



**SMB LEASING PLC**  
Annual Report - 2015

**POISED  
FOR  
GROWTH**



# 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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# ABOUT THIS REPORT

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## The Company Profile

Established in 1992, SMB Leasing PLC is at present a Specialised Leasing Company that is listed on the Colombo Stock Exchange.

The Company operates only in Sri Lanka from the head office in Colombo.

The Company is primarily engaged in providing finance leases and loan facilities.

Corporate Information is given on the inner back cover of this report.

## Annual Report

The Annual Report comprises reports covering the Company's operations for the financial year ended 31st December 2015. Wherever relevant, the preceding year's performance and indicators have been reflected for comparative analysis.

## Reporting framework

The annual financial statements are prepared in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS) issued by the Institute of Chartered Accountants of Sri Lanka. Financial and non – financial information presented, where applicable, conform to the requirements of the Companies Act No. 7 of 2007, the Listing Rules of the Colombo Stock Exchange, the Finance Leasing (Amendment) Act No. 24 of 2005 and subsequent amendments thereon and recommended rules and regulations and directions issued by the Central Bank of Sri Lanka. The Code of Best Practice on Corporate Governance issued jointly by the Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka forms the base for areas on governance.

## External Assurance and Test of Compliance

The Financial Statements are audited by M/s. KPMG, Chartered Accountants and their Report is given on page 74 of this report.

## Presentation

Printed copies of this report will be posted to only those who request for the same in writing. This report in the form of a CD-ROM will be posted to all shareholders and will be made available on the official website [www.smbk.com](http://www.smbk.com) in pdf format.

## Contact

Questions and inquiries on this Annual Report 2015 and information presented therein are to be directed to:

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SMB Leasing PLC,  
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Colombo 08, Sri Lanka.  
Tel: +94 11 4222888  
Fax: +94 11 2683709

# FINANCIAL HIGHLIGHTS

## Financial Performance of the Company

Net Interest income

**Rs. 149 Mn**  
6% Growth (2015 Vs 2014)

Total Operating Income

**Rs. 170 Mn**  
4% Growth (2015 Vs 2014)

Profit Before Tax

**Rs. 67 Mn**  
22% Decline (2015 Vs 2014)

Profit After Tax

**Rs. 61 Mn**  
23% Decline (2015 Vs 2014)

Total Assets

**Rs. 1416 Mn**  
12% Growth (2015 Vs 2014)

Net Assets (Equity)

**Rs. 1097 Mn**  
6% Growth (2015 Vs 2014)

## Key Ratios

Basic Earnings per share

**Rs. 0.03**

Return on Equity

**6%**

Net Assets per Share

**Rs. 0.61**

Price Earnings Ratio (Times)

**30(v) 13(nv)**

Interest Cover Ratio (Times)

**3.3**

Debt / Equity Ratio (Times)

**0.26**

# CHAIRMAN'S MESSAGE

It is indeed my great pleasure and privilege to present you the Annual Report of SMB Leasing PLC for the Financial Year 2015; my first as its Chairman.

As a responsible organization accountable to our stakeholders, we were pleased to declare dividends to our shareholders after a lapse of many years. An achievement I am humbly proud of.

As this annual report will tell you, the year under review was indeed a challenging one not only for us at SMB Leasing, but for the financial services industry in general. When I first took over the stewardship of this organization at the tail-end of 2014, the country was on the brink of a major political turnaround, which led to a slow economic growth last year mainly due to the temporary stoppage of many major government infrastructure projects. This had a ripple effect on the industry. The re-commencement of these projects after evaluation combined with the exciting restructuring happening at present, the Company is well poised to better our performances in 2016.

## State of the Economy

Global economic growth in 2015 was slow and yet again disappointing, slowing to 2.4% on the backdrop of falling oil prices. It is expected to recover slightly to reach 2.9% in 2016, a sure yet much slower pace than forecasted earlier. The gradual global economic recovery is driven by the substantial recovery experiences in advanced economies and the major commodity exporters in the world. A more drawn-out economic slowdown across large and emerging markets could have significant repercussions on other developing economies in the world.

Sri Lanka's economic growth, though better than the global economic growth, was slightly lower in 2015 while the current account deficit improved slightly and inflation moderated. Sri Lanka's GDP growth in 2015 was 4.8% and it is forecasted to grow to 5.3% in 2016. The country's budget deficit widened and foreign exchange reserves dropped quite sharply. With the impending IMF loan of 1.5 Billion USD the economic situation of the country is expected to improve over the next few months.

In addition to this, the Central Bank of Sri Lanka is currently mulling several new regulations in order to 'level the playing field' of the country's financial services industry. The industry is currently weighing the possible consequences these decisions.

## Performance for the Year Under Review

It is in this backdrop of macro environmental challenges that SMB Leasing's profits fell compared to previous year. Our top line revenue grown by 3% to Rs. 177.7 Million. Net interest income grew by 6% to record a figure of Rs. 149.2 Million.

Fee based income improved 7% to Rs. 4.2 Million while other operating income reduced by 8%. Total operating income however grew by 4% to record Rs. 169.5 Million.

The total assets of the Company grew by a substantial 12% compared to just 1% the previous year to record Rs. 1,416. Million.

## Future Outlook

One of our main focuses this year is the relocation of the SMB Leasing corporate office from its current location in Colombo 8 to a more spacious and modern head office in the heart of Colombo 3. This will not only make our services more accessible to our target segments but it will also create a better impression about the Company among the general public. Our marketing team is being restructured and we are currently putting in to place systems that would make our services available to our clients' doorstep.

We are also seriously contemplating the opening of new branches in strategic locations across the country. This will no doubt expand our horizons as we strive to succeed in one of the most competitive industries in the country.

## CHAIRMAN'S MESSAGE ....

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Technology and innovation will also play a critical role as we move forward. The world and especially our industry, has already moved towards alternate channels in banking and finance. Gone are the days when people walked in to a bank or a financial services company and stood in queues. Almost everyone who's anyone now uses mobile and smart devices to get many of their banking needs done. We are quite a few years behind in this aspect of our operations and we will strive to make headway in this area over the next year.

### Acknowledgements

On behalf of my colleagues on the Board, I would like to place on record my sincere gratitude to all our stakeholders for all the support given throughout last year. To our employees who continue to passionately serve our internal and external customers with utmost loyalty, our customers for their relationships, trust as well as resilience, our investors for their support and guidance and the Central Bank of Sri Lanka as well as other regulatory bodies for their constant guidance and monitoring of the industry.

I would also like to express my sincere gratitude to our CEO Mr. M.J.N.S Fernando and the Senior Management for their unwavering support and astute leadership providing inspiration to us all.

Finally, I would like to thank all my fellow Directors for their contribution to the Board deliberations throughout the year.



**Ravi Wijeratne**

Chairman

Colombo

25th May 2016

# CHIEF EXECUTIVE OFFICER'S MESSAGE

As the Chief Executive Officer of SMB Leasing PLC (SMBL), it is once again my pleasure and privilege to present a brief report of the progress your Company has made during the financial year 2015.

Last year was indeed a challenging year for not only the Company, but for the financial industry in general. With the change of government, many large infrastructure projects were temporarily suspended pending investigations and this had a drastic impact on the industry as well as the economic growth of the country. This slow growth is reflected on our financial performance last year as well.

## Our Focus

One of our main focus points this year was the restructuring of our marketing team. The Company recruited a new Deputy General Manager to manage and oversee the retail and marketing operations and we are looking to aggressively expand our operations over the next few years. We continued to consolidate on our business partnership with Lanka Ashok Leyland (LAL) and optimize the benefits we pass on to our valued customers.

Our Non Performing Loan (NPL) performance over the years has been nothing short of exemplary and could be attributed to the hands-on and progressive credit criteria and recovery policies adopted by the Company's management and recoveries team. Timely legal action on defaulters has yielded favorable results within the financial year under review.

As a Company, we are excited at the impending relocation to a more modern and spacious building in the heart of Colombo's business district. This strategically important decision was welcome by all stakeholders and was no doubt a long felt need. The easy accessibility, ample parking and convenience to both our staff and customers will no doubt increase and enhance SMBL's corporate image as one of the top financial solutions providers in Sri Lanka.

We have also recently declared dividends to our shareholders after a number of years and this too augurs well for our corporate image.

The future looks definitely exciting and encouraging for SMBL with negotiations and discussions currently under way with leading commercial banks to facilitate the funding of our Company's growth, expansion and day-to-day operations.

## Financial Performance

On the backdrop of a rather 'slow-growth' year for the Sri Lankan economy, the Company too experienced losses with positive levels being maintained through a few key ratios. The Company's total asset base reached Rs. 1,416 million a healthy growth of 12% compared to just a 1% growth during the previous year.

The Company recorded a Profit before Tax of Rs. 66.6 million a 22% decrease compared to last year Profit before Tax of Rs. 85.7 million. The Company's Total Comprehensive Income was Rs. 59.2 million compared to Rs. 77.5 million achieved last year.

However, our Non-Performing Loan Ratio (NPL) maintained closer to industry average during this financial year. SMB Leasing's NPL Ratio for last year stood at 2.43%, yet again confirming the hands-on and progressive credit criteria and recovery policies adopted by the Company's management.

The impending relocation, expansion and growth in the country's economy will no doubt have a positive impact on the Company's performance next year.

## Acknowledgements

As always, the successes of the Company this year could not have been achieved if not for the unwavering support we received from all our stakeholders. I would be failing in my duty as the CEO if I do not place on record my sincere and profound gratitude to all those who were instrumental in guiding our Company during the last financial year.

I am extremely grateful to our Chairman and the Board of Directors for the guidance and direction provided to me as well as our Senior Management. Gentlemen, your strong business acumen and astute leadership are greatly appreciated. To the Senior Management of the Company, my deep gratitude goes to you for the tenacity, determination and loyalty you displayed and passionately backing the decisions made by the Board of Directors ensuring all Company objectives are met.

I wish to thank the Central Bank of Sri Lanka and all statutory and regulatory bodies in Sri Lanka for all the timely policy directions and regulations created this year and for all their efforts in making Sri Lanka's financial services industry a sustainable and competitive one. Your efforts have once again created greater discipline and have been successful in making the market place conducive to growth.

To my loyal and dedicated staff members at SMBL thank you for once again being a tower of strength. Your commitment, loyalty and passion never cease to amaze me. Thank you for walking that extra mile and leaving no stone unturned in satisfying all our external stakeholders.

A big thank you to all our valued customers, business partners and all other stakeholders, we greatly value the strong business partnerships we have built with you throughout the years and hope to continue with the same fervor in the years to come as well. We are committed to consistently achieving our corporate mission and objectives, ensuring that the top line and bottom line is constantly met.

We are confident, that 2016 would be a special year for your Company as we move forward with our exciting expansion plans.



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

Colombo  
25th May 2016

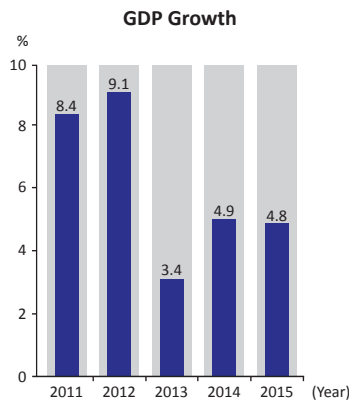


# **MANAGEMENT DISCUSSION & ANALYSIS**



# ECONOMIC OUTLOOK & BUSINESS ENVIRONMENT

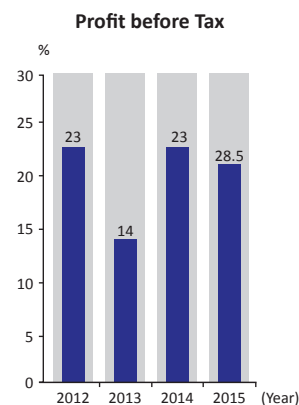
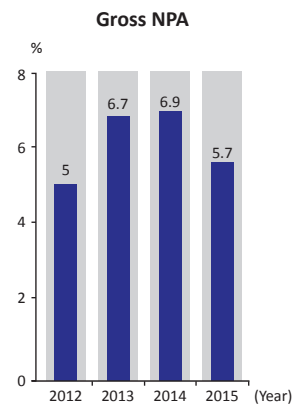
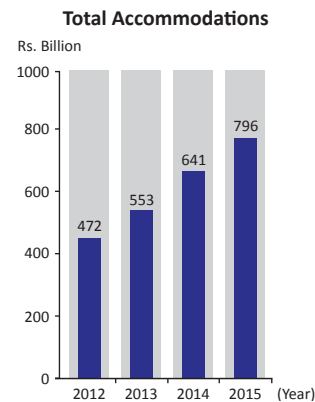
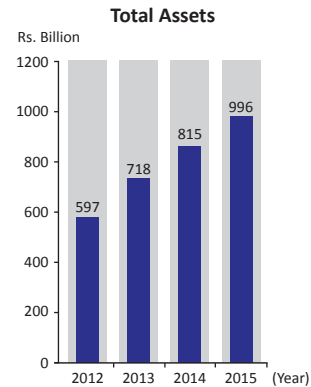
Global economic growth in 2015 was yet again disappointing, slowing to 2.4%. It is expected to recover slightly to reach 2.9% in 2016, a much slower pace than forecasted earlier. This gradual recovery is fuelled by the recovery experienced in advanced economies as well as the activity stabilization experienced among the world's major commodity exporters. A more extended slowdown across large and emerging markets could have considerable spillovers to other developing economies in the world. This would in turn restrict and limit the recovery in advanced economies.



Sri Lanka's economic growth was marginally lower in 2015 while the current account deficit improved slightly and inflation moderated. GDP growth in 2015 was at 4.8% while it is forecasted to grow to 5.3% in 2016. Sri Lanka's service sector accounted for 62.4% of the GDP followed by manufacturing at 28.9% and agriculture at 8.7%. The country's budget deficit widened and foreign exchange reserves dropped quite sharply. The slow growth in Sri Lanka's economy could be mainly attributed to the stoppage of many of the large-scale infrastructure projects by the government pending investigation and re-evaluation. The economy should resume its rapid growth once these projects recommence.

Sri Lanka ranked 73rd in the Human Development index for 2014 and has surpassed most of its Millennium Development targets for 2015 with ease.

## Analysis of LFCs and SLCs performance



## ECONOMIC OUTLOOK & BUSINESS ENVIRONMENT ....

The Licensed Finance Companies (LFCs) and Specialized Leasing Companies (SLCs) sector in Sri Lanka is at present dominated by a few big players owning more than 60% of the total asset base. There are ten (10) institutions that exceed an asset base of 20 billion rupees. Even though there are 53 LFCs and SLCs in the finance sector, the total asset base of the sector is still equal to the asset base of a big private sector commercial bank. The total asset base of the sector expanded by 22% to Rs. 996 billion in year 2015. The non-performing loans of the sector continued to show an increasing trend during the year. Sri Lanka's LFC sector continues to face increasing competition from the banking sector with many of the banks further diversifying their range of products and services to include many of the services that were traditionally offered by companies in the LFC sector.

The Central Bank of Sri Lanka (CBSL) has been constantly monitoring the sector providing guidance and impediments to certain finance companies that did not comply with the statutory obligations and mandatory requirements.

The CBSL is also mulling the implementation of a new regulation which would restrict commercial banks from venturing in to traditional LFC industry services and vice versa. This would no doubt create a ripple effect on the entire financial sector in Sri Lanka and could even lead to tie-ups or joint ventures between banks and LFCs.

The entire industry is in anticipation and currently contemplating on the possible consequences of this major industry change. The product portfolio of typical LFCs and SLCs consists of finance leases, loans and advances, hire purchases, pawning advances, loans against real estates and loans against deposits. It would be interesting to note what sort of impact this decision would have on the current LFC sector over the next financial year if it is implemented.

The CBSL is also hoping to implement a rule which restricts the LFC sector companies from mobilizing public deposits. While this rule will not be implemented in the short-term, the CBSL is reportedly carefully studying the Indian model where finance companies borrow from the banks and not the public to carry out their operations. This move is tipped at managing the 'boom and bust' cycles currently experienced in the industry.

Under these challenging circumstances, one of the main challenges was the safeguarding of asset quality while maintaining a healthy average of return. The Company

continues to sustain a healthy non-performing loan ratio for the facilities granted within the last three year period. Our focus on credit sanctioning together with the close monitoring of our recovery processes and timely legal action against defaulters are a few of the main factors that have been contributing to our sustained success.

Compliance with regulations is a top priority at the company and is monitored at the highest levels by the Board Audit Committee and the Board Risk Management Committee which report to the Board of Directors in a regular manner. The management of SMB Leasing (SMBL) is constantly looking at ways and means to improve our processes that would help us to pass on the subsequent benefits to our staff as well as our customers.

Our main marketing strategy over the past few years has been the experienced, loyal and passionate employees we possess within our ranks. Their expertise, skills, responsibility and commitment to often go beyond their job expectation has been critical to our success over the past few years. As a progressive organization, we have understood that it is of paramount importance to have good teamwork and synergies to achieve a common goal or resolve a critical issue. Hence we have implemented many initiatives to enhance the attitudes and team spirit of our employees and continue on our journey forward.

One of our main growth impediments over the past few years has been the presence of only one SMBL branch in Deniyaya. The Company aims to address this issue seriously in the upcoming year with many plans currently under discussion. Technology has been one of the key growth factors of Sri Lanka's financial industry over the last 2 decades and SMBL is also focusing our efforts in incorporating some of these industry-related technological advancements in to our business as well.

The upcoming financial year is expected to be a challenging one not only for SMBL but for the entire financial services industry in Sri Lanka with the impending regulations from the CBSL expected to be implemented. Our main focus next would be to consolidate on our current market position and to grow our business.

The restructuring of the Company's marketing department and the shifting of our premises to a new location in the heart of Colombo's business district would no doubt enhance our prospects for next year.

# OPERATIONAL REVIEW

During the year under review, SMB Leasing PLC has performed strongly in many aspects of operations through many macro and micro environmental challenges we faced. The Company has adopted new business models especially in terms of our marketing operations to increase market penetration and business growth. We constantly strive to create partnerships

that would eventually optimize the benefits we pass on to our customers. We have also laid a strong foundation to maximize reversals and maintain healthy NPA ratios.

Our product portfolio was grown by 14% by the year end. Given below are some of the main products we offered to our valued customers during the year.

## SMB LEASES

### SMBL Lease

SMBL lease is a specially designed facility for busy executives of all levels working within the private and public sector of the country as well as entrepreneurs who are engaged in small and medium-scale businesses. This is a highly customer-oriented product and the processing methods as well as the minimum documentation make this scheme a simple.

## SMB Quick Cash

### Quick Cash Loans

Quick Cash is a personal loan scheme which is specially designed to solve day-to-day urgent cash requirements of public as well as private sector employees.

## SMB BIZ CASH

Cash in 24 hours.

### BIZ Cash Loans

This product offers an immediate solution to the liquidity shortages of small and medium-scale businesses. Minimum documentation is the key feature of this product.

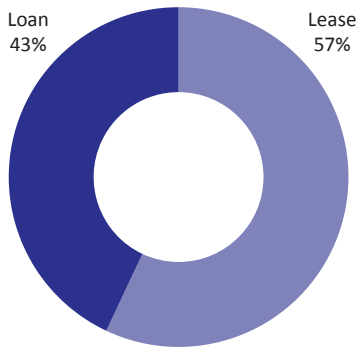
## SMB LOANS

### SMBL Term Loans

This is a loan scheme that is designed to suit a variety of requirements by individuals and corporate customers. Unique features of this product include a flexible repayment period with higher credit exposures.

## OPERATIONAL REVIEW ....

### New Lending 2015-Product Wise



SMB Leasing’s NPL ratio remains one of the best in the financial services industry in Sri Lanka. This sustained success in terms of NPL over the past few years could be attributed to the hands-on and progressive credit criteria and recovery policies adopted by the Company’s management and recoveries team. Timely legal action on defaulters has yielded favourable results within the financial year under review.

The maximum utilization of financial resources, prudent management decision making and delivering practical solutions to our customers are the main criteria for SMBL’s operational efficiency over the past few years. We have also

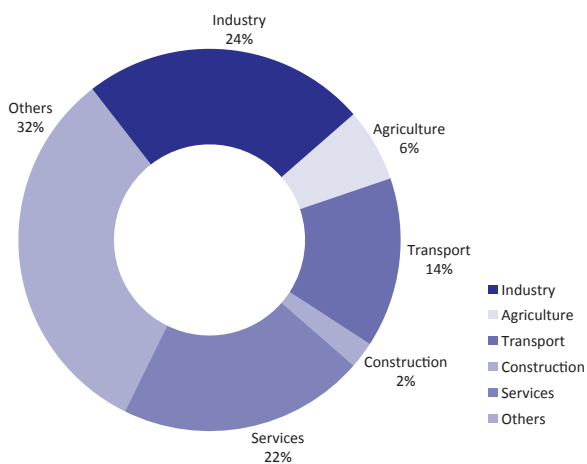
very successfully detected and effectively managed a number of inefficient processes and financial resources that reduce the institution’s profits. The operational efficiency of any organization is its capacity or ability to successfully carry out its plans while simultaneously sustaining a strong balance between costs and productivity. SMBL’s success over the last few years is a good example of this.

SMB Leasing also declared an interim dividend to its shareholders after a number of years and this augurs well for our image as well. Greater emphasis was given towards the promotion of loan products targeted at improving the lifestyle of our customers.

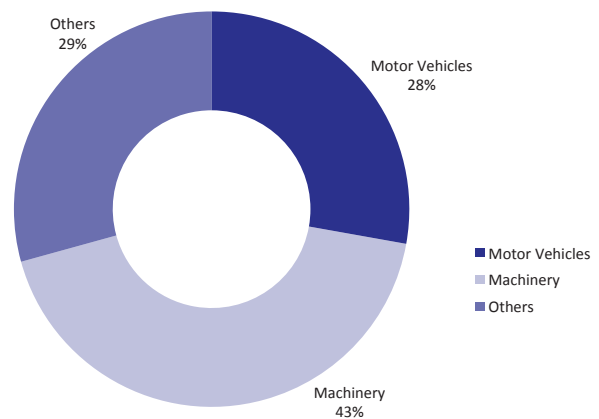
With our impending shifting of our headquarters to a more modern, spacious and easily accessible property in the heart of Colombo’s business district, the main focus of our operations would be to stabilize operations at the new location. The new location would no doubt increase and enhance SMBL’s corporate image as one of Sri Lanka’s valued financial solutions providers.

As always, effective cost management will remain as our first priority and the Company will continue to develop its resources, maximize profits and maintain excellent standards in corporate governance which will further improve our trust among current and potential customers.

### New Lending 2015-Sector Wise



### New Lending 2015-Equipment Wise



# FINANCIAL REVIEW

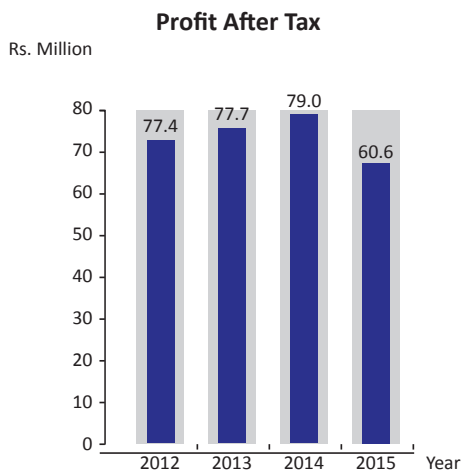
SMB Leasing PLC a specialized leasing Company in the NBFi sector in the Country completed yet another successful year in operation.

## Company Performance

The following review provides a summary of analysis of the profitability for the year ended 31st December 2015 and the Financial Position as at 31st December 2015.

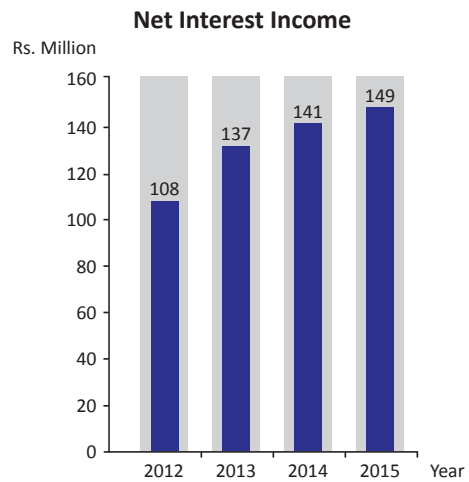
### Profitability

The Company recorded a profit before tax of Rs. 66.6 Mn for the financial year ended 31st December 2015. This reflects 22% decrease with compared to last financial year. The total operating income has increased by 4% due to the increase in net interest income by 6% and due to increase in net fees and commission income by 7%. Yet due to reduction in impairment reversals by 91% and increase in operating expenses by 6% has resulted for the drop in profit before Tax by 22%. The profit after tax recorded by the year end is Rs. 60.6 Mn.



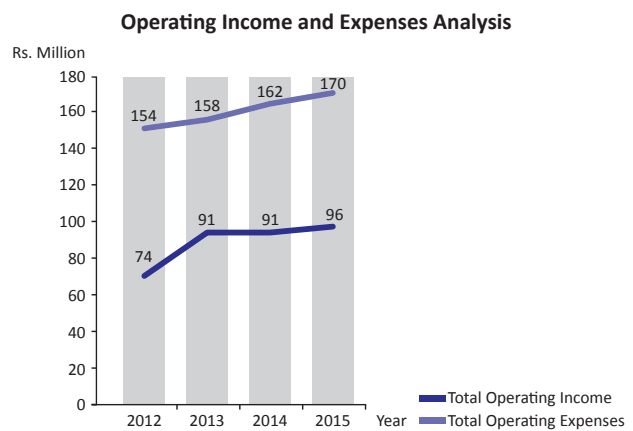
### Net Interest Income

The Company recorded a net interest income of Rs. 149 million as against the previous year's of Rs. 141 million which is a 6% increase. The Company was able to grow the Leasing and Loan portfolio by 14% during the Year which contributed for this increase.



### Operating Expenses

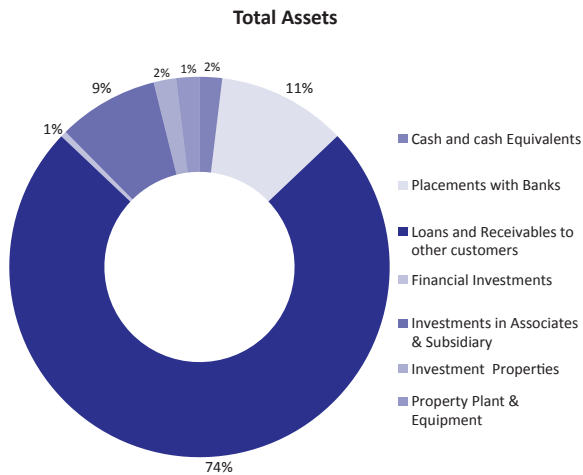
The total operating expenses increased by 6% during the year. This is due to increase of personal expenses by 3% , increase of other expenses by 7% and also due to increase in Vat on Financial Services by 19%.



## Financial Review ....

### Total Assets

The composition of the Total Assets as at 31st December 2015 is as follows.



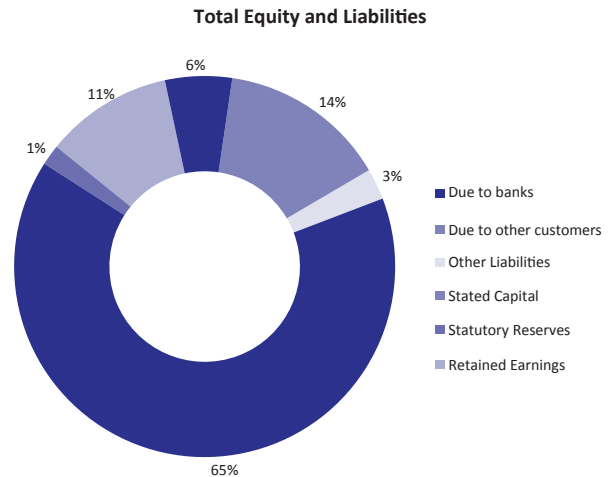
The highest category is reflected by Loans & Receivables to other customers which is 74% of the Total Assets. This balance consist of receivables from Leases and Loans. The company was able to increase the Lease and Loan portfolio to Rs. 1054 million with a 14% increase compared to last financial year.

The placements with banks is 11% of the Total Assets of the Company. The Bank deposits maintained by the Company as at the year end is Rs. 156 Mn which is a 24% increase compared to last Financial Year.

The investments in Associates and Subsidiary is 9% of the Total Assets of the Company. This shows a 8% increase due to increase of value caused by Fair Value Change.

### Total Equity and Liabilities

The composition of the Total Equity and Liabilities as at 31st December 2015 is as follows.



The Stated Capital is 65% of the total Equity and Liabilities. This consist of 1.8 billion fully paid ordinary shares of Rs. 919 million.

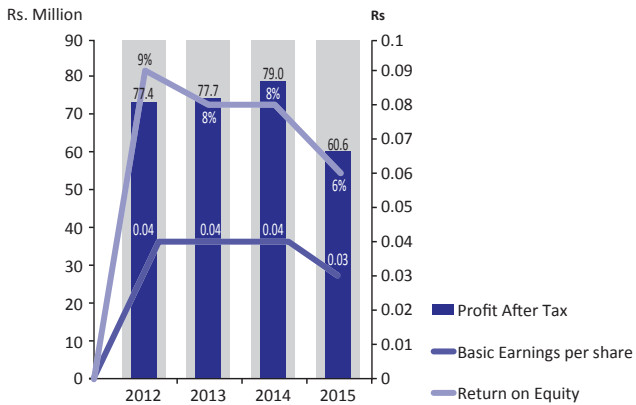
The amounts due to Other customers is 14% of the total Equity and Liabilities. This balance consist of the amounts payable on Debentures and Promissory Notes.

Retained Earnings is 11% of the total Equity and Liabilities. Retained Earnings has increased by 56% with the profit after tax of Rs. 60.6 million in year 2015.

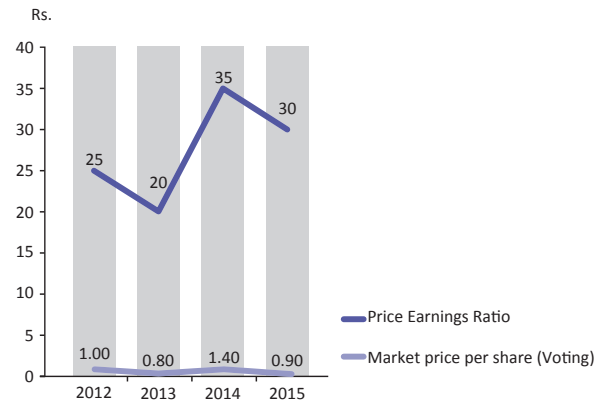
## Financial Review ....

### Graphical Analysis of the Key Ratios

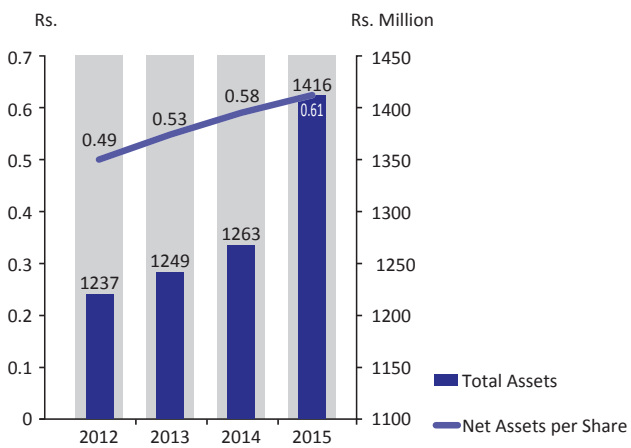
**Profitability Ratios**



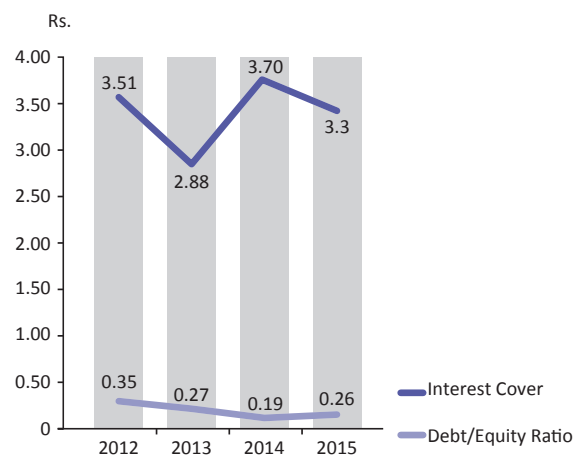
**Market Price Analysis**



**Net Assets Ratio**



**Gearing Ratios**



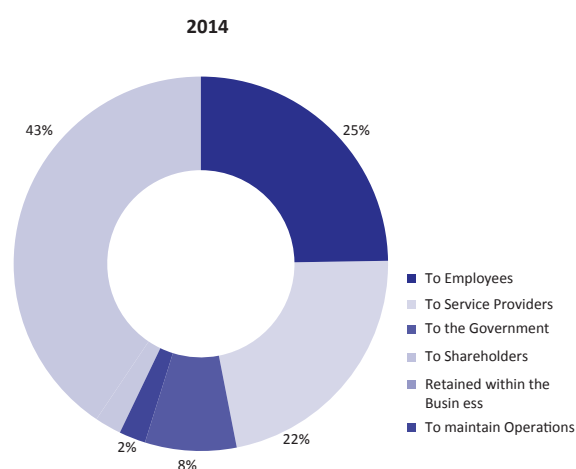
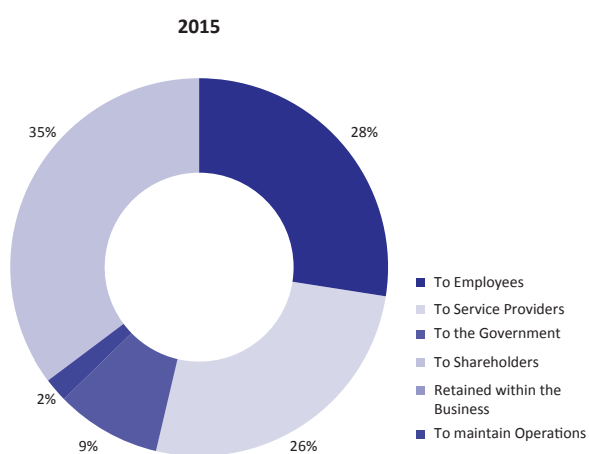
## Financial Review ....

### Value Added Statement

The statement of Value Addition shows the total wealth created and how it is distributed, taking into account the amounts retained and reinvested in the Company for the replacement of assets and For business expansion.

For the Year Ended 31 December	2015 Rs '000	2014 Rs '000
<b>Value Addition</b>		
Interest Income	177,771	172,442
Cost of Borrowings	(28,525)	(31,646)
<b>Value Added by Financial Services</b>	149,246	140,796
Other Income	20,346	21,506
Impairment Reversals	2,062	22,660
	171,654	184,962

Distribution of Value Addition		Rs '000	%	Rs '000	%
To Employees	Salaries & Other Benefits	47,147	28%	45,899	25%
To Service Providers	Overhead Expenses	44,984	26%	41,139	22%
To the Government	Taxes	15,363	9%	14,662	8%
To Shareholders	Dividends	-	-	-	-
To maintain Operations	Depreciation	3,530	2%	4,258	2%
Retained within the Business	Retained Reserves	60,630	35%	79,004	43%
		171,654	100%	184,962	100%



# HUMAN CAPITAL MANAGEMENT

“Our Human Resource is our most vital resource, our most important asset.”

At SMB Leasing PLC, this is not a mere catch phrase or a marketing tagline. We strongly believe that our employees play a critical role in every facet of our corporate successes. Our team members comprise a group of passionate, dedicated and fiercely loyal individuals constantly working towards a common objective. This has indeed been one of the key ingredients in our recipe for success over the past few years.

Our team members have clearly defined goals and objectives which are clearly communicated to them and evaluated at regular intervals. This is so that each team member understands that they are accountable for achieving their individual goals which in turn contributes towards the bigger picture, the bottom line of the Company. This is directly linked to their career advancement within the organization as well.

Our corporate culture is one that respects individuality and one which empowers high performance and a positive work ethic. We foster equality and mutual respect among our team members while encouraging open communication and novel ideas. At SMB Leasing PLC, our work culture revolves around creating a positive and harmonious balance between work and personal life.

Our 41 strong staff cadre (as at 31.12.2015) comprises 33 employees in confirmed capacity which amounts to 80% of the staff being permanent employees. This high percentage of permanent employees encourages them to take ownership of their deliverables within the organization. Out of the balance 8 staff members, 7 are on probation while the remaining staff member is employed on contract basis.

While allowing our employees to work independently with minimum supervision, we also ensure that our staff undergoes regular on-the-job training programmes conducted by seniors. At SMB Leasing we believe that every one of our team members has some knowledge to contribute to others and provide great emphasis to this. Regular skills development programmes to ensure that our staff are well equipped with

job-related skills as well as soft skills are also conducted by external professional bodies. These programmes will not only help them in their day-to-day work or careers, but they will also better equip them for life in general. As a specialized leasing establishment registered under the Central Bank of Sri Lanka (CBSL), we always encourage our employees to participate in training sessions conducted by the CBSL. The management greatly encourages bottom up strategic planning, business development and cost engineering processes.

The Company offers our staff with an attractive remuneration package on par with the industry while we also provide them with a comprehensive health insurance policy. Added benefits include recreational activities organized by the Sports and Welfare Society of the Company.

Our recruitment process has greatly evolved over the years, and we extensively assess the attitude, passion as well as the integrity of all candidates during our recruitment procedure and employ only those who we feel will fit in to our culture. We firmly believe that skills and experience could be gained over time but attitude cannot. Positive attitude and self-confidence needs to be inbuilt and we only retain team members who display these attributes. Self-confidence and having a positive mind-set are contagious traits and create outstanding synergies vital for the organization’s success.

During the financial year under review, there were no reported incidences of discrimination among staff members and the Company has adhered to labor laws and regulations and complied with all its statutory obligations.

The Company continues its bi-annual performance appraisal system enabling management to identify and reward the top performers while also identifying areas that need training and development to strengthen the staff.

SMB Leasing PLC is an equal opportunity employer and our team is diverse in terms of gender, age and experience. At SMBL, we greatly emphasize greatly on retaining a well experienced and relatively young employee population with a healthy gender combination. The overall percentage of females

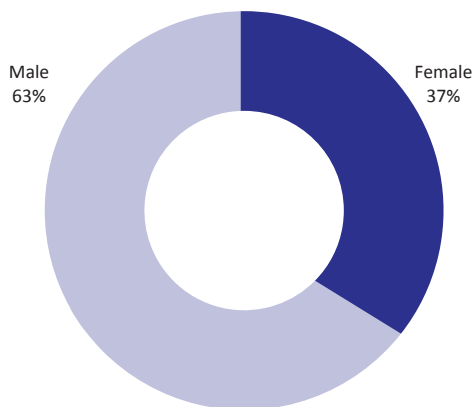
## Human Capital Management ....

in the team has grown to 37%, although this rate declines in the higher levels of management. 66% of the workforce falls to the category below 40 years of age. 68% of the identified category is over thirty years of age.

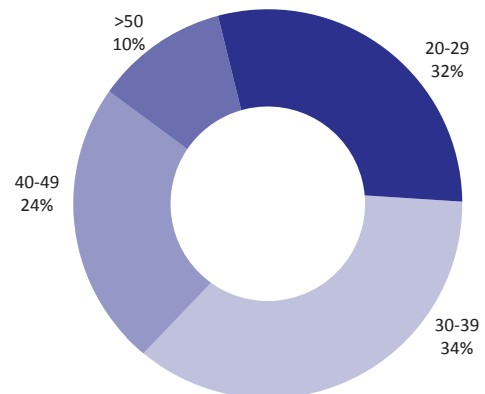
In terms of work experience 63% of the workforce counts over two years of experience at SMB Leasing while 31% of the employees have served the Company for more than 5 years. 10% of the employees count more ten years of experience.

With constant evaluation and regular feedback we are continuously looking at ways to improve and grow our talent pool which would benefit the Company in the years to come.

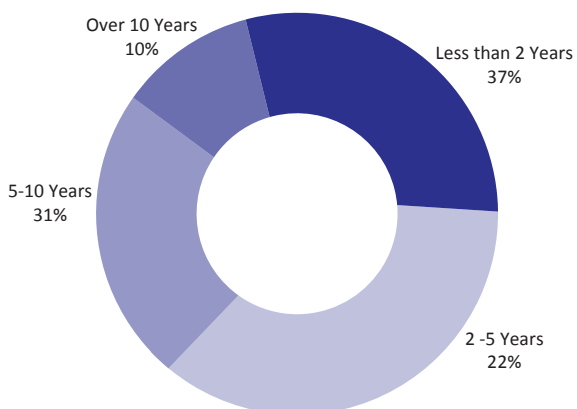
**Composition of Employees**



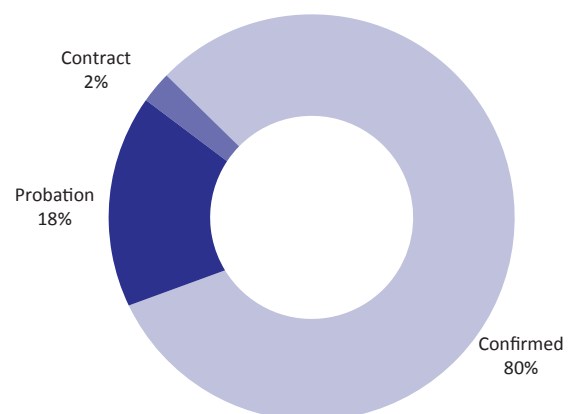
**Age Analysis of Employees**



**Experience Analysis of Employees**



**Job status of Employees**





# **CORPORATE STEWARDSHIP**



# BOARD OF DIRECTORS

## Mr. H. R. S. Wijeratne

**Chairman**

**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 20 years.

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

## Mr. U. Gautam

**Deputy Chairman**

**Independent Non-Executive Director**

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 PLC as a non-executive director in 2010.

## Mr. G. C. B. Ranasinghe

**Independent Non-Executive Director**

**(Mr. G.C.B.Ranasinghe ceased to be a Director with effect from 06th April 2016)**

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 solution 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 and holds honours degree for Law from University of London.

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 ....

### **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 and Softlogic Finance PLC.

### **Mr. T. M. Wijesinghe**

#### **Independent Non-Executive Director**

Mr. T. M. Wijesinghe graduated with honours from the State University of New York and Cornell University, USA, with three BSc degrees in Business Administration, Industrial Engineering and Economics.

Having commenced his career as Senior Management Consultant at Price Waterhouse Coopers, Colombo, and Head of Planning at Sampath Bank, in 1992 Mr. T. M. Wijesinghe pursued entrepreneurial interests by co-founding Asia Capital, which became Sri Lanka's largest investment bank in terms of market capitalization. Mr. T. M. Wijesinghe was a key initiator in successfully launching the Regent Sri Lanka Fund in 1993, the first ever country fund dedicated to Sri Lankan equities. He served on the Board of this Dublin-listed company for 3 years.

Having exited his investment in Asia Capital, Mr. T. M. Wijesinghe has served as Chairman/Director General of the Board of Investment and CEO/MD of Asian Hotels Corporation PLC, Forbes & Walker Ltd and Overseas Realty PLC.

Mr. T. M. Wijesinghe is a co-founder of the Sri Lanka Institute of Information Technology (SLIIT), Sri Lanka's largest IT University, where he serves as a Board member for life.

Mr. T. M. Wijesinghe functions as Chairman/Shareholder of TWC Corp (Pvt) Ltd, a real estate focused investment advisory and development management company, Digital Commerce Lanka (Pvt) Ltd, an e-commerce partnership with Dialog Axiata PLC, and Sapphirus Lanka (Pvt) Ltd, a company exporting precision manufactured sapphire to premium international jewelers. He is also on the Board of leisure companies affiliated to MJF Group, makers of Dilmah Tea and several other public and private companies.

# CORPORATE MANAGEMENT

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

Mr. M. J. N. S. Fernando holds an MBA from University of Wales, UK, and also a Certified Management Accountant (CMA), Australia.

Mr. M. J. N. S. Fernando counts for over 30 Years experience in the Financial Service Sector. He is a Director of Financial Ombudsmen of Sri Lanka (Guarantee) Limited and a Member of the governing council of CMA (Australia), Sri Lanka Branch. He also served as a Director of Leasing Association of Sri Lanka.

**Ms. S. Gunathilake**  
**Head of Finance**

Ms. S. Gunathilake holds Bsc. Accountancy and Financial Management (Special) Degree from University of Sri Jayewardenepura, Sri Lanka and also an Associate Member of the Institute of Chartered Accountants of Sri Lanka.

Ms. S. Gunathilake counts for over 15 Years experience in Audit and Assurance and Financial Service Sector.

**Mr. M. Welagedara**  
**Head of Legal & Human Resources**

Mr. M. Welagedara is an Attorney-at-Law, Notary Public, Registered Company Secretary & Commissioner for Oaths.

Mr. M. Welagedara counts for over 12 Years experience in the fields of same.

**Mr. R. M. Weerackoon**  
**Head of Information Technology**

Mr. R. M. Weerackoon holds an MSc degree in Information Technology & Management at Keele University, UK, and also a member of Computer Society of Sri Lanka.

Mr. R. M. Weerackoon counts for over 30 Years experience in many industries in the field of IT.

**Mr. H.A.U.C. Wijesinghe**  
**Head of Sales and Marketing**

Mr. H.A.U.C. Wijesinghe holds a Diploma in Hire Purchase & Lease Financing and a Certificate Course of Marketing & Financial Services from Institute of Bankers.

Mr. H.A.U.C. Wijesinghe counts for over 15 Years experience in the fields of same.

# 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 accurate 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 business.

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 of Sri Lanka and The Colombo Stock Exchange.

The Board ensures that the Company complies with the Code of Best Practice on Corporate Governance issued jointly by the Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka and is in line with the same unless disclosed to the contrary.

## Governance Principles and Activities

### The Board of Directors

#### Composition

The Board comprises of six Non-executive Directors of whom five are Independent Directors. The Chairman also act as a non Executive Director. All Directors encompass a wide range of skills, talents and experience required to add value to enhance the business.

Composition of the Board as at 31st December 2015 was as follows.

No. of Members	6
Executive	Nil
Non Executive	6
Independent	5
Non Independent	1
Gender Representation	
Male	6
Female	Nil

## Responsibilities of the Board

The ultimate responsibility of all operations of the Company and being accountability 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.

## The Boards are involved and ensures,

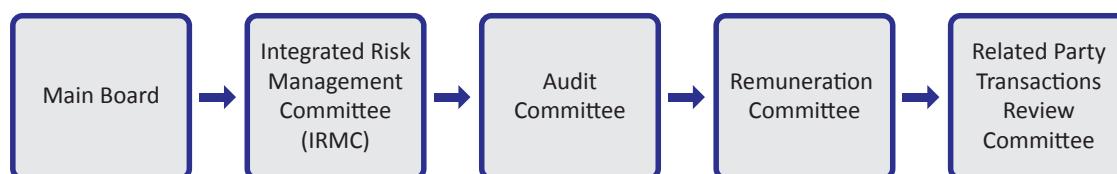
- \* Formulating corporate strategy & strategic direction of the Company
- \* Monitoring the effectiveness of the Company's risk management strategy
- \* Compliance with ethical and legal standards
- \* Reviewing the integrity of the Company's Accounting and Financial Statements
- \* Approval of Financial Statements for publication
- \* Approval of Budget and Corporate Plans
- \* Safeguard interest of Shareholders and other stakeholders
- \* Making recommendations to the shareholders on changes to the Board

## CORPORATE GOVERNANCE AND COMPLIANCE ....

### Meetings

Meetings are held every month to review and evaluate the performance of the company. Special meetings are convened when necessary.

### Composition of the Board Sub Committees as at 31st December 2015



### Attendance of Directors at Meetings as at 31st December 2015

Name of the Director	Status	Main Board	Audit Committee	Integrated Risk Management Committee (IRMC)	Other Sub Committee (Legal)
<b>Total Number of Meetings</b>		<b>15</b>	<b>18</b>	<b>2</b>	<b>3</b>
Mr. H. R. S. Wijeratne	NED	3	N/A	N/A	N/A
* Mr. T. Senthilverl	NED	11	N/A	N/A	N/A
Mr. U. Gautam	INED	13	N/A	N/A	N/A
Mr G. C. B. Ranasinghe	INED	14	13	2	N/A
Mr. J. C. Korale	INED	15	18	N/A	3
Mr. S.N.P Palihena	INED	14	17	N/A	3
** Mr. T. Wijesinghe	INED	11	N/A	N/A	N/A

NED-Non Executive Director, INED-Independent Non Executive Director

N/A - Not a member of the Committee

\* Dr. T Senthilverl ceased to be a Director with effect from 14th October 2015

\*\*appointed as a Director with effect from 3rd September 2015

## CORPORATE GOVERNANCE AND COMPLIANCE ....

### Appointments to the Board

The Company has a nomination committee for making recommendations on new appointments to the Board. New directors, including the chairman are appointed by the Board by reference to the Article of Association. Details of new appointments are disclosed to the shareholders on their new appointment. Regulatory authorities are also informed as required.

### Re-election

The Articles of Association provides for 1/3rd of the directors to retire by rotation each year, with the exception of chairman.

### Training of New and Executive Directors

The Board acknowledges the need for continuous development and expansion of knowledge and skills of new and existing directors. Accordingly presentations are made to the Board from time to time regarding their duties and responsibilities and changes in industry related matters.

### Evaluation of the Board

The Board adopted the self Assessment undertaken by the Directors annually. Assessments are focused on the Board's contribution to the development, monitoring and implementation of the strategy, Risk Management, quality of the relationship with the management, employees, and shareholders and ensuring proper functioning of Board Sub Committees.

### Communication with Shareholders

The Company as a policy make efforts to communicate in an equal manner in all situations to provide information to the stakeholders timely. The communication threshold is same for both positive and negative matters.

### Means of Communication

The Board of the Company is committed to provide a balanced report of results and progress to the shareholders and respond to questions and issues raised in a timely and consistent manner. This is achieved by the following means of communications.

#### \*Financial Results

The Company reports financial results on a quarterly basis and publishes interim and annual results in accordance with the applicable laws and regulations within the statutory deadlines. This facilitates appropriate decision making to both existing and potential shareholders.

#### \*Website

Our corporate website, [www.smbk.com](http://www.smbk.com) provides an additional channel for communication with shareholders and other stakeholders.

#### \*Shareholder Meetings

The Company considers the Annual General Meeting (AGM) and other general meetings to be the formal opportunity for dialogue and communication between the Company and its shareholders. The Board welcomes questions from shareholders who have an opportunity to raise issues at shareholder meetings.

#### \*Corporate Disclosures

Corporate disclosures and other official news releases are communicated, from time to time, to the Colombo Stock Exchange for dissemination to the public.

#### \*Enquires by Shareholders

Shareholder can raise inquiries and concerns with the Board by contacting the Company Secretary, through the following channels:

#### **P W Corporate Secretarial (Pvt) Ltd.**

Address No: 3/17, Kynsey Road, Colombo 08.

Email [pwcs@pwcs.lk](mailto:pwcs@pwcs.lk)

Telephone 011-4640360-3

## CORPORATE GOVERNANCE AND COMPLIANCE ....

The Company's submission of statutory returns, annual accounts and statutory payments are tabled as follows:

Description	Frequency of submission	Compliance
<b>Central Bank of Sri Lanka</b>		
Submission of Monthly Returns	Monthly	Compliant
Submission of Quarterly Returns	Quarterly	Compliant
Submission of Annual Returns	Annually	Compliant
FIU reporting	For the period 1st day-15th day of a month- within seven working days, 16th day - end of a month within seven working days.	Compliant
EPF payment and return	Monthly	Compliant
ETF payment and return	Monthly	Compliant
<b>Department of Inland Revenue</b>		
Value Added Tax on Financial Services -Payment	Monthly	Compliant
Value Added Tax on Financial Services -Return	Bi-Annually	Compliant
Value Added Tax -Payment	For the period 1st day-15th day of a month-on or before end of the month for 16th day - end of a month -on or before 15th day of the following month	Compliant
Value Added Tax - Return	Quarterly	Compliant
Stamp Duty - Payment	Quarterly	Compliant
Stamp Duty - Return	Quarterly	Compliant
Economic service Charge - Return	Annually	Compliant
Income Tax - Return	Annually	Compliant
Nation Building Tax - Payment	Monthly	Compliant
Nation Building Tax - Return	Quarterly	Compliant
PAYE Tax - Payment	Monthly	Compliant
PAYE Tax - Return	Annually	Compliant
Withholding Tax on Interest-Payment	Monthly	Compliant
Withholding Tax on Interest-Return	Monthly	Compliant
<b>Colombo Stock Exchange</b>		
Submission of Interim Reports	Quarterly	Compliant
Submission of Annual Reports	before 5 months ended of Financial year	Compliant
<b>Registrar General of Companies</b>		
Annual Accounts	Annually	Compliant
Annual Returns	Annually	Compliant
Change of Directors and Company Secretary (Form 20)	As required	Compliant
<b>Sri Lanka Accounting &amp; Auditing Standards Monitoring Board</b>		
Annual Accounts	Annually	Compliant

## CORPORATE GOVERNANCE AND COMPLIANCE ....

The Company's compliance with the Finance Leasing Direction, No 04 of 2009 on Corporate Governance issued by the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka under the Section 34 of the Finance Leasing Act No 56 of 2000 is tabulated below.

Rule	Governance Principle	Status of Compliance	Company's Action for compliance
<b>-2</b>	<b>The Responsibilities of the Board of Directors</b>		
-1	Strengthening the safety and soundness of the Company	Compliant	The board engages in the strategic planning and control of company by overseeing the formulation of business objectives and targets, assessing risks, evaluating the effectiveness of the internal controls by engaging qualified and experienced personnel and delegating them with the authority for conducting operational activities and monitoring the performance through a formal reporting process.
-2	Appointment of the Chairman and the Chief Executive Officer and defining and approving their functions and responsibilities.	Compliant	The roles of chairman and Chief Executive Officer are segregated at SMB Leasing PLC. The main responsibility is to lead direct and manage the board to ensure that it operates effectively and fully discharges its legal and regulatory responsibilities. The roles of the chairman and CEO are separated. The role of the CEO is to manage the day to day running of the Company. The board has delegated this responsibility to the CEO and he then leads the corporate Management team in making and executing operational decisions.
-3	Availability of a procedure determined by the Board to enable directors, to seek independent professional advice at the Company's expense.	Compliant	Directors are permitted to seek independent professional advice as and when required. The company Secretary takes required initiatives in this connection. Seeing independent professional advices in appropriate circumstances. Eg: Tax – M/S Amarasekara & Co. Law – M/S Gunawardhane & Ranasinghe Associates
-4	Avoidence of conflicts of interest	Compliant	Each member of the Board has a responsibility to determine whether he has a potential or actual conflicts of interest in material matters which may have a bearing on his independent judgment. Directors who have an interest in a matter under discussion refrain from engaging themselves in the deliberations on that matter and abstain from voting thereon. Such abstentions from decisions are duly recorded by the Company Secretary in the minutes.
-5	Availability of a formal schedule of matters specifically reserved to the Board for decision.	Compliant	Company having policy on delegation of authority. It emphasis authority level of directors.

## CORPORATE GOVERNANCE AND COMPLIANCE ....

Rule	Governance Principle	Status of Compliance	Company's Action for compliance
-6	Disclosure of insolvency to the Director of the Department of Supervision of Non-Bank Financial Institutions.	Not applicable	No such situation has arisen during the year 2015. Directors objectively evaluate monthly accounts and annual audited financials to identify such a crisis.
-7	Inclusion of an annual corporate governance report on compliance with the Corporate Governance Directions in the Annual Report.	Compliant	The Company has placed greater focus on compliance with the regulations of the Central Bank of Sri Lanka. The Board publishes in the Company's Annual Report, an annual corporate governance report.
-8	adoption of an annual scheme of self-assessment by the Directors.	Compliant	The Board has adopted a scheme of self Assessment to be undertaken by each Directors annually.
<b>-3</b>	<b>Meetings of the Board</b>		
-1	Convening Board meetings at least twelve times a financial year at monthly intervals.	Compliant	The Board met fifteen (15) times for the financial year 2015 on monthly basis, including three (3) additional meetings.
-2	Making arrangements to enable Directors to include matters and proposals in the agenda for regular Board meetings.	Compliant	All directors are provided an equal opportunity to include proposals for promotion of business and management of risk in the agenda for regular meetings.
-3	Giving adequate notice of Board meetings.	Compliant	Calendar of the Board meetings is prepared by the Company Secretary, at the beginning of the year with the consultation of all Directors, so as to ensure that at least 7 days notice is given for a meeting. Reasonable notice is given for any other special board meeting.
-4	Attendance of Directors at Board meetings.	Compliant	Directors' attendances are monitored. Please refer Page 26 For details on number of Board meetings held during the year and the individual attendance of the Directors.
-5	Appointment of a Company Secretary.	Compliant	Company has been appointed PW Corporate (Pvt) Ltd as Company Secretary. The Company Secretary advises the Board and ensures that matters concerning the Companies act, Board procedures and other applicable rules and regulations are followed.
-6	Responsibility of preparing the agenda for a Board meeting.	Compliant	The chairman had delegated to the company secretary the function of preparing the agenda for a Board meeting and accordingly, the company secretary is responsible for the same.

## CORPORATE GOVERNANCE AND COMPLIANCE ....

Rule	Governance Principle	Status of Compliance	Company's Action for compliance
-7	Directors' access to advice and services of the company Secretary.	Compliant	All directors have access to the secretary who is responsible to the board to ensure the board procedures and the applicable rules and regulations are complied with. Articles of the company provides that the board may appoint or remove secretary.
-8	Maintenance of minutes of Board meetings inspection thereof by the Directors.	Compliant	All board members have full access to the assistance of the company secretary to ensure that proper Board procedures are followed and all applicable rules and regulations are complied with.
-9	Recording of minutes of Board meetings in sufficient detail.	Compliant	The Company Secretary records the proceedings of the meetings and the decisions taken there at in sufficient detail so as to satisfy all the requirements specified in this rule.
<b>-4</b>	<b>Composition of the Board</b>		
-1	Number of Directors on the Board.	Compliant	The Board comprised of six Non executive Directors.
-2	Period of service of a Director.	Compliant	All the Directors hold the position less than 9 years.
-3	Appointment, election or nomination of an employee as a Director of the company.	Compliant	Employees have not elected as directors.
-4	Number of Independent Non-Executive Directors on the Board and criteria for assessment of independency.	Compliant	There are 5 independent Non executive directors, out of 6 directors.
-5	Alternate Directors to meet the criteria for independency/ executive status of the appointer.	Compliant	
-6	Skills and experience of the Non-Executive Directors to bring to an objective judgment to bear on issues of strategy, performance and resources.	Compliant	Each Director brings independent and objective judgment to the board. The composition of the board also ensures the balance between executive expediency and independent judgment.
-7	Presence of Non-Executive Directors to satisfy the quorum for meetings of the Board.	Compliant	Each and every Board meeting fulfil the quorum.
-8	Disclosure of insolvency to the Director of the Department of Supervision of Non-Bank Financial Institutions.	Not Applicable	
-9	Availability of a formal, and transparent procedure for the appointment of new directors.	Compliant	The Articles of Association of the Company provides for the general procedure applicable to selection and appointment of directors of the Company

## CORPORATE GOVERNANCE AND COMPLIANCE ....

Rule	Governance Principle	Status of Compliance	Company's Action for compliance
-10	Re-election of Directors appointed to fill casual vacancy at the first general meeting after their appointment.	Compliant	All the directors have been appointed by shareholders in the AGM.
-11	Disclosure of resignations/ removal of Directors to the shareholders and the Director of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka.	Compliant	All resignations/ removals and appointments of Directors are informed to the Shareholders, with sufficient details, via immediate notification to the Colombo Stock Exchange. Prior approval for such resignations / removals and appointments is obtained from the Central Bank of Sri Lanka in terms of the applicable regulations.
<b>-5</b>	<b>Criteria to assess the fitness and propriety of directors</b>		
-1	Directors over 70 years of age.	Compliant	As at 31st December 2015, all Directors of the Company are below the age of 70 years. On reaching the age of on 14th October 2015. Dr. T. Senthilverl retired from the office of Director of the Company in compliance with this rule.
-2	Holding office in more than 20 Companies.	Compliant	Details of Other directorships/equivalent positions held by the Directors are set out in their profile on page 22 to 23 of the Annual Report.
<b>-6</b>	<b>Management Functions Delegated by the Board</b>		
-1	Delegation of Board functions.	Compliant	Company has a policy on delegation of authorities. Directors act according to the delegation of authority.
-2	Review of delegation of Board functions on a periodic basis.	Compliant	The Board regularly evaluates such delegations and the limits of authority to ensure that the same does not materially affect the ability of the Board as a whole in discharging its functions and remains relevant to the needs of the company.
<b>-7</b>	<b>The Chairman and the Chief Executive Officer</b>		
-1	Division of the roles of the Chairman and Chief Executive Officer		
-2	Designation of an Independent Non Executive Director as the Senior Director if the chairman is not an independent Non-Executive Director.	Compliant	Chairman is a Non Independent Non Executive Director. The chairman's role provides effective leadership and strategic insight to the issues of the board. Mr. J.C. Korale has been appointed as a Senior Director.
-3	Disclosure of relationship between the chairman, Chief Executive Officer and members of the Board in the corporate governance report.	Compliant	

## CORPORATE GOVERNANCE AND COMPLIANCE ....

Rule	Governance Principle	Status of Compliance	Company's Action for compliance
-4	Role of the Chairman	Compliant	The chairman provides leadership to the Board and responsible for governance and the effective operations of the Board.
-5	Role of the chairman in the preparation of the agenda for Board meetings.	Compliant	Monthly Agenda is send to all directors by the Company Secretary.
-6	Duty of the Chairman to ensure that all Directors are informed adqueately and timely of the issues arising at Board meeting	Compliant	Chairman ensures, that all directors are properly briefed on issues arising at board meetings.
-7	Role of the Chairman in encouraging Directors to make an active contribution to the Board's affairs.	Compliant	The Chairman sets the agenda, style and the tone of the Board deliberations and ensures that opinions of all Directors are appropriately considered in decision making thereby promoting active contribution by the individual Directors to the Board's affairs.
-8	Role of the Chairman in ensuring constructive relationships between Executive and Non-Executive Directors.	Compliant	The Chairman ensures that a constructive relationship exists between the Board as a whole by providing an equal opportunity to all Directors to actively participate in the Board's affairs.
-9	Avoidance of engaging in activities involving direct supervision of Key Management Personnel or any other executive duties by the Chairman.	Compliant	The Chairman is a Non-Executive Director who does not get involved directly in any of the executive duties of the Company or the direct supervision of the key management personnel.
-10	Role of Chairman in maintaining effective communication with shareholders and communicating the view of the shareholders to the Board.	Compliant	At general meetings, shareholders are given the opportunity to take up matters for which clarifications needed. Further matters are adequately clarify by the Chairman or CEO and any other Officer.
-11	Role of the Chief Executive Officer	Compliant	CEO is responsible for the day-to-day operations of the Company with the assistance of the Senior Management and is accountable to the Board to recommend the Company's strategy and its implementation to ensure that appropriate internal controls are in place to manage and assess risk.
<b>-8</b>	<b>Board appointed Committees</b>		
-1	Presence of at least two Board committees reporting directly to the Board.	Compliant	The following mandatory board sub committees have been appointed by the board and requires each sub committee to report to the board. 1. Audit Committee 2. Remuneration Committee 3. Integrated Risk Management Committee 4. Related Party Trasaction Review Committee.
<b>-2</b>	<b>Audit Committee</b>		
	a) The chairman of the Audit Committee	Compliant	The chairman of the Audit Committee is Independent Non Executive Director.

## CORPORATE GOVERNANCE AND COMPLIANCE ....

Rule	Governance Principle	Status of Compliance	Company's Action for compliance
b)	Composition of the Audit Committee.	Compliant	Audit Committee consists of three Independent Non Executive Director.
c)	Responsibility of the Audit Committee to recommend:	Compliant	The Board Audit Committee has at its meetings recommended that M/s. KPMG, Chartered Accountants be reappointed as the External Auditors of the Company for the financial year 2015 and the audit fees has been recommended.
(i)	the appointment of the external auditor		
(ii)	implementation of the Central Bank guidelines issued to auditors		
(iii)	application of the relevant accounting standards;		The implementation of Central Bank guidelines issued to auditors from time to time and the application of Accounting Standards has been recommended by the Audit Committee.
(iv)	the service period, audit fee and any resignation or dismissal of the External auditor		
d)	Responsibility of the Audit committee to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit processes.	Compliant	The Board Audit Committee monitors and reviews the External Auditor's independence, objectivity and the effectiveness of the audit process
e)	Responsibility of the Audit Committee to develop and implement a Board approved policy on the engagement of an external auditor to provide non audit services.	Compliant	The Board as a general policy discourage the engagement of External Auditors for Non Audit Services. However, as and when the situation demands the Non Audit Services exclusively to be carried out by the External Auditors with the approval of the Audit Committee and the Board of Directors. Seperate engagement letter is entered with the engagement partner for the non audit services in this situation.
f)	Responsibility of the Audit Committee to discuss and finalise with the External Auditors the nature and scope of the audit.	Compliant	The Auditors make a presentation at the Board Audit Committee Meeting with details of the proposed audit plan and the scope and required approval is obtained to that effect.
g)	Responsibility of the Audit Committee to review the financial information of the Company, in order to monitor the integrity of the financial statements, annual report, accounts and periodical reports prepared for disclosure, and the significant financial reporting judgments contained therein.	Compliant	Quarterly Financial Statements as well as year end Financial Statements are circulated to all members of the Audit Committee. A detailed discussion takes place at the Board Audit Committee meeting regarding such Financial Statements. Once the members of the Audit Committee have obtained required clarifications in respect of all aspects included in the Financial Statements, such Financial Statements are recommended for approval by the Board of Directors.
h)	Responsibility of the Audit Committee to discuss issues, problems and reservations arising from the interim and final audits, and any matters the auditor may wish to discuss.	Compliant	The committee met External auditors during the year without the presence of corporate management on 22.12.2015.

## CORPORATE GOVERNANCE AND COMPLIANCE ....

Rule	Governance Principle	Status of Compliance	Company's Action for compliance
	i) Responsibility of the Audit Committee to review the External Auditor's management letter and the Management's response thereto.	Compliant	Upon receipt of the year end Management Letters, Auditors are invited to make a presentation at the Audit Committee meeting to discuss significant findings which have arisen during the audit. Thereafter the Audit committee decides on remedial action to be taken in respect of such findings, if any, and relevant heads of Departments are instructed to take such action.
	j) Responsibility of the Audit Committee to take the following steps with regard to the internal audit function of the Company.	Compliant	The annual audit plan prepared by the internal auditors is submitted to the Audit Committee for approval. This plan covers the scope and resource requirement relating to the Audit Plan.
	i) Review the adequacy of the scope, functions and resources of the internal audit department		This review is carried out by M/S SJMS Associates and thereafter referred to the Chairman of the Audit Committee, for further review and ratification.
	ii) Review the internal audit programme and results of the internal audit process;		Internal Audit reports are directed to the CEO's Inspection who will be reporting directly to the Audit Committee. Hence, it is independent and the audits are performed with due care.
	iii) Review any appraisal or assessment of the performance of the head and senior staff members of the internal audit department;		
	iv) Recommend any appointment or termination of the head, senior staff members and outsourced service providers to the internal audit function;		
	v) Ensure that the committee is apprised of resignations of senior staff members of the internal audit department including the chief internal auditor and any outsourced service providers;		
	vi) Ensure that the internal audit function is independent of the activities it audits.		
	k) Responsibility of the Audit Committee shall consider the major findings of internal investigations and management's responses thereto;	Compliant	Significant findings of internal audit along with the responses of the management are tabled and discussed at the Audit Committee Meetings.
	l) Participants at the Audit Committee meetings to consider the major findings of internal investigations and management's responses thereto.	Compliant	
	m) Authority and resources of the Audit Committee	Compliant	Refer Audit committee Report given on page 52 to 53 of the Annual Report

## CORPORATE GOVERNANCE AND COMPLIANCE ....

Rule	Governance Principle	Status of Compliance	Company's Action for compliance
	n) Meetings of the Audit Committee	Compliant	Audit committee Report is given on page 52 to 53 of the Annual Report
	o) Disclosure of activities of the Audit Committee and attendance of members at meetings thereof in the Annual Report.		Audit committee Report is given on page 52 to 53 of the Annual Report
	p) Recording and maintenance of detailed minutes of the Audit Committee meetings.	Compliant	The Secretary to the Committee records and maintains all meeting minutes.
	q) Responsibility of the Audit Committee to review the process by which employees may in confidence raise concerns about possible improprieties in financial reporting, internal control or other matters.	Compliant	
<b>-3</b>	<b>Integrated Risk Management Committee (IRMC)</b>		
	a) Composition of the Integrated Risk Management Committee and the duty of the Committee to work with Key Management Personnel closely and make decisions on behalf of the Board within the framework of authority.	Compliant	Integrated Risk Management Committee comprises Independent Non-Executive Director, Chief Executive Officer and Head of the Departments.
	b) Responsibility of the Integrated Risk Management Committee to assess all risks to the Company both on individual basis as well as group basis, monthly through appropriate risk indicators and management information.	Compliant	Integrated Risk Management Committee assesses all risks, i.e., credit, market, liquidity, operational and strategic risks on a quarterly basis through appropriate risk indicators.
	c) Responsibility of the Integrated Risk Management Committee to review the adequacy and effectiveness of all Management Level Committees.	Compliant	Assets and Liability Committee (ALCO) of the Company is reviewed by the Integrated Risk Management Committee.
	d) Responsibility of the Integrated Risk Management Committee to take prompt corrective action to mitigate the effects of specific risks which are at levels beyond the prudent levels decided by the Committee.	Compliant	Integrated Risk Management Committee has reviewed and considered all risk indicators which have gone beyond their limits after establishing the specific quantitative and qualitative risk limits.
	e) Responsibility of the Integrated Risk Management Committee to meet at least quarterly to assess all aspects of risk management.	Not Compliant	Integrated Risk Management Committee has met Two (02) times during the financial year 2015.
	f) Responsibility of the Integrated Risk Management Committee to take appropriate actions against the officers responsible for failure to identify specific risks and take prompt corrective actions as recommended by the committee, and/or as directed by the Director of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka.	Compliant	Risks are identified collectively by the Integrated Risk Management Committee and the Assets and Liabilities Committee (ALCO) and such decisions are taken collectively.

## CORPORATE GOVERNANCE AND COMPLIANCE ....

Rule	Governance Principle	Status of Compliance	Company's Action for compliance
	g) Responsibility of the Integrated Risk Management Committee to submit a risk assessment report within a week of each meeting to the Board.	Compliant	
	h) Responsibility of the Integrated Risk Management Committee to establish a compliance function at key management level to assess the Company's compliance with laws, regulations, directions, rules, regulatory guidelines, internal controls and approved policies on all areas of business operations.	Compliant	Committee has established a compliance function to assess the Company's compliance with laws, regulations, regulatory guidelines, internal controls and approved policies on all areas of business operations and are reported to the board on monthly basis.
<b>-9</b>	<b>Related party transactions</b>		
-2	Responsibility of the Board to take necessary steps to avoid any conflicts of interest that may arise from any transaction of the Company with Related Parties.	Compliant	A board approved process is in place to ensure that Company is not engaged in transactions with related parties, as defined in the direction. The transactions carried out with Related parties in the normal course of business are disclosed in Note No. 34 on page 122 of the Annual Report.
-3	Nature of transactions with Related Parties to which the Corporate Governance Directions apply.	Compliant	Board approved process is in place to ensure the compliance. No accommodation is provided to Directors and/or close relatives.
-4	Responsibility of the Board to ensure that the Company does not engage in transactions with a related party in a manner that would grant such party "more favorable treatment" proprietary, confidential.	Compliant	Board approved process is in place to ensure the compliance.
<b>-10</b>	<b>Disclosures</b>		
-1	Preparation and publication of annual audited financial statements and periodical financial statements in accordance with the formats prescribed by the regulatory and supervisory authorities and applicable Accounting Standards.	Compliant	The Board ensured that the annual audited financial statements and periodical financial statements of the Company for the year 2015 were prepared and published in accordance with the formats prescribed by the regulatory and supervisory authorities and applicable Accounting Standards.
-2	Responsibility of the Board to ensure appropriate disclosures in the Annual Report		
	a) a statement to the effect that the annual audited financial statements have been prepared in line with applicable accounting standards.	Compliant	Disclosures on the compliance with applicable accounting standards and regulatory requirements in preparation of the Annual Financial Statement have been made in the Directors' Responsibility Statement on page 73.

## CORPORATE GOVERNANCE AND COMPLIANCE ....

Rule	Governance Principle	Status of Compliance	Company's Action for compliance
	b) A report by the Board on the Company's internal control mechanism that confirming that the financial reporting system has been designed to provide a reasonable assurance regarding the reliability of financial reporting, and that the preparation of financial statements has been done in accordance with relevant accounting principles and regulatory requirements.		Report by board on the effectiveness of the internal controls mechanism to ensure that the financial reporting system has been designed to provide reasonable assurance regarding the reliability of Financial reporting, is given on Directors' Responsibility Statement on page 73.
	c) External Auditor's certification on the effectiveness of the internal control mechanism.	Compliant	External Auditor's Review on the effectiveness of the internal control mechanism has been completed for year 2015.
	d) Details of Directors, including names, transactions with the Company.	Compliant	Details of the Directors are given on page 22 to 23 and Directors' transactions with the Company have been disclosed in Note No. 34 on page 122.
	e) Fees/remuneration paid by the Company to the Directors in aggregate.	Compliant	The Fees/remuneration paid to the Board of Directors is disclosed in aggregate in Note No. 34.2 on page 122.
	f) Total net accommodation outstanding in respect of each category of related parties and the net accommodation outstanding in respect of each category of related parties as a percentage of the Company's capital funds.	Compliant	Total net accommodation in respect of each category of related parties and the net accommodation outstanding in respect of each category of related parties as a percentage of the Company's capital funds is given Note No. 34 on page 122.
	g) aggregate values of remuneration paid by the Company to its Key Management Personnel and the aggregate values of the transactions of the Company with its Key Management Personnel during the financial year.	Compliant	The aggregate values of remuneration paid by the Company to its Key Management Personnel is disclosed in Note No. 34.2 on page 122. The aggregate values of the transactions of the Company with its Key Management Personnel during the financial year have been disclosed in Note No.34 on page 122.
	h) a report containing details of compliance with prudential requirements, regulations, laws and internal controls and measures taken to rectify any noncompliance.	Compliant	The Annual Report of the Board of Directors on the Affairs of the Company on page 67 to 71 and the Corporate Governance Report on page 25 to 51 describes the manner in which the Company has complied with prudential requirements, regulations, laws and internal controls during the year 2015.
	i) External Auditor's certification of the compliance with the Act and directions issued by the Director of Department of supervision.	Compliant	External Auditor's Review on the complains with the Act and the directions has been completed for year 2015.

## CORPORATE GOVERNANCE AND COMPLIANCE ....

Company's adherence with the Code of Best Practice on Corporate Governance issued jointly by the Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka is tabulated below

Rule	Governance Principle	Status of Compliance	Company's Action for compliance
<b>SECTION 1 The Company</b>			
<b>A Directors</b>			
<b>A.1 The Board</b>			
The Company is headed by an effective Board of Directors comprised of experienced and influential individuals with diverse backgrounds and expertise as reflected in their profiles on page 22 to 23.			
A.1.1	Board Meetings	Compliant	The Board met 15 times during the year 2015, on monthly basis.
A.1.2	Board Responsibilities	Compliant	Board of Directors is collectively responsible for the formulation, implementation and monitoring of business strategies of the Company, Monitoring the effectiveness of the Company's risk management strategy and Compliance with ethical and legal standards.
A.1.3	Compliance with laws and access to independent professional advice.	Compliant	The Board collectively as well as individually complied with the laws of the country that are applicable to the Company.
A.1.4	Access to advice and services of the Company Secretary.	Compliant	All Directors have access to the Company Secretary who advises the Board and ensures that matters concerning the Companies Act, Board procedures and other applicable rules and regulations are followed.
A.1.5	Independent Judgment of Directors.	Compliant	All directors exercise independent judgment in decisions made by the Board.
A.1.6	Dedication of adequate time and effort by the Board and Board Committees.	Compliant	The members of the Board and its Sub Committees dedicate time and effort by participating in meetings, evaluating all material submitted related to such meetings and making further enquiries on such material and matters arising at these meetings.
A.1.7	Training for New and Existing Directors.	Compliant	All directors have adequate knowledge, skill and experience in the industry, and are continuously updated with the latest developments in the industry. Presentations are made to the Board from time to time regarding changes in industry related matters.

## CORPORATE GOVERNANCE AND COMPLIANCE ....

Rule	Governance Principle	Status of Compliance	Company's Action for compliance
<b>A.2</b>	<b>Chairman and the Chief Executive Officer (CEO)</b>		
	There should be a clear division of responsibilities at the head of the Company such that no one individual has unfettered powers of decision		
A.2.1	unfettered powers of decision	Compliant	The Roles of Chairman and CEO have not been combined.
<b>A.3</b>	<b>Chairman's Role</b>		
	The Chairman should preserve order and facilitate the effective discharge of Board functions		
A.3.1	Role of the Chairman in conducting Board proceedings in a proper manner.	Compliant	
<b>A.4</b>	<b>Financial Acumen</b>		
A.4.1	Availability of sufficient financial acumen and knowledge.	Compliant	The Board includes Chartered Accountant who has the acumen and knowledge to provide the Board with necessary guidance in conducting its business. Members of the Board have sufficient financial knowledge. Please refer to directors qualification on page 22 to 23.
<b>A.5</b>	<b>Board Balance</b>		
	Balance of executive and non-executive directors		
A.5.1	Number of Non-executive directors.	Compliant	The current Board comprises only Non-Executive Directors and their views carry significant weight in the Board's decisions.
A.5.2	Number of Independent Non-executive directors.	Compliant	Five out of the six non-executive directors are independent directors please refer the Board of Directors on page 22 to 23.
A.5.3	Determination of independence	Compliant	Please refer the Annual Report of the Board of Directors on the Affairs of the Company on page 68.
A.5.4	Declaration of independence of non executive directors	Compliant	Non-Executive Directors have submitted declaration on his independency or non-independency in the required form.
A.5.5	Determination of independence and disclosure in the Annual Report	Compliant	Based on the declarations submitted by each member there are five Independent Non Executive Directors in the Company. Please refer the Annual Report of the Board of Directors on page 68.
A.5.6	Alternate directors for non- executive directors and independent non-executive directors should satisfy the same criteria	Compliant	
A.5.7	Appointment of Senior Independent Director.	Compliant	Mr. J. C. Korale is appointed as a Senior Director.

## CORPORATE GOVERNANCE AND COMPLIANCE ....

Rule	Governance Principle	Status of Compliance	Company's Action for compliance
A.5.8	Senior independent director should make himself available for confidential discussions with other directors who may have concerns	Compliant	
A.5.9	The Chairman should hold with the non-executive directors as meetings necessary and at least once each year	Compliant	The Chairman holds meeting with non-executive directors as and when necessary.
A.5.10	Matters which cannot be unanimously resolved should be recorded in the Board Minutes	Compliant	All proceedings at meetings are recorded by the Company Secretaries.
<b>A.6</b>	<b>Supply of Information</b>		
	The Board should be provided with timely information		
A.6.1	Management has an obligation to provide the Board with appropriate and timely information	Compliant	The management provides the Board with monthly information and all information related to the meeting of the Board and its Sub Committees. In addition, information is provided whenever requested by the Board.
A.6.2	The minutes, agenda and papers required for Board meeting should be provided at least seven (7) days before the meeting	Compliant	The minutes, agenda and all other information required for Board are submitted (7) days before the meetings.
<b>A.7</b>	<b>Appointments to the Board</b>		
	There should be a formal and transparent procedure for the appointment of new directors to the Board		
A.7.1	A Nomination Committee should be established to make recommendations to the Board on all new Board Appointments. The Chairman and members of the Nomination Committee should be identified in the Annual Report	To be Complied in year 2016	The company has setup nomination committee for making recommendations on new appointments to the Board in year 2016. New Directors, including the chairman are appointed by the Board by referring to the Articles of Association.
A.7.2	Board composition should be assessed annually	Compliant	The combined knowledge and experience of the present composition of the Board matches with the strategic demands of the Company. However, if there is a change in the directorate, the composition of the Board will be reviewed accordingly.
A.7.3	Appointment of a new director to the Board should be forthwith disclosed to shareholders	Compliant	All appointments of new Directors are informed to the shareholders, with sufficient details, via immediate notification to the Colombo Stock Exchange. CBSL prior approval is obtained prior to notification.

## CORPORATE GOVERNANCE AND COMPLIANCE ....

Rule	Governance Principle	Status of Compliance	Company's Action for compliance
<b>A.8</b>	<b>Re-election</b>		
	All directors should be required to submit themselves for re-election at regular intervals		
A.8.1	Non-executive directors should be appointed for specified terms subject to re-election	Compliant	In terms of the Articles of Association all directors are subject to retirement by rotation. At every AGM the longest standing director will retire and retiring director shall be eligible for re-election.
A.8.2	All directors including the Chairman should be subject to election by shareholders at the first opportunity after their appointment, and to reelection thereafter at intervals of no more than three years	Compliant	
<b>A.9</b>	<b>Appraisal of Board Performance</b>		
	Boards should periodically appraise their own performance		
A.9.1	The Board should annually appraise itself on its performance	Compliant	
A.9.2	The Board should undertake an annual self-evaluation of its own performance and of its Committees.	Compliant	The Board has adopted a scheme of self Assessment to be undertaken by each Directors annually.
A.9.3	The Board should state how performance evaluations have been conducted in the Annual Report	Compliant	Please refer comment on Principle A.9.1 above and governance principles and activities on page 25 to 27.
<b>A.10</b>	<b>Disclosure of Information in respect of Directors</b>		
	Shareholders should be kept advised of relevant details in respect of directors.		
A.10.1	The Annual Report of the Company should set out the information in relation to each director	Compliant	Please refer for information on directors' profile on page 22 to 23, Director's Interest in Contracts on page 122 and details of Board and its Sub Committee meetings on page 26.
<b>A.11</b>	<b>Appraisal of Chief Executive Officer (CEO)</b>		
	The Board should be required, at least annually, to assess the performance of the CEO		
A.11.1	At the commencement of every fiscal year, the Board in consultation with the CEO, should set financial and non-financial targets that should be met by the CEO	Compliant	The Board in consultation with the CEO determines both short term and long term targets for the company.
A.11.2	The performance of the CEO should be evaluated by the Board at the end of each fiscal year	Compliant	Annual appraisal of the performance of the CEO is carried out by the Chairman.

## CORPORATE GOVERNANCE AND COMPLIANCE ....

Rule	Governance Principle	Status of Compliance	Company's Action for compliance
<b>B.</b>	<b>Directors</b>		
<b>B.1</b>	<b>Remuneration Procedure</b>		
	Companies should establish a formal and transparent procedure for developing policy on executive remuneration		
B.1.1	Board should set up a Remuneration Committee to make recommendations on framework of remunerating executive directors	Compliant	
B.1.2	Remuneration Committee should consist exclusively of non-executive directors and a Chairman appointed by the Board	Compliant	Independent Non Executive Director has been appointed as the Chairman of the Remuneration Committee.
B.1.3	The Chairman and members of the Remuneration Committee should be listed in the Annual Report	Compliant	Please refer Page 54.
B.1.4	The Board should determine the remuneration of non-executive directors, including members of the Remuneration Committee	Compliant	
B.1.5	The Remuneration Committee should consult the Chairman and/or CEO and have access to professional advice	Compliant	Please refer Page 54.
<b>B.2</b>	<b>The Level and Makeup of Remuneration</b>		
	Levels of remuneration of directors should be sufficient to attract and retain the directors needed to run the Company successfully. A proportion of executive directors' remuneration should be linked to corporate and individual performance		
B.2.1	The Remuneration Committee should provide the packages needed to attract and retain directors of the quality required	Not applicable	
B.2.2	The Committee should judge where to position levels of remuneration of the Company, relative to other companies	Not applicable	
B.2.3	The Committee should be sensitive to remuneration elsewhere in the Company or Group of which it is a part	Not applicable	
B.2.4	The performance-related elements of remuneration of executive directors should be designed to align their interests with the Company	Not applicable	
B.2.5	Executive share options should not be offered at a discount	Not applicable	

## CORPORATE GOVERNANCE AND COMPLIANCE ....

Rule	Governance Principle	Status of Compliance	Company's Action for compliance
B.2.6	In designing schemes of performance - related remuneration, the Committee should follow the provisions set out in the Code	Compliant	Please refer to the Remuneration Committee Report on page 54 for details of the remuneration policy of the Company.
B.2.7	The Committee should consider what compensation commitments in the directors' contracts of service, if any, entail in the event of early termination	Compliant	
B.2.8	Where the initial contract does not explicitly provide for compensation commitments, the Committee should tailor their approach in early termination cases to the relevant circumstances	Not applicable	
B.2.9	Levels of remuneration for nonexecutive directors should reflect the time commitment and responsibilities of their role	Not applicable	
<b>B. 3</b>	<b>Disclosure of Remuneration</b>		
	The Annual Report should contain a Statement of Remuneration Policy and details of remuneration of the Board as a whole		
B.3.1	The Annual Report should set out the names of directors comprising the Remuneration Committee, contain a Statement of Remuneration Policy and set out the aggregate remuneration paid to executive and non-executive directors	Compliant	Please refer to the Remuneration Committee Report on page 54 for details of the remuneration policy of the Company.
<b>C.</b>	<b>Relations with Shareholders</b>		
<b>C. 1</b>	<b>Constructive use of the Annual General Meeting (AGM) and conduct of General Meetings</b>		
	Board should use the AGM to communicate with shareholders and should encourage their participation		
C.1.1	All proxy votes should be counted	Compliant	All proxies lodged before meetings are recorded and all proxy votes cast at meetings are recorded by the Company Secretary.
C.1.2	Separate resolution should be proposed at the AGM on each substantially separate issue	Compliant	
C.1.3	The Chairman of the Audit, Remuneration and Nomination Committees should be available to answer questions at the AGM	Compliant	The Chairman of the Audit and Remuneration Committees are available to the shareholders at AGM
C.1.4	Notice of the AGM and related papers should be sent to shareholders as determined by statute	Compliant	Notice of AGM and other related papers are sent to the shareholders as required by the Companies Act and the Articles of Association .

## CORPORATE GOVERNANCE AND COMPLIANCE ....

Rule	Governance Principle	Status of Compliance	Company's Action for compliance
C.1.5	A summary of the procedures governing voting at General Meetings should be circulated with every Notice of General Meeting	Compliant	The Notice of Meeting and Proxy Form with instructions are supplemented to shareholders to vote at the AGM
<b>C. 2</b>	<b>Communication with Shareholders</b>		
	The Board should implement effective communication with shareholders		
C.2.1	There should be a channel to reach all shareholders to disseminate information	Compliant	Company maintain and update website to its investor relations and all other important notices and Changes of the company are published at the CSE.
C.2.2	The policy for communication with shareholders should be disclosed	Compliant	Please refer governance principle and activities on page 27.
C.2.3	How the above policy is implemented should be disclosed	Compliant	Please refer Page 27.
C.2.4	The contact person for such communication should be disclosed	Compliant	Please refer Page 27.
C.2.5	There should be a process to make all directors aware of major issues and concerns of shareholders, and this process should be disclosed	Compliant	Please refer Page 27.
C.2.6	The person to contact in relation to shareholders' matters should be decided (the relevant person with statutory responsibilities is the Company Secretary or in his/her absence should be a member of the absence should be a member of the Board)	Compliant	Shareholders are encourage to bring both negative and positive matters to the board through the company secretary.
C.2.7	The process for responding to shareholder matters should be formulated by the Board and disclosed	Compliant	Please refer governance principle and activities on page 27.
<b>C. 3</b>	<b>Major and Material Transaction</b>		
	Directors should disclose to shareholders all proposed material transactions, which if entered into, would materially alter the Company's net assets base		
C.3.1	Prior to engaging in 'Major Related Party Transactions' involving the acquisition, sale or disposition of greater than one third of the value of the Company's assets, directors should disclose to shareholders all material facts of such transaction and obtain shareholders' approval by ordinary resolution at an Extraordinary General Meeting.	Compliant	Section 185 of the Companies Act requires that the Company obtain shareholder approval by way of special resolution for such transactions. In addition, with the coming into effect of the CSE Rule on Related Party Transactions, a Board Sub Committee will be required to review all related party transactions and propose transactions exceeding this threshold for shareholder approval. However there were no necessity for such approval during the year.

## CORPORATE GOVERNANCE AND COMPLIANCE ....

Rule	Governance Principle	Status of Compliance	Company's Action for compliance
<b>D</b>	<b>Accountability and Audit</b>		
<b>D.1</b>	<b>Financial Reporting</b>		
	The Board should present a balanced assessment of the Company's financial position, performance and prospects		
D.1.1	The Board's responsibility to present a balanced assessment extends to interim and other price-sensitive public reports and reports to regulators	Compliant	The board reviews the Company's interim financial statements, public announcements and returns filed with the regulator.
D.1.2	The Directors' Report in the Annual Report should contain declarations by the directors to the effect set out in the Code.	Compliant	Please refer the Annual Report of the Board of Directors' on page 67 to 71.
D.1.3	The Annual Report should contain a statement setting out the responsibilities of the Board for the preparation and presentation of financial statements, together with a statement by the Auditors about their reporting responsibilities. Further, the Annual Report should contain a Report/Statement on Internal Control	Compliant	Please refer Director's Responsibility Statement on page 73 and Auditor's Report on page 74.
D.1.4	The Annual Report should contain a "Management Discussion & Analysis"	Compliant	Please refer pages from 10 to 19 for the Management Discussion and Analysis.
D.1.5	The Directors should report that the business is a going concern	Compliant	Please refer the Annual Report of the Board of Directors on page 69.
D.1.6	If the net assets of the Company fall below 50% of the value of the shareholders' funds, the directors shall forthwith summon an Extraordinary General Meeting to notify shareholders	Not applicable	
D.1.7	The Board should adequately disclose related party transactions in the Annual Report	Compliant	Please refer Note No. 34 on page 122 on Related Party Transactions.
<b>D.2</b>	<b>Internal Control</b>		
	The Board should have a process of risk management and a system of internal control to safeguard shareholders' investments and the Company's assets		
D.2.1	The directors should annually conduct a review of the risks facing the Company and the effectiveness of the system of internal controls	Compliant	For details of the responsibilities and functions of the committee in this regard please refer to the Risk Committee Report on page 55.
D.2.2	Company should have an internal audit function	Compliant	Company internal audit function is carried out by M/S SJMS Associates, Chartered Accountants.

## CORPORATE GOVERNANCE AND COMPLIANCE ....

Rule	Governance Principle	Status of Compliance	Company's Action for compliance
D.2.3	Audit Committee should carry out a review of the effectiveness of risk management and internal controls	Compliant	Please refer above D.2.1
D.2.4	Guidance for responsibility of directors in maintaining a system of internal controls is set out in the Code	Compliant	
<b>D.3</b>	<b>Internal Control</b>		
	The Board should establish formal and transparent arrangements for considering how to select and apply accounting policies, financial reporting and internal control principles and maintaining an appropriate relationship with the Auditors		
D.3.1	The Audit Committee should be comprised exclusively of nonexecutive directors, a majority of whom should be independent	Compliant	The Audit Committee comprises of three independent non-executive directors.
D.3.2	The duties of the Audit Committee	Compliant	Please refer to the Audit Committee Report on page 52 to 53 for details of the duties and responsibilities of the Committee.
D.3.3	The Audit Committee should have a written Terms of Reference, dealing with its authority and duties	Compliant	
<b>D.3.4</b>	<b>Disclosures</b>		
	The Annual Report should disclose the names of directors comprising of the Audit Committee, a determination of the independence of the Auditors and a report by the Committee	Compliant	Please refer Audit Committee Report on page 52 to 53.
<b>D.4</b>	<b>Code of Business Conduct &amp; Ethics</b>		
	Companies must adopt a Code of Business Conduct and Ethics for Directors, and Key Management Personnel		
D.4.1	The existence of a Code of Business Conduct & Ethics for directors and key management personnel should be disclosed in the Annual Report with an affirmative declaration of compliance	Compliant	Please refer the Annual Report of the Board of Directors on page 71.
D.4.2	The Chairman must affirm in the Annual Report that he is not aware of any violation of the Code	Compliant	Please refer the Annual Report of the Board of Directors on page 71.

## CORPORATE GOVERNANCE AND COMPLIANCE ....

Rule	Governance Principle	Status of Compliance	Company's Action for compliance
<b>D.5</b>	<b>Corporate Governance Disclosures</b>		
	Directors should be required to disclose the extent to which the Company adheres to established principles of good Corporate Governance		
D.5.1	The Annual Report should include a Corporate Governance Report,	Compliant	Please refer Corporate Governance Report on page 25 to 51.
<b>E</b>	<b>Institutional Investors</b>		
<b>E.1</b>	<b>Shareholder Voting</b>		
	Institutional shareholders have a responsibility to make considered use of their votes		
E.1.1	A regular and structured dialogue should be conducted with shareholders	Compliant	the Annual General Meeting (AGM) is used as a forum to have a structured and objective dialogue with shareholders
<b>E.2</b>	<b>Evaluation of Governance Disclosures</b>		
	When evaluating governance arrangements, institutional investors should be encouraged to give due weight to all relevant factors	Compliant	Institutional investors are encouraged to give weight to governing arrangements
<b>F</b>	<b>Other Investors</b>		
<b>F.1</b>	<b>Evaluation of Governance Disclosures</b>		
	Individual shareholders should be encouraged to carry out adequate analysis or seek independent advice in investing or divesting decisions	Compliant	The Company provides adequate financial and non financial information to investors to seek independent advices to their investments through its Annual Report, Interim reports and other publications.
<b>F.2</b>	<b>Shareholder Voting</b>		
	Individual shareholders should be encouraged to participate in General Meetings of companies and exercise their voting rights.	Compliant	Company dispatches notices of meetings to all shareholders to inviting General meetings within prescribed time periods.

## CORPORATE GOVERNANCE AND COMPLIANCE ....

Compliance with the Corporate Governance rules as per section 7.10 of the listing rules of the Colombo Stock Exchange

Rule	Governance Principle	Status of Compliance	Company's Action for compliance
<b>7.10.1</b>	<b>Non-Executive Directors</b>		
7.10.1	Number of non-executive directors: One third of the total number of directors	Compliant	All six directors of the Board are non-executive directors.
<b>7.10.2</b>	<b>Independent Directors</b>		
7.10.2 (a)	Number of independent directors: One third of the non-executive directors	Compliant	Five out of the six non-executive directors are independent directors. Please refer the Annual Report of the Board of Directors on page 68.
7.10.2 (b)	Declaration of independence: Each non-executive director is required to submit to the Board annually a declaration of his/her independence or non independence	Compliant	All Non-Executive Directors submitted the declarations of independence during the year.
<b>7.10.3</b>	<b>Disclosures relating to directors:</b>		
	(a) The names of non-executive directors determined to be 'independent'	Compliant	Please refer page 68 of the Annual Report of the Board of Directors.
	(b) In the event a director does not qualify as 'independent' against any criteria set out in the Rules, however the Board is of the opinion that the director is nevertheless 'independent', the Board shall specify the criteria not met and the basis for its determination	Not Applicable	
	(c) A brief resume of each director including information on the nature of his/her expertise in relevant functional areas	Compliant	Please refer page 22 to 23 for the profiles of Board of Directors.
	(d) In the event of an appointment of a new director, a brief resume of such director shall be submitted immediately to the CSE for dissemination to the public	Compliant	When an appointment of a new director Company immediately submit brief resume of such director to the CSE

## CORPORATE GOVERNANCE AND COMPLIANCE ....

Rule	Governance Principle	Status of Compliance	Company's Action for compliance
<b>7.10.4</b>	<b>Criteria for determination of independency of Directors</b>		
7.10.4	Requirements for meeting criteria to be independent	Compliant	All of the independent Directors of the Company met the criteria for independency specified in this rule.
<b>7.10.5</b>	<b>Remuneration Committee</b>		
7.10.5 (a)	Composition:		
	Non-executive directors, a majority of whom shall be independent; and one of non-executive directors shall be appointed as Chairman by the Board	Compliant	The Remuneration Committee comprises of three non-executive directors. one of independent non-executive director acts as a Chairman of the committee. Please refer the Report of the Remuneration Committee on page 54.
7.10.5 (b)	Functions:		
	The Committee shall recommend to the Board the remuneration payable to the executive directors and Chief Executive Officer. The Board will make the final determination upon consideration of such recommendations.	Compliant	Please refer the Report of the Remuneration Committee on page 54.
7.10.5 (c)	Disclosures in the Annual Report		
	Names of directors comprising the Remuneration Committee	Compliant	Please refer the Report of the Remuneration Committee on page 54 for the composition of the Remuneration Committee.
	Statement of the remuneration policy	Compliant	Please refer the Report of the Remuneration Committee on page 54.
	The aggregate remuneration paid to executive and non-executive directors	Compliant	Total fees and remuneration paid to all Directors is disclosed on Note No 34.2 on page 122.

## CORPORATE GOVERNANCE AND COMPLIANCE ....

Rule	Governance Principle	Status of Compliance	Company's Action for compliance
<b>7.10.6</b>	<b>Audit Committee</b>		
7.10.6 (a)	Composition:		
	Non-executive directors, a majority of whom shall be independent; and one of non-executive directors shall be appointed as Chairman by the Board unless otherwise determined by the Audit Committee, the Chief Executive Officer and the Chief Financial Officer shall attend audit committee meetings; The Chairman or one member of the Committee should be a Member of a recognized professional accounting body	Compliant	The Audit Committee comprises of three independent non-executive directors. One of Independent non-executive directors acts as a chairman of the committee and he is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka. The CEO and CFO attend meetings of the Committee by invitation.
7.10.6 (b)	Functions:		
	Oversee the preparation, presentation and adequacy of disclosures in the financial statements in accordance with Sri Lanka Accounting Standards; Oversee compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements; Oversee processes to ensure internal controls and risk management are adequate to meet the requirements of the Sri Lanka Auditing Standards; Assessment of the independence and performance of the external auditors; Make recommendations to the Board on appointment, re-appointment and removal of external auditors and approve remuneration and terms of engagement	Compliant	Please refer to the Audit Committee Report on page 52 to 53.
7.10.6 (c)	Disclosures in the Annual Report		
	The names of the directors comprising the Audit committee	Compliant	Please refer to the Audit Committee Report on page 52 to 53.
	The Committee shall make a determination of the independence of the auditors and shall disclose the basis for such determination	Compliant	Please refer to the Audit Committee Report on page 52 to 53.
	A report by the Committee setting out the manner of compliance in relation to the above	Compliant	Please refer to the Audit Committee Report on page 52 to 53.

# BOARD AUDIT COMMITTEE REPORT

## Composition of the Committee

The Board Audit Committee was comprised following Independent Non Executive Directors of the Company who conducted committee proceedings in accordance with the terms of reference approved by the Board.

Mr. J. C. Korale - Chairman

Mr. G. C. B. Ranasinghe \*

Mr. S. N. P. Palihena

\* Mr. G.C.B.Ranasinghe ceased to be a Director with effect from 06th April 2016.

The Chairman 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 and holds honours degree for Law from University of London as well.

The Board has determined that the committee possesses an adequate blend of financial and industry expertise in order to efficiently carry out its duties.

## 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 M/S SJMS Associates, internal auditors were invited to the Audit Committee meetings convened together with the CEO and 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 the 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, External Auditors excluding the executive management in compliance with the corporate governance.

## Meetings

During the financial year ended 31st December 2015 eighteen Audit Committee Meetings were held and proceedings of these meetings were reported to the Board on a regular basis. The Chief Executive Officer, Head of Finance, the Internal Auditors and the External Auditors attended the meetings by invitation.

Details of attendance of each individual member are given below.

Mr. J. C. Korale - Chairman	- Attended 18 out of 18 meetings
Mr. G. C. B. Ranasinghe	- Attended 13 out of 18 meetings
Mr. S. N. P. Palihena	- Attended 17 out of 18 Meetings

## Summary of activities

- Reviewed the Quarterly and Annual Financial Statements prior to its publication.
- Reviewed the consistency and the appropriateness of the Accounting Policies adopted by the Company to ensure compliance with the Sri Lanka Accounting Standards. (SLFRS/LKAS)
- Expanded the scope of the Internal Auditors to ensure greater focus on internal controls and risk management.
- Considered the Internal and External Auditors' Reports and directed Management to take appropriate and relevant follow up action on identified control weaknesses and accounting issues highlighted in their reports.
- Reviewed the Compliance Report prepared by the Compliance Officer to ensure compliance with Directions of the Central Bank of Sri Lanka and other regulatory and statutory requirements.
- Recommended the re appointment of External Auditors.

## Internal Audit

The Internal audit function is outsourced to Messrs SJMS Associates, Chartered Accountants. The Committee monitors the effectiveness of the internal audit function and is responsible for approving their appointment or removal and for ensuring they have adequate access to information required to conduct their audits. During the year the Committee reviewed the internal audit plan and recommended changes and further monitored the progress on a regular basis.

## BOARD AUDIT COMMITTEE REPORT ....

The scope of work covers the Head Office functions and branch activities, and includes the review of the adequacy, effectiveness and efficiency of the internal controls and the action taken to mitigate operational and business risks. In addition, they monitor and report on compliance with statutory regulations and the Company's accounting and operational policies. The internal audit representatives are present at Audit Committee meetings during discussions relating to their respective audit reports.

### External Audit

During the year the Committee met with Messrs KPMG, Chartered Accountants its external auditors to discuss the auditors' Management Letter pertaining to the previous year's audit and reviewed the management responses to the issues raised and corrective actions were implemented thereon.

Discussions were also held in regard to the nature, scope, and approach of the audit for 2015 prior to the commencement of the audit.

### Independence of the External Auditors

As far as the Audit Committee is aware, the External Auditors do not have any relationship (other than that of Auditors and associated therewith) with the Company. The Committee has also received a declaration from Messrs KPMG, Chartered Accountants as required by the Company's Act No 07 of 2007, confirming that they do not have any relationship with the Company, which may have a bearing on their independence within the meaning of the Code of Best Practice on Corporate Governance issued jointly by the Securities & Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka and the Guidelines for Listed Companies on Audit & Audit Committees issued by the Securities and Exchange Commission of Sri Lanka. In addition, the lead Audit Partner is rotated every five years.

### Provision of Non Audit Services

The Committee reviewed the non audit services provided by the auditors to ensure that the provisions of these services do not impair their independence, to the best of knowledge and belief of the committee.

### Re appointment of External Auditors

The Audit Committee has recommended to the Board of Directors that Messrs KPMG, Chartered Accountants be reappointed as Auditors for the financial year ending 31 December 2016 subject to the approval of the shareholders

at the Annual General Meeting. The Committee has also made its recommendation to the Board with regards to the remuneration payable to the Auditors.

### Internal Controls

During its meetings, the Committee reviewed the effectiveness of the internal control systems to ensure that processes are in place to safeguard the assets of the organization and to ensure that the financial reporting system can be relied upon in preparation and presentation of Financial Statements. The Committee noted that a comprehensive Financial Review Report and Financial Statements are produced at month end highlighting all key performance criteria pertaining to the segments which is reviewed by the Board of Directors on a monthly basis.

### Corporate Governance

The Company is fully compliant with the applicable rules on Corporate Governance under the listing rules of the Colombo Stock Exchange. In addition, the Company is substantially compliant with the Code of Best Practice on Corporate Governance issued jointly by the Securities & Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka, and the Direction No 04 of the Finance Leasing Act No 56 of 2000 on Corporate Governance.

### Conclusion

The Audit Committee is satisfied that the internal controls and procedures in place for assessing and managing risks are adequately designed and operate effectively and is of the view that they provide reasonable assurance that the Company's assets are safeguarded and that the Financial Statements of the Company are reliable.

In addition, the Committee observes that the Company's compliance framework provides reasonable assurance that all relevant laws, rules, regulations, codes of ethics and standards of conducts have been followed.



### J. C. Korale

BSc. MSc. FCA.FCMA, ACI Arb (UK), LLB (Hons) London  
Chairman, Audit Committee  
Colombo  
25th May 2016

# REMUNERATION COMMITTEE REPORT

## Composition of the Remuneration Committee

The Remuneration Committee appointed by the Board of Directors was comprised of three members, three Independent Non Executive Directors.

## Members of the Committee

Mr. G. C. B. Ranasinghe - Chairman \*

Mr. U. Gautam

Mr. T. M. Wijesinghe

\* Mr. G.C.B.Ranasinghe ceased to be a Director with effect from 06th April 2016.

## The Remuneration Policy

The policy is to ensure appropriate compensation levels to all employees in the organization in order to attract, retain and motivate talented staff with the core capabilities matched to its corporate objectives and in par with industry standards and also to ensure that the Company consistently delivers values to all stakeholders and to make the company more competitive and attractive.

## Activities of the Remuneration Committee

- To review and recommend to the Board of Directors the remuneration of the Chief Executive officer, Senior Management and other staff of the Company.
- To review and recommend to the Board of Directors the annual increments and bonuses.
- To ensure that the Remuneration package is linked to individual performance, responsibility, expertise and contribution to team and overall Company objectives.

The Committee consult the Chairman and the Chief Executive Officer as and when required, in achieving above objectives.

## Remuneration Committee Meetings

The Committee meets at least once each year and the minutes of the meetings are circulated to the Board.

## Retirement Benefits

There are no retirement benefits to employees other than gratuity.

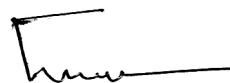
## Board of Directors

No remuneration is paid to Non-Executive Directors other than the directors fees paid based on their participation at Board meetings and other sub-committee meetings.

Total fees and remuneration paid to all Directors are disclosed on Note No. 34.2 page 122.

Non-Executive Directors are not entitled to retirement benefits.

The Company does not have a share option plan for Directors and No Director is entitled for Company loans.



**G. C. B. Ranasinghe**

Chairman, Remuneration Committee

Colombo

25th May 2016

# RISK COMMITTEE REPORT

## Overview

The primary responsibility for integrated risk management liaise with the Board of Directors and has delegated its authority to the Integrated Risk Management Committee (IRMC) being a Board appointed Sub Committee to review and assess the adequacy and effectiveness of the risk management policy of the Company.

A detailed approach of the Company's Integrated Risk Management process is discussed in page 56 to 57 of the Annual Report.

## Members of the Risk Committee

Mr.G.C.B.Ranasinghe acted as the Chairman of the Risk Committee.

The other members were appointed as per the Direction No 04 of 2009 of the Finance Leasing Act No 56 of 2000.

Mr. G. C.B.Ranasinghe - Chairman \*

Chief Executive Officer

Head of Finance

Head of Sales & Marketing

Head of Information Technology

Head of Legal & HR

\* Mr. G.C.B.Ranasinghe ceased to be a Director with effect from 06th April 2016.

## Number of Committee Meetings

The Committee met two times during the year.

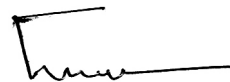
The attendance of the meetings were as follows.

	No. of meetings
Mr. G.C.B. Ranasinghe - Chairman	2
Chief Executive Officer	2
Head of Finance	2
Head of Sales & Marketing	2
Head of Information Technology	2
Head of Legal & HR	2

## Activities of the Committee

The Committee focused on the following activities during the year under review.

- Ensure that the Risk Management policy is established and properly followed up by the Company assessing all broad risk categories such as credit, market, liquidity, operational, strategic and regulatory risks of the Company through appropriate risk indicators
- Reviewing the adequacy and effectiveness of management level Committees such as Assets and Liability Management Committee (ALCO)
- Review and approval of the Business Continuity Plan of the Company
- Communication to the Board of Directors with respect to areas which needs Board's attention.



**G. C. B. Ranasinghe**

Chairman - Integrated Risk Management Committee

Colombo

25th May 2016

# RISK MANAGEMENT

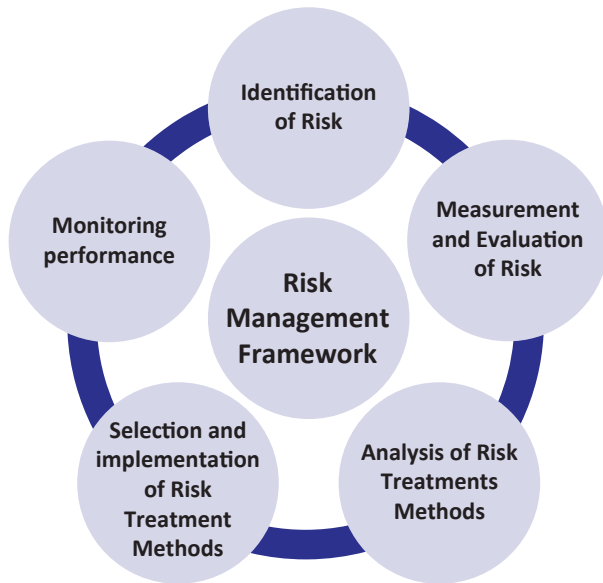
## Integrated Risk Management

### Introduction

“Risk” the uncertainty in the Business Environment has a continues and a rigorous impact on the Business Objectives of the Company. The Risk Management Strategy of the Company shows how effective the Company is managing the impact to it’s objectives caused by this uncertainty in the Business Environment.

The effectiveness of the Risk Management Strategy depends on the strength of the following activities.

- Identification of Risk
- Measurement and Evaluation of Risk
- Analysis of Risk Treatments Methods
- Selection and implementation of Risk Treatment Methods
- Monitoring performance

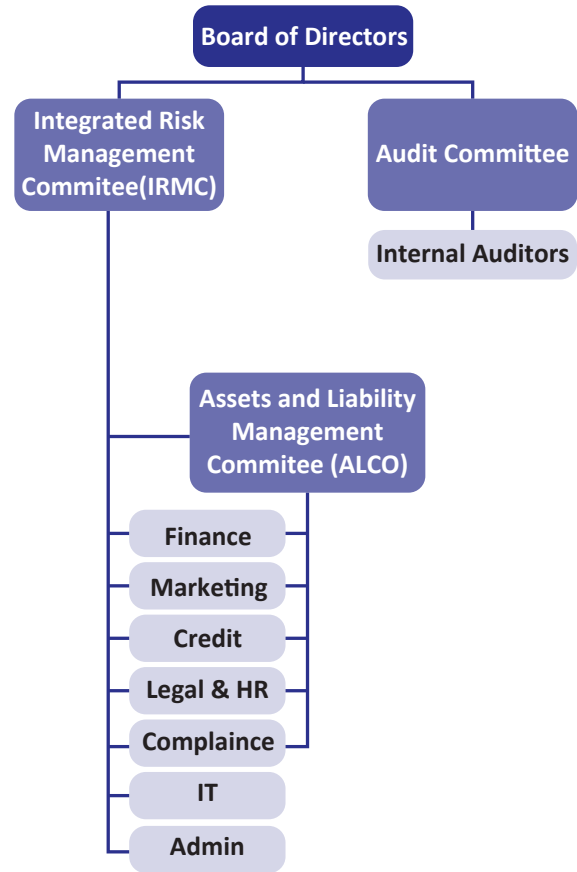


The primary responsibility for Integrated Risk Management liaise with the Board of Directors. As delegated by the Board of Directors the Integrated Risk Management Committee (IRMC) reviews and assess the adequacy and effectiveness of the risk management policy of the Company.

The Integrated Risk Management Committee (IRMC) consist of Committee Chairman, CEO and the Departmental heads. The Identification, Measurement and Evaluation of Risk routes through the Integrated Risk Management Committee (IRMC).

The Risk Factors are identified by the Risk Register which is updated at the Departmental level. These risk factors are discussed at the Integrated Risk Management Committee

## The Company’s Risk Management Structure



(IRMC) and high Risk Factors are brought to the attention of the Committee Members. The Risk Treatment Methods are proposed and selected at the Committee and the time plan for implementation of Risk Treatment Methods are decided at the Committee. Monitoring performance are done at the Departmental level and the performance are reported to the Integrated Risk Management Committee (IRMC). After evaluating the performance if the Integrated Risk Management Committee (IRMC) feels still the Risk is not mitigated and should be brought to the attention of the Board of Directors it is done via a Risk Report submitted by the Chairman of the Committee to the Board of Directors.

### Assets and Liability Management Committee (ALCO)

The ALCO functions as an independent committee. The main objective of the Committee is to evaluate the liquidity position, sources of funding and the market risk of the Company and to suggest for any remedial action and policy changes wherever needed.

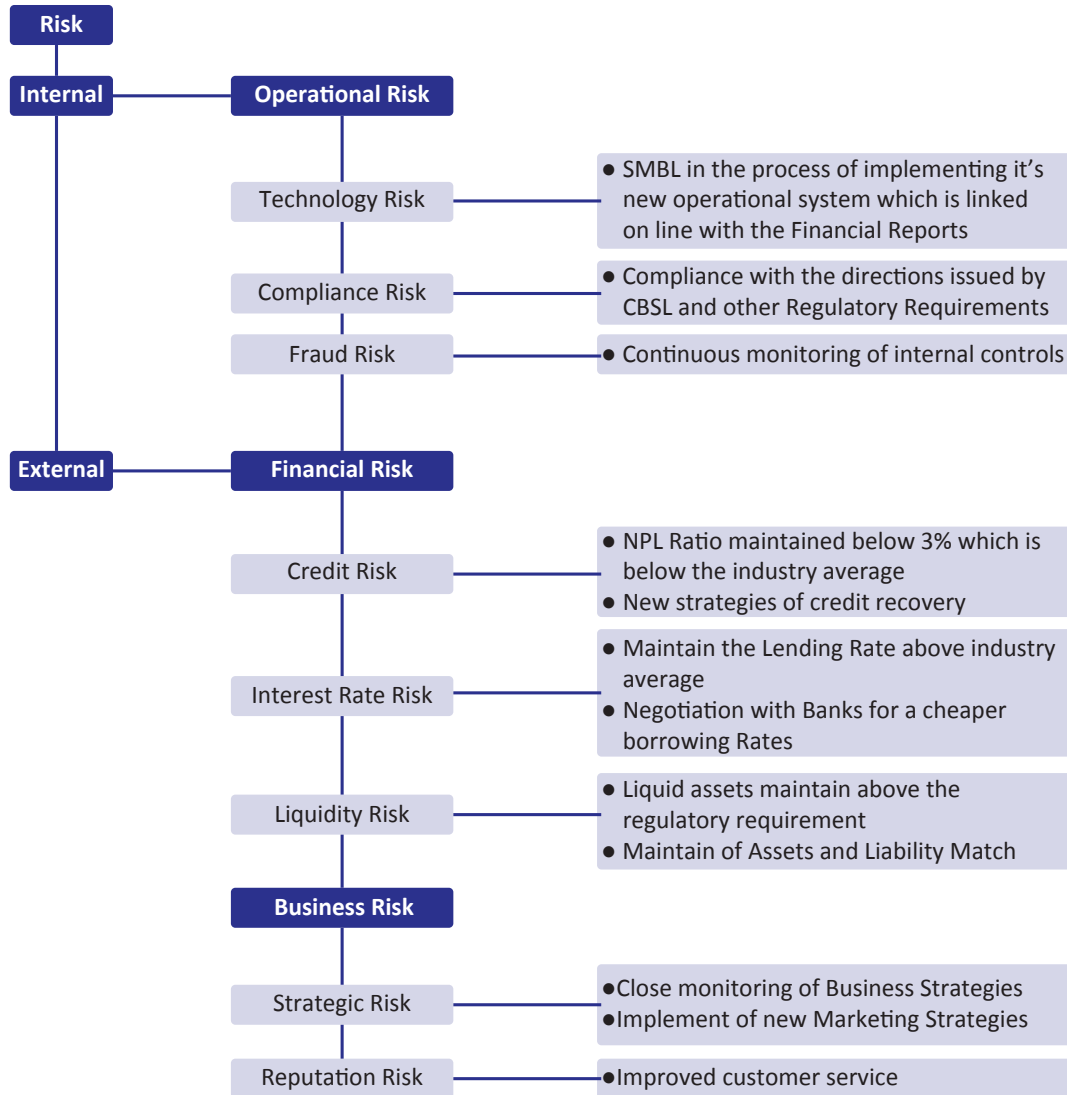
The main tasks of the Committee are as follows

- Analyze the liquidity position of the Company
- Seek and evaluate the sources of funding and the interest rates

# RISK MANAGEMENT ....

SMB Leasing PLC's Risk landscape

Approach in 2015 of Risk Management



- Analyze the lending portfolio and the interest rates
- Review the Assets and Liability Maturity Statement
- Analyze the Competitors' position
- Updation on the Rules and regulations and the amendments thereto

Based on its assessments, the ALCO recommends to the Integrated Risk Management Committee (IRMC) on any action it deems necessary to limit or mitigate and to manage the liquidity risks of the Company.

### Audit Committee and the Internal Auditors

The Audit Committee and the Internal Auditors plays a combine role in Risk Management.

Internal auditors carries out independent reviews of compliance with risk policies and procedures to ensure effectiveness of Risk Management procedures. In addition the internal auditors evaluate the Internal controls of the Company. Any deviations with the laid down procedure are reported to the Audit Committee. The recommended actions for deviations and non compliances are monitored and followed up by the Internal Auditors.

# SHAREHOLDER AND INVESTOR INFORMATION

## 1. Twenty Largest Shareholders

As at 31st December, 2015

### Ordinary Voting

Name		No. of Shares	%
1	Sampath Bank PLC/Dr. T Senthilverl Seylan Bank PLC/ Dr. T. Senthilverl	268,705,956 } 85,805,393 }	354,511,349 29.75
2	Mr. H R S Wijeratne	194,882,451	16.35
3	Standard Chartered Bank Singapore S/A HL Bank Singapore	72,916,100	6.12
4	Mrs. S. A. Fernando	40,452,878	3.39
5	Mr. W K V M Fernando & Mrs. K W S H Fernando	33,036,133	2.77
6	Mrs. K W S H Fernando & Mr. W K V M Fernando	32,452,991	2.72
7	Miss. W N C Fernando	27,700,596	2.32
8	Seylan Bank PLC/ Jayantha Dewage	15,157,671	1.27
9	Mr. A Sithampalam	13,380,242	1.12
10	Mr. R Gautam	13,200,000	1.11
11	Sinharaja Hills Plantation (Pvt) Limited	13,000,000	1.09
12	Andaradeniya Estate (Private) Limited	11,470,674	0.96
13	Mr. H K Pushpakumara	10,156,400	0.85
14	Mr. S P Kannangara (Decease)	6,000,000	0.50
15	Mrs.V R Jayasinghe	5,700,000	0.48
16	Mr. V R Kathiragamamby	5,250,000	0.44
17	Mr. C R Perera	5,100,000	0.43
18	Miss. S Durga	4,576,806	0.38
19	Commercial Credit and Finance PLC	4,001,000	0.34
20	Pan Asia Banking Corporation PLC/Mr.V R A Gunasekera	4,000,000	0.34
<b>Sub Total</b>		<b>866,945,291</b>	<b>72.73%</b>
<b>Others</b>		<b>324,821,481</b>	<b>27.27%</b>
<b>Total issued share capital</b>		<b>1,191,766,772</b>	<b>100.00%</b>

### Ordinary Non Voting

Name		No of Shares	%
1	Sampath Bank PLC/Dr. T Senthilverl Seylan Bank PLC/ Dr T Senthilverl	40,171,815 } 7,000,000 }	47,171,815 7.68
2	Mr. H K Pushpakumara	29,372,462	4.78
3	Mr. K E H De Alwis	27,687,368	4.51
4	Mr. R Gautam	23,750,000	3.87
5	Mr. M L A Benedict	16,645,000	2.71
6	Seylan Bank PLC/Jayantha Dewage	16,521,480	2.69
7	Waldock Mackenzie Ltd / Mr. S A Gulamhusein	11,429,880	1.86
8	Mr.C Nayagam	9,500,000	1.55
9	Mr. B L Jayaratne & Dr. Y S Liyanage	8,503,700	1.39
10	Seylan Bank PLC/K L G Udayananda	8,200,000	1.34
11	Miss. V Vijayaethchumy	7,198,841	1.17
12	Mr J A W Victoria	6,756,462	1.10
13	People's Leasing & Finance PLC/L T Samarawickrama	6,000,000	0.98
14	Mr J J Ravindran	5,240,000	0.85
15	Mr. W J D Benedict	5,100,000	0.83
16	Mrs. H Nalika Padmasiri	4,934,100	0.80
17	Mr. S Abishek	4,869,460	0.79
18	Miss. S Durga	4,537,000	0.74
19	Mr. S D Divakarage	4,524,990	0.74
20	Dr. C A Twerenbold	4,313,800	0.70
<b>Sub Total</b>		<b>252,256,358</b>	<b>41.08%</b>
<b>Others</b>		<b>361,809,743</b>	<b>58.92%</b>
<b>Total issued share capital</b>		<b>614,066,101</b>	<b>100.00%</b>

## SHAREHOLDER AND INVESTOR INFORMATION ....

As at 31st December 2014

### Ordinary Voting

Name		No. of Shares	%
1	Sampath Bank PLC/Dr. T Senthilverl Seylan Bank PLC/ Dr. T. Senthilverl	268,705,956 } 85,805,393 }	354,511,349 29.75%
2	Mr. H R S Wijeratne	194,882,451	16.35%
3	Standard Chartered Bank Singapore S/A HL Bank Singapore	72,916,100	6.12%
4	Ms. S. A. Fernando	43,553,403	3.65%
5	Mrs. K W S H Fernando	38,481,442	3.23%
6	Mr. W K V M Fernando	38,224,022	3.21%
7	Ms. W N C Fernando	31,496,398	2.64%
8	Seylan Bank PLC/ Jayantha Dewage	15,157,671	1.27%
9	Mr. R. Gautam	13,200,000	1.11%
10	Sinharaja Hills Plantation (Pvt) Ltd	13,000,000	1.09%
11	Mr. A Sithampalam	12,880,242	1.08%
12	Andaradeniya Estate (Private) Limited	11,470,674	0.96%
13	Mr. H K Pushpakumara	8,700,000	0.73%
14	Mrs.V R Jayasinghe	6,700,000	0.56%
15	Mr. S P Kannangara (Deceased)	6,000,000	0.50%
16	Mr. V R Kathiragamamby	5,250,000	0.44%
17	Mr. C R Perera	4,900,000	0.41%
18	Commercial Credit and Finance PLC	4,001,000	0.34%
19	Pan Aisa Banking Corporation PLC/Mr. V R A Gunasekera	4,000,000	0.34%
20	Mr. S P Jayakumar	3,060,647	0.26%
<b>Sub Total</b>		<b>882,385,399</b>	<b>74.04%</b>
<b>Others</b>		<b>309,381,373</b>	<b>25.96%</b>
<b>Total Issued Share Capital</b>		<b>1,191,766,772</b>	<b>100.00%</b>

### Ordinary Non Voting

Name		No of Shares	%
1	Sampath Bank PLC/Dr. T Senthilverl Seylan Bank PLC/ Dr T Senthilverl	40,171,815 } 7,000,000 }	47,171,815 7.68%
2	Mr. H K Pushpakumara	27,708,100	4.51%
3	Mr. K E H De Alwis	27,687,268	4.51%
4	Mr. R Gautam	23,750,000	3.87%
5	Mr. M L A Benedict	16,645,000	2.71%
6	Seylan Bank PLC/Mr. J Dewage	16,521,480	2.69%
7	Waldock Mackenzie Ltd / Mr. S A Gulamhusein	11,429,880	1.86%
8	Mr.C Nayagam	9,500,000	1.55%
9	Mr. B L Jayaratne	8,503,700	1.38%
10	People's Leasing & Finance PLC/Mr K L Udayananda	8,200,000	1.34%
11	Ms. V Vijayaletchumy	7,198,841	1.17%
12	Mr J A W Victoria	6,756,462	1.10%
13	People's Leasing & Finance PLC/Mr L T Samarawickrama	6,000,000	0.98%
14	Mr. W J D Benedict	5,100,000	0.83%
15	Mr J J Ravindran	5,040,000	0.82%
16	Mr. K Rajakanthan	5,000,000	0.81%
17	Mrs. H Nalika Padmasiri	4,934,100	0.80%
18	Mr. S Abishek	4,869,460	0.79%
19	Mr. S D Divakarage	4,500,000	0.73%
20	Dr. D A Twerenbold	4,313,800	0.70%
<b>Sub Total</b>		<b>250,829,906</b>	<b>40.85%</b>
<b>Others</b>		<b>363,236,195</b>	<b>59.15%</b>
<b>Total Issued Share Capital</b>		<b>614,066,101</b>	<b>100.00%</b>

## SHAREHOLDER AND INVESTOR INFORMATION ....

### 2. Stock Exchange Listing

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

### 3. Shareholder Base

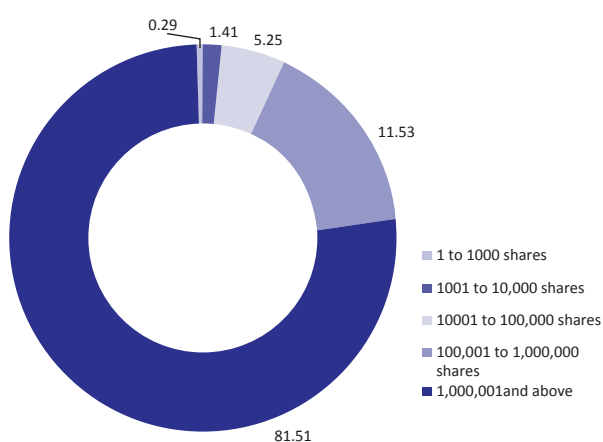
The Total number of (Ordinary Voting) shareholders as at 31st December 2015 were 10,269 compared to 10,360 as at 31st December 2014. The Total number of (Ordinary Non Voting) shareholders as at 31st December 2015 were 4,532 compared to 4,617 at 31st December 2014.

### 4. Distribution of shareholders

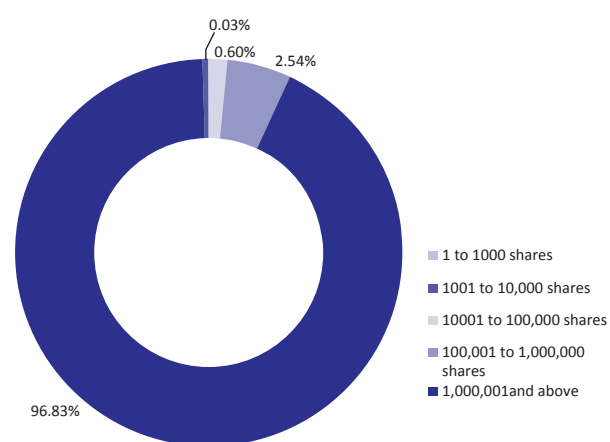
Ordinary Voting-Shareholding as at 31st December 2015

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	4,727	3,193,587	0.29	8	2,325	0.00	4,735	3,195,912	0.27
1,001 to 10,000 Shares	3,395	15,554,581	1.41	6	31,590	0.03	3,401	15,586,171	1.31
10,001 to 100,000 Shares	1,613	57,719,434	5.25	12	555,341	0.60	1,625	58,274,775	4.88
100,001 to 1,000,000 Shares	416	126,782,657	11.53	6	2,346,607	2.54	422	129,129,264	10.84
1,000,001 & above Shares	81	896,131,983	81.52	5	89,448,667	96.83	86	985,580,650	82.70
<b>Total</b>	<b>10,232</b>	<b>1,099,382,242</b>	<b>100.00</b>	<b>37</b>	<b>92,384,530</b>	<b>100.00</b>	<b>10,269</b>	<b>1,191,766,772</b>	<b>100.00</b>

Ordinary Voting - Resident



Ordinary Voting - Non Resident

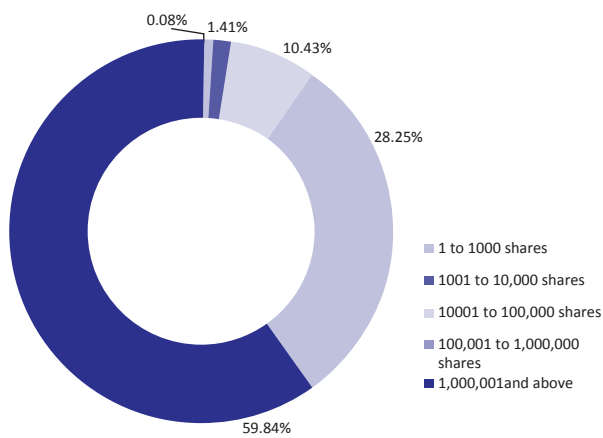


## SHAREHOLDER AND INVESTOR INFORMATION ....

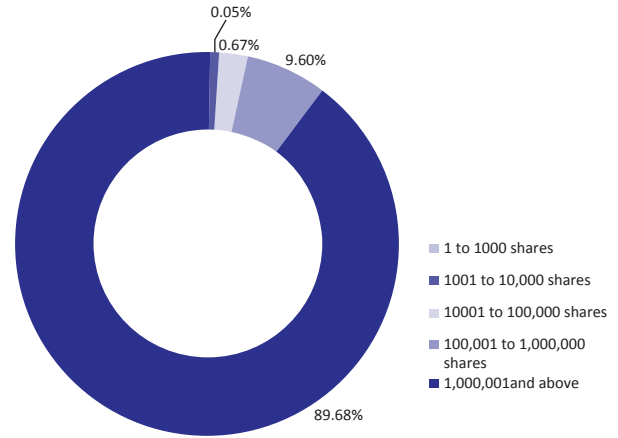
### Ordinary Non Voting -Shareholding as at 31st December 2015

Range of Shareholdings	Number of shareholders	Resident			Non Resident			Total		
		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	996	474,086	0.08	2	120	0.00	998	474,206	0.08	
1001 to 10,000 Shares	1,468	8,132,901	1.41	4	19,500	0.05	1,472	8,152,401	1.33	
10,001 to 100,000 Shares	1,417	60,147,142	10.43	6	249,935	0.67	1,423	60,397,077	9.84	
100,001 to 1,000,000 Shares	547	162,937,058	28.25	6	3,572,400	9.60	553	166,509,458	27.12	
1,000,001 & above Shares	80	345,159,159	59.84	6	33,373,800	89.68	86	378,532,959	61.64	
	<b>4,508</b>	<b>576,850,346</b>	<b>100.00</b>	<b>24</b>	<b>37,215,755</b>	<b>100.00</b>	<b>4,532</b>	<b>614,066,101</b>	<b>100.00</b>	

Ordinary Non Voting - Resident



Ordinary Non Voting - Non Resident



## SHAREHOLDER AND INVESTOR INFORMATION ....

### 5. Composition of Shareholders

#### Ordinary Voting Shares

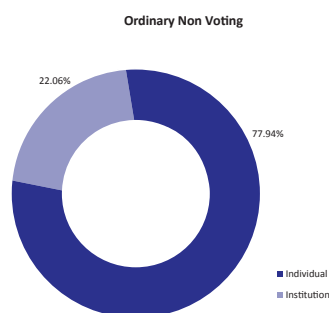
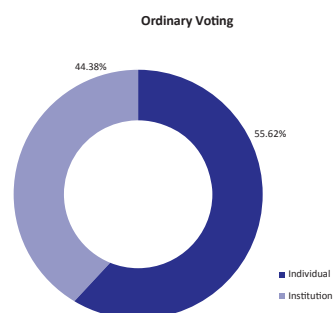
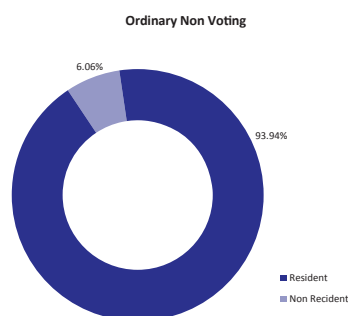
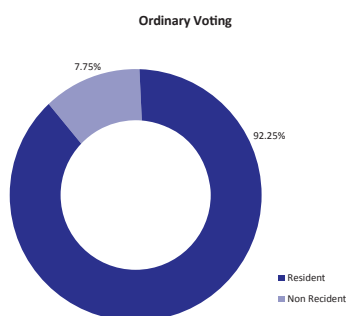
	31.12.2015			31.12.2014		
	Number of shareholders	No of Shares	(%) of Holdings	Number of shareholders	No of Shares	(%) of Holdings
Resident	10,232	1,099,382,242	92.25	10,325	1,186,301,259	99.54
Non-Resident	37	92,384,530	7.75	35	5,465,513	0.46
<b>Total</b>	<b>10,269</b>	<b>1,191,766,772</b>	<b>100.00</b>	<b>10,360</b>	<b>1,191,766,772</b>	<b>100.00</b>
Individual	10,062	662,814,525	55.62	10,237	1,072,911,649	90.03
Institution	207	528,952,247	44.38	123	118,855,123	9.97
<b>Total</b>	<b>10,269</b>	<b>1,191,766,772</b>	<b>100.00</b>	<b>10,360</b>	<b>1,191,766,772</b>	<b>100.00</b>

The percentage of Ordinary Voting Shares held by the public was 83.65% of the issued share capital as at 31st December 2015.

#### Ordinary Non Voting Shares

	31.12.2015			31.12.2014		
	Number of shareholders	No of Shares	(%) of Holdings	Number of shareholders	No of Shares	(%) of Holdings
Resident	4,508	576,850,346	93.94	4,593	596,500,766	97.14
Non-Resident	24	37,215,755	6.06	24	17,565,335	2.86
<b>Total</b>	<b>4,532</b>	<b>614,066,101</b>	<b>100.00</b>	<b>4,617</b>	<b>614,066,101</b>	<b>100.00</b>
Individual	4,433	478,588,630	77.94	4,577	599,963,281	97.70
Institution	99	135,477,471	22.06	40	14,102,820	2.30
<b>Total</b>	<b>4,532</b>	<b>614,066,101</b>	<b>100.00</b>	<b>4,617</b>	<b>614,066,101</b>	<b>100.00</b>

The percentage of Ordinary Non Voting Shares held by the public was 100.00% of the issued share capital as at 31st December 2015.



## SHAREHOLDER AND INVESTOR INFORMATION ....

### Directors' Shareholding as at 31st December 2015

		2015		2014	
		No of Shares	% of Holdings	No of Shares	% of Holdings
Mr. H.R.S Wijeratne	Voting	194,882,451	16.35	194,882,451	16.35
	Non Voting	-	-	-	-
Mr. U Gautam	Voting	-	-	-	-
	Non Voting	-	-	-	-
Mr. G.C.B Ranasinghe	Voting	-	-	-	-
	Non Voting	-	-	-	-
Mr. J.C Korale	Voting	-	-	-	-
	Non Voting	-	-	-	-
Dr. T.Senthilvel *	Voting	354,511,349	29.75	354,511,349	29.75
	Non Voting	47,171,815	-	47,171,815	7.68
	Voting Warrants	-	-	-	-
Mr. S.N.P Palihena	Voting	-	-	-	-
	Non Voting	-	-	-	-
Mr. T.M Wijesinghe	Voting	-	-	-	-
	Non Voting	-	-	-	-

\* Dr. T Senthilvel ceased to be a Director with effect from 14th October 2015

### Share Information

	2015	2014
<b>Book Value</b>		
Net Assets per Share-Group (Rs)	0.61	0.58
<b>Share Prices</b>		
<b>Ordinary Shares-Voting</b>		
Highest (Rs.)	1.50	1.80
Lowest (Rs.)	0.80	0.80
Last Traded (Rs.)	0.90	1.40
<b>Ordinary Shares-Non Voting</b>		
Highest (Rs.)	0.60	0.70
Lowest (Rs.)	0.30	0.30
Last Traded (Rs.)	0.40	0.50
<b>Earnings</b>		
Ordinary Shares		
Basic Earnings Per Share (Rs.)	0.03	0.04
Price Earning Ratio (Times)	30	35
<b>Frequency of Shares Traded</b>		
Number of Shares Traded		
Voting	113,394,057	527,271,051
Non Voting	55,760,780	341,213,576
<b>Number of Transactions</b>		
Voting	4,516	13,351
Non Voting	1,880	7,234
<b>Total Number of Shareholders</b>		
Voting	10,269	10,360
Non Voting	4,532	4,617
<b>Total Number of Public Shareholders</b>		
Voting	10,267	10,356
Non Voting	4,532	4,615
<b>Percentage of Public holding</b>		
Voting	83.65%	53.90%
Non Voting	100.00%	92.32%
<b>Market Capitalization</b>		
SMB Leasing PLC Value (Rs.Mn)	953	1,976



# FINANCIAL INFORMATION



# FINANCIAL CALENDAR

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Interim Financial Statements	Achievement in 2015	Target Date in 2016
1st Quarter	13th May 2015	15th May 2016
2nd Quarter	07th August 2015	15th August 2016
3rd Quarter	06th November 2015	15th November 2016
4th Quarter	11th February 2016	15th February 2017

## Annual Report and Financial Statements to Shareholders

2014 F/ Y	June 2015	
2015 F/Y		June 2016

## Annual General Meeting

2014 F/Y	23rd June 2015	
2015 F/Y		24th June 2016

F/Y - Financial year

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

The Directors of SMB Leasing PLC have pleasure in submitting their report together with the audited Financial Statements of the Company, Consolidated Financial Statements of the Group for the year ended 31st December 2015 and the Auditors' Report thereon. The Financial Statements were accepted and approved by the Board of Directors on 25th May 2016.

The details set out in the following report provide information required by the Companies Act No 07 of 2007 and the listing rules of the Colombo Stock Exchange and are guided by recommended best practices on Corporate Governance.

## Review of Performance for the year ended 31st December 2015

The operations of the Company for the year ended 31st December 2015 are reviewed in the Chairman's Message and the Chief Executive Officer's Message and in Management Discussion and Analysis.

## Principal Activities and the Structure

SMB Leasing PLC is a public limited liability Company incorporated in Sri Lanka on 3rd September 1992 under the Companies Act No 17 of 1982 and re-registered under the Companies Act No. 07 of 2007 (Reg :No PQ- 91) and registered as a Finance Leasing establishment under the Finance Leasing Act No.56 of 2000.

The Company is listed on the Main Board of the Colombo Stock Exchange in 1993.

During the year the Principal Activity of the Company was to carry out the business of Finance Leasing and Loans.

The major shareholder of the Company is Dr. T. Senthilverl who has a direct holding of 29.75% as at 31 December 2015.

## Principal Activities of the Subsidiary

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

## Principal Activities of Associates

SMB Securities (Pvt) Ltd is trading and dealing in Equity and Debt Securities 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.

## Financial Statements

The Financial Statements of the Group and the Company are given on page 75 to 80 of the Annual Report.

## Significant Accounting Policies

The Significant Accounting Policies adopted in the preparation of Financial Statements are given on page 81 to 101 of the Annual Report.

As per the accounting policy of the Company given in Note No. 2.11.2 on page 84 to the Financial Statements, the investment in Associates are accounted under the equity method and share of profit / (loss) of Associates of each financial year are accounted in the Group Financial Statements based on audited/unaudited financial statements of Associates. However, the Group has not received the audited/unaudited Financial Statements of Associate Companies for the year ended 31st December 2015, up to the approval of the Financial Statements by the Board of Directors. Accordingly, the Company has not accounted for the share of Profit/ (Loss) of Associate Companies for the year ended 31st December 2015.

## Auditors

The Financial Statements for the year ended 31st December 2015 have been audited by Messrs. KPMG, Chartered Accountants who offer themselves for re-appointment.

A resolution relating to their re-appointment and authorizing the Directors to determine their remuneration will be proposed at the Annual General Meeting.

The fees paid to the Auditors are disclosed in Note No. 10 on Page 102 of the Annual Report.

As far as the Directors are aware, the Auditors do not have any relationship with the Company other than that of Auditors. The Auditors have provided a declaration confirming their independence.

## Auditors' Report

The Auditors' Report on the Financial Statements is given on the page 74 of the Annual Report

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

### Board of Directors

The following were Directors of the Company for the year ended 31st December 2015.

Mr. H. R. S. Wijeratne (Chairman)

Mr. U. Gautam \*

Mr. G. C. B. Ranasinghe \*\*

Mr. J. C. Korale

Dr. T. Senthilverl \*\*\*

Mr. S. N. P. Palihena

Mr. T. M. Wijesinghe \*\*\*\*

\* Mr. U. Gautam was appointed as Deputy Chairman with effect from 05th April 2016.

\*\* Mr. G.C.B.Ranasinghe ceased to be a Director with effect from 06th April 2016.

\*\*\* Dr. T. Senthilverl ceased to be a Director with effect from 14th October 2015.

\*\*\*\* Mr. T.M. Wijesinghe appointed as a Director with effect from 3rd September 2015.

### Retirement of Directors

In terms of Article 87 of the Articles of Association of the Company Mr. J. C. Korale retires and being eligible to offer himself for re-election.

In terms of Article 91 of the Articles of Association of the Company Mr. T. M. Wijesinghe retires and being eligible to offer himself for re-election.

### Independent Directors

During the year the following Directors were acting as the Independent Non Executive Directors of the Company;

Mr. U. Gautam

Mr. G. C. B. Ranasinghe

Mr. J. C. Korale

Mr. S. N. P. Palihena

Mr. T. M. Wijesinghe

### Directors Shareholdings

The shareholdings of the Directors of the Company are shown on page 63 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 with the Company, except

those specified in Note No. 34 on page 122 of the Annual Report, which have been disclosed and declared at meetings of Directors.

### Interest Register

The Directors' Interest register is maintained by the Company and relevant disclosures are made where appropriate.

### Board Sub-Committees

The Board, while assuming the overall responsibility and accountability for the management of the Company has also appointed following Board sub-committees to ensure more effective control over certain affairs of the Company, conforming to the Code of Best Practice on Corporate Governance issued jointly by the Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka, the Listing Rules of the Colombo Stock Exchange and the Directions of the Finance Leasing Act No 56 of 2000.

- Audit Committee
- Remuneration Committee
- Integrated Risk Management Committee

Audit Committee Report is given on the page 52 of the Annual Report.

Remuneration Committee Report is given on the page 54 of the Annual Report.

Risk Committee Report is given on the page 55 of the Annual Report.

### Directors Fees and Remuneration

Directors Fees and Remuneration paid for the financial year ended 31st December 2015 are given on Note No. 34.2 on page 122 of the Annual Report.

### 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 the Sri Lanka Accounting Standards (SLFRS/LKAS) and Companies Act No. 07 of 2007, unless otherwise disclosed in Notes to the Financial Statements.

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

### Corporate Governance

The Board of Directors have acknowledged the responsibility to maintain an effective Corporate Governance Structure and process and to be in compliance with all relevant rules, regulations and best practices.

The Company being listed on the Colombo Stock Exchange is in compliance with the rules on Corporate Governance of the Colombo Stock Exchange. In addition, the Company is substantially in compliance with the Code of Best Practice on Corporate Governance issued jointly by the Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka and the Direction No 4 of 2009 on Corporate Governance of the Finance Leasing Act No 56 of 2000. Company's compliance with rules on corporate governance are given in corporate governance report on page 25 to 51.

### Risk Management and Internal Controls

The Board of Directors consider that strong internal controls are integrated to the sound management of the Company and is committed to maintain strict financial, operational and risk management controls over all activities of the Company.

The Company has ongoing process for identifying, evaluating and managing the risk that are faced by the Company and the Directors have reviewed this process through the Integrated Risk Management Committee and the Audit Committee.

### Compliance with Rules & Regulations

The Company has complied with the regulations and the directions issued by the Central Bank of Sri Lanka (CBSL) and Tax & other regulations applicable to the Company and have submitted all the returns and the details to the relevant parties by the due dates. In addition the Company complies with the Financial Transaction Reporting Act No 06 of 2006 and the Convention on the Suppression of Terrorist Financing Act No 25 of 2005, by sending a monthly report to the Financial Intelligence Unit (FIU) of Central Bank of Sri Lanka (CBSL).

Compliance Reports have been submitted to the Board on monthly basis confirming same.

### Going Concern

After considering the financial position as at the reporting date and considering the future prospects of the Company the Directors have a reasonable expectation that the Company has adequate resources to continue in operations in the foreseeable future. Therefore the Directors have adopted the assumption of going concern in preparing these Financial Statements.

### Statutory Payments

The Directors confirm that to the best of their knowledge and belief, all statutory payments in relation to all relevant regulatory and statutory authorities have been paid and provided for. A statement of compliance by the Board of Directors in relation to statutory payments is included in the Statement of Directors Responsibilities on page 73.

### Environmental Protection

The Directors have ensured that every possible step has been taken to comply with the relevant environmental laws and regulations in the country. The Company has not engaged in any activity that is harmful or hazardous to the environment.

### Financial Results of the Group

	2015	2014
	Rs Mn	Rs Mn
Profit after Tax	61.5	83.9
Un-appropriated profit brought forward	108.7	19
Profits available for appropriation	170.2	102.9
Other Comprehensive Expense	(2.6)	(0.2)
Transfers to Statutory Reserves	(3)	(3.9)
Transfers (to)/from Investment Fund Account	-	9.9
Un-appropriated profit carried forward	164.6	108.7

### Group Revenue

The revenue of the group was Rs. 178 Mn (2014 - Rs. 172 Mn). An analysis of revenue based on segments is disclosed in the segmental analysis on page 128 of the Annual Report.

### Financial Investments

Financial investments mainly comprise the investment portfolios, which have been segregated into different categories as required by Sri Lanka Accounting Standards (SLFRS / LKAS).

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

The amount of financial investments held by the Group as at 31st of December 2015 amounted to Rs. 15.1 Mn (2014 -Rs.18.1 Mn).

A detailed description of the financial investments is disclosed in Note No 16 on page 106 of the Annual Report.

### Property, Plant & Equipment

Details relating to Property, Plant & Equipment are disclosed in Note No 20 on page 112 of the Annual Report.

### Intangible Assets

The capital expenditure on acquisition of intangible assets during the year amounted to Rs. Nil (2014 - Nil).

The carrying value of intangible assets as at the reporting date amounted to Rs. 3.4 Mn (2014- Rs. 3.5 Mn).

Movement of intangible assets from the balance as at 1st January 2015 to balance as at 31st December 2015, additions and disposals made and amortization charge for the year is disclosed in the Note No 21 on page 114 of the Annual Report.

Following their initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses.

### Fair Value of Investment Properties

The Fair value of the investment property owned by the Company is stated in Note No 19.1 on page 111 of the Annual Report.

### Reserves

The reserves consist of Statutory Reserve Fund, Available For Sale Reserve and the Retained Reserves.

The reserves of the group are disclosed in the Statement of Changes in Equity on page 79 and in Note No 28-30 on page 116 of the Annual Report.

### Stated Capital

The Stated Capital of the Company as at 31 December 2015 was Rs.919,064,114 comprising 1,805,832,873 number of ordinary shares.

### Loan Capital

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

### 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 No 11 on page 103 of the Annual Report.

The group policy is to provide for deferred taxation on all known temporary differences as at the reporting date on the liability method. The deferred tax details of the Company is disclosed in Note No 11.3 on page 104 of the Annual Report.

### Donations

There were no donations made by the Company during the Year.

### Provisions

The Directors have taken all responsible steps to ensure adequate provisioning has been made for all known liabilities. The basis adopted for provisioning is disclosed in Accounting Policy No 4.12 on page 96 of the Annual Report.

As at the date of the Report, the Directors are not aware of any circumstances, which would render inadequate the amounts provided for in the Financial Statements.

### Related Party Transactions

The Directors have disclosed the transactions with Related Parties in terms of the Sri Lanka Accounting Standard LKAS 24 - Related Party Disclosures. The details of the Related Party Transactions are disclosed in Note No 34 on Page 122 of the Annual Report.

### Events After the Reporting Date

Events that have occurred after the reporting date have been disclosed in Note No 33 on page 121 of the Annual Report.

### Capital Commitments

The Capital Expenditure commitments is disclosed in Note No 32.1 on page 121 of the Annual Report.

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

### Contingent Liabilities

The Contingent Liabilities is disclosed in the Note No 32.2 on page 121 of the Annual Report.

### Share Information

Information relating to Earnings, Net Assets, and Market value per share and share trading is given on page 63 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 58 of the Annual Report.

### The distribution and analysis of the shareholders

The details of the distribution and analysis of shareholders is given on the page 60 to 62 of the Annual Report.

### Human Resources Policy

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

A brief description of the Company's HR Policy and the Remuneration Methodology is given in the Human Capital Management Report on page 18 to 19 of the Annual Report.

The Company's strength of manpower as at 31st December 2015 was 41 (2014 - 39)

### Code of Conduct and Ethics

The Company has adopted a Code of Business Conduct and Ethics for all its employees and has mandated that it should be followed without any exception. The Company has also adopted Code of Conduct and Ethics for Directors.

The directors and the Key Management Personnel had declared compliance with the relevant Code of Conduct and Ethics.

### Equitable treatment to Stakeholders and their interest

The Company has taken all steps to ensure the equitable treatment to all stakeholders. The Directors assure that the Company has taken necessary precautions to safe guard the interest of it's stakeholders.

### Annual Report

The Board of Directors approved the Company Financial Statements together with the reviews which forms part of the Annual Report on 25th May 2016. The appropriate number of copies will be submitted to the Colombo Stock Exchange, Central Bank of Sri Lanka, Sri Lanka Accounting and Auditing Standard Monitoring Board and the Registrar of Companies within the time frame.

### Annual General Meeting

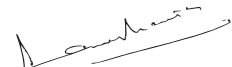
The Annual General Meeting will be held at the Renuka City Hotel, 328, Galle Road, Colombo 03 on 24th June 2016 at 9.30 a.m.

The notice of Annual General Meeting is given on page 131 to 132 of the Annual Report.

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



**H. R. S Wijeratne**  
Chairman



**U. Gautam**  
Deputy Chairman



**P W Corporate Secretarial (Pvt) Ltd.**  
Company Secretaries

Colombo.  
25th May 2016

# CEO & CFO'S RESPONSIBILITY STATEMENT

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The Financial Statements are prepared in compliance with the Sri Lanka Accounting Standards (SLFRS/LKAS) issued by the Institute of Chartered Accountants of Sri Lanka and the requirements of the Companies Act No. 07 of 2007.

There are no departures from the prescribed Accounting Standards in their adoption, unless otherwise disclosed in Notes to the Financial Statements.

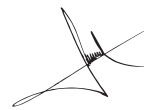
The Accounting Policies used in the preparation of the Financial Statements are appropriate and are consistently applied, unless otherwise disclosed in Notes to the Financial Statements.

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

The Financial Statements were audited by Messrs. KPMG, Chartered Accountants, the external auditors.

The Audit Committee of the Company meets periodically with the internal auditors and the external auditors to review the manner in which these auditors are performing their responsibilities and to discuss auditing, internal control and financial reporting issues. To ensure complete independence, the external auditors and the internal auditors have full and free access to the members of the Audit Committee to discuss any matter of substance.

It is also declared and confirmed that the Company ensured compliance with the guidelines for the audit of Listed Companies where required. It is further confirmed that all statutory payments have been appropriately settled by the Company.



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



**S. Gunathilake**  
Head of Finance

Colombo  
25th May 2016

# DIRECTORS' RESPONSIBILITY TO FINANCIAL REPORTING

The Directors of the Company state below their responsibilities in relation to the Financial Statements of the Company. These differ from the Auditors' responsibilities, which are set out in their report given on page 74.

The Companies Act No.07 of 2007 requires the Directors to prepare Financial Statements giving a true and fair view of the income of the financial year and the state of affairs of the Company as at the end of the financial year.

In preparing these Financial Statements the Directors are required to select appropriate Accounting Policies and apply them consistently, subject to any material departures being disclosed and explained and to make judgments and best estimates and to ensure Sri Lanka Accounting Standards (SLFRS /LKAS) have been followed.

The Directors are required to prepare these Financial Statements on going concern basis, unless it is not appropriate. Since the Directors are satisfied that the Company has the resources to continue in business for the foreseeable future, the Financial Statements continue to be prepared on the said basis.

The Directors consider that in preparing the Financial Statements on page 75 to 80, the Company has used appropriate accounting policies, consistently applied, unless otherwise disclosed in Notes to the Financial Statements and supported by reasonable judgments and best estimates and that all accounting standards which are applicable have been followed.

The Directors also have responsibility for ensuring that the Company keeps accounting records, which disclose with reasonable accuracy, the financial position of the Company and enable them to ensure that the Financial Statements complies with the Sri Lanka Accounting Standards (SLFRS/LKAS) and the requirements of the Companies Act No. 07 of 2007.

The Directors have further responsibility that all financial and nonfinancial requirements stipulated under the Companies Act No 07 of 2007 pertaining to Directors duties and responsibilities have been complied with.

The Directors have a general responsibility for taking such steps as are reasonably open to them, to safeguard the assets of the Company and to establish appropriate internal controls to prevent and detect fraud and other irregularities.

The Directors also confirm to the best of their knowledge, that all statutory payments in relation to all relevant regulatory and statutory authorities which were due and payable by the Company as at the reporting date have been paid or where relevant provided for.

The Directors are of the view that they have discharged their responsibilities as set out above.

On behalf of the Board.



**H. R. S Wijeratne**

Chairman

Colombo

25th May 2016

# INDEPENDENT AUDITORS' REPORT



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

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## TO THE SHAREHOLDERS OF SMB LEASING PLC

### Report on the Financial Statements

We have audited the accompanying financial statements of SMB Leasing PLC, ("the Company"), and the consolidated financial statements of the Company and its subsidiaries ("Group"), which comprise the statement of financial position as at 31st December 2015, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information set out on pages 75 to 128 of the annual report.

### Board's Responsibility for the Financial Statements

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

### Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board, as well as evaluating the overall presentation of the financial statements.

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

### Basis for Qualified Opinion

As per LKAS 28 "Investment in Associates", the Group should account for its investments in associates using the equity method of accounting. However, as disclosed in Note 17.3 to the financial statements, the Group has not recognized share of profit/(loss)

from associate companies for the year ended 31st December 2015 and accordingly, the Group has not applied the equity method of accounting for investment in associates as at 31st December 2015. We are unable to quantify the impact on the financial statements because of this non-compliance with the Sri Lanka Accounting Standards due to the non-availability of financial statements of the associates for the year ended 31st December 2015.

### Opinion

In our opinion, except for the effect of the matter described in the Basis for Qualified Opinion paragraph, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31st December 2015, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

### Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we state the following:

- a) The basis of opinion and scope and limitations of the audit are as stated above
- b) In our opinion:
  - we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company except for the matter described in the "Basis for Qualified Opinion" paragraph given above.
  - As explained in Note 17.3 to the financial statements, the Company has not received the financial statements of associate Companies for the year ended 31st December 2015. The Company has not assessed the adequacy of provision for impairment of investment in associates as at 31st December 2015, in the absence of financial statements of associate Companies.
  - Except for the effect of the matter described in the preceding paragraph, the financial statements of the Company give a true and fair view of the financial position as at 31st December 2015, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.
  - The financial statements of the Company, and the Group comply with the requirements of sections 151 and 153 of the Companies Act No. 07 of 2007.

**Chartered Accountants**  
Colombo  
25th May 2016

M.R. Mihular FCA	P.Y.S. Perera FCA	C.P. Jayatilake FCA
T.J.S. Rajakarier FCA	W.W.J.C. Perera FCA	Ms. S. Joseph FCA
Ms. S.M.B. Jayasekara ACA	W.K.D.C. Abeyrathne FCA	S.T.D.L. Perera FCA
G.A.U. Karunaratne FCA	R.M.D.B. Rajapakse FCA	Ms. B.K.D.T.N. Rodrigo FCA
R.H. Rajan ACA		

**Principals** - S.R.I. Perera FCMA (UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA

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.

# INCOME STATEMENT

For the year ended 31st December	Note	Company		Group	
		2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
Interest income	6.1	177,771	172,443	177,771	172,443
Interest expenses	6.2	(28,525)	(31,647)	(28,560)	(31,684)
<b>Net interest income</b>		149,246	140,796	149,211	140,759
Fee and commission income	7.1	4,231	3,945	4,231	3,945
Fee and commission expenses	7.2	-	(24)	-	(222)
<b>Net interest, fee and commission income</b>		153,477	144,717	153,442	144,482
Other operating income (net)	8	16,115	17,585	66,642	90,426
<b>Total operating income</b>		169,592	162,302	220,084	234,908
Reversal of Impairment for loans and Advances	9	2,062	22,660	2,062	22,595
<b>Net operating income</b>		171,654	184,962	222,146	257,503
Personnel expenses	10	(47,148)	(45,899)	(71,718)	(70,345)
Other expenses	10	(48,513)	(45,396)	(69,309)	(80,663)
<b>Operating profit before Value Added Tax (VAT)</b>		75,993	93,667	81,119	106,495
Value Added Tax (VAT) on financial services		(9,365)	(7,887)	(9,365)	(7,888)
<b>Profit before income tax</b>		66,628	85,780	71,754	98,607
Share of Losses of Associate Companies	17.3	-	-	-	(2,952)
Income tax expense	11	(5,998)	(6,776)	(8,431)	(9,289)
<b>Profit for the year</b>		60,630	79,004	63,323	86,366
<b>Profit attributable to :</b>					
Owners of the parent		60,630	79,004	61,534	83,932
Non-controlling interest		-	-	1,789	2,434
<b>Profit for the year</b>		60,630	79,004	63,323	86,366
Basic Earnings per share	12	0.03	0.04	0.03	0.05

The notes to the Financial Statements from pages 81 to 128 form an integral part of these financial statements.  
Figures in brackets indicate deductions.

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For The Year Ended 31st December	Company		Group	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
<b>Profit for the year</b>	60,630	79,004	63,323	86,366
<b>Other Comprehensive Income</b>				
Actuarial Loss on Defined Benefit Plans	(2,716)	(133)	(2,456)	(341)
Available for Sale investments - Net fair value change	-	(1,322)	-	(1,322)
Available for Sale investments - Impairment loss reclassified to profit or loss	1,322	-	1,322	-
<b>Other Comprehensive Expense for the Year (net of Tax)</b>	(1,394)	(1,455)	(1,134)	(1,663)
<b>Total Comprehensive Income for the Year</b>	59,236	77,549	62,189	84,703
<b>Total Comprehensive Income attributable to:</b>				
Owners of the parent	59,236	77,549	60,273	82,371
Non-controlling interest	-	-	1,916	2,332
<b>Total Comprehensive Income for the Year</b>	59,236	77,549	62,189	84,703

The notes to the Financial Statements from pages 81 to 128 form an integral part of these financial statements.  
Figures in brackets indicate deductions.

# STATEMENT OF FINANCIAL POSITION

As at 31st December	Note	Company		Group	
		2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
<b>Assets</b>					
Cash and cash equivalents	13	27,264	18,871	31,447	24,835
Placements with Banks	14	156,262	126,181	166,262	126,181
Loans and Receivables to other customers	15	1,053,788	923,890	1,052,774	921,550
Financial investments	16	7,291	7,712	15,140	18,177
Investments in Associates	17	108,757	108,757	119,313	119,313
Investments in Subsidiary	18	12,750	11,791	-	-
Investment Properties	19	33,730	33,730	39,892	38,977
Property, Plant & Equipment	20	7,222	9,876	12,350	16,745
Intangible Assets	21	3,406	3,553	3,406	3,553
Deferred Tax Assets	11.3	-	-	1,197	1,062
Other Assets	22	6,008	18,157	11,040	24,017
<b>Total Assets</b>		<b>1,416,478</b>	<b>1,262,518</b>	<b>1,452,821</b>	<b>1,294,410</b>
<b>Liabilities</b>					
Due to banks	23	80,409	-	80,409	-
Due to other customers	24	201,574	198,285	201,574	198,285
Other borrowings	25	-	-	3,332	3,077
Other Liabilities	26	37,256	26,230	47,184	34,915
<b>Total Liabilities</b>		<b>319,239</b>	<b>224,515</b>	<b>332,499</b>	<b>236,277</b>
<b>Equity</b>					
Stated Capital	27	919,064	919,064	919,064	919,064
Statutory Reserves	28	24,665	21,633	24,665	21,633
Available for sale reserve	29	-	(1,322)	-	(1,322)
Retained Earnings	30	153,510	98,628	164,608	108,689
<b>Total equity attributable to equity holders of the Company</b>		<b>1,097,239</b>	<b>1,038,003</b>	<b>1,108,337</b>	<b>1,048,064</b>
Non- controlling Interests		-	-	11,985	10,069
<b>Total Equity</b>		<b>1,097,239</b>	<b>1,038,003</b>	<b>1,120,322</b>	<b>1,058,133</b>
<b>Total Equity and Liabilities</b>		<b>1,416,478</b>	<b>1,262,518</b>	<b>1,452,821</b>	<b>1,294,410</b>

Figures in brackets indicate deductions.

The Notes to the Financial Statements from pages 81 to 128 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.



**S. Gunathilake**  
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 by,



**H. R. S. Wijeratne**  
Chairman



**U. Gautam**  
Deputy Chairman

Colombo  
25th May 2016

# STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December 2015	Stated Capital		Statutory Reserves		Available for Sale Reserve	Retained Earnings	Total
	Ordinary Voting Shares	Ordinary Non-Voting Shares	Statutory Reserve Fund	Investment Fund Account			
Company	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Balance as at 1st January 2014</b>	708,446	210,618	17,683	9,924	-	13,783	960,454
Profit for the year	-	-	-	-	-	79,004	79,004
Other Comprehensive Expense (net of tax)	-	-	-	-	(1,322)	(133)	(1,455)
<b>Total Comprehensive Income / (Expense) for the year</b>	-	-	-	-	(1,322)	78,871	77,549
Transfers to Investment Fund	-	-	-	1,044	-	(1,044)	-
Transfer from Investment fund to Retained Earnings	-	-	-	(10,968)	-	10,968	-
Transfers to Statutory Reserve	-	-	3,950	-	-	(3,950)	-
<b>Total transactions with equity holders</b>	-	-	3,950	(9,924)	-	5,974	-
<b>Balance as at 31st December 2014</b>	708,446	210,618	21,633	-	(1,322)	98,628	1,038,003
<b>Balance as at 1st January 2015</b>	708,446	210,618	21,633	-	(1,322)	98,628	1,038,003
Profit for the year	-	-	-	-	-	60,630	60,630
Other Comprehensive income / (Expense) (net of tax)	-	-	-	-	1,322	(2,716)	(1,394)
<b>Total Comprehensive Income for the year</b>	-	-	-	-	1,322	57,914	59,236
Transfers to Statutory Reserve	-	-	3,032	-	-	(3,032)	-
<b>Total transactions with equity holders</b>	-	-	3,032	-	-	(3,032)	-
<b>Balance as at 31st December 2015</b>	708,446	210,618	24,665	-	-	153,510	1,097,239

Figures in brackets indicate deductions.

The notes to the financial Statements from pages 81 to 128 form an integral part of these financial Statements.

## STATEMENT OF CHANGES IN EQUITY ....

For the year ended 31st December 2015

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	Statutory Reserve Fund	Investment Fund Account	Available for Sale Reserve	Retained Earnings			Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000			Rs. '000
Balance as at 1st January 2014	708,446	210,618	17,683	9,924	-	19,022	965,693	7,737	973,430
Profit for the year	-	-	-	-	-	83,932	83,932	2,434	86,366
Other comprehensive Expense (net of tax)	-	-	-	-	(1,322)	(239)	(1,561)	(102)	(1,663)
Total comprehensive income / (Expense) for the year	-	-	-	-	(1,322)	83,693	82,371	2,332	84,703
Transfers to Statutory Reserve	-	-	3,950	-	-	(3,950)	-	-	-
Transfers to Investment Fund	-	-	-	1,044	-	(1,044)	-	-	-
Transfer from Investment fund to Retained Earnings	-	-	-	(10,968)	-	10,968	-	-	-
Total transactions with equity holders	-	-	3,950	(9,924)	-	5,974	-	-	-
Balance as at 31st December 2014	708,446	210,618	21,633	-	(1,322)	108,689	1,048,064	10,069	1,058,133
Balance as at 1st January 2015	708,446	210,618	21,633	-	(1,322)	108,689	1,048,064	10,069	1,058,133
Profit for the year	-	-	-	-	-	61,534	61,534	1,789	63,323
Other comprehensive income / (Expense) (net of tax)	-	-	-	-	1,322	(2,583)	(1,261)	127	(1,134)
Total comprehensive income / (Expense) for the year	-	-	-	-	1,322	58,951	60,273	1,916	62,189
Transfers to Statutory Reserve	-	-	3,032	-	-	(3,032)	-	-	-
Total transactions with equity holders	-	-	3,032	-	-	(3,032)	-	-	-
Balance as at 31st December 2015	708,446	210,618	24,665	-	-	164,608	1,108,337	11,985	1,120,322

Figures in brackets indicate deductions.

The notes to the financial Statements from pages 81 to 128 form an integral part of these financial Statements.

# CASH FLOW STATEMENT

For the year ended 31 December	Company		Group	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
<b>Cash Flow from Operating Activities</b>				
Interest Receipts	194,377	167,532	194,377	167,532
Interest Payments	(31,921)	(23,146)	(32,983)	(23,183)
Fees and Commission Receipts	10,397	11,062	60,775	86,228
Cash Payments to Employees and Suppliers	(93,004)	(83,627)	(134,331)	(150,011)
Profit before Changes in Operating Assets	79,849	71,821	87,838	80,566
Loans and receivables to other customers	(129,898)	36,094	(131,224)	35,788
Other Assets	(39,346)	(2,616)	(38,518)	1,051
<b>Cash Generated from /(used in) Operating Activities</b>	<b>(89,395)</b>	<b>105,299</b>	<b>(81,904)</b>	<b>117,405</b>
Tax Paid	(10,472)	(7,888)	(13,444)	(10,186)
Gratuity Paid	(1,477)	(543)	(1,477)	(679)
<b>Net Cash Generated from /(used in) Operating Activities</b>	<b>(101,344)</b>	<b>96,868</b>	<b>(96,825)</b>	<b>106,540</b>
<b>Cash Flow from Investing Activities</b>				
Net (Increase)/Decrease in Financial Investments	-	-	2,598	(1,664)
Purchase of Property, Plant & Equipment	(801)	(627)	(912)	(3,611)
Proceeds from Disposal of Property, Plant & Equipment	2,615	-	2,615	36
<b>Net Cash Generated from /(Used in) Investing Activities</b>	<b>1,814</b>	<b>(627)</b>	<b>4,301</b>	<b>(5,239)</b>
<b>Cash Flow from Financing Activities</b>				
Increase/(Decrease) in Bank Borrowings	13,860	(6,829)	13,860	(6,829)
Increase/(Decrease) in Other Borrowings	(2,456)	(65,615)	(2,200)	(67,711)
Increase/(Decrease) in Other Liabilities	8,556	(3,600)	9,513	(6,534)
<b>Net Cash Generated from /(used in) Financing Activities</b>	<b>19,960</b>	<b>(76,044)</b>	<b>21,173</b>	<b>(81,074)</b>
<b>Net Increase / (Decrease) in Cash and Cash Equivalents</b>	<b>(79,570)</b>	<b>20,197</b>	<b>(71,351)</b>	<b>20,227</b>
Cash and Cash Equivalents at the beginning of the year	44,025	23,828	49,989	29,762
<b>Cash and Cash Equivalents at the end of the year (Note A)</b>	<b>(35,545)</b>	<b>44,025</b>	<b>(21,362)</b>	<b>49,989</b>
<b>Note A :</b>				
<b>Reconciliation of Cash and Cash Equivalents</b>				
Cash and cash equivalents	27,264	18,871	31,447	24,835
REPO investment with banks	3,740	25,154	13,740	25,154
	31,004	44,025	45,187	49,989
Bank Overdraft	(66,549)	-	(66,549)	-
<b>Cash and Cash Equivalents at the end of the year</b>	<b>(35,545)</b>	<b>44,025</b>	<b>(21,362)</b>	<b>49,989</b>

The Notes to the Financial Statements from pages 81 to 128 form an integral part of these Financial Statements.  
Figures in brackets indicate deductions.

# NOTES TO THE FINANCIAL STATEMENTS

## 1. Corporate Information

### 1.1 Reporting Entity

SMB Leasing PLC (the 'Company'), is a Public Limited Liability Company incorporated on 3rd September 1992 and domiciled in Sri Lanka. It is a specialized leasing company under the Finance Leasing Act No 56 of 2000. The Company has a primary listing on the Colombo Stock Exchange in 1993. The Company was re-registered under the Companies Act No. 07 of 2007.

Its registered office and the principal place of the business is at No 110, D.S.Senanayeke Mawatha, Colombo 08.

### 1.2 Consolidated Financial Statements

The consolidated financial statements of the Group for the year ended 31st December 2015 comprise SMB Leasing PLC (Parent Company), its subsidiary (together referred to as the 'Group') and the Group's interest in its associate companies.

### 1.3 Number of Employees

The staff strength of the Company as at 31st December 2015 is 41 (2014 - 39).

### 1.4 Principal Activities and Nature of Operations

#### Company

##### SMB Leasing PLC

The principal business activity is providing Finance Leases and Loans.

#### Subsidiary

##### SMB Money Brokers (Pvt) Ltd

The principal business activity is money brokering activities.

#### Associates

##### SMB Securities (Pvt)Ltd

The principal business activity is trading and dealing in Equity and Debt Securities in the Colombo Stock Exchange.

##### SMB Real Estate Ltd

The principal business activity is Real Estate Development.

##### Kenanga Investment Corporation Ltd

The principal business activity is Investment Banking and providing advisory services.

#### The percentage of ownership is as follows.

Shareholdings in Subsidiaries and Associates	Holding Percentage
SMB Money Brokers (Pvt)Ltd	50.99%
SMB Securities (Pvt)Ltd	49.50%
SMB Real Estate Ltd	49.00%
Kenanga Investment Corporation Ltd	49.00%

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

## Notes to the Financial Statements ....

### 2. Basis of Preparation

#### 2.1 Basis of Measurement

The Financial Statements of the Company and the Group have been prepared on the historical cost basis except for the following items in the Statement of Financial Position:

Item	Basis of measurement	Note No.	Page
Financial Investments Available for Sale (AFS)	Fair value	16.1	107
Financial Assets held for trading (FVTPL)	Fair value	16.2	108
Defined Benefit Obligation	Liability is recognised at the present value of the defined benefit obligation, plus unrecognised actuarial gains, less unrecognised past service cost and unrecognised actuarial losses.	26.1	115

#### 2.2 Statement of Compliance

The consolidated Financial Statements of the Group and Separate Financial Statements of the Company, as at 31 December 2015 and for the year then ended, have been prepared and presented in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS), laid down by the Institute of Chartered Accountants of Sri Lanka and in compliance with the requirements of the Companies Act No. 07 of 2007.

These Consolidated Financial Statements include the following components :

- An Income Statement, Statement of Profit or Loss and Other Comprehensive income providing the information on the financial performance of the Company and the Group for the year under review (Refer page 75 to 76)
- a Statement of Financial Position providing the information on the financial position of the Company and the Group as at the year end (Refer page 77);
- a Statement of Changes in Equity depicting all changes in shareholders' equity during the year under review of the Company and the Group (Refer page 78 to 79)

- a Statement of Cash Flows providing the information to the users, on the ability of the Company to generate cash and cash equivalents and the needs of entity to utilise those cash flows (Refer page 80)
- Notes to the Financial Statements comprising Accounting Policies and other explanatory information (Refer page 81 to 128)

#### 2.3 Responsibility for Financial Statements

The Board of Directors is responsible for preparation and presentation of these Financial Statements of the Company and the Group as per the provision of the Companies Act No. 07 of 2007 and SLFRS/LKAS.

The Board of Directors acknowledges their responsibility as set out in the Annual Report of the Board of Directors on the Affairs of the Company, and Directors' Responsibility for Financial Reporting on page 67 and 73 respectively.

#### 2.4 Approval of Financial Statements by the Board of Directors

The Financial Statements of the Company and the Group for the year ended 31st December 2015 (including comparatives) were approved and authorised for issue in accordance with the resolution of the Board of Directors on 25th May 2016.

## Notes to the Financial Statements ....

### 2.5 Presentation of Financial Statements

The assets and liabilities of the Company and the Group in the Statement of Financial Position are grouped by nature and listed in an order that reflects their relative liquidity and maturity pattern.

An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note No. 36 on page 127 (Current/ non-current analysis). No adjustments have been made for inflationary factors affecting the Financial Statements.

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously. Income and expenses are not offset in the consolidated income statement unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Group.

### 2.6 Functional and Presentation Currency

The consolidated financial statements are presented in Sri Lankan Rupees (Rs.), which is the Group's functional and presentation currency.

### 2.7 Materiality & Aggregation

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

### 2.8 Rounding

The amounts in the Financial Statements have been rounded-off to the nearest Rupees thousands, except where otherwise indicated as permitted by the Sri Lanka Accounting Standard LKAS 01 - Presentation of Financial Statements.

### 2.9 Comparative Information

The comparative information has been restated and reclassified in order to be in line with the current year's classification and to provide a better presentation.

### 2.10 Going Concern

The Group's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for a foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the Financial Statements continue to be prepared on the going concern basis.

### 2.11 Basis of Consolidation

The consolidated financial statements comprise of financial statements of the Company, its subsidiary and its associate companies for the year ended 31st December 2015.

The financial statements of the Company's subsidiary and associates are prepared for the same reporting year using consistent accounting policies.

### 2.11.1 Subsidiaries

Subsidiaries are entities that are controlled by the Group. Subsidiaries are fully consolidated from the date on which control is transferred to the Company and continue to be consolidated until the date when such control ceases. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Intra-group balances and transactions, income, expenses and any unrealised gains arising from intra-group transactions are eliminated in full in preparing the Consolidated Financial Statements.

Non controlling interests represent the portion of profit or loss and net assets of subsidiaries not owned, directly or indirectly, by the Company.

## Notes to the Financial Statements ....

Non controlling interests are presented separately in the consolidated income statement. and within equity in the consolidated Statement of Financial Position, but separate from parent shareholders' equity.

Any losses applicable to the non-controlling interests are allocated against the interests of the non controlling interest even if this results in a deficit balance. Acquisitions of non- controlling interests are accounted for using the parent entity extension method, whereby the difference between the consideration and the fair value of the share of the net assets acquired is recognised as equity.

Investment details of the Subsidiary within the Group are provided in Note No. 18 on page 110 to the financial statements.

The financial statements of the Company's subsidiary are prepared for the same reporting year, using consistent accounting policies.

The subsidiary of the Company has been incorporated in Sri Lanka.

### 2.11.2 Associates

Associate is an entity in which the Company has significant influence, but no control over the financial and operating policies. Significant influence is presumed to exist when the Company holds between 20 and 50 percent of the voting power of another entity.

Investment in Associate is accounted for using the Equity method and is recognised initially at cost in terms of the Sri Lanka Accounting Standard LKAS 28 - Investments in Associates. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortized but is subjected to impairment test. The Company's investments include goodwill identified on acquisition, net of any accumulated impairment losses.

The Consolidated Financial Statements include the Company's share of the income and expenses and equity movements of the Associate, after adjustments being made to align the accounting policies with those of the Group from the date that significant influence effectively commences until the date that significant influence effectively ceases.

When the Company's share of losses exceeds its interest in the Associate, the carrying amount of that interest is reduced to nil and the recognition of further losses is discontinued except to the extent that the Company has an obligation or made payments on behalf of the Associate. If the Associate subsequently reports profits, the Company resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

Profit and losses resulting from transactions between the Company and the Associate are eliminated to the extent of the interest in the Associate. The Company discontinues the use of the Equity method from the date that it ceases to have significant influence over an Associate and accounts for the investment cost in accordance with the Sri Lanka Accounting Standard LKAS 39 - Financial Instruments: Recognition and measurement.

Investment details of the Associate within the Group are provided in Note No 17 on page 110 to the financial statements.

### 2.11.3 Loss of Control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary any non-controlling interest and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee.

### 2.11.4 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.

## Notes to the Financial Statements ....

### 3. Significant Accounting Estimates and Assumptions

The preparation of the Financial Statements of the Company and the Group in conformity with 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 expenses. Further, management is also required to consider key assumptions concerning the future and other key sources of estimation uncertainty at the Reporting date that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Actual results may differ from these estimates.

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

The key significant accounting judgments, estimates and assumptions involving uncertainty are discussed below, whereas the respective carrying amounts of such assets and liabilities are as given in following Notes.

Critical Accounting Estimate /Judgment	Disclosure Reference	
	Note	Page
Impairment of Loans and Advances	15.4	106
Valuation of Employee Benefit Obligation - Gratuity	26.1	115
Deferred Taxation - Utilisation of Losses	11.3	104

#### 3.1 Impairment for Loans and Receivable

The Group and Company reviews its individually significant loans and Receivables at each statement of financial position date to assess whether an impairment loss should be recorded in the Income Statement. In particular, management's judgment is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

Loans and receivables that have been assessed individually and found not to be impaired and all individually insignificant loans and Receivables are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether provision should be made due to incurred loss events for which there is objective evidence, but the effects of which are not yet evident. The collective assessment takes account of data from the loan portfolio (such as levels of arrears, characteristic of assets, etc.), and judgments on the effect of concentrations of risks and economic data. The impairment loss on loans and receivable is disclosed in Note No. 9 on page 102.

#### 3.2 Impairment of Available for Sale Investments

The Group and Company reviews its Financial Assets classified as available for sale investments at each reporting date to assess whether they are impaired. This requires similar judgments as applied to the individual assessment of loans and Receivables.

The Group and Company also records impairment charges on available for sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is 'significant' or 'prolonged' requires judgments. In making these judgments, the Group and Company evaluates, among other factors, historical share price movements and duration and extent to which the fair value of an investment is less than its cost.

#### 3.3 Taxation

The Group and Company is subject to income taxes and other taxes including VAT on financial services. Significant judgment is required to determine the total provision for current, deferred and other taxes. Uncertainties exist, with respect to the interpretation of the applicability of tax laws, at the time of the preparation of these financial statements.

The Group and Company recognized assets and liabilities for current, deferred and other taxes based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters are different from the amounts that were initially recorded, such differences will impact the income, deferred tax amounts in the period in which the determination is made.

## Notes to the Financial Statements ....

### 3.4 Deferred Tax Assets

Deferred tax assets are recognised in respect of tax losses to the extent it is probable that future taxable profit will be available against which the losses can be utilised. Judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax-planning strategies.

### 3.5 Defined Benefit Plans

The cost of the defined benefit obligation is determined using Internally Developed Method. This includes making assumptions about discount rates, future salary increases, Retirement age. Due to the long term nature of such obligation, these estimates are subjected to significant uncertainty. All assumptions are reviewed at each reporting date.

Further, details are given in Note 26.1 on page 115 to these Financial Statements.

## 4. Significant Accounting Policies

### 4.1 Financial Assets and Financial Liabilities

#### 4.1.1 Non Derivative Financial Assets

##### Initial Recognition and Measurement

All financial assets and liabilities except regular way trades are initially recognised on the trade date, i.e., the date that the Group and Company becomes a party to the contractual provisions of the instrument.

'Regular way trades' means purchases or sales of financial assets that requires delivery of assets within the time frame generally established by regulation or convention in the market place. Those trades are initially recognised on the settlement date.

The classification of financial instruments at initial recognition depends on their purpose and characteristics and the management's intention in acquiring them. All financial instruments are measured initially at their fair value plus transaction costs that are directly attributable to acquisition or issue of such financial instrument, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss as per the Sri Lanka Accounting Standard LKAS 39 - Financial Instruments: Recognition and Measurement.

At inception a financial asset is classified under one of the following categories:

- i) Fair value through profit or loss (FVTPL)
- ii) Loans and receivables (L&R)
- iii) Held to maturity (HTM)
- iv) Available-for-sale (AFS)

The company & group determine the classification of its financial assets at initial recognition.

The classification depends on the purpose for which the investments were acquired or originated (i.e. intention) and based on the group's ability to hold. The company derecognises financial assets when the contractual rights to the cash flows from the asset expire or it transfers the right to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in a transferred financial asset that is created or retained by the company is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position when and only when the company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Company's existing Non Derivative Financial Assets and their classifications are summarized in the below table.

Financial Asset	Category			
	FVTPL	AFS	L&R	HTM
Cash and Cash Equivalents			√	
Placements with Banks			√	
Loans and Receivables to Other Customers			√	
Investments in Unquoted Shares		√		
Investments in Quoted Shares	√	√		
Investments in Treasury Bonds				√

## Notes to the Financial Statements ....

### Subsequent Measurement

#### a) Fair Value through Profit or Loss (FVTPL)

Financial assets at fair value through profit or loss include equities that have been acquired principally for the purpose of Trading. Financial investments held for trading are recorded in the Statement of Financial Position at fair value. Changes in fair value are recognized in other operating income. Dividend income is recorded in other operating income when the right to receive the payment has been established.

#### b) Available for Sale Financial Investments (AFS)

Available for sale financial investments include investments in equity which are neither classified as held for trading nor designated at fair value through profit or loss.

After initial measurement, available for sale financial investments are subsequently measured at fair value.

Unrealised gains and losses are recognised directly in equity as 'Available for Sale Reserve' through Other Comprehensive Income (OCI). When the investment is disposed off the cumulative gain or loss previously recognised in equity is reversed and recognized in Statement of Comprehensive Income as 'Other operating income'.

Dividends earned whilst holding available for sale financial investments are recognised in the Statement of Comprehensive income as 'Other operating income' when the right of the payment has been established. The losses arising from impairment of such investments are recognised in the Income Statement under 'Impairment charges for loans and advances' and removed from the 'Available for sale reserve'.

#### c) Held to Maturity Financial Investments (HTM)

Held to maturity financial investments are non-derivative financial assets with fixed or determinable payments and fixed maturities, which the Group and Company

has the intention and ability to hold till maturity. After initial measurement, held to maturity financial investments are subsequently measured at amortised cost using the EIR, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The amortisation is included in other operating income in the Statement of Comprehensive Income. The losses arising from impairment of such investments are recognised in the Income Statement under 'impairment charges for loans and advances'.

If the Group were to sell or reclassify more than an insignificant amount of held to maturity investments before maturity (other than in certain specific circumstances), the entire category would be tainted and would be reclassified as available for sale. Furthermore, the Group would be prohibited from classifying any financial asset as held to maturity during the following two years.

#### d) Loans and Receivables (L&R)

Financial assets classified as loans and receivables include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

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

After initial measurement, 'Loans and receivables' are subsequently measured at amortised cost using the EIR, less allowance for impairment. Amortised 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 amortisation is included in other

## Notes to the Financial Statements ....

operating income in the Statement of Comprehensive Income. The losses arising from impairment are recognised in the Statement of Comprehensive Income under 'impairment charges for loans and receivables'.

### 'Day 1' Difference for Staff Loans

All staff loans granted at below market interest rates were recognised at fair value. The difference between the fair value and the amount disbursed were treated as 'day 1' difference and amortised as staff cost over the loan period by using effective interest rate (EIR). The staff loans were subsequently measured at amortised costs.

#### 4.1.2 Non Derivative Financial Liabilities

At the inception the Group and Company determines the classification of its financial liabilities. Accordingly financial liabilities are classified as:

- a) Financial liabilities at fair value through profit or loss (FVTPL)
- b) Financial liabilities at amortised cost.

The subsequent measurement of financial liabilities depends on their classification.

#### a) Financial Liabilities at Fair Value through Profit or Loss(FVTPL)

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through profit or loss. Subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, and changes there in recognised in profit or loss.

Financial liabilities are classified as held for trading if they are acquired principally for the purpose of selling or repurchasing in the near term or holds as a part of a portfolio that is managed together for short-term profit or position taking.

Gains or losses on liabilities held for trading are recognised in the Income Statement.

#### b) Financial Liabilities at Amortised Cost

Financial Instruments issued by the Group that are not designated at fair value through profit or loss, are classified as liabilities under 'due to other customers', where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares at amortised cost using the EIR method.

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

The details of the Group's financial liabilities at amortised cost are shown in Note No. 31.1.4 on page 118 to the Financial Statements.

#### 4.1.3 Fair Value Measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

## Notes to the Financial Statements ....

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Company determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Company measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Company on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The Company recognizes transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

### Level 1 Valuation

When available, the Company 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.

### Level 2 Valuation

If a market for a financial instrument is not active, then the Company 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 Company, 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. The Company calibrates valuation techniques and tests them for validity using prices from observable current market transactions in the same instrument or based on other available observable market data.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e. the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument, i.e. without modification or repackaging, or based on a valuation technique whose variables include only data from observable markets. When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognised in income statement on an appropriate basis over the life of the instrument but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

### Level 3 Valuation

Any difference between the fair value at initial recognition and the amount that would be determined at that date using a valuation technique in a situation in which the valuation is dependent on unobservable is not recognised in income statement immediately but is recognised over the life of the instrument on an appropriate basis or when the instrument is redeemed, transferred or sold, or the fair value becomes observable.

## Notes to the Financial Statements ....

Assets and long positions are measured at a bid price; liabilities and short positions are measured at an asking price. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Company and the counter party where appropriate. Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties; to the extent that the Company believes a third-party market participant would take them into account in pricing a transaction.

Please refer fair value hierarchy disclosed in Note No. 31.3 on page 119.

### 4.1.4 Reclassification of Financial Assets

The Group does not reclassify any Financial Asset into the 'fair value through profit or loss' category after initial recognition. Also the Group does not reclassify any financial instrument out of the 'fair value through profit or loss' category if upon initial recognition it was designated as at fair value through profit or loss.

The Group reclassifies non derivative financial assets out of the 'held for trading' category and into the 'available for sale', 'loans and receivables', or 'held to maturity' categories as permitted by the Sri Lanka Accounting Standard LKAS 39 - Financial Instruments: Recognition and Measurement. In certain circumstances the Group is also permitted to reclassify financial assets out of the 'available for sale' category and into the 'loans and receivables', 'held for trading' or 'held- to- maturity' category.

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

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

The Group may reclassify a non-derivative trading asset out of the 'held for trading' category and into the 'loans and receivables' category if it meets the definition of loans and receivables and the Group has the intention and ability to hold the financial asset for the foreseeable future or until maturity.

If a financial asset is reclassified, and if the Group subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognised as an adjustment to the EIR from the date of the change in estimate.

Reclassification is at the election of management, and is determined on an instrument by instrument basis.

### 4.1.5 Derecognition of Financial Assets and Financial Liabilities

#### Financial Assets

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

- The rights to receive cash flows from the asset which have expired;
- The Group and Company 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;
- The Group and Company has transferred substantially all the risks and rewards of the asset ;or
- The Group and Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset and consideration received and any cumulative gain or loss that has been recognised is recognised in profit or loss. When the Group and Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset,

## Notes to the Financial Statements ....

the asset is recognized to the extent of the group's continuing involvement in the asset. In that case, the group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the group could be required to repay.

### Financial Liabilities

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

#### 4.1.6 Securities Purchased under Reverse Repurchase Agreements

Securities purchased under agreements to re-sell at a specified future date are not recognised in the Statement of Financial Position. The consideration paid, including accrued interest, is recorded in the Statement of Financial Position reflecting the transaction's economic substance as a loan by the Group. The difference between the purchase and resale prices is accrued over the life of the agreement using the EIR and recorded in Other Operating income.

#### 4.1.7 Identification and measurement of Impairment of Financial Assets

The Group assesses at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets are impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial

recognition of the asset (an 'incurred loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

#### a) Loans and Receivables (L&R)

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

#### b) Individually Assessed Loans and Receivables

For all loans that are considered individually significant, the Company & Group assesses on a case-by-case basis at each reporting date whether there is any objective evidence that a loan is impaired. When there is objective evidence of impairment, losses are determined on individual basis.

Impairment losses are calculated by discounting the expected future cash flows of a loan at its original effective interest rate and comparing the resultant present value with the loan's current carrying amount. The impairment allowances on individually significant accounts are reviewed more regularly when circumstances require. This normally encompasses re-assessment of the enforceability of any collateral held and the timing and amount of actual and anticipated receipts. Individually assessed impairment allowances are only released when there is reasonable and objective evidence of a reduction in the established loss estimate.

#### c) Collectively Assessed Loans and Receivables

Impairment is assessed on a collective basis to cover losses which have been incurred but have not yet been identified on loans subject to individual assessment.

## Notes to the Financial Statements ....

The collective impairment allowance is determined after taking into account;

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

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

### d) Write-off of Loans and Advances

Loans (and the related impairment allowance accounts) are normally written off, either partially or in full, when there is no realistic prospect of recovery. Where loans are secured, this is generally after receipt of any proceeds from the realization of security.

### e) Renegotiated 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 EIR 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 any 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 EIR.

### f) Reversals of Impairment

If the amount of an impairment loss decreases in a subsequent period, and the decrease can be related objectively to an event occurring after the

impairment was recognised, the excess is written back by reducing the loan impairment allowance account accordingly. The write-back is recognised in the Income Statement.

### g) Available for Sale Financial Investments (AFS)

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

The equity investments classified as available for sale, objective evidence include a 'significant' or 'prolonged' decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the Income Statement is removed from equity and recognised in the Income Statement. Impairment losses on equity investments are not reversed through the Income Statement; increases in the fair value after impairment are recognised in other comprehensive income.

### h) Held to Maturity Financial Assets (HTM)

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

### 4.1.8 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 recognised amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

## Notes to the Financial Statements ....

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

### 4.2 Leasing

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

#### a) Group as a Lessee

Leases that do not transfer to the Group substantially all the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognised as an expense in the Income Statement on a straight line basis over the lease term. Contingent rental payable is recognised as an expense in the period in which they are incurred.

### 4.3 Property, Plant and Equipment

#### 4.3.1 Basis of Recognition

Property, Plant and Equipment are tangible items that are held for servicing, or for administrative purposes, and are expected to be used during more than one year.

Property, Plant and Equipment is recognised if it is probable that future economic benefits associated with the asset will flow to the Group and cost of the asset can be measured reliably.

#### 4.3.2 Basis of Measurement

An item of Property, Plant and Equipment that qualifies for recognition as an asset is initially measured at its cost. Cost includes expenditure that is directly attributable to the acquisition of the asset and cost incurred subsequently to add to or replace a part of it. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use and the costs of dismantling and removing the items and restoring

at the site on which they are located and capitalized borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalized as a part of computer equipment.

When parts of an item of property, plant & equipment have different useful lives, they are accounted for as separate items (major components) of property, plant & equipment.

The Company & group apply the cost model to Property, Plant and Equipment and records at cost of purchase or construction together with any incidental expenses thereon less accumulated depreciation and any accumulated impairment losses.

#### 4.3.3 Subsequent Costs

The cost of replacing a part of an item of Property, Plant and Equipment 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 charged to the profit or loss as incurred.

#### 4.3.4 Repairs & Maintenance

Repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the assets when it is probable that future economic benefits in excess of the most recently assessed standard of performance of the existing assets will flow to the company & group and the renovation replaces an identifiable part of the asset. Major renovations are depreciated during the remaining useful life of the related asset.

#### 4.3.5 Derecognition

Property and equipment is derecognised on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in 'Other operating income' in the Income Statement in the year the asset is derecognised.

## Notes to the Financial Statements ....

### 4.3.6 Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment since this method most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives are as follows;

Class of Asset	% Per Annum	Period
Motor vehicles	20%	5 years
Computer hardware	20%	5 years
Office equipment	20%	5 Years
Furniture and Fittings	20%	5 years

The depreciation rates are determined separately for each significant part of an item of property, plant and equipment and commence to depreciate when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by the management. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or the date that the asset is derecognised.

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

### 4.4 Intangible Assets

The intangible assets include the value of internally developed computer software.

#### 4.4.1 Basis of Recognition

An Intangible Asset is recognised if it is probable that future economic benefits that are attributable to the asset will flow to the Company and the cost of the asset can be measured reliably, in accordance with Sri Lanka Accounting Standard 38 - Intangible Assets.

Software acquired by the Company is stated at cost less accumulated amortisation and accumulated impairment losses.

Expenditure on internally developed software is recognised as an asset when the Company is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and can reliably measure the costs to complete the development. The capitalised costs of internally developed software include all costs directly attributable to developing the software and capitalized borrowing costs, and are amortised over its useful life. Internally developed software is stated at capitalised cost less accumulated amortisation and impairment.

#### 4.4.2 Subsequent Expenditure

Subsequent expenditure on intangible assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

#### 4.4.3 Useful Economic Lives, Amortisation and Impairment

The useful economic lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and they are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the Income Statement in the expense category consistent with the function of the intangible asset.

Amortisation is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful economic lives at the rates as specified below;

Class of Asset	% Per Annum	Period
Computer software	20%	5 years

## Notes to the Financial Statements ....

The unamortised balances of intangible assets with finite lives are reviewed for impairment whenever there is an indication for impairment and recognised in profit or loss to the extent that they are no longer probable of being recovered from the expected future benefits.

### 4.4.4 Derecognition

Intangible assets are derecognised on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in the profit or loss in the year the asset is derecognised.

### 4.5 Cash and Cash Equivalents

Cash and cash equivalents include cash in hand and balances with banks which are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments. There were no cash and cash equivalent held by the Group companies that were not available for use by the Group.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

### 4.6 Investment Properties

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.

#### Determining Fair Value

External and independent valuers, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the investment property every 3 years. In financial periods within that period the fair value is determined by the board of directors.

Investment Properties of the Group are stated at cost less provision for Impairment.

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

### 4.7 Impairment of Non-financial Assets

The carrying amounts of the Group's non-financial assets are reviewed at each Reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing of 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 unit's fair value less costs to sell and its value in use. Where the carrying amount of an asset or cash-generating unit 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 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 price for publicly traded subsidiaries or other available fair value indicators. For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may have decreased. If such indication exists the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation/amortisation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognised in profit or loss.

## Notes to the Financial Statements ....

### 4.8 Investments in Subsidiaries

Investments in subsidiaries are stated at cost, net of any impairment losses which are charged to the Income Statement in the Company's Financial Statements .

### 4.9 Investments in Associate

Investment in associate is accounted for at cost in the Company's Financial Statements and under the equity method in the Consolidated Financial Statements. Under the equity method, the investment in associate is initially accounted for at cost and the carrying amount is adjusted for post acquisition changes in the Company's share of net assets of the associate, less any impairment in the Company's net investment in associate.

### 4.10 Borrowings and Debt Securities Issued

These represents the funds borrowed in the form of debentures and promissory Notes. Interest Expense is recognized in the income statement based on the Effective Interest Rate method.

### 4.11 Dividends Payable

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are recommended by and declared by the Board of Directors and approved by the shareholders. Interim dividends are deducted from equity when they are declared and no longer at the discretion of the Group.

Dividends for the year that are approved after the reporting date are disclosed as an event after the reporting date in accordance with the Sri Lanka Accounting Standard LKAS 10 - Events after the Reporting period.

### 4.12 Provisions

Provisions are recognised in the Statement of Financial Position when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation in accordance with the Sri Lanka Accounting Standard LKAS 37 - Provision, Contingent Liabilities and

Contingent Assets. The amount recognised is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation at that date. The expense relating to any provision is presented in the Income Statement net of any reimbursement.

### 4.13 Employee Benefits

#### 4.13.1 Defined Benefit Plan - Gratuity

The Group measures the present value of the promised retirement benefits for gratuity, which is a defined benefit plan using the 'Projected Unit Credit method' (PUC) as required by the Sri Lanka Accounting Standard LKAS 19 - Employee Benefits. The Company continues to use an internally developed method to measure retirement benefit liability. The item is stated under Other Liabilities in the Statement of Financial Position.

#### Recognition of Actuarial Gains and Losses

The company recognises the total actuarial gains and losses that arise in calculating the company's obligation in respect of the plan in Other Comprehensive Income during the period in which it occurs.

#### Funding Arrangements

The gratuity liability is not externally funded.

#### 4.13.2 Defined contribution plans - Employees' Provident Fund

The Group and employees contribute to the Employees' Provident Fund managed by the Central Bank of Sri Lanka at 12% and 8% respectively on the gross salary of each employee.

#### 4.13.3 Defined Contribution Plans - Employees' Trust Fund

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

### 4.14 Equity Reserves

The reserves recorded in equity (Other comprehensive income) on the Group's Statement of Financial Position includes Retained Reserves and the Statutory Reserve.

Statutory Reserve Fund has been created during the year 2006 in accordance with the Finance Leasing

## Notes to the Financial Statements ....

(Amendment) Act No 24 of 2005. Accordingly 5% of the net profit for the period is transferred to the Statutory Reserve Fund.

### 4.15 Recognition of Income and Expenses

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

#### a) Interest and Similar Income and Expense

For all financial instruments measured at amortised cost, interest income or expense is recorded using the Effective Interest Rate (EIR). EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses.

The carrying amount of the financial asset or financial liability is adjusted if the Group revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original EIR and the change in carrying amount is recorded as 'Interest and similar income' for financial assets and 'Interest and similar expense' for financial liabilities. However, for a reclassified financial asset for which the Company subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognised as an adjustment to the EIR from the date of the change in estimate.

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

#### b) Fee and Commission Income

The Group earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories;

- **Fee Income Earned from Services that are Provided over a Certain Period of Time**

Fees earned for the provision of services over a period of time are accrued over that period.

- **Fee Income from Providing Transaction Services**

Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the documents and inspection of vehicle are recognised on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognised after fulfilling the corresponding criteria.

#### c) Dividend Income

Dividend income is recognised when the Group's right to receive the payment is established, which is generally when the shareholders approve the dividend.

#### d) Income from Government Securities and Securities Purchased under Resale Agreements

Discounts/ premium on Treasury Bonds are amortised over the period to reflect a constant periodic rate of return. The coupon interest on Treasury Bonds is recognised on an accrual basis. The interest income on securities purchased under resale agreements is recognised in the Income Statement on an accrual basis over the period of the agreement

#### e) Interest on Overdue Rentals

Interests from overdue rentals have been accounted for on a cash basis.

#### f) Recovery of Bad and Doubtful Debts Written off

Recovery of amounts written off as bad and doubtful debts is recognised on cash basis.

## Notes to the Financial Statements ....

### g) Gain or Losses on Disposal of Property, Plant & Equipment, Investments in Financial and Non Financial Assets

Gains or losses resulting from the disposal of property, plant and equipment and Investments in Financial and Non Financial Assets are accounted for on cash basis in the Income Statement, in the period in which the sale occurs.

## 4.16 Tax Expenses

### a) Current Tax

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Accordingly, provision for taxation is based on the profit for the year adjusted for taxation purposes in accordance with the provisions of the Inland Revenue Act No. 10 of 2006 and the amendments thereto at the rates specified below.

Income tax on profit from operations is calculated at the rate of 28%.

### b) Deferred Tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised

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

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

Current tax and deferred tax relating to items recognised directly in equity are also recognised in equity and not in the Income Statement.

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

## Notes to the Financial Statements ....

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

The base for Value Added Tax computation is arrived by aggregating the accounting profit before income tax and emoluments of employees, which is adjusted for the depreciation computed on prescribed rates. During the year, the Company's total value addition was subject to a 12% Value Added Tax as per Section 25(a) of the Value Added Tax Act No. 14 of 2002 and amendments thereto.

### d) Economic Service Charge (ESC)

As per the provisions of the Economic Service Charge Act No.13 of 2006 and the amendments thereto, ESC is payable on the liable turnover at specified rates. ESC is deductible from the income tax liability. Any unclaimed liability can be carried forward within the specified time period mentioned in the Act and set off against the income tax payable as per the relevant provisions in the Act.

### e) Nation Building Tax (NBT)

As per the provisions of the Nation Building Tax Act No. 9 of 2009 and the amendments thereto, NBT should be payable at the rate of 2% on the liable turnover as per the relevant provisions of the Act.

## 4.17 Earnings per Share (EPS)

Basic Earnings per Share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted Earnings per Share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

## 4.18

### Segment Reporting

The group's segmental reporting is based on Operating Segments.

A segment is a distinguishable component of the Group that is engaged in providing products and services. (Business segment, which is subject to risks and rewards that are different from those of other segments).

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The accounting policies adopted for segment reporting are those accounting policies adopted for preparing the Financial Statements of the Group. Inter-segment transfers are accounted for at competitive fair market prices charged to intercompany counterparts for similar services. Such services are eliminated on consolidation.

All operating results are reviewed regularly by the Chief Executive Officer (CEO) to make decisions regarding resources to be allocated to the segments and to assess its performance, and for which discrete finance information is available. Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on reasonable basis.

For management purposes, the company is organized into business units based on their products and services.

No operating segments have been aggregated to form the reportable operating segments.

## Notes to the Financial Statements ....

Segment performance is evaluated based on profit or loss which, in certain respects, is measured differently from income statement in the financial statements. The company's stated capital and retained earnings are managed on a company basis and are not allocated to individual operating segments.

Inter-segment pricing is determined on an arm's length basis. Segment results, assets and liabilities include items directly attributable to a segment as

well as those that can be allocated on a reasonable basis. Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment and intangible assets other than goodwill. The activities of the company are located mainly in Sri Lanka. Consequently, the economic environment in which the company operates is not subject to risks and rewards that are significantly different on a geographical basis. Hence, disclosure by geographical region is not provided.

Operating Segment	Category of Information	Details
Leasing	Nature of Product	Leasing facilities to acquire Movable properties
	Classification of Products	Motor Cars, Buses, Trucks, Machinery
	Revenue Derived From	<ul style="list-style-type: none"> <li>• Interest Income</li> <li>• Service Fee Income &amp; Commission Income</li> </ul>
Loans	Nature of Product	Loan facilities to acquire Movable and Immovable properties and Personal Loans
	Classification of Products	Land, Motor Cars, Personal Loans
	Revenue Derived From	<ul style="list-style-type: none"> <li>• Interest Income</li> <li>• Service Fee Income</li> </ul>
Treasury	Nature of Product	Investing Activities
	Classification of Products	Placement with Banks, Repos, Treasury Bonds
	Revenue Derived From	<ul style="list-style-type: none"> <li>• Investment income and fair value gains and losses on investments</li> </ul>
Money Brokering	Nature of Product	Money Brokering Activities
	Classification of Products	Call Money, Forex, Treasury Bills, Treasury Bonds
	Revenue Derived From	<ul style="list-style-type: none"> <li>• Commission Income</li> <li>• Investment Income and Fair Value gains</li> <li>Losses on Investments</li> </ul>

## Notes to the Financial Statements ....

### 4.19 Statement of Cash Flow

The Statement of Cash Flow has been prepared by using the 'Indirect Method' of preparing cash flows in accordance with the Sri Lanka Accounting Standard LKAS 7 - Statement of Cash Flows, whereby operating activities, investing activities and financing activities are separately recognised. Cash and Cash Equivalents comprise of Cash in hand and Cash at Bank. Cash and Cash Equivalents as referred to in the Statement of Cash Flow are comprised of those items as explained in the Note given in the Statement of Cash Flow on page 80.

### 4.20 Commitments and Contingencies

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 benefit is not probable or cannot be readily measured, as defined in the Sri Lanka Accounting Standard- LKAS 37 - Provisions, Contingent Liabilities and Contingent Assets. Contingent liabilities are not recognised in the Statement of Financial Position but are disclosed unless its occurrence is remote.

Details of the commitments and contingencies are given in Note No. 32 on page 121.

### 4.21 Events Occurring After the Reporting Period

Events occurring after the reporting period are those events that occur between the reporting date and the date when the Financial Statements are authorised for issue. All material post reporting period events have been considered and where appropriate adjustments or disclosures have been made in Note No. 33 on page 121.

### 5. New SLFRS issued and not yet effective

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 on or after 1st January 2016. Accordingly, the Group has not applied the following new standards in preparing these Consolidated Financial Statements.

#### SLFRS 9 - Financial Instruments

SLFRS 9 - "Financial Instruments" replaces the existing guidance in LKAS 39 - "Financial Instrument: Recognition and Measurement". SLFRS 9 includes revised guidance on the classification and measurement of financial instruments including a new expected credit loss model for calculating impairment on financial assets.

SLFRS 9 is effective for annual period beginning on or after 1st January 2018 with early adoption permitted.

#### SLFRS 15 - Revenue from Contracts with Customers

SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including LKAS 18 'Revenue' and LKAS 11 on 'Construction Contracts'

SLFRS 15 is effective for Annual Reporting period beginning on or after 1st January 2018, with early adoption permitted.

## Notes to the Financial Statements ....

For the year ended 31 December		Company		Group	
		2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
<b>6</b>	<b>Income</b>				
	Interest income [Note 6.1]	177,771	172,443	177,771	172,443
	Net Fee and commission income [Note 7]	4,231	3,921	4,231	3,723
	Other operating income [Note 8]	16,115	17,585	66,642	90,426
		198,117	193,949	248,644	266,592
	<b>Net Interest Income</b>				
<b>6.1</b>	<b>Interest income</b>				
	Lease Rental Receivable	88,547	77,130	88,547	77,130
	Loans and Advances	89,224	95,313	89,224	95,313
	Total interest income	177,771	172,443	177,771	172,443
<b>6.2</b>	<b>Interest expenses</b>				
	Due to banks	2,573	1,722	2,607	1,759
	Due to other customers	10,123	28,623	10,124	28,623
	On Other borrowings	15,829	1,302	15,829	1,302
	Total interest expenses	28,525	31,647	28,560	31,684
	Net interest income	149,246	140,796	149,211	140,759
<b>7</b>	<b>Net Fee and Commission Income</b>				
<b>7.1</b>	Fee and commission income	4,231	3,945	4,231	3,945
<b>7.2</b>	Less: Fee and commission expenses	-	(24)	-	(222)
	Net fee and commission income	4,231	3,921	4,231	3,723
<b>8</b>	<b>Other Operating Income</b>				
	Profit / (Loss) on Sale of Property, Plant and Equipment	2,615	-	2,615	(64)
	Interest income on Treasury Bonds	677	672	677	672
	Service Charges	356	665	356	665
	Recovery of loans and lease written off in prior years	2,464	2,884	2,464	2,884
	Dividend Income	53	36	189	82
	Interest Income on Placements with banks	8,991	10,805	8,991	10,805
	Reversals of provision for fall in value of subsidiary company	959	2,523	-	-
	Reversals of provision for fall in value of Investment in Properties	-	-	916	-
	Profit on sale of shares	-	-	192	975
	Money Brokering Income	-	-	50,242	74,407
		16,115	17,585	66,642	90,426
<b>9</b>	<b>Reversal of Impairment for Loans and Advances</b>				
	Reversal of Impairment for Loans and Advances (Note 15.4)	9,098	45,341	9,098	45,341
	Write-offs	(7,036)	(22,681)	(7,036)	(22,746)
		2,062	22,660	2,062	22,595
<b>10</b>	<b>Operating Expenses</b>				
	Operating expenses, among others, include the following				
	Auditors' Remuneration - Audit Related Services	550	500	725	658
	- Non Audit Services	878	707	994	791
	Depreciation of Property, Plant and Equipment	3,382	4,259	5,235	5,957
	Provision for fall in value of investment in associate companies	-	7,662	-	-
	Legal expenses	1,682	2,116	1,682	2,116
	Provision for Available for Sale investment	1,790	-	1,790	-
	Directors' Fees	6,318	5,476	7,048	5,476
	Personnel expenses				
	Staff Remuneration	34,837	26,242	50,835	42,283
	Defined Contribution Plan Costs - EPF	4,180	3,149	6,100	5,074
	Defined Contribution Plan Costs - ETF	1,045	787	1,525	1,268
	Defined Benefit Plan Costs	2,010	1,928	3,125	2,917

## Notes to the Financial Statements ....

For the year ended 31st December	Company		Group	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
<b>11 Taxation</b>				
Income Tax on profits (Note 11.1)	5,998	6,866	8,446	9,642
Deemed Dividend Tax	-	-	106	-
Adjustments in respect of prior years	-	(90)	14	(90)
Provision for Deferred Tax (Note 11.3)	-	-	(135)	(263)
	5,998	6,776	8,431	9,289

### 11.1 Reconciliation of Accounting Profit and the Income Tax Expense

Profit Before Tax & Value Added Tax on Financial Services	75,993	93,667	81,119	106,495
Aggregate Disallowed Expenses	18,229	24,673	24,633	22,047
Aggregate Allowable Expenses	(236,001)	(179,123)	(236,960)	(179,182)
Capital Portion of Lease Receivable	219,302	168,310	219,302	167,652
Aggregate Exempt/Allowable Income	(26,851)	(58,015)	(28,675)	(57,586)
Profit From the Business	50,672	49,512	59,419	59,426
Tax Loss claimed during the year (Note 11.2)	(29,252)	(24,991)	(29,252)	(24,991)
Taxable Profit	21,420	24,521	30,167	34,435
Income tax expense	5,998	6,866	8,446	9,642

Income Tax provision of SMB Leasing PLC being a quoted public company, has been calculated at 28% (2014-28%) on its taxable profit in terms of Inland Revenue Act No. 10 of 2006, and amendments thereto.

Profits of SMB Money Brokers (Private) Limited., subsidiary of the group is liable to income tax at 28% (2014-28%).

11.2 Accumulated Tax Losses	Company		Group	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
Balance as at 1st January	311,880	335,888	311,880	335,888
Adjustment in respect of prior years	6,447	983	6,447	983
Tax Loss claimed during the year	(29,252)	(24,991)	(29,252)	(24,991)
Balance as at 31st December	289,075	311,880	289,075	311,880

## Notes to the Financial Statements ....

### For the year ended 31st December

#### 11.3 Deferred Taxation

##### Company

SMB Leasing PLC has not recognised deferred tax asset since the management does not expect to generate adequate taxable profit in the foreseeable future. Therefore tax asset arising from the tax losses carried forward was limited only to the extent of existing temporary differences.

	2015 Rs. '000	2014 Rs. '000
<b>Unrecognised Deferred Tax Asset</b>		
Balance as at 1st January	26,388	41,373
Reversal for the year	(1,081)	(14,985)
Balance as at 31st December	25,307	26,388

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

	Temporary difference 31.12.2015 Rs. '000	Tax Effect 31.12.2015 Rs. '000	Temporary difference 31.12.2014 Rs. '000	Tax Effect 31.12.2014 Rs. '000
On Property, Plant & Equipment	(8,212)	(2,299)	(8,388)	(2,349)
On Lease Assets	(200,816)	(56,229)	(216,338)	(60,575)
On Retirement Benefit Obligation	10,337	2,894	7,088	1,985
On Accumulated Tax Losses	289,075	80,941	311,880	87,326
	90,384	25,307	94,242	26,387

The deferred tax has been calculated at the rate of 28% (2014-28%)

##### Group

In respect of the sole subsidiary SMB Money Brokers (Pvt) Limited a deferred tax asset has been recognized since the Management expects adequate taxable profit in the foreseeable future. Therefore, the Group deferred tax asset includes the deferred tax asset relevant to SMB Money Brokers (Pvt) Limited.

	2015 Rs. '000	2014 Rs. '000
Balance as at 1st January	1,062	799
Charge for the year	135	263
Balance as at 31st December	1,197	1,062

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

	Temporary difference Rs. '000 31.12.2015	Tax Effect Rs. '000 31.12.2015	Temporary difference Rs. '000 31.12.2014	Tax Effect Rs. '000 31.12.2014
On Property, Plant & Equipment	(695)	(195)	-	-
On Lease Assets	-	-	(322)	(90)
On Retirement Benefit Obligation	4,970	1,392	4,114	1,152
	4,275	1,197	3,792	1,062

The deferred tax has been calculated at the rate of 28% (2014-28%)

#### 12 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	
	2015	2014	2015	2014
Profit attributable to equity holders of the company (Rs.'000)	60,630	79,004	61,534	83,932
No. of Ordinary Shares outstanding during the year (No.'000)	1,805,833	1,805,833	1,805,833	1,805,833
Basic Earnings Per Share (Rs)	0.03	0.04	0.03	0.05

## Notes to the Financial Statements ....

As at 31 December	Company		Group	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
<b>13 Cash and Cash Equivalents</b>				
Cash in hand	417	525	432	6,489
Balances with banks	26,847	18,346	31,015	18,346
	27,264	18,871	31,447	24,835
<b>14 Placements with Banks</b>				
Fixed deposits with banks	152,522	101,027	152,522	101,027
REPO investment with banks - Overnight	3,740	24,350	13,740	24,350
- Monthly	-	804	-	804
	156,262	126,181	166,262	126,181
<b>15 Loans and Receivables to Other Customers</b>				
Gross loans and receivables (Note 15.2)	1,413,345	1,292,545	1,412,331	1,290,205
Less: Individual impairment (Note 15.4)	(318,428)	(327,522)	(318,428)	(327,522)
Collective impairment (Note 15.4)	(41,129)	(41,133)	(41,129)	(41,133)
Net loans and receivables	1,053,788	923,890	1,052,774	921,550
<b>15.1 Net Loans and Receivables</b>				
<b>15.1.1 Loans</b>				
Gross loans receivables	696,822	702,576	695,808	700,236
Less: Individual impairment	(204,929)	(218,604)	(204,929)	(218,604)
Collective impairment	(29,027)	(28,569)	(29,027)	(28,569)
Net loans and receivables	462,866	455,403	461,852	453,063
<b>15.1.2 Leases</b>				
Gross lease receivables (Note 15.3)	716,523	589,969	716,523	589,969
Less: Individual impairment	(113,499)	(108,918)	(113,499)	(108,918)
Collective impairment	(12,102)	(12,564)	(12,102)	(12,564)
Net lease rental receivables	590,922	468,487	590,922	468,487
<b>Total net lease and loans receivables</b>	<b>1,053,788</b>	<b>923,890</b>	<b>1,052,774</b>	<b>921,550</b>
<b>15.2 Product wise analysis of Gross loans and receivables</b>				
Lease rental receivables	716,523	589,969	716,523	589,969
Personal Loans	147,858	140,682	147,858	140,682
Staff Loans	68	689	68	689
Term Loans	287,144	350,660	287,144	350,660
Easy Payment Loans	40,684	48,256	40,684	48,256
Other Loans	221,068	162,289	220,054	159,949
	1,413,345	1,292,545	1,412,331	1,290,205

## Notes to the Financial Statements ....

As at 31st December	Company		Group	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
<b>15.3 Gross Lease Rental Receivables</b>				
<b>15.3.1 Gross lease rental receivable within one year</b>				
Total lease rentals within one year from reporting date	508,997	422,808	508,997	422,808
Unearned lease Income	(74,939)	(56,863)	(74,939)	(56,863)
Balance as at 31st December	434,058	365,945	434,058	365,945
<b>15.3.2 Gross lease rental receivable after one year to five years</b>				
Total lease rentals receivable after one year from reporting date	340,763	266,710	340,763	266,710
Unearned lease Income	(59,262)	(42,844)	(59,262)	(42,844)
Balance as at 31st December	281,501	223,866	281,501	223,866
<b>15.3.3 Gross lease rental receivable after five years</b>				
Total lease rentals receivable after five years from reporting date	1,010	160	1,010	160
Unearned lease Income	(46)	(2)	(46)	(2)
Balance as at 31st December	964	158	964	158
<b>15.4 Movement in Individual and Collective Impairment during the year-Company / Group</b>				
			2015 Rs. '000	2014 Rs. '000
<b>Individual Impairment</b>				
Balance as at 1st January			327,522	372,017
Net impairment reversal for the year			(9,094)	(44,495)
Balance as at 31st December			318,428	327,522
<b>Collective Impairment</b>				
Balance as at 1st January			41,133	41,980
Net impairment reversal for the year			(4)	(847)
Balance as at 31st December			41,129	41,133

## 16 Financial Investments

The Company's Financial Investments are summarised by Categories as follows:

	Company		Group	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
Available for Sale (AFS) (Note 16.1)	936	1,404	936	1,404
Fair Value Through Profit or Loss (FVTPL) (Note 16.2)	-	-	4,043	4,013
Held to Maturity (HTM) (Note 16.3)	6,355	6,308	8,381	10,980
Loans and Receivables (L&R) (Note.16.4)	-	-	1,780	1,780
<b>Total Financial Investments</b>	<b>7,291</b>	<b>7,712</b>	<b>15,140</b>	<b>18,177</b>

The Following Table shows the Fair values of the Financial Investments in comparison to their Carrying Values:

	Company				Group			
	2015		2014		2015		2014	
	Carrying Value Rs. '000	Fair Value Rs. '000	Carrying Value Rs. '000	Fair Value Rs. '000	Carrying Value Rs. '000	Fair Value Rs. '000	Carrying Value Rs. '000	Fair Value Rs. '000
Available for Sale (AFS)	936	936	1,404	1,404	936	936	1,404	1,404
Fair Value Through Profit or Loss (FVTPL)	-	-	-	-	4,043	4,043	4,013	4,013
Held to Maturity (HTM)	6,355	6,964	6,308	7,589	8,381	11,536	10,980	12,161
Loans and Receivables (L&R)	-	-	-	-	1,780	1,860	1,780	1,860
<b>Total Financial Investments</b>	<b>7,291</b>	<b>7,900</b>	<b>7,712</b>	<b>8,993</b>	<b>15,140</b>	<b>18,375</b>	<b>18,177</b>	<b>19,438</b>

## Notes to the Financial Statements ....

### 16.1 Available for Sale Investments (AFS)

#### 16.1.1 Quoted Shares held by SMB Leasing Plc

	2015			2014		
	No of shares	Carrying Value Rs. '000	Fair Value Rs. '000	No of shares	Carrying Value Rs. '000	Fair Value Rs. '000
<b>Banking, Finance &amp; Insurance</b>						
The Finance Co. PLC	97	1	1	97	2	2
		1	1		2	2
<b>Manufacturing</b>						
Blue Diamond Jewelry Worldwide PLC	778,280	934	934	778,280	1,401	1,401
Metal Recyclers Colombo PLC	69	-	-	69	-	-
		934	934		1,401	1,401
<b>Land &amp; Property</b>						
Seylan Developments PLC	43	1	1	43	1	1
		1	1		1	1
<b>Carrying Amount</b>		936	936		1,404	1,404

#### 16.1.2 Unquoted Shares

	2015		2014	
	No of shares	Carrying Value Rs. '000	No of shares	Carrying Value Rs. '000
Ceylinco Sports Complex Ltd.	300,000	3,000	300,000	3,000
Ceylinco Investment & Realty	100,000	1,000	100,000	1,000
Seraka Investment Ltd.	5,655,900	48,645	5,655,900	48,645
South Asian Travels	30,000	300	30,000	300
Ceylinco Savings Bank Ltd	1,189,600	11,896	1,189,600	11,896
Ceylinco Coloured Stone (Pvt) Ltd.	500,000	5,000	500,000	5,000
Openarc Global Solutions (Pvt) Ltd.	45,000	450	45,000	450
Magpek Exports Ltd	-	5,000	-	5,000
Pugoda Textiles Mills Ltd	-	253	-	253
		75,544		75,544
Less: Provision for Impairment		(75,544)		(75,544)
<b>Carrying Amount</b>		-		-

The investment in Seraka Investment Limited is 10% Non cumulative Non Redeemable Preference Shares

16.1.3 Unquoted Debentures	2015	2014
	Cost Rs. '000	Cost Rs. '000
Ceylinco Automobiles Ltd	17,600	17,600
Less : Provision for Impairment Loss	(17,600)	(17,600)
	-	-

## Notes to the Financial Statements ....

### 16.2 Fair Value Through Profit or Loss (FVTPL)

#### Held by SMB Money Brokers (Pvt) Ltd.

	2015			2014		
	No of shares	Carrying Value Rs. '000	Fair Value Rs. '000	No of shares	Carrying Value Rs. '000	Fair Value Rs. '000
<b>Banking, Finance &amp; Insurance</b>						
Commercial Credit & Finance PLC	-	-	-	5,000	227	227
Valibel One PLC	15,000	323	323	40,000	956	956
Union Bank of Ceylon Ltd.	20,000	404	404	-	-	-
Asian Alliance Insurance PLC	19,000	304	304	-	-	-
Janashakthi Insurance PLC	10,000	175	175	200,000	232	232
		1,206	1,206		1,415	1,415
<b>Land &amp; Property</b>						
Colombo Fort Land & Building PLC	22,827	523	523	20,000	566	566
Overseas Realty (Ceylon) PLC	10,000	232	232	5,000	132	132
		755	755		698	698
<b>Hotel</b>						
The Kingsbury PLC	20,000	350	350	20,000	360	360
		350	350		360	360
<b>Other</b>						
Asia Siyaka Commodities PLC	200,000	540	540	200,000	660	660
Dialog Axiata PLC	16,000	170	170	-	-	-
Softlogic Holdings PLC	10,000	233	233	10,000	165	165
Ceylon Investment PLC	2,019	161	161	2,000	195	195
Dunamis Capital PLC	20,000	488	488	10,073	330	330
Browns Investments PLC	100,000	140	140	100,000	190	190
		1,732	1,732		1,540	1,540
<b>Total Quoted Shares</b>		4,043	4,043		4,013	4,013

### 16.3 Held to Maturity (HTM)

	Company		Group	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
Government of Sri Lanka Treasury Bonds	6,355	6,308	6,355	6,308
Softlogic Finance PLC - (Quoted Debenture)	-	-	2,026	2,026
Bank of Ceylon (Quoted Debenture)	-	-	-	2,646
	6,355	6,308	8,381	10,980

### 16.4 Loans and Receivables (L&R)

	Group	
	2015 Rs. '000	2014 Rs. '000
People's Leasing Plc (Investment in Debentures)	1,780	1,780
Corporate Finance & Capital Market Limited (6% Non redeemable, Non participative preference shares)	10,000	10,000
	11,780	11,780
Less: Provision for impairment	(10,000)	(10,000)
	1,780	1,780

## Notes to the Financial Statements ....

### 16.5 Movement of Financial Investment

#### 16.5.1 Company

	Available for Sale Rs. '000	Held to Maturity Rs. '000
As at 1st January 2014	2,726	-
Purchases	-	6,266
Fair value Loss recorded in the Other Comprehensive Income	(1,322)	-
Interest Income	-	42
As at 31st December 2014	1,404	6,308
As at 1st January 2015	1,404	6,308
Fair value Loss recorded in the Income Statement	(468)	-
Interest Income	-	47
As at 31st December 2015	936	6,355

#### 16.5.2 Group

	Available for Sale (AFS) Rs. '000	Fair Value Through Profit or Loss (FVTPL) Rs. '000	Held to Maturity (HTM) Rs. '000	Loans and Receivables (L & R) Rs. '000
As at 1st January 2014	2,726	1,440	10,938	1,786
Purchases	-	7,398	-	-
Maturities	-	(4,758)	-	-
Disposals	-	(67)	-	-
Fair value Loss recorded in the Income Statement	-	-	-	(6)
Fair value Loss recorded in the Other Comprehensive Income	(1,322)	-	-	-
Interest Income	-	-	42	-
As at 31st December 2014	1,404	4,013	10,980	1,780
As at 1st January 2015	1,404	4,013	10,980	1,780
Purchases	-	3,928	-	-
Maturities	-	-	(2,646)	-
Disposals	-	(3,083)	-	-
Fair value Loss recorded in the Income Statement	(468)	(815)	-	-
Interest Income	-	-	47	-
As at 31st December 2015	936	4,043	8,381	1,780

### 16.6 Disclosure of Financial Risk

The Company's exposure to Credit, Currency and Interest rate risks related to investments are disclosed in Note No 35 on page 123 to the Financial Statements.

### 16.7 Financial Investments pledged as security

Financial investments are not pledged as a Security as at the reporting date.

## Notes to the Financial Statements ....

### As at 31st December

#### 17 Investment in Associates

17.1	Company	Principle Activity	2015			2014		
			Holding %	No of Shares	Cost as at 2015 Rs. '000	Holding %	No of Shares	Cost as at 2014 Rs. '000
	Kenenga Investment Corporation Ltd	Investment Banking	49.00%	4,900,000	49,000	49.00%	4,900,000	49,000
	SMB Real Estate Ltd.	Property Development Activities	49.00%	617,277	30,282	49.00%	617,277	30,282
	SMB Securities (Pvt) Limited	Stock Brokering Activities	49.50%	5,000,000	50,000	49.50%	5,000,000	50,000
					129,282			129,282
		Less: Provision for Impairment			(20,525)			(20,525)
		Balance as at			108,757			108,757

17.2	Group		2015 Rs. '000	2014 Rs. '000
	Balance as at 1st January		119,313	122,265
	Share of Loss after tax		-	(2,952)
	Dividend Received		-	-
	Balance as at 31st December		119,313	119,313

#### 17.3 Share of Profit / (Loss) of Associate Companies

	2015	2014
Kenenga Investment Corporation Ltd	-	204
SMB Real Estate Ltd.	-	691
SMB Securities (Pvt) Limited	-	(3,847)
	-	(2,952)

Note :

As per the accounting policy of the Company given in Note No. 2.11.2 on page 84 to the Financial Statements, the investment in Associates are accounted under the equity method and share of profit / (loss) of Associates of each financial year are accounted in the Group Financial Statements based on audited/ unaudited financial statements of Associates. However, the Group has not received the audited/unaudited Financial Statements of Associate Companies for the year ended 31st December 2015, up to the approval of the Financial Statements by the Board of Directors. Accordingly, the Company has not accounted for the share of Profit/ (Loss) of Associate Companies for the year ended 31st December 2015.

#### 18 Investment in Subsidiary held by SMB Leasing PLC

##### Investments in Subsidiary - Unquoted

Description	Principle Activity	2015			2014		
		Holding %	No of Shares	Carrying Value 2015 Rs. '000	Holding %	No of Shares	Carrying Value 2014 Rs. '000
SMB Money Brokers(Pvt) Ltd	Money Market Activities	50.99%	1,275,000	12,750	50.99%	1,275,000	12,750
	Less: Provision for Impairment			-			(959)
	Balance as at 31st December			12,750			11,791

## Notes to the Financial Statements ....

As at 31 st December

18.1 Non Controlling Interest (NCI) in subsidiary	2015	2014
	Rs. '000	Rs. '000
NCI Percentage (%)	49.01%	49.01%
Total Assets	39,551	33,076
Total Liabilities	12,495	12,530
Net Assets	27,056	20,546
Carrying amount of NCI	13,260	10,069
Revenue	50,243	75,364
Profit	3,652	5,175
Total comprehensive income	3,911	4,968
Profit allocated to NCI	1,916	2,333

19 Investment Properties	Company		Group	
	2015	2014	2015	2014
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 1st January	33,730	33,730	38,977	38,977
Add: Fair Value Gain	-	-	915	-
Balance as at 31st December	33,730	33,730	39,892	38,977

There are no buildings on the above lands. There is no rental income or expenses from the above investment property.

### 19.1 Property Location

	Extent (Perches)	Company				Group			
		2015		2014		2015		2014	
		Cost	Market	Cost	Market	Cost	Market	Cost	Market
		Value	Value	Value	Value	Value	Value	Value	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	610	1,204	610	1,204	610
Malabe	8	-	-	-	-	4,200	1,760	4,200	1,760
Ahangama	111	-	-	-	-	2,853	3,487	2,853	3,487
		34,573	35,147	34,573	35,147	41,626	40,394	41,626	40,394
Less: Provision for impairment		(843)	-	(843)	-	(1,734)	-	(2,649)	-
		33,730	35,147	33,730	35,147	39,892	40,394	38,977	40,394

### 19.2 Valuation of Investment Properties

The Company carries investment properties at cost. Market valuations of the above investment properties were carried out as at 08.04.2013, 04.03.2011 and 31.03.2014 respectively, by Messrs. D.N Dhammika Baranage, A.Y Daniel & Sons and S.S Karunanayake who are independent valuers not connected with the company.

## Notes to the Financial Statements ....

### 20 Property, Plant and Equipment

Company	Computer Equipment	Office Equipment	Furniture & Fittings	Motor Vehicles	2015 Total	2014 Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Cost / Valuation</b>						
As at 01st January	48,639	16,224	18,645	11,571	95,079	94,452
Additions for the Year	283	16	502	-	801	627
Disposals	(2,624)	-	(131)	(4,400)	(7,155)	-
<b>As at 31st December</b>	<b>46,298</b>	<b>16,240</b>	<b>19,016</b>	<b>7,171</b>	<b>88,725</b>	<b>95,079</b>
<b>Accumulated Depreciation</b>						
As at 01st January	44,049	12,981	16,696	11,477	85,203	80,944
Charge for the year	1,648	743	970	21	3,382	4,259
Disposals	(2,624)	-	(131)	(4,327)	(7,082)	-
<b>As at 31st December</b>	<b>43,073</b>	<b>13,724</b>	<b>17,535</b>	<b>7,171</b>	<b>81,503</b>	<b>85,203</b>
<b>Net book value as at 31st December 2015</b>	<b>3,225</b>	<b>2,516</b>	<b>1,481</b>	<b>-</b>	<b>7,222</b>	<b>-</b>
<b>Net book value as at 31st December 2014</b>	<b>4,590</b>	<b>3,243</b>	<b>1,949</b>	<b>94</b>	<b>-</b>	<b>9,876</b>
Group	Computer Equipment	Office Equipment	Furniture & Fittings	Motor Vehicles	2015 Total	2014 Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Cost / Valuation</b>						
As at 01st January	49,726	20,252	20,380	17,492	107,850	105,984
Additions for the Year	283	127	502	-	912	3,611
Disposals & Writeoff	(3,046)	(848)	(131)	(4,400)	(8,425)	(1,745)
<b>As at 31 December</b>	<b>46,963</b>	<b>19,531</b>	<b>20,751</b>	<b>13,092</b>	<b>100,337</b>	<b>107,850</b>
<b>Accumulated Depreciation</b>						
Balance as at 01 January	44,876	15,912	16,883	13,434	91,105	86,792
Charge for the year	1,712	1,016	1,301	1,206	5,235	5,957
Disposals	(3,046)	(848)	(131)	(4,328)	(8,353)	(1,644)
<b>As at 31 December</b>	<b>43,542</b>	<b>16,080</b>	<b>18,053</b>	<b>10,312</b>	<b>87,987</b>	<b>91,105</b>
<b>Net book value as at 31st December 2015</b>	<b>3,421</b>	<b>3,451</b>	<b>2,698</b>	<b>2,780</b>	<b>12,350</b>	<b>-</b>
<b>Net book value as at 31st December 2014</b>	<b>4,850</b>	<b>4,340</b>	<b>3,497</b>	<b>4,058</b>	<b>-</b>	<b>16,745</b>

## Notes to the Financial Statements ....

### 20.1 Acquisition of PPE during the year

During the financial year, the Company acquired PPE to the aggregate value of Rs.801,464 (2014-Rs.625,896)

### 20.2 Capitalisation of Borrowing Cost

There were no capitalised borrowing costs relating to the acquisition of Property, Plant and Equipment during the year. (2014- Nil)

### 20.3 Fully depreciated PPE in use

The initial cost of fully depreciated PPE which are still in use as at reporting date is as follows.

	2015 Rs. '000	2014 Rs. '000
As at 31 December,		
Computer Equipment	37,858	40,483
Office Equipment	12,519	12,519
Furniture & Fittings	13,817	13,647
Motor Vehicles	7,171	6,971
	71,365	73,620

### 20.4 PPE pledged as security

None of the PPE have been pledged as securities as at the reporting date.

### 20.5 Permanent fall in value of PPE

There has been no permanent fall in the value of PPE which require a impairment provision in the Financial Statements.

### 20.6 The restriction of PPE

There are no restrictions that existed on the title of the PPE of the Company as at the reporting date.

## Notes to the Financial Statements ....

As at 31st December	Company		Group	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
<b>21 Intangible Assets</b>				
<b>Computer Software</b>				
<b>Cost</b>				
As at 01st January	737	737	784	1,369
Additions for the year	-	-	-	-
Disposals	-	-	-	(585)
As at 31st December	737	737	784	784
<b>Accumulated Amortisation</b>				
As at 01st January	184	37	231	663
Charge for the year	147	147	147	153
Disposals	-	-	-	(585)
As at 31st December	331	184	378	231
Carrying Value as at 31st December	406	553	406	553
<b>Capital Work in Progress</b>				
As at 01st January	3,000	3,000	3,000	3,000
Incurred During the Year	-	-	-	-
Capitalised During the Year	-	-	-	-
As at 31st December	3,000	3,000	3,000	3,000
Carrying Value as at 31st December	3,406	3,553	3,406	3,553
<b>22 Other Assets</b>				
Deposits & Prepayments	2,898	6,564	2,898	6,564
Other Assets	3,110	11,593	8,142	17,453
	6,008	18,157	11,040	24,017
<b>23 Due to Banks</b>				
Bank Borrowings	13,860	-	13,860	-
Bank Overdraft	66,549	-	66,549	-
	80,409	-	80,409	-
<b>24 Due to Other Customers</b>				
Promissory Notes	97,720	94,325	97,720	94,325
Debentures	103,854	103,960	103,854	103,960
	201,574	198,285	201,574	198,285
<b>25 Other Borrowings</b>				
Other Borrowings	-	-	3,332	3,077
	-	-	3,332	3,077
<b>26 Other Liabilities</b>				
Accrued Expenses	3,718	3,363	5,265	3,363
Provision for Retirement benefit obligations (Note 26.1)	10,337	7,088	15,307	11,202
Other Liabilities	23,201	15,779	26,612	20,350
	37,256	26,230	47,184	34,915

## Notes to the Financial Statements ....

As at 31st December

	Company		Group	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
<b>26.1 Provision for Retirement benefit obligation</b>				
Balance as at 1st January	7,088	5,570	11,202	8,623
Provision for the year	2,010	1,928	3,125	2,917
Actuarial Loss during the year	2,716	133	2,457	341
Payments during the year	(1,477)	(543)	(1,477)	(679)
Balance as at 31st December	10,337	7,088	15,307	11,202

The following assumptions were used in valuing the retirement benefits obligation using internally developed method as required by Sri Lanka Accounting Standard LKAS 19 - Employee Benefits.

	2015	2014
Salary Increment Rate	7.50%	7.50%
Discount Rate	10.00%	10.00%
Retirement Age	55 Years	55 Years

	Company		Group	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
<b>27 Stated Capital</b>				
Ordinary Voting Shares	1,136,231	1,136,231	1,136,231	1,136,231
Ordinary Non Voting Shares	419,253	419,253	419,253	419,253
Capital Reduction	(636,420)	(636,420)	(636,420)	(636,420)
	919,064	919,064	919,064	919,064

**27.1 Reconciliation of Number of Shares - Company**

	2015 No. '000	2014 No. '000
<b>Ordinary Voting Shares</b>		
As at 1st January	1,191,767	1,191,767
Issue of Shares	-	-
As at 31st December	1,191,767	1,191,767
<b>Ordinary Non voting Shares</b>		
As at 1st January	614,066	614,066
Issue of Shares	-	-
As at 31st December	614,066	614,066
<b>Total</b>	<b>1,805,833</b>	<b>1,805,833</b>

## Notes to the Financial Statements ....

### As at 31st December

	Company		Group	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
<b>28 Statutory Reserves Fund</b>				
Balance as at 1st January	21,633	17,683	21,633	17,683
Transfer made during the year	3,032	3,950	3,032	3,950
Balance as at 31st December	24,665	21,633	24,665	21,633

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 transferred to Statutory Reserve Fund.

	Company		Group	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
<b>29 Available For Sale Reserve</b>				
Balance as at 1st January	(1,322)	-	(1,322)	-
Other Comprehensive income / (Expense) (net of tax)	1,322	(1,322)	1,322	(1,322)
Balance as at 31st December	-	(1,322)	-	(1,322)

	Company		Group	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
<b>30 Retained Earnings</b>				
Balance as at 1st January	98,628	13,783	108,689	19,022
Profit for the year	60,630	79,004	61,534	83,932
Other comprehensive Expense (Net of Tax)	(2,716)	(133)	(2,583)	(239)
Transfers to Statutory Reserve	(3,032)	(3,950)	(3,032)	(3,950)
Transfer to investment fund	-	(1,044)	-	(1,044)
Transfer from investment fund account to retained earnings	-	10,968	-	10,968
Balance as at 31st December	153,510	98,628	164,608	108,689

## Notes to the Financial Statements ....

### 31 Accounting Classification and Fair Values of Financial Instruments

Financial Instruments are measured subsequently on an ongoing basis either at Fair Value or at Amortised Cost. The summary of significant accounting policies describes how the classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognized. The following table analyses the carrying amounts of the financial instruments by category as defined in LKAS 39 financial instrument recognition and measurement.

#### 31.1 Classification of Financial Instruments

31.1.1 Assets Company	Available for Sale (AFS) Rs.'000	Held to Maturity (HTM) Rs.'000	Loans and Receivables (L & R) Rs.'000	Others Rs.'000	2015		2014	
					Total Carrying Amount Rs.'000	Fair Value Rs.'000	Total Carrying Amount Rs.'000	Fair Value Rs.'000
					<b>Financial Assets</b>			
Cash and cash equivalents	-	-	27,264	-	27,264	27,264	18,871	18,871
Placements with Banks	-	-	156,262	-	156,262	156,262	126,181	126,181
Loans and Receivables to other customers	-	-	1,053,788	-	1,053,788	1,053,788	923,890	923,890
Financial investments - available-for-sale	936	-	-	-	936	936	1,404	1,404
Financial investments - held-to-maturity	-	6,355	-	-	6,355	6,964	6,308	7,589
<b>Total Financial Assets</b>	<b>936</b>	<b>6,355</b>	<b>1,237,314</b>	<b>-</b>	<b>1,244,605</b>	<b>1,245,214</b>	<b>1,076,654</b>	<b>1,077,935</b>
<b>Non Financial Assets</b>	-	-	-	-	-	-	-	-
Investments in Associates	-	-	-	108,757	108,757	N/A	108,757	N/A
Investments in Subsidiary	-	-	-	12,750	12,750	N/A	11,791	N/A
Investment Properties	-	-	-	33,730	33,730	N/A	33,730	N/A
Property Plant & Equipment	-	-	-	7,222	7,222	N/A	9,876	N/A
Intangible Assets	-	-	-	3,406	3,406	N/A	3,553	N/A
Other Assets	-	-	-	6,008	6,008	N/A	18,157	N/A
<b>Total Non Financial Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>171,873</b>	<b>171,873</b>	<b>-</b>	<b>185,864</b>	<b>-</b>
<b>Total Assets</b>	<b>936</b>	<b>6,355</b>	<b>1,237,314</b>	<b>171,873</b>	<b>1,416,478</b>	<b>1,245,214</b>	<b>1,262,518</b>	<b>1,077,935</b>

31.1.2 Liabilities Company	Amortised Cost Rs.'000	2015		2014	
		Total Carrying Amount Rs.'000	Fair Value Rs.'000	Total Carrying Amount Rs.'000	Fair Value Rs.'000
		<b>Financial Liabilities</b>			
Due to banks	80,409	80,409	80,409	-	-
Due to other customers	201,574	201,574	201,574	198,285	198,285
	281,983	281,983	281,983	198,285	198,285
<b>Non Financial Liabilities</b>					
Other Liabilities	37,256	37,256	N/A	26,230	N/A
	37,256	37,256	-	26,230	-
	-	-	-	-	-
<b>Total Liabilities</b>	<b>319,239</b>	<b>319,239</b>	<b>281,983</b>	<b>224,515</b>	<b>198,285</b>

## Notes to the Financial Statements ....

31.1.3 Assets Group	Available for Sale (AFS)	Fair Value Through Profit or Loss (FVTPL)	Held to Maturity (HTM)	Loans and Receivables (L&R)	Others	2015		2014	
						Total Carrying Amount	Fair Value	Total Carrying Amount	Fair Value
<b>Financial Assets</b>									
Cash and cash equivalents	-	-	-	31,447	-	31,447	31,447	24,835	24,835
Placements with Banks	-	-	-	166,262	-	166,262	166,262	126,181	126,181
Loans and Receivables to other customers	-	-	-	1,052,774	-	1,052,774	1,052,774	921,550	921,550
Financial investments – available-for-sale	936	-	-	-	-	936	936	1,404	1,404
Financial Assets at Fair Value Through Profit or Loss	-	4,043	-	-	-	4,043	4,043	4,013	4,013
Financial investments – held-to-maturity	-	-	8,381	-	-	8,381	8,991	10,980	12,161
Other Financial Assets	-	-	-	1,780	-	1,780	1,860	1,780	1,860
<b>Total Financial Assets</b>	<b>936</b>	<b>4,043</b>	<b>8,381</b>	<b>1,252,263</b>	<b>-</b>	<b>1,265,623</b>	<b>1,266,313</b>	<b>1,090,743</b>	<b>1,092,004</b>
<b>Non Financial Assets</b>									
Investments in Associates	-	-	-	-	119,313	119,313	N/A	119,313	N/A
Investment Properties	-	-	-	-	39,892	39,892	N/A	38,977	N/A
Property Plant & Equipment	-	-	-	-	12,350	12,350	N/A	16,745	N/A
Intangible Assets	-	-	-	-	3,406	3,406	N/A	3,553	N/A
Deferred Tax Assets	-	-	-	-	1,197	1,197	N/A	1,062	N/A
Other Assets	-	-	-	-	11,040	11,040	N/A	24,017	N/A
<b>Total Non Financial Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>187,198</b>	<b>187,198</b>	<b>-</b>	<b>203,667</b>	<b>-</b>
<b>Total Assets</b>	<b>936</b>	<b>4,043</b>	<b>8,382</b>	<b>1,252,262</b>	<b>187,198</b>	<b>1,452,821</b>	<b>1,266,313</b>	<b>1,294,410</b>	<b>1,092,004</b>

31.1.4 Liabilities Group	Amortised Cost	2015		2014	
		Total Carrying Amount	Fair Value	Total Carrying Amount	Fair Value
<b>Financial Liabilities</b>					
Due to banks	80,409	80,409	80,409	-	-
Due to other customers	201,574	201,574	201,574	198,285	198,285
Other borrowings	3,332	3,332	3,332	3,077	3,077
	285,315	285,315	285,315	201,362	201,362
<b>Non Financial Liabilities</b>					
Other Liabilities	47,184	47,184	N/A	34,915	N/A
	47,184	47,184	-	34,915	-
<b>Total Liabilities</b>	<b>332,499</b>	<b>332,499</b>	<b>285,315</b>	<b>236,277</b>	<b>201,362</b>

## Notes to the Financial Statements ....

### 31.2 Determination of Fair Value

#### a) Methodologies and Assumptions Used to Determine Fair Value

The methodology for fair value of the Financial Assets and Liabilities and the analysis according to fair value hierarchy is provided in this note. The basis on which fair values have been arrived for various financial assets and liabilities are explained below.

#### b) Assets for which Fair Value approximates Carrying Value

For financial assets and financial liabilities that have a short-term maturity, the carrying amounts approximate to their fair value.

#### c) Fixed rate Financial Investments - Government Securities

The fair value of fixed rate government securities financial assets carried at amortised cost are estimated by using weekly market rate published by Central Bank of Sri Lanka and other fixed rate investments were measured using comparing market interest rates when they were initially recognised with current market rates for similar financial instruments.

#### d) Fixed rate Financial Investments - Bank Deposits

The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and maturity.

#### e) Fixed rate Financial Investments - Unquoted and Quoted Debt Securities

For quoted debt issued, the fair values are determined based on quoted market prices. For those notes issued where quoted market prices are not available, a discounted cash flow model is used based on a current interest rate yield curve appropriate for the remaining term to maturity and credit spreads.

#### f) Cash and bank balances

The carrying amount approximate to fair value due to the relatively short term maturity

#### g) Other receivable and Financial liabilities

The carrying value has been considered as the fair value due to uncertainty of the timing cash flows.

### 31.3 Determination of Fair Value and Fair Values hierarchy of Financial Investments

The table below analyses financial instruments carried at Fair value, by level in the fair value hierarchy, the different levels have been defined as follows,

#### Level 1

Inputs that are quoted market prices (unadjusted) in active markets for identical instruments. The company measures the fair value of an instrument using active quoted prices or dealer price quotations (assets and long positions are measured at a bid price; liabilities and short positions are measured at an asking price), without any deduction for transaction costs. 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

#### Level 2

Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

#### Level 3

Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Please refer Accounting policy No. 4.1.3 on page 88 for more information regarding determination of fair value.

## Notes to the Financial Statements ....

As at 31 December 2015	Level 1 Rs.'000	Level 2 Rs.'000	Level 3 Rs.'000	Total Rs.'000
<b>Company</b>				
Available - for - Sale (AFS)	936	-	-	936
<b>Total Financial Investment</b>	<b>936</b>	<b>-</b>	<b>-</b>	<b>936</b>
<b>Group</b>				
Available - for - Sale (AFS)	936	-	-	936
Fair Value Through Profit or Loss (FVTPL)	4,043	-	-	4,043
<b>Total Financial Investment</b>	<b>4,979</b>	<b>-</b>	<b>-</b>	<b>4,979</b>
<b>As at 31 December 2014</b>				
	<b>Level 1 Rs.'000</b>	<b>Level 2 Rs.'000</b>	<b>Level 3 Rs.'000</b>	<b>Total Rs.'000</b>
<b>Company</b>				
Available - for - Sale (AFS)	1,404	-	-	1,404
<b>Total Financial Investment</b>	<b>1,404</b>	<b>-</b>	<b>-</b>	<b>1,404</b>
<b>Group</b>				
Available - for - Sale (AFS)	1,404	-	-	1,404
Fair Value Through Profit or Loss (FVTPL)	4,013	-	-	4,013
<b>Total Financial Investment</b>	<b>5,417</b>	<b>-</b>	<b>-</b>	<b>5,417</b>

### 31.4 Financial instruments not measured at fair value

The following table sets out the fair values of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorized

Company	Level 1 Rs.'000	Level 2 Rs.'000	Level 3 Rs.'000	Total Rs.'000
<b>As at 31 December 2015</b>				
<b>Assets</b>				
<b>Company</b>				
Cash and cash equivalents	-	-	27,264	27,264
Placements with Banks	-	-	156,262	156,262
Loans and Receivables to other customers	-	-	1,053,788	1,053,788
Financial investments – held-to-maturity	-	6,964	-	6,964
<b>Total Asset</b>	<b>-</b>	<b>6,964</b>	<b>1,237,314</b>	<b>1,244,278</b>

The Company has not disclosed the fair values for financial instruments such as Cash and cash equivalents, Placement with Banks and Loans and Receivables to other customers because their carrying amounts are a reasonable approximation of fair value.

Group	Level 1 Rs.'000	Level 2 Rs.'000	Level 3 Rs.'000	Total Rs.'000
<b>As at 31 December 2015</b>				
<b>Assets</b>				
<b>Group</b>				
Cash and cash equivalents	-	-	31,447	31,447
Placements with Banks	-	-	166,262	166,262
Loans and Receivables to other customers	-	-	1,052,774	1,052,774
Financial investments - held-to-maturity	4,572	6,964	-	11,536
Other Financial Assets	1,860	-	-	1,860
	<b>6,432</b>	<b>6,964</b>	<b>1,250,483</b>	<b>1,263,879</b>

The Group has not disclosed the fair values for financial instruments such as Cash and cash equivalents, Placement with Banks and Loans and Receivables to other customers because their carrying amounts are a reasonable approximation of fair value.

## Notes to the Financial Statements ....

Financial Liabilities  Company As at 31 December	2015		2014	
	Carrying Value Rs.'000	Fair Value Rs.'000	Carrying Value Rs.'000	Fair Value Rs.'000
Due to banks	80,409	80,409	-	-
Due to other customers	201,574	201,574	198,285	198,285
	281,983	281,983	198,285	198,285
<b>Group As at 31 December</b>				
Due to banks	80,409	80,409	-	-
Due to other customers	201,574	201,574	198,285	198,285
Other borrowings	3,332	3,332	3,077	3,077
	285,315	285,315	201,362	201,362

The fair values of financial liabilities are similar to carrying amounts since those amounts are reasonable approximation of fair values. Thus the fair-value hierarchy disclosure is not applicable.

### 32 Commitments and Contingencies

#### 32.1 Capital Commitment

The Capital expenditure approved by the board for the acquisition of computer software and not provided in the Financial Statements as at 31st December 2015 is Rs.3 Mn.

#### 32.2 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.

Except for above there are no material commitments and Contingencies as at the Reporting date.

### 33 Event after the reporting date

The Company has paid an interim dividend of Rs. 0.02 per share for the year ended 31st December 2015, on 3rd May 2016. Except above, no circumstances have arisen since the reporting date, which requires adjustments or disclosure in the Financial Statements.

## Notes to the Financial Statements ....

### 34 Related Party Disclosures

#### 34.1. Transactions with Related Parties

Company	Name of Director	Details of Financial Dealings	2015		2014		As a percentage of capital funds as at 31.12.2015
			Received/Receivable (Payable/Paid) Rs.'000	Capital Outstanding as at 31.12.2015 Rs.'000	Received/Receivable (Payable/Paid) Rs.'000	Capital Outstanding as at 31.12.2014 Rs.'000	
<b>Transactions with Associate Companies</b>							
SMB Real Estate Ltd	Mr.J.C.Korala	Term Loan	11,231	-	1,413	9,469	-
		Debentures interest	-	-	(1,413)	-	-
		Investment on Debentures	-	-	-	(9,236)	-
		Others -Q/Fund	-	-	(2,600)	-	-
Kenanga Investment Corporation Ltd			No Transactions		No Transactions		
SMB Securities (Pvt) Ltd.			No Transactions		No Transactions		
<b>Transactions with Subsidiary</b>							
SMB Money Brokers (Pvt) Ltd.		Easy Payment Loan	(240)	2,100	(240)	2,340	0.19%
<b>Transactions with other Related Companies</b>							
Lanka Ashok Leyland PLC	Mr. U. Gautam	Other Borrowings Interest	-	-	(42,005)	-	-
			-	-	(512)	-	-
Grayline Cargo Terminals (Pvt) Ltd	Mr. H.R.S Wijeratne	Finance Lease	1,030	11,357	1,042	12,387	1.04%
		Term Loan	1,719	18,955	1,739	20,673	1.73%
Grayline Container Terminals (Pvt) Ltd	Mr. H.R.S Wijeratne	Finance Lease	730	8,046	738	8,776	0.73%
		Term Loan	80	885	81	965	0.08%
Sapphirus Lanka (Pvt) Ltd	Mr.T.M.Wijesinghe	Term Loan	1,547	4,340	-	-	0.40%

#### 34.2 Transactions with Key Management Personnel

The Board of Directors of the Company are considered as the Key Management personnel of the Company.

The Company has paid following compensation to the Key Management personnel during the year.

	Company		Group	
	2015 Rs.'000	2014 Rs.'000	2015 Rs.'000	2014 Rs.'000
Short-term employee benefit	-	2,739	-	2,739
Directors' Fees	6,318	5,476	7,048	5,476
	6,318	8,215	7,048	8,215

## Notes to the Financial Statements ....

### 35 Financial Risk Management

#### 35.1 Introduction and Overview

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

- i. Credit Risk
- ii. Liquidity Risk
- iii. Market Risk
- iv. Operational Risk

#### 35.2 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.

#### 35.3 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.

##### 35.3.1 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.

##### 35.3.2 Exposure to Liquidity Risk

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

	2015	2014
Net loans / Total assets	74.39%	73.18%
Liquid Asset Ratio (LAR)		
Average for the year	61.34%	57.66%
Maximum for the year	72.27%	67.86%
Minimum for the year	46.94%	34.80%

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 on page 124.

## Notes to the Financial Statements ....

35.3.3	Maturity Analysis	Up to 3 Months	3 to 12 Months	1 to 3 Years	3 to 5 Years	More than 5 Years	Total 2015
(a)	Company	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
	<b>Interest Earning Assets</b>						
	Cash and cash equivalents	27,264	-	-	-	-	27,264
	Placements with Banks	3,740	152,522	-	-	-	156,262
	Loans & Receivables to other customers	186,563	293,417	428,537	115,832	29,439	1,053,788
	Financial investments	-	936	-	-	6,355	7,291
		217,567	446,875	428,537	115,832	35,794	1,244,605
	<b>Non Interest Earning Assets</b>						
	Investment in Associates	-	-	108,757	-	-	108,757
	Investment in Subsidiary	-	-	12,750	-	-	12,750
	Investment Properties	-	-	-	-	33,730	33,730
	Property, Plant & equipment	-	-	-	-	7,222	7,222
	Intangible Assets	-	-	-	-	3,406	3,406
	Other Assets	-	3,111	2,897	-	-	6,008
		-	3,111	124,404	-	44,358	171,873
	<b>Total Assets</b>	217,567	449,986	552,942	115,832	80,152	1,416,478
	<b>Interest bearing liabilities</b>						
	Due to other customers	9,979	189,673	1,148	774	-	201,574
	Due to Banks	67,486	2,813	10,110	-	-	80,409
		77,465	192,486	11,258	774	-	281,983
	<b>Non Interest bearing liabilities</b>						
	Other liabilities	26,919	-	-	-	10,337	37,256
	Shareholders Funds	-	-	-	-	1,097,239	1,097,239
		26,919	-	-	-	1,107,576	1,134,495
	<b>Total Liabilities &amp; Shareholders' funds</b>	104,384	192,486	11,258	774	1,107,576	1,416,478
(b)	<b>Group</b>						
	<b>Interest Earning Assets</b>						
	Cash and cash equivalents	31,447	-	-	-	-	31,447
	Placements with Banks	13,740	152,522	-	-	-	166,262
	Loans & Receivables to other customers	185,549	293,417	428,537	115,832	29,439	1,052,774
	Financial investments	-	4,978	-	-	10,162	15,140
		230,736	450,917	428,537	115,832	39,601	1,265,623
	<b>Non Interest Earning Assets</b>						
	Investment in Associates	-	-	119,313	-	-	119,313
	Investment Properties	-	-	-	-	39,892	39,892
	Property, Plant & equipment	-	-	-	-	12,350	12,350
	Intangible Assets	-	-	-	-	3,406	3,406
	Deferred Tax Assets	-	-	-	-	1,197	1,197
	Other Assets	-	8,143	2,897	-	-	11,040
		-	8,143	122,210	-	56,845	187,198
	<b>Total Assets</b>	230,736	459,060	550,747	115,832	96,446	1,452,821
	<b>Interest bearing liabilities</b>						
	Due to other customers	9,979	189,673	1,148	774	-	201,574
	Due to Bank	67,487	2,813	10,110	-	-	80,410
	Other borrowings	-	1,281	2,050	-	-	3,331
		77,466	193,767	13,308	774	-	285,315
	<b>Non Interest bearing liabilities</b>						
	Other liabilities	32,150	-	-	-	15,307	47,457
	Shareholders Funds	-	-	-	-	1,120,049	1,120,049
		32,150	-	-	-	1,135,356	1,167,506
	<b>Total Liabilities &amp; Shareholders' funds</b>	109,616	193,767	13,308	774	1,135,356	1,452,821

## Notes to the Financial Statements ....

### 35.4 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.

#### (a) 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.

#### (b) 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.

#### (c) Credit Administration and Disbursement

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

#### (d) 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.

#### (e) 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

	2015 Rs. '000
Secured by Motor vehicles	19,108
Secured by movable & immovable assets	67,483
Other securities	3,031
Clean	-
	<u>89,622</u>
Individually significant unimpaired loans and leases	
Watch list	76,830
Others	578,094
	<u>654,924</u>

#### Collateral wise analysis of individually significant unimpaired loans and leases

Secured by Motor vehicles	165,154
Secured by movable & immovable assets	480,220
Clean	9,550
	<u>654,924</u>

## Notes to the Financial Statements ....

### 35.5 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 behavior.

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.

### 35.6 Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

#### 35.6.1 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 stress. 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 (Rs. '000)	(9,182)	(4,591)	4,591	9,182
Effect on loan interest Income	-10.29%	-5.15%	5.15%	10.29%

#### Lease Portfolio

Interest Rate Shock	-2%	-1%	1%	2%
Interest Income Change (Rs. '000)	(10,594)	(5,297)	5,297	10,594
Effect on lease interest Income	-11.96%	-5.98%	5.98%	11.96%

#### Total Portfolio

Interest Rate Shock	-2%	-1%	1%	2%
Interest Income Change (Rs. '000)	(19,776)	(9,888)	9,888	19,776
Effect on interest Income	-11.12%	-5.56%	5.56%	11.12%

#### Interest Expenses

Interest Rate Shock	-2%	-1%	1%	2%
Interest Expenses Change (Rs. '000)	(4,802)	(2,401)	2,401	4,802
Effect on interest Expenses	-16.84%	-8.42%	8.42%	16.84%

## Notes to the Financial Statements ....

### 36 Current/ Non Current Analysis

As at 31st December Company	2015			2014		
	Within 12 Month Rs. 000'	After 12 Months Rs. 000'	Total Rs. 000'	Within 12 Month Rs. 000'	After 12 Months Rs. 000'	Total Rs. 000'
<b>Assets</b>						
Cash and cash equivalents	27,264	-	27,264	18,871	-	18,871
Placements with Banks	156,262	-	156,262	126,181	-	126,181
Loans & Receivables to other customers	479,980	573,808	1,053,788	220,845	703,045	923,890
Financial investments	936	6,355	7,291	1,404	6,308	7,712
Investment in Associates	-	108,757	108,757	-	108,757	108,757
Investment in Subsidiary	-	12,750	12,750	-	11,791	11,791
Investment Properties	-	33,730	33,730	-	33,730	33,730
Property, Plant & equipment	-	7,222	7,222	-	9,876	9,876
Intangible asstes	-	3,406	3,406	-	3,553	3,553
Other Assets	3,111	2,897	6,008	11,592	6,565	18,157
<b>Total Assets</b>	<b>667,553</b>	<b>748,925</b>	<b>1,416,478</b>	<b>378,893</b>	<b>883,625</b>	<b>1,262,518</b>
<b>Liabilities</b>						
Due to banks	70,299	10,110	80,409	-	-	-
Due to other customers	199,652	1,922	201,574	97,121	101,164	198,285
Other borrowings	-	-	-	-	-	-
Other liabilities	22,307	14,989	37,256	12,017	14,213	26,230
<b>Total liabilities</b>	<b>292,258</b>	<b>26,981</b>	<b>319,239</b>	<b>109,138</b>	<b>115,377</b>	<b>224,515</b>

As at 31st December Group	2015			2014		
	Within 12 Month Rs. 000'	After 12 Months Rs. 000'	Total Rs. 000'	Within 12 Month Rs. 000'	After 12 Months Rs. 000'	Total Rs. 000'
<b>Assets</b>						
Cash and cash equivalents	31,447	-	31,447	24,835	-	24,835
Placements with Banks	166,262	-	166,262	126,181	-	126,181
Loans & Receivables to other customers	478,967	573,807	1,052,774	218,504	703,046	921,550
Financial investments	4,978	10,162	15,140	5,417	12,760	18,177
Investment in Associates	-	119,313	119,313	-	119,313	119,313
Investment Properties	-	39,892	39,892	-	38,977	38,977
Property, Plant & equipment	-	12,350	12,350	-	16,745	16,745
Intangible asstes	-	3,406	3,406	-	3,553	3,553
Deferred Tax Assets	-	1,197	1,197	-	1,062	1,062
Other Assets	8,143	2,897	11,040	17,453	6,564	24,017
<b>Total Assets</b>	<b>689,797</b>	<b>763,024</b>	<b>1,452,821</b>	<b>392,390</b>	<b>902,020</b>	<b>1,294,410</b>
<b>Liabilities</b>						
Due to banks	70,299	10,110	80,409	-	-	-
Due to other customers	199,652	1,922	201,574	97,121	101,164	198,285
Other borrowings	3,332	-	3,332	3,076	-	3,076
Other liabilities	25,639	21,545	47,184	12,017	22,899	34,916
<b>Total liabilities</b>	<b>298,922</b>	<b>33,577</b>	<b>332,499</b>	<b>112,214</b>	<b>124,063</b>	<b>236,277</b>

## Notes to the Financial Statements ....

### 37. Segment Reporting - Group

As at 31st December	Loans		Leasing		Treasury		Money Brokering		Unallocated		Consolidated	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	Rs.000'	Rs.000'	Rs.000'	Rs.000'	Rs.000'	Rs.000'	Rs.000'	Rs.000'	Rs.000'	Rs.000'	Rs.000'	Rs.000'
<b>Business segments - Group</b>												
Revenue from external customers,												
Interest	89,224	95,313	88,547	77,130	-	-	-	-	-	-	177,771	172,443
Fees & Commission	1,454	1,111	1,842	1,745	-	-	-	-	-	-	3,296	2,856
Other operating Income	-	1,053	2,464	1,831	9,859	12,452	50,243	74,407	4,085	1,772	66,652	91,515
<b>Total Revenue from external customers</b>	<b>90,678</b>	<b>97,477</b>	<b>92,853</b>	<b>80,706</b>	<b>9,859</b>	<b>12,452</b>	<b>50,243</b>	<b>74,407</b>	<b>4,085</b>	<b>1,772</b>	<b>247,719</b>	<b>266,814</b>
Segment result	42,064	52,658	43,073	43,598	4,574	6,727	23,307	40,195	1,895	957	114,913	144,136
Depreciation charged for the year	(1,916)	(2,176)	(1,962)	(1,802)	(208)	(278)	(1,062)	(1,661)	(86)	(40)	(5,235)	(5,957)
Interest Expense	(10,454)	(11,575)	(10,705)	(9,584)	(1,137)	(1,479)	(5,793)	(8,836)	(471)	(210)	(28,560)	(31,684)
Operating Profit	29,694	38,907	30,406	32,212	3,229	4,970	16,453	29,698	1,338	707	81,119	106,495
Share of Profit/ (Loss) of Associate Companies	-	-	-	-	-	-	-	-	-	(2,952)	-	(2,952)
Income tax expense	(3,086)	(3,394)	(3,160)	(2,810)	(336)	(434)	(1,710)	(2,590)	(140)	(61)	(8,431)	(9,289)
Value Added Tax (VAT) on financial services	-	-	-	-	-	-	-	-	(9,365)	(7,888)	(9,365)	(7,888)
Other comprehensive Expense	(899)	(607)	(921)	(503)	1,225	(78)	(498)	(464)	(41)	(11)	(1,134)	(1,663)
<b>Total Comprehensive Income for the year</b>	<b>25,708</b>	<b>34,906</b>	<b>26,325</b>	<b>28,900</b>	<b>4,117</b>	<b>4,458</b>	<b>14,245</b>	<b>26,644</b>	<b>(8,206)</b>	<b>(10,205)</b>	<b>62,189</b>	<b>84,703</b>
Segment assets	461,852	453,063	590,922	468,487	138,451	158,728	12,882	16,326	248,715	197,806	1,452,821	1,294,410
Segment liabilities	104,440	73,565	106,945	60,908	11,356	9,397	57,868	56,154	51,890	36,253	332,499	236,277
Cash Flow from Operating Activities	(35,443)	38,923	(36,293)	32,226	(3,854)	4,972	(19,638)	29,711	(1,598)	708	(96,825)	106,540
Cash Flow from Investing Activities	1,668	(1,914)	1,708	(1,585)	181	(244)	924	(1,461)	(180)	(35)	4,300	(5,239)
Cash Flow from Financing Activities	7,657	(29,619)	7,841	(24,523)	833	(3,784)	4,243	(22,609)	601	(539)	21,174	(81,074)

# FIVE YEAR SUMMARY GROUP

Year ended 31st December	2015 Rs.'000	2014 Rs.'000	2013 Rs.'000	2012 Rs.'000	2011 Rs.'000
<b>Operating Results</b>					
Revenue	248,644	266,814	252,487	211,573	135,468
Interest Income	177,771	172,443	182,024	143,988	75,581
Interest Expenses	(28,560)	(31,684)	(44,990)	(35,600)	(47,609)
Operating Expenses & Provision	(141,028)	(151,008)	(129,483)	(97,122)	(107,123)
Profit/(Loss) before taxation	81,119	106,495	102,471	91,899	(17,999)
Taxation & VAT	(17,796)	(17,176)	(15,308)	(14,528)	(6,000)
Profit After Taxation	63,323	86,366	73,509	65,971	(9,321)
Non Controlling Interest	1,789	2,434	824	(743)	(578)
Profit/(Loss)Attributable to Shareholders	61,534	83,932	72,685	64,001	(5,085)
<b>As at 31st December</b>					
<b>Assets</b>					
Cash & Short Term Funds	31,447	24,835	22,979	11,138	10,496
Investments	181,402	144,358	116,778	117,821	488,210
Loans & Advances	1,052,774	921,550	929,832	910,415	568,832
Investment in Associates	119,313	119,313	122,265	135,119	158,425
Investment Property	39,892	38,977	38,977	41,377	40,173
Property Plant and Equipment	12,350	16,745	19,192	12,276	14,348
Other Assets	12,238	25,079	21,968	28,655	39,156
Intangible Assets	3,406	3,553	3,706	16	-
<b>Total Assets</b>	<b>1,452,821</b>	<b>1,294,410</b>	<b>1,275,698</b>	<b>1,257,617</b>	<b>1,319,640</b>
<b>Equity &amp; Liabilities</b>					
<b>Equity</b>					
Stated Capital	919,064	919,064	919,064	919,064	885,097
Statutory Reserves	24,665	21,633	17,682	13,795	9,858
Available for Sale Reserve	-	(1,322)	-	-	-
Retain Earnings	164,608	108,689	19,022	(43,128)	(90,044)
Other Reserves	-	-	9,924	4,264	1,566
	1,108,337	1,048,064	965,692	893,995	806,477
<b>Liabilities</b>					
Due to Banks	80,409	-	18,748	34,466	66,757
Due to Other Customers	201,574	198,285	196,613	224,628	340,603
Other Borrowings	3,332	3,077	52,040	49,693	-
Other Liabilities	47,184	34,915	34,868	47,920	98,145
Non-Controlling Interest	11,985	10,069	7,737	6,915	7,658
	344,484	246,346	310,006	363,622	513,163
<b>Total Equity &amp; Liabilities</b>	<b>1,452,821</b>	<b>1,294,410</b>	<b>1,275,698</b>	<b>1,257,617</b>	<b>1,319,640</b>
<b>Cash Flow</b>					
Cash Flow from Operating Activities	(96,825)	106,539	56,209	(265,375)	(188,703)
Cash Flow from Investing Activities	4,301	(5,239)	(13,704)	1,612	(1,182)
Cash Flow from Financing Activities	21,173	(81,074)	(48,592)	(58,638)	288,179
Net Increase/(Decrease) in cash and cash Equivalents	(71,351)	20,227	(6,087)	(322,402)	98,294
					(0.01)
Basic Earning/(Loss) per share (Rs.)	0.03	0.05	0.04	0.04	
Assets Growth (%)	12	1	2	(4)	27
Net Assets Growth (%)	6	7	8	12	84
Net Assets per share (Rs.)	0.61	0.58	0.54	0.49	0.45

# DECADE AT A GLANCE COMPANY

Year ended 31st December	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Operating Results</b>										
Revenue	198,117	193,973	203,046	189,502	112,854	124,110	391,449	334,661	500,998	515,425
Interest Income	177,771	172,443	182,024	143,988	75,581	101,718	147,132	295,666	424,776	434,047
Interest Expenses	(28,525)	(31,647)	(44,868)	(35,600)	(47,609)	(64,732)	(166,315)	(410,293)	(400,239)	(359,235)
Operating Expenses & Provision	(93,599)	(68,634)	(66,565)	(61,567)	(76,470)	(59,805)	(66,868)	(506,301)	(85,937)	(110,889)
Profit/(Loss) before taxation	75,993	93,667	91,613	92,334	(11,225)	19,443	158,266	(581,933)	2,699	31,859
Vat & Taxation	(15,363)	(14,663)	(13,861)	(14,863)	(5,519)	-	-	(35,601)	(2,432)	6,994
Profit After Taxation	60,630	79,004	77,752	77,471	(16,744)	14,095	158,266	(618,676)	267	24,865
Comprehensive Income/(Expense)	59,236	77,549	76,767	75,621	(13,086)	-	-	-	-	-
<b>As at 31st December</b>										
<b>Assets</b>										
Cash and cash equivalents and placement with banks	183,526	145,052	116,934	119,394	480,706	368,304	7,151	134,541	348,412	703,745
Loans and Receivables	1,053,788	923,890	932,413	913,235	571,892	420,657	778,938	1,197,256	1,949,602	2,439,865
Financial investments	7,291	7,712	8,991	3,193	6,308	2,650	-	-	-	-
Investments in Associates	108,757	108,757	116,418	125,561	125,561	129,282	125,560	49,000	49,000	-
Investments in Subsidiary	12,750	11,791	9,268	7,854	12,750	12,750	12,750	324,197	319,540	314,547
Investment Properties	33,730	33,730	33,730	34,324	33,120	33,120	49,016	16,316	27,505	23,187
Property Plant & Equipment	7,222	9,876	13,508	11,592	13,205	9,244	7,457	8,055	11,947	20,983
Intangible Assets	3,406	3,553	3,701	-	-	-	-	-	-	-
Other Assets	6,008	18,587	14,451	21,574	36,197	30,970	187,672	296,395	227,111	118,031
	1,416,478	1,262,518	1,249,414	1,236,727	1,279,739	1,006,977	1,168,542	2,025,760	2,933,117	3,620,358
<b>Liabilities &amp; Shareholders' Fund</b>										
Due to Banks and Others	281,983	198,285	262,229	308,788	407,360	511,245	911,725	1,976,442	2,143,489	2,769,840
Other Liabilities	37,256	26,230	26,732	44,253	94,594	77,827	327,148	261,257	382,892	443,819
Shareholders' Funds	1,097,239	1,038,003	960,453	883,686	777,785	417,905	(70,331)	(211,939)	406,736	406,699
	1,416,478	1,262,518	1,249,414	1,236,727	1,279,739	1,006,977	1,168,542	2,025,760	2,933,117	3,620,358
<b>Ratios</b>										
Income Growth (%)	2	(4)	(32)	164	(9)	(68)	1,697	(3,320)	(280)	(1,252)
Property, Plant & Equipment to Shareholders' Fund (%)	0.66	0.95	1.41	1.31	1.70	2.21	(10.60)	(3.80)	2.94	5.16
Total asset to shareholders' fund (times)	1.29	1.22	1.30	1.40	1.65	2.41	(16.61)	(9.56)	7.21	8.9
Net Assets per Share (Rs.)	0.61	0.57	0.53	0.49	0.56	0.30	(1.29)	(3.89)	7.46	4.46
Basic Earning/(Loss) per share (Rs.)	0.03	0.04	0.04	0.04	(0.01)	0.02	0.23	(11.35)	0.005	0.51

# NOTICE OF MEETING VOTING

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NOTICE IS HEREBY GIVEN that the Annual General Meeting of SMB Leasing PLC will be held at Renuka City Hotel, 328, Galle Road, Colombo 03 on 24th June 2016 at 9.30 a.m. for the following purposes :

1. To receive and consider the Audited Financial Statements for the year ended December 31, 2015 together with the reports of the Directors' and Auditors' thereon.
2. To re-elect Mr. J C Korale, Director who retires by rotation in terms of Article 87 of the Articles of Association of the Company.
3. To re-elect Mr. T M Wijesinghe, Director who retires by rotation in terms of Article 91 of the Articles of Association of the Company.
4. To authorize the Directors to determine and make donations.
5. To re-appoint Auditors M/s. KPMG, Chartered Accountants and to authorize the Directors to determine their remuneration.

By order of the Board

P W CORPORATE SECRETARIAL (PVT) LTD

(sgd)

SECRETARIES

Colombo

25th May 2016

Notes

1. A Member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on 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 the Secretaries, No.3/17, Kynsey Road, Colombo 8, not less than forty eight (48) hours before the time fixed for the meeting.

# NOTICE OF MEETING NON VOTING

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NOTICE IS HEREBY GIVEN that the Annual General Meeting of SMB Leasing PLC will be held at Renuka City Hotel, 328, Galle Road, Colombo 03 on 24th June 2016 at 9.30 a.m. for the following purposes :

1. To receive and consider the Audited Financial Statements for the year ended December 31, 2015 together with the reports of the Directors' and Auditors' thereon.
2. To re-elect Mr. J C Korale, Director who retires by rotation in terms of Article 87 of the Articles of Association of the Company.
3. To re-elect Mr. T M Wijesinghe, Director who retires by rotation in terms of Article 91 of the Articles of Association of the Company.
4. To authorize the Directors to determine and make donations.
5. To re-appoint Auditors M/s. KPMG, Chartered Accountants and to authorize the Directors to determine their remuneration.

By order of the Board

P W CORPORATE SECRETARIAL (PVT) LTD

(sgd)

SECRETARIES

Colombo

25th May 2016

Notes

1. A Member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on 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 the Secretaries, No.3/17, Kynsey Road, Colombo 8, not less than forty eight (48) hours before the time fixed for the meeting.

# FORM OF PROXY VOTING

## SMB LEASING PLC

### FORM OF PROXY

\*I/We.....  
of ..... being\* a member/ members of SMB LEASING PLC, hereby appoint  
..... of.....or failing him/her ..... or failing him ..... or failing him  
..... or failing him ..... as \*my/our Proxy to represent \*me/us and to speak and vote whether on a  
show of hands or on a poll for \*me/us on \*my/our behalf at the ANNUAL GENERAL MEETING OF THE COMPANY to be held  
24th June 2016 at 9.30 a.m. at the Renuka City Hotel, 328, Galle Road, Colombo 03 and at any adjournment thereof, and at  
every poll which may be taken in consequence thereof.

	For	Against
1. To receive and consider the Audited Financial Statements for the year ended December 31, 2015 together with the reports of the Directors' and Auditors' thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. To re-elect Mr. J C Korale, 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-elect Mr. T M Wijesinghe, Director who retires by rotation in terms of Article 91 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
4) To authorize the Directors to determine and make Donations.	<input type="checkbox"/>	<input type="checkbox"/>
5) To re-appoint Auditors M/s. KPMG, Chartered Accountants and to Authorize the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>

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

\*Signature/s of the shareholder (s) .....

.....

### Notes:

Please provide the following details:

Shareholder's NIC No./Company Registration No. ....

Folio No/Number of shares held .....

Proxy holder's NIC No. (if not a Director) .....

#### INSTRUCTIONS AS TO COMPLETION

1. To be valid this Form of Proxy must be deposited at the Registered Office of P W Corporate Secretarial (Pvt) Ltd, No.3/17, Kynsey Road, Colombo 8, 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.....  
of ..... being\* a member/ members of SMB LEASING PLC, hereby appoint Mr. H R S Wijeratne of Colombo or failing him Mr. T M Wijesinghe or failing him Mr. U Gautam or failing him Mr. J C Korale or failing him Mr. S N P Palihena as \*my/our Proxy to represent \*me/us and to speak and vote whether on a show of hands or on a poll for \*me/us on \*my/our behalf at the ANNUAL GENERAL MEETING OF THE COMPANY to be held 24th June 2016 at 9.30 a.m. at the Renuka City Hotel, 328, Galle Road, Colombo 03 and at any adjournment thereof, and at every poll which may be taken in consequence thereof.

	For	Against
1. To receive and consider the Audited Financial Statements for the year ended December 31, 2015 together with the reports of the Directors' and Auditors' thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. To re-elect Mr. J C Korale, 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-elect Mr. T M Wijesinghe, Director who retires by rotation in terms of Article 91 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
4) To authorize the Directors to determine and make Donations.	<input type="checkbox"/>	<input type="checkbox"/>
5) To re-appoint Auditors M/s. KPMG, Chartered Accountants and to Authorize the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>

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

\*Signature/s of the shareholder (s) .....

.....

### Notes:

Please provide the following details:

Shareholder's NIC No./Company Registration No. ....

Folio No/Number of shares held .....

Proxy holder's NIC No. (if not a Director) .....

#### INSTRUCTIONS AS TO COMPLETION

1. To be valid this Form of Proxy must be deposited at the Registered Office of P W Corporate Secretarial (Pvt) Ltd, No.3/17, Kynsey Road, Colombo 8, 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.

# CORPORATE INFORMATION

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## 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 Specialized Leasing Company under the provisions of the Finance Leasing Act No. 56 of 2000.

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

## Board of Directors

### Chairman

Mr. H. R. S. Wijeratne  
(Non-Executive Director)

### Deputy Chairman

Mr. U. Gautam  
(Independent Non-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)

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

Mr. T.M. Wijesinghe  
(Independent Non-Executive Director)

## Secretaries

PW Corporate Secretarial (Pvt) Ltd  
No. 3/17, Kynsey Road  
Colombo 08.

## External Auditors

M/S. KPMG  
(Chartered Accountants)  
No. 32A, Sir Mohammed Macan Marker Mawatha,  
Colombo 03.

## Internal Auditors

M/S. SJMS Associates  
(Chartered Accountants)  
Level 2, Polytechnic Building  
30 2/1, Galle Road  
Colombo 06

## Tax Consultants

Amarasekara & Co  
(Chartered Accountants)  
No 12, Rotunda Gardens  
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. Ganlaths  
Attorneys-at-Law and Notaries Public,  
Galadari Hotel, M Floor,  
No. 64, Lotus Road,  
Colombo 01.

## Bankers

Sampath Bank PLC  
Commercial Bank of Ceylon PLC  
Bank of Ceylon PLC  
DFCC Bank PLC

## Head Office

No. 110, D. S. Senanayake Mawatha,  
Colombo 08.  
Telephone : 094-114222888  
Fax : 094-114222880  
E-mail : smbhed@sltnet.lk  
Web : www.smb.lk.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.



**SMB LEASING PLC**

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