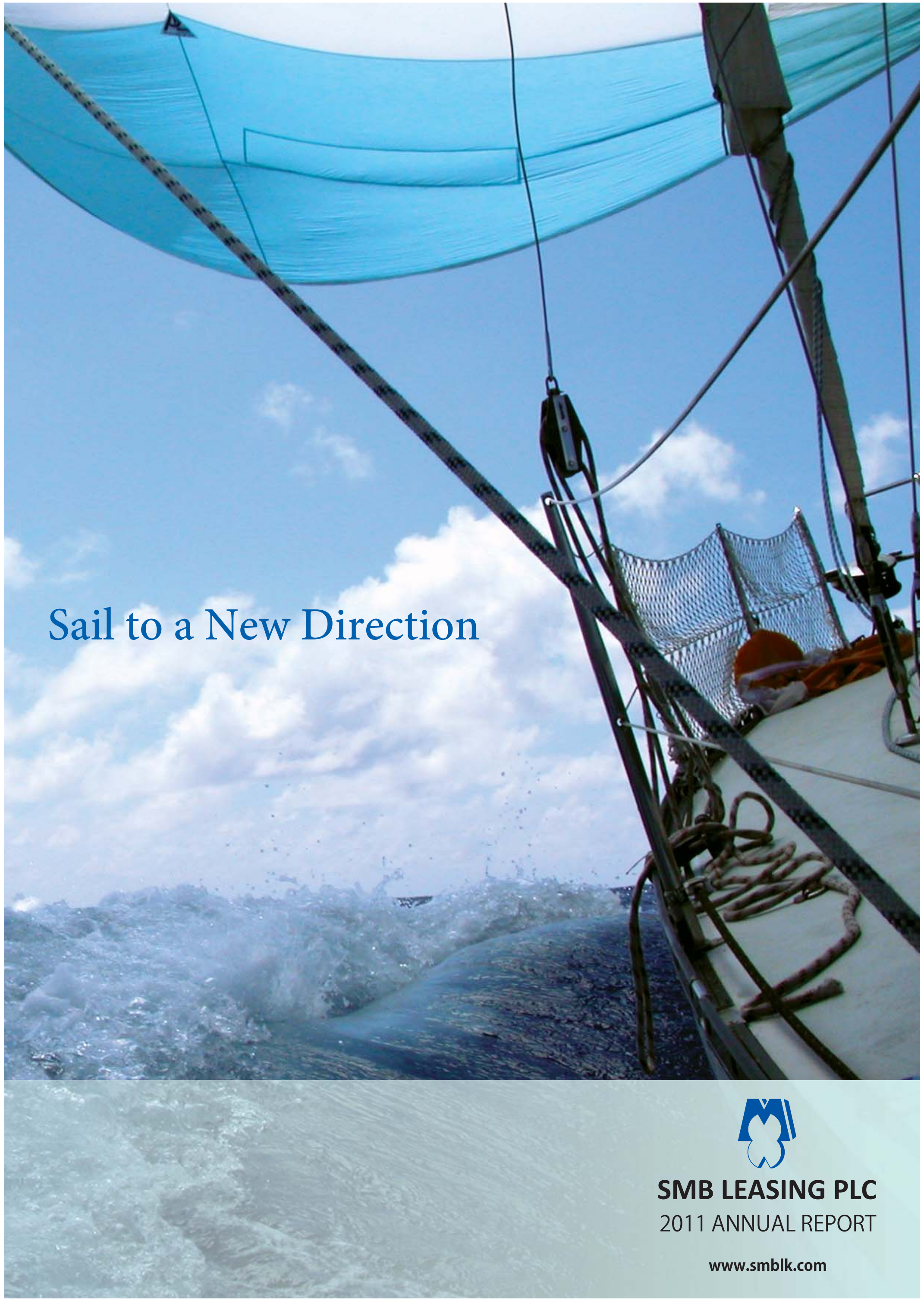
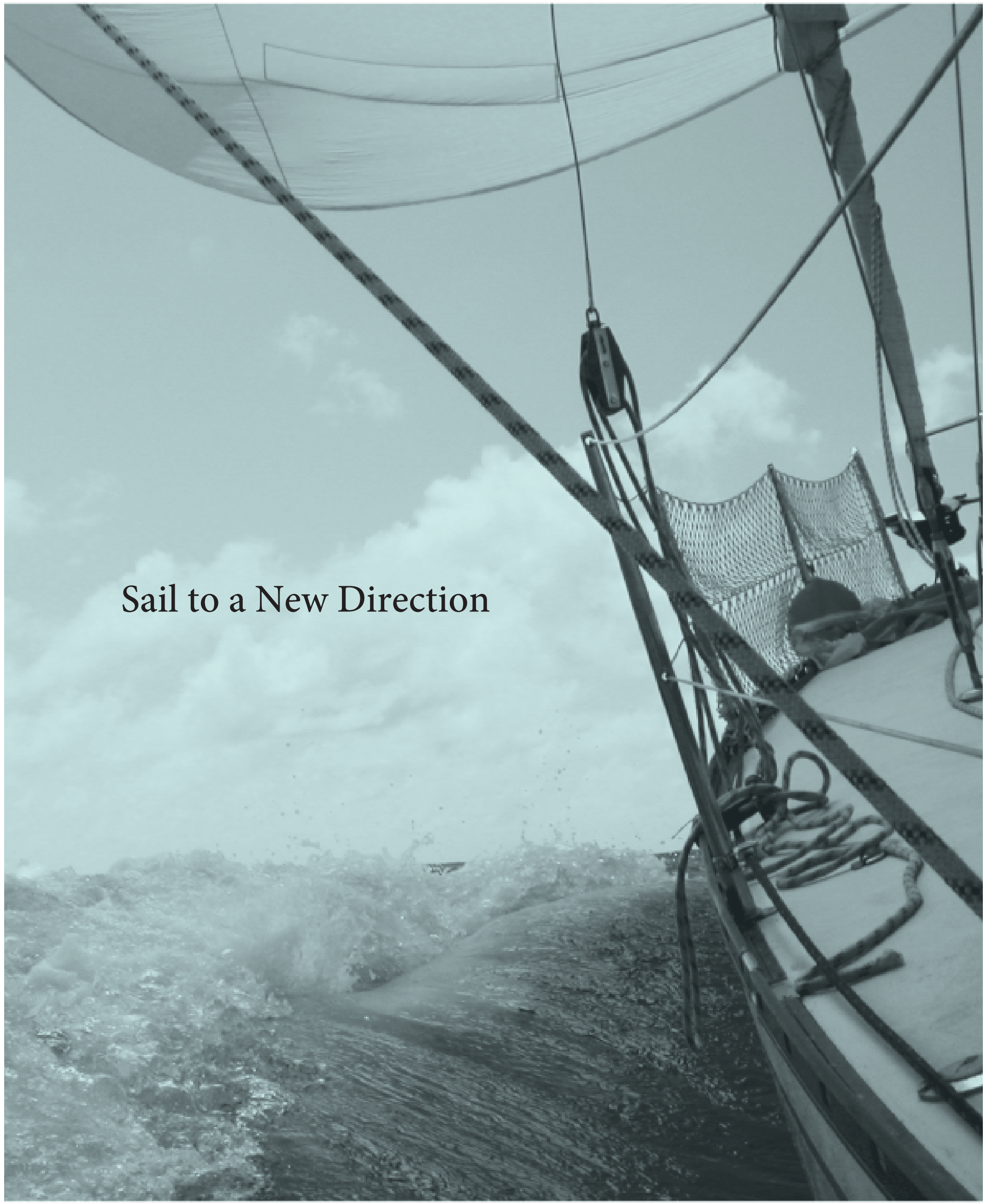

Sail to a New Direction
SMB LEASING PLC
2011 ANNUAL REPORT
www.smblk.com


Sail to a New Direction

Our Mission

Our mission is to be an excellent provider of innovative financial products and services aimed at creating and enhancing the wealth of our society.

Our Corporate Objectives

To provide an excellent service to our customers

To enhance shareholder's wealth by means of stable and attractive returns

To develop highly satisfied and motivated employees at all levels who will make an effective and efficient contribution towards the economic development of Sri Lanka

CONTENTS

CORPORATE INFORMATION

Statutory Status

A Public Limited Liability Company incorporated in Sri Lanka on 3/9/1992 under the Companies Act No. 17 of 1982 and subsequently re-registered under the Companies Act No. 07 of 2007. The Company was quoted on the Colombo Stock Exchange in 1993.

Registered as a Finance Leasing Establishment under the provisions of the Finance Leasing Act No. 56 of 2000

Company Re-registration No. PQ 91
Place of Incorporation – Colombo

Registered Office

No. 110, D. S. Senanayake Mawatha,
Colombo 08

Board of Directors

Mr. T. Someswaran *FCA. FCMA.*
(Independent Non-Executive Chairman)

Mr. U. Gautam
(Non-Executive Deputy Chairman)

Mr. M. S. I. Peiris *AICM (SL)*
(Executive Director)

Mr. R. S. W. Senanayake *ACMA (UK), FSCMA (SL)*
(Non-Executive Director)

Mr. G. C. B. Ranasinghe *Certificate in Leasing (USA)*
(Independent Non-Executive Director)

Mr. J. C. Korale *BSc. MSc. FCA. FCMA.*
(Non-Executive Director)

Dr. T. Senthilverl
(Non-Executive Director)

Secretaries

S S P Corporate Services (Pvt) Ltd.,
546, Galle Road, Colombo 03.

Auditors

M/s. KPMG
(Chartered Accountants)

Lawyers

M/s. De Livera Associates
Attorneys-at-Law & Notaries Public
Colombo.

Gunawardena & Ranasinghe Associates
Attorneys-at-Law & Notaries Public
No. 1056, Maradana Road
Colombo 08.

Aklaw Associates
Attorneys-at-Law & Notaries Public
Colombo.

Bankers

Seylan Bank PLC
Sampath Bank PLC
People's Bank
Commercial Bank PlC

Head Office

No. 110, D. S. Senanayake Mawatha,
Colombo 08
Telephone +94-11-5222888
Fax +94-11-5222880
Email smbhed@sltnet.lk
Web www.smblk.com

Subsidiary Company

SMB Money Brokers (Pvt) Ltd

Associate Companies

SMB Securities (Pvt) Ltd.
SMB Real Estate Ltd.
Kenanga Investment Corporation Ltd.

Branches

Deniyaya Branch
Central Tyre House Building, 1st Floor,
Main Street, Deniyaya.

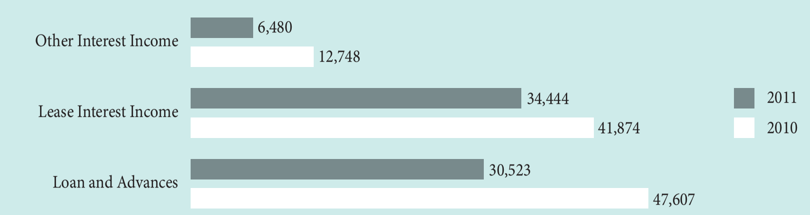
Mahiyanganaya Branch
24, Kandy Road, Mahiyanganaya.

FINANCIAL HIGHLIGHTS

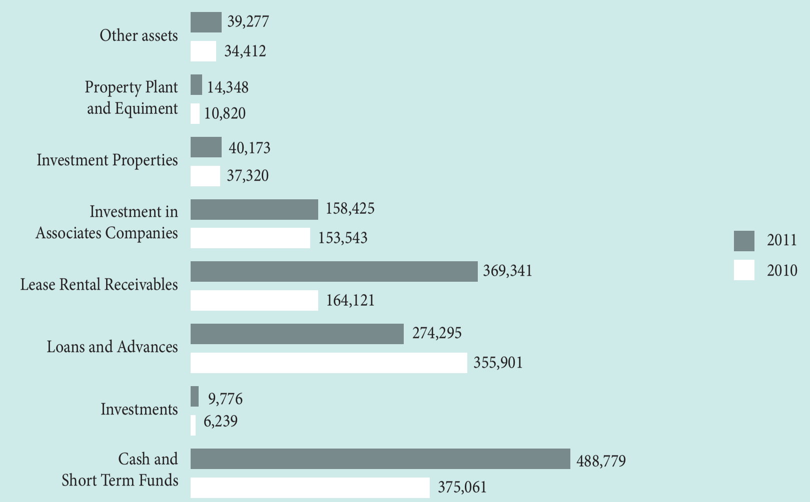
	GROUP 2011 Rs.	GROUP Change %	GROUP 2010 Rs.	COMPANY 2011 Rs.	COMPANY Change %	COMPANY 2010 Rs.
Performance During the Year						
Income	130,503,586	-7.44%	141,000,438	107,937,677	-13.03%	124,109,940
Profit/(Loss) before Tax & VAT	(28,289,373)	-184.87%	33,331,240	(35,518,111)	-282.68%	19,442,896
Taxation & VAT	(7,566,144)	25.76%	(6,016,263)	(7,084,828)	32.49%	(5,347,396)
Profit/(Loss) after Tax	**(35,855,517)**	**-231.26%**	**27,314,977**	**(42,602,939)**	**-402.24%**	**14,095,500**
At the Year End						
Lease / Loans portfolio	643,395,924	23.72%	520,022,031	646,455,924	34.22%	481,637,492
Other Assets	750,778,183	21.60%	617,394,267	707,816,012	13.22%	625,193,169
Total Assets	**1,394,174,107**	**22.57%**	**1,137,416,298**	**1,354,271,936**	**22.36%**	**1,106,830,661**
Shareholders' Funds	880,913,440	62.63%	541,658,471	852,318,089	63.78%	520,388,860
Minority Interest	7,657,705	-7.02%	8,236,023	-	-	-
Deposits & Borrowings	248,081,994	-29.65%	352,664,519	248,081,994	-29.68%	352,814,519
Debentures & Other Liabilities	257,520,968	9.64%	234,857,285	253,871,853	8.67%	233,627,282
Total Liabilities and Shareholders Funds	**1,394,174,107**	**22.57%**	**1,137,416,298**	**1,354,271,936**	**22.36%**	**1,106,830,661**
Ratios						
Basic Earnings / (Loss) per Share (Rs.)	-0.02	-202.99%	0.03	-0.03	-253.64%	0.02
Interest Cover	0.41	-73.21%	1.51	0.25	-80.67%	1.3
Net Assets per Share	0.61	46.00%	0.42	0.62	53.98%	0.4
Cost / Income Ratio	70.22%	27.12%	55.24%	65.79%	3.37%	63.64%
Net Profit/(Loss) to Income Ratio	-27.47%	-241.81%	19.38%	-39.47%	-384.78%	13.86%

FINANCIAL HIGHLIGHTS

Interest Income - Group
Rupees in Millions

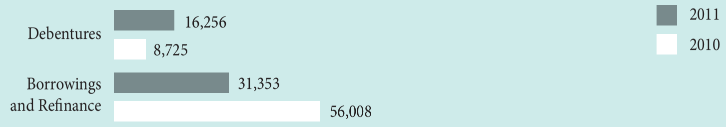


Total Assets
Rupees in Millions

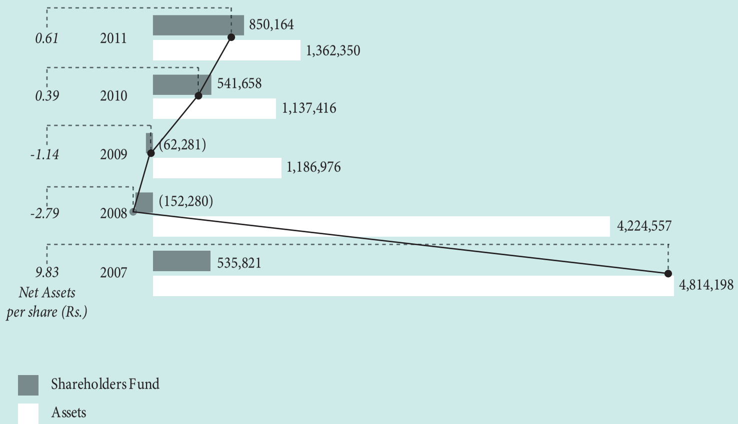


FINANCIAL HIGHLIGHTS

Interest Expenses - Group
Rupees in Millions



Group Assets, Shareholder's funds and Net Assets per share
Rupees in Millions



CORPORATE LEADERS

CHAIRMAN'S MESSAGE

Dear Shareholder

I am pleased and delighted to welcome you to the Nineteenth Annual General Meeting of SMB Leasing PLC and I'am privileged to present the Annual Report together with a review of the Company's activities for the year 2011.

The Local Economy

In 2011, the Sri Lankan economy recorded a growth of 8.3 percent, the highest in Sri Lanka's post independence history, sustaining a growth momentum of over 8 percent for the first time in two consecutive years. Underpinning this growth, was increased consumer and investor confidence arising from the peace dividend, favourable macroeconomic conditions, increased capacity utilization, expansion of infrastructure facilities and renewed economic activities in the North and East. For the third consecutive year inflation remained at a single digit level supported by improved domestic supply conditions, prudent liquidity management and benign inflation expectations. Reflecting the improvement in the fiscal sector, the debt to GDP ratio declined to 78.5 percent in 2011 from 81.9 percent in 2010.

According to the Central Bank of Sri Lanka, the performance of financial institutions improved significantly, while prudential indicators were maintained with adequate capital and liquidity buffers and healthy profit levels. A series of new and revised directions were issued to the non-bank financial sector in line with the new Finance Business Act.

Global Economy

According to the World Bank, the financial crisis for most developing countries is over. They state that efforts must now be focused on tackling country specific challenges such as achieving balanced growth through structural reforms, coping with inflationary pressures, and dealing with high commodity prices. The global financial crisis is no longer the major force dictating the pace of economic activity in developing countries. Most developing countries have, or are close to having, regained full capacity activity levels. As a result, country specific productivity and sectoral factors are now the dominant factors supporting growth. Global GDP is expected to grow 3.2 percent in 2011 before edging up to 3.6 percent in 2012. Although solid growth led by developing countries is the most likely outcome going forward, high food prices, possible additional oil price hikes, and lingering post crisis difficulties in high income countries pose downside risks.

In this global scenario we have to guard against and be prepared for, despite the positive and prudent economic policies of countries who have already invested in Sri Lanka and which can have significant benefits to our economy.

A New Direction

Today SMB Leasing PLC has become a new, independent and stand alone entity. In order to strengthen the company's leasing business it was built around Lanka Ashok Leyland PLC which is the market leader in commercial vehicles in Sri Lanka. Our company is a small to medium scale operation and we have to forge ahead notwithstanding our limitations since we have had many highs and lows in the past. We have severed our cords from the earlier mother ship and are now charting a new course that will ensure a fair and consistent return to our stakeholders.

CHAIRMAN'S MESSAGE

Continued

Company Performance

As we step into a new era, an era of new opportunities we are pleased to state that financially the company continued to progress steadily although we had not made profits during the year under review. Towards the first quarter of 2012 the situation improved and we commenced making profits which was a reflection on the new guidance given to the company by the newly instituted Board of Directors. If the company continues in this path, conditions are bound to improve leading into a situation that the company would become a considerable asset in this field.

Future Strategy

The way forward of the company is for SMB Leasing PLC to evolve our services into and specialize in factoring. By the end of the year the company looks forward to become a player in the field of debt factoring. With the many companies desirous of improving their cash flow status, factoring can become lucrative line in our company portfolio. Another aspect the company would be seriously looking into is micro finance. The number of people who need to secure leasing for Motor cycles and the ubiquitous Three Wheelers is steadily increasing and the company needs to capitalize on this enterprising sector. With the assistance from our joint venture partner Lanka Ashok Leyland, we will also delve into other projects such as providing leasing facilities on concessionary rates to the public to purchase school buses in order to service the growing population of schoolchildren from the suburbs who require transport.

Appreciations

In view of the conditions that prevailed during the year under review, we have reasons to be satisfied with the performance of the company in this transition times and I would like to take this opportunity to express my appreciation and gratitude to the Management and Staff whose commitment and perseverance was a great source of strength.

I take this opportunity to offer my thanks to the shareholders and look forward to their continued support which will enable the Company to attain growth with equity to all our stakeholders in the future.

On behalf of the Board of Directors I would like to express my deep appreciation to the officials of the Central Bank of Sri Lanka for their continued support and to our customers for their continued trust in our company.

T. Someswaran
Chairman
30th May 2012
Colombo

DIRECTORS PROFILES

Mr. T Someswaran - FCA, FCMA
Age: 69 years | Independent Non-Executive Chairman

Mr T Someswaran is a Chartered Accountant, in practice for more than 35 years and retired from the Post of Senior Partner of SJMS Associates, a Firm of Accountants which is associated with Deloitte's in Sri Lanka.

He serves on the Audit committee of the Institute of Chartered Accountants of Sri Lanka and Serendib Land PLC. He also serves on the Board of Commercial Credit, Abans Financial Services, CleanCo Lanka Ltd., Pan Asia Power, ECSAT Galle (Equality-based Community Support & Training), Indonesian Business Council of the Ceylon Chamber of Commerce, Ceylon Chamber of Commerce, Inst. for Development of Commercial Law & Practice and is the Vice President of the International Chamber of Commerce of Sri Lanka.

He is a member of the Sri Lanka Inst. of Directors, Organization for Professional Associations (OPA), International Fiscal Association (IFA), Member of the Tax Faculty, European Chamber of Commerce and Secretary of Ashoka Innovators for the Public.

He holds numerous memberships and honorary positions to help strengthen the capacity of charitable and non-profit organizations as well as philanthropic projects and activities.

Mr Someswaran has substantial experience in auditing, organizational development, leadership & partnership building and is passionate about networking & linking organizations to facilitate positive social change and development, with specific focus on governance, accounting ethics and resource mobilization,

He is also a Fellow member of CMA and a member of its Governing Council.

Apt. No.3/1 'St. Michaels', No.4, Alfred House Gardens, Colombo 3.

Mr. U. Gautam
Age: 57 years | Non-Executive Deputy Chairman

Mr. U Gautam is attached to Ashok Leyland India as its Head of the SAARC Region representing Ashok Leyland India in the joint venture Lanka Ashok Leyland PLC as its CEO.

Mr. Gautam initially was on deputation in 1996 and developed a very strong market for Ashok Leyland in Sri Lanka which presently enjoys market leadership position.

By profession he is an Engineer and serves Ashok Leyland since 1978 and had held number of important assignments in the domestic market in India prior to taking up assignment in its Export Department in 1986.

51, School Lane, Colombo 03

DIRECTORS PROFILES

Continued

Mr. M. S. I. Peiris AICM (SL)
Age: 43 years | Executive Director

Mr. M S I Peiris is an Associate member of the Institute of Credit Management of Sri Lanka. He joined Seylan Merchant Bank PLC in 1994 and presently functions as the Executive Director of SMB Leasing PLC. Mr. Peiris has extensive experience in the field of credit especially in leasing, counting over 25 years in the industry.

73, "Sunny Dale" Katukurunda, Moratuwa.

Mr. R. S. W. Senanayake ACMA (UK), FSCMA (SL)
Age 46 years | Non-Executive Director

Mr. R.S.W. Senanayake is an Associate member of the Chartered Institute of Management Accountants of the United Kingdom and Fellow member of the CIMA of Sri Lanka. He presently functions as the Chairman/Managing Director of SMB Money Brokers (Pvt) Ltd, SMB Securities (Pvt) Ltd, SMB Real Estate Limited, Chairman of Corporate Finance & Capital Market Limited and the Managing Director of Kenanga Investment Corporation Limited. Mr. Senanayake gained experience in accounting and auditing through a stint with M/S Pricewaterhousecoopers.

He has been involved in the Securities Industry for many years. He worked at Somervile Stock Brokers (Pvt) Ltd, a tenure during which he gained comprehensive exposure to the stock broking business. Mr. Senanayake has specialized in the profession of investment management, and was associated with Central Finance Company PLC as its Investment Manager, managing the equity portfolios of Central Finance Company PLC , Central Securities PLC, and some other subsidiaries of Central Finance Company PLC. He was at Ceylinco Insurance Company PLC as Deputy General Manager-Investments, assuming responsibility for management of the Life, General Pension Funds of the Company.

He was a Director of the Leasing Association of Sri Lanka from 2005 to 2008 and also as a Director at Rainwear (Pvt) Limited from 1988 to 1990.

18/244 A, Evergreen Park, Off Muhandiram E. D. Dabare Mawatha, Colombo 05.

Mr. G. C. B. Ranasinghe
Age: 66 years | Independent Non-Executive Director

Mr. G C B Ranasinghe counts more than 25 years of experience in the leasing industry. He was a founder Director / CEO of Orient Financial Services Corporation Pvt. Ltd. from which he retired in October 2009. He has also served at Mercantile Leasing Ltd. for over 20 years in different capacities and also served as a Director of the said company.

Mr. Ranasinghe joined the leasing industry in its formative years and has played a major role in developing leasing as an important financial instrument in the local market.

Mr. Ransinghe was awarded a Certificate of Leasing by the Summer School of Leasing, Salt Lake City, Utah, USA.

111/G/10, Kahanthota Road, Malabe

DIRECTORS PROFILES

Mr. J. C. Korale
Age: 53 years | Non-Executive Director.

Mr. J C Korale joined the Board of SMB Leasing PLC in November 2010 and holds a Bachelor of Science Degree from the University of Kelaniya and a Master of Science Degree from the University of Moratuwa.

Mr. Korale is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka and a fellow member of the Chartered Institute of Management Accountants – UK. He is also an Associate Member of the Chartered Institute of Arbitrators of UK.

He also held the position of Vice Chairman of the National Contractors Association of Sri Lanka and was a founder Director of the Advance Construction Training Academy.

Mr. Korale has extensive exposure to Finance, Audit and other industries and acts as an Independent Management Consultant and a practicing Arbitrator.

15A, Arcadia Gardens, Rosmead Place, Colombo 07

Dr. T Senthilverl
Age: 67 years | Non-Executive Director.

Dr. T Senthilverl serves on the Boards of Amana Takaful Insurance PLC, C T Land Development PLC, C W Mackie PLC, Lanka Ceramics PLC, MBSL Savings Bank PLC, Vidullanka PLC and several subsidiaries and associate companies. He counts over four decades of active engagements in Manufacturing, Trading, Land Development, Power & Energy Sectors, Industrial Turnkey Projection, Construction and Management.

No. 28 D, Visaka Road, Colombo 04

CORPORATE MANAGEMENT TEAM

Mr. M S I Peiris *AICM (SL)* - Executive Director

Mr. M J N S Fernando - Chief Executive Officer

Mr. P V Ranasinghe *Dip in Fin Mgt* - General Manager - Credit & Collection

Mr. P W K Roshan *B. Com (Sp), ACA* - Head of Finance

Mr. M Welagedara *Attorney-at-Law, Notary Public and Registered Company Secretary*
- Head of Legal & Human Resources

Mr. R M Weerackoon *Msc. IT & M* - Head of Information Technology

MANAGEMENT DISCUSSION AND ANALYSIS

Business Activities
The Company is currently operating its Head Office in Colombo and Branches are located in Deniyaya and Mahiyanganaya.

During the year 2011, after the rights issue SMB Leasing PLC recommenced its Leasing business. Cash generated from existing business were utilized to pay matured debts and overheads.

Since November 2011, the Company commenced a joint promotion of Lanka Ashok Leyland vehicles on leasing terms with Lanka Ashok Leyland PLC. This activity will be strengthened and continued in a larger scale in 2012.

Subsidiary & Associate Companies
The position as at the end of 2011 is given below:

Subsidiaries – Unquoted	
SMB Money Brokers Pvt. Ltd.	50.99% holding
Equity Accounted Investees	
SMB Real Estate Ltd	49% holding
Kenanga Investment Corporation Ltd.	49% holding
SMB Securities Pvt. Ltd.	49.5% holding

Financial Review

Gross Income (2011)	Rs. 130 Million
Net Income	Reduced by 36% due to scaling down of activities
Total Provision (Net)	Rs. 24 Million
Loss After Tax	Rs. 42 Million
Group Income (Gross - 2011)	Rs. 130 Million
Loss After Tax (Group)	Rs. 35 Million

The percentage segment contribution for the consolidated group income in 2011 are as follow:

Loans	29%
Leasing	40%
Money Brokering	31%

Human Resources
We have recognized the staff as the best asset of the organization and equipped them with knowledge and necessary skills for their professional development by providing on the job training and giving opportunities to participate in seminars, workshops and conferences etc.

Also with the limited resources, Company was able to organise few activities for the staff which resulted to motivate and build up the team spirit among themsleves. As at 31st December 2011 total staff members attached to the organization were 44.

SUBSIDIARIES, ASSOCIATES AND EQUITY ACCOUNTED INVESTEES

NAME OF THE COMPANY	PRINCIPLE ACTIVITY	% HOLDING BY SMB	DIRECTORS	LICENCE OBTAINED
Investments in Subsidiary - Unquoted				
SMB Money Brokers (Pvt) Ltd.	Money Market Activities	50.99%	Mr. R.S.W. Senanayake Mr. N.N. Jayatillake	
Equity Accounted Investees				
SMB Securities (Pvt) Ltd.	Trading & Dealing in Equity & Debt in Colombo Stock Exchange	49.50%	Mr. R.S.W. Senanayake Mr. N.N. Jayatillake Mr. M.S.I. Peiris	Stock Broker Stock Dealers
SMB Real Estate Ltd.	Real Estate Development Activities	49.00%	Mr. R.S.W. Senanayake Mr. M.S.I. Peiris Mr. A. M. Jayasuriya Mr. N.N. Jayatillake	
Kenanga Investment Corporation Ltd.	Corporate Finance Activities	49.00%	Mr. S.C. Liang Mr. R.S.W. Senanayake Mr. M.S.I. Peiris Mrs. T.D.P.N.Z.B.T. Ismail Mr. L.K. Khee Dr. N.B. Razak	

RISK MANAGEMENT

A strong and pervasive integrated risk management culture pervades the Company and provides it with the foundations to a sound process. Its framework is designed so that risk is managed in a way consistent with the Company's management philosophy.

Thus the main objectives of the company's risk management policy is to manage risk at an acceptable level, reject unacceptable risks and continuously monitor risks in order to maintain a quality portfolio.

Given below are the key risk factors that may impact the Company:

Credit Risk

This is defined as the potential for loss arising from the failure of a counterparty to perform according to its contractual obligations to the Company.

To manage this risk effectively, the Company's Credit Committee will review the credit policy, monitor its credit approval limits, evaluate the facilities with large exposure and creditworthiness of the borrower. The committee also reviews portfolio performance on a regular basis and ensure loan classification on collection performance.

Market Risk

This is the risk that the value of a portfolio will decrease due to change in value of the market risk factors. These are changes in interest rates, exchange rates, equity prices, credit spreads etc.

An effective pricing policy is in place to monitor and fix the lending rates to maintain a minimum spread.

Liquidity Risk

Liquidity risk is monitored by the Asset and Liability Committee (ALCO) of the Company. The committee has introduced sound policies to minimize the risk.

Operational Risk

Operational risk is the risk of direct or indirect loss due to an event or action resulting from the failure of internal processes, people and systems, or from external events.

Reputational Risk

This is the loss of business reputation, established over a period, as a result of negative publicity or adverse market perception of the company. Reputation is often equated with the goodwill of the business.

To overcome this risk the Company, as has been in the past, will continue to meet all statutory, regulatory and compliance requirements.

SMB LEASING PLC

CORPORATE GOVERNANCE AND COMPLIANCE

Corporate Governance is the process by which companies are directed and controlled by the Board of Directors in the best interest of the stakeholders ensuring greater transparency and better and timely financial reporting.

SMB Leasing PLC. is committed to uphold the highest standards of Corporate Governance and ethical conduct in all it's business activities. The Board of Directors are responsible for creating and delivering sustainable stakeholder value through the management of SMB Leasing PLC's businesses.

The disclosure will include measures adopted to protect the interest of stakeholders, the responsibility for the system of internal controls implemented by the management, the Companies commitment to ethical standards of business conduct, information of particular interest to employees, community and customers.

Statement of Compliance
SMB Leasing PLC has placed greater focus on compliance with the regulations of regulatory bodies such as The Central Bank of Sri Lanka, Securities and Exchange Commission and The Colombo Stock Exchange.

The Board ensures that the Company complies with the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka.

The following Table gives the Corporate Governance Principles and the Compliance carried out.

Corporate Governance Principles	Compliance
The Boards of Directors	
Composition of the Board	The Board comprises of seven Directors out of which six are non Executive Directors. The Chairman also act as a non Executive Director. All Directors encompass a wide range of skills, talents and experience required to add value to enhance the business. The profiles of the Directors are set out in pages 11 to 13
Meetings	Meetings are held every month to review and evaluate the performance of the company. Special meetings are convened when necessary.
Responsibilities of the Board	The ultimate responsibility of all operations of the Company and being accountable to the stakeholders lies with Board of Directors. Matters reserved for the Board and the sub committees and those delegated to the management are clearly defined. The Audit Committee is a sub committee of Board. The Board ensures: • Formulating corporate strategy & strategic direction of the Company • Monitoring the effectiveness of the Companies risk management strategy • Compliance with ethical and legal standards • Reviewing the integrity of the Companies Accounting and Financial Statements • Approval of Financial Statements for publication • Approval of Budget and Corporate Plans • The interests of Shareholders and other stakeholders are safeguarded • Making recommendations to shareholders on the changes of the Board
Independent professional advice	The Board seeks independent professional advice whenever it is necessary.
Dedication of adequate time & effort for the matters of the Board and the Company	Each Director brings independent judgment to bear on matters the Board is responsible for, and dedicates the time and effort necessary to carry out his responsibilities.

CORPORATE GOVERNANCE AND COMPLIANCE

Continued

Corporate Governance Principles	Compliance
Training of the Directors	Presentations are made to the Board from time to time regarding changes in industry related matters.
Company Secretary	The Board of Directors of the Company has appointed SSP Corporate Services (Pvt) Ltd. as Company Secretaries w.e.f. 17th March, 2010. All Directors have access to the secretary, who is responsible to the Board to ensure that Board procedures and the applicable rules and regulations are complied with. The Articles of the Company provides that the Board may appoint or remove the secretary.
Independent judgment	Each Director brings independent and objective judgment on the matters of the Board. The composition of the Board also ensures the balance between executive expediency and independent judgment.
Chairman's Role	The Chairman is a Non-Executive Director. The Chairman's role provides effective leadership and strategic insight to the issues of the Board.
Financial Acumen Financial acumen of the Board	The Board includes three Chartered or Management Accountants. These members have the acumen and knowledge to provide the Board with necessary guidance in conducting its business.
Supply of Information Timely and accurate management information	All Directors are provided with timely, accurate and clear information on a regular basis. Requests are made for further information if necessary.
Appointments to the Board Availability of a formal and transparent procedure for new appointments	The Company does not have a nomination committee or procedure for making recommendations on new appointments to the Board. New Directors, including the Chairman and the Deputy Chairman are appointed by the Board.
Disclosure of details of new Directors	Details of new appointments are disclosed to the shareholders on their appointment. Regulatory authorities are also informed as required.
Re-election Re-election of Directors	The Articles of Association provides for ¼th of the directors to retire by rotation each year, with the exception of Chairman and Deputy Chairman.
Appraisal of Board Performance	There is no formal procedure to evaluate the Board performance. Chairman ensures that the Board functions effectively and efficiently.
Appraisal of the CEO	The Board sets financial and non financial goals and objectives for the CEO and delegates the required level of authority to the management to achieve the strategic objectives.
Directors' Remuneration Remuneration Procedure	The Board of Directors determines the remuneration package of the Executive Director based on the performance of the Company.
Disclosure of Remuneration	The total remuneration of the Directors' is disclosed on page 38 of the Annual Report.
Relations with Shareholders	
Constructive use of the Annual General Meeting	The primary mode of communication between the Company and the shareholders are the Annual Report and the Annual General Meeting. Shareholders have an opportunity to participate in company deliberations at the Annual General Meeting of the Company.

CORPORATE GOVERNANCE AND COMPLIANCE

Corporate Governance Principles	Compliance
Circulation of Notice of the AGM	The Annual Report, Financial Statements and the notice of the meeting are sent to shareholders with a notice period of at least 21 calendar days (not less than 15 working days).
Major transactions	There were no major transactions materially affecting the balance sheet in 2011.
Accountability and Audit	
Financial Reporting Statutory and regulatory reporting	The Company places great emphasis on complete disclosure of both financial and non financial information and has presented a balanced assessment of Company's position for the year ended 31st December 2011 and at each quarter. In preparing the quarterly and annual financial statements the Company has complied with Companies Act No 7 of 2007, Finance Leasing (Amendment) Act No. 24 of 2005 and is presented in conformity with Sri Lanka Accounting Standards. The Company has also complied with the requirements of the regulatory authorities such as the Central Bank of Sri Lanka, Securities and Exchange Commission and Colombo Stock Exchange.
Directors' Report in the Annual Report	Directors' report is given on pages 23 to 25 of the Annual Report.
Directors' responsibility statement	The statement of Directors' responsibility for financial reporting is given on page 26 of the Annual Report.
Statement of the External Auditors'	The Auditors' report is given on pages 27 & 28 of the Annual Report and includes their on their reporting responsibilities scope for the audit and the opinion on the financial statements.
Operational and Financial Review in the Annual Report	The Operational and Financial Review is given on pages 15 of the Annual Report.
Declaration of the Board that the business is a going concern	This declaration is given on page 23 to 25 of the Annual Report.
Internal Controls	
Maintaining a sound system of internal control and risk management	The ultimate responsibility of internal controls and mitigating risks rests with the Board of Directors. Company's internal control systems and procedures are designed to eliminate possible risks and minimize any unforeseen risks while an effective disaster recovery plan is in place. A detail risk management report is given on page 17 of the Annual Report.
Reviewing the effectiveness of the Internal Control System	Regular reviews are carried out and a quarterly internal audit report is submitted to the board. The Audit Committee reviews and evaluates the effectiveness of the Company's internal audit and control system.
Audit Committee and Auditors	Audit Committee consisted of Independent Non-Executive Chairman, Independent Non-Executive Director and a Non-Executive Director. The said committee ensure that the company complies with the directions issued by the Department of Supervision of Non Bank Financial Institutons of the Central Bank of Sri Lanka.
Employee/Other Stakeholder	
Rights of other Employees/ Other stakeholders	The Company is conscious of its responsibility towards its stakeholders and is focus in value addition to the Company. Stakeholders have access to relevant, sufficient and reliable information on a timely and regular basis.

AUDIT COMMITTEE REPORT

COMPOSITION OF THE COMMITTEE

The Board of Directors appointed an Audit Committee comprising the following Non Executive Directors of SMB Leasing Plc during the year ended 31st December 2011.

Mr. T. Someswaran - Chairman
Mr. J. C. Korale
Mr. G. C. B. Ranasinghe

MEETINGS

During the financial year ended 31st December 2011 eleven Audit Committee Meetings were held and proceedings of these meetings were reported to the Board on a regular basis. The Executive Director, Chief Executive Officer, Head of Finance and the representatives of SJMS Associates on behalf of Internal Auditors attended the meetings by invitation. The committee met with the External Auditors Messers KPMG during the year under review as well as immediately after the financial year to provide the environment for a frank dialogue with the committee. This opportunity too was used to discuss in advance the time frame for the conclusion of the financial audit so that regulatory requirements are complied with.

ROLE AND FUNCTIONS OF THE AUDIT COMMITTEE

The role of the Audit Committee is to assist the Board of Directors in fulfilling the overall responsibility of SMB Leasing Plc and assist the Board in discharging the responsibility of the Board in terms of compliance to the laws, regulations, code of conduct and best practices with the view of safeguarding the interest of all stakeholders of the entity in an optimum manner. Representatives of the firm of Chartered Accountants executing the functions of the Internal Auditors were invited to the Audit Committee meetings convened together with the Executive Director, CEO, Head of Finance to discuss the Internal Audit Reports. The Audit Committee provides the forum to review internal audit reports, consider the findings, to recommend corrective actions to be taken by the Management with follow up monitoring with a view to manage significant business risk and controls. The Audit Committee also meets the External Auditors as appropriate to discuss the conclusion of the audit with particular reference to the management letter. This Committee is the means by which the Board is in the continuing process of enhancing internal controls and provides a reasonable assurance that company's affairs are managed in accordance with statutory requirements and company's assets and income are properly accounted for within the ambit of the audit committee charter and other constraints.

Sourcing of Internal Audit Function

With the concurrence of the Board, the Audit Committee continues to engage services of an independent firm of Chartered Accountants namely, SJMS Associates with a view of discharging Internal Audit functions independently. SJMS Associates have been carrying out periodic audits of the key areas of the business in an orderly manner and report with compliance and or explanations of the operational management.

(Sgd)
G C B Ranasinghe
Member of the Audit Committee
30th May 2012

Numbers play a vital role

FINANCIAL STATEMENTS

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

The Directors of SMB Leasing PLC have pleasure in presenting herewith their report together with the Audited Consolidated Financial Statements for the year ended 31st December 2011 which were approved by the Directors on 30th May 2012.

Principal Activities
The principal activities of the Company are offering finance leasing and Loan facilities

Principal Activities of the Subsidiary
The principal activity of the Company's Subsidiary, namely, SMB Money Brokers (Pvt) Ltd, is money market activities.

Principal Activities of Associates
SMB Securities (Pvt) Ltd is trading and dealing in Equity and Debt in the Colombo Stock Exchange.
Kenanga Investment Corporation Ltd is engaged in Investment banking related activities & providing advisory services.
SMB Real Estate Ltd is engaged in real estate development activities.

Review of Operations
The Chairman's Message describes the operations of the Company during the year ended 31st December 2011 and contain a fair view of the Company's affairs.

Financial Statements
The Financial Statements of the Group and the Company are given on pages 29 to 55 of the Annual Report.

Auditor's Report
The Auditor's Report on the Financial Statements is given on the pages 27 & 28 of the Annual Report.

Significant Accounting Policies
The Significant Accounting Policies adopted in the preparation of Financial Statements are given on pages 33 to 37 of the Annual Report.

Directors Remuneration
Directors Remuneration of the Company for the financial year ended 31st December 2011 are given on Note 8 to the Financial Statements on page 38.

Group Revenue
The revenue of the group was Rs. 130 Mn (2010 – Rs. 141Mn). An analysis of revenue based on segments is disclosed in the segmental analysis on page 55 in this report.

Property, Plant & Equipment
Details relating to Property, Plant & Equipment are disclosed in Note 21 of the Financial Statements on pages 47.

Capital Expenditure
The total capital expenditure of the group incurred on the acquisition of Property, Plant & Equipment during the year which is given in Note 21 of the Financial Statements amounts to Rs. 7.0Mn. (2010 - Rs. 6.3Mn)

Taxation
A detailed description of the income tax rate applicable to the company and a reconciliation of the accounting profits with the taxable profits are given in Note 10 of the Financial Statements. It is the policy of the group to provide for deferred taxation on all known temporary differences at the Balance Sheet date on the liability method. The deferred tax detail of the company is given in Note 10.b of the Financial Statements.

Financial Results of the Company for the Year

	31.12.2011 Rs.'000	31.12.2010 Rs.'000
Profit/(Loss) before Taxation	(39,455)	16,611
Income Tax	(3,148)	(2,515)
Profit/(Loss) after Taxation	(42,603)	14,096
Unappropriated Loss Brought forward	(636,419)	(637,356)
Capital Reduction	636,419	-
Cost of Share issue	(1,600)	(4,540)
Transfer to Statutory Reserve Fund	-	(8,618)
Accumulated Losses	(44,202)	(636,419)

Market Value of Properties
The carrying value of investment properties owned by the Company is stated in the Note 20 to the Financial Statements.

Investments
Detailed descriptions of the Investments made by the Company is given in the Note 20a of the Financial Statements.

Reserves
The reserves of the group are disclosed in the Statement of Changes in Equity.

Stated Capital
The stated capital as at 31st December 2011 was Rs. 501.5Mn after the Capital Reduction (2010 - Rs. 1,146.9Mn) consisting of 826,486,514 ordinary voting shares and 560,000,000 ordinary non-voting shares. Page 59 of this report describe the details of the distribution and composition of Shareholders.

Conversion of Warrants
The free warrants which were issued with the Ordinary Voting Shares and Ordinary Non Voting Shares through the rights issue in the year 2010 were converted in to Ordinary Voting Shares and Ordinary Non Voting Shares of the Company in December 2011 on the following basis.

Warrants (Ordinary Voting Shares) - in the ratio of 1 warrant for 1 right, at a price of Rs. 1/- per share.

Warrants (Ordinary Non Voting Shares) - in the ratio of 1 warrant for 1 right, at a price of Rs. 0.80 per share.

As a result of the said conversion of warrants, Rs. 332,105,128 and Rs, 42,461,311 was infused in to the stated capital of the company through Ordinary (Voting) shares and Ordinary (Non Voting) shares respectively, as at 31st December 2011.

Share Information
Information relating to Earnings, Dividends, Net Assets, and Market value per share and share trading is given on page 60 on the Annual Reoprt.

Major Shareholders
Details of the top twenty Shareholders of the company and the percentages held by each of them are disclosed in the page 59 on this report.

Employment
It is the group policy to practice equality of opportunity for all employees. The group continuously invests in training and development of staff in order to maintain a dedicated and highly motivated team to achieve service excellence.

Directors
The following were Directors of the Company as at 31st December 2011
1. Mr. T Someswaran
2. Mr. U Gautam
3. Mr. M S I Peiris
4. Mr. R S W Senanayake
5. Mr. G C B Ranasinghe
6. Mr. J C Korale
7. Dr. T Senthilverl

New Appointments
Mr. T. Someswaran who was an Independent Non Executive Director, was appointed as the Chairman of SMB Leasing PLC on 27th July 2011.

Mr. U. Gautam who was a Non Executive Director of SMB Leasing PLC was appointed to the post of Deputy Chairman on 17th August 2011.

Retirement of Directors
In terms of Article 87 of the Articles of Association of the Company Mr. G C B Ranasinghe retires and been eligible to offer himself for re-election.

Directors Shareholdings
The shareholdings of the Directors of the Company are shown on page 61 under Shareholders' Information.

Directors Interest in Shares and Debentures
Directors interest in Shares and Debentures of the Company as at 31st December 2011 are as disclosed on page 61 of the Annual Report.

Directors Interest in Contracts
The Directors of the Company have no direct or indirect interest in any contract or proposed contract of the company, except those specified in Note 33 to the Financial Statements, which have been disclosed and declared at meetings of the Directors.

Interest Register
The Directors' Interest register is maintained by the Company and relevant disclosures are made in this report.

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

Board Sub Committee
Audit Committee
The following Directors serve on the Board of the Audit Committee.

Mr. T Someswaran
Mr. J C Korale
Mr. G C B Ranasinghe

Head of Finance, the Internal Auditors and External Auditors and the Secretaries of the Company attend meetings by invitation.

Statutory Payments
The directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the Company and its subsidiary, all contributions, levies and taxes payable on behalf of and in respect of the employees and all known statutory dues as at the balance sheet date have been paid or where relevant, provided for by the Company and its subsidiary.

Environmental Protection
The Board of Directors to the best of their ability takes every attempt to comply with relevant environmental laws, regulations and best practices applicable in the country.

Directors Responsibility for Financial Reporting
The Directors are responsible for the preparation of the Financial Statements of the company to reflect the true and fair view of the state of its affairs. The Directors are of the view that these Financial Statements have been prepared in conformity with the requirements of Sri Lanka Accounting Standards and Companies Act No. 07 of 2007, thereafter, Finance Leasing (Amendment) No. 24 of 2005 and Listing rules of the Colombo Stock Exchange.

Corporate Governance
The Board of Directors is of the view that it has focused on the necessary resources and processes to ensure that the company is compliant with the code of best practices of Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka throughout the year ended 31st December 2011. The Corporate Governance report is given on pages 18 to 20 of the Annual Report.

Risk Management
The steps taken by the Company in respect of both financial and operational risks have been set out in the page 17 to this report.

Going Concern
The Directors are of the view that the company has adequate resources to continue the Company's operations in the foreseeable future. The Financial Statements are prepared based on a going concern concept.

Loan Capital
The Company has from time to time issued quoted/unquoted, unsecured, subordinated, redeemable debentures to mobilize funds to be used in the disbursement of lease and loan facilities.

Post Balance Sheet Events
Events that have occurred after the Balance Sheet date have been disclosed in Note 31 of the Financial Statements.

Auditors
The retiring auditors M/s. KPMG, Chartered Accountants have signified their willingness to continue in office and resolution to re-appoint them as Auditors and authorizing the Directors to fix their remuneration will be proposed at the Annual General Meeting. Audit fee is disclosed on Note 8 of the Financial Statements on page 38. The Auditors have confirmed that they do not have any relationship with, or interests in the company other than those disclosed above.

This report is signed for and on behalf of the Board of Directors by

M.S.I. Peiris
Executive Director

(*sgd*)
S S P Corporate Services (Pvt) Ltd
Company Secretaries
30th May 2012
Colombo

DIRECTORS RESPONSIBILITY STATEMENT

The Financial Statements of the Company and Group for the year ended 31st December 2011 are prepared and presented in compliance with the Sri Lanka Accounting Standards Act No. 15 of 1995 issued by the Institute of Chartered Accountants of Sri Lanka and requirements of the Companies Act No. 07 of 2007.

The Board accepts responsibility for the intergrity and objectivity of the Financial Statements presented. The Directors are also of the view that, in preparing these Financial Statements appropriate accounting policies and practices have been adopted consistently together with relevant Sri Lanka Accounting Standards and Directions issued by the external regularity authorities.

The Board of Directors is responsible for taking reasonable assurance of appropriate internal control systems and accounting records which ensures that the Company's business is carried on in an acceptable and efficient manner so as to safeguard the Company's assets, and preventing and detecting frauds as well as other irregularities, which is reviewed, evaluated and updated on a going concern basis.

This statement is signed for and on behalf of the Board of Directors by

M. S. I. Peiris
Executive Director
30th May 2012

INDEPENDENT AUDITORS' REPORT

KPMG
(Chartered Accountants)
32A, Sir Mohamed Macam Marker Mawatha,
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TO THE SHAREHOLDERS OF SMB LEASING PLC

Report on the Financial Statements

We have audited the accompanying financial statements of SMB Leasing PLC, the consolidated financial statements of the company and its subsidiary as at 31st December 2011, which comprise the balance sheet as at 31st December 2011, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and summary of significant accounting policies and other explanatory notes as set out on pages 29 to 55.

Management's Responsibility for the Financial Statements

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

Scope of Audit and Basis of Opinion

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

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

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

INDEPENDENT AUDITORS' REPORT

Continued

Opinion - Company

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

Opinion – Group

The group has recognized an amount of Rs. 4,446,430 as the share of profit of SMB Real Estate Limited, an associate company of the group, as per equity method of accounting for the preparation of consolidated financial statements for the year ended 31st December 2011, based on unaudited financial statements of the associate company for the same year.

In our opinion, so far as appears from our examination, except for the effects on the financial statements of the matter referred to in preceding paragraph, the group maintained proper accounting records for the year ended 31st December 2011 and the consolidated financial statements give a true and fair view of the state of affairs as at 31st December 2011 and the loss and cash flows for the year then ended, in accordance with Sri Lanka Accounting Standards, of the Company and its subsidiary dealt with thereby, so far as concerns the shareholders of the Company.

Report on Other Legal and Regulatory Requirements

These financial statements also comply with the requirements of Section 153(2) to 153(7) of the Companies Act No. 07 of 2007.

KPMG

Chartered Accountants
30th May 2012
Colombo

INCOME STATEMENT

For the Year Ended 31 December	Notes	GROUP 2011 Rs.	GROUP 2010 Rs.	COMPANY 2011 Rs.	COMPANY 2010 Rs.
Gross Income	4	**130,503,586**	**141,000,438**	**107,937,677**	**124,109,940**
Interest Income	5	71,446,873	102,228,741	70,664,262	101,717,870
Interest Expenses	6	(47,608,969)	(64,732,497)	(47,608,969)	(64,732,498)
Net Interest Income		**23,837,904**	**37,496,244**	**23,055,293**	**36,985,372**
Other Income	7	59,056,713	38,771,697	37,273,415	22,392,070
		82.894,617	76,267,941	60,328,708	59,377,442
Less: Operating Expenses	8				
Personnel Costs		(44,505,179)	(31,568,860)	(31,813,732)	(23,963,579)
Premises, Equipment & Establishment Expenses		(21,948,810)	(20,628,076)	(11,106,838)	(12,990,373)
Provision for fall in value of Investment in Associate Companies		(3,720,958)	-	(3,720,958)	-
Reversal of provision for fall in value of Investment Securities		3,658,010	-	3,658,010	3,722,619
Other Operating Expenses		(34,505,951)	(40,866,828)	(28,024,038)	(38,021,272)
Provision/Reversal for Loan Losses	9	(24,839,263)	31,318,059	(24,839,263)	31,318,059
		(125,862,151)	(61,745,705)	(95,846,819)	(39,934,546)
Profit/(Loss) from Operations		(42,967,534)	14,522,236	(35,518,111)	19,442,896
Share of Profits of Associate Companies	19	14,678,161	18,809,004	-	-
Less: Value Added Tax on Financial Services		(3,937,130)	(2,832,112)	(3,937,130)	(2,832,112)
Profit/(Loss) before Tax		**(32,226,503)**	**30,499,128**	**(39,455,241)**	**16,610,784**
Income Tax	10	(3,629,014)	(3,184,151)	(3,147,698)	(2,515,284)
Profit/(Loss) for the Period		**(35,855,517)**	**27,314,977**	**(42,602,939)**	**14,095,500**
Attributable to :					
Equity holders of the Parent Company		(35,277,199)	27,117,558	(42,602,939)	14,095,500
Minority Interest		(578,318)	197,419		-
		(35,855,517)	**27,314,977**	**(42,602,939)**	**14,095,500**
Basic Earnings/(Loss) Per Share	11	(0.03)	0.03	(0.03)	0.02

The Notes on pages 33 to 55 form an integral part of these financial statements.
Figures in brackets indicate deductions

BALANCE SHEET

As at 31 December	Notes	GROUP 2011 Rs.	GROUP 2010 Rs.	COMPANY 2011 Rs.	COMPANY 2010 Rs.
ASSETS					
Cash in hand & Balances in Banks	12	408,336,075	300,580,666	407,992,144	297,843,372
Treasury Bills and Bonds Eligible for Rediscounting with Central Bank	13	2,200,000	1,300,000	-	-
Placements with and loans to other Banks and Finance Companies	14	78,243,213	73,179,881	72,713,770	67,830,009
Investment Securities	15	9,776,360	6,238,695	6,308,477	2,650,467
Loans and Advances	16	274,055,104	355,901,494	277,115,104	359,201,494
Lease Rentals Receivable within 1 year	17a	138,912,106	99,203,745	138,912,106	99,022,418
Lease Rentals Receivable from 1 to 5 years	17b	225,121,722	59,609,800	225,121,722	59,609,800
Lease Rentals Receivable After 5 years	17c	5,306,992	5,306,992	5,306,992	5,306,992
Investments in Subsidiary Companies	18	-	-	12,750,000	12,750,000
Investments in Associate Companies	19	158,425,075	153,542,872	125,561,238	129,282,196
Investment Properties	20	40,173,277	37,320,400	33,120,400	33,120,400
Property Plant & Equipment	21	14,347,511	10,819,571	13,204,585	9,244,326
Other Assets	22	39,119,224	34,190,512	36,165,398	30,969,187
Deferred Tax Assets	23	157,448	221,670		-
Total Assets		**1,394,174,107**	**1,137,416,298**	**1,354,271,936**	**1,106,830,661**
EQUITY AND LIABILITIES					
LIABILITIES					
Borrowings	24	248,081,994	352,664,519	248,081,994	352,814,519
Other Liabilities	25	98,243,197	79,057,314	94,594,082	77,827,311
Debentures	26	109,193,093	115,176,500	109,193,093	115,176,500
Bank Over Draft	12	50,084,678	40,623,471	50,084,678	40,623,471
Total Liabilities		**505,602,962**	**587,521,804**	**501,953,847**	**586,441,801**
EQUITY					
Stated Capital	27	510,530,975	1,146,950,296	510,530,975	1,146,950,296
Share Application Money	28	374,566,439	-	374,566,439	-
Statutory Reserve	29	9,857,885	9,857,885	9,857,885	9,857,885
Investment Fund Reserve		1,565,729	-	1,565,729	-
Accumulated Losses		(15,607,588)	(615,149,710)	(44,202,939)	(636,419,321)
Total equity attributable to equity holders of the Company		880,913,440	541,658,471	852,318,089	520,388,860
Minority Interest		7,657,705	8,236,023	-	-
Total Equity		**888,571,145**	**549,894,494**	**852,318,089**	**520,388,860**
Total Liabilities & Equity		**1,394,174,107**	**1,137,416,298**	**1,354,271,936**	**1,106,830,661**
Net Assets per Ordinary Share (Rs.)		0.63	0.39	0.61	0.38
Commitments & Contingencies	30	1,500,000	1,525,000	1,500,000	1,525,000

The Notes on pages 33 to 55 form an integral part of these financial statements.
Figures in brackets indicate deductions

It is certified that the Financial Statements have been prepared in compliance with the requirements of the Companies Act No. 7 of 2007.

P. W. K. Roshan
Head of Finance

The Board of Directors are responsible for the preparation and presentation of these Financial statements.
Approved and signed on behalf of the Board

U. Gautam
Deputy Chairman
30th May 2012
Colombo

M. S. I. Peiris
Executive Director

STATEMENTS OF CHANGES IN EQUITY

	Attributable to the Equity Holders of the Parent Company							
	Stated Capital Rs.	Share Application Money Rs.	Statutory Reserve Fund Rs.	Investment Fund Reserve Rs.	Accumulated Losses Rs.	Total Rs.	Minority Interest Rs.	Total Equity Rs.
GROUP								
As at 01.01.2010	565,786,045	-	1,239,777	-	(629,306,523)	(62,280,701)	8,038,602	(54,242,099)
Shares issued during the period	581,164,251	-	-	-	-	581,164,251		581,164,251
Direct cost of share issue	-	-	-		(4,540,055)	(4,540,055)	-	(4,540,055)
Net Profit attributable to Shareholders	-	-	-	-	27,314,976	27,314,976	197,421	27,512,397
Transfer to statutory reserve fund	-	-	8,618,108	-	(8,618,108)	-	-	-
As at 31.12.2010	1,146,950,296	-	9,857,885	-	(615,149,710)	541,658,471	8,236,023	549,894,494
As at 01.01.2011	1,146,950,296	-	9,857,885	-	(615,149,710)	541,658,471	8,236,023	549,894,494
Share Applications received during the year (Warrant Issue)	-	374,566,439	-	-	-	374,566,439	-	374,566,439
Direct cost of share issue	-	-	-	-	(1,600,000)	(1,600,000)	-	(1,600,000)
Capital reduction during the year	(636,419,321)	-	-	-	636,419,321	-	-	-
Net Loss attributable Shareholders	-	-	-	-	(35,277,199)	(35,277,199)	(578,318)	(35,855,517)
Transfer to statutory reserve fund	-	-	-	1,565,729	-	1,565,729	-	1,565,729
As at 31.12.2011	510,530,975	374,566,439	9,857,885	1,565,729	(15,607,588)	880,913,440	7,657,705	888,571,145

	Stated Capital Rs.	Share Application Money Rs.	Statutory Reserve Fund Rs.	Investment Fund Reserve Rs.	Accumulated Losses Rs.	Total Equity Rs.
COMPANY						
As at 01.01.2010	565,786,045	-	1,239,777	-	(637,356,658)	(70,330,836)
Shares issued during the year (Warrant Issue)	581,164,251	-	-	-	-	581,164,251
Direct cost of share issue	-	-	-	-	(4,540,055)	(4,540,055)
Net Profit attributable Shareholders	-	-	-	-	14,095,500	14,095,500
Transfer to statutory reserve fund		-	8,618,108	-	(8,618,108)	-
As at 31.12.2010	1,146,950,296	-	9,857,885	-	(636,419,321)	520,388,860
As at 01.01.2011	1,146,950,296	-	9,857,885	-	(636,419,321)	520,388,860
Share Applications received during the year(Warrants)	-	374,566,439	-	-	-	374,566,439
Direct cost of share issue	-	-	-	-	(1,600,000)	(1,600,000)
Capital reduction during the year	(636,419,321)	-	-	-	636,419,321	-
Net Loss attributable Shareholders	-	-	-	-	(42,602,939)	(42,602,939)
Transfer to investment fund account	-	-	-	1,565,729	-	1,565,729
As at 31.12.2011	510,530,975	374,566,439	9,857,885	1,565,729	(44,202,939)	852,318,089

The Notes on pages 33 to 55 form an integral part of these financial statements.
Figures in brackets indicate deductions

CASH FLOW STATEMENT

	GROUP		COMPANY	
For the Year Ended 31 December	**2011 Rs.**	**2010 Rs.**	**2011 Rs.**	**2010 Rs.**
Cash Flow from Operating Activities				
Interest Received	70,386,219	142,078,318	70,386,220	141,336,317
Interest Payments	(55,696,223)	(123,874,643)	(55,696,223)	(123,874,643)
Fees and Commission Receipts	59,839,325	37,771,517	31,198,415	17,859,933
Cash Payments to Employees and Suppliers	(91,684,036)	(75,110,344)	(65,583,665)	(49,816,136)
Net Loss before Changes in Operating Assets / Liabilities	**(17,154,715)**	**(19,135,152)**	**(19,695,253)**	**(14,494,529)**
Funds Advanced to Customers	(145,761,958)	277,651,966	(145,761,958)	267,146,728
Other Assets	(17,617,417)	5,345,207	(12,994,454)	7,371,138
Cash Generated from / (used in) Operations	**(180,534,090)**	**263,862,021**	**(178,451,665)**	**260,023,337**
Tax Paid	(5,519,099)	(3,500,979)	(5,519,099)	(2,832,112)
Gratuity Paid	(2,649,963)	(657,600)	(2,649,963)	(657,600)
Net Cash generated from / (used in) Operating Activities	**(18,703,152)**	**259,703,442**	**(186,620,727)**	**256,533,625**
Cash Flow from Investing Activities				
Dividend Received from Associate Companies	6,075,000	1,772,821	6,075,000	2,941,176
Proceeds from Sale of Dealing Securities	4,439,930	-	-	-
Purchase of Investment Securities	(8,523,767)	(5,559,522)	-	-
Proceeds from Sale of Investment Securities	3,052,877	5,906,960	-	(1,590,935)
Purchase of Property, Plant & Equipment	(7,076,340)	(1,978,098)	(7,065,986)	(1,057,129)
Proceeds from Disposal of Property, Plant & Equipment	850,000	19,196	850,000	19,196
Net Cash generated from Investing Activities	**(1,182,300)**	**161,357**	**(140,986)**	**312,308**
Cash Flow from Financing Activities				
Decrease in Debentures	(5,983,407)	(116,485,000)	(5,983,407)	(116,485,000)
Increase in Liabilities	32,601,148	6,554,336	31,870,772	7,838,344
Decrease in Other Borrowings	(111,404,526)	(466,748,340)	(111,404,526)	(466,598,340)
Proceeds from Exercise of Warrants	374,566,439	581,164,251	374,566,439	581,164,251
Share issue expenses paid	(1,600,000)	(11,636,513)	(1,600,000)	(11,636,513)
Net Cash generated from / (used in) Financing Activities.	**288,179,654**	**(7,151,266)**	**287,449,278**	**(5,717,258)**
Net Increase in Cash and Cash Equivalents	**98,294,202**	**252,713,533**	**100,687,565**	**251,128,675**
Cash and Cash Equivalents at the beginning of the year	259,957,195	7,243,662	257,219,901	6,091,226
Cash and Cash Equivalents at the end of the year (Note No. 12)	**358,251,397**	**259,957,195**	**357,907,466**	**257,219,901**

The Notes on pages 33 to 55 form an integral part of these financial statements.
Figures in brackets indicate deductions

NOTES TO THE FINANCIAL STATEMENTS

1 REPORTING ENTITY
SMB Leasing PLC is a public quoted Company incorporated & operating in Sri Lanka. The consolidated Financial Statements of the group for the year ended 31 December 2011 comprises the Company and its Subsidiaries and group interest in associate Company.

The principal activities of the Company are providing Finance Leases and Loans.

SMB Leasing PLC has one subsidiary company and three associate companies. The principle activity of the subsidiary (SMB Money Brokers (Pvt) Ltd) is Money Brokering. The associate companies are SMB Real Estate Ltd, Kenanga Investment Corporation Ltd and SMB Securities (Pvt) Ltd and their principle activities are real estate development, Investment banking related activities & providing advisory services, and dealing in Equity and Debt in the Colombo Stock Exchange respectively.

2 BASIS OF PREPARATION
2.1 Statement of Compliance
The Financial Statements are prepared in Sri Lanka Rupees, rounded to nearest rupee. The Balance Sheet, Income Statement and Cash Flow Statement of the Company and the group unless otherwise stated herein are prepared on the historical cost convention in compliance with Sri Lanka Accounting Standards prescribed by the Institute of Chartered Accountants of Sri Lanka and in compliance with the requirement of the Companies Act No. 7 of 2007. Exceptions to the historic cost convention of accounting relate to dealing securities and investment securities as described in accounting policy 3.5.3.

3 SIGNIFICANT ACCOUNTING POLICIES
The Company and the Group has consistently applied the Accounting Policies.

3.1 Basis of Consolidation
The Group Financial Statements includes the consolidated results, assets and liabilities of the Company and its subsidiaries made up to the financial year end. The results of subsidiaries are included from the date on which the Company effectively acquired control of each subsidiary.

The interest of outside shareholders of the subsidiaries in the net assets and their proportion of results grouped separately in the Consolidated Balance Sheet and Income Statement under the heading of "Minority Interest".

3.1.1 Subsidiaries
Subsidiaries are those enterprises controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The Financial Statements of subsidiaries are included in the Consolidated Financial Statements from the date that control effectively commence until the date that control ceases. The total Subsidiary Company's profit /(loss) for the year are included in the Consolidated Income Statement. The assets and liabilities of the Subsidiary Company's as at the Balance Sheet date are included in the group Balance Sheet.

3.1.2 Equity Accounted Investees
Equity Accounted Investees is an enterprise in which the Company has significant influence but not control over the financial and operating policies. The Consolidated Financial Statements include the group's share of the total recognised gain and losses of the Equity Accounted Investees, SMB Securities (Pvt) Ltd, SMB Real Estate Limited and SMB Kenenga Investment Corporation Ltd, under the equity method of accounting.

In the Company's Financial Statements, investments in Subsidiary Company and Equity Accounted Investees are accounted for at cost. Income is recognised to the extent that dividend is declared from the accumulated profit.

3.1.3 Transactions Eliminated on Consolidation
Intra-group balances, transactions and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the Consolidated Financial Statements. Unrealized gains arising from transactions with associates are eliminated against the investments to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

3.2 Taxation
3.2.1 Income Taxation
Provision for taxation is based on the elements of income and expenditure as reported in the Financial Statements and computed in terms of the provision of Inland Revenue Act No. 10 of 2006 and amendments thereto.

3.2.2 Deferred Taxation
Deferred tax assets and liabilities are recognised for all temporary differences. Deferred tax assets are recognised for all deductible temporary differences, carrying forward of unused tax credit and tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carrying forward of unused tax credits and unused tax losses can be utilized.

The carrying amount of deferred tax assets is reviewed at each Balance Sheets date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilised. Unrecognised deferred tax assets are reassessed at each Balance Sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

NOTES TO THE FINANCIAL STATEMENTS
Continued

Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the year when the assets are realised or liability is settled, based on the tax rates and tax laws that have been enacted or substantively enacted as at the Balance Sheet date.

Income tax relating to items recognized directly in equity is recognised in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against tax liabilities and the differed taxes related to the same taxable entity and to same taxation authority.

3.3 Comparative Figures
The figures and phrases of the previous year have been rearranged wherever necessary to conform to the current years' presentation.

3.4 Events after the Balance Sheet Date
All the material events after the Balance Sheet date have been considered and appropriate adjustment to/disclosures have been made in the notes to the financial statements.

3.5 Assets and Bases of Their Valuation
3.5.1 Loans and Advances to Customers
Loans and advances are stated in the Balance Sheet net of provisions for possible bad and doubtful loans and net of interest in suspense, which is not accrued to revenue.

3.5.1.1 Provision for Loan Losses
Specific Provisions for possible loan losses are based on a continuous review of the loans and advances portfolio.

These provisions relate to identified bad and doubtful advances. These provisions are required under the Finance Leasing (Amendment) Act No. 24 of 2005 and apply according to the Central Bank Direction No. 2 of 2005. In addition, as a matter of prudence, general provisions are made wherever necessary based on recognition criteria as per Sri Lanka Accounting Standard No. 36. Provisions are applied to write off advances, in part or in whole, when loans are considered partly or wholly irrecoverable.

Specific provision for loan and advances are arrived at using the following basis.

Period Outstanding	Classification	Minimum Provision made net of realisable value of security
6 to 12 months	Sub-standard	20%
12 to 18 months	Doubtful	50%
18 months and above	Loss	100%

3.5.2 Finance Leases
Assets leased to customers under agreements that transfer substantially all the risks and rewards associated with ownership other than legal title are classified as finance leases. Lease rentals receivable in the Balance Sheet include total lease payments due net of unearned lease interest income not accrued to revenue, interest in suspense and provision for bad and doubtful recoveries.

3.5.2.1 Provisions for Lease Receivable
Specific provision has been made in relation to identifying possible bad and doubtful losses based on a continuous review of lease portfolio. These provisions are required under the Finance Leasing (Amendment) Act No. 24 of 2005 and apply according to the Central Bank Direction No. 2 of 2005.

Provisions are used to write off advances, in parts or in whole, when leases are considered partly or wholly irrecoverable.

Specific provision for lease receivables is arrived at using the following basis.

Period Outstanding	Minimum Provision made net of realisable value of security
6 to 12 months	20%
12 to 18 months	50%
18 months and above	100%

3.5.3 Investments
3.5.3.1 Dealing Securities
Investments in Companies, of which shares are quoted, are valued at the lower of cost or market value on the Aggregated Portfolio basis. Adjustment for fall in market value below cost if relevant is accounted for by charging the difference to the Income Statement.

3.5.3.2 Investment Securities
These are acquired and held for yield or capital growth in the medium/long term. Such securities are recorded at cost. Changes in market values of these Securities are not taken into Financial Statements unless, these are considered to be permanent diminution in value. Where the group interests in equity is less than 20% and or in companies where the Company does not exercise significant influence and/or control over the financial and operating policies, investments are valued at cost.

Unquoted Investments are stated at cost.

NOTES TO THE FINANCIAL STATEMENTS
Continued

3.5.3.3 Investments in Treasury Bills and Bonds
Investments in Treasury Bills and Bonds are reflected at the value of the Bills/Bonds purchased and the discount/premium accrued thereon. Discount received/premium paid is taken on the Income Statement based on a pattern reflecting a constant periodic rate of return.

3.5.3.4 Investment Properties
Investments in Land & Building that are not occupied substantially for use by or in the operations of the Company are classified as Investment Properties. Investment Properties of the company are stated at cost less provision for impairment.

3.5.3.5 Investment in Real Estate
Land purchase cost and development cost incurred during the development period of real estate projects have been capitalised to the inventories.

3.5.4 Property, Plant & Equipment
3.5.4.1 Recognition and Measurements
The property, plant & equipment are recorded at cost less accumulated depreciation and impairment losses.

Items of property, plant & equipment are recognised upon disposal or when no future economic benefits expected from its use. Any gain or loss arising on derecognition of the assets is included in the Income Statement in the year the asset is derecognised.

The cost of property, plant & equipment is the cost of purchase or construction together with any expenses incurred in bringing the assets to its working condition for its intended use.

Expenditure incurred for the purpose of acquiring, extending or improving assets of permanent nature by means of which to carry on the business or to increase the earning capacity of the business has been treated as capital expenditure.

The carrying amount of the property, plant & equipment are reviewed for impairment when events or changes in circumstances indicated that the carrying amount may not be recoverable.

3.5.4.2 Subsequent Costs/ Replacement of parts
The cost of replacing part of items of property, plant & equipments is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The cost of day to day servicing of property, plant & equipment are recognized in Income Statement as it incurred.

When replacement costs are recognised in the carrying amount of an item of property, plant & equipment, the remaining carrying amount of replaced part is derecognised.

3.5.4.3 Depreciation
Depreciation is provided on the assets purchased and used during the year at the following rates on the straight-line basis.

Motor Vehicles	20% per annum
Computers	20% per annum
Office Equipment & Machines	20% per annum
Furniture & Fittings	20% per annum

Depreciation of an asset begins when it is available for use and ceases at earlier of the date that the asset is classified as held for sale and the date that the asset is recognised.

Leased assets are depreciated over the shorter of the leased term and their useful lives.

3.5.5 Impairment of Assets
The carrying amount of Company's non-financial assets, other than deferred tax asset are reviewed at each reporting date to determine whether there is any indication of impairments. If any such indication exists, then asset's recoverable amount is eliminated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated at each reporting date.

An impairment loss is recognised if the carrying amount of assets or its cash-generating units exceeds its recoverable amount. A cash-generating unit is the smallest identifiable assets group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in Income Statement. Impairment losses are recognised in respect of cash-generating units and are allocated to the units and then to reduce the carrying amount of other assets in the unit on prorate basis.

NOTES TO THE FINANCIAL STATEMENTS
Continued

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

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. Any impairment loss is reversed only to the extent that asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss has been recognised

3.5.6 Cash and Short Term Funds
Cash and cash equivalents are defined as cash in hand, demand deposits and short term highly liquid investments which are readily convertible to know the amount of cash and subject to insignificant risk of change in the value.

Cash and short-term funds stated in the Balance Sheet comprise cash balances in hand and at Banks and call investments. For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand at Bank, demand deposits, bank overdraft and securities purchase under resale agreement.

3.6 Liabilities & Provisions
3.6.1 Interest-Bearing Borrowings
Interest-bearing borrowings are recognised initially at cost, net of any transaction costs incurred. Subsequently to initial recognition, interest bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income Statement over the period of the borrowing. When borrowings are repurchased or settled before maturity, any difference between the amount repaid and carrying amount is recognised immediately in the Income Statement.

3.6.2 Retirement Benefits
The Company & its Subsidiary measure its retirement benefit obligation based on the Gratuity Formula Method as recommended by the Sri Lanka Accounting Standards No. 16 (Revised 2006) "Employee Benefits". As per the payment of Gratuity Act No. 12 of 1983 the liability to an employee arises only on completion of 5 years of continued service.

3.6.3 Employees' Provident Fund and Employees' Trust Fund
Employees are eligible for Employees' Provident Fund and Employees' Trust Fund contributions in accordance with the respective statutes and legislations. The Bank contributes 12% and 3% of gross salary of employees to the Employees' Provident Fund and Employees' Trust Fund respectively.

3.6.4 Commitments and Contingent Liabilities
All material capital commitments and contingent liabilities of the Company and group are disclosed in respective Notes to the Financial Statements and all discernible risks are accounted for in determining the amount of other liabilities.

3.7 Events Occurring after the Balance Sheet Date
All material events occurred after the Balance Sheet date has been considered and appropriate adjustments/ disclosures have been made in the Financial Statement where necessary.

3.8 Income Statements
3.8.1 Interest Income from Loans and Advances
Interest income is recognised on an accrual basis. However, no accrued interest income is recognised where any portion of capital or interest is in arrears for six months or more. In such cases interest income is accounted for on a cash basis.

3.8.2 Lease Income
The excess of aggregate lease rental receivable over the cost of the leased assets constitutes the total unearned lease income at the commencement of the lease. The unearned lease income is taken into income over the term of the lease on proportion to the declining receivable balance. However, no accrued interest income is recognised where any portion of capital or interest is in arrears for six months or more. In such cases interest income is accounted for on a cash basis.

3.8.3 Operating Leases – Rental Income
Rental income is recognised as revenue on a straight line basis over the term of lease. However, no accrued rental income is recognised where any portion of capital or interest is in arrears for six months or more. In such cases rental income is accounted for on a cash basis.

3.8.4 Interest Income from Other Sources
Interest income from Government Securities is recognised on time proportion basis as discount on purchase, over the period to maturity or the date of sale. Income from other interest baring investments is recognised as revenue on an accrual basis.

3.8.5 Income from Fee Base
Activities Fee and Commission Income is recognised on a cash basis.

3.8.6 Dividend Income
Dividend income is recognised on an accrual basis in the period in which dividend is declared.

3.8.7 Profit or Loss on Sale of Marketable Securities
Profit or loss arising on sale of equity shares, commercial papers and other marketable securities is accounted for on a cash basis.

NOTES TO THE FINANCIAL STATEMENTS *Continued*

3.8.8 Profit or Loss on Sale of Property, Plant and Equipment
Profits or losses of a revenue nature on the disposal of Property, Plant and Equipment are accounted for in the Income Statement.

3.9 Segment Reporting
A segment is a distinguishable component of the Group that is engaged in providing products or services within a particular economic environment, which is subject to risk and rewards that are different from those of other segments.

3.10 Cash Flow Statements
The Cash Flow has been prepared by using the "Direct Method" of preparing Cash Flows. Cash and short-term funds are comprised of cash in hand and cash in Bank, demand deposits and securities purchase under resale agreement.

3.11 Effects of Accounting Standards issued but not yet effective
The Institute of Chartered Accountants of Sri Lanka has issued a new volume of Sri Lanka Accounting Standards which will become applicable for financial periods beginning on or after 1st January, 2012. Accordingly, these standards have not been applied in preparing these Financial Statements as the effective dates of these standards are after the Balance Sheet date.

These Sri Lanka Accounting Standards comprise Accounting Standards prefixed both SLFRS (corresponding to IFRS) and LKAS (corresponding to IAS). Application of Sri Lanka Accounting Standards prefixed SLFRS and LKAS for first time shall be deemed to be an adoption of SLFRSs.

The Company is currently in the process of evaluating the potential effect of these standards on its Financial Statements and the impacts of the adoption of these standards have not been quantified as at Balance Sheet date.

NOTES TO THE FINANCIAL STATEMENTS *Continued*

	GROUP		COMPANY	
For the Year Ended 31 December	**2011 Rs.**	**2010 Rs.**	**2011 Rs.**	**2010 Rs.**
4 GROSS INCOME				
Interest Income **(Note 5)**	71,446,873	102,228,741	70,664,262	101,717,870
Other Income **(Note 7)**	59,056,713	38,771,697	37,273,415	22,392,070
	130,503,586	141,000,438	107,937,677	124,109,940
5 INTEREST INCOME				
Loans and Advances	30,522,839	47,606,771	30,522,839	47,906,771
Lease Interest Income	34,444,343	41,874,096	34,444,343	41,874,096
Other Interest Income	6,479,691	12,747,874	5,697,080	11,937,003
	71,446,873	102,228,741	70,664,262	101,717,870
6 INTEREST EXPENSES				
Borrowings & Refinance	31,353,459	56,007,780	31,353,459	56,007,780
Interest expenses on Debentures	16,255,510	8,724,717	16,255,510	8,724,718
	47,608,969	64,732,497	47,608,969	64,732,498
7 OTHER INCOME				
Dividend Income from Dealing Securities - Quoted	53,746	48,640	-	-
Dividend Income	-	-	6,075,000	2,941,176
Fee & Commission Income	28,791,661	28,258,079	1,787,952	11,247,749
Profit on Sale of Property, Plant & Equipment	92,262	19,196	92,262	19,196
Profit on Sale of Investment Securities	800,843	2,799,387	-	1,508,928
Profit on Sale of Investment Properities	-	153,000	-	153,000
Interest on Reverse REPO & Fixed Deposits	26,289,577	4,882,536	26,289,577	4,882,536
Royality Income	-	-	-	1,639,485
Others	3,028,624	2,610,859	3,028,624	-
	59,056,713	38,771,697	37,273,415	22,392,070
8 OPERATING EXPENSES				
Operating Expenses include the following :-				
Directors' Emoluments	5,885,645	2,786,865	5,885,645	2,786,865
Auditors' Emoluments				
Audit Fees	450,000	400,000	350,000	300,000
Non Audit Fees	45,000	147,000	-	147,000
Other Auditor Fees	591,364	412,979	591,364	412,979
Depreciation	3,194,236	4,052,454	2,751,562	3,669,320
Donations	-	-	-	-
Expenses on Litigation	938,286	840,674	938,286	840,674
Contribution to Employees Providend Fund	3,455,146	2,988,184	2,368,191	2,284,618
Contribution to Employees Trust Fund	863,787	747,046	592,048	571,155
Provision for Impairment Losses	-	15,169,774	-	15,169,774
Provision for Retirement Benefit Obligations	5,663,745	470,969	4,563,654	300,000

Provision for Employee Retirement Benefits is shown separately in Note 26.a

NOTES TO THE FINANCIAL STATEMENTS

Continued

For the Year Ended 31 December	GROUP 2011 Rs.	GROUP 2010 Rs.	COMPANY 2011 Rs.	COMPANY 2010 Rs.
9 PROVISIONS FOR LOAN LOSSES				
Provision made / (Reversed) for Loan Losses	(24,839,263)	37,879,282	(24,839,263)	37,879,282
Direct Write off	-	(6,561,223)	-	(6,561,223)
	(24,839,263)	31,318,059	(24,839,263)	31,318,059
10 TAXATION				
Income Tax on profits **(Note 10.a)**	417,094	419,470	-	-
ESC written off during the year	3,147,698	2,515,284	3,147,698	2,515,284
Provision for Deferred Tax **(Note 23)**	64,222	249,397	-	-
	3,629,014	3,184,151	3,147,698	2,515,284
10.a Reconciliation of Accounting Profit and the Income Tax Expense				
Profit/(Loss) Before Taxation & Value Added Tax on Financial Services	(28,289,373)	33,331,240	(35,518,111)	19,442,896
Aggregate Disallowed Expenses	44,598,422	27,267,928	39,073,794	25,289,817
Aggregate Allowable Expenses	(109,970,480)	(80,082,101)	(109,448,186)	(66,744,519)
Aggregate Allowable Income	73,189,543	94,610,040	73,189,543	94,610,040
Aggregate Disallowed Income	(16,587,117)	(34,112,968)	(15,732,529)	(29,941,757)
Profit/(Loss) From the Business	(37,059,005)	41,014,139	(48,435,489)	42,656,477
Loss from other source of Income	-	-	-	(6,015,474)
Profit from other source of Income	4,170,935	-	-	-
Total Statutory Income	-	41,014,139	-	36,641,003
Tax Loss claimed during the year **(Note 10.b)**	-	(39,833,365)	-	(36,641,003)
Taxable Profit	4,170,935	1,180,774	-	-
Taxation Thereon	417,094	413,271	-	-
SRL @ 1.5%	-	6,199	-	-
Total Tax Liability	417,094	419,470	-	-

Income Tax provision of SMB Leasing PLC being quoted public company, has been calculated on its taxable profit at 28% in terms of Inland Revenue Act No. 10 of 2006, and amendments thereto.

Profits of SMB Money Brokers (Pvt) Ltd., subsidiary of the group is liable to income tax at 10%.

10.b Accumulated Tax Losses	GROUP 2011 Rs.	GROUP 2010 Rs.	COMPANY 2011 Rs.	COMPANY 2010 Rs.
Balance as at 1st January	372,575,639	488,019,325	372,575,639	488,019,325
Adjustment in respect of prior years	(5,310,758)	(75,610,321)	(5,310,758)	(78,802,683)
Charge/ (Reversal) for the year	48,435,489	-	48,435,489	-
Tax Loss claimed during the year	-	(39,833,365)	-	(36,641,003)
Balance as at 31st December	415,700,370	372,575,639	415,700,370	372,575,639

NOTES TO THE FINANCIAL STATEMENTS

Continued

10.c Deferred Tax on SMB Leasing PLC

SMB Leasing PLC has not recognised deferred tax asset since the management does not expect adequate taxable profit in the future in respect of SMB Leasing PLC.Therefore tax asset arrising from the tax losses carried forward was limited only to the extent of existing temperory differences in respect of SMB Leasing PLC. However in respect of the sole subsidiary, SMB Money Brokers (Private) Limited a deferred tax asset has been recognized, since the Management expects adequate taxable profit in the future in respect of SMB Money Brokers (Private) Limited. Therefore, the Group deferred tax asset includes only the deferred tax asset relevant to SMB Money Brokers (Private) Limited.

Group	2011 Rs.	2010 Rs.
Balance as at 1st January	221,670	471,067
Charge/ (Reversal) for the year	(64,222)	(249,397)
Balance as at 31st December	157,448	221,670

The above recognized deferred tax asset is attributable to the following;

	Temporary difference 31.12.2011 Rs.	Tax Effect 31.12.2011 Rs.	Temporary difference 31.12.2010 Rs.	Tax Effect 31.12.2010 Rs.
On Property, Plant & Equipment	127,780	12,778	245,073	68,620
On Retirement Benefit Obligation	1,446,697	144,670	546,606	153,050
	1,574,477	157,448	791,679	221,670

The deferred tax has been calculated at the rate of 10% (2010 - 28%).

Company	2011 Rs.	2010 Rs.
Balance as at 1st January	68,576,879	76,575,393
Adjustments in respect of prior years	221,669	-
Charge/ (Reversal) for the year	1,881,530	(7,998,514)
Balance as at 31st December	70,680,078	68,576,879

The above unrecognized deferred tax asset is attributable to the following;

	Temporary difference 31.12.2011 Rs.	Tax Effect 31.12.2011 Rs.	Temporary difference 31.12.2010 Rs.	Tax Effect 31.12.2010 Rs.
On Property, Plant & Equipment	(167,620,569)	(46,933,759)	(130,276,161)	(36,477,355)
On Retirement Benefif Obligation	4,349,048	1,217,734	2,618,053	733,055
On Accumulated Tax Losses	415,700,370	116,396,104	372,575,639	104,321,179
	252,428,849	70,680,078	244,917,531	68,576,879

The deferred tax has been calculated at the rate of 28%.

NOTES TO THE FINANCIAL STATEMENTS

Continued

11 BASIC EARNINGS/(LOSS) PER SHARE

As at 31st December

	GROUP 2011	GROUP 2010	COMPANY 2011	COMPANY 2010
Net Profit/(Loss) attributable to Ordinary Shareholders (Rs.)	(35,277,199)	27,117,558	(42,602,939)	14,095,500
No. of Ordinary Shares	1,386,486,514	807,101,782	1,386,486,514	807,101,782
Basic Earnings/(Loss) per Share (Rs.)	(0.02)	0.03	(0.03)	0.02

12 CASH IN HAND & BALANCES WITH BANKS

As at 31st December

	GROUP 2011 Rs.	GROUP 2010 Rs.	COMPANY 2011 Rs.	COMPANY 2010 Rs.
Favourable Balances				
Cash in hand and Balances with Banks	408,336,075	300,580,666	407,992,144	297,843,372
Unfavourable Balances				
Bank Over drafts	(50,084,678)	(40,623,471)	(50,084,678)	(40,623,471)
Cash and Cash equivalents for the purpose of Cash flow Statement	358,251,397	259,957,195	357,907,466	257,219,901
13 TREASURY BILLS AND BONDS ELIGIBLE FOR REDISCOUNTING WITH THE CENTRAL BANK				
Treasury Bills	2,200,000	1,300,000	-	-
	2,200,000	1,300,000	-	-
14 PLACEMENTS WITH AND LOANS TO OTHER BANKS				
Bank of Ceylon Ltd	2,500,000	2,500,000	-	-
Sampath Bank PLC	75,743,213	70,679,881	72,713,770	67,830,009
	78,243,213	73,179,881	72,713,770	67,830,009
15 INVESTMENT SECURITIES				
Quoted Equity Investments				
Held by SMB Leasing PLC. **(Note 15.a.1)**	6,308,477	2,650,467	6,308,477	2,650,467
Held by SMB Money Brokers (Pvt) Ltd. **(Note 15.a.2)**	3,467,883	3,588,228	-	-
	9,776,360	6,238,695	6,308,477	2,650,467
Non quoted Equity Investments held by SMB Leasing PLC **(Note 15.b)**	-	-	-	-
Non quoted Debenture Investmens - Non Current **(Note 15.c)**	-	-	-	-
Held by SMB Leasing PLC	-	-	-	-
Total	9,776,360	6,238,695	6,308,477	2,650,467

NOTES TO THE FINANCIAL STATEMENTS

Continued

As at 31st December	2011 No of shares	2011 Cost Rs.	2011 Market Value Rs.	2010 No of shares	2010 Cost Rs.	2010 Market Value Rs.
15.a.1 Quoted Equity Investments held by SMB Leasing PLC						
Banking, Finance & Insurance						
The Finance Co. PLC	97	5,273	3,880	97	5,273	3,764
		5,273	3,880		5,273	3,764
Manufacturing						
Blue Diamond Jewellery Worldwide PLC	778,280	4,640,932	6,304,068	778,280	4,640,932	2,645,981
Magpek Exports PLC	125,000	5,000,000	-	125,000	5,000,000	-
Metal Recyclers Colombo PLC	69	3,105	-	69	3,105	-
		9,644,037	6,304,068		9,644,037	2,645,981
Footwear & Textiles						
Pugoda Textile Mills PLC	7,500	252,525	-	7,500	252,525	-
		252,525	-		252,525	-
Land & Property						
Seylan Development PLC	43	460	529	43	460	722
		460	529		460	722
Total Quoted		9,902,295	6,308,477		9,902,295	2,650,467
Less - Provision for Diminution in value		(3,593,818)			(7,251,828)	-
Net Carrying Amount (Company)		6,308,477	6,308,477		2,650,467	2,650,467
15.a.2 Quoted Equity Investments held by SMB Money Brokers (Pvt) Ltd.						
Banking, Finance & Insurance						
Seylan Bank PLC - Non Voting	10,000	504,586	308,000	10,000	504,586	490,000
Merchant Bank of Sri Lanka PLC	14,000	743,611	554,400	14,000	743,611	641,200
Asia Capital PLC	-	-	-	6,000	271,544	282,000
CV Venture Fund	-	-	-	10,000	218,064	190,000
Vallibel One Ltd	15,000	434,360	357,000	-	-	-
		1,682,557	1,219,400		1,737,805	1,603,200
Manufacturing						
ACL Plastics PLC	200	37,414	25,020	-	-	-
Brown & Co PLC	1,500	493,466	352,200	2,000	511,161	493,800
Bairaha Famars PLC	-	-	-	1,100	263,359	356,730
Tokyo Cement PLC	325	7,032	9,913	325	7,032	13,098
Hayleys Mgt-Knitting Mills PLC	7,100	333,315	202,350	7,100	333,315	227,200
Pelawatta Sugar PLC	3,000	95,086	70,500	3,000	95,086	82,200
Hemas Power PLC	-	-	-	4,400	134,541	129,800
C W Mackie & Co. PLC	4,800	468,793	429,600	-	-	-
Ceylon Glass PLC	30,000	243,699	237,000	-	-	-
Colonial Motors PLC	500	232,627	200,300	-	-	-
		1,911,432	1,526,883		1,344,494	1,302,828
Land & Property						
Colombo Fort Land & Building PLC	2,100	188,086	102,900		-	-
		188,086	102,900			
Telecommunication						
Dialoge Telecom PLC	9,000	255,590	70,200	9,000	255,590	106,200
		255,590	70,200		255,590	106,200
Hotel						
Hotel Services (Ceylon) Ltd.	10,000	220,972	203,000	-	-	-
Sunshine Holdings PLC	5,000	280,187	145,000	5,000	280,187	229,500
Renuka Holdings PLC	-	-	-	5,000	251,540	309,500
Walker & Greig PLC	5,000	321,056	200,500	-	-	-
		822,215	548,500		531,227	539,000

NOTES TO THE FINANCIAL STATEMENTS

Continued

As at 31st December	2011 No of shares	2011 Cost Rs.	2011 Market Value Rs.	2010 No of shares	2010 Cost Rs.	2010 Market Value Rs.
Held by SMB Money Brokers (Pvt) Ltd.						
Hospital						
Nawaloka Hospital PLC	-	-	-	10,000	38,034	37,000
		-	-		38,034	37,000
Total Quoted	-	-	-	-	-	-
Less - Provision for Diminution in value	-	(1,391,997)	-	-	(319,422)	-
Net Carrying Amount of Investments		3,467,883	3,489,883		3,588,228	3,588,228
Total Carrying Amount of Quoted Investments (Group)		9,776,360			6,238,695	

As at 31st December	2011 No of Shares	2011 Cost Rs.	2010 No of Shares	2010 Cost Rs.
15.b Non Quoted Equity Investments held by SMB Leasing PLC				
Ceylinco Sports Complex Ltd.	300,000	3,000,000	300,000	3,000,000
Ceylinco Investment & Realty Ltd.	100,000	1,000,000	100,000	1,000,000
Seraka Investment Ltd. **(Note 15.b.1.)**	5,655,900	48,645,300	5,655,900	48,645,300
South Asian Travels Ltd.	30,000	300,000	30,000	300,000
Ceylinco Savings Bank Ltd	1,189,600	11,896,000	1,189,600	11,896,000
Ceylinco Coloured Stone (Pvt) Ltd.	500,000	5,000,000	500,000	5,000,000
Openarc Global Solutions (Pvt) Ltd.	45,000	450,000	45,000	450,000
		70,291,300		70,291,300
Less- Provision for Diminution in Value		(70,291,300)		(70,291,300)
Net book Value		-		-

15.b.1. The investment made in the Seraka Investment Limited is 10% Non cumulative Non Redeemable Preference Shares

15.c Investment in Unquoted Debentures held by SMB Leasing PLC

As at 31st December	2011 Cost Rs.	2010 Cost Rs.
Ceylinco Automobiles Ltd	17,600,000	17,600,000
Less- Provision for Diminution in Value	(17,600,000)	(17,600,000)
Net book Value	-	-

NOTES TO THE FINANCIAL STATEMENTS

Continued

As at 31st December	GROUP 2011 Rs.	GROUP 2010 Rs.	COMPANY 2011 Rs.	COMPANY 2010 Rs.
16 LOANS AND ADVANCES				
Staff Loans	2,807,591	689,323	2,807,591	689,323
Other Loans	532,656,460	593,890,427	535,716,460	597,190,427
	535,464,051	594,579,750	538,524,051	597,879,750
Less: Loan loss Provision **(Note 16.c)**	(195,678,039)	(176,099,605)	(195,678,039)	(176,099,605)
Interest in suspense **(Note 16.c)**	(65,730,908)	(62,578,651)	(65,730,908)	(62,578,651)
	274,055,104	355,901,494	277,115,104	359,201,494

16.a Movement in Loan Loss Provision Loan and Advances

	Specific Rs.	Specific Rs.	Specific Rs.	Specific Rs.
Balance as at 1st January	248,375,472	286,254,754	248,375,472	286,254,754
Reversal of Provision - Loans	19,679,624	(23,762,936)	19,679,624	(23,762,936)
Reversal of Provision - Leases	5,159,639	(14,116,346)	5,159,639	(14,116,346)
Transfer from Consent Motion to Provision for Loans	15,421,642	-	15,421,642	-
Balance as at 31st December	288,636,377	248,375,472	288,636,377	248,375,472

16.b Movement in Interest in Suspense

Balance as at 1st January	96,830,012	108,516,325	96,830,012	108,516,325
Interest Suspended during the year	17,203,448	37,968,030	17,203,448	37,968,030
Interest Recovered during the year	(12,288,969)	(49,654,343)	(12,288,969)	(49,654,343)
Balance as at 31st December	101,744,491	96,830,012	101,744,491	96,830,012

16.c Analysis of Provision for Loan Losses and Interest in Suspense

	As at 31 December 2011 Loan Loss Provision Rs.	As at 31 December 2011 Interest in Suspense Rs.	As at 31 December 2010 Loan Loss Provision Rs.	As at 31 December 2010 Interest in Suspense Rs.
GROUP				
Loans and Advances	195,678,039	65,730,908	176,099,605	62,578,651
Lease Rentals Receivable	92,958,338	36,013,583	72,275,867	34,251,361
	288,636,377	101,744,491	248,375,472	96,830,012
COMPANY				
Loans and Advances	195,678,039	65,730,908	176,099,605	62,578,651
Lease Rentals Receivable	92,958,338	36,013,583	72,275,867	34,251,361
	288,636,377	101,744,491	248,375,472	96,830,012

NOTES TO THE FINANCIAL STATEMENTS
Continued

16.d Concentration of Credit Risk

Sector wise analysis of bank's credit portfolio given below reflects the bank's exposure to credit risk in the various sectors of the economy.

	GROUP		COMPANY	
As at 31 December	2011 Rs.	2010 Rs.	2011 Rs.	2010 Rs.
Foods, beverages and tobacco	1,202,581	11,957,595	1,202,581	11,957,595
Agriculture, agro business and fisheries	304,342,780	71,745,570	304,342,780	71,745,570
Textiles and Wearing apparel	1,816,690	23,915,190	1,816,690	23,915,190
Wood and paper products	-	17,936,392	-	17,936,392
Rubber and leather products	-	23,915,190	-	23,915,190
Metals, chemicals and engineering	9,125,570	47,830,380	9,125,570	47,830,380
Hotels	659,530	11,957,595	659,530	11,957,595
Services	36,789,230	223,894,305	39,849,230	227,194,305
Others	181,527,670	161,427,533	181,527,670	161,427,533
	535,464,051	594,579,750	538,524,051	597,879,750

17 LEASE RENTAL RECEIVABLE

	GROUP 2011 Rs.	GROUP 2010 Rs.	COMPANY 2011 Rs.	COMPANY 2010 Rs.
17.a Lease Rentals Recevable within One Year				
Balance as at 31st December	326,573,581	233,570,019	326,573,581	233,388,692
Less: Unearned Income	(47,698,743)	(17,024,591)	(47,698,743)	(17,024,591)
Less: Pre-paid Rentals	(10,990,811)	(10,814,454)	(10,990,811)	(10,814,454)
	267,884,027	205,730,974	267,884,027	205,549,647
Less: Interest in Suspense **(Note 16.c)**	(36,013,583)	(34,251,361)	(36,013,583)	(34,251,361)
Less: Loan Loss provision **(Note 16.c)**	(92,958,338)	(72,275,868)	(92,958,338)	(72,275,868)
	138,912,106	99,203,745	138,912,106	99,022,418
17.b Lease Rentals Receivable after One Year & within Five Years				
Balance as at 31st December	289,798,343	79,706,038	289,798,343	79,706,038
Less: Unearned Income	(64,676,621)	(20,096,238)	(64,676,621)	(20,096,238)
	225,121,722	59,609,800	225,121,722	59,609,800
17.c Lease Rentals Receivable after Five Years From the Balance Sheet date				
Balance as at 31st December	6,827,890	6,827,890	6,827,890	6,827,890
Less: Unearned Income	(1,520,898)	(1,520,898)	(1,520,898)	(1,520,898)
	5,306,992	5,306,992	5,306,992	5,306,992

NOTES TO THE FINANCIAL STATEMENTS
Continued

18 INVESTMENTS IN SUBSIDIARY COMPANIES

		2011			2010		
Company	Principle Activity	Holding	No of Shares	Cost as at 31/12/2011 Rs.	Holding	No of Shares	Cost as at 31/12/2010 Rs.
SMB Money Brokers (Pvt) Ltd	Money Market Activities	51.00%	1,275,000	12,750,000	51.00%	1,275,000	12,750,000
Balance as at 31st December				12,750,000			12,750,000

19 INVESTMENTS IN ASSOCIATE COMPANIES

a. Company

Company	Principle Activity	Holding	No of Shares	Cost as at 31/12/2011 Rs.	Holding	No of Shares	Cost as at 31/12/2010 Rs.
SMB-Kenanga Investment Corporation Ltd	Investment Banking	49.00%	4,900,000	49,000,000	49.00%	4,900,000	49,000,000
SMB Real Estate Ltd.	Property Development Activities	49.00%	617,277	30,282,196	49.00%	617,277	30,282,196
SMB Securities (Pvt) Limited	Stock Brokering Activities	49.50%	5,000,000	50,000,000	49.50%	5,000,000	50,000,000
Balance as at 31st December			10,517,277	129,282,196		10,517,277	129,282,196
Provision for Diminution in Value of Investment in SMB Real Estate Ltd.				(3,720,958)			-
Balance as at 31st December				125,561,238			129,282,196

	GROUP		COMPANY	
b. Group	2011 Rs.	2010 Rs.	2011 Rs.	2010 Rs.
Balance as at 1st January	153,542,872	136,703,669	-	-
Share of Profit After Tax	14,678,161	18,809,004	-	-
Dividend Received	(6,075,000)	(1,969,801)	-	-
Provision for fall in value of Investment	(3,720,958)	-	-	-
Balance as at 31st December	158,425,075	153,542,872		

	GROUP		COMPANY	
20 INVESTMENT PROPERTIES	2011 Rs.	2010 Rs.	2011 Rs.	2010 Rs.
Balance as at 1st January	37,320,400	53,216,000	33,120,400	49,016,000
Add : Additions during the year	2,852,877	-	-	-
Less : Disposals during the year	-	(15,647,000)	-	(15,647,000)
Provisions for Impairment Loss during the year	-	(248,600)	-	(248,600)
Balance as at 31st December	40,173,277	37,320,400	33,120,400	33,120,400

NOTES TO THE FINANCIAL STATEMENTS

Continued

20.a Details of Investment Properties

	GROUP				COMPANY			
	2011		2010		2011		2010	
Property Location	Cost Rs.	Market Value Rs.	Cost Rs.	Market Value Rs.	Cost Rs.	Market Value Rs.	Cost Rs.	Market Value Rs.
Kaduwela, Malambe	32,700,000	32,700,000	32,700,000	32,700,000	32,700,000	32,700,000	32,700,000	32,700,000
Dorakumbura, Kurunegala	669,000	420,400	669,000	420,400	669,000	420,400	669,000	420,400
Malabe	4,200,000	4,200,000	4,200,000	4,200,000				
Ahangama	2,852,877	2,852,877						
	40,421,877	40,173,277	37,569,000	37,320,400	33,369,000	33,120,400	33,369,000	33,120,400

21 PROPERTY, PLANT AND EQUIPMENT

COMPANY

Cost	Computer Equipment Rs	Office machine & equipment Rs	Furniture & Fittings Rs	Motor Vehicles Rs	31.12.2011 Total Rs	31.12.2010 Total Rs
Balance as at 1st January	40,589,135	12,401,393	15,020,712	12,843,100	80,854,340	75,504,212
Additions during the Year	1,643,000	1,733,275	3,689,663	-	7,065,988	5,457,128
Disposals during the Year	-	-	-	(850,000)	(850,000)	(107,000)
As at 31st December	42,232,185	14,134,668	18,710,375	11,993,100	87,070,328	80,854,340
Accumulated Depreciation						
Balance as at 1st January	39,381,406	11,132,311	13,612,710	7,483,587	71,610,014	68,047,694
Charge for the year	576,150	180,268	550,803	1,444,341	2,751,562	3,669,320
Disposals	-	-	-	(495,833)	(495,833)	(107,000)
As at 31st December	39,957,556	11,312,579	14,163,513	8,432,095	73,865,743	71,610,014
Net book value as at 31.12.11	2,274,629	2,822,089	4,546,862	3,561,005	13,204,585	
Net book value as at 31.12.10	1,207,729	1,269,082	1,408,002	5,359,513		9,244,326

GROUP

Cost	Computer Equipment Rs	Office machine & equipment Rs	Furniture & Fittings Rs	Motor Vehicles Rs	31.12.2011 Total Rs	31.12.2010 Total Rs
Balance as at 1st January	42,331,818	15,349,037	16,324,520	12,910,064	86,915,439	80,644,341
Additions during the Year	1,643,050	1,743,630	3,689,663	-	7,076,343	6,378,098
Disposals during the Year	-	-	-	(850,000)	(850,000)	(107,000)
As at 31st December	43,974,868	17,092,667	20,014,183	12,060,064	93,141,782	86,915,439
Accumulated Depreciation						
Balance as at 1st January	40,901,636	13,359,855	14,346,326	7,488,051	76,095,868	72,150,414
Charge for the year	640,827	393,498	702,177	1,457,734	3,194,236	4,052,454
Disposals	-	-	-	(495,833)	(495,833)	(107,000)
As at 31st December	41,542,463	13,753,353	15,048,503	8,449,952	78,794,271	76,095,868
Net book value as at 31.12.11	2,432,405	3,339,314	4,965,680	3,610,112	14,347,511	-
Net book value as at 31.12.10	1,430,182	1,989,183	1,978,194	5,422,012		10,819,571

NOTES TO THE FINANCIAL STATEMENTS

Continued

As at 31 December	GROUP 2011 Rs.	GROUP 2010 Rs.	COMPANY 2011 Rs.	COMPANY 2010 Rs.
22 OTHER ASSETS				
Deposits & Prepayments	5,343,948	3,799,665	5,343,948	3,799,665
Land Stock -Real Estate	1,203,520	1,691,853	1,203,520	1,691,853
Other Assets	32,571,756	28,698,994	29,617,930	25,477,669
	39,119,224	34,190,512	36,165,398	30,969,187
23 DEFERRED TAXATION				
Balance as at 1st January	221,670	471,067	-	-
Reversal made during the year	(64,222)	(249,397)	-	-
Balance as at 31st December **(Note 10.c)**	157,448	221,670	-	-

The above deferred tax assest has been recognized in respect of the subsidiary, SMB Money Brokers (Private) Limited since the management expects adequate taxable profits in the future in respect of the subsidiary.

As at 31 December	GROUP 2011 Rs.	GROUP 2010 Rs.	COMPANY 2011 Rs.	COMPANY 2010 Rs.
24 BORROWINGS				
Promissory Notes	226,233,546	337,488,071	226,233,546	337,638,071
Refinance Borrowings	5,176,448	5,176,448	5,176,448	5,176,448
Other Borrowings	16,672,000	10,000,000	16,672,000	10,000,000
	248,081,994	352,664,519	248,081,994	352,814,519
25 OTHER LIABILITIES				
Accrued Expenses	639,183	779,519	297,411	464,780
Provision for Retirement benefit obligations **(Note 25a)**	5,795,744	3,164,659	4,349,048	2,618,053
Others	91,808,270	75,113,136	89,947,623	74,744,478
	98,243,197	79,057,314	94,594,082	77,827,311
25a Provision for Retirement benefit obligations				
Balance as at 1st January	3,164,659	3,351,290	2,618,053	2,975,653
Provision for the year	5,281,048	470,969	4,380,958	300,000
Payments during the year	(2,649,963)	(657,600)	(2,649,963)	(657,600)
Balance as at 31st December	5,795,744	3,164,659	4,349,048	2,618,053

The following assumptions were used in valuing the retirement defined benefits obligation using gratuity formula method as required by SLAS 16 - "Employee Benefits"

Salary Increment Rate	8.5%
Discount Rate	9.15%
Retirement Age	55 years

As at 31 December	GROUP 2011 Rs.	GROUP 2010 Rs.	COMPANY 2011 Rs.	COMPANY 2010 Rs.
26 DEBENTURES	109,193,093	115,176,500	109,193,093	115,176,500
	109,193,093	115,176,500	109,193,093	115,176,500
26a Movement In Debentures				
Balance as at 1st January	115,176,500	231,661,500	115,176,500	231,661,500
Add: Issued during the period		-		-
Less: Repayments during the period	(5,983,407)	(116,485,000)	(5,983,407)	(116,485,000)
Balance as at 31st December	109,193,093	115,176,500	109,193,093	115,176,500

NOTES TO THE FINANCIAL STATEMENTS

Continued

As at 31 December	GROUP 2011 Rs.	GROUP 2010 Rs.	COMPANY 2011 Rs.	COMPANY 2010 Rs.
27 STATED CAPITAL				
826,486,514 Voting Ordinary Shares	770,950,296	770,950,296	770,950,296	770,950,296
560,000,000 Non Voting Ordinary Shares	376,000,000	376,000,000	376,000,000	376,000,000
Capital Reduction	(636,419,321)	-	(636,419,321)	-
	510,530,975	1,146,950,296	510,530,975	1,146,950,296

Company carried out a capital reduction by setting off the brought forward loss of Rs. 636,419,321 against the stated capital during the year, which has been approved by the shareholders at the EGM held on 22nd November 2011

As at 31 December	GROUP 2011 Rs.	GROUP 2010 Rs.	COMPANY 2011 Rs.	COMPANY 2010 Rs.
28 SHARE APPLICATION MONEY				
Ordinary Voting Share Applications -Warrents	332,105,128	-	332,105,128	-
Ordinary Non Voting Share Applications-Warrents	42,461,311	-	42,461,311	-
	374,566,439	-	374,566,439	-

The free warrants which were issued with the Ordinary Voting Shares and Ordinary Non Voting Shares through the rights issue in the year 2010 were converted in to Ordinary Voting Shares and Ordinary Non Voting Shares of the Company in December 2011 on the following basis.

Warrants (Ordinary Voting Shares) - in the ratio of 1 warrant for 1 right, at a price of Rs. 1/- per share.

Warrants (Ordinary Non Voting Shares) - in the ratio of 1 warrant for 1 right, at a price of Rs. 0.80 per share.

As a result of the said conversion of warrants, Rs. 332,105,128 and Rs, 42,461,311 was infused in to the stated capital of the company through Ordinary (Voting) shares and Ordinary (Non Voting) shares respectively, as at 31st December 2011.

As at 31 December	GROUP 2011 Rs.	GROUP 2010 Rs.	COMPANY 2011 Rs.	COMPANY 2010 Rs.
29 STATUTORY RESERVE				
Balance as at 1st January	9,857,885	1,239,777	9,857,885	1,239,777
Transfers made during the year	-	8,618,108	-	8,618,108
Balance as at 31st December	9,857,885	9,857,885	9,857,885	9,857,885

The statutory Reserve has been created during the year 2006 in accordance with the Finance Leasing (Amended) Act No. 56 of 2000 and 5% of the net profit for the period should be transferred to Statutory Reserve Fund annually.

30 COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Company makes various commitments and incurs certain contingent liabilities with legal recourse to its customers. No material losses are anticipated as a result of these transactions. The Company has issued Rs. 1.5 Mn bank guarantees against investments as at 31st December 2011

31 POST BALANCE SHEET EVENTS

There are no events occurred after the Balance Sheet date which require adjustments/disclosures in the Financial Statements other than the allotment of shares for the value of Rs. 408,533,138 for the execution of warrants issued with the Rights (Ordinary Voting & Ordinary Non Voting). Ths includes 365,280,258 voting shares at Rs. 1/- per share for the value of Rs. 365,280,258 and 54,066,101 Non-voting shares at 0.80 per share for the value of Rs. 43,252,880.

NOTES TO THE FINANCIAL STATEMENTS

Continued

32. Related Party Disclosures

32.1 Transactions with Related Parties

Company	Name of Director	Details of Financial Dealings	Received/(Paid) 2011 Rs.	Balance as at 31.12.2011 Rs.	Balance as at 31.12.2010 Rs.
Transactions with Associate Companies					
SMB Real Estate Ltd.	Mr. R.S.W. Senanayake	Term Loan	-	9,469,000	9,469,000
	Mr. M.S.I. Peiris	Investment on Debentures	-	(9,236,000)	(9,469,000)
Kenanga Investment Corporation Ltd	Mr. R.S.W. Senanayake	Dividend Income	1,896,300	-	
	Mr. M.S.I. Peiris	Royalty income	781,730	-	
		Professional Fee	(489,250)		
Transaction with Subsidiaries					
SMB Money Brokers (Pvt) Ltd.	Mr.R.S.W. Senanayaka	Investment in Promissory Notes	-	(87,719)	(87,719)
		Easy Payment Loan	240,000	3,060,028	3,300,283
Transaction with other Related Companies					
Corporate Finance & Capital Market Ltd	Mr.R.S.W. Senanayaka	Finance Lease	-		4,436,029
	Mr.M.S.I.Peiris	Easy Payment Loan	-	4,225,387	4,225,387
		Proceed from Disposal of Investment in SMB Money Brokers Ltd	-	12,448,250	12,448,250
		Disposal Proceeds of Treasury Bonds & Others	-	5,182,076	5,182,077
		Other receivable	-	10,893,100	10,893,100
		Professional Fee	(556,122)		-
		Provision for Bad & Doubtful Debts	-	(28,523,427)	(28,523,427)
Ceylinco Maini (Pvt)Ltd	Mr.R.S.W. Senanayaka	Quick Fund Loan	-	1,350,043	1,350,043
	Mr M. S. I. Peiris	Provision for Bad & Doubtful Debts	-	(1,350,043)	(1,350,043)

NOTES TO THE FINANCIAL STATEMENTS

Continued

Company	Name of Director	Details of Financial Dealings	Received/(Paid) 2011 Rs.	Balance as at 31.12.2011 Rs.	Balance as at 31.12.2010 Rs.
Ceylinco Automobiles Ltd	Mr.R.S.W. Senanayaka	Finance Lease	-	666,231	666,231
	Mr. M.S.I Peiris	Quick Cash Loan	-	16,549,925	16,549,925
		Other receivable	15,150	4,394,850	4,394,850
		Salaries Receivable		2,682,038	2,682,038
		Cal-Commission		600,000	600,000
		Debenture Interest		17,600,000	17,600,000
		Provision for Bad & Doubtful Debts	(38,330,071)	-	(38,330,071)
The Magnum Fund	Mr.R.S.W. Senanayaka	Quick Cash Loan	-	1,744,976	1,744,976
	Mr M. S. I. Peiris	EP Loan Interest Income	-	1,420,384	1,420,384
		Quick Fund Loan	-	342,896	342,896
		Other receivable		123,868	123,868
		Salaries Receivable		2,372,300	2,372,300
		Provision for Bad & Doubtful Debts	(2,496,167)	-	(2,496,167)

NOTES TO THE FINANCIAL STATEMENTS

Continued

32.2 SMB Leasing PLC acts as custodian for some of the blocks of the below mentioned lands as at 31st December 2011, which were purchased by SMB Real Estate Limited

Project Name	Deed No.
Weligama	568
Ahangama	608
Palagama	15
Malabe	22

32.3 TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

The Board of Directors of the Company are considered as the Key Management personnel of the Company. The Company has made following payments to the Key Management personnel during the year,

	GROUP		COMPANY	
	2011 Rs.	**2010 Rs.**	**2011 Rs.**	**2010 Rs.**
(a) short-term employee benefits;	3,678,083	3,146,865	3,100,100	2,786,864
(b) post employement benefits;	78,568	49,943	78,568	49,943

34 MATURITY ANALYSIS

34a. Company

An analysis of the total assets employed as at 31st Decmeber 2011 based on the remaining period at the Balance Sheet date to the respective contractual maturity dates is given below.

	Up to 3 Months Rs.	3 to 12 Months Rs.	1 to 3 Years Rs.	3 to 5 Years Rs.	More than 5 Years Rs.	Total Rs.
Interest Earning Assets						
Loans & Advances	125,255,535	25,261,809	53,646,291	31,664,752	41,286,716	277,115,104
Lease Rental Recievable	72,073,622	66,838,484	153,632,788	71,488,934	5,306,992	369,340,820
Balances with banks	-	72,713,769	-	-	-	72,713,769
Non Interest Earning Assets						
Cash in hand	407,992,144	-	-	-	-	407,992,144
Investments	-	144,619,716	-	-	-	144,619,716
Investment Property	-		33,120,400	-	-	33,120,400
Property , Plant & equipment	-	-	-	13,204,585	-	13,204,585
Other Assets	-	36,165,398	-	-	-	36,165,398
Total Assets	605,321,301	345,599,176	240,399,479	116,358,271	46,593,708	1,354,271,936

NOTES TO THE FINANCIAL STATEMENTS

Continued

An analysis of the total liabilities employed as at 31st Decmeber 2011 based on the remaining period at the Balance Sheet date to the respective contractual maturity dates is given below.

	Up to 3 Months Rs.	3 to 12 Months Rs.	1 to 3 Years Rs.	3 to 5 Years Rs.	More than 5 Years Rs.	Total Rs.
Interest bearing liabilities						
Borrowings	177,488,990	40,563,598	26,133,206	2,806,001	1,090,200	248,081,995
Debentures	14,193,093			95,000,000	-	109,193,093
Bank Overdraft	50,084,678	-	-	-	-	50,084,678
Non Interest bearing liabilities						
Other liabilities	70,842,090	14,883,546	8,282,070	422,300	164,074	94,594,080
Shareholders Funds	-	-	-	-	852,318,090	852,318,090
Total Liabilities	312,608,851	55,447,144	34,415,276	98,228,301	853,572,364	1,354,271,936

34.b Group

An analysis of the total assets employed as at 31st Decmeber 2011 based on the remaining period at the Balance Sheet date to the respective contractual maturity dates is given below.

	Up to 3 Months Rs.	3 to 12 Months Rs.	1 to 3 Years Rs.	3 to 5 Years Rs.	More than 5 Years Rs.	Total Rs.
Interest Earning Assets						
Loans & Advances	125,255,535	25,261,809	53,646,291	28,844,752	41,286,716	274,295,103
Lease Recievable	72,073,623	66,838,484	153,632,788	71,488,934	5,306,992	369,340,821
Balances with banks & Fin. Cos'	-	78,243,213	-	-	-	78,243,213
Treasury Bills / Bonds	2,200,000	-	-	-	-	2,200,000
Non Interest Earning Assets						
Cash in hand	408,336,075	-	-	-	-	408,336,075
Investments	9,776,360	158,425,075	-	-	-	168,201,435
Investment Property	-	-	40,173,277	-	-	40,173,277
Property , Plant & equipment	-	-	-	14,347,511	-	14,347,511
Other Assets	-	39,276,672	-	-	-	39,276,672
Total Assets	617,641,593	368,045,253	247,452,356	114,681,197	46,593,708	1,394,174,107

NOTES TO THE FINANCIAL STATEMENTS

Continued

An analysis of the total liabilities employed as at 31st Decmeber 2011 based on the remaining period at the Balance Sheet date to the respective contractual maturity dates is given below.

	Up to 3 Months Rs.	3 to 12 Months Rs.	1 to 3 Years Rs.	3 to 5 Years Rs.	More than 5 Years Rs.	Total Rs.
Interest bearing liabilities						
Borrowings	177,488,989	40,563,598	26,133,206	2,806,001	1,090,200	248,081,994
Debentures	14,193,093	-	-	95,000,000	-	109,193,093
Bank Overdraft	50,084,678	-	-	-	-	50,084,678
Non Interest bearing liabilities						
Other liabilities	73,231,010	16,143,743	8,282,070	422,300	164,074	98,243,197
Shareholders Funds	-	-	-	-	880,913,440	880,913,440
Minority Interest	-	-	-	-	7,657,705	7,657,705
Total Liabilities	314,997,769	56,707,341	34,415,277	98,228,300	889,825,419	1,394,174,107

NOTES TO THE FINANCIAL STATEMENTS

35. SEGMENTAL REPORTING-GROUP

	Loans		Leasing		Money Brokering		Eliminations/Unallocated		Consolidated	
	2011 Rs.	2010 Rs.	2011 Rs.	2010 Rs.	2011 Rs.	2010 Rs.	2011 Rs.	2010 Rs.	2011 Rs.	2010 Rs.
Revenue										
Interest	30,522,839	47,906,771	40,924,034	41,874,096	-	-	-	300,000	71,446,873	89,480,867
Commissions & Fee Income	763,831	11,948,334	1,024,121	10,443,736	40,192,373	17,010,330	-	1,969,801	41,980,325	37,432,598
Other	7,295,209	6,369,544	9,781,179	5,567,458	-	2,149,971	-	-	17,076,388	14,086,973
Total Revenue from External Customers	38,581,879	66,224,650	51,729,334	57,885,289	40,192,373	19,160,301	-	2,269,801	130,503,586	141,000,438
Total Revenue	38,581,879	66,224,650	51,729,334	57,885,289	40,192,373	19,160,301	-	2,269,801	130,503,586	141,000,438
	(6,786,384)	17,919,528	(15,283,417)	13,263,239	(6,962,465)	6,200,927		2,641,792	(29,032,267)	34,741,902
Less:Depreciation charged for the year	1,035,768	1,775,793	1,402,132	1,561,957	746,336	714,704	-	-	3,194,236	4,052,454
Profit/(Loss) from Operations	(7,832,153)	16,143,735	(16,685,550)	11,701,282	(7,708,801	5,486,223	-	-	(32,226,503)	33,331,240
Income tax expense	3,629,014	4,174,259	-	1,173,137	-	668,867	-	-	3,629,014	6,016,263
Profit/(Loss) After Income tax	(11,461,167)	11,969,476	(16,685,550)	10,528,145	(7,708,801)	4,817,356	-	-	(35,855,517)	27,314,977
Net Profit/(Loss) for the year	(11,461,167)	11,969,476	(16,685,550)	10,528,145	(7,708,801)	4,817,356	-	-	(35,855,517)	27,314,977
OTHER INFORMATION										
Segment assets	482,238,488	526,295,948	646,569,746	462,920,846	344,160,144	211,818,371	-	-	1,472,986,378	1,201,035,166
Less:Accumulated Depreciation	25,796,637	33,464,987	34,587,295	29,435,226	18,410,339	13,468,656	-	-	78,794,271	76,368,868
Investment in Subsidiaries	-	12,750,000	-	-	-	-	-	-	-	12,750,000
Total Assets	456,441,851	505,580,961	611,982,451	433,485,621	325,749,805	198,349,716	-	-	1,394,174,107	1,137,416,298
Segmental liabilities	165,530,511	258,964,996	221,937,948	227,781,148	118,134,504	104,225,662	-	3,450,000	505,602,962	587,521,806
Shareholders Funds	288,404,267	242,694,918	386,683,100	213,470,268	205,826,073	97,677,443	-	12,184,157	880,913,440	541,658,472
Minority Interest	-	-	-	-	-	-	7,657,705	8,236,021	7,657,705	8,236,021
Total liabilities	453,934,777	501,659,914	608,621,048	441,251,415	323,960,577	201,903,105	7,657,705	23,870,178	1,394,174,107	1,137,416,298

DECADE AT A GLANCE - COMPANY

For the year ended 31st December	2002 (Rs. '000)	2003 (Rs. '000)	2004 (Rs. '000)	2005 (Rs. '000)	2006 (Rs. '000)	2007 (Rs. '000)	2008 (Rs. '000)	2009 (Rs. '000)	2010 (Rs. '000)	2011 (Rs. '000)
Operating Results										
Revenue	472,481	565,768	557,668	589,173	515,425	500,998	334,661	391,449	124,110	**107,938**
Interest Income	377,445	424,171	506,640	541,836	436,047	424,776	295,666	147,132	101,718	**70,664**
Interest Expense	(320,189)	(332,344)	(369,130)	(399,959)	(359,235)	(400,239)	(410,293)	(166,315)	(64,732)	**(47,609)**
Operating Expenses & Provision	(133,407)	(205,432)	(143,288)	(128,850)	(110,889)	(85,937)	(506,301)	(66,868)	(59,805)	**(95,847)**
Profit/(Loss) before Taxation & VAT	2,280	10,790	22,203	30,690	31,859	2,699	(581,933)	158,266	19,443	**(35,518)**
VAT & Taxation	-	794	2,777	9,921	6,994	(2,432)	(35,601)	-	-	**(3,937)**
Profit/(Loss) after Taxation & VAT	2,280	9,996	19,426	20,769	24,865	267	(618,676)	158,266	14,095	**(42,603)**
Minority Interest										**-**
Profit/(Loss)Attributable to Sharehoders										**(42,603)**
As at 31st December										
Assets										
Cash & Short Term Funds	3,157	(122,572)	22,016	122,247	30,408	60,262	10,069	6,091	297,843	**407,992**
Investments	1,226,838	316,816	428,024	814,500	673,337	288,150	124,472	1,060	2,650	**79,022**
Bills of Exchange	43,220	32,373	4,000	3,525	-	-	-	-	-	**-**
Loans & advances	571,910	658,254	974,280	1,063,481	1,184,387	1,002,987	651,872	521,997	359,201	**277,115**
Lease Rentals Receivables	1,288,168	1,554,555	1,889,881	1,490,044	1,255,478	946,615	545,384	256,967	117,129	**369,341**
Investment in Associate Co.	-	-	1,200	1,200	-	49,000	49,000	125,560	129,282	**125,561**
Investment in Subsidiary Co.	76,225	97,100	112,100	154,068	314,547	319,540	324,197	12,750	12,750	**12,750**
Interest Receivable	-	-	22,297	40,296	51,538	103,636	253,037	81,500	41,503	**-**
Investment Property	-	11,189	11,189	11,189	23,187	27,505	16,316	49,016	33,120	**33,120**
Property, Plant & Equipment	16,196	15,811	27,098	24,132	20,983	11,947	8,055	7,457	9,244	**13,205**
Other Assets	259,831	222,524	100,741	67,842	66,493	123,475	43,358	106,170	98,799	**36,165**
Intangible Assets	8,835	-	-	-	-	-	-	-	-	**-**
	3,494,380	2,786,050	3,592,826	3,792,524	3,620,358	2,933,118	2,025,760	1,168,542	1,106,831	**1,354,271**
Equity & Liabilities										
Stated Capital										
Ordinary Shares	333,773	333,773	333,773	445,031	545,031	545,031	545,031	545,031	1,126,195	**1,500,762**
Share Premium	13,244	13,244	13,244	23,257	20,985	20,755	20,755	20,755	20,755	**20,755**
Reserves	(217,129)	(207,132)	(187,707)	(175,281)	(159,317)	(159,050)	(777,725)	(636,117)	(626,730)	**(636,419)**
Borrowings	2,889,285	1,892,595	1,987,677	2,355,174	2,271,892	1,747,762	1,721,268	680,063	393,439	**(32,780)**
Group Balances Payable	149,500	90,300	209,000	218,000	197,500	153,000	197,848	197,848	-	**248,082**
Other Liabilities	31,658	29,493	305,202	295,285	246,319	229,893	63,408	129,300	77,996	**144,678**
Debentures	294,049	633,778	931,637	631,058	497,948	395,727	255,174	231,662	115,176	**109,193**
	3,494,380	2,786,051	3,592,826	3,792,524	3,620,358	2,933,118	2,025,760	1,168,542	1,106,831	**1,354,271**
Income Growth (%)	44.56	19.74	(1.43)	5.65	(12.52)	(2.80)	(33.20)	16.97	(68.28)	**(13.03)**
Property, Plant & Equipment to Shareholders' Fund (%)	12.47	11.30	17.01	8.24	5.16	2.94	(3.80)	(10.60)	1.77	**1.55**
Total Assets to Shareholders' Fund (times)	111.59	19.92	22.55	12.94	8.90	7.21	(9.56)	(16.61)	0.80	**1.60**
Net Assets per Share (Rs.)	3.89	4.19	4.77	6.58	4.46	7.46	(3.89)	(1.29)	0.37	**0.61**
Basic Earning / (Loss) Per Share	(1.67)	0.07	0.30	0.58	0.51	0.005	(11.35)	0.23	0.02	**(0.03)**

FIVE YEAR SUMMARY - GROUP

For the year ended 31st December	2007 (Rs. '000)	2008 (Rs. '000)	2009 (Rs. '000)	2010 (Rs. '000)	2011 (Rs. '000)
Operating Results					
Revenue	944,079	949,473	623,059	141,000	**130,504**
Interest Income	804,894	859,359	378,376	102,228	**71,447**
Interest Expense	(619,227)	(763,044)	(290,674)	(64,732)	**(47,609)**
Operating Expenses & Provision	(288,428)	(843,360)	(250,697)	(94,041)	**(125,862)**
Profit/(Loss) before taxation & VAT	3,579	(656,931)	81,687	16,148	**(28,289)**
Taxation & VAT	98	(44,513)	(1,516)	420	**(7,566)**
Profit After Taxation & VAT	3,678	(697,079)	82,229	27,315	**(35,855)**
Minority Interest	6,409	(8,978)	(10,950)	197	**(578)**
Profit/(Loss) Attributable to Shareholders	(2,732)	(688,101)	82,229	27,117	**(35,277)**
Assets					
Cash & Short Term Funds	73,999	17,636	7,244	300,580	**408,336**
Investments	621,520	493,701	13,236	12,889	**90,220**
Bills of Exchange	-	-	-	-	-
Loans & advances	972,961	956,320	521,732	355,901	**274,055**
Lease Rentals Receivables	2,565,417	1,987,191	256,967	122,436	**369,341**
Investment in Associate Co.	49,950	54,315	136,704	153,543	**158,425**
Interest Receivable	162,676	325,592	81,534	41,685	-
Investment Property	27,505	16,316	53,216	37,320	**40,173**
Property, Plant & Equipment	47,576	50,097	8,494	10,820	**14,348**
Other Assets	265,746	297,978	107,849	102,242	**39,277**
Intangible Assets	26,848	25,410	-	-	-
	4,814,198	4,224,557	1,186,976	1,137,416	**1,394,174**
Equity & Liabilities					
Stated Capital					
Ordinary Shares	545,031	545,031	545,031	1,126,195	**489,776**
Share Premium	20,755	20,755	20,755	20,755	**20,755**
Share Application					**374,566**
Statutory Reserves	(29,965)	(718,066)	(628,067)	(605,291)	**9,858**
Reserves					**(14,042)**
Minority Interest	73,620	74,327	8,039	8,236	**7,658**
Borrowings	3,131,189	3,377,545	680,063	352,665	**248,082**
Group Balances Payable	153,000	197,848	197,848	-	-
Other Liabilities	413,800	386,808	131,645	119,680	**148,328**
Debentures	506,769	340,309	231,662	115,176	**109,193**
	4,814,198	4,224,557	1,186,976	1,137,416	**1,394,174**
Cash Flow					
Cash Flow from Operating Activities	401,175	(197,132)	424,444	260,125	**(185,963,152)**
Cash Flow from Investing Activities	156,987	163,954	543,257	410,450	**(3,922,300)**
Cash Flow from Financing Activities	(465,891)	(23,185)	(972,375)	(7,001)	**288,179,654**
Net Increase or (Decrease) in Cash and Cash Equvalents	92,271	17,636	6,642	252,713	**98,294,202**
Basic Earning/ (Loss) Per Share	(0.05)	(12.62)	0.14	0.03	**-0.02**
Assets Growth (%)	(9.64)	(12.25)	(71.90)	(4.13)	**22.92**
Net Assets Growth (%)	(0.55)	(128.42)	(59.10)	(13.78)	**(56.96)**
Net Assets Per Share	9.83	(2.79)	(1.14)	0.40	**0.61**

VALUE ADDED STATEMENT

For the Year Ended 31st December

	2011 Rs."000"		2010 Rs."000"		2011 Rs."000"		2010 Rs."000"	
Value Added								
Interest and similar income	71,447		102,229		70,664		101,718	
Cost of Borrowings	(31,354)		(56,008)		(31,353)		(56,008)	
Other Income	59,057		38,772		37,273		22,392	
Associate Company Profit	14,678		18,809		-		-	
Provision for Bad Debts	(21,181)		31,318		(21,181)		35,041	
	92,647	**100.0%**	**135,120**	**100.0%**	**55,403**	**100.0%**	**103,143**	**100.0%**
Distribution of Value Added								
To Service Providers								
Overhead and Support Services	51,629	55.7%	57,422	42.5%	40100	72.4%	47,343	45.9%
To the Government								
Taxes	7,566	8.2%	6,016	4.5%	7,085	12.8%	5,347	5.2%
To Employees								
Salaries, Wages and Other Benefits	44,505	48.0%	31,569	23.4%	31,814	57.4%	23,964	23.2%
To Lenders of Capital								
Interest on Borrowings	16,256	17.5%	8,725	6.5%	16,256	29.3%	8,725	8.5%
To Maintain Operations								
Depreciation	3,194	3.4%	4,052	3%	2,752	5.0%	3,669	3.6%
Retained within the Business								
Retained Profit /(Loss)	(30,503)	-32.9%	27,315	20.2%	(42,603)	-76.9	14,096	13.7%
	92,647	**100.0%**	**135,120**	**100.0%**	**55,403**	**100.0%**	**103,143**	**100.0%**

Value Added Statement-Group

SHAREHOLDERS & INVESTORS INFORMATION

1 TOP TWENTY SHAREHOLDERS

Ordinary Voting

Name	31st December 2011 Number of Shares	%	31st December 2010 Number of Shares	%
Dr. T Senthilverl	212,255,824	25.68%	196,807,724	23.81%
Mr.H.R.S. Wijerathna	92,209,700	11.16%		
Standard Charted Bank Singapore S/A HL bank Singapore Branch	59,345,400	7.18%		
Miss. W.N.C. Fernando	26,154,249	3.16%	20,494,949	2.48%
Miss. S.A. Fernando	17,872,289	2.16%	16,454,889	1.99%
National Development Bank PLC / T. Senthilverl	14,000,000	1.69%		
Mrs. K.W.S.H. Fernando	13,853,139	1.68%	16,426,739	1.99%
Seylan Bank Plc -Thirugnanasambandar Senthilverl	13,780,600	1.67%	34,361,382	4.16%
Seylan Bank PLC / Jayantha Dewage	13,357,015	1.62%	19,889,115	2.41%
Mr. W.K.V.M. Fernando	12,132,190	1.47%	17,570,890	2.13%
Mr. R. Gautam	11,207,130	1.36%	13,474,930	1.63%
Mr. H.K. Pushpakumara	6,806,600	0.82%	7,574,600	0.92%
Andaradeniya Estate Private Limited	6,000,000	0.73%		
Dr.W.U.N. Gamage	5,063,600	0.61%		
Mr.V.R.A. Gunasekara	4,000,000	0.48%		
Mr. S.P. Kannangara	3,924,200	0.47%		
Associated Electrical Corporation Ltd	3,700,000	0.45%		
Mr.R.E. Rambukwelle	2,950,000	0.36%		
Mr.V.R. Kathiragamatamby	2,600,000	0.31%		
DR.D.M.D.O.K. Dissanayake	2,564,700	0.31%	3,532,285	0.43%
SUB TOTAL	**523,776,636**	63.37%	**346,587,503**	41.94%
Others	302,709,878	36.63%	479,899,011	58.06%
TOTAL ISSUED SHARE CAPITAL	**826,486,514**	100.00%	**826,486,514**	100.00%

Ordinary Non Voting

Name	31st December 2011 Number of Shares	%	31st December 2010 Number of Shares	%
Seylan Bank Plc -A/C No. 03	50,871,565	9.08%	92,369,666	16.49%
Mr. R Gautam	25,067,680	4.48%	25,266,080	4.51%
Mr. BL Jayaratne	11,703,700	2.09%	9,000,000	1.61%
Seylan Bank PLC/Jayantha Dewage	9,598,940	1.71%		
Mr.JAW Victoria	6,771,200	1.21%		
Waldock Mackenzie Ltd / Mr.Lalin Tusith Samarawickrama	6,000,000	1.07%		
Waldock Mackenzie Ltd / Mr. SA Gulahusein	5,929,840	1.06%	8,000,000	1.43%
Mr. J J Ravindran	5,040,000	0.90%	5,040,000	0.90%
Mr.A Sithathambalam	4,869,460	0.87%		
Mr.HK Pushpakumara	4,555,000	0.81%		
Mr. MLA Benedict	4,305,000	0.77%	3,684,800	0.66%
Mr.RPJ Rajapaksha	4,200,000	0.75%		
Miss S Durga	4,037,000	0.72%	4,385,000	0.78%
Mr.AR Fernando	3,900,000	0.70%		
Dr. CA Twerenbold	3,813,800	0.68%		
Mr.BK Sirimanna	3,630,000	0.65%	3,608,000	0.64%
Mr.G Doraisamy	3,500,000	0.63%		
Mr.Gajendran	3,104,600	0.55%		
Mr.WAS Weerasinghe	3,033,600	0.54%		
Mr.AKM Edirisinghe	3,020,100	0.54%		
SUB TOTAL	**166,951,485**	29.81%	**151,353,546**	27.03%
Others	393,048,515	70.19%	408,646,454	72.97%
TOTAL ISSUED SHARE CAPITAL	**560,000,000**	100.00%	**560,000,000**	100.00%

SHAREHOLDERS & INVESTORS INFORMATION

Continued

2. STOCK EXCHANGE LISTING

The Stock exchange ticker symbol for SMB Leasing PLC is "SEMB"

3 SHAREHOLDER BASE

The Total number of (Ordinary Voting) shareholders as at December 31, 2011 were 11,820 compared to 11,686 as at December 31, 2010. The Total number of (Ordinary Non Voting) shareholders as at December 31, 2011 were 5,280 compared to 3,954 at December 31, 2010.

4 DISTRIBUTION OF SHAREHOLDERS

Ordinary Voting – Shareholding as at 31st December 2011

	Resident			Non-Resident			Total		
Range of Shareholdings	No of holders	No of Shares	% of Holdings	No of holders	No of Shares	% of Holdings	No of holders	No of Shares	% of Holdings
1 to 1000 Shares	5,365	3,404,636	0.41	12	2,049	0	5,377	3,406,685	0.41
1001 to 10,000 Shares	3,988	18,706,847	2.26	10	59,500	0.01	3,998	18,766,347	2.27
10,001 to 100,000 Shares	1,923	67,690,318	8.19	13	611,181	0.07	1,936	68,301,499	8.26
100,001 to 1000,000 Shares	424	125,029,783	15.13	12	4,858,642	0.59	436	129,888,425	15.72
1,000,001 & Above	68	532,318,969	64.41	5	73,804,589	8.93	73	606,123,558	73.34
	11,768	747,150,553	90.40	52	79,335,961	9.60	11,820	826,486,514	100.00

Ordinary Non Voting – Shareholding as at 31st December 2011

	Resident			Non-Resident			Total		
Range of Shareholdings	No of holders	No of Shares	% of Holdings	No of holders	No of Shares	% of Holdings	No of holders	No of Shares	% of Holdings
1 to 1000 Shares	973	482,289	0.09	2	120	0	975	482,409	0.09
1001 to 10,000 Shares	1,709	9,582,946	1.71	7	45,500	0.01	1,716	9,628,446	1.72
10,001 to 100,000 Shares	1,852	82,370,039	14.71	5	237,400	0.04	1,857	82,607,439	14.75
100,001 to 1000,000 Shares	638	186,689,221	33.34	8	3,751,000	0.67	646	190,440,221	34.01
1,000,001 & Above	81	243,830,005	43.54	5	33,011,480	5.89	86	276,841,485	49.43
	5,253	522,954,500	93.39	27	37,045,500	6.61	5,280	560,000,000	100.00

5 COMPOSITION OF SHAREHOLDERS

	December 31, 2011			December 31, 2010		
Ordinary Voting Shares	No of Shareholders	No of Shares	% of Shareholdings	No of Shareholders	No of Shares	% of Shareholdings
Resident	11,768	747,150,553	90.40	11,629	780,136,530	94.39
Non-Resident	52	79,335,961	9.60	57	46,349,984	5.61
Total	11,820	826,486,514	100.00	11,686	826,486,514	100.00
Individual	11,517	662,249,951	80.13	11,428	697,699,309	84.42
Institution	303	164,236,563	19.87	258	128,787,205	15.58
Total	11,820	826,486,514	100.00	11,686	826,486,514	100.00

The percentage of Ordinary Voting Shares held by the public was 59.79% of the issued share capital as at December 31,2011.

SHAREHOLDERS & INVESTORS INFORMATION

Continued

Ordinary Non Voting Shares	December 31, 2011 No of Shareholders	No of Shares	% of Shareholdings	December 31, 2010 No of Shareholders	No of Shares	% of Shareholdings
Resident	5,253	522,954,500	93.38%	3,930	522,286,900	93.27%
Non-Resident	27	37,045,500	6.62%	24	37,713,100	6.73%
Total	5,280	560,000,000	100.00%	3,954	560,000,000	100.00%
Individual	5,160	450,279,995	80.41%	3,874	413,869,794	73.91%
Institution	120	109,720,005	19.59%	80	146,130,206	26.09%
Total	5,280	560,000,000	100.00%	3,954	560,000,000	100.00%

The percentage of Ordinary Non Voting Shares held by the public was 99.99% of the issued share capital as at December 31,2011.

Other Ratios	Group 2011	Group 2010	Company 2011	Company 2010
Debt Equity Ratio (%)	0.59	0.85	0.59	0.90
Interest Cover (Times)	0.89	1.51	0.89	1.30
Quick Asset Ratio (Times)	1.79	1.94	1.80	1.89

DIRECTORS' SHAREHOLDING

		2011 No. of Shares	2011 % of Holdings	2010 No. of Shares	2010 % of Holdings
Mr. R S W Senanayake	Voting	62,000	0.01	62,000	0.01
	Non Voting	50,000	0.01	50,000	0.01
Mr. M S I Peiris	Voting	24	0.00	24	0.00
	Voting Warrants	-	-	14	0.00
Dr. T Senthilverl	Voting	240,098,448	29.05	196,807,724	23.81
	Non Voting	-	-	36,048,200	6.44
	Voting Warrants	-	-	8,303,924	2.17

Share Information	2011	2010
Book Value		
Net Assets per Share- Group (Rs.)	0.61	0.38
Share Prices		
Ordinary Shares - Voting		
Highest (Rs.)	3.60	2.30
Lowest (Rs.)	1.60	1.00
Last Traded (Rs.)	1.90	1.90
Ordinary Shares - Non Voting		
Highest (Rs.)	1.40	2.20
Lowest (Rs.)	0.60	0.70
Last Traded (Rs.)	.70	1.00
Earnings		
Ordinary Shares		
Basic Earnings Per Share (Rs.)	-0.03	0.017
Price Earning Ratio (Times)	43.33	186.88
Frequency of Shares Traded		
Number of Shares Traded	2,586,478,100	2,646,586,100
Number of Transaction	69,341	85,661
Market Capitalization		
SMB Leasing PLC Value (Rs. Mn.)	1,570	2,130

NOTICE OF MEETING

Voting

NOTICE IS HEREBY GIVEN THAT THE ANNUAL GENERAL MEETING OF THE COMPANY WILL BE HELD ON THURSDAY 28TH JUNE 2012 AT 9.30A.M AT SASAKAWA HALL, NO.04, 22ND LANE, COLOMBO 03 FOR THE FOLLOWING PURPOSES.

1. To receive and adopt the Annual Report of the Board of Directors on the affairs of the Company and the Statement of Accounts for the year ended 31st December 2011 and the Report of the Auditors thereon.

2. To re-elect Mr. G.C.B.Ranasinghe, Director who retires in terms of Article 87 of the Articles of Association of the Company as a Director.

3. To re-appoint Messrs KPMG, Chartered Accountants, as the Auditors of the Company for the year 2012 and authorize the Directors to fix their remuneration.

4. To authorize the Directors to determine contributions to charities, and other donations during the year 2012.

BY ORDER OF THE BOARD OF DIRECTORS OF
S M B LEASING PLC
S S P CORPORATE SERVICES (PRIVATE) LIMITED

SECRETARIES

Colombo

30th May 2012

Note: Any member of the Company unable to attend the meeting may appoint another person (whether a member or not) as a proxy to attend and vote for him/her. A proxy form is attached herewith for your use. The completed form of proxy should be deposited with the Secretaries of the Company not later than 48 hours before the time fixed for the meeting.

NOTICE OF MEETING
Non Voting

NOTICE IS HEREBY GIVEN THAT THE ANNUAL GENERAL MEETING OF THE COMPANY WILL BE HELD ON THURSDAY 28TH JUNE 2012 AT 9.30A.M AT SASAKAWA HALL, NO. 04, 22ND LANE, COLOMBO 03 FOR THE FOLLOWING PURPOSES.

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S M B LEASING PLC
S S P CORPORATE SERVICES (PRIVATE) LIMITED

SECRETARIES

Colombo

30th May 2012

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FORM OF PROXY
Voting

I /We ....(N.I.C. No. ....) of
....
being a member/s of the above Company, hereby appoint Mr/Mrs/Miss ....
....(N.I.C. No. ....) of
.... OR
failing him/her

Mr. Thirunavukarasu Someswaran of Colombo 03 or failing him*
Mr. Umesh Gautam of Colombo 03 or failing him*
Mr. Muthuthantrige Surath Isira Peiris of Moratuwa or failing him*
Mr. Rohan Senaka Wickramasinghe Senanayake of Colombo 05 or failing him*
Mr. Gamini Cuda Bandara Ranasinghe of Malabe or failing him*
Mr. Jagath Chandrawansa Korale of Colombo 07 or failing him*
Dr. Thirugnanasambandar Senthilverl of Colombo 04 *

as my/our proxy to represent me/us and vote on my/our behalf at the Nineteenth Annual General Meeting of the Company to be held on Thursday 28th June 2012 at 9.30 a.m. at Sasakawa Hall, No. 04, 22nd Lane, Colombo 03 and at any adjournment thereof and to vote at every poll which may be taken in consequence thereof.

Please indicate your preference by placing a 'X' against the Resolution No.

	FOR	AGAINST
1. To receive and adopt the Annual Report of the Board of Directors and the audited financial Statements for the year ended 31st December 2011 and to receive the Report of the Auditors thereon.		
2. To re-elect Mr. G.C.B.Ranasinghe, Director who retires in terms of Article 87 of the Articles of Association of the Company, as a Director.		
3. To re-appoint Messrs KPMG, Chartered Accountants, as the Auditors of the Company for the year 2012 and authorize the Directors to fix their remuneration.		
4. To authorize the Directors to determine contributions to charities and other donations for the year 2012.		

Signed this .... day of ....Two Thousand and Twelve.

Signature: ....

FORM OF PROXY
Voting

Instructions for the completion of the form of Proxy

1. Please complete the Form of Proxy after filling in legibly your full name, NIC Number and address and by signing in the space provided.

2. Please return the completed Form of Proxy to the Secretaries to the Company after deleting one or the other of the alternative words indicated by asterisks in the body of the form and by indicating with an 'X' in the space given against each resolution how you wish your vote to be cast.

3. The completed Form of Proxy should be deposited at the office of S S P CORPORATE SERVICES (PRIVATE) LIMITED at No. 101, Inner Flower Road, Colombo 03, not later than 48 hours before the time appointed for holding of the meeting.

4. If the proxy has been signed by an Attorney, the relative Power of Attorney should accompany the completed proxy for registration, if such Power of Attorney has not been registered with the Company.

5. If there is any doubt as to how the proxy should vote by reason of the manner in which instructions under (2) above have been carried out, the proxy holder may vote as he thinks fit.

6. If the shareholder is a Company or body corporate, a form of Corporate Representation executed under its Common Seal in accordance with its Articles of Association or Constitution should be submitted.

7. Any Shareholder/ Proxy attending the Annual General Meeting is kindly requested to bring with him/her the National Identity Card or any other form of valid identification, and produce same at the time of registration.

FORM OF PROXY
Non Voting

I /We ....(N.I.C. No. ....) of

....

being a member/s of the above Company, hereby appoint Mr/Mrs/Miss ....

....(N.I.C. No. ....) of

.... OR

failing him

Mr. Thirunavukarasu Someswaran of Colombo 03 or failing him*

Mr. Umesh Gautam of Colombo 03 or failing him*

Mr. Muthuthantrige Surath Isira Peiris of Moratuwa or failing him*

Mr. Rohan Senaka Wickramasinghe Senanayake of Colombo 05 or failing him*

Mr. Gamini Cuda Bandara Ranasinghe of Malabe or failing him*

Mr. Jagath Chandrawansa Korale of Colombo 07 or failing him*

Mr. Thirugnanasambandar Senthilverl of Colombo 04 *

as my/our proxy to represent me/us and vote on my/our behalf at the Nineteenth Annual General Meeting of the Company to be held on Thursday 28th June 2012 at 9.30 a.m. at Sasakawa Hall, No.04, 22nd Lane, Colombo 03.

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