Review

Musawamah Rs. (Mn)



Diminishing Musharakah for Property and Project Finance

Musharakah product almost touched Rs. 3,039 Mn during the year, marking a year on year growth of 39%.

This product is a financing partnership, which ultimately provides complete ownership to a partner who purchases the shares of another partner by a redeeming mechanism agreed upon by both partners. In this regard, Al-Falaah enters into a partnership with the customer in order to purchase a property and/or invest in a project of choice, thereby becoming co-owners of it.

The Diminishing Musharakah is a versatile financial instrument, through which Al-Falaah joins hands with customer in providing the financial security required to initiate business ventures right from its inception.

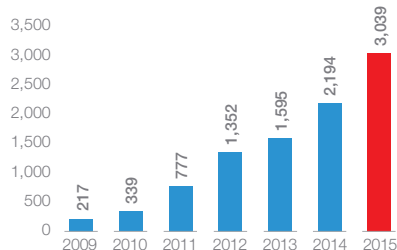
The ownership of the project will reflect on the financial contributions of each party, which, over an agreed period of time, will lead to the acquisition of all shares owned by Al-Falaah as customer purchase a pre-agreed percentage of our share of the property/project periodically. Once the

instalments are complete, the asset becomes completely owned by customer. The partnership then dissolves as the goal of the Diminishing Musharakah has been achieved.

Features at a glance:

- Applicable only for instances of property purchase, property development and working capital purposes
- Monthly instalments on a reducing balance method at an agreed fixed term
- Full ownership is transferred to you once the instalments are complete

Diminishing Musharakah Rs. (Mn)



Wakala for Business and Working Capital Finance

Al-Falaah's Wakala was the highest performing product during the financial year under review, growing by as much as 135% to reach a value of Rs. 559,664 Mn for the period.

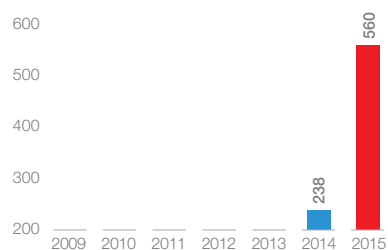
Founded on the pillars of the Wakala principle, the customer (Finance requester) is appointed as an agent of the Financial institution (Al-Falaah), with an undertaking that the funds invested are utilised for Shari'ah compliant business

transactions to earn profits, as agreed in the Wakala agreement. The agent is provided with short-term finance as specified in the Wakala agreement to which repayment methods with investment and profit returns are flexible. This model is ideal for short-term business and working capital requirements.

Benefits at a glance:

- Ideal for short-term Working Capital requirements
- Repayments can be made through fixed installments or as structured payments to suit your cash-flow
- Applicable for Trading and Manufacturing businesses

Wakala Lending Rs. (Mn)



Your story is our story



Governance

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“Becoming a customer of Al-Falaah was the wisest thing I did, because they supported me during the time the poultry farming went through a crisis during the 2013/14 period. Not only that, Al-Falaah stood by me and offered some out-of-the-box financial solutions to help me tide over the crisis. I especially appreciate the speedy service and quick decision-making. Moreover, the fact that I can access every type of financial product under one roof at Al-Falaah makes it very convenient.”

Mr. U M Fazil

M/s.Haira Farms Pvt Ltd

Kandy

Corporate Governance

"Corporate governance is about ensuring an effective, transparent and accountable management of affairs by the Board of Directors, the highest governing body, with the ultimate objective of protecting the interests of all stakeholders."

"LOLC's governance structure ensures alignment of its business strategy and direction through effective engagement and communication with its stakeholders, Board of Directors, Board Sub-Committees and Management."

Instruments of Governance

The external instruments of governance at LOFC include the Companies Act No. 7 of 2007, the Finance Business Act No. 42 of 2011, the Finance Leasing Act, No. 56 of 2000, the Exchange Control Act, No. 24 of 1953, the Payment and Settlement Systems Act, No. 28 of 2005, the Securities and Exchange Commission of Sri Lanka Act, No. 36 of 1987, and any amendments thereto, including rules and directions issued to finance companies from time to time by the Monetary Board of the Central Bank of Sri Lanka, and the Listing Rules of the Colombo Stock Exchange. The internal instruments of governance include the Articles of Association, the Role of the Board, Board approved policies, procedures, and processes for internal controls and anti money laundering.

Board of Directors

The members of the Board consist of persons with multiple industrial/professional backgrounds in which they have achieved eminence, who contribute effectively to decisions made by The Board to guide LOFC towards achieving its objectives. In accordance with best practices, the offices of Chairman and Chief Executive Officer are separate, and

the Chairman is a non-executive director. This ensures a balance of power and enhances accountability. To bring in a greater element of independence, the Board appointed Dr. Harsha Cabral, PC as the Senior Independent Director.

The Directors during the year under review were as follows:

1. Mr. W D K Jayawardena	Chairman - Non Executive Director
2. Mr. I C Nanayakkara	Deputy Chairman - Executive Director (alternate to Mrs. K U Amarasinghe)
3. Mrs. K U Amarasinghe	Executive Director (alternate to Mr. I C Nanayakkara)
4. Dr. H Cabral, PC	Senior Independent Director (alternate to Justice RKS Suresh Chandra & Mrs. D P Pieris)
5. Mrs. D P Pieris	Non Executive Independent Director
6. Justice R K S Suresh Chandra	Non Executive Independent Director
7. Mr. B C G De Zylva	Managing Director /CEO

The Governance structure at LOFC ensures that the Directors take all necessary steps to avoid conflicts of interest in their activities with, and commitments to other organisations or related parties. If a Director has a conflict of interest in a matter to be considered by the Board, such matters are disclosed and discussed at board meetings, where independent directors who have no material interest in the transaction are present.

The Directors have made the declarations required by the Companies Act No. 7 of 2007. These have been noted by the Board, recorded in the Minutes and entered into the Interest Register which is maintained by the Company. Lists of companies on which these Directors serve are included on pages 54 to 55.

As required by the Finance Companies Corporate Governance Direction, LOFC has established a well defined self evaluation mechanism undertaken by each director annually to evaluate performance of the Board. These evaluations are subsequently tabled at a Board meeting and the records are maintained by the Company Secretaries.

Monitoring and Evaluation

Policies and procedures have been established taking into consideration governance principles that define the structure and responsibility of the Board, ensure legal and regulatory compliance, protect stakeholder interests, manage risk and enhance the integrity of financial reporting. A whistle blowing policy has been introduced and the number of the related 'hot line' has been publicised to all employees. This was done to enhance accountability, so that deliberate deviations from controls and/or processes and procedures could be highlighted by any employee and thus addressed promptly.

The following mechanisms are in place for the Board to oversee the accomplishment of the targets in the business plan: review LOFC's performance at monthly

board meetings; seeking recommendations through Board appointed sub committees on governance, including compliance with internal controls, human resources, risk management, credit and IT; review of statutory and other compliances through a monthly paper on compliance submitted to the Board covering the operations of LOFC.

LOFC has in place a number of mandatory and voluntary Board sub committees to fulfill regulatory requirements and for better governance of its activities. These committees meet periodically to deliberate on matters falling within their respective charters/terms of reference and their recommendations are duly communicated to the main Board.

Audit Committee

The Audit Committee was established for the purpose of assisting the Board in fulfilling their responsibilities relating to financial governance.

The Committee is governed by the Audit Charter which defines its terms of reference. The composition and scope of the committee meets the requirements set out in the Finance Companies Corporate Governance Direction No 3 of 2008 and the Listing Rules of the Colombo Stock Exchange.

The Committee has been mandated to ensure that a sound Financial Reporting System is established by: reviewing the appropriateness of procedures in place for the identification, evaluation and management of business risks; ensuring that internal controls relating to all areas of operations, including Human Resources and IT enhance good governance while not impeding business; seeking assurance that agreed control systems are in place, are operating efficiently and are regularly monitored; ensuring that appropriate controls are put in place prior to the implementation of significant business changes, facilitating monitoring of the changes; reviewing internal and external audit functions; and ensuring compliance with applicable laws, regulations, listing rules and established policies of the Company.

Corporate Governance

Integrated Risk Management Committee

The Integrated Risk Management Committee (IRMC) was established to assist the Board in performing its oversight function in relation to different types of risk faced by the Company in its business operations and ensures adequacy and effectiveness of the risk management framework of the Company. The IRMC has adopted the provisions of section 8 (3) of the Finance Companies Corporate Governance Direction No. 3 of 2008 issued by the Monetary Board of the Central Bank of Sri Lanka as its Terms of Reference. The composition and the scope of work of the Committee are in conformity with the provisions of the aforesaid Direction.

Remuneration Committee

The Remuneration Committee was established to assist the Board in evaluating and recommending remuneration for Board Members including the Managing Director. The Remuneration Committee is governed by its Remuneration Policy which has vested it with powers to evaluate, assess and recommend to the Board for approval any fee, remuneration and ex gratia to be paid out to its directors including the Chief Executive Officer based on: the need of the Company to be competitive; the need to attract, motivate and retain talent; and the need to encourage and reward high levels of performance and achievement of corporate goals and objectives. The composition of the Committee meets the requirements set out in the Listing Rules of the Colombo Stock Exchange.

Nomination Committee

The Nomination Committee was established to assist the Board in assessing the skills required and recommending Director Nominees for election to the board (subject to ratification by the shareholders) and to nominate members to its sub committees to effectively discharge their duties and responsibilities.

Related Party Transaction Review Committee

The Committee was formed in order to adhere to the Code of Best Practice on Related Party Transactions (RPTs) issued by the Securities & Exchange Commission of Sri Lanka under sections 13 (c) of the SEC Act No. 36 of 1987 (as amended). Under the said direction all public listed companies were required to adopt the code with effect from 1st January 2014 on a voluntary basis for an initial period of two years from the effective date

Shari'ah Supervisory Board

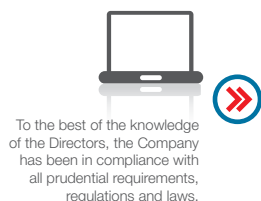
The Board has installed a dedicated Shari'ah Supervisory Board (SSB) as the Company offers Islamic Finance products. The SSB reviews all Islamic products offered, and periodically audits the processes, thereby providing comfort to customers of these products, and further strengthening the Board's control. Two of the three member Shari'ah Supervisory Board are on the Banking and finance sub-committee of the All Ceylon Jamiyyathul Ulama (ACJU) and are based in Sri Lanka. The remaining member is an internationally acclaimed shari'ah scholar based in South Africa. Currently Islamic Finance products are offered at all branches of the Company approved by the Central Bank of Sri Lanka which includes five dedicated centres.

Shareholder and Employee Engagement

The shareholders of LOFC have multiple ways of engaging with the Board including the Annual general meetings which are the main forum at which the Board maintains effective communication with its shareholders on matters which are relevant and of concern to the general membership such as LOFC's performance and their return on investment; access to the Board and the Company Secretaries; written correspondence from the Company Secretaries to inform shareholders of relevant matters; LOFC's website which is accessible by all stakeholders and the general public; and disclosures disseminated through the Colombo Stock Exchange including interim reporting.

In terms of engaging with the employees, the key channels used by the Board include the Managing Director who is an employee director and the main link between the Board and the rest of the employees; and the Board members and Board sub committees who conduct effective dialogue with the members of the Management on matters of strategic direction.

External Audit



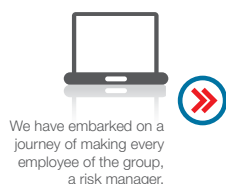
M/s Ernst & Young, Chartered Accountants were re-appointed as external auditors of the Company by the shareholders at the Annual General Meeting held in September 2014. Their services were also engaged to seek: a) an assessment of the Company's compliance with the requirements of the Finance Companies Corporate Governance Direction No. 3 of 2008 issued by the Monetary Board; and b) the Company's level of adherence to the internal controls on financial reporting. As far as the Directors are aware, the Auditors do not have any other relationship with the Company or any of its subsidiaries nor do they have any interest in contracts with the Company or any of its subsidiaries.

The Directors confirm that no significant deviations have been observed by the external auditors and that the Company has not engaged in any activity that contravenes any applicable law or regulation. To the best of the knowledge of the Directors, the Company has been in compliance with all prudential requirements, regulations and laws.

Risk Management

Managing risks in unison

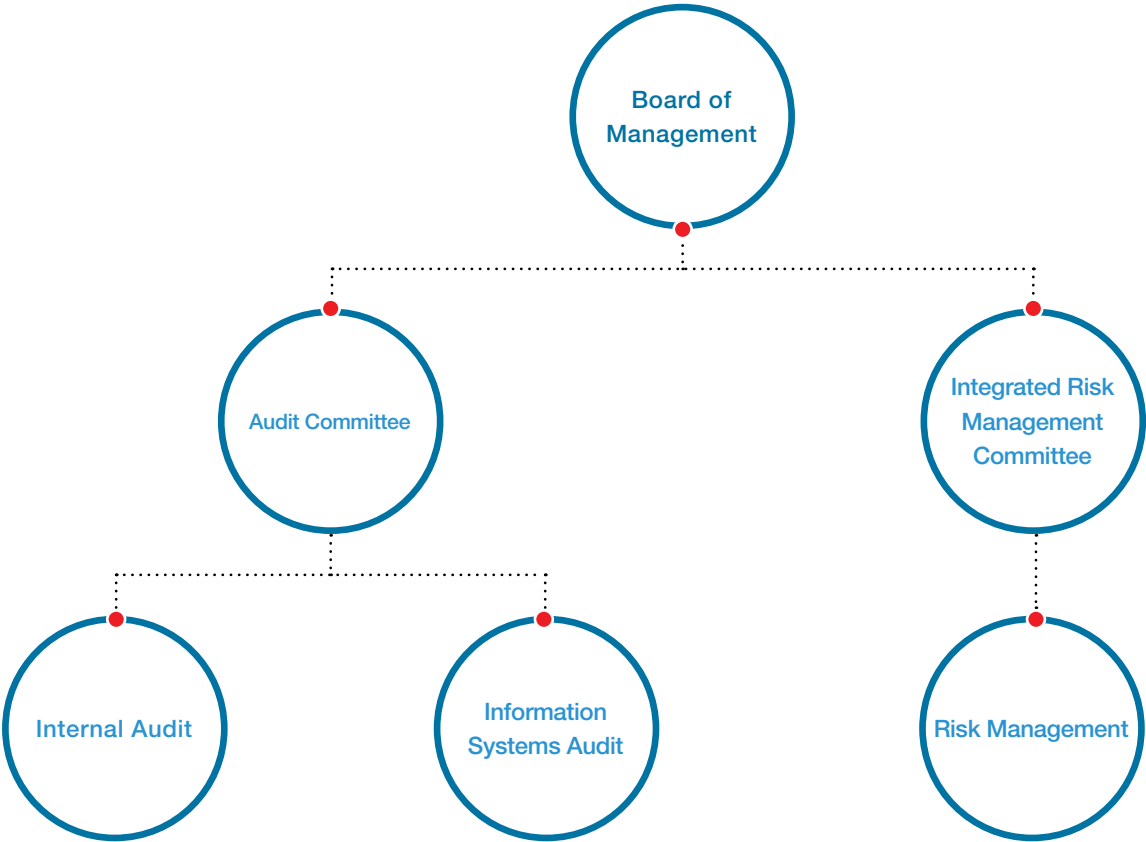
Islamic Business unit is a strategic business unit of LOLC Finance PLC (LOFC) and is covered by the Risk Management frame work adopted for LOLC Finance and is a group level centralized function at LOLC. The following is an extract of the Risk Management report of LOLC Finance



Risk Management at LOLC is a centralized function at group level , therefore the same risk governance structures which are in place and operational for LOLC are replicated for LOLC Finance PLC as well. This level of replication is done to retain the uniformity and currency of risk management practices of the LOLC group .Further, this enables us to roll out new initiatives and mechanisms in a much shorter time span within any company in the group as the learning curve is cut short due to the uniformity of the processes.

Risk Management is an organization-wide effort and is a responsibility which cascades down from the board of management to the operational level employees. Having defined risk as "Anything which hinders the achievement of the organizational objectives" highlights the importance of having an organizational wide risk management mechanism which is robust, flexible and reliable. With a vision in risk management of "Building an organizational Culture where Protection, Assurance, Reliability, Accountability, Transparency and Confidentiality are treasured and lasting values." We have embarked on a journey of making every employee of the group, a risk manager thus every action and decision taken within their scope of duty is embedded with a reasonable assessment of risk.

LOFC being a part of the LOLC conglomerate requires that the optimal , yet feasible structures and mechanisms are adopted in risk management. At LOFC Enterprise Risk Management is a group level centralized function and is a union of Risk Management, Internal Audit & Information Systems Audit. All three functions maintain their total independence by having reporting lines to the chairman and the board of management via the Integrated Risk Management Committee and the Audit Committee.



Synergy of functions

The risk management function primarily forms the independent line of reporting on risk to the board of management , while the audit function forms the monitoring arm to ascertain the adequacy , reliability and the consistency of the internal control framework. The IS audit function review the controls ensuring the confidentiality, Integrity and the availability of the IT systems and the internal controls governing the ICT related functions. In addition it plays a supporting role to both the internal audit and risk management in monitoring and advising on the technological risks.



Risk Management

The above three functions complement each other and draw from the synergies to make an effective risk management structure which maintains close ties with the compliance function. The internal audit does a comprehensive review of processes and operations on branches of LOFC subject to the resources available. Audit Resources are allocated based on the perceived risk of operations of the entity and the significance of its operations to the overall performance of the organization. The IT audits covers the business applications, ICT infrastructure and the related processes. The expansion of the branch network of LOFC and the growth volumes of its operations has necessitated strengthening the audit team and this was done towards the final quarter of the year under review. At present part of the audit team is primarily dedicated to review main operational centers & processes of LOFC while the others are dispersed among the regional operational centres thus giving the audit team easy access to core business locations. The Audit team look beyond the traditional auditing and focusses on process & efficiency improvements too. The audit function plays a more active role by ensuring that their recommendations are implemented by obtaining an all clear sign off from the auditee in addition to the follow up audits conducted by the auditors. Further, random branch reviews are undertaken which covers aspects beyond traditional auditing like Branch Administration and management as well as the level of knowledge and awareness on operations of the branch staff.

The risk management function draws information from various sources, both internal and external. They appraise the management of the potential risks arising and recommend action for the mitigation, avoidance or capitalizing on the opportunities that arise. The risks identified and addressed are constantly monitored and any adverse movement of such risk indicators are highlighted for appropriate action.

We understand that it is vital to keep in touch with the latest development in our business environment and to maintain the relevant skills and the knowledge, therefore we make a conscious effort to train and acquire the diverse knowledge and the skills set required to effectively manage the risks within the organisation. In this regard special attention is paid to training and development of the staff of enterprise risk management department.

Towards our vision

We believe in empowering all stake holders in managing risks. In this aspect, the ERM division addresses the new recruits with a view to enhancing their awareness of risks faced while performing their day to day operations and on appropriate actions to be taken. This effort is to be complimented by risk trainings for identified business units which are proposed to be held in coordination with the human resource department in future. During the year, we increased our consultative engagements with the other business units in order to manage risks on a proactive basis. Such engagements totaled 128 man hours for the last six months. We are continuing with this initiative as it gives us a pre-emptive strike capability on identified risk sources. This allows us for early identification of the risks and enables us to put the appropriate risk management strategies in place.

The dynamic nature of the operations and the expansions require us to increase our access to information and transaction related data. We have deployed data analytic techniques which enable us to have a more holistic view of the operations of the organization. The enhanced capabilities of the Risk monitoring system compliments our ability to respond to emerging risks more effectively and efficiently.

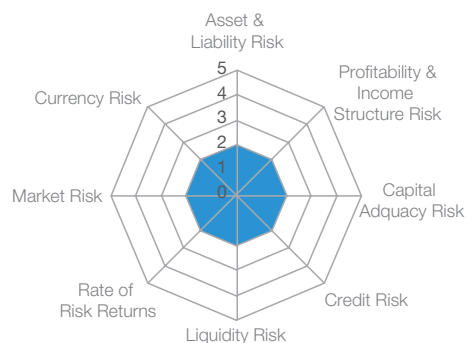
In the next financial year we are planning to shift towards continuous auditing and "monitoring yet maintaining the appropriate mix between currency of information and historical data for auditing & risk management purposes. Further we are looking towards enhancing our forecasting abilities" which would help the management to have a futuristic view of the risks faced which will ultimately add sustainable value to the organization.

Risk Profile

This is a high level categorisation of perceived risk and is used only for the illustration purposes of this report.

Risk Levels	Risk Score
Very High	5
High	4
Medium	3
Low	2
Very Low	1

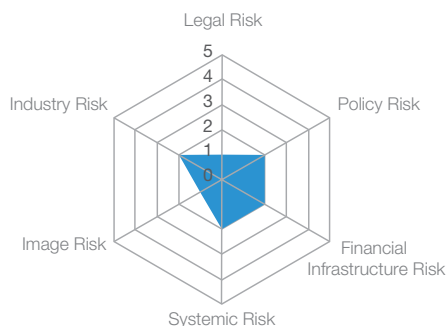
Financial Risk



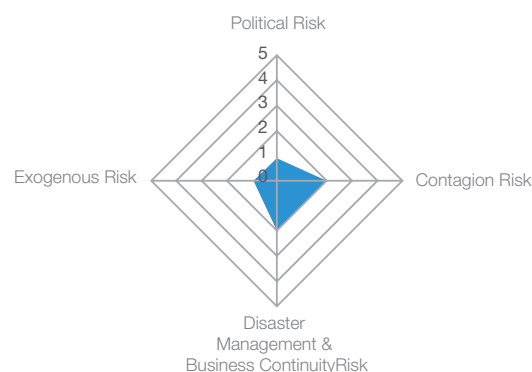
Operational Risk



Business Risk



Event Risk



Charity Fund

"Al-Falaah accumulates financial resources which are mandated to be disbursed for the upliftment of society."

"By supporting economically under privileged sections of society, the company strives to bridge the gap between the wealthier and the poorer of society."

Al-Falaah follows the Shari'ah precepts of Islamic finance and ensure that wealth is shared equally amongst all. The sense of shared responsibility is not restricted to the community but outside the Islamic religion as well. The precepts of Islamic financing, as guided by Shari'ah law, enshrine the core value of non-exploitation. In its enactment is embedded the values of risk bearing and profit sharing. In scrupulously following such a model during the course of business, Al-Falaah accumulates financial resources which are mandated by Shari'ah law to be disbursed for the upliftment of society and to benefit the under served sections of the community.

Therefore, these resources are directed to the company's Charity Fund, which awards grants for victims of natural disasters such as floods and landslides. By supporting these economically under privileged sections of society, the company strives to bridge the gap between the wealthier and the poorer sections of society, to lessen social inequality. Other areas in which the Charity Fund helps beneficiaries are in education and healthcare. It is significant to note that the Charity Fund is not only for those within the Islamic community, but in fact over 60% of the funds are directed to beneficiaries outside the community. This practice demonstrates the sustainable nature of Islamic finance.

Distribution of charity for the year under review (Number of Receipts)



■ April - Dec 2014

■ Jan - Mar 2015



Medical
Need

Rs. **7.9** Mn
Rs. **24.81** Mn



Education

Rs. **2.3** Mn
Rs. **4.87** Mn



Social
Upliftment

Rs. **10.1** Mn
Rs. **42.65** Mn

■ Year Under Review

■ Cumulative Since 2009 to Date

Shari'ah Supervisory Board Members

1. Ash-Shaikh Fazil M. Farook

Chairman

A member of the Banking Advisory Committee of All Ceylon Jamiyyathul Ulama (ACJU), Colombo. He has graduated in Islamic Shari'ah and completed Dharuthul Hadith from The Darul Uloom, Newcastle, South Africa. A qualified scholar in Islamic Banking and Finance from the Islamic University, Malaysia, he is also a lecturer at The Al-Ain Islamic Institute and The Darul Uloom Islamiya, Colombo and a leading Islamic Banking and Finance consultant in Sri Lanka. Ash-Shaikh Fazil Farook is the Chairman of the Shari'ah Supervisory Board of Al-Falaah, the Islamic Business Unit of LOLC Finance PLC.

2. Ash-Shaikh Murshid M. Mulaffar

Member

Assistant General Secretary to the ACJU and also a Member of the Banking Advisory Committee of the ACJU. He has graduated from the Darul Uloom Al-Hhumaidhiya, Colombo and is a qualified scholar in Islamic Banking and Finance from the Centre for Islamic Economics, Karachi, Pakistan whilst being a leading Islamic Finance consultant in Sri Lanka.

Ash-Shaikh Murshid Mulaffar is a Member of the Shari'ah Supervisory Board of Al-Falaah, the Islamic Business Unit of LOLC Finance PLC.

3. Ash-Shaikh Shafique A. Jakhura (Mufti)

Member

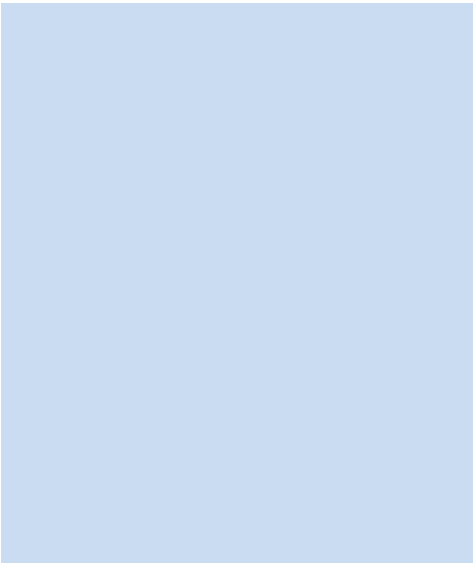
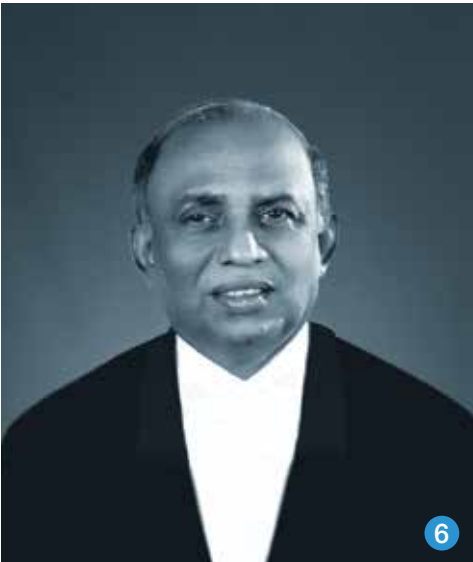
Mufti Shafique is a Registered, Certified Shari'ah Advisor and Auditor by the Accounting and Auditing Organisation for Islamic Financial Institutions of Bahrain (AAOIFI). He serves in the Fatwa Department preparing and issuing Islamic Juristic Rulings at the Darul Ihsan Centre in Durban, South Africa. Also, he is a founding member of the Centre of Islamic Economics and Finance South Africa (CIEFSA). He completed the Aalimiyah Course at Madrasah Taleemuddeen in 2002 in Durban and completed a three-year specialization course in Islamic jurisprudence (Fiqh and Fatwa) from the Jami'ah Darul Uloom, Karachi, Pakistan in 2005, under the guidance of Mufti Taqi Usmani, which culminated in the submission of a thesis on the topic of Shirkat and Mudharabah. He also has an Advanced Diploma in Islamic Banking and Finance from the Centre for Islamic Economics based in Karachi, Pakistan. A leading International Consultant in Islamic Finance, Mufti Shafique Jakhura is a member of the Shari'ah Supervisory Board of Al-Falaah, the Islamic Business Unit of LOLC Finance PLC.

Board of Directors

"Value Driven Leadership"



- 1 Mr. Kapila Jayawardena
- 2 Mr. Ishara Nanayakkara
- 3 Mrs. Kalsha Amarasinghe
- 4 Dr. Harsha Cabral, PC



5 Mrs. Priyanthi Pieris
6 Justice R K S Suresh Chandra
7 Mr. Brindley de Zylva

Board of Directors

1. Mr. W D K Jayawardena

Mr. Kapila Jayawardena counts over thirty years' experience in Banking, Financial Management and Corporate Management. He joined the Board of LOLC Finance PLC in June 2007 and was later appointed as the Chairman. Mr. Jayawardena was appointed as the Group Managing Director/CEO of Lanka ORIX Leasing Co., PLC in 2007. He was the former CEO/Country Head of Citibank Sri Lanka & Maldives.

Mr. Jayawardena has played a pivotal role in the banking sector contributing to the financial market reforms, development and regularly advising regulators on prudential requirements and has widespread experience in introducing innovative financial service products to the market.

LOLC Group is one of the largest conglomerates in Sri Lanka with a presence in diversified industries such as Financial Services, Trading, Manufacturing, Construction, Leisure and Renewable Energy.

As an individual with extensive international and domestic financial experience, Mr. Jayawardena was a key member of the following committees:

- Chairman Sri Lanka Bank's Association (SLBA) 2003/2004
- Member of the Financial Services Reforms Committee (FSRC) 2003/ 2004
- Director of Lanka Clear and was instrumental in completing the automated clearing project for the Sri Lankan banking industry 2004
- President of the American Chamber of Commerce Sri Lanka 2006/2007
- Member of the inaugural Sovereign ratings team for Sri Lanka

- Member of the National Council of Economic Development (NCED)
- Board Member of the United States - Sri Lanka Fulbright Commission

Presently, Mr. Jayawardena holds Chairmanship/directorship in the following companies:

- Lanka ORIX Leasing Company PLC - Group Managing Director/CEO
- LOLC Finance PLC - Chairman
- LOLC Securities Limited - Chairman
- Eden Hotels Lanka PLC - Chairman
- Palm Garden Hotels PLC - Chairman
- LOLC General Insurance Ltd - Chairman
- LOLC Micro Credit Ltd - Director
- Commercial Leasing & Finance PLC - Director
- Brown & Co., PLC - Director
- Browns Investments PLC - Director
- Seylan Bank PLC - Director
- BRAC Lanka Finance PLC - Director
- Riverina Resorts (Pvt) Ltd - Director
- FLC Holdings PLC - Director
- Pussellawa Plantations Limited - Director
- FLC Hydro Power PLC - Director
- FLMC Plantations (Pvt) Ltd - Director

Qualifications: Master of Business Administration, American University of Asia

Fellow of the Institute of Bankers, Sri Lanka

Associate of the Institute of Cost and Executive Accountants, London

2. Mr. I C Nanayakkara

Mr. Ishara Nanayakkara is an astute businessman who holds directorial positions in many corporates and conglomerates in Sri Lanka. He joined the Board of LOLC Finance PLC in November 2002 and was later appointed as the Deputy Chairman.

He joined the Board of Lanka ORIX Leasing Company PLC in January 2002. He chairs the Board of Commercial Leasing & Finance PLC, LOLC Micro Credit Limited and BRAC Lanka Finance PLC backed by the professional expertise in the industry for over a decade. He also serves on the Board of PRASAC Micro Finance Institution, Cambodia's largest Micro Finance Institution. His expertise in micro finance in the region is evident in the recent investment in Thaneakea Phum Cambodia Ltd (TPC Micro Finance) the 5th largest microfinance company in Cambodia along with the green field operations in Myanmar via Myanmar Micro Finance Company Ltd in which he is the founding Chairman.

Mr. Nanayakkara is the Deputy Chairman of Seylan Bank PLC, a premier commercial bank in the country. His exposure in general and life insurance through LOLC's Insurance arms, stock brokering through LOLC Securities Ltd, factoring through LOLC Factors Ltd, micro financing and Islamic finance, manifests his vision of catering the entire value chain of the finance sector.

His Business philosophy based on sustainable development has made LOLC enter into many new business ventures with high potential for growth in all three spheres economic, social and environment.

He serves the Board of Sierra Constructions Ltd, Agstar Fertilizers PLC, Lanka Century Investment PLC and Associated Battery Manufacturers (Cey) Ltd in line with the Group's vision to expand into strategic investments in agriculture & plantation, trading & manufacturing, leisure and construction.

His need to diversify LOLC group into a key conglomerate that operates in the growth sectors of the economy is further reflected through the vital role played by him in Brown & Company PLC and Browns Investments PLC as the Executive Chairman. Browns Group is a renowned conglomerate with leading market position in trade, leisure, manufacturing, consumer appliances and agriculture equipment.

Mr. Nanayakkara was appointed as the Chairman of FLC Holdings PLC, FLC Hydro Power PLC, and a Director in Pussellawa Plantations Ltd, Ceylon Estate Teas (Pvt) Ltd and FLMC Plantations (Pvt) Ltd subsequent to the recent acquisition.

He holds a diploma in Business Accounting from Australia.

3. Mrs. K U Amarasinghe

Mrs. Kalsha Amarasinghe was appointed to the Board in March 2003. She holds an Honours Degree in Economics.

She serves on the Boards of Lanka ORIX Leasing Company PLC, LOLC Micro Credit Ltd, LOLC Life Assurance Co. Ltd, Palm Garden Hotels PLC and Eden Hotel Lanka PLC. She also serves as a Director on the Boards of Commercial Leasing & Finance PLC, Brown & Company PLC, Browns Investments PLC, Riverina Resorts (Pvt) Ltd, FLC Hydro Power PLC, FLC Holdings PLC, Pussellawa Plantations Ltd, Melfort Green Teas (Private) Ltd and FLMC Plantations (Pvt) Ltd

4. Dr. H Cabral, PC

Dr. Harsha Cabral was appointed to the Board as an Independent Non Executive Director in January 2011. He is a President's Counsel and holds a PhD in Corporate Law (University of Canberra) Australia. Dr. Cabral is a Senior Counsel in Corporate Law with 28 years of experience, specialising in Company Law, Intellectual Property Law, Commercial Law, International Trade Law & Commercial Arbitration.

Board of Directors

He serves as a Commissioner, Law Commission of Sri Lanka. He is a Member of the Advisory Commission in Company Law, Sri Lanka (key member in drafting the new Companies Act No. 07 of 2007), member of the Ministerial Committee appointed to reform the Law on Commercial Arbitration. He is a Council member of the University of Colombo, member of the Council of Legal Education in Sri Lanka, member of the Academic Board of Studies of the Institute of Chartered Accountants of Sri Lanka and a member of the Corporate Governance Committee of the Institute of Chartered Accountants of Sri Lanka.

He is currently serving on the Boards of Diesel & Motor Engineering PLC (DIMO), Richard Pieris & Co. Distributors Ltd., Tokyo Cement Company (Lanka) PLC, Tokyo Super Cement Co (Private) Ltd., Tokyo Cement Power (Lanka) Ltd, Hayleys PLC. Hambana, Petrochemicals Ltd, Commercial Leasing & Finance PLC, Tokyo Eastern Cement Company Ltd, Browns Investments PLC, Just in Time Consultancy (Pvt) Ltd, Imperial Institute of Higher Education (Pvt) Ltd and Alumex PLC. He is the Chairman of Tokyo Cement Group.

Dr Cabral is a lecturer and examiner of the University of Colombo, Council member/faculty member of Institute for the Development of Commercial Law & Practice, and the Vice President of Business Recovery & Insolvency Practitioners Association of Sri Lanka.

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

5. Mrs. D P Pieris

Mrs. Priyanthi Pieris was appointed to the Board as an Independent Non-Executive Director in June 2012.

She is an Attorney-at-Law of the Supreme Court of Sri Lanka and has over 35 years of experience in Corporate

and Financial Law. Mrs. Pieris is also a Solicitor of England & Wales. She is currently in Private Practice.

Mrs. Pieris served on the Boards of Forbes & Walker Ltd., Forbes Ceylon Ltd., Forbes Stock Brokers Ltd, Forbes Air Services Ltd. (general sales agent for Emirates), Vanik Corporate Services Ltd., Office Network (Pvt) Ltd., Capital Reach (Holdings) Ltd. and Associated Motorways Ltd.

Mrs. Pieris currently serves on the Boards of Associated Electrical Corporation Ltd, Abans Electricals PLC, Asia Asset Finance PLC, PW Corporate Secretarial (Pvt) Ltd., Asian Centre for Lease Education (Pvt) Ltd., MTN Corporate Consultants (Pvt) Ltd., Sithijaya Fund (Pvt) Ltd.

Mrs. Pieris served as the Legal Adviser to the Ministry of Finance from 2002 - 2004 and as Legal Consultant to the Colombo Stock Exchange from 2004 - 2011.

Mrs. Pieris is also a member of the Committees set up by the SEC to recommend amendments to the Takeovers & Mergers Code 1995 (as amended) and the Rule for Corporate Governance.

6. Justice R K S Suresh Chandra

Justice Suresh Chandra was appointed to the Board as a Non-Executive Independent Director in July 2012.

He was admitted to the Bar as an Advocate in 1972 after having obtained a Bachelor of Laws (LL.B.) Degree from the University of Colombo. He obtained his Master of Law (LL.M.) Degree from the University of Colombo.

He was a practitioner at the Private Bar from 1972 to 2008 and was a Consultant to several leading banks, private and public institutions. He served as a Member of the Panel of Arbitrators of the National Arbitration Centre.

He was also a Visiting Lecturer, Course Director and Examiner of the Faculty of Graduate Studies of the Colombo University, at the Open University of Sri Lanka, Moratuwa University and the Sri Lanka Law College. He was the Senior Consulting Editor of the Colombo Appellate Law Reports.

He was a Consultant to the World Bank on the Land Titling Project in Sri Lanka, a Consultant to USAID projects and was instrumental in structuring the Coir Council, the Ceramics Council and the Spice Council. He also served as a Legal Consultant to the Tea Sourcing Partnership of London.

He was the Senior Legal Consultant to the Southern Development Authority and the Board of Investments on Industrial Relations. He was a member of the National Labour Advisory Council of Sri Lanka and a member of the Labour Law Reforms Committee.

He served as the Deputy Permanent Representative of Sri Lanka to United Nations in New York in 2009.

He was appointed as a Judge of the Supreme Court of Sri Lanka in June 2010 and retired from that position in July 2012.

He is serving as a Judge of the Supreme Court in Fiji since his appointment in Fiji in 2011 and as the Resident Judge of Appeals since 2012.

He has been a Resource Person for the International Labour Organisation, the International Organisation for Migration, the Judges Training Institute of Sri Lanka and the Bar Association of Sri Lanka.

7. Mr. B C G de Zylva

Mr. Brindley de Zylva was appointed to the Board as its Managing Director and Chief Executive Officer in April 2003 and was entrusted with the task of launching the Company, which commenced commercial operations in June 2003.

He has been engaged in the Non-Banking Financial Services (NBFI) Sector during the past 31 years and has served in both Licensed Finance Companies and Specialised Leasing Companies holding General Management positions prior to taking over as the Managing Director and Chief Executive Officer of the Company. He has a wide range of expertise and experience in the NBFI sector; covering Marketing & Sales, Credit & Recovery Management, and Finance.

Mr. de Zylva, who is a Fellow of the Sri Lanka Institute of Credit Management was elected as its Honorary Secretary in 2010, and continues to serve the institute in this capacity. Further as a Member of the Council of Management of the Finance Houses Association of Sri Lanka over the last nine years, four of which as one of its Vice Chairmen, and as a Director of The Financial Ombudsman Sri Lanka (Guarantee) Limited, Mr de Zylva continues to impart his knowledge and experience for the benefit of the industry as a whole.

He also serves in an honorary capacity as a Non-Executive Director of Navajeevana Rehabilitation - Tangalle.

Directorships held by the Directors

Mr. W D K Jayawardena

Chairman:

LOLC Insurance Company Limited
LOLC Securities Ltd
LOLC Finance PLC
Eden Hotel Lanka PLC
LOLC General Insurance Limited
Palm Garden Hotels PLC

Managing Director/ Group CEO:

Lanka ORIX Leasing Company PLC

Director:

LOLC Micro Credit Limited
Commercial Leasing & Finance PLC
Brown & Co. PLC
Browns Investments PLC
Riverina Resorts (Pvt) Ltd
BRAC Lanka Finance PLC
Seylan Bank PLC
Pussellawa Plantation Limited
FLC Holdings PLC
FLC Hydro Power PLC
F L M C Plantations (Pvt) Ltd

Mr. I C Nanayakkara

Chairman:

Commercial Leasing & Finance PLC
Brown & Company PLC
LOLC Micro Credit Limited
Browns Investments PLC
BRAC Lanka Finance PLC
FLC Holdings PLC
FLC Hydro Power PLC

Deputy Chairman:

Lanka ORIX Leasing Company PLC
LOLC Finance PLC
Seylan Bank PLC

Director:

PRASAC Micro Finance Institute
Sierra Constructions Limited
Agstar Fertilizers (Private) Limited
LOLC Myanmar Microfinance Co. Ltd
Associated Battery Manufacturers (Ceylon) Ltd
Lanka Century Investments PLC
F L M C Plantations (Pvt) Ltd
Pussellawa Plantations Ltd
Ceylon Estate Teas (Pvt) Ltd

Mrs. K U Amarasinghe

Director:

Commercial Leasing & Finance PLC
LOLC Finance PLC
Lanka ORIX Leasing Company PLC
LOLC Life Insurance Limited
LOLC Micro Credit Limited
Eden Hotel Lanka PLC
Palm Garden Hotels PLC
Brown & Co. PLC
Browns Investments PLC
Riverina Resorts (Pvt) Ltd
FLC Hydro Power PLC
FLC Holdings PLC
Pussellawa Plantations Ltd
Melfort Green Teas (Private) Ltd
FLMC Plantations (Pvt) Ltd

Dr. H Cabral, PC*Chairman:*

Tokyo Cement Company (Lanka) PLC
 Tokyo Super Cement Co (Private) Ltd
 Tokyo Cement Power Co. Ltd
 Tokyo Eastern Cement company Ltd

Director:

Diesel & Motor Engineering PLC (DIMO)
 Richard Pieris & Co. Distributors Ltd
 Hayleys PLC
 LOLC Finance PLC
 Commercial Leasing & Finance PLC
 Hambana Petro Chemicals Ltd
 Alumex PLC
 Browns Investments PLC
 BRAC Lanka Finance PLC
 Just in Time Consultancy (Pvt) Ltd
 Imperial Institute of Higher Education (Pvt) Ltd

Mrs. D P Pieris*Chairman:*

PW Corporate Secretarial (Pvt) Ltd

Director:

LOLC Finance PLC
 Asia Asset Finance PLC
 Sithijaya Fund Ltd
 Asian Centre for Lease Education
 Associated Electrical Corporation Ltd
 Abans Electricals PLC
 MTN Corporate Consultants (Pvt) Ltd

Alternate Director:

Asia Capital PLC

Justice R K S Suresh Chandra*Director:*

LOLC Finance PLC

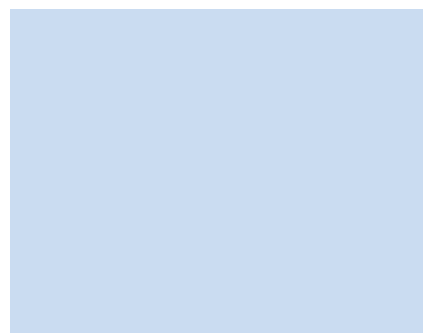
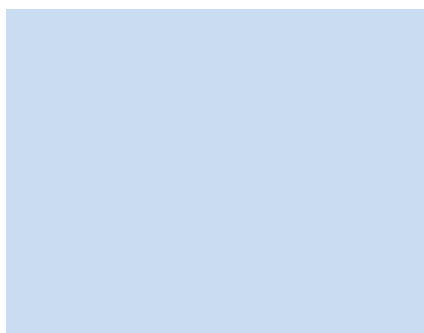
Mr. B C G De Zylva*Managing Director/ CEO:*

LOLC Finance PLC

Director:

Financial Ombudsman Sri Lanka Limited
 Navajeevana Rehabilitation - Tangalle
 Finance Houses Association of Sri Lanka

Strategic Business Unit Team



1. Krishan Thilakaratne

AIB (SL)

General Manager - Al-Falaah, Islamic Business Unit of LOLC Finance

Joined the LOLC Group in 1995. Counts over 20 years of experience in Banking, Credit, Leasing, Factoring and Branch Management. Conceptualised and introduced Islamic Finance to LOLC Group.

2. Mohamed Fahmy Thawfeek

ACMA (UK), FIIBI (UK), CIM (UK)

Consultant - Al-Falaah, Islamic Business Unit of LOLC Finance

Joined in 2008 and has over 40 years of experience in the Finance, Accounting and Islamic Financial Services sector with notable experience in senior positions under the capacity of Head of Finance and Head of Internal Audit in renowned Islamic Financial Institutions in the industry and has provided immense service to the development of Islamic Finance sector in Sri Lanka.

3. Shiraz Refai

MABE (UK), MCMi (UK), MBA (UK)

Assistant General Manager - Al-Falaah, Islamic Business Unit of LOLC Finance

Joined LOLC Group in 2006 and counts over 15 years of experience in the Banking and Financial Services sectors in both local and overseas establishments. He was instrumental in spearheading and setting up 'Al-Falaah', the Islamic Business Unit of LOLC Finance PLC.

4. Ashan Nissanka

MBA, CIM (UK), MSLIM, Practicing Marketer (SL)

Chief Executive - Branch Network - LOLC Finance

Joined in 1998. Counts over 22 years of experience in the Financial Services Sector with a wide cross disciplinary exposure in Banking, Credit management, Marketing and Channel Development. Has responsibility for Strategic Marketing Planning, Development and Management of the Retail Channels for LOLC Finance PLC, LOLC Micro Credit and LOLC Insurance.

5. Ihsam Awfer

AMSLIM (SL), AFIBI (UK), MBA (Manipal)

Senior Executive Channel Marketing - Al-Falaah, Islamic Business Unit of LOLC Finance

Joined in 2008. Counts over 7 years of experience in Marketing, Market Research and Islamic Banking and Finance operations.

6. Shafin Iqbal

MCIM, MBA (UK)

Senior Executive Institutional Marketing - Al-Falaah, Islamic Business Unit of LOLC Finance

Joined in 2014. Counts over 10 years of experience in Marketing services in the areas of New Business Development, Public Relation and Networking and Event Management.

Strategic Business Unit Team

7. Ash-Shaikh Nazhan Naurooz

DUZ (SA), FIIBI (UK), DIB (IBSL)

In-House Shari'ah Advisor - Al-Falaah, Islamic Business Unit of LOLC Finance

Joined LOLC Group in 2014, counts over 3 years of experience in teaching Islamic theological studies and 2 years of experience in Banking & Finance Services sector and coordination with the Shari'ah Supervisory Board

8. Mohamed Ramzi Majeed

MBA (FS) UK, ADMA (UK), DIB (IBSL)

Senior Executive Operations - Al-Falaah, Islamic Business Unit of LOLC Finance

Joined LOLC Group in 2010 and counts over 10 years of experience in Banking and Financial Services sector in both local and overseas Banks.

9. Fazil Mohideen

(NALEEM), DIB (IBSL)

Officer IBU Operations, Al-Falaah, Islamic Business Unit of LOLC Finance

Joined LOLC Group in 2014, counts over 2 years of experience in Islamic Banking & Financial Services in both Marketing & Operational areas.

10. Imraz Iqbal

FCA, MBA, ACMA

Head of Finance, LOLC Finance

Joined LOLC Group in 2010. Counts over 7 years' of experience in financial services in the areas of auditing and corporate finance.

Al-Falaah Ladies Business Unit

Zeefia Mazahim

Executive -

Al-Falaah, Ladies Business Unit

Joined LOLC Group in 2005. Over 6 years of experience in Marketing, Customer Services in the Banking Financial Services sector.

Mahira Miftha

Officer -

Al-Falaah, Ladies Business Unit

Joined LOLC Group in 2012. 3 years of experience in Revenue Operations, Banking & Customer Service.

Rinzi Hussain

Customer Service Assistant -

Al-Falaah, Ladies Business Unit of LOFC

Joined LOLC Group in 2014, equipped with a Higher National Diploma in Business & Financial Management and a Diploma in Islamic Finance and counts over 2 years of experience in Islamic Banking and Financing.

Product Approval by Shari'ah Supervisory Board

To whom it may concern

This is to confirm that we, the members of the Shari'ah Supervisory Board of Lanka ORIX Leasing company PLC (LOLC), after a careful examination of relevant documents, processes and review of operational procedures, have approved the following Islamic Financing products of the Islamic Business Unit of LOLC Finance PLC (LOFC).

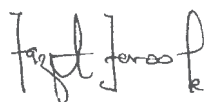
1. IJARAH - (Since 19th December 2007)
2. MURABAHA - (Since 19th December 2007)
3. MUDHARABAH - (Since 19th December 2007)
4. DIMINISHING MUSHARAKAH - (Since 28th March 2008)
5. MUSAWAMAH - (Since 30th November 2010)
6. WAKALA (Investments) - (Since 26th November 2011)
7. WAKALA (Lending) - (Since 01st July 2013)

The approval has been granted after having taken into consideration the following:

1. Having Quard-Hassanah agreement with LOFC
2. Adhering only to The Shari'ah Supervisory Board of LOLC approved agreements
3. Maintain Chart of Accounts & IT systems to separately identify its transactions
4. Having separate Banking transactions
5. Periodic Audit conducted by the Shari'ah Supervisory Board of LOLC

As members of the Shari'ah Supervisory Board of LOLC, we are duty bound to provide necessary guidance and advice where required, in order to ensure the Shari'ah compliant nature of the Islamic Finance operation of LOFC. The Management of LOLC Finance PLC, is responsible for ensuring that Al-Falaah, the Islamic Business Unit of LOFC conducts its business in accordance with the rules and principles of the Shari'ah as per the guidelines of the SSB.

However, it is important to note that, should there prevail an environment where adequate attention is not given to Shari'ah directives and Shari'ah violations are frequently repeated, in such an environment, we members of the Shari'ah Supervisory Board will exercise the option of revoking our supervisory position from LOLC.



(Ash-Shaikh) Fazil A. Farook

Chairman – SSB



(Ash-Shaikh) Murshid Mulaffar

Member – SSB



(Ash-Shaikh/Mufti) Shafique A. Jakura

Member - SSB / Mufti

Audit Report by Shari'ah Supervisory Board

Shari'ah Supervisory Board Audit Report 2014/2015

In the name of Almighty Allah, the All Merciful, the Very Merciful

To the Shareholders of LOLC Finance PLC

By the Grace of Allah, the year under review was the seventh year of Al-Falaah, the Islamic Business Unit of LOFC.

During the year, The Shari'ah Supervisory Board (SSB) of the Al-Falaah, Islamic Business Unit of LOFC (Al-Falaah) and the management held several meetings to review various products, concepts, transactions, processes and its Shari'ah compliance.

We have reviewed the principles and the contracts relating to the transactions and applications introduced by Al-Falaah, as well as audited directly or indirectly, through the In-house Shari'ah Supervisor, the transactions concluded by Al-Falaah during the financial year under review from April 2014 to March 2015.

We have also conducted our review to form an opinion as to whether Al-Falaah, Islamic Business Unit of LOFC complied with the rules and principles of Shari'ah in accordance with standards set out by the Accounting and Auditing Organization for Islamic Financial Institutions of Bahrain (AAOIFI).

The Management of LOLC Finance PLC, is responsible for ensuring that Al-Falaah, the Islamic Business Unit of LOFC conducts its business in accordance with the rules and principles of the Shari'ah. It is the Shari'ah Supervisory Board's (SSB) responsibility to form an independent Shari'ah opinion based on its review of the operation of Al-Falaah, and report to you.

The following were the major developments that took place during the year under review:

1. SSB Branch Visits: The In-house Shari'ah Supervisor as well as members of the SSB visited a number of Branches around the Island to review procedures and meet staff involved in all Al-Falaah transactions.
2. Product Overview Certificates: The SSB together with the Inhouse Shari'ah Supervisor prepared Product Overview Certificates for each of the products offered by the IBU. These certificates will inshaAllah (God Willing) prove beneficial in enhancing product awareness which is a key aspect in enhancing Shari'ah Compliance.
3. SSB meetings: At least 15 Days of meetings were held by members of the SSB during the period.
4. LOLC Takaful: The SSB has been instrumental in the launch of Takaful (Islamic Insurance) by one of the group company's, LOLC Insurance.
5. Development of New Products: There are some new products that are currently in the process of being developed.

Shari'ah Audit and Compliance Review

Purpose:

To ensure that all the products and services being offered by Al-Falaah, the Islamic Business Unit of LOFC adhered to the guidelines of Shari'ah.

The scope of the audit included examining on a test basis:

1. Ijarah Financing Transactions
2. Murabaha Financing Transactions
3. Diminishing Musharakah Financing Transactions
4. Wakala Financing Transactions

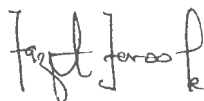
5. Live Murabaha Financing Files
6. Profit Distribution
7. Bank Statements
8. Expenditure Apportionment
9. Review of Audited Financial Statements
10. Staff Interviews
11. Accrual and Disposal of impermissible Income
12. Charity Fund
13. Benevolent Loans from Parent
14. Marketing and Advertising Material
15. Reconciliation of Administrative Charges on Delayed Penalties against actual Expenses incurred for recoveries.

We planned and performed our review so as to obtain all the information and explanations that we considered necessary in order to provide us with sufficient evidence to give us reasonable assurance that Al-Falaah, Islamic Business Unit of LOFC has adhered to Islamic commercial principles.

In our opinion;

1. The overall structure of the contracts offered by Al-Falaah and their implementation during the year under review are generally in compliance with the rules of Shari'ah subject to certain observations highlighted below:
 - a. Management is required to send appropriate communication to depositors regarding the establishment and workings of the Profit Equalization Reserve.
 - b. There remains an amount of charity to be disbursed to worthy recipients. This balance has accrued mainly from statutory reserve income and late payment penalties from customers that has undertaken to pay Al-Falaah as a result of late payment.
 - c. Certain aspects requiring careful monitoring pertaining to particular transactions were drawn to the attention of management.
 - d. The Internal Audit Department of the company has been asked to conduct internal audits and highlight procedural discrepancies to supplement the Shari'ah Audit.
2. The allocation of profit relating to investment accounts appears to conform to the rules and principles of Shari'ah.
3. The Al-Falaah has been advised to be more proactive with regards to staff training and client awareness programs.

We beseech the Almighty Allah to bless us with the guidance to accomplish His cherished tasks, make us successful in this world and in the hereafter, and to forgive our mistakes.



(Ash-Shaikh) Fazil A. Farook

Chairman – SSB



(Ash-Shaikh/Mufti) Shafique A. Jakura

Member – SSB



(Ash-Shaikh) Murshid Mulaffar

Member – SSB

Your story is our story



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"Engaged in the trading business, I own 3 shops in the Galle Fort, which is a popular tourist spot. Since I already had a vehicle lease from LOLC, it was convenient for me to seek funding from Al-Falaah to finance the furniture etc required for my newly opened teashop in Galle Fort. I hope to expand my business further with support from the Al-Falaah team"

Mr. A.G.M.Y Hussain

M/s. Orchid House Boutique.
Galle

Auditor's Report



Ernst & Young
Chartered Accountants
201 De Saram Place
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Sri Lanka

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INDEPENDENT AUDITORS' REPORT BOARD OF DIRECTORS OF LANKA ORIX FINANCE PLC

Report on the Special Purpose Financial Statements

We have audited the accompanying special purpose financial statements of the Lanka Orix Finance PLC Islamic Business Unit ("IBU"), which comprise the statement of financial position as at 31 March 2015 and the statement of comprehensive income for the year then ended, and a summary of significant accounting policies and other explanatory information. The financial statements have been prepared by Management based on the accounting policies, as set out on pages 5 to 12 of these special purpose financial statements.

Board's Responsibility for the Special Purpose Financial Statements

Board is responsible for the preparation and fair presentation of these special purpose financial statements in accordance with accounting policies as set out on pages 5 to 12 of these special purpose financial statements, and for such internal control as Board determines is necessary to enable the preparation of these special purpose financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in these special purpose financial statements. The procedures selected

depend on the auditors' judgment, including the assessment of the risks of material misstatement of these special purpose financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the IBU's preparation and fair presentation of these special purpose financial statements 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 IBU's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, made by Board, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, these special purpose financial statements present fairly, in all material respects, the financial position of the IBU as at 31 March 2015 and of its financial performance for the year then ended in accordance with the accounting policies of the IBU, as set out on pages 5 to 12 of these special purpose financial statements.

Basis of Accounting

Without modifying our opinion, we draw attention to Note 1.2 to these special purpose financial statements, which describe the basis of accounting. As a result, the financial statements may not be suitable for another purpose.

24 June 2015
Colombo

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

A member firm of Ernst & Young Global Limited

Statement of Financial Position

As at 31 March 2015	Note	2015 Rs.	2014 Rs.
ASSETS			
Cash and bank balances	5	594,644,793	502,404,345
Investment in government securities		-	477,648,185
Murabaha/Musawamah receivables	6	2,141,021,835	1,840,643,183
Diminishing Musharakah receivables	7	3,038,759,952	2,193,964,888
Ijarah rent receivables	8	1,942,105,632	1,166,046,629
Investment in quoted shares	9	8,500,000	8,700,000
Other receivables	10	37,325,294	20,461,139
Inventories		-	980,000
Investment properties	11	12,500,000	11,000,000
Total assets		7,774,857,506	6,221,848,369
LIABILITIES			
Mudharabah investments		4,034,438,048	2,778,460,796
Mudharabah savings		384,263,173	344,202,671
Profit payable on Mudharabah investments		65,927,515	61,161,358
Wakala investments		780,000,000	1,668,500,000
Profit payable on Wakala investments		2,378,658	11,975,336
Income tax payable		97,619,204	85,875,553
Accruals and other payables	12	237,721,812	159,723,210
Due to head office	13	1,234,101,928	415,381,532
Total liabilities		6,836,450,338	5,525,280,456
OWNER'S FUND			
Retained earnings		938,407,168	696,567,913
Total owners fund		938,407,168	696,567,913
Total liabilities & owners fund		7,774,857,506	6,221,848,369

The Board of Directors is responsible for the preparation and presentation of these special purpose financial statements.



(Mrs.) S.S. Kotakadeniya

Chief Financial Officer

Approved and signed for and on behalf of the Board.



W.D.K. Jayawardena

Director



B.C.G. de Zylva

Director

The above Statement of Financial Position should be read in conjunction with accounting policies and notes, which form an integral part of these special purpose financial statements.

The basis of preparation and notes are given in pages 05 through 12.

24 June 2015

Rajagiriya (Greater Colombo)

Statement of Comprehensive Income

Year ended 31 March 2015	Note	2015 Rs.	2014 Rs.
Revenue	14	1,253,806,835	1,140,882,882
Profit paid to Mudharabah/Wakala investors		(469,765,238)	(448,614,792)
Other direct expenses - insurance		(59,254,530)	(59,741,521)
		724,787,067	632,526,569
Non distributable other income / (expenses)	15	16,920,162	20,575,065
Total operating income		741,707,229	653,101,634
Employee benefits	16	(87,764,897)	(102,038,458)
(Provision)/reversal for credit losses		(85,016,282)	(95,839,500)
Other operating expenses		(198,246,303)	(125,142,686)
Profit from operations	17	370,679,747	330,080,990
Value added tax on financial services		(31,221,289)	(33,222,052)
Profit before taxation		339,458,458	296,858,938
Income tax expense	18	(97,619,204)	(85,875,553)
Profit for the year		241,839,254	210,983,385

The above Statement of Comprehensive Income should be read in conjunction with accounting policies and notes, which form an integral part of these special purpose financial statements.

The basis of preparation and notes are given in pages 05 through 12.

Notes to the Financial Statements

1. General

LOLC Finance PLC (LOFC) is a quoted public company with limited liability incorporated on 13 December 2001 and domiciled in Sri Lanka. The Company has been registered with the Central Bank of Sri Lanka as a Finance Company under the provisions of the Finance Business Act No 42 of 2011 (formerly Finance Companies Act, No. 78 of 1988.)

LOLC Finance PLC has set up the Islamic Business Unit ("IBU") which commenced its operations in February 2008, under Islamic Shari'ah Law. It is housed in the Head Office Premises at No. 100/1 Sri Jayawardenepura Mawatha, Rajagiriya.

1.1 Principal Activities and Nature of Business

The principal activities of the IBU comprised of Mudharabah and Wakala (Profit Sharing investments), Diminishing Musharakah (Partnership Financing), Murabaha/Musawamah (Trade Financing), Ijarah (Leasing).

1.2 Basis of Preparation

1.2.1 These Special Purpose Financial Statements of the IBU are prepared on the historical cost basis. Assets and liabilities are grouped by nature and listed in an order that reflect their relative liquidity. These Special Purpose Financial Statements of the IBU are prepared in Sri Lankan Rupees.

1.2.2 The results of IBU and the financial position of the IBU form part of the financial statements of LOLC Finance PLC which is prepared in accordance with Sri Lanka Accounting Standards. LOLC Finance PLC's primary set of Financial Statements was authorized for issue by the Board of Directors in accordance with a resolution of the Directors passed on 24th June 2015. Therefore, the isolated Financial Statements of the IBU should be read in conjunction with the LOLC Finance PLC's primary set of Financial Statements.

1.3 Accounting Policies and Comparative Information

The accounting policies have been consistently applied by the IBU and are consistent with those used in the previous period. Comparative information is reclassified wherever necessary to comply with the current presentation.

1.4 Significant Accounting Judgments, Estimates and Assumptions

In the process of applying the Company's Accounting Policies, the management is required to make judgments, apart from those involving estimations, which may have a significant effect on the amounts recognized in the Financial Statements. Estimate and underlying assumptions are reviewed on an ongoing basis and the management is required to consider, key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustments to the carrying amounts of assets and liabilities. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. The respective carrying amounts of assets and liabilities are given in the related Notes to the Financial Statements.

• Credit Losses on Loans and Advances

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

1.5 Events after the reporting date

All material events after the reporting sheet date have been considered and appropriate adjustments/disclosures have been made in Note No. 19 to the Special Purpose Financial Reports.

2. Assets and Bases of their Valuation

2.1 Cash and bank balances

Cash and bank balances comprise of cash in hand and cash at banks.

2.2 Murabaha, Musawamah and Diminishing Musharakah receivables

Murabaha/Musawamah to customers with fixed installments is stated in the Statement of Financial Position net of provision for doubtful debts and income, which is not accrued to revenue.

Diminishing Musharakah to customers is reflected in the Statement of Financial Position at amounts disbursed less repayments and provision for doubtful debts.

2.3 Ijarah Rent Receivables

The LOLC Finance PLC's IBU buys and lease out equipment required by its clients for a fee (Rental). The duration of the lease and value of the rental is agreed in advance. Ownership of the asset will remain with the Company till the end of the lease period. Rent receivables on Ijarah advances reflected in the Statement of Financial Position are the total rent receivables after eliminating unearned income and deducting pre paid rentals, rental collections and provision for doubtful debts.

2.4 Provision for Doubtful Debts

The IBU computes its provisioning for bad and doubtful debts in accordance with Direction No. 03 of 2006 of the Finance Business Act No.42 of 2011 as follows

- Fifty percent (50%) of Ijarah receivables, Murabaha/Musawamah advances & Diminishing Musharakah advances receivable (net of unearned income) which are in arrears for a period of 06 to 12 months.
- One hundred percent (100%) of Ijarah lease, Murabaha/Musawamah advances & Diminishing Musharakah advances receivable (net of unearned income) which are in arrears for a period of 12 months and more

Additional specific provisions are made upon management review on the performance of these portfolios.

Balance receivables on any terminated contracts are fully provided.

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

- **Vehicles that have been repossessed by the Company**

Eighty per cent (80%) of the valuation obtained during the preceding six months from a professional valuer approved by the Director of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka

- **Lands & Buildings**

The full value, in case of a primary mortgage, such value shall not exceed the value decided by a qualified professional valuer at the time of providing the accommodation.

2.5 Investment in Quoted Shares

Investments in quoted shares are stated at their market values at the reporting date. Any difference between the cost and the market value is recognized in the

Notes to the Financial Statements

Statement of Comprehensive Income.

2.6 Investment Property

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

Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognized in statement of Comprehensive income. Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use.

Determining Fair value

An external, independent valuer, having appropriate recognized professional qualifications and recent experience in the location and category of property being valued, values the company's investment property portfolio annually.

The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably.

2.7 Inventories

Inventories includes vehicles purchased to be leased out and are carried at lower of cost and net realizable value.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

2.8 Other Receivables

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

3. Liabilities and Provisions

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

3.1 Profit Payable to the Mudharabah Investors

Profits payable are recognized on accrual basis and are credited to Investors' accounts when the profit is distributed on a monthly basis on or before the 10th of the following month.

3.2 Income Tax

Income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the Inland Revenue. The rate and tax laws used to compute the amount are those that are enacted or substantially enacted as at the reporting date. Accordingly, provisions for taxation is made on the basis of the profit for the year as adjusted for taxation purposes in accordance with provisions of Inland Revenue Act No. 10 of 2006 and amendments thereto.

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

3.3 Employee benefits

3.3.1 Defined Contribution Plan – EPF & ETF

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in the Statement of Comprehensive Income when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

The Company contributes 12% and 3% of gross emoluments of employees as provident fund (EPF), and trust fund (ETF) contribution respectively.

3.4 Benevolent Loan (Qurd Hassan)

Qurd Hassan is a loan or debt extended which is absolutely free from interest or any charges. The borrower is only required to repay the principal amount borrowed, but it may pay an additional amount at its discretion, as a token of appreciation.

LOFC extends Qurd Hassan to the IBU as and when required and the IBU settles those when funds are available.

4. Statement of Comprehensive Income

4.1 Revenue Recognition

4.1.1 Murabaha/Musawamah Income

The profits and losses arising from Murabaha/Musawamah transactions are recognized over the term of the facility, commencing from the month in which the

facility is executed.

4.1.2 Ijarah Income

Profits and losses arising from Ijarah assets are recognized over the term of the lease, commencing from the month in which the lease is executed so as to yield a constant periodic rate of return on Ijarah assets.

4.1.3 Diminishing Musharakah Income

Profits and losses arising from Diminishing Musharakah are recognized in the accounting period in which the installments are due.

4.1.4 Profit in Suspense

Profit from advances classified as non-performing is accounted for on cash basis. Income falling due on non-performing advances is credited to profit in suspense account.

4.2 Expenditure Recognition

For the presentation of Statement of Comprehensive Income, the Directors are of the opinion that the nature of expenses method presents fairly the element of the company's performance, and hence such presentation method is adopted.

Expenses are recognized in the Statement of Comprehensive Income 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 has been charged to income in arriving at the profit for the year.

Expenses incurred by the IBU for which a fee is charged from the customers, has been presented net of the related income.

Notes to the Financial Statements

Year ended 31 March 2015	2015 Rs.	2014 Rs.
5. Cash and Bank Balances		
Cash & bank balances	594,644,793	502,404,345
	594,644,793	502,404,345
6. Murabaha/Musawamah Receivables		
Installment receivable	2,545,480,380	2,342,907,800
Unearned income	(395,228,211)	(483,598,469)
Income in suspense	(2,096,648)	(2,818,034)
Provision for credit losses	(7,133,686)	(15,848,114)
	2,141,021,835	1,840,643,183
7. Diminishing Musharakah Receivables		
Installment receivable	3,066,896,047	2,205,249,897
Income in suspense	(8,535,396)	(4,847,580)
Provision for credit losses	(19,600,699)	(6,437,429)
	3,038,759,952	2,193,964,888
8. Ijarah Receivables		
Rent receivables	2,656,862,208	1,605,094,473
Unearned income	(690,093,847)	(425,170,277)
Income in suspense	(4,549,919)	(3,442,191)
Provision for credit losses	(20,112,810)	(10,435,376)
	1,942,105,632	1,166,046,629
9. Investment In Quoted Shares		
Expo Lanka Holdings PLC		
Cost (1,000,000 shares)	18,000,000	18,000,000
Adjustment for fall in value of investments	(9,500,000)	(9,300,000)
	8,500,000	8,700,000
10. Other Receivables		
Staff car advances	7,795,629	9,429,821
Insurance premium receivable	2,440,209	6,322,848
Others	27,089,456	4,708,470
	37,325,294	20,461,139

Year ended 31 March 2015	2015 Rs.	2014 Rs.
11. Investment Properties		
Balance as at 1st April	11,000,000	-
Additions to Investment Properties from foreclosure of contracts	-	11,000,000
Change in fair value	1,500,000	-
Balance as at 31st March	12,500,000	11,000,000
12. Accruals and Other Payables		
Lease equipment creditors	110,964,942	28,789,260
Refunds payable	23,451,829	52,421,691
Insurance payable	34,913,277	6,264,094
IBU charity fund	32,327,558	3,926,980
Other payables	36,064,206	68,321,185
	237,721,812	159,723,210
13. Due to Head Office		
Qurd hassan	455,000,000	-
Current account balance due to head office	779,101,928	415,381,532
	1,234,101,928	415,381,532
14. Revenue		
Income from Ijarah receivables	330,001,496	302,026,294
Income from Diminishing Musharakah receivables	520,073,977	443,339,292
Income from Murabaha/Musawamah receivables	363,566,123	369,753,490
Profit on terminations	30,737,137	25,763,806
Income from Mudarabah deposits	9,428,102	-
	1,253,806,835	1,140,882,882
15. Non Distributable Other Income/(Expenses)		
Takaful commission	16,229,200	18,501,852
Others	690,962	2,073,213
	16,920,162	20,575,065
16. Employee Benefits		
Salaries & other benefits	87,764,897	102,038,458
	87,764,897	102,038,458

Notes to the Financial Statements

Year ended 31 March 2015	2015 Rs.	2014 Rs.
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17. Profit from Operation

Stated after charging

Advertising	17,782,185	9,263,304
Business promotion expenses	22,986,434	18,163,366

18. Income Tax Expense

Income tax is provided at 28% of the taxable profits computed in accordance with the inland revenue act No 10 of 2006 (and amendments there to)

	97,619,204	85,875,553
	97,619,204	85,875,553

19. Events after the Reporting Date

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

Notes

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Notes

Corporate Information

Name of the Company

LOLC Finance PLC

Country of Incorporation

Sri Lanka

Date of Incorporation

13th December 2001

Legal Form

A quoted public company with limited liability

Company Registration No.

PB 244 PQ

Stock Exchange Listing

The ordinary shares of the Company were listed on the Diri Savi Board of the Colombo Stock Exchange on 7th July 2011.

Credit Rating

ICRA Lanka assigned the company an issuer rating of (SL) A- (Stable).

Registered Office and Head Office

No. 100/1, Sri Jayewardenepura Mawatha, Rajagiriya
Tel: 011 5880880

Fax: 011 2865606

Website: <http://www.lankaorix.com>

Swift: LOFCKLC

Directors

Mr W D K Jayawardena – *Non-Executive Chairman*

Mr I C Nanayakkara – *Executive Deputy Chairman*

(alternate to Mrs K U Amarasinghe)

Mrs K U Amarasinghe – *Executive Director*

(alternate to Mr I C Nanayakkara)

Dr H Cabral PC – *Senior Independent Director*

(alternate to Justice R K S Suresh Chandra and Mrs D P Pieris)

Mrs D P Pieris – *Independent Director*

Justice R K S Suresh Chandra – *Independent Director*

Mr B C G De Zylva – *Managing Director/ CEO*

Secretaries

LOLC Corporate Services (Private) Limited
100/1 Sri Jayewardenapura Mawatha Rajagiriya
Tel: 011 5880354/7 0115880880 (general)

Auditors

Ernst & Young, Chartered Accountants

Lawyers

Julius & Creasy, Attorneys-at-Law
Nithya Partners

Registrars

PW Corporate Secretarial (Private) Ltd
No. 3/17 Kynsey Road, Colombo 8.
Tel: 011 4897733-5

Principal Activities

During the year the principal activities of the Company comprised Finance Business, Finance Leasing, Islamic Finance, Foreign Currency Business including Worker Remittances, issue of Payment Cards, Money Changing Business and provision of Advances for Margin Trading in the Colombo Stock Exchange.

Bankers

Nations Trust Bank PLC

Citi Bank N.A.

Commercial Bank of Ceylon PLC

NDB Bank

Bank of Ceylon

Seylan Bank PLC

MCB Bank

Deutsche Bank

Hatton National Bank PLC

Pan Asia Bank

Hong Kong & Shanghai Banking Corporation

Sampath Bank

National Savings Bank

Peoples Bank

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