

a New Identity . . .

I certify under Section 8 of the Companies Act No. 7 of 2007 that SEYLAN MERCHANT BANK PLC
.....having changed its name to S M B LEASING PLC
.....in accordance with the provisions of the Section 8 of the Companies Act,
is this day accordingly incorporated as S M B LEASING PLC
.....and I do hereby certify that the said company is
~~not limited by Guarantee and that it has ceased to be a Private Company~~
and at Colombo, this Thirteenth day of July
.....
.....to Thousand Ten.....




SMB LEASING PLC

ANNUAL REPORT
2010

a New Identity..

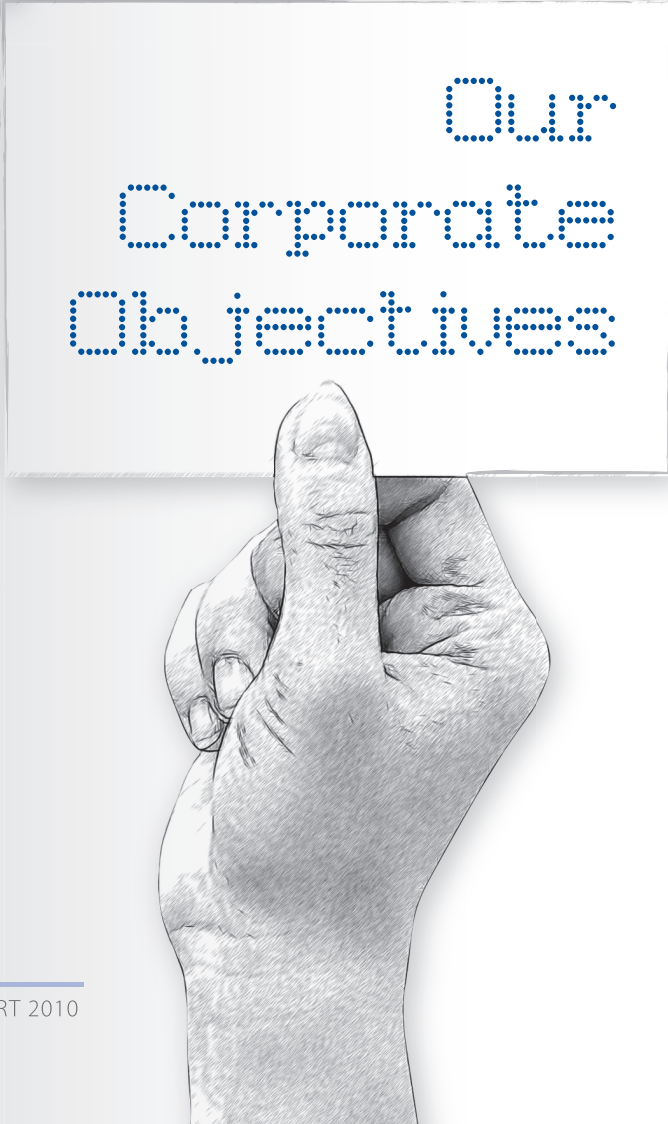


SMB LEASING PLC



Our Mission

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



Our Corporate Objectives

- To provide an excellent service to our customers
- To enhance shareholder's wealth by means of stable and attractive returns
- To develop highly satisfied and motivated employees at all levels who will make an effective and efficient contribution towards the economic development of Sri Lanka

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Corporate Information

Statutory Status

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

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

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

Registered Office

No. 385, Landmark Building,
Galle Road,
Colombo 03

Board of Directors

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

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

R. Renganathan *FCA*
(Non Executive Director)

Mr. A. N. Bahaudeen *B.A. (Econ) (SL), Attorney-at-Law*
(Independent Non Executive Director)

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

Mr. U. Gautam
(Non Executive Director)

Mr. T. Someswaran *FCA, FCMA.*
(Independent Non Executive Director)

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

Dr. T. Senthilverl
(Non Executive Director)

Secretaries

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

Auditors

M/s. KPMG Ford, Rhodes, Thornton & Co.
(Chartered Accountants)

Lawyers

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

M/s Julius & Creasy
Attorneys-at-Law & Notaries Public
Colombo.

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

Bankers

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

Head Office

No. 385, Landmark Building,
Galle Road,
Colombo 03.

Telephone	+94-11-2573363 / 5557719
Fax	+94-11-5557719
Email	smbhed@slt.net.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

Branches

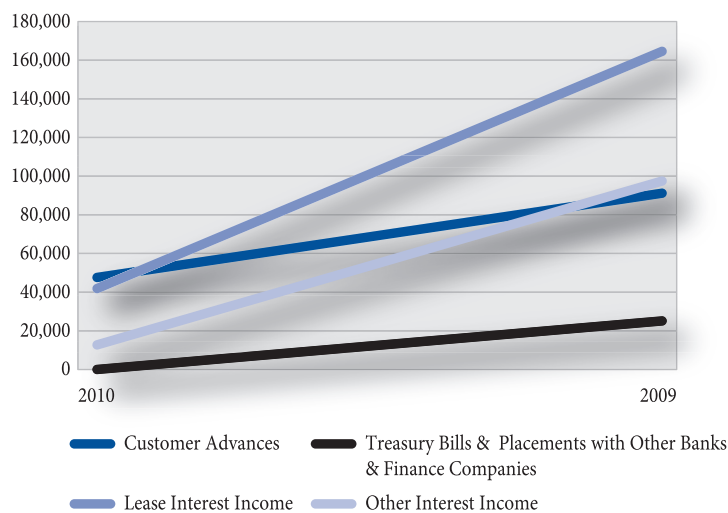
Deniyaya Branch
Central Tyre House Building, 1st Floor,
Main Street, Deniyaya.

Mahiyanganaya Branch
24, Kandy Road, Mahiyanganaya.

Financial Highlights

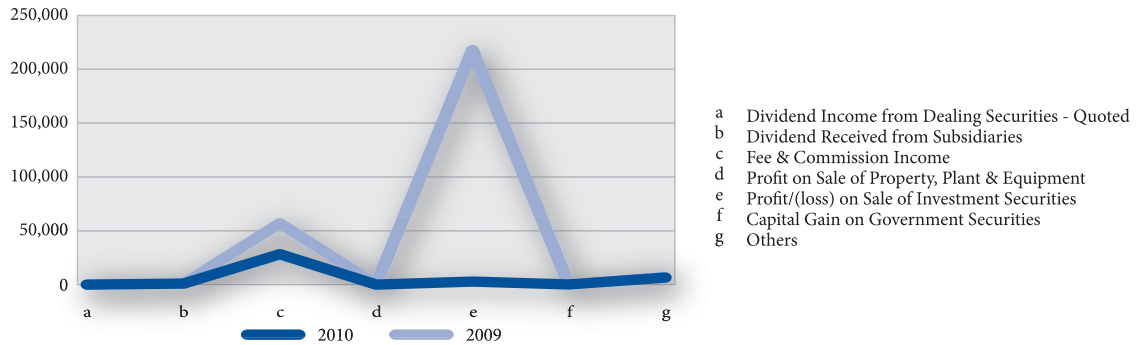
	GROUP			COMPANY		
	2010	Change %	2009	2010	Change %	2009
Performance During the Year						
Income	141,000,438	-77.37%	623,058,911	121,109,940	-68.29%	391,449,082
Profit before Tax & VAT	33,331,240	-60.22%	83,794,023	19,442,896	-87.72%	158,266,067
Taxation & VAT	(6,016,263)	-284.51%	(1,564,657)	(5,347,396)	-	-
Profit after Tax	27,314,977	-66.78%	82,229,366	14,095,500	-91.09%	158,266,067
At the Year End						
Lease / Loans portfolio	478,337,492	-38.57%	778,698,965	481,637,492	-38.17%	778,983,965
Other Assets	659,078,806	61.43%	408,276,801	625,193,169	60.47%	389,602,976
Total Assets	1,137,416,298	-4.18%	1,186,975,766	1,106,830,661	-5.28%	1,168,541,941
Shareholders' Funds	541,658,472	969.71%	(62,280,701)	520,219,934	839.68%	(70,330,837)
Minority Interest	8,236,021	2.46%	8,038,603	-	-	-
Deposits & Borrowings	352,664,519	-43.26%	621,564,859	352,814,519	-43.24%	621,564,859
Debentures & Other Liabilities	234,857,287	-62.10%	619,653,005	233,796,207	62.13%	617,307,919
Total Liabilities & Shareholders' Funds	1,137,416,298	-4.18%	1,186,975,766	1,106,830,661	-5.28%	1,168,541,941
Ratios						
Basic Earnings / (Loss) per Share (Rs.)	0.03	-78.57%	0.14	0.02	-91.30%	0.23
Interest Cover	1.51	17.97%	1.28	1.30	-33.31%	1.95
Net Assets per Share	0.42	136.84%	(1.14)	0.40	131.36%	(1.29)
Cost / Income Ratio	55.24%	103.40%	27.16%	63.64%	469.73%	11.17%
Net Profit to Income Ratio	19.37%	46.76%	13.20%	13.86%	-65.72%	40.43%

Interest Income - Group (Rs. "000")

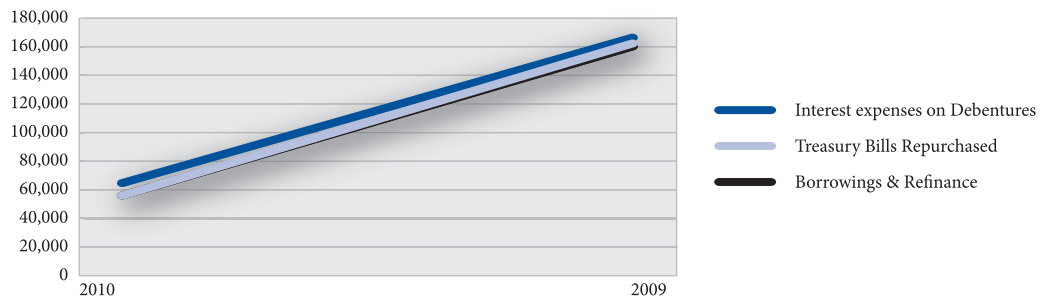


Financial Highlights

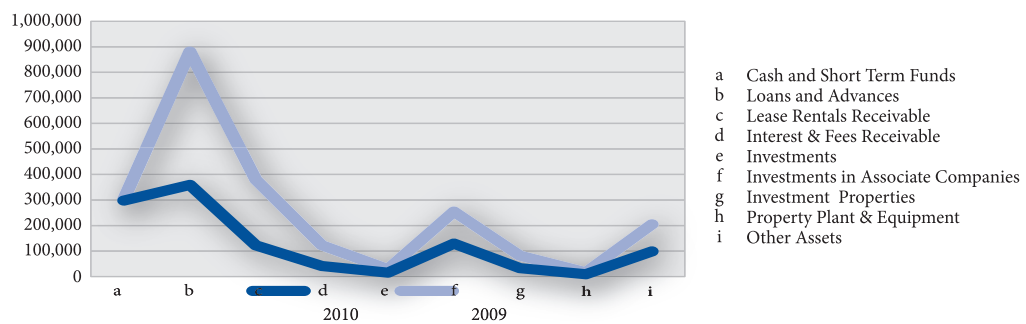
Other Income - Group (Rs. "000")



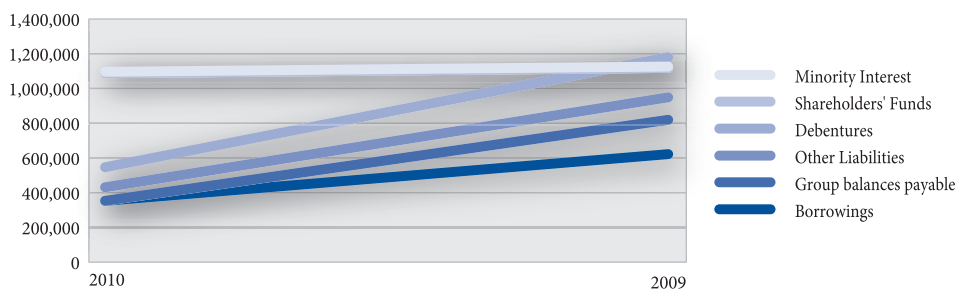
Interest Expenses (Rs. "000")



Total Assets (Rs. "000")



Total Borrowings (Rs. "000")



An illustration of two hands holding a white rectangular piece of paper. The hands are rendered in a detailed, shaded style. The paper is held at the top-left and bottom-right corners. In the center of the paper, the words "Corporate Leaders" are written in a blue, elegant cursive script. The background is a light gray gradient, and a solid blue vertical bar is visible on the right edge of the image.

*Corporate
Leaders*

Dear Shareholder

It gives me great pleasure to welcome all of our Shareholders to the Eighteenth Annual General Meeting of SMB Leasing PLC to present to you the Audited Financial Statements and the Annual Report for the year 2010.

The Local Economy

In 2010, the Sri Lankan economy recorded an impressive growth of 8.0 per cent, the highest annual rate of growth reported in the last three decades. This far exceeds the average annual growth of 4.9 per cent recorded since the liberalisation of the economy in 1977. This significant performance was supported by the restoration of permanent peace, which created an environment conducive for the expansion in economic activity, the strong macroeconomic environment, increased domestic demand, the development of infrastructure facilities, improved external demand with the gradual recovery in the global economy and favourable domestic weather conditions. According to the Central Bank, inflation continued to remain low at around mid-single digit levels and the overall deficit was reduced to 7.9 per cent of GDP in 2010 from 9.9 per cent in 2009.

Also according to the Central Bank, both bank and non bank financial institutions displayed improved performance in 2010, reflecting the increase in financial transactions to facilitate the growing economy. With regard to non bank financial institutions, the registered finance companies (RFC) sector gradually recovered in 2010 after experiencing liquidity problems in 2009. Specialised leasing companies (SLCs) continued to grow in 2010 with an improvement in credit quality and favourable provisioning for bad and doubtful accommodations. All this augurs well for your company since we, the board, have chosen this particular avenue as the way forward and our future strategy.

Global Economy

Unrest in the Middle East, earthquakes and a tsunami in Japan add to the woes the global economy continues to experience in these turbulent and tumultuous times. This global situation will impact unfavourably on Sri Lankan fuel costs. The steep increases in crude oil prices which were believed to peak at US\$ 100 will continue to rise bringing in its wake higher prices and therefore a higher cost of living. This is mainly due to the crisis in the Middle East and the recovery of the American economy.

These are the key factors in the global economic arena that we have to guard against and be prepared for despite the positive and prudent economic policies of China and India who have already invested in Sri Lanka and which can have significant benefits to our economy.

A New Identity

Since the collapse of the Ceylinco Group, Seylan Merchant Bank PLC had to build up its own identity and function more as an independent entity. The divestiture by Seylan Bank PLC of its equity stake in the company to less than 50% resulted in SMB ceasing to be a subsidiary thereof. In this scenario the the Board of Directors decided in June 2010 that the corporate name be changed to SMB Leasing PLC which carries the identity of a specialized leasing institution.

Although the new identity of the company limits its operations as a leasing company, it can now focus on its strength, which is its core business, and enjoy economies of scale by concentrating on Leasing per se. The new identity should work itself to the strength of the company although we lose out to the broader keywords of the “Bank” and “Seylan” due to statutory reasons, since both have large and intrinsic values attached to them. However, looking at the positives, we now have the possibility of focusing on being a specialised leasing company. That is our way forward and we would like to embark on this new journey.

Company Performance

We had a total liability of Rs. 1.2 billion during the beginning of the financial year which as at year end has come down to Rs. 584 million. During the entire financial year of 2010, we have been collecting the proceeds from the leases and utilising these funds to redeem public and other liabilities. Only at the latter stages of 2010, after a successful Rights Issue did we commence our core operational factor of providing leasing. But these improvements in income will be apparent only in the financial review of 2011 and 2012 onwards.

Although our turnover had fallen from Rs. 391 million to Rs. 124 million during the financial year, the gross profit margin i.e.; net interest margin, which was Rs. 19 million negative during the financial year 2009, improved to Rs. 37 million positive during 2010. During the financial year 2009 we divested one of our assets, a subsidiary – SMLL, to Peoples Leasing Company and thereby realised a capital gain of Rs. 240 million. But during the financial year 2010 there were no such divestitures and therefore other income came down by Rs. 244 million to Rs 22 million. In this context the net interest income plus other income was reduced from Rs. 225 million to Rs. 59 million. However, if extraordinary income is taken off, net income from a negative position of Rs. 15 million has grown up to Rs. 59 million positive.

Our overhead costs during the year 2009 which was Rs. 66 million came down to Rs.40 million during the financial year 2010. This was because we were more focused on our core business and thereby our overhead costs were reduced. This was due to two factors: one was the total overhead cost, which came down as a result of a decline in overall overhead costs and two, the recovery of write offs improved from Rs. 19 million during the previous year to a Rs 23 million write back in 2010.

The performance of the company for the year was Rs. 14 million versus Rs. 158 million during the previous year. The group performance last year resulted in a group profitability of Rs. 82 million with a capital gain of Rs. 240 million which came in by the sale of a subsidiary. This year without a capital gain of this nature there was an operational profit of Rs. 33 million. In the Balance Sheet, the company had a negative net worth of Rs. 70 million as of the last financial year, but as of the financial year 2010 it turned into a positive net worth of Rs 520 million.

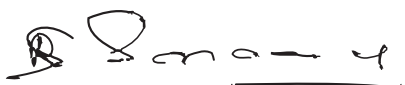
Future Strategy

The way forward for SMB Leasing PLC as a leasing company is by way of basically identifying its strengths, market potential and opportunities. Today the leasing industry is in a highly competitive phase. From 1984 up to 2008 cycles of collapses of financial institutions has been the norm and the next cycle is due in the not too distant future. Our future strategy is to concentrate on Development Finance Leasing. In its simple form, it is cash flow based lending. Instead of lending against security we will look at our client's cash flow and lend to Medium Scale Entrepreneurs. Although our short term policy is specialised development oriented financial leasing, our long term goal is towards the concept of a development bank. Initially our task will be to convert the company to a finance company and enter the development finance oriented leasing field. Our ultimate goal would be to evolve into a development banking institution and we will set the foundation for this by opening branches in relevant areas. We will not reach out to the cities but to the outskirts such as Horana, Maharagama, Ampara, Hambanthota and Jaffna.

Appreciations

I take this opportunity to offer my thanks to the shareholders for the success of our Rights Issue and my staff and fellow directors who worked tirelessly towards the successful restructuring of your company.

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



R. S. W. Senanayake

Deputy Chairman

1st June 2011

Colombo

Dear Shareholder

It is my pleasure to present to you a review of the operations of your company in achieving a positive and favourable implementation of the plan of action to consolidate and move forward towards a successful future.

Rights Issue

2010 was a year of consolidation for the company. An aggressive collection process and a pragmatic cost reduction strategy were established to form the framework for a sustainable going concern. A restructuring process was the first initiative that would steer the company's future progress. As the first step towards the restructuring of the company the Board of Directors proposed a Rights Issue to raise additional equity capital for the company. 381,455,314 shares (Voting) and 460,000,000 (Non Voting) shares were issued at the price of Rs. 0.80 and Rs. 0.60 respectively. The Directors also proposed to issue free Warrants with the Ordinary Voting and Ordinary Non Voting Shares.

The proceeds generated were to contribute to meeting the regulatory requirements pertaining to the core capital adequacy of the company. The shareholder fund of the company which stood at a negative Rs. 49,918,789 in June 2010 became a positive Rs. 531,245,462 after the successful Rights Issue.

Risk Management

Effective Risk Management is a critical aspect in the financial service industry. As a financial service provider SMB Leasing PLC recognizes Risk Management as a vital factor in the management process. By identifying, assessing, mitigating and continuous monitoring of risk factors the company seeks to control and manage risks that may affect your company.

The Board of Directors has the overall responsibility to assess risks associated with the company. Developing an organization wide Risk Awareness Programme has been identified as an effective way to manage risks by your company.

To manage Credit Risks the company's credit committee will review the credit policy and monitor the credit approval limits, evaluate the facilities and creditworthiness of the borrower. The committee also review portfolio performance on a regular basis and ensure loan classification on collection performance.

To counter risk arising from market volatilities, an effective pricing policy is in place to monitor and fix the lending rates to maintain minimum spread.

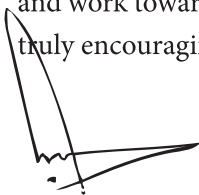
Liquidity Risk is monitored by the Asset and Liability Committee of the company. They have introduced sound policies to minimize risk. Procedures are also in place to reduce day to day Operational Risks. The Company's Internal Audit function which has been outsourced to SJM Associates, (Chartered Accountants) to ascertain whether systems and procedures are followed. Finally to overcome Reputational Risks, the company will continue to meet all statutory, regulatory and compliance requirements.

Human Resources

An efficient and effective Human Resource Management Process has been of paramount importance to your company and it gives a very high priority to ensure a happy and contented work force.

Providing on the job training, making arrangements for the staff to participate in seminars and conferences, encouraging them to further their professional qualifications has been the policy of the company. During the year under review, due to limitations and constraints on the company's resources we were compelled to curtail to an extent some of these activities since our priorities were mainly focused on honouring the matured liabilities and the restructuring of the company. However, with the restructuring of the company almost complete, we have initiated further training and development of our staff with a view towards furthering their expertise.

I take this opportunity to express my special appreciation and thanks to my staff and my fellow directors whose unstinted cooperation which enabled us to move forward through difficult times and work towards strengthening and consolidating the status of the company and thereby achieve truly encouraging results.



M S I Peiris
Executive Director

1st June 2011

Colombo

Director's Profile

Mr. R. S. W. Senanayake ACMA (UK), FSCMA (SL)
Age 45 years - Deputy Chairman (Non Executive)

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

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

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

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

Mr. M. S. I. Peiris AICM (SL)
Age: 42 years - Executive Director

Mr. M S I Peiris is an Associate member of the Institute of Credit Management of Sri Lanka. He joined Seylan Merchant Bank PLC in 1994 and presently functions as the Executive Director of SMB Leasing PLC. Mr. Peiris has extensive experience in the field of credit especially in leasing, counting over 24 years in the industry.

73, "Sunny Dale" Katukurunda, Moratuwa.

Mr. R. Renganathan FCA
Age 58 years - Director (Non Executive)

Mr. R Renganathan is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka and Fellow Member of the society of Certified Management Accountants of Sri Lanka. He was the recipient of the CMA Award for Excellence in Business Management. Mr. Renganathan currently holds office as the Managing Director/CEO (Life) of Ceylinco Insurance Co PLC the leading life insurer in Sri Lanka.

33/7, De Fonseka Place, Colombo 05.

Mr. A N Bahaudeen - B.A. (econ) (SL) Attorney-at-Law
Age : 45 - Director (Independent Non Executive)

Mr. A N Bahaudeen is an Attorney at Law and has been in active practice in civil courts for more than 20 years. He has obtained a Bachelor of Arts (econ) Degree from the University of Peradeniya specializing in money and banking.

He acts as a Consultant and Counsel for many financial institutions in the country.

No 69/6, Moragasmulla Road, Rajagiriya

Director's Profile (Continued)

Mr. G. C. B. Ranasinghe

Age: 65 years - Director (Independent Non Executive)

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

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

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

111/G/10, Kahanthota Road, Malabe

Mr. U. Gautam

Age: 56 years - Director (Non Executive)

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

Mr. Gautam initially was on deputation in 1996 and developed a very strong market for Ashok Leyland in Sri Lanka which presently enjoys market leadership position since 1995.

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

51, School Lane, Colombo 03

Mr. T Someswaran - FCA, FCMA

Age: 68 years - Director (Independent Non Executive)

Mr. Someswaran is a Chartered Accountant in practice for more than 35 years and recently retired from the post of Senior Partner of SJMS Associates, a firm of Chartered Accountants which is associated with DELOITTE in Sri Lanka. He serves on the Audit Committee of the Institute of Chartered Accountants of Sri Lanka and Serendib Lands Pvt. Ltd. He also serves on the Board of the European Chamber of Commerce, equity based community and support and training (ECSAT), Business Council of Indonesia, The Ceylon Chamber of Commerce and the Vice President of the International Chamber of Commerce.

He is a member of the tax faculty, Organization for professional Association, International Fiscal Association and Sri Lanka Institute of Directors.

He is also a Secretary of Ashoka Innovators for the public. He is also a fellow member of CMA and a member of its Governing Council and serves on the Board of Pan Asian Power Limited.

No 3/1, St. Michael's Apartment, 4, Alfred House Gradens, Colombo 03.

Mr. J. C. Korale

Age: 52 years - Director (Non Executive)

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

Mr. Korale is an Associate 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.

He also serves the Board of SMB Real Estate Ltd.

15A, Arcadia Gardens, Rosmead Place, Colombo 07

Dr. T Senthilverl

Age: 66 years - Director (Non Executive)

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

No. 28 D, Visaka Road, Colombo 04

Corporate Management Team

Mr. M S I Peiris <i>AICM (SL)</i>	- Executive Director
Mr. M J N S Fernando	- Chief Executive Officer
Mr. P V Ranasinghe <i>Dip in Fin Mgt</i>	- General Manager - Collection
Mr. P W K Roshan <i>B. Com (Sp), ACA</i>	- Head of Finance
Mr. J A M U B Jayasuriya <i>ACMA(UK)</i> <i>(Resigned with effect from 28th May 2011)</i>	- Chief Financial Officer
Mr. L Abeysekera <i>Attorney-at-Law and Notary Public</i>	- Head of Legal & Human Resources

Economy

A unique opportunity to create sustained economic growth with its attendant prosperity has been presented to the people of Sri Lanka with the cessation of the thirty year old ethnic conflict. The relatively low GDP growth of 3.5% in 2009 has now accelerated to over 7 to 8% in 2010. The task before us is to ensure high sustainable and transformational growth over the next few years, despite volatility in the international economy.

In order to drive the economy at over 8% per annum it is estimated that investment will need to grow at a higher rate. Domestic savings are the principal funding source for investments and they should be encouraged by maintaining real interest rates and deepening capital markets.

Business Activities

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

During the year 2010, after the rights issue SMB Leasing PLC commenced its Leasing business operations in November 2010. Cash generated from existing business were utilized to pay matured debts and overheads.

During the year we stopped borrowings and top priority was given to debt collection for which provisions were made in the year 2010.

The company also signed a Memorandum of Understanding with Lanka Ashok Leyland PLC to be the exclusive transport solution provider in the North and East of Sri Lanka. Construction of the proposed sales and service center is to be completed by May 2011 and operations may commence accordingly.

Subsidiary & Associate Companies

The position as at the end of 2010 is given below:

Subsidiaries – Unquoted

SMB Money Brokers Pvt. Ltd.	50.99% holding
-----------------------------	----------------

Equity Accounted Investees

SMB Real Estate Ltd	49% holding
Kenanga Investment Corporation Ltd.	49% holding
SMB Securities Pvt. Ltd.	49.5% holding

Financial Review

Gross Income (2010)	Rs. 124 Million
Net Income	Reduced by 31% due to scaling down of activities
Total Provision Reversals (Net)	Rs. 19 Million
Profit After Tax	Rs. 14 Million
Group Income (Gross - 2010)	Rs. 142 Million
Profit After Tax (Group)	Rs. 27 Million

The percentage segment contribution for the consolidated group income in 2010 are as follow:

Banking	47%
Leasing	41%
Treasury	11%.

Human Resources

Our people form the most inimitable and invincible element in the management of our Company. The Company always gave its top priority during the past to ensure a happy and contented work force by providing on the job training, participation in seminars, workshops and conferences for professional development. We also provided them with recreational and sports activities while encouraging them to further their own professional growth.

Although during the year 2009 we were compelled to curtail all staff activities in this regard due to limitations and constraints on the Company's resources, we have now, albeit slowly commenced these activities on a small scale with the hope that with the growth of the Company they will revert back to the norm.

Subsidiaries, Associates and Equity Accounted Investees

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

Risk Management

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

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

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

Credit Risk

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

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

Market Risk

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

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

Liquidity Risk

Liquidity risk is the potential for loss arising either from an inability to meet obligations or to fund increases in assets as they fall due without incurring unacceptable costs.

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

Operational Risk

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

Reputational Risk

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

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

Corporate Governance and Compliance

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

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

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

Statement of Compliance

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

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

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

Corporate Governance Principles	Compliance
The Boards of Directors	
Composition of the Board	<p>The Board comprises of nine Directors out of which eight are non Executive Directors. The Deputy Chairman also act as a non Executive Director.</p> <p>All Directors encompass a wide range of skills, talents and experience required to add value to enhance the business.</p> <p>The profiles of the Directors are set out in pages 11 to 13</p>
Meetings	Meetings are held every month to review and evaluate the performance of the company. Special meetings are convened when necessary.
Responsibilities of the Board	<p>The ultimate responsibility of all operations of the Company and being accountable to the stakeholders lies with Board of Directors. Matters reserved for the Board and the sub committees and those delegated to the management are clearly defined.</p> <p>The Audit Committee is a sub committee of Board.</p> <p>The Board ensures:</p> <ul style="list-style-type: none"> • Formulating corporate strategy & strategic direction of the Company • Monitoring the effectiveness of the Companies risk management strategy • Compliance with ethical and legal standards • Reviewing the integrity of the Companies Accounting and Financial Statements • Approval of Financial Statements for publication • Approval of Budget and Corporate Plans • The interests of Shareholders and other stakeholders are safeguarded • Making recommendations to shareholders on the changes of the Board
Independent professional advice	The Board seeks independent professional advice whenever it is necessary.
Dedication of adequate time & effort for the matters of the Board and the Company	Each Director brings independent judgment to bear on matters the Board is responsible for, and dedicates the time and effort necessary to carry out his responsibilities.

Corporate Governance and Compliance (Continued)

Corporate Governance Principles	Compliance
Training of the Directors	Presentations are made to the Board from time to time regarding changes in industry related matters.
Company Secretary	The Board of Directors of the Company has appointed SSP Corporate Services (Pvt) Ltd. as Company Secretaries w.e.f. 17th March, 2010. All Directors have access to the secretary, who is responsible to the Board to ensure that Board procedures and the applicable rules and regulations are complied with. The Articles of the Company provides that the Board may appoint or remove the secretary.
Independent judgment	Each Director brings independent and objective judgment on the matters of the Board. The composition of the Board also ensures the balance between executive expediency and independent judgment.
Deputy Chairman's Role	The Deputy Chairman is a non executive Director. The Deputy Chairman's role provides effective leadership and strategic insight to the issues of the Board.
Financial Acumen Financial acumen of the Board	The Board includes four Chartered or Management Accountants. These members have the acumen and knowledge to provide the Board with necessary guidance in conducting its business.
Supply of Information Timely and accurate management information	All Directors are provided with timely, accurate and clear information on a regular basis. Requests are made for further information if necessary.
Appointments to the Board Availability of a formal and transparent procedure for new appointments	The Company does not have a nomination committee or procedure for making recommendations on new appointments to the Board. New Directors, including the Deputy Chairman are appointed by the Board and ratified by the shareholders at the AGM.
Disclosure of details of new Directors	Details of new appointments are disclosed to the shareholders on their appointment. Regulatory authorities are also informed as required.
Re-election Re-election of Directors	The Articles of Association provides for 1/4th of the directors to retire by rotation each year, with the exception of Chairman and Deputy Chairman.
Appraisal of Board Performance	There is no formal procedure to evaluate the Board performance. Chairman ensures that the Board functions effectively and efficiently.
Appraisal of the CEO	The Board sets financial and non financial goals and objectives for the CEO and delegates the required level of authority to the management to achieve the strategic objectives.
Directors' Remuneration Remuneration Procedure	The Board of Directors determines the remuneration package of the Executive Directors based on the performance of the Company.
Disclosure of Remuneration	The total remuneration of the Directors' is disclosed on page 40 of the Annual Report.
Relations with Shareholders	
Constructive use of the Annual General Meeting	The primary mode of communication between the Company and the shareholders are the Annual Report and the Annual General Meeting. Shareholders have an opportunity to participate in company deliberations at the Annual General Meeting of the Company.
Circulation of Notice of the AGM	The Annual Report, Financial Statements and the notice of the meeting are sent to shareholders with a notice period of at least 21 calendar days (not less than 15 working days).
Major transactions	There were no major transactions materially affecting the balance sheet in 2010.

Corporate Governance and Compliance (Continued)

Corporate Governance Principles	Compliance
Accountability and Audit	
Financial Reporting Statutory and regulatory reporting	The Company places great emphasis on complete disclosure of both financial and non financial information and has presented a balanced assessment of Company's position for the year ended 31st December 2010 and at each quarter. In preparing the quarterly and annual financial statements the Company has complied with Companies Act No 7 of 2007, Finance Leasing (Amendment) Act No. 24 of 2005 and is presented in conformity with Sri Lanka Accounting Standards. The Company has also complied with the requirements of the regulatory authorities such as the Central Bank of Sri Lanka, Securities and Exchange Commission and Colombo Stock Exchange.
Directors' Report in the Annual Report	Directors' report is given on pages 24 to 26 of the Annual Report.
Directors' responsibility statement	The statement of Directors' responsibility for financial reporting is given on page 15 & 16 of the Annual Report.
Statement of the External Auditors'	The Auditors' report is given on pages 28 & 29 of the Annual Report and includes their on their reporting responsibilities scope for the audit and the opinion on the financial statements.
Operational and Financial Review in the Annual Report	The Operational and Financial Review is given on pages 15 & 16 of the Annual Report.
Declaration of the Board that the business is a going concern	This declaration is given on page 24 to 26 of the Annual Report.
Internal Controls	
Maintaining a sound system of internal control and risk management	The ultimate responsibility of internal controls and mitigating risks rests with the Board of Directors. Company's internal control systems and procedures are designed to eliminate possible risks and minimize any unforeseen risks while an effective disaster recovery plan is in place. A detail risk management report is given on page 18 of the Annual Report.
Reviewing the effectiveness of the Internal Control System	Regular reviews are carried out and a quarterly internal audit report is submitted to the board. The Audit Committee reviews and evaluates the effectiveness of the Company's internal audit and control system.
Audit Committee and Auditors	Audit Committee consisted of two independent non Executive Directors and a non Executive Director. The said committee ensure that the company complies with the directions issued by the Department of Supervision of Non Bank Financial Institutions of the Central Bank of Sri Lanka.
Employee/Other Stakeholder	
Rights of other Employees/ Other stakeholders	The Company is conscious of its responsibility towards its stakeholders and is focus in value addition to the Company. Stakeholders have access to relevant, sufficient and reliable information on a timely and regular basis.

Audit Committee Report

COMPOSITION OF THE COMMITTEE

The Board of Directors appointed an Audit Committee comprising the following Non Executive Directors of SMB Leasing Plc on 1st April 2010 to function during the year ended 31st December 2010.

Mr. P.A.Jayawardena - Chairman

Mr. G.C.B.Ranasinghe

Mr. E.T.L.Ranasinghe

Messers SSP Corporate Services (Pvt) Ltd functioned as the Secretaries to the Committee. The Chairman of the Committee Mr. P.A.Jayawardena is a Senior Chartered Accountant. Mr. G.C.B.Ranasinghe counts more than 25 years of experience in the finance leasing industry. Mr. E.T.L.Ranasinghe is a Chartered Marketer well versed in the businesses of Insurance and Finance and had been holding senior positions in the Mercantile Sector.

In the latter part of the year 2010, Mr. P.A.Jayawardena and Mr. E.T.L.Ranasinghe resigned from the Board of SMB Leasing PLC. In place of these two Directors, the Board invited and appointed two Senior Chartered Accountants namely Mr. T.Someswaran as an Independent Non Executive Director and Mr. J.C.Korale as a Non Executive Director. The Board appointed both these newly appointed Independent Directors to the Audit Committee on 8th November 2010. Accordingly at the end of the financial year the Audit Committee composition were as follows.

Mr. T.Someswaran - chairman

Mr. J.C.Korale

Mr. G.C.B. Ranasinghe

MEETINGS

During the financial year ended 31st December 2010 four Audit Committee Meetings were held and proceedings of these meetings were reported to the Board on a regular basis. The Executive Director, Chief Operating Officer and the Chief Financial Officer attended the meetings by invitation. The committee met with the External Auditors Messers KPMG Ford Rhodes Thornton & Company during the year under review as well as immediately after the financial year to provide the environment for a frank dialogue with the committee. This opportunity too was used to discuss in advance the time frame for the conclusion of the financial audit so that regulatory requirements are complied with.

ROLE AND FUNCTIONS OF THE AUDIT COMMITTEE

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

Sourcing of Internal Audit Function

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

Signed

G C B Ranasinghe

Member of the Audit Committee



Financial Statements

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Annual Report of the Board of Directors on the affairs of the Company

The Directors of SMB Leasing PLC have pleasure in presenting herewith their report together with the Audited Consolidated Financial Statements for the year ended 31st December 2010 which were approved by the Directors on 1st June 2011

Principle Activities

The principle activities of the Company are offering finance leasing and Loan facilities

Principal Activities of Subsidiaries

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

Principle Activities of Associates

SMB Securities (Pvt) Ltd is trading and dealing in Equity and Debt in the Colombo Stock Exchange.

SMB Kenanga Investment Corporation Ltd is engaged in corporate finance activities.

SMB Real Estate Ltd is engaged in real estate development activities.

Review of Operations

The Deputy Chairman's Message describes the operations of the Company during the year ended 31st December 2010 and contain a fair view of the Company's affairs.

Financial Statements

The Financial Statements of the Group and the Company are given on pages 30 to 56 of the Annual Report.

Auditor' Report

The Auditors' Report on the Financial Statements is given on the pages 28 & 29 of the Annual Report.

Significant Accounting Policies

The Significant Accounting Policies adopted in the preparation of Financial Statements are given on pages 34 to 39 of the Annual Report.

Directors' Remuneration

Directors' Remuneration of the Company for the financial year ended 31st December 2010 are given on Note 8 to the Financial Statements on page 40.

Group Revenue

The revenue of the group was Rs. 141 Mn (2009 – Rs. 623.1Mn). An analysis of revenue based on segments is disclosed in the segmental analysis on page 56 in this report.

Property, Plant & Equipment

Details relating to Property, Plant & Equipment are disclosed in Note 21 to the Financial Statements on pages 49.

Capital Expenditure

The total capital expenditure of the group incurred on the acquisition of Property, Plant & Equipment during the year which is given in Note 21 to the Financial Statements amounts to Rs. 5.4Mn.

Taxation

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

Financial Results of the Company for the Year

	31.12.2010 Rs.'000	31.12.2009 Rs.'000
Profit before Taxation	19,443	158,266
Taxation	(5,347)	-
Profit after Taxation	14,096	158,266
Unappropriated Loss Brought forward	(637,356)	(778,965)
Cost of Share issue	(4,709)	-
Statutory Reserve Fund	(8,619)	-
Retained Loss	(636,588)	(637,356)

Market Value of Properties

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

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

Investments

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

Reserves

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

Stated Capital

The stated capital as at 31st December 2010 was Rs. 1,146.9Mn (2009 - Rs 565.8Mn) consisting of 826,486,514 ordinary voting shares and 560,000,000 ordinary non-voting shares. Page 51 of this report describe the details of the distribution and composition of Shareholders.

Rights Issue – 2010

Rights Issue of Ordinary Voting Shares & Ordinary Non Voting Shares of SMB Leasing PLC concluded on 29th October 2010 and the final allotment of the aforementioned classes of shares were made on 8th November 2010 and the details are as follows,

Ordinary Voting Shares

381,455,314 new Ordinary Voting Shares were allotted at Rs. 0.80 per share together with 381,455,314 (2011) warrants.

Ordinary Non Voting Shares

362,623,134 new Ordinary Non Voting shares were allotted at Rs. 0.60 per share together with 362,623,134 (2011) warrants. The amount raised through the issuance of 381,455,314 Ordinary Voting shares was Rs. 305,164,251 and the amount envisaged to be raised through the issuance of 460,000,000 Ordinary Non Voting Shares was Rs. 276,000,000 which was the debt owed to Seylan Bank PLC. However the amount raised through the issuance of Ordinary Non Voting shares was Rs. 217,573,880 which as per the Memorandum of Understanding between SMB Leasing PLC and Seylan Bank PLC, was utilized in settlement of the debt of Rs. 276,000,000 owed to Seylan Bank PLC.

Share Information

Information relating to Earnings, Dividends, Net Assets, and Market value per share and share trading is given on page 62 on the Annual Reoprt.

Major Shareholders

Details of the top twenty Shareholders of the company and the percentages held by each of them are disclosed in the pages 60 & 61 to this report.

Employment

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

Directors

The following were Directors of the Company as at 31st December 2010

1. Mr. R S W Senanayake
2. Mr. M S I Peiris
3. Mr. R Renganathan
4. Mr. A N Bahaudeen
5. Mr. G C B Ranasinghe
6. Mr. U Gautam
7. Mr. T Someswaran
8. Mr. J C Korale
9. Dr. T Senthilverl

New Appointments

Mr. G.C.B. Ranasinghe was appointed to the Board on 17th February 2010 and A.N. Bahaudeen was appointed to the Board on 01st March 2010. Mr. U. Gautam and Mr. J. C. Korale were appointed to the Board on 30th September 2010 and Dr. T. Senthilverl and Mr. T. Someswaran were appointed to the Board on 9th November 2010.

Retirement of Directors

In terms of Article 87 of the Articles of Association of the Company Mr. R. Renganathan retire and been eligible to offer himself for re-election.

In terms of Article 94 of the Articles of Association of the Company Mr. U. Gautam, Mr. J. C. Korale, Mr. T. Someswaran and Dr. T. Senthilverl retire and been eligible to offer themselves for re-election.

Directors' Shareholdings

The shareholdings of the Directors of the Company are shown on page 62 under Shareholders' Information.

Directors' Interest in Shares and Debentures

Directors interest in Shares and Debentures of the Company as at 31st December 2010 are as disclosed 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 of the company, except those specified in Note 33 to the Financial Statements, which have been disclosed and declared at meetings of the Directors.

Interest Register

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

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

Board Sub Committee

Audit Committee

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

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

CFO and the Internal Auditor and External Auditors and the Secretaries of the Company attend meetings by invitation.

Statutory Payments

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

Environmental Protection

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

Directors' Responsibility for Financial Reporting

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

Corporate Governance

The Board of Directors is of the view that it has focused on the necessary resources and processes to ensure that the company is compliant with the code of best practices of Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka throughout the year ended 31st December 2010. The Corporate Governance report is given on pages 19 to 21 of the Annual Report.

Risk Management

The steps taken by the Company in respect of both financial and operational risks have been set out in the page 18 to this report.

Going Concern

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

Loan Capital

The Company has from time to time issued quoted/unquoted, unsecured, subordinated, redeemable debentures for use in leasing and loan activities.

Warrants

Free warrants were issued with the Ordinary Voting shares and Ordinary Non Voting shares on the following basis,

Warrant (Ordinary Voting Share) – in the ratio of 1 Warrant for 1 Right, at an exercise price of Rs. 1/- per share, exercisable in December 2011

Warrant (Ordinary Non Voting Share) – in the ratio of 1 Warrant for 1 Right, at an exercise price of Rs. 0.80 per share, exercisable in December 2011

Post Balance Sheet Events

Events that have occurred after the Balance Sheet date have been disclosed in Note 32 to the Financial Statements.

Auditors

The retiring auditors M/s. KPMG Ford Rhodes Thornton & Company, Chartered Accountants have signified their willingness to continue in office and resolution to re-appoint them as Auditors and authorizing the Directors to fix their remuneration will be proposed at the Annual General Meeting. Audit fee is disclosed on Note 8 of the Financial Statements on page 40. The Auditors have confirmed that they do not have any relationship with, or interests in the company other than those disclosed above.

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



M.S.I. Peiris
Executive Director

(sgd)
S S P Corporate Services (Pvt) Ltd
Company Secretaries

1st June 2011
Colombo

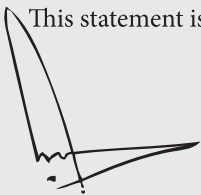
Directors' Responsibility Statement

The Financial Statements of the Company and Group for the year ended 31st December 2010 are prepared and presented in compliance with the Sri Lanka Accounting Standards Act No. 15 of 1995 issued by the Institute of Chartered Accountants of Sri Lanka and requirements of the Companies Act No. 07 of 2007.

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

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

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



M. S. I. Peiris
Executive Director
1st June 2011

Independent Auditors' Report



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(Chartered Accountants)
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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"), the consolidated financial statements of the Company and its subsidiaries as at 31st December 2010 which comprise the balance sheet as at 31st December 2010, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and other explanatory notes as set out on pages from 34 to 56.

Management's Responsibility for the Financial Statements

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

Scope of Audit and Basis of Opinion

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

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

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

Opinion - Company

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended 31st December 2010 and the financial statements give a true and fair view of the Company's state of affairs as at 31st December 2010 and its profit and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

KPMG Ford, Rhodes, Thornton & Co, a Sri Lankan Partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International corporation ("KPMG International") a Swiss entity

A.N. Fernando FCA
P.Y.S. Peters FCA
W.W.J.C. Perera FCA
W.K.D.C. Abeyrathne ACA
M. R. Mihular FCA
C.P. Jayatilake FCA
Ms. S. Joseph FCA
S.T.D.L. Perera FCA

Ms. M. P. Perera FCA
T.J.S. Rajakarier FCA
Ms. S.M.B. Jayasekara ACA
G. A. U. Karunaratne ACA

Principals - S R I Perera ACMA LLB Attorney-at-Law H S Goonewardena ACA

Independent Auditors' Report (Continued)

Opinion - Group

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs as at 31st December 2010 and the profit and cash flows for the year then ended, in accordance with Sri Lanka Accounting Standards, of the Company and its subsidiaries dealt with thereby, so far as concerns the shareholders of the Company.

Report on Other Legal and Regulatory Requirements

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



Chartered Accountants

1st June 2011

Colombo

Income Statement

For the Year Ended 31 December	Notes	GROUP		COMPANY	
		2010 Rs.	2009 Rs.	2010 Rs.	2009 Rs.
Gross Income	4	141,000,438	623,058,911	124,109,940	391,449,082
Interest Income	5	102,228,741	378,376,012	101,717,870	147,132,031
Interest Expenses	6	(64,732,497)	(290,673,955)	(64,732,498)	(166,314,939)
Net Interest Income/Expense		37,496,244	87,702,057	36,985,372	(19,182,908)
Other Income	7	38,771,697	244,682,899	22,392,070	244,317,051
		76,267,941	332,384,956	59,377,442	225,134,143
Less: Operating Expenses	8				
Personnel Costs		(31,568,860)	(60,654,535)	(23,963,579)	(17,680,791)
Premises, Equipment & Establishment Expenses		(20,628,076)	(46,547,474)	(12,990,373)	(11,952,135)
Provision for fall in value of Investment		-	-	-	(3,722,619)
Reversal of provision for fall in value of Investment		-	-	3,722,619	-
Other Operating Expenses		(40,866,828)	(103,585,634)	(38,021,272)	(55,672,001)
Provision for Loan Losses	9	31,318,059	(39,909,820)	31,318,059	22,159,470
		(61,745,705)	(250,697,463)	(39,934,546)	(66,868,076)
Profits from Operations		14,522,236	81,687,493	19,442,896	158,266,067
Share of Profits of Associate Companies	19	18,809,004	2,106,530	-	-
Profit before Tax		33,331,240	83,794,023	19,442,896	158,266,067
Value Added Tax on Financial Services		(2,832,112)	(49,044)	(2,832,112)	-
Income Tax	10	(3,184,151)	(1,515,613)	(2,515,284)	-
Profit for the Period		27,314,977	82,229,366	14,095,500	158,266,067
Attributable to :					
Equity holders of the Parent Company		27,117,558	93,179,592	14,095,500	158,266,067
Minority Interest		197,419	(10,950,226)	-	-
		27,314,977	82,229,366	14,095,500	158,266,067
Basic Earnings Per Share	11	0.034	0.136	0.017	0.231
Dialuted Earnings Per Share	11	0.017	-	0.009	-

The Notes on pages 34 to 56 form an integral part of these financial statements.
Figures in brackets indicate deductions

Balance Sheet

As at 31 December	Notes	GROUP		COMPANY	
		2010 Rs.	2009 Rs.	2010 Rs.	2009 Rs.
ASSETS					
Cash in hand & Balances in Banks	12	300,580,666	7,243,662	297,843,372	6,091,226
Treasury Bills and Bonds Eligible for Rediscounting with Central Bank	13	1,300,000	-	-	-
Placements with and loans to other Banks and Finance Companies	14	5,349,872	11,256,832	-	-
Investment Securities	15	6,238,695	1,979,173	2,650,467	1,059,532
Loans and Advances	16	355,901,494	534,998,407	359,201,494	535,238,407
Lease Rentals Receivable within 1 year	17.a	57,519,206	62,373,646	57,519,206	62,373,646
Lease Rentals Receivable from 1 to 5 years	17.b	59,609,800	194,593,097	59,609,800	194,593,097
Lease Rentals Receivable After 5 years	17.c	5,306,992	-	5,306,992	-
Interest & Fees Receivable		41,684,539	81,534,117	41,503,212	81,499,789
Investments in Subsidiary Companies	18	-	-	12,750,000	12,750,000
Investments in Associate Companies	19	153,542,872	136,703,669	129,282,196	125,559,577
Investment Properties	20	37,320,400	53,216,000	33,120,400	49,016,000
Group balances receivable		-	12,628	-	-
Property Plant & Equipment	21	10,819,571	8,493,928	9,244,326	7,456,518
Other Assets	22	102,020,521	120,631,913	98,799,196	119,436,519
Deferred Tax Assets	23	221,670	471,067	-	-
Total Assets		1,137,416,298	1,186,975,767	1,106,830,661	1,168,541,941
EQUITY AND LIABILITIES					
LIABILITIES					
Borrowings	24	352,664,519	621,564,859	352,814,519	621,564,859
Group balances payable	25	-	197,848,000	-	197,848,000
Other Liabilities	26	79,057,315	131,645,123	77,827,312	129,300,037
Debentures	27	115,176,500	231,661,500	115,176,500	231,661,500
Bank Over Draft	12	40,623,471	58,498,382	40,623,471	58,498,382
Total Liabilities		587,521,805	1,241,217,864	586,441,802	1,238,872,778
EQUITY					
Stated Capital	28	1,146,950,296	565,786,045	1,146,950,296	565,786,045
Statutory Reserves	29	9,857,884	1,239,777	9,857,884	1,239,777
Reserves	30	(615,149,708)	(629,306,522)	(636,419,321)	(637,356,659)
Total equity attributable to equity holders of the Company		541,658,472	(62,280,700)	520,388,859	(70,330,837)
Minority Interest		8,236,021	8,038,603	-	-
Total Equity		549,894,493	(54,242,097)	520,388,859	(70,330,837)
Total Liabilities & Equity		1,137,416,298	1,186,975,767	1,106,830,661	1,168,541,941
Net Assets per Ordinary Share (Rs.)		0.39	(1.14)	0.38	(1.29)
Commitments & Contingencies	31	1,525,000	-	1,525,000	-

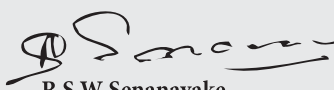
The Notes on pages 34 to 56 form an integral part of these financial statements.

Figures in brackets indicate deductions

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


P W K Roshan
Head of Finance

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


R S W Senanayake
Deputy Chairman
1st June 2011
Colombo


M S I Peiris
Director

Statements of Changes in Equity

For the Year Ended 31 December	Stated Capital Rs.	Reserve on Scrip Issue Rs.	Statutory Reserve Fund Rs.	Retained Loss Rs.	Total Share Holders' fund Rs.	Minority Interest Rs.	Total Equity Rs.
GROUP							
Balance as at 1st January 2009	565,786,045	8,316,030	4,420,527	(730,802,144)	(152,279,542)	74,326,806	(77,959,736)
Adjustment on disposal of subsidiary	-	-	(3,180,750)	-	(3,180,750)	(55,337,978)	(58,518,728)
Dividend Paid	-	-	-	-	-	-	-
Net Profit attributable to Shareholders	-	-	-	93,179,592	93,179,592	(10,950,226)	82,229,366
As at 31.12.2009	565,786,045	8,316,030	1,239,777	(637,622,552)	(62,280,700)	8,038,602	(54,242,098)
Balance as at 1st January 2010	565,786,045	8,316,030	1,239,777	(637,622,552)	(62,280,700)	8,038,602	(54,242,098)
Shares Issued during the period	581,164,251	-	-	-	581,164,251	-	581,164,251
Direct cost of Share Issue	-	-	-	(4,540,055)	(4,540,055)	-	(4,540,055)
Net Profit attributable to Shareholders	-	-	-	27,314,975	27,314,975	197,420	27,512,395
As at 31.12.2010	1,146,950,296	8,316,030	1,239,777	(614,847,631)	(541,658,471)	8,236,022	549,894,493

	Stated Capital Rs.	Statutory Reserve Fund Rs.	Retained Loss Rs.	Total Equity Rs.
COMPANY				
Balance as at 1st January 2009	565,786,045	1,239,777	(795,622,725)	(228,596,903)
Net Profit attributable to Shareholders	-	-	158,266,066	158,266,066
As at 31.12.2009	565,786,045	1,239,777	(637,356,659)	(70,330,837)
Balance as at 1st January 2010	565,786,045	1,239,777	(637,356,659)	(70,330,837)
Shares Issued during the period	581,164,251	-	-	581,164,251
Direct cost of Share Issue	-	-	(4,540,055)	(4,540,055)
Net Profit attributable to Shareholders	-	-	14,095,500	14,095,500
Transfer to Statutory Reserve Fund	-	8,618,108	(8,618,108)	-
As at 31.12.2010	1,146,950,296	9,857,885	(636,419,321)	520,388,859

The Notes on pages 34 to 56 form an integral part of these financial statements.
Figures in brackets indicate deductions

CashFlow Statements

For the Year Ended 31 December	GROUP		COMPANY	
	2010 Rs.	2009 Rs.	2010 Rs.	2009 Rs.
Cash Flow from Operating Activities				
Interest Received	142,078,318	194,149,983	141,336,317	194,149,983
Interest Payments	(123,874,643)	(166,319,840)	(123,874,643)	(166,314,939)
Fees and Commission Receipts	37,771,517	45,713,711	17,859,933	14,588,809
Cash Payments to Employees and Suppliers	(75,110,344)	(70,597,172)	(49,816,136)	(37,812,045)
Net Profit before Changes in Operating Assets	(19,135,152)	2,946,682	(14,494,529)	4,611,808
Funds Advanced to Customers	277,651,966	291,873,354	267,146,728	291,873,354
Other Assets	5,345,207	131,000,751	7,371,138	108,724,847
Cash Generated from Operations	263,862,021	425,820,787	260,023,337	405,210,009
Tax Paid	(3,500,979)	(14,219)	(2,832,112)	-
Gratuity Paid	(657,600)	(1,362,198)	(657,600)	(809,708)
Net Cash generated from Operating Activities	259,703,442	424,444,370	256,533,625	404,400,301
Cash Flow from Investing Activities				
Dividend Received from Associate Companies	1,772,821	-	2,941,176	-
Sale of shares in Subsidiary Companies	-	444,133,400	-	444,133,400
Proceeds from Sale of Dealing Securities	-	75,762,573	-	75,762,573
Net Decrease of Treasury Bills & Bonds	-	47,896,922	-	47,896,922
Purchase of Investment Securities	(5,559,522)	16,512,382	-	16,512,382
Proceeds from Sale of Investment Securities	5,906,960	-	(1,590,935)	-
Purchase of Property, Plant & Equipment	(1,978,098)	(4,148,590)	(1,057,129)	(3,408,620)
Proceeds from Disposal of Property, Plant & Equipment	19,196	-	19,196	-
Disposal of Investment Properties	-	(36,900,000)	-	(32,700,000)
Net Cash generated from Investing Activities	161,357	543,256,687	312,308	548,196,657
Cash Flow from Financing Activities				
Decrease in Debentures	(116,485,000)	(23,512,902)	(116,485,000)	(23,512,902)
Increase in Liabilities	6,554,336	49,635,604	7,838,344	64,834,450
Decrease in Other Borrowings	(466,748,340)	(939,397,864)	(466,598,340)	(939,397,864)
Proceeds from Issue of Shares	581,164,251	-	581,164,251	-
Share issue expenses	(11,636,513)	-	(11,636,513)	-
Net Cash used in Financing Activities.	(7,151,266)	(913,275,162)	(5,717,258)	(898,076,316)
Net Increase / (Decrease) in Cash and Cash Equivalents	252,713,533	(62,570,869)	251,128,675	(62,476,122)
Cash and Cash Equivalents at the beginning of the year	7,243,662	11,316,149	6,091,226	10,068,966
Cash and Cash Equivalents at the end of the year	259,957,195	(51,254,720)	257,219,901	(52,407,156)
Reconciliation of Cash and Cash Equivalents				
Cash and Cash Equivalents (Note No. 12)	259,957,195	(51,254,720)	257,219,901	(52,407,156)
	259,957,195	(51,254,720)	257,219,901	(52,407,156)

The Notes on pages 34 to 56 form an integral part of these financial statements.
Figures in brackets indicate deductions

Notes to the Financial Statements

1 REPORTING ENTITY

SMB Leasing PLC is a public quoted Company incorporated & operating in Sri Lanka. The consolidated Financial Statements of the group for the year ended 31 December 2010 comprises the Company and its Subsidiaries and group interest in associate Company.

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

The principal activity of the Company and subsidiary namely, SMB Money Brokers (Pvt) Ltd is Money Brokering.

2 BASIS OF PREPARATION

2.1 Statement of Compliance

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

3 SIGNIFICANT ACCOUNTING POLICIES

The Company and the Group has consistently applied the Accounting Policies.

3.1 Basis of Consolidation

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

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

3.1.1 Subsidiaries

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

3.1.2 Equity Accounted Investees

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

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

3.1.3 Transactions Eliminated on Consolidation

Inter group balances and transactions, and any unrealised gains arising from inter group transactions, are eliminated on preparing the consolidated Financial Statements. Unrealised gains from transactions with subsidiaries and Associate Company are eliminated to the extent of group interest in the enterprise.

Notes to the Financial Statements (Continued)

3.2 Taxation

3.2.1 Income Taxation

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

3.2.2 Deferred Taxation

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

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

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

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

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

3.3 Comparative Figures

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

3.4 Events after the Balance Sheet Date

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

3.5 Assets and Bases of Their Valuation

3.5.1 Loans and Advances to Customers

Loans and advances are stated in the Balance Sheet net of provisions for possible bad and doubtful loans and net of interest in suspense, which is not accrued to revenue.

3.5.1.1 Provision for Loan Losses

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

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

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

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

3.5.2 Finance Leases

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

3.5.2.1 Provisions for Lease Receivable

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

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

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

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

3.5.3 Investments**3.5.3.1 Dealing Securities**

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

3.5.3.2 Investment Securities

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

Unquoted Investments are stated at cost.

3.5.3.3 Investments in Treasury Bills and Bonds

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

3.5.3.4 Investment Properties

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

3.5.3.5 Investment in Real Estate

Land purchase cost and development cost incurred during the development period of real estate projects have been capitalised to the inventories.

3.5.4 Property, Plant & Equipment**3.5.4.1 Recognition and Measurements**

The property, plant & equipment are recorded at cost less accumulated depreciation and impairment losses.

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

Notes to the Financial Statements (Continued)

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

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

The cost of the property, plant & equipment is the cash price equivalent at the recognition date. If payment is deferred beyond normal credit terms, the difference between the cash price equivalent and the total payment as interest over the period of credit unless such interest is recognized in the carrying amount of the item in accordance with the allowed alternative treatment in SLAS 20.

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

3.5.4.2 Subsequent Costs/ Replacement of parts

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

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

3.5.4.3 Depreciation

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

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

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

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

3.5.5 Impairment of Assets

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

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

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

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

3.5.6 Cash and Short Term Funds

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

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

3.6 Liabilities & Provisions**3.6.1 Interest-Bearing Borrowings**

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

3.6.2 Retirement Benefits

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

3.6.3 Employees' Provident Fund and Employees' Trust Fund

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

3.6.4 Commitments and Contingent Liabilities

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

3.7 Events Occurring after the Balance Sheet Date

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

3.8 Income Statements**3.8.1 Interest Income from Loans and Advances**

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

3.8.2 Lease Income

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

3.8.3 Operating Leases – Rental Income

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

3.8.4 Interest Income from Other Sources

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

Notes to the Financial Statements (Continued)

3.8.5 Income from Fee Base

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

3.8.6 Dividend Income

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

3.8.7 Profit or Loss on Sale of Marketable Securities

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

3.8.8 Profit or Loss on Sale of Property, Plant and Equipment

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

3.9 Segment Reporting

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

3.10 Cash Flow Statements

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

3.11 Effects of Accounting Standards issued but not yet effective

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

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

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

Notes to the Financial Statements (Continued)

For the Year Ended 31 December	GROUP		COMPANY	
	2010 Rs.	2009 Rs.	2010 Rs.	2009 Rs.
4 GROSS INCOME				
Interest Income (Note 5)	102,228,741	378,376,012	101,717,870	147,132,031
Other Income (Note 7)	38,771,697	244,682,899	22,392,070	244,317,051
	141,000,438	623,058,911	124,109,940	391,449,082
5 INTEREST INCOME				
Loan and Advances	47,606,771	91,199,581	47,906,771	52,745,846
Treasury Bills & Placements with Other banks & Finance Companies	-	25,143,951	-	-
Lease Interest Income	41,874,096	164,566,595	41,874,096	69,501,656
Other Interest Income	12,747,874	97,465,885	11,937,003	24,884,529
	102,228,741	378,376,012	101,717,870	147,132,031
6 INTEREST EXPENSES				
Customer Deposits	-	122,884,747	-	-
Borrowings & Refinance	56,007,780	160,157,326	56,007,780	160,157,326
Treasury Bills Repurchased	-	2,094,089	-	2,094,089
Debentures	8,724,717	5,390,412	8,724,718	4,063,524
Others	-	147,381	-	-
	64,732,497	290,673,955	64,732,498	166,314,939
7 OTHER INCOME				
Dividend Income from Dealing Securities - Quoted	48,640	24,683	-	23,333
Dividend Income	-	16,000	2,941,176	-
Fee & Commission Income	28,258,079	28,754,576	11,247,749	14,453,869
Profit on Sale of Property, Plant & Equipment	19,196	123,879	19,196	111,607
Profit on Sale of Investment Securities	2,799,387	-	1,508,928	-
Profit on Disposal of Subsidiary	-	215,020,198	-	229,728,242
Profit on Sale of Investment Properties	153,000	5,395	153,000	-
Interest on Reverse REPO	4,882,536	-	4,882,536	-
Royalty Income	-	-	1,639,485	-
Others	2,610,859	738,168	-	-
	38,771,697	244,682,899	22,392,070	244,317,051
8 OPERATING EXPENSES				
Operating Expenses include the following :-				
Directors' Emoluments	2,786,865	1,853,601	2,786,865	1,853,601
Auditors' Emoluments				
Audit Fees	478,000	578,000	300,000	400,000
Other Audit Fees	412,979	-	412,979	-
Non Audit Fee	147,000	-	147,000	-
Depreciation	4,052,454	4,800,049	3,669,320	4,045,978
Donations	-	-	-	-
Expenses on Litigation	840,674	1,818,903	840,674	1,818,903
Contribution to Employees Providend Fund	2,988,184	2,205,466	2,284,618	1,501,900
Contribution to Employees Trust Fund	747,046	551,366	571,155	375,475
Provision for Impairment Losses	15,169,774	41,579,668	15,169,774	41,579,668
Provision for Retiring Gratuity	470,969	471,301	300,000	271,813

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

Notes to the Financial Statements (Continued)

For the Year Ended 31 December	GROUP		COMPANY	
	2010 Rs.	2009 Rs.	2010 Rs.	2009 Rs.
9 PROVISIONS FOR LOAN LOSSES				
Loan loss (Provision) / Reversals	37,879,282	129,568,305	37,879,282	57,955,460
Direct Write off	(6,561,223)	(169,478,625)	(6,561,223)	(35,795,990)
	31,318,059	(39,910,320)	31,318,059	22,159,470
10 TAXATION				
Income Tax on profits (Note 10.a)	419,470	1,682,714	-	-
ESC written off during the year	2,515,284	-	2,515,284	-
Transfer to/(from) Deferred Taxation	-	(167,101)	-	-
Transfer from Deferred Tax (Note 23)	249,397	-	-	-
	3,184,151	1,515,613	2,515,284	-
10.a Reconciliation of Accounting Profit and the Income Tax Expense				
Profit Before Taxation	33,331,240	83,794,023	19,442,896	158,266,067
Aggregate Disallowed Expenses	27,267,928	89,694,056	25,289,817	82,749,588
Aggregate Allowable Expenses	(80,082,101)	(378,122,405)	(66,744,519)	(385,000,000)
Aggregate Allowable Income	94,610,040	229,751,575	94,610,040	229,751,575
Aggregate Disallowed Income	(34,112,968)	(164,917,157)	(29,941,757)	(160,502,283)
Loss From the Business	-	(139,848,952)	-	(74,735,053)
Profit From Leasing Activities	41,014,139	138,405,508	42,656,477	-
Loss from other source of Income	-	-	(6,015,474)	-
Total Statutory Income	41,014,139	(1,443,444)	36,641,003	(74,735,053)
Tax Loss claimed during the Year	(39,833,365)	-	(36,641,003)	-
Taxable Profit/(Loss)	1,180,774	(1,443,444)	-	(74,735,053)
Taxation Thereon	413,271	1,657,846	-	-
SRL @ 1.5% (2009 - 1.5%)	6,199	24,868	-	-
Total Tax Liability	419,470	1,682,714	-	-

Group tax expense is based on the taxable profit of individual Companies within the group.

Income Tax provision of SMB Leasing PLC being quoted public company, has been calculated on its taxable profit at 35% in terms of Inland Revenue Act No. 10 of 2006, and amendments thereto.

Profits of SMB Money Brokers (Pvt) Ltd., subsidiary of the Group is liable to income tax at 35%.

Notes to the Financial Statements (Continued)

10.b Deferred Tax on SMB LEASING PLC

Group

SMB Leasing PLC have not recognised deferred tax asset since the temporary differences are not likely to reverse in the foreseeable future. The deferred tax asset on each temporary difference which were not recognised in the financial statements are disclosed below.

	Temporary difference 31.12.2010 Rs.	Tax Effect 31.12.2010 Rs.	Temporary difference 31.12.2009 Rs.	Tax Effect 31.12.2009 Rs.
Taxable Temporary Differences				
Balance as at 1st January	269,990,368	(94,496,628)	(369,873,965)	(129,455,888)
Amount originating/(reversing)	139,714,207	58,019,273	99,883,593	34,959,259
Balance as at 31st December	(130,276,161)	(36,477,355)	269,990,372	(94,496,628)
Deductible Temporary Differences				
Balance as at 1st January	757,880	265,258	6,566,932	2,298,426
Amount originating/(reversing)	1,860,173	467,797	(5,809,502)	(2,033,168)
Balance as at 31st December	2,618,053	733,055	757,430	265,258
Tax Losses				
Balance as at 1st January	488,019,325	170,806,764	677,255,183	237,039,314
Amount originating/(reversing)	(115,443,686)	(66,485,585)	(189,235,858)	(66,232,550)
Balance as at 31st December	372,575,639	104,321,179	488,019,325	170,806,764
Deferred Tax Asset as at 31st December		<u>68,576,879</u>		<u>76,575,393</u>

Company

	Temporary difference 31.12.2010 Rs.	Tax Effect 31.12.2010 Rs.	Temporary difference 31.12.2009 Rs.	Tax Effect 31.12.2009 Rs.
Taxable Temporary Differences				
Balance as at 1st January	(269,990,366)	(94,496,628)	(266,981,424)	(93,443,498)
Amount originating/(reversing)	139,714,205	58,019,273	(3,008,942)	(1,053,130)
Balance as at 31st December	(130,276,161)	(36,477,355)	(269,990,366)	(94,496,628)
Deductible Temporary Differences				
Balance as at 1st January	757,880	265,258	1,177,501	412,126
Amount originating/(reversing)	1,860,173	467,797	(419,621)	(146,868)
Balance as at 31st December	2,618,053	733,055	757,880	265,258
Tax Losses				
Balance as at 1st January	488,019,325	170,806,764	377,271,810	132,045,134
Amount originating/(reversing)	(115,443,686)	(66,485,585)	110,747,515	38,761,630
Balance as at 31st December	372,505,639	104,321,179	488,019,325	170,806,764
Deferred Tax Asset as at 31st December		<u>68,576,879</u>		<u>76,575,393</u>

The deferred tax has been calculated at the rate of 23% (2009 - 35%).

Notes to the Financial Statements (Continued)

11 EARNINGS PER SHARE

As at 31st December

	GROUP		COMPANY	
	2010 Rs.	2009 Rs.	2010 Rs.	2009 Rs.
Net Profit attributable to Ordinary Share holders (Rs.)	27,117,558	93,179,592	14,095,500	158,266,067
Weighted average No. Ordinary of Shares	807,101,782	686,236,756	807,101,782	686,236,756
Basic Earnings per Share (Rs.)	0.034	0.136	0.017	0.231
Diluted Earnings per Share (Rs.)	0.017	-	0.009	-

1 : 1 free Warrant were issued to be exercised in December 2011. As a result 381,455,314 Ordinary Voting Share Warrants and 460,000,000 Ordinary Non Voting Share Warrants have been issued.

Weighted average Ordinary Shares were restated as per the events described above, as required by SLAS 34 - Earnings Per Share.

12 CASH IN HAND & BALANCES WITH BANK

As at 31st December

	GROUP		COMPANY	
	2010 Rs.	2009 Rs.	2010 Rs.	2009 Rs.
Favourable Balances				
Cash in hand and Balances with Banks	300,580,666	7,243,662	297,843,372	6,091,226
Unfavourable Balances				
Bank Over drafts	(40,623,471)	(58,498,382)	(40,623,471)	(58,498,382)
Cash and Cash equivalent for the purpose of Cash flow Statement	259,957,195	(51,254,720)	257,219,901	(52,407,156)
13 TREASURY BILLS AND BONDS ELIGIBLE FOR REDISCOUNTING WITH THE CENTRAL BANK				
Treasury Bills	1,300,000	-	-	-
	1,300,000	-	-	-
14 PLACEMENTS WITH AND LOANS TO OTHER BANKS				
Bank of Ceylon Ltd	2,500,000	-	-	-
Sampath Bank PLC	2,849,872	2,656,832	-	-
Seylan Bank PLC	-	8,600,000	-	-
	5,349,872	11,256,832	-	-
15 INVESTMENT SECURITIES				
Quoted Equity Investments (Note 15.a)				
Held by SMB Leasing PLC.	2,650,467	12,329	2,650,467	12,329
Held by SMB Money Brokers (Pvt) Ltd.	3,588,228	919,641	-	-
	6,238,695	931,970	2,650,467	12,329
Quoted Debenture Investments - Non Current (Note 15.c.1)				
Held by SMB Leasing PLC.	-	1,047,203	-	1,047,203
	-	1,047,203	-	1,047,203
Total	6,238,695	1,979,173	2,650,467	1,059,532

Notes to the Financial Statements (Continued)

As at 31st December

15.a Quoted Equity Investments	2010			2009		
	No of shares	Cost	Market Value	No of shares	Cost	Market Value
Held by SMB Leasing PLC						
Banking, Finance & Insurance						
The Finance Co. PLC	97	5,273	3,764	97	5,272	2,643
		5,273	3,764		5,272	2,643
Manufacturing						
Blue Diamond Jewellery Worldwide PLC	778,280	4,640,932	2,645,981	1,420,980	21,357,657	1,989,372
Magpek Exports PLC	125,000	5,000,000	-	125,000	5,000,000	-
Metal Recyclers Colombo PLC	69	3,105	-	69	3,105	-
		9,644,037	2,645,981		26,360,762	1,989,372
Beverage Food & Tobacco						
Kotmale Holding PLC	-	-	-	1,000	15,720	9,500
					15,720	9,500
Footwear & Textiles						
Pugoda Textile Mills PLC	7,500	252,525	-	7,500	252,525	-
		252,525	-		252,525	-
Land & Property						
Ceylinco Seylan Development PLC	43	460	722	43	460	194
		460	722		460	194
Total Quoted	-	9,902,295	2,650,467	-	26,634,739	2,001,709
Less - Provision for Diminution in value	-	(7,251,828)	-	-	(26,622,410)	-
Net Carrying Amount of Investments (Bank)		2,650,467	2,650,467		12,329	2,001,709
Held by SMB Money Brokers (Pvt) Ltd.						
Banking, Finance & Insurance						
Nation Trust Bank PLC	-	-	-	5,000	173,695	-
Capital Reach PLC	-	-	-	5,000	86,215	-
Pan Asia Banking Corporation PLC	-	-	-	4,000	83,161	-
Seylan Bank PLC - Non Voting	10,000	504,586	490,000	-	-	-
Merchant Bank of Sri Lanka PLC	14,000	743,611	641,200	-	-	-
Asia Capital PLC	6,000	271,544	282,000	-	-	-
CV Venture Fund	10,000	218,064	190,000	-	-	-
		1,737,805	1,603,200		343,071	-
Manufacturing						
Sierra Cables PLC	-	-	-	5,400	16,200	7,020
Brown & Co PLC	2,000	511,161	493,800	3,400	255,204	-
Bairaha Famars PLC	1,100	263,359	356,730	-	-	-
Tokyo Cement PLC	325	7,032	13,098	-	-	-
Hayleya Mgt-Knitting Mills PLC	7,100	333,315	227,200	-	-	-
Pelawatta Sugar PLC	3,000	95,086	82,200	-	-	-
Hemas Power PLC	4,400	134,541	129,800	-	-	-
		1,344,494	1,302,828	5,400	271,404	7,020
Land & Property						
CT Land Development PLC		-	-	5,000	115,880	-
					115,880	-
Telecommunication						
Dialoge Telecom PLC	9,000	255,590	106,200	9,000	255,590	43,200
		255,590	106,200	9,000	255,590	43,200
Hotel						
Stafford Hotel PLC	-	-	-	2,000	54,744	-
Sunshine Holdings PLC	5,000	280,187	229,500	-	-	-
Renuka Holdings PLC	5,000	251,540	309,500	-	-	-
		531,727	539,000		54,744	-

Notes to the Financial Statements (Continued)

As at 31st December	2010			2009		
	No of shares	Cost	Market Value	No of shares	Cost	Market Value
Held by SMB Money Brokers (Pvt) Ltd.						
Hospital						
The Lanka Hospital Corp. PLC	-	-	-	5,000	103,327	-
Nawaloka Hospital PLC	10,000	38,034	37,000			
		38,034	37,000	-	103,327	-
Total Quoted	-	-	-	-	1,144,046	-
Less - Provision for Diminution in value	-	(319,422)	-	-	(244,405)	-
Net Carrying Amount of Investments		3,588,228	3,588,228		919,641	50,220
Total Carrying Amount of Quoted Investments Group					<u>931,970</u>	

As at 31st December	2010		2009	
	No of Shares	Cost	No of Shares	Cost
15.b Non Quoted Equity Investments held by SMB Leasing PLC				
Ceylinco Sports Complex Ltd.	300,000	3,000,000	300,000	3,000,000
Ceylinco Investment & Realty Ltd.	100,000	1,000,000	100,000	1,000,000
Seraka Investment Ltd. (Note 15.b.1.)	5,655,900	48,645,300	5,655,900	48,645,300
South Asian Travels Ltd.	30,000	300,000	30,000	300,000
Ceylinco Express Ltd.	-	-	-	-
Ceylinco Savings Bank Ltd	1,189,600	11,896,000	1,189,600	11,896,000
Ceylinco Coloured Stone (Pvt) Ltd.	500,000	5,000,000	500,000	5,000,000
Openarc Global Solutions (Pvt) Ltd.	45,000	450,000	45,000	450,000
		70,291,300		70,291,300
Less- Provision for Diminution in Value		(70,291,300)		(70,291,300)
		-		-

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

15.c Investment in Debentures

15.c.1 Quoted Debenture Investments

As at 31st December	2010		2009	
	No of Shares	Cost	No of Shares	Cost
Seylan Bank PLC	10,000	1,047,203	10,000	1,047,203
		1,047,203		1,047,203
Provision for Impairment		(1,047,203)		-
Net Carrying Amount of Investments		-		1,047,203
15.c.2 Unquoted Debenture Investments				
Ceylinco Automobiles Ltd		17,600,000		17,600,000
Less- Provision for Diminution in Value		(17,600,000)		(17,600,000)
		-		-
Balance as at 31st December		-		1,047,203

Notes to the Financial Statements (Continued)

As at 31st December

	GROUP		COMPANY	
	2010 Rs.	2009 Rs.	2010 Rs.	2009 Rs.
16 LOANS AND ADVANCES				
Staff Loans	689,323	790,418	689,323	790,418
Other Loans	593,890,427	802,266,268	597,190,427	802,506,268
	594,579,750	803,056,686	597,879,750	803,296,686
Less: Loan loss Provision (Note 16.c)	(176,099,605)	(199,862,542)	(176,099,605)	(199,862,542)
Interest in suspense (Note 16.c)	(62,578,651)	(68,195,737)	(62,578,651)	(68,195,737)
	355,901,494	534,998,407	359,201,494	535,238,407

16.a Movement in Loan Loss Provision Loan and Advances

	Specific	Specific	Specific	Specific
Balance as at 1st January	286,254,754	415,823,059	286,254,754	344,210,214
Reversal of Provision - Loans	(23,762,936)	(30,175,431)	(23,762,936)	(30,175,431)
Reversal of Provision - Leases	(14,116,346)	(99,392,874)	(14,116,346)	(27,780,029)
Balance as at 31st December	248,375,472	286,254,754	248,375,472	286,254,754

16.b Movement in Interest in Suspense

Balance as at 1st January	108,516,325	90,290,960	108,516,325	61,893,724
Interest Suspended during the year	37,968,030	70,551,178	37,968,030	70,551,178
Interest Recovered during the year	(49,654,343)	(52,325,813)	(49,654,343)	(23,928,577)
Reversal of Interest for write off	-	-	-	-
Balance as at 31st December	96,830,012	108,516,325	96,830,012	108,516,325

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

	As at 31 December 2010		As at 31 December 2009	
	Loan Loss Provision	Interest in Suspense	Loan Loss Provision	Interest in Suspense
GROUP				
Loans and Advances	176,099,605	62,578,651	199,862,542	68,195,737
Lease Rental Receivable	72,275,867	34,251,361	86,392,212	40,320,588
	248,375,472	96,830,012	286,254,754	108,516,325
COMPANY				
Loans and Advances	176,099,605	62,578,651	199,862,542	68,195,737
Lease Rental Receivable	72,275,867	34,251,361	86,392,212	40,320,588
	248,375,472	96,830,012	286,254,754	108,516,325

Notes to the Financial Statements (Continued)

16.d Concentration of Credit Risk

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

As at 31 December	GROUP		COMPANY	
	2010 Rs.	2009 Rs.	2010 Rs.	2009 Rs.
Foods, beverages and tobacco	11,957,595	16,065,934	11,957,595	16,065,934
Agriculture, agro business and fisheries	71,745,570	96,395,602	71,745,570	96,395,602
Textiles and Wearing apparel	23,915,190	32,131,867	23,915,190	32,131,867
Wood and paper products	17,936,392	24,098,901	17,936,392	24,098,901
Rubber and leather products	23,915,190	32,131,867	23,915,190	32,131,867
Metals , chemicals and engineering	47,830,380	64,263,735	47,830,380	64,263,735
Hotels	11,957,595	16,065,934	11,957,595	16,065,934
Services	223,894,305	305,252,741	227,194,305	305,252,741
Others	161,427,533	216,890,105	161,427,533	216,890,105
	594,579,750	803,269,686	597,879,750	803,269,686
17 LEASE RENTAL RECEIVABLE				
17.a Lease Rentals Receivable within One Year				
Balance as at 31st December	191,885,480	241,013,990	191,885,480	241,013,990
Less: Unearned Income	(17,024,591)	(38,595,899)	(17,024,591)	(38,595,899)
Less: Pre-paid Rentals	(10,814,454)	(13,331,645)	(10,814,454)	(13,331,645)
	164,046,435	189,086,446	164,046,435	189,086,446
Less: Interest in Suspense (Note 16.c)	(34,251,361)	(40,320,587)	(34,251,361)	(40,320,587)
Less: Loan Loss provision (Note 16.c)	(72,275,868)	(86,392,213)	(72,275,868)	(86,392,213)
	57,519,206	62,373,646	57,519,206	62,373,646
17.b Lease Rentals Receivable after One Year & within Five Years				
Balance as at 31st December	79,706,038	378,892,261	79,706,038	378,892,261
Less: Unearned Income	(20,096,238)	(184,299,164)	(20,096,238)	(184,299,164)
	59,609,800	194,593,097	59,609,800	194,593,097
17.c Lease Rentals Receivable after Five Years From the Balance Sheet date				
	6,827,890	-	6,827,890	-
Less: Unearned Income	(1,520,898)	-	(1,520,898)	-
	5,306,992	-	5,306,992	-

Notes to the Financial Statements (Continued)

18 INVESTMENTS IN SUBSIDIARIES		2010			2009		
Company	Principle Activity	Holding	No of Shares	Cost as at 31/12/2010	Holding	No of Shares	Cost as at 31/12/2009
SMB Money Brokers (Pvt) Ltd	Money Market Activities	51.00%	1,275,000	12,750,000	51.00%	1,275,000	12,750,000
Balance as at 31st December				12,750,000	12,750,000		
19 INVESTMENTS IN ASSOCIATE COMPANIES		2010			2009		
a. Company		Holding	No of Shares	Cost as at 31/12/2010	Holding	No of Shares	Cost as at 31/12/2009
SMB-Kenanga Investment Corporation Ltd	Investment Banking	49.00%	4,900,000	49,000,000	49.00%	4,900,000	49,000,000
SMB Real Estate Ltd.	Property Development Activities	49.00%	617,277	30,282,196	49.00%	642,604	26,559,577
SMB Securities (Pvt) Limited	Stock Brokering Activities	49.50%	5,000,000	50,000,000	49.50%	5,000,000	50,000,000
Balance as at 31st December				10,417,277	129,282,196	10,542,604	125,559,577

b. Group	GROUP		COMPANY	
	2010 Rs.	2009 Rs.	2010 Rs.	2009 Rs.
Investment At Cost	136,703,669	54,314,942	-	-
Additions for the year	-	80,282,196	-	-
Share of Profit After Tax	18,809,004	2,106,531	-	-
Dividend Received	(1,969,801)	-	-	-
Balance as at 31st December	153,542,872	136,703,669	-	-

c. Summarized Financial Statement of Associates Companies

As at 31 December 2010	Kenanga Investment Corporation Ltd.	SMB Securities (Pvt) Ltd	SMB Real Estate Ltd	Total
Revenue	5,465,014	88,739,070	19,542,100	113,746,184
Profit After Tax	3,246,704	21,153,231	13,988,642	38,388,577
Total Assets	117,971,470	188,383,125	112,992,620	419,347,215
Total Liabilities	2,758,498	68,012,581	52,210,307	122,981,386

20 INVESTMENT PROPERTIES	GROUP		COMPANY	
	2010 Rs.	2009 Rs.	2010 Rs.	2009 Rs.
Balance as at 1st January	53,216,000	16,316,000	49,016,000	16,316,000
Add : Additions during the year	-	36,900,000	-	32,700,000
Less : Disposals during the year	(15,647,000)	-	(15,647,000)	-
Provisions for Impairment Loss	(248,600)	-	(248,600)	-
Balance as at 31st December	37,320,400	53,216,000	33,120,400	49,016,000

Notes to the Financial Statements (Continued)

20.a Details of Investment Properties

Property Location	GROUP				COMPANY			
	2010		2009		2010		2009	
	Cost Rs.	Market Value Rs.	Cost Rs.	Market Value Rs.	Cost Rs.	Market Value Rs.	Cost Rs.	Market Value Rs.
Kaduwela, Malambe Halpe Village, Katana	36,900,000	36,900,000	36,900,000	36,900,000	32,700,000	32,700,000	32,700,000	32,700,000
Dorakumbura, Kurunegala	420,400	420,400	669,000	669,000	420,400	420,400	669,000	669,000
Nugegoda, Kotte			15,000,000	15,030,000			15,000,000	15,000,000
	37,320,400	37,320,400	53,216,000	53,545,000	33,120,400	33,120,400	49,016,000	49,016,000

21 PROPERTY, PLANT AND EQUIPMENT

COMPANY

Cost	Computer Equipment Rs	Office machine & equipment Rs	Furniture & Fittings Rs	Motor Vehicles Rs	31.12.2010 Total Rs	31.12.2009 Total Rs
Balance as at 1st January	40,517,135	12,401,393	14,236,476	8,349,208	75,504,212	72,056,593
Additions during the Year	72,000	-	784,236	4,600,892	5,457,128	3,408,620
Disposals during the Year	-	-	-	(107,000)	(107,000)	-
Transfers	-	-	-	-	-	38,998
As at 31st December	40,589,135	12,401,393	15,020,712	12,843,100	80,854,340	75,504,211
Accumulated Depreciation						
Balance as at 1st January	38,322,365	10,722,339	12,729,815	6,273,175	68,047,694	64,001,715
Charge for the year	1,059,041	409,972	882,895	1,317,412	3,669,320	4,045,978
Disposals	-	-	-	(107,000)	(107,000)	-
As at 31st December	39,381,406	11,132,311	13,612,710	7,483,587	71,610,014	68,047,693
Net book value as at 31.12.10	1,207,729	1,269,082	1,408,002	5,359,513	9,244,327	
Net book value as at 31.12.09	2,194,770	1,679,054	1,506,661	2,076,033		7,456,518

GROUP

Cost	Computer Equipment Rs	Office machine & equipment Rs	Furniture & Fittings Rs	Motor Vehicles Rs	31.12.2010 Total Rs	31.12.2009 Total Rs
Balance as at 1st January	42,123,153	14,813,473	15,358,508	8,349,208	80,644,342	76,456,754
Additions during the Year	208,665	535,564	966,013	4,667,856	6,378,098	4,148,590
Disposals during the Year				(107,000)	(107,000)	
Transfers						38,998
As at 31st December	42,331,818	15,349,037	16,324,521	12,910,064	86,915,440	80,644,342
Accumulated Depreciation						
Balance as at 1st January	39,786,704	12,775,450	13,315,084	6,273,176	72,150,413	67,350,364
Charge for the year	1,114,932	584,404	1,031,242	1,321,876	4,052,454	4,800,049
Disposals				(107,000)	(107,000)	
As at 31st December	40,901,636	13,359,854	14,346,326	7,488,052	76,095,867	72,150,413
Net book value as at 31.12.10	1,430,182	1,989,183	1,978,194	5,422,013	10,819,571	
Net book value as at 31.12.09	2,336,449	2,038,023	2,043,424	2,076,032		8,493,928

Notes to the Financial Statements (Continued)

As at 31 December	GROUP		COMPANY	
	2010 Rs.	2009 Rs.	2010 Rs.	2009 Rs.
22 OTHER ASSETS				
Deposits & Prepayments	3,799,665	6,427,115	3,799,665	6,427,115
Land Stock -Real Estate	1,691,853	1,691,853	1,691,853	1,691,853
Other Assets	96,529,003	99,246,760	93,307,678	98,051,366
	102,020,521	107,365,728	98,799,196	106,170,334
23 DEFERRED TAXATION				
Balance as at 1st January	471,067	3,674,996	-	-
Reversal made during the year	(249,397)	(3,203,929)	-	-
Balance as at 31st December	221,670	471,067	-	-
24 BORROWINGS				
Promissory Notes	337,488,071	598,835,742	337,638,071	598,835,742
Refinance Borrowings	5,176,448	5,176,448	5,176,448	5,176,448
Other Borrowings	10,000,000	17,552,669	10,000,000	17,552,669
	352,664,519	621,564,859	352,814,519	621,564,859
25 GROUP BALANCES PAYABLE				
Seylan Bank PLC	-	197,848,000	-	197,848,000
	-	197,848,000	-	197,848,000
26 OTHER LIABILITIES				
Accrued Expenses	779,519	2,048,327	464,780	1,541,244
Provision for Retirement benefit obligation (Note 26.a)	3,164,659	3,351,290	2,618,053	2,975,653
Others	75,113,137	126,245,506	74,744,479	124,783,140
	79,057,315	131,645,123	77,827,312	129,300,037
26.a Provision for Retirement benefit obligations				
Balance as at 1st January	3,351,290	8,957,445	2,975,653	1,918,126
Gratuity Charge	470,969	471,301	300,000	271,813
Payments	(657,600)	(1,362,198)	(657,600)	(809,708)
Loss arising from changes in the assumptions	-	(2,835,308)	-	(932,439)
Transfers	-	(1,879,950)	-	2,527,861
Balance as at 31st December	3,164,659	3,351,290	2,618,053	2,975,653

All assumptions used in the valuation of Retirement benefit obligations are as follows

Salary Increment Rate	8.5%
Discount Rate	10%

Notes to the Financial Statements (Continued)

As at 31 December	GROUP		COMPANY	
	2010 Rs.	2009 Rs.	2010 Rs.	2009 Rs.
27 DEBENTURES	115,176,500	231,661,500	115,176,500	231,661,500
	115,176,500	231,661,500	115,176,500	231,661,500
27.a Movement In Debentures				
Balance as at 1st January	231,661,500	340,308,507	231,661,500	255,174,402
Add: issued during the period	-	-	-	-
Less: repayments made during the period	(116,485,000)	(108,647,007)	(116,485,000)	(23,512,902)
Balance as at 31st December	115,176,500	231,661,500	115,176,500	231,661,500
28 STATED CAPITAL				
826,486,514 Voting Ordinary Shares	770,950,296	465,786,045	770,950,296	465,786,045
560,000,000 Non Voting Ordinary Shares	376,000,000	100,000,000	376,000,000	100,000,000
	1,146,950,296	565,786,045	1,146,950,296	565,786,045
29 STATUTORY RESERVES FUND				
Balance as at 1st January	1,239,777	4,420,527	1,239,777	1,239,777
Transfers made during the year	8,618,107	-	8,618,108	-
Disposal of Subsidiary	-	(3,180,750)	-	-
Balance as at 31st December	9,857,884	1,239,777	9,857,885	1,239,777

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

The transfers to the Reserve Fund for the year 2010 and 2009 have been made during the year under review.

As at 31 December	GROUP		COMPANY	
	2010 Rs.	2009 Rs.	2010 Rs.	2009 Rs.
30 RESERVES				
Retained Loss	(623,465,738)	(637,622,552)	(636,419,321)	(637,356,659)
Reserve on Script Issue	8,316,030	8,316,030	-	-
	(615,149,708)	(629,306,522)	(636,419,321)	(637,356,659)
31 COMMITMENTS AND CONTINGENCIES				

In the normal course of business, the Company makes various commitments and incurs certain contingent liabilities with legal recourse to its customers. No material losses are anticipated as a result of these transactions. The Company has issued Rs. 1.5 Mn bank guaranties against investments during the period under review.

32 POST BALANCE SHEET EVENTS

1. Proposed Reduction of Stated Capital

The Board of Directors of SMB Leasing PLC has resolved that the company's stated capital of Rs 1,146,950,296/- represented by 826,486,514 fully paid voting ordinary shares and 560,000,000 fully paid non voting ordinary shares be reduced to a stated capital of Rs 518,275,383/- without effecting any change to the number of issued and fully paid voting ordinary shares and non voting ordinary shares of the Company in accordance with the provisions of section 59 of the Companies Act No. 7 of 2007, subject to approval by a special resolution of shareholders and the approval of the Central Bank of Sri Lanka.

The aforesaid reduction will be effected by writing off the brought forward losses of the Company of Rs 628,674,913/- as at 31st December 2010 against its stated capital which stated capital consequent thereto would be reduced to Rs 518,275,383/-.

2. The Board of Directors of SMB Leasing PLC has decided in principal to apply for a Registered Finance Company License from the Monetary Board of the Central Bank of Sri Lanka.

There are no events occurred after the Balance Sheet date which requires adjustments/disclosures in the Financial Statements other than those disclosed above.

Notes to the Financial Statements (Continued)

33. RELATED PARTY DISCLOSURE

Company	Names of Directors	Details of Transactions	Amount Received/Receivable (Payable/Paid) Rs.	Balance as at 31.12.2010 Rs.	Balance as at 31.12.2009 Rs.
Transactions with Subsidiary					
SMB Money Brokers (Pvt) Ltd.	Mr. R.S.W. Senanayake Mr. N.N. Jayathilake	Investment in Promissory notes Easy Payment Loan	- (240,000)	(87,719) 3,300,283	(87,719) 3,540,000
Transactions with Associate Companies					
SMB Real Estate Ltd.	Mr. R.S.W. Senanayake Mr. A. M. Jayasuriya Mr. M.S.I. Peiris Mr. J. C. Korale	Term Loan Investment on Debentures	- -	9,469,000 (9,236,000)	9,469,000 (9,469,000)
SMB Kenanga Investment Corporation Ltd.	Mr. J.L.B. Kotelawala Mr. R.S.W. Senanayake Mr. M.S.I. Peiris Mr. N.N. Jayathilake Mrs. Y.M.T.D.P.N.Z.B.T. Ismail Mr. L.K. Khee Mr. S.C. Liang Dr. N.B. Razak Mr. M.M.N. Denney (Alternate to Mrs. Y.M.T.D.P.N.Z.B.T. Ismail) Mr. A.A. Rais (Alternate to Mr. S.C. Liang)	Dividend Income Royalty Income Professional Fee	1,896,300 781,730 (489,250)	- 857,755 -	- - -
Transaction with other Related Companies					
Corporate Finance & Capital Market Ltd.	Mr. R.S.W. Senanayake Mr. M.S.I. Peiris	Finance Lease Easy Payment Loan Proceed from Disposal of Investments Disposal Proceed of Treasury Bills and Others Other Receivable Provision for Bad & Doubtful Debts Professional Fee	- - - - - - 298,969	- 4,225,387 12,448,250 5,182,077 10,893,100 (28,523,427) -	4,436,029 4,225,387 12,448,250 5,182,077 10,893,100 (21,250,960) -

Notes to the Financial Statements continued

Company	Names of Directors	Details of Transactions	Amount 2010 Received/Receivable (Payable/Paid) Rs.	Balance as at 31.12.2010 Rs.	Balance as at 31.12.2009 Rs.
Ceylinco Maini (Pvt) Ltd.	Mr. R.S.W. Senanayake Mr. M.S.I. Peiris	Quick Fund Loan	-	1,350,043	1,350,043
		Provision for Bad & Doubtful Debts	-	(1,350,043)	(1,350,043)
Ceylinco Automobiles Ltd.	Mr. R.S.W. Senanayake Mr. M.S.I. Peiris	Finance Lease	-	666,231	2,374,673
		Quick Cash Loan	(10,025,000)	16,549,925	26,474,925
		Other Receivable	(15,150)	4,394,850	4,410,000
		Salaries Receivable	-	2,682,038	2,682,038
		Cal-Commission	-	600,000	600,000
		Debtenture Investment	-	17,600,000	17,600,000
Ceylinco Insurance PLC	Mr. R.R. Renganathan	Provision for Bad & Doubtful Debts	-	(38,330,071)	(32,395,937)
		Insurance Payments	(11,048,042)	-	-
The Magnum Fund	Mr. R.S.W. Senanayake Mr. M.S.I. Peiris	Insurance Commission	386,739	-	-
		Quick Cash Loan	-	1,744,976	1,744,976
		EP Loan Interest Income	-	1,420,384	1,420,384
		Quick Fund Loan	-	342,896	342,896
		Other Receivables	-	123,868	123,868
		Salaries Receivable	-	2,372,300	2,372,300
		Provision for Bad & Doubtful Debts	-	(2,496,167)	-

Notes to the Financial Statements (Continued)

- 33.1 SMB Leasing PLC acts as custodian for the below mentioned lands as at 31st December 2010, which were purchased by SMB Real Estate Limited

Project Name	Deed No.	Extent as 31st December 2010
Weligama	568	P - 605.59
Ahangama	608	P - 24
Palagama	15	P - 19.53
Malabe	22	P - 10.67

33.2 KEY MANAGEMENT PERSONNEL COMPENSATION

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

	Group Rs.	Company Rs.
(a) short-term employee benefits;	2,786,865	2,786,865
(b) post-employment benefits;	49,943	49,943

34 MATURITY ANALYSIS

34 a. Company

An analysis of the total assets employed as at 31st December 2010 based on the remaining period at the Balance Sheet date to the respective contractual maturity dates is given below.

	Up to 3 Months Rs.	3 to 12 Months Rs.	1 to 3 Years Rs.	3 to 5 Years Rs.	More than 5 Years Rs.	TOTAL Rs.
Interest Earning Assets						
Loans & Advances	33,388,816	59,570,139	110,577,094	58,647,453	97,017,992	359,201,494
Lease Receivables	20,026,119	37,493,084	41,442,943	16,292,612	7,181,241	122,435,998
Non Interest Earning Assets						
Cash in hand	297,843,372	-	-	-	-	297,843,372
Balances with CBSL	-	-	-	-	-	-
Investments	142,032,196	-	-	-	-	142,032,196
Investment Property	33,120,400	-	-	-	-	33,120,400
Property, Plant & equipment	-	-	-	-	9,244,326	9,244,326
Other Assets	72,511,512	8,875,949	18,964,697	16,601,284	25,999,431	142,952,874
TOTAL ASSETS	598,922,415	105,939,172	170,984,734	91,541,349	139,442,990	1,106,830,661

An analysis of the total liabilities employed as at 31st December 2010 based on the remaining period at the Balance Sheet date to the respective contractual maturity dates is given below.

Interest bearing liabilities						
Borrowings	192,512,461	71,649,146	58,520,986	29,022,226	1,109,700	352,814,519
Debentures	20,176,500	-	-	-	95,000,000	115,176,500
Bank Overdraft	40,623,471	-	-	-	-	40,623,471
Non Interest bearing liabilities						
Other liabilities	21,227,893	15,655,191	34,056,600	4,438,500	2,618,053	77,996,236
Shareholders Funds	-	-	-	-	520,219,935	520,219,935
TOTAL LIABILITIES	274,540,324	87,304,337	92,577,587	33,460,725	618,947,687	1,106,830,661

Notes to the Financial Statements (Continued)

34.b Group

An analysis of the total assets employed as at 31st Decmeber 2010 based on the remaining period at the Balance Sheet date to the respective contractual maturity dates is given below.

	Up to 3 Months Rs.	3 to 12 Months Rs.	1 to 3 Years Rs.	3 to 5 Years Rs.	More than 5 Years Rs.	TOTAL Rs.
Interest Earning Assets						
Loans & Advances	33,268,816	59,210,139	110,097,094	58,167,453	95,157,992	355,901,494
Lease Recievable	20,026,119	37,493,084	41,442,943	16,292,612	7,181,241	122,435,998
Balances with banks & Finance Companies	5,349,872	-	-	-	-	5,349,872
Treasury Bills / Bonds	1,300,000	-	-	-	-	1,300,000
Non Interest Earning Assets						
Cash in hand	300,580,666	-	-	-	-	300,580,666
Balances with CBSL	-	-	-	-	-	-
Investments	153,542,872	-	-	-	-	153,542,872
Investment Property	33,120,400	-	-	-	4,200,000	37,320,400
Property, Plant & equipment	-	-	-	-	10,819,571	10,819,571
Other Assets	75,732,839	11,070,259	18,964,697	16,601,285	27,796,346	150,165,425
TOTAL ASSETS	622,921,584	107,773,482	170,504,734	91,061,349	145,155,150	1,137,416,298

An analysis of the total liabilities employed as at 31st Decmeber 2010 based on the remaining period at the Balance Sheet date to the respective contractual maturity dates is given below.

Interest bearing liabilities						
Borrowings	192,362,461	71,649,146	58,520,986	29,022,226	1,109,700	352,664,519
Debentures	20,176,500	-	-	-	95,000,000	115,176,500
Bank Overdraft	40,623,471	-	-	-	-	40,623,471
Non Interest bearing liabilities						
Other liabilities	22,288,972	15,655,191	34,056,600	4,438,500	2,618,053	79,057,315
Shareholders Funds	-	-	-	-	541,658,472	541,658,471
Minority Interest	-	-	-	-	8,236,021	8,236,021
TOTAL LIABILITIES	275,451,403	87,304,337	92,577,587	33,460,725	648,622,245	1,137,416,298

35. SEGMENT REPORTING-GROUP

	Banking		Leasing		Treasury		Property/Investments		Eliminations/Unallocated		Consolidated	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Revenue	47,906,771	91,802,414	41,874,096	164,566,595	-	-	-	-	300,000	602,833	89,480,867	255,766,177
Interest Exchange	-	-	-	-	-	-	-	-	-	-	-	-
Lease Income/Brokering	-	-	-	-	-	-	-	-	-	-	-	-
Commissions & Fee Income	11,948,334	24,884,529	10,443,736	44,905,096	17,010,330	50,520,258	2,299,953	2,299,953	1,969,801	-	37,432,598	122,609,836
Other	6,369,544	244,317,051	5,567,458	14,316,707	2,149,971	4,704,391	3,432,855	3,432,855	-	22,088,105	14,086,973	244,682,899
Total Revenue from External Customers	66,224,650	361,003,994	57,885,289	223,788,399	19,160,301	55,224,649	5,732,808	5,732,808	2,269,801	22,690,938	141,000,438	623,058,913
Total Revenue	66,224,650	361,003,994	57,885,289	223,788,399	19,160,301	55,224,649	5,732,808	5,732,808	2,269,801	22,690,938	141,000,438	623,058,913
Segment result	17,919,528	37,130,711	13,263,239	47,651,807	6,200,927	3,811,554	-	-	2,641,792	-	34,741,902	88,594,072
Unallocated Income/Expenses	-	-	-	-	-	-	-	-	-	-	-	-
Less Depreciation charged for the year	1,775,793	2,149,162	1,561,957	2,188,724	714,704	462,163	-	-	-	-	4,052,454	4,800,049
Profit from Operations	16,143,735	34,981,548	11,701,282	45,463,083	5,486,223	3,349,391	-	-	-	-	33,331,240	83,794,023
Income tax expense	4,174,259	49,044	1,173,137	-	668,867	1,515,613	-	-	-	-	6,016,263	1,564,657
Profit After Income tax	11,969,476	34,932,504	10,528,145	45,463,083	4,817,356	1,833,778	-	-	-	-	27,314,977	82,229,366
Net Profit for the year	11,969,476	34,932,504	10,528,145	45,463,083	4,817,356	1,833,778	-	-	-	-	27,314,977	82,229,366
OTHER INFORMATION												
Segment assets	526,295,948	567,728,850	462,920,846	578,179,497	211,818,371	122,086,362	-	-	-	8,868,530	1,201,035,166	1,259,126,179
Less Accumulated Depreciation	33,464,987	32,304,450	29,435,226	32,899,104	13,468,656	6,946,860	-	-	-	-	76,368,868	72,150,414
Investment in Subsidiaries	12,750,000	12,750,000	-	-	-	-	-	-	-	12,750,000	12,750,000	-
Total Assets	505,580,961	548,174,400	433,485,621	545,280,394	198,349,716	115,139,502	-	-	-	21,618,530	1,137,416,298	1,186,975,766
Segment liabilities	258,964,996	557,324,842	227,781,148	567,583,975	104,225,662	119,849,048	-	-	3,450,000	3,540,000	587,521,806	1,241,217,866
Shareholders Funds	242,694,918	(27,885,409)	213,470,268	(28,398,718)	97,677,443	(5,996,574)	-	-	12,184,157	-	541,658,472	(62,280,701)
Minority Interest	-	-	-	-	-	-	-	-	8,236,021	8,038,603	8,236,021	8,038,603
Total liabilities	501,659,914	529,439,434	441,251,415	539,185,257	201,903,105	113,852,474	-	-	23,870,178	11,578,603	1,137,416,298	1,186,975,766
Cash flows from Operating activities	113,802,554	190,039,684	100,098,765	193,537,900	45,802,123	40,866,786	-	-	-	-	259,703,442	424,444,370
Cash flows from Investing activities	70,707	243,236,421	62,193	247,713,872	28,457	52,306,394	-	-	-	-	161,357	543,256,687
Cash flows from Financing activities	(3,133,699)	(376,601,127)	(2,756,347)	(443,108,742)	(1,261,220)	(93,565,293)	-	-	-	-	(7,151,266)	(913,275,162)
Capital Expenditure	-	1,857,480	1,978,098	(1,891,672)	-	399,439	-	-	-	-	(1,978,098)	4,148,590

Decade at a Glance – Company

For the year ended 31st December	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
	(Rs. '000)	(Rs. '000)	(Rs. '000)	(Rs. '000)	(Rs. '000)	(Rs. '000)	(Rs. '000)	(Rs. '000)	(Rs. '000)	(Rs. '000)
Operating Results										
Revenue	326,838	472,481	565,768	557,668	589,173	515,425	500,998	334,661	391,449	124,110
Interest Income	288,358	377,445	424,171	506,640	541,836	436,047	424,776	295,666	147,132	101,718
Interest Expense	(292,279)	(320,189)	(332,344)	(369,130)	(399,959)	(359,235)	(400,239)	(410,293)	(166,315)	(64,732)
Operating Expenses & Provision	(90,254)	(133,407)	(205,432)	(143,288)	(128,850)	(110,889)	(85,937)	(506,301)	(66,868)	(59,805)
Profit/(Loss) before Taxation & VAT	(55,696)	2,280	10,790	22,203	30,690	31,859	2,699	(581,933)	158,266	19,443
VAT & Taxation	-	-	794	2,777	9,921	6,994	(2,432)	(35,601)	-	-
Profit/(Loss) after Taxation & VAT	(55,696)	2,280	9,996	19,426	20,769	24,865	267	(618,676)	158,266	14,095
As at 31st December										
Assets										
Cash & Short Term Funds	2,344	3,157	(122,572)	22,016	122,247	30,408	60,262	10,069	6,091	297,843
Investments	326,289	1,226,838	316,816	428,024	814,500	673,337	288,150	124,472	1,060	2,650
Bills of Exchange	64,723	43,220	32,373	4,000	3,525	-	-	-	-	-
Loans & advances	611,674	571,910	658,254	974,280	1,063,481	1,184,387	1,002,987	651,872	521,997	359,201
Lease Rentals Receivables	798,089	1,288,168	1,554,555	1,889,881	1,490,044	1,255,478	946,615	545,384	256,967	117,129
Investment in Associate Co.	-	-	-	1,200	1,200	-	49,000	49,000	125,560	129,282
Investment in Subsidiary Co.	51,500	76,225	97,100	112,100	154,068	314,547	319,540	324,197	12,750	12,750
Interest Receivable	-	-	-	22,297	40,296	51,538	103,636	253,037	81,500	41,503
Investment Property	-	-	11,189	11,189	11,189	23,187	27,505	16,316	49,016	33,120
Property, Plant & Equipment	11,046	16,196	15,811	27,098	24,132	20,983	11,947	8,055	7,457	9,244
Other Assets	247,884	259,831	222,524	100,741	67,842	66,493	123,475	43,358	106,170	98,799
Intangible Assets	22,151	8,835	-	-	-	-	-	-	-	-
	2,135,700	3,494,380	2,786,050	3,592,826	3,792,524	3,620,358	2,933,118	2,025,760	1,168,542	1,106,831
Equity & Liabilities										
Stated Capital										
Ordinary Shares	333,773	333,773	333,773	333,773	445,031	545,031	545,031	545,031	545,031	1,126,195
Share Premium	13,244	13,244	13,244	13,244	23,257	20,985	20,755	20,755	20,755	20,755
Reserves	(219,407)	(217,129)	(207,132)	(187,707)	(175,281)	(159,317)	(159,050)	(777,725)	(636,117)	(626,730)
Borrowings	1,574,200	2,889,285	1,892,595	1,987,677	2,355,174	2,271,892	1,747,762	1,721,268	680,063	393,439
Group Balances Payable	103,700	149,500	90,300	209,000	218,000	197,500	153,000	197,848	197,848	-
Other Liabilities	35,494	31,658	29,493	305,202	295,285	246,319	229,893	63,408	129,300	77,996
Debentures	294,697	294,049	633,778	931,637	631,058	497,948	395,727	255,174	231,662	115,176
	2,135,701	3,494,380	2,786,051	3,592,826	3,792,524	3,620,358	2,933,118	2,025,760	1,168,542	1,106,831
Income Growth (%)	1.54	44.56	19.74	(1.43)	5.65	(12.52)	(2.80)	(33.20)	16.97	(68.28)
Property, Plant & Equipment to Shareholders' Fund (%)	8.66	12.47	11.30	17.01	8.24	5.16	2.94	(3.80)	(10.60)	1.77
Total Assets to Shareholders' Fund (times)	16.74	111.59	19.92	22.55	12.94	8.90	7.21	(9.56)	(16.61)	0.80
Net Assets per Share (Rs.)	3.82	3.89	4.19	4.77	6.58	4.46	7.46	(3.89)	(1.29)	0.37
Basic Earning / (Loss) Per Share	(0.53)	(1.67)	0.07	0.30	0.58	0.51	0.005	(11.35)	0.23	0.02

Five Year Summary - Group

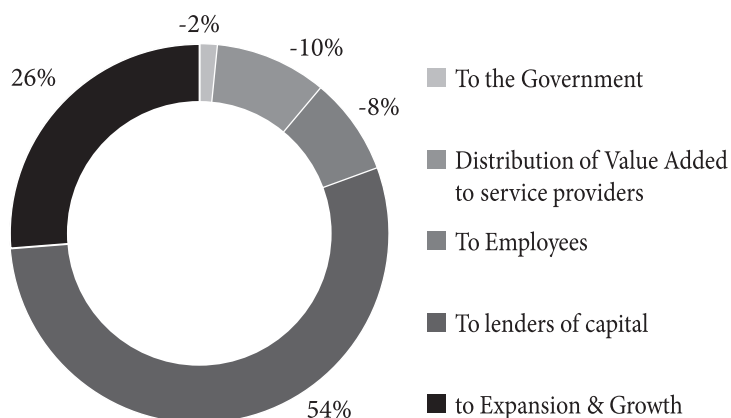
For the year ended 31st December	2006 (Rs. '000)	2007 (Rs. '000)	2008 (Rs. '000)	2009 (Rs. '000)	2010 (Rs. '000)
Operating Results					
Revenue	876,014	944,079	949,473	623,059	141,000
Interest Income	734,651	804,894	859,359	378,376	102,228
Interest Expense	(519,816)	(619,227)	(763,044)	(290,674)	(64,732)
Operating Expenses & Provision	(240,345)	(288,428)	(843,360)	(250,697)	(94,041)
Profit/(Loss) before taxation & VAT	72,205	3,579	(656,931)	81,687	16,148
Taxation & VAT	(7,995)	98	(44,513)	(1,516)	420
Profit After Taxation & VAT	64,210	3,678	(697,079)	82,229	27,315
Minority Interest	5,922	6,409	(8,978)	(10,950)	197
Profit/(Loss) Attributable to Shareholders	58,288	(2,732)	(688,101)	82,229	27,117
Assets					
Cash & Short Term Funds	33,503	73,999	17,636	7,244	300,580
Investments	803,520	621,520	493,701	13,236	12,889
Bills of Exchange	-	-	-	-	-
Loans & advances	1,126,237	972,961	956,320	521,732	355,901
Lease Rentals Receivables	2,995,231	2,565,417	1,987,191	256,967	122,436
Investment in Associate Co.	-	49,950	54,315	136,704	153,543
Interest Receivable	75,326	162,676	325,592	81,534	41,685
Investment Property	23,186	27,505	16,316	53,216	37,320
Property, Plant & Equipment	51,956	47,576	50,097	8,494	10,820
Other Assets	190,549	265,746	297,978	107,849	102,242
Intangible Assets	28,286	26,848	25,410	-	-
	5,327,794	4,814,198	4,224,557	1,186,976	1,137,416
Equity & Liabilities					
Stated Capital					
Ordinary Shares	545,031	545,031	545,031	545,031	1,126,195
Share Premium	20,985	20,755	20,755	20,755	20,755
Reserves	(27,234)	(29,965)	(718,066)	(628,067)	(605,291)
Minority Interest	73,799	73,620	74,327	8,039	8,236
Borrowings	3,445,893	3,131,189	3,377,545	680,063	352,665
Group Balances Payable	197,500	153,000	197,848	197,848	-
Other Liabilities	392,706	413,800	386,808	131,645	119,680
Debentures	679,114	506,769	340,309	231,662	115,176
	5,327,794	4,814,198	4,224,557	1,186,976	1,137,416
Cash Flow					
Cash Flow from Operating Activities	(399,035)	401,175	(197,132)	424,444	260,125
Cash Flow from Investing Activities	(10,298)	156,987	163,954	543,257	410,450
Cash Flow from Financing Activities	309,335	(465,891)	(23,185)	(972,375)	(7,001)
Net Increase or (Decrease) in Cash and Cash Equivalents	(88,998)	92,271	17,636	6,642	252,713
Basic Earning/ (Loss) Per Share	1.20	(0.05)	(12.62)	0.14	0.03
Assets Growth (%)	7.11	(9.64)	(12.25)	(71.90)	(4.13)
Net Assets Growth (%)	33.14	(0.55)	(128.42)	(59.10)	913.78)
Net Assets Per Share	9.89	9.83	(2.79)	(1.14)	0.40

Value Added Statement

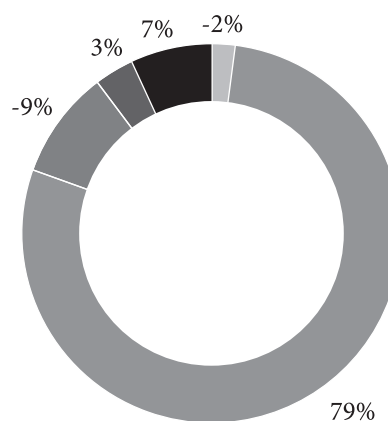
For the Year Ended 31st December

	2010 Rs."000"	2009 Rs."000"		2010 Rs."000"	2009 Rs."000"		
Value Added							
Interest and similar income	102,229	378,376		101,718	147,132		
Cost of Borrowings	56,008	(285,284)		56,008	(162,251)		
Value added by financial services	158,237	93,092		157,726	(15,119)		
Other Income	38,772	244,683		22,392	244,317		
Associate Company Profit	18,809	2,107		-	-		
Provision for Bad Debts	16,148	(81,489)		19,871	(23,143)		
Total	231,966	100.0% 258,392	-100.0%	206,055	100.0% 206,055	-100.0%	
Distribution of Value Added							
To Service Providers							
Overhead and Support Services	(36,150)	-15.6% 98,066	80.0%	202,810	38.0% 21,998	10.1%	
To the Government							
Taxes	(6,016)	-2.6% 1,565	16.4%	(5,347)	0.6% -	7.8%	
To Employees							
Salaries, Wages and Other Benefits	(31,569)	-13.6% 60,655	42.4%	(23,964)	23.4% 17,681	3.7%	
To Lenders of Capital							
Dividends to Share holders	-	-		-	-		
Minority Interest	197,418	(10,950)		-	-		
Interest on Borrowings	8,725	5,390		8,725	4,064		
	206,143	88.9% (5,560)	8.7%	8,725	-2.2% 4,064	8.4%	
To Expansion & Growth							
Depreciation	6,378	10,487		3,669	4,046		
Deferred taxation	-	-		-	-		
Retained Profit /(Loss)	93,180	93,180		14,095	158,266		
	99,558	42.9% 103,667	-247.6%	17,765	40.1% 162,312	-130.0%	
Total	231,966	100.0% 258,392	-100.0%	199,989	100.0% 206,055	-100.0%	

Group



Company



Shareholders' & Investors' Information

1 TOP TWENTY SHAREHOLDERS

Ordinary Voting

Name	31 st December 2010		31 st December 2009	
	Number of Shares	%	Number of Shares	%
Dr. T Senthilvel	196,807,724	23.81		
Seylan Bank PLC	34,361,382	4.16	22,064,566	49.58
Miss. W N C Fernando	20,494,949	2.48		
Seyan Bank PLC / Mr. J Dewage	19,889,115	2.41		
Mr. W K V M Fernando / Mrs. K W S H Fernando	17,570,890	2.13		
Miss. S A Fernando	16,454,889	1.99		
Mrs. K W S H Fernando / Mr. W K V M Fernando	16,426,739	1.99		
Mr. R Gautam	13,474,930	1.63		
Pershing LLC S/A Aver Bach Grauson & Co.	8,571,428	1.04	1,000,000	2.25
Mr. H K Pushpakumara	7,574,600	0.92		
Mr. A Sithampalam	7,389,842	0.89	1,986,200	4.26
Pan Asia Banking Corporation PLC / Mr. V K Sangakkara	6,280,887	0.76		
The Finance Company Limited	6,000,000	0.73	606,666	1.35
Swiss Lloyo Limited	5,700,000	0.69		
Mr. A Singh	4,941,502	0.60		
Mr. D S D De Lanerolle	4,000,000	0.48		
Pan Asia Banking Corporation PLC / Emagewise (PVT) Ltd.	3,768,100	0.46		
Mrs. C N M Anthony	3,580,801	0.43		
Dr. D M D O K Dissanayake	3,532,285	0.43		
Mr. M H M P Hettiarachchi	3,515,000	0.43		
SUB TOTAL	400,854,563	48.50	25,657,432	57.44
Others	425,631,951	51.50	18,845,688	42.56
TOTAL ISSUED SHARE CAPITAL	826,486,514	100.00	44,503,120	100.00

Ordinary Non Voting

Name	31 st December 2010		31 st December 2009	
	Number of Shares	%	Number of Shares	%
Seylan Bank PLC	92,369,666	16.49		
Dr. T Senthilvel	36,048,200	6.44		
Mr. R Gautam	25,266,080	4.51		
Pan Asia Banking Corporation PLC / Invest Copia Capital (PVT) Ltd	12,000,000	2.14		
Miss. G I Vasunthara	9,756,400	1.74		
Mr. B Jayaratne / Dr. Y S Liyanage	9,000,000	1.61		
Waldock Mackenzie Ltd / Mr. S A Gulamhusein	8,000,040	1.43		
The Bishop of Galle	5,600,000	1.00	1,000,000	1.00
Mr. P Poongunaseelan	5,282,600	0.94		
Mr. J J Ravindran	5,040,000	0.90		
Mr. S Abishek	4,432,160	0.79		
Miss. S Durga	4,385,000	0.78		
Mr. K Rajakanthan	4,100,000	0.73		
Dr. D Rajakanthan	4,000,000	0.71		
Mr. M A Benedict	3,684,800	0.66		
Miss. M N Galgamuwa	3,680,000	0.66		
Mr. B K Sirimanna	3,608,000	0.64		
Seylan Bank PLC / Ms. P D Ratnagopal	3,360,000	0.60		
Mr. H A S Madanayake	2,870,000	0.51		
Mr. S P Jayakumar	2,800,000	0.50		
SUB TOTAL	245,282,946	43.80	1,000,000	1.00
Others	425,631,951	56.20	99,000,000	99.00
TOTAL ISSUED SHARE CAPITAL	560,000,000	100.00	100,000,000	100.00

Shareholders' & Investors' Information

Top Twenty Shareholders - Voting Warrants

Name	Shareholding	Percentage
Seylan Bank Plc / Jayantha Dewage	14,815,615	3.88%
Pan Asia Banking Corporation Plc / Mr. WTL Weeratne	12,300,000	3.22%
Mr. R Gautam	9,431,930	2.47%
Pershing LLC S/A Averbach Grausin & Co	8,571,428	2.25%
Dr. T Senthilvel	8,303,924	2.18%
Seylan Bank Plc -A/C No. 03	7,281,722	1.91%
Mr. W K V M Fernando	7,220,890	1.89%
Mrs. W N C Fernando	6,767,549	1.77%
Mrs. K W S H Fernando	6,676,739	1.75%
Mr. P K D G Jayananda	6,404,100	1.68%
Waldock Mackenzie Ltd/ Mr. K I Dharmawardena	6,052,314	1.59%
Miss. S A Fernando	5,882,589	1.54%
Mr. D Kotthoff	5,655,200	1.48%
Mr. P Poongunaseelan	4,028,571	1.06%
Mr. D N Daluwatte	4,000,000	1.05%
Pan Asia Banking Corporation Plc / British American Technologies (Pvt) Ltd	3,309,310	0.87%
Mr. J P M Aravinda	3,175,000	0.83%
Mr. K P N S Karunagoda	3,000,000	0.79%
Mr. H K Pushpakumara	3,000,000	0.79%
Mr. A Singh	2,941,502	0.77%
Total	128,818,383	33.77%

Top Twenty Shareholders - Non Voting Warrants

Name	Shareholding	Percentage
Seylan Bank Plc -A/C No. 03	36,326,166	7.90%
Mr. R Gautam	17,297,080	3.76%
Mr. R Ganeshan	11,300,000	2.46%
Mr. S B M Padmasiri	10,000,000	2.17%
Waldock Mackenzie Ltd/ Mr. S A Gulamhusein	7,000,000	1.52%
Mr. T G W Mudiyanse	5,873,800	1.28%
Mr. E M P Ambanpola	5,500,000	1.20%
Mr. L D Wicramasinghe	5,000,000	1.09%
Mrs. H N Padmsiri	5,000,000	1.09%
Miss. N W A B S M M Dayarathna	5,000,000	1.09%
The Bishop of Galle	4,600,000	1.00%
Mr. R S P Hewage	4,383,700	0.95%
Mr. J J Ravindra	4,141,000	0.90%
Mrs. H M T Uththara	4,005,700	0.87%
Dr. R D K Arachchi	4,000,000	0.87%
Extreme Innovations (Pvt) Ltd	4,000,000	0.87%
Mr. K Rajakanthan	3,600,000	0.78%
Dr. D Rajakanthan	3,500,000	0.76%
Mr. S E Dias	3,145,300	0.68%
Mr. M L A Benedict	3,026,800	0.66%
Total	146,699,546	31.89%

Shareholders' & Investors' 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 December 31, 2010 were 11,686 compared to 7,689 as at December 31, 2009. The Total number of (Ordinary Non Voting) shareholders as at December 31, 2010 were 3,954 compared to 1,822 at December 31, 2009.

4. DISTRIBUTION OF SHAREHOLDERS

Ordinary Voting – Shareholding as at 31st December 2010

Range of Shareholdings	Resident			Non-Resident			Total		
	No of holders	No of Shares	% of Holdings	No of holders	No of Shares	% of Holdings	No of holders	No of Shares	% of Holdings
1 to 1000 Shares	4,421	3,230,786	0.39	6	2,533	0.00	4,427	3,233,319	0.39
1001 to 10,000 Shares	3,989	18,898,607	2.29	9	44,570	0.01	3,998	18,943,177	2.30
10,001 to 100,000 Shares	2,478	92,522,422	11.19	20	1,078,194	0.13	2,498	93,600,616	11.32
100,001 to 1000,000 Shares	672	202,729,391	24.53	12	3,468,213	0.42	684	206,197,604	24.95
1,000,001 & Above	69	462,755,324	55.99	10	41,756,474	5.05	79	504,511,798	61.04
	11,629	780,136,530	94.39	57	46,349,984	5.61	11,686	826,486,514	100.00

Ordinary Non Voting – Shareholding as at 31st December 2010

Range of Shareholdings	Resident			Non-Resident			Total		
	No of holders	No of Shares	% of Holdings	No of holders	No of Shares	% of Holdings	No of holders	No of Shares	% of Holdings
1 to 1000 Shares	676	356,586	0.06	1	20	0.00	677	356,606	0.06
1001 to 10,000 Shares	1,228	6,915,578	1.23	4	26,800	0.00	1,232	6,942,378	1.23
10,001 to 100,000 Shares	1,424	61,977,899	11.07	4	62,400	0.01	1,428	62,040,299	11.08
100,001 to 1000,000 Shares	542	165,372,151	29.53	8	2,034,500	0.36	550	167,406,651	29.89
1,000,001 & Above	60	287,664,686	51.37	7	35,589,380	6.36	67	323,254,066	57.73
	3,930	522,286,900	93.27	24	37,713,100	6.73	3,954	560,000,000	100.00

5. COMPOSITION OF SHAREHOLDERS

Ordinary Voting Shares	December 31, 2010			December 31, 2009		
	No of Shareholders	No of Shares	% of Shareholdings	No of Shareholders	No of Shares	% of Shareholdings
Resident	11,629	780,136,530	94.39	7,666	42,807,188	96.19%
Non-Resident	57	46,349,984	5.61	23	1,695,932	3.81%
Total	11,686	826,486,514	100.00	7,689	44,503,120	100.00%
Individual	11,428	697,699,309	84.42	7,541	18,960,899	42.61%
Institution	258	128,787,205	15.58	148	25,542,221	57.39%
Total	11,686	826,486,514	100.00	7,689	44,503,120	100.00%

As per Rule No-8.7 (h) of the Colombo Stock Exchange, percentage of public holding as at December 31, 2010 was 76.12% approximately

Shareholders' & Investors' Information

Ordinary Non Voting Shares	December 31, 2010			December 31, 2009		
	No of Shareholders	No of Shares	% of Shareholdings	No of Shareholders	No of Shares	% of Shareholdings
Resident	3,930	522,286,900	93.27	1,813	95,745,300	95.75%
Non-Resident	24	37,713,100	6.73	9	4,254,700	4.25%
Total	3,954	560,000,000	100	1,822	100,000,000	100.00%
Individual	3,874	413,869,794	73.91	1,792	89,989,100	89.99%
Institution	80	146,130,206	26.09	30	10,010,900	10.01%
Total	3,954	560,000,000	100.00	1,822	100,000,000	100.00%

As per Rule No-8.7 (h) of the Colombo Stock Exchange, percentage of public holding as at December 31, 2010 was 77.06 % approximately

Other Ratios	Group		Company	
	2010	2009	2010	2009
Debt Equity Ratio (%)	0.85	(23.00)	0.90	(18.00)
Interest Cover (Times)	1.51	1.28	1.30	1.97
Quick Asset Ratio (Times)	1.94	0.73	1.89	0.73

DIRECTORS' SHAREHOLDING

		2010		2009	
		No. of Shares	% of Holdings	No. of Shares	% of Holdings
Mr. R S W Senanayake	Voting	62,000	0.01	6,200	0.01
	Non Voting	50,000	0.01	50,000	0.05
Mr. Renaganathan	Voting	5,000	0.00	500	-
Mr. M S I Peiris	Voting	24	0.00	1	-
	Voting Warrants	14	0.00	-	-
Dr. T Senthilvel	Voting	196,807,724	23.81	-	-
	Non Voting	36,048,200	6.44	-	-
	Voting Warrants	8,303,924	2.17	-	-

The spouse of Mr. R S W Senanayake, Mrs. K A L N Senanayake is holding 814 voting shares, 484 Warrants (Voting) and 484 Warrants (Non-Voting).

Share Information	2010	2009
Book Value		
Net Assets per Share- Group (Rs.)	0.38	(1.14)
Share Prices		
Ordinary Shares - Voting		
Highest (Rs.)	2.3	7.00
Lowest (Rs.)	1	2.50
Last Traded (Rs.)	1.9	4.80
Ordinary Shares - Non Voting		
Highest (Rs.)	2.2	1.00
Lowest (Rs.)	0.7	0.20
Last Traded (Rs.)	1	0.70
Earnings		
Ordinary Shares		
Basic Earnings Per Share (Rs.)	0.017	0.231
Price Earning Ratio (Times)	186.88	2.81
Frequency of Shares Traded		
Number of Shares Traded	2,646,586,100	215,182,100
Number of Transaction	85,661	15,611
Market Capitalization		
SMB Leasing PLC Value (Rs. Mn.)	2,130	214

Notice of Meeting

NOTICE IS HEREBY GIVEN THAT Annual General Meeting of the Company will be held on Thursday the 30th June 2011 at 9.00 a.m. at Sasakawa Hall, No. 04, 22nd Lane, Colombo 03 for the following purposes.

1. To receive and consider the Annual Report of the Board of Directors on the affairs of the Company and the Statement of Accounts for the year ended 31st December 2010 and the Report of the Auditors thereon.
2. To re-elect Mr. R. Renganathan, Director who retires in terms of Article 87 of the Articles of Association of the Company as a Director.
3. To re-elect Mr. U. Gautam, Director who retires in terms of Article 94 of the Articles of Association of the Company as a Director.
4. To re-elect Mr. J. C. Korale, Director who retires in terms of Article 94 of the Articles of Association of the Company as a Director.
5. To re-elect Mr. T. Someswaran, Director who retires in terms of Article 94 of the Articles of Association of the Company as a Director.
6. To re-elect Dr. T. Senthilvel, Director who retires in terms of Article 94 of the Articles of Association of the Company as a Director.
7. To re-appoint Messrs KPMG Ford, Rhodes, Thornton & Co., Chartered Accountants, as the Auditors of the Company and authorize the Directors to fix their remuneration.
8. To authorize the Directors to Determine contribution to charities.

**BY ORDER OF THE BOARD OF DIRECTORS OF
S M B LEASING PLC**



**S S P CORPORATE SERVICES (PRIVATE) LIMITED
SECRETARIES**
Colombo
1st June 2011

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

Form of Proxy

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

1. Mr. Rohan Senaka Wickramasinghe Senanayake of Colombo 05 or failing him*
2. Mr. Rajkumar Renganathan of Colombo 05 or failing him*
3. Mr. Muthuthantrige Surath Isira Peiris of Moratuwa or failing him*
4. Mr. Ahamed Nadvi Bahaudeen of Colombo 10 or failing him*
5. Mr. Gamini Cuda Bandara Ranasinghe of Malabe or failing him*
6. Mr. Umesh Gautam of Colombo 03 or failing him*
7. Mr. Jagath Chandrawansa Korale of Colombo 07 or failing him*
8. Mr.Thirunavukarasu Someswaran of Colombo 03 or failing him*
9. Mr. Thirugnanasambandar Senthilverl of Colombo 04 as my/our*

as my/our proxy to represent me/us and vote on my/our behalf at the Eighteenth Annual General Meeting of the Company to be held on Thursday the 30th June 2011 at 9.00 a.m. at Sasakawa Hall, No. 04, 22nd Lane, Colombo 03 and at any adjournment thereof and at every poll which may be taken in consequence thereof to vote.

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



	FOR	AGAINST
1. To receive and consider the Annual Report of the Board of Directors on the affairs of the Company and the Statement of Accounts for the year ended 31st December 2010 and the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. To re-elect Mr.R Renganathan, Director who retires in terms of Article 87 of the Articles of Association of the Company, as a Director.	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-elect Mr.U.Gautam, Director who retires in terms of Article 94 of the Articles of Association of the Company, as a Director.	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-elect Mr. J C Korale, Director who retires in terms of Article 94 of the Articles of Association of the Company, as a Director.	<input type="checkbox"/>	<input type="checkbox"/>
5. To re-elect Mr. T Someswaran, Director who retires in terms of Article 94 of the Articles of Association of the Company, as a Director.	<input type="checkbox"/>	<input type="checkbox"/>
6. To re-elect Dr. T Senthilverl, Director who retires in terms of Article 94 of the Articles of Association of the Company, as a Director.	<input type="checkbox"/>	<input type="checkbox"/>
7. To re-appoint Messrs KPMG Ford, Rhodes, Thornton & Co., Chartered Accountants, as the Auditors of the Company and authorize the Directors to fix their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>
8. To authorize the Directors to Determine contribution to charities.	<input type="checkbox"/>	<input type="checkbox"/>

Signed this day ofTwo Thousand and Eleven.

Signature:

Form of Proxy

Instructions for the completion of the form of Proxy

1. Kindly perfect the Form of Proxy by filling in legibly your full name and address, your instructions as to voting, by signing in the space provided and filling in the date of signature.
2. Please indicate with a 'X' in the cages provided how your proxy is to vote on the Resolutions. If no indication is given the Proxy at his/her discretion may vote as he/she thinks fit.
3. The completed Form of Proxy should be deposited at the S S P CORPORATE SERVICES (PRIVATE) LIMITED at No. 101, Inner Flower Road, Colombo 03 not less than forty-eight (48) hours before the time fixed for the meeting.
4. If the form of proxy is signed by an attorney, the relative power of attorney should accompany the completed form of proxy for registration, if such power of attorney has not already been registered with the Company.





SMB LEASING PLC

385, Landmark Building, Galle Road, Colombo 3, Sri Lanka.

www.smbk.com