

TEAMWORK



SMB LEASING PLC

Annual Report - 2013

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.

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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. U. Gautam

(Independent Non-Executive Chairman)

Mr. M. S. I. Peiris AICM (SL)

(Executive Director)

Mr. G. C. B. Ranasinghe Certificate in Leasing (USA)

(Independent Non-Executive Director)

Mr. J. C. Korale BSc. MSc. FCA.FCMA, ACI Arb (UK),
LLB (Hons) London

(Independent Non-Executive Director)

Dr. T. Senthilverl

(Non-Executive Director)

Mr. S. N. P. Palihena FCIB(London), FIB(SL), Post Graduate Dip in
Business & Financial Administration (ICASL)

(Independent Non-Executive Director)

Mr. H. R. S. Wijeratne

(Non-Executive Director)

Secretaries

M/S. Jacey & Company

No. 9/5, Thambiah Avenue,
Off Independence Avenue,
Colombo 07.

Auditors

M/S. KPMG

(Chartered Accountants)

No. 32A, Sir Mohammed Macan Marker Mawatha,
Colombo 03.

Lawyers

M/S. De Livera Associates

Attorneys-at-Law, Solicitors & Notaries Public

No. 33 ½, Shrubbery gardens,

Colombo 3.

M/S. Gunawardena & Ranasinghe Associates

Attorneys-at-Law & Notaries Public

No. 1056, 2nd Floor, Maradana Road,

Colombo 08.

M/S. Julius & Creasy

Attorneys-at-Law & Notaries Public

No. 41, Janadhipathi Mawatha,

Colombo 01.

M/S. Ganlaths

Attorneys-at-Law and Notaries Public,

Galadari Hotel, M Floor,

No. 64, Lotus Road,

Colombo 01.

Bankers

Seylan Bank PLC

Sampath Bank PLC

People's Bank

Commercial Bank of Ceylon PLC

Head Office

No. 110, D. S. Senanayake Mawatha,

Colombo 08.

Telephone : 094-114222888

Fax : 094-114222880

E-mail : smbhed@sltnet.lk

Web : www.smbblk.com

Subsidiary Company

SMB Money Brokers (Pvt) Ltd.

Associate Companies

SMB Securities (Pvt) Ltd.

SMB Real Estate Ltd.

Kenanga Investment Corporation Ltd.

Branch

Deniyaya Branch

No. 11 A, Main Street,

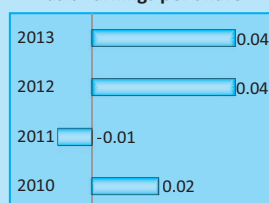
Deniyaya.

Financial Highlights

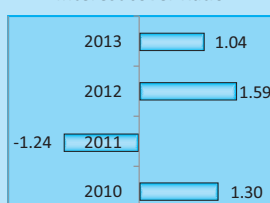
Performance During the Year

	Company			Group		
	2013 Rs.	2012 Rs.	Change %	2013 Rs.	2012 Rs.	Change %
Interest Income	182,023,753	143,987,716	26.42%	182,023,753	143,987,716	26.42%
Profit before Tax & VAT	91,613,029	92,334,664	-0.78%	102,470,591	91,898,916	11.50%
Share of Associate Company Profit/ (Loss)	-	-	-	(8,895,123)	(11,399,549)	-21.97%
Taxation & VAT	(13,860,603)	(14,862,981)	-6.74%	(15,308,071)	(14,528,404)	5.37%
Profit after Tax	77,752,426	77,471,683	0.36%	78,267,397	65,970,962	18.64%
At the Year End						
Lease / Loans portfolio	932,412,531	913,234,890	2.10%	929,832,443	910,414,890	2.13%
Other Assets	317,001,707	323,491,784	-2.01%	358,131,171	354,709,017	0.96%
Total Assets	1,249,414,238	1,236,726,674	1.03%	1,287,963,614	1,265,123,907	1.81%
Shareholders' Funds	960,453,063	883,686,063	8.69%	977,957,326	901,501,460	8.49%
Minority Interest	-	-	-	7,736,514	6,914,909	11.88%
Borrowings	262,229,284	308,787,517	-15.08%	267,400,905	308,787,517	-13.40%
Other Liabilities	26,731,891	44,253,094	-39.59%	34,868,869	47,920,021	-27.24%
Total Liabilities & Shareholders' Funds	1,249,414,238	1,236,726,674	1.03%	1,287,963,614	1,265,123,907	1.81%
Ratios						
Basic Earnings Per Share	0.04	0.04	-	0.04	0.04	-
Interest cover	1.04	1.59	-0.35%	1.28	1.58	-0.19%
Net Asset per share	0.53	0.49	0.08%	0.54	0.50	0.08%
Cost / Income ratio	57.54%	47.81%	0.20%	62.40%	54.87%	0.14%
Net profit to income ratio	55.97%	69.77%	-0.20%	56.39%	59.05%	-0.05%

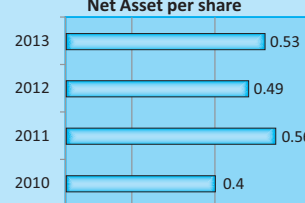
Basic Earnings per Share



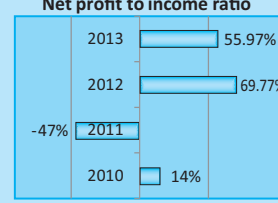
Interest cover Ratio



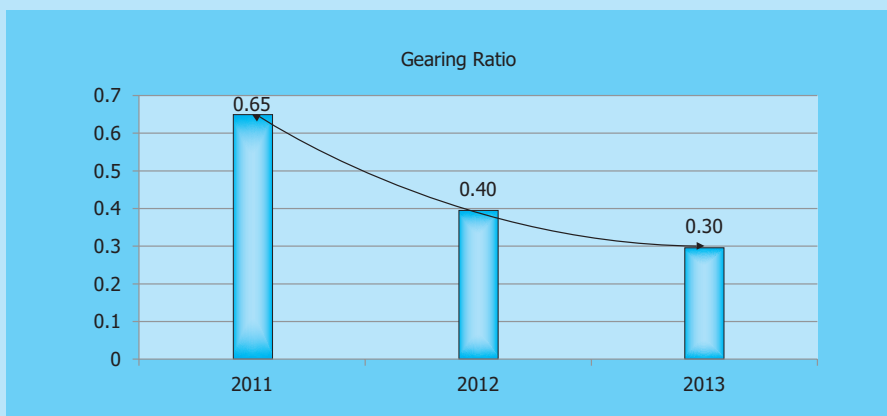
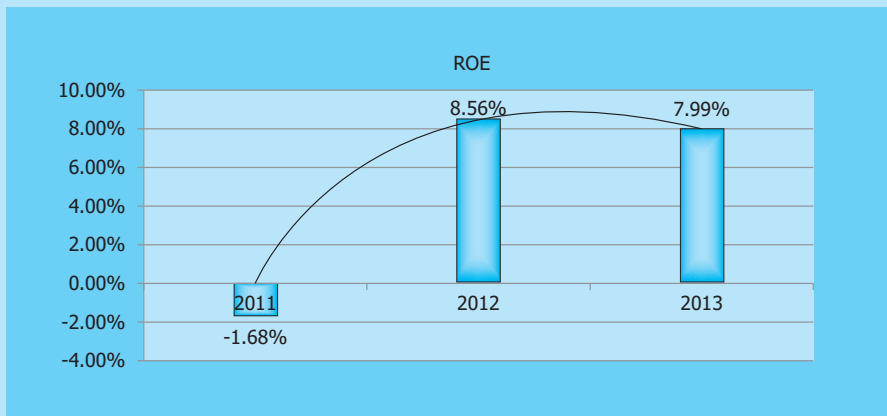
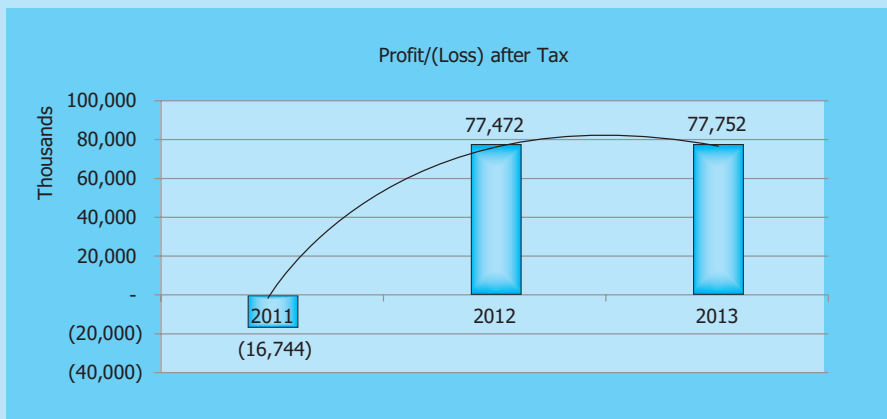
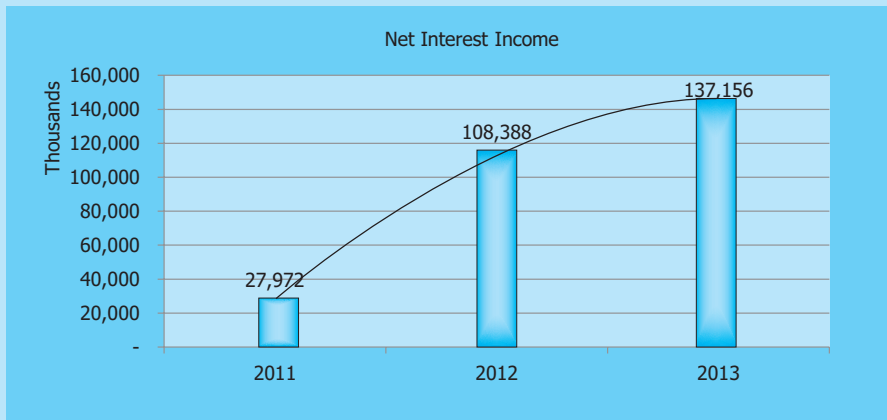
Net Asset per share



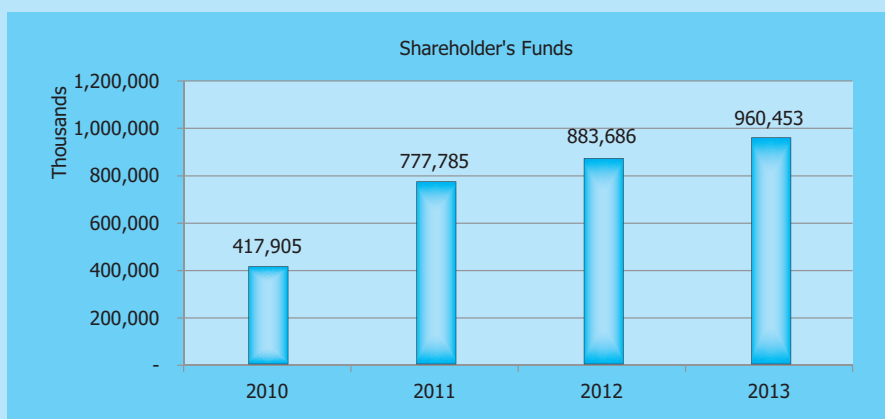
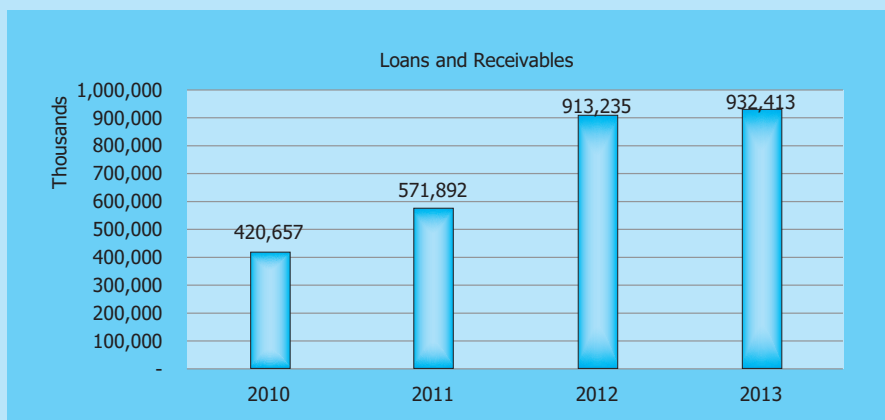
Net profit to income ratio



Financial Highlights ... (Continued)



Financial Highlights ... (Continued)



Corporate Leaders

Chairman's Message

Dear stakeholder,

It gives me great pleasure to share the fiscal performance in 2013 of your company, SMB Leasing.

Since the financial meltdown in 2008, the global economy has struggled to return to a sustainable growth trajectory but 2013 showed greater signs of optimism. Global growth stood at 3% in 2013 with IMF predictions of 3.6% and 3.9% over the next two years a possibility. The largest economy, the United States is on the mend and the worst of the multiple sovereign debt crisis in the EU seem to be behind us. As a result, the US began to taper its USD 85bn a month quantitative easing policy which will continue through 2014 and possibly ending next year. While Asia contributed two thirds of global growth, the recovery of the two largest economic regions, the Euro area and the US, will contribute to a larger share of future growth going forward.

Growth in the BRIC nations of Brazil, Russia, India and China fared well but underperformed expectations. Brazil and India saw significant outflows of money resulting in severe exchange rate volatility while Russia's predominantly oil & gas lead growth remained anaemic at 1.3% according to the IMF. Despite growing at an impressive rate, China's growth is expected to decline as the economy starts to grapple with economic imbalances arising from prior years of large credit fuelled investments. India, which completed an election in 2014 leading a victory for the BJP, grew a lacklustre 4.4% and it remains to be seen how much potential can be tapped from this behemoth economy. International investors have become more sensitive about policy and are expected to increasingly look back towards the advanced economies as they continue to be strengthened.

Against this backdrop and uncertainty in global markets Sri Lanka remained relatively unscathed with its growth rate rebounding from 6.4% in 2012 to 7.2% in 2013 with inflation recording 4.7% as of December 2013 compared to 9.8% in January that year. The balance of payments position improved considerably driven by improvements in the trade balance, foreign borrowings, inward remittances, FDI, and the tourism sector. Imports reduced for the year while exports grew around 6.9%. As of the end of 2013, foreign reserves amounted to around USD 7.1bn or 4.5 months of imports.

This year, the Central bank decided that the Sri Lankan economy had corrected itself sufficiently and reduced interest rates and the Statutory Reserve Ratio to boost the economy with further rate cuts on the horizon. Looking ahead, the Central Bank has introduced a

strategic road map for the financial sector to strengthen this vital part of the economy via consolidation. As it stands, the sector is highly fragmented with over 50 non-bank financial institutions competing to service the local market with a few large firms making up the lion share of the sector. The Central Bank's vision is to consolidate the sector through mergers and acquisitions to create a market of fewer yet larger institutions that are better capitalised and geared to support the growing requirements of the Sri Lankan economy while staying competitive to each other.

Business Performance For Year Under Review

SMB Leasing continued its growth momentum by posting a profit after tax of LKR 76.8mn in 2013, a 1.5% increase from LKR 75.6mn in 2012. Despite the decline in interest rates and lower interest spreads, the firm was able to record a 26.5% increase in net interest income. Our low exposure to external funding mitigates the severity of any impact of lower spreads as interest rates may continue to decline in 2014.

An additional boost to the bottom line was recorded from impairment reversals which contributed LKR 24.5mn.

The loan book grew over 2% to LKR 932.4mn from LKR 913.2mn in 2012, while total assets grew closer to 1% to LKR 1,249.4mn from LKR 1,236.7mn over the same period.

Growing Strong

SMB Leasing has fought its way back to stability and strength this year as reflected by the improvements in our balance sheet, and we are optimistic in this company's potential. As a leasing company, SMB leasing stands strong and tall amongst its peers with one of the highest Core capital ratios and total capital ratios of 87% and 87.9% (minimum 5% and 10% respectively).

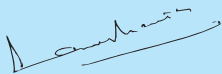
The health of our balance sheet provides us the capacity and potential to take on leverage and pursue new opportunities through expansion and new product offerings. Our outlook, strategy and planning for 2014 must give due consideration to the proposed Central bank lead fiscal consolidation. This consolidation will require NBFIs to have a capital base of LKR 8bn and I'm very optimistic about the prospects of this company given the strength of our financial position and its ability to unlock value for its stakeholders.

Chairman's Message ... (Continued)

This year will be a very interesting one for the industry as this consolidation unfolds but progress at SMB Leasing will not be hindered or halted. We have a job to do, a service to provide and new heights to reach and I have full faith that we will.

I would like to thank my fellow board of directors, the management and all the employees of SMB Leasing, who have been the heart and drive of the company. Their tireless effort and commitment have been nothing short of inspiring and it has been a personal honour to serve as their chairman.

Our many thanks to our bankers, auditors, and suppliers for their support and service this year. I would like to also thank the regulatory body, the Central Bank of Sri Lanka for their invaluable guidance. Our gratitude to all our shareholders and stakeholders whose support and faith in this company is very important. Finally I would like to extend our sincerest appreciation to all of our customers, new and old, for their patronage. You have supported this firm through its transformation and continue to reward us for our progress and for that, we are grateful. We look forward to a bright and prosperous 2014.



Umesh Gautam

Chairman

CEO's Report

It is my great pleasure to present you a brief report of our Company's steady progress during the financial year 2013.

From our inception way back in 1992, SMB Leasing PLC has certainly come a long long way. Over the years, the Company has passed many significant milestones, negotiated and overcome many hurdles while embracing the many opportunities that came our way in becoming one of the most respected and stable players in the non-banking financial sector of Sri Lanka.

The Economic Environment

The year under review saw Sri Lanka's economy sustaining the high growth momentum the country has been achieving during the post-war period. The country recorded a growth of 7.2% last year with more and more foreign direct investment coming in to the country. Headline and core inflation moderated further, reaching 4.7 per cent and 2.1 per cent (Y-o-Y), respectively, in December 2013. This was despite the many political and economic challenging the world economy. In fact, from early September 2013, the Sri Lankan Rupee gradually strengthened after having successfully faced the global market turmoil caused by the announcement of possible tapering of quantitative easing by the US Federal Reserve.

The main reasons for this growth can be attributed to improved consumer and investor confidence in Sri Lanka during the post-war period, increased capacity utilization, favourable macro-economic factors and the rapid expansion of infrastructure facilities all across the island.

Our Focus

SMB Leasing PLC's main focus and strategy during the last financial year was to improve on our previous year's performances across the board. True to our mission of being an excellent provider of innovative financial products and services aimed at creating and enhancing the wealth of our society, the Company focused greatly on customer retention and increasing service levels.

Our team members strived with the utmost dedication to ensure that our customers were happy, which in turn ensured that the bottom-line was met. The commitment shown across all peers of the Company in exceeding customer satisfaction levels and cultivating closer ties with our customers was simply outstanding. On our part, the management ensured that our employees were fully-equipped with the necessary skills and knowledge required to carry out their tasks efficiently and effectively. In-house training and mentor programmes conducted by our senior staff members added great value in achieving the Company's objectives.

Financial Performance

I'm happy to announce to you that the country's positive financial performance reflected positively on the Company as well. At the end of the financial year 2013, the Company's net asset base increased by 8.5% to report Rs. 960 Million in 2013.

The Company's Net Interest Income increased to Rs. 137 million, an increase of 26.5% compared to a Net Interest Income of Rs. 108 Million recorded during the same period of the previous year. Further Reversal of Impairment for loans and Advances increased to Rs. 24.5 million an increase of 103% compared to Rs. 12 million of the previous year due to the operational efficiency of the legal recovery process. The Company's total Comprehensive Income increased to Rs. 76.8 Million. A growth of 1.5% compared to the previous financial year.

SMB Leasing PLC's Non-Performing Loan Ratio (NPL) in the new Portfolio maintained its strong and 'above-industry-norm' levels during the financial year 2012. Our NPL Ratio of new portfolio stood at 1%, once again reaffirming the practical and forward-thinking credit criteria and recovery policies adopted by the management. With a total asset base of Rs. 1,249.4 million, we can assertively say that SMB Leasing PLC is geared to face the challenges of 2014 with absolute confidence.

Acknowledgements

I would like to place on record, my deep and sincere appreciation to our Chairman and the Board of Directors for all the guidance and direction given to me and the Senior Management during this challenging year. I would also like to thank my Senior Management for the constant backing in helping me steer the Company successfully through uncharted waters.

I would also like to take this opportunity to thank the Central Bank of Sri Lanka as well as the statutory and regulatory bodies in Sri Lanka for their forward-thinking and astute policy directions and regulations in creating greater discipline and making the market place conducive for the financial industry to grow and succeed.

To my loyal and dedicated staff, your unrelenting enthusiasm, dedication and passion in satisfying our customers continues to amaze me every day. The Company is greatly indebted to all of you. And finally to all our customers, business partners and all our other stakeholders, thank you for your valued partnership. We continue on our steadfast journey and strive to achieve our corporate mission and objectives passionately each day. This is our pledge - Our Promise.



M. J. N. S. Fernando
Chief Executive Officer

Board of Directors

Mr. U. Gautam

Independent Non-Executive Chairman

Mr. Gautam is an engineer by profession having started his career at Ashok Leyland India over three decades ago. Currently he serves as the head of the SAARC region of Ashok Leyland India, and CEO of Lanka Ashok Leyland PLC, a joint venture between the Government of Sri Lanka and Ashok Leyland. He also serves on the board of the Indian CEO Forum Sri Lanka.

Mr. Gautam joined the board of SMB Leasing as a non-executive independent director in 2010, before being elected to Chairman in 2012.

Mr. M. S. I. Peiris – AICM (SL)

Executive Director

Mr. M. S. I. Peiris joined Seylan Merchant Bank PLC (SMB) in 1994 after being employed in two leading Financial Institutions in the Finance Company and Housing Finance Sectors in Sri Lanka. In the year 2004 he was appointed as the Director / General Manager of Seylan Merchant Leasing PLC, a subsidiary of SMB which position he held up to the time of its divestiture to Peoples Leasing Company in 2009.

Mr. Peiris presently functions as the Executive Director of SMB Leasing PLC after being invited to the said Board in 2007 as a Director. He possesses extensive experience in the financial services sector especially in the field of credit management, counting over 26 years in the industry.

Mr. Peiris is an Associate Member of the Institute of Credit Management of Sri Lanka.

Mr. G. C. B. Ranasinghe

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. He was also a former Deputy Chairman of Leasing Association of Sri Lanka.

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.

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

Mr. J. C. Korale BSc. MSc. FCA. FCMA, ACI Arb (UK), LLB (Hons) London

Independent 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.

Board of Directors ... (Continued)

Dr. T Senthilverl

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, The Finance Co. PLC, Nawaloka Hospitals PLC, FLC Hydro Power 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.

Mr. S. N. P. Palihena

Independent Non-Executive Director

Mr. S. N. P. Palihena is a Fellow member of The Chartered Institute of Bankers (London) and Institute of Bankers, (Sri Lanka). He holds a Post Graduate Diploma in Business and Financial Administration from the Institute of Chartered Accountants, of Sri Lanka. Mr. Palihena is a banker by profession and has served this industry for over a period of 40 years and was a former General Manager / Chief Executive Officer of Bank of Ceylon and was a Director of DFCC Bank. He also serves on several Boards of EB Creasy PLC, group of Companies. Softlogic Capital PLC and on several companies connected to the Hirdaramani Group.

Mr. H. R. S. Wijeratne

Non-Executive Director

Mr. H. R. S. Wijeratne is the Chairman / Managing Director of Rank Holdings and Rank group of companies with interest that vary from property, logistic, hydropower and wind energy, Solid Waste Management and entertainment. Rank Container Terminals Ltd. is one of the largest dry ports in Sri Lanka and handles 80% of the import cargo volume that is imported through the Port of Colombo.

Rank Entertainment Holding (Pvt) Ltd. is one of the two licensed gaming companies operating in Sri Lanka and has been in operation for the past 18 years.

Mr. Wijeratne is an Accountant and obtained his qualification from the London School of Accountancy & Management in the United Kingdom.

Corporate Management Team

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

Executive Director

Mr. M. J. N. S. Fernando *MBA (UK), CMA (Australia)*

Director Leasing Association of Sri Lanka

Director Financial Ombudsmen of Sri Lanka

Chief Executive Officer

Mr. P. V. Ranasinghe *MBA (UK)*

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 & Mgt, MCS*

Head of Information Technology

Management Discussion and Analysis

Business Activities

The Company is currently operating its Head Office in Colombo and it's only Branch is located in Deniyaya.

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

Principal Activities

The principal activities of the Company are offering finance Leasing and Loan facilities

Subsidiary & Associate Companies

The position as at the end of 2013 is given below:

Subsidiaries – Unquoted		
SMB Money Brokers (Pvt) Ltd.	50.99%	Holding
Equity Accounted Investees		
SMB Real Estate Ltd	49.00%	Holding
Kenanga Investment Corporation Ltd.	49.00%	Holding
SMB Securities (Pvt) Ltd.	49.50%	Holding
Financial Review		
Total operating income	Rs. 207	Million
Net operating income	Rs. 232	Million
Impairment Reversal (Net)	Rs. 24	Million
Profit for the Year	Rs. 78	Million
Other Comprehensive (Expense)	Rs. (1)	Million
Total Comprehensive Income	Rs. 77	Million

Human Resources

The Company believes that its employees are its most valuable asset. They play a pivotal role in realising the Company's strategic goals and ensuring a consistent quality in the delivery of all its products and services, within the framework of a customer-focused culture.

SMB Leasing PLC is now operating with forty staff members. Commitment of highly motivated staff members who believe in team work as the key element of the success of the company

Working Environment

The Company encourages an environment of development and empowerment, enabling each staff member to contribute his/her skills and talents towards sustaining high performance and achieving rewards and recognition. The departments have created a learning culture and since the company is operating in small scale there are no barriers to cross the departments and share the knowledge when an issue arises.

Training & Development

To ensure that the company has people with the knowledge, skills and behaviours to meet organizational goals and objectives, SMB Leasing provides on the job training and out side trainings organized by Central Bank Training Centre and other professional bodies.

Equal Opportunities

The Company's employment policy follows the principles of equal opportunity, thereby preventing any discrimination on the basis of sex, age, race, religion and politics.

Remuneration

Salary scales are in line with a competency matrix and take into account qualifications, professional experience and Performances. The Company considers this as an attractive mechanism of the recruitment to strength the existing manpower towards company vision.

Subsidiaries, Associates and Equity Accounted Investees

Name of The Company	Principal 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 Mr. H. A. B. S. M. Udugama	
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. A. M. Jayasuriya Mr. M. S. I. Peiris Mr. N. N. Jayatillake	
Kenanga Investment Corporation Ltd.	Investment banking related activities & providing advisory services	49.00%	Mr. R. S. W. Senanayake Mr. M. S. I. Peiris Mr. L. K. Khee Dr. N. B. Razak Mr. M. M. N. Denney Mr. R. B. H. J. Tik	

Risk Management

A strong and integrated risk management culture pervades the Company and provides it with the foundation 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 counter party to perform according to its contractual obligations to the Company.

To manage this risk effectively, the Company's Credit Committee review the credit policy, monitor its credit approval limits, evaluate the facilities with large exposures and credit worthiness 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 the 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.

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 its 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 and is in line with the same unless disclosed to the contrary.

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	<p>The Board comprises of seven Directors out of which six are non Executive Directors. The Chairman also act as a non Executive Director.</p> <p>All Directors encompass a wide range of skills, talents and experience required to add value to enhance the business.</p> <p>The profiles of the Directors are set out in pages 13 & 14</p>																					
Meetings	<p>Meetings are held every month to review and evaluate the performance of the company. Special meetings are convened when necessary.</p> <p>Details of attendance at the meetings of the Board of Directors is given below.</p> <table border="0"> <tr> <td>Mr. U. Gautam</td> <td>- Independent Non-Executive Chairman</td> <td>- Attended 12 out of 12 meetings</td> </tr> <tr> <td>Mr. M. S. I. Peiris</td> <td>- Executive Director</td> <td>- Attended 11 out of 12 meetings</td> </tr> <tr> <td>Mr. G. C. B. Ranasinghe</td> <td>- Independent Non-Executive Director</td> <td>- Attended 10 out of 12 meetings</td> </tr> <tr> <td>Mr. J. C. Korale</td> <td>- Independent Non-Executive Director</td> <td>- Attended 12 out of 12 meetings</td> </tr> <tr> <td>Dr. T. Senthilverl</td> <td>- Non-Executive Director</td> <td>- Attended 07 out of 12 meetings</td> </tr> <tr> <td>Mr. S. N. P. Palihena</td> <td>- Independent Non-Executive Director</td> <td>- Attended 12 out of 12 meetings</td> </tr> <tr> <td>Mr. H. R. S. Wijeratne</td> <td>- Non- Executive Director</td> <td>- Attended 05 out of 10 meetings</td> </tr> </table>	Mr. U. Gautam	- Independent Non-Executive Chairman	- Attended 12 out of 12 meetings	Mr. M. S. I. Peiris	- Executive Director	- Attended 11 out of 12 meetings	Mr. G. C. B. Ranasinghe	- Independent Non-Executive Director	- Attended 10 out of 12 meetings	Mr. J. C. Korale	- Independent Non-Executive Director	- Attended 12 out of 12 meetings	Dr. T. Senthilverl	- Non-Executive Director	- Attended 07 out of 12 meetings	Mr. S. N. P. Palihena	- Independent Non-Executive Director	- Attended 12 out of 12 meetings	Mr. H. R. S. Wijeratne	- Non- Executive Director	- Attended 05 out of 10 meetings
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Mr. H. R. S. Wijeratne	- Non- Executive Director	- Attended 05 out of 10 meetings																				
Responsibilities of the Board	<p>The ultimate responsibility of all operations of the Company and being accountable to the stakeholders lies with the Board of Directors. Matters reserved for the Board and the sub committees and those delegated to the management are clearly defined.</p> <p>The Audit Committee is a sub committee of the Board.</p> <p>The Board ensures:</p> <ul style="list-style-type: none"> * Formulating corporate strategy & strategic direction of the Company * Monitoring the effectiveness of the Company's risk management strategy * Compliance with ethical and legal standards * Reviewing the integrity of the Company's 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 																					

Corporate Governance and Compliance ... (Continued)

Corporate Governance Principles	Compliance
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 its responsibilities.
Training of the Directors	Presentations are made to the Board from time to time regarding changes in industry related matters.
Company Secretary	Jacey & Company was Appointed as the Company Secretary of SMB Leasing PLC in October 2012. 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 Independent 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 a Chartered Accountant who has 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 for making Recommendations on new appointments to the Board. New Directors, including the Chairman are appointed by the Board.

Corporate Governance and Compliance ... (Continued)

Corporate Governance Principles	Compliance
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 1/3rd of the directors to retire by rotation each year, with the exception of Chairman and Executive Director
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 with the recommendation of the remuneration Committee.
Disclosure of Remuneration	The total remuneration of the Directors' is disclosed on page 57 of the Annual Report.
Relations With Shareholders Constructive use of the Annual General Meeting (AGM)	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.
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).

Corporate Governance and Compliance ... (Continued)

Corporate Governance Principles	Compliance
Major Transactions	There were no major transactions materially affecting the balance sheet in 2013.
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 2013 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 (SLFRS / LKAS). 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 28 to 30 of the Annual Report
Directors responsibility statement	The statement of Directors responsibility for financial reporting is given on page 31 of the Annual Report.
Statement of the External Auditors	The Auditors report is given on pages 32 & 33 of the Annual Report and includes 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 16 of the Annual Report.
Declaration of the Board that the business is a going concern	This declaration is given on page 28 to 30 of the Annual Report.
Internal Controls	
Maintaining a sound system of internal controls 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 detailed risk management report is given on page 18 of the Annual Report.

Corporate Governance and Compliance ... (Continued)

Corporate Governance Principles	Compliance
Reviewing the effectiveness of the Internal Control System	Regular reviews are carried out and a monthly internal audit report is submitted to the board appointed Audit Committee. The Audit Committee reviews and evaluates the effectiveness of the Company's internal audit and control system.
Audit Committee and Auditors	Audit Committee consists of three Independent Non-Executive Directors Including a Chartered Accountant. The said committee ensures that the company complies with the directions issued by the Department of Supervision of Non Bank Financial Institutions of the Central Bank of Sri Lanka.
Employees / Other Stakeholders Rights of other Employees / Other stakeholders	The Company is conscious of its responsibility towards its stakeholders and is focused 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 appointed Audit Committee comprised the following Non Executive Directors of SMB Leasing PLC at the beginning of the year 2013.

Mr. J. C. Korale - Chairman

Mr. G. C. B. Ranasinghe

Mr. U. Gautam

In March 2013 the Board appointed the following members and at the end of financial year the Audit Committee composition was as follows.

Mr. J. C. Korale - Chairman

Mr. G. C. B. Ranasinghe

Mr. S. N. P. Palihena

Meetings

During the financial year ended 31st December 2013 fifteen 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, Chartered Accountants during the year under review to determine in advance the time frame for the conclusion of the financial audit so that regulatory requirements are complied with. Further reviewing of Internal Audit Reports, and ratifying of Quarterly Financial Statements have been key functions during the year.

Details of attendance of each individual member is given below.

Mr. J. C. Korale – Chairman - Attended 15 out of 15 meetings

Mr. G. C. B. Ranasinghe - Attended 07 out of 15 meetings

Mr. S. N. P. Palihena - Attended 14 out of 15 meetings

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. Other heads of departments and senior officers were invited as and when necessary. 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. 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. Further the committee met with KPMG, Chartered Accountants excluding the management in compliance with the corporate governance.

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.

The Audit committee recommended to re-appoint KPMG, Chartered Accountants as the External Auditor of the Company for the ensuing year.

(Sgd)

Mr. J. C. Korale

Chairman of the Audit Committee

30th May 2014

Report of the Remuneration Committee

The Remuneration Committee appointed by the Board of Directors of SMB Leasing PLC comprises of three members out of whom two are Independent Non Executive Directors and one Non Executive Director.

Members of the Committee

Mr. G C B Ranasinghe - Chairman (Attended)
Dr. T. Senthilverl - (Excused)
Mr. U. Gautam - (Attended)

Principal Activities of the Committee

The principal activities of the remuneration committee is to review the remuneration of the Chief Executive officer and the Executive Director and on the basis of the assessment done by the Chief Executive officer on the rest of the staff to recommend the appropriate remuneration benefits and other payments.

The Remuneration Policy

The Committee in determining the remuneration policy relating to directors, Chief Executive Officer and Key Management Personnel of the company, ensures appropriate compensation levels in order to attract, retain and motivate talented staff with the core capabilities matched to its corporate objectives and also to ensure that the company consistently delivers values to all stakeholders and to make the company more competitive. Further in keeping with the policy, the committee reviews the performance of the company against the historical performance and key performance indicators.

The proceedings of the committee are reported to the Board of Directors who will in-turn make the final -determination based on the recommendations of the committee. The committee meets annually to assess and recommend.

The aggregate remuneration paid to the Directors including the Executive Director during the period under review is Rs. 6,473,899.

(Sgd)

Mr. G. C. B. Ranasinghe

Chairman of the Remuneration Committee

30th May 2014

Financial Reports

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 2013 which were approved by the Directors on 30th May 2014.

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 2013 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 34 to 74 of the Annual Report.

Auditors' Report

The Auditor's Report on the Financial Statements is given on the pages 32 & 33 of the Annual Report.

Significant Accounting Policies

The Significant Accounting Policies adopted in the preparation of Financial Statements are given on pages 39 to 49 of the Annual Report.

Directors Remuneration

Directors Remuneration of the Company for the financial year ended 31st December 2013 are given on Note 13 to the Financial Statements on page 57.

Group Revenue

The revenue of the group was Rs. 182 Mn (2012 – Rs. 143Mn). An analysis of revenue based on segments is disclosed in the segmental analysis on page 71 in this report.

Property, Plant & Equipment

Details relating to Property, Plant & Equipment are disclosed in Note 25 of the Financial Statements on pages 65.

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 25 of the Financial Statements amounts to Rs. 12.5Mn. (2012 - Rs. 1.9Mn).

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 14 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 14.C of the Financial Statements.

Financial Results of the Company for the Year

	31.12.2013	31.12.2012
	Rs.	Rs.
Total Operating Income	158.1Mn	153.9Mn
Reversal of Impairment loans and advance	24.4Mn	12.0Mn
Net Operating Income	182.6Mn	165.9Mn
Operating Profit before value added Tax	91.6Mn	92.3Mn
VAT on Financial Services	(7.4Mn)	(2.7Mn)
Income Tax Expense.	(6.4Mn)	(12.1Mn)
Total Comprehensive Income / (Expense)	76.7Mn	75.6Mn

Annual Report of the Board of Directors on the affairs of the Company ... (Continued)

Market Value of Properties

The carrying value of investment properties owned by the Company is stated in the Note 24 to the Financial Statements.

Investments

Detailed descriptions of the Investments made by the Company is given in the Note 22 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 2013 was Rs.919 Mn. Page 67 of this report describes the details of the distribution and composition of Shareholders.

Share Information

Information relating to Earnings, Dividends, Net Assets, and Market value per share and share trading is given on page 75 of the Annual Report.

Major Shareholders

Details of the top twenty Shareholders of the company and the percentages held by each of them are disclosed in page 75 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 2013.

1. Mr. U. Gautam - Chairman
2. Mr. M. S. I. Peiris - Executive Director
3. Mr. G. C. B. Ranasinghe - Independent Non-Executive Director
4. Mr. J. C. Korale - Independent Non-Executive Director
5. Dr. T. Senthilverl - Non-Executive Director
6. Mr. S. N. P. Palihena - Independent Non-Executive Director
7. Mr. H. R. S. Wijeratne - Non- Executive Director

Retirement of Directors

In terms of Article 87 of the Articles of Association of the Company Dr. T. Senthilverl retires and being eligible to offer himself for re-election.

Directors Shareholdings

The shareholdings of the Directors of the Company are shown on page 78 under Shareholders Information.

Directors Interest in Shares and Debentures

Directors interest in Shares and Debentures of the Company as at 31st December 2013 are as disclosed on page 78 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 38 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.

Audit Committee

Presently, the following Directors serve on the Audit Committee.
Mr. J. C. Korale (Chairman of the Committee)
Mr. G. C. B. Ranasinghe
Mr. S. N. P. Palihena

The ED, CEO, 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 date of Financial Position have been paid or where relevant, provided for by the Company and its subsidiary.

Annual Report of the Board of Directors on the affairs of the Company ... (Continued)

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, 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 2013. The Corporate Governance report is given on pages 19 to 23 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 18 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.

Events After the Reporting Date

Events that have occurred after the reporting date have been disclosed in Note 37 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 13 of the Financial Statements on page 57. 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)

Jacey & Company
Company Secretaries
30th May 2014
Colombo.

Directors' Responsibility Statement

The Financial Statements of the Company and Group for the year ended 31st December 2013 are prepared and presented in compliance with the Sri Lanka Accounting Standards Act No. 15 of 1995 and requirements of the Companies Act No. 07 of 2007.

The Board accepts responsibility for the integrity 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 2014

Independent Auditors' Report



KPMG
(Chartered Accountants)
32A, Sir Mohamed Macan Markar Mawatha,
P.O. Box 186,
Colombo 00300,
Sri Lanka.

Tel : + 94 - 11 542 6426
Fax: + 94 - 11 244 5872
+ 94 - 11 244 6058
+ 94 - 11 254 1249
+ 94 - 11 230 7345
Internet :www.lk.kpmg.com

TO THE SHAREHOLDERS OF SMB LEASING PLC

Report on the Financial Statements

We have audited the accompanying financial statements of SMB Leasing PLC ("the Company"), and the consolidated financial statements of the Company and its subsidiary ("the Group"), which comprise the statement of financial position as at 31st December 2013, and the statement of comprehensive income, 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 34 to 71.

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 misstatements.

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.

KPMG, a Sri Lankan Partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International cooperative ("KPMG International"), a Swiss entity.

M.R. Mihular FCA
T. J. S. Rajakarier FCA
Ms. S.M.B. Jayasekara ACA
G.A.U. Karunarathne ACA
P.Y.S. Perera FCA
W.W.J.C. Perera FCA
W.K.D.C. Abeyrathne ACA
R.M.D.B. Rajapakse ACA
C.P. Jayatilake FCA
Ms. S. Joseph FCA
S.T.D.L. Perera FCA
Ms. B.K.D.T.N. Rodrigo ACA
Principals - S.R.I. Perera ACMA, LLB, Attorney-at-Law, H.S. Goonawardene ACA

Independent Auditors' Report ... (Continued)

Opinion – Company

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended 31st December 2013 and the financial statements give a true and fair view of the financial position of the company as at 31st December 2013 and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Opinion – Group

As disclosed in note 22(c) to the financial statements, the Group has recognized an amount of Rs. 753,429 as the share of profit of SMB Real Estate Limited, an associate of the group, as per equity method of accounting for the preparation of consolidated financial statements for the year ended 31st December 2013, based on unaudited financial statements of the company for the same year.

In our opinion, except for the effects on the financial statements of the matter referred to in the preceding paragraph, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiary dealt with thereby as at 31st December 2013, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

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



Chartered Accountants

30th May 2014

Colombo.

Statement of Comprehensive Income

For The Year Ended 31st December	Note	Company		Group	
		2013 Rs.	2012 Rs. Restated	2013 Rs.	2012 Rs. Restated
Interest income	9(a)	182,023,753	143,987,716	182,023,753	143,987,716
Interest expenses	9(b)	(44,868,143)	(35,600,105)	(44,989,785)	(35,600,105)
Net interest income		137,155,610	108,387,611	137,033,968	108,387,611
Fee and commission income	10	3,834,091	4,962,156	3,834,091	4,962,156
Net interest, fee and commission income		140,989,701	113,349,767	140,868,059	113,349,767
Gain on remeasuring of investment designated at fair value through profit or loss		-	-	-	1,028,373
Other operating income (net)	11	17,188,306	40,551,926	66,629,595	62,623,068
Total operating income		158,178,007	153,901,693	207,497,654	177,001,208
Reversal of Impairment for loans and Advances	12	24,455,811	12,019,648	24,455,811	12,019,648
Net operating income		182,633,818	165,921,341	231,953,465	189,020,856
Personnel expenses		(36,597,015)	(31,076,667)	(53,884,804)	(46,781,190)
Other expenses	13	(54,423,774)	(42,510,010)	(75,598,070)	(50,340,750)
Operating profit before Value Added Tax (VAT)		91,613,029	92,334,664	102,470,591	91,898,916
Value Added Tax (VAT) on financial services		(7,420,857)	(2,738,133)	(7,420,857)	(2,738,133)
Profit before income tax		84,192,172	89,596,531	95,049,734	89,160,783
Share of Loss of Associate Companies	22(c)	-	-	(8,895,123)	(11,399,548)
Income tax expense	14	(6,439,746)	(12,124,848)	(7,887,214)	(11,790,271)
Profit for the year		77,752,426	77,471,683	78,267,397	65,970,963
Profit attributable to :					
Owners of the parent		77,752,426	77,471,683	77,443,586	66,713,758
Non-controlling interest		-	-	823,811	(742,795)
Profit for the year		77,752,426	77,471,683	78,267,397	65,970,963
Other Comprehensive Income / (Expense)					
Actuarial (Losses) / Gains on Defined Benefit Plans		(517,609)	1,264,468	(522,110)	1,145,261
Fair value Loss on available-for-sale investment		(467,816)	(3,115,324)	(467,816)	(3,115,324)
Other Comprehensive Expense for the Year, net of Taxes		(985,425)	(1,850,856)	(989,926)	(1,970,063)
Total Comprehensive Income for the Year		76,767,001	75,620,827	77,277,471	64,000,900
Total Comprehensive Income attributable to:					
Owners of the parent		76,767,001	75,620,827	76,455,865	64,743,695
Non-controlling interest		-	-	821,606	(742,795)
Total Comprehensive Income for the Year		76,767,001	75,620,827	77,277,471	64,000,900
Basic Earnings per share	15	0.04	0.04	0.04	0.04

Figures in brackets indicate deductions.

The notes to the Financial Statements from pages 39 to 71 from an integral part of these financial statements.

Consolidated Statement of Financial Position

As at 31st December	Note	Company		Group	
		2013 Rs.	2012 Rs.	2013 Rs.	2012 Rs.
Assets					
Cash and cash equivalents	16	17,044,488	10,360,220	22,979,300	11,137,571
Placements with Banks	17	99,889,094	109,033,356	99,889,094	110,333,356
Loans and Receivables to other customers	18	932,412,531	913,234,890	929,832,443	910,414,890
Financial investments – available-for-sale	19	2,725,337	3,193,154	2,725,337	3,193,154
Financial Assets at Fair Value Through Profit or Loss	20	-	-	1,439,500	1,649,497
Financial investments – held-to-maturity	21	6,265,930	-	10,938,112	2,644,932
Investments in Associates	22	116,418,469	125,561,238	134,530,404	143,425,527
Investments in Subsidiaries	23	9,268,394	7,854,472	-	-
Investment Properties	24	33,730,400	34,323,920	38,976,800	41,376,797
Property Plant & Equipment	25	13,508,438	11,591,961	19,192,205	12,275,722
Intangible Assets	26	3,700,519	-	3,706,378	17,575
Deferred Tax Assets	27	-	-	798,517	603,710
Other Assets	28	14,450,638	21,573,463	22,955,524	28,051,176
Total Assets		1,249,414,238	1,236,726,674	1,287,963,614	1,265,123,907
Liabilities					
Due to banks	29	18,748,000	34,465,511	18,748,000	34,465,511
Due to other customers	30	196,613,090	224,628,752	196,613,090	224,628,752
Other borrowings	31	46,868,194	49,693,254	52,039,815	49,693,254
Other Liabilities	32	26,731,891	44,253,094	34,868,869	47,920,021
Total Liabilities		288,961,175	353,040,611	302,269,774	356,707,538
Equity					
Stated Capital	33	919,064,114	919,064,114	919,064,114	919,064,114
Statutory Reserves	34	17,682,313	13,794,692	17,682,313	13,794,692
Retained Earnings / (Accumulated Losses)		13,782,504	(53,436,439)	31,286,767	(35,621,042)
Other Reserves		9,924,132	4,263,696	9,924,132	4,263,696
Total equity attributable to equity holders of the Company		960,453,063	883,686,063	977,957,326	901,501,460
Non- controlling Interests		-	-	7,736,514	6,914,909
Total Equity		960,453,063	883,686,063	985,693,840	908,416,369
Total Equity and Liabilities		1,249,414,238	1,236,726,674	1,287,963,614	1,265,123,907
Contingent liabilities and Commitments	36	-	1,525,000	-	1,525,000

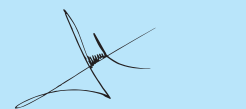
Figures in brackets indicate deductions

The Notes to the Financial Statements from pages 39 to 71 form an integral part of these financial statements.

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



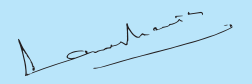
P. W. K. Roshan
Head of finance



M. J. N. S. Fernando
Chief Executive Officer

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
Chairman
30th May 2014
Colombo



M. S. I. Peiris
Executive Director

Statement of Changes in Equity

For the year ended 31st December 2013	Stated Capital		Share Application Money	Statutory Reserves		Retained Earnings / (Accumulated Losses)	Total
	Ordinary Voting Shares	Ordinary Non-Voting Shares		Statutory Reserve Fund	Investment Fund Account		
Company	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 1st January 2012	343,165,704	167,365,271	374,566,439	9,857,885	1,565,729	(118,736,063)	777,784,965
Restated Profit for the year (Note A)	-	-	-	-	-	77,471,683	77,471,683
Other comprehensive income (net of tax)	-	-	-	-	-	(1,850,856)	(1,850,856)
Total comprehensive income for the year	-	-	-	-	-	75,620,827	75,620,827
Allotment of shares during the year	365,280,259	43,252,880	(374,566,439)	-	-	-	33,966,700
Direct cost of Share Issue	-	-	-	-	-	(3,686,429)	(3,686,429)
Transfers to Statutory Reserve	-	-	-	3,936,807	-	(3,936,807)	-
Transfers to Investment Fund	-	-	-	-	2,697,967	(2,697,967)	-
Total transactions with equity holders	365,280,259	43,252,880	(374,566,439)	3,936,807	2,697,967	(10,321,203)	30,280,271
Balance as at 31st December 2012	708,445,963	210,618,151	-	13,794,692	4,263,696	(53,436,439)	883,686,063
Balance as at 1st January 2013	708,445,963	210,618,151	-	13,794,692	4,263,696	(53,436,439)	883,686,063
Profit for the year	-	-	-	-	-	77,752,426	77,752,426
Other comprehensive income (net of tax)	-	-	-	-	-	(985,425)	(985,425)
Total comprehensive income for the year	-	-	-	-	-	76,767,001	76,767,001
Transfers to Statutory Reserve	-	-	-	3,887,621	-	(3,887,621)	-
Transfers to Investment Fund	-	-	-	-	5,660,436	(5,660,436)	-
Total transactions with equity holders	-	-	-	3,887,621	5,660,436	(9,548,057)	-
Balance as at 31st December 2013	708,445,963	210,618,151	-	17,682,313	9,924,132	13,782,504	960,453,063

Figures in brackets indicate deductions.

The notes to the financial Statements from pages 39 to 71 from an integral part of these financial Statements.

NOTE A : Restated Profit for the Year ended 31st December 2012

Rs.

Profit for the Year ended 31st December 2012 as previously stated	78,736,151
Adjustment on the Reclassification of Actuarial Gain to the Other Comprehensive Income (Note A.1)	(1,264,468)
Restated Profit for the Year ended 31st December 2012	77,471,683

A.1 Adjustment on the Reclassification of Actuarial Gain to the Other Comprehensive Income

The Company has recognized the Actuarial Gain arising from the Retirement Benefit Obligation in the profit or loss for the prior year. However, in accordance with LKAS 19, "Employee Benefits" the Company is required to recognize the actuarial gain/(loss) arising from the Retirement Benefit Obligation in Other Comprehensive Income with effect from 1st January 2013. The change in accounting policy was adjusted retrospectively in accordance with LKAS 8, "Accounting Policies, Changes in Accounting Estimates and Error.

Statement of Changes in Equity ... (Continued)

Group	Attributable to the Equity Holders of the parent							Non - Controlling Interest	Total Equity
	Stated Capital			Statutory Reserves					
	Ordinary Voting Shares	Ordinary Non-Voting Shares	Share Application Money	Statutory Reserve Fund	Investment Fund Account	Retained Earnings / (Accumulated Losses)	Total		
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.		
For the year ended 31st December 2013									
Balance as at 1st January 2012	343,165,704	167,365,271	374,566,440	9,857,885	1,565,729	(90,043,533)	806,477,496	7,657,704	814,135,200
Restated Profit for the year (Note A)	-	-	-	-	-	66,713,758	66,713,758	(742,795)	65,970,963
Other comprehensive income (net of tax)	-	-	-	-	-	(1,970,063)	(1,970,063)	-	(1,970,063)
Total comprehensive income for the year	-	-	-	-	-	64,743,695	64,743,695	(742,795)	64,000,900
Allotment of shares during the year	365,280,259	43,252,880	(374,566,440)	-	-	-	33,966,699	-	33,966,699
Direct cost of Share Issue	-	-	-	-	-	(3,686,430)	(3,686,430)	-	(3,686,430)
Transfers to Statutory Reserve	-	-	-	3,936,807	-	(3,936,807)	-	-	-
Transfers to Investment Fund	-	-	-	-	2,697,967	(2,697,967)	-	-	-
Total transactions with equity holders	365,280,259	43,252,880	(374,566,440)	3,936,807	2,697,967	(10,321,204)	30,280,269	-	30,280,269
Balance as at 31st December 2012	708,445,963	210,618,151	-	13,794,692	4,263,696	(35,621,042)	901,501,460	6,914,909	908,416,369
Balance as at 1st January 2013	708,445,963	210,618,151	-	13,794,692	4,263,696	(35,621,042)	901,501,460	6,914,909	908,416,369
Net Profit for the year	-	-	-	-	-	77,443,586	77,443,586	823,811	78,267,397
Other comprehensive income (net of tax)	-	-	-	-	-	(987,720)	(987,720)	(2,206)	(989,926)
Total comprehensive income for the year	-	-	-	-	-	76,455,865	76,455,865	821,605	77,277,471
Transfers to Statutory Reserve	-	-	-	3,887,621	-	(3,887,621)	-	-	-
Transfers to Investment Fund	-	-	-	-	5,660,436	(5,660,436)	-	-	-
Total transactions with equity holders	-	-	-	3,887,621	5,660,436	(9,548,057)	-	-	-
Balance as at 31st December 2013	708,445,963	210,618,151	-	17,682,313	9,924,132	31,286,767	977,957,326	7,736,514	985,693,840

Figures in brackets indicate deductions.

The notes to the financial Statements from pages 39 to 71 from an integral part of these financial Statements.

NOTE A : Restated Profit for the Year ended 31st December 2012

	Rs.
Profit for the Year ended 31st December 2012 as previously stated	67,116,224
Adjustment on the Reclassification of Actuarial Gain to the Other Comprehensive Income (Note A.1)	(1,145,261)
Restated Profit for the Year ended 31st December 2012	65,970,963

A.1 Adjustment on the Reclassification of Actuarial Gain to the Other Comprehensive Income

T h e

Company has recognized the Actuarial Gain arising from the Retirement Benefit Obligation in the profit or loss for the prior year. However, in accordance with LKAS 19, "Employee Benefits" the Company is required to recognize the actuarial gain/(loss) arising from the Retirement Benefit Obligation in Other Comprehensive Income with effective from 1st January 2013. The change in accounting policy was adjusted retrospectively in accordance with LKAS 8, "Accounting Policies, Changes in Accounting Estimates and Error."

Cash Flow Statement

For the year ended 31 December	Company		Group	
	2013 Rs.	2012 Rs.	2013 Rs.	2012 Rs.
Cash Flow from Operating Activities				
Interest Receipts	173,353,711	134,704,292	173,353,711	134,704,292
Interest Payments	(49,928,186)	(51,370,603)	(50,515,124)	(51,370,603)
Fees and Commission Receipts	16,656,715	28,668,183	62,898,415	28,668,183
Cash Payments to Employees and Suppliers	(73,978,261)	(63,250,451)	(118,530,577)	(63,250,451)
Profit before Changes in Operating Assets and Liabilities	66,103,979	48,751,421	67,206,425	48,751,421
Increase in Operating Assets				
Loans and receivables to other customers	13,948,213	(320,039,493)	13,708,301	(320,039,493)
Other Assets	(11,294,962)	6,917,751	(16,991,658)	8,651,170
Cash From / (used in) Operations	68,757,230	(264,370,321)	63,923,068	(262,636,902)
Tax Paid	(7,420,857)	(2,738,133)	(7,420,857)	(2,738,133)
Gratuity Paid	(311,250)	-	(311,250)	-
Net Cash From / (used) in Operating Activities	61,025,123	(267,108,454)	56,190,961	(265,375,035)
Cash Flow from Investing Activities				
Dividend Received from Associate Companies	18,000	3,600,000	18,000	3,600,000
Net Decrease of Treasury Bills & Bonds	(6,202,091)	-	(6,202,091)	-
Purchase of Property, Plant & Equipment	(2,743,794)	(1,988,406)	(7,587,456)	(1,988,406)
Proceeds from Disposal of Property, Plant & Equipment	127,681	-	85,346	-
Net Cash from / (Used in) Investing Activities	(8,800,204)	1,611,594	(13,686,201)	1,611,594
Cash Flow from Financing Activities				
Increase / (Decrease) in Other Borrowings	(13,942,553)	49,693,253	(3,485,421)	49,693,253
Increase / (Decrease) in Liabilities	2,713,435	(22,637,691)	5,833,922	(22,637,691)
Increase / (Decrease) in Borrowings	(50,940,382)	(115,974,333)	(50,940,382)	(115,974,333)
Proceeds from Issue of Shares	-	33,966,700	-	33,966,700
Share issue expenses	-	(3,686,429)	-	(3,686,428)
Net Cash from / (used in) Financing Activities	(62,169,500)	(58,638,500)	(48,591,880)	(58,638,499)
Net Decrease in Cash and Cash Equivalents	(9,944,581)	(324,135,360)	(6,087,120)	(322,401,940)
Cash and Cash Equivalents at the beginning of the year	33,772,106	357,907,466	35,849,457	358,251,397
Cash and Cash Equivalents at the end of the year (Note 16,17)	23,827,525	33,772,106	29,762,337	35,849,457
Reconciliation of Cash and Cash Equivalents				
Cash and Short Term Funds	17,044,488	10,360,220	22,979,300	11,137,571
REPO investment with banks	6,783,037	28,697,397	6,783,037	29,997,397
Bank Overdraft	-	(5,285,511)	-	(5,285,511)
	23,827,525	33,772,106	29,762,337	35,849,457

Notes to the Financial Statements

1 Reporting Entity

SMB Leasing PLC is a public quoted Company incorporated and operating in Sri Lanka. The consolidated Financial Statements of the group for the year ended 31st December 2013 comprises the Company and its Subsidiary 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 of the Group have been prepared in accordance with Sri Lanka Accounting Standards (SLFRSs and LKASs) as issued by the Institute of Chartered Accountants of Sri Lanka and in compliance with the requirements of Companies Act No 7 of 2007 and Finance Leasing (Amendment) Act No. 24 of 2005 and subsequent amendments thereto.

2.2 Basis of Measurement

1. Statement of Compliance

The Financial Statements have been prepared in accordance with the Sri Lanka Accounting standards issued by the Institute of Chartered Accountants of Sri Lanka and the Companies Act No. 7 of 2007.

2. Basis of Measurement

The Financial Statements have been prepared on historical cost basis except where appropriate disclosures are made with regard to fair value under relevant notes. Assets and liabilities are grouped by nature and in an order that reflect their relative liquidity. The Financial Statements have been prepared on the assumption that the Group will continue as a going concern for the foreseeable future.

2.3 Functional and Presentation Currency

Financial Statements are presented in Sri Lankan Rupees, which is the Group's functional currency.

2.4 Use of Estimates and Judgments

The preparation of the Financial Statements in conformity with Sri Lanka Accounting Standards (SLFRS / LKAS) requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual amount may defer from these estimates.

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

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the Financial Statements are described in the related notes to the Financial Statements.

3 Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these Financial Statements.

Notes to the Financial Statements ... (Continued)

3.1 Basis of Consolidation

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

The interest of outside shareholders of the subsidiary in the net assets and their proportion of results grouped separately in the Consolidated Statement of Financial Position and the Statement of Comprehensive Income under the heading of "Non controlling interest".

3.1.1 Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

3.1.2 Investments in Associates (Equity Accounted Investees)

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity.

Investments in associates are accounted for using the equity method (equity accounted investees) and are recognised initially at cost. The consolidated financial statements include the Group's share of profits and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to nil, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

3.1.3 Transactions Eliminated on Consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3.2 Interest

Interest income and expense are recognized in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate includes all transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

Interest income and expense presented in the Statement of Comprehensive Income include,

- Interest on financial assets and financial liabilities measured at amortized cost calculated on an effective interest basis
- Interest income on available-for-sale investment securities calculated on an effective interest basis is also included in Interest income.

3.3 Fees and Commissions

Fees and commission income and expense that are integral to the effective interest rate on financial asset or liability are included in the measurement of the effective interest rate.

Other fees and commission income are recognized as the related services are performed. When a loan commitment is not expected to result in the draw-down of a loan, the related loan commitment fees are recognized on a straight-line basis over the commitment period. Other fees and commission expense relate mainly to transaction and service fees, which are expensed as the services are received.

3.4 Tax Expense

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

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

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

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

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities against current tax assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3.5 Financial Assets and Financial Liabilities

3.5.1 Initial Recognition and Measurement

The Company initially recognizes loans and advances, deposits, debt securities issued and subordinated liabilities on the date at which they are originated. All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognized on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

3.5.2 Classification and Subsequent Measurement

3.5.2.1 Financial Assets

At inception, financial assets are classified in one of the following categories.

- Financial assets at fair value through profit or loss
- Loans and receivables
- Held to maturity investments
- Available for sale financial assets

Group determines the classification of its financial assets at initial recognition. All financial assets are recognized at fair value plus, the directly attributable transaction cost in the case of assets not for fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset. The Group's financial assets include cash and short term deposits, trade and other receivables, loans and other receivables, quoted and unquoted financial instruments.

Notes to the Financial Statements ... (Continued)

3.5.2.2 Financial Liabilities

The Group initially recognizes all financial liabilities on the date that they are originated and classifies its financial liabilities as measured at amortized cost.

3.5.3 Subsequent Measurement

The subsequent measurement of financial assets depends on their classification as follows.

3.5.3.1 Financial Assets at Fair Value Through Profit or Loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets at fair value through profit and loss are carried in the statement of financial position at fair value with changes in fair value recognized in the comprehensive income.

3.5.3.2 Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method (EIR), less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in interest income in the comprehensive income. The losses arising from impairment are recognized in the comprehensive income.

3.5.3.3 Held-to-Maturity Investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold them to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in interest income in the statement of comprehensive income. The losses arising from impairment are recognized in the comprehensive income.

3.5.3.4 Available-For-Sale Financial Investments

Available-for-sale financial investments include equity and debt securities. Equity investments classified as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions. The Group has not designated any loan or receivable as available for sale.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealized gains or losses recognized as other comprehensive income in the available-for-sale reserve until the investment is derecognized, at which time the cumulative gain or loss is recognized in other operating income, or determined to be impaired, at which time the cumulative loss is reclassified to the profit or loss in finance costs and removed from the available-for-sale reserve. Interest income on available-for-sale debt securities is calculated using -the effective interest method and is recognized in profit or loss.

3.6.1 Loans and Receivables to Other Customers

Loans and Receivables to Other Customers include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- Those that the Group intends to sell immediately or in the near term and those that the Group upon initial recognition designates as at fair value through profit or loss.
- Those that the Group, upon initial recognition, designates as available for sale.
- Those for which the Group may not recover substantially all of its initial investment, other than because of credit deterioration.

After initial measurement, 'Loans and Receivables to Other Customers' are subsequently measured at amortized cost using the EIR, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortization is included in 'Interest and similar income' in profit or loss. The losses arising from impairment are recognized in profit or loss 'Impairment for Loans and Advances'.

Notes to the Financial Statements ... (Continued)

3.6.2 Sale and Repurchase Agreements

Securities purchased under agreements to resell (reverse repos) are recorded as 'Placement with Banks'. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using EIR.

3.6.3 Derecognition of Financial Assets and Financial Liabilities

3.6.3.1 Financial Assets

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

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

3.6.3.2 Financial Liabilities

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

3.6.4 Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to set off the recognized amounts and it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under SLFRSs, or for gains and losses arising from a group of similar transactions.

3.6.5 Amortized Cost Measurement

The amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment.

3.6.6 Fair Value Measurement

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

When available, the Group measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active, then the Group establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Group, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument.

3.6.7 Impairment of Financial Assets

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

Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, the probability that they will enter bankruptcy or other financial reorganization, default or delinquency in interest or principal payments and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

3.6.7.1 Financial Assets Carried at Amortized Cost

For financial assets carried at amortized cost (such as Placements with Banks, Loans and receivables to other customers as well as Financial investments –held-to-maturity), the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset; it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the Statement of Comprehensive Income. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of 'Interest and similar income'. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the 'Other operating income'. The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. If the Group has reclassified trading assets to loans and advances, the discount rate for measuring any impairment loss is the new effective interest rate determined at the reclassification date. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of a collective evaluation of impairment, financial assets are grouped based on the nature and type of the asset. It also considers credit risk characteristics such as asset collateral type, past-due status and other relevant factors.

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with, changes in related observable data from year to year (such as changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

3.6.7.2 Available-For-Sale Financial Investments

For available-for-sale financial investments, the Group assesses at each Statement of Financial Position date whether there is objective evidence that an investment is impaired.

In the case of debt instruments classified as available-for-sale, the Group assesses individually whether there is objective evidence of impairment based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the Comprehensive Income. Future interest income is based on the reduced carrying

amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of 'Interest and similar income'. If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to a credit event occurring after the impairment loss was recognized in the Comprehensive Income, the impairment loss is reversed through Comprehensive Income.

Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the Statement of Comprehensive Income is removed from equity and recognized in the Statement of Comprehensive Income. Impairment losses on equity investments are not reversed through the Statement of Comprehensive Income; increases in the fair value after impairment are recognized in Other Comprehensive Income.

3.6.7.3 Re-negotiated Loans

Where possible, the Group seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated any impairment is measured using the original effective interest rate as calculated before the modification of terms and the loan is no longer considered past due. Management continually reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original effective interest rate, unless there is a significant modification.

3.6.7.4 Offsetting financial instruments.

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, therefore, the related assets and liabilities are presented gross in Statement of Financial Position.

3.7 Cash and cash equivalents

Cash and cash equivalents as referred to in the Cash Flow Statement comprises cash on hand and amounts due from Banks on demand or with an original maturity of three months or less.

3.8 Property, Plant and Equipment

Recognition and Measurements

The property, plant and equipment are recorded at cost less accumulated depreciation and impairment losses. Items of property, plant and 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 and 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 and equipment are reviewed for impairment when events or changes in circumstances indicated that the carrying amount may not be recoverable.

Subsequent Costs/ Replacement of parts

The cost of replacing part of items of property, plant and 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 Group and its cost can be measured reliably. The cost of day to day servicing of property, plant and equipment are recognized in Income Statement as it incurred.

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

Notes to the Financial Statements ... (Continued)

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.

3.9 Investment Property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment properties of the Group are stated at cost less provision for impairment.

3.10 Impairment of Non-Financial Assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating units (CGU) fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

3.11 Borrowings

Borrowings include refinance borrowings, debenture borrowings, call money borrowings and borrowings from financial institutions and are shown at the gross value of the outstanding balance. Interest paid / payable on these borrowings is charged to the Comprehensive Income.

3.12 Liabilities and Provisions

Liabilities classified as current liabilities on the Statement of Financial Position are those, which fall due for payment on demand or within one year from the reporting date.

Non-current liabilities are those balances that fall due for payment after one year from the reporting date.

3.13 Employee Benefits

3.13.1 Defined Contribution Plans

A defined contribution plan is a post employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an employment benefit expense in the Comprehensive Income in the periods during which services are rendered by employees.

Employees Provident Fund

The Group and employees contribute 12% and 8% respectively on the salary of each employee to the Employees' Provident Fund.

Employees Trust Fund

The Group contributes 3% of the salary of each employee to the Employees' Trust Fund.

3.13.2 Defined Benefit Plans

A defined benefit plan is a post employment benefit plan other than a defined contribution plan.

Retiring Gratuity

The Retirement Benefit Plan adopted is as required under the Payment of Gratuity Act No. 12 of 1983. This item is grouped under Retirement Benefit Obligation in the Statement of Financial Position.

Provision for Gratuity on the employees of the Group is on an actuarial basis using the Projected Unit Credit Method (PUC Method) as recommended by Sri Lanka Accounting Standard 16 (Revised 2006), "Employee Benefits" which became effective from the financial year commencing after 1st July 2007. The Company continues to use an internally developed method to measure retirement benefit liability.

However, under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continued service. The liability is not externally funded.

A provision is recognized in the Statement of Financial Position when the Group has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

The Group adopted LKAS 19 "Employee Benefits" (Revised in 2013) with effect from 1st January 2013 in accordance with the transitional provisions in the standard and changed its basis for determining the income or expense related to defined benefit plans;

As a result of the change, the Group now recognizes all the re-measurements of the net defined benefit liability in other comprehensive income. Re measurements of the net defined benefit liability comprise an actuarial gain or loss. Previously, the Group recognized actuarial gain or loss in profit or loss. The impact on change in accounting policy has been applied retrospectively.

3.14 Commitments and Contingent Liabilities

Contingent Liabilities are possible obligations whose existence will be confirmed only by occurrence or non-occurrence of uncertain future events not wholly within the control of the Group or present obligations where the transfer of economic benefits is not probable or cannot be reliably measured.

Capital Commitment and Contingent Liabilities of the Group are disclosed in the respective notes to the Financial Statements.

3.15 Events after the Reporting Period

The materiality of the events after the reporting period has been considered and appropriate adjustments and provisions have been made in the Financial Statements wherever necessary.

3.16 Investment Fund Account

As proposed in the budget proposals of 2011 every person or partnership who is in the business of banking or financial services is required to establish and operate an Investment Fund Account.

As and when taxes are paid after 1st January 2011 the Group is required to transfer the funds to the Investment Fund Account an amount equals to;

- 8% of the profits calculated for the payment of Value Added Tax (VAT) on financial services on dates as specified in the VAT Act for payment of VAT
- 5% of the profit before tax calculated for payment of income tax purposes on dates specified in Section 113 of the Inland Revenue Act for the self-assessment payments of tax

Notes to the Financial Statements ... (Continued)

3.17 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, whose operating results are reviewed regularly by the chief operating decision maker to make decisions about resources allocated to each segment and assess its performance. The company's segmental reporting is based on the following operating segments: Loans, Leasing and Treasury

4 Comparative Information

The Comparative information is re-classified wherever necessary to conform with the current year's classification in order to provide a better presentation.

5 New Accounting Standards Issued But Not Effective As At The Reporting Date

The Institute of Chartered Accountants of Sri Lanka has issued the following new Sri Lanka Accounting Standards which will become applicable for financial periods beginning and after the 1st of January 2014 and 2015. Accordingly, these standards have not been applied in preparing these Financial Statements.

5.1 SLFRS 9 Financial Instruments: Classification and Measurement

The objective of this SLFRS is to establish principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. SLFRS 9, as issued, reflects the first phase of work on replacement of Sri Lanka Accounting Standards (LKAS 39) - "Financial Instruments Recognition and Measurements" and applies to classification and measurement of financial assets and liabilities. The application of this standard has been currently deferred by the Chartered Accountants of Sri Lanka, consequently to the International Accounting Standard Board's (IASB) decision to defer the mandatory effective date of IFRS 9, However SLFRS 9 will be available for early adoption.

5.2 SLFRS 10 - Consolidated Financial Statements

The objective of this SLFRS is to establish principles for the presentation and preparation of Consolidated Financial Statements when an entity controls one or more other entities. SLFRS 10 will become effective from 1st January 2014 for the Group with early adoption permitted. This SLFRS will supersede the requirements relating to Consolidated Financial Statements in LKAS 27 '*Consolidated and Separate Financial Statements*'.

5.3 SLFRS 13 -Fair Value Measurement

SLFRS 13 establishes a single source of guidance under SLFRS for all fair value measurements. SLFRS 13 provides guidance on all fair value measurements under SLFRS.

SLFRS 13 will be effective for financial periods beginning on or after 1st January 2014.

Notes to the Financial Statements ... (Continued)

6 Financial Risk Management

6.1 Introduction and Overview

The Group has exposure to the following risks from financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk
- Operational Risk

This note presents information about the Company's exposure to each of the above risks (except market risk), the company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

6.2 Risk Management Framework

The Board of Directors has overall responsibility for the establishment and overseeing of the Company's risk management framework. In discharging its governance responsibility it operates through two key committees, the Risk Management Committee and the Audit Committee. The Risk Management Committee is in the process of setting a risk framework for the company with the assistance from a consulting firm.

The Audit Committee provides its assessment on the effectiveness of internal audit and external disclosure of accounting policies and financial reporting to the Board.

6.3 Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's loans and advances to customers and other Companies, and investment in debt/equity securities. For risk management reporting purposes the Company considers and consolidates all elements of credit risk exposure

Management of Credit Risk

Primarily the Credit Division manages the credit risk. There is a management credit Committee & a Board Credit Committee to review significant credit risks. The said committees are facilitated by regular audits undertaken by the Internal Auditors. Company manages credit by focusing on following stages.

Loan Origination

The loan origination process comprises initial screening and credit appraisal. The evaluation focuses on the borrower's ability to meet its obligations in a timely manner. Efforts are made to ensure consistent standards are maintained in credit approval. Collateral and guarantees form an important part of the credit risk mitigation process. A suitable internal risk rating model is in place & is an important part of the risk assessment of customers

Notes to the Financial Statements ... (Continued)

Loan Approval

The Company has established clear guidelines for Loan approvals / renewals by adopting a committee based approval structure, where all approval signatories carry equal responsibility for credit risk. Individual credit facilities beyond a minimum threshold require Board Credit Committee approval.

Credit Administration and Disbursement

Customer care division ensures efficient and effective customer support including disbursement and settlements.

Recoveries

Overdue Loans are managed by the Recoveries Division with the support of the Legal Division. This unit is responsible for all aspects of an overdue facility, restructuring of the credit, monitoring the value of the applicable collateral and liquidation, scrutiny of legal documents and liaising with the customer until all recovery matters are finalised.

Notes to the Financial Statements ... (Continued)

6.3.1 Loans and advances to customers

The transition to fair value based accounting (LKAS 32 and 39) with effect from 01st January 2012 required to present age wise. The approach adopted was to classify loans in to individually significant exposures and other loans in to homogenous portfolios by segment / product for necessary computations as appropriate.

As at	Note	31.12.2013 Rs.'000	31.12.2012 Rs.'000
Carrying amount at amortised cost	18	932,413	913,235
Individual Impairment		372,017	405,607
Collective Impairment		41,979	47,288
Total Impairment		413,996	452,895

The Company holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired.

Loans and advances to customers As at	31.12.2013 Gross loan amount Rs.'000	31.12.2012 Gross loan amount Rs.'000
Individual Impairment		
Individual Impaired	484,281	514,028
Allowance for impairment	(372,017)	(405,607)
	112,264	108,421
Collectively Impaired		
Collectively impaired	862,128	852,101
Allowance for impairment	(41,979)	(47,288)
Carrying amount	820,149	804,813

As at	31.12.2013		31.12.2012	
Collectively impaired comprises	Gross loans Rs.'000	Impairment provision Rs.'000	Gross loans Rs.'000	Impairment provision Rs.'000
Current	533,132	24	588,480	6,020
1-30 days	106,846	19	116,874	39
31-60 days	75,933	18	48,754	28
61-90 days	65,439	30	26,549	32
91-120 days	12,153	16	5,605	2
121-150 days	9,386	15	10,834	18
151-180 days	5,368	65	3,908	3,385
181-210 days	3,692	64	272	1
211-240 days	790	27	4,774	39
241-270 days	377	23	975	16
271-300 days	803	471	40	4
301-330 days	49	8	457	9
331-360 days	48,160	41,199	44,578	37,694
	862,128	41,979	852,101	47,288

Notes to the Financial Statements ... (Continued)

6.3.2 Collateral

Collateral ensures a reasonable degree of protection for funds which are used for lending activities. It can be seen as security provided by borrowers in the form of a movable or immovable asset. Collaterals generally include cash, properties, stocks in trade, machineries, equipment and other physical assets and guarantees. Collateral helps the company to mitigate possible future credit losses in the event of a default. The type and value of securities taken by the company generally depend on the customer's credit evaluation.

Collateral wise analysis of individually significant impaired loans and leases

	2013
Secured by Motor vehicles	9,334,536
Secured by movable & immovable assets	61,236,209
Other securities	5,758,407
Clean	4,557,075
	<u>80,886,227</u>
Individually significant unimpaired loans and leases	
Watch list	7,630,694
Others	536,733,283
	<u>544,363,977</u>

Collateral wise analysis of individually significant unimpaired loans and leases

Secured by Motor vehicles	301,642,615
Secured by movable & immovable assets	238,828,669
Clean	3,892,693
	<u>544,363,977</u>

6.3.3 Financial Instruments Carried at Fair Value and Valuation Bases

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised.

As at 31st December 2013 – Company	Level I Rs.	Level II Rs.	Level III Rs.	Total Rs.
Financial Investments available for sale	2,725,335	-	-	2,725,335
As at 31st December 2013 – Group	Level I Rs.	Level II Rs.	Level III Rs.	Total Rs.
Financial Investments available for sale	2,725,335	-	-	2,725,335
Financial Assets at Fair Value Through Profit or Loss	1,439,500	-	-	1,439,500

Notes to the Financial Statements ... (Continued)

6.3.4 Fair values versus the Carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the Statement of Financial Position, are as follow,

	Company 31.12.2013		Group 31.12.2013	
	Carrying Amount Rs.	Fair Value Rs.	Carrying Amount Rs.	Fair Value Rs.
Assets carried at fair value				
Financial investments – available-for-sale	2,725,337	2,725,337	2,725,337	2,725,337
Financial Assets at Fair Value Through Profit or Loss	-	-	1,439,500	1,439,500
Assets carried at amortized cost				
Cash and cash equivalents	17,644,488	17,644,488	22,979,300	22,979,300
Loans and Receivables to other customers	932,412,531	822,788,290	929,832,443	820,208,202
Financial investments – held-to-maturity	6,265,930	6,300,840	6,265,930	6,300,840
Placements with Banks	99,889,094	99,889,094	99,889,094	99,889,094
Liabilities carried at amortized cost				
Due to banks	18,748,000	18,748,000	18,748,000	18,748,000
Due to other customers	196,613,090	194,937,826	196,613,090	194,937,826
Other borrowings	46,868,194	44,841,007	46,868,194	44,841,007
Other Liabilities	26,733,891	26,733,891	35,611,644	35,611,644

Notes to the Financial Statements ... (Continued)

6.4 Liquidity Risk

Liquidity risk is the risk that arises when the Company encounters difficulty in meeting obligations associated with its financial liabilities that are to be settled by delivering cash or another financial asset.

Management of Liquidity Risk

The Company's approach to managing liquidity is to ensure that funds available are adequate to meet credit demands of its customers and to enable debt instruments to be repaid on demand or upon maturity as appropriate. The Finance Division is responsible for the management of liquidity risk and funding in accordance with the approved guidelines and risk limits. The treasury and liquidity policies and compliance thereunder are reviewed and approved by the ALCO.

Exposure to Liquidity Risk

The Company monitors the following liquidity ratios to assess funding requirements.

	31.12.2013	31.12.2012
Net loans / Total assets	74.17%	73.84%
Liquid Asset Ratio (LAR)		
Average for the year	34.42%	26.45%
Maximum for the year	39.74%	41.00%
Minimum for the year	31.00%	11.41%

Liquid assets include cash and short term funds. The calculation is based on Central Bank of Sri Lanka (CBSL) Directions and guidelines.

The Company also monitors the maturities of its assets and liabilities. Maturity analysis is given in Page 69 to the financial statements.

To manage the liquidity risk arising from financial liabilities, the Company holds liquid assets comprising cash and cash equivalents generated from the the company's cash inflow.

6.5 Operational Risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company involvement with financial instruments, including processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

The Company objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit.

This responsibility is supported by the development of overall Company standards for the management of operational risk in the following areas:

Compliance with Company standards is supported by a program of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the management & reports to the Audit Committee and to the board.

Notes to the Financial Statements ... (Continued)

7 Capital Management

7.1 Capital Adequacy

The Company computes Capital Adequacy Ratio (CAR) as a ratio of its capital to its risk weighted assets.

As at 31st December 2013, SMB reported a Tier 1 ratio of 87.00% and a total CAR of 87.86% which remain comfortably above the CBSL's capital requirements.

The Company's policy is to maintain a strong capital base so as to ensure investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognized and the Company recognizes the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

Capital Base

As at 31st December	2013 Rs '000	2012 Rs '000
TIER 1		
Voting ordinary shares	708,446	708,446
Non-Voting ordinary shares	210,618	210,618
Statutory reserve fund	13,795	9,858
Published retained earnings	(44,203)	(47,887)
Eligible Tier 1 Capital	888,656	881,035
TIER II		
General provision for loan losses	8,738	5,973
Tier II Capital	8,738	5,973
Eligible Tier II capital	8,738	5,973
Capital Base	897,394	887,008
Risk Adjusted capital ratios		
Tier 1 (Eligible Tier 1 capital / Total risk adjusted balance) *	87.00%	91.35%
Total (Capital base / Total risk adjusted balance) **	87.86%	91.97%

* Statutory minimum 5% ** Statutory minimum 10%

Risk adjusted on and off - Balance Sheet Exposure

As at 31st December	Balance		Risk Weights %	Risk Adjusted Balance	
	2013 Rs '000	2012 Rs '000		2013 Rs '000	2012 Rs '000
Exposures					
Cash in hand & bank's current Accounts	17,044	10,360	-	-	-
Deposits with banks	88,384	80,336	-	17,677	16,067
Central Bank and Government Securities	13,026	28,697	20	-	-
Investments in shares	136,141	142,240	-	136,141	142,240
Finance Lease Accommodations	408,270	505,528	100	204,135	252,764
Term Loans Accommodations	461,861	452,273	50	461,861	452,273
Other Accommodations	65,468	-	100	98,202	-
Fixed Assets	49,904	11,592	150	49,904	11,592
Other Assets	53,466	89,474	100	53,466	89,474
Total risk weighted assets	1,293,564	1,320,500		1,021,386	964,410

Note : The above information is based on the return submitted to the Central Bank of Sri Lanka.

Notes to the Financial Statements ... (Continued)

7.2 Exposure to interest rate risk

The company carries sensitivity tests to measure the value of its portfolios in the event of extreme market movements on hypothetical scenarios. Management reviews the consequences of the stress tests and determines appropriate mitigating actions such as reducing exposures, reviewing and changing risk limits in order to mitigate the risks induced by potential stresses. The change in weighted average interest rate of the Company will have the following effects.

Loan Portfolio

Interest Rate Shock	-2%	-1%	1%	2%
Interest Income Change	(13,304)	(6,652)	6,652	13,304
Effect on Loan Interest Income	-14.16%	-7.08%	7.08%	14.65%

Lease Portfolio

Interest Rate Shock	-2%	-1%	1%	2%
Interest Income Change	(10,751)	(5,375)	5,375	10,751
Effect on Lease Interest Income	-12.21%	-6.10%	6.10%	12.21%

Total Portfolio

Interest Rate Shock	-2%	-1%	1%	2%
Interest Income Change	(24,055)	(12,027)	12,027	24,055
Effect on Interest Income	-13.22%	-6.61%	6.61%	13.22%

Interest Expenses

Interest Rate Shock	-2%	-1%	1%	2%
Interest Expenses Change	(5,244)	(2,622)	2,622	5,244
Effect on Interest Expenses	-11.69%	-5.84%	5.84%	11.69%

Notes to the Financial Statements ... (Continued)

For the year ended 31st December	Company		Group	
	2013 Rs.	2012 Rs.	2013 Rs.	2012 Rs.
8. Income				
Interest income [Note 9(a)]	182,023,753	143,987,716	182,023,753	143,987,716
Fee and commission income [Note 10]	3,834,091	4,962,156	3,834,091	4,962,156
Other operating income [Note 11]	17,188,306	40,551,926	66,629,595	62,623,068
	203,046,150	189,501,798	252,487,439	211,572,940
9. Net Interest Income				
9 (a). Interest income				
Lease Rental Receivable	88,084,707	86,456,742	88,084,707	86,456,742
Loans and Advances	93,939,046	57,530,974	93,939,046	57,530,974
Total interest income	182,023,753	143,987,716	182,023,753	143,987,716
9 (b). Interest expenses				
Due to banks	3,987,237	3,265,763	4,108,879	3,265,763
Due to other customers	32,514,771	28,974,608	32,514,771	28,974,608
On Other borrowings	8,259,641	3,005,211	8,259,641	3,005,211
On Refinance	106,494	354,523	106,494	354,523
Total interest expenses	44,868,143	35,600,105	44,989,785	35,600,105
Net interest income	137,155,610	108,387,611	137,033,968	108,387,611
10. Net Fee and Commission Income				
Fee and commission income	3,834,091	4,962,156	3,834,091	4,962,156
Less: Fee and commission expenses	-	-	-	-
Net fee and commission income	3,834,091	4,962,156	3,834,091	4,962,156
11. Other Operating Income				
Profit on Sale of Property, Plant and Equipment	112,104	-	123,934	-
Interest Income from Government Securities-Treasury Bonds	378,839	-	378,839	-
Service Charges	556,026	509,362	556,026	509,362
Recovery of loans and lease written off in prior years	2,390,027	16,834,528	2,390,027	16,834,528
Dividend Income	18,000	3,600,000	83,643	-
Interest Income on Placements with banks	12,319,388	19,608,036	12,319,388	19,608,036
Reversals of provision for fall in value of subsidiary company	1,413,922	-	-	-
Money Brokering Income	-	-	50,777,738	25,671,142
	17,188,306	40,551,926	66,629,595	62,623,068
12. Reversal of Impairment for Loans and Advances				
Reversal of Impairment for Loans and Advances	38,897,662	12,019,648	38,897,662	12,019,648
Write-offs	(14,441,851)	-	(14,441,851)	-
	24,455,811	12,019,648	24,455,811	12,019,648
13. Operating Expenses				
Operating expenses, among others, include the following				
Directors' Emoluments	6,473,899	5,563,492	6,473,899	5,563,492
Auditors' Emoluments - Audit Related Services	450,000	400,000	590,000	528,000
Other audit fee	656,502	470,000	656,502	470,000
Depreciation	4,423,513	3,601,029	5,554,279	4,030,904
Provision for fall in value of investment in associate companies	9,142,769	-	-	-
Legal expenses and professional fees	2,541,189	2,037,300	2,541,189	2,037,300
Contribution to Employees' Provident Fund	2,872,493	2,432,992	4,533,097	2,432,992
Contribution to Employees' Trust Fund	718,123	608,247	1,133,274	608,247

Notes to the Financial Statements ... (Continued)

For the year ended 31st December	Company		Group	
	2013 Rs.	2012 Rs.	2013 Rs.	2012 Rs.
14. Taxation				
Income Tax on profits (Note 14.a)	6,439,746	4,264,800	8,082,021	4,376,485
ESC written off during the year	-	7,860,048	-	7,860,048
Provision for Deferred Tax (Note 27)	-	-	(194,807)	(446,262)
	6,439,746	12,124,848	7,887,214	11,790,271

14 (a). Reconciliation of Accounting Profit and the Income Tax Expense

Profit Before Taxation & Value Added Tax on Financial Services	91,613,029	92,334,664	102,470,591	91,898,916
Aggregate Disallowed Expenses	23,726,021	4,062,685	20,359,870	6,851,663
Aggregate Allowable Expenses	(167,615,931)	(169,281,430)	(168,026,647)	(169,770,881)
Aggregate Allowable Income	170,930,715	152,419,334	170,574,631	151,359,668
Aggregate Disallowed Income	(69,080,246)	(28,618,710)	(69,822,432)	(29,023,946)
Profit From the Business	49,573,588	50,916,543	55,556,013	51,315,420
Tax Loss claimed during the year (Note 14.b)	(26,574,492)	(35,685,113)	(26,691,649)	(35,685,113)
Taxable Profit	22,999,096	15,231,430	28,864,364	15,630,307
Taxation Thereon	6,439,746	4,264,800	8,082,021	4,376,485

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 28%.(2012-28%)

14 (b). Accumulated Tax Losses	Company		Group	
	2013 Rs.	2012 Rs.	2013 Rs.	2012 Rs.
Balance as at 1st January	381,480,664	415,700,370	381,480,664	415,700,370
Adjustment in respect of prior years	(19,018,288)	1,465,407	(18,901,131)	1,465,407
Tax Loss claimed during the year	(26,574,492)	(35,685,113)	(26,691,649)	(35,685,113)
Balance as at 31st December	335,887,884	381,480,664	335,887,884	381,480,664

14 (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 arising from the tax losses carried forward was limited only to the extent of existing temporary differences in respect of SMB Leasing PLC. However in respect of the sole subsidiary, SMB Money Brokers (Pvt) Ltd. a deferred tax asset has been recognized, since the Management expects adequate taxable profit in the future in respect of SMB Money Brokers (Pvt) Ltd. Therefore, the Group deferred tax asset includes only the deferred tax asset relevant to SMB Money Brokers (Pvt) Ltd.

Group	2013 Rs.	2012 Rs.
Balance as at 1st January	603,710	157,448
Recognised during the year	194,807	446,262
Balance as at 31st December	798,517	603,710

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

	Temporary difference Rs. 31.12.2013	Tax Effect Rs. 31.12.2013	Temporary difference Rs. 31.12.2012	Tax Effect Rs. 31.12.2012
On Property, Plant & Equipment	30,853	8,639	184,421	51,638
On Lease Assets	(231,621)	(64,854)	-	-
On Retirement Benefit Obligation	3,052,614	854,732	1,971,685	552,072
	2,851,846	798,517	2,156,106	603,710

The deferred tax has been calculated at the rate of 28% (2012-28%)

Notes to the Financial Statements ... (Continued)

As at 31st December	2013	2012
Company / Group	Rs.	Rs.
Unrecognised Deferred Tax Asset		
Balance as at 1st January	62,599,608	70,680,077
Reversal for the year	(21,226,445)	(8,080,470)
Balance as at 31st December	41,373,163	62,599,607

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

	Temporary difference 31.12.2013 Rs.	Tax Effect 31.12.2013 Rs.	Temporary difference 31.12.2012 Rs.	Tax Effect 31.12.2012 Rs.
On Property, Plant & Equipment	(8,859,960)	(2,480,788)	(5,808,645)	(1,626,421)
On Lease Assets	(184,836,994)	(51,754,358)	(156,292,899)	(43,762,012)
On Retirement Benefit Obligation	5,570,366	1,559,702	4,190,908	1,173,454
On Accumulated Tax Losses	335,887,884	94,048,607	381,480,664	106,814,586
	147,761,296	41,373,163	223,570,028	62,599,607

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

15. Basic Earnings Per Share

Basic Earnings per share has been calculated by dividing the profit for the year attributable to equity holders of the company by the number of ordinary shares, as per the requirements of the Sri Lanka Accounting Standard (LKAS 33) - "Earnings per Share".

For the year ended 31st December	Company		Group	
	2013	2012	2013	2012
Profit attributable to equity holders of the company (Rs)	77,752,426	77,471,683	77,443,586	66,713,758
No. of Ordinary Shares outstanding during the year	1,805,832,873	1,805,832,873	1,805,832,873	1,805,832,873
Basic Earnings Per Share (Rs)	0.04	0.04	0.04	0.04

Notes to the Financial Statements ... (Continued)

As at 31st December	Company		Group	
	2013 Rs.	2012 Rs.	2013 Rs.	2012 Rs.
16. Cash and Cash Equivalents				
Cash in hand	407,532	153,372	6,342,344	168,372
Balances with banks	16,636,956	10,206,848	16,636,956	10,969,199
	<u>17,044,488</u>	<u>10,360,220</u>	<u>22,979,300</u>	<u>11,137,571</u>
17. Placements with Banks				
Fixed deposits with banks	93,106,057	80,335,959	93,106,057	80,335,959
REPO investment with banks - Overnight	3,900,000	24,220,000	3,900,000	25,520,000
- Monthly	2,883,037	4,477,397	2,883,037	4,477,397
	<u>99,889,094</u>	<u>109,033,356</u>	<u>99,889,094</u>	<u>110,333,356</u>
18. Loans and Receivables to Other Customers				
Gross loans and receivables	1,346,409,212	1,366,129,233	1,343,829,124	1,363,309,233
Less: Individual impairment [Note 18 e]	(372,017,197)	(405,606,693)	(372,017,197)	(405,606,693)
Collective impairment [Note 18 e]	(41,979,484)	(47,287,650)	(41,979,484)	(47,287,650)
Net loans and receivables	<u>932,412,531</u>	<u>913,234,890</u>	<u>929,832,443</u>	<u>910,414,890</u>
18 (a) i. Loans				
Gross loans receivables	740,384,577	719,312,487	737,804,489	716,492,487
Less: Individual impairment	(253,623,167)	(288,436,559)	(253,623,167)	(288,436,559)
Collective impairment	(29,087,522)	(34,565,161)	(29,087,522)	(34,565,161)
Net loans and receivables	<u>457,673,888</u>	<u>396,310,767</u>	<u>455,093,800</u>	<u>393,490,767</u>
18 (a) ii. Leases				
Gross leases receivables	606,024,635	646,816,746	606,024,635	646,816,746
Less: Individual impairment	(118,394,030)	(117,170,134)	(118,394,030)	(117,170,134)
Collective impairment	(12,891,962)	(12,722,489)	(12,891,962)	(12,722,489)
Net lease rental receivables	<u>474,738,643</u>	<u>516,924,123</u>	<u>474,738,643</u>	<u>516,924,123</u>

Notes to the Financial Statements ... (Continued)

As at 31st December	Company		Group		
	2013 Rs.	2012 Rs.	2013 Rs.	2012 Rs.	
18 (b).	Product wise analysis of loans and receivables				
	Lease rental receivables	606,024,635	646,816,746	606,024,635	646,816,746
	Personal Loans	141,593,954	138,779,575	141,593,954	138,779,575
	Staff Loans	2,954,108	2,503,758	2,954,108	2,503,758
	Term Loans	326,031,264	284,109,311	326,031,264	284,109,311
	Easy Payment Loans	79,134,161	116,788,067	76,554,073	113,968,067
	Other Loans	190,671,090	177,131,776	190,671,090	177,131,776
		1,346,409,212	1,366,129,233	1,343,829,124	1,363,309,233
18 (c).	Industry wise analysis of Loans Receivables				
	Agriculture	232,083,531	317,166,495	232,083,531	317,166,496
	Construction	61,771,778	35,547,725	61,771,778	35,547,725
	Industrial	1,180,506	1,286,250	1,180,505	1,286,250
	Tourism	696,592	709,799	696,592	709,799
	Trading	47,263,927	21,955,058	47,263,926	21,955,058
	Transport	20,571,570	53,875,132	20,571,570	53,875,132
	Others	376,816,672	288,772,028	374,236,587	285,952,027
	Total	740,384,577	719,312,487	737,804,489	716,492,487
18 (d) i.	Gross lease rental receivable within one year				
	Total lease rentals within one year from reporting date	420,912,708	713,394,090	420,912,708	713,394,090
	Unearned lease Income	(63,201,516)	(79,504,354)	(63,201,516)	(79,504,354)
	Balance as at 31st December	357,711,192	633,889,736	357,711,192	633,889,736
18 (d) ii.	Gross lease rental receivable after one year and five years				
	Total lease rentals receivable after one year from reporting date	300,573,734	10,753,370	300,573,734	10,753,370
	Unearned lease Income	(52,260,291)	(1,362,034)	(52,260,291)	(1,362,034)
	Balance as at 31st December	248,313,443	9,391,336	248,313,443	9,391,336
18 (d) iii.	Gross lease rental receivable after five years				
	Total lease rentals receivable after five years from reporting date	-	4,228,577	-	4,228,577
	Unearned lease Income	-	(692,902)	-	(692,902)
	Balance as at 31st December	-	3,535,675	-	3,535,675
18 (e).	Movement in Individually and Collective Impairment during the year-Company		2013	2012	
			Rs.	Rs.	
	Individually Impairment				
	Balance as at 1st January		405,606,693	422,964,423	
	Net impairment reversal for the year		(33,589,496)	(17,357,730)	
	Balance as at 31st December		372,017,197	405,606,693	
	Collective Impairment				
	Balance as at 1st January		47,287,650	41,949,568	
	Net impairment reversal for the year		(5,308,166)	5,338,082	
	Balance as at 31st December		41,979,484	47,287,650	

Notes to the Financial Statements ... (Continued)

As at 31st December		Company		Group	
19.	Financial Investment-Available for Sale	Market Value 2013 Rs.	Market Value 2012 Rs.	Market Value 2013 Rs.	Market Value 2012 Rs.
	Quoted Shares [Note 19.a.i]	2,725,337	3,193,154	2,725,337	3,193,154
	Balance as at 31st December	2,725,337	3,193,154	2,725,337	3,193,154
19 (a) i.	Quoted Shares held by SMB Leasing PLC	2013		2012	
	Sensitivity Effect of Rs. 1 Increase / (Decrease) In Market Value	No of shares	Market Value Rs.	No of shares	Market Value Rs.
	Held by SMB Leasing PLC.				
	Banking, Finance & Insurance				
	The Finance Co. PLC	10	97	97	1,814
			970		1,814
	Manufacturing				
	Blue Diamond Jewelry Worldwide PLC	4	778,280	778,280	3,190,948
	Metal Recyclers Colombo PLC	-	69	69	-
			2,723,980		3,190,948
	Land & Property				
	Ceylinco Seylan Development PLC	9	43	43	392
			387		392
	Carrying Amount		2,725,337		3,193,154
19 (b).	Unquoted Shares	2013		2012	
		No of shares	Cost Rs.	No of shares	Cost Rs.
	Ceylinco Sports Complex Ltd.	300,000	3,000,000	300,000	3,000,000
	Ceylinco Investment & Realty	100,000	1,000,000	100,000	1,000,000
	Seraka Investment Ltd.	5,655,900	48,645,300	5,655,900	48,645,300
	South Asian Travels	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
	Magpek Exports Ltd	-	5,000,000	-	5,000,000
	Pugoda Textiles Mills Ltd	-	252,525	-	252,525
			75,543,825		75,543,825
	Less: Provision for Impairment		(75,543,825)		(75,543,825)
	Carrying Amount		-		-
19 (c).	Unquoted Debentures			2013 Cost	2012 Cost
	Ceylinco Automobiles Ltd			17,600,000	17,600,000
	Less : Provision for Impairment Loss			(17,600,000)	(17,600,000)
				-	-

Notes to the Financial Statements ... (Continued)

20. Financial Assets at fair value through profit or loss

Held by SMB Money Brokers (Pvt) Ltd.	Sensitivity Effect of Rs. 1 Increase / (Decrease) In Market Value	2013		2012	
		No of shares	Market Value Rs.	No of shares	Market Value Rs.
Banking					
Pan Asia Bank	-	-	-	4,400	83,600
Commercial Bank of Ceylon PLC	-	5,718	542,376	5,718	520,910
			542,376		604,510
Manufacturing					
ACL Plastics	-	-	-	200	19,980
Brown & Co PLC	-	-	-	750	93,075
Tokyo Cement PLC	26	3,325	85,574	3,325	64,173
Pelawatta Sugar PLC	-	3,000	-	3,000	70,500
Ceylon Glass Company PLC	5	30,000	135,000	30,000	180,000
United Motors Lanka PLC	114	500	56,850	500	50,400
Lanka Lubricants PLC	268	1,600	428,480	1,600	323,200
			705,904		801,328
Land & Property					
Colombo Fort Land & Building	28	2,100	59,220	2,100	72,660
			59,220		72,660
Hotel					
Hotel Services (Ceylon) Ltd	13	10,000	132,000	10,000	171,000
			132,000		171,000
Total Quoted Shares			1,439,500		1,649,498

21. Financial Investment-Held to Maturity

	Company		Group	
	2013 Rs.	2012 Rs.	2013 Rs.	2012 Rs.
Government of Sri Lanka Treasury Bonds	6,265,930	-	6,265,930	-
Peoples Leasing Finance PLC-(Pro notes)	-	-	10,000,000	10,000,000
Ceylinco Capital Market Ltd	-	-	2,644,932	2,644,932
Softlogic Finance PLC - (Debenture)	-	-	2,027,250	-
Carrying Amount at Amortised Cost	-	-	20,938,112	12,644,932
Less- Provision for impairment	-	-	(10,000,000)	(10,000,000)
	6,265,930	-	10,938,112	2,644,932

Notes to the Financial Statements ... (Continued)

22. Investment in Associates

22 (a). Company	Principle Activity	2013		Cost as at	2012		Cost as at
		Holding	No of Shares	31/12/2013	Holding	No of Shares	31/12/2012
				Rs.			Rs.
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) Ltd.	Stock Brokering Activities	49.50%	5,000,000	50,000,000	49.50%	5,000,000	50,000,000
				129,282,196			129,282,196
Less: Provision for Impairment				(12,863,727)			(3,720,958)
Balance as at				116,418,469			125,561,238

22 (b). Group	31/12/2013	31/12/2012
	Rs.	Rs.
Balance as at 1st January	143,425,527	158,425,075
Share of Loss after tax	(8,895,123)	(11,399,548)
Dividend Received	-	(3,600,000)
Balance as at 31st December	134,530,404	143,425,527

22.(c) Share of Profits / (Loss) of Associate Companies	2013	2012
	Rs.	Rs.
Kenanga Investment Corporation Ltd	(816,382)	(3,109,571)
SMB Real Estate Ltd - (Unaudited)	753,429	1,435,168
SMB Securities (Pvt) Ltd	(8,832,170)	(9,725,145)
	(8,895,123)	(11,399,548)

22 (d). Summerised Financial Information of Associates As at 31st December 2013	Kenanga Investment Corporation Ltd (Audited) Rs.	SMB Securities (Pvt) Ltd (Audited) Rs.	SMB Real Estate Ltd (Unaudited) Rs.	Total Rs.
Revenue	8,085,739	9,151,116	6,957,335	24,194,190
Total Comprehensive Income for the year	(1,666,086)	(17,842,769)	953,891	(18,554,964)
Total Asset	106,061,206	110,615,828	74,493,571	291,170,605
Equity	103,622,759	88,375,376	47,823,552	239,821,687
Total Liabilities	2,438,447	22,240,452	26,670,019	51,348,918

23. Investment in Subsidiaries

Investments in Subsidiaries - Unquoted	Principle Activity	2013			2012		
		Holding	No of Shares	Cost Rs.	Holding	No of Shares	Cost Rs.
SMB Money Brokers(Pvt) Ltd	Money Market Activities	50.99%	1,275,000	12,750,000	50.99%	1,275,000	12,750,000
Less : Provision for Impairment				(3,481,606)			(4,895,528)
Balance as at 31st December				9,268,394			7,854,472

24. Investment Properties

	Company		Group	
	2013 Rs.	2012 Rs.	2013 Rs.	2012 Rs.
Balance as at 1st January	34,323,920	34,323,920	41,376,797	38,523,920
Add : Additions during the year	-	-	-	2,852,877
Less : impairment provision	(593,520)	-	(2,399,997)	-
Balance as at 31st December	33,730,400	34,323,920	38,976,800	41,376,797

Note: There are no buildings in the above lands. There is no rental income or expenses from the above investment property during the year .

Notes to the Financial Statements ... (Continued)

As at 31st December		Company				Group				
24 (a).	Property Location	Extent (Perches)	2013		2012		2013		2012	
			Cost	Market Value	Cost	Market Value	Cost	Market Value	Cost	Market Value
			Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
	Kaduwela, Malambe	120	32,700	34,117	32,700	34,117	32,700	34,117	32,700	34,117
	Dorakumbura, Kurunegala	120	669	420	669	420	669	420	669	420
	Ahangama, Dikkumbura	21	1,204	610	1,204	1,204	610	1,204	610	1,204
	Malabe	8	-	-	-	-	4,200	4,200	4,200	4,200
	Ahangama	111	-	-	-	-	2,853	2,853	2,853	2,853
			34,573	35,147	34,573	35,741	41,626	42,200	41,626	42,794
	Less: Provision for impairment		(843)	-	(249)	-	(2,649)	-	(249)	-
			33,730	35,147	34,324	35,741	38,977	42,200	41,377	42,794

25.	Property, Plant and Equipment	Computer Equipment	Office machine & Equipment	Furniture & Fittings	Motor Vehicles	2013 Total	2012 Total
	Company	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
	Cost						
	As at 1st January	43,958,280	14,454,543	18,652,810	11,993,100	89,058,733	87,070,328
	Additions for the Year	4,396,942	1,896,600	62,023	-	6,355,565	1,988,405
	Disposals	(40,250)	(201,586)	(297,813)	(421,602)	(961,251)	-
	Transfer	-	-	-	-	-	-
	As at 31st December	48,314,972	16,149,557	18,417,020	11,571,498	94,453,047	89,058,733
	Accumulated Depreciation						
	As at 1st January	40,911,550	11,843,065	15,000,905	9,711,252	77,466,772	73,865,743
	Charge for the year	1,544,613	610,392	1,001,043	1,267,465	4,423,513	3,601,029
	Disposals	(35,875)	(201,586)	(286,613)	(421,602)	(945,676)	-
	As at 31st December	42,420,288	12,251,871	15,715,335	10,557,115	80,944,609	77,466,772
	Net book value as at 31st December 2013	5,894,684	3,897,686	2,701,685	1,014,383	13,508,438	11,591,961
	Net book value as at 31st December 2012	3,204,040	2,422,031	3,693,394	2,272,496	11,591,961	-
	Group						
	Cost						
	As at 1st January	45,069,098	17,412,542	19,956,618	12,060,064	94,498,322	92,509,917
	Additions for the Year	4,489,092	1,922,200	180,623	5,920,090	12,512,005	1,988,405
	Disposals	(40,250)	(201,586)	(297,813)	(488,566)	(1,028,215)	-
	As at 31st December	49,517,940	19,133,156	19,839,428	17,491,588	105,982,112	94,498,322
	Accumulated Depreciation						
	Balance as at 1 January	41,964,418	14,479,241	16,036,439	9,742,502	82,222,600	78,179,981
	Charge for the year	1,603,251	760,097	1,142,417	2,048,514	5,554,279	4,042,619
	Disposals	(35,875)	(201,586)	(286,613)	(462,897)	(986,972)	-
	As at 31st December	43,531,793	15,037,752	16,892,243	11,328,119	86,789,907	82,222,600
	Net book value as at 31st December 2013	5,986,147	4,095,404	2,947,185	6,163,469	19,192,205	12,275,722
	Net book value as at 31st December 2012	3,104,680	2,933,301	3,920,179	2,317,562	12,275,722	-

Notes to the Financial Statements ... (Continued)

As at 31st December		Company		Group	
		2013 Rs.	2012 Rs.	2013 Rs.	2012 Rs.
26.	Intangible Assets				
	Cost				
	As at 01st January	-	-	631,865	631,865
	Additions for the year	737,388	-	737,388	-
	Working progress	3,000,000	-	3,000,000	-
	Disposals	-	-	-	-
	Transfer	-	-	-	-
	As at 31st December	3,737,388	-	4,369,253	631,865
	Accumulated Amortisation				
	As at 01st January	-	-	614,290	602,575
	Charge for the year	36,869	-	48,585	11,715
	Disposals	-	-	-	-
	As at 31st December	36,869	-	662,875	614,290
	Net Book Value as at 31st December	3,700,519	-	3,706,378	17,575
27.	Deferred Taxation				
	Balance as at 1st January	-	-	603,710	157,448
	Reversal made during the year	-	-	194,807	446,262
	Balance As at 31st December	-	-	798,517	603,710
	The above deferred tax asset has been recognised in respect of the subsidiary, SMB Money Brokers (Pvt) Ltd. since the management expects adequate taxable profits in the future in respect of the subsidiary.				
28.	Other Assets				
	Deposits & Prepayments	6,653,010	3,715,216	7,128,183	3,795,216
	Other Assets	7,797,628	17,858,247	15,827,341	24,255,960
		14,450,638	21,573,463	22,955,524	28,051,176
29.	Due to Banks				
	Bank Borrowings	18,748,000	29,180,000	18,748,000	29,180,000
	Bank Overdraft	-	5,285,511	-	5,285,511
		18,748,000	34,465,511	18,748,000	34,465,511
30.	Due to Other Customers				
	Promissory Notes	92,600,997	118,912,386	92,600,997	118,912,386
	Debentures	104,012,093	104,942,093	104,012,093	104,942,093
	Refinance Borrowings	-	774,273	-	774,273
		196,613,090	224,628,752	196,613,090	224,628,752
31.	Other Borrowings				
	Other Borrowings	46,868,194	49,693,254	52,039,815	49,693,254
		46,868,194	49,693,254	52,039,815	49,693,254
32.	Other Liabilities				
	Accrued Expenses	1,782,260	1,830,752	1,782,260	2,335,507
	Provision for Retirement benefit obligations (Note 32 a)	5,570,366	4,190,909	8,622,981	6,407,208
	Others	19,379,265	38,231,433	24,463,628	39,177,306
		26,731,891	44,253,094	34,868,869	47,920,021
32 (a).	Provision for Retirement benefit obligation				
	Balance as at 1st January	4,190,909	4,349,049	6,407,208	5,795,744
	Provision for the year	1,173,099	1,106,328	2,004,913	1,756,725
	Actuarial Losses / (Gains) during the year	517,608	(1,264,468)	522,110	(1,145,261)
	Payments during the year	(311,250)	-	(311,250)	-
	Balance as at 31st December	5,570,366	4,190,909	8,622,981	6,407,208

The following assumptions were used in valuing the retirement defined benefits obligation using gratuity formula method as required by LKAS 19-“Employee Benefits”

	2013	2012
Salary Increment Rate	7.50%	8.50%
Discount Rate	10.00%	11.00%
Retirement Age	55 Years	55 Years

Notes to the Financial Statements ... (Continued)

32 (b). Sensitivity of Assumptions Employed in Actuarial Valuation

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

The sensitivity of the Total Comprehensive Income and Statement of Financial Position is the effect of the assumed changes in discount rate and salary increment rate on to total Comprehensive Income and employment benefit obligation for the year.

	Sensitivity Effect on	
	Total Comprehensive Income Increase / (Reduction)	Employment Benefit Obligation Increase / (Reduction) in the Liability
Increase in Discount Rate (1%)	450,728	450,728
Decrease in Discount Rate (1%)	(450,728)	(450,728)
Increase in Salary Increment Rate (1%)	(401,073)	(401,073)
Decrease in Salary Increment Rate (1%)	401,073	401,073

33. Stated Capital

	2013 Rs.	2012 Rs.	2013 Rs.	2012 Rs.
Ordinary Voting Shares	1,136,230,554	1,136,230,554	1,136,230,554	1,136,230,554
Ordinary Non Voting Shares	419,252,881	419,252,881	419,252,881	419,252,881
Capital Reduction	(636,419,321)	(636,419,321)	(636,419,321)	(636,419,321)
	919,064,114	919,064,114	919,064,114	919,064,114

33 (a). Reconciliation of Number of Shares - Company

	2013	2012
Ordinary Voting Shares		
Balance as at 1st January	1,191,766,772	826,486,514
Issue of Shares	-	365,280,258
As at 31st December	1,191,766,772	1,191,766,772
Ordinary Non voting Shares		
Balance as at 1st January	614,066,101	560,000,000
Issue of Shares	-	54,066,101
As at 31st December	614,066,101	614,066,101

34. Statutory Reserves Fund

	Company		Group	
	2013 Rs.	2012 Rs.	2013 Rs.	2012 Rs.
Balance as at the beginning	13,794,692	9,857,885	13,794,692	9,857,885
Transfer made during the year	3,887,621	3,936,807	3,887,621	3,936,807
Balance as at the end	17,682,313	13,794,692	17,682,313	13,794,692

The statutory Reserve has been created during the year 2006 in accordance with the Finance Leasing (Amendment) Act No. 24 of 2005 and 5% of the net profit for the period has been transferred to Statutory Reserve Fund.

35. Investment Fund Account

This represents cumulative savings of financial services VAT and Income Tax. The amount of the reserve has been utilised only for the purpose prescribed by the Central Bank of Sri Lanka.

36. 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.

36 (a). Litigations Against the Company

The material litigations against the Company as at the reporting date are as follows,

Claimant Name	Case Number	Claimed Amount Rs.
J.Gunaratne	DC GAMPAAH 3819/M	2,500,000
W.A.P.J. Ranasuriya	07087/DMR/10	50,000,000
S.A.S. Tharmalingam	2423/12/DMR	1,751,480
P.D.S.P. Pushpakumara	DMR/00508/13	10,000,000
L.K. Nallaperuma	DMR/00682/2013	97,543,521
Lanka Bell Ltd	DMR/1655/2013	4,781,634
P.C. Wewala	DHP/1681/2008	3,000,000

The Company is of the opinion that the outcome or possible liability on these cases cannot be assessed at this stage.

37. Event After the Reporting Date.

Consequent to the Central Bank's proposal for consolidation of banks and finance leasing companies of Sri Lanka, few strategic investors have shown their interest for a possible merger or acquisition of the company and the consolidation process is still in progress.

Other than above no circumstances have arisen subsequent to the reporting date which would require adjustments or disclose in the financial statements.

Notes to the Financial Statements ... (Continued)

38 (a). Related Party Disclosure

38.1. Transactions with Related Parties

Company	Name of Director	Details of Financial Dealings	Amount 2013 Received/ Receivable (Payable/Paid) Rs.	Amount Capital Outstanding as at 31.12.2013 Rs.	Amount 2012 Received/ Receivable (Payable/Paid) Rs.	Amount Capital Outstanding as at 31.12.2012 Rs.	Age	As a percentage of capital funds as at 31.12.2013
Transaction with Associate Companies								
SMB Real Estate Ltd.	Mr. M. S. I. Peiris	Term Loan	1,413,108	9,469,000	1,413,108	9,469,000	-	0.99%
		Mr. J. C. Korala	Debentures interest	(1,413,108)	-	(1,413,108)	-	-
		Investment on Debentures	-	(9,236,000)	-	(9,236,000)	-	-
		Others -Q/Fund	(2,600,000)	-	-	-	-	-
SMB Securities (Pvt) Ltd.	Mr. M. S. I. Peiris	Dividend Income	-	-	(3,600,000)	-	-	-
Transaction with Subsidiaries								
SMB Money Brokers (Pvt) Ltd.		Easy Payment Loan	(240,000)	2,580,088	(240,000)	2,820,056	-	0.27%
Transaction with other Related Companies								
Corporate Finance & Capital Market Limited	Mr. M. S. I. Peiris	Professional Fee	-	-	-	-	-	-
		Mr. M. S. I. Peiris	Easy Payment Loan	-	4,225,387	-	4,225,387	51.02
		Proceed from Disposal of Investment in SMB Money Brokers Ltd	-	12,448,250	-	12,448,250	97.00	1.30%
		Disposal Proceeds of Treasury Bonds & Others	-	5,182,077	-	5,182,077	88.00	0.54%
		Others	-	6,893,100	-	6,893,100	59.00	0.72%
		Holding Transfer of Kenenga Investment Corporation Ltd.	-	4,000,000	-	4,000,000	89.00	0.42%
	Provision for Impairment	-	(31,943,291)	-	(31,943,291)	-	-	
Ceylinco Maini (Pvt)Ltd	Mr. M. S. I. Peiris	Quick Fund Loan	-	1,350,043	-	1,350,043	109.00	0.14%
		Provision for Bad & Doubtful Debts	-	(1,350,043)	-	(1,350,043)	-	-
Ceylinco Automobiles Ltd	Mr. M. S. I. Peiris	Finance Lease	-	666,231	-	666,231	-	0.07%
		Quick Cash Loan	-	16,549,925	-	16,549,925	-	1.72%
		Other receivable	-	4,394,850	-	4,394,850	86.00	0.46%
		Salaries Receivable	-	2,682,038	-	2,682,038	102.00	0.28%
		Cal-Commission	-	600,000	-	600,000	102.00	0.06%
		Debenture Interest	-	17,600,000	-	17,600,000	89.00	1.83%
		Provision for Impairment	-	(42,493,044)	-	(42,493,044)	-	-
The Magnum Fund	Mr. M. S. I. Peiris	Quick Cash Loan	-	1,744,977	-	1,744,976	-	0.18%
		EP Loan Interest Income	-	1,420,385	-	1,420,385	-	0.15%
		Quick Fund Loan	-	342,896	-	342,896	78.00	0.04%
		Other receivable	-	123,868	-	123,868	78.00	0.01%
		Salaries Receivable	-	2,372,300	-	2,372,300	78.00	0.25%
		Provision for Impairment	-	(6,004,424)	-	(6,004,424)	-	-
Lanka Ashok Leyland PLC	Mr. U. Gautam	Other Borrowings	(18,631,253)	(41,492,282)	(7,186,958)	(49,693,253)	-	-
Grayline Cargo Terminals (Pvt) Ltd	Mr. H.R.S Wijeratne	Finance Lease	1,620,635	13,428,122	-	14,803,536	-	1.40%
		Term Loan	2,704,838	22,411,515	-	24,707,079	-	2.33%
Grayline Container Terminals (Pvt) Ltd	Mr. H.R.S Wijeratne	Finance Lease	1,148,255	9,514,113	-	10,488,623	-	0.99%
		Term Loan	126,272	1,046,250	-	1,153,416	-	0.11%

Notes to the Financial Statements ... (Continued)

38.2. Transaction with Key Management Personal

The Board of Directors of the Company are considered as the Key Management personal of the Company. The Company has made following payments to the Key Management Personal.

	Company		Group	
	2013 Rs.	2012 Rs.	2013 Rs.	2012 Rs.
Short-term employee benefit	6,473,899	5,563,492	6,473,899	5,563,492

40.	Maturity Analysis	Up to 3 Months	3 to 12 Months	1 to 3 Years	3 to 5 Years	More than 5 Years	Total 2013
41.1.	Maturity Analysis - Company	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Interest Earning Assets							
	Cash and cash equivalents	17,044	-	-	-	-	17,044
	Placements with Banks	99,889	-	-	-	-	99,889
	Loans & Receivables to other customers	79,147	141,698	259,851	164,153	287,564	932,413
	Financial investments - available-for-sale	2,725	-	-	-	-	2,725
	Financial investments - held-to-maturity	-	-	-	-	6,266	6,266
		198,805	141,698	259,851	164,153	293,830	1,058,337
Non Interest Earning Assets							
	Investment in Associates	-	-	116,418	-	-	116,418
	Investment in Subsidiaries	-	-	9,268	-	-	9,268
	Investment Properties	-	-	-	-	33,731	33,731
	Property, Plant & equipment	-	-	-	-	13,509	13,509
	Other Assets	-	-	18,151	-	-	18,151
		-	-	143,837	-	47,240	191,077
	Total Assets	198,805	141,698	403,689	164,153	341,069	1,249,414
	Percentage 31st December 2013	15.91	11.34	32.31	13.14	27.30	100.00
	Percentage 31st December 2012	18.91	14.62	46.07	12.50	7.90	100.00
Interest bearing liabilities							
	Due to banks	1,563	4,689	12,496	-	-	18,748
	Due to other customers	19,838	75,611	95,000	6,091	73	196,613
	Other borrowings	46,868	-	-	-	-	46,868
		68,269	80,300	107,496	6,091	73	262,229
Non Interest bearing liabilities							
	Other liabilities	12,017	-	-	-	14,715	26,732
	Shareholders Funds	-	-	-	-	960,453	960,453
		12,017	-	-	-	975,168	987,185
	Total Liabilities & Shareholders' funds	80,286	80,300	107,496	6,091	975,241	1,249,414
	Percentage 31st December 2013	6.43	6.43	8.60	0.49	78.06	100.00
	Percentage 31st December 2012	9.06	3.69	4.08	10.18	72.99	100.00

Notes to the Financial Statements ... (Continued)

40.2.	Maturity Analysis - Group	Up to 3 Months Rs. '000	3 to 12 Months Rs. '000	1 to 3 Years Rs. '000	3 to 5 Years Rs. '000	More than 5 Years Rs. '000	Total 2013 Rs. '000
	Interest Earning Assets						
	Cash and cash equivalents	22,979	-	-	-	-	22,979
	Placements with Banks	99,889	-	-	-	-	99,889
	Loans & Receivables to other customers	76,567	141,698	259,851	164,153	287,564	929,833
	Financial investments - available-for-sale	2,725	-	-	-	-	2,725
	Financial Assets at Fair Value Through Profit or Loss	1,440	-	-	-	-	1,440
	Financial investments - held-to-maturity	-	-	-	4,672	6,266	10,938
		203,600	141,698	259,851	168,825	293,830	1,067,804
	Non Interest Earning Assets						
	Investment in Associates	-	-	125,561	-	8,969	134,530
	Investment in Subsidiaries	-	-	-	-	-	-
	Investment Properties	-	-	-	-	38,977	38,977
	Property , Plant & equipment	-	-	-	-	19,192	19,192
	Deferred Tax Assets	-	-	-	-	799	799
	Other Assets	-	8,511	18,151	-	-	26,662
		-	8,511	143,712	-	67,937	220,160
	Total Assets	203,600	150,209	403,563	168,825	361,767	1,287,964
	Percentage 31st December 2013	15.81	11.66	31.33	13.11	28.09	100.00
	Percentage 31st December 2012	18.56	14.80	44.42	12.43	9.79	100.00
	Interest bearing liabilities						
	Due to banks	1,563	4,689	12,496	-	-	18,748
	Due to other customers	19,838	75,611	95,000	6,091	73	196,613
	Other borrowings	52,040	-	-	-	-	52,040
		73,441	80,300	107,496	6,091	73	267,401
	Non Interest bearing liabilities						
	Other liabilities	20,896	-	-	-	13,972	34,868
	Shareholders Funds	-	-	-	-	985,694	985,694
		20,896	-	-	-	999,666	1,020,563
	Total Liabilities & Shareholders' funds	94,337	80,300	107,496	6,091	999,739	1,287,964
	Percentage 31st December 2013	7.32	6.23	8.35	0.47	77.62	100.00
	Percentage 31st December 2012	9.10	3.60	3.99	9.95	73.36	100.00

Notes to the Financial Statements ... (Continued)

Segment Reporting - Group	Loans		Leasing		Treasury		Money Brokering		Unallocated		Consolidated	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
As at 31st December	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Business segments - Group												
Revenue from external customers,												
Interest	93,944,503	57,530,974	88,079,250	86,456,742	-	-	-	-	-	-	182,023,753	143,987,716
Fee & Commission	1,199,925	1,669,255	2,634,166	2,652,509	-	640,392	-	-	-	-	3,834,091	4,962,156
Other operating Income	-	-	2,390,027	16,834,528	12,698,227	19,608,036	50,777,738	25,671,142	763,604	509,362	66,629,596	62,623,068
Total Revenue from external customers	95,144,428	59,200,229	93,103,443	105,943,779	12,698,227	20,248,428	50,777,738	25,671,142	763,604	509,362	252,487,440	211,572,940
Segment result	57,660,262	36,803,391	56,423,366	65,862,758	7,695,491	12,587,972	30,772,771	15,960,567	462,766	316,658	153,014,655	131,541,639
Depreciation charged for the year	(2,093,010)	(1,131,165)	(2,048,112)	(2,024,315)	(279,339)	(386,896)	(1,117,021)	(490,510)	(16,798)	(9,733)	(5,554,279)	(4,042,618)
Interest Expense	(16,953,427)	(9,961,266)	(16,589,752)	(17,826,522)	(2,262,649)	(3,407,081)	(9,047,894)	(4,319,529)	(136,064)	(85,707)	(44,989,785)	(35,600,105)
Operating Profit	38,613,825	25,714,237	37,785,503	46,017,786	5,153,503	8,795,116	20,607,856	11,150,528	309,904	221,247	102,470,591	91,898,915
Share of Profit/ (Loss) of Associate												
Companies	-	-	-	-	-	-	-	-	(8,895,123)	-	(8,895,123)	(11,399,549)
Income tax expense	(2,972,126)	(3,299,036)	(2,908,370)	(5,903,902)	(396,668)	(1,128,379)	(1,586,197)	(1,430,569)	(23,853)	(28,385)	(7,887,214)	(11,790,271)
Value Added Tax (VAT) on financial services	-	-	-	-	-	-	-	-	-	-	(7,420,857)	(2,738,133)
Other comprehensive Income	(373,032)	(551,243)	(365,030)	(986,496)	(49,786)	(188,543)	(199,084)	(239,037)	(2,994)	(4,743)	(989,926)	(1,970,063)
Net Profit for the year	35,268,667	21,863,958	34,512,103	39,127,388	4,707,050	7,478,194	18,822,575	9,480,922	(8,612,066)	188,119	77,277,471	64,000,900
Segment assets	454,612,158	397,242,478	475,220,288	513,172,411	119,352,212	117,742,002	18,619,131	11,216,508	220,159,824	225,750,508	1,287,963,613	1,265,123,907
Segment liabilities	100,764,245	86,401,842	98,602,707	154,623,349	13,448,263	29,552,275	53,776,984	37,466,645	36,420,371	48,663,427	303,012,569	356,707,538
Cash Flow from Operating Activities	21,174,348	(74,254,594)	20,720,127	(132,884,830)	2,825,984	(25,397,516)	11,300,562	(32,199,204)	169,940	(638,891)	56,190,961	(265,375,035)
Cash Flow from Investing Activities	(5,157,349)	450,940	(5,046,716)	806,995	(688,313)	154,236	(2,752,431)	195,542	(41,391)	3,880	(13,686,201)	1,611,594
Cash Flow from Financing Activities	(20,302,529)	(16,407,639)	(19,867,010)	(29,362,848)	(2,709,629)	(5,611,953)	(10,835,280)	(7,114,885)	(162,943)	(141,172)	(53,877,391)	(58,638,498)

Decade at a Glance-Company

Year ended 31st December	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Operating Results										
Revenue	557,668	589,173	515,425	500,998	334,661	391,449	124,110	112,854	189,502	203,046
Interest Income	506,640	541,836	434,047	424,776	295,666	147,132	101,718	75,581	143,988	182,024
Interest Expenses	(369,130)	(399,959)	(359,235)	(400,239)	(410,293)	(166,315)	(64,732)	(47,609)	(35,600)	(44,868)
Operating Expenses & Provision	(143,288)	(128,850)	(110,889)	(85,937)	(506,301)	(66,868)	(59,805)	(76,470)	(60,303)	(66,565)
Profit / (Loss) before taxation	22,203	30,690	31,859	2,699	(581,933)	158,266	19,443	(11,225)	93,599	91,613
Vat & Taxation	2,777	9,921	6,994	(2,432)	(35,601)	-	-	(5,519)	(14,863)	(13,861)
Profit / (Loss) After Taxation & VAT	19,426	20,769	24,865	267	(618,676)	158,266	14,095	(16,744)	78,736	77,752
Comprehensive Income / (Expense)								(13,086)	75,621	76,767
Assets										
Cash and cash equivalents and placement with banks	454,040	940,272	703,745	348,412	134,541	7,151	368,304	480,706	119,394	116,934
Loans and Receivables	2,864,161	2,553,525	2,439,865	1,949,602	1,197,256	778,938	420,657	571,892	913,235	932,413
Financial investments – available-for-sale	-	-	-	-	-	-	2,650	6,308	3,193	2,725
Financial investments – held-to-maturity	-	-	-	-	-	-	-	-	-	6,266
Investments in Associates	1,200	1,200	-	49,000	49,000	125,560	129,282	125,561	125,561	116,418
Investments in Subsidiaries	112,100	154,068	314,547	319,540	324,197	12,750	12,750	12,750	7,854	9,268
Investment Properties	11,189	11,189	23,187	27,505	16,316	49,016	33,120	33,120	34,324	33,730
Property Plant & Equipment	27,098	24,132	20,983	11,947	8,055	7,457	9,244	13,205	11,592	13,508
Intangible Assets	-	-	-	-	-	-	-	-	-	3,701
Other Assets	123,038	108,138	118,031	227,111	296,395	187,670	30,969	36,196	21,573	14,451
	3,592,826	3,792,524	3,620,358	2,933,117	2,025,760	1,168,542	1,006,977	1,279,739	1,236,727	1,249,414
Liabilities & Shareholders' Fund										
Borrowings	2,919,314	2,986,232	2,769,840	2,143,489	1,976,442	911,725	511,245	407,360	308,788	262,229
Other Liabilities	514,202	513,285	443,819	382,892	261,257	327,148	77,827	94,594	44,253	26,732
Shareholders' Funds	159,310	293,007	406,699	406,736	(211,939)	(70,331)	417,905	777,785	883,686	960,453
	3,592,826	3,792,524	3,620,358	2,933,117	2,025,760	1,168,542	1,006,977	1,279,739	1,236,727	1,249,414
Ratios										
Income Growth (%)	(1.43)	5.65	(12.52)	(2.80)	(33.20)	16.97	(0.68)	(0.09)	0.68	0.07
Property, Plant & Equipment to Shareholders' Fund (times)	17.01	8.24	5.16	2.94	(3.80)	(10.60)	2.21	1.70	1.31	1.41
Total asset to shareholders' fund (times)	22.55	12.94	8.9	7.21	(9.56)	(16.61)	2.41	1.65	1.40	1.30
Net Assets per Share	4.77	6.58	4.46	7.46	(3.89)	(1.29)	0.30	0.56	0.49	0.53
Basic Earning / (Loss) per share	0.3	0.58	0.51	0.005	(11.35)	0.23	0.02	(0.01)	0.04	0.04

Highlighted information is based on LKAs/SLFRSs.

Five Year Summary-Group

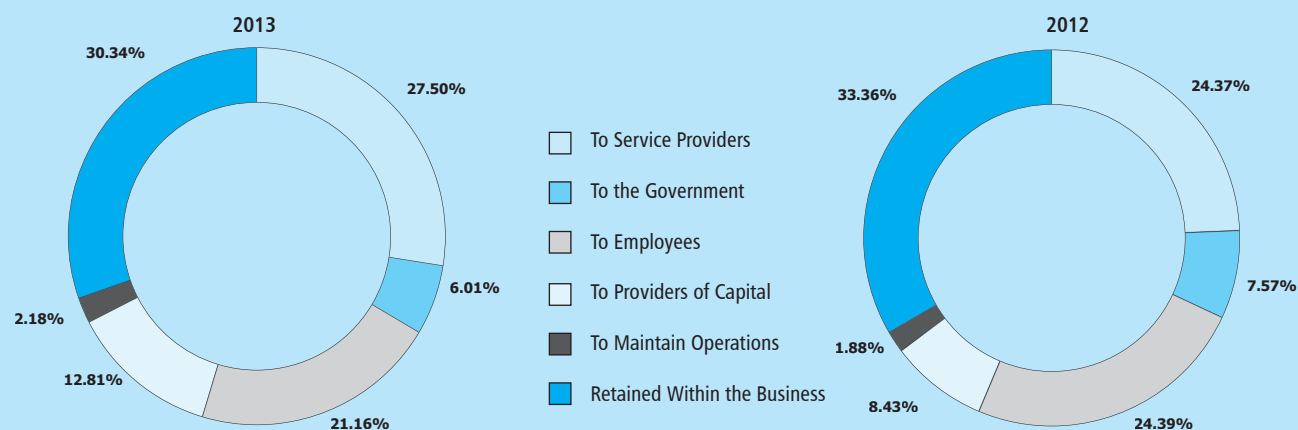
	2009	2010	2011	2012	2013
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Operating Results					
Revenue	623,059	141,000	135,468	211,573	252,487
Interest Income	378,376	102,228	75,581	143,988	182,024
Interest Expenses	(290,674)	(64,732)	(47,609)	(35,600)	(44,990)
Operating Expenses & Provision	(250,697)	(94,041)	(107,123)	(97,122)	(129,483)
Profit / (Loss) before taxation	81,687	16,148	(17,999)	91,899	102,471
Taxation & VAT	(1,516)	420	(6,000)	(14,528)	(15,308)
Profit / (Loss) After Taxation & VAT	82,229	27,315	(9,321)	65,971	78,267
Minority Interest	(10,950)	197	(578)	(743)	822
Profit / (Loss) Attributable to Shareholders	82,229	27,117	(5,085)	64,001	77,277
As at 31st December					
Assets					
Cash & Short Term Funds	7,244	5,521	10,496	11,138	22,979
Investments	13,236	378,740	488,210	117,821	114,993
Loans & Advance	521,732	417,357	568,832	910,415	929,832
Lease Rentals Receivables	256,967	-	-	-	-
Investment in Associates Co.	136,704	153,543	158,425	143,426	134,530
Interest Receivable	81,534	-	-	-	-
Investment Property	53,216	37,320	40,173	41,377	38,977
Property Plant and Equipment	8,494	10,820	14,348	12,276	19,193
Other Assets	107,849	34,412	39,156	28,655	23,754
Intangible Assets				18	3,706
	1,186,976	1,037,713	1,319,640	1,265,124	1,287,964
Equity & Liabilities					
Equity					
Stated Capital	565,786	1,146,950	885,097	919,064	919,064
Statutory Reserves	-	9,858	9,858	13,795	17,682
Retain Earnings	(628,067)	(717,634)	(90,044)	(35,621)	31,287
Other Reserves	-	-	1,566	4,264	9,924
Liabilities					
Due to Banks	-	53,254	66,757	34,466	18,748
Due to Other Customers	911,725	457,991	340,603	224,629	196,613
Other Borrowings	329,493	-	-	49,693	52,040
Other Liabilities	-	79,057	98,145	47,920	34,869
Non-Controlling Interest	8,039	8,237	7,658	6,915	7,737
	1,186,976	1,037,713	1,319,640	1,265,124	1,287,964
Cash Flow					
Cash Flow from Operating Activities	424,444	259,703	(188,703)	(265,375)	56,191
Cash Flow from Investing Activities	543,257	161	(1,182)	1,612	(13,686)
Cash Flow from financing Activities	(972,375)	(7,151)	288,179	(58,638)	(48,591.)
Net Increase or (Decrease)in cash and cash Equivalents	6,642	252,713	98,294	(322,402)	(6,087)
Basic Earning / (Loss) per share	0.14	2.36	(0.01)	0.04	0.04
Assets Growth	(0.72)	(0.13)	0.27	(0.04)	0.02
Net Assets Growth	(0.59)	(8.05)	0.84	0.12	0.08
Net Assets per share	(1.14)	0.32	0.45	0.49	0.54

Highlighted information is based on LKASs/SLFRSs.

Value Added Statement

For the Year Ended 31st December	Company				Group			
	2013 Rs.'000		2012 Rs.'000		2013 Rs.'000		2012 Rs.'000	
Value Added								
Interest and similar income	182,024		143,988		182,024		143,988	
Cost of Borrowings	(12,247)		(19,426)		(12,369)		(19,426)	
Other Income	21,022		45,514		70,464		68,613	
Associate company profit	-		-		(8,895)		(11,400)	
Other Comprehensive Income	(985)		(1,851)		(990)		(1,970)	
Impairment for loans and other losses	24,456		12,020		24,456		12,020	
	214,270	100.00%	180,245	100.00%	254,690	100.00%	191,825	100.00%
To Service Providers								
Overhead and Support Services	50,000	23.34%	38,909	21.59%	70,044	27.50%	46,740	24.37%
To the Government								
Taxes	13,861	6.47%	14,863	8.25%	15,308	6.01%	14,528	7.57%
To Employees								
Salaries,Wages and Other Benefits	36,597	17.08%	31,077	17.24%	53,885	21.16%	46,781	24.39%
To Providers of Capital								
Interest on Borrowings	32,621	15.22%	16,174	8.97%	32,621	12.81%	16,174	8.43%
To Maintain Operations								
Depreciation	4,424	2.06%	3,601	2.00%	5,554	2.18%	3,602	1.88%
Retained Within the Business								
Retained Profit / (Loss)	76,767	35.83%	75,621	41.95%	77,277	30.34%	64,000	33.36%
	214,270	100.00%	180,245	100.00%	254,690	100.00%	191,825	100.00%

Value Added Statement-Group



Shareholders And Investor Information

Top Twenty Shareholders

Ordinary Voting

		31st December 2013		31st December 2012	
	Name	No. of Shares	%	No. of Shares	%
1.	Dr. T. Senthilvel	208,000,000	17.45%	208,000,000	17.45%
2.	Mr. H. R. S. Wijeratne	194,882,451	16.35%	194,882,451	16.35%
3.	Standard Chartered Bank Singapore S/A HL Bank Singapore	72,916,100	6.12%	61,966,100	5.20%
4.	Seylan Bank PLC/ Dr. T. Senthilvel	51,799,896	4.35%	48,583,748	4.08%
5.	Ms. S. A. Fernando	48,004,878	4.03%	48,004,878	4.03%
6.	Mr. W. K. V. M. Fernando	43,233,872	3.63%	44,841,380	3.76%
7.	Mrs. K. W. S. H. Fernando	41,914,378	3.52%	41,914,378	3.52%
8.	Ms. W. N. C. Fernando	31,821,398	2.67%	32,321,398	2.71%
9.	Sinharaja Hills Plantation (Pvt) Ltd	24,000,000	2.01%	20,246,863	1.70%
10.	Mr. S. S. Abhayawickrama	19,941,212	1.67%	-	-
11.	Seylan Bank PLC/ J. Dewage	16,872,673	1.42%	15,957,030	1.34%
12.	Mr. R. Gautam	14,600,000	1.23%	14,490,000	1.22%
13.	National Development Bank PLC/ Dr. T. Senthilvel	14,000,000	1.17%	14,000,000	1.17%
14.	Mr. A. Sithampalam	12,880,242	1.08%	12,880,242	1.08%
15.	Andaradeniya Estate (Private) Limited	12,270,674	1.03%	12,270,674	1.03%
16.	Associated Electrical Corporation Limited	12,252,302	1.03%	8,500,000	0.71%
17.	Mr. H. K. Pushpakumara	10,922,510	0.92%	7,335,178	0.62%
18.	First Capital Markets Limited/ Mr. M. A. U. Gnanathilaka	7,284,396	0.61%	9,160,249	0.77%
19.	Mr. S. P. Kannangara	6,000,000	0.50%	6,000,000	0.50%
20.	People's Leasing & Finance PLC/Mr. S. P. Jayakumar	4,435,647	0.37%	-	-
Sub Total		848,032,629	71.16%	801,354,569	67.24%
Others		343,734,143	28.84%	390,412,203	32.76%
Total Issued Share Capital		1,191,766,772	100.00%	1,191,766,772	100.00%

Ordinary Non Voting

		31st December 2013		31st December 2012	
	Name	No of Shares	%	No of Shares	%
1.	Mr. K. E. H. De Alwis	30,447,529	4.96%	10,565,009	1.72%
2.	Mr. R. Gautam	23,499,220	3.83%	23,300,080	3.79%
3.	Seylan Bank PLC/ Jayantha Dewage	14,521,480	2.36%	14,521,480	2.36%
4.	Waldock Mackenzie Ltd / Mr. S. A. Gulamhusein	11,429,880	1.86%	11,429,880	1.86%
5.	Mr. M. L. A. Benedict	9,645,000	1.57%	8,795,000	1.43%
6.	Mr. C. Nayagam	9,500,000	1.55%	9,500,000	1.55%
7.	Paramadamma Buddhist Institute	9,311,000	1.52%	-	-
8.	Mr. J. A. W. Victoria	8,771,200	1.43%	6,771,200	1.10%
9.	Mr. B. L. Jayaratne	8,503,700	1.38%	8,503,700	1.38%
10.	Mr. H. K. Pushpakumara	7,066,179	1.15%	6,056,000	0.99%
11.	Dr. S. K. Shanmugam	6,091,309	0.99%	6,091,309	0.99%
12.	Waldock Mackenzie Ltd / Mr. Lalin Tusith Samarawickrama	6,000,000	0.98%	6,000,000	0.98%
13.	Mr. W. J. D. Benedict	5,100,000	0.83%	5,100,000	0.83%
14.	Mr. J. J. Ravindran	5,040,000	0.82%	5,040,000	0.82%
15.	Dr. D. Rajakanthan	5,000,000	0.81%	5,000,000	0.81%
16.	Mrs. H. Nalika Padmasiri	4,934,100	0.80%	4,934,100	0.80%
17.	Mr. S. Abishek	4,869,460	0.79%	4,869,460	0.79%
18.	Mr. S. D. Divakarage	4,500,000	0.73%	4,500,000	0.73%
19.	Ms. S. Nirmala	4,318,300	0.70%	-	-
20.	Dr. C. A. Twerenbold	4,313,800	0.70%	4,313,800	0.70%
Sub Total		182,862,157	29.78%	145,291,018	23.66%
Others		431,203,944	70.22%	468,775,083	76.34%
Total Issued Share Capital		614,066,101	100.00%	614,066,101	100.00%

Shareholders And Investor Information

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 31st December 2013 were 11,191 compared to 11,756 as at 31st December 2012.

The Total number of (Ordinary Non Voting) shareholders as at 31st December 2013 were 5,231 compared to 5,664 at 31st December 2012.

4. Distribution of Shareholders

Ordinary Voting - Shareholding as at 31st December 2013

Range of Shareholdings	Resident			Non Resident			Total		
	Number of shareholders	No of Shares	(%) of Holdings	Number of shareholders	No of Shares	(%) of Holdings	Number of shareholders	No of Shares	(%) of Holdings
1 to 1000 Shares	5,014	3,316,673	0.28	10	2,968	0.05	5,024	3,319,641	0.28
1001 to 10,000 Shares	3,740	17,341,534	1.46	9	48,160	0.84	3,749	17,389,694	1.46
10,001 to 100,000 Shares	1,855	64,479,518	5.44	12	530,739	9.29	1,867	65,010,257	5.45
100,001 to 1,000,000 Shares	460	133,757,322	11.28	6	2,624,142	45.95	466	136,381,464	11.44
1,000,001 & above Shares	83	967,160,516	81.55	2	2,505,200	43.86	85	969,665,716	81.36
	11,152	1,186,055,563	100.00	39	5,711,209	100.00	11,191	1,191,766,772	100.00

Ordinary Non Voting - Shareholding as at 31st December 2013

Range of Shareholdings	Resident			Non Resident			Total		
	Number of shareholders	No of Shares	(%) of Holdings	Number of shareholders	No of Shares	(%) of Holdings	Number of shareholders	No of Shares	(%) of Holdings
1 to 1,000 Shares	1,016	497,825	0.08	2	200	0.00	1,018	498,025	0.08
1001 to 10,000 Shares	1,664	9,337,080	1.57	8	44,500	0.25	1,672	9,381,580	1.53
10,001 to 100,000 Shares	1,747	75,190,878	12.61	5	268,435	1.53	1,752	75,459,313	12.29
100,001 to 1,000,000 Shares	688	204,536,325	34.29	7	2,442,200	13.90	695	206,978,525	33.71
1,000,001 & above Shares	89	306,938,658	51.46	5	14,810,000	84.31	94	321,748,658	52.40
	5,204	596,500,766	100.00	27	17,565,335	100.00	5,231	614,066,101	100.00

Shareholders And Investor Information ... (Continued)

5. Composition Of Shareholders

Ordinary Voting Shares	31st December 2013			31st December 2012		
	Number of shareholders	No of Shares	(%) of Holdings	Number of shareholders	No of Shares	(%) of Holdings
Resident	11,152	1,186,055,563	99.52	11,710	1,185,621,102	99.48
Non-Resident	39	5,711,209	0.48	46	6,145,670	0.52
Total	11,191	1,191,766,772	100.00	11,756	1,191,766,772	100.00
Individual	10,939	922,048,231	77.37	11,477	943,244,046	79.15
Institution	252	269,718,541	22.63	279	248,522,726	20.85
Total	11,191	1,191,766,772	100.00	11,756	1,191,766,772	100.00

The percentage of Ordinary Voting Shares held by the public was 60.67% of the issued share capital as at 31st December 2013.

Ordinary Non Voting Shares	31st December 2013			31st December 2012		
	Number of shareholders	No of Shares	(%) of Holdings	Number of shareholders	No of Shares	(%) of Holdings
Resident	5,204	596,500,766	97.14	5,638	597,813,466	97.35
Non-Resident	27	17,565,335	2.86	26	16,252,635	2.65
Total	5,231	614,066,101	100.00	5,664	614,066,101	100.00
Individual	5,126	528,192,878	86.02	5,537	532,541,974	86.72
Institution	105	85,873,223	13.98	127	81,524,127	13.28
Total	5,231	614,066,101	100.00	5,664	614,066,101	100.00

The percentage of Ordinary Non Voting Shares held by the public was 100% of the issued share capital as at 31st December 2013.

Directors' Shareholding

		2013		2012	
		No of Shares	% of Holdings	No of Shares	% of Holdings
Mr. U. Gautam	Voting	-	-	-	-
	Non Voting	-	-	-	-
Mr. M. S. I. Peiris	Voting	24	0.00	24	0.00
	Non Voting	-	-	-	-
Mr. G. C. B. Ranasinghe	Voting	-	-	-	-
	Non Voting	-	-	-	-
Mr. J. C. Korale	Voting	-	-	-	-
	Non Voting	-	-	-	-
Dr. T. Senthilverl	Voting	273,799,896	22.97	270,583,748	22.70
	Non Voting	-	-	-	-
	Voting Warrants	-	-	-	-
Mr. S. N. P. Palihena	Voting	-	-	-	-
	Non Voting	-	-	-	-
Mr. H. R. S. Wijeratne	Voting	194,882,451	16.35	-	-
	Non Voting	-	-	-	-
Mr. R. S. W. Senanayake	Voting	-	-	62,000	0.01
	Non Voting	-	-	50,000	0.01

Share Information

Book Value

Net Assets per Share-Group (Rs.)

2013

2012

0.54

0.50

Share Prices

Ordinary Shares-Voting

Highest (Rs.)

1.10

1.90

Lowest (Rs.)

0.50

0.90

Last Traded (Rs.)

0.80

1.00

Ordinary Shares-Non Voting

Highest (Rs.)

0.50

0.80

Lowest (Rs.)

0.30

0.20

Last Traded (Rs.)

0.30

0.50

Earnings

Ordinary Shares

Basic Earnings Per Share (Rs.)

0.04

0.04

Price Earning Ratio (Times)

12.77

18.75

Frequency of Shares Traded

Number of Shares Traded

345,900,490

598,303,360

Number of Transaction

11,419

18,930

Market Capitalization

SMB Leasing PLC Value (Rs.Mn)

953

1,192

Notice Of Meeting

Voting

NOTICE is hereby given that the Annual General Meeting of SMB Leasing PLC will be held at the Sasakawa Hall, No. 04, 22nd Lane, Colombo 03 on 30th June 2014 at 3.00 pm for the following purposes;

1. To receive and consider the Audited Financial Statements for the year ended 31st December 2013 together with the reports of the Directors' and Auditors' thereon.
2. To re-elect Dr. T Senthilverl, Director, who retires by rotation in terms of Article 87 of the Articles of Association of the Company.
3. To re-appoint the Auditors Messrs KPMG, Chartered Accountants, to hold office until the conclusion of the next Annual General Meeting and to authorise the Directors to determine their remuneration.

BY ORDER OF THE BOARD
JACEY & COMPANY

(Sgd)
SECRETARIES

Colombo
30th May 2014

Note:

1. A member entitled to attend and vote at the meeting is entitled to appoint a Proxy to attend and vote in his/her stead.
2. A Proxy need not be a member of the company
3. The completed form of Proxy must be deposited at the registered office of M/S Jacey & Company, No 9/5, Thambiah Avenue, Off Independence Avenue, Colombo 07 not less 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 SMB Leasing PLC will be held at the Sasakawa Hall, No. 04, 22nd Lane, Colombo 03 on 30th June 2014 at 3.00 pm for the following purposes;

1. To receive and consider the Audited Financial Statements for the year ended 31st December 2013 together with the reports of the Directors' and Auditors' thereon.
2. To re-elect Dr. T Senthilverl, Director, who retires by rotation in terms of Article 87 of the Articles of Association of the Company.
3. To re-appoint the Auditors Messrs KPMG, Chartered Accountants, to hold office until the conclusion of the next Annual General Meeting and to authorise the Directors to determine their remuneration.

BY ORDER OF THE BOARD
JACEY & COMPANY

(Sgd)
SECRETARIES

Colombo
30th May 2014

Note:

1. A member entitled to attend and vote at the meeting is entitled to appoint a Proxy to attend and vote in his/her stead.
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3. The completed form of Proxy must be deposited at the registered office of M/S Jacey & Company, No 9/5, Thambiah Avenue, Off Independence Avenue, Colombo 07 not less than 48 hours before the time fixed for the meeting.

Form of Proxy

Voting

SMB LEASING PLC

FORM OF PROXY

I/We the undersigned
of.....
being a member/members of S M B LEASING PLC do hereby appoint.....
of.....

whom failing UMESH GAUTAM whom failing MUTHUTHANTRIGE SURATH ISIRA PEIRIS whom failing GAMINI CUDA BANDARA RANASINGHE whom failing JAGATH CHANDRAWANSA KORALE whom failing DR THIRUGNANASAMBANDAR SENTHILVERL whom failing SHANTHIKUMAR NIMAL PLACIDUS PALIHENA whom failing HEWAWASAMGE RAVINDRANATH SRILAL WIJERATNE as my/our Proxy to represent me/us and *..... to vote on my/our behalf at the ANNUAL GENERAL MEETING of the Company to be held on 30th June 2014 and at any adjournment thereof, and at every poll which may be taken in consequence thereof. I /We the undersigned hereby authorise my/our proxy to vote on my/our behalf in accordance with the preference indicated below

	For	Against
1. To receive and consider the Audited Financial Statements for the year ended 31st December, 2013 together with the Reports of the Directors' and Auditors' thereon	<input type="checkbox"/>	<input type="checkbox"/>
2. To re-elect Dr. T Senthilverl, Director, who retires by rotation in terms of Article 87 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-appoint the Auditors Messrs KPMG, Chartered Accountants, to hold office until the conclusion of the next Annual General Meeting and to authorise the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>

As witness my/our hand thisday ofTwo Thousand and Fourteen .

.....
Signature of Shareholder

Notes:

If you wish your Proxy to speak at the Meeting you should insert the words "to speak and" in the place indicated with an asterisk and initial such insertion.

Please indicate with an "x" in the space provided how your Proxy is to vote. If there is in the view of the Proxyholder doubt (by reason of the way in which the instructions contained in the Proxy have been completed) as to the way in which the Proxyholder should vote, the Proxyholder shall vote as he thinks fit.

A Proxyholder need not be a member of the Company
Instructions as to completion appear on the reverse hereof

INSTRUCTIONS AS TO COMPLETION

1. To be valid this Form of Proxy must be deposited at the Registered Office of M/S Jacey & Company, No 9/5, Thambiah Avenue, Off Independence Avenue, Colombo 07 not less than 48 hours before the time appointed for the holding of the Meeting.
2. The instrument appointing a Proxy shall in the case of an individual be signed by the appointor or by his Attorney and in the case of a Company / Corporation, the Proxy Form must be executed under its Common Seal, which should be affixed and attested in the manner prescribed by its Articles of Association or other constitutional documents.
3. If the Proxy Form is signed by an Attorney, the relevant Power of Attorney or a notarially certified copy thereof, should also accompany the completed Form of Proxy if it has not already been registered with the Company.
4. The full name and address of the Proxyholder and of the Shareholder appointing the Proxyholder should be entered legibly in the Form of Proxy.

Form of Proxy

Non Voting

SMB LEASING PLC

FORM OF PROXY

I/We the undersigned
of.....
being a member/members of S M B LEASING PLC do hereby appoint.....
of.....

whom failing UMESH GAUTAM whom failing MUTHUTHANTRIGE SURATH ISIRA PEIRIS whom failing GAMINI CUDA BANDARA RANASINGHE whom failing JAGATH CHANDRAWANSA KORALE whom failing DR THIRUGNANASAMBANDAR SENTHILVERL whom failing SHANTHIKUMAR NIMAL PLACIDUS PALIHENA whom failing HEWAWASAMGE RAVINDRANATH SRILAL WIJERATNE as my/our Proxy to represent me/us and *..... to vote on my/our behalf at the ANNUAL GENERAL MEETING of the Company to be held on 30th June 2014 and at any adjournment thereof, and at every poll which may be taken in consequence thereof. I /We the undersigned hereby authorise my/our proxy to vote on my/our behalf in accordance with the preference indicated below

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SMB LEASING PLC

No.110, D.S. Senanayake Mawatha, Colombo 8, Sri Lanka.