

Siyapatha Finance PLC

Annual Report 2014

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Unfurl

As a lotus unveils its depth, we are unfurling and unveiling our new identity and the host of new products and services that are sure to revolutionize the world of finance. With the committed backing of our parent company, we remain focused and enthused at the many exciting prospects and challenges that lie in our path. And as the many numbered petals that form the flower, we are consolidating and growing from within, with the help of a dedicated team that has and will continue to achieve stellar results. Siyapatha Finance PLC... opening up... to you.

*Unfurling
our new look*

WE ARE PROUD TO PRESENT OUR NEW BRAND IDENTITY WHICH IS SYMBOLIZED BY THE LOTUS, OR ‘SIYAPATHA’ WHICH DIRECTLY TRANSLATE TO A 100 PETALS. IT IS AN ILLUSTRATION THAT SIGNIFIES THE TRUST THAT IS PLACED WITHIN US BY OUR CUSTOMERS, THE STABILITY THAT HAS ANCHORED OUR PLACE IN THE BUSINESS THAT HAS SERVED SO MANY ALL OVER THE COUNTRY.

Siyapatha
F I N A N C E P L C



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Read this report online



<http://www.siyapatha.lk/sites/default/files/img/AR2014.pdf>

About The Report

We are happy to present our first integrated report explaining our performance for the financial year 2014. This integrated report follows GRI G4 'In accordance' - Core guideline publication. Through this annual report we seek to maintain an integrated set of measures that incorporates value creation, brand management, channel management, business sustainability, stakeholder engagement, governance practices and risk management. All matters deemed material to our business and the interests of our stakeholders have been included in this report.

This annual report consists of five main sections.

- ❖ Section 1 describes the Company and its 10 year history, while reports by the Chairman and CEO elaborate on how the Company has progressed. Financial and operational highlights included in this Section give a glimpse of Company's performance for the year 2014.
- ❖ Integrated management discussion and analysis given in Section 2 provides a host of information which would be of value to our stakeholders. Information on the Board of Directors, their profiles and various Committees of the Board are also provided in this Section, in addition to details of corporate and senior management and branch managers of the Company.

- ❖ Section 3 is devoted for Corporate Governance and steps that have been taken by the Company and its Board of Directors to ensure adherence to statutory and regulatory requirements. It also deals with the Company's risk management strategies and the manner in which it complies with Code for Best Practice on Corporate Governance.
- ❖ All vital information relating to the Company's financial performance is included in Section 4, which also consists of Directors' statement on Internal Control over financial reporting and the independent auditor's report.
- ❖ The final Section comprises supplementary information such as "Financial Value Addition", "Economic Value Addition", Capital adequacy, GRI content index and Independent Assurance Report. A ten year summary provided in this Section helps stakeholders to a grasp the progress Company has achieved during the decade in which it has been in operation.

The external assurance to the integrated annual report's sustainability approach is provided by M/S Ernst and Young, Chartered Accountants; the external auditors of the company. The independent review was carried out on the basis of Sri Lanka Standards on Assurance Engagement (SLSAE).

The Reporting Period

This integrated annual report covers the 12 months period from 1st January 2014 to 31st December 2014. The most recent previous year report published by the company was in the year 2012.

Restatements, Scope and Aspect Boundaries

This is the first annual report which we applied GRI G4 'In accordance' - Core guideline publication on sustainability reporting and there are no restatements of the report on previous year information. Also no significant changes in the scope and aspect boundaries in this report since no sustainability report was prepared in the previous year.

Outlook Statements

The management discussion analysis may contain information based on our own interpretation of current and future events but nevertheless the reader is expected to seek expert professional advice when making conclusions of aspects reported.

Contact

The inquiries relating to the information presented in the annual report should be addressed to:

Chief Operating Officer

Siyapatha Finance PLC
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About Us

Siyapatha Finance PLC; formerly known as Sampath Leasing & Factoring Limited has been a fully owned subsidiary of Sampath Bank PLC since its inception in year 2005.

Over the nine years in operation, we have grown to be the largest subsidiary of Sampath Bank PLC and have contributed favourably towards the overall strategic goals of the Group, and the Company has been directed by a highly dynamic and motivated team of industry professionals.

In year 2014 the entity was re-branded with a new identity 'Siyapatha' which denotes the theme of "Trust and Excellence" to better serve the interests of our customers, subsequent to receiving a finance company license by the Monetary Board of the Central

Bank of Sri Lanka. The Company has earned for itself a credit rating of 'A' with a stable outlook from M/S Fitch Rating Lanka Ltd which is an internationally accredited rating agency.

Coupled with the synergies gained from our parent bank, we always strive to provide more customer centric service solutions to SME and Corporate markets. Our product portfolio initially consisted of leasing, hire purchase and debt financing (factoring). During the year 2013, the Company initiated its pawning business, thereby expanding the operational horizon and its breadth of financial products. In year 2013 the company obtained the necessary approvals from Central Bank of Sri Lanka to solicit public deposits. During the year the company

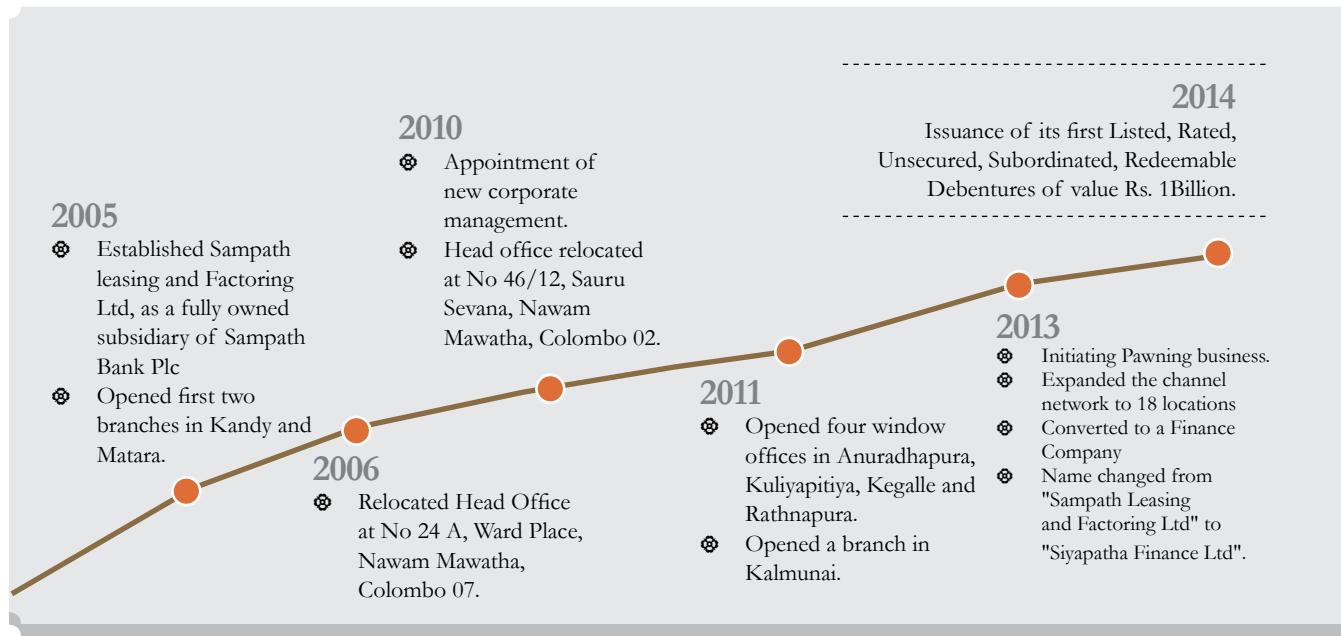
achieved significant growth levels in its asset financing, pawning and factoring portfolios, irrespective of the prevailing unfavourable market conditions and uncertainties caused by movements of macro environmental forces.

Our operations are limited to Sri Lanka and in our short journey we have been able to expand our presence all over the country including the North- East. The company is powered by a young and energetic staff which believes in team work. We always encourage skilled, innovative young people to join us, to reach high levels of performance and competition. This is part of our Corporate Social Responsibility; we seek to enrich young individuals to better their aspirations. We ensure our business practices are within the interest of our all stakeholders.

Our Values

- Being Customer Centric.
- Maintaining Ethical & Professional Standards.
- Empowerment of Employees.
- Learning Culture

Our Short History



AWARDS AND ACCOLADES

- Winner of Silver Award in the specialized leasing Company category at the Annual Report Awards 2011 held by Institute of Chartered Accountants of Sri Lanka.
- Winner of Silver Award in the specialized leasing Company category at the Annual Report Awards 2012 held by Institute of Chartered Accountants of Sri Lanka.
- Winner of Gold Award in the specialized leasing Company category at the Annual Report Awards 2013 held by Institute of Chartered Accountants of Sri Lanka.

RATINGS

Fitch rating 'A (lka)' Stable 2014

MEMBERSHIPS

- Sri Lanka Leasing Association
- Finance Houses Association of Sri Lanka.
- National Chamber of Commerce
- Employers Federation of Ceylon (EFC)

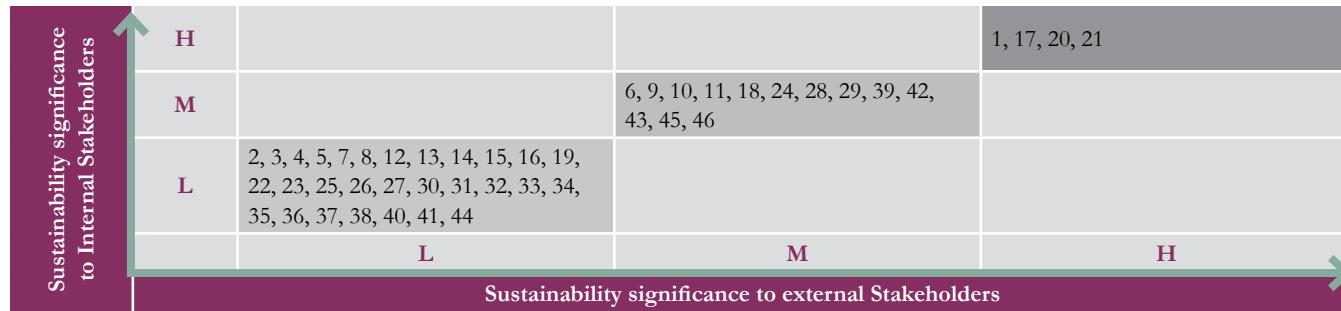
Materiality Assessment

When assessing the materiality, we have considered the impact of each area to the internal stakeholders (employees and its operations) as well as the impact to the external stakeholders (investors, customers, regulators etc.)

In structuring the flow of information and determining materiality, we observe each aspect in light of the management ethos pertaining to the particular stakeholder group. Accordingly, a number of quantitative and qualitative tools are used to obtain a deeper understanding of the large volume of information. Materiality is then measured using the following aspects.

	Aspect	Significance in terms of sustainability context	Materiality	
			Internal Stakeholders	External Stakeholder
	Economic			
1	Economic Performance	High	High	High
2	Market Presence	Low	Low	Low
3	Indirect Economic aspects	Low	Low	Low
4	Procurement Practices	Low	Low	Low
	Environmental			
5	Material	Low	Low	Low
6	Energy	Moderate	Moderate	Moderate
7	Water	Low	Low	Low
8	Biodiversity	Low	Low	Low
9	Emissions	Moderate	Moderate	Moderate
10	Effluents and waste	Moderate	Moderate	Moderate
11	Products and services	Moderate	Moderate	Moderate
12	Compliance	Low	Low	Low
13	Transport	Low	Low	Low
14	Overall	Low	Low	Low
15	Supplier Environment Assessment	Low	Low	Low
16	Environment Grievance mechanism	Low	Low	Low
	Social : Labour practices & Decent work			
17	Employment	High	High	High
18	Labour management relations	Moderate	Moderate	Moderate
19	Occupational health and safety	Low	Low	Low
20	Training and education	High	High	High
21	Diversity and equal opportunity	High	High	High
22	Equal remuneration for women and men	Low	Low	Low
23	Supplier assessment for labour practices	Low	Low	Low
24	Labour practices grievances mechanism	Moderate	Moderate	Moderate

	Aspect	Significance in terms of sustainability context	Materiality	
			Internal Stakeholders	External Stakeholder
Social : Human rights				
25	Investment	Low	Low	Low
26	Non discrimination	Low	Low	Low
27	Freedom for association and collective bargaining	Low	Low	Low
28	Child labour	Moderate	Moderate	Moderate
29	Forced and compulsory labour	Moderate	Moderate	Moderate
30	Security practices	Low	Low	Low
31	Indigenous rights	Low	Low	Low
32	Assessments	Low	Low	Low
33	Supplier human rights assessments	Low	Low	Low
34	Human rights grievances mechanism	Low	Low	Low
Social : Society				
35	Local communities	Low	Low	Low
36	Anti corruption	Low	Low	Low
37	Public policy	Low	Low	Low
38	Anti competitive behaviour	Low	Low	Low
39	Compliance	Moderate	Moderate	Moderate
40	Supplier assessment for impact on society	Low	Low	Low
41	Grievance mechanism for impact on society	Low	Low	Low
Social : Product & Responsibility				
42	Customer health & safety	Moderate	Moderate	Moderate
43	Product and service labelling	Moderate	Moderate	Moderate
44	Market Communications	Low	Low	Low
45	Customer privacy	Moderate	Moderate	Moderate
46	Compliance	Moderate	Moderate	Moderate



Financial Highlights

	2014 Rs. Mn	2013 Rs. Mn	Change %
Results for the year			
Gross revenue	1,989	1,753	13%
Interest income	1,838	1,620	13%
Interest cost	779	899	-13%
Net interest income	1,059	721	47%
Other operating income	139	114	22%
Operating cost, impairment charges & other losses	729	498	46%
Net profit before taxation(PBT)	406	301	35%
Tax expenses	145	80	81%
Net profit after taxation(PAT)	260	221	18%
At the year end			
Loans & advances(Net)	9,593	8,261	16%
Other assets	824	724	14%
Total assets	10,418	8,986	16%
Borrowings & other liabilities	9,106	7,912	15%
Shareholders' funds	1,312	1,074	22%
Financial indicators			
Equity ratios			
Net asset value per share -Rs.	24.98	20.46	22%
Earning per share(EPS)-Rs.	4.96	4.21	18%
Dividend per share -Rs.	0.41	0.41	-
Dividend payout ratio	8.27%	9.74%	-15%
Profitability ratios (%)			
Return on average assets			
Based on pre tax profit	3.93%	3.62%	9%
Based on post tax profit	2.52%	2.64%	-5%
Return on average equity (after tax)	21.83%	21.74%	0%
Efficiency ratios (%)			
Cost to income ratio	45.51%	51.53%	-12%
Effective tax rate	35.85%	26.65%	34%
Portfolio quality (%)			
Gross NPA ratio	3.16%	2.84%	11%
Net NPA ratio	0.82%	1.19%	-31%
Net NPA as a % of equity funds	13.15%	11.14%	18%
Statutory ratios (%)			
Liquid assets ratio	7.70%	7.66%	1%
Capital adequacy ratios			
Tier I (Minimum ratio of 5%)	13.98%	13.12%	7%
Tier I + Tier II (Minimum ratio of 10%)	20.98%	13.12%	60%
Other indicators			
Debt/Equity ratio(Times)	3.61	3.35	8%
Interest cover(Times)	1.73	1.59	9%

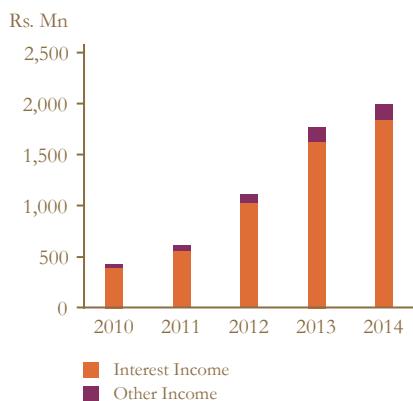
Financial Goals & Achievements

	Target set for 2014	2014	Achievement 2013	Achievement 2012
Return on average assets(%)	Above 2.5%	2.52%	2.64%	4.03%
Return on average equity(%)	Above 20%	21.83%	21.74%	25.46%
Growth in total revenue(%)	Above 20%	13.98%	58.36%	82.61%
Growth in operating income(%)	Above 35%	43.45%	68.83%	27.01%
Growth in profit after tax(%)	Above 15%	17.74%	10.36%	1.12%
Growth in assets(%)	Above 15%	15.94%	54.64%	40.90%

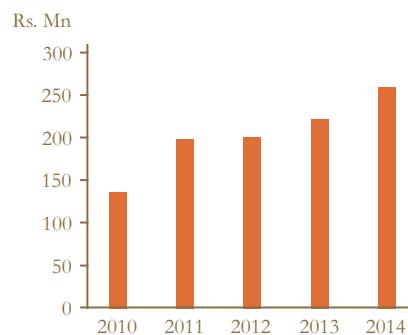
Capital adequacy ratios:

	Above 5%	13.98%	13.12%	20.09%
Tier I (Minimum ratio of 5%)	Above 5%	13.98%	13.12%	20.09%
Tier I + Tier II (Minimum ratio of 10%)	Above 10%	20.98%	13.12%	20.09%

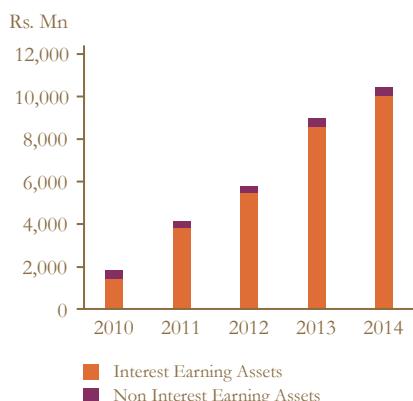
Gross Revenue



Profit After Tax(PAT)



Total Assets



Stated Capital & Reserves



Operational Highlights

	2014	2013	Change (%)
Change in Lending Portfolio(Rs.Mn)			
-Asset Financing	8,141	6,796	19.78%
-Factoring	996	1,052	-5.32%
-Pawning	456	413	10.52%
Total	9,593	8,261	16.12%
Market Share (Based on "Siyapatha Finance" total assets as a % of total assets of the NBFI sector)	1.28%	1.25%	

Non-Financial Highlights:

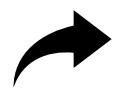
	2014	2013
Customers & customer servicing:		
Active customer base		
-Asset financing	8,722	7,208
-Factoring	118	129
-Pawning	6,340	783
Number of customer service points		
-Branches	13	13
-Pawning centers	3	3
-Service centers	2	3
Employees:		
- Number of employees	253	240
- Employee turnover ratio	14%	16%
- Profit per employee (Rs. Mn)	1.03	0.92
- Total number of training hours	2,380	975
- Gender balance (Male to female ratio)	2.95	3.14
Revenue to Government:		
-Tax paid to the government (Rs. Mn)	131.34	60.07

External Rating:

Date	Rating Description
2015-03-25	Fitch affirms Siyapatha Finance PLC at 'A(lka)'; Outlook Stable
2014-11-26	Fitch rates Siyapatha Finance's Subordinated Debt Final 'A-(lka)'
2014-10-02	Fitch rates Siyapatha Finance's Subordinated Debt 'A-(lka)(EXP)'
27-03-2014	Fitch affirms SFL at 'A(lka)',Outlook stable
08-06-2012	Fitch rates SLFL's senior unsecured redeemable debentures of a 'A(lka)' National Long-Term rating
24-04-2012	Fitch rates Sampath Leasing & Factoring Limited at 'A(lka)'; Outlook Positive

Accolades:

- ❖ Winner of gold award in the specialized leasing company category, at the Annual Report Awards competition held under the aegis of Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka), in December 2013.
- ❖ Winner of silver award in the specialized leasing company category, at the Annual Report Awards competition held under the aegis of the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka), in December 2012 & December 2011.

**Growth in Customer Base****86.95%****Increase in Lending Portfolio****16.12%**

Unfurling our new products & services

IN CREATING NEW PRODUCTS AND SERVICES WE HAVE KEPT OUR CUSTOMER AS THE FOCAL POINT IN ORDER TO STAND OUT AMIDST THE COMPETITION. BY INTRODUCING EFFECTIVE AND DIVERSE SOLUTIONS THAT RANGE FROM CORPORATE EXECUTIVE LEASING TO AGRICULTURAL ASSETS AND THREE WHEELERS, WE CATER TO ALL SEGMENTS OF SOCIETY.

Chairman's Report



Chairman's Report Contd.

"We value sustainability as the core of our business strategy. We believe that this approach drives product/service innovativeness and business decisions. The Company's social and sustainability initiatives during the year focused on a win-win strategy and we intend identifying opportunities in a changing environment by adopting a more forward-thinking approach."

This is my first report as Chairman of Siyapatha Finance PLC and at the outset I would like to thank the Chairman of Sampath Bank PLC, Mr. Dammika Perera, and the rest of the Board of the bank for placing their confidence in me and appointing me as the Chairman of the Company. I took over the position of Chairman of Siyapatha Finance PLC in May 2014. The Company has now completed a decade of operations since inception in 2005 and to date, remains a fully owned subsidiary of Sampath Bank PLC. The Company has contributed towards the Group's overall profitability and in the future will further enhance its contributions to Group profitability. The Company has achieved many milestones in its decade of operations but it should be placed on record that its' period of exponential growth followed the year 2010, when a restructuring program was initiated by the Group and a new management team was recruited.

The Sampath Bank Group has defined a strategy that has been communicated to its subsidiaries, including Siyapatha Finance PLC.

Within this strategy, the primary objective has been for the Company to introduce innovative products, targeting different market segments. The management of Siyapatha Finance PLC has taken cognizance of the strategy set by its parent and developed its own growth plans with a view to becoming a dominant player in the finance industry.

In terms of its principal activities the Company has predominantly engaged in fund based financial services, such as finance leasing, hire purchase advances, factoring of trade receivables and more recently, gold loans.

Macro Economic Developments in 2014

The country's economy grew by 7.4% in year 2014, as officially announced by the Central Bank of Sri Lanka (CBSL). The sector that contributed significantly towards this growth rate was the service sector, which accounted for 57.6% of the reported GDP. The service sector is also considered vital to the Company as its lending portfolio is skewed towards this sector.

The Non Bank Financial Institutions sector grew by 18.9% during the year 2014 and much of this growth is attributed to the low inflationary values and the declining interest rates that prevailed during the year 2014. Siyapatha Finance PLC's growth for year 2014 also closely followed the growth rate of the sector.

Company Performance

I am happy to state that during the year under review, the Company recorded the highest profit of its 10 year history. The pre-tax profit for the year 2014 was Rs.406 million, an increase of Rs. 105 million

from the previous year. The profit after tax increased from Rs. 220 million in year 2013, to reach Rs.260 million for the year 2014, reflecting an increase of 18%. The total staff strength of the Company increased from 153 in 2013, to 240 in 2014.

Accolades and Credit Rating

In addition to a commendable financial performance, Siyapatha Finance PLC has been bestowed with many accolades in its short history. At the annual report competition conducted under the aegis of the Institute of Chartered Accountants of Sri Lanka, the Company won a gold award in the specialized leasing company category, for the year 2013. The Company also continued to be rated 'A stable' (on credit risk rating), by Fitch Rating Lanka Ltd, an internationally accredited rating agency.

Future Outlook and Sustainable approach to Business

We value sustainability as the core of our business strategy. We believe that this approach drives product/service innovation and business decisions. Our social and sustainability initiatives during the year focused on a win-win strategy and we intend identifying opportunities in a changing environment by adopting a more forward-thinking approach.

We also plan to solicit term deposits from the public in the near future and have made active plans to do so in the ensuing years. Our future plans also include reengineering of our approaches with a view to increasing market share. This includes new product development, branch expansion and creating a new vision for the organization.

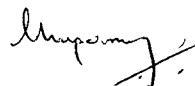
In summary, at Siyapatha Finance PLC we strive for ‘sustainable growth’ as we believe business growth alone would not produce desired results, unless it is coupled with a business sustainability focus.

Appreciations

My appreciations are extended to the Chief Executive Officer and staff of Siyapatha Finance, who have diligently devoted themselves towards the overall progress of the Company and to the Board, who take an active interest in its operations and who have also made significant contributions towards its success. It is noteworthy that this Company has on its Board a list of key business personalities and professionals, some of whom have been past Directors of Sampath Bank. Resumes of each of these Directors are available under 'Director's Profiles' in this report, for your perusal.

I will fail in my duty if I do not place on record the immense contribution made by our former Chairman, Mr. I.W. Senanayake, who resigned with effect from March 02, 2014, to fulfill the stipulations prescribed in

the CBSL Direction No 3 of 2008. Finally I would also like to thank the Department of Supervision of Non Bank Financial Institutions, of the CBSL, our auditors, fund arrangers, bankers, and the corporate management team together with the Board of Directors of our parent company Sampath Bank PLC, for their commitment towards the Company's progress.



Channa Palansuriya

Chairman

Colombo, Sri Lanka

30th April 2015



We got noticed and won gold for all the right reasons...

For two consecutive years Siyapatha Finance Limited has won the silver award in the Specialized Leasing Company category at the annual report award competition organized under the aegis of Institute of Chartered Accountants of Sri Lanka.

This year with the theme "**WE GET NOTICED**", the company stepped up to the challenge by winning the Gold Award via depicting good financial reporting practices coupled with sound corporate governance and transparency.

Now Sampath Leasing has turned another new leaf with the change of it's identity to Siyapatha Finance Limited.

The Chief Executive Officer's Message



The Chief Executive Officer's Message Contd.

Changes to the landscape of finance intermediation necessitates that finance companies redefine conventional strategies and search for new products and markets that were once only confined to the banking sector, as well as adopt a backward integration model that captures a slice of fee based income. This approach becomes necessary if finance companies are to sustain profit margins in the present situation of narrowing net interest spreads. With this realization the Company will always take an unconventional approach in its strategy and will seek to constantly redefine itself in a changing economic landscape.

Change in Company Status

On receiving a finance company license in 2013, from the Central Bank of Sri Lanka (CBSL), under the Finance Business Act of No. 42 of 2011, the Company embarked on a rebranding programme under the name of Siyapatha Finance. The brand name itself deserves some mention. The blooming of the lotus (Siyapatha), in the financial pond of diverse opportunities, while reserving its purity and attractiveness, is the concept behind the brand.



Performance

It should be placed on record that the Company's performance for the year 2014 exceeded the performance of its previous years. In terms of profitability indicators, the Company achieved a Return On Assets and Return On Equity of 2.52% and 21.83%, respectively, for the year under review. Our performance can also be measured through other, key operational indicators, such as maintaining a low Non-Performing Advances (NPA) ratio and attaining cost efficiencies by maintaining a low, cost-to-income ratio. In this context, the NPA ratio, as at year

"The blooming of the lotus (Siyapatha), in the financial pond of diverse opportunities, while reserving its purity and attractiveness, is the concept behind the brand."

end 2014, was 3.16% compared to an NPA of 2.84% in 2013. The cost to income ratio for the year also improved to 45.51%, from 51.53% in the previous year.

Total assets of the Company grew by Rs.1.4 billion, which is an increase of 16%, to reach Rs. 10.4 billion by end December 2014.

Channel Expansion

During the current year the Company focused on enhancing existing capacities instead of physical expansion of the distribution channel. Accordingly, two window offices in Ratnapura and Nugegoda, were converted into full fledged branches.

In line with regulatory requirements for finance companies, within the new financial year the Company's other remaining window offices will also be converted to fully fledged branches. In addition, a number of new potential locations have been identified to expand the branch network. This will result in enhanced market presence and expansion of lending activities into untouched market segments. Accordingly, the existing channel network is expected to expand by 40% within the next financial year.

During the year, the Company's practice of concentrating on below the line, geographic location based communications was redefined parallel to the expansion of channel capacity and network. Hence, within

the year, the Company initiated a campaign to establish market presence through above the line marketing communications. The primary purpose was the creation of brand awareness and recall by targeting the mass market. Within the year, corporate and product branding were communicated through newspapers, where almost all the major newspapers in the country were carrying the corporate communications of the Company. In parallel, the outdoor signage board (hoarding) network was expanded to a number of geographic locations, with consistent branch branding. This was successful in creating solid physical evidence in the minds of the general public.

In line with the planned expansion of channel network and capacity for the coming year, the Company will also utilize radio channels to gain mindshare of stakeholders.

Our Approach to Sustainable Growth

In order to balance profit/assets growth with business sustainability, we have set the following goals to be achieved within the next three to five years.

- ❖ Development of a 'Sustainability Policy' with strategic priorities.
- ❖ Designing of a 'Sustainability Framework'.
- ❖ Identification of short term and long term goals that are sustainable. In this context, special attention would be paid with regard to 'water', 'energy' (efficiency improvements), 'emissions', 'affluent/ waste management' (recycling possibilities), assessment of potential environmental impacts on products and services offered, and the strengthening of our supplier screening process.

- ❖ Internationally-recognized standards would be followed and our frameworks/plans would be based on the same.

Appreciations

I would like to express my appreciations to the Chairman and the Board of Directors for their guidance to face the challenges of the year. Looking back over the years, our performance would not have been possible without the diligent oversight and wise guidance provided by them. I would also like to extend my gratitude to the staff of the CBSL for their regulatory guidance, and say a word of thanks to our external auditors and fund arrangers. Finally, I offer my thanks to all the staff of the Company without any reservations, since each and every employee is a proud contributor towards the Company's performance.



Roshan Nanayakkara

Chief Executive Officer

Colombo, Sri Lanka

30th April 2015

Unfurling our new plans

AS WE MOVE FORWARD, WE WISH TO ESTABLISH OUR UNIQUE BUSINESS STYLE IN THE HEARTS AND MINDS OF OUR LOYAL CUSTOMERS. AND BEING RECOGNISED BY THE NBFI SECTOR, ALONG WITH THE TRUST AND STABILITY THAT FOLLOWS THROUGH WITH SOUND MANAGEMENT PRACTICES MEANS THAT WE HAVE A SOLID FUTURE IN WHICH TO IMPROVE OUR MARKET SHARE.

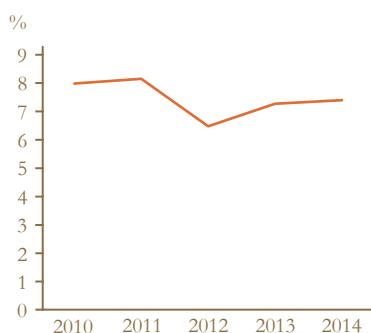
Integrated Management Discussion and Analysis

Economic Review

Macro Economic Overview

According to the Annual Report of the Central Bank of Sri Lanka the GDP of the country grew by 7.4 % in 2014, in comparison to the growth of 7.2 % in 2013.

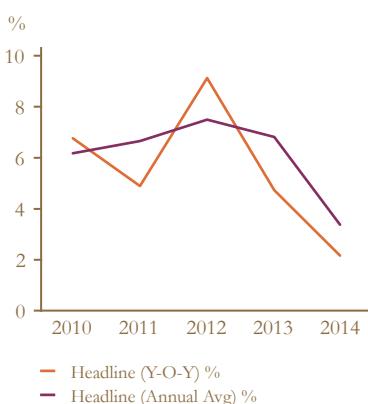
Annual GDP



On the production side, the industry and services sectors continued to perform well, while adverse weather conditions dampened the performance of the agriculture sector during the year.

Inflation remained at single digit levels for the sixth consecutive year, with year-on-year and annual average inflation declining to 2.1% and 3.3 % respectively, by end 2014, from 4.7% and 6.9 % respectively, at end 2013.

Inflation



In spite of the relatively relaxed monetary policy stance, the effect of declining pawnbroking advances as a result of lower international gold prices slowed the pickup of credit obtained by the private sector, particularly in the first seven months of the year.

In the financial sector, the strengthened regulatory and supervisory framework, improved risk management capabilities and adequate buffers to mitigate risks, enabled financial institutions to remain resilient during the year.

Amidst diverse developments in the global economy, continued domestic economic activity helped sustain the growth in the industry and services sectors.

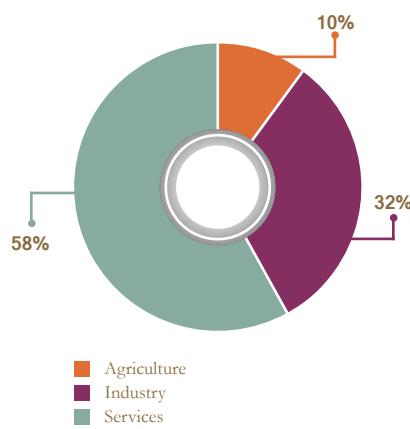
The services sector, which represents 57.6% of GDP, grew by 6.5% in 2014, compared to the growth of 6.4% in 2013, with significant contribution from wholesale and retail trade, transport and communication, banking, insurance and real estate sub sectors.

The share of the industry sector within GDP increased further to 32.3%, with a sectoral

growth of 11.4% in 2014, compared to 9.9% in the previous year. The construction sub sector recorded the highest contribution to the growth of the industry sector, while food, beverages and tobacco, textile, apparel and leather sub sectors within the factory industry also made substantial contributions to growth.

Meanwhile, affected by adverse weather conditions, the agriculture sector, which represents 10.1% of GDP, contributed only marginally to real GDP growth. The growth of the agriculture sector was 0.3% in 2014, compared to 4.7% recorded in the previous year.

Contribution to GDP



The Central Bank continued to maintain a relatively relaxed monetary policy stance during 2014, given the low inflation environment. Reflecting accommodative monetary conditions, excess rupee liquidity in the domestic money market remained high during 2014.

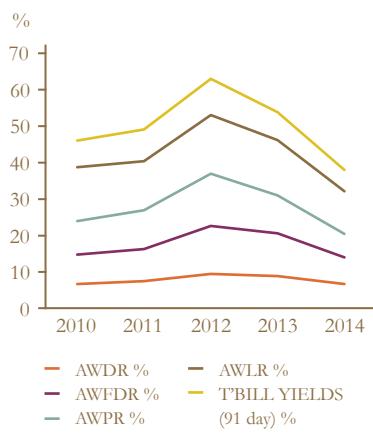
Interest rates in most market segments declined to historically low levels during 2014

Integrated Management Discussion and Analysis Contd.

with the relaxed monetary policy stance of the Central Bank and high excess liquidity in the domestic money market, supported by low inflation expectations.

Although at a slower pace than deposit rates, the weekly average weighted prime lending rate declined to a historically low level of 6.26% by end 2014. Further, the average weighted lending rate declined to 11.91% by end 2014, in line with the declining trend in lending rates

Market Interest Rates



Financial Sector

The financial sector showed improved performance in 2014 without causing any major macro-prudential concerns, supported by a continual expansionary monetary policy and improved macroeconomic performances.

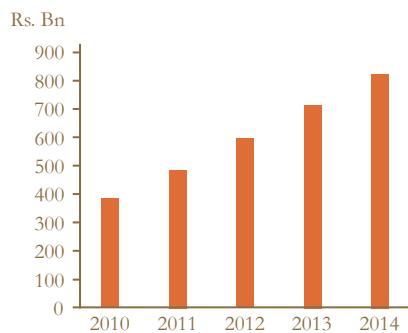
Non-Bank Financial Institutions (NBFI) Sector

The finance and specialized leasing companies sector showed improving performance in 2014, through the business and financial recovery process that started

in the recent years. The NBFI sector's asset growth moderated during 2014 due to lower demand for credit, particularly during the early part of the year. However, the demand for credit picked up during the second half of 2014. The lower interest rate scenario helped to improve credit demand and to maintain the rising non-performing loans at a manageable level.

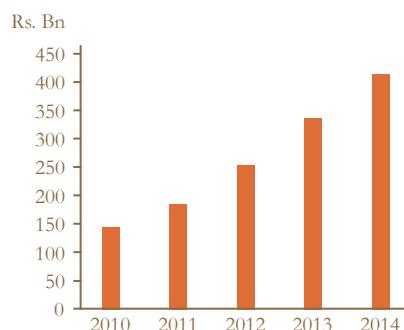
Total assets of the sector grew at a healthy rate of 18.9% to Rs. 853 billion in 2014 compared to a growth of 20.3% in 2013, as a result of the low interest rate regime. This growth was funded mainly through low-cost short term deposits.

Total Assets of NBFI Sector



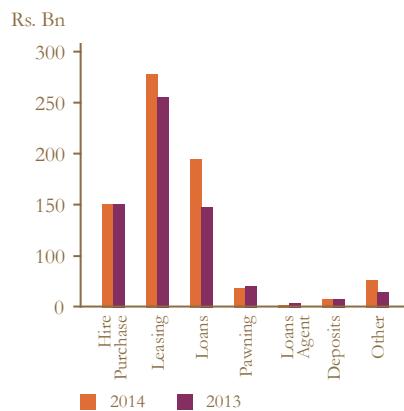
Accommodations of the NBFI sector recorded a modest growth of 16%, to Rs. 641 billion, as at end 2014, compared to a growth rate of 17.3% during 2013. Finance leases, hire purchases and secured advances were the major sources of accommodations accounting for 43%, 27% and 19%, respectively of total accommodations. The pawning business exposure, as a percentage of the total loan portfolio of the NBFI sector, reduced to 3.5% (Rs. 22.6 billion) in 2014, from 4.8% in 2013.

Total Deposits of NBFI Sector



The share of deposits among the funding sources of the sector increased to 48.5% in 2014, from 47% recorded in 2013, while the share of borrowings decreased to 25.4% in 2014 from 26.8% in 2013 indicating the shift towards lower cost of short term deposits from borrowings. Deposits grew by 22.7% to Rs. 414 billion, as at the end of 2014, compared to a 32.7% growth in 2013. This was mainly on account of relatively higher deposit rates offered by Licensed Finance Companies, compared to banks in the current lower interest rate regime.

Product wise Accommodation of NBFI Sector

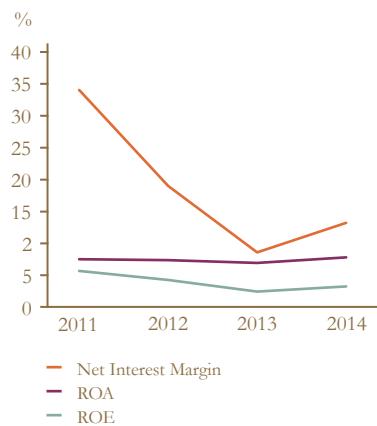


During 2014, the NBFI sector profits recorded an increase, mainly due to increased net interest income, despite the increased operational costs and provisioning requirements. The sector posted a profit after tax of Rs. 13.9 billion for 2014, compared to a profit of Rs. 7.7 billion during 2013. Loan loss provisioning increased by Rs. 3.7 billion in 2014, compared to an increase of Rs. 6.6 billion in 2013.

The assets and liabilities of the sector underwent a re-pricing process with the low interest rate regime, causing the net interest margin to increase to 8% from 6.6% in 2013.

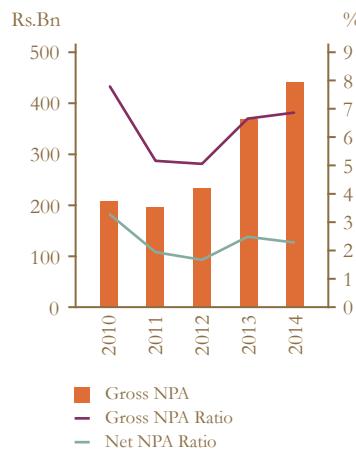
Return on Assets (ROA) and Return on Equity (ROE) of the sector improved to 3.0% and 13.1% respectively, in 2014 from 2.1% and 8.2% in 2013.

Profitability Indicators of the LFC & the SLC Sector



Despite the increase in the volume of Non-Performing Advances (NPA) by 19.9% to Rs. 44.3 billion, the NPA ratio increased only marginally to 6.9% from 6.7% in 2013.

Non-Performing Advances of NBFI Sector



The liquid assets to total assets ratio of the sector increased to 9.6% in 2014, creating a Rs. 29.5 billion surplus against the stipulated minimum liquid assets of Rs. 52.8 billion.

Even though the total capital adequacy ratio decreased to 13.5% at the end of 2014

from 14.8% in 2013, owing to growing risk weighted assets, it remained well above the minimum statutory requirement.

Motor Vehicle Market

New motor vehicle registrations depicted a significant growth during the year, primarily due to the rapid increase of the motor car and motor cycle asset categories. The increase in new registrations can be attributed to consumers adjusting to new prices, increased demand for hybrid motor cars, and increased financing support and concessions extended towards state sector employees to purchase motor cycles.

Overall, new vehicle registrations increased by 32% compared to the 18% decline in 2013. The registration of motor lorries and land vehicles meanwhile, have declined considerably, mainly due to impacts from changes in the natural environment and lower attention from financial services providers towards funding those specific asset categories.

Trend in New Motor Vehicle Registrations: 2013 and 2014

New Registration of Motor Vehicles (No.)	2014	2013	Growth Rate %	
			2014	2013
Motor Cars	38,780	28,380	37%	-10%
Thee Wheeler	79,038	83,673	-6%	-15%
Motor Cycles	272,885	169,280	61%	-12%
Buses	3,851	1,805	113%	-42%
Dual Purpose	20,799	24,603	-15%	-34%
Motor Lorry	5,121	5,872	-13%	-52%
Land Vehicle - Tractors	7,070	10,772	-34%	-42%
Land Vehicle - Trailers	2,012	2,266	-11%	-34%
	429,556	326,651	32%	-18%

Source : Statistics Department of Registrar of Motor Vehicle.

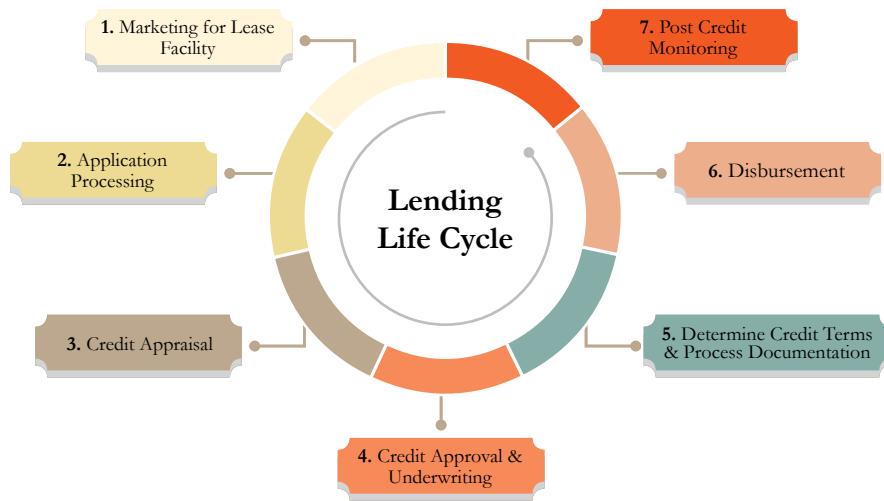
Integrated Management Discussion and Analysis Contd.

Operating Performance – Year 2014

Operating Performance in Year 2014

Credit Distribution and Centralized Approvals

The credit approval cycle consists of a seven stage approach and credit approvals and underwritings are centralized with a view to avoiding any critical assessment risks. The approval cycle would have to be reviewed and adjusted as the size and scope of operations expand in the near future. Specific risk factors are assessed from the point of view of client risk, asset risk, sector risk etc. The total review mechanism takes only a limited period of time, as the Company has sufficient experience to assess individual credit applications quickly.



Product: Asset Financing (Finance Lease, Hire Purchase Advances and Vehicle Loans)

Asset financing and factoring were the main lending product lines distributed by the company during the financial year 2014.

In terms of new accommodations in asset financing, the Company extended a total of Rs. 5.44 billion during the year 2014, an increase of 16.17% from the previous year's disbursements.

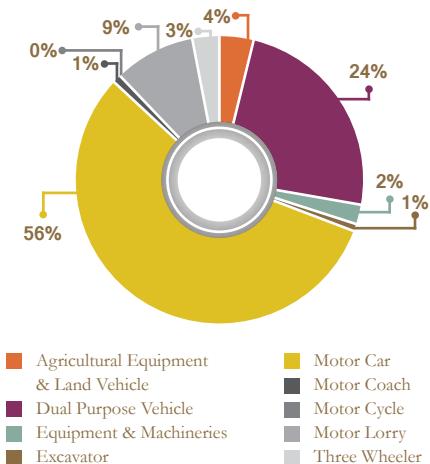
The value of the total asset financing portfolio increased from Rs. 6.80 billion in 2013, to Rs. 8.14 billion in 2014, an increase of 19.79%.

Asset Financing: New Lending & Portfolio Outstanding 2010-2014



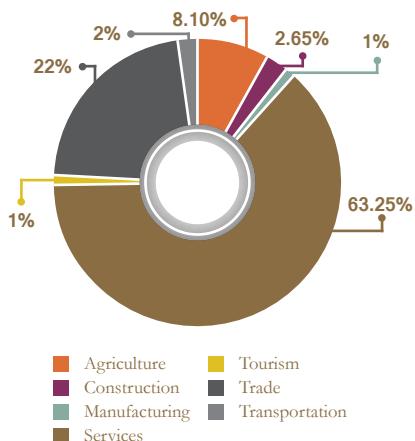
From a risk management perspective the Company sought to have a wider distribution of advances in its 'Asset Financing' portfolio both by the type of asset being financed, as well as in achieving a sectoral distribution of advances that was not skewed to any particular sector. A closer analysis of the asset financing portfolio as at end December 2014 reveals that from an 'asset type' classification (for finance leases, hire purchase advances and vehicle loans), the Company's disbursements are predominantly exposed towards 'cars' and 'dual purpose vehicles,' which, as at end December 2014, accounted for 55.87% and 23.51% of the asset financing portfolio respectively.

Asset Financing Portfolio by 'Asset type' - December 2014



From a sectoral perspective, the portfolio concentrations are predominant in the services sector (63.58% of total portfolio) and trade sector (22.23% of total portfolio).

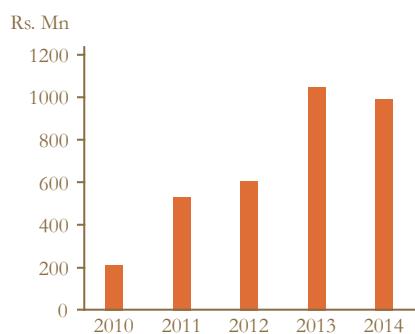
Asset Financing Portfolio by Sector - December 2014



Product: Factoring

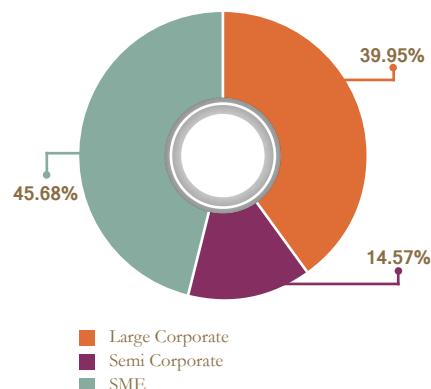
The value of the factoring portfolio (funds in use) marginally declined from Rs. 1,052.60 million as at end December 2013, to Rs. 998.36 million by end of December 2014. However, the increase in average funds used month-on-month, resulted in an increase in gross interest income for the year under review. Published data on the business of factoring, such as industry averages, are not available. However, annual reports of institutions engaged in factoring indicates a skewed distribution of market share.

'Funds In Use' Balances of Factoring Portfolio 2010 - 2014



The factoring business of Siyapatha Finance was stagnant for a considerable period until end 2009. However, we are now attempting to expand factoring within defined market segments.

Sector Analysis of Factoring Portfolio - December 2014



Product : Pawning and Gold Loans

The pawning portfolio increased to Rs. 456.19 million, by the end of December 2014, from Rs. 412.75 million in 2013, which is a growth of 10.52%. The Company commenced pawning in February 2013 and currently seven branches and three stand alone pawning centers are offering pawning facilities.

We plan to expand our geographical presence in selected areas in the country.

Integrated Management Discussion and Analysis Contd.

**Pawning and Gold Loan
Portfolio 2013 - 2014**



Movement of Gold Market Prices during the year 2014



Gold market prices which were at USD 1,244 per 24 karatage pounds in January 2014 increased by to USD 1,311 in March 2014 and thereafter showed a declining trend. The price of gold finally settled at USD 1,202 at the year end (December 2014).

Stakeholder Engagement

Stakeholders are people who can influence the implementation of strategies of the company in order to achieve company's objectives.

Identification and timely engagement of stakeholders is most important to the company since key stakeholders contribute significantly towards the value creation of the organization.

Stakeholder and rationale for selection	Sustainable Business Objective	Engagement Mechanism	Frequency of Engagement	Our Responses / Achievements
Investors Contributors of capital and entrepreneurship	<ul style="list-style-type: none"> ❖ Balancing profitability and sustainable growth ❖ To deliver returns on investment by strengthening governance to support future growth momentum ❖ To establish strong internal processes and policies 	<ul style="list-style-type: none"> ❖ Annual General Meeting ❖ Extra Ordinary General Meeting ❖ Official website ❖ Annual reports 	<ul style="list-style-type: none"> ❖ Annually ❖ Whenever necessary ❖ Regularly ❖ Annually 	<ul style="list-style-type: none"> ❖ Dividends of Rs. 31.50 million declared for 2014 ❖ Rerun on equity is reported at 21.83% in 2014 (Industry average - 13.10%) ❖ Cost to income ratio has decreased to 45.51% in 2014 compared to 51.53% in 2013
Customers Being at the core of our customer-centric model	<ul style="list-style-type: none"> ❖ Quality customer service ❖ Customer complaint handling ❖ Treat customers fairly and safeguard their interests 	<ul style="list-style-type: none"> ❖ Feedback from visiting customers ❖ Customer surveys via telephone calls ❖ Customer complain handling mechanism ❖ Official website 	<ul style="list-style-type: none"> ❖ Regularly ❖ Regularly ❖ Regularly ❖ Regularly 	<ul style="list-style-type: none"> ❖ Speedy transactions ❖ Superior customer service ❖ Special promotions
Employees Being custodians of customer wealth and guardians of stakeholder interests	<ul style="list-style-type: none"> ❖ Employee well being ❖ Work life balance ❖ Career development ❖ Recognition and promotion ❖ Ethical practices towards employees 	<ul style="list-style-type: none"> ❖ Open door policy ❖ Grievance procedure ❖ Feed back form ❖ Departmental meetings ❖ Intranet ❖ Training ❖ Get together / Events 	<ul style="list-style-type: none"> ❖ Regularly ❖ Regularly ❖ Annually ❖ Regularly ❖ 24/7 ❖ Regularly ❖ Regularly 	<ul style="list-style-type: none"> ❖ Effective grievances handling procedure ❖ Continuous training programmes ❖ Staff get together and events are organized regularly
Regulators Monitoring the compliance of the company	<ul style="list-style-type: none"> ❖ Ensure compliance on relevance rules and regulations 	<ul style="list-style-type: none"> ❖ Meetings / Forum with CBSL ❖ Discussion with regulations to ensure compliance 	<ul style="list-style-type: none"> ❖ Periodically ❖ Whenever necessary 	<ul style="list-style-type: none"> ❖ Achieving relevant regulatory deadlines on reporting data ❖ Punctually attending Meetings/ Forums organized by regulators
Suppliers Being a direct and indirect source of environmental and social value creation	<ul style="list-style-type: none"> ❖ Ethical business practices ❖ Ethical partnerships ❖ Balance cost considerations with sustainable procurement practices 	<ul style="list-style-type: none"> ❖ Meetings ❖ Visit suppliers ❖ Interaction supported by the purchasing policy 	<ul style="list-style-type: none"> ❖ Regularly ❖ Regularly ❖ Regularly 	<ul style="list-style-type: none"> ❖ Obtaining feedback from suppliers ❖ Meeting with suppliers on a regular basis

Integrated Management Discussion and Analysis Contd.

Financial Review

Long Term Goals

- ❖ Maintain sustainable Net Interest Yield (NIY) and Net Interest Margin (NIM) based on the risk inherent in the lending portfolio.
- ❖ Reduce the intermediation costs through operational efficiencies and measure such goals via monitoring of cost to income ratio and percentage increase in operating costs.
- ❖ Achieve average Return on Assets (ROA), average Return on Equity (ROE) and EPS (Earnings per Share) above industry averages.

	2014		2013		Change Actual	Industry Average
	Achieved	Goals Set for 2014	Achieved	Goals Set 2013		
ROA	2.52%	2.51%	2.64%	2.58%	-0.12%	3.00%
ROE	21.83%	20.93%	21.74%	23.65%	0.09%	13.10%
EPS (Rs.)	4.96	4.76	4.21	4.95	75.00%	N/A*
Cost to Income Ratio	45.51%	44.99%	51.53%	45.20%	-6.02%	N/A*
Net Assets Per Share	24.98	24.81	20.46	24.69	452.00%	N/A*

* N/A - Not Available

- ❖ Maintain high capital adequacy status to compensate for the risk inherent in assets and liabilities, and in particular repricing risks associated with interest earning assets and interest paying liabilities. Further, the quality of interest earning lending assets should be maintained at a high level. (Measurements used: Gap analysis, Non-Performing Advances (NPA) ratio, and net NPA ratio)
- ❖ Maintain a consistent dividend policy to provide a satisfactory and sustainable return on investment to shareholders. (Measurements used: Dividends Per Share (DPS), dividend payout ratio, dividend yield %)
- ❖ Ensure transparency, accountability and good governance in financial reporting.
- ❖ Maintain high level of compliance in the context of financial reporting which includes statutory deadlines and compliance with LKAS/ SLFRS and directives issued by regulators.

Short Term Goals

- ❖ Providing of timely and accurate financial information to decision makers ranging from senior management to the Board of Directors.
- ❖ Maintain and improve internal control framework/provide requirements for automated platforms that provide inputs to financial reporting, in order to enhance the reliability of financial information.
- ❖ Effective treasury management, which is key to lowering the cost of funds and to drive interest spread to achieve forecasted profits.

Summary Of Results

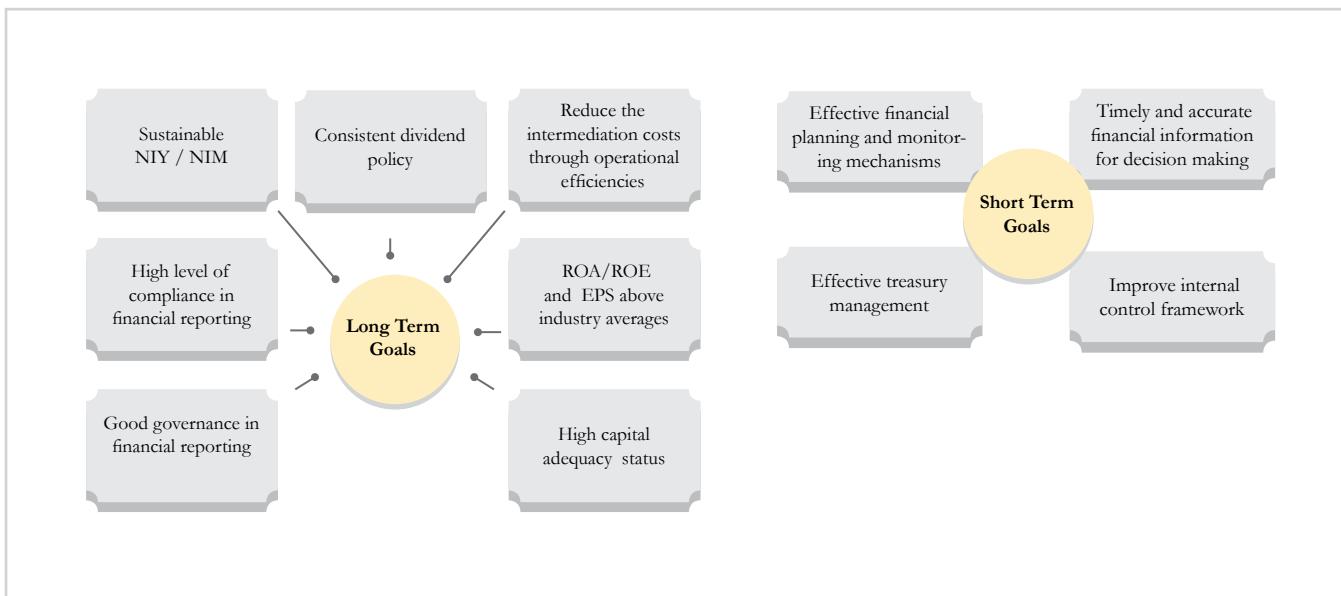
The Company reviews its financial performance against internal performance targets, and also against the performance of peers. This results in relatively high performance standards. Further, we are committed to transparent, accountable, ethical and good governance practices, in our financial reporting. This is validated by the annual report awards presented by the Institute of Chartered Accountants of Sri Lanka, to the Company.

The Company's performance for the year under review was satisfactory and in absolute profits earned above the previous year. The Company has consistently maintained a Compounded Annual Growth Rate (CAGR) in its earnings of 19.5% over the last five years. Further, the performance measures considered were not limited to profitability indicators such as ROA, ROE and EPS. Human capital, new channels and product performance have also been analyzed and measured as contributory factors towards overall profitability.

Profitability

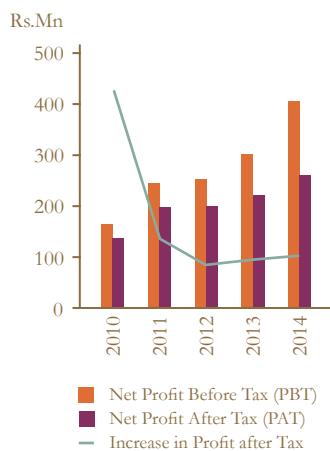
The Company's profits increased 34.19% year-on-year in 2014, to record a pre-tax profit of Rs. 404 million, which is an increase of Rs. 103 million from the previous year. The post tax profits also increased to Rs. 259 million in year 2014, which is an increase of 17.33% from the previous year. The percentage increase in post tax profits, although not substantial in line with the goals set for year 2014, was above the rate of inflation that prevailed for most of the year. The post-tax profits represented 4.92% of the total Group profits for the year 2014 (year 2013 – 6.07%).

Long Term and Short Term Financial Goals



The major contributors towards the increase in profits were the increased Net Interest Income and fee based income, where as certain items of expenditure such as provisions for impairments pegged down the overall growth rates in profits for the year. Another contributory factor that affected the profits after tax was the increase in the effective tax rate from 26.65% in 2013, to 35.87% in 2014.

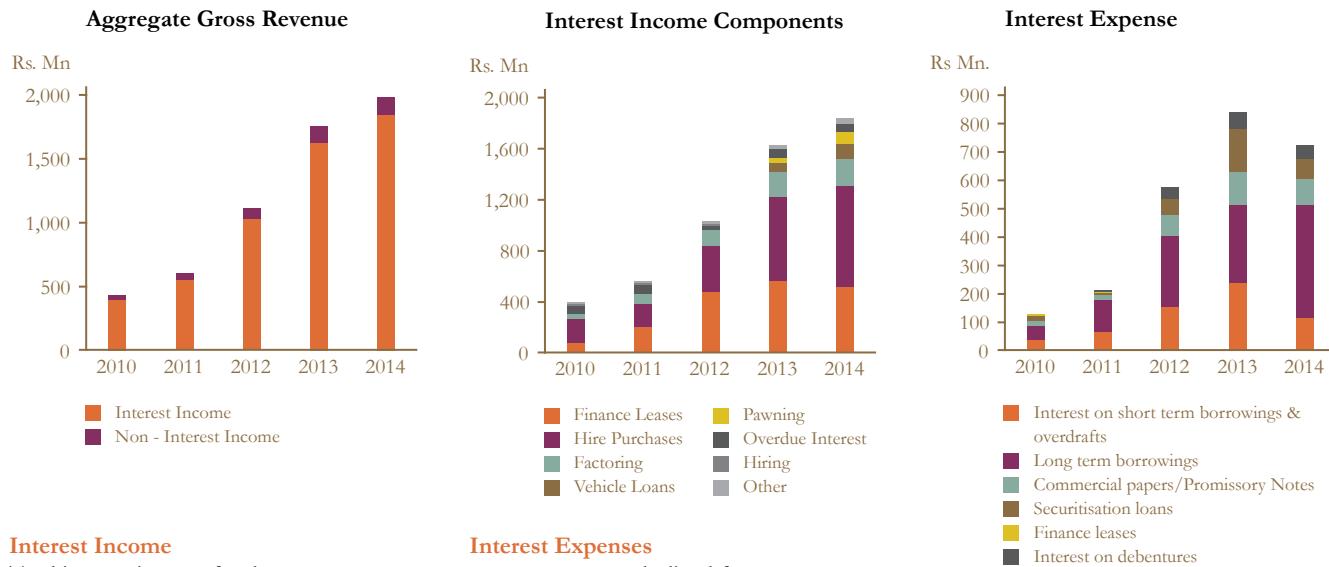
PBT,PAT (Rs.Mn) & Increase in Profit After Tax (%)



Total Gross Revenue

The Company's total revenue consists of both interest income and non-interest income. Siyapatha Finance being a finance company derives most of its gross revenue from fund based financial products. During the year 2014, total gross revenue rose to Rs. 1,977 million from Rs. 1,753 million in 2013. This represented an increase of 12.78%. Interest income sources were finance leases, hire purchase advances, debt factoring and pawning/gold loans. Interest income represented as much as 92.75% of total gross revenue in the year 2014. Fee based income or non interest income, which is directly correlated to lending operations, also increased in line with the increased lending operations. Total fee based income increased from Rs.127.10 million in 2013, to Rs.139.35 million in year 2014, an increase of 9.64%.

Integrated Management Discussion and Analysis Contd.



Interest Income

Total interest income for the year 2014 was recorded at Rs. 1,837.55 million, a growth of 13.02% from the previous year. As stated, earlier interest income was mainly derived from asset financing products such as finance leasing, hire purchase advances and vehicle loans. Also contributing to interest income was factoring advances and pawning receivables. Apart from lending products, interest collected on defaulted rentals and interest income on treasury bills and fixed deposits placed with banks, were also components of interest income during the year.

The business of pawning, which commenced in 2013, is still in its infancy in terms of product maturity. A component analysis of interest income indicates that asset financing products such as finance leases, hire purchase advances and vehicle loans accounted for 83.11% of total interest income in year 2014 (year 2013 =87.99%).

Interest Expenses

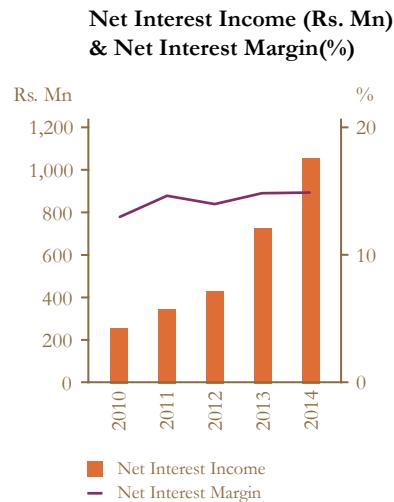
Interest expenses declined from Rs.899.07 million in 2013, to reach Rs.778.66 million in 2014, a decrease of 13.39 %. The decrease in interest costs is attributed to a decline in market interest rates during the year. This helped reduce interest costs on existing borrowings and also helped the company source incremental funds at lower interest rates than previously possible.

The components of interest costs indicate that short term borrowings and overdrafts accounted for 16.09% of the total interest cost for year 2014. compared to 29.01% in 2013. Medium term funds accounted for as much as 83.91% of the total interest cost. Sources of funding included medium term bank loans, debentures, securitizations, money market loans obtained from banks and commercial papers. Interest on short term borrowings decreased to Rs.125.30 million from Rs.260.82 million in the previous year. However, the interest cost of medium term borrowings increased from Rs.638.25 million in 2013, to Rs.653.36 million in 2014.

Net Interest Income & Net Interest Margin

The net interest income of the Company recorded a notable growth of 45.70% from the previous year. This was due to the growth of the lending portfolio and sound management of lending to borrowing ratios.

The net interest margin, which measures net interest income as a percentage of average interest earning assets, increased from 10.33% in 2013 to 11.34% in 2014.

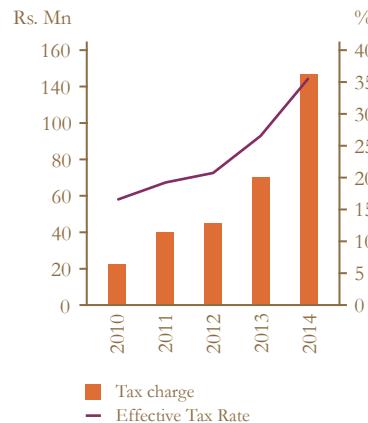


Impairment Charges

Impairment charges increased during the year under review to Rs.183 million, from Rs. 67 million in 2013, which is an increase of 172%. A significant increase in losses were experienced in the agricultural portfolio due to adverse weather conditions prevailing during the year 2014. In addition, the loss on repossessed agricultural equipments was also high, due to the high exposure in this area and losses in intrinsic value of such assets due to being older, outdated models.

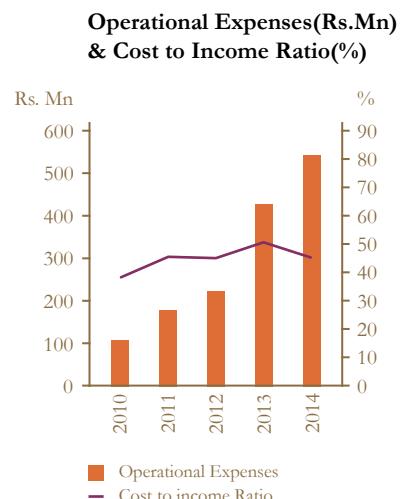
The gross NPL increased to 3.16% from 2.84% a year ago, signifying a marginal decline in the quality of the Company's asset portfolio.

Taxation Charge (Rs. Mn) & Effective Tax Rate (%)



Operating Expenses

Operating expenses which stood at Rs.430.41 million in 2013, increased to Rs.545.35 million for the year 2014, reflecting an increase of 26.70%. The cost to income ratio declined to 45.41% in year 2014, from 51.53% in 2013.



VAT & NBT on Financial Services, Crop Insurance Levy & Income Taxation

VAT and NBT on financial services expenses increased from Rs. 35.74 million in 2013, to Rs. 61.54 million in 2014. It should be noted that since the announcement of the budget proposals for 2014, VAT liable turnover would decline and its impact would be reflected in future years.

The Crop Insurance Levy, which was introduced in 2013, increased from Rs 0.62 million, to Rs. 2.58 million during the year.

Income taxation increased from Rs. 80.30 million in 2013, to Rs. 145.38 million. The effective tax rate for the year 2014 increased to 35.85% from 26.65% in 2013. The increased provisioning for taxation during the year under review, is mainly the cause and effect of adding back certain disallowable expenses in computing the tax liability for the year 2014.

Credit Growth

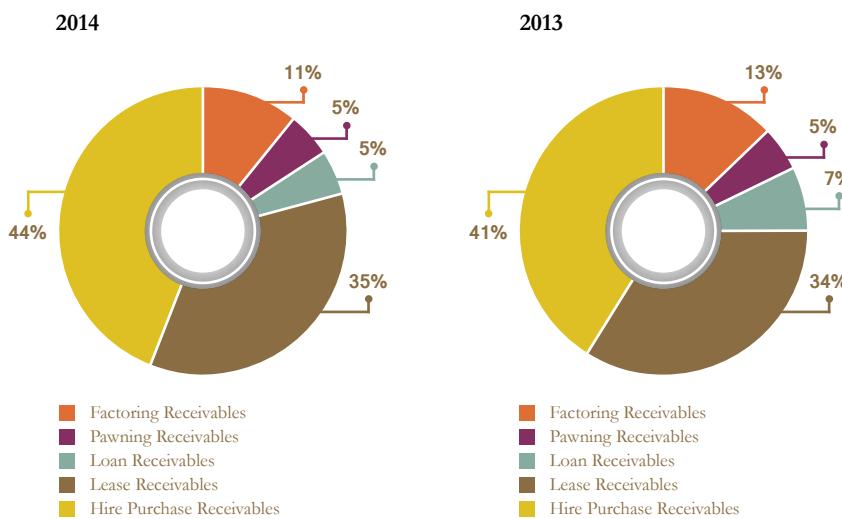
Total interest earning assets as at 31st December 2014, stood at Rs.9,593 million, with a growth rate of 16.12%, compared to the year 2013. The Company's total assets crossed the Rs. 10 billion mark in 2014.

Integrated Management Discussion and Analysis Contd.

Lending Products

The composition of asset financing, pawning and factoring products of 2014 & 2013 are given below;

	2014 Rs. Mn	2013 Rs. Mn	Change Rs. Mn	Change %
Factoring Receivables	996	1,052	(56)	-5.32%
Pawning Receivables	456	413	43	10.52%
Asset Financing				
Loan Receivables	507	569	(62)	-10.91%
Lease Receivables	3,384	2,834	550	19.40%
HP Receivables	4,251	3,394	857	25.25%
	9,593	8,261	1,332	16.12%



Asset financing products outpaced the growth rate of other advances such as factoring and pawning, mainly due to a fairly stable vehicle market, which did not witness any declining trends in the number of vehicle imports during the year.

The factoring receivable balance recorded a decrease of 5.32% over the previous year. The pawning product, which was introduced in 2013, recorded a growth of 10.5%, during the second year of operation.

Non-Interest Earning Assets

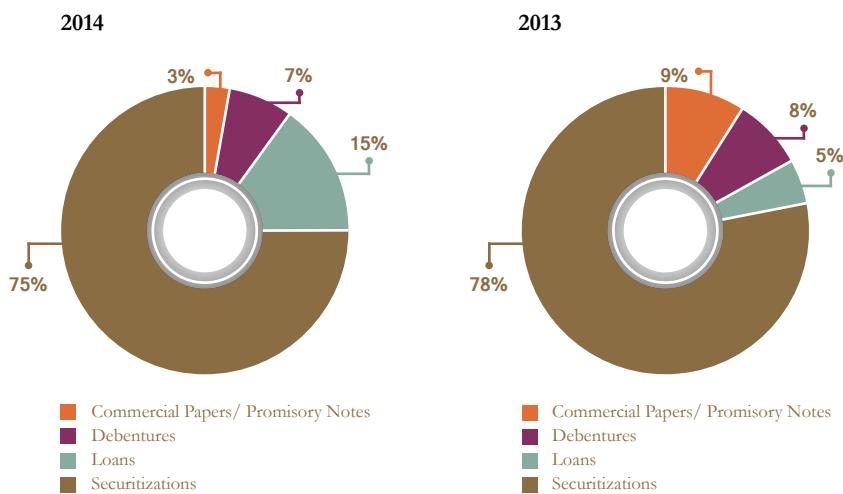
Non-interest earning assets, which is 3.17% of total assets totalled at Rs. 330 million in 2014, which is a growth of Rs. 69 million, or an increase of 17.5 % from the previous year. The increase in net book value of property, plant and equipment, was Rs.15.81 million and these assets were required to new window offices and branches as well as for other business expansions.

Debt Instruments Issued & Other Borrowed Funds

Debt instruments issued and other borrowed funds increased from Rs.7,488 million in 2013, to Rs. 8,529 million in 2014, which is an increase of 14%. These funds were mainly sourced to expand asset financing and other financial products.

Composition of debt instruments issued and other borrowed funds are shown below;

	2014 Rs.	2013 Rs.	Change Rs.	Change %
Commercial Papers/ Promissory Notes	648	611	37	0.06
Debentures	1,267	353	914	2.59
Loans	6,383	5,840	543	0.09
Securitization	231	684	(453)	(0.66)
	8,529	7,488	1,041	0.14



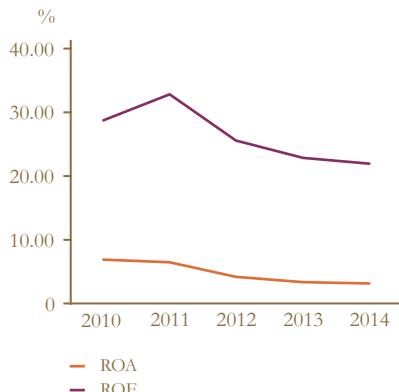
Performance Ratios

Earning Per Share (EPS), Return on Average Total Assets (ROA) & Return on Average Equity (ROE)

EPS increased to Rs.4.96 per share, from Rs 4.21 per share, a year ago.

The ROA and ROE was 2.52% and 21.83% in 2014. Compared to 2013, both ratios have declined marginally. This is attributed to the mismatch between the profit increment and growth rate of lending assets.

ROA & ROE



Statutory Liquid Asset Ratio

The statutory liquid asset ratio stood at 7.70% which was well above the mandatory requirement of 7.5%. Liquid assets are maintained in the form of Sri Lanka government securities.

Capital Adequacy Ratios

The capital adequacy ratios stood at 13.98% (Tier 1) and 20.98% (Total of Tier 1 and Tier 2), as at 31st December 2014. Capital adequacy ratios have increased during the year under review as opposed to previous year.

The total capital adequacy ratio increased to 20.98% as at 31st December 2014, from 13.12% at 31st December 2013. This increase was due to the issuance of a Listed, Rated, Unsecured, Subordinated, Redeemable debenture of Rs.1.0 billion in December 2014, which qualifies for Tier II capital. This debenture issue was well received by the market and was over-subscribed on the opening day itself.

Integrated Management Discussion and Analysis Contd.

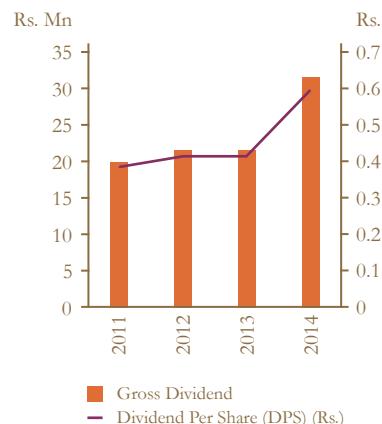
Both of the capital adequacy ratios (Tier 1 and Tier 2 Capital) remained well above the minimum regulatory requirements of 5% and 10% respectively.

"Press advertisement for the opening of the debenture issue"

Dividend Payments

The Company has proposed a gross dividend of Rs.0.60 per share, totaling to Rs.31.5 million for the year 2014. The dividend proposed for the previous year was Rs.0.41 per share and totaled at Rs 21.5 million.

Gross Dividend (Rs. Mn) & Dividend Per Share(Rs.)



External Rating

Fitch Ratings Lanka Ltd., re-affirmed the 'A' Ika with a stable outlook rating for the Company for the year 2014. The rating report is available at the following website www.fitchratings.lk

Investors' Information

Value creation for shareholders

	2014	2013	Change
Net profit for the period(Rs.Mn)	260	221	17.74%
Earnings per share(Rs.)	4.96	4.21	17.74%
Shareholders' funds(Rs.Mn)	1,312	1,074	22.14%
Net Assets value per share(Rs.)	24.98	20.46	22.14%
Dividend per share(Rs.)	0.60	0.41	46.34%
Dividend pay out	12.11%	9.74%	24.29%
Market price per share-year end(Rs.)	N/A*	N/A*	-

* N/A- This is not applicable as the company's shares are currently not traded on the CSE.

Shareholders' Funds(Rs.Mn) & Net Assets Value Per Share(Rs.)



Distribution of share ownership

	As at 31 st December 2014			
	No. of shareholders	%	No. of shares	%
1-1,000 shares	7	87.50%	7	0.00%
1,001-10,000 shares	-	-	-	-
10,001-100,000 shares	-	-	-	-
100,001- 1,000,000 shares	-	-	-	-
over 1,000,000 shares	1	12.50%	52,499,993	100.00%
	8	100.00%	52,500,000	100.00%

Information on Shares

Stated Capital as at 31st December 2014 was represented by the number of shares in issue as given below.

	As at 31 st December 2014		As at 31 st December 2013	
	Number	Rs.	Number	Rs.
Ordinary Shares	52,500,000	525,000,000/-	52,500,000	525,000,000/-
Total	52,500,000	525,000,000/-	52,500,000	525,000,000/-

The company has distributed a dividend of Rs.21.53 Million (Rs. 0.41 per share) during the month of September 2014.

At present, there is no 'employee share option scheme' offered to employees.

Integrated Management Discussion and Analysis Contd.

Shareholder Information

Shareholders' list as at 31st December 2014

	Name	No: of Shares	%
(01).	Sampath Bank PLC	52,499,993	100.00%
(02).	Mr. M.A.Abeynaike	01	0.00%
(03).	Mr. S.G. Wijesinha	01	0.00%
(04).	Dr.H.S.D.Soysa	01	0.00%
(05).	Mr. W.M.P.L. De Alwis	01	0.00%
(06).	Mr. M.Y.A.Perera	01	0.00%
(07).	Mr. R. Samaranayake	01	0.00%
(08).	Mr.S. Sudarshan	01	0.00%
		52,500,000	100.00%

Public Holdings

The percentage of ordinary shares held by the public as at 31st December 2014 was 0%.

Directors'/ CEO's Holding in Shares as at 31st December 2014

Name	Position	No: of Shares
Mr. M.A.Abeynaike	Director	01
Mr. S.G. Wijesinha	Director	01
Mr. W.M.P.L. De Alwis	Director	01
Dr. H.S.D.Soysa	Director	01
Mr. M.Y.A. Perera	Director	01
Mr. R. Samaranayake	Director	01

Information on Listed Debentures

The company issued Rated, Unsecured, Subordinated, Redeemable debentures to the value of Rs.1,000 Mn (10 million debentures) for a period of five years in the month of December 2014. These debentures are listed on the Colombo Stock Exchange.

Main objective of the above debenture was to expand and strengthen the capital base of the company and to maintain the capital adequacy requirements as stipulated by CBSL. This issue reinforced the company's Tier II capital.

The company has utilized the said funds to settle short term money market loans causing to reduce prevailed mismatch in funding exposures and minimize interest rate risk arising due to frequent re-pricing cycles. There are no material changes in the use of funds raised through the issue of debentures.

As of date of publication of this report, there have been no changes to the credit rating of the debenture instruments.

(i). Market Values

	Highest (Rs.)		Lowest (Rs.)		Period End (Rs.)	
	2014	2013	2014	2013	2014	2013
Debentures -2014/2019	Not Traded	N/A	Not Traded	N/A	Not Traded	N/A

(ii). Interest Rates

	2014		2013	
	Coupon Rate	Effective Rate	Coupon Rate	Effective Rate
Debentures -2014/2019	8.90%	8.90%	N/A	N/A

(iii). Interest rate of comparable Government Securities

	2014	2013
05 year treasury bond	7.23%	10.64%

(iv). Interest Yield

	2014	2013
Debentures Issued-December 2014	Not Traded	N/A
5 year Fixed rated (8.90% p.a. payable annually)		

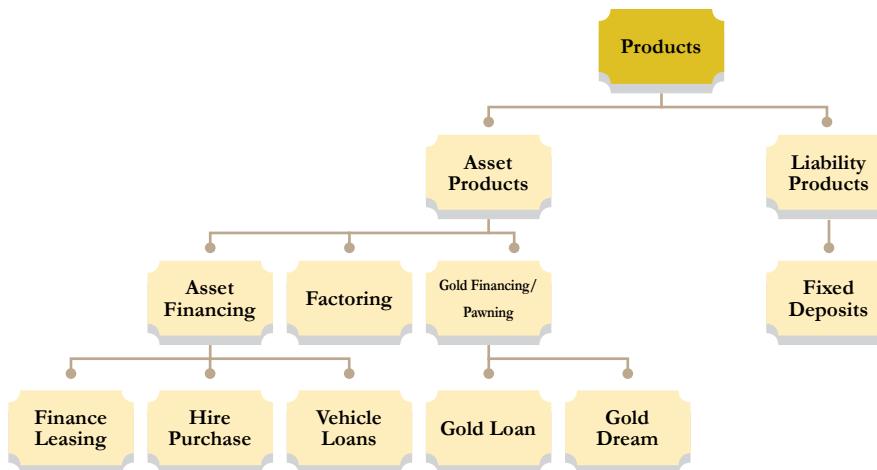
(v). Relevant Ratios

	2014	2013
Debt to Equity Ratio (Times)	3.61	3.35
Interest Cover(Times)	1.73	1.59
Quick Asset Ratio (%)	117.27%	104.27%

Integrated Management Discussion and Analysis Contd.

Product/ Corporate Branding, Customer Relationship Management and Marketing Communication

Product Range of Siyapatha Finance PLC



Product Description

- **Asset Financing**

Lease / Hire Purchase

A finance lease is a contractual agreement where the owner (lessor) of the equipment /asset, transfers the right to use the equipment/asset to the user (lessee) for an agreed period of time in return for a periodic rental. The entire risk incidental to the usage of the asset is transferred to the lessee, who has to bear the cost of insurance, maintenance and repairs. The lessor agrees to transfer the title of the equipment/asset to the lessee at the end of the lease period, once all rentals are paid.

The product is statutorily governed by the Finance Leasing Act No. 56 of 2000.

Hire purchase is a type of instalment credit where the borrower, referred to as the hirer, agrees to take an asset on hire at a stated rental, which is inclusive of the repayment of principal as well as interest, with an option to purchase the asset at the end of the contractual period. The hirer is responsible for insuring and maintaining the asset.

The product is statutorily governed by the Consumer Credit Act 29 of 1982

Siyapatha Finance PLC offers a wide range of finance leasing and hire purchase solutions for a diversified range of customer segments: The following product branches are marketed by the company.

- ❖ Siyapatha Life Style Lease
- ❖ Siyapatha Buddy Truck Leasing
- ❖ Siyapatha Agri Leasing
- ❖ Siyapatha Tuk Tuk Leasing
- ❖ Siyapatha Senin Cash Leasing

Vehicle Loans

A vehicle loan is an advance available to purchase a new, or used, motor vehicle. The duration of the loan period is considerably shorter than that of a finance lease, often corresponding to the useful life of the asset.

Factoring

Factoring is a working capital solution designed specifically for organizations that do businesses on credit terms. This advance is one of the most expeditious methods of advancing money on invoices generated for products delivered, or services rendered, on credit. Factoring enables customers to increase and maintain a positive cash flow within their business.

In factoring we purchase account receivables (credit sales), at a discount and advance upfront 70% -80% of the value of invoices. Factoring helps to expedite the progress of a business, while transferring the hassle of cash flow and debt management to the factor.

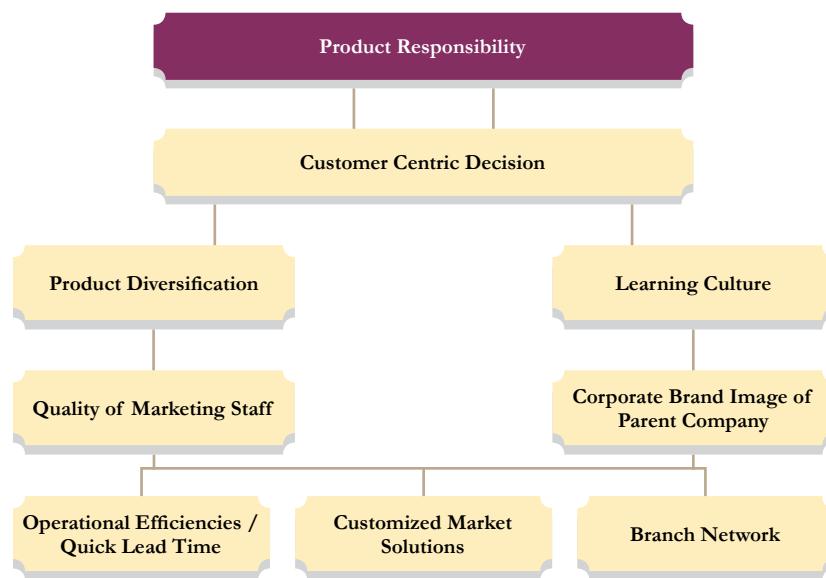
Gold Loans

The Company offers attractive advances for a minimum interest rate, against gold articles which enables customers to make part settlements while ensuring the security of the article and privacy of the transaction. Customers can obtain this facility for one month, up to a maximum period of 12 months.

Fixed Deposits

The Company accepts term deposits from the public with the assurance of an unmatched return while ensuring security of the investment. Term structures ranging from one month, up to five years, are available in the investment plan. Interest payments are made on monthly, quarterly, annually and maturity basis.

Overall Product Responsibility



Overall, product responsibility is managed and differentiated through a customer centric decision making model, which is a result of product diversification coupled with the learning culture stemming from the holding company Sampath Bank PLC.

No non-compliance with applicable laws and regulations were reported and no fines were charged on products and services of the company offers during the year under review.

Customer Health and Safety

The impact of health and safety is assessed and improved in the following areas:

- ❖ As a policy, Siyapatha Finance PLC does not lend for vehicles that are over 25 years old. Lease inquiries for such vehicles will be rejected directly at the initial stage.
- ❖ Financing vehicles which the company perceives as being used for unethical businesses, will not be facilitated or encouraged.
- ❖ High quality printing materials are used for marketing and promotional campaigns to ensure customers are not harmed due to chemical exposure

- ❖ Promotional materials made out of polythene are not used for marketing campaigns.
- ❖ The Company to date, has not been in breach of any regulations and/or voluntary codes concerning health and safety of customers.

Marketing Communications and Branding

Corporate “Brand Mantra”

A brand mantra is maintained in all communications to position the brand and trigger top of the mind recall in the minds of stakeholders

යෙපත ඔබවෙත

Trust & Excellence

නன්මය නැරුම් මූල්‍ය වාස්තුව

Point of Difference : Corporate Brand
“The most innovative, trustworthy & reliable finance company, which is affiliated to Sampath Bank PLC”

Siyapatha
F I N A N C E P L C

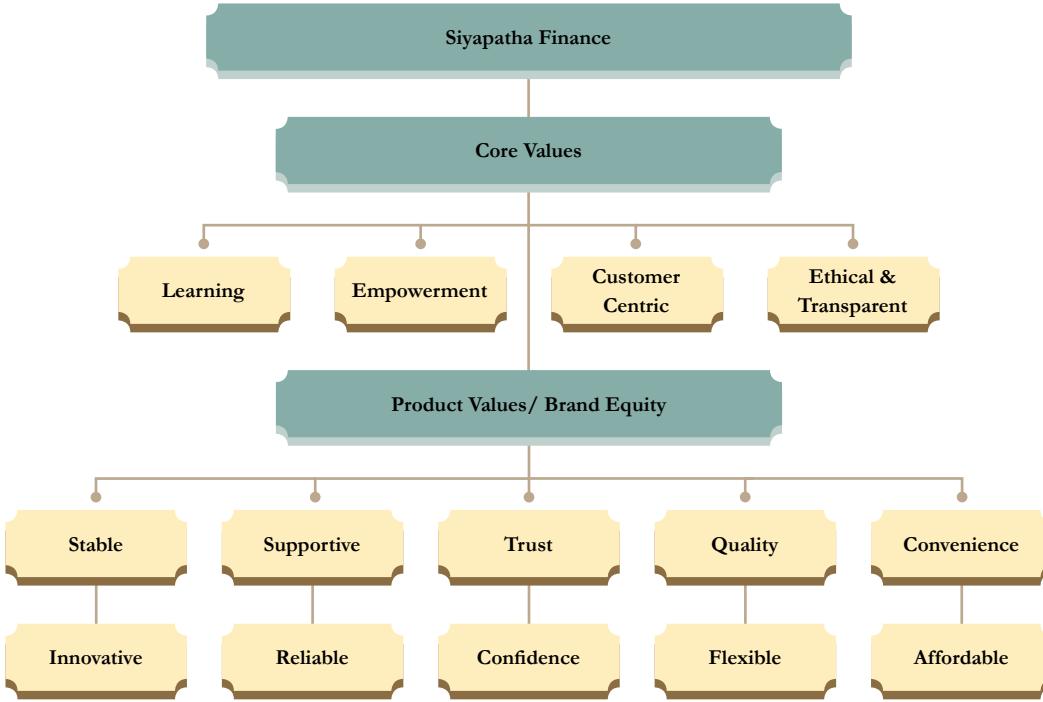
member Sampath Bank Group

Points of Parity

- ❖ Flexible service
- ❖ Customization of offers
- ❖ Excellent customer service
- ❖ Quick service delivery
- ❖ Knowledgeable staff
- ❖ Offering a diversified product portfolio
- ❖ Affordable pricing

Integrated Management Discussion and Analysis Contd.

Corporate Brand & Product Brand Values



The company Brand Mantra revolves around a value system that promotes learning and which empowers our brand ambassadors. It further has a customer centric vision and ensures that all our corporate branding does not undermine ethical and transparent marketing practices.

Our product values have a list of pre defined criteria that ensures high brand equity and provides us the base to increase market share in the segments we chose to operate in.

Product Brands

“Siyapatha - Lifestyle Leasing”

Leasing & Hire Purchase

Target Market – Individual executives, professionals and corporate entities
Asset Category - Brand new and unregistered motor cars and vans

Description - Facilitating customers with structured lease rentals to match fluctuations in their monthly cash in-flows



“Siyapatha - Sanin Cash”

Leasing & Hire Purchase

Target Market – Mass market
Asset Category - Registered motor vehicles
Description - Facilitating customers in purchasing registered vehicles while encouraging customers to borrow money on their existing assets



“Siyapatha - Tuk-tuk Leasing”

Leasing & Hire Purchase

Target Market – Earn and pay category, SME sector

Asset Category – Brand new and registered three wheelers

Description - Facilitating customers in purchasing brand new or registered three wheelers with simple documentation, one day facility approval and convenient payment mechanism through an island wide Sampath Bank branch network.



“Siyapatha - Buddy Truck Leasing”

Leasing & Hire Purchase

Target Market – SME sector
Asset Category – Brand new and registered buddy trucks and lorries
Description - Facilitating customers to purchase brand new or registered buddy trucks and Lorries with simple documentation, one day facility approval and convenient payment mechanism through the island wide Sampath Bank branch network.



“Siyapatha - Agri Leasing”

Leasing & Hire Purchase

Target Market – Farmers, land owners, earn and pay category
Asset category – Brand new and registered agricultural vehicles and machinery
Description - Facilitating customers to purchase brand new or registered agricultural vehicles and machinery on monthly and seasonal rental payment schemes.



“S-Factor”

Factoring

Target Market – SME and corporate sector

Description - Facility to convert credit invoices into cash fast, without waiting for maturity of a 30-90 day credit period, in order to facilitate cash flows.



“Gold Loan”

Pawning

Target Market – Individual mass market & SME sector

Description - Company offers attractive advances for a minimum interest rate against gold articles, which enables customers to make part settlements while ensuring the security of the article and privacy of the transaction.



“Gold Dream”

Pawning

Target Market – Individuals who are planning for their weddings, and individuals who intend purchasing gold as a viable investment.

Description - Financing facilities will be given to purchase gold by holding the asset as a security against the disbursement.



“Siyapatha Fixed Deposits”

Fixed Deposits

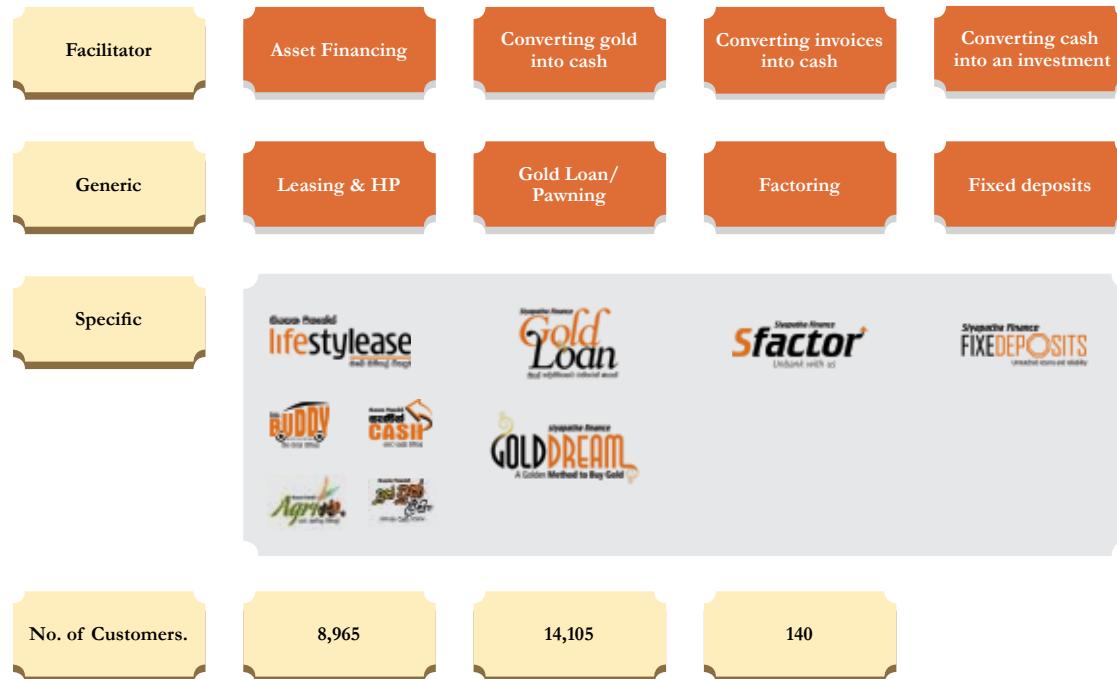
Target Market – Individuals and corporate entities.

Description - The Company accepts deposits from the public with the assurance of an unmatched return on their investment. Plans are available for varying maturities that correlate to the investor's life plan and expected cash flows.



Integrated Management Discussion and Analysis Contd.

Product Brand Matrix



Marketing Communications

The Company's core business strategy is formed around identifying specific asset categories demanded by specific market segments which will lead the company towards building and maintaining specific suppliers, sourcing networks and relationships, around products.

Marketing communications and branding strategy is critically important in the overall brand positioning and creating corporate top-of the mind recall within the target market of all relevant stakeholders.

Above the line communications

The Company does not engage heavily in above the line communication activities as the geographical coverage of the Company requires a below the line strategy. The Company has concentrated heavily on creating brand visibility to increase market awareness. Siyapatha Finance has entered into a number of advertising contracts with leading publications in Sri Lanka for both profiling and product specific messages.

**Different Needs,
One Irresistible Desire.
Number of Alternatives,
One Simple Solution.**

Hurry!
Reserve your choice now!

For any **SUZUKI** vehicle one simple solution
from "Siyapatha Finance"

* Conditions Apply Company Registration No. PB 917PQ

0773 605 605 | 0777 605 605
Siyapatha Finance - Trust & Excellence

ALTO
DRIVE AWAY RENTAL
Rs. 18,700/-

AMW bringing the world to you

Siyapatha
FINANCE PLC
— Sampath Bank Group

'Small car promotional campaign advertisement'

A PRESS ADVERT TARGETING YOUNG WORKING WOMEN IN THE SMALL CAR SEGMENT. THE MESSAGE AIDS TO PROVIDE INFORMATION ABOUT THE PRODUCT AND CLEARLY IDENTIFIES THE SEGMENT/TARGET GROUP.

Integrated Management Discussion and Analysis Contd.



Hoarding site - Matara



Hoardings site – Nawam Mawatha



Dealer site branding

Below the line communications

By capitalizing on the geographical presence of the Company, Siyapatha Finance has been very aggressive in below the line communication initiatives, which are basically geographical based but are effective in terms of reach. A number of below the line communication initiatives were used during the period.

'Banners'

Different Needs,
One Irresistible Desire.
Number of Alternatives,
One Simple Solution.

Hurry!
Reserve your choice now!

For any **SUZUKI** vehicle one simple solution
from "Siyapatha Finance"

- Free vehicle insurance • Siyapatha Loyalty Card • free vehicle maintenance assistance
- Compliments for each transaction • One day approval
- Door step delivery service • Customized rental • Attractive interest rates
- Minimum documentation • Unmatched experience

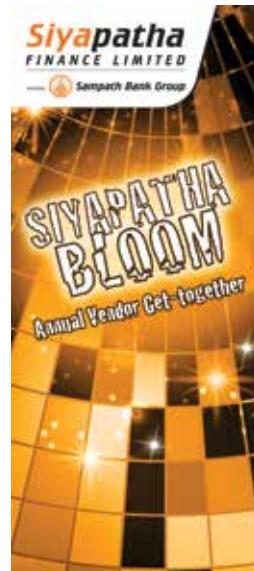
*Subject to terms & conditions
Company Registration No. P1910790

Siyapatha
FINANCE PLC
Sampath Bank Group

AMW bringing the world to you

Siyapatha Finance - Trust & Excellence

Leaflets



Vendor get-together pennants

Gold Loan
Bad mithane edanuvi

රු. 40,000/- තු
මුදල හඳුනීයකට
රත්තරන් ණයක්

Rs 100/- per month for 75 months*

- 100% collateral free loan
- 100% flexible repayment
- 100% no hidden charges
- 100% fast processing

Interest rates applicable 8.00% to 9.30% p.a.
Subject to credit approval

වැඩි පෙනෙනුයේ
බැංකු මාත්‍රයෙන්
බැංකු මාත්‍රයෙන්

Siyapatha Finance
Bank Group

Pawning leaflet



Ratnapura Branch Opening – Chairman addressing the gathering

Through the Line Communication

Identifying the timely trend and growth of on-line based communication, the Company has initiated mass market communication through IT based sources such as company web page, Facebook social media interface and application of QR code.

Integrated Management Discussion and Analysis Contd.

Corporate Web Page

Corporate Website - www.siyapatha.lk

The screenshot shows the homepage of Siyapatha Finance PLC. At the top, there's a navigation bar with links to Home, About Us, Products & Services, Investor Relations, Sustainability, Tenders, Work With Us, Contact Us, and a Site search bar. A 'REQUEST CALLBACK' button and a 'Branch Network' dropdown are also present. The main banner features a large pink lotus flower on the left and the text 'සියපත ගිණුක්ස් සෙවන මධ්‍යම' (Siyapatha Finance) in Sinhala. On the right, there's a logo for 'Siyapatha Agri' with the tagline 'උදා ප්‍රති අංශය' (Agricultural Sector). Below the banner, there's a 'FIND OUT MORE' button with a right-pointing arrow. The 'LATEST RATES' section is visible at the bottom left, and a sidebar on the right lists services: Asset Financing, Converting Gold In to Cash, and Converting Invoice in to Cash.

FB – Social Media Interface

FB page – www.facebook.com/siyapathafinance

The screenshot shows the Facebook timeline of the 'Siyapatha Finance' page. The profile picture is a pink lotus flower, and the cover photo is identical to the one on the website. The page header shows 42 Page Likes, 1,139 Post Reach, and 1 Contact Us. The timeline displays several posts, with the most recent one being a promotional post for 'Siyapatha Finance' services, featuring the same pink lotus flower and text as the website banner. Navigation tabs at the bottom include Timeline, About, Photos, Likes, and More.



Customer Feedback Assessment

Customer satisfaction is assessed and maintained by an independent unit called the 'Customer Satisfaction Feedback Collection Unit', which is centralized at the head office of the Company. Our customer satisfaction measures have a two stage approach.

1. At the inception of the facility.

Customer satisfaction is assessed by way of a one-to-one phone conversation in which the following information is collected.

- ❖ Customer assessment of the level of satisfaction with the particular marketing officer and his behavior during the overall process.
- ❖ Whether the facility was obtained as per the customer's expectations.
- ❖ Level of satisfaction on the support given by the particular branch.
- ❖ Customer's willingness to recommend Siyapatha Finance PLC to other potential customers.

2. At the time of settling the facility.

Customers who are at the stage of completing their leasing period and who are willing to settle their lease prematurely, are contacted in advance to offer further services. Here the customer feedback is gathered under the following criteria:

- ❖ Level of satisfaction on the service granted by the Company.
- ❖ Customer's willingness to obtain another facility from the Company.
- ❖ In the customers point of view, areas to be developed or improved within the Company.

Customer survey methodologies

- ❖ Through the 'Customer Satisfaction Feedback Collection Unit'.
- ❖ Customer feedback boxes are placed at each branch.

Overall performances of Marketing officers/ branches are evaluated by considering the customer satisfaction percentage/ ratio, received through the survey. Any complaint against a marketing officer/branch/ Company will be paid immediate attention. The marketing officer/branch directly relevant to the complaint shall be responsible for providing an one-time solution to the customer, while ensuring that the Company's interests and reputation are safeguarded.

In the event the Company is unable to provide an immediate solution, an acknowledgement letter/ email is sent to the customer, stating a resolution period.

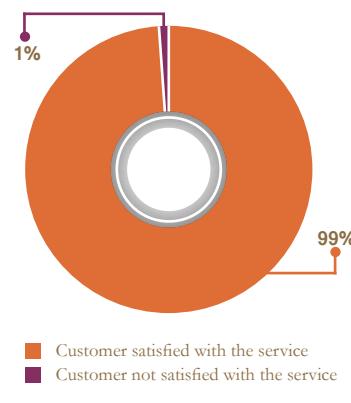
Through customer surveys, the Company is able to build a rapport with existing customers, which results in customer loyalty. This leads to long term customer retention and repeat business.

Key conclusions of customer satisfaction surveys conducted in the reporting period

- ❖ 99% of the customers are satisfied with the services provided by the Company as a whole. Whereas 1% of the customers are unsatisfied due to few issues which are not under the control of the Company.
- ❖ The survey is carried out targeting only the Company's overall Asset financing customer base since other products such as Factoring is a one to one business which maintains a close monitoring of the client very often and Pawning which is a repetitive business and does not have a long lead time to assess its' customer satisfaction. Hence, 99% of the Asset financing customers are fully satisfied with the product and services offered with regard.

- ❖ The survey is done centrally by targeting the Company's overall customer base without being location specific.

Results of Customers Survey:



- Customer satisfied with the service
- Customer not satisfied with the service

Mechanisms for customers to provide feedback

- ❖ Telephone
- ❖ In person
- ❖ Email
- ❖ Customer suggestion boxes
- ❖ Letters

Customer feedback channels will always be accessible to customers in order to encourage them to provide feedback on their rating of the Company services. They are also educated on how such a complaint could be made.

Customer feedback channels are well equipped to handle customer complaints and to give a resolution.

No complaints were reported regarding breaches of customer privacy during the reporting year.

Integrated Management Discussion and Analysis Contd.

Channel Network

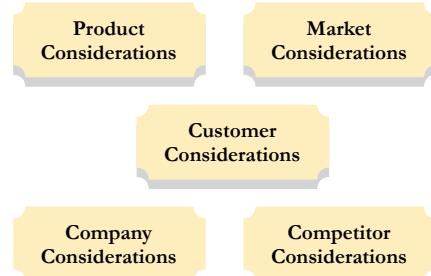
The Company's objective is to expand business operations by way of increasing geographical presence, through channel expansion. The expansion strategy is to set up a channel in each prominent and highly commercial location, targeted at capturing the market through differentiated product offers. This will result in achieving a profitable status in a very short time.

Branch performance evaluations takes a holistic view by not just relying on the achievement of new business drivers but also emphasizing on portfolio quality and market development. Current channel locations of Siyapatha Finance are listed below:

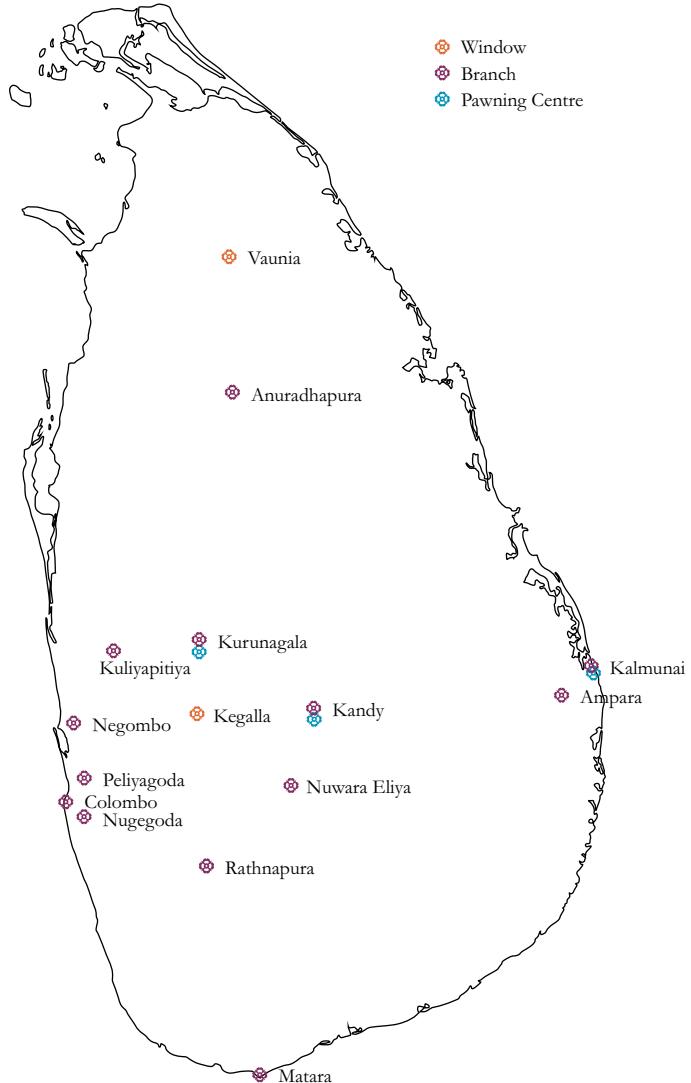
Channel	Channel Category	District	Province
Head Office	Branch	Colombo	Western
Nugegoda	Branch	Colombo	Western
Matara	Branch	Matara	Southern
Peliyagoda	Branch	Gampaha	Western
Kurunegala	Branch	Kurunegala	N.Western
Kurunegala II	Pawning Centre	Kurunegala	N.Western
Kuliyapitiya	Branch	Kurunegala	N.Western
Anuradhapura	Branch	Anuradhapura	N.Central
Ratnapura	Branch	Ratnapura	Sabaragamuwa
Kandy	Branch	Kandy	Central
Kandy II	Pawning Centre	Kandy	Central
Nuwara Eliya	Branch	Nuwara Eliya	Central
Kalmunai	Branch	Ampara	Eastern
Ampara	Branch	Ampara	Eastern
Vauniya	Window Branch	Vauniya	Northern
Kalmunai II	Pawning Centre	Ampara	Eastern
Negombo	Branch	Gamppaha	Western
Kegalle	Window Branch	Kegalle	Sabaragamuwa

The Company will aggressively move into branch expansion in forthcoming years to strengthen the portfolio and build up market presence. All channels will be offering the total product range, which will ultimately enhance the level of customer convenience through enhanced reach.

The following key aspects are prioritized to manage the channel network with the highest level of operational effectiveness and efficiency.



Channel Locations and Products Marketed by Channels.



	Branch Location	Branch	Asset Financing	Gold Loan / Pawning	Fixed Deposit
1	Head Office	HO	●		●
2	Nugegoda	NUG	●	●	●
3	Peliyagoda	PLG	●		●
4	Matara	MTR	●	●	●
5	Kurunegala	KUG	●		●
6	Kurunegala-II	KUG-II	●	●	
7	Kuliyapitiya	KUL	●	●	●
8	Anuradhapura	ANU	●	●	●
9	Nuwara Eliya	NUW	●	●	●
10	Ratnapura	RTP	●	●	●
11	Kandy	KND	●		●
12	Kandy-II	KND-II	●	●	
13	Ampara	AMP	●	●	●
14	Kalmunai	KLM	●		●
15	Kalmunai-II	KLM-II	●	●	
16	Negombo	NGB	●	●	●
17	Kegalle	KGL	●		
18	Vauniya	VAU	●		

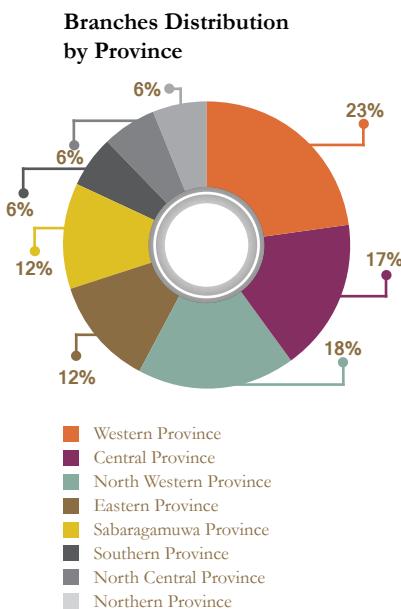
Products available

Highlighted branches have been selected to market the deposit product. It should be noted that no deposits were mobilized during the year 2014.

Integrated Management Discussion and Analysis Contd.

Branch distribution by province and ranking of branch performance (Asset Financing)

	Branch Code	Branch	Category	Province	Age of branch (months)	Ranking			
						New Lending Volume	Portfolio Quality	Portfolio Value	Portfolio per employee
1	HO	Head Office	Branch	Western Province	118	2	12	2	2
2	NGB	Negombo	Branch	Western Province	101	5	6	5	5
3	PLG	Peliyagoda	Branch	Western Province	50	6	5	6	10
4	NUG	Nugegoda	Branch	Western Province	48	1	4	1	1
5	KND	Kandy	Branch	Central Province	111	3	7	3	3
6	NUW	Nuwaraeliya	Branch	Central Province	106	10	13	9	8
7	KND2	Kandy Ii	Pawning Center	Central Province	21	16	1	17	17
8	AMP	Ampara	Branch	Eastern Province	105	12	14	11	11
9	KLM	Kalmunai	Branch	Eastern Province	47	9	11	8	4
10	ANU	Anuradhapura	Branch	North Central Province	40	8	10	10	9
11	KUG	Kurunegala	Branch	North Western Province	105	4	3	4	6
12	KUL	Kuliyapitiya	Branch	North Western Province	40	11	9	12	12
13	KUG2	Kurunegala Ii	Pawning Center	North Western Province	21	15	1	15	14
14	VAU	Vavuniya	Window	Northern Province	40	17	15	16	16
15	KGL	Kegalle	Window	Sabaragamuwa Province	40	13	2	13	13
16	RTP	Rathnapura	Branch	Sabaragamuwa Province	40	14	1	14	15
17	MTR	Matara	Branch	Southern Province	112	7	8	7	7



Requirement of Information by the organization's procedures for product and service information and labelling

	Yes/No
The sourcing of components of the product or service	Yes
Content, particularly with regard to substances that might produce an environmental or social impact	No
Safe use of the product or service	Yes
Disposal of the product and environmental/social impacts	No

Other information required by the organization's procedures for product and service information and labelling are;

- ❖ Changes of the taxation policy within the overall fiscal policy of the country.
- ❖ Changes in vehicle prices.
- ❖ Movement of market demand with regard to different asset types.
- ❖ Performance status of different economic segments.

Approximately 80% of company's significant product and service categories are covered by such procedures.

Management Committees

1. Asset and Liability Committee (ALCO)

Interest rate risk and liquidity risk related tolerance limits are established by the Integrated Risk Management Committee (IRMC) of the Company and approved by the Board of Directors. The set tolerance limits are reviewed by the IRMC to make necessary amendments to reflect the changes of the Company and the industry.

The ALCO is the management forum that undertakes formulation, monitoring and review of Asset Liability Management (ALM) strategies and their implementation at Siyapatha Finance PLC, to be in line with the tolerance limits set by the IRMC.

The purpose and objectives of ALCO have been established as follows:

- ❖ To review and manage changes to the Company's balance sheet, including achievement of strategic objectives in relation to positive or negative growth.
- ❖ To consider and agree on the Company's interest rates on lending and borrowing and make changes based on the economic outlook and interest rate environment.
- ❖ Review sources of funding, identify and assess the impact of new sources of funding.
- ❖ Review the overall cash flow position as shown by the cash flow report and consider the impact of other inflows and outflows as they affect overall liquidity.
- ❖ Review and approve the company's contingency funding plans.

- ❖ Review net interest income trends including forecast position, variances from the planned net interest rate margin, and detail any required actions as appropriate.
- ❖ Monitor the impact on net interest margin, reserves and profit, from changes in volatility in interest rates.
- ❖ Review the maturity of assets and liabilities.
- ❖ Monitor the Company's asset and liability product pricing.
- ❖ Authorize new product proposals according to set benchmarks, incorporating the costs of liquidity and cost of funds premium.

2. Management Committee Meeting

The Management Committee meeting is held once a month

The quorum of the meeting comprises the CEO as Chairman and all other department/unit heads.

The main agenda of the meeting covers diverse topics such as resolving inter departmental issues/ bottle necks, tactical and strategic matters , new marketing campaigns , product development, industry related matters , macro economic issues, review of monthly performance, future targets and objectives.

Minutes are circulated to all participants and follow up matters are monitored on a monthly basis.

3. Procurement Committee

The Committee was set up in early 2014 to ensure transparency and good governance in the purchasing process of fixed assets and stationary items.

The Committee comprises of the following members

- ❖ Chief Operating Officer
- ❖ Head of Finance
- ❖ Representative from the Administration Division

The Committee has the discretion to invite other officials to the Tender Committee meeting to add their expertise in technical areas, such IT and engineering.

The Tender Committee ensures that the procedure is followed in purchasing decisions.

Listed below are few of the key procedures

- ❖ All suppliers have to be registered with the company
- ❖ A minimum of three quotations are mandatory for each purchasing initiative

A Committee meeting is called whenever there is a requirement to purchase equipment/stationary for a particular department, and/or for a specific purpose.

The Tender Committee plus a representative from the division/s requesting the purchase , will evaluate three quotations with regards to:

- ❖ Cost and quality
- ❖ Reputation of supplier and track record.
- ❖ Suitability
- ❖ Warranty and after sales service

Integrated Management Discussion and Analysis Contd.



Supply Chain

The company's supply chain ranges from small companies to multinational and it adopts best practices to create values under the supply chain.

Since we source a vast majority of our funding from banking institutions, we have to recognize the "Supply chain" management link with funders.

4. Tender Review Committee

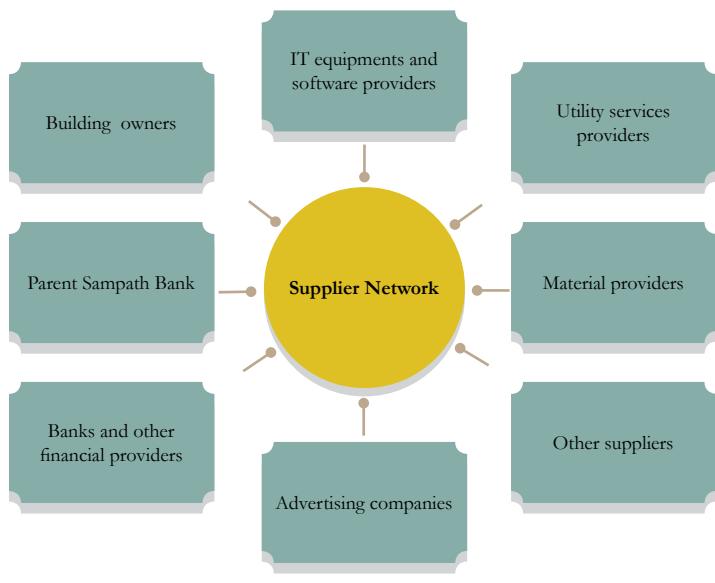
All vehicles repossessed by the company are disposed through a public tender process.

The Company calls for tenders through advertisements placed in all three languages, in reputed news papers.

The sealed bids are opened after the closing date, in the presences of the Tender Committee members comprising the following:

- ❖ Chief Executive Officer
- ❖ Chief Operating Officer
- ❖ Head of Recoveries
- ❖ Head of Credit
- ❖ Head of Internal Audit

The offers are sorted according to value and the highest tender is approved, provided the offer is within the expectations of the Company.



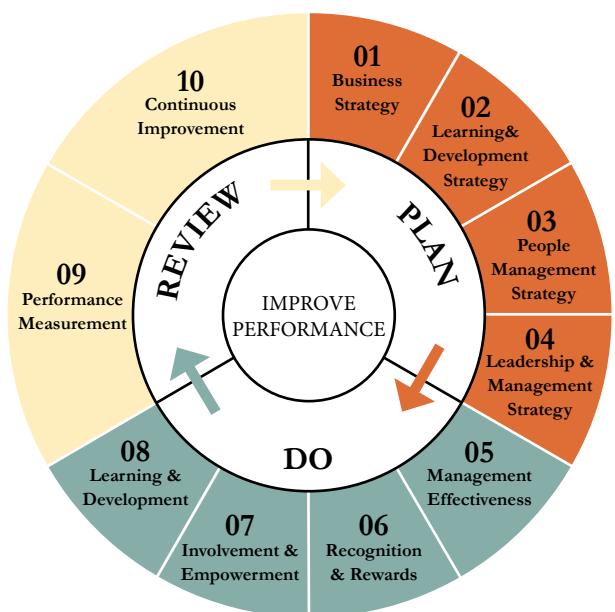
Support Services

Human Capital Management

"Train people well enough so they can leave, treat them well enough so they don't want to"

Richard Branson

The Siyapatha Human Resources (HR) team focuses on sustainable and profitable growth across the organization with competent people who believe in success, with a development oriented culture, in which performance is aligned with values. We are an increasingly agile and diverse business with people motivated by doing well, while doing well. We are inculcating a performance driven learning culture with a customer centric business model.



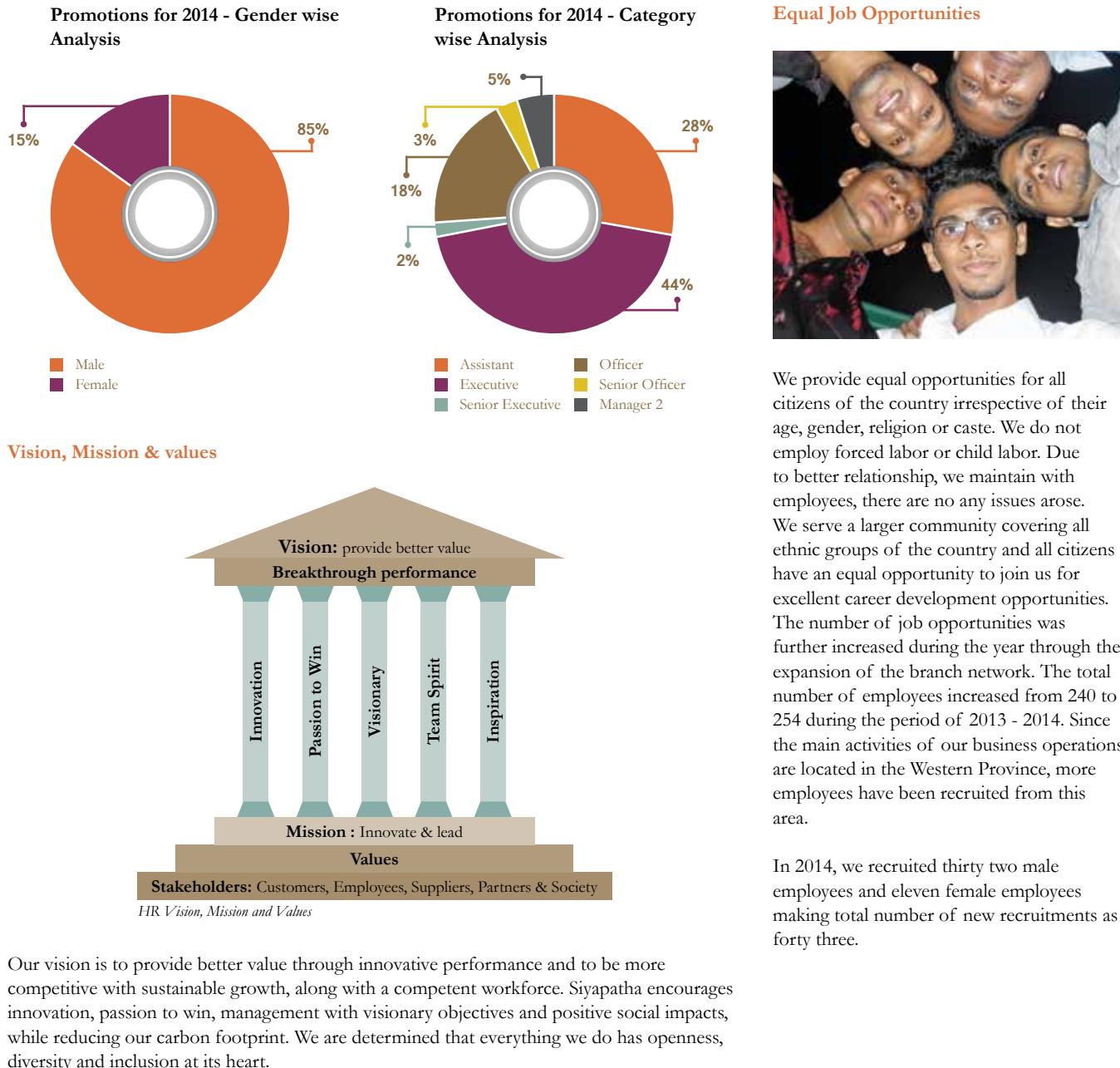
The People Development Framework

The People Development Framework shows the strategic initiatives of developing the Company's business strategy, Learning & Development strategy, People Management strategy, Leadership & Management strategy to enhance the overall performance. Management Effectiveness, Rewards & Recognition, Involvement & Empowerment, Learning & Development strategies are measured by the actions we have taken for the improvement of performance. For sustainable development of the business and performance, we constantly evaluate and improve our performance through an effective performance management system. Through the performance management system, every employee in the organization gets an opportunity to review their performances annually. Following the review meeting, based on performance, employees are promoted to the relevant grades, with due recognition. In the year of 2014, the percentage of total promotions is 14%, from the total cadre. The distribution of the promotions among employees based on their gender and employment category indicates a wide distribution amongst all grades. New recruits will get an opportunity to review their performance following the first six months of employment and based on the review, will be eligible to be permanent employees. All employees receive a regular performance and career development reviews without any discrimination. We have fair and open communication and grievance handling procedure where employees are encouraged to communicate with senior management.

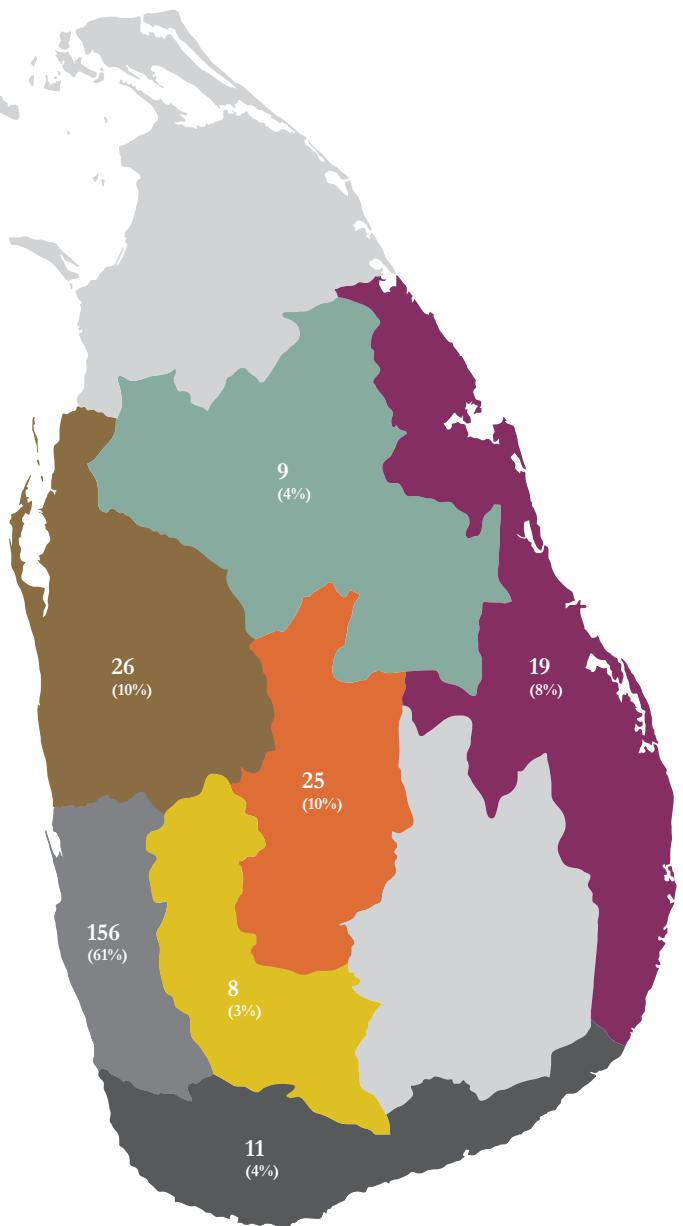
Due to fair and equal treatment, employees can freely exchange their views, ideas and grievances with the top management and there is no necessity for Trade Unions or employee councils to handle their grievances. At present, the company has an 'Open door policy' for grievance handing. The HR Department has the strength to monitor and review employee grievance issues through a proper procedure and review system, whilst maintaining relevant documents relating to the same.

As well as due to the healthy relationship maintain between employees and the management, there have been no disputes pertaining to employer-employee relationships (Industrial relation between employer and employee)

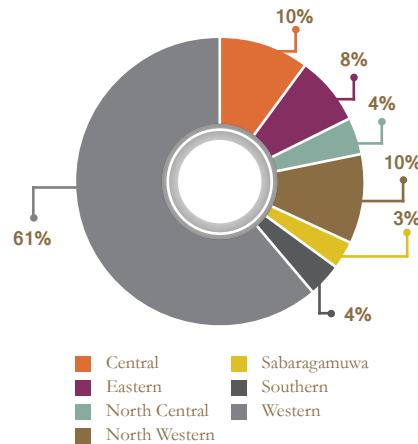
Integrated Management Discussion and Analysis Contd.



Percentage Distribution of Employees by Province



Geographical Distribution of Employees



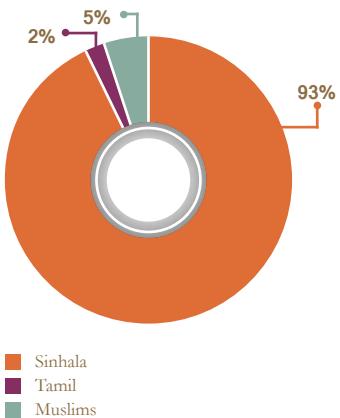
Currently we operate 16 branches across the island. Our proposed branch expansion will lead to more employment opportunities in remote areas, in the near future. According to the Company recruitment policy, our strategy is to retain a qualified, skilled and talented workforce to meet corporate goals. Internal promotions and timely review of employee performance are the main aspects that contribute towards retaining talent within the organization. Employees are required to provide one month's notice if they wish to leave the organization. However, 35% of our employees have acquired over four years of experience with the Company which proves the Company's ability to retain experienced staff.

Employee Diversity

Our HR policy consists of 16 criteria that direct employees towards strategic business objectives. The principle of equal opportunity focuses on embracing greater diversity in the workforce with a well-balanced mix of ethnicity.

Integrated Management Discussion and Analysis Contd.

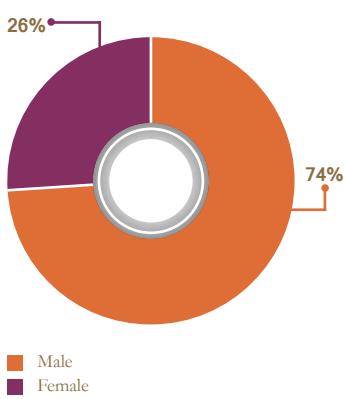
Ethnicity Mix of employees - December 2014



Employees by Gender

Due to the nature of our business, a larger share of our workforce is male, particularly in marketing activities. However, more opportunities are offered for female employees who engage in back office functions. Our remuneration policy ensures fair and equitable treatment to all employees irrespective of gender.

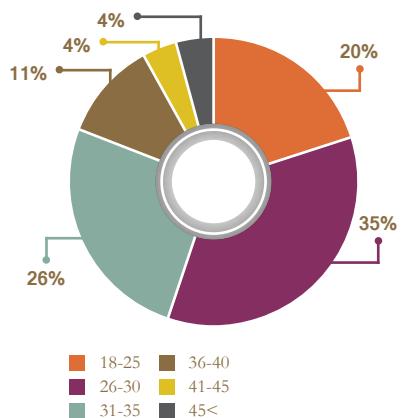
Employment by Gender- December 2014



Employees by Age

To be competitive against global challenges, we merge the talents from the generation with industry professionals to drive the business with the incorporation of modern technology. All employees irrespective of age considerations have equal opportunities to progress in their careers by improving their own skills and competencies relating to their specific areas of work. Majority of our employees, 81%, are below 35 years. This dynamism drives our success ahead of competitors.

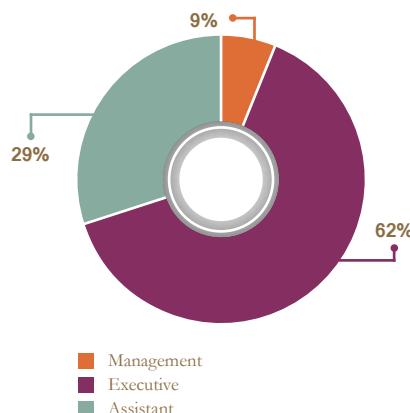
Age Analysis of Employees - December 2014



Cadre Composition

We have a well-balanced organization structure, which leads to career development opportunities. Our executive grade represents a higher percentage of the total cadre. We believe in simplifying working practices and a flatter structure, which improves communication and effective decision making. We are more focused on retaining tacit knowledge and we encourage our employees to bring new knowledge into the company.

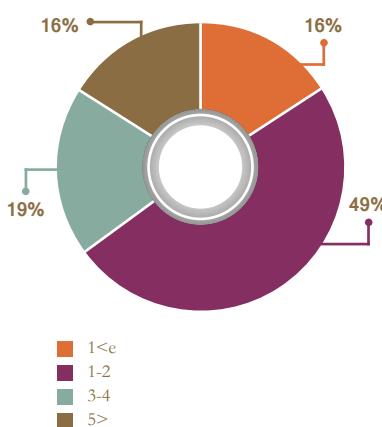
Category Analysis of Employees- December 2014



Employees by Service

In terms of employee retention, as at the end of 2014, 49% have been with the Company for 1-2 years. However, 35% have above three years of service, which demonstrates the solid base of experienced employees retained within the organization. More than 16 % of the total cadre have completed five years of service with Siyapatha.

Service Analysis of Employees- December 2014



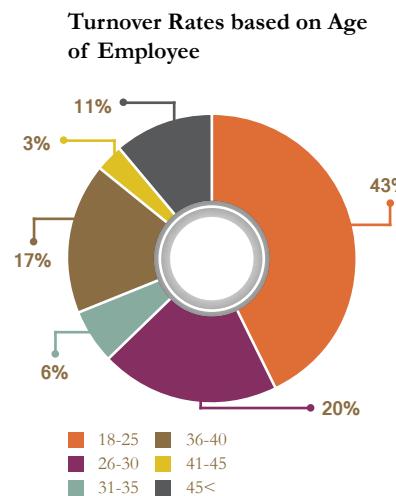


10 years of service

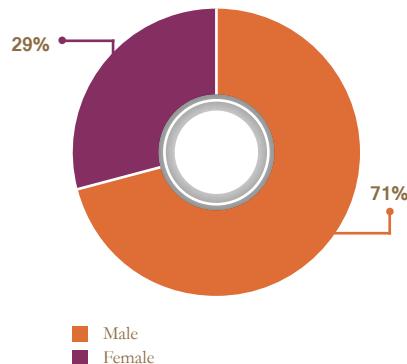
"I feel that this is a good, positive atmosphere to work in, and what we are doing is very interesting and exciting. All our employees are smart and creative. This is reflected in the work that we produce. I believe that this is a great place to work"

- Gathara

Due to the Company's solid retention strategy, the employee turnover ratio was maintained at a lower rate compared to the previous year. In the year 2014, total 35 employees resigned and out-of 35 employees 25 were males.



Turnover Rates -based on Gender



The Company culture encourages a work life balance of employees and fully complies with legal obligations in terms of employee benefits. From the total cadre, 26% are female employees and eligible for Maternity leave, according to the Shop & Office Act. In the year of 2014, three of the female employees have taken their maternity leave and returned for work after the maternity leave period ended. Therefore the employee retention rate after having Maternity leave is 100% since the Company provides a flexible work environment for work life balance.

Modern Work Environment

During the last few years, we set ourselves a challenge to re-engineer our processes and systems to improve efficiency. We expect a competitive advantage in the market by aligning with new technologies. Our modern work environment enhances employee satisfaction and mitigates against risk of occupational diseases and work related fatalities. Fire, first aid and health and safety programmes improve our team's alertness of disaster management and emergency situations. The Company has a policy on timely review of health and

safety procedures. The Health and Safety Committee is responsible for introducing new methods to upgrade employee health in terms of working environment. There is 100% employee representation at department level in this Committee.

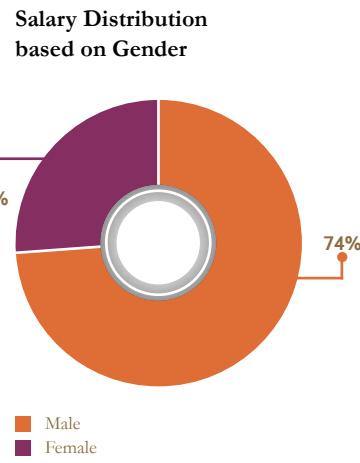
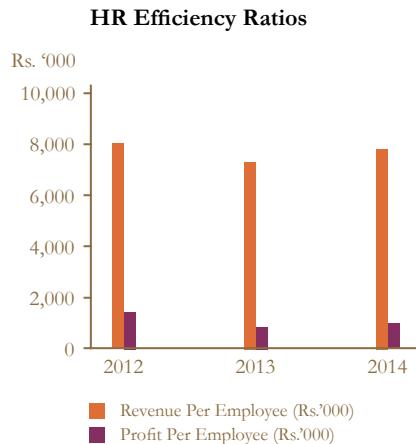
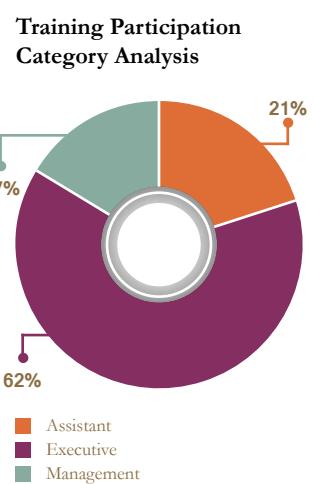
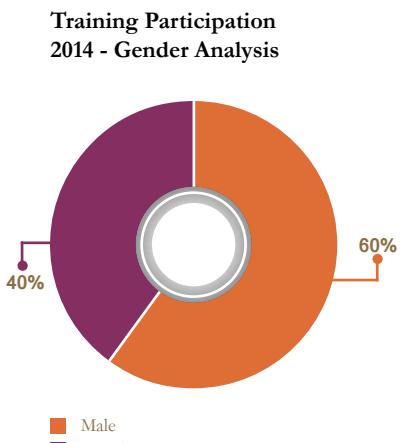
As a result, the company maintained zero work related fatalities, injuries and occupational diseases in the year 2014. Since the company operates in the service industry, there are no employees in occupational activities which have a high risk of occupational diseases, however, the Company always aligns with health and safety standards set by relevant official bodies.

Training & Development

One of our core competitive factors is our ability to develop people. Our people development programmes are helping our team be the best they can be, irrespective of level or role. Employee's competencies are linked with our business strategy. Employee leadership development programs are focused on future leaders of the business. We are using the following module in our talent management. We always encourage professional and academic advancements from all employees, which sharpen their knowledge, skills and abilities by imparting modern work practices. Our key objective is to inculcate a learning culture among the team. After critically analysing training and development needs of the organization / departments and individuals, we provide a wide range of training and development opportunities to enhance employee soft skills and technical skills. To enhance employee soft skills and technical skills, out of 38 training programmes which we have arranged, ten have been organized for soft skills development and twenty eight trainings were conducted for technical skills development.

Integrated Management Discussion and Analysis Contd.

Year	2012	2013	2014
No. of Training Programmes	8	12	38
Total Cost Yearly (Rs)	116,000	760,020	1,106,289
Training Hours (Hours)	168.1	974.5	2308.25



Rewards & Recognition

We recognize and encourage our employees to build a performance driven culture, where values of integrity, responsibility and respect, are highly admired. Strategic HR decisions are centric with employee development activities and stakeholder satisfaction factors. Employee branding is important as we are expanding into new markets, to recruit new people and to face new challenges of business. The Siyapatha performance management system is transparent and enables employees to access and ascertain their career prospects. Employees are principally attracted towards the remuneration package given by the company and company's pay management system has been designed to provide a win-win situation for both employee and employer.

HR Efficiency Ratios	2012	2013	2014
Revenue Per Employee (Rs.'000)	8,059	7,304	7,831
Profit Per Employee (Rs.'000)	1,451	921	1,024

Employee Well-being

Employee well-being is at the heart of being an agile, flexible and diverse organization. A pleasant work environment enhances employee morale and efficiency. According to Company policy all the permanent cadre and fixed term contract employees, are eligible for the benefits provided by the organization.



Siyapatha Cricket Team



Black out party



Annual Pirith ceremony

Welfare Measures

- ❖ Hospitalization covers are available for all employees of the Company.
- ❖ The vehicle loan scheme offers loan facilities for motorbikes and motor cars, with preferential terms.
- ❖ Personal accident cover is available up to an upper limit of Rs 2 million.

Employee welfare is a key area of employee non-monetary benefits. We have organized a variety of events to build teamwork and enhance leadership and organizing skills. The Blackout Party, Pirith ceremony, Christmas party and other social activities help employees forge closer relationships with the Siyapatha family. Outdoor activities help employees improve their work-life balance.

Communication

A Board approved 'Stakeholder Communication Policy' is being practiced within the Company and this ensures effective communication, which is in the best interest of all our stakeholders.

Our communication culture encourages open communication systems with employees, where top-down and bottom-up communication channels are effectively used. All strategic decisions are communicated amongst corporate management and operational decisions/ changes in systems, are communicated to all staff members through the communication mechanism implemented within the Company.

Statutory Obligations

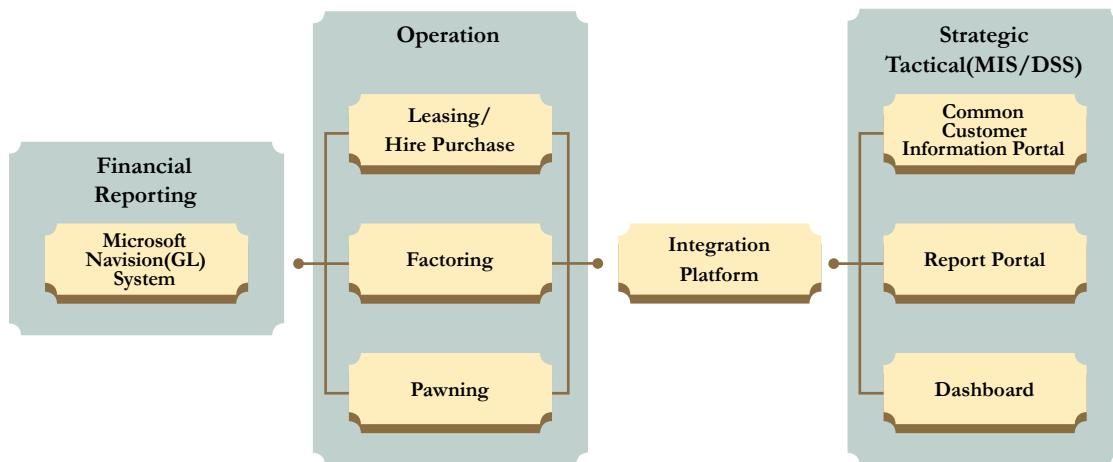
The Company is committed to uphold the principles, laws and regulations governing labor in Sri Lanka. All statutory obligations have been met, including contributing to the employees' Provident Fund, Employees' Trust Fund and maintaining the gratuity scheme as required. We always comply with the guidance given by the Central Bank of Sri Lanka, through our policies. In terms of employee relations, the Company focuses on maintaining a healthy relationship with its employees. The Company always encourages fair labor practices where it can create a win-win situation for both parties. As we provide our employees with benefits above and beyond the minimum statutory requirements, we have been able to maintain very cordial relations with our employees.

Integrated Management Discussion and Analysis Contd.

IT system integration progress in 2014

- ❖ ‘Kingsoft Office’ was implemented as the office application for operational work. ‘Free & Open Source Software (FOSS)’ was introduced for development activities. This has resulted in significant cost savings which has positively influenced the Company’s bottom line. These permitted open source software packages are free from any legal bindings, commitments and consequences.
- ❖ **Operation (Transaction Processing Software):** Transaction processing software was improved to increase the productivity of business and administrative entities of the Company. All business functions, including leasing, hire purchase, factoring and pawning, are now fully computerized with a single processing location and linked to an online general ledger, which is a proven software application called Microsoft Navision.
- ❖ **Strategic/Tactical (Decision Support/Management Information Portal) :** The IT Department has developed a common customer information portal, report portal and dashboard, to support decision makers.
- ❖ **Financial Reporting :** Microsoft Navision is used for general ledger functions and financial reporting.

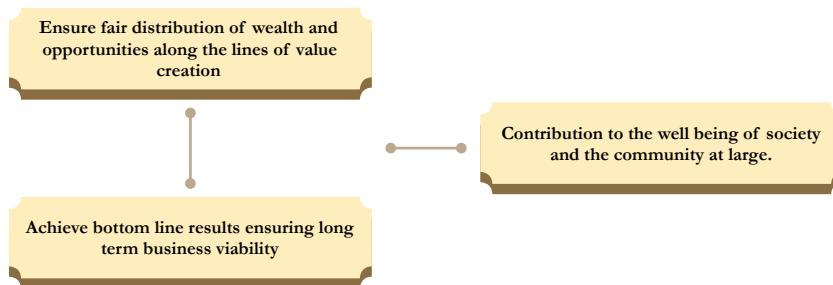
Siyapatha Finance IT System Hierarchy



Corporate Social Responsibility (CSR)

Our Approach to Social Responsibility

As a socially responsible financial institution, we are aware that our strategy must address the interests of all stakeholders: investors, employees, customers, government and society at large. To do so, we must increase shareholder value, while simultaneously improving the firm's performance on environmental, social, and governance (ESG) dimensions.

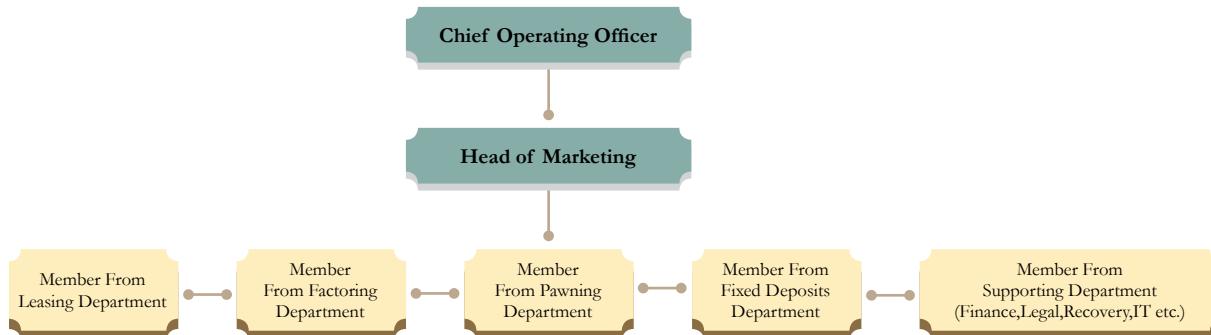


How we organize ?

As a corporate business citizen, we engage in community support activities each year with the intention of making a contribution towards society. With this purpose a CSR committee has been appointed with representatives from different divisions.

The Company CSR Committee is headed by the Chief Operating Officer and seconded by the Head of Marketing. Other members of the Committee are selected staff members from all departments, irrespective of their grades. This helps to increase collaboration and unity amongst the members of the staff. The CSR Committee is responsible for maintaining transparency and diversity of CSR initiatives to give the highest level of benefits to society.

Structure of the CSR Committee



The CSR strategy for the year was built around the concept of sharing positive activities through a de-centralized focus. Without being limited to the head office or to regional offices, a de-centralized CSR initiative was proposed at branch level. Accordingly, each branch can propose its own CSR initiatives within the scope specified.

The scope of CSR initiatives for the period were;

- ❖ Improving health care
- ❖ Improving education
- ❖ Improving social infrastructure
- ❖ Enhancing social welfare
- ❖ Enhancing religious commitments

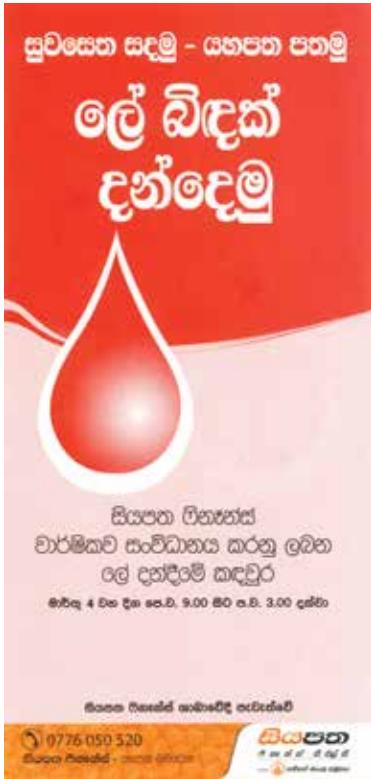
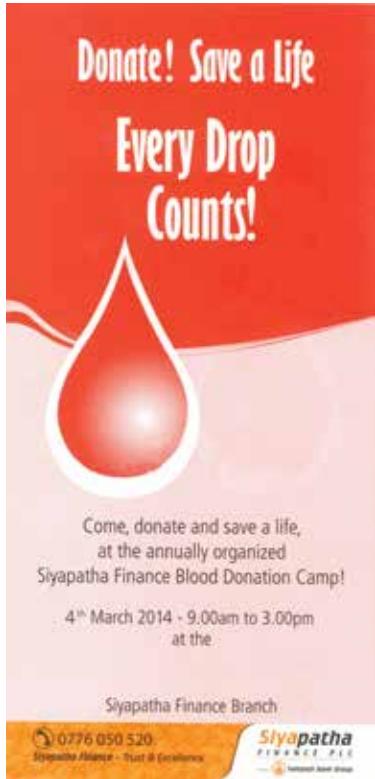
CSR Initiatives during the Year

During the year, the Company organized two main community engagement activities; a blood donation campaign and a donation of artificial limb and arm cultures to people in need, through the 'Colombo Friend in Need Society' (CFINS) .

Integrated Management Discussion and Analysis Contd.

Blood Donation Campaign

The CSR theme for the project was 'Donate, Save a Life'. Thus a blood donation programme was organized in collaboration with National Blood Bank, to commemorate our 9th anniversary on 5th March 2014, in nine channel locations. The programme was a great success and we collected 678 packets of blood, with the participation of over 1,200 potential donors, against an actual expectation of 675 packets. The head office and eight other branches - Anuradhapura, Ampara, Matara, Kandy, Kurunegala, Peliyagoda, Negombo and Nugegoda – contributed to this effort.



Certificate of Appreciation Presented to donor

Mr/Ms _____

of

At The Annual Blood Donation Campaign

Organized by Siyapatha Finance Limited

on 4th March, 2014

Authorized Signatory
Siyapatha Finance Limited

Authorized Signatory
National Blood Transfusion
Service of Sri Lanka

Siyapatha Finance - "Trust & Excellence"

Anupama Bank Group

Certificate of Appreciation

Leaflets



Blood Donation Campaign - year 2014

Donation of Artificial Limb and Arm Cultures

The Company donated artificial limb and arm cultures to the disabled at the 'Colombo Friend in Need Society' (CFINS). CFINS is the oldest charitable organization in Sri Lanka, established in 1831 under the patronage of Governor Sir Edward Barnes. The Society has now completed over 175 years of service to more than 12,500 people in Sri Lanka.



Donating Artificial Limb and Arm Cultures



Ice cream Dansala - 2014



Ice cream Dansala - 2014

Other Community Engagements

Poson Dansela

A Poson dansela was organized at the Head Office premises on 11th June 2014 in collaboration with all the departments at the head office. The targeted crowd for the dansela were the companies surrounding Nawam Mawatha. The event was a great success with the unity and the active participation of all head office staff members.

Integrated Management Discussion and Analysis Contd.

Future Strategic Outlook

SWOT Analysis of Siyapatha Finance PLC

The company has identified and mapped its relative strengths/ weaknesses/ opportunities and threats against key players in the market. These factors are predominant in positioning the company in its marketplace with due focus on operational efficiencies and synergies at a highest level.

- ❖ Inherited strengths of the company such as corporate brand, cross selling ability, service efficiency, supplier network management and flexibility in service need to be matched with the best available market opportunities to gain the maximum benefit of these strengths.
- ❖ Prevailing weaknesses of the company such as high lending rates, limited approach to market segments and limited branch network needs to be gradually addressed and converted to strengths.
- ❖ Existing market opportunities such as general economic growth, increased demand for specific asset categories, influx of new vehicles and market penetration will have to be focused on and timely initiatives are required to capitalize on same before the market becomes saturated.
- ❖ Prevailing market threats and challenges such as competition from existing players which would narrow interest spreads and availability and growth of substitute products such as vehicle loans must be addressed with a strategic focus.



SWOT Analysis of Siyapatha Finance PLC

Key Strategic Objectives

- ❖ To gain top of the mind recall in the relevant target market by being amongst the most preferred three brands in respective product categories.
- ❖ To expand channel distribution in both physical and virtual forms.
- ❖ To keep a high level of lending product diversification in both short and medium term market to suit customer requirements.
- ❖ To achieve high profitability (eg. ROA, ROE) and efficiency standards relative to the industry averages.
- ❖ To maintain high lending quality (low NPLs) in order to minimize non-systematic lending risk
- ❖ To deliver augmented returns to shareholders and to be a preferred entity for investors.
- ❖ To deliver extra ordinary customer service through flexibility and service efficiencies over leading competitors and be a product differentiator in the market
- ❖ To generate maximum value addition to internal customers in both financial and non financial terms by being a preferred employer in the labour market.
- ❖ To deliver positive externalities to the business and social environment by being a socially responsible brand in the corporate world.
- ❖ To achieve overall growth with a balanced perspective for all stakeholders by redefining the entity as a potential benchmark for the players in the finance industry.

Enter into new lines of business (New Product Launches)

The company would progressively launch several new product lines in pawning, deposits and small business loans. Focus would be made on product line extensions, especially for the pawning product to cater to various short term and medium term funding requirements of the customer base. Value Additions to existing products would also be made to privilege existing customers. The company also plans to offer additional downstream products like vehicles loans. This would enable it to remain in contact with its customers throughout the product life cycle and grow its revenues through opportunities for repeat business and cross selling.

It is believed that diversification strategy would favourably affect the company to

reduce reliance on one sector, leverage the significant opportunities and to increase cross selling opportunities/ client retention.

Expansion of Distribution Footprint

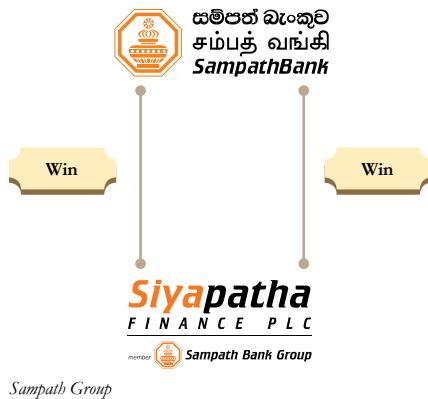
Company intends to expand its operations by growing its branch network and expanding partnerships with dealers and agents. This includes conversion of window offices and pawning centers in to branches. The number of branches will be increased to be 22 by end 2015 and further increased to 40 by year 2016.

These initiatives will help the firm to tap potential geographies, and also contribute towards partly mitigating the risks emerging from increased competition.



Growth Strategy

Integrated Management Discussion and Analysis Contd.



Focus on Brand Building

Company's brand has a strong association with its parent company and our focus on strengthening our own brand and image in the market is unquestionable. The company recently completed 10 years in operation and is planning to launch a creative campaign, with the objective of emphasizing and highlighting the attributes of reliability and trust.

Company has initiated mass market communications through all the major printed media in prominent advertising spaces with the primary purpose of enhancing brand awareness. Closer to all branch locations, corporate hoarding sites are contracted and maintained. The Company will move towards audio based mass communications through prominent radio channels parallel to the 10th year anniversary.

Branch branding standards are enhanced to ensure that a consistent physical appearance is experienced by customers in any geographical location.

Attracting & Retaining Human Skills

Hiring and retaining talented individuals is critical to the company's success. The company adopts a more forward looking approach in its HR management. We understand that the future directions would emphasise the need for training and skill development of all staff.

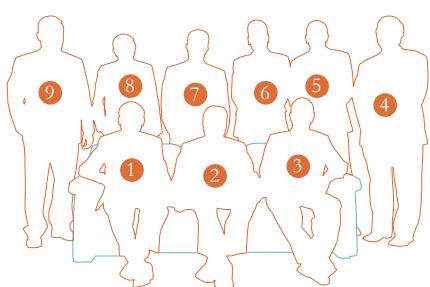
Leveraging Technology to Extend Reach and Control Costs

Since its inception, the Company has successfully used technology to gain a competitive advantage in view of intense competition in the sector. Over the next three years, the company plans to concentrate its technology initiatives in key areas and make more usage of business intelligence tools.

Focus on Maintaining Superior Asset Quality and High Profitability

Company's strategy has revolved around maintaining superior asset quality and sustainable profitability through disciplined credit risk management. The company has focused on consistently maintaining discipline in ensuring superior asset quality.

Board of Directors



Mr. Mohan A. Abeynaike	1
<i>Chairman</i>	
Mr. Channa P. Palansuriya	2
Mr. Sunil G. Wijesinha	3
Dr. Dilanjan Soysa	4
Mr. Prasantha Lal De Alwis	5
Mr. Asoka Sirimane	6
Mr. Aravinda Perera	7
Mr. Ranjith Samaranayake	8
<i>Company Secretary</i>	
Mr. R. L. S. Senaratne	9

Board of Directors Contd.

Directors' Profile

Mr. Channa Prabodha Palansuriya

Chairman

Non-Independent, Non-Executive Director

Mr. Palansuriya has over 30 years of experience in the Apparel sector as the head of the Orit Group of Companies. He continued to provide leadership to other companies in the Apparel Industry. He has gained wide experience in Government administration by being a Board member of the Board Of Investment of Sri Lanka (BOI) between 2005 – Jan 2015. He has won awards such as the Asia Pacific Outstanding Entrepreneurship award in 2013, the Sri Lankan Entrepreneur of the Year in 2002 and the silver award from the National Chamber of Exporters of Sri Lanka for the Garment Extra Large category, in 2012.

He was appointed as the Deputy Chairman of the National Livestock Development Board with effect from 02 February 2015. He was a Board Member of the Sri Lanka Institute of Textile & Apparel, the Deputy Chairman of the Joint Apparel Association Forum (JAAF), the Chairman of the Apparel Exporters' Association 200 gfp, during 2006-2008, and Chairman of GC Lanka Clothing (Pvt) Ltd until 2013.

Mr. Palansuriya was appointed to the Board of Siyapatha Finance PLC on 02 May 2014.

Currently he serves as the Deputy Chairman of Sampath Bank PLC and the Chairman /Managing Director of the Orit Group comprising Orit Apparels Lanka (Pvt) Ltd and Orit Trading Lanka (Pvt) Ltd. He is the Chairman of Style-Kraft Sportswear (Pvt) Ltd (Canada) and Orit Inspired Creations (Pvt) Ltd. He is an Executive Committee

Member of the Joint Apparel Association Forum (JAAF), the Apparel Exporters Association GFP and of the Sri Lanka Apparel Sourcing Association (SLASA).

Mr. Mohan Asoka Abeynaike

Deputy Chairman

Independent, Non-Executive Director

Mr Abeynaike is a Fellow of the Institute of Chartered Accountants of Sri Lanka.

Mr. Abeynaike has been Chairman/Director of several companies and public sector organizations. He was a Director of Sampath Bank PLC from July 1995 to December 2011. He was the President of the Institute of Chartered Accountants of Sri Lanka and a member of the Securities & Exchange Commission of Sri Lanka.

Mr. Abeynaike was appointed as a Director to the Board of Siyapatha Finance PLC on 28 March 2012. He is the Chairman of the Integrated Risk Management Committee and a member of the Board Credit Committee and Board Audit Committee of Siyapatha Finance PLC.

Mr. Abeynaike currently serves as the Chairman of Asia Pacific Investments (Pvt) Limited and is a Director of the Pan Asia Banking Corporation PLC

Mr. Sunil Gamini Wijesinha

Non-Independent, Non-Executive Director

Mr. Sunil G. Wijesinha is a Chartered Engineer, a Chartered Management Accountant FCMA (UK) and has an MBA. He has vast experience in the fields of industry, finance and management consultancy spanning both the public and private sectors in Sri Lanka. He has served on the Boards of Directors of many

state organizations and public and private companies, including Sri Lankan Airlines Limited, MILCO, the Colombo Dockyard, the Sri Lanka Standards Institution, the State Plantations Corporation, the National Institute of Plantation Management, Maturata Plantations Limited and Asiri Surgical Hospitals PLC. He is the former Chairman and MD of Dankotuwa Porcelain PLC.

He was on the Boards of Sampath Bank PLC (Deputy Chairman), Merchant Bank of Sri Lanka PLC (Managing Director), Lanka Securities (Pvt) Limited, DNH Financial (Private) Limited and DFCC Vardhana Bank PLC. In addition, he served as the Chairman of the National Development Bank PLC, the Employees' Trust Fund Board and Merchant Credit of Sri Lanka. Mr Wijesinha is the immediate Past President of the National Chamber of Commerce of Sri Lanka and immediate Past Chairman of the Employers' Federation of Ceylon.

Mr. Wijesinha has specialized in Industrial Engineering/ Productivity and is a well known proponent of Japanese style management.

Mr. Wijesinha was appointed to the Board of Siyapatha Finance PLC on 22 October 2008. He is a member of the Board Audit Committee and the Board Corporate Governance Committees of Siyapatha Finance PLC.

Mr. Wijesinha is currently the Managing Director of BizEx Consulting (Pvt) Limited and holds Chairmanships of Watalawa Plantations PLC, United Motors Lanka PLC, Unimo Enterprises Limited, Orient Motor Company Limited, UML Property Developments Limited and TVS

Automotives (Pvt) Limited. He is a Director of TVS Lanka Pvt Limited, the National Institute of Business Management and the Sampath Centre Limited.

**Mr. Mahawaduge Yasalal Aravinda Perera
Non-Independent, Non-Executive
Director**

Mr. Perera counts over 30 years experience in the banking sector. He is a Fellow of the Chartered Institute of Management Accountants, UK and a Fellow of the Institute of Bankers of Sri Lanka. He is a Chartered Engineer and a member of the Institute of Engineers, Sri Lanka. He has a Bachelor of Science Degree in engineering, from the University of Moratuwa and a MBA from the University of Sri Jayewardenepura.

He held the positions of Deputy Managing Director (DMD), Chief Operating Officer, Deputy General Manager-Corporate Banking and other positions during his 27 year career at Sampath Bank. He also served as the Senior Project Officer at DFCC and as the Departmental Manager and Service Engineer at the Ceylon Tobacco Company. He was an Engineer at the National Milk Board and was a Director of the Credit Information Bureau of Sri Lanka and Lanka Clear (Pvt) Limited.

Mr. Perera was appointed to the Board of Siyapatha Finance PLC on 28 March 2012. He is also a member of the Board Credit Committee of Siyapatha Finance PLC.

Currently Mr. Perera is the Managing Director of Sampath Bank PLC. He is also a Director of Lanka Bangla Finance Limited of Bangladesh and SC Securities (Pvt) Limited. He is also a Governing Board Director of the Institute of Bankers of Sri Lanka, the Lanka Financial Service Bureau Limited and the Colombo Stock Exchange.

**Mr. Watuthantrige Mahiman Prasantha
Lal De Alwis P.C.**

**Non-Independent, Non-Executive
Director**

Mr. Alwis has been an Attorney-at-Law since 1983 and holds a LL.B and a LL.M from the University of Colombo. He was a former State Counsel at the Attorney General's Department and was appointed as a President's Counsel in November 2012. He is an Associate member of the Chartered Institute of Marketing, UK.

Mr. Alwis was a Director of Sampath Bank from January 2002 to January 2011. He was a member of the Consumer Affairs Authority, and was on the Board of the Sri Lanka Foreign Employment Agency, the Official Languages Commission in Sri Lanka and the Kadiragamar Institute of International Relations and Strategic Studies.

Mr. Alwis was appointed to the Board of Siyapatha Finance PLC on 25 February 2011. He is the Chairman of the HR & Remuneration Committee and is a member of the Integrated Risk Management Committee and Board Corporate Governance Committee of Siyapatha Finance PLC.

Mr. Alwis is a Certified National Trainer in Human Resource Management of the Junior Chamber International and is a visiting lecturer at the Law College and the Faculty of Law of the University of Colombo. He currently serves as a Director of Softlogic Holdings, Orit Apparels Lanka (Pvt) Limited, Orit Inspired Creations (Pvt) Limited and Coral Sands Hotel (Pvt) Limited. He was appointed as the Honorary Consul of Seychelles in Sri Lanka, in October 2013. He is also a Member of the Board Management of Centre for Human Right Development at the University of Colombo.

**Dr. Hennedige Srinath Dilanjan Soysa
Senior Director**

**Independent, Non-Executive Director/
Senior Director**

Dr. Soysa obtained his Bachelor of Science (B.Sc.) Degree with first class honours in Chemistry from the University of Ceylon, Colombo and his Masters (M.A) and Doctorate (PhD) in Chemistry, from the University of Southern California, Los Angeles, USA.

Dr. Soysa started his career as an Executive Officer at Grindlays Bank PLC. He has held several key corporate positions, including the position of Management Consultant at the Development Financial Corporation of Ceylon Limited and Citi Bank. In the fields of Finance and Leasing he was involved in starting operations in 1983, at Mercantile Lloyds Leasing Limited, from where he retired as the Deputy Managing Director in 2000. He then joined the Commercial Leasing Company Limited, as General Manager/CEO, in 2002 and served in that position until his retirement in 2010. He was appointed to the Board of Siyapatha Finance PLC as a Director on 01 January 2011 and holds the Chairmanship of the Board Credit Committee and memberships in the Board Audit Committee, Integrated Risk Management Committee and HR/ Remuneration Committee.

Currently he serves as a Director of STK Engineering (Pvt) Limited, STK Developers (Pvt) Limited, Shalsri Investments (Pvt) Limited, Maskeliya Plantations PLC and Packserve (Pvt) Limited.

Board of Directors Contd.

Mr. Parakrama Maithri Asoka Sirimane

Independent, Non-Executive Director

Mr. Sirimane is a Fellow of the Institute of Chartered Accountants of Sri Lanka and holds a MBA with Distinction from the University of Swinburne, Victoria, Australia.

He has held several key corporate positions, including the positions of Chief Financial Officer, Sri Lanka Telecom PLC and Managing Director/Chief Executive Officer of Mercantile Leasing Limited.

He was appointed as a Director to the Board of Siyapatha Finance PLC on 03 August 2010. He is the Chairman of the Board Audit Committee and Board Corporate Governance Committee and is a member of the Integrated Risk Management Committee and Board HR /Remuneration Committee of Siyapatha Finance PLC.

He currently serves as a Director/Chief Financial Officer of E.B Creasy & Co PLC and some of its Subsidiaries.

Mr. Ranjith Samaranayake

Non-Independent, Non-Executive Director

Mr. Samaranayake has had extensive experience as the Head of Finance & Planning at the National Savings Bank, the Commercial Bank of Ceylon PLC and Sampath Bank PLC. He counts over 39 years experience in managing finances in the financial services sector and holds a Bachelor of Commerce (Accountancy Special)Degree from the University of Peradeniya.

Previously Mr. Samaranayake functioned as an Accountant (Grade III) in the National Savings Bank from January 1975 to August 1979. He then joined the Commercial Bank of Ceylon PLC and during his tenure at Commercial Bank he held the position of Senior Deputy General Manager (Finance & Planning).

Mr. Samaranayake was appointed as a Director to the Board of Siyapatha Finance PLC on 28 December 2012. He is also a member of the Board Credit Committee.

Currently Mr. Samaranayake serves as the Group Chief Financial Officer and as an Executive Director of Sampath Bank PLC.

Lasantha Senaratne

Company Secretary

Mr. Senaratne took oaths as an Attorney-at-Law in 1997 and has an LL.B, LL.M and MBA from the University of Colombo. He is a Fellow of the Institute of Bankers of Sri Lanka(IBSL) and a Fellow of the Institute of Certified Professional Managers (CPM). He is an Associate member of the Chartered Corporate Secretaries (ACCS) and an Associate Management Accountant (AMA), CMA Sri Lanka.

Mr. Senaratne counts 26 years of experience at Sampath Bank. He started his career as a Banker in 1989 and thereafter continued as a Legal Officer and a Company Secretary.

He was appointed as the Company Secretary of Siyapatha Finance PLC on 01 January 2008. In addition, he currently functions as the Company Secretary of the Sampath Centre Limited and Sampath Information Technology Solutions Limited. He is also the Assistant Company Secretary of Sampath Bank PLC and SC Securities (Pvt) Ltd.

Mr. Senaratne is a visiting lecturer at the University of Colombo and the Institute of Bankers of Sri Lanka He is a Governing Board Director of the IBSL.

Corporate Management Team



Roshan Nanayakkara
Chief Executive Officer



Rajeev De Silva
Chief Operating Officer



Anura Fernando
Head of Recovery



Randhil Siriwardene
Head of Factoring



Hasuni Gayasha
Head of Finance



Rohana Dissanayake
Head of Deposits



Thilani Punyawansa
Head of Risk & Compliance



Mathisha Hewavitharana
Head of Marketing



Nimal Luxshman
Head of Internal Audit



Sajeewa Dodanwatte
Senior Manager - Credit

Other Key Managers



Bathiya Samaraweera
Head of Sales



Mohamed Faiz
Regional Manager



Thilak Adikari
Regional Manager



Hisham Ziard
Regional Manager



Samanmali Wijeratne
Manager - Legal



Ajantha Kumara
Manager - Pawning



Sampath Himendra
Manager - Operations



Manjula Balasuriya
Manager - IT



James Peiris
Manager - Strategic Marketing - Factoring



Mahesh Ganithage
Manager - Portfolio - Factoring



Shehan Atapattu
Manager - Operations - Factoring



Damith Shaminda
Manager - Internal Audit



Nimasha Kumarasiri
Accountant



Susantha Watudura
Manager - Business Development



Gathara Chathudisi
Assistant Manager - Operations



Dadira Peiris
Assistant Manager - Administration

Branch Managers / Branch Related Services



Indika Rajapakshe
Branch Manager - Nugegoda



Amila Shanaka
Branch Manager - Head Office



Bandara Medagoda
Branch Manager - Kandy



Senarath Bandara
Branch Manager - Kurunegala



Amila Kumara
Branch Manager - Negombo



Manjula Jayathilaka
Branch Manager - Nuwaraeliya



Anura Jayasinghe
Branch Manager - Peliyagoda



Ashoka Rupasinghe
Branch Manager - Ampara



Mohamed Primsath
Branch Manager - Kalmunai



Buddhika Ratnayake
Branch Manager - Matara



Chamara Perera
Branch Manager - Kuliyapitiya



Ananda Jayakody
Officer In Charge - Kegalle



Bhathiya Asanka Kumara
Officer In Charge - Anuradhapura



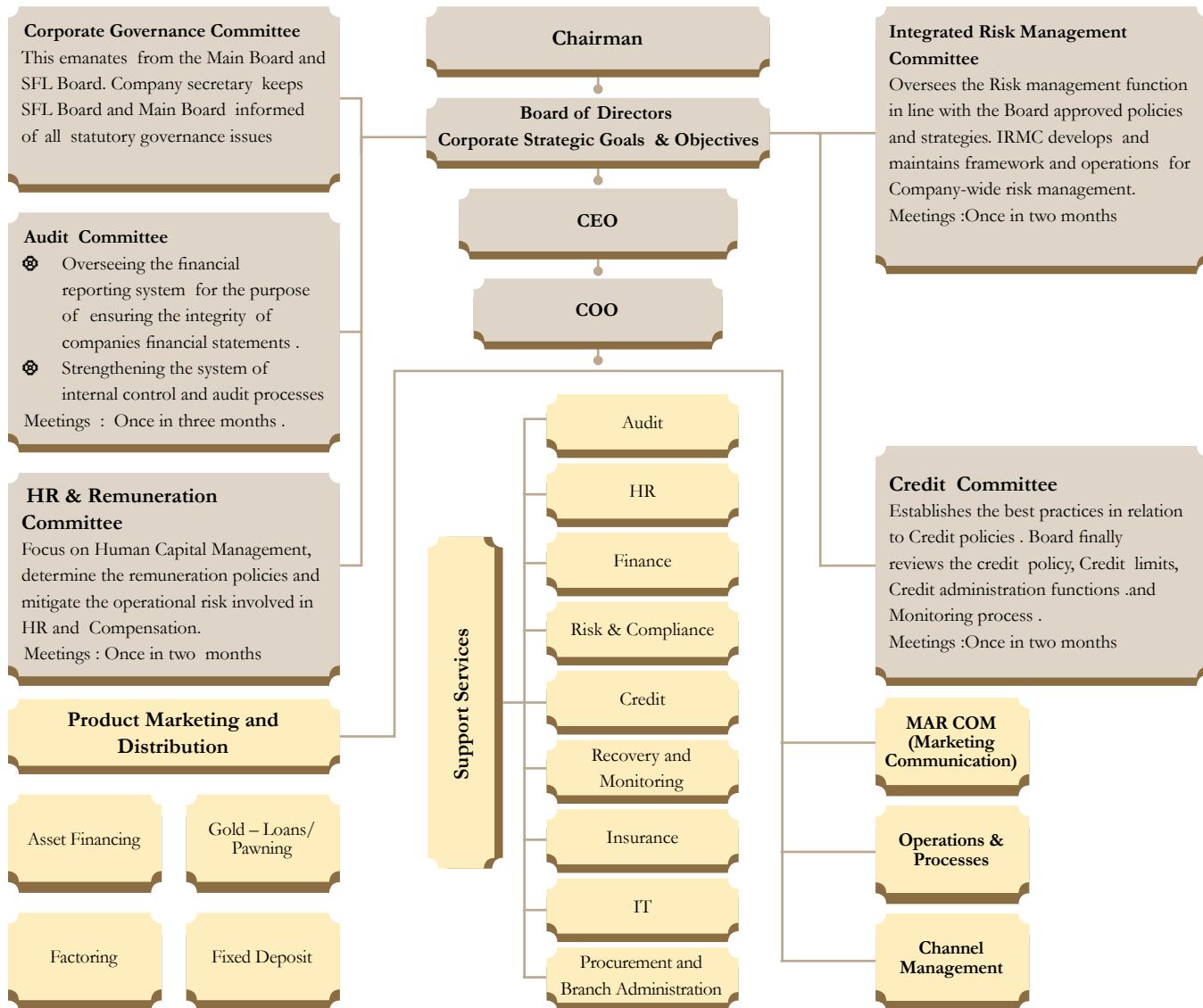
Hemantha Premarathna
Officer In Charge - Ratnapura



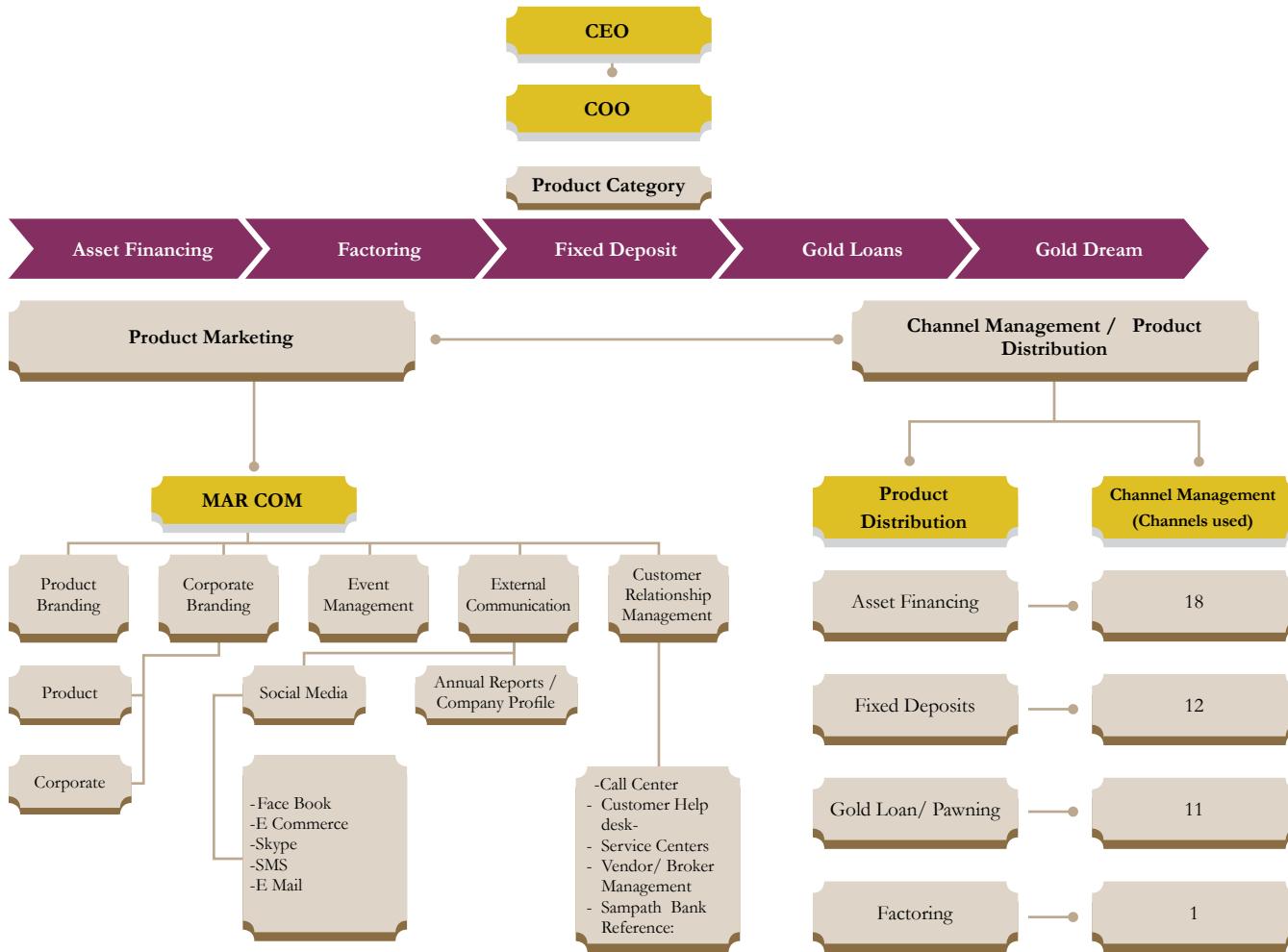
Amila Liyanarachchi
Senior Executive - Insurance

Corporate Governance

Corporate Governance Structure



Structure revolving around Product Marketing, Product Distribution and Channels used



Corporate Governance Contd.

Directors' Attendance & Committee Memberships

Directors' Attendance for the Year 2014

Director	Board Meetings	Board Audit Committee	Integrated Risk Management Committee	Board Credit Committee	Board HR & Remuneration Committee	Board Corporate Governance Committee
Mr. Channa Prabodha Palansuriya *	12					
Mr. Mohan Asoka Abeynaike	20	08	07	06		
Mr. Sunil Gamini Wijesinha	21	10				
Dr .Dilanjan Soysa	20	10	07	06	11 ®	01®®
Mr. Asoka Sirimane	20	10	05		14	02
Mr. Prasantha Lal De Alwis	20		07		15	02
Mr. Aravinda Perera	20			05		
Mr. Ranjith Samaranayake	20			06		
Mr. Indulakshin Senanayake **	05		01			
Ms. Mangali Anoja Karunaratne ***	17		06		11	02
Total No. of Meetings	21	10	07	06	15	02

® Joined the Committee on May 28, 2014

®® Resigned from the Committee on May 28, 2014

* Appointed with effect from May 02, 2014

** Retired with effect from March 02, 2014

*** Resigned with effect from December 02, 2014

Committee Composition as at December 31, 2014

Name of Committee	Main Board	Board Audit Committee	Integrated Risk Management Committee	Board Credit Committee	Board Human Resources & Remuneration Committee	Board Corporate Governance Committee
Name of Director						
Mr. C.P.Palansuriya (Appointed with effect from May 02, 2014)	C					
Mr. M.A.Abeynaike	M	M	C	M		
Mr. S.G.Wijesinha	M	M				M
Mr. P.M.A.Sirimane	M	C	M		M	C
Dr. H.S.D.Soya	M	M	M	C	M	
Mr. W.M.P.L.De Alwis	M		M		C	M
Mr. M.Y.A.Perera	M			M		
Mr. R. Samaranayake	M			M		
Mr. I.W. Senanayake (Retired with effect from March 02,2014)	C		o			
Ms. M.A.Karunaratne (Resigned with effect from December 2, 2014)	M	o	o		o	o
C – Chairman M – Member o – Member until retirement						

Corporate Governance Contd.

The Code of Best Practice on Corporate Governance issued jointly by the Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka

Code of Best Practice Reference	Requirement	Level of Compliance	Explanation of the Company	Responsibility
A DIRECTORS				
A.1 THE BOARD				
				Complied
A.1.1	Board meetings	Complied	<p>Board meetings are planned well ahead and dates of the meetings which are scheduled monthly are finalized at the beginning of the calendar year.</p> <p>Board meetings are mainly focused on reviewing the Performance of the Company and other routine matters. Board spends more time on Strategic Planning and the Company's direction on future. All key Officers in their monthly presentations to the Board focus 100% on their performances and future plans towards strategic vision.</p> <p>Special Board meetings are convened whenever necessary. These meetings ensure that prompt actions are taken to align the business processes to achieve the expectations of all stakeholders. During the reviewed period 21 Board meetings were held.</p> <p>Please refer 'Number of Meetings Held and Attendance' table given in page 78 on the Annual report.</p>	Board of Directors and Company Secretary
A.1.2	Responsibilities of the Board	Complied	<p>The Board while acting in line with the organization and the Group values is responsible for the formulation of a sound business strategy for the organization. Every three years the Board formulates a strategic plan unique for the organization which addresses the future challenges of the Economy, while recognizing sustainable business development in corporate strategy, decisions and activities.</p> <p>During the last few years Board gave more recognition on Human Capital and recruited to the Corporate management, individuals who are capable and talented with required skills, experience and knowledge to accept any challenge that the Company may face in the future. Board also implemented a succession plan, with a view to ensure there is a strong successor to shoulder the responsibilities of the Company if it becomes necessary.</p>	Board of Directors

Code of Best Practice Reference	Requirement	Level of Compliance	Explanation of the Company	Responsibility
			The Board takes necessary steps to fulfil the duties entrusted to them by securing the integrity of the information, managing risks and implementing an effective internal control system. In this process, compliance will ensure that all applicable laws and regulations and adherence to the organization and the group ethical standards and corporate values are met and of utmost importance in order to ensure that the interests of all stakeholders are taken into consideration in the corporate decision-making process.	
A.1.3	Agreed procedure on seeking independent professional advice	Complied	Clear formulated and approved procedure is in place for the Directors to seek independent professional advice as and when required, at the Company's expense. Further when necessary Board Sub-Committees advise the Board on various matters under their purview.	Board of Directors and Company Secretary
A.1.4	Advice and services of the Company Secretary	Complied	Clear formulated and approved procedure by the Board is in place for the Board members to have full access to the Company Secretary to ensure that proper Board procedures are followed and that all applicable rules and regulations are complied with. Legal matters for which clarifications are needed by the Board are referred to the Company Secretary who is an Attorney-at-Law. He provides such information after obtaining necessary professional advice whenever required.	Board of Directors / Company Secretary
A.1.5	Independent judgment of Directors	Complied	All Directors are free to bring independent judgment for decision making of the Company and for the decisions taken by the Board on issues of strategy, performance, resources and standards of business conduct. Different arguments and the ideas are recorded in detail by the Company Secretary to show how the Board has arrived at decisions.	Board of Directors/ Company Secretary
A.1.6	Dedicating adequate time and effort by the Directors	Complied	All Directors of the Company dedicate adequate time and effort at Board and Committee meetings to fulfill their duties as Directors of the Company. Further they also spend their time before and after the meetings, to ensure that the duties and responsibilities owed to the Company are discharged according to highest standards. Board Papers/Committee Papers are dispatched in advance for the directors to call for additional information for their decision making.	Board of Directors/ Company Secretary

Corporate Governance Contd.

The Code of Best Practice on Corporate Governance issued jointly by the Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka

Code of Best Practice Reference	Requirement	Level of Compliance	Explanation of the Company	Responsibility
A.1.7	Training for new and existing Directors	Complied	Directors have recognized the need for continuous training and expansion of knowledge and take part in such professional development as they consider necessary in assisting them to carry out their duties as Directors. Market experts and professionals services are obtained to share new knowledge from time to time. Any training programmes relevant to the Board are informed by the Company Secretary to Directors for them to participate.	Board of Directors/ Company Secretary

A.2 CHAIRMAN AND CHIEF EXECUTIVE OFFICER (CEO)

Complied

Board of Directors do not intervene with the Company's day to day business and there is a clear division of responsibilities between conducting the business of the Board and day-to-day operations of the Company by the executive management, in order to ensure a balance of power and authority. The Chairman is responsible for leading the Board to drive towards the Strategic Vision and ensure the effectiveness of the Board. The CEO's role is primarily to conduct the business operations of the Company with the help of the Corporate and the Senior Management. Hence, the roles of the Chairman and CEO are clearly distinct from one another.

A.2.1	Separation of the roles of Chairman & CEO	Complied	<p>Chairman and CEO positions are held by two individuals and the Functions of the Chairman and CEO are clearly documented, defined and separated by the Board, thereby preventing unfettered powers for decision making being invested with a single autonomous person.</p> <p>There is a clear division of responsibilities between conducting the business of the Board and day-to-day operations of the Company in order to ensure a balance of power and authority. The Chairman is responsible for leading the Board and for its effectiveness. The CEO's role is primarily to conduct the business operations of the Company with the help of the Corporate Management. Hence, the roles of the Chairman and CEO are clearly distinct from one another.</p>	Board of Directors
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Code of Best Practice Reference	Requirement	Level of Compliance	Explanation of the Company	Responsibility
A.3 CHAIRMAN'S ROLE				Complied
Chairman is responsible to ensure all Board members make a full contribution to the Board's affairs and ensure that the Board acts as a team while discharging the Board functions. He also provides leadership to the Board and effectively manages the Board while preserving the order and facilitating effective discharge of Board functions.				
A.3.1	Role/ Functions of the Chairman	Complied	<p>The followings functions of the Chairman are approved by the Board</p> <ul style="list-style-type: none"> ❖ Provide leadership to the Company and Board of Directors. ❖ Ensure that the Board works effectively and discharges its responsibilities. ❖ Ensure that all key and appropriate issues are discussed in the Board, in a timely manner. ❖ Responsible for drawing up and approving the agenda for each Board meeting, taking into account, where appropriate, any matters proposed by the other directors for inclusion in the agenda. ❖ Ensure that all directors are properly briefed on issues arising at Board meetings and ensure that directors receive adequate information in a timely manner. ❖ Encourage all directors to make a full and active contribution to the Board's affairs and take the lead to ensure that the Board acts in the best interests of the Company. ❖ Facilitate the effective contribution of non-executive directors in particular and ensure constructive relations among the non-executive directors.(Board consists of only Non-Executive Directors) ❖ Not to engage in activities involving direct supervision of key management personnel or any other executive duties whatsoever. ❖ Ensure that appropriate steps are taken to maintain effective communication with shareholders (at general meetings and in general) and that the views of shareholders are communicated to the Board 	Board of Directors

Corporate Governance Contd.

The Code of Best Practice on Corporate Governance issued jointly by the Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka

Code of Best Practice Reference	Requirement	Level of Compliance	Explanation of the Company	Responsibility
A.4 FINANCIAL ACUMEN				Complied
The Code of Best Practice requires that the Board comprises of members with sufficient financial acumen and knowledge to offer guidance on matters of finance. The Board of the Company has met the above requirement as five Board members out of eight Directors are qualified with accountancy background having professional and academic qualifications and are equipped with sufficient financial acumen and knowledge to offer guidance on matters of finance.				
A.4	Financial acumen and knowledge	Complied	<p>The Chairman of the Audit committee, Mr. P. M. A. Sirimane and Chairman of the Integrated Risk Management Committee, Mr. M. A. Abeynaike are Fellows of the Institute of Chartered Accountants of Sri Lanka.</p> <p>In addition, the Board includes a non executive director who is the Group Financial Officer who holds a Bachelor of Commerce (Accountancy Special)Degree from the University of Peradeniya.</p> <p>Further Mr. M. Y. A. Perera, who is the Managing Director of our parent Company, is a Fellow of the Chartered Institute of Management Accountants, UK and Mr. S. G. Wijesinha is also a Fellow of Chartered Management Accountant (UK)</p> <p>These members of the Board have the ability to offer guidance on matters of finance to the Board.</p>	Board of Directors
A.5 BOARD BALANCE				Complied
The Code requires that a balance is maintained between the Executive and Non-Executive Directors (NEDs) so that no individual or a small group of individual Directors are able to dominate the Board's decision making. This requirement is fulfilled since the Board comprises only with Non-Executive Directors.				
A.5.1	Presence of a strong team of NEDs	Complied	All eight Directors of the Board are NEDs which is well-above the minimum prescribed by this Code which is two NEDs or NEDs equivalent to one-third of the total number of Directors, whichever is higher. This ensures that only the views of Non-Executive Directors are taken into consideration in to Board decisions.	Board of Directors
A.5.2 & A.5.3	Independence of NEDs	Complied	Three out of the eight NEDs are Independent which is well above the minimum prescribed by this Code which is two NEDs or NEDs equivalent to one third of the total number of NEDs, whichever is higher.	Board of Directors and Company Secretary

Code of Best Practice Reference	Requirement	Level of Compliance	Explanation of the Company	Responsibility
A.5.4	Annual Declaration of NEDs	Complied	Every NED of the Company has made written declarations as to their independence against the specified criteria set out by the Company, which is in line with the requirements of Schedule H of this Code.	Board of Directors and Company Secretary
A.5.5	Annual Declaration by the Board on the independence of Directors	Complied	The Board has determined the independence of Directors based on the declarations submitted by the NEDs, as to their independence, as a fair representation and will continue to evaluate their independence on this basis annually in line with CBSL directions, the SEC and the Code of Best Practice. No circumstances have arisen for the determination of independence by the Board, beyond the criteria set out in the Code. Independent Non-Executive Directors are: Mr. Mohan Abeynaike, Mr. Asoka Sirimane and Dr. Dilanjan Soysa.	Board of Directors and Company Secretary
A.5.6	Alternate Director	Complied	Mr. P. M. A. Sirimane ,who is an Independent Non-Executive Director has been appointed as the alternate Director to Mr. S. G. Wijesinha, who is a Non-Executive Director.	Board of Directors and Company Secretary
A.5.7& A.5.8	Requirement to appoint a ‘Senior Non-Executive Director’ and making himself available for confidential discussions	Complied	The Chairman of the Company is a Non-Independent Non-Executive Director as he is the Deputy Chairman of the parent Company to be in line with the Corporate Governance directions the Company has appointed Dr. Dilanjan Soysa as a Senior Director of the Company. Dr. Dilanjan Soysa participates at all confidential discussions of the Company.	Board of Directors and Company Secretary
A.5.9	Conducting meetings with NEDs only	Complied	Since all Directors are NED all meetings are conducted with their presence only.	Company Secretary
A.5.10	Recording of concerns in Board minutes	Complied	Concerns and arguments raised by the Directors are part of the Board meetings and such information is adequately detailed by the Company Secretary in the minutes. Rather than minuting the decisions, the Company Secretary always minutes how the decision is arrived at. All minutes are kept in detail information.	Board of Directors and Company Secretary

Corporate Governance Contd.

The Code of Best Practice on Corporate Governance issued jointly by the Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka

Code of Best Practice Reference	Requirement	Level of Compliance	Explanation of the Company	Responsibility
A.6 SUPPLY OF INFORMATION				Complied
The Code requires the Company's management to submit timely information to the Board with sufficient information for making decisions which would enable it to discharge duties.				
A.6.1	Obligation of the Management to provide appropriate and timely information to the Board	Complied	The Executive Management of the Company ensures that the Directors receive adequate information in a timely manner. Every effort is made to provide the information, as early as possible. The Board Papers are prepared by the Executive Management of the Company to provide adequate information to the Board enabling it to deliberate on all key issues concerning the company. Further, Directors are free to raise inquire /concerns for additional information, where necessary. In addition, key members of the Executive Management make their presentations at every Board meeting on their performance during the reviewed period and issues of importance. The Chairman ensures that all Directors are briefed adequately on issues arising at Board meetings.	Board of Directors , Company Secretary and Executive Management
A.6.2	Adequate time for Board meetings	Complied	According to the Articles of Association of the Company, all Board members are given a notice well ahead the meeting, and all minutes of previous meetings, agenda and board papers are dispatched in advance . Further, adequate notice is given to all Directors prior to emergency/special Board meetings. This ensures that the Board members have adequate time to study the related papers and prepare for a meaningful discussion at the meetings.	Executive Management and Company Secretary
A.7 APPOINTMENT TO THE BOARD				Complied
Company has a formal and transparent procedure to appoint new Directors.				
A.7.1 & A.7.2	Presence of a Nomination Committee and annual assessment of composition of the Board	Complied	New appointments and re-elections of Directors to the Board are considered and recommended by the Nomination Committee of the parent Company. Based on such recommendations of the parent Company, final decisions are taken by the Siyapatha Board as per the procedure approved by the Board to appoint new directors which is a formal and transparent procedure. Further, The Board assesses the composition of the Board to ensure that the combined knowledge and experience of the Board matches the strategic demand of the market.	Nomination Committee of Parent Company, Board of Directors and Company Secretary

Code of Best Practice Reference	Requirement	Level of Compliance	Explanation of the Company	Responsibility
A.7.3	Disclosure of required details to Shareholders on new appointments to the Board	Not Applicable	Since the Parent Company holds 100 % of the shares and the Nominations Committee of the parent Company nominates the new appointments to the Board, this requirement does not apply.	Company Secretary
A.8 RE-ELECTION				Complied
The Code requires all Directors to submit themselves for re-election, on regular intervals and at least once in every three years.				
A.8.1 & A.8.2	Re-election of Non-Executive Directors including Chairman and Directors	Complied	In accordance with Section 24(8) of the Articles of Association, the procedure is adopted by the Company to re-elect by rotation at least 1/3 of the Directors at an Annual General Meetings and also procedure is in place to re-appoint directors who join the Board during the year and make themselves available for reappointment at the subsequent Annual General Meeting.	Board of Directors and Company Secretary
A.9 APPRAISAL OF BOARD PERFORMANCE				Complied
The Code requires the Board to appraise its own performance periodically to ensure that its responsibilities are satisfactorily discharged.				
A.9.1 & A.9.2	Annual appraisal of the Board's performance and the performance of its Sub-Committees	Complied	The performance of the Board is evaluated by the Chairman with the Board's assistance. The Board Sub-Committees carry out a self-assessment process annually to ensure they function effectively and efficiently with the objective of facilitating continuous improvement and to be in line with the good governance.	Board of Directors and Company Secretary
A.9.3	Disclosure of criteria used for the performance evaluation	Complied	Please refer Board Human Resources and Remuneration Committee Report for details of the criteria considered for performance evaluation of the Board.	Board of Directors and Company Secretary

Corporate Governance Contd.

The Code of Best Practice on Corporate Governance issued jointly by the Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka

Code of Best Practice Reference	Requirement	Level of Compliance	Explanation of the Company	Responsibility
A.10 DISCLOSURE OF INFORMATION IN RESPECT OF DIRECTORS				Complied
The Code requires that details of the Directors be disclosed in the Annual Report for information of the shareholders				
A.10.1	Disclosures on Directors in the Annual Report	Complied	<p>The following details pertaining to each Director are disclosed in the Annual Report</p> <ul style="list-style-type: none"> (a) Brief profile with expertise and experience - pages 70-72 (b) Other business interests – pages 138-139 (c) Remuneration – Note 39.2 in page 196 (d) Status of independence - page 137 (e) Details of Board Meetings and Board Committee Meetings held during the year - page 78 	Company Secretary
A.11 APPRAISAL OF CHIEF EXECUTIVE OFFICER (CEO)				Complied
The Code requires the Board to assess the performance of the CEO at least annually to ascertain degree to which the CEO met the pre-set financial and non-financial targets.				
A.11.1 & A.11.2	Setting annual targets and the appraisal of performance of the CEO	Complied	At the beginning of each financial year, the Board discusses with the CEO and sets long term, medium term and short term financial and non-financial goals for the Company that are to be guided and achieved by the CEO within the course of that year. Assessment of performance of the CEO is carried out by the Board yearly to ensure the performance are achieved.	Board of Directors and Company Secretary
B DIRECTORS' REMUNERATION				
B.1 REMUNERATION PROCEDURE				Complied
This principle ensures that the Company has a well-established, formal and transparent procedure in place for developing an effective remuneration policy to avoid potential conflict of interest.				
B.1.1	Establishment of a Remuneration Committee	Complied	The Company has a Board Human Resources and Remuneration Committee which has power to evaluate, assess, decide matters that may affect the Human Resources Management of the Company.	Board of Directors and Company Secretary
B.1.2	Composition of the Remuneration Committee	Complied	As prescribed in this Code, all members of the Board Human Resources and Remuneration Committee are Non-Executive Directors and the Chairman of the Committee is appointed by the Board.	Board of Directors

Code of Best Practice Reference	Requirement	Level of Compliance	Explanation of the Company	Responsibility
B.1.3	Chairman and the Members of the Committee	Complied	Please refer 'Board Human Resources and Remuneration Committee Report' for details of the Chairman and the Members of the Board Human Resources and Remuneration Committee.	Board of Directors and Company Secretary
B.1.4	Determination of the remuneration of Non-Executive Directors	Complied	All payments to the directors of the Company are decided by the parent Company as per the Group's policy on remuneration. No director of the Company can decide their own remuneration. The Non-Executive Directors receive a fee for being a Director of the Board and an additional fee for either chairing or being a member of a Board or a Committee. The directors who are working on special Committees do not receive any incentive payments.	Board of Directors of Parent Company, Board of Directors
B.1.5	Ability to consult the Chairman and/or CEO and to seek professional advice by the Committee	Complied	The Committee has the authority to seek internal and external independent professional advice on all matters falling within the purview of the Committee at the Companies expense.	Board of Directors and Company Secretary

B.2 LEVEL AND MAKE UP OF REMUNERATION

Not Applicable

The Company ensures that the remuneration of Non-Executive Directors is at a satisfactory level to attract and retain the services of Directors.

B.2.1	Remuneration packages of Executive Directors	Not Applicable	The Board consists of only Non-Executive Directors.	Company Secretary
B.2.2	Competitiveness of levels of Remuneration	Not Applicable	Directors are paid for their contributions based on the 'Group Remuneration Policy'.	Board of Directors of Parent Company, Board of Directors and Company Secretary
B.2.3	Comparison of Remuneration with other companies in the Group	Not Applicable	All payments to the Directors are based on Group policy which is decided on the market rates.	Board of Directors of parent Company, Board of Directors and Company Secretary
B.2.4	Performance based remuneration of Executive Directors	Not Applicable	The Board consists of only Non-Executive Directors. Non of the Directors get performance based remuneration.	Company Secretary

Corporate Governance Contd.

The Code of Best Practice on Corporate Governance issued jointly by the Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka

Code of Best Practice Reference	Requirement	Level of Compliance	Explanation of the Company	Responsibility
B.2.5	Executive share options	Not Applicable	The Board consists of only Non-Executive Directors. None of the directors get share options.	Company Secretary
B.2.6	Designing the remuneration of Executive Directors	Not Applicable	The Board consists of only Non-Executive Directors.	Company Secretary
B.2.7 & B.2.8	Early termination of Executive Directors	Not applicable	No executive directors in the company and other than the nominal fee, directors are not entitled to any other benefits from the company.	Company Secretary
B.2.9	Levels of Remuneration of Non-Executive Directors	Not Applicable	Non-Executive Directors of the Company are paid a nominal fee for their time and role in the Company, in line with the Group policy approved by the Parent Company. They are not entitled to receive any other privileges other than the monthly fee and the Board /Committee sitting fees.	Board of Directors of parent Company ,Board of Directors, Company Secretary

B.3 DISCLOSURE OF REMUNERATION

Complied

The Code requires the Company to disclose in its Annual Report the details of the remuneration paid and the Remuneration Policy.

B.3.1	Disclosure of Remuneration	Complied	Please refer 'Board Human Resources and Remuneration Committee Report' for disclosures on the names of the Remuneration Committee members and the Remuneration Policy of the Company. Please refer Note 10 to the Financial Statements (page 164) for the aggregate remuneration paid to Non-Executive Directors.	Head of Finance of the Company
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C RELATIONS WITH SHAREHOLDERS

C.1 CONSTRUCTIVE USE OF ANNUAL GENERAL MEETING (AGM) AND CONDUCT OF GENERAL MEETINGS

Complied

The Code requires the Board to use the AGM to communicate with shareholders and encourage their active participation

Since the company is a 100% own subsidiary of parent Company, all company information are routed through the Directors representing the parent Company interest.

C.1.1	Use of Proxy Votes	Not applicable	The Parent Company holds 100% of the shares.	Company Secretary
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Code of Best Practice Reference	Requirement	Level of Compliance	Explanation of the Company	Responsibility
C.1.2	Separate resolutions for substantially separate issues and adoption of Annual Report and Accounts	Complied	The Parent Company holds 100% of the shares. Further, adoption of the Annual Report of the Board of Directors on the affairs of the Company, Statement of Compliance and the Financial Statements together with the Report of the Auditors thereon are considered separately.	Board of Directors Company Secretary
C.1.3	Availability of Chairmen of Board Committees	Complied	All Board members are present at the AGM .	Board of Directors/ Company Secretary
C.1.4 & C.1.5	Adequate Notice of AGM to shareholders together with summary of the procedure	Complied	Annual Reports are dispatched to all Shareholders/Debenture holders of the Company. whereas a form of proxy together with the Notice of Meeting detailing the summary of procedure as per legal requirements giving adequate notice is dispatched to shareholders.	Company Secretary

C.2 COMMUNICATION WITH SHAREHOLDERS

Not Applicable

The Code required to effective communication with shareholders.

This section is not applicable since the company is a fully own subsidiary of Sampath Bank PLC.

C.2.1	Chanel to reach all shareholders of the Company	Not Applicable	This section is not applicable since the Company is a fully owned subsidiary of Sampath Bank PLC.	Company Secretary
C.2.2	Policy and methodology for communication	Not Applicable	This section is not applicable since the Company is a fully owned subsidiary of Sampath Bank PLC.	Company Secretary
C.2.3	Implementation of the policy and methodology for communication with shareholders	Not Applicable	This section is not applicable since the Company is a fully owned subsidiary of Sampath Bank PLC. Parent company direcots represent the parent company's interest.	Company Secretary
C.2.4 & C.2.6	Contact person in relation to shareholder matters	Not Applicable	This section is not applicable since the Company is a fully owned subsidiary of Sampath Bank PLC.	Company Secretary
C.2.5	Process to make all directors aware of major issues and concerns of shareholders	Not Applicable	This section is not applicable since the Company is a fully owned subsidiary of Sampath Bank PLC.	Company Secretary

Corporate Governance Contd.

The Code of Best Practice on Corporate Governance issued jointly by the Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka

Code of Best Practice Reference	Requirement	Level of Compliance	Explanation of the Company	Responsibility
C.2.7	Process responding to shareholder matters	Not Applicable	This section is not applicable since the Company is a fully owned subsidiary of Sampath Bank PLC .	Company Secretary

C.3 MAJOR AND MATERIAL TRANSACTIONS

Not Applicable

The Code requires the Directors to disclose to shareholders all proposed material transactions which would materially alter the net asset position of the Company, if entered into.

C.3.1	Disclosures on proposed major transactions	Not Applicable	There were no major transactions involving acquisition or disposal of greater than half of the net value of the Company.	Board of Directors/ Company Secretary
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D ACCOUNTABILITY AND AUDIT

D.1 FINANCIAL REPORTING

Complied

This Principle requires the Board of the Company to present a balanced and understandable assessment of the Companies' financial position, performance and prospects.

D.1.1	Board's Responsibility for Statutory and Regulatory Reporting	Complied	<p>The Board is well aware of its responsibility to present regulatory and statutory reports in balanced and understandable manner and a statement to this effect is given in the page 139 of this Annual Report.</p> <p>The Company had strictly complied with the requirements of the Companies Act No. 07 of 2007, the Finance Companies Act No. 42 of 2011 and amendments thereto, in the preparation of Quarterly and Annual Financial Statements which are prepared and presented in conformity with Sri Lanka Accounting Standards. Further, the Company has complied with the reporting requirements prescribed by the regulatory authorities such as the Central Bank of Sri Lanka and the Colombo Stock Exchange.</p>	Board of Directors ,Board Audit Committee ,Head of Finance,Head of Risk and Compliance
D.1.2	Declarations by Directors in the Directors' Report	Complied	The Annual Report of the Board of Directors on the affairs of the Company on pages 134-140 contains the declarations as required by the code.	Board of Directors

Code of Best Practice Reference	Requirement	Level of Compliance	Explanation of the Company	Responsibility
D.1.3	Statements by Directors' and Auditors' on responsibility for financial reporting	Complied	The 'Statement of Directors' Responsibility' for the preparation and presentation of financial statement is given in the Note 1.4 of the financial statements in page 148 of the Annual Report. Please also refer page 142 for the Independent Auditor's Report.	Board of Directors
D.1.4	Management Discussion and Analysis	Complied	Please refer 'Management Discussion and Analysis'.(MD&A) set out on pages 23 to 68 presented as an integrated report covering all aspects referred in the code.	Board of Directors and Executive Management
D.1.5	Declaration by Board on the going concern of the Business	Complied	Please refer "Annual Report of the Board of Directors" and Note 3 b) Estimates and Assumptions to the Audited Financial Statements (page 149).	Board of Directors, Management of the Company
D.1.6	Requirement to Summon an Extraordinary General Meeting (EGM) to notify serious loss in net assets (capital)	Not applicable	No such event occurred during the financial year.	Board of Directors and Company Secretary
D.1.7	Declaration by Board on Related Party Transactions	Complied	Each Director and KMP has declared their transactions with the Company during the year ended 31st December 2014. Internal controls are placed within the Company to identify, record and disclose related party transactions. All related party transactions as defined in Sri Lanka Accounting Standards – LKAS 24 (Related Party Transactions) are disclosed in note 39 to the Audited Financial Statements.	Board of Directors, Head of Finance, Company Secretary

D.2 INTERNAL CONTROL

Complied

The Code requires the Company's Board to ensure that an effective system of internal controls, which safeguards the Company's assets to protect the interest of shareholders is in place.

D.2.1	Directors to conduct an annual review of internal controls	Complied	The Company obtained the External Auditor's certification on the effectiveness of the internal control mechanism on financial reporting.	Board Audit Committee, Head of Internal Audit
D.2.2	Need for an internal audit function for companies	Not Applicable	This is not applicable as the Company already has its own in-house Internal Audit Department, which is responsible for internal audit function.	Board Audit Committee

Corporate Governance Contd.

The Code of Best Practice on Corporate Governance issued jointly by the Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka

Code of Best Practice Reference	Requirement	Level of Compliance	Explanation of the Company	Responsibility
D.3 AUDIT COMMITTEE				Complied
The Code requires the Board to have formal and transparent arrangements in selecting and applying the accounting policies, financial reporting and internal control principles and maintaining an appropriate relationship with the Bank's External Auditor.				
D.3.1	Composition of the Audit Committee	Complied	<p>Out of the four directors, three directors are independent including the Chairman and all four members are Non-Executive Directors.</p> <p>Details of the members are found in the 'Board Audit Committee Report' under the heading 'Composition of the Committee' (page 116).</p>	Board of Directors/ Company Secretary
D.3.2	Duties of the Audit Committee	Complied	<p>As stated in the Report of the Board Audit Committee of the Company , it regularly reviews the scope of the External Auditors, results and effectiveness of the audit. It also ensures that non audit services provided by the External Auditors do not affect their independence.</p>	Board Audit Committee / Company Secretary
D.3.3	Terms of Reference of the Audit Committee	Complied	<p>Terms of Reference of the Board Audit Committee was approved by the Board Audit Committee and Board of Directors, which was last revised in December 2014. This clearly explains the purpose of the Committee, its duties and responsibilities together with the scope and functions of the Committee. The Committee mainly deals with the matters pertaining to statutory and regulatory compliance in financial reporting, matters with regard to the External Auditors, internal audit and risk management procedures of the Company</p>	Board Audit Committee / Company Secretary
D.3.4	Disclosure of names of the members of the Audit Committee	Complied	<p>Names, composition of the members of the Audit Committee are given under Audit Committee Report. Board Audit Committee ensures that External Audit functions are independently handled in the interest of the Shareholders.</p>	Company Secretary

Code of Best Practice Reference	Requirement	Level of Compliance	Explanation of the Company	Responsibility
D.4 CODE OF BUSINESS CONDUCT AND ETHICS				
The Code requires the Company to adopt an Internal Code of Conduct and Ethics to be adhered to by all Directors and members of the senior management of the Company.				
D.4.1	Disclosures on presence of Code of Business Conduct and Ethics	Complied	<p>The Company has an internally developed Code of Conduct for its Directors and this Code covers the following areas. Conflict of interest, accurate accounting and record keeping, confidentiality of information, fair dealing, protecting and proper use of the Company's assets, compliance with laws and regulations and encouraging the reporting of any illegal or unethical behaviour, etc.</p> <p>Further the "Code of Business conduct & Ethics" is available for all employees including the Corporate and Senior Management. This code focus mainly on the following areas:</p> <p>Fair Dealing, Protection and Proper Use of Company Assets, Record-keeping and Reporting, Accounting and Financial Reporting Concerns, Reporting Illegal or Unethical Behaviour, Discrimination and Harassment, Health and Safety, Discipline etc.</p>	Board of Directors / Company Secretary / Corporate Management of the Company
D.4.2	Affirmative Statement by the Chairman	Complied	Please refer the 'Chairman's Report' for required details (page 15-17).	Board of Directors
D.5 CORPORATE GOVERNANCE DISCLOSURES				
Directors of the company disclose annually the Companies adherence to the Code of Best Practice on Corporate Governance issued jointly by The Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka and the Direction No. 03 of 2008 of the Central Bank of Sri Lanka on Corporate Governance for Finance Companies of Sri Lanka and subsequent Amendments thereto, in the 'Corporate Governance Report'.				
D.5.1	Annual Corporate Governance Report in the Annual Report	Complied	Corporate Governance reports for Central Bank of Sri Lanka, Securities Exchange Commission and code of Best Practice are included in the pages of 80-114 in the Annual Report.	Board of Directors and Company Secretary

Corporate Governance Contd.

The Code of Best Practice on Corporate Governance issued jointly by the Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka

Code of Best Practice Reference	Requirement	Level of Compliance	Explanation of the Company	Responsibility
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SECTION 2: SHAREHOLDERS E INSTITUTIONAL INVESTORS

E.1 SHAREHOLDER VOTING

Not Applicable

In the current context due to Parent Bank holding 100% of equity of the Company, requirement of disclosures to institutional investors have not arisen from Equity point of view. In the event such need arises from the perspective of accountability and transparency all material disclosures shall be made to strengthen the positive relationship between Management and Institutional investors.

E.1.1	Communication with shareholders	Not Applicable	Parent Company holds 100% of shares which is the only institutional investor. All required information is timely informed to the parent Company.	Board of Directors and Company Secretary
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E.2 EVALUATION OF GOVERNANCE DISCLOSURES

Complied

The Code requires the company to encourage institutional investors to give due weight to all relevant factors drawn to their attention.

E.2.1	Due weight by Institutional Investors on matters relating to Board structure and composition	Complied	Sampath Bank as only Institutional Investors is at liberty to give due weight on matters relating to the Board structure and composition.	Board of Directors of Parent Company and Board of Directors
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F. OTHER INVESTORS

F.1 INVESTING/DIVESTING DECISION

Not Applicable

F.1.1	Seek independent advice in investing or divesting decisions	Not applicable	Sampath Bank PLC owns 100% of the company shares. Such decisions are taken by the parent company.	Board of Directors
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F.2 SHAREHOLDER VOTING

Not Applicable

F.2.1	Encourage voting by Individual Investors in General Meetings.	Not Applicable	Only the Parent Company uses its voting rights at the AGM's.	Board of Directors
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Code of Best Practice Reference	Requirement	Level of Compliance	Explanation of the Company	Responsibility
G SUSTAINABILITY REPORTING				Complied
Sustainability is a business approach that creates long term stakeholder value. It focuses on managing risks arising from economic, environmental and social aspects.				
Sustainability Reporting aimed towards the goals of sustainable developments in the context of business strategy and activities.				
G.1.1	Economic Sustainability	Complied	Please see 'Financial Value Addition' in page 200.	CEO and Corporate Management
G.1.2	The Environment	Complied	This is covered in 'Our approach to Sustainable Growth' section of the Chief Executive Officer's report (page 21).	CEO and Corporate Management
G.1.3	Labour Practices	Complied	Please refer 'Human Capital Management' section of the Integrated Management Discussion and Analysis contained in pages 55 to 61.	CEO and Corporate Management
G.1.4	Society	Complied	'Our approach to Sustainable Growth' section of the Chief Executive Officer's report (page 21) covers this aspect.	CEO and Corporate Management
G.1.5	Product and Service Responsibility	Complied	'Overall Product Responsibility' (page 41) and 'Customer Feedback Assessment' (page 49) of the Integrated Management Discussion and Analysis contain this aspect.	CEO and Corporate Management
G.1.6	Stakeholder Identification, Engagement & Effective Communication	Complied	Please see the contents of the 'Stakeholder Engagement' in page 29.	CEO and Corporate Management
G.1.7	Sustainable Reporting & Disclosure	Complied	Disclosures relating to company's compliance with sustainability reporting is disclosed in 'GRI G4 Content Index- 'In Accordance'- Core' (pages 206 to 212).	CEO and Corporate Management

On behalf of the Board Corporate Governance Committee

P.M.A.Sirimane
Chairman- Board Corporate Governance Committee

Colombo, Sri Lanka
30th April 2015

Corporate Governance Contd.

The continuing listing requirements section 7.10 on Corporate Governance for Listed Companies issued by the Colombo Stock Exchange (CSE)

Rule No	Applicable Requirement	Compliance Status	Comment
NON EXECUTIVE DIRECTORS			
7.10.1(a)	2 or 1/3 of the total number of directors should be Non-Executive Directors	Complied	All eight Directors in the Board are Non-Executive Directors.
INDEPENDENT DIRECTORS			
7.10.2(b)	2 or 1/3 of Non-Executive directors appointed to the Board whichever is higher shall be independent	Complied	Out of 8 Non-Executive Directors, Mr. P. M. A. Sirimane, Mr. M. A. Abeynaike, Dr. H. S. D. Soysa are Independent Non Executive Directors. Thus the Company is compliant with the requirement that 1/3 of Non-Executive Directors appointed to the Board should be independent.
7.10.2(b)	Submission of declarations annually, declaring independence of Directors	Complied	Declarations have been obtained from the Directors regarding their independence or non independence against the specified criteria and copies of the same are under the custody of Company Secretary for review.
DISCLOSURE RELATING TO DIRECTORS			
7.10.3(a)	a)The Board shall annually determine the independence or non-independence of directors	Complied	The Board is well aware of the requirement and the Board makes evaluation of independence of Directors
	Names of Independent Directors should be disclosed in the Annual Report	Complied	The names of the Independent Directors are set out in the page of 137 of Annual Report.
7.10.3(b)	(b)the basis for the Board's determination of independent directors if criteria specified independence is not met	Complied	The Board determines independence of the Directors based on the criteria set out in the Rule No 7.10.4. The requirement is met.
7.10.3(c)	(c) Publish a brief resume of each Director	Complied	Profiles of each director have been publish in pages 70-72 of Annual Report
7.10.3(d)	(d)Provide a brief resume of new directors appointed to the Board	Complied	New Directors were not appointed to the board after the company was listed at CSE on 31-12-2014.
CRITERIA FOR DEFINING INDEPENDENCE			
7.10.4(a-h)	Determination of Independence	Complied	Board has met the criteria of defining independence which is in line with CSE and CBSL directions on Corporate Governance on independence of directors.

Rule No	Applicable Requirement	Compliance Status	Comment
REMUNERATION COMMITTEE			
7.10.5	(a)Composition	Complied	The Company has its own HR & Remuneration Committee, which consists of the following Non-Executive Directors <ul style="list-style-type: none"> ❖ Mr. W. M. P. L. De Alwis-Chairman(Non-Independent Director) ❖ Dr. H. S. D. Soysa(Independent Director) ❖ Mr. P. M. A. Sirimane(Independent Director) ❖ Mrs. M.A. Karunaratne (Non-Independent Director resigned with effect from 02-12-2014)
	(b)Functions Recommendation on Remuneration for executive directors ,CEO and /or equivalent position	Complied	Main role of the Committee is to focus on the HR related matters of the Company and determine the remuneration policies (salaries, allowances and other financial payments) relating to, CEO and the rest of the staff of the Company.
	(c) Disclosure in the Annual Report Names of Directors comprising the Remuneration Committee	Complied	Published in the Annual Report (page 119) under HR & Remuneration Committee.
	Remuneration Policy	Complied	Remuneration for Board Directors of Siyapatha Finance PLC is determined by the Sampath Bank PLC which is the parent Company of Siyapatha Finance PLC based on the Group remuneration policy.
	Aggregated remuneration paid to directors	Complied	Published in the Annual Report of Board of Directors on the state of affairs of the company in page 139 of the Annual Report.
AUDIT COMMITTEE (BAC)			
7.10.6(a)	Composition	Complied	All members of the BAC are Non-Executive Directors and the Committee consists of Mr. P. M. A. Sirimane - Chairman, Dr H. S. D. Soysa, Mr. M. A. Abeynaike who are Independent Non Executive Directors and Mr. S. G. Wijesinha who is a Non-Independent Non-Executive Director - Mrs. M. A. Karunaratne (Non- Independent Director) resigned with effect from 02.12.2014.
	Chairman of the Audit Committee	Complied	Mr. P. M. A. Sirimane who is an Independent, Non-Executive Director and a Fellow of ICASL is the Chairman of Board Audit Committee

Corporate Governance Contd.

The continuing listing requirements section 7.10 on Corporate Governance for Listed Companies issued by the Colombo Stock Exchange (CSE)

Rule No	Applicable Requirement	Compliance Status	Comment
	Attendance at Audit Committee Meetings	Complied	Members of the Board Audit Committee, Chief Executive Officer, Head of Internal Audit, Manager - Internal Audit, representatives of External Auditors and Head of Audit of Sampath Bank PLC attend BAC meetings.
	b) Functions		
	i) Preparation, presentation and adequacy of disclosures in the financial statements of the Company in accordance with Sri Lanka Accounting standards	Complied	The Company is in compliance with Sri Lanka Accounting Standards (SLRFSs & LKASs) as laid down by the Institute of Chartered Accountants of Sri Lanka. This fact is stated in Note 2.1 to the Audited Financial Statements under 'Statement of Compliance'.
	ii) Compliance with financial reporting requirements, information requirements of the companies act and other relevant financial reporting related regulations and requirements	Complied	The Company is in compliance with the requirements of the Companies Act No.07 of 2007. This fact is stated in Note 2.1 to the Audited Financial Statements under 'Statement of Compliance'.
	iii) process to ensure that the Company's internal control and risk management are adequate to meet the requirements of the Sri Lanka Auditing standards	Complied	External Auditors assess the 'Directors Report on Internal Control over financial Reporting' and issue an Independent Assurance Report on same.
	iv) Assessment of the independence and performance of the Company's external auditors	Complied	Board Audit Committee (BAC) assesses the independence of External Auditors and their performance. Board Audit Committee regularly reviews the scope of the External Auditors, results and effectiveness of the Audit. Furthermore, the Committee ensures that non-audit services provided by the External Auditors do not affect their independency.
	v) Recommendations to the Board pertaining to appointment, re-appointment and to approve the remuneration and terms of engagement of the external auditor	Complied	Board Audit Committee makes recommendations to the Board for appointment of the External Auditor for Audit services, their service period, Audit scope and Audit fee.

Rule No	Applicable Requirement	Compliance Status	Comment
	<p>c) Disclosure in the Annual Report</p> <p>Names of Directors comprising the Audit Committee</p> <p>Determination of the independence of the Auditors and the basis for such determination</p> <p>Report of the Audit Committee setting out the manner of compliance by the Company</p>	Complied Complied Complied	Published in the Annual Report in page 116 under Audit Committee Report Should it becomes necessary to entrust any non audit services to be performed by the External Auditors, such non audit service assignments require the prior approval of the Audit Committee. Please see report of the Audit Committee, published in page 116 of the Annual Report.

On behalf of the Board Corporate Governance Committee



P.M.A.Sirimane
Chairman- Board Corporate Governance Committee

Colombo, Sri Lanka
30th April 2015

Corporate Governance Contd.

The Finance Companies Direction No.03 of 2008 and Subsequent amendments thereto on Corporate Governance for Registered Finance Companies in Sri Lanka issued by the Central Bank of Sri Lanka.

Section	Corporate Governance Principle	Compliance
THE RESPONSIBILITIES OF THE BOARD OF DIRECTORS		
2(1)(a)	Strategic objectives and corporate values	Board approved Business Plans for 2013-2015 and 2015-2017 are in place .The Company is well aware of the strategic objectives and organizational values since these have been communicated within the Company.
2(1)(b)	Overall business strategy of the finance company including risk policy, risk management procedures and mechanism with measurable goals	Board approved Strategic Plan is in place. Risk Policy including Risk management procedures and mechanism with measurable goals for next three years have been approved by the Board in line with the Strategic Plan. The Board measures the corporate performance against the predetermined goals.
2(1)(c)	Managing the risks in the Company	Effective oversight of the Company's risk management including the identification and assessment of the principal risks and overseeing the management of those risks are monitored by the Integrated Risk Management Committee(IRMC) . Board through the receipt of minutes of the IRMC assesses the overall risk management of the Company.
2(1)(d)	Effective Communication with stakeholders	Board approved Stakeholder Communication Policy is in place and Board of Directors, Officers and Employees comply with the Policy in order to ensure effective communication and to achieve the best interest of our stakeholders.
2(1)(e)	Internal control systems and Management Information System	Internal Audit Department of the Company is responsible for carrying out the internal control activities determined by the management and the Internal Audit Department is under supervision of Board Audit Committee(BAC). BAC assesses the level of internal control system through the audit reports submitted by the Internal Auditor of the Company. A Board approved procedure for MIS is in place. The task of reviewing the Management Information System(MIS) reports are assigned to BAC. Accordingly, the Board also reviews the adequacy and the integrity of the Company's internal control system and MIS through the internal audit and MIS Reports submitted by the Internal Auditors of the Company.
2(1)(f)	Identification of KMP's of the Company	Board has identified the Board of Directors, Chief Executive Officer (CEO) ,Chief Operating Officer(COO) and Head of Risk and Compliance as Key Management Personnel (KMP) of the Company as defined in the Sri Lanka Accounting Standards as they are in a position to significantly influence policy; direct activities; and exercise control over business activities, operations and risk management. Further in line with the Central Bank requirements all Heads of Department of the Company have been identified as KMPs.

Section	Corporate Governance Principle	Compliance
2(1)(g)	Authority and key responsibilities of key management personnel	The general and statutory duties and responsibilities of the Board of Directors are set out in the Board approved Code for Board of Directors and Board Sub Committees. Functions and responsibilities of CEO, COO, and Head of Risk and Compliance have been defined and approved by the Board and the HR Committee is in the process of reviewing the authorities and key responsibilities of the rest of the KMPs.
2(1)(h)	Appropriate oversight affairs of the Company by KMPs	In order to ensure management development and effective performance of the company, KMPs make regular presentations to the Board on matters under their purview.
2(1)(i)	<p>Effectiveness of the Board Directors' own governance practices</p> <p>Selection, nomination and election of directors and key management personnel</p> <p>Management of conflict of interests</p> <p>Determination of weaknesses and implementation of changes</p>	<p>Board Nomination Committee of Sampath Bank PLC recommends the names of Directors to be appointed as the Directors of Siyapatha Finance PLC. According to the Articles of Association, Shareholders of the Company confirmed the appointments of directors at the AGM.</p> <p>Appointment of KMPs are recommended by the Board HR & Remuneration Committee under the direction of Main Board of Siyapatha Finance PLC.</p> <p>As per Company's Article 26, there is a requirement in place for the Directors to declare the nature of their interest and there is a process to avoid conflict of interest. Directors' interests are disclosed to the Board and such Director who has a particular interest abstain from voting after disclosing their interest to the Board.</p> <p>Determinations of weaknesses in Board of Directors own governance practices and implementation of changes addressed through the self-evaluation process among the Board members if required.</p>
2(1)(j)	Succession plan of the KMPs	In order to create a talent management the Board approved succession plan is in place.
2(1)(k)	Regular Meetings with KMPs	CEO and COO are called for regular Board Meetings to review policies and monitor progress towards the corporate objectives. The other KMPs attend the Board meetings on invitation and make presentations, which provide the opportunity to share their views and contribute towards the performance of the company .
2(1)(l)	Understanding the regulatory environment	All directions issued by CBSL have been presented to the Board members by the Company Secretary on a regular basis for their knowledge and guidance. Head of Risk & Compliance submits Compliance Certificate and Statutory Compliance report which contain the details of returns submitted to CBSL and to other Statutory Bodies, new regulations/statutes and their implications on the business, significant non-compliance events and compliance with regulatory requirements / returns. Thus, the directors are fully conversant with the regulatory environment.

Corporate Governance Contd.

The Finance Companies Direction No.03 of 2008 and Subsequent amendments thereto on Corporate Governance for Registered Finance Companies in Sri Lanka issued by the Central Bank of Sri Lanka.

Section	Corporate Governance Principle	Compliance
2(1)(m)	Hiring and oversight of external auditors	<p>Company's Article 38(4) addresses the general procedure for appointment of External Auditors by the shareholders. Further, as per the Terms of Reference(TOR), Board Audit Committee (BAC) has a process for this purpose and final approval obtained from the Board.</p> <p>Rotation of the partner is monitored and done by the Company to maintain a high standard of transparency within the system.</p>
2(2)	Appointment of Chairman and CEO and their responsibilities	<p>Board of Directors of Sampath Bank PLC recommends the name of Chairman to be appointed to Siyapatha Finance PLC and appointment of CEO is approved by Siyapatha Finance PLC. Board of Directors of Siyapatha Finance PLC has approved the functions and responsibilities of Chairman in order to provide a guarantee for good governance of the Company.</p>
2(3)	Procedure for seeking Independent Professional Advice	<p>A Board approved procedure is in place to enable directors, upon reasonable request to seek independent professional advice in appropriate circumstances, at the Company's own expense.</p>
2(4)	Dealing with conflicts of interest	<p>Under Company's Article 26 (1 & 5) Directors declare their nature of interest and abstain from participating at the discussions and voting on any Board resolution in relation to a matter in which he/she or any of his/her close relations or a concern in which a Director has substantial interest.</p> <p>Directors of the Company are independent from business transactions and have no concerns over Company matters. They have disclosed their interest in the Affidavits and Declarations which have been sent to Central Bank annually.</p>
2(5)	Schedule of matters reserved for Board Decision	<p>Board approved "Code for Board of Directors and Board Sub Committees" is in place and it defines the functions and matters specifically reserved to the Board.</p>
2(6)	Solvency of the Company	<p>Members of the Board are aware and acquainted with the requirement to inform the Director of the Department of Non -Bank Supervision with regard to the situation of the Company where Company is unable to meet its obligations and is about to become insolvent. Such a situation has not arisen during the year 2014.</p>
2(7)	Publish Corporate Governance Report	<p>Corporate Governance Report is set out in the pages 102-114 of Annual Report.</p>
2(8)	Scheme of self-assessment for Board	<p>A procedure is in place for Annual self-assessments of directors which provide an opportunity to discuss the findings that are made during the year. Self-Assessment forms are obtained from the Directors annually by the Company Secretary and the summary of the Self Assessment is submitted at the Board meeting enabling Directors to discuss relevant matters if any.</p>

Section	Corporate Governance Principle	Compliance
3 MEETINGS OF THE BOARD		
3(1)	Regular Board Meetings	<p>Board Meetings for the year have been scheduled at the end of the previous year and annual meeting calendar is submitted to the Board. Special meetings are conducted as and when required. Twenty one Board Meetings were held during the year under review.</p> <p>Board approved procedure is in place to minimize obtaining consent through the circulation of written or electronic resolutions /papers other than for urgent circumstances.</p>
3(2)	Arrangements for Board Members to include proposals in the agenda	<p>Board approved procedure is in place to enable all Directors to include matters and proposals in the agenda for regular Board meetings.</p> <p>Board Meetings are scheduled at the end of the previous year enabling members to include their proposals which are relating to the promotion of business and the management of risk of the Company.</p>
3(3)	Notice of Meetings	<p>Annual Board meeting calendar is scheduled at the end of the previous year enabling Board of Directors to attend the meetings. As a practice, Directors are given notice of at least 7 days for regular Board Meetings under normal circumstances.</p> <p>All Board papers are circulated to Board members through the Board Pack on iPads and all current and the previous Board minutes are archived on the system enabling Board members to access them at their convenience.</p>
3(4)	Attendance of Directors	<p>Our Board of Directors have fully complied with the requirement and each of the Directors in our Board are acquainted about their attendance. Company Secretary too monitors the attendance.</p> <p>During the year 2014 no Director has been absent from three consecutive meetings. Details of Directors' attendance is set out in the Annual Report.</p>
3(5)	Company Secretary	<p>The Board has appointed the Company Secretary who possesses the required qualifications as stated in the No 07 of 2007 Companies Act and provides the secretarial services to the Board and all Sub Committee meetings and carries out other functions specified in the statutes and other regulations.</p> <p>The Company Secretary ensures that the organization complies with relevant directions, legislation and regulation, and keeps Board members informed of their legal responsibilities.</p>
3(6)	Preparation of Agenda	Company Secretary is responsible for the preparation of the agenda, in consultation with the Chairman.
3(7)	Access to advice and service from the Company Secretary	Board approved procedure is in place to enable all Directors to have access to advice and services of the Company Secretary to ensure all Board procedures, applicable laws, rules, directions and regulations are followed.

Corporate Governance Contd.

The Finance Companies Direction No.03 of 2008 and Subsequent amendments thereto on Corporate Governance for Registered Finance Companies in Sri Lanka issued by the Central Bank of Sri Lanka.

Section	Corporate Governance Principle	Compliance
3(8)	Maintenance of Board Minutes	<p>Company Secretary maintains the minutes of Board Meetings and other Committee Meetings with sufficient details. Upon reasonable request any Director can inspect the minutes.</p> <p>All current and the previous board minutes are archived on the IT system enabling Board members to access them at their convenience.</p>
3(9)	Minutes of Board Meetings	<p>Company Secretary maintains the minutes with following contents</p> <ul style="list-style-type: none"> ❖ A summary of data and information used by the Board in its deliberations ❖ The matters considered by the Board ❖ The fact-finding discussions and the issues of contention or dissent which may illustrate whether the Board was carrying out its duties with due care and prudence; ❖ The matters which indicate compliance with the Board's strategies and policies and adherence to relevant laws and regulations; ❖ Board's knowledge and understanding of the risks to which the relevant establishment is exposed and an overview of the risk management measures adopted ❖ The decisions and Board resolutions ❖ Minutes are under safe custody of Company Secretary.

4 COMPOSITION OF THE BOARD

4(1)	Composition of the Board	Board consists of eight directors which is within the statutory range. Mr C.P. Palansuriya, Mr. M.A. Abeynaike, Mr. S.G. Wijesinha , Mr. P.M.A. Sirimane, Dr. H. S. D. Soysa, Mr. W. M. P. L. De Alwis, Mr. M.Y.A. Perera, and Mr. R. Samaranayake are the Directors of the Company as at 31.12.2014. Mr. I. W. Senanayake retired from his office after completion of nine years with effect from 02.03.2014 and Ms. M. A. Karunaratne who was a Director resigned with effect from 02.12.2014.
4(2)	Period of Service of Directors	After completion of nine years Mr. I.W. Senanayake retired from the Board with effect from 02.03.2014 and there are no other Directors who have served more than nine years as at 31st December 2014.
4(3)	Number of executive directors	There are no Executive Directors in the Board of the Company.
4(4)	Number of independent Non executive directors	The Company has three Independent Non-Executive Directors out of eight Non Executive Directors. The composition of Board of Directors is published in page 137 of the Annual Report.
4(5)	Appointment of alternate director	Mr. P. M. A. Sirimane, Independent Non-Executive Director was appointed as the Alternate Director to Mr. S. G. Wijesinha.
4(6)	Skills and experience of Non-executive directors	All Directors of the Company are Non-Executive Directors and they posses vast experience and skills in the field of finance business, Leasing etc. A summary of their profiles with their educational, professional qualification and relevant experience is published in pages 70-72 of the Annual Report.

Section	Corporate Governance Principle	Compliance
4(7)	Quorum for Board Meetings	Board approved procedure is in place which stipulates the number of members required to meet the quorum requirement to participate at a Board meeting to be not less than 50% of the total Directors of the Company and out of this quorum at least one third should include Non-Executive Directors. Section 31 of the Articles of Association also states the requirement of the quorum requirement, which has been complied with at all Board Meetings during the year 2014. A summary of attendance of the Directors at the meetings is set out in page 78 of Annual Report.
4(8)	Composition of Board	Composition of the Board, by category of Directors, including the names of the Chairman, Non-Executive Directors and Independent Non-Executive Directors have been disclosed in page 137 of the Annual Report.
4(9)	Appointment of new directors	Since the Sampath Bank PLC is the parent Company of Siyapatha Finance PLC, names of Directors to be appointed to Siyapatha Finance PLC are recommended by Sampath Bank PLC.
4(10)	Appointment of directors to fill a casual vacancy	As per Company's Article 24 (2), the Board has power to appoint Directors to fill a casual vacancy be subject to election by shareholders at Annual General Meeting after completing all regulatory requirements . No Directors have been appointed to fill a casual vacancy during the period of review.
4(11)	Resignation and removal of directors	Resignations of Directors and the reasons for the resignations are informed to the relevant regulators. Shareholders are also informed at the AGM. Mr. I. W. Senanayake retired from the office on 02.03.2014 after completion of nine years and Ms. M.A. Karunaratne resigned from the Board of Siyapatha Finance PLC with effect from 02.12.2014 after completion of employment contract with Sampath Bank PLC.
5 CRITERIA TO ASSESS THE FITNESS AND PROPRIETY OF DIRECTORS		
5(1)	Age Limit of a Director	None of the present Directors of the Company are above the age of 70 years
5(2)	Directorships in more than 20 companies	As per declarations given by the Directors for 2014 none of the Directors hold office as a Director of more than 20 Companies.
6 DELEGATION OF FUNCTIONS		
6(1)	Delegation of Authority	The Board may delegate the authority to make decisions to any Board Committee or to a Director or employee but monitors by means of reasonable methods the exercise of powers so delegated. This delegation is also permitted under Company's articles 25(2) and under Section 186 of the Companies Act .
6(2)	Reviewing of delegation process	Board has reviewed the delegated authority limits to ensure that delegation is acted upon with the controls.
7 THE CHAIRMAN & THE CHIEF EXECUTIVE OFFICER		
7(1)	Roles of Chairman & CEO	The roles of the Chairman and CEO of the Company are segregated to ensure their independence.
7(2)	Appointing a senior director where Chairman is non-independent	The Chairman is a Non-Independent Non-Executive Director as he holds Deputy Chairmanship of Sampath Bank PLC. Therefore Dr. H. S. D. Soysa, an Independent Non-Executive Director has been appointed as a Senior Director to the Board. The designation of the Senior Director is disclosed in page 71 of the Annual Report.

Corporate Governance Contd.

The Finance Companies Direction No.03 of 2008 and Subsequent amendments thereto on Corporate Governance for Registered Finance Companies in Sri Lanka issued by the Central Bank of Sri Lanka.

Section	Corporate Governance Principle	Compliance
7(3)	Identification and disclose relationship between Chairman ,CEO and Board Members	The names of the Chairman and the Chief Executive Officer are published in the Annual Report and there is no financial ,business, family or other material relationship between Chairman, Chief Executive Officer and Board members .The Board approved procedure is in place to monitor the relationship between CEO and the Board of Directors and amongst the Board Members .The Board Members will disclose the relationships, if any, at Board meetings.
7(4)	Role of the Chairman	Chairman's key responsibilities and duties have been approved by the Board and Chairman <ul style="list-style-type: none"> ❖ Provides leadership to the Board; ❖ Ensures that the Board works effectively and discharges its responsibilities; and ❖ Ensures that all key and appropriate issues are discussed by the Board in a timely manner. Self-evaluation process of the Board ensures that the said requirements are fulfilled.
7(5)	Preparation of Agenda	Company Secretary prepares the agenda in consultation with Chairman, since this function has been delegated to the Company Secretary by the Chairman.
7(6)	Ensure to Communicate to directors the issues arising at board meetings	The Chairman ensures that all Directors are properly briefed on issues arising at Board meetings and have received adequate, complete and reliable information in a timely manner.
7(7)	Full and active contribution of directors	Chairman encourages all Directors to make a full and active contribution to the Board's affairs. Further this is also evaluated through the Self Evaluation process designed for the Board of Directors.
7(8)	Effective contribution of non-executive directors and constructive relationships between executive and non-executive directors	Board consists of Non-Executive Directors only and they give their fullest and effective contribution to the Company while discharging their duties collectively. Self Evaluation process covers the contributions of Non-Executive Directors as well.
7(9)	Refrain from direct supervision of KMPs and executive duties	Chairman directly or indirectly does not engage in supervision of KMPs and executive duties. CEO and COO are responsible for the day to day operations of the Company.
7(10)	Effective Communication with shareholders	Since the Company is 100% owned subsidiary of Sampath Bank PLC, effective communication is maintained with the Bank (Parent Company) through Mr C. P. Palansuriya, Mr. M.Y.A. Perera, and Mr. R. Samaranayake who have been appointed to the Company's Board to look into the interest of the parent Company.
7(11)	APEX Executive of the Company	CEO functions as the apex executive in charge of the day to day operations of the Company and he acts as a direct liaison between the Board and management of the Company.

Section	Corporate Governance Principle	Compliance
8 BOARD APPOINTED COMMITTEES		
8(1)	Board Sub committees, their functions and reporting	<p>Board has established two Board Committees namely Board Audit Committee (BAC) and Integrated Risk Management Committee (IRMC) as per the requirement of CBSL.</p> <p>Apart from the above two Committees, the Company has established three Board Committees, namely Board HR & Remuneration Committee, Board Corporate Governance Committee and Board Credit Committee with the approval of the main Board.</p> <p>Company Secretary is the Secretary to all Sub Committees. He discharges his secretarial functions under the supervision of Chairman of Committees. Performance, duties and functions of all Committees have been disclosed in pages 115-120 of the Annual Report All minutes of the above Committee are submitted to the Board for their review.</p>
8(2) AUDIT COMMITTEE		
8(2)(a)	Chairman of the Audit Committee and qualifications of the Chairman	Mr. P M A Sirimane who is an Independent, Non-Executive Director and a Fellow Member of ICASL is the Chairman of Board Audit Committee.
8(2)(b)	Composition of the Committee	All members of the Board Audit Committee are Non-Executive Directors and the Board consists of Mr. P.M.A. Sirimane –Chairman, Dr. H.S.D. Soysa, Mr. M. A. Abeynaike all of who are Independent Non-Executive Directors and Mr. S. G. Wijesinha who is Non-Independent Non-Executive Director. All of them have expertise and knowledge in the fields of finance , banking ,leasing etc.
8(2) (c)	Recommendations made by Audit Committee	<p>Audit Committee has made following recommendations.</p> <ul style="list-style-type: none"> ❖ The appointment of the External Auditor for audit services to be provided in compliance with the relevant statutes ❖ The implementation of the Central Bank guidelines issued to auditors from time to time; ❖ The application of the relevant accounting standards; ❖ The service period, audit fee and any resignation or dismissal of the auditor; provided that the engagement of the Audit partner shall not exceed five years, and that the particular Audit partner is not re-engaged for the audit before the expiry of three years from the date of completion of the previous term
8(2)(d)	Review and monitor the external auditor's independence and objectivity and the effectiveness of the audit processes	<p>External Auditor is independent since he directly reports to the Chairman, Board Audit Committee.</p> <p>Audit is carried out according to the Sri Lanka Accounting Standards and best practices.</p>

Corporate Governance Contd.

The Finance Companies Direction No.03 of 2008 and Subsequent amendments thereto on Corporate Governance for Registered Finance Companies in Sri Lanka issued by the Central Bank of Sri Lanka.

Section	Corporate Governance Principle	Compliance
8(2)(e)	Provision for Non-Audit Services by external auditors	Board approved policy on the engagement of an external auditor to provide a non-audit service is in place.
8(2) (f)	Nature and scope of the external audit	The Board Audit Committee has discussed and finalized the nature and scope of the audit, with the External Auditors in accordance with SLAuS. The Audit Engagement Letter for the year ending 31.12.2013 is submitted to the BAC.
8(2)g	Reviewing of financial information	The Committee reviews the financial information. Monthly financials have been presented to the main Board by the CEO in consultation with Group Chief Financial Officer (GCFO).
8(2)h	Discussions with External Auditor on Interim and final audits	The Board Audit Committee discusses issues, problems and reservations arising from the interim and final audits. Committee has held four meetings with External Auditors, without the executive management being present, to discuss issues of the Company.
8(2)i	External Auditor's Management Letter and Management's response	Committee has reviewed the External Auditor's management letter relating to the audit for the year ended 31.12.2013 and management responses thereto.
8(2)j	Internal Audit Functions i) Review the adequacy of the scope, functions and resources of the internal audit department ii) Review the internal audit program and results of the internal audit process iii) Review any appraisal or assessment of the performance of the head and senior staff members of the internal audit department iv) Recommend any appointment or termination of the head, senior staff members and outsourced service providers to the internal audit function	Board Audit Committee has discussed the adequacy of the scope, functions and resources of the Internal Audit Department. The Audit Committee has reviewed and approved an internal audit program. Internal Audit reports have been submitted to the Committee with the Management comments and action taken to rectify the issues that have been reported and discussed at the BAC. Performance appraisal of the Head of Internal Audit was carried out by Chairman –Audit Committee. As recommended by Audit Committee, Head of Internal Audit has been recruited to the Company.

Section	Corporate Governance Principle	Compliance
	<p>v) Apprised of resignations of senior staff members of the internal audit department including the chief internal auditor and any outsourced service providers, and to provide an opportunity to the resigning senior staff members and outsourced service providers to submit reasons for resigning</p> <p>vi) Independent of the activities it audits and that it is performed with impartiality, proficiency and due professional care.</p>	<p>There were no resignations from senior staff members of the Internal Audit Department during the reviewed period. The Head of Internal Audit was recruited to the Company during the year 2014.</p> <p>Internal Audit Department functions independently and does not perform any managerial activities.</p>
8(2)(k)	Major findings and management response	The Committee oversees the major findings of any internal investigations and management response thereto.
8(2)(l)	<p>Attendance at Audit Committee Meetings</p> <p>External Auditors' meeting without the Executive Directors</p>	<p>Members of the Board Audit Committee, Chief Executive Officer, Head of Internal Audit, Manager -Internal Audit, Head of Finance, representatives of External Auditors and Head of Audit of Sampath Bank PLC attend BAC meetings.</p> <p>There are no Executive Directors in the Board of the Company. Four meetings were held with the External Auditors without the executive management being present.</p>
8(2)(m)	Authority, Resources and access to information of Board Audit Committee	<p>Board has approved the Terms of Reference of BAC. The approved Terms of Reference is in place and it stipulates the required authority of the BAC.</p> <p>The BAC has the required resources and can access the information and if necessary, it is also empowered to obtain external professional advice and to invite outsiders with relevant experience to attend meetings.</p>
8(2)(n)	Regular Meetings of Board Audit Committee	Meeting calendar for Audit Committee is scheduled at the end of the previous year enabling members to attend meetings, which are to be held quarterly, with not less than four meetings per year. If necessary, Committee may decide to convene additional meetings. There were ten (10) Audit Committee Meetings held during the year 2014.
8(2)(o)	Disclosure in Annual Report	Activities of BAC, No of meetings and attendance of BAC members have been published in the Annual Report in pages 78, 79 and 116.

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Section	Corporate Governance Principle	Compliance
8(2)(p)	Secretary of the committee	Company Secretary who is the Secretary of Audit Committee maintains detailed minutes of meetings held.
8(2)(q)	Whistle blowing policy	Board approved Whistle Blowing Policy is in place, enabling employees to voice their concerns over possible improprieties in financial reporting, internal control and other matters. No complaints were reported under Whistle Blowing Policy during the year 2014.

8(3) INTEGRATED RISK MANAGEMENT COMMITTEE

8(3) (a)	Composition of IRMC	IRMC consists of key management personnel who supervise the credit, market, liquidity, operational and strategic risks of the company, in addition to the CEO and four Non-Executive Directors of the Committee. The Committee closely works with key management personnel and make decisions on behalf of the Board on matters which are subjected to their jurisdictions.
8(3)(b)	Assessment of Risk	IRMC has an appropriate process to assess all risks including credit, market, liquidity, operational and strategic risks of the Company on a monthly basis through appropriate risk indicators and management information. There are no subsidiaries or associate Companies of Siyapatha Finance PLC.
8(3) (c)	Review the adequacy and effectiveness of management level committees	In fulfilling its responsibilities the Committee shall be entitled to review the adequacy and effectiveness of Sub Committees to manage risk within quantitative and qualitative risk limits . Asset & Liabilities Committee (ALCO) reports and minutes are submitted to IRMC.
8(3)(d)	Corrective action to mitigate risk exceeding prudential level	IRMC reviews the risk which is beyond the prudent levels and takes prompt and corrective action to mitigate the effects of such risk.
8(3)(e)	Frequency of Meetings	The Committee meets at least quarterly, or more frequently as circumstances arise. IRMC has held seven meetings during the financial year 2014 and has assessed all aspects of risk management.
8(3)(f)	Actions against officers who fail to identify risk	IRMC is responsible for assessing different types of risk, to which the Company is exposed. In order to accomplish the above task; the Committee shall take appropriate action against Officers who fail to identify specific risks and those who are unable to take prompt corrective actions as recommended by the Committee and other regulators.
8(3)(g)	Submission of Risk assessment report to the main Board	Board of Directors have ultimate responsibility in risk management of the Company. Therefore minutes of the IRMC are tabled at the subsequent main Board meeting and the Chairman of IRMC briefs the main Board, on significant issues and decisions taken up at the risk meeting, enabling the Board to make correct decisions.

Section	Corporate Governance Principle	Compliance
8(3)h	Compliance Function	<p>The Head of Risk and Compliance who has been identified as a KMP in the Company assesses the level of Company's compliance with laws, regulations, regulatory guidelines, internal controls and approved policies on all areas of business operations.</p> <p>Compliance Officer will further assess the establishment's compliance with internal controls and approved policies on business operations.</p>
9 RELATED PARTY TRANSACTIONS		
9(2)	Identification of related parties and avoid conflict of interest	<p>Our Board is well aware of requirement of identification of related party transactions and a Board approved Procedure, which identifies the categories of related parties and types of transactions, is in place.</p> <p>Directors are individually requested to declare their interest in entities with which they transact and they are responsible for providing declarations to relevant regulators and statutory bodies as and when required.</p>
9(3)	Types of related party transactions	<p>A documented procedure approved by the Board is in place to avoid related party transactions.</p> <p>All related party transactions have been disclosed in the Financial Statements. No accommodation has been granted to Directors and/or their close relatives during the year 2014.</p>
9(4)	Avoid More Favourable Treatment	<p>There is a documented process approved by the Board which clearly defines related party transactions and to ensure that the Company does not engage in such transactions in a manner that would grant such related parties "more favourable treatment" than what is accorded to other constituents of the Company carrying on the same business with the company.</p> <p>Monitoring of such transactions through manual procedure is in place and the Company is in the process of procuring new software to be used for monitoring of such transactions.</p>
10 DISCLOSURES		
10(2)(a)	The statement to the effect that the annual audited financial statements have been prepared in line with applicable accounting standards and regulatory requirements, inclusive of specific disclosures.	This has been disclosed in the "Independent Auditor's Report" appearing on page 142 of the Annual Report.
10(2) (b)	Internal Control Report by the Board of Directors	Effectiveness of the Companies internal control mechanism has been certified by the Directors in page 141 of the Annual Report under the heading "Directors' Statement on Internal Controls Over Financial Reporting."

Corporate Governance Contd.

The Finance Companies Direction No.03 of 2008 and Subsequent amendments thereto on Corporate Governance for Registered Finance Companies in Sri Lanka issued by the Central Bank of Sri Lanka.

Section	Corporate Governance Principle	Compliance
10(2) (c)	Certification on the effectiveness of the internal control mechanism by external auditors	The Auditors' certification on the effectiveness of the internal control mechanism has been obtained.
10(2)(d)	Details of the Directors including names and transactions	The names of the directors have been set out in page 137 of the Annual Report. The Company did not have any transactions with any of its Directors during the year 2014.
10(2)(e)	Directors' fees and Remuneration	The fees & remuneration paid has been disclosed in page 139 of the Annual Report under the heading "Annual Report of the Board of Directors on the affairs of the company".
10(2) (f)	Accommodation granted for related parties	No loans and advances were given to the Board of Directors, CEO, COO and their family members during the year 2014. Outstanding value of loans and advances granted to KMP's (as per CBSL direction) as at 31.12.2014 is Rs.2.03 Million (0.002% of capital funds).
10(2)(g)	Aggregate values of remuneration paid for KMPs and aggregate values of transaction of the company with KMPs	Please refer note 39.2 to the audited financial statements for the aggregate value of remuneration paid to Board of Directors, CEO and COO. Total value of short term employee benefits paid to KMPs (as per CBSL direction) during the year is Rs.45.5 Million.
10(2)(h)	Details of Compliance with prudential requirements, regulations, laws and internal controls and measures relevant to non compliance	Details of compliance & non-compliance would be highlighted in the 'Annual Report of the Board of Directors on the state of affairs of the company' in page 139 of the Annual Report.
10(2)(i)	Non-Compliance Report	There were no regulatory and supervisory concerns in the Company's risk management or non-compliance with the act, rules and directions that have been communicated by the Director of the Department of Supervision of Non-Bank Financial Institutions.
10(2)(j)	Certification of the Compliance by External Auditors	Board has obtained Auditors' confidential letter to the management (Auditors' factual findings report) issued by External Auditors.

On behalf of the Board Corporate Governance Committee



P.M.A.Sirimane

Chairman- Board Corporate Governance Committee

Colombo, Sri Lanka

30th April 2015

Committee Reports

Report of Board Credit Committee

Composition

This Committee consists of such number of members as the Board of Directors may determine from time to time. The Committee currently consists of four Directors. The Chief Executive Officer attends the meeting by invitation.

Name	Position
Members of the Board	
Dr. H. S. D. Soysa (Chairman)	Independent Non-Executive Director
Mr. M. A. Abeynaike	Independent Non-Executive Director
Mr. M. Y. A. Perera	Non- Independent Non-Executive Director
Mr. R. Samaranayake	Non- Independent Non-Executive Director

Quorum

A minimum of three Directors is the quorum for the Credit Committee meetings. The Committee has the power to increase the quorum beyond three but not to reduce it below the stipulated number.

Performance

During the year, the Committee met on six occasions. The Chairman of the Credit Committee in consultation with the Company Secretary fixes committee meetings as and when necessary, and meetings are usually held every other month. The Company Secretary is the secretary to the Credit Committee and the minutes of the meeting are submitted to

the Board of Directors at the monthly board meetings. Members of the senior management of Siyapatha Finance PLC are invited to participate in meetings as and when required. Urgent credit proposals are approved by the Committee by circulation, when required.

Duties & Role

The Credit Committee plays a vital role in establishing the best practices in relation to credit policies and practices. The Board of Directors has defined the scope and authority of the Committee and has set out the following responsibilities.

Review of Credit Policy / Limit Changes for Each Sector of The Economy.

The Committee reviews credit proposals and approves them within the limits delegated by the Board of Directors. This includes evaluation, assessment and review of credit policy changes initiated by management, pricing of lending proposals and making recommendations to the board for approval when the Credit limit exceeds the delegated limit of the Credit Committee.

Further, the credit policy is assessed in terms of statutory requirements prescribed by regulatory / supervisory authorities. A continuous assessment of portfolio/ sector reviews is conducted, based on management/industry information. Credit risks of new products are also assessed in detail by the Committee.

Ensures Sound Credit Administration and Monitoring Processes

Delegated limits are assigned based on an approved credit approval framework. These include setting credit risk exposure limits etc. Assessment of periodic portfolio reviews is also done in order to assess portfolio performance.

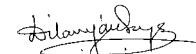
Credit Manual

The Credit Committee reviewed the draft credit manual prepared by the management, which detailed the procedures and policies of the Company and recommended its adoption, subject to the amendments which were suggested by the Committee.

Review of the Committee

The Board undertakes a regular review of the Committee's performance, objectives and responsibilities.

On behalf of the Credit Committee



H. S. D. Soysa

Chairman - Board Credit Committee

Colombo, Sri Lanka

30th April 2015

Corporate Governance Contd.

Report of the Board Audit Committee

The Audit Committee appointed by the Board consisted of five Non-Executive Directors. Mr. P.M.A Sirimane, who is an independent Non-Executive Director of the Company, functioned as the Chairman of the Committee. He is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka.

The members who served in the Audit Committee during the year ending 2014 were;

Name	Position
Members of the Board	
Mr.P.M.A.Sirimane (Chairman)	Independent Non- Executive Director
Mr.M.A.Abeynaike	Independent Non- Executive Director
Dr.H.S.D.Soysa	Independent Non- Executive Director
Mr. S.G. Wijesinha	Non -Independent Non-Executive Director
Mrs. M.A. Karunaratne*	Non-Independent Non-Executive Director

*Resigned with effect from 02-12-2014

The Company Secretary functions as the secretary to the Audit Committee.

The Audit Committee assists the Board of Directors to effectively carry out its supervisory responsibilities by reviewing accounting and financial information of the Company, in order to monitor the integrity of its financial statements, annual report, accounts and periodical reports prepared for disclosure and the significant financial reporting judgments contained in them. The Committee is also empowered to examine the adequacy and effectiveness of internal control systems, assess compliance with regulatory requirements, review adequacy of scope and functions of the internal audit department, assess the internal audit program and results of the internal audit process and recommend the appointment and remuneration of the external auditors.

During the financial year ended 31st December 2014, 10 Audit Committee meetings were held and these meetings were attended by members of the Audit Committee. Other Directors, Chief Executive Officer, Head of Internal Audit of Samapth Bank PLC, external auditors and internal auditor of Siyapatha Finance PLC, also attended these meetings on invitation. The attendance of the members of the Audit Committee is set out in page 78 of the Annual Report.

The Company's Whistle-blowing Policy serves as a mechanism to manage risks pertaining to corporate fraud. There is provision under this Policy for any staff member who has a legitimate concern on an existing or potential 'wrong doing' committed by any person within the Company, to bring such concerns, in confidence, to the notice of the Chairman – Audit

Committee. A process is also in place for such concerns to be investigated, while maintaining the identity of the Whistle-blower confidential. The Audit Committee is empowered under their Terms of Reference to monitor this procedure.

Proceedings of the Audit Committee meetings, with adequate details of matters discussed, were reported regularly to the Board.

On behalf of the Board Audit Committee



P.M.A. Sirimane

Chairman – Board Audit Committee

Colombo, Sri Lanka

30th April 2015

Report of the Integrated Risk Management Committee

The effective management of risk is fundamental for an entity to sustain itself in the market, while ensuring the ability to generate profits consistently. Thus it forms a focal part of the financial and operational management of Siyapatha Finance PLC.

The Board is ultimately responsible for setting the risk appetite and for the effective management of risk. Operating under the delegated authority of the Board, the Integrated Risk Management Committee (IRMC) comprises Directors and Senior Managers of the Company. They have the responsibility for overseeing and reviewing the overall prudential risks including, credit, market, capital & liquidity, operational, strategic and reputational risk.

The IRMC assists the Board of Directors in performing its oversight function in relation to different types of risks faced by the Company in its business operations and ensures adequacy of effectiveness of the risk management framework. The IRMC also ensures that the actual overall risk profile of the Company conforms to the desirable risk profile and the risk appetite of the Company, as defined by the Board.

Composition

The committee consist of members as the Board may determine from time to time, in compliance with Section 8(3) of the Direction No. 03 of 2008, on Finance Company(Corporate Governance), issued by the Monetary Board of the Central Bank of Sri Lanka.

In the year of 2014 the Committee consisted of the members listed below.

Name	Position
Members of the Board	
Mr. M.A. Abeynaike (Chairman)	Independent Non-Executive Director
Mr. I.W. Senanayake	Non-Independent Non-Executive Director*
Mr. P.M.A. Sirimane	Independent Non-Executive Director
Dr. H.S.D. Soysa	Independent Non-Executive Director
Ms. M. A. Karunaratne	Non-Independent Non-Executive Director**
Mr. W. M. P. L. De Alwis	Non-Independent Non-Executive Director

Members of the Management	
Mr. A.R. Nanayakkara	Chief Executive Officer
Mr. R. De Silva	Chief Operating Officer
Ms. W.K.H. Gayasha	Head of Finance
Mr. J.A.P Fernando	Head of Recoveries
Mr. G.R Dissanayake	Head of Deposits
Mr. R.G. Siriwardana	Head of Factoring
Ms. T.N. Punyawansa	Head of Risk and Compliance
Mr. S.B. Dodanwatte	Senior Manager Credit
Mr. M.B.D. Hewavitharana	Head of Marketing
Mr. N.A.D. Shaminda	Manager Internal Audit
Mr. B.L.M.M. Balasuriya	Manager IT
Mr. H.H.A. Kumara	Manager Pawning

*Notes : * retired with effect from 02.03.2014*

*** resigned with effect from 02.12.2014*

Meetings

The Committee held seven meetings during the year under review. The attendance of members is listed in page 78 of the annual report. The Committee continued to review policy frameworks, risk management strategies and key risk indicators at these meetings.

Corporate Governance Contd.

Scope of Activities And Mandate

The approved Terms of Reference for the IRMC stipulates authority, structure, responsibilities and tasks of IRMC.

Accordingly, the primary responsibilities of the IRMC include;

- ❖ Assessing all risk such as credit, market, liquidity, operational and strategic risk, on a monthly basis through appropriate risk indicators and management information.
- ❖ Reviewing the adequacy and effectiveness of the Assets and Liability Committee, to address specific risks and manage those risks within the quantitative and qualitative risk limits specified by the Committee.
- ❖ Taking prompt corrective action to mitigate the effects of specific risks in case such risks are at levels beyond the prudent levels decided by the Committee on the basis of the Company's policies, regulatory and supervisory requirements.
- ❖ Meeting at least quarterly, to assess all aspects of risk management including the updated Business Continuity Plan.
- ❖ Taking appropriate action against the officers responsible, for failure to identify specific risks and taking prompt corrective action as recommended by the Committee and/or as directed by the Central Bank Corporate Governance Directions.
- ❖ Approve in principle all policies relating to risk management and submit same for Board approval.
- ❖ Establish protective risk management culture within the Company.
- ❖ Periodically review the risk exposure of the Company to be in line with Company risk and business strategies and objectives.

- ❖ Engage external and independent reviews for the validation of risk measurement, methodology and outputs.

In addition to the above, the Committee may perform such other functions which are necessary or appropriate for the discharge of its duty.

Review

The Board undertakes regular reviews of the Committee's performance, objectives and responsibilities.

On behalf of the Integrated Risk Management Committee



M.A. Abeynake

Chairman

Integrated Risk Management Committee

Colombo, Sri Lanka

30th April 2015

Report of the Board Human Resource and Remuneration Committee

Human capital is the most important factor in any organization. Therefore good human resource (HR) practices and processes play a vital role in achieving the Company's predetermined goals and objectives.

The HR and Remuneration Committee provides a platform, to maintain a healthy relationship and understanding of the human capital priorities .The Committee is also responsible for establishing policies, practices and administrative structures that focus on the human factor.

A motivated work force delivers a better service to the organization which will help to enhance the overall performance of the Company. The following key risk areas are strategically monitored by the HR Committee to minimize the operational risk involved in HR management and compensation.

- ❖ HR strategy
- ❖ Organizational culture and talent management
- ❖ HR perspective of business risk management
- ❖ HR structure for effective corporate governance
- ❖ Compliance on legal requirements

Composition of the Board HR & Remuneration Committee

The HR and Remuneration Committee consists of the following Non-Executive Directors as at 31.12.2014

Name	Position
Members of the Board	
Mr. W. M. P. L. De Alwis -Chairman	Non-Independent Non-Executive Director
Mr. P. M. A. Sirimane	Independent Non-Executive Director
Dr. H. S. D. Soysa	Independent Non-Executive Director*

*Appointed with effect from 28.05.2014

** Ms. M. A. Karunaratne, Non-Independent

Non-Executive Director, resigned from the HR & Remuneration Committee with effect from 2nd December 2014, due to completion of contract of employment in Sampath Bank PLC.

Meetings for the Year 2014

The HR and Remuneration Committee held 15 meetings during the year under review. The attendance of the members at meetings is set out in page 78 of the annual report. The Chief Executive Officer (CEO) & Chief Operating Officer (COO) of the Company attended meetings by invitation and members of the corporate management participated at meetings as and when required.

Minutes of the Meetings

The Company Secretary maintains the minutes of the meetings with sufficient details. The minutes are tabled at Board meetings for the Board of Directors' information and necessary action.

Duties and Responsibilities of the Committee

The main role of the HR and Remuneration Committee is to focus on HR related matters of the Company and determine the remuneration policies of the Company, i.e. salaries, allowances and other financial payments of the CEO, and the rest of the staff. The Committee periodically evaluates the performance of the CEO and key management personnel against set targets and goals, and determines the basis for revising remuneration, benefits and other payments, based on performance. The Committee also attends to any other HR matters entrusted to them by the Board of Directors. Further, the Committee advises the CEO of the Company on all aspects of HR functions, including the revision of staff salaries and of any major organizational changes needed for effective management.

Remuneration Policy

The remuneration for Non-Executive Directors is determined by Sampath Bank PLC, as per the Group policy on remuneration. In accordance with this policy, Directors of the Company do not decide their own remuneration packages. The aggregate remuneration paid for the Directors for the year ended 31st December 2014, is set out in the page 139 of the Annual Report. The remuneration for key management personnel is decided by the Board of Directors of the Company, as per recommendations by the HR & Remuneration Committee.

Corporate Governance Contd.

Activities for the Year 2014

With the purpose of establishing good HR processes and practices within the organization, the HR and Remuneration Committee carried out the following activities during the year 2014,

- ❖ The Committee identified that a succession plan is an important organizational tool in performance management. Therefore the Committee has approved a sustainable succession plan for key managerial positions of the Company in order to create a talent management hierarchy.
- ❖ The Company obtained the services of the Employers' Federation of Ceylon to assist the Company and the HR Committee in HR related matters, including the preparation of the following HR policies. The HR and Remuneration committee reviewed the following policies,
 - Disciplinary policy
 - Leave and attendance policy
 - Dress code policy
 - Transfers , secondments and job rotations
 - Medical reimbursement policy
 - Occupational health and safety policy
 - Policy on letters of appointment
 - Job descriptions

- ❖ The Committee also reviewed the summary of the performance of the Board of Directors in order to ensure that they are discharging their responsibilities effectively and efficiently and reported the findings to the Board of Directors for their comments and improvements. The Board performance is based on the following core areas;
 - Attendance at Board meetings
 - Following the proper code of conduct designed for Directors
 - Implementation of business strategies
 - Effective risk management
 - Providing leadership
 - Good relationships communication with the management team
 - Knowledge of the industry and market conditions

The Company recruited a Head of HR, as per the recommendations by the HR & Remuneration Committee, to align human resources with business goals.

On behalf of the Board Human Resource and Remuneration Committee



W. M. P. L. De Alwis

Chairman

Board HR and Remuneration Committee

Colombo, Sri Lanka

30th April 2015

Code of Business Conduct & Ethical Practices

❖ Role of HR

HR Management plays a key role in determining the level of formalization and implementation of corporate governance and risk management practices within the company. Human Resource Management committee was consulted on behavioural control mechanisms, development of formal corporate culture programs and during implementation of Corporate Governance structures at the Board level. Our policies are highly focused on promoting open and ethical conduct of all employees within the company as well as all other internal and external stakeholders. It encourages this open policy ethical handling of actual or apparent conflicts of interest between personal and professional relationships. We are highly concerned in generating on time, accurate, and periodic reports required to be filed by the Company, as well as facilitating prompt and appropriate internal reporting and accountability for violations of the Code, while implementing necessary corrective mechanisms.

We always comply with all applicable laws, rules and regulations that apply to the Company's operations and business, while encouraging our employees to follow best practiced standards in keeping with the relevant statutory requirements and other governing regulations stipulated by the relevant authorities. Honesty and integrity are the keystones of Siyapatha value system and we pride ourselves in maintaining the highest standards of ethics and conduct in all of our business relationships. In this context, our policies are always directed to minimize the causes which can create conflicts of interest that would be ultimately detrimental to the company.

As a Company we value openness in all our operations, but we are required to maintain the confidentiality of all non – public information circulated amongst employees during their tenure with us.

As Siyapatha provides equal opportunities, every member of the company is expected to deal fairly with the company's internal and external stakeholders. As a result we do not allow taking unfair advantages of anyone through manipulation or any other unfair – dealing practice. We have inculcated the concept of belongingness to our employees and expect them to protect company assets and make efficient use of its property.

In terms of health and safety, we have made each employee accountable for maintaining a safe and healthy workplace by adhering to the Company Policy on Health and Safety.

Since we have a high concern on communication through proper communication channels, the Company strongly encourages employees to raise their voice about any behavior that they believe is illegal or unethical. Violations of laws is prohibited, rules and regulations are explained to them and agreed by them. Since the company follows a well defined disciplinary procedure bound by laws and regulations defined by regulatory bodies, we orient our employees to adhere to the disciplinary measures defined by the Company policy. We do not allow any kind of discrimination within the Company procedures in terms of employees' age, gender, religion or caste, which proves the impartial and fair treatment we maintain towards our employees.

Being recognized as a well – governed company, we always go beyond our business

operations, while fulfilling our social responsibility.

❖ Business Continuity Plan (BCP)

In order to be prepared to mitigate possible losses and to reduce the likelihood of occurrence of events affecting the disruption of business, a Business Continuity Plan (BCP) has been established comprising planning, establishing, implementing, monitoring and continually improving the management system in relation to business continuity.

Objectives of the plan, scope of BCP, implementation team, recovery time level and levels of emergency have been defined in this plan.

❖ Whistle Blowing

Provisions of Finance Companies (Corporate Governance) Direction No 3 of 2008 issued by the Central Bank of Sri Lanka in terms of Section 2 of the Finance Companies Act No 78 of 1988 stipulates that the Audit Committee should review arrangements by which employees of the Company may, in confidence, raise concerns about possible improprieties in financial reporting, Internal Control or other matters.

According to the above Direction, the Audit Committee is required to ensure that proper arrangements are in place for the fair and independent investigation of such matters and for follow up action to be taken.

In order to comply with the above direction and in furtherance of the Company's continuous commitment to maintain high standards of Corporate Governance, the Company has formulated a Whistle Blowing Policy, which is intended to serve as a channel of corporate fraud risk

Code of Business Conduct & Ethical Practices Contd.

management. This Policy has been hosted on the Company's Intranet. Sinhala and English translations of the Policy have been mailed to all employees of the Company.

The above Policy recognizes the duty of each and every employee of the Company to speak about their genuine concerns in relation to activities which they feel are wrongful or illegal or otherwise harmful to the interests of the Company, its employees, customers and all other stake holders.

A detailed procedure has been documented clearly indicating that employees of the Company have the right to raise any such legitimate concerns, in confidence and assures employees that their identity will be protected and respected at all times. Employees could raise their legitimate concerns on any wrong doings in writing or by a telephone call to Chairman Board Audit Committee. Those raising a legitimate concern will receive a letter of acknowledgement of their concern and the Audit Committee will decide on the best course of action to follow in dealing with the concern. If there are any matters which the Audit Committee considers as potential risk pertaining to a particular area, it will be forwarded to Board Risk Management Committee for appropriate action.

In order to perform its duties relating to the Whistle Blowing procedure, the Board has entrusted the Audit committee with explicit authority to investigate into any matters within its terms of reference. The Board has also provided the Audit Committee with the authority to obtain necessary resources which it needs to do so, along with full access to information and also to obtain external professional advice and to invite outsiders with relevant experience to attend to matters coming under this Policy, if necessary.

Enterprise Risk Management

Risk Management

1. Overview and Culture

Due to the inherent risks confronted by business entities operating in the finance industry and the stringent regulatory framework within which such entities are mandated to operate, risk management has become an integral constituent in managing a finance company. For that reason risk management forms the focal point of sustainability that ensures continued profitability.

The Company firmly believes that sound risk management practices are critical for long term growth. The Company's objective is to add maximum sustainable value to all activities taking into account the potential

upside and downside of all those factors that can adversely affect the operations as a going concern. Risk management is a continuous and developing process which plays a pivotal role in the corporate strategy and its implementation.

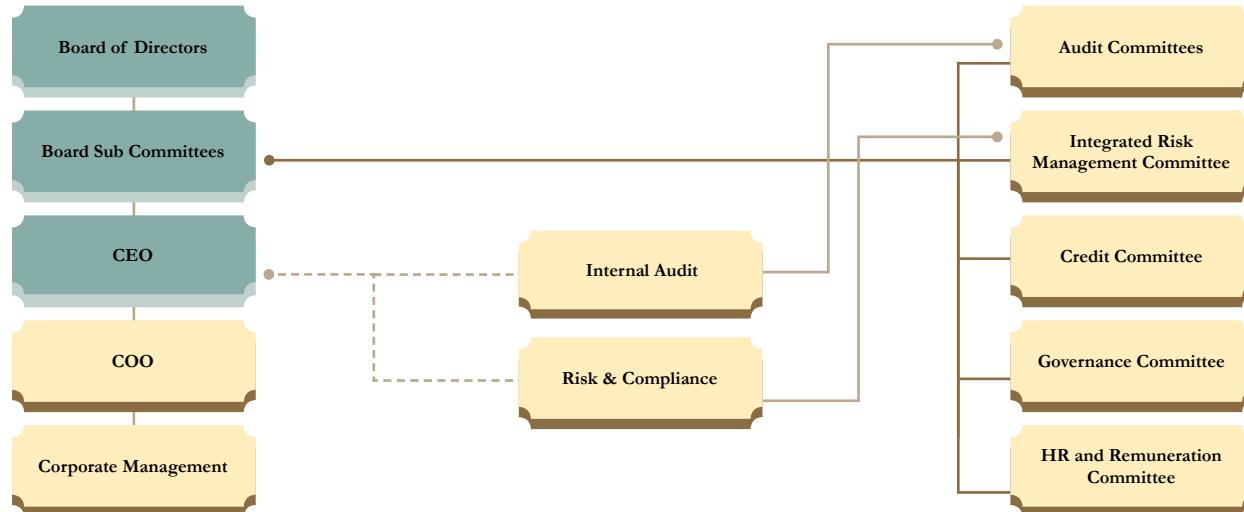
2. Risk Governance Environment



3. Risk Management Governance

The Board approved risk management framework outlines in a broader aspect the policies and guidelines for the management of overall risk exposure of the Company, in an integrated approach.

The Governance Structure for Risk Management



Enterprise Risk Management Contd.

❖ **Board of Directors**

The Board of Directors, in principle is responsible for maintenance of prudent risk management mechanisms and orderly implementation of the risk framework in the Company. The Board approves the policies, strategies and systems and operational approach for risk management. The effective implementation of the risk management function is carried out through the Integrated Risk Management Committee and the corporate management of the Company.

❖ **Integrated Risk Management Committee (IRMC)**

The IRMC is a Board subcommittee, which oversees the risk management function in line with the Board approved policies and strategies. IRMC develops the policy and operations for Company-wide risk management. The Committee interacts with the CEO, Board Audit Committee and Board Credit Subcommittee on Risk Management related activities. In addition to the Board's representatives, the IRMC consist of the CEO, COO and other key managerial personnel of the company.

❖ **Asset -Liability Management Committee (ALCO)**

The ALCO is a management committee which is responsible for the asset-liability management and market risk management. The ALCO consists of the CEO, as the Chairman, and the Chief Operating Officer (COO) and other key managerial personnel of the company.

❖ **Risk Management Department (RMD)**

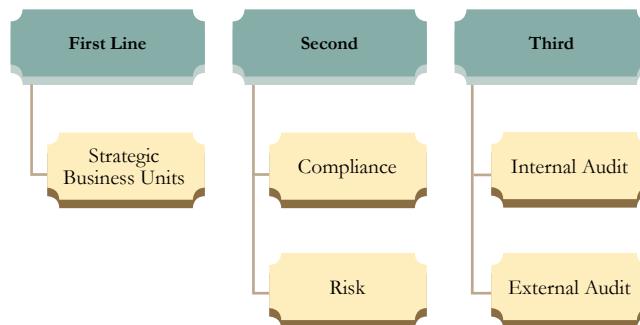
The Company's Risk Management function is independent from the risk assuming business functions.

The RMD is responsible for carrying out the overall risk management function of the Company at operational levels. It focuses on four main areas;

- i. Risk policy formulation
- ii. Credit risk management,
- iii. Asset Liability Management and market risk management,
- iv. Operational risk management.

Further, the RMD is involved with product or business strategy development, or entering into new business lines from the initial design stage, through inputs to the task/process from a risk management perspective.

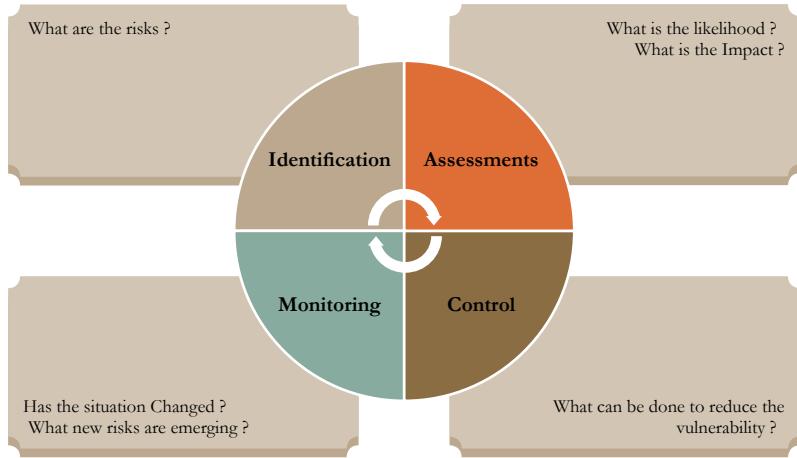
Three Lines of Defense



The three lines of defense model demonstrate the structure, roles, responsibilities and accountabilities for decision making, risk and control to achieve effective governance and risk management.

1. The business unit heads ensure that a risk and control environment is established in routine daily functions, as the first line of defense.
2. The second line of defense provides the oversight function. It sets the Company's boundaries by monitoring the implementation of policies and procedures. The Business units are responsible for the implementation of policies and the proper execution of the same.
3. The third line is for independent assurance. The internal auditor's role is to provide independent, objective assurance and consulting activities to add value to the Company's operations. They evaluate the Company's operations through a systematic, disciplined approach to improve the effectiveness of risk management, controls and processes.

4. Risk Management Principles and Process Flow



Identification and assessment

The primary objective of the risk management framework of the Company is to secure shareholder value at a maximum level, whilst balancing the risk-reward trade-offs.

At Siyapatha the Integrated Risk Management Framework extends on to internal controls, providing a more firm and extensive focus on the broader subject of enterprise risk management.

❖ Risk appetite

The Company's overall risk appetite is considered in both qualitative and quantitative parameters. These risk appetite parameters are dynamic and subject to changes in line with the changing business strategies of the Company and changing market conditions.

❖ Stress testing

Stress testing is a functional method for determining how an institution will remain

during a period of crisis. It reflects the ability of an organization to withstand stressful and challenging situations. The company stresses certain key factors in order to determine the impact on the overall performance.

Control and monitoring

❖ Key Risk Indicators (KRIs)

The key risk indicators for all the key risks are compiled on an either periodical basis or ad hoc basis and submitted to the Board of Directors after the review by the senior management and the IRMC. KRIs are indicators of risk level so that suitable mitigating steps could be taken in case the same reaching undesirable levels.

❖ Tolerance limits setting for KRIs

Tolerance limits are used as a tool for the management of risks. The Company ensures that the regulatory limits are not compromised at any cost. Internal limits are set based on the exposure levels to certain

type of risk, their possible impact and other risk management practices. Specific risk limits are approved by the IRMC and the Board of Directors prior to implementation. The set tolerance limits are reviewed annually or earlier if the requirement arises.

The internally set risk limits are used as advisory limits. Breach or near breach of these advisory risk limits are informed to the IRMC/ Board for necessary advice and direction. While safeguarding the Company from excessive risk exposure, limits are defined and observed with a special attention on the available business opportunities and changes in the market place.

Credit Risk

Identification and assessment

Credit risk originates from the fact that counter parties may be unwilling or unable to fulfill their contractual obligations.

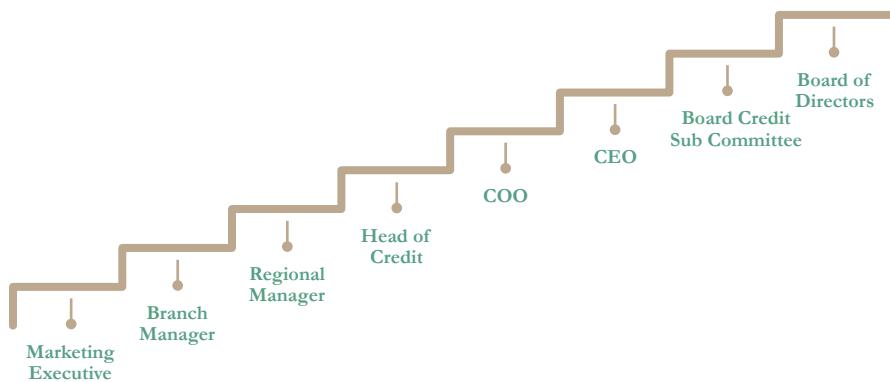
Apart from risk of default, credit risk stems from concentration risk that arises from either uneven distribution of exposures to its borrowers or from uneven distribution of exposures to particular sectors, regions, industries or products.

Credit appraisal and approval process

At Siyapatha screening of facilities is done at several levels depending on the exposure. For lease and hire purchase facilities, origination of the facilities is done at marketing executive level. Then the facility is screened by the approving authorities' based on the Board approved credit policy and manual. In appraising a facility, a broad base of criteria are considered including but not exhaustive of purpose of the proposed facility, vehicle/equipment category, re-market value of

Enterprise Risk Management Contd.

the vehicle/equipment and repayment capacity. If the facility fulfills the accepted criteria it is escalated to the final approving authority with recommendation. For factoring facilities and gold financing facilities delegated authority stems from the respective heads of departments and escalated up through the COO.



Control and monitoring

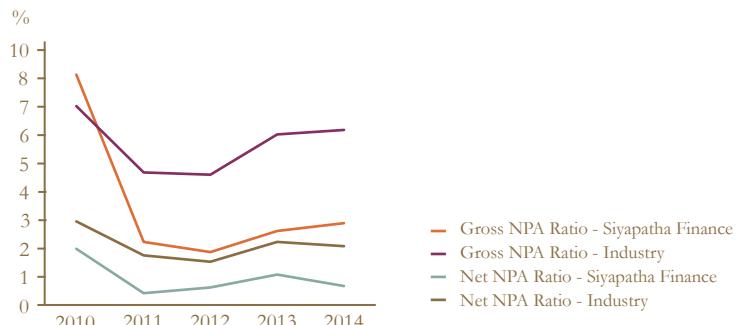
At Siyapatha credit risk is monitored through tolerance limits set for asset quality and concentration based on the KRIs.

a) Asset quality

Based on the product portfolio, the Company's credit risk exposure stems from finance leases, hire purchase facilities, vehicle loans, gold financing and factoring. The Company's target market comprises of salaried individuals (mainly executives and professionals) and small and medium sized enterprises. In order to manage the credit risk the approving levels are segregated and authority is granted based on each level.

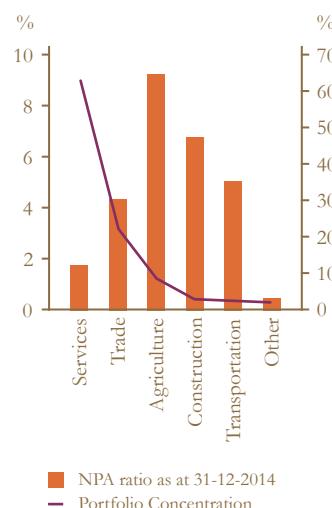
The quality of the portfolio is maintained through stringent screening process at the front line as well as at the final approving authority level. The company's NPA ratio has been below the Industry averages for the past five years except for FY 2010 as can be seen below.

Movement of NPA



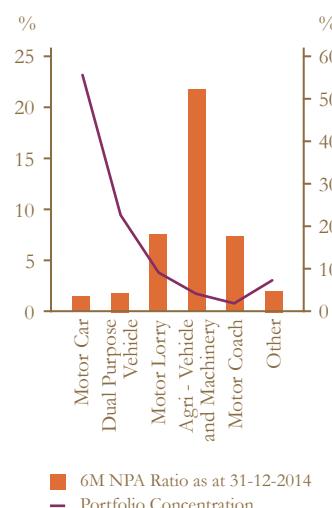
The non-performing advances portfolio of the Company is analyzed based on sector as well as the asset basis.

NPA by Sector



■ NPA ratio as at 31-12-2014
— Portfolio Concentration

NPA by Asset Category



■ 6M NPA Ratio as at 31-12-2014
— Portfolio Concentration

KRI for Asset Quality	Tolerance limit
06 months NPA	2.5%
03 months NPA	4.0%

Stress testing on NPA

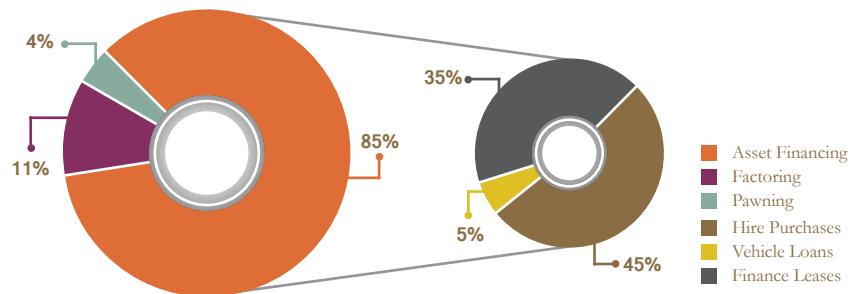
When the NPA increases with an impact to provisioning, it has a negative bearing on the retained earnings of the company, which forms a part of the core capital. On the other hand, when the NPA increases, it has a negative impact on the risk weighted assets as well. Therefore when the NPA increases the Capital Adequacy Ratio (CAR) of the Company deteriorates. Based on three main scenarios, namely – an increase in the net NPA, a shift in the NPA categories, an increase in the gross NPA - the stress testing is carried out to assess the impact on the CAR.

b) Concentration

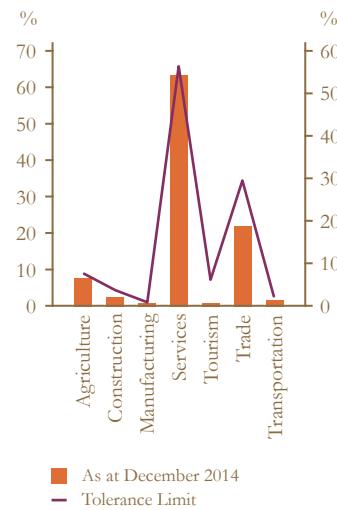
Uneven distribution of exposures or in other terms, over dependency in one segment of a portfolio, gives rise to concentration risk. The concentration risk may arise from product range, industry sectors, asset categories and geographical areas. Maintaining a satisfactory diversity in the said segments would provide the company with a safety buffer as it mitigates the concentration risk as any unfavorable impact from one segment may be set off by the positive movement of the other.

Concentration risk is monitored through the KRIs given below along with the set tolerance limits.

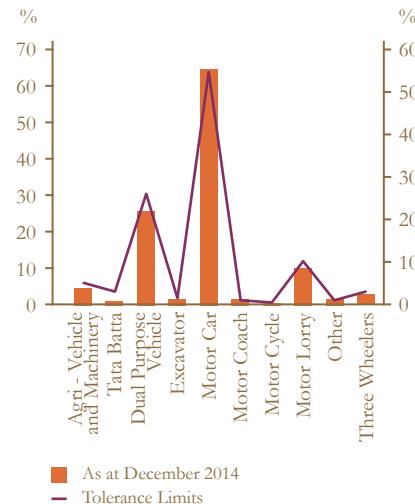
Concentration by Product December 2014



Concentration by Sector December 2014



Concentration by Asset Type December 2014



Enterprise Risk Management Contd.

KRI for Concentration	Tolerance limit
Portfolio concentration	Limits are reviewed based on market trends and strategic direction
Asset concentration	Limits are reviewed based on market trends and macro environment
Branch concentration	Limits are reviewed based on the performance and maturity of the branch

Interest Rate Risk

Identification and assessment

Interest rate risk is the potential negative impact on the Net Interest Income and it refers to the vulnerability of an institution's financial condition due to the movement in interest rates. Changes in interest rates affect earnings, value of assets/ liability, off-balance sheet items and cash flow. Hence, at Siyapatha, the objective of interest rate risk management is to maintain earnings while improving the ability to absorb potential loss and to ensure the adequacy of the compensation received for the risk taken.

The net interest position and the re-pricing cycles of interest sensitive assets and liabilities are evaluated when assessing the interest rate risk. Stress testing is carried out on various interest rate scenarios to decide on the risk exposure. Simulations to the interest rates are done to assess potential impact on the Company's profitability resulting from alternative interest rate scenarios.

The macro market conditions are continuously monitored by the Company to earn the benefits of favorable interest rate changes and also to implement timely risk mitigating measures to minimize risk of loss from any unfavorable movements.

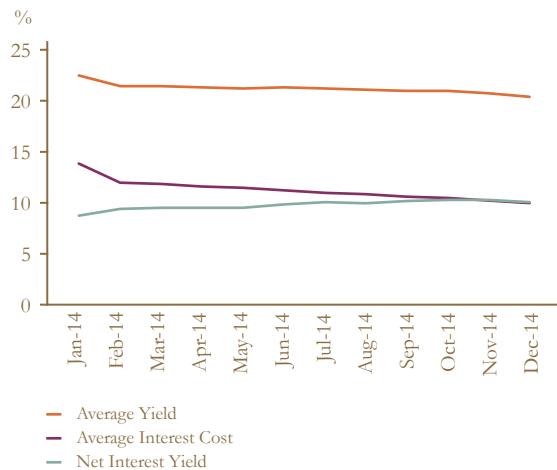
From the funding perspective, the Company depends on equity and borrowed funds. The borrowing portfolio of the Company consists of long term funding along with short term funding. However the Company prefers long term fixed rated funds which mitigate the tenure and re-pricing mismatch when compared with the asset portfolio. Nonetheless the Company's strategy is to ensure gains from volatility in the market rates, while ensuring a prudent liquidity level.

Control and monitoring

Net Interest Yield (NIY)

NIY is monitored on periodic basis to ensure that expected levels are achieved.

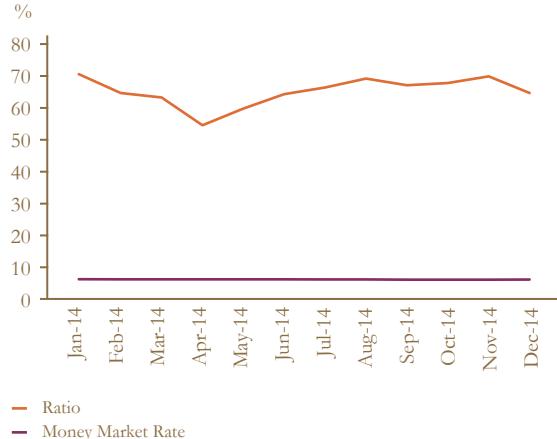
Net Interest Yield (NIY)



Volatile liability dependency ratio

Volatile liability dependency ratio (on interest rate) is calculated by considering the variable rated borrowings as a percentage of total lending portfolio of the company. It is observed that the ratio increased from January to December as seen below indicating the strategy said above.

Volatile Liability Dependency ratio (on interest rate basis)



KRI for Interest Rate Risk	Tolerance limit
Net Interst Yield (NIY)	Above the budgeted level of 9.81%
Volatile liability dependency ratio (on interest rate basis)	40% of the total portfolio

Liquidity Risk

Identification and assessment

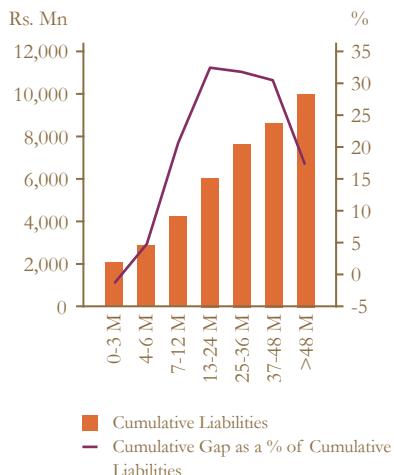
Liquidity is generally defined as the ability of a financial institution to meet its debt obligations without incurring unacceptably large losses. In response to this risk, financial institutions are expected to establish and maintain liquidity management systems to assess their prospective funding needs and ensure the funds are available at appropriate times.

At Siyapatha, a key element of liquidity risk management is monitoring and assessing the firm's current and future fund requirement including debt obligations and planning for any unexpected funding needs, regardless of whether they arise from firm-specific factors, or from systemic (economy-wide) factors.

Since liquidity risk arises from mismatches in the timing of cash flows, effective management of liquidity is considered of utmost importance to ensure confidence and smooth functioning of Company operations. Therefore, in order to assess whether the buffer provided by the Company's liquid assets is sufficient to meet its obligations a number of liquidity risk indicators are monitored by the Company. The main focus is on the liquid asset ratio, maturity gap analysis, the capital adequacy ratios and the volatile liability dependency ratio on maturity and funding concentration. Further, at ALCO meetings, these risk indicators are monitored and discussed to ensure a healthy liquidity position.

Control and monitoring

Cumulative Gap as a % of Cumulative Liabilities



Volatile Liability Dependency ratio (maturity)

Volatile liability dependency ratio on maturity is calculated by taking interest bearing liabilities payable in less than 12 month as a percentage of total lending portfolio.

Volatile Liability Dependency (on maturity basis)



Enterprise Risk Management Contd.

KRI for Liquidity Risk	Tolerance limit
Liquidity ratio	7.5%-8.5%
Statutory liquidity ratio	7.5%
Volatile liability dependency ratio (on maturity basis)	20%
Available funding ratio	>100%

Operational Risk

Identification and assessment

Operational risk can be defined as risk of losses resulting from inadequate or failed internal processes, people and systems or from external events. In a broader manner operational risk incidents can be recognized as internal frauds, external frauds, employment practices and workplace safety, clients, -products and business practices, damage to physical assets, business disruptions and system failures etc... The key to management of operational risk lies in the Company's ability to assess its process for vulnerability and establish controls as well as safeguards while providing for unanticipated worst-case scenarios.

Operational risk is mainly observed through the following areas.

- ❖ Losses due to frauds, misconduct and negligence
- ❖ Losses due to poor quality of credit documentation and legal documentation
- ❖ Number of customer complaints and law suits
- ❖ Frequency of systems break downs and costs

Control and monitoring

Operational risk assessment is a process of identifying and evaluating events that could affect the achievement of objectives of the Company. Such events can be identified in the external as well as within the internal environment. In order to identify the risk events stemming from both external and internal environment, operational loss event reporting is carried out based on the broad categories mentioned above.

The internal controls are established through the Board approved policies and manuals. The business units are responsible for the implementation of policies and proper execution of the same whilst the Risk department provides the oversight.

❖ People Risk

Being a service oriented entity one of the Company's main strengths is human resources. Thus, the Company pays special attention in mitigating risks associated with it.

Absence of employing suitable personnel for relevant tasks, lack of proper performance recognition mechanisms, losses arising from conduct of employees and omission of employment related activities give rise to people risk.

In order to mitigate the people risk the Company conducts manpower planning in line with expansions, detailed pre-employment screening, employer feedback and exit interviews. Further the company has formulated a comprehensive Human Resource policy which encompasses reviews of annual rewards and employee benefits/ compensation, training, disciplinary procedures and succession and development plans.

❖ Technology Risk

The technological risk arises from non-availability of IT system, System break downs, disruptions and not keeping abreast with the latest technology and delivery channels.

The Company focuses on technology planning at the inception of introducing new products and processes. Further after a system is implemented IT systems audits are performed. Based on the outcome of the systems audit, necessary controls are implemented before the live implementation. Further IT policies/ procedures are formulated and implemented. The Company invests in the latest technology and IT systems in order to ensure competitive advantage while balancing the cost benefit of such investments.

In order to be prepared in terms of mitigating possible losses, reducing the likelihood of occurrence and to recover from disruptive incidents, a Business Continuity Plan (BCP) has been established encompassing of planning, establishing, implementing, monitoring and continually improving the management system in relation to business continuity.

❖ Legal Risk

Losses due to legal risk arise from litigation against the Company, faulty documentation or business not being conducted as per the applicable laws or regulations. The company has a separate Legal Department that engages in and monitors the progress of litigation against the company and recovery processes. Policies and procedures are in place to ensure that documentation is done properly. Further major legal documents/ service level agreements are specifically approved by the Legal Officer and signed off

by the Risk and Compliance Department. On the other hand, specialist legal advice is obtained from external consultants on a need basis.

Periodic process audits are conducted by the Internal Audit Department further to the process risk assessments done by the Risk Department. Such reports are submitted to the Board Audit Committee and IRMC respectively.

Compliance Risk

Identification and assessment

At Siyapatha, compliance risk is observed as the potential threat to the earnings or business resulting from violations or infringement of laws, regulations or stipulated practices and standards within the company, industry and government. The impact of compliance risk can be rather far-reaching. It could even lead to loss of earnings and business opportunities, tarnished company image and imminent lawsuits.

Control and monitoring

In order to mitigate the compliance risk, an officer is designated as the Compliance Officer to oversee the compliance function of the Company with relevant regulations and laws including directions and regulations issued by the Central Bank of Sri Lanka and Colombo Stock Exchange. The Compliance Officer functionally reports to the IRMC and administratively to CEO and submits a report to the Board of Directors (the Board), informing the status of compliance of the Company with regard to the statutory returns. Further, on the overall

compliance of the Company, a report is submitted to the IRMC. Any significant non-compliance is reported to the Committee and the Board accordingly. Apart from that all the new products and procedures are signed off by Compliance Officer prior to the implementation.

Dissemination of regulatory directives through internal circular is done by Compliance department based on the requirement.

Strategic Risk

Strategic risk arises from failure to manage medium / long term strategic goals of the business entity. The Company's 2-3 year strategic plan covering all business units has been approved by the Board. The targets set are regularly monitored by business unit heads along with the CEO and COO. Monthly / quarterly reports of assessments, of the stages achieved, are submitted to the Board of Directors for review. Accordingly review actions/ plans are done depending on the outcome, any external, economic environment changes etc.

Reputational Risk

Reputational risk arises from any event that can cause losses to an entity due to tarnishing of the good name or standing of a business or entity. This can occur due to internal events such as acts of the Company, or through external events, such as actions of an employee or employees; other parties, such as joint venture partners, suppliers or service providers.

The company mitigates the reputational risk through good governance practices and transparency. Further timely and efficient communications among all stakeholders are always maintained. A Board approved complaint handling policy that ensures a streamlined procedure for receiving customer complaints and a resolution mechanism, are in place.

The Company always ensures the timely and accurate financial reporting and prompt and accurate responses to the regulators/ customers.

Unfurling a Bright New Future

AS WE TAKE STOCK OF OUR YEAR AS A REVITALIZED ENTITY, WE LOOK FORWARD TO THE OPPORTUNITIES THAT LIE IN OUR PATH AND PRESENT TO YOU A NEW ERA OF SIYAPATHA FINANCE PLC.

Financial Information

Financial Calendar

Financial Calendar -2014

	Date
❖ Audited Financial Statements for the year ended 31st December 2013 signed on	26 th February 2014
❖ Annual General Meeting(AGM)	28 th May 2014
❖ Half Yearly Financial Statements(2nd half of year 2013) as per the requirements of Central Bank of Sri Lanka in Sinhala,Tamil and English language	31 st March 2014
❖ Half Yearly Financial Statements(1st half of year 2014) as per the requirements of Central Bank of Sri Lanka in Sinhala,Tamil and English language	29 th September 2014
❖ Rs.0.41 per share cash dividend for 2013	30 th September 2014
❖ Listing of Debt Securities(Listed Debentures) on the Main Board of the Colombo Stock Exchange	31 st December 2014

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Financial Calendar -2015

	Date
❖ Audited Financial Statements for the year ended 31st December 2014 signed on	06 th February 2015
❖ Annual General Meeting(AGM) to be held on	26 th May 2015
❖ Interim Financial Statements for the quarter ended 31st December 2014 published in terms of rules of 7.4 of the Colombo Stock Exchange	25 th February 2015
❖ Half Yearly Financial Statements(2nd half of year 2014) as per the requirements of Central Bank of Sri Lanka in Sinhala,Tamil & English Language	27 th February 2015
❖ Half Yearly Financial Statements(1st half of year 2015) as per the requirements of Central Bank of Sri Lanka in Sinhala,Tamil & English Language	On or before 31 st August 2015
❖ Rs.0.60 per share cash dividend for 2014 payable	On 5 th June 2015*
❖ Interim Financial Statements published in terms of Rules 7.4 of the Colombo Stock Exchange	
-1 st Quarter ended 31 March 2015	11 th May 2015
-2 nd Quarter ended 30 June 2015	On or before 15 th August 2015
-3 rd Quarter ended 30 September 2015	On or before 15 th November 2015
-4 th Quarter ended 31 December 2015	On or before 29 th February 2016

* Subject to confirmation by shareholders

Annual Report of the Board of Directors on the State of Affairs of the Company

The Board of Directors of Siyapatha Finance PLC has pleasure in presenting the Company's annual report together with the audited financial statements, for the year ended 31st December 2014.

General

Siyapatha Finance PLC, formerly known as Sampath Leasing and Factoring Limited, was incorporated on 03rd March 2005, under the Companies Act No 17 of 1982, as a Specialized Leasing Company and registered as required, under the provisions of the Companies Act No 07 of 2007. The Company which was formerly known as Sampath Leasing and Factoring Limited was renamed Siyapatha Finance Limited on 02nd September 2013 and the finance company license was received on 25th September 2013. Upon the listing of the unsecured subordinated redeemable debentures on the Colombo Stock Exchange on 31st December 2014, the status of the Company was changed and Siyapatha Finance Limited was converted to Siyapatha Finance PLC under the new Company registration No PB 917 PQ with effect from 02.01.2015. The Company is a fully owned subsidiary of Sampath Bank PLC .

This report provides the information required by the Companies Act No 07 of 2007, Finance Business Act No 42 of 2011 and Directions issued thereunder, the Code of Best Practice on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka (ICASL) and the Securities and Exchange Commission of Sri Lanka (SEC) the Listing Rules of the Colombo Stock Exchange and Finance Companies(Corporate Governance) Direction No 03 of 2008.

As at 31st December 2014, there were eight Directors in the Company. The total branch network of the Company stood at 18, as at 31st December 2014. This includes two standalone service centers located within Sampath Bank branches and three pawning centers. The branch expansion policy continued during the year and the Company opened the Nugegoda branch and the Siyapatha Service Centre, located within the Sampath Bank of Ratnapura, was shifted to a separate building.

The total staff strength of the Company as at end December 2014, was 270.

Fitch Rating

Fitch Rating Lanka has affirmed the Company's long term rating at A(lka); outlook stable.

Registered Address and Business Address

The registered office of the Company is No 110, Sir James Peiris Mawatha, Colombo 02 and the business address is No 46/12, Nawam Mawatha, Colombo 02.

Corporate Values

Siyapatha Finance PLC has four values which are identified with the acronym CEEL. They are Customer Centric, Ethical and Professional Standards, Empowerment of employees and Learning Culture. These values are enumerated in detail on page 06 of the Annual Report.

Principal Business Activities of the Company

The Company's principal activities are fund based lending that include finance leases, hire

purchase advances and factoring. In addition to these products, the Company commenced its pawning business in 2013.

Company's Performance During the Year 2014

Financial Statements

Financial statements of the Company set out on pages 143 to 199 have been prepared in conformity with the Sri Lanka Accounting Standards (SLFRS) laid down by the Institute of Chartered Accountants of Sri Lanka and complies with the requirements of the Companies Act No.7 of 2007.

The aforementioned financial statements for the year ended 31st December 2014, duly signed by the Chief Executive Officer, Group Chief Financial Officer and two other Directors are given on page 145 which form an integral part of this Annual Report of the Board of Directors.

The Statement of Directors' responsibility for Financial Reporting set out on page 148 also forms an integral part of the Annual Report of the Board of Directors.

Directors' Responsibility for Financial Reporting

The Directors are responsible for the preparation of financial statements of the Company to reflect a true and fair view of its state of affairs. The Statement of Directors' Responsibility for Financial Reporting, is given in note 1.4 to the audited financial statements (page 148) of the Annual Report.

Auditors' Report

The Company's external auditors, Messrs. Ernst & Young, carried out the audit on the financial statements of the Company for the year ended 31st December 2014 and their report on the financial statements, is published on page 142 of this Annual Report, as required by Section 168(1) (c) of the Companies Act.

Significant Accounting Policies

The significant accounting policies adopted in the preparation of the financial statements are given on pages 148 to 162 and comply with Section 168 (1) (d) of the Companies Act.

Accounting Period

The financial accounting period is from 1st January 2014 to 31st December 2014.

Financial Results and Appropriations Income

Total interest income of the Company for the year ended 31st December 2014 is Rs1,837.55 million (Rs.1,620.27 million in 2013). A more descriptive analysis of the interest income is given in Note 5 to the financial statements.

Profit and Appropriations

The Company recorded a profit before tax and after tax of Rs.405.56 million and Rs.260.18 million, respectively, in 2014. Total comprehensive income for the year is Rs.259.27 million (2013- Rs.218.90 million).

The Company's performance and details of appropriation of profit relating to the Company are tabulated below.

Detailed breakup of the profits & appropriations	2014 Rs.000	2013 Rs.000
Profit for the year after payment of all operating expenses and provisions for depreciation and contingencies	405,555	301,281
Less: Tax	(145,379)	(80,301)
Net profit after tax	260,177	220,980
Other comprehensive income		
Actuarial losses on defined benefit plans (Net of deferred tax effects on losses on defined benefit plans)	(909)	(2,080)
	259,268	218,900
Unappropriated balance brought forward from previous year	452,627	294,800
Balance available before appropriation/adjustments	711,895	513,700
Appropriations		
Transfer to Statutory Reserve Fund	(13,044)	(11,049)
Transfer from/(to) Investment Fund Reserve	58,488	(28,500)
Dividend		
Final cash dividend paid-2012 (Rs.0.41 per share)	-	(21,525)
Final cash dividend paid-2013 (Rs.0.41 per share)	(21,525)	-
Unappropriated balance carried forward	735,813	452,627
Proposed dividend		
Final cash dividend-2014(Rs.0.60 per share)	31,500	-

Taxation

The income tax rate applicable on the Company's operations is 28%. (2013: 28%).

Further the Company is liable for both VAT and NBT on financial value addition at 12%, (2013:12%) and 2% (2013: nil) respectively.

The Company has also provided for deferred taxation as permitted by the Sri Lanka Accounting Standards – LKAS 12 (Income taxes).

Dividend

The Board of Directors of the Company is satisfied that the Company would meet the requirements of the solvency test in terms of section 56 (3) of the Companies Act No.7 of 2007, immediately after the payment of final dividend which will be paid in 2015. Accordingly, the Board of Directors provided the Statement of Solvency to the external auditors and obtained the Certificate of Solvency from the auditors in respect of the dividend payment, conforming to the statutory provision. Directors recommended a final dividend of Rs 0.60 (cents 60) per share for the year ended 31st December 2014.

Annual Report of the Board of Directors on the State of Affairs of the Company Contd.

Property, Plant and Equipment(PPE)

Details of PPE are given in Note 26 to the financial statements. Total capital expenditure on acquisition of PPE amounted to Rs37.94 million for the year under review (2013: Rs.71.39 million).

Stated Capital and Shareholders' Funds

No share issues were made during the year 2014. The stated capital of the Company as at 31st December 2014, remained unchanged from the previous financial year, at Rs.525 million, from 52.5 million ordinary shares.

Debt Capital

Issue of Debentures

During the year, the Company issued 10 million rated, unsecured subordinated, redeemable debentures of Rs 100 each, to the value of Rs.1.0 billion. These debentures are listed on the Colombo Stock Exchange and are eligible for Tier II capital of the Company.

Share Information

Information relating to earnings, dividends and net assets, are given in the Investors' information in page 37.

Shareholdings of the Company

The Company has eight shareholders, the details of which are appended below

Shareholders of the Company as at 31st December 2014

Name	No of Shares	% of Issued Share Capital
Mr. M. A. Abeynaike	1	>0.001%
Mr. M. Y. A. Perera	1	>0.001%
Mr. S. G. Wijesinha	1	>0.001%
Dr. H. S. D. Soysa	1	>0.001%
Mr. W.M.P.L. DeAlwis	1	>0.001%
Mr. R. Samaranayake	1	>0.001%
Mr. S. Sudarshan	1	>0.001%
Sampath Bank PLC	52,499,993	99.99%
Total	52,500,000	100.00%

Board of Directors

The Board of Directors of Siyapatha Finance PLC consists of eight Non-Executive Directors, out of which three are Independent Directors and five are Non-Independent Directors. Their brief profiles are given in pages 70-72 of the Annual Report.

2014 at the end of her employment contract with Sampath Bank PLC.

Mr. C.P. Palansuriya was appointed as the Chairman of the Company with effect from 2nd May 2014.

No Directors have reached the age of 70 years. Therefore re-election under section 210 and 211 of the Companies Act does not apply.

Resignations/Retirement and Re-Appointments of Directors

Mr. I.W.Senanayake, retired from the Board and position of Chairman with effect from 2nd March 2014, having completed nine years of service.

Ms. M.A. Karunaratne resigned from the Company with effect from 02nd December

The names of the Directors of the company during the period of 1st January 2014 to 31st December 2014 are as follows:

Name	Executive/ Non-Executive Status	Independent / Non-Independent Status	Date of Appointment/ Resignation
Mr. C. P. Palansuriya	Non Executive	Non-Independent	Appointed as the Chairman on 02.05.2014
Mr. M. A. Abeynaike	Non Executive	Independent	Appointed to the board on 28.03.2012 Appointed as the Deputy Chairman on 02.06.2014
Mr. S. G. Wijesinha	Non-Executive	Non-Independent	22.10.2008
Mr. P. M. A. Sirimane	Non-Executive	Independent	03.08.2010
Dr. H. S. D. Soysa	Non-Executive	Independent	01.01.2011
Mr. W. M. P. L. De Alwis	Non-Executive	Non-Independent	25.02.2011
Mr. M. Y. A. Perera	Non-Executive	Non-Independent	28.03.2012
Mr. R. Samaranayake	Non-Executive	Non-Independent	28.12.2012
Mr. I. W. Senanayake	Non-Executive	Non-Independent	Appointed to the Board 03.03.2005 Appointed as Chairman on 22.10.2008 Retired on 02.03.2014
Ms M A Karunaratne	Non-Executive	Non-Independent	Appointed to the board on 19.04.2010 Resigned with effect from 02.12.2014
ALTERNATE DIRECTORS			
Mr P M A Sirimane			Alternate Director to Mr S G Wijesinha, since 25.02.2011

All Directors have submitted affidavits and declarations for the year 2014, under the Finance Companies (Assessment of Fitness and propriety of all Directors on the Board and officers performing executive functions) Direction No. 03 of 2011.

In accordance with Section 24(8) of the Articles of Association, Mr. P.M.A. Sirimane, Dr. H.S. D. Soysa and Mr. R. Samaranayake retired by rotation and offered themselves for re-election with the unanimous support of the Board.

Board Subcommittees

The Company has established five Board subcommittees. namely the Board Audit Committee , Integrated Risk Management Committee, Board HR & Remuneration Committee, Board Corporate Governance Committee and Board Credit Committee, as at 31.12.2014.

These subcommittees play a vital role in ensuring that activities of the Company are conducted in the best interest of stakeholders. These subcommittees generally make recommendations to the Board for decision making.

Annual Report of the Board of Directors on the State of Affairs of the Company Contd.

Committee	Members Name	No. of Meetings
Audit Committee	Mr. P. M. A. Sirimane- Chairman Mr. S. G. Wijesinha Mr. M.A. Abeynaike Dr. H. S. D. Soysa Ms. M. A. Karunaratne#	10
Integrated Risk Management Committee	Mr. M. A. Abeynaike-Chairman Ms. M. A. Karunaratne# Mr. I. W. Senanayake * Dr. H. S. D. Soysa Mr. W. M. P. L. De Alwis Mr. P. M. A. Sirimane	07
	Members from the Company Mr. A. R. Nanayakkara - CEO Mr. R. De Silva - COO Ms. W. K. H. Gayasha- Head of Finance Mr. R. G. Siriwardana- Head of Factoring Mr. S. B. Dodanwatte - Senior Manager Credit Mr. N. A. D. Shaminda - Internal Auditor Mr. B. L. M. M. Balasuriya - Manager IT Mr. J. A. P. Fernando - Head of Recoveries Ms. T. N. Punyawansa - Head of Risk and Compliance Mr. G. R. Dissanayake - Head of Deposits Mr. H. H. A. Kumara - Manager Pawning Mr. M. B. D. Hewavitharana-Head of Marketing	
Board Corporate Governance Committee	Mr. P. M. A. Sirimane-Chairman Mr. I. W. Senanayake* Dr. H. S. D. Soysa## Ms. M. A. Karunaratne# Mr. W. M. P. L. De Alwis Mr. S. G. Wijesinha **	02
Board HR & Remuneration Committee	Mr. W. M. P. De Alwis-Chairman Mr. P. M. A. Sirimane Ms. M. A. Karunaratne# Dr. H. S. D. Soysa***	15
Board Credit Committee	Dr. H. S. D. Soysa-Chairman Mr. M. Y. A. Perera Mr. M. A. Abeynaike Mr. R. Samaranayake	06

- # Resigned with effect from 02.12.2014
- ## Resigned with effect from 28.05.2014
- *Retired with effect from 02.03. 2014
- ** Appointed with effect from 03.12.2014
- ***Appointed with effect from 28.05.2014

Directors' Meetings

The Board meets the CEO once a month at Board meetings to review amongst other matters, the operational and financial performance of the Company, and to direct and refocus business strategy and policy.

When the necessity arises the Board of Directors will call for special Board meetings to discuss matters of importance.

At the beginning of the year, an annual calendar of meetings for 2014 was submitted to all Board members giving them an opportunity to know the dates of Board meetings in advance and attend such meetings.

The Board has dedicated adequate time for meetings. The Board of Directors of the Company met regularly and held 21 Board meetings during the year 2014.

Details of Board meetings and Board sub committee meetings are set out in the Annual Report in pages 78 and 79.

Directors' Interest In Contracts And Proposed Contracts

Other than the details listed below, none of the Directors has direct or indirect interest in contracts or proposed contracts connected with the Company's business.

Company Name	Relationship	Nature of the transaction	Limit Rs. 000	Balance Outstanding as at 31.12.2014 Rs. 000	Balance Outstanding as at 31.12.2013 Rs. 000
Orit Trading Lanka (Pvt) Limited	Chairman	Leasing Facility	3,377	1,889	2,653

Directors' Interest In Transactions

The Directors made necessary declarations of their interest in contracts and proposed contracts .As a practice Directors who have material interest in transactions disclose their interest and refrain from voting on those matters.

Interest Register

The Interest Register is maintained by the Company as per Section 168(1)(e) of the Companies Act No 07 of 2007.The related entries were recorded in the Interest Register and is available for inspection.

Performance Appraisal of Directors

The Board has periodically assessed the effectiveness of the Board of Directors' own governance practices through performance appraisals. The summary of the Board evaluation was scrutinized by the HR Committee and their feedback given to the main Board for necessary action.

Remuneration and Other Benefits of Directors

Remuneration Policy

Remuneration for Directors is determined by Sampath Bank PLC, based on the Group remuneration policy. This information is furnished as required by Section 168(1) (f) Details of Directors' emoluments and other benefits paid.

The Company has made a net payment of Rs10.941 million (gross payment: Rs.13.025 million) being Directors' fees and attendance fees for Board meetings and committee meetings. As a policy, Directors' fees are decided by the main Board of Sampath Bank PLC.

Directors' Interest in the Shares of the Company

Mr. M. A. Abeynaike, Mr. S. G. Wijesinha, Mr. M. Y. A. Perera, Mr. W. M. P. L. De Alwis, Mr. R. Samaranayake and Dr. H. S. D. Soysa, hold one share each of the Company.

Environmental Protection

To the best knowledge of the Board, the Company has not been engaged in any activity that is harmful or hazardous to the environment.

Statutory Payments

To the best of their knowledge and belief, the Directors are satisfied that all statutory payments due to the Government, other regulatory institutions and in relation to the employees have been made in a timely manner.

Outstanding Litigation

In the opinion of the Directors and in consultation with the Company lawyers, litigation currently pending against the Company will not have a material impact on the reported financial results, or future operations, of the Company. Details of litigation pending against the Company are given in Note 37.1 to the financial statements.

Events After the Reporting Period

No circumstances have arisen since the reporting date which would require adjustments to, or disclosure in the accounts, except those disclosed in Note. 38 to the financial statements

Compliance with Laws And Regulations

The Company has not been engaged in any activities that contravene laws and regulations.

Going Concern

After considering the financial position, the Company financial projections/ business plans, operations, the regulatory environment and other factors, the Directors of the

Annual Report of the Board of Directors on the State of Affairs of the Company Contd.

Company have a reasonable expectation that the Company would continue to be in operation for the foreseeable future. Hence, the Company adopted the going concern basis in preparing the financial statements.

Internal Controls

The Company has taken reasonable steps to put in place an effective and comprehensive system of internal controls to identify, record, evaluate and manage significant risks faced by the Company during the year under review. This comprises internal audits, and other reviews which are essential to carry out operations in an orderly manner, safeguard assets and secure as far as possible, accuracy and reliability of financial and other information and to prevent and detect fraud and other irregularities.

Corporate Governance

The Board is always committed to maintain proper governance in order to secure the best interests of the Company and stakeholders. The Board has ensured that the Company is compliant with the recommendations and proposals of the Code of Best Practice on Corporate Governance, issued jointly by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka ,the Listing Rules of the Colombo Stock Exchange and the Finance Companies (Corporate Governance)Direction No 03 of 2008 and amendments thereafter.

Corporate Governance Reports are set out in pages 80-114 of this Annual Report.

Auditors

Messrs. Ernst & Young are functioning as the Company's auditors from the inception of the Company and they have given their consent to continue in office for the ensuing year, as per Section 158 of the Companies Act No 07 of 2007.

Based on the declaration provided by Ernst & Young and as far as the Directors are aware, the auditors do not have any relationship with, or interest with the Company, which may reasonably be thought to have a bearing on 'independence,' within the meaning of the Code of Professional Conduct, issued by the Institute of Chartered Accountants of Sri Lanka.

Audit Fee

Messrs. Ernst & Young, chartered accountants were paid a sum of Rs. 2.88 million (In 2013: Rs.3.03 million) by the Company for audit and related services for the year under review.

Secretaries

Mr. R. L. S. Senaratne is the Company Secretary and he possesses the required qualifications as stated in the Companies Act No 07 of 2007. He has been serving the Board since 01st January 2008.

Annual General Meeting

The Annual General Meeting will be held at the Board Room, Sampath Centre Building, No 110,Sir James Peiris Mawatha ,Colombo 02, on 26 May 2015 at 0900h.

Notice of Meeting

Notice of the meeting relating to the 10th Annual General Meeting is provided on page 221 of this Annual Report.

As required by section 168 (1) (k) of the Companies Act No 07 of 2007, the Board of Directors hereby acknowledge the contents of this report.

For and on behalf of the Board of Directors

Channa P. Palansuriya
Chairman

M. A. Abeynaike
Deputy Chairman

Siyapatha Finance PLC
Colombo, Sri Lanka.
30th April 2015

Directors Statement on Internal Control Over Financial Reporting

Directors' Statement on Internal Control Over Financial Reporting Responsibility

The Board of Directors present this report on internal control over financial reporting in accordance to the Finance Companies Corporate Governance Direction No. 03 of 2008, section 10(2) (b).

The Board of Directors ("Board") are responsible for the adequacy and effectiveness of the internal control mechanism in place at Siyapatha Finance Ltd. ("Company").

The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company and this process includes the system of Internal Control over Financial Reporting. The process is regularly reviewed by the Board. The Board is of the view that the system of Internal Control over Financial Reporting in place, is adequate to provide reasonable assurance regarding the reliability of Financial Reporting and that the preparation of Financial Statements for external purposes is in accordance with relevant accounting principles and regulatory requirements.

The management assists the Board in the implementation of the Board's policies and procedures pertaining to Internal Control over Financial Reporting. Procedures relating to Internal Control over Financial Reporting system have been documented. In assessing the Internal Control System over Financial Reporting, identified officers of the Company collated all procedures and controls that are connected with significant accounts and disclosures of the Financial Statements of the Company. These in turn are being observed and checked by the

Internal Audit Department of the Company annually for suitability of design and effectiveness.

The Company has adopted the new Sri Lanka Accounting Standards comprising LKAS and SLFRS. Processes applied to adopt the said accounting standards were strengthened during the year 2014 based on the feedback received from the External Auditors, Internal Audit Department, regulators and the Board Audit Committee. Progressive improvements on processes to comply with new Sri Lanka Accounting Standards requirements of recognition, measurement, classification and disclosure are being made.

During the year 2014, General Ledger module of the system was upgraded to Microsoft Dynamics NAV 2009. Further system integration with upgraded General Ledger and main operating systems were completed during the year 2014 and Company in the process of developing system based modules for related party transaction identification and impairment calculation. Also, the Company will continue to further strengthen the processes in relation Financial Statement Disclosures related to risk management, based on the feedback received from External Auditors.

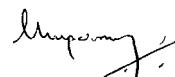
Confirmation

Based on the above processes, the Board confirms that the Financial Reporting System of the Company has been designed to provide reasonable assurance regarding the reliability of Financial Reporting and the preparation of Financial Statements for external purposes and has been done in accordance with Sri Lanka Accounting Standards and regulatory requirements of the Central Bank of Sri Lanka.

External Auditors Certification

The External Auditors have submitted a certification on the process adopted by the Directors on the system of internal controls over financial reporting.

By order of the Board



Channa P. Palansuriya
Chairman



P. M. A. Sirimane
Chairman - Board Audit Committee

Siyapatha Finance PLC
Colombo, Sri Lanka.
09th March 2015

Independent Auditor's Report



Ernst & Young
Chartered Accountants
201 De Saram Place
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Sri Lanka

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eysl@lk.ey.com
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HMAJ/RM/JJ

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SIYAPATHA FINANCE PLC

Report on the Financial Statements

We have audited the accompanying financial statements of Siyapatha Finance PLC, (Formerly known as Siyapatha Finance Limited) ("the Company"), which comprise the statement of financial position as at 31 December 2014, and the income statement and statement of comprehensive income, statement of changes in equity and, statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information. (set out on pages 148 to 199.)

Board's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2014, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on other legal and regulatory requirements

As required by Section 163(2) of the Companies Act No. 7 of 2007, we state the following:

- a) The basis of opinion and Scope and Limitations of the audit are as stated above.
- b) In our opinion :
 - ⦿ We have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company,
 - ⦿ The financial statements of the Company, comply with the requirements of Section 151 of the Companies Act No.7 of 2007.

09 February 2015
Colombo

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

A member firm of Ernst & Young Global Limited

Income Statement

Year ended 31 st December	Note	2014 Rs.'000	2013 Rs.'000
Interest Income		1,837,546	1,620,272
Interest Expenses		(778,661)	(899,069)
Net Interest Income	5	1,058,885	721,202
Fee & Commission Income		46,534	76,912
Fee & Commission Expenses		(12,271)	(18,579)
Net Fee & Commission Income	6	34,263	58,333
Other Operating Income	7	105,091	55,752
Total Operating Income		1,198,239	835,287
Impairment (Charges)/ Reversal for loans and other losses	8	(183,217)	(67,237)
Net Operating Income		1,015,021	768,050
Operating Expenses			
Personnel Costs	9	(234,721)	(214,497)
Other Operating Expenses	10	(310,625)	(215,916)
Operating Profit before VAT & NBT on Financial Services		469,675	337,637
VAT & NBT on Financial Services		(61,536)	(35,740)
Crop Insurance Levy		(2,584)	(615)
Profit before Taxation from Operations		405,555	301,281
Taxation	11	(145,379)	(80,301)
Profit for the Year		260,177	220,980
Basic Earnings Per Share (Rs.)	12	4.96	4.21
Dividend Per Share (Rs.)	13	0.41	0.41

The Notes to the Financial Statements from pages 148 to 199 form an integral part of these Financial Statements.

Statement of Comprehensive Income

Year ended 31 st December	Note	2014 Rs.'000	2013 Rs.'000
Profit for the Year		260,177	220,980
Other Comprehensive Income/ (Expenses)			
Actuarial losses on defined benefit plan		(1,263)	(1,625)
Deferred Tax effect on Actuarial losses		354	(455)
Total Other Comprehensive Income		259,268	218,900
Attributable to :			
Equity Holders of the Parent Company		259,268	218,900
		259,268	218,900

The Notes to the Financial Statements from pages 148 to 199 form an integral part of these Financial Statements.

Statement of Financial Position

As at 31st December

	Note	2014 Rs. '000	2013 Rs. '000
Assets			
Cash and Bank Balances	15	88,655	65,378
Securities purchased under Repurchase Agreements	16	489,685	323,792
Factoring Receivables	17	996,440	1,052,411
Pawning Receivables	18	456,193	412,753
Loan Receivables	19	506,526	568,573
Lease Receivables	20	3,383,597	2,833,933
HP receivable	21	4,250,553	3,393,593
Other Debtors & Prepayments	22	125,327	232,548
Financial Instruments- Available for Sale	23	56	56
Financial Investments Held to Maturity	24	4,198	-
Intangible Assets	25	17,097	15,920
Property, Plant & Equipment	26	97,716	84,380
Inventories		1,747	2,227
Total Assets		10,417,790	8,985,564
Liabilities			
Bank Overdraft		83,921	63,982
Debt Issued and Other borrowed funds	27	8,528,922	7,487,912
Other Payables	28	299,606	238,627
Deferred Taxation Liability	29	69,983	59,034
Income Taxation Payable	30	111,179	54,275
Retirement Benefit Obligations	31	12,535	7,833
Total liabilities		9,106,146	7,911,662
Shareholders' Funds			
Stated Capital	32	525,000	525,000
Statutory Reserve Fund	33	50,831	37,787
Investment Fund Reserve	34	-	58,488
Accumulated Profit		735,813	452,627
Total Shareholders' Funds		1,311,644	1,073,902
Total Liabilities and Shareholders' Funds		10,417,790	8,985,564

We certify that these Financial Statements are presented in compliance with the requirements of the companies Act No.7 of 2007

Chief Executive Officer

Group Chief Financial Officer

The Board of Directors is responsible for the preparation & and presentation of these Financial Statements. Signed for and on behalf of the Board by,

Chairman

Director

The Notes to the Financial Statements from pages 148 to 199 form an integral part of these Financial Statements.

06th February 2015
Colombo

Statement of Changes in Equity

Year ended 31 st December	Stated Capital	Retained Earnings	Statutory Reserve Fund	Investment Reserve Fund	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Balances as at 31/12/2012	525,000	294,800	26,738	29,989	876,527
Net Profit for the Year	-	220,980	-	-	220,980
Other Comprehensive Income	-	(2,080)	-	-	(2,080)
Transfer to Statutory Reserve Fund	-	(11,049)	11,049	-	-
Dividend Declared	-	(21,525)	-	-	(21,525)
Transfer to Investment Fund Reserve	-	(28,500)	-	28,500	-
Balances as at 31/12/2013	525,000	452,627	37,787	58,488	1,073,902
Net Profit for the Year	-	260,177	-	-	260,177
Other Comprehensive Income	-	(909)	-	-	(909)
Transfer to Statutory Reserve Fund	-	(13,044)	13,044	-	-
Dividend Declared	-	(21,525)	-	-	(21,525)
Transfer to Investment Fund Reserve	-	(8,331)	-	8,331	-
Transfer of Investment Fund Reserve	-	66,819	-	(66,819)	-
Balances as at 31/12/2014	525,000	735,813	50,831	-	1,311,644

The Notes to the Financial Statements from pages 148 to 199 form an integral part of these Financial Statements.

Statement of Cash Flows

Year ended 31st December

	2014 Rs. '000	2013 Rs. '000
Cash Flow from Operating Activities		
Profit/ (Loss) before Taxation (after OCI Adjustment)	404,292	299,656
Interest Expenses	778,661	899,069
Fee & Commission Expenses	12,271	18,579
Provision for Impairment	183,217	67,237
Provision for /(Reversal of) Staff Gratuity	4,844	4,030
Provision for Depreciation	22,606	16,819
Amortisation of Software	5,330	5,512
(Profit)/Loss on sale of motor vehicles	(91)	1,376
Write off of Provisions	(18,442)	-
	988,397	1,012,623
Operating Profit before Working Capital Changes	1,392,689	1,312,279
(Increase)/Decrease in Leased Assets	(598,395)	(193,670)
(Increase)/Decrease in Hire Purchase Debtors	(885,332)	(1,247,514)
(Increase)/Decrease in Factoring Debtors	60,181	(487,036)
(Increase)/Decrease in Pawning Receivables	(58,242)	(414,862)
(Increase)/Decrease in Loan Receivables	62,442	(569,831)
(Increase)/Decrease in Inventories	480	(1,501)
(Increase)/Decrease in Other Receivables	29,746	(31,455)
Increase/(Decrease) in Other Payables	67,771	71,556
	(1,321,348)	(2,874,313)
Cash Generated from Operations	71,341	(1,562,034)
Interest paid	(804,443)	(903,369)
Gratuity Paid	(143)	(325)
Income Tax Paid	(70,452)	(27,103)
Net Cash Inflow/(Outflow) from Operating Activities	(803,697)	(2,492,832)
Cash Flow from Investing Activities		
Investments in Fixed Deposits	-	87,246
Investments in Government Bonds	(4,198)	-
Purchase of Property, Plant and Equipment and Intangible Assets	(44,446)	(88,319)
Proceeds from Sale Of Property, Plant and Equipment	2,087	32,219
Net Cash Inflow/(Outflow) from Investing Activities	(46,557)	31,146
Net Cash Inflow/(Outflow) before Financing Activities	(850,254)	(2,461,686)
Cash Flow from Financing Activities		
Net Proceeds from Long Term Loans/ Securitizations	349,358	2,556,554
Net Proceeds from Debenture	914,500	(84,377)
Net Proceeds from Short Term Borrowings	(222,848)	360,417
Dividend Paid	(21,525)	(21,525)
Net Cash Inflow/(Outflow) from Financing Activities	1,019,485	2,811,069
Net Increase/(Decrease) in Cash and Cash Equivalents	169,230	349,383
Cash & Cash Equivalent at the beginning of the year	325,188	(24,196)
Cash and Cash Equivalents at end of the Period	494,419	325,188
Analysis of the Cash and Cash Equivalents at the end of the period		
Cash and Bank balances (Note 15)	88,655	65,378
Investment in REPOs (Note 16)	489,685	323,792
Bank Overdraft	(83,921)	(63,982)
	494,419	325,188

The Notes to the Financial Statements from pages 148 to 199 form an integral part of these Financial Statements.

Notes to the Financial Statements

1. CORPORATE INFORMATION

1.1 General

Siyapatha Finance Limited (“The Company”), formerly known as Sampath Leasing and Factoring Limited was incorporated as a Public Limited Liability Company on 03rd March 2005. The Company is incorporated and domiciled in Sri Lanka and the registered office of the Company is located at No.110, Sir James Pieris Mawatha, Colombo 02. The principal place of business is located at No.46/12, Nawam Mawatha, Colombo 02.

It is a Licensed Finance Company under the Finance Business Act No.42 of 2011. The Company was re-registered under the Companies Act No.07 of 2007.

1.2 Principal Activities and Nature of Operations

The company provides comprehensive range of financial products which consist of Finance Leases; Hire Purchase asset financing, Term Loans Debt Factoring and Pawning.

1.3 Parent Enterprise and Ultimate Parent Enterprise

The Company's parent undertaking /ultimate parent and the controlling party is Sampath Bank PLC, which is incorporated in Sri Lanka.

1.4 Directors' Responsibility Statement

The Board of Directors takes the responsibility for the preparation and presentation of these Financial Statements as per the provisions of the Companies Act No.07 of 2007 and the Sri Lanka Accounting Standards (SLFRS/ LKAS).

1.5 Date of Authorization

The Financial Statements of the Company for the year ended 31st December 2014 were authorized for issue in accordance with the resolution of the Board of Directors dated 06th February 2015.

The staff strength of the company as at 31st December 2014 was 253 (240 as at 31st December 2013).

2. BASIS OF PREPARATION

2.1 Statement of compliance

The Financial Statements of the Company (Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows together with Accounting Policies and Notes) as at 31st December 2014 are prepared in accordance with Sri Lanka Accounting Standards (SLFRSs & LKASS) as laid down by the Institute of Chartered Accountants of Sri Lanka, in compliance with the requirements of the Companies Act No. 07 of 2007.

2.2 Basis of Measurement

The Financial Statements of the Company are prepared in Sri Lanka Rupees on a historical cost basis

- ❶ Available for sale investments are measured at fair value
- ❷ Liabilities for defined benefit obligations are recognised as the present value of the defined benefit obligation.

2.3 Functional and presentation currency

The financial statements are presented in Sri Lanka Rupees (Thousands), which is also

the Company's functional and presentation currency (except otherwise indicated).

2.4 Presentation of financial statements

The Company presents its statement of financial position broadly grouped by nature and listed in an order that reflects their relative liquidity and maturity pattern. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in note 36.8.

2.5 Materiality and Aggregation

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

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

2.6 Comparative Information

The accounting policies have been consistently applied by the Company with

those of the previous financial year in accordance with LKAS 01 Presentation of Financial Statements.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of Financial Statements of the Company in conformity with Sri Lanka Accounting Standards requires the management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

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

The key significant accounting judgements, estimates and assumptions involving uncertainty are discussed below, whereas respective carrying amounts of such assets and liabilities are given in related notes.

a) Judgements

In the process of applying the Company's accounting policies, management has exercised judgement and estimates in determining the amounts recognised in the financial statements. The most significant uses of judgements and estimates are as follows;

❖ Useful life-time of the Property, Plant and Equipment& Intangible Assets

The Company depreciates property, plant & equipment using the straight line method, over the estimated useful lives after taking into account of their residual values. The estimated useful life reflects management's estimate of the period that the company intends to derive future economic benefits from the use of company's property, plant & equipment. The residual value reflects the management's estimated amount that the company would currently obtain from the disposal of the asset, after deducting the estimated costs of disposal as if the assets were already of the age in the condition expected at the end of its useful life. Changes in the expected level of usage and the technological developments could affect the economics, useful lives and the residual values of these assets which could then consequentially impact future depreciation charges.

b) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The company based such assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the company. Such changes are reflected in the assumptions when they occur

❖ Going concern

The Company's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern and does not intend either to liquidate or to cease operations. Therefore, the financial statements continue to be prepared on the going concern basis.

❖ Impairment losses on Loans and Advances(Leases, Hire Purchases and Factoring receivables)

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

Loans and advances that have been assessed individually and found not to be impaired and all individually insignificant loans and advances are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether provision should be made due to incurred loss events for which there is objective evidence, but the effects of which are not yet evident. The collective assessment takes account of data from the loan portfolio

Notes to the Financial Statements Contd.

(such as loan type, asset type and past due status etc., and judgements on the effect of concentrations of risks and economic data including levels of unemployment, consumer prices indices, interest rates, exchange rates).

❖ Deferred tax assets

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

❖ Defined benefit plans

The cost of Defined Benefit Pension Plan is determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexity of the valuation, the underlying assumptions and its long term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of Sri Lanka Government bonds with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables. Future salary increases are based on expected future inflation rates and expected future salary increase rate for the Company.

❖ Provision for Liabilities & Contingencies

The Company receives the legal claims against it in the normal course of the business. Management has made judgements as to the likelihood of any claim succeeding in making provisions. The time of concluding legal claims is uncertain, as is the amount of possible outflow of economic benefits. Timing and costs ultimately depend on the due process in respective legal jurisdictions.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied by the company in preparation of its financial statements are included in below.

4.1 Financial Assets and Financial Liabilities – initial recognition and subsequent measurement

(i) Date of recognition

All financial assets and liabilities are initially recognised on the trade date, i.e., the date that the Company becomes a party to the contractual provisions of the instrument. This includes ‘regular way trades’: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Those trades are initially recognized on the settlement date.

(ii) Classification and Initial measurement of Financial Assets and Financial Liabilities

The classification of Financial Assets and Financial Liabilities at initial recognition depends on their purpose and characteristics and the management’s intention in acquiring them. All Financial Assets and Financial Liabilities are measured initially at their fair

value plus transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss as per Sri Lanka Accounting Standard LKAS 39 on ‘Financial Instruments: Recognition and Measurement’.

(iii) Classification and Subsequent Measurement of Financial Assets

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

- a) Financial Investments at Fair value through profit or loss (FVTPL);
 - Financial Investments held for trading
 - Financial Investments – Designated at fair value through profit or loss
- b) Loans & Receivables (L&R)
- c) Financial Investments – Held to Maturity (HTM) or
- d) Available for Sale (AFS) Financial Assets

The Company determines the classification of its financial assets at initial recognition. The classification depends on the purpose for which the investments were acquired or originated and based on the company’s ability to hold.

Subsequent measurement of financial assets depends on their classification.

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

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss.

The Company does have financial assets under this category.

b) Available for sale financial assets

Available for sale investments include equity securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss.

The company has not designated any loans or receivables as available for sale.

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

Unrealised gains or losses are recognized directly in equity (Other Comprehensive Income) in the 'Available for Sale Reserve'. When the investment is disposed of, the cumulative gain or loss previously recognised in equity is recognised in the Income Statement in 'Other Operating Income'. When the company holds more than one investment in the same security, they are deemed to be disposed of on a first-in-first-out basis. Interest earned whilst holding available for sale financial investments is reported as interest income using the effective interest rate (EIR).

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

Currently, the Company has recorded its non-quoted equity investments classified as available for sale financial instruments at cost less impairment if any.

c) Held to Maturity Financial Investments

Held to Maturity Financial Investments are non-derivative financial assets with fixed or determinable payments and fixed maturities, which the company has the intention and ability to hold to maturity. This includes investment in government securities.

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

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

d) Loans and Receivable Financial Instrument

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

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

After initial measurement, 'Loans and Receivables' are subsequently measured at amortised cost using the EIR, less allowance for impairment. Amortised cost is calculated by taking in to account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortisation is included in 'Interest and Similar Income' in the Income Statement. The losses arising from impairment are recognised in the Income Statement in 'impairment charges for loans and receivables'.

Loans and Receivables consist of Cash and Cash balances, Securities purchased under Repurchase Agreements, Factoring Receivables, Lease Receivables, HP Receivables, Loan Receivable and Pawning Receivables.

4.2 'Day 1' profit or loss

When the transaction price differs from the fair value of other observable current market transactions in the same instrument, or based on a valuation technique whose variables include only data from observable markets, the company immediately recognises the difference between the transaction price and fair value (a 'Day 1' profit or loss) in 'Net trading income'.

Notes to the Financial Statements Contd.

4.3 Classification and subsequent measurement of financial liabilities

At the inception the company determines the classification of its financial liabilities. Accordingly, financial liabilities are classified as ;

- (i) Financial liabilities at Fair Value through Profit or Loss (FVTPL)
 - Financial liabilities held for trading
 - Financial liabilities designated at fair value through profit or loss
- (ii) Financial liabilities at amortised cost

The subsequent measurement of financial liabilities depends on their classification.

(i) Financial liabilities at Fair Value through Profit or Loss (FVTPL)

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

Financial liabilities are classified as held for trading if they are acquired principally for the purpose of selling or repurchasing in the near term or holds as a part of the portfolio that is managed together for short term profit or position taking. This category includes derivative financial instruments entered in to by the company which are not designated as hedging instruments in the hedge relationships as defined by the Sri Lanka Accounting Standards – LKAS 39 on Financial Instruments: Recognition and Measurements. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

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

(ii) Financial liabilities at amortised cost

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

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

This Category consists of Bank Overdraft, Debt Issued and Other borrowed funds and Other Payables.

Debt issued and other borrowed funds

These represent the funds borrowed in the form of term loans, short term loans, debentures, commercial papers and securitizations.

4.4 Reclassification of financial assets

Reclassification is at the discretion of management in accordance with Sri Lanka Accounting Standards – LKAS 39 on Financial Instruments, and is determined on an instrument by instrument basis.

The Company has not reclassified any financial assets during the year.

4.5 Derecognition of financial assets and financial liabilities

(i) Financial assets

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

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

On derecognition of a financial asset, the difference between the carrying amount of the asset and consideration received and any cumulative gain or loss that has been recognised is recognised in profit or loss.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement,

and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

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

(ii) Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

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

4.6 Repurchase and reverse repurchase agreements

Securities sold under agreements to re-sell at a specified future date are not derecognised from the statement of financial position as the Company retains substantially all of the risks and rewards of ownership. The

corresponding cash received is recognised in the statement of financial position as an asset with a corresponding obligation to return it, including accrued interest as a liability within 'repurchase agreements', reflecting the transaction's economic substance as a loan to the Company. The difference between the sale and repurchase prices is treated as interest expense and is accrued over the life of agreement using the EIR.

4.7 Determination of Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- ❖ In the principal market for the asset or liability, or
- ❖ In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- ❖ Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- ❖ Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- ❖ Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The disclosure of fair value of financial instruments is disclosed in Note no 35.

4.8 Impairment of financial assets

The Company assesses at each reporting date, whether there is any objective evidence that a financial asset or a group of financial

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assets is impaired. A financial asset or a group of financial assets are deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an ‘incurred loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

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

(i) Financial assets carried at amortised cost

Individually assessed Loans and Advances

For financial assets carried at amortised cost (such as loans and advances to customers as well as held to maturity investments), the Company first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant.

The criteria used to determine that there is such objective evidence includes:

- ❖ known cash flow difficulties experienced by the borrower;
- ❖ past due contractual payments of either principal or interest;
- ❖ breach of loan covenants or conditions;

- ❖ the probability that the borrower will enter bankruptcy or other financial realisation; and
- ❖ Significant downgrading in credit rating by an external credit rating agency

For those loans where objective evidence of impairment exists, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement.

The impairment allowances on individually significant accounts are reviewed more regularly when circumstances require. This normally encompasses re-assessment of the enforceability of any collateral held and the timing and amount of actual and anticipated receipts. Individually assessed impairment allowances are only released when there is reasonable and objective evidence of a reduction in the established loss estimate.

Collectively assessed loans and advances

Impairment is assessed on a collective basis in two circumstances:

- ❖ to cover losses which have been incurred but have not yet been identified on loans subject to individual assessment; and
- ❖ for homogeneous groups of loans that are not considered individually significant.

Incurred but not yet identified impairment

Individually assessed loans for which no evidence of loss has been specifically identified on an individual basis are grouped

together according to their credit risk characteristics for the purpose of calculating an estimated collective loss. This reflects impairment losses that the Company has incurred as a result of events occurring before the balance sheet date, which the Company and the Group are not able to identify on an individual loan basis, and that can be reliably estimated. These losses will only be individually identified in the future. As soon as information becomes available which identifies losses on individual loans within the group, those loans are removed from the group and assessed on an individual basis for impairment.

The collective impairment allowance is determined after taking into account:

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

Homogeneous groups of loans and advances

Statistical methods are used to determine impairment losses on a collective basis for homogeneous groups of loans. Losses in these groups of loans are recorded on an individual basis when individual loans are written off, at which point they are removed from the group.

- ❖ When the group of loan by nature short term, the company use Net flow Rate method

Under this methodology the movement in the outstanding balance of customers in to bad categories over the periods are used to estimate the amount of loans that will

eventually be written off as a result of the events occurring before the balance sheet date which the Group is not able to identify on an individual loan basis, and that can be reliably estimated.

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

Current economic conditions and portfolio risk factors are also evaluated when calculating the appropriate level of allowance required covering inherent loss.

These additional macro and portfolio risk factors may include:

- ❖ recent loan portfolio growth and product mix,
- ❖ unemployment rates, Gross Domestic Production (GDP) growth, inflation
- ❖ Exchange rates, interest rates
- ❖ Changes in government laws and regulations

Write-off of loans and advances

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

Renegotiated loans

Where possible, the Company seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated,

any impairment is measured using the original Effective Interest Rate (EIR) as calculated before the modification of terms and the loan is no longer considered past due. Management continually reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original EIR.

Reversals of impairment

If the amount of an impairment loss decreases in a subsequent period, and the decrease can be related objectively to an event occurring after the impairment was recognised, the excess is written back by reducing the loan impairment allowance account accordingly. The write-back is recognised in the income statement.

(ii) Available for sale financial investments

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

In the case of equity investments classified as available for sale, objective evidence would also include a 'significant' or 'prolonged' decline in the fair value of the investment below its cost. The Company treats 'significant' generally as 20% and 'prolonged' generally as greater than six months. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement – is removed from equity and recognised in the income statement.

Impairment losses on equity investments are

not reversed through the income statement; increases in the fair value after impairment are recognised in other comprehensive income.

(iii) Held to Maturity Financial Assets

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

4.9 Offsetting financial assets and liabilities

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

Income and expenses are presented on a net basis only when permitted under LKAS/ SLFRS, or for gains and losses arising from a group of similar transactions such as in the group's trading activity.

4.10 Leasing

The determination of whether an arrangement is a lease or it contains a lease, is based on the substance of the arrangement and requires an assessment of whether the

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fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Finance lease

Agreements which transfer to counterparties substantially all the risks and rewards incidental to the ownership of assets, but not necessarily legal title, are classified as finance leases. When the Company is a lessor under finance leases the amounts due under the leases, after deduction of unearned charges, are included in 'Loans and advances to company's' or 'Loans and advances to customers', as appropriate. The finance income receivable is recognised in 'Net interest income' over the periods of the leases so as to give a constant rate of return on the net investment in the leases.

When the company is a lessee under finance leases, the leased assets are capitalised and included in 'Property, plant and equipment' and the corresponding liability to the lessor is included in 'Other liabilities'. A finance lease and its corresponding liability are recognised initially at the fair value of the asset or, if lower, the present value of the minimum lease payments. Finance charges payable are recognised in 'Net interest income' over the period of the lease based on the interest rate implicit in the lease so as to give a constant rate of interest on the remaining balance of the liability.

Operating lease

All other leases are classified as operating leases. When acting as lessor, the Company includes the assets subject to operating leases in 'Property, plant and equipment' and accounts for them accordingly. Impairment losses are recognised to the extent that residual values are not fully recoverable and the carrying value of the assets is thereby

impaired. When the Company is the lessee, leased assets are not recognised on the Statement of Financial Position .Rentals payable and receivable under operating leases are accounted for on a straight-line basis over the periods of the leases and are included in 'General and administrative expenses' and 'other operating income', respectively.

4.11 Property, Plant and Equipment

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

Property & Equipment are recognised if it is probable that future economic benefits associated with the asset will flow to the entity and the cost of the asset can be measured reliably in accordance with LKAS 16 on Property, Plant & Equipment. Initially property and equipment are measured at cost.

(i) Basis of Recognition and measurement

Cost Model

An item of Property, Plant & Equipment that qualifies for recognition as an asset is initially measured at its costs. Costs include expenditure that is directly attributable to the acquisition of the asset and cost is incurred subsequently to add to or replace a part of it. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to working condition for its intended use and the costs of dismantling and removing the items and restoring at the site on which they are located and capitalized borrowing costs. Purchase of software that is integral to the functionality of the related equipment is capitalized as a part of computer equipment.

When parts of Property, Plant & Equipment have different useful lives, they are accounted for as separate items (major components) of Property, Plant & Equipment.

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

Changes in the expected useful life are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates.

(ii) Subsequent Cost

These are costs that are recognised in the carrying amount of an item, if it is probable that the future economic benefits embodied within that part will flow to the Company and it can be reliably measured.

(iii) Repairs and maintenance

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

(iv) Capital Work -in -Progress

Capital work in progress is stated at cost. It would be transferred to the relevant asset when it is available for use, i.e. when it is

in the location and condition necessary for it to be capable of operating in the manner intended by management. Capital work in progress is stated at cost less any accumulated impairment losses.

(v) Borrowing Costs

As per Sri Lanka Accounting Standard-LKAS 23 on 'Borrowing Costs', the company capitalizes the borrowing costs that are directly attributable to acquisition, construction or production of qualifying assets as part of the cost of the asset. A qualifying asset is an asset which takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are recognised in the profit or loss in the period in which they occur.

(vi) De-recognition

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

Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings

(vii) Depreciation

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

The rates of depreciations based on the estimated useful lives are as follows:

Category of Asset	Period of Depreciation	
	2014	2013
Office Equipment	15.00 % p.a.	16.67 % p.a.
Computer Equipment	16.67% p.a	16.67% p.a
Furniture and Fittings	15.00% p.a.	12.50% p.a.
Motor Vehicles	12.50% p.a.	12.50% p.a.
Fixtures	20.00% p.a.	20.00% p.a.

(viii) Change in Estimates

The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end. Due to changes in useful life of Office Equipment and Furniture and Fittings estimation, a reduction of Rs.333,854/- has resulted in the current year, in comparison to the depreciation charge based on previous estimate

4.12 Intangible assets

The Company's intangible assets include the value of computer software.

(i) Basis of Recognition

An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Company in accordance with the Sri Lanka Accounting Standard LKAS 38 on Intangible Assets.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses if any.

(ii) Subsequent Expenditure

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

(iii) Useful Economic life, Amortization and Impairment

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

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

Amortization

Amortisation is calculated using the straight-line method to write down the cost of intangible assets to their residual value over their estimated useful life as follows:

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The Class of Intangible Assets	Useful Life	Amortisation Method
Computer software	4 Years	Straight line method

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

(iv) Derecognition

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

4.13 Impairment of non-financial assets

The Company assesses whether there are any indicators of impairment for an asset or a cash-generating unit at each reporting date or more frequently, if events or changes in circumstances necessitate to do so. This requires the estimation of the ‘value in use’ of such individual assets or the cash-generating units. Estimating value in use requires management to make an estimate of the expected future cash flows from the asset or the cash-generating unit and also to select a suitable discount rate in order to calculate the present value of the relevant cash flows. These estimates about expected future cash flows and discount rates are subject to uncertainty.

4.14 Dividend Payable

Dividends on Ordinary Shares are recognised as a liability and deducted in equity when they are recommended and declared by the Board of Directors and approved by the shareholders.

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

4.15 Retirement Benefit Obligations

(i) Defined Benefit Plan - Gratuity

All the employees of the company are eligible for gratuity under the Payment of Gratuity Act No. 12 of 1983,at the rate of one half of the Gross Salary applicable to the last month of the financial year in which the employment is terminated or resigned, for each year of completed service, for those who have served in excess of 5 years.

The company measures the present value of the promised retirement benefits for gratuity which is a defined benefit plan with the advice of an independent professional actuary as required by Sri Lanka Accounting Standard – LKAS 19 on “Employee Benefits”.

The item is stated under other liabilities in the Statement of Financial Position.

Recognition of Actuarial Gains and Losses

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

Interest Cost

Interest cost is the expected increase due to interest during the period in the present value of the plan liabilities because the benefits are one year closer to settlement.

Funding Arrangements

The Gratuity liability is not externally funded.

(ii) Defined Contribution Plans

The Company also contributes defined contribution plans. The contribution payable to a defined contribution plan is in proportion to the services rendered to the Company by the employees and is recorded as an expense under ‘Personnel expenses’. Unpaid contributions are recorded as a liability.

The Company contributes to the following Schemes:

Employees' Provident Fund

The Company and employees contribute 12% and 8% respectively of the employee's monthly basic salary to the Employees' Provident Fund .

Employees' Trust Fund

The Company contributes 3% of the employee's monthly gross salary excluding overtime to the Employees' Trust Fund.

4.16 Statutory Reserve Fund

The reserves recorded in the equity on the company's statement of financial position includes the ‘Statutory Reserve Fund’ which has been created in accordance with the Finance Companies (Capital Funds) Direction No.1 of 2003 issued by Central Bank of Sri Lanka. Accordingly, 5% of the

net profit for the period is transferred to the Statutory Reserve Fund during the financial year.

4.17 Provisions

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

The amount recognised is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligations at that date.

The expense relating to any provision is presented in the income statement net of any reimbursement.

4.18 Recognition of income and expenses

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

(i) Interest and similar income and expense

For all financial instruments measured at amortised cost, and financial instruments designated at fair value through profit or loss, interest income or expense is recorded using the EIR. EIR is the rate that exactly discounts estimated future cash payments

or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses.

The carrying amount of the financial asset or financial liability is adjusted if the Company revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original EIR and the change in carrying amount is recorded as ‘Interest and similar income’ for financial assets and ‘Interest and similar expense’ for financial liabilities.

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

(ii) Dividend income

Dividend income is recognised when the Company’s right to receive the payment is established.

(iii) Income from Government Securities and Securities purchased under Re-Sale Agreement

Discounts/ premium on Treasury bills & Treasury bonds are amortised over the period to reflect a constant periodic rate of return. The coupon interest on treasury bonds is recognised on an accrual basis. The interest income on securities purchased

under resale agreement is recognised in the Income Statement on an accrual basis over the period of the agreement.

(iv) Interest Income on Overdue Rentals

Interest from overdue rentals has been accounted for on cash received basis.

(v) Recovery of Bad Debts Written Off

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

(vi) Other Income

Other Income is recognised on an accrual basis

4.19 Taxes

Income Tax expense consists of current and deferred tax. Income tax expense is recognized in the Income Statement.

(i) Current Taxation

Current tax assets and liabilities consist of amounts expected to be recovered from or paid to the Commissioner General of Inland Revenue in respect of the current as well as prior years. The tax rates and tax laws used to compute the amount are those that are enacted or subsequently enacted by the Balance Sheet date.

Accordingly, provision for taxation is made on the basis of the profit for the year as adjusted for taxation purpose in accordance with the provision of the Inland Revenue Act No. 10 of 2006 and the amendment thereto, at the rates specified in Note 11 to the Financial Statements.

(ii) Deferred Taxation

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of

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assets and liabilities and their carrying amounts for financial reporting purpose. Deferred tax liabilities are recognised for all temporary differences.

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

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

Deferred tax assets and liabilities are measured at the tax rate that are expected to apply in the year when the assets are realised or the liabilities are settled, based on tax rates and tax laws that have been enacted or subsequently enacted at the reporting date.

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

(iii) Value Added Tax on Financial Services (VAT)

VAT on Financial Services is calculated in accordance with the Value Added Tax Act No.14 of 2002 and subsequent amendments thereto. The base for the computation of

Value Added Tax on Financial Services is the accounting profit before VAT and income tax adjusted for the economic depreciation and emoluments of employees' computed on prescribed rate.

(iv) Withholding Tax on Dividends

Withholding tax on dividends distributed by the Company withholding tax that arise from the distribution of dividends of the company is recognised at the time of liability to pay the related dividend is recognized. At present, the rate of 10% is deducted at source.

(v) Economic Service Charge (ESC)

As per the provisions of the Finance Act No. 11 of 2004, and amendments thereto, the ESC was introduced with effect from April 01, 2004. Currently, the ESC is payable at 0.25% on 'Exempt Turnover' and is deductible from the income tax payments. Unclaimed ESC, if any, can be carried forward and set-off against the income tax payable in the five subsequent years.

ESC is not payable on turnover on which income tax is payable.

(vi) Crop Insurance Levy (CIL)

As per the provisions of the Section 14 of the Finance Act No.12 of 2013, the CIL was introduced with effect from April 1, 2013 and is payable to the National Insurance Trust Fund. Currently, the CIL is payable at 1% of the profit after tax.

(vii) Nation Building Tax (NBT) on Financial Services

NBT on financial services is calculated in accordance with Nation Building Tax (NBT) Act No 9 of 2009 and subsequent amendments thereto with effect from 01

January 2014. NBT on financial services is calculated as 2% of the total value addition used for the purpose of VAT on Financial Services.

4.20 Earnings per Share (EPS)

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

4.21 Commitments and Contingencies

Contingent Liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefits is not probable or can not be readily measured as defined in the Sri Lanka Accounting Standard – LKAS 37 on 'Provisions, Contingent Liabilities and Contingent Assets'. Contingent Liabilities are not recognised in the statement of financial position. But are disclosed unless its occurrence is remote.

Legal Claims

Litigation is a common occurrence in the finance industry due to the nature of the business undertaken. The Company has formal controls and policies for managing legal claims. Once professional advice has been obtained and the amount of loss reasonably estimated. The company makes adjustment to account for any adverse effects which the claims may have on its financial standing.

At the reporting date the company has several unresolved legal claims against the company for which legal advisor of the company advised as the loss is probable, but not probable, that action will succeed.

Accordingly, no provision for any claims has been made in these Financial Statements.

4.22 Events after the reporting Date

All material events after the reporting date have been considered where appropriate adjustments or disclosures are made in respective notes to the financial statements.

4.23 Statement of Cash Flows

The Cash flow statement is prepared using the indirect method, as stipulated in LKAS 7 “Statement of Cash Flows” Whereby operating, investing and financial activities are separately recognised. Cash and cash equivalents comprise of short term, highly liquid investments that are readily convertible to known amount of cash and are subject to an insignificant risk of changes in value. Cash and Cash Equivalents as referred to in the Statement of Cash Flows.

4.24 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, placements with banks, loans at call and at short notice that are subject to an insignificant risk of changes in their fair value and are used by the company in the management of its short term commitments.

For the purpose of the Statement of Cash Flow, Cash and cash equivalents as referred to in the cash flow statement comprises cash on hand, non-restricted current accounts with Company's on demand or with an original maturity of three months or less.

4.25 Changes in Accounting Policies and Disclosures:

New and Amended Standards and Interpretations

The following Sri Lanka Accounting Standards were issued by the Institute of Chartered Accountants of Sri Lanka and is effective for the periods commencing on or after of 1st January 2014.

SLFRS 10 - Consolidated Financial Statements

SLFRS 10 replaces the portion of LKAS 27 (Consolidated and Separate Financial Statements) that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC 12 (Consolidation of Special Purpose Entities).

SLFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by SLFRS 10 will require the management to exercise significant judgment to determine which entities are controlled and therefore are required to be consolidated by a parent.

The new standard did not have any effect on the Company as at the reporting date.

SLFRS 11 - Joint Arrangements

SLFRS 11 replaces LKAS 31 (Interests in Joint Ventures) and SIC 13 (Jointly Controlled Entities).

SLFRS 11 removed the option to account for jointly controlled entities (JCEs) using proportionate consolidation method. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method.

The new standard did not have any effect on the Company as at the reporting date.

SLFRS 12 - Disclosure of Interests in Other Entities

SLFRS 12 includes all of the disclosures that were previously in LKAS 27 (Consolidated and Separate Financial Statements) related to consolidated financial statements, as well as all of the disclosures that were previously included in LKAS 31 (Interests in Joint Ventures) and LKAS 28 (Investments in Associates). These disclosures relate to an entity's interest in subsidiaries, joint arrangements, associates and structured entities.

The new standard did not have any effect on the Company as at the reporting date.

SLFRS 13 - Fair Value Measurement

SLFRS 13 establishes a single source of guidance under SLFRS for all fair value measurements. SLFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under SLFRS when fair value is required or permitted.

The Company did not have any material impact from the implementation of SLFRS 13. Necessary disclosures required by the new Standard have been included in the Notes to the Financial Statements.

4.26 Sri Lanka Accounting Standards effective from 01 January 2015

The following Sri Lanka Accounting Standards have been issued by the Institute of Chartered Accountants of Sri Lanka which are not yet effective as at 31 December 2014.

Notes to the Financial Statements Contd.

SLFRS 14 – Regulatory Deferral Accounts

The objective of this Standard is to specify the financial reporting requirements for regulatory deferral account balances that arise when an entity provides goods or services to customers at a price or rate that is subject to rate regulation.

SLFRS 14 will become effective on 01st January 2016. The impact on the implementation of the above Standard has not been quantified yet.

SLFRS 15 – Revenue from Contracts with Customers

The objective of this Standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer.

SLFRS 15 will become effective on 01st January 2017. The impact on the implementation of the above Standard has not been quantified yet.

SLFRS 09 – Financial Instruments

(i) SLFRS 9 -Financial Instruments: Classification and Measurement

SLFRS 9, as issued reflects the first phase of work on replacement of LKAS 39 and applies to classification and measurement of financial assets and liabilities.

This standard was originally effective for annual periods commencing on or after 01st January 2015. However the effective date has been deferred subsequently.

5. INTEREST INCOME

Year ended 31st December

	2014 Rs.000	2013 Rs.000
Interest Income on Lease	517,075	566,994
Interest Income on Hire Purchase	790,638	650,739
Interest Income on Hire Rental	682	6,994
Interest Income on Factoring	218,816	200,066
Interest Income accrued on impaired financial assets	6,280	5,741
Interest Income on Fixed Deposit	-	16,728
Interest Income on Loan	107,425	63,936
Interest Income on Pawning	100,312	42,382
Interest Income on Government Securities	35,310	6,867
Interest Income on Overdue Rentals	61,008	59,824
Total Interest Income	1,837,546	1,620,272
 Interest Expenses		
Interest on,		
Short Term Borrowings & Overdrafts	125,303	260,823
Long Term Borrowings	424,003	289,710
Commercial Papers/ Promissory Notes	99,802	127,434
Securitisation Loans	77,924	161,053
Debentures	51,630	60,050
Total Interest Expenses	778,661	899,069
Net Interest Income	1,058,885	726,770

6. FEE AND COMMISSION INCOME

Documentation Charges	19,316	15,679
Insurance Commission	19,340	17,169
Income from Sourcing of Vehicles	-	38,495
Service Charges-Pawning	7,879	5,568
Total Fee and Commission Income	46,534	76,912
 Fee and Commission Expenses		
Guarantee Fee	12,271	18,579
Total Fee and Commission Expenses	12,271	18,579
Net Fee and Commission Income	34,263	58,333

Notes to the Financial Statements Contd.

7. OTHER OPERATING INCOME

Year ended 31 st December	2014 Rs.000	2013 Rs.000
Profit on Cancellations	75,546	38,368
Profit on Disposal of Motor Vehicles	228	-
Recovery of Bad Debts Written Off	2,622	3,189
Recovery of Charges	11,178	8,243
Sundry Income	15,517	5,952
Total Other Operating Income	105,091	55,752

8. IMPAIRMENT CHARGES/ (REVERSAL) FOR LOANS AND OTHER LOSSES

Finance Leases	110,852	50,466
Hire Purchase	43,393	11,853
Factoring Receivable	8,651	1,209
Loans	3,326	1,258
Pawning	14,802	2,109
Other	2,193	343
	183,217	67,237

9. STAFF COSTS

Salary & Bonus	196,530	185,388
Contribution to Defined Contribution Plan	19,820	17,474
Gratuity Charge for the Year	3,581	2,405
Others	14,790	9,230
	234,721	214,497

10. OTHER OPERATING EXPENSES

Directors' Emoluments	13,328	13,815
Auditors' Remuneration	1,919	1,785
Non- Audit fees to Auditors	963	1,241
Professional & Legal Expenses	24,493	20,585
Depreciation on Property, Plant & Equipment	22,606	16,819
Amortization of Intangible Assets	5,330	5,512
Office Administration & Establishment Expenses	142,340	100,728
Advertising Expenses	27,676	17,097
Loss on Sale of Fixed Assets	137	1,376
Others	71,834	36,958
	310,625	215,916

11. TAXATION

11.1 The major components of income tax expense for the year ended 31st December are as follows.

Year ended 31 st December	2014 Rs.000	2013 Rs.000
Income Statement		
Current Income Tax		
Income Tax for the year	134,076	62,565
Deferred Tax		
Deferred Taxation Charge/ (Reversal) (Refer Note 29)	11,303	17,736
	145,379	80,301

11.2 A reconciliation between tax expenses and the product of accounting profit multiplied by the statutory tax rate is as follows.

Year ended 31 st December	2014 Rs.000	2013 Rs.000
Accounting Profit Before Income Taxation	405,556	301,281
At the statutory income tax rate of 28%	113,556	84,359
Tax effect of Non deductible Expenses	41,776	23,678
Tax effect of Other allowable Credits	(21,256)	(27,025)
Tax Effect of Exempt Income	-	-
Tax Effect of Losses Claimed	-	(18,447)
Deferred Tax Effect	11,303	17,736
At the effective income tax rate of 35.84% (26.65% - 2013)	145,379	80,301

The Company's income is taxed at the rate of 28% during the years 2014 & 2013.

12. EARNINGS PER ORDINARY SHARE - BASIC (Rs.)

Earnings per share is calculated by dividing the net profit for the year attributable to ordinary shareholders by weighted average number of ordinary shares outstanding during the year, as per LKAS 33- Earnings Per Share.

	2014	2013
Profit/ (Loss) attributable to Ordinary Shareholders (Rs. 000)	260,177	220,980
Weighted Average Number of Ordinary Shares during the year	52,500,000	52,500,000
Basic Earnings per Ordinary Share- (Rs.)	4.96	4.21

Notes to the Financial Statements Contd.

13. DIVIDEND PAID AND PROPOSED

	2014	2013
Cash Dividends Paid (Rs. 000)	21,525	21,525
Weighted Average Number of Ordinary Shares during the year	52,500,000	52,500,000
Dividends per Ordinary Share	0.41	0.41

A final dividend of Rs. 0.41 per share was paid for the year 2013 in September 2014.

14. ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS

Financial Instruments are measured on an ongoing basis either at fair value or at amortised cost. The summary of Significant Accounting Policies describes how each category of financial instruments is measured and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the carrying amounts of the financial instruments by category as defined in Sri Lanka Accounting Standards- LKAS 39 (Financial Instruments: Recognition & Measurement) under headings of Statement of Financial Position.

14.1 Analysis of Financial Instruments by Measurement Basis

As at 31 st December 2014	Amortised Cost Rs'000	Held to Maturity Rs'000	Available for Sale Rs'000	Total Rs'000
Financial Assets				
Cash and Bank Balances	88,655	-	-	88,655
Securities purchased under Repurchase Agreements	489,685	-	-	489,685
Factoring Receivables	996,440	-	-	996,440
Pawning Receivables	456,193	-	-	456,193
Loan Receivables	506,526	-	-	506,526
Lease Receivables	3,383,597	-	-	3,383,597
HP receivable	4,250,553	-	-	4,250,553
Other Debtors & Prepayments	125,327	-	-	125,327
Financial Instruments- Available for Sale	-	-	56	56
Financial Investments Held to Maturity	-	4,198	-	4,198
Total Financial Assets	10,296,976	4,198	56	10,301,231
Financial Liabilities				
Bank Overdraft	83,921	-	-	83,921
Debt Issued and Other borrowed funds	8,528,922	-	-	8,528,922
Other Payables	299,606	-	-	299,606
Total Financial Liabilities	8,912,449	-	-	8,912,449

As at 31 st December 2013	Amortised Cost Rs'000	Held to Maturity Rs'000	Available for Sale Rs'000	Total Rs'000
Financial Assets				
Cash and Bank Balances	65,378	-	-	65,378
Securities purchased under Repurchase Agreements	323,792	-	-	323,792
Factoring Receivables	1,052,411	-	-	1,052,411
Pawning Receivables	412,753	-	-	412,753
Loan Receivables	568,573	-	-	568,573
Lease Receivables	2,833,933	-	-	2,833,933
HP receivable	3,393,593	-	-	3,393,593
Other Debtors & Prepayments	232,548	-	-	232,548
Financial Instruments- Available for Sale	-	-	56	56
Total Financial Assets	8,882,982	-	56	8,883,038
Financial Liabilities				
Bank Overdraft	63,982	-	-	63,982
Debt Issued and Other borrowed funds	7,487,912	-	-	7,487,912
Other Payables	238,627	-	-	238,627
Total Financial Liabilities	7,790,520	-	-	7,790,520

Year ended 31 st December	2014 Rs. '000	2013 Rs. '000
15. CASH AND BANK BALANCES		
Balances with Local Banks	76,171	56,030
Cash in Hand	12,484	9,348
	88,655	65,378
16. SECURITIES PURCHASED UNDER REPURCHASE AGREEMENTS		
Securities purchased under Repurchase Agreements	489,685	323,792
	489,685	323,792
17. FACTORING RECEIVABLES		
Factoring Debtors	1,938,775	1,914,297
Less : Factoring Payable	(905,287)	(821,280)
Less : Individual Impairment Charges	(34,484)	(40,418)
Collective Impairment Charges	(2,564)	(188)
Net Factoring Receivable	996,440	1,052,411

Notes to the Financial Statements Contd.

Year ended 31 st December	2014 Rs. '000	2013 Rs. '000
18. PAWNING RECEIVABLES		
Pawning Receivables	473,104	414,862
Less : Collective Impairment Charges	(2,970)	(2,109)
Less : Auction Losses	(13,941)	-
	456,193	412,753
19. LOAN RECEIVABLES		
Loan Receivables	507,389	569,831
Less : Collective Impairment Charges	(863)	(1,258)
	506,526	568,573
20. LEASE RENTALS RECEIVABLES		
At Amortized cost		
Gross Lease rentals receivables	4,489,217	3,858,955
Less: Unearned Income	(975,292)	(942,041)
Less: VAT Suspense	(4,676)	(6,039)
Less: Prepaid Rentals	(1,168)	(1,189)
Less: Individual Impairment Charges	-	-
Less: Collective Impairment Charges	(124,483)	(75,753)
Total lease rentals receivable (Note 20.1 & 20.2)	3,383,597	2,833,933

Lease receivables include receivables amounting to Rs.1,830,487,895/- (2013-Rs.2,323,391,779/-) that have been assigned under securitization & term loan funding arrangement.

As at 31 st December 2014	1 Year	1- 5 Year	More than 5 Year	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
20.1				
Lease Receivables (Net of VAT suspense and Prepayments)	1,817,959	2,640,924	24,490	4,483,373
Less: Unearned Income & Other Deductions	(489,177)	(485,138)	(978)	(975,292)
	1,328,782	2,155,786	23,512	3,508,081
Less: Provision for Impairment (Collective)	(50,573)	(73,231)	(679)	(124,483)
	1,278,209	2,082,555	22,833	3,383,597

As at 31 st December 2013	1 Year	1- 5 Year	More than 5 Year	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
20.2				
Lease Receivables (Net of VAT suspense and Prepayments)	1,587,875	2,260,188	3,664	3,851,727
Less: Unearned Income	(480,233)	(461,624)	(184)	(942,041)
	1,107,642	1,798,564	3,480	2,909,686
Less: Provision for Impairment (Collective)	(27,064)	(48,610)	(79)	(75,753)
	1,080,578	1,749,954	3,401	2,833,933

20.3 Movement in Impairment losses

	2014 Rs'000	2013 Rs'000
20.3.1 Individually significant customer loan impairment		
Opening Balance as at 01st January	47,544	48,975
Charge/ (reversal) to Income Statement	97,138	17,170
Write off during the year	(12,495)	(18,889)
Recoveries during the Year	1,160	1,201
Unwinding Impact	(509)	(913)
Closing Balance as at 31st December	132,839	47,544

20.3.2 Collective Loan Impairment

	2014 Rs'000	2013 Rs'000
Opening Balance as at 01st January	112,845	62,775
Charge/ (reversal) to Income Statement	86,079	50,070
Write off during the year	(5,947)	-
Closing Balance as at 31st December	192,977	112,845
Total Impairment Balance 31st December	325,817	160,390

Notes to the Financial Statements Contd.

	Impairment Charges at the beginning of the year	Write off during the year	Recoveries during the Year	Unwinding Impact	Provision for Impairment- Charge/ (Reversal) during the Year	Impairment Charges at the end of the year
20.3.3 Movement in Impairment losses- Product wise						
Lease						
Lease	75,753	(5,947)	-	-	54,677	124,483
HP	33,537	-	-	-	28,372	61,909
Factoring	40,606	(12,495)	1,160	(509)	8,285	37,048
Repossession						
Lease	6,407	-	-	-	56,175	62,582
HP	377	-	-	-	15,021	15,398
Loan	-	-	-	-	3,721	3,721
Factoring	-	-	-	-	366	366
Loan	1,258	-	-	-	(395)	863
Pawning						
Collective	2,109	-	-	-	861	2,970
Auction Losses	-	-	-	-	13,941	13,941
Other Loans	343	-	-	-	2,193	2,536
Total	160,390	(18,442)	1,160	(509)	183,217	325,817
 As at 31st December 2013						
	Impairment Charges at the beginning of the year	Write off during the year	Recoveries during the Year	Unwinding Impact	Provision for Impairment- Charge/ (Reversal) during the Year	Impairment Charges at the end of the year
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Lease						
Lease	37,829	-	-	-	37,924	75,753
HP	24,233	-	-	-	9,304	33,537
Factoring	39,109	-	1,201	(913)	1,209	40,606
Repossession						
Lease	5,666	(11,801)	-	-	12,542	6,407
HP	4,804	(6,979)	-	-	2,552	377
Loan					1,258	1,258
Pawning						
Collective	-	-	-	-	2,109	2,109
Other Loans	109	(109)	-	-	343	343
Total	111,750	(18,889)	1,201	(913)	67,241	160,390

As at 31 st December	2014 Rs. '000	2013 Rs. '000
21. HIRE PURCHASE RENTALS RECEIVABLES		
At Amortised cost		
Gross hire purchase rentals receivables	5,685,327	4,749,009
Less: Unearned Income	(1,372,819)	(1,321,762)
Less: Prepaid Rentals	(46)	(117)
Less: Collective Impairment Charges	(61,909)	(33,537)
Total Hire Purchase rentals receivable (Note 21.2 & 21.2)	4,250,553	3,393,593

Hire Purchase receivables include receivables amounting to Rs.3,615,928,692/-(2013- Rs. 3,007,219,333/-) that have been assigned under a securitization funding arrangement.

	1 Year Rs. '000	1- 5 Year Rs. '000	More than 5 Year Rs. '000	Total Rs. '000
21.1 As at 31st December 2014				
Gross Hire Purchase Rentals Receivables	2,189,285	3,490,934	5,109	5,685,327
Less: Unearned Income & Other deductions	(715,757)	(656,938)	(170)	(1,372,865)
	1,473,528	2,833,996	4,938	4,312,462
Less: Collective Impairment Charges	(23,840)	(38,014)	(56)	(61,909)
	1,449,688	2,795,983	4,883	4,250,553

	1 Year Rs. '000	1- 5 Year Rs. '000	More than 5 Year Rs. '000	Total Rs. '000
21.2 As at 31st December 2013				
Gross Hire Purchase Rentals Receivables	1,753,946	2,989,284	5,662	4,748,892
Less: Unearned Income & Other deductions	(624,853)	(696,720)	(189)	(1,321,762)
	1,129,093	2,292,564	5,473	3,427,130
Less: Collective Impairment Charges	(11,700)	(21,796)	(41)	(33,537)
	1,117,393	2,270,768	5,432	3,393,593

Notes to the Financial Statements Contd.

21.3 Non-Performing Advances included in Lease Rentals Receivables and Stock out on Hire are as follows.

	2014		2013	
	Lease Rs. '000	HP Rs. '000	Lease Rs. '000	HP Rs. '000
Gross Receivable	230,481	96,905	166,862	56,649
Less: VAT Suspense	(4,676)	-	(6,039)	-
Collective Impairment Charges	(105,778)	(50,239)	(60,731)	(30,008)
	120,028	46,667	100,092	26,641

	2014 Rs. '000	2013 Rs. '000
22. OTHER DEBTORS AND PREPAYMENTS		
VAT Receivable	-	40,708
Other Debtors and Prepayments	125,327	191,840
	125,327	232,548

	2014 Rs. '000	2013 Rs. '000
23. FINANCIAL INSTRUMENTS - AVAILABLE FOR SALE		
Un-Quoted		
Credit Information Bureau	56	56
	56	56

Unquoted available for sale investments are recorded at cost, since there is no market value for these investments and the company intends to hold them for the long run.

As at 31 st December	2014 Rs. '000	2013 Rs. '000
24. FINANCIAL INVESTMENTS HELD TO MATURITY		
Government Securities	4,198	-
	4,198	-

As at 31 st December	2014 Rs. '000	2013 Rs. '000
25. INTANGIBLE ASSETS		
Cost as at 01 st January	33,696	16,770
Additions and Improvements	6,507	16,926
Cost as at 31 st December	40,203	33,696
Amortisation as at 01 st January	17,776	12,264
Amortisation for the year	5,330	5,512
Accumulated amortisation as at 31 st December	23,106	17,776
Net book value as at 31 st December	17,097	15,920

During the financial year, the Company acquired intangible assets (Computer Software) to the aggregate value of Rs.6.5 million (2013 - Rs.16.93 Million). Cost of fully depreciated assets of the Company as at 31st December 2014 is Rs.14.66 Million (2013 - Rs. 4.6 Million). useful life of the above is estimated as 4 years.

26. PROPERTY, PLANT AND EQUIPMENT

	Balance As at 01.01.2014	Additions /Transfers /Acquisitions	Disposals	Write Offs	Balance As at 31.12.2014
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
26.1 Gross Carrying Amounts					
Fixtures	36,586	13,772	-	(3,001)	47,357
Office Furniture	14,070	2,090	-	(168)	15,992
Office Equipment	20,017	14,310	(410)	(1,456)	32,461
Motor Vehicles	19,698	1,065	(226)	(113)	20,424
Motor Vehicles (Hiring)	3,850	-	(3,849)	-	1
Computer Equipment	32,519	6,703	-	(246)	38,976
Total Value of Depreciable Assets	126,738	37,940	(4,485)	(4,984)	155,210

Notes to the Financial Statements Contd.

	Balance As at 01.01.2014 Rs.000	Additions /Transfers /Acquisitions Rs.000	Disposals Rs.000	Write Offs Rs.000	Balance As at 31.12.2014 Rs.000
26.2 Depreciation					
Fixtures	7,857	8,140	-	(3,001)	12,996
Office Furniture	5,386	2,070	-	(168)	7,288
Office Equipment	6,333	6,008	(409)	(1,456)	10,476
Motor Vehicles	5,449	2,218	(226)	(113)	7,329
Motor Vehicles (Hiring)	1,487	366	(1,854)	-	0
Computer Equipment	15,848	3,803	-	(246)	19,405
	42,360	22,606	(2,489)	(4,984)	57,494

	2014 Rs.000	2013 Rs.000
26.3 Net Book Values		
Fixtures	34,360	28,729
Office Furniture	8,704	8,684
Office Equipment	21,985	13,684
Motor Vehicles	13,095	14,249
Motor Vehicles (Hiring)	0	2,363
Computer Equipment	19,571	16,671
	97,716	84,380
Total Carrying Amount of Property, Plant & Equipment	97,716	84,380

26.4 During the financial year, the Company acquired Property, Plant & Equipment to the aggregate value of Rs.37.94 Million (2013 Rs. 71.39 Million) Cost of fully depreciated assets of the company as at 31st December 2014 is 21.71 Million (2013 - Rs.18.76 Million).

	2014	2013
26.5 The useful lives of the assets is estimated as follows		
Fixtures	05 Years	05 Years
Furniture & Fittings	6.67 Years	08 Years
Office Equipments	6.67 Years	06 Years
Motor Vehicles	08 Years	08 Years
Computer Equipments	06 Years	06 Years

As at 31 st December	2014 Rs.000	2013 Rs.000
27. DEBT ISSUED AND OTHER BORROWED FUNDS		
Commercial Papers/ Promissory Notes (27.3)	648,322	611,241
Debentures (27.4)	1,267,330	352,830
Loans (27.1)	6,382,673	5,839,831
Securitizations (27.2)	230,597	684,009
	8,528,922	7,487,912

The company has not had any default of principal, interest or other breaches with regard to any liability during 2013 & 2014.

	Payable within 1 Year Rs.000	Payable after 1 Year Rs.000	Total Rs.000
27.1 Loans as at 31st December 2014			
Short Term Loans from Banks	1,042,277	-	1,042,277
Long Term Loans from Banks	1,672,138	3,668,258	5,340,396
	2,714,415	3,668,258	6,382,673
27.2 Securitization Payables as at 31st December 2014			
Securitization- Capital Payable	160,598	69,999	230,597
	160,598	69,999	230,597
27.3 Commercial Papers/ Promissory Notes as at 31st December 2014			
Commercial Papers/ Promissory Notes	659,927	-	659,927
Less: Interest in Suspense	(11,604)	-	(11,604)
	648,322	-	648,322
27.4 Redeemable Debentures as at 31st December 2014			
Debenture - Capital Payable	267,330	1,000,000	1,267,330
	267,330	1,000,000	1,267,330

Notes to the Financial Statements Contd.

	Amortised cost		Issue Date	Maturity Date	Rate of interest
	2014 Rs.'000	2013 Rs.'000			
27.4.1 Type of Debenture					
Guaranteed Redeemable Debentures	114,000	199,500	31-Dec-11	31-Dec-15	12.25%-12.80%
Rated Unsecured Redeemable Debentures	153,330	153,330	27-Jul-12	17-Dec-15	16.65%-17.50%
Rated Unsecured Subordinated Redeemable Debentures	1,000,000	-	24-Dec-14	24-Dec-19	8.90%
	1,267,330	352,830			

28. OTHER PAYABLES

As at 31 st December	2014 Rs.000	2013 Rs.000
Vendor Payable	164,121	101,084
VAT Payable	7,166	-
Other Payables	128,319	137,543
	299,606	238,627

29. DEFERRED TAXATION

Deferred Tax Assets, Liabilities and Income Tax relates to the following

	Temporary Differences		Tax Effect	
	2014 Rs.000	2013 Rs.000	2014 Rs.000	2013 Rs.000
Deferred Tax Liability				
Capital Allowances for tax purposes	164,669	103,880	60,790	22,716
	164,669	103,880		
Deferred Tax Assets				
Defined Benefit Plans	3,510	2,193	(1,317)	(1,037)
Tax Losses	55,222	33,419	(21,803)	5,747
Unclaimed Provisions	35,955	9,234	(26,721)	(9,234)
	94,686	44,846		
Deferred income tax charge/(reversal)				
			10,949	18,193
Net Deferred Tax Liability	69,983	59,034		

30. INCOME TAXATION PAYABLE

As at 31 st December	2014 Rs.000	2013 Rs.000
As at beginning of the year	54,275	18,814
Tax Paid	(70,452)	(25,187)
Adjustment (ESC/ WHT ect.)	(6,719)	(1,916)
Provision for the year (Note 06)	134,076	62,565
As at the end of the year	111,179	54,275

31. RETIREMENT BENEFIT OBLIGATIONS

As at 31 st December	2014 Rs.000	2013 Rs.000
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31.1 Defined Benefit Obligation Reconciliation

Benefit Obligation at the end of prior year	7,833	4,128
Amount recognised in the Income Statement (31.2)	3,582	2,406
Amounts recognised in Other Comprehensive Income (31.3)	1,263	1,624
Actual benefit paid from plan	(143)	(325)
Benefit Obligation at the end of prior year	12,535	7,833

31.2 Amount recognised in the Income Statement

Current Service Cost for the year	2,645	1,826
Net interest on the defined benefit liability	940	580
Total amount recognised in Income statement	3,584	2,406

31.3 Amounts recognised in Other Comprehensive Income (OCI)

Liability (gains)/losses due to changes in assumptions	1,444	-
Liability experience (gains)/losses arising during the year	(181)	1,624
Amount recognized in OCI	1,263	1,624

31.4 Assumptions

Actuarial Assumptions	2014	2013
Discount Rate	8.50%	12%
Future Salary Increment rate	7.50%	10%
Mortality	GA 1983	GA 1983
	Mortality Table	Mortality Table
Retirement age	55 Years	55 Years

Notes to the Financial Statements Contd.

31.5 Sensitivity assumptions employed in actuarial valuation

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

The sensitivity of the Income Statement and Financial Position is the effect of the assumed changes in discount rate and salary increment rate on the profit or loss and employment benefit obligation for the year.

Variable	Rate Change	2014		2013	
		Sensitivity Effect on Financial Position-Increase/(Decrease) in the Liability (Rs. Mn.)	Sensitivity Effect on Comprehensive Income-Charged/(Reversal) (Rs. Mn.)	Sensitivity Effect on Financial Position-Increase/(Decrease) in the Liability (Rs. Mn.)	Sensitivity Effect on Comprehensive Income-Charged/(Reversal) (Rs. Mn.)
Discount rate	1.00%	(1.44 Million)	1.44 Million	(0.88 Million)	0.88 Million
Discount rate	-1.00%	1.71 Million	(1.71 Million)	1.04 Million	(1.04 Million)
Salary Increment rate	1.00%	1.68 Million	(1.68 Million)	1.03. Million	(1.03. Million)
Salary Increment rate	-1.00%	(1.44 Million)	1.44 Million	(0.88 Million)	0.88 Million

	2014		2013	
	No. of Shares	Rs.000	No. of Shares	Rs.000
32. STATED CAPITAL				
Issued and Fully Paid-Ordinary shares				
At the beginning of the year	52,500,000	525,000	52,500,000	525,000
Issued during the year	-	-	-	-
At the end of the year	52,500,000	525,000	52,500,000	525,000

The total amount received by the Company or due and payable to the Company in respect of the issue and calls of the shares are referred to as stated capital. The holders of ordinary shares are entitled to receive a dividend as declared from time to time and are entitled to one vote per share at meetings of the Company.

Retained Earnings

This represents the undistributed earnings held by the Company to be used in the Company's operations. This could be used to absorb future possible losses or dividends payable.

33. STATUTORY RESERVE FUND

The statutory reserve fund is maintained as required by Finance Companies (Capital Funds) Direction No.1 of 2003 as Finance Companies Act (amended) issued to Registered Finance Companies. As per the said Direction, every Registered Finance Company shall maintain a reserve fund, out of the net profit for each year after provisions for taxation and bad and doubtful debts. Accordingly 5% of the net profit for the year transferred to Reserve Fund.

As at 31 st December	2014 Rs.000	2013 Rs.000
At the beginning of the year	37,787	26,738
Profit transferred during the year	13,044	11,049
At the end of the year	50,831	37,787

34. INVESTMENT FUND RESERVE

As proposed in the Budget 2011, as and when taxes are paid after 1st January 2011, registered finance companies shall make transfers to the Investment Fund Account to build up a permanent fund with in the company as follows.

- (i) 8% of the profits calculated for the payment of VAT on Financial Services as Specified in the VAT Act for payment of VAT.
- (ii) 5% of the profits before tax calculated for payment of Income Tax purposes on dates specified in section 113 of the Inland Revenue Act for the self assessment payment of tax.

The operations of Investment Fund Account(IFC) was ceased with effect from 1st October 2014. Accordingly Rs.66.82 Million was transferred to Retained Earnings through the Statement of Changes in Equity on 1st October 2014.

As at 31 st December	2014 Rs.000	2013 Rs.000
At the beginning of the year	58,488	29,988
Profit transferred during the year	8,331	28,500
Transfer to Retained Earnings	(66,819)	-
At the end of the year	- -	58,488

	2014 Rs.000	2013 Rs.000	2012 Rs.000	2011 Rs.000	Total From Year 2011- 2014 Rs.000
34.1 Utilisation of Investment Fund Account (IFA)					
Balance available for utilization as at 01 st January **	11,214	5,624	4,021	-	-
Total transfers to IFA	8,331	28,500	17,147	12,841	66,819
Less : Total approved loans granted	(7,430)	(22,910)	(15,544)	(8,820)	(54,705)
Less : Total Investments in Government Securities	(12,114)	(8,693)	(4,045)	(2,981)	(12,114)
Balance available for utilization as at 31 st December	-	2,521	1,579	1,040	-

Balance available for utilization as at 01st January includes both Balance available for utilization as at 31st December and total investments in Government Securities.

Notes to the Financial Statements Contd.

		Interest rates	Tenure	Number of Loan Granted	Total amount outstanding
34.2 Total loans granted					
(a) Cultivation of Agriculture / Plantation corps	2014	11.61%- 13.82%	5 Years	4	5,091
	2013	13.82% - 14.72%	5 Years	12	12,239
	2012	11.55% -17.72%	5 Years	6	6,573
	2011	11.44%-11.55%	5 Years	4	2,535
				26	26,438

	Face Value	Year of Maturity	Cost of Investment	Outstanding (Rs. 000)
34.3 Investments in Government Securities				
(a) Treasury Bonds over 5 years	4,198	2021	4,198	4,465
	-	-	-	-
	4,198		4,198	4,465
(b) Treasury Bills				
Investment in REPO	7,867	2015	7,740	7,867
	7,867	-	7,740	7,867
Total Investments in Government Securities	12,065	-	11,938	12,331

35. FAIR VALUE OF FINANCIAL INSTRUMENTS

Set out below is the comparison, by class, of the carrying amounts of fair values of the company's financial instruments that are not carried at fair value in the financial statements. This table does not include the fair values of non-financial assets and non-financial liabilities.

	2014		2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets				
Cash and Bank Balances	88,655	88,655	65,378	65,378
Securities purchased under Repurchase Agreements	489,685	489,685	323,792	323,792
Loans & advances to customers				
Factoring Receivables	996,440	968,242	1,052,411	1,028,163
Pawning Receivables	456,193	463,282	412,753	331,121
Loan Receivables	506,526	535,185	568,573	892,856
Lease Receivables	3,383,597	3,663,998	2,833,933	3,099,452
Financial Investments Held to Maturity	4,198	4,669	-	-
HP receivable	4,250,553	4,597,733	3,393,593	3,231,940
Other Debtors & Prepayments	118,416	118,416	232,548	190,054
Total Assets	10,294,264	10,929,865	8,882,981	9,162,7563
Liabilities & Equity				
Bank Overdraft	83,921	83,921	63,982	63,982
Debt Instruments Issued and Other borrowed funds	8,528,922	8,528,922	7,487,912	7,487,912
Other Payables	292,440	292,440	238,627	238,627
Total Liabilities & Equity	8,905,283	8,905,283	7,790,521	7,790,521

Fair value of financial assets and liabilities not carried at fair value

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements:

Assets for which fair value approximates carrying value

For financial assets and financial liabilities that have a short term maturity (less than a year) it is assumed that the carrying amounts approximate their fair value. This assumption is also applied to demand deposits and savings accounts without a specific maturity. Loans and advances to customers with a variable rate are also considered to be carried at fair value.

Notes to the Financial Statements Contd.

36. RISK MANAGEMENT DISCLOSURES

36.1 Introduction

Risk is inherent in a financial business and such risks are managed through a process of ongoing identification, measurement, mitigating measures and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Company's continuing profitability and each individual within the Company is accountable for the risk exposures relating to his or her responsibilities.

The Company is exposed to credit risk, interest rate risk, liquidity risk, operational risk, the latter being subdivided into regulatory & compliance risk, reputation risk and environmental risk. The independent risk control process does not include business risks such as changes in the environment, technology and industry.

The Company's policy is to monitor those business risks through the Company's strategic planning process.

36.2 Risk Management Structure

The Board is primarily responsible for risk management initiatives. Integrated Risk Management committee, which is a sub-committee of the board oversees the risk management function in line with the Board approved policies and strategies. Integrated Risk Management committee shall develop the policy and operations for Company-wide risk management. In addition to the Board's representatives, the IRMC consist of the CEO, COO and other key managerial personnel of the company.

Risk appetite of the company is defined in both qualitative and quantitative terms. These

risk appetite parameters are dynamic and subject to changes in line with the changing business strategies of the Company and changing market conditions. Risk appetite of the Company is defined through the Risk tolerance limits approved by the Board of Directors.

The committee was set up to fulfil the requirement set out in the Finance Companies Direction No. 3 of 2008 on Corporate Governance for Finance Companies issued by Central Bank of Sri Lanka (CBSL) under Finance Business Act, No. 42 of 2011.

This Committee consists of such number of members, as the board may determine from time to time. The committee currently consists of membership of 4 Directors, Chief Executive Officer and key management personnel supervising broad risk categories, i.e. credit, market, liquidity, operational and strategic risks.

In addition to the IRM Committee, Risk Management function is managed by Risk Management Department (RMD). RMD is responsible for implementing and maintaining risk related procedures to ensure an independent control process is maintained. The Department works closely with the Risk Committee to ensure that procedures are compliant with the overall framework. RMD is also responsible for monitoring compliance with risk principles, policies and limits across the Company. This unit also ensures the complete capture of the risks in risk measurement and reporting systems. Exceptions are reported on, where necessary, to the Risk Committee, and the relevant actions are taken to address exceptions and any areas of weakness.

The Company's policy is to ensure that risk management processes throughout the Company are audited annually by the Internal Audit function, which examines both the adequacy of the procedures and the Company's compliance with the procedures. Internal Audit division discusses the results of all assessments with management, and reports its findings and recommendations to the Board Audit Committee.

36.3 Risk measurement & Reporting System and Risk Mitigation

Prudent management of risk exposures relevant to the Company's business operations would be ensured through a mechanism of "Three Lines of Defence". These levels consist of management of risk by the relevant risk-assuming function, independent risk management & compliance functions and internal & external audit functions

The positioning map of each risk component is placed within the risk grid. Tolerance levels are set by using sustainable measurements and these are discussed at risk management meetings. The risk console indicates the severity of each component of risk. Tabulated below is the Risk Console that is used in identification of Key Risks and Risk Measures taken by the company together with mitigates suggested.

Financial Risks		Risk Measures	Mitigants
Credit Risk	<p>1.Default Risk Potential loss due to borrower/ counterparty unable or unwilling to meet its obligations</p> <p>2. Concentration Risk Credit Exposure being concentrated to few sectors/ groups (insufficient diversification)</p>	<ul style="list-style-type: none"> ❖ Probability of Default ❖ Loss Given Default ❖ Sector / Asset / Client / Branch Concentrations of Lending Portfolio ❖ Concentrations in Repossessed assets ❖ Macro Credit Portfolio risk measures such as <ul style="list-style-type: none"> a) Provision Coverage b) Net NPL as a % of Equity Funds 	<ul style="list-style-type: none"> ❖ Board approved credit policies/ procedures/ framework and annual review ❖ Delegated authority levels/ segregation of duties ❖ Setting Prudential limits on maximum exposure <ul style="list-style-type: none"> - Overall NPL Ratio setting based on risk appetite - Credit Limit Exposures (for Asset Type and Sector) that takes account of NPL / Infection ratios and movement in NPL ratios - Concentration limits for clients/ groups, asset types ❖ Monitoring of exposures against the limits ❖ Trend analysis reported to BRMC Strict compliance with CBSL Guidelines
Interest rate risk	Adverse effect on Net Interest Income	<ul style="list-style-type: none"> ❖ Net Interest Yield and Movement in Net Interest Yield ❖ Lending to Borrowing Ratio ❖ Tracking of Movements in Money Market rates ❖ Marginal Cost of funds / Risk based Pricing ❖ Gaps in asset Liability Re-Pricing ❖ Cumulative Gaps as a % of Cumulative Liabilities 	<ul style="list-style-type: none"> ❖ Setting of Marginal Pricing with Risk Premiums for Different classes of Lending assets ❖ Setting of Lending to Borrowing ratios ❖ Gaps limits for structural liquidity, ❖ Liquidity contingency planning and Limits of minimum stocks of high quality liquid assets ❖ Volatile Liability Dependency measures ❖ Balance sheet ratios
Liquidity Risk	Inability to meet obligations as they fall due	<ul style="list-style-type: none"> ❖ Gaps in dynamic liquidity flows ❖ Stocks of high quality liquid assets 	

36.4 Credit Risk

Credit risk refers to the risk that borrowers will default on any type of debt by failing to make payments they are obligated to do. Credit risk originates from the fact that counter parties may be unwilling or unable to fulfill their contractual obligations. The risk is primarily that of the lender and includes lost principal and interest, disruption to cash flows, and increased collection costs. The loss may be complete or partial and can arise in a number of circumstances.

Credit risk is closely tied to the potential return, the most notable being that the yields on portfolios correlate strongly to their perceived credit risk. The strategy of SLFL is not to eliminate risk, but to maintain the same within pre-determined acceptance levels. The Company manages and controls credit risk by setting limits on the level of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits.

Notes to the Financial Statements Contd.

36.4.1 Impairment Assessment

For accounting purposes, the Company uses an incurred loss model for the recognition of losses on impaired financial assets. This means that losses can only be recognised when objective evidence of a specific loss event has been observed. Triggering events include the following:

- ❖ Significant financial difficulty of the customer
- ❖ A breach of contract such as a default of payment
- ❖ Where the Company grants the customer a concession due to the customer experiencing financial difficulty
- ❖ It becomes probable that the customer will enter bankruptcy or encounter other financial difficulties
- ❖ Observable data that suggests that there is a decrease in the estimated future cash flows from the loans

Individually assessed allowances

The Company determines the allowances appropriate for each individually significant loan on an individual basis, including any overdue payments of interests, credit rating downgrades, or infringement of the original terms of the contract.

Items considered when determining allowance amounts include the sustainability of the counterparty's business plan, its ability to improve performance if it is in a financial difficulty, projected receipts and the expected pay-out, the availability of other financial support, the realizable value of collateral and the timing of the expected cash flows.

Impairment allowances are evaluated at each reporting date, unless unforeseen circumstances require more careful attention.

Collectively assessed allowances

Allowances are assessed collectively for losses on loans that are not individually significant and for individually significant loans and advances that have been assessed individually and found not to be impaired. Allowances are evaluated separately at each reporting date with each portfolio.

The collective assessment is made for groups of assets with similar risk characteristics, in order to determine whether provision should be made due to incurred loss events for which there is objective evidence, but the effects of which are not yet evident in the individual loans assessments.

The collective assessment takes account of data from the loan portfolio (such as historical losses on the portfolio, levels of arrears, credit utilization, loan to collateral ratios and expected receipts and recoveries

once impaired) or economic data (such as current economic conditions, unemployment levels and local or industry-specific problems).

The approximate delay between the time a loss is likely to have been incurred and the time it will be identified as requiring an individually assessed impairment allowance is also taken into consideration. Management is responsible for deciding the length of this period, which can extend for as long as one year. The impairment allowance is then reviewed by credit management to ensure alignment with the Company's overall policy.

36.4.2 Credit Quality By Class Of Financial Assets

	As at 31 st December		2014				2013				
	Note	Neither	Past	Individually	Total	Percentage	Neither	Past Due	Individually	Total	Percentage
		Due Not Impaired	Due Not Impaired	Impaired	Rs.'000	Rs.'000	Rs.'000	Due Nor Impaired	Not Impaired	Rs.'000	Rs.'000
Assets											
Cash and Bank Balances	15	88,655	-	-	88,655	0.84%	65,378	-	-	65,378	0.73%
Securities purchased under Repurchase Agreements		489,685	-	-	489,685	4.67%	323,792	-	-	323,792	3.60%
Financial Investments											
Held to Maturity		4,198	-	-	4,198	0.04%	-	-	-	-	0.00%
Factoring Receivables	17	932,161	41,406	25,437	999,004	9.52%	1,031,186	4,870	16,543	1,052,599	11.70%
Pawning Receivables	18	441,213	17,950	-	459,163	4.38%	414,862	-	-	414,862	4.61%
Loan Receivables	19	308,357	199,031	-	507,389	4.84%	231,164	338,667	-	569,831	6.33%
Lease Receivables	20	1,956,871	1,551,210	-	3,508,081	33.43%	1,210,168	1,699,518	-	2,909,686	32.34%
HP receivable	21	2,138,667	2,173,794	-	4,312,462	41.09%	1,627,648	1,799,483	-	3,427,130	38.10%
Other Debtors	22	123,895	-	1,432	125,327	1.19%	232,548	-	-	232,548	2.59%
Financial Instruments-											
Available for Sale	23	56	-	-	56	0.00%	56	-	-	56	0.00%
Total		6,483,761	3,983,391	26,868	10,494,020	100.00%	5,136,802	3,842,538	16,543	8,995,882	100.00%

36.4.2.1 Aging Analysis of past due (i.e. facilities in arrears of 1 day and above) but not impaired loans by class of financial assets

	Past Due Not impaired				Past Due Not impaired					
	Less than	31 to	61 to	More than	Total	Less than	31 to	61 to	More than	
	30 days	60 days	90 days	91 days	2014	30 days	60 days	90 days	91 days	
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	
Factoring Receivables	26,648	-	-	14,757	41,406	934	-	3,185	751	4,870
Lease Receivables	649,478	326,922	232,347	342,463	1,551,210	741,496	360,309	238,115	359,598	1,699,518
HP Receivables	1,102,895	531,403	290,251	249,245	2,173,794	1,002,265	413,712	230,742	152,764	1,799,483
Loan	114,602	43,132	39,220	2,077	199,031	192,400	76,959	36,007	33,301	338,667
Pawning	9,694	8,256	-	-	17,950	-	-	-	-	-
Total	1,903,316	909,714	561,818	608,543	3,983,391	1,936,161	850,980	504,864	545,663	3,842,538

Notes to the Financial Statements Contd.

36.4.3 Maximum Exposure To Credit Risk

As at 31 st December	2014		2013	
	Maximum Exposure To Credit Risk Rs.'000	Net Exposure Rs.'000	Maximum Exposure To Credit Risk Rs.'000	Net Exposure Rs.'000
Financial Assets				
Cash and Bank Balances	88,655	76,171	65,378	56,030
Securities purchased under Repurchase Agreements	489,685	-	323,792	-
Loans & advances to customers				
Factoring Receivables	996,440	994,235	1,052,411	1,050,332
Pawning Receivables	456,193	-	412,753	-
Loan Receivables	506,526	-	568,573	-
Lease Receivables	3,383,597	-	2,833,933	-
HP receivable	4,250,553	-	3,393,593	-
Other Debtors & Prepayments	118,416	118,416	232,548	232,548
Financial Instruments- Available for Sale	56	56	56	56
Financial Investments Held to Maturity	4,198	4,198	-	-
Total Financial Assets	10,294,320	1,193,076	8,883,037	1,338,966

36.4.4 Analysis of Risk Concentration

The following table shows the risk concentration by sector for the Financial Assets components of the Statement of Financial Position.

As at 31 st December 2014	Finance Leases	Hire Purchase	Loan	Factoring	Pawning	Other	Rs.'000 Total
Industry	43,533	33,058	-	561,215	-	-	637,805
Agriculture	343,341	267,538	530	11,626	-	-	623,035
Trade	738,311	996,843	39,810	252,663	-	-	2,027,626
Transport	94,369	114,941	7,697	-	-	-	217,006
Construction	167,226	61,142	-	85,742	-	-	314,111
Services	1,708,995	2,501,983	458,490	85,195	-	-	4,754,663
Government	-	-	-	-	-	493,884	493,884
Financial Institutions	-	-	-	-	-	88,712	88,712
Others	287,823	275,049	-	-	456,193	118,416	1,137,481
Total	3,383,597	4,250,553	506,526	996,440	456,193	701,012	10,294,321

As at 31 st December 2013 Purpose wise Breakdown	Finance Leases	Hire Purchase	Loan	Factoring	Pawning	Other	Rs.'000 Total
Industry	34,545	27,401	1,029	639,375	-	-	702,350
Agriculture	428,224	145,559	918	25,747	-	-	600,448
Trade	815,680	1,053,264	39,982	258,153	-	-	2,167,079
Transport	108,226	98,617	9,188	-	-	-	216,030
Construction	129,555	67,067	370	9,624	-	-	206,616
Services	1,317,703	2,001,686	516,606	119,512	-	-	3,955,507
Government	-	-	-	-	-	323,848	323,848
Financial Institutions	-	-	-	-	-	65,378	65,378
Others	-	-	479	-	412,753	191,840	605,072
Total	2,833,933	3,393,593	568,573	1,052,411	412,753	581,066	8,842,329

36.5 Interest Rate Risk

Interest Rate Risk is the potential negative impact on the Net Interest Income and it refers to the vulnerability of an institution's financial condition due to the movement in interest rates. Changes in interest rate affect earnings, value of assets, liability, off-balance sheet items and cash flow. Hence, the objective of interest rate risk management is to maintain earnings, improve the capability, ability to absorb potential loss and to ensure the adequacy of the compensation received for the risk taken. Management of interest rate risk aims at capturing the risks arising from the maturity and re-pricing.

Asset liability management encompasses the complete set of techniques used to manage interest rate risk within a general enterprise risk management framework.

The fluctuation of interest rates is an external factor which is beyond the control of the company. SLFL though is affected by movements in interest rates to the extent that its asset / liability mismatches gives rise to interest paying liabilities being re-priced faster than its interest earning assets. This in turn affects Net Interest income and Net Interest Yields.

Interest rate risk analysis is almost always based on simulating movements in one or more yield curve. The strategy of SLFL is not to eliminate risk, but to maintain the same within pre-determined acceptance levels.

In setting the Tolerance levels for Interest rate risk, the following metrics are used.

- ❖ Minimum Net Interest Spread: In order to maintain the required Net Interest Spread at the budgeting level the required ROA, ROE are inputs. Further the NPL ratios for different categories of assets are used as a proxy for setting the risk premium.
- ❖ Setting the proportion of Variable Rated Borrowing's within the Overall Borrowing Mix. This would be set by using the extent to which Budgeted Net Interest Income (NII) is affected by the extensive use of Variable Rated Borrowings.
- ❖ Setting the Lending to Borrowing ratio in order to maintain gearing at the desired levels

Notes to the Financial Statements Contd.

36.5.1 Interest Rate Sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the company's Income Statement & Equity.

Currency of Borrowings/ Advance	Increase (Decrease) in basis points	Rs. Million	
		2014	2014
Long Term Loans linked to AWPLR	+1 / (-1)	(53.17)/53.17	25.80%
	+0.5 / (0.5)	(26.58)/26.58	11.42%
	+0.25 / (0.25)	(13.29)/13.29	5.40%
Long Term Loans linked to AWPLR	2013	2013	2013
	+1 / (-1)	(41.42)/ 41.42	9.96%
	+0.5 / (0.5)	(20.71) / 20.71	4.98%
	+0.25 / (0.25)	(10.36) / 10.36	2.49%

The base ratio considers in the Interest Rate Sensitivity Analysis is the AWPLR. Since 62.48% (2014) of total borrowings are linked to AWPLR, the above sensitivity ratio indicates the impact on Income Statement and to Equity, due to changes in the Average Weighted Prime Lending Rate.

36.5.2 Interest Rate Risk

Interest Rate Risk Exposure On Non Trading Financial Assets & Liabilities

The table below analyses the company's interest rate risk exposure on financial assets & liabilities. The company's assets & liabilities are included at carrying amount and categorized by the earlier of contractual reprising or maturity dates.

As at 31 st December 2014	Up to 03 Months Rs'000	03-12 Months Rs'000	01-03 Years Rs'000	03-05 Years Rs'000	Over 05 Years Rs'000	Total Rs'000
Assets						
Cash and Bank Balances	88,655					88,655
Securities purchased under Repurchase Agreements	489,685					489,685
Investments in Fixed Deposits	-	-	-	-	-	-
Loans & advances to customers						
Factoring Receivables	996,440					996,440
Lease Receivables	455,737	822,473	1,508,445	574,110	22,832	3,383,597
HP receivable	524,548	925,140	2,078,768	717,215	4,883	4,250,553
Pawning Receivables	65,816	390,377	-	-	-	456,193
Loan Receivables	41,053	116,661	256,272	90,765	1,775	506,526
Other Debtors	80,832	24,083	8,767	4,672	63	118,417
Financial Instruments-						
Available for Sale	-	-	-	-	-	56
Financial Investments						
Held to Maturity						4,198
Total Assets	2,742,766	2,278,734	3,852,252	1,386,762	33,806	10,294,321
Liabilities						
Bank Overdraft	83,921	-	-	-	-	83,921
Debt Instruments Issued and Other borrowed funds	6,900,377	558,546	69,999	-	1,000,000	8,528,922
Other Payables	292,440	-	-	-	-	292,440
Total Liabilities	7,276,738	558,546	69,999	-	1,000,000	8,905,283
Interest Sensitivity Gap	(4,533,971)	1,720,187	3,782,253	1,386,762	(966,194)	1,389,038

Notes to the Financial Statements Contd.

As at 31 st December 2013	Up to 03 Months Rs'000	03-12 Months Rs'000	01-03 Years Rs'000	03-05 Years Rs'000	Over 05 Years Rs'000	Total Rs'000
Assets						
Cash and Bank Balances	65,378	-	-	-	-	65,378
Securities purchased under Repurchase Agreements	323,792	-	-	-	-	323,792
Investments in Fixed Deposits	-	-	-	-	-	-
Loans & advances to customers						
Factoring Receivables	1,052,411	-	-	-	-	1,052,411
Lease Receivables	388,697	691,881	1,427,982	321,971	3,401	2,833,932
HP receivable	361,507	755,887	1,672,975	597,605	5,620	3,393,594
Pawning Receivables	36,907	375,846	-	-	-	412,753
Loan Receivables	67,263	87,932	244,699	160,734	7,945	568,573
Other Debtors	160,740	54,961	11,911	4,146	790	232,548
Financial Instruments- Available for Sale	-	-	-	-	56	56
Total Assets	2,456,695	1,966,507	3,357,567	1,084,456	17,812	8,883,037
Liabilities						
Bank Overdraft	63,982	-	-	-	-	63,982
Debt Instruments Issued and Other borrowed funds	6,578,719	436,751	425,185	47,257	-	7,487,912
Other Payables	238,657	-	-	-	-	238,657
Total Liabilities	6,881,358	436,751	425,185	47,257	-	7,790,551
Interest Sensitivity Gap	(4,424,663)	1,529,756	2,932,382	1,037,199	17,812	1,092,485

36.6 Liquidity Risk

Liquidity is generally defined as the ability of a financial institution to meet its debt obligations without incurring unacceptably large losses.

Liquidity risk refers to the non-availability of sufficient cash balances to meet new lending targets as well as provide a flow of net liquid assets to meet contractual borrowings and other commitments.

An institution might lose liquidity if its credit rating falls, it experiences sudden unexpected cash outflows, or some other event causes counterparties to avoid trading with or lending to the institution. A firm is also exposed to liquidity risk if markets on which it depends are subject to loss of liquidity.

The Company has developed internal control processes and contingency plans for managing liquidity risk. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding if required. A key element of these systems is monitoring and assessing the firm's current and future fund requirement including debt obligations and planning for any unexpected funding needs, regardless of whether they arise from firm-specific factors, or from systemic (economy-wide) factors.

Company assesses available lines of credit, GAP analysis and volatile liability dependency ratio in order to assess the liquidity risk. In setting the Tolerance levels for Liquidity risk, the following metrics are used.

- ❖ Available Lines of Credit (reckoned in months of new lending) to be set at a level equal to future lending targets. Further the maturities of the available lines of credit are matched with the average lending maturities.
- ❖ Cumulative Gaps as a % of Cumulative maturing Liabilities to be set in accordance with industry norms as well as considering re-pricing risks associated with maturing assets and liabilities.
- ❖ Volatile Liability Dependency ratio to be set at a level that does not affect short term liquidity and re-pricing risks (Interest bearing liabilities maturity within 01 year as a percentage of total lending assets).

The Company maintains a portfolio of highly marketable and diverse assets that are assumed to be easily liquidated in the event of an unforeseen interruption of cash flow. The Company also has committed lines of credit that it can access to meet liquidity needs. In addition, the Company maintains the liquidity ratio prescribed by Central Bank of Sri Lanka.

36.6.1 Statutory Liquid Asset Ratio

Statutory Liquid Asset Calculation is performed based on the following calculations as prescribed in section 2,3 & 4 of the Finance Companies (Liquid Assets) Direction No.04 of 2013.

The company's liquid asset ratio is 7.5% of the average of month end deposit liabilities and borrowings of the twelve months of the preceding financial year (as per section 4 of the said direction). Liquid assets are maintained with Sri Lanka Government Treasury Bills.

36.6.2 Contractual Maturities of Undiscounted Cash Flows of Financial Assets & Financial Liabilities

The table below summarizes the maturity profile of the undiscounted cash flows of the company's financial assets and liabilities as at 31st December 2013.

Repayments on short term loans which are subject to notice are treated as if notice were to be given immediately. However the company expects that banks will not request repayment on the earliest date that the company is required to pay and the table does not reflect the expected cash flows indicated by the company.

Notes to the Financial Statements Contd.

As at 31 st December 2014	Up to 03 Months Rs.'000	03-12 Months Rs.'000	01-03 Years Rs.'000	03-05 Years Rs.'000	Over 05 Years Rs.'000	Total Rs.'000
Assets						
Cash and Bank Balances	88,655	-	-	-	-	88,655
Securities purchased under Repurchase Agreements	489,685	-	-	-	-	489,685
Investments in Fixed Deposits	-	-	-	-	-	-
Loans & advances to customers						
Factoring Receivables	996,440	-	-	-	-	996,440
Lease Receivables	633,533	1,190,271	1,979,832	661,092	24,490	4,489,217
HP receivable	798,288	1,390,997	2,696,966	793,968	5,109	5,685,327
Pawning Receivables	67,269	450,290	-	-	-	517,559
Loan Receivables	41,917	116,661	256,272	90,765	1,775	507,389
Other Debtors & Prepayments	80,832	24,983	8,767	4,762	63	118,507
Financial Instruments-						
Available for Sale	-	-	-	-	-	56
Financial Investments						
Held to Maturity	-	-	-	-	-	4,198
Total Financial Assets	3,196,618	3,172,301	4,941,838	1,550,587	35,690	12,897,034
Liabilities						
Bank Overdraft	83,921	-	-	-	-	83,921
Debt Instruments Issued						
and Other borrowed funds	2,026,022	1,764,643	2,756,154	1,982,103	-	8,528,921
Other Payables	292,440	-	-	-	-	292,440
Total Financial Liabilities	2,402,383	1,764,643	2,756,154	1,982,103	-	8,905,283
Liquidity Gap	794,236	1,407,658	2,185,684	(431,516)	35,690	3,991,752

As at 31 st December 2013	Up to 03 Months Rs.'000	03-12 Months Rs.'000	01-03 Years Rs.'000	03-05 Years Rs.'000	Over 05 Years Rs.'000	Total Rs.'000
Assets						
Cash and Bank Balances	65,378	-	-	-	-	65,378
Securities purchased under Repurchase Agreements	323,792	-	-	-	-	323,792
Investments in Fixed Deposits	-	-	-	-	-	-
Loans & advances to customers						
Factoring Receivables	1,052,411	-	-	-	-	1,052,411
Lease Receivables	540,817	1,054,286	1,883,785	380,068	-	3,858,955
HP receivable	542,582	1,211,481	2,300,700	688,584	5,662	4,749,009
Pawning Receivables	36,907	375,846	-	-	-	412,753
Loan Receivables	67,263	87,932	244,699	160,734	7,945	568,573
Other Debtors & Prepayments	160,740	54,961	11,911	4,146	790	232,548
Total Financial Assets	2,789,890	2,784,506	4,441,095	1,233,532	14,397	11,263,419
Liabilities						
Bank Overdraft	63,982	-	-	-	-	63,982
Debt Instruments Issued and Other borrowed funds	2,412,223	1,475,107	2,443,915	1,156,667	-	7,487,912
Other Payables	238,627	-	-	-	-	238,627
Total Financial Liabilities	2,714,832	1,475,107	2,443,915	1,156,667	-	7,790,521
Liquidity Gap	75,057	1,309,399	1,997,180	76,865	14,397	3,472,897

Notes to the Financial Statements Contd.

36.3 Maturity Analysis (Contractual)

As at 31 st December 2014	Up to 03 Months Rs.'000	03-12 Months Rs.'000	01-03 Years Rs.'000	03-05 Years Rs.'000	Over 05 Years Rs.'000	Total as at 31/12/2014 Rs.'000	Total as at 31/12/2013 Rs.'000
Assets							
Cash and Bank Balances	88,655	-	-	-	-	88,655	65,378
Securities purchased under Repurchase Agreements	489,685	-	-	-	-	489,685	323,792
Loans & advances to customers							
Factoring Receivables	996,440					996,440	1,052,411
Lease Receivables	455,737	822,473	1,508,445	574,110	22,833	3,383,598	2,833,932
HP Receivables	524,548	925,140	2,078,768	717,215	4,883	4,250,553	3,393,594
Pawning Receivables	65,816	390,377	-	-	-	456,193	412,753
Loan Receivables	41,053	116,661	256,272	90,765	1,775	506,526	568,573
Other Debtors & Prepayments	81,092	26,238	12,052	5,882	63	125,327	232,548
Financial Instruments-							
Available for Sale	-	-	-	-	56	56	56
Financial Investments							
Held to Maturity	-	-	-	-	4,198	4,198	-
Intangible Assets	-	-	-	-	17,097	17,097	15,920
Property, Plant & Equipment	-	-	-	-	97,716	97,716	84,380
Inventories	1,747	-	-	-	-	1,747	2,227
Total Assets	2,744,773	2,280,889	3,855,537	1,387,972	148,620	10,417,791	8,985,564
Liabilities							
Bank Overdraft	83,921	-	-	-	-	83,921	63,982
Debt Instruments Issued and							
Other borrowed funds	2,026,022	1,764,643	2,756,154	1,982,103	-	8,528,921	7,487,911
Other Payables	299,606	-	-	-	-	299,606	238,627
Deferred Taxation Liability	-	-	-	-	69,983	69,983	59,034
Income Taxation Payable	-	111,179	-	-	-	111,179	54,275
Retirement Benefit Obligations	-	-	-	-	12,535	12,535	7,832
Total Liabilities	2,409,549	1,875,822	2,756,154	1,982,103	82,518	9,106,145	7,911,662

As at 31st December 2013	Up to 03 Months	03-12 Months	01-03 Years	03-05 Years	Over 05 Years	Total as at 31/12/2014	Total as at 31/12/2013
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Assets							
Cash and Bank Balances	65,378	-	-	-	-	65,378	32,586
Securities purchased under Repurchase Agreements	323,792	-	-	-	-	323,792	5,341
Investments in Fixed Deposits	-	-	-	-	-	-	87,246
Loans & advances to customers							
Factoring Receivables	1,052,411	-	-	-	-	1,052,411	566,584
Lease Receivables	388,697	691,881	1,427,982	321,971	3,401	2,833,932	2,678,160
HP Receivables	361,507	755,887	1,672,975	597,605	5,620	3,393,594	2,155,384
Pawning Receivables	36,907	375,846	-	-	-	412,753	-
Loan Receivables	67,263	87,932	244,699	160,734	7,945	568,573	-
Other Debtors & Prepayments	160,740	54,961	11,911	4,146	790	232,548	216,531
Financial Instruments-							
Available for Sale	-	-	-	-	56	56	56
Intangible Assets	-	-	-	-	15,920	15,920	4,506
Property, Plant & Equipment	-	-	-	-	84,380	84,380	63,401
Inventories	2,227	-	-	-	-	2,227	726
Total Assets	2,458,922	1,966,507	3,357,567	1,084,456	118,112	8,985,564	5,810,520
Liabilities & Equity							
Bank Overdraft	63,982	-	-	-	-	63,982	62,124
Debt Instruments Issued							
and Other borrowed funds	2,412,223	1,475,107	2,443,915	1,156,667	-	7,487,911	4,655,317
Other Payables	238,627	-	-	-	-	238,627	152,769
Deferred Taxation Liability	-	-	-	-	59,034	59,034	40,842
Income Taxation Payable	-	54,275	-	-	-	54,275	18,814
Retirement Benefit Obligations	-	-	-	-	7,833	7,833	4,128
Total Liabilities	2,714,832	1,529,382	2,443,915	1,156,667	66,867	7,911,662	4,933,995

Notes to the Financial Statements Contd.

37. COMMITMENTS AND CONTINGENCIES

	2014					Rs.'000 Total	2013					Rs.'000 Total
	On Demand	Less than 03 Months	3 to 12 Months	1 to 5 Years	Over 5 Years		On Demand	Less than 03 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	
Undrawn												
Commitments to Lend	228,058	-	-	-	-	228,058	118,467	-	-	-	-	118,467
	228,058	-	-	-	-	228,058	118,467	-	-	-	-	118,467

37.1 Litigation filed by the Company/ against the Company

Litigation is a common occurrence in the finance industry due to the nature of the business undertaken. The company has formal controls and policies for managing legal claims. any adverse effects which the claims may have on its financial standing. At the year end, the company had few unresolved legal claims. Once professional advice has been obtained and the amount of loss reasonably estimated, the company makes adjustments to account for.

38. EVENTS AFTER THE REPORTING PERIOD

No circumstances have arisen since the reporting date which would require adjustments to, or disclosure in the financial statements, other than those disclosed below.

The Central Bank of Sri Lanka (CBSL) requested all Finance Companies to take necessary steps to comply with the Financial Sector Consolidation Programme, which was announced consequent to the budged proposals- 2014. Currently, Siyapatha Finance Limited is in the process of evaluating suitable options available under this programme.

Change of status of the Company from "Siyapatha Finance Limited" to " Siyapatha Finance PLC"

Siyapatha Finance Limited became a public Limited Company with effect from 02 January 2015, consequent to the issuance if listed, rated, unsecured, Subordinated redeemable debentures in the month of December 2014. Accordingly, in compliance with the provisions of subsection (3) of section 11 of the Companies Act No.07 of 2007, the company changed its status and name from Siyapatha Finance Limited to "Siyapatha Finance PLC".

39. RELATED PARTY TRANSACTIONS

The company carries out transactions in the ordinary course of business on an arm's length basis at commercial rates with the parties who are defined as Lanka accounting standard No.24 Related party Disclosure, details of which are reported below. The pricing applicable to such transactions is based on the assessment of risk and pricing model of the company and is comparable with what is applied to transactions between the Company and its unrelated customers.

39.1 Parent and Ultimate Controlling Party

The company is 100% owned by Sampath Bank PLC. Hence, Sampath Bank PLC is the parent company and ultimate controlling party.

39.2 Transactions with Key Managerial Personnel

According to Sri Lanka Accounting Standards- LKAS 24 (Related Party Disclosures), Key Management Personnel (KMP) are those having authority and responsibility for planning, directing and controlling the activities of the entity. Such KMPs include the Board of Directors of the Company, Chief Executive Officer, Chief Operating Officer and the KMPs of the Sampath Bank PLC (including close family members of the above).

"The company is a subsidiary of Sampath Bank PLC. Thus the Board of Directors of the parent company, and their Close Family Members (CFM) have been identified as KMPs of the Company.

Close Family Members (CFM) of the KMPs are those family members who may be expected to influence or be influenced by that KMPs in their dealings with the entity."

For the Year ended 31 st December	2014 Rs.'000	2013 Rs.'000
Short term employee benefits	13,704	13,401
Directors' fees and expenses	13,328	13,815
Total	27,032	27,216

39.2.1 Loans and Advances granted

No loans or advances were given to Key Managerial Personnel and their close family members during the year.(2013- Nil).

39.2.2 Borrowings through Debt Instruments

No borrowing through debt instruments were made from or no investments made by key management personnel during the year 2014. (2013- Nil)

39.3 Transactions with Group Companies

Sampath Bank PLC

Sampath Bank PLC is the parent undertaking of Siyapatha Finance Limited.

The company has obtained short term loans, term loans, overdraft and bank guarantee facilities from the bank. All the transactions with the bank were on terms and conditions similar to facilities obtained through other banks.

Balance outstanding of Credit Facilities	2014 Rs.'000	2013 Rs.'000
Short Term Loans		
Opening Balance	515,000	370,000
Net proceeds from Short Term Loans	25,000	145,000
Closing Balance	540,000	515,000
Term Loan		
Opening Balance	1,071,112	601,000
Granted during the year	-	700,000
Less : Repayment during the year	(357,407)	(229,888)
Closing Balance	713,705	1,071,112
Bank Overdraft	61,799	61,579
Total Accommodation Obtained.	1,315,504	1,647,691
Less : Placements with Bank	75,092	26,439
	1,240,412	1,621,252

Notes to the Financial Statements Contd.

Balance outstanding of Credit Facilities Contd.	2014 Rs.'000	2013 Rs.'000
Net Accommodation as a percentage of Capital Funds	94.57%	150.97%
Interest Paid	149,036	188,085
Bank Guarantee Fee paid	12,271	18,516
Rent was paid to Sampath Bank PLC for the window offices located within Sampath Bank premises.		
Rent Paid	784	1,198
Broker commission was paid to Sampath Bank PLC for sourcing of lease facilities to Siyapatha Finance Limited.		
Broker Commission Paid	389	654
The company has purchased Board Paper Automation System from Sampath Bank PLC during the year.		
Payment for Board Paper Automation System & Maintenance	-	2,534
Payment of dividend to parent company.	21,525	21,525
Dividend Paid (Gross)	21,525	21,525
The company had a fixed deposit with Sampath Bank PLC during the year.		
Fixed Deposits	-	87,246
Opening Balance	-	-
Investment/ (withdrawals) in Fixed Deposits	-	(87,246)
Closing Balance	-	-
Interest on Fixed Deposits	-	16,728

The company also invested in short term government securities through Sampath Bank PLC.

Sampath Information Technology Solutions Ltd

Sampath Information Technology Solutions Ltd is a subsidiary of Sampath Bank PLC which the parent undertaking of Siyapatha Finance Limited.

The company has obtained Hardware/ Software maintenance from SITS and payments were made as per the maintenance agreement. Company has purchased Leasing/ Loan Management & Pawning software and same is disclosed below.

Balance outstanding of Credit Facilities	2014 Rs.'000	2013 Rs.'000
Hardware/Software maintenance paid	4,184	3,645
Fee for General Ledger Integration	-	675
Payment for Software	120	2,276
Pawning	2,157	8,667
Leasing	-	558
Loan Management	-	558
Facilities granted	5,703	9,673
Interest Income and other fees for the Leasing Facilities granted	2,297	2,213

39.3 Transactions, Arrangements and Agreements Involving KMPs

	2014	2013
39.3.1 Agreement		
Rent Paid (Since May 2013) - Rs.	20,007,348	13,206,856

Head Office premises of the Company is located at No. 46/12, Nawam Mawatha, Colombo 02, which is owned by Ceylon Ocean Lines Limited, The Ultimate Parent of the Company is Hayleys PLC.

	2014	2013
39.3.2 Loans and Advances to the Related Companies of KMPs		
Lease Facilities	1,888,996	-
Interest Income earned - Rs.	552,208	-

Above lease facility has been granted to a related company of a KMP of the Company.

40. CAPITAL

The Company maintains an activity managed capital basis to cover risks inherent in the business and meet the capital adequacy requirements of Central Bank of Sri Lanka. The adequacy of the company's capital is monitored based on the measures, rules and ratios adopted by Central Bank of Sri Lanka.

Capital Management

The primary objective of Company's capital management policy are to ensure that the company complies with externally imposed capital requirements and healthy capital ratios in order to support its business and to maximize shareholders' value.

Supplementary Information

Financial Value Addition

	2014 Rs.'000	2013 Rs.'000
Value Added		
Interest Income	1,837,546	1,620,272
Value Distributed		
Cost of Services	(778,661)	(899,069)
To employees		
Salaries and other benefits	232,817	213,729
To providers of capital		
Dividends to ordinary shareholders	21,525	21,525
To the Government		
VAT on Financial Services	61,536	35,740
Income Tax	134,076	62,565
Other Taxes	2,584	615
	1,231,199	1,233,244
Value Retained	606,348	387,028

Economic Value Addition

	2014 Rs.'000	2013 Rs.'000
Invested Equity		
Shareholder's Funds	1,311,644	1,073,902
Add : Provision for Impairment	325,817	160,390
Total	1,637,461	1,234,292
Earnings		
Profit After Tax and Dividends on shares	237,743	197,375
Add : Provision for Impairment	183,217	67,237
Total	420,961	264,612
Cost of equity (12 months T Bill Interest rates + 2%)	8.70%	12.60%
Cost of average equity	142,459	155,521
Economic Value Added	278,502	109,091

Ten Year Summary

Year ended 31 st December	SLFRS/LKAS					SLAS				
	2014 Rs.000	2013 Rs.000	2012 Rs.000	2011 Rs.000	2010 Rs.000	2009 Rs.000	2008 Rs.000	2007 Rs.000	2006 Rs.000	2005 Rs.000
Interest Income	1,837,546	1,625,839	1,033,557	555,329	383,463	434,037	628,611	474,779	233,327	21,211
Interest Expenses	(778,661)	(899,069)	(600,406)	(210,207)	(133,875)	(370,446)	(583,208)	(410,503)	(168,407)	(8,935)
Net Interest Income	1,058,885	726,770	433,151	345,122	249,588	63,591	45,403	64,276	64,920	12,276
Other Income	39,354	108,518	61,610	44,410	39,608	75,380	86,926	29,558	19,823	2,810
Operating Income	1,198,239	835,287	494,761	389,532	289,196	138,971	132,329	93,834	84,743	15,086
Operating Expenses	(547,930)	(431,029)	(224,412)	(178,366)	(108,517)	(108,609)	(117,477)	(98,375)	(66,213)	(14,865)
Operating Profit	650,309	404,258	270,349	211,166	180,679	30,362	14,852	(4,541)	18,530	221
Impairment (Charges)/Reversals/										
Provision for Doubtful Debts	(183,217)	(67,237)	(262)	49,324	1,682	(96,055)	(45,192)	(29,488)	(5,043)	-
VAT & NBT on Financial Services	(61,536)	(35,740)	(18,100)	(16,207)	(28,574)	(1,852)	(1,142)	-	-	-
Profit Before Taxation	405,556	301,281	251,987	244,283	153,787	(67,545)	(31,482)	(34,029)	13,487	221
Tax Expenses	(145,379)	(80,301)	(51,752)	(46,268)	(26,477)	(3,738)	(2,313)	(5,487)	(7,725)	(755)
Profit for the year	260,177	220,980	200,235	198,015	127,311	(71,283)	(33,795)	(39,516)	5,762	(534)
As at 31 st December	SLFRS/LKAS					SLAS				
	2014 Rs.000	2013 Rs.000	2012 Rs.000	2011 Rs.000	2010 Rs.000	2009 Rs.000	2008 Rs.000	2007 Rs.000	2006 Rs.000	2005 Rs.000
Cash and Bank Balances	88,655	65,378	32,586	29,520	5,322	18,104	18,802	7,436	9,355	362
Securities purchased under Repurchase Agreements	489,685	323,792	5,341	4,045	-	-	-	-	-	-
Investments in Fixed Deposits	-	-	87,246	-	-	-	-	-	-	-
Factoring Receivables	996,440	1,052,411	566,584	532,458	210,444	135,392	141,749	222,324	138,208	7,320
Pawning Receivables	456,193	412,753	-	-	-	-	-	-	-	-
Loan Receivables	506,526	568,573	-	-	-	-	-	-	-	-
Lease Receivables	3,383,597	2,833,933	2,678,159	2,027,939	479,427	570,483	1,004,809	1,226,993	1,085,655	317,561
HP Receivable	4,250,553	3,393,593	2,155,384	1,253,322	731,548	917,349	1,308,745	1,154,701	563,539	169,987
Other Assets	246,141	335,131	285,219	276,531	373,179	213,140	252,552	228,531	217,667	85,040
Total Assets	10,417,790	8,985,564	5,810,520	4,123,815	1,799,920	1,854,468	2,726,655	2,839,985	2,014,424	580,270
Bank Overdraft	83,921	63,982	62,124	-	32,340	24,128	170,596	158,498	131,163	88,981
Borrowings	8,528,922	7,487,912	4,655,317	3,211,375	959,992	1,169,107	2,135,708	2,314,531	1,674,888	355,380
Other Payables	493,303	359,769	216,553	216,198	329,361	275,598	263,433	176,243	103,145	61,443
Total Liabilities	9,106,146	7,911,662	4,933,994	3,427,573	1,301,693	1,468,833	2,569,737	2,649,272	1,909,196	505,804
Shareholders' Funds										
Stated Capital	525,000	525,000	525,000	525,000	525,000	525,000	225,000	225,000	100,000	75,000
Statutory Reserve Fund	50,831	37,787	26,738	16,726	7,107	288	288	288	288	-
Investment Fund Reserve	-	58,488	29,988	12,841	-	-	-	-	-	-
Accumulated Profit/(Loss)	735,813	452,627	294,800	141,675	(33,880)	(139,653)	(68,370)	(34,575)	4,940	(534)
Total Liabilities and Shareholders' Funds	10,417,790	8,985,564	5,810,520	4,123,815	1,799,920	1,854,468	2,726,655	2,839,985	2,014,424	580,270

Supplementary Information Contd.

Year ended 31 st December	2014	2013	2012	2011	2010	2009	2008	2007	2006
Growth in Interest Income	13%	57%	86%	45%	-12%	-31%	32%	103%	1000%
Growth Interest Expenses	-13%	50%	186%	57%	-64%	-36%	42%	144%	1785%
Interest Cover ratio	1.73	1.59	1.42	2.16	2.15	0.82	0.95	0.92	1.08
Growth in Operating Profit	61%	50%	28%	17%	495%	104%	-427%	-125%	8285%
Growth in Profit After Tax(PAT)	18%	10%	1%	56%	-279%	111%	-14%	-786%	-1179%
Earning/(Loss) Per Share-Rs.	4.96	4.21	3.81	3.77	2.42	(1.36)	(1.50)	(1.76)	0.58
Growth in Advances	16%	53%	42%	168%	-12%	-34%	-6%	46%	261%
Growth in Borrowings	14%	60%	47%	230%	-19%	-48%	-7%	37%	306%
Growth in Shareholder's Funds	22%	23%	26%	40%	29%	146%	-18%	81%	41%
Debt/Equity Ratio	15%	14%	19%	22%	51%	32%	7%	8%	6%
Net Assets per Share-Rs.	24.98	20.46	16.70	13.26	9.49	7.35	6.97	8.48	10.52
Return on Average Total Assets	3%	3%	4%	7%	7%	-3%	-1%	-2%	0%
Return on Average Equity	22%	22%	25%	33%	29%	-26%	-19%	-27%	6%

Capital Adequacy

Capital is one of the most important sources of funds to a financial business since provides a buffer against any losses that might occur in relation to credit risk, interest rate risk, liquidity risk, operational risk etc.Hence capital adequacy of a financial business is a dynamic concept.

The capital adequacy assures the public and the financial business supervisor that the financial business is in a position to survive whatever strains that may be placed on it.

Capital Adequacy Ratio (CAR) is a measure of capital of a finance company as a percentage of its Risk Weighted Assets.

01. Core Capital Ratio (Tier I)	:	$\frac{\text{Core Capital}}{\text{Risk Weighted Assets}}$
02. Total Risk Weighted Capital Ratio (Tier I+Tier II)	:	$\frac{\text{Capital Base}}{\text{Risk Weighted Assets}}$

Tier I -Core capital

The Tier I core capital mainly consist of shareholder's equity (paid up shares/common stock) and reserves created or increased by appropriations of retained earnings or other surpluses, i.e. retained profits and other reserves.

Tier II-Supplementary capital

The Tier II supplementary capital representing revaluation reserves approved by CBSL, general provisions and other capital instruments which combine certain characteristics of equity and debt, such as subordinated term debt.

	As at 31st December 2014(Rs.000)
Total Tier I core capital(schedule I)	1,311,644
Total Capital Base(schedule II)	1,967,466
Total Risk Weighted Assets(schedule III)	9,379,058
Core Capital Ratio (Mandatory ratio-Minimum 5%) (%)	13.98%
Total Risk Weighted Capital Ratio (Mandatory ratio-Minimum 10%) (%)	20.98%

At present, core capital ratio as well as total risk weighted assets ratio maintained by the company are well above the minimum regulatory requirements set by CBSL.(This ratio set by CBSL for Tier I and Tier I+Tier II capital are minimum of 5% and a minimum of 10% respectively)

Supplementary Information Contd.

Schedule I

Tier I : Core Capital

	Rs.000
Tier I : Core Capital	1,311,644
Issued and Paid-up Ordinary Shares/Common Stock (Cash)	525,000
Non-Cumulative, Non-redeemable Preference Shares	-
Share Premium	-
Statutory Reserve Fund	50,831
Published Retained Profits/(Accumulated Losses)	735,813
General and Other Reserves	-
Surplus/Loss after tax arising from the sale of fixed and long-term investments	-
Unpublished Current Year's Profits/Losses	-
Minority Interest (consistent with the above capital constituents)	-
Goodwill (-)	-

Schedule II

Total Capital Base

	Rs.000
Tier 2 : Supplementary Capital	655,822
Eligible Revaluation Reserves	-
Eligible General Provisions (Within the meaning of Limit iii)	-
Approved Hybrid (Debt/Equity) Capital Instruments	-
Minority Interests Arising from Preference Shares Issued by Subsidiaries	-
Eligible Approved Unsecured Subordinated Term Debt (Within the meaning of limit (i))	655,822
Eligible Tier 2 Capital	655,822
Total Capital	1,967,466
Deductions	-
Equity Investments in unconsolidated banking and financial subsidiaries	-
Investments in capital of other banks/financial associates	-
CAPITAL BASE	1,967,466

Limits:

- i) Approved subordinated term debt is limited to 50% of Total Tier I Capital.
- ii) The total of Tier II supplementary elements should not exceed a maximum of 10 times of Tier 1 Capital.
- iii) General provisions should not exceed 1.25% of Risk-Weighted Assets.

Schedule III
Total Risk Weighted Assets

Assets	Total	Risk Weight %	Risk weighted Assets
	Rs.000		Rs.000
Total Assets	10,417,790		9,379,058
Cash & Current Accounts with Banks	88,655	0%	-
Deposits with Banks	-	20%	-
Deposit with Finance Companies	-	20%	-
Due from Central Bank of Sri Lanka	-	0%	-
Sri Lanka Govt Treasury Bills	-	0%	-
Sri Lanka Govt/Central Bank Securities	493,884	0%	-
Other Securities guaranteed by Sri Lanka Government	-	0%	-
Loans and Advances :	9,593,309		9,137,116
Against Deposits with the Company	-	0%	-
Against SL Govt Guarantee/ Securities	-	0%	-
Against dues/ Securities/Guarantees of Central Bank of Sri Lanka	-	0%	-
Against Deposits with Banks	-	20%	-
Against Deposits with Finance Companies	-	20%	-
Staff Loans Secured by Provident Fund Balances	-	0%	-
Loans against Gold and Gold Jewellery	456,193	0%	-
Less than 10% in Total Advances	456,193	0%	-
Between 10-50% in Total Advances	-	10%	-
Greater than 50% in Total Advances	-	25%	-
Loans against Real Estates (Performing)	-	50%	-
Other Loans and Advances	9,137,116	100%	9,137,116
Other Investments (excluding items deducted from the total Capital)	56	100%	56
Fixed Assets	114,813	100%	114,813
Other Assets	127,073	100%	127,073

Supplementary Information Contd.

GRI : G4 Content Index - "In Accordance" - Core

General Standard Disclosures	Disclosure Description	Page Number
STRATEGY AND ANALYSIS		
G4-1	Statement from Chairman	16, 17
ORGANIZATIONAL PROFILE		
G4-3	The name of the organization.	Inner Back Cover
G4-4	Primary brands, products, and services.	40 - 44
G4-5	The location of the organization's headquarters.	Inner Back Cover
G4-6	Number of countries where the organization operates	Inner Back Cover
G4-7	Nature of ownership and legal form.	Inner Back Cover
G4-8	Markets served	Inner Back Cover and 50 - 52
G4-9	The scale of the organization	12, 143, 145
G4-10	Employee Description	57, 58
G4-11	Percentage of total employees covered by collective bargaining agreements.	55
G4-12	Organization's supply chain.	54
G4-13	Significant changes during the reporting period	Inner Back Cover and 78
G4-14	Precautionary approach or principle addressed by the organization.	21
G4-15	Externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses.	5
G4-16	Memberships	7
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES		
G4-17	Entities included in the organization's consolidated financial statements or equivalent documents.	Inner Back Cover
G4-18	Defining the report content and the Aspect Boundaries.	8
G4-19	Material Aspects identified	8
G4-20	Identification of Aspect Boundary Within the Organization	8
G4-21	Aspect Boundary outside the organization	8
G4-22	Restatements of information provided in previous reports, and the reasons for such restatements.	5
G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries.	5
STAKEHOLDER ENGAGEMENT		
G4-24	Stakeholder groups engaged by the organization.	29
G4-25	Identification and selection of stakeholders	29
G4-26	Organization's approach to stakeholder engagement	29
G4-27	Key topics and concerns that have been raised through stakeholder engagement	29

N/A - Not Applicable

General Standard Disclosures	Disclosure Description	Page Number
REPORT PROFILE		
G4-28	Reporting period	5
G4-29	Date of most recent previous report	5
G4-30	Reporting cycle	5
G4-31	Contact point for questions regarding the report or its contents.	5
G4-32	'In accordance' option the organization has chosen.	206 - 212
G4-33	Seeking external assurance for the report.	5, 213 - 214
GOVERNANCE		
G4-34	Governance structure of the organization	76
ETHICS AND INTEGRITY		
G4-56	Organization's values, codes of conduct and codes of ethics.	6, 121 (Partially complied)
SPECIFIC STANDARD DISCLOSURES		
ECONOMIC		
ASPECT: ECONOMIC PERFORMANCE		
G4-EC1	Direct economic value generated and distributed	200
G4-EC2	Risks and opportunities posed by climate change	N/A
G4-EC3	Coverage of the organization's defined benefit plan obligations	N/A
G4-EC4	Financial assistance received from government	N/A
ASPECT: MARKET PRESENCE		
G4-EC5	Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation	N/A
G4-EC6	Proportion of senior management hired from the local community at significant locations of operation	N/A
ASPECT: INDIRECT ECONOMIC IMPACTS		
G4-EC7	Development and impact of Infrastructure Investments and Services supported	N/A
G4-EC8	Significant indirect economic impacts, including the extent of impacts	N/A
ASPECT: PROCUREMENT PRACTICES		
G4-EC9	Proportion of spending on local suppliers at significant locations of operation	N/A
ENVIRONMENTAL		
ASPECT: MATERIALS		
G4-EN1	Materials used by weight or volume	N/A
G4-EN2	Percentage of materials used that are recycled input materials	N/A

N/A - Not Applicable

Supplementary Information Contd.

General Standard Disclosures	Disclosure Description	Page Number
ASPECT: ENERGY		
G4-EN3	Energy consumption within the organization	21
G4-EN4	Energy consumption outside of the organization	N/A
G4-EN5	Energy intensity	N/A
G4-EN6	Reduction of energy consumption	N/A
G4-EN7	Reductions in energy requirements of products and services	N/A
ASPECT: WATER		
G4-EN8	Total water withdrawal by source	21
G4-EN9	Water sources significantly affected by withdrawal of water	N/A
G4-EN10	Percentage and total volume of water recycled and reused	N/A
ASPECT: BIODIVERSITY		
G4-EN11	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	N/A
G4-EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	N/A
G4-EN13	Habitats protected or restored	N/A
G4-EN14	Total number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk	N/A
ASPECT: EMISSIONS		
G4-DMA	Generic Disclosures on Management Approach	N/A
G4-EN15	Direct greenhouse gas (GHG) emissions	21
G4-EN16	Energy indirect greenhouse gas (GHG) emissions	N/A
G4-EN17	Other indirect greenhouse gas (GHG) emissions	N/A
G4-EN18	Greenhouse gas (GHG) emissions intensity	N/A
G4-EN19	Reduction of Green House Gas (GHG) emissions	N/A
G4-EN20	Emissions of ozone-depleting substances (ODS)	N/A
G4-EN21	NOX, SOX, and other significant air emissions	N/A
ASPECT: EFFLUENTS AND WASTE		
G4-EN22	Total water discharge by quality and destination	21
G4-EN23	Total weight of waste by type and disposal method	N/A
G4-EN24	Total number and volume of significant spills	N/A
G4-EN25	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention	N/A
G4-EN26	Identify, size, protected status and biodiversity, value of water bodies and related habitats significantly affected by the organization's discharges of water and runoff.	N/A

N/A - Not Applicable

General Standard Disclosures	Disclosure Description	Page Number
ASPECT: PRODUCTS AND SERVICES		
G4-EN27	Extent of impact mitigation of environmental impacts of products and services	21
G4-EN28	Percentage of products sold and their packaging materials that are reclaimed by category	N/A
ASPECT: COMPLIANCE		
G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	N/A
ASPECT: TRANSPORT		
G4-EN30	Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce	N/A
ASPECT: OVERALL		
G4-EN31	Total environmental protection expenditures and investments by type	N/A
ASPECT: SUPPLIER ENVIRONMENTAL ASSESSMENT		
G4-EN32	Percentage of new suppliers that were screened using environmental criteria	N/A
G4-EN33	Significant actual and potential negative environmental impacts in the supply chain and actions taken	N/A
ASPECT: ENVIRONMENTAL GRIEVANCE MECHANISMS		
G4-EN34	Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms	N/A
CATEGORY: SOCIAL		
SUB-CATEGORY: LABOUR PRACTICES AND DECENT WORK		
ASPECT: EMPLOYMENT		
G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	56, 59
G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	61
G4-LA3	Return to work and retention rates after parental leave, by gender	59
ASPECT: LABOUR/MANAGEMENT RELATIONS		
G4-LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	61
ASPECT: OCCUPATIONAL HEALTH AND SAFETY		
G4-LA5	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programmes	59
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	59
G4-LA7	Workers with high incidence or high risk of diseases related to their occupation	59
G4-LA8	Health and safety topics covered in formal agreements with trade unions	N/A

N/A - Not Applicable

Supplementary Information Contd.

General Standard Disclosures	Disclosure Description	Page Number
ASPECT: TRAINING AND EDUCATION		
G4-LA9	Average hours of training per year per employee by gender, and by employee category	59 - 60
G4-LA10	Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	55
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	55
ASPECT: DIVERSITY AND EQUAL OPPORTUNITY		
G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	58
ASPECT: EQUAL REMUNERATION FOR WOMEN AND MEN		
G4-LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	58 (Partially complied)
ASPECT: SUPPLIER ASSESSMENT FOR LABOUR PRACTICES		
G4-LA14	Percentage of new suppliers that were screened using labour practices criteria	21
G4-LA15	Significant actual and potential negative impacts for labour practices in the supply chain and actions taken	N/A
ASPECT: LABOUR PRACTICES GRIEVANCE MECHANISMS		
G4-LA16	Number of grievances about labour practices filed, addressed, and resolved through formal grievance mechanisms	55 (Partially complied)
SUB-CATEGORY: HUMAN RIGHTS		
ASPECT: INVESTMENT		
G4-HR1	Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	N/A
G4-HR2	Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	N/A
ASPECT: NON-DISCRIMINATION		
G4-HR3	Total number of incidents of discrimination and corrective actions taken	N/A
ASPECT: FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING		
G4-HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights	N/A
ASPECT: CHILD LABOUR		
G4-HR5	Operations and suppliers identified as having significant risk for incidents of Child Labour Measures taken to contribute to the effective abolition of child labour	56
ASPECT: FORCED OR COMPULSORY LABOUR		
G4-HR6	Forced and compulsory labour.	56

N/A - Not Applicable

General Standard Disclosures	Disclosure Description	Page Number
ASPECT: SECURITY PRACTICES		
G4-HR7	Percentage of security personnel trained in the organization's human rights policies or procedures that are relevant to operations	N/A
ASPECT: INDIGENOUS RIGHTS		
G4-HR8	Total number of incidents of violations involving rights of indigenous peoples and actions taken	N/A
ASPECT: ASSESSMENT		
G4-HR9	Total number and percentage of operations that have been subject to human rights reviews or impact assessments	N/A
ASPECT: SUPPLIER HUMAN RIGHTS ASSESSMENT		
G4-HR10	Percentage of new suppliers that were screened using human rights criteria	N/A
G4-HR11	Significant actual and potential negative human rights impacts in the supply chain and actions taken	N/A
ASPECT: HUMAN RIGHTS GRIEVANCE MECHANISMS		
G4-HR12	Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms	N/A
SUB-CATEGORY: SOCIETY		
ASPECT: LOCAL COMMUNITIES		
G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs	N/A
G4-SO2	Operations with significant actual and potential negative impacts on local communities	N/A
ASPECT: ANTI-CORRUPTION		
G4-SO3	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	N/A
G4-SO4	Communication and training on anti-corruption policies and procedures	N/A
G4-SO5	Confirmed incidents of corruption and actions taken	N/A
ASPECT: PUBLIC POLICY		
G4-SO6	Total value of political contributions by country and recipient/beneficiary	N/A
ASPECT: ANTI-COMPETITIVE BEHAVIOUR		
G4-SO7	Total number of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes	N/A
ASPECT: COMPLIANCE		
G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	139

N/A - Not Applicable

Supplementary Information Contd.

General Standard Disclosures	Disclosure Description	Page Number
ASPECT: SUPPLIER ASSESSMENT FOR IMPACTS ON SOCIETY		
G4-SO9	Percentage of new suppliers that were screened using criteria for impacts on society	21
G4-SO10	Significant actual and potential negative impacts on society in the supply chain and actions taken	N/A
ASPECT: GRIEVANCE MECHANISMS FOR IMPACTS ON SOCIETY		
G4-SO11	Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms	N/A
SUB-CATEGORY: PRODUCT RESPONSIBILITY		
ASPECT: CUSTOMER HEALTH AND SAFETY		
G4-PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	41
G4-PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes	N/A
ASPECT: PRODUCT AND SERVICE LABELLING		
G4-PR3	Type of product and service information required by the organization's procedures for product and service information and labelling, and percentage of significant product and service categories subject to such information requirements	N/A
G4-PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes	N/A
G4-PR5	Results of surveys measuring customer satisfaction	49
ASPECT: MARKETING COMMUNICATIONS		
G4-PR6	Sale of banned or disputed products	N/A
G4-PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes	N/A
ASPECT: CUSTOMER PRIVACY		
G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	49
ASPECT: COMPLIANCE		
G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	41

N/A - Not Applicable

Independence Assurance Report



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Independent Assurance Report to the Board of Directors of Siyapatha Finance PLC on the Sustainability Reporting Under the Integrated Annual Report 2014

Introduction and scope of the engagement

The management of Siyapatha Finance PLC ("the Company") engaged us to provide an independent assurance on the following elements of the sustainability reporting indicators under the annual report- 2014 ("the Report").

- ❖ Reasonable assurance on the information on financial performance as specified on page 200 of the Report.
- ❖ Limited assurance on other information presented in the Report, prepared in accordance with the requirements of the Global Reporting Initiative G4 'In accordance' - Core guidelines.

Basis of our work and level of assurance

We performed our procedures to provide limited assurance in accordance with Sri Lanka Standard on Assurance Engagements (SLSAE 3000): 'Assurance Engagements Other than Audits or Reviews of Historical Financial Information', issued by the Institute of Chartered Accountants of Sri Lanka ("CASL").

The evaluation criteria used for this limited assurance engagement are based on the Sustainability Reporting Guidelines ("GRI Guidelines") and related information in particular, the requirements to achieve GRI G4 'In accordance' - Core guideline publication, publicly available at GRI's global website at "www.globalreporting.org".

Our engagement provides limited assurance as well as reasonable assurance. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement conducted in accordance with SLSAE-3000 and consequently does not enable to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement.

Management of the Company's responsibility for the Report.

The management of the company is responsible for the preparation of the self-declaration, the information and statements contained within the Report, and for maintaining adequate records and internal controls that are designed to support the sustaining reporting process in line with the GRI Sustainability Reporting Guidelines.

Ernst & Young's responsibility

Our responsibility is to express a conclusion as to whether we have become aware of any matter that causes us to believe that the Report is not prepared in accordance with the requirements of the Global Reporting Initiative G4 'In accordance' - Core guidelines. This report is made solely to the Company in accordance with our engagement letter dated 17 March 2015. We disclaim any assumption of responsibility for any reliance on this report to any person other than the Company or for any purpose other than that for which it was prepared. In conducting our engagement, we have complied with the independence requirements of the Code for Ethics for Professional Accountants issued by the CASL.

Key assurance procedures

We planned and performed our procedures to obtain the information and explanations considered necessary to provide sufficient evidence to support our limited assurance conclusions. Key assurance procedures included:

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

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Supplementary Information Contd.

- ❖ Interviewing relevant the Company's personnel to understand the process for collection, analysis, aggregation and presentation of data.
- ❖ Reviewing and validation of the information contained in the Report.
- ❖ Checking the calculations performed by the company on a sample basis through recalculation.
- ❖ Reconciling and agreeing the data on financial performance are properly derived from the Company's audited financial statements for the year ended 31 December 2014.
- ❖ Comparison of the content of the Report against the criteria for a Global Reporting Initiative G4 'In accordance' - Core guidelines.

Our procedures did not include testing electronic systems used to collect and aggregate the information.

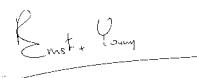
Limitations and considerations

Environmental and social performance data are subject to inherent limitations given their nature and the methods used for determining, calculating and estimating such data.

Conclusion

- ❖ Based on the procedures performed, as described above, we conclude that; The information on financial performance as specified on page 200 of the report are properly derived from the audited financial statements of the Company for the year ended 31 December 2014.

Nothing has come to our attention that causes us to believe that other information presented in the Report are not fairly presented, in all material respects, in accordance with the Company's sustainability practices and policies some of which are derived from GRI-G4-'In accordance' Core Sustainability Reporting Guidelines.

A handwritten signature in black ink, appearing to read "Ernst & Young". It is written in cursive and includes a small checkmark or mark at the end of the signature line.

Chartered Accountants

15 April 2015

Colombo

Branch Network and Communication Information

#	Region / Branch	Branch / Window / Pawning Centre	Telephone Number	Fax Number	Address	Manager / OIC Name	Branch Code
1	Head Office	B	0117 605 605	0117 605 606 / 0117 605 604 / 0117 605 627	No.46/12, Nawam Mawatha , Colombo 2	Amila Shanaka	HO
2	Nugegoda	B	0117 605 680	0117 605 675	No. 189 , Stanley Thilakarathne Mawatha, Nugegoda	Indika Rajapakshe	NUG
3	Peliyagoda	B	0117 605 625	0117 605 626	No.304, Negombo Road, Peliyagoda	Anura Jayasinghe	PLG
4	Matara	B	0417 605 605	0417 605 606	No.5B,Hakmana Road,Matara	Buddhika Rathnayake	MTR
5	Kurunegala	B	0377 605 605	0377 605 606	No. 254B, Colombo Road , Kurunegala	Senarath Bandara	KUG
6	Kurunegala - II	PC	0377 605 625	0377 605 626	No. 116,Colombo Road,Kurunegala	Gihan Sanjeewa	KUGP
7	Kuliyapitiya	B	0377 605 615	0377 605 616	No 50/52, Kurunegala road , Kuliyapitiya	Chamara Perera	KUL
8	Kandy	B	0817 605 605	0817 605 606	No 274/A, Katugasthota Rd, Kandy	Bandara Medagoda	KND
9	Kandy - II	PC	081 7605 625	081 7605 626	192/1/1 , Kotugodella Street ,Kandy	Ajith Karunarathne	KNDP
10	Anuradhapura	B	0257 605 605	0257 605 606	No. 213/4,Maithreepala Senanayaka Mawatha,Anuradhapura	Bhathiya Asanka	ANU
11	Nuwara-Eliya	B	0527 605 605	0527 605 606	No 28 , Kandy Road, Nuwara eliya	Manjula Jayathilaka	NUW
12	Negombo	B	0317 605 605	0317 605 606	No-187,Thaladuwa Road, Negombo	Gayan Sampath	NGB
13	Kegalle	W	0357 605 605	0357 605 606	No 142, 142A, Kandy Road , Kegalle	Ananda Jayakodi	KGL
14	Rathnapura	B	0457 605 605	0457 605 606	No. 186, Main Street Rathnapura	Hemantha Premarathne	RTP
15	Ampara	B	0637 605 605	0637 605 606	No. 32 , D. S. Senanayake Street , Ampara	Ashoka Rupasinghe	AMP
16	Kalmunai	B	0677 605 605	0677 605 606	No.1610, Main Street, Sainthamaruthu	Mohomed Primsath	KLM
17	Kalmunai - II	PC	0677 605 625	0677 605 626	172/4, Batticaloa Rd, Kalmunai	Sumedha Buddhika	KLMP
18	Vauniya	W	0247 605 605	0247 605 606	No. 25, Station Road , Vauniya		VAU

Glossary of Financial and Other Operational Terms

A

Accounting Policies

The specific principles, bases, conventions, rules and practices adopted by an entity in preparing and presenting financial statements.

Accrual Basis

Recognizing the effects of transactions and other events when they occur without waiting for receipt or payment of cash or its equivalent.

Amortization

The systematic allocation of the depreciable amount of an asset over its useful life.

Amortized Cost

The amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest rate method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

Asset and Liability Committee (ALCO)

A risk-management committee in a finance company that generally comprises the senior-management levels of the institution. The ALCO's primary goal is to evaluate, monitor and approve practices relating to risk due to imbalances in the capital structure. Among the factors considered are liquidity risk, interest rate risk, operational risk and external events that may affect the finance company's forecast and strategic balance-sheet allocations.

Available -For -Sale financial Assets

Non derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

C

Capital Adequacy Ratio

The relationship between capital and risk weighted assets as defined in the framework developed by the Bank for International Settlements (BIS) and as modified by the Central Bank of Sri Lanka to suit local requirements.

Cash

Cash comprises cash on hand and demand deposits.

Cash Equivalents

Short-term highly liquid investments those are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash Flows

Cash flows are inflows and outflows of cash and cash equivalents.

Collectively Assessed Impairment

Impairment assessment on a collective basis for homogeneous groups of loans that are not considered individually significant and to cover losses which have been incurred but have not yet been identified on loans subject to individual assessment.

Commercial Paper ('CP')

An unsecured, short-term debt instrument issued by a corporation, typically for the

financing of accounts receivable, inventories and meeting short-term liabilities. The debt is usually issued at a discount, reflecting prevailing market interest rates.

Commitments

Credit facilities approved but not yet utilized by the clients as at the Reporting date.

Compounded Annual Growth Rate (CAGR)

The rate at which a variable would have grown if it grew at an even rate compounded annually.

Contingencies

A condition or situation existing at the Balance Sheet date where the outcome will be confirmed only by occurrence or non-occurrence of one or more future events.

Corporate Governance

The process by which corporate entities are governed, it is concerned with the way in which power is exercised over the management and direction of an entity, the supervision of executive actions and accountability to owners and others.

Cost to Income Ratio

Operating expenses excluding loan/ lease loss provision as a percentage of net interest income.

Credit Ratings

An evaluation of a corporate's ability to repay its obligations or the likelihood of not defaulting, carried out by an independent rating agency.

Credit Risk

Credit risk is the potential that a borrower or counter party will fail to meet its obligations in accordance with agreed terms and conditions.

D

Deferred Tax

Sum set aside for tax in the Financial Statements that may become payable/receivable in a financial year other than the current financial year.

Delinquency

A debt or other financial obligation is considered to be in a state of delinquency when payments are overdue. Loans and advances are considered to be delinquent when consecutive payments are missed. Also known as 'Arrears'.

Depreciation

The systematic allocation of the depreciable amount of an asset over its useful asset.

Derecognition

Removal of a previously recognized financial asset or financial liability from an entity's statement of financial position.

Discount Rate

A rate used to place a current value on future cash flows. It is needed to reflect the fact that money has a time value.

Dividend Cover

Profit after tax divided by gross Dividend. This ratio measures the number of times dividend is covered by the current year's distributable profits.

E

Earnings per Share

Profit attributable to ordinary shareholders divided by the number of ordinary shares in use.

Economic Value Added (EVA)

A measure of productivity which takes into consideration cost of total invested equity.

Effective Interest Rate (EIR)

Rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instruments or when appropriate a shorter period to the net carrying amount of the financial asset or financial liability.

Effective Tax Rate

Provision for Taxation expressed as a percentage of Profit Before Tax.

Equity Method

The equity method is a method of accounting whereby the investment is initially recognized at cost and adjusted thereafter for the post-acquisition change in the investor's share of net assets of the investee. The profit or loss of the investor includes the investor's share of the profit or loss of the investee.

Events after the Reporting Period

Events after the reporting period are those events, favorable and unfavorable, that occur between the end of the reporting period and the date when the financial statements are authorized for issue.

Expected Loss (EL)

A regulatory calculation of the amount expected to be lost on an exposure using a 12 month time horizon and downturn loss

estimates. EL is calculated by multiplying the Probability of Default (a percentage) by the Exposure at Default (an amount) and Loss Given Default (a percentage).

F

Exposure

A claim, contingent claim or position which carries a risk of financial loss.

F

Factoring

Factoring is a time-honoured financial tool used by companies worldwide. It is the purchase of account receivables (invoices) for immediate cash.

Fair Value

The amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Fair Value Through Profit or Loss

A financial asset/liability: Acquired/ incurred principally for the purpose of selling or repurchasing in the near term, part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking, or a derivative (except for a derivative that is a financial guarantee contract)

Finance Lease

A contract whereby a lessor conveys to the lessee the right to use an asset for rent over an agreed period of time which is sufficient to amortize the capital outlay of the lessor. The lessor retains the ownership of the asset but transfers substantially all the risks and rewards of ownership to the lessee.

Glossary Contd.

Financial Asset

Financial Asset is any asset that is cash, an equity instrument of another entity or a contractual right to receive cash or another financial asset from another entity.

Financial Instrument

Financial Instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial Liability

Financial Liability is a contractual obligation to deliver cash or another financial asset to another entity.

Functional and Presentation Currency

These financial statements are presented in Sri Lankan Rupees, which is the Company's functional and presentation currency. All financial information has been rounded to the nearest Rupee unless otherwise specifically indicated.

G

Going concern

An entity shall prepare financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so.

Group

A Group is a parent of all its subsidiaries.

Gearing

Long term borrowings divided by the total funds available for shareholders.

Gross Dividend

The portion of profits distributed to the shareholders including the tax withheld.

H

Held for Trading

Debt and equity investments that are purchased with the intent of selling them within a short period of time.

Hire purchase

A hire purchase is a contract between hirer and financier where the hirer takes on hire a particular article from the financier, with the option to purchase the article at the conclusion of the agreed rental payments.

HTM (Held to Maturity) Investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and a fixed maturity that an entity has the positive intention and ability to hold to maturity.

International Financial Reporting Standards (IFRS)

A set of international accounting standards stating how particular types of transactions and other events should be reported in financial statements. IFRS are issued by the International Accounting Standards Board (IASB).

Intangible Assets

An intangible asset is an identifiable non-monetary asset without physical substance.

Interest Cover

A ratio showing the number of times interest charges is covered by earnings before interest and tax.

Interest Margin

Net Interest income expressed as a percentage of average interest earning assets.

Interest Spread

Represent the difference between average interest rate earned on interest earning assets and the average interest rate paid on interest bearing liabilities.

Interest in Suspense

Interest suspended on non-performing leases, hire purchases and other advances.

Impairment

This occurs when recoverable amount of an asset is less than its carrying amount.

Impaired Loans

Loans where the Group does not expect to collect all the contractual cash flows or expects to collect them later than they are contractually due.

Impairment Allowances

Management's best estimate of losses incurred in the loan portfolios at the balance sheet date.

Individually Assessed Impairment

Exposure to loss is assessed on all individually significant accounts and all other accounts that do not qualify for collective assessment.

Interest rate risk

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Investment Securities

Securities acquired and held for yield and capital growth purposes and are usually held to maturity.

K**Key Management Personnel**

Key Management Personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any Director (whether Executive or otherwise) of that entity.

L**Liquid Assets**

Assets that are held in cash or in a form that can be converted to cash readily, such as deposits with other banks, Bills of Exchange, treasury bills.

Liquidity Risk

The risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

Loan/ Credit Losses and Provisions

Amount set aside against possible losses on loans, advances and other credit facilities as a result of such facilities becoming partly or wholly uncollected.

Loss Given Default ('LGD')

The estimated ratio (percentage) of the loss on an exposure to the amount outstanding at default (EAD) upon default of counterparty.

M**Materiality**

The relative significance of a transaction or an event the omission or misstatement of which could influence the economic decisions of users of financial statements.

Market Risk

This refers to the possibility of loss arising from changes in a value of financial instrument as a result in changes of market

variables such as interest rate, exchange rates, credit spread and other asset prices.

N**Net Assets per Share**

Shareholders' funds excluding preference shares, if any, divided by the number of ordinary shares in issue.

Net Interest Income

The difference between income earned on interest bearing assets and costs incurred on financial instruments/ facilities used for funding.

Non Performing Advances

A lease, hire purchase or other advance placed on cash basis (i.e. interest income is only recognized when cash is received), because in the opinion of management, there is a reasonable doubt regarding the collectability of principal and/ or interest. Rentals receivable in arrears for more than six rentals have been categorized as non-performing. Non-performing advances are reclassified as performing when all arrears rentals are settled in full.

NPA Ratio

The total non-performing leases, hire purchases and other advances expressed as a percentage of total loans and advances portfolio.

O**Off- Balance Sheet Items**

Items that are not recognized as assets or liabilities in the statement of financial position, which give rise to the commitment and contingencies in future.

Offsetting of financial statements

Financial assets and financial liabilities

are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settled the liability simultaneously.

Operational Risk

Operational risk refers to the losses arising from fraud, negligence, oversight, human error, process errors, system failures, external events, etc.

P**Parent Company**

A parent is an entity that has one or more subsidiaries.

Past Due

A financial asset is past due when a counter party has failed to make a payment when contractually due.

Probability of Default ('PD')

The probability that an obligor will default within a one-year time horizon.

Provision Cover

Total provision for losses on loans, leases and advances expressed as a percentage of net non-performing loans before discounting for provision on non-performing loans, leases and advances.

Prudence

Inclusion of degree of caution in the exercise of judgment needed in making the estimates required under the conditions of uncertainty, such that asset or income are not overstated and liabilities or expenses are not understated.

Glossary Contd.

R

Related Parties

Parties where one party has ability to control the other party or exercise significant influence over the other party in making financial and operating decisions, directly or indirectly.

Residual Value

The estimated amount that is currently realizable from disposal of the asset, after deducting estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life.

Return on Average Assets

Profit after tax expressed as a percentage of average assets

Return on Equity

Net Profit after Tax less dividend on preference shares if any, exercised as a percentage of average ordinary shareholders' equity.

Reverse Repurchase Agreements

Transactions involving the purchase of securities by the company and resale back to the seller at a future date and specified price.

Risk Weighted Assets

The sum of on balance sheet assets and the credit equivalent of off balance sheet assets multiplied by the relevant risk weighting factors.

S

Shareholders' Funds

The total of stated capital and capital and revenue reserves.

Sri Lanka Financial Reporting Standards (SLFRSs)

Standards and Interpretations adopted by Institute of Chartered Accountants of Sri Lanka.

They comprise of the followings.

- ⦿ Sri Lanka Accounting Standards (SLFRS);
- ⦿ Sri Lanka Accounting Standards (LKAS); and
- ⦿ Interpretations adopted by the Council of ICASL (IFRIC and SIC).

Stated Capital

All amounts received by the company or due and payable to the company – (a) in respect of the issue of shares, (b) in respect of calls on shares.

Statutory Reserve Fund

A capital reserve created as per the provisions of Finance Companies (Capital Funds) Direction No. 1 of 2003.

Substance over Form

The consideration that the accounting treatment and the presentation in Financial Statements of transactions and events should be governed by their substance and financial reality and not merely by legal form.

Subsidiary Company

An entity, including an unincorporated entity which is controlled by another entity called parent.

T

Tier 1 Capital and Tier 2 Capital

Tier 1: Core capital representing permanent shareholders' equity and reserves created or increased by appropriations of retained earnings or other surpluses.

Tier 2: Supplementary Capital representing general provisions and other capital instruments which combines certain characteristics of equity and debt such as hybrid capital instruments and subordinated term debts.

Transaction Costs

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability.

Useful Life

Useful life is the period over which an asset is expected to be available for use by an entity or the number of production or similar units expected to be obtained from the asset by an entity.

V

Volatile Liability Dependency Ratio

Short Term borrowings (of maturity less than 12 months) expressed as a percentage of the Total Advances (Lending) Portfolio.

Y

Yield

Return of an investment in percentage terms, taking in to account annual income and any changes in capital value.

Notice of Annual General Meeting

Notice is hereby given that the 10th Annual General Meeting of Siyapatha Finance PLC will be held at the Board Room of Sampath Bank PLC at No. 110, Sir James Peiris Mawatha, Colombo 02 on 26th May 2015 at 9.00a.m for the following purposes.

- (1) To receive and consider the Report of the Board of Directors on the affairs of the Company and the statement of Audited Accounts for the year ended 31st December 2014 with the Report of the Auditors thereon.
- (2) To re-elect Dr. H. S. D. Soysa as a Director under Articles 24(8) of the Articles of Association of the Company.
- (3) To re-elect Mr. P. M. A. Sirimane as a Director under Articles 24(8) of the Articles of Association of the Company.
- (4) To re-elect Mr. R. Samaranayake as a Director in accordance with the Article 24(8) of the Articles of Association of the Company.
- (5) To declare the recommended dividend of Rs 0.60/- per share as the final dividend.
- (6) To re-appoint M/s Ernst & Young, Chartered Accountants as the Auditors of the Company for the ensuing year and authorize the Directors to determine their remuneration.

By order of the Board

R. L. S.
R. L. S. Senaratne

Company Secretary

30th April 2015

Notes

Proxy Form

I/We.....

of.....

Being a member/s of Siyapatha Finance PLC hereby appoint

Mr. C. P. Palansuriya of No 118/1 ,Dr N M PereraMawatha ,Colombo 08	failing him
Mr. M. A. Abeynaike of No 81, 6/6, Ward Place,Colombo 07	failing him
Mr. S. G. Wijesinha of No 146/8, Havelock Road, Colombo 05	failing him
Mr. P. M. A. Sirimane of 159/7, Rampart Road, Etul Kotte	failing him
Mr. H. S. D. Soysa of No 197/3, Lauries Lane, Colombo 04	failing him,
Mr. W. M. P. L. De Alwis of No 40/4 Park Road Colombo 05	failing him
Mr. M. Y. A. Perera of No 370 F/2, Lake Road, Averihena, Hokandara (South)	failing him
Mr. R. Samaranayake of No 51/A ,Weerapurana Appu Mawatha, Lakshapathiya, Moratuwa	failing him

Mr/Mrs/Miss.....

of.....

as my/our proxy to present me/us and vote at the Annual General Meeting of the Company to be held on 26th May 2015 at 09.00a.m and at any adjournment thereof.

FOR AGAINST

- | | | |
|---|--------------------------|--------------------------|
| (1) To receive the Audited Financial Statements and the Annual Report of the Board for the year ended 31.12.2014 | <input type="checkbox"/> | <input type="checkbox"/> |
| (2) To re-elect Dr. H. S. D. Soysa as a Director under Articles 24(8) of the Articles of Association of the Company | <input type="checkbox"/> | <input type="checkbox"/> |
| (3) To re-elect Mr. P. M. A. Sirimane as a Director under Articles 24(8) of the Articles of Association of the Company | <input type="checkbox"/> | <input type="checkbox"/> |
| (4) To re-elect Mr. R. Samaranayake as a Director in accordance with the Article 24(8) of the Articles of Association of the company | <input type="checkbox"/> | <input type="checkbox"/> |
| (5) To declare the recommended dividend of Rs 0.60 / - per share as the final dividend. | <input type="checkbox"/> | <input type="checkbox"/> |
| (6) To re-appoint M/s Ernst & Young, Chartered Accountants as the Auditors of the Company for the ensuing year and authorize the Directors to determine their remuneration. | <input type="checkbox"/> | <input type="checkbox"/> |

Mark your preference with 'X'

Signed day of2015.

NOTE :

- i. Proxy need not be a member of the Company
- ii. Instructions recompletion of Proxy are given on the following page

INSTRUCTIONS AS TO COMPLETION

1. Kindly perfect the form of proxy, after filling in legibly your full names and address, and by signing on the space provided.
2. The completed form of proxy should be deposited at the Registered Office of the Company at 7th Floor, No. 110, Sir James Peiris Mawatha, Colombo 02 not less than 48 hours before, the appointed time for the holding of the meeting.
3. If you wish to appoint a person other than Chairman, Deputy Chairman or a Director of the Company as your proxy, please insert the relevant details at the space provided (below names of the Board of Directors) on the Proxy form.
4. Article 16(6) of the Articles of Association of the Company provided that;
“Any corporation which is a member of the Company may by resolution of its directors or other governing body authorize such person as it thinks fit to act as its representative at any meeting of the Company or of any class of members of the company, and the person so authorized shall be entitled to exercise the same powers on behalf of such corporation as the corporation could exercise if it were an individual member of the Company”.
5. Please indicate with an ‘X’ in the space provided how your Proxy is to vote on each resolution. If no indication is given, the Proxy, at his discretion, will vote as he thinks fit.
6. In the case of a Company/Corporation, the Proxy must be under its Common Seal which should be affixed and attested in the manner prescribed by its Articles of Association.
7. In the case of a Proxy signed by an Attorney, the Power of Attorney must be deposited at the Registered Office of the Company for registration.

If undelivered, please return to;
Company Secretary
Siyapatha Finance PLC
No. 110, Sir James PeirisMawatha
7th Floor - Sampath Centre Building
Colombo 02.

Corporate Profile

Name of the Organization:

Siyapatha Finance PLC (Formerly known as Siyapatha Finance Limited)
Reg. No. PB 917 PQ

Telephone : +94 117 605605
Fax : +94 117 605606
E mail : info@siyapatha.lk
Website : www.siyapatha.lk

Credit rating:

Fitch Rating Lanka Limited has affirmed Siyapatha Finance PLC's national long term rating of A (lka) with a stable outlook.

Primary brands, products, and services:

Please refer Integrated Management Discussion and Analysis Section

Location of headquarters:

No: 46/12, Sayuru Sevana, Nawam Mawatha, Colombo-02.

Registered office :

No. 110, Sir James Peiris Mawatha, Colombo 02, Sri Lanka

Operating countries: Operations are limited to Sri Lanka

Ownership: Siyapatha Finance PLC is a fully owned subsidiary of Sampath Bank PLC.

Siyapatha Finance PLC does not have any subsidiaries established.

Legal form: Sampath Leasing and Factoring Limited was incorporated on 03rd March 2005 under the Companies Act No.17 of 1982 as a specialised leasing company and re-registered under the Companies Act No.07 of 2007 on 18th March 2009. The name "Sampath Leasing and Factoring Limited" was renamed as "Siyapatha Finance Limited" on

2nd September 2013. The status of the company was changed and Siyapatha Finance Limited was converted to Siyapatha Finance PLC upon the listing in Colombo Stock Exchange on 31st December 2014.

Board of Directors and Chief Executive Officer.

Name	Designation
Mr.C.P.Palansuriya	Chairman, Non-Independent, Non-Executive Director
Mr. M. A. Abeynaike	Deputy Chairman, Independent, Non-Executive Director
Mr. S .G .Wijesinha	Non-Independent, Non-Executive Director
Mr. M. Y .A .Perera	Non-Independent, Non-Executive Director
Mr. W. M .P. L. De Alwis	Non-Independent, Non-Executive Director
Dr. H. S. D. Soysa	Independent, Non-Executive Director
Mr. P. M. A.Sirimane	Independent, Non-Executive Director
Mr. R. Samaranayake	Non-Independent, Non-Executive Director
Mr.A.R. Nanayakara	Chief Executive Officer

Auditors : Ernst & Young, Chartered Accountants
No. 201, De Saram Place, Colombo 10, Sri Lanka
Tel: +94 112 463500 Fax: +94 112 697369

Lawyers : Nithya Partners-Attorneys- at-Law

Company Secretary : Mr. Lasantha Senaratne
Attorney-at-Law

Bankers:
Sampath Bank PLC
Commercial Bank of Ceylon PLC
Hatton National Bank PLC
Bank of Ceylon PLC
Nations Trust Bank PLC
National Development Bank
Seylan Bank PLC
Deutsche Bank AG

Markets served :

Our operations are spread across the island covering all nine provinces.
Our primary market segments are individual customers, SME and Corporate clients

Significant changes during the reporting period :

Changes to the organization structure, size and ownership has been mentioned in the Governance chapter. There are no significant changes in relationships with suppliers.



Design & Concept by: Optima Designs (Pvt) Ltd.
Printed by: Printel (Pvt) Ltd.



member  Sampath Bank Group