

# **Siyapatha**

**F I N A N C E**

member



**Sampath Bank Group**

***PROSPECTUS***  
***Siyapatha Finance***  
***Debenture Issue 2014***



**Financial Advisors and  
Managers to the Issue**





**SIYAPATHA FINANCE LIMITED**



**PROSPECTUS**

**AN INITIAL ISSUE OF FIVE MILLION (5,000,000) RATED UNSECURED  
SUBORDINATED REDEEMABLE DEBENTURES AT THE FACE VALUE OF  
LKR 100/- EACH TO RAISE SRI LANKA RUPEES FIVE HUNDRED MILLION  
(LKR 500,000,000/-)**

**WITH AN OPTION TO ISSUE UP TO A FURTHER FIVE MILLION (5,000,000)  
OF SAID DEBENTURES TO RAISE UP TO SRI LANKA RUPEES FIVE  
HUNDRED MILLION (LKR 500,000,000/-)**

**AT THE DISCRETION OF THE COMPANY IN THE EVENT OF AN  
OVERSUBSCRIPTION**

**TO BE LISTED ON THE COLOMBO STOCK EXCHANGE**

**Issue Rated 'A- (lka)' by Fitch Ratings Lanka Limited**

**ISSUE OPENS ON**

**18<sup>th</sup> December 2014**

**Financial Advisors and Managers to the Issue**





The delivery of this Prospectus will not under any circumstance constitute a representation or create any implication or suggestion that there has been no material change in the affairs of the Company since the date of this Prospectus.

If you are in doubt regarding the contents of this document, you should consult your stockbroker, bank manager, lawyer or any other professional advisor.

### **Responsibility for the Content of the Prospectus**

This Prospectus has been prepared from information provided by Siyapatha Finance Limited (hereinafter referred to as the “Company”, “SFL” or the “Issuer”) and from publicly available sources.

The Directors of the Company have seen and approved this Prospectus and collectively and individually, accept full responsibility for the accuracy of the information given and confirm that after making all reasonable enquiries and to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading or inaccurate.

Where representations regarding the future performance of SFL have been given in this Prospectus, such representations have been made after due and careful enquiry of the information available to SFL and making assumptions that are considered to be reasonable at the present point in time in their best judgment.

SFL accepts responsibility for the information contained in this Prospectus. While SFL has taken reasonable care to ensure full and fair disclosure of information, prospective investors are advised to carefully read this Prospectus and rely on their own examination and assessment of SFL including the risks involved prior to making any investment decision.

### **FOR ENQUIRIES, PLEASE CONTACT THE FINANCIAL ADVISORS AND MANAGERS TO THE ISSUE**

### **Registration of the Prospectus**

A copy of the Prospectus has been delivered to the Registrar of Companies for registration in compliance with the provisions of Section 40 of the Companies Act No. 7 of 2007. The following are the documents attached to the copy of the Prospectus delivered to the Registrar of Companies for registration pursuant to Section 40 (1) of the Companies Act.

- a) The written consent of the Auditors and Reporting Accountants of SFL for the inclusion of their name in the Prospectus as Auditors and Reporting Accountants to SFL.
- b) The written consent of the Lawyers to the Issue for the inclusion of their name in the Prospectus as Lawyers to the Issue.
- c) The written consent of the Trustee to the Issue for the inclusion of their name in the Prospectus as Trustee to the Issue.

- d) The written consent of the Bankers to the Issue for the inclusion of their name in the Prospectus as Bankers to the Issue.
- e) The written consent of the Company Secretary for the inclusion of his name in the Prospectus as Company Secretary to SFL.
- f) The written consent of the Financial Advisors and Managers to the Issue for the inclusion of their name in the Prospectus as Financial Advisors and Managers to the Issue.
- g) The written consent of the Registrars to the Issue for the inclusion of their name in the Prospectus as Registrars to the Issue.
- h) The declaration made and subscribed to, by each of the Directors of SFL herein named as a Director, jointly and severally confirming that each of them have read the provisions of the Companies Act and the CSE Listing Rules relating to the Issue of the Prospectus and that those provisions have been complied with.

The said Auditor to SFL, Lawyers to the Issue, Trustee to the Issue, Bankers to the Issue, Company Secretary, Financial Advisors and Managers to the Issue, Registrars to the Issue have not, before the delivery of a copy of the Prospectus for registration with the Registrar General of Companies in Sri Lanka withdrawn such consent.

#### **Registration of the Prospectus in Jurisdictions Outside of Sri Lanka**

This Prospectus has not been registered with any authority outside of Sri Lanka. Non-Resident investors may be affected by the laws of the jurisdiction of their residence. Such investors are responsible to comply with the laws relevant to the country of residence and the laws of Sri Lanka, when making the investment.

#### **Representation**

The Debentures are issued solely on the basis of the information contained and representations made in this Prospectus. No dealer, sales person or any other person has been authorised to give any information or to make any representations in connection with the Issue other than the information and representations contained in this Prospectus, and if given or made, such information or representations must not be relied upon as having been authorised by SFL.

#### **Forward Looking Statements**

Any statements included in this Prospectus that are not statements of historical fact constitute "Forward Looking Statements". These can be identified by the use of forward looking terms such as "expect", "anticipate", "intend", "may", "plan to", "believe", "could" and similar terms or variations of such terms. However, these words are not the exclusive means of identifying Forward Looking Statements. As such, all or any statements pertaining to expected financial position, business strategy, plans and prospects of SFL are classified as Forward Looking Statements.

Such Forward Looking Statements involve known and unknown risks, uncertainties and other factors including but not limited to regulatory changes in the sectors in which SFL operates and its ability to respond to them, SFL's ability to successfully adapt to technological changes, exposure to market risks, general economic and fiscal policies of Sri Lanka, inflationary pressures, interest rate volatilities, the performance of financial markets both globally and locally, changes in domestic and foreign laws, regulation of taxes and changes in competition in the industry and further uncertainties that may or may not be in the control of SFL.

Such factors may cause actual results, performance and achievements to materially differ from any future results, performance or achievements expressed or implied by Forward Looking Statements herein. Forward Looking Statements are also based on numerous assumptions regarding SFL's present and future business strategies and the environment in which SFL will operate in the future.

Given the risks and uncertainties that may cause SFL's actual future results, performance or achievements to materially differ from that expected, expressed or implied by Forward Looking Statements in this Prospectus, investors are advised not to place sole reliance on such statements.

**The Colombo Stock Exchange (CSE) has taken reasonable care to ensure full and fair disclosure of information in this Prospectus. However, the CSE assumes no responsibility for accuracy of the statements made, opinions expressed or reports included in this Prospectus. Moreover, the CSE does not regulate the pricing of Debentures which is decided solely by the Issuer.**

#### **Presentation of Currency Information and Other Numerical Data**

The financial statements of SFL and currency values of economic data or industry data in a local context will be expressed in Sri Lanka Rupees. References in the Prospectus to "LKR", "Rupees" or "Rs." are to the lawful currency of Sri Lanka.

Certain numerical figures in this Prospectus have been subject to rounding adjustments, accordingly numerical figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

All Applicants should indicate in the Application for Debentures, their Central Depository Systems (Private) Limited (CDS) account number.

In the event the name, address or NIC number/passport number/company number of the Applicant mentioned in the Application Form differ from the name, address or NIC number/passport number/company number as per the CDS records, the name, address or NIC number/passport number/company number as per the CDS records will prevail and be considered as the name, address or NIC number/passport number/company number of such Applicant. Therefore Applicants are advised to ensure that the name, address or NIC number/passport number/company number mentioned in the Application Form tally with the name, address or NIC number/passport number/company number given in the CDS account as mentioned in the Application Form.

As per the directive of the Securities and Exchange Commission made under Circular No. 08/2010 dated 22<sup>nd</sup> November 2010 and Circular No. 13/2010 issued by the CDS dated 30<sup>th</sup> November 2010, all Debentures are required to be directly deposited in to the CDS. To facilitate compliance with this directive, all Applicants are required to indicate their CDS account number.

In line with this directive, THE DEBENTURES ALLOTTED TO AN APPLICANT WILL BE DIRECTLY DEPOSITED IN THE CDS ACCOUNT OF SUCH APPLICANT, the details of which is indicated in his/her Application Form.

PLEASE NOTE THAT DEBENTURE CERTIFICATES WILL NOT BE ISSUED.

Debentures will not be allotted to Applicants who have not indicated their CDS account details in the Application Form. Applications which do not specify a CDS account number will be rejected.

Applicants who wish to open a CDS account, may do so through a Member/Trading Member of the CSE as set out in Annexure II or through any Custodian Bank as set out in Annexure III of this Prospectus.

If the CDS account number indicated in the Application Form is found to be inaccurate/incorrect or there is no CDS number indicated, the Application will be rejected and no allotment will be made.

## ISSUE AT A GLANCE

<b>Issuer</b>	Siyapatha Finance Limited		
<b>Instrument</b>	Rated Unsecured Subordinated Redeemable Debentures		
<b>Listing</b>	The Debentures will be listed on the Colombo Stock Exchange		
<b>Number of Debentures to be Issued</b>	An initial Issue of Five Million (5,000,000) Rated Unsecured Subordinated Redeemable Debentures with an option to issue up to a further Five Million (5,000,000) of said Debentures, at the discretion of SFL, in the event of an Oversubscription of the initial Issue		
<b>Amount to be Raised</b>	Sri Lanka Rupees Five Hundred Million (LKR 500,000,000/-) with an option to raise up to a further Sri Lanka Rupees Five Hundred Million (LKR 500,000,000/-), at the discretion of SFL in the event of an Oversubscription of the initial Issue.		
<b>Rating of SFL</b>	"A (lka)" by Fitch Ratings Lanka Limited		
<b>Issue Rating</b>	"A- (lka)" by Fitch Ratings Lanka Limited		
<b>Issue Price/Face Value</b>	LKR 100/- per each Debenture		
<b>Details of Debentures (Fixed Rate Debentures)</b>	<i>Interest Rate (per annum)</i>	<i>Annual Effective Rate (per annum)</i>	<i>Redemption (from the Date of Allotment)</i>
	8.90% payable annually	8.90%	60 Months (5 Years)
<b>Number of Debentures to be Subscribed</b>	A minimum of One Hundred (100) Debentures (LKR 10,000/-) and in multiples of One Hundred (100) Debentures (LKR 10,000/-) thereafter		
<b>Interest Payment Date(s)</b>	31 <sup>st</sup> December of each year from the Date of Allotment up to the Date of Redemption and includes the Date of Redemption  Interest would be paid not later than three (03) Working Days from each Interest Payment Date		
<b>Mode of Payment of Principal Sum and Interest</b>	By cheque marked "Account Payee Only" or through an electronic fund transfer mechanism recognized by the banking system of Sri Lanka such as SLIPS and RTGS. RTGS transfers however could be effected only for amounts over and above the maximum value that can be accommodated via SLIPS transfers (i.e. LKR 5,000,000/- as of the date of this Prospectus)		
<b>Issue Opening Date</b>	18 <sup>th</sup> December 2014		



## ISSUE AT A GLANCE

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<b>Closure Date of the Subscription List</b>	<p>08<sup>th</sup> January 2015 or such earlier date on which;</p> <ul style="list-style-type: none"><li>▪ The maximum of 10,000,000 Debentures are fully subscribed; or</li><li>▪ The Board of Directors of SFL decides to close the Issue upon the initial Issue of 5,000,000 Debentures becoming fully subscribed or such other higher amount less than the maximum amount referred to above becoming fully subscribed</li></ul>
<b>Date of Allotment</b>	<p>The date on which the Debentures will be allotted by SFL to Applicants subscribing thereto</p>
<b>Basis of Allotment</b>	<p>In the event of an Oversubscription, the Board of Directors of SFL will endeavor to decide the basis of allotment of the Debentures in a fair manner as soon as practicable</p> <p>The Board however shall reserve the right to allocate up to 60% of the Number of Debentures to be issued under this Prospectus on a preferential basis, to identified institutional investor/s of strategic importance with whom SFL might have mutually beneficial relationships in the future</p>

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## 1.0 CORPORATE INFORMATION

<b>The Company/Issuer/SFL</b>	Siyapatha Finance Limited
<b>Legal Status</b>	A Limited Liability Company incorporated in Sri Lanka on 3 <sup>rd</sup> March 2005 under the Companies Act No. 17 of 1982 and a finance company licensed under the Finance Business Act, No.42 of 2011. Re-registered on 18 <sup>th</sup> March 2009 under the Companies Act No. 7 of 2007.
<b>Company Number</b>	PB 917
<b>Place of Incorporation</b>	Colombo, Sri Lanka
<b>Registered Address</b>	Siyapatha Finance Limited No. 110, Sir James Peiris Mawatha Colombo 02  Tel : +94 11 2 303 050 Fax : +94 11 4 712 013
<b>Company Secretary</b>	Mr. R.L.S. Senaratne (Attorney-at-Law) Siyapatha Finance Limited No. 110, Sir James Peiris Mawatha Colombo 02  Tel : +94 11 4 730 652 Fax : +94 11 2 305 202
<b>Rating Agency</b>	Fitch Ratings Lanka Limited No. 15-04, East Tower World Trade Centre Colombo 01  Tel: +94 11 2 541 900 Fax: +94 11 2 501 903
<b>Auditors and Reporting Accountants</b>	Ernst & Young Chartered Accountants No. 201, De Saram Place Colombo 10  Tel : +94 11 2 463 500 Fax: +94 11 2 697 369
<b>Board of Directors</b>	Mr. Channa Prabodha Palansuriya (Chairman) Mr. Mohan Asoka Abeynaike (Deputy Chairman) Mr. Sunil Gamini Wijesinha Mr. Mahawaduge Yasalal Aravinda Perera Mr. Parakrama Maithri Asoka Sirimane Dr. Henedige Srinath Dilanjan Soysa Mr. Watuthanthrige Mahiman Prasantha Lal De Alwis Mr. Ranjith Samaranayake

## 2.0 RELEVANT PARTIES TO THE ISSUE

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<b>Financial Advisors and Managers to the Issue</b>	NDB Investment Bank Limited No. 40, Navam Mawatha Colombo 02  Tel : +94 11 2 300 385 Fax: +94 11 2 300 393
<b>Lawyers to the Issue</b>	Nithya Partners No. 97A, Galle Road Colombo 03  Tel : +94 11 4 712 625 Fax: +94 11 2 328 817
<b>Registrars to the Issue</b>	S S P Corporate Services (Private) Limited No. 101, Inner Flower Road Colombo 03  Tel : +94 11 2 573 894 Fax: +94 11 2 573 609
<b>Bankers to the Issue</b>	Sampath Bank PLC No. 110, Sir James Peiris Mawatha Colombo 02  Tel : +94 11 2 303 050 Fax: +94 11 4 712 013
<b>Rating Agency to the Issue</b>	Fitch Ratings Lanka Limited No. 15-04, East Tower World Trade Centre Colombo 01  Tel : +94 11 2 541 900 Fax: +94 11 2 501 903
<b>Trustee to the Issue</b>	Deutsche Bank AG, Colombo Branch No. 86, Galle Road Colombo 03  Tel : +94 11 4 791 114 Fax: +94 11 2 343 336
<b>Auditors and Reporting Accountants to the Issue</b>	Ernst & Young Chartered Accountants No. 201, De Saram Place Colombo 10  Tel : +94 11 2 463 500 Fax: +94 11 2 697 369

### 3.0 LIST OF ABBREVIATIONS

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<b>AER</b>	Annual Effective Rate
<b>ATS</b>	Automated Trading System of the Colombo Stock Exchange
<b>CBSL</b>	Central Bank of Sri Lanka
<b>CDS</b>	Central Depository Systems (Private) Limited
<b>CSE</b>	Colombo Stock Exchange
<b>GTB</b>	Gross Treasury Bill Rate
<b>NIC</b>	National Identity Card
<b>POA</b>	Power of Attorney
<b>RTGS</b>	Real Time Gross Settlements
<b>SEC</b>	Securities and Exchange Commission of Sri Lanka
<b>SIA</b>	Securities Investment Account
<b>SLIPS</b>	Sri Lanka Inter Bank Payment System
<b>SME</b>	Small and Medium Enterprises



#### 4.0 GLOSSARY OF TERMS RELATED TO THE ISSUE

<b>Applicant</b>	Any person who submits an Application Form under this Prospectus
<b>Application Form/ Application</b>	The application form that constitutes part of this Prospectus through which an Applicant may apply for the Debentures in Issue
<b>Closure Date</b>	08 <sup>th</sup> January 2015 or such earlier date on which; <ul style="list-style-type: none"><li>▪ The maximum of 10,000,000 Debentures are fully subscribed; or</li><li>▪ The Board of Directors of SFL decides to close the Issue upon the initial Issue of 5,000,000 Debentures becoming fully subscribed or such other higher amount less than the maximum amount referred to above becoming fully subscribed</li></ul>
<b>Company/SFL/ Issuer</b>	Siyapatha Finance Limited
<b>Date of Allotment</b>	The date on which the Debentures will be allotted by SFL to Applicants subscribing thereto
<b>Date of Redemption</b>	The date on which Redemption of the Debentures will take place as referred to in Section 5.6 of this Prospectus
<b>Debentures</b>	Rated Unsecured Subordinated Redeemable Debentures to be issued pursuant to this Prospectus
<b>Debenture Holder(s)</b>	Any person who is for the time being the holder of the Debentures and includes his/her respective successors in title
<b>Entitlement Date</b>	The Market Day immediately preceding the respective Interest Payment Date or Date of Redemption on which a Debenture Holder would need to be recorded as being a Debenture Holder on the list of Debenture Holders provided by the CDS to SFL in order to qualify for the payment of any interest or any Redemption proceeds
<b>Face Value</b>	LKR 100/- per each Debenture
<b>Interest Payment Date(s)</b>	31 <sup>st</sup> December of each year from the Date of Allotment up to the Date of Redemption and includes the Date of Redemption  Interest would be paid not later than three (03) Working Days from each Interest Payment Date

## GLOSSARY OF TERMS RELATED TO THE ISSUE

<b>Interest Period</b>	The twelve month period from the date immediately succeeding a particular Interest Payment Date and ending on the next Interest Payment Date (inclusive of the aforementioned commencement date and end date) and will include the period commencing from the Date of Allotment and ending on the first Interest Payment Date (inclusive of the aforementioned commencement date and end date) and the period from the date immediately succeeding the last Interest Payment Date before the Date of Redemption and ending on the date immediately preceding the Date of Redemption (inclusive of the aforementioned commencement date and end date)
<b>Issue</b>	The offer of Debentures pursuant to this Prospectus
<b>Issue Price</b>	LKR 100/- per each Debenture
<b>Market Day</b>	A day on which trading takes place at the CSE
<b>Non-Resident(s)</b>	Foreign institutional investors including country funds, regional funds or mutual funds, corporate bodies incorporated outside Sri Lanka, citizens of foreign states whether resident in Sri Lanka or outside Sri Lanka and Sri Lankans resident outside Sri Lanka
<b>Principal Sum</b>	The product of the Face Value and the number of Debentures allotted
<b>Prospectus</b>	This prospectus dated 05 <sup>th</sup> December 2014 issued by SFL
<b>Redemption</b>	Repayment of the Face Value and unpaid and accrued interest (if any) with regard to a Debenture to a Debenture Holder by SFL
<b>Subordinated</b>	The claims of the Debenture Holders shall in the event of a winding up of SFL, rank after all the claims of secured and other unsecured creditors of SFL and any preferential claims under any statutes governing SFL but in priority to and over the claims and rights of the shareholders of SFL
<b>Trust Deed</b>	Trust deed executed between SFL and Deutsche Bank AG, Colombo Branch on 21 <sup>st</sup> November 2014
<b>Trustee</b>	Deutsche Bank AG, Colombo Branch
<b>Unsecured</b>	Repayment of the Principal Sum and payment of interest on the Debentures are not secured by a charge on any assets of SFL
<b>Working Day</b>	A day (other than a Saturday or Sunday or any statutory holiday) on which licensed commercial banks are open for business in Sri Lanka

## 5.0 PRINCIPAL FEATURES OF THE RATED UNSECURED SUBORDINATED REDEEMABLE DEBENTURES

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### 5.1 INVITATION TO SUBSCRIBE

The Board of Directors of Siyapatha Finance Limited (hereinafter referred to as the “Board”) by resolution dated 2<sup>nd</sup> October 2014 and 29<sup>th</sup> October 2014 resolved to raise a sum of up to Sri Lanka Rupees Five Hundred Million (LKR 500,000,000/-) by an initial Issue of up to Five Million (5,000,000) Debentures each with a Face Value of LKR 100/-, with the option of increasing the sum raised up to a further Sri Lanka Rupees Five Hundred Million (LKR 500,000,000/-) by an issue of up to a further Five Million (5,000,000) of said Debentures, in the event of an oversubscription of the initial Issue.

As such, a maximum amount of Sri Lanka Rupees One Billion (LKR 1,000,000,000/-) would be raised by the issue of a maximum of Ten Million (10,000,000) Debentures each with a Face Value of LKR 100/-.

SFL invites Applications for Debentures which will rank equal and *pari passu* in all respects. The rights of the Debenture Holders with respect to payment of the Principal Sum and accrued interest due thereon (if any) upon a winding-up of SFL will rank after all the claims of secured and other unsecured creditors of SFL and any preferential claims under any statutes governing SFL, but in priority to and over the claims and rights of the shareholders of SFL.

It is the intention of SFL to list the Debentures on the Colombo Stock Exchange. The CSE has given its in-principle approval for the listing of the Debentures on the CSE.

### 5.2 SUBSCRIPTION LIST

Subject to the provisions contained below, the subscription list for the Debentures will open at 9.30 a.m. on 18<sup>th</sup> December 2014 and will remain open for fourteen (14) Market Days including the Issue opening date until closure at 4.30 p.m. on 08<sup>th</sup> January 2015.

However, the subscription list will be closed on an earlier date at 4.30 p.m. with the notification to the CSE on the occurrence of the following;

- The maximum of 10,000,000 Debentures are fully subscribed; or
- The Board of Directors of SFL decides to close the Issue upon the initial Issue of 5,000,000 Debentures becoming fully subscribed or such other higher amount less than the maximum amount of 10,000,000 Debentures becoming fully subscribed.

Applications can be made forthwith in the manner set out in Section 6.0 of this Prospectus and duly completed Application Forms will be accepted at any one of the collection points set out in Annexure II of this Prospectus.



### 5.3 OBJECTIVES OF THE ISSUE

The Company proposes to utilize the entirety of the funds raised through this Issue for the purpose of,

- Expanding and strengthening the capital base of the Company and to maintain the Capital Adequacy requirements as stipulated by CBSL. The proposed Issue would reinforce the Company's Tier II capital and facilitate future expansion of operations and the asset base.
- Settlement of short term money market loans amounting to LKR 1,000 Million and restructuring the balance sheet in order to reduce prevailing mismatch in funding exposures in order to minimise interest rate risk arising due to frequent re-pricing cycles.

*If the settlement of short term money market loans amounting to LKR 1,000 Million is carried out in full subsequent to the allotment of Debentures, the outstanding short term money market loans would reduce to LKR 252.3 Million from LKR 1,252.3 Million as of 30<sup>th</sup> September 2014.*

- Gaining access to additional source of funds from non-deposit sources, which will open up the capital market funding (public listed) for the Company and provide access to a wider investor base.

In the event of an under subscription, the Company is confident that any shortfall in the funds required to meet the objectives of the Issue can be financed through internally generated funds and other credit facilities.

### 5.4 TYPES OF DEBENTURES

The Issue consists of only one Type of Debentures each with a Face Value of Rupees One Hundred (LKR 100/-).

### 5.5 INTEREST

The Debentures will carry a fixed rate of interest of Eight decimal Nine Zero *per centum* (8.90%) per annum, payable annually on the respective Interest Payment Dates (AER of 8.90% per annum).

Interest on the Debentures accruing on a daily basis will be paid on 31<sup>st</sup> December of each year from the Date of Allotment until the date immediately preceding the Date of Redemption on the outstanding Principal Sum.

The interest due on the Debentures for a particular Interest Period will be calculated based on the actual number of days in such Interest Period and will be paid not later than three (03) Working Days from each Interest Payment Date.

In order to accommodate the debenture interest cycles in the ATS of the CSE, the payment of interest for a particular Interest Payment Date will include Debenture Holders holding Debentures in the CDS as of the Entitlement Date.

Payment of the interest on the Debentures will be made after deducting any taxes and charges thereon (if any) in Sri Lanka Rupees as per the applicable law prevalent at the time of interest payment to the Debenture Holders.

As per Section 9(o) of the Inland Revenue Act No. 10 of 2006 (as amended by Section 4 of the Inland Revenue (Amendment) Act No. 18 of 2013), the interest income from any investment made on or after 01<sup>st</sup> January 2013 in corporate debt securities (i.e. debentures), quoted in any stock exchange licensed by the SEC is exempt from income tax. Furthermore, in terms of Section 13(xxxxxxx) of the Inland Revenue Act No. 10 of 2006 (as amended by Section 5 of the Inland Revenue (Amendment) Act No. 18 of 2013), the profits and income earned from any such investment has also been exempted from income tax.

## **5.6 REDEMPTION**

The Redemption of the Debentures will take place on the date on which a period of Five (05) years from the Date of Allotment expires or if such date on which a period of Five (05) years from the Date of Allotment expires is not a Market Day, the Market Day immediately succeeding such date and interest shall be paid upto the date immediately preceding such Market Day (including holidays).

The Principal Sum and unpaid and accrued interest (if any) payable on the Redemption of Debentures will be paid to the Debenture Holders not later than three (03) Working Days from the respective Date of Redemption.

These Debentures will not be subject to Redemption by the Company prior to the Date of Redemption.

## **5.7 PAYMENT OF PRINCIPAL SUM AND INTEREST**

SFL will redeem the Debentures on the respective Date of Redemption as specified in Section 5.6 and the interest payments will be made as specified in Section 5.5.

The payment of Principal Sum and interest will be made either by cheque/s marked "Account Payee Only" dispatched to the address provided by the Debenture Holders to the CDS at the risk of the Debenture Holders or through an electronic fund transfer mechanism recognized by the banking system of Sri Lanka such as SLIPS and RTGS to a bank account provided to the CDS by the Debenture Holders. RTGS transfers however could be effected only for amounts over and above the maximum value that can be accommodated via SLIPS transfers (i.e. LKR 5,000,000/- as of the date of this Prospectus)

However, in the event such payment is over the maximum amount that can be accommodated through an electronic fund transfer mechanism recognized by the banking system of Sri Lanka or if the Debenture Holder has not provided to the CDS accurate and correct details of his/her bank account for the payment of Principal Sum and interest, such payment to the Debenture Holder will be made by way of a cheque and sent by post at the risk of the Debenture Holder.

However, the first interest payment will be made only by cheques.

The payment of Principal Sum and interest will be made in Sri Lanka Rupees in favour of the Debenture Holders as of the Entitlement Date. In the case of joint Debenture Holders, the payment of Principal Sum and interest will be made to the one whose name stands first in the register of Debenture Holders.

## 5.8 TRUSTEE TO DEBENTURE HOLDERS

Deutsche bank AG, Colombo Branch has agreed to act as the Trustee to the Debenture Holders. The Company has entered into an agreement with the Trustee (hereinafter called the "Trust Deed"). Debenture Holders in their Application Forms for subscription will be required to authorize the Trustee to act as their agent in entering into such deeds, writings, and instruments with the Company and to act as the agent and Trustee for the Debenture Holders.

The rights and obligations of the Trustee are set out in the Trust Deed and the Debentures will be subject to the terms and conditions incorporated in the said Trust Deed.

The fee payable to the Trustee will be LKR 25,000.00 per month plus statutory levies. There is no conflict of interest with SFL, except that the Trustee is one of the banks rendering banking related services to SFL.

## 5.9 RATING OF THE DEBENTURES

Fitch Ratings Lanka Limited has assigned a credit rating of "A-(lka)" to the Debentures.

'A' National Ratings denote expectations of low default risk relative to other issuers or obligations in the same country. However, changes in circumstances or economic conditions may affect the capacity for timely repayment to a greater degree than is the case for financial commitments denoted by a higher rated category.

The modifiers "+" or "-" may be appended to a rating to denote relative status within major rating categories.

Source: [https://www.fitchratings.com/creditdesk/public/ratings\\_definitions/index.cfm?rd\\_file=uspf](https://www.fitchratings.com/creditdesk/public/ratings_definitions/index.cfm?rd_file=uspf)

A copy of the rating certificate is given in Annexure I of this Prospectus.

## 5.10 RIGHTS AND OBLIGATIONS OF DEBENTURE HOLDERS

(a) Debenture Holders are entitled to the following rights.

- Receiving interest on Interest Payment Dates at the rate of interest set out in Section 5.5 of this Prospectus and the Principal Sum on the Date of Redemption as set out in Section 5.6 of this Prospectus.
- Ranking above the ordinary shareholders and preference shareholders of SFL in the event of liquidation.
- Calling and attending meetings of Debenture Holders as set out in the Trust Deed.

In the event of SFL winding up, the claims of the Debenture Holders will rank after all the claims of secured and other unsecured creditors of SFL and any preferential claims under any statutes governing SFL, but in priority to and over the claims and rights of the shareholders of SFL.

- (b) Debenture Holders do not have the following rights.
- Attending and voting at meetings of holders of shares and other debentures.
  - Sharing in the profits of SFL.
  - Participating in any surplus in the event of liquidation.
- (c) Each Debenture Holder must ensure that the information in respect of the securities account maintained with the CDS is up to date and accurate. Each Debenture Holder shall absolve SFL from any responsibility or liability in respect of any error or inaccuracy or absence of necessary changes in the information recorded with the CDS.
- Provided further that the Debenture Holders shall absolve the CSE and the CDS from any responsibility or liability in respect of any error or inaccuracy or absence of necessary changes in the information recorded with the CDS where such errors or inaccuracies or absence of changes are attributable to any act or omission of the Debenture Holders.

#### **5.11 BENEFITS OF INVESTING IN DEBENTURES OFFERED BY THE COMPANY**

- (a) Provides an opportunity to diversify the investment portfolio of the investor.
- (b) Provides the investor with a regular cash inflow of interest payments.
- (c) Provides the investor with an opportunity to invest in Debentures issued by a leading finance company in Sri Lanka.
- (d) Being listed on the CSE, the Debentures will have a secondary market, thus providing the investor with an opportunity to exit at the market price prevailing at the time of divestiture.
- (e) The Debentures may be used as collateral to obtain credit facilities from banks and financial institutions.
- (f) As per Section 9(o) of the Inland Revenue Act No. 10 of 2006 (as amended by Section 4 of the Inland Revenue (Amendment) Act No. 18 of 2013, the interest income from any investment made on or after 01<sup>st</sup> January 2013 in corporate debt securities (i.e. debentures), quoted in any stock exchange licensed by the SEC is exempt from income tax. Furthermore, in terms of Section 13(xxxxxxx) of the Inland Revenue Act No. 10 of 2006 (as amended by Section 5 of the Inland Revenue (Amendment) Act No. 18 of 2013), the profits and income earned from any such investment has also been exempted from income tax.

#### **5.12 RISKS INVOLVED IN INVESTING IN THE DEBENTURES**

Subscribers to the Debentures could be exposed to the following risks.

**(a) Interest Rate Risk**

Provided all other factors are equal, the market price of the Debentures will generally fluctuate in the opposite direction to the fluctuation in market interest rates as determined in capital markets subsequent to the Issue. Thus, the interest rate risk could be identified as the reduction in the market price of Debentures resulting from a rise in interest rates.

**(b) Reinvestment Risk**

Interest on Debentures are payable annually. An investor may decide to reinvest these interest payments and earn interest from that point onwards. Depending on the prevailing interest rates at the point of reinvestment, the risk of returns generated by Debenture Holders by reinvesting such interest received being higher or lower than the return offered by the Debentures is known as reinvestment risk.

**(c) Call Risk**

The uncertainty to the debenture investor is when the issuer has the option of redeeming the debentures before maturity, thus being called upon to terminate the investment early is known as "Call Risk". However, these Debentures do not carry this risk as call options are not available with these Debentures.

**(d) Credit Risk**

Credit Risk is also referred to as default risk. This is the risk that the issuer of a debenture may default, i.e. the issuer will not be able to pay interest and principal payments on a timely basis. This risk is gauged in terms of rating assigned by different rating agencies. Fitch Ratings Lanka Limited has assigned a Long-term Rating of 'A-(lka)' to these Debentures and will be periodically reviewing the same.

**(e) Liquidity Risk**

Liquidity risk is associated with the ease in which an investment can be sold after the initial placement. In order to reduce the liquidity risk of the Debentures, SFL has applied for a listing of these Debentures on the CSE and has received in-principle approval for such listing whereby Debenture Holders will be able to sell the Debentures through the CSE in order to convert the Debentures to cash and exit from the investment.

**(f) Duration Risk**

Duration is a measure of the price sensitivity of fixed income investments to a change in interest rates, based on the time to maturity of principal and coupon payments. The higher the duration, the greater the price volatility or duration risk, while a lower duration risk carries a lower risk.

### **5.13 TRANSFER OF DEBENTURES**

The Debentures will be transferable and transmittable in the manner set out in the Trust Deed, which is reproduced below.

- (a) These Debentures shall be freely transferable and the registration of such transfer shall not be subject to any restriction, save and except to the extent required for compliance with statutory requirements.
- (b) The Debentures shall be transferable and transmittable as long as the Debentures are listed on the CSE. Subject to the provisions contained herein SFL may register without assuming any liability any transfer of Debentures, which are in accordance with the statutory requirements and rules and regulations in force for the time being as laid down by the CSE, SEC and the CDS.
- (c) In the case of death of a Debenture Holder;
  - The survivor where the deceased was a joint holder; and
  - The executors or administrators of the deceased or where the administration of the estate of the deceased is in law not compulsory the heirs of the deceased where such Debenture Holder was the sole or only surviving holder;

shall be the only persons recognized by SFL as having any title to his/her Debentures.



- (d) Any person becoming entitled to any Debentures in consequence of bankruptcy or winding up of any Debenture Holder, upon producing proper evidence that he/she/it sustains the character in respect of which he/she/it proposes to act or his/her title as the Board of Directors of SFL thinks sufficient may in the discretion of the Board be substituted and accordingly registered as a Debenture Holder in respect of such Debentures subject to the applicable laws, rules and regulations of the Company, CDS, CSE and SEC.
- (e) No change of ownership in contravention to these conditions will be recognized by the Company.

#### **5.14 LISTING**

An application has been made to the CSE for permission to obtain a listing for the Debentures and the CSE has granted its approval in-principle for the same. It is the intention of the Company to list the Debentures on the Colombo Stock Exchange upon the allotment thereof.

The CSE however, assumes no responsibility for the correctness of the statements made or opinions expressed or reports included in this Prospectus. Admission to the official list is not to be taken as an indication of the merits of SFL or of its Debentures.

SFL has obtained approval of the Central Bank of Sri Lanka for listing of Debentures and no deadline has been imposed for the approval granted.

#### **5.15 COST OF THE ISSUE**

The Board estimates that the total cost of the Issue including fees to professionals, printing, advertising and other costs connected with the Issue will be approximately LKR 10.16 Million. Such costs will be financed by the internally generated funds of the Company.

#### **5.16 BROKERAGE FEE**

Brokerage fee of 15 cents (LKR 0.15) per Debenture shall be paid in respect of the number of Debentures allotted on Applications bearing the original seal of any bank operating in Sri Lanka or a member/trading member of the CSE or Financial Advisors and Managers to the Issue or any other party identified by the Company and/or Financial Advisors and Managers to the Issue as involved in the Issue.

#### **5.17 UNDERWRITING**

This Issue is not underwritten.

The offering is not conditional to any minimum amount to be raised through this Issue. In the event of an under subscription, the Company is confident that any short fall in the funds required to meet the objectives of the Issue can be financed through internally generated funds and other credit facilities.

## 6.0 PROCEDURE FOR APPLICATION

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### 6.1 INSPECTION OF DOCUMENTS

Articles of Association, the Trust Deed, Auditors' Reports and Audited Financial Statements for the five (05) financial years ended 31<sup>st</sup> December 2013 (i.e. the five (05) financial years immediately preceding the date of this Prospectus), Interim Financial Statement as at 30<sup>th</sup> September 2014 and all other documents referred to in Rule 3.2.16 (a) of the CSE Listing Rules, including material contracts and management agreements entered into by the Company (if any) would be made available for inspection by the public during normal working hours, from seven (07) Market Days prior to the date of opening of the subscription list, at the registered office of the Company at No. 110, Sir James Peiris Mawatha, Colombo 02 until the Date of Redemption of the Debentures.

The Prospectus, Trust Deed and Articles of Association of SFL would be made available on the website of CSE, [www.cse.lk](http://www.cse.lk) and the website of SFL, [www.siyapatha.lk](http://www.siyapatha.lk) from seven (07) Market Days prior to the date of opening of the subscription list until the Date of Redemption of the Debentures as stipulated in Rule 3.2.16 (b) of the CSE Listing Rules.

Furthermore, copies of the Prospectus and Application Forms are available free of charge from the collection points set out in Annexure II of this Prospectus from seven (07) Market Days prior to the date of opening of the subscription list.

### 6.2 ELIGIBLE APPLICANTS

Applications are invited for the subscription of Debentures from the following categories of applicants.

- (a) Citizens of Sri Lanka, resident in Sri Lanka and above 18 years of age.
- (b) Corporate bodies and societies registered/incorporated/established in Sri Lanka and authorized to invest in Debentures.
- (c) Approved unit trusts licensed by SEC.
- (d) Approved provident funds and contributory pension schemes registered/incorporated/established in Sri Lanka and authorized to invest in Debentures. In the case of approved provident funds and approved contributory pension schemes, the Application should be in the name of the trustee/board of management.
- (e) Regional and country funds approved by SEC and authorized to invest in Debentures.
- (f) Non-Residents: foreign institutional investors including country funds, regional funds or mutual funds, corporate bodies incorporated outside Sri Lanka, citizens of foreign states whether resident in Sri Lanka or outside Sri Lanka and Sri Lankans resident outside Sri Lanka.

Applications will not be accepted from Applicants who are under the age of 18 years, or in the names of sole proprietorships, partnerships or unincorporated trusts.

“Individuals resident outside Sri Lanka” will have the same meaning as in the notice published under the Exchange Control Act in Gazette No. 15007 dated 21<sup>st</sup> April 1972.

When permitting Non-Residents to invest in the Debentures, the Company will comply with the relevant Exchange Control Regulations including the conditions stipulated in the notice under the Exchange Control Act with regard to the issue and transfer of debentures of companies incorporated in Sri Lanka to foreign investors as published in the Government Gazette (Extraordinary) No. 1864/39 on 28<sup>th</sup> May 2014.

### 6.3 HOW TO APPLY

The terms and conditions applicable to the Applicants are as follows.

- (a) Applications should be made on the Application Forms, which accompany and constitute a part of this Prospectus (exact size photocopies of Application Forms will also be accepted). Care must be taken to follow the instructions given herein and in the Application Form. Applicants using photocopies are requested to inspect the Prospectus which is available for inspection with the Registrar to the Issue and also issued free of charge by the parties listed in Annexure II of this Prospectus.

The Application Form can also be downloaded from the website of CSE, [www.cse.lk](http://www.cse.lk), the website of SFL, [www.siyapatha.lk](http://www.siyapatha.lk) and the website of the Financial Advisors and Managers to the Issue, [www.ndbib.com](http://www.ndbib.com) until the Closure Date.

The Prospectus is available and can be downloaded from the website of CSE, [www.cse.lk](http://www.cse.lk) and the website of SFL, [www.siyapatha.lk](http://www.siyapatha.lk) until the Date of Redemption of the Debentures and from the website of the Financial Advisors and Managers to the Issue, [www.ndbib.com](http://www.ndbib.com) until the Closure Date.

**Applications which do not strictly conform to instructions and other conditions set out herein or which are incomplete or illegible may be rejected.**

- (b) An Applicant can apply under one Application Form only. If an Applicant has applied under more than one Application Form it will be construed as multiple Applications. An Applicant of a joint Application, applying through another Application Form is also deemed to have made multiple Applications and the Company reserves the right to reject such multiple Applications or suspected multiple Applications.
- (c) If the ownership of the Debentures is desired in the name of one Applicant, full details should be given only under the heading SOLE/FIRST APPLICANT in the Application Form. In the case of joint Applicants, the signatures and particulars in respect of all Applicants must be given under the relevant headings in the Application Form.
- (d) An Applicant of a joint Application will not be eligible to apply for the Debenture through a separate Application Form either individually or jointly. Such Applicants are also deemed to have made multiple Applications and will be rejected.

In the case of joint Applications, the refunds (if any), interest payments and the Redemption will be remitted in favour of the first Applicant as identified in the Application Form.

SFL shall not be bound to register more than three (03) natural persons as joint holders of any Debentures (except in the case of executors, administrators or heirs of a deceased member).

Joint Applicants should note that all parties should either be residents of Sri Lanka or Non-Residents.

- (e) Applications by companies, corporate bodies, societies, approved provident funds, trust funds and approved contributory pension schemes registered/incorporated/established in Sri Lanka should have obtained necessary internal approvals as provided by their internal approval procedures at the time of applying for the Debentures and should be made under their common seal or in any other manner as provided by their articles of association or such other constitutional documents of such Applicant or as per the statutes governing them. In the case of approved provident funds, trust funds and approved contributory pension schemes, the Applications should be in the name of the trustee/board of management.
- (f) All Applicants should indicate in the Application for Debentures, their CDS account number.

In the case of resident individual Applicants, ensure that;

- If the Applicant's CDS account carries the NIC number, the NIC number of the Applicant is stated in the relevant cage of the Application Form; or
- If the Applicant's CDS account carries the passport number, the passport number of the Applicant is stated in the relevant cage of the Application Form.

In the case of Non-Resident individual Applicants and corporate Applicants, ensure to provide the passport number/company number and CDS Identification Number (CDS ID) in the relevant cages of the Application Form.

In the event the name, address or NIC number/passport number/company number of the Applicant mentioned in the Application Form differ from the name, address or NIC number/passport number/company number as per the CDS records, the name, address or NIC number/passport number/company number as per the CDS records will prevail and be considered as the name, address or NIC number/passport number/company number of such Applicant. Therefore, Applicants are advised to ensure that the name, address or NIC number/passport number/company number mentioned in the Application Form tally with the name, address or NIC number/passport number/company number given in the CDS account as mentioned in the Application Form.

In the case of joint Applicants, a joint CDS account in the name of the joint Applicants should be indicated.

Application Forms stating third party CDS accounts, instead of Applicants' own CDS account numbers, except in the case of margin trading, will be rejected.

- (g) Applicants who wish to apply through their margin trading accounts should submit the Application Forms in the name of the “Margin Provider/Applicant’s name” signed by the margin provider, requesting a direct deposit of the Debentures to the Applicant’s margin trading account in the CDS. The margin provider should indicate the relevant CDS account number relating to the margin trading account in the Application Form. A photocopy of the margin trading agreement must be submitted along with the Application.

Margin providers can apply under their own name and such Applications will not be construed as multiple Applications.

- (h) Application Forms may be signed by a third party on behalf of the Applicant(s) provided that such person holds the Power of Attorney (POA) of the Applicant(s). A copy of such POA certified by a Notary Public as “True Copy” should be attached with the Application Form. **Original of the POA should not be attached.**
- (i) Funds for the investment in Debentures and the payment for Debentures by Non-Residents should be made only out of the monies **available to the credit of a “Securities Investment Account” (SIA)** of the Non-Residents opened and maintained in a licensed commercial bank in Sri Lanka in accordance with the directions given by the Controller of Exchange in that regard to licensed commercial banks.

**An endorsement by way of a letter by the licensed commercial bank in Sri Lanka in which the Applicant maintains the SIA, should be attached to the Application Form to the effect that such payment through bank draft/bank guarantee/RTGS has been made out of the funds available in the SIA.**

- (j) Non-Residents should have obtained necessary internal approvals as provided by their internal approval procedures at the time of applying for the Debentures and may be affected by the laws of the jurisdiction of their residence. If the Non-Resident Applicants wish to apply for the Debentures, it is their responsibility to comply with the laws relevant to the jurisdiction of their residence and of Sri Lanka.

Application Forms properly filled in accordance with the instructions thereof together with the remittance for the full amount payable on Application should be enclosed in an envelope marked **“SIYAPATHA FINANCE LIMITED - DEBENTURE ISSUE 2014”** on the top left hand corner in capital letters and dispatched by post or courier or delivered by hand to the Registrars to the Issue or collection points mentioned in Annexure II of this Prospectus.

Applications sent by post or courier or delivered to any collection point set out in Annexure II of this Prospectus should reach the office of the Registrars to the Issue, S S P Corporate Services (Private) Limited, No. 101, Inner Flower Road, Colombo 03, at least by 4.30 p.m. on the following Working Day immediately upon the Closure Date. Applications received after the said period will be rejected even though they have been delivered to any of the said collection points prior to the Closure Date or carry a postmark dated prior to the Closure Date.

Applications delivered by hand to the Registrars to the Issue after the Closure Date of the Issue will also be rejected.



Please note that Applicant information such as full name, address, NIC number/passport number/company number and residency will be downloaded from the database of CDS, based on the CDS account number indicated in the Application Form. Such information will take precedence over information provided in the Application Form.

Care must be taken to follow the instructions on the reverse of the Application Form.

Applications that do not strictly conform to such instructions and additional conditions set out hereunder or which are illegible may be rejected.

**PLEASE NOTE THAT ALLOTMENT OF DEBENTURES WILL ONLY BE MADE IF THE APPLICANT HAS A VALID CDS ACCOUNT AT THE TIME OF SUBMISSION OF THE APPLICATION.**

Please note that upon the allotment of Debentures under this Issue, the allotted Debentures would be credited to the Applicant's CDS account so indicated.

**Hence, DEBENTURE CERTIFICATES WILL NOT BE ISSUED.**

#### **6.4 NUMBER OF DEBENTURES TO BE SUBSCRIBED**

Applicants may invest in the Debentures subject to a minimum of One Hundred (100) Debentures (LKR 10,000/-) and in multiples of One Hundred (100) Debentures (LKR 10,000/-) thereafter.

#### **6.5 MODE OF PAYMENT OF THE INVESTMENT BY THE APPLICANTS**

- (a) Payment in full for the total value of Debentures applied for should be made separately in respect of each Application either by cheque/s, bank draft/s, bank guarantee drawn upon any licensed commercial bank operating in Sri Lanka or RTGS transfer directed through any licensed commercial bank operating in Sri Lanka, as the case may be, subject to (b) below.
- (b) Payments for Application values below Sri Lanka Rupees One Hundred Million (LKR 100,000,000/-) should be supported by a bank draft/cheque drawn upon any licensed commercial bank operating in Sri Lanka; or

Payments for Application values above and inclusive of Sri Lanka Rupees One Hundred Million (LKR 100,000,000/-) should be supported by either a;

- A bank guarantee issued by a licensed commercial bank; or
- Multiple bank drafts/cheques drawn upon any licensed commercial bank operating in Sri Lanka, each of which should be for a value less than LKR 100,000,000/-; or
- RTGS transfer with value on the Issue opening date.

**Multiple cheques will not be accepted for Application values below Sri Lanka Rupees One Hundred Million (LKR 100,000,000/-).**

- (c) Cheques or bank drafts should be made payable to **"SIYAPATHA FINANCE LIMITED - DEBENTURE ISSUE 2014"** and crossed **"Account Payee Only"**, and must be honoured on the first presentation.
- (d) In case of bank guarantees, such bank guarantees should be issued by any licensed commercial bank in Sri Lanka in favour of **"SIYAPATHA FINANCE LIMITED - DEBENTURE ISSUE 2014"** in a manner acceptable to SFL, and be valid for a minimum of one (01) month from the Issue opening date (i.e. 18<sup>th</sup> December 2014).

Applicants are advised to ensure that sufficient funds are available in order to honour the bank guarantees, inclusive of charges when called upon to do so by the Registrars to the Issue. It is advisable that the Applicants discuss with their respective bankers the matters with regard to the issuance of bank guarantees and all charges involved. All expenses with regard to such bank guarantees should be borne by the Applicants.

- (e) In case of RTGS transfers, such transfers should be made to the credit of **"SIYAPATHA FINANCE LIMITED - DEBENTURE ISSUE 2014"** bearing the account number **0029 3002 6819** at **Sampath Bank PLC** with value on the Issue opening date (i.e. the funds to be made available to the above account on the Issue opening date).

The Applicant should obtain a confirmation from the Applicant's bank, to the effect that arrangements have been made to transfer payment in full for the total value of Debentures applied for to the credit of **"SIYAPATHA FINANCE LIMITED - DEBENTURE ISSUE 2014"** bearing the account number **0029 3002 6819** at **Sampath Bank PLC** with value on the Issue opening date (i.e. the funds to be made available to the above account on the Issue opening date) and should be attached with the Application Form.

For RTGS transfers above and inclusive of Sri Lanka Rupees One Hundred Million (LKR 100,000,000/-), the Applicants are entitled to an interest at the rate of Three decimal Zero *per centum* (3.00%) per annum from the date of such transfers up to the Date of refunds. However, no interest will be paid if the RTGS transfers are not realized before the end of the Closure Date. Furthermore, even if such RTGS transfers are effected prior to the Issue opening date, no interest will be paid for the period prior to the Issue opening date.

- (f) Cash will not be accepted.
- (g) Payment for the Debentures by Non-Residents should be made only out of the monies available to the credit of a **"Securities Investment Account"** (SIA) maintained with any licensed commercial bank in Sri Lanka in accordance with the directions given by the Controller of Exchange in that regard to licensed commercial banks.

An endorsement by way of a letter by the licensed commercial bank in Sri Lanka in which the Applicant maintains the SIA, should be attached to the Application Form to the effect that such payment through bank draft/bank guarantee/RTGS has been made out of the funds available in the SIA.

- (h) The amount payable should be calculated by multiplying the number of Debentures applied for by the Face Value (LKR 100/-). If there is a discrepancy in the amount payable and the amount specified in the cheque/bank draft or bank guarantee or transferred via RTGS, the Application will be rejected.
- (i) In the event that cheques are not realised prior to the date of deciding the basis of allotment, the monies will be refunded and no allotment of Debentures will be made. Cheques must be honoured on first presentation for the Application to be valid.
- (j) All cheques/bank drafts received in respect of the Applications for Debentures will be banked commencing from the Working Day immediately following the Closure Date.

## 6.6 REJECTION OF APPLICATIONS

Application Forms and the accompanying cheques/bank drafts/bank guarantee or RTGS transfers, which are illegible or incomplete in any way and/or not in accordance with the terms, conditions and instructions, set out in this Prospectus and in the Application Form will be rejected at the sole discretion of SFL.

Applications received from Applicants who are under the age of 18 years or in the names of sole proprietorships, partnerships and unincorporated trusts will also be rejected.

Any Application Form, which does not state a valid CDS account number will be rejected.

More than one Application Form submitted by an Applicant will not be accepted and the Company reserves the right to reject such multiple Applications or suspected multiple Applications.

Any Application Form with more than three (03) natural persons as joint Applicants will be rejected.

Applications delivered by hand to the Registrars to the Issue after the subscription list is closed will be rejected. Applications received by post or courier after 4.30 p.m. on the Working Day immediately following the Closure Date, will also be rejected even if they carry a post mark dated prior to the Closure Date.

Applications delivered to any place mentioned in Annexure II should also reach the office of the Registrars to the Issue at least by 4.30 p.m. on the Working Day immediately following the Closure Date. Applications received after the said duration will be rejected even though they have been delivered to any of the said collection points prior to the Closure Date.

In the event that cheques are not realised prior to the date of deciding the basis of allotment and realised after such date, the monies will be refunded and no allotment of Debentures will be made. Cheques must be honoured on first presentation for the Application to be valid. In the event cheques are dishonoured/returned on first presentation, such Applications will be rejected.

## 6.7 BANKING OF PAYMENTS

All cheques or bank drafts or bank guarantees received in respect of Applications will not be banked or called on until the Working Day immediately after the Closure Date as set out in Section 5.2 of this Prospectus, in terms of the CSE Listing Rules.

## 6.8 BASIS OF ALLOTMENT OF DEBENTURES

In the event of an oversubscription, the Board of SFL will endeavor to decide the basis of allotment in a fair manner as soon as practicable so as to ensure compliance with the CSE Listing Rules. Upon the allotments being decided, an announcement will be made to the CSE.

**The Board however shall reserve the right to allocate up to 60% of the Number of Debentures to be issued under this Prospectus on a preferential basis, to identified institutional investor/s of strategic importance with whom SFL might have mutually beneficial relationships in the future.**

SFL reserves the right to reject any Application or to accept any Application in part only, without assigning any reason thereto.

A written confirmation informing successful Applicants on their allotment of Debentures will be dispatched within ten (10) Market Days from the Closure Date as required by the CSE.

## 6.9 REFUNDS

Monies will be refunded where;

- an Application is rejected for reasons given in Section 6.6 of this Prospectus; or
- the Application is accepted only in part

The Applicants may indicate the preferred mode of refund payments in the Application Form (i.e. direct transfer via SLIPS or cheque)

If the Applicant has provided accurate and complete details of his/her bank account in the Application, the Bankers to the Issue will make refund payments upto and inclusive of Rupees Five Million (LKR 5,000,000/-) to the bank account specified by the Applicant, through SLIPS and a payment advice will be sent.

In the event the refunds are over Rupees Five Million (LKR 5,000,000/-) or if the Applicant has not provided accurate and correct details of his/her bank account in the Application Form or if the Applicant has not provided details of the bank account in the Application Form, SFL will make such refund payments to the Applicant by way of a cheque and sent by post at the risk of the Applicant.

In the case of joint Applications, the cheques will be drawn in favour of the Applicant's name appearing first in the Application Form.

Applicants can obtain details on bank and branch codes required for providing instructions on SLIP transfers at the following website;

[http://www.lankaclear.com/product\\_service/pdf/slips\\_bank\\_branch\\_list\\_sep\\_2013.xls](http://www.lankaclear.com/product_service/pdf/slips_bank_branch_list_sep_2013.xls)

Refunds on Applications rejected or partly allotted Debentures would be made within ten (10) Market Days excluding the Closure Date. Applicants would be entitled to receive interest at the rate of the last quoted Average Weighted Prime Lending Rate (AWPLR) published in the immediately preceding week by the Central Bank of Sri Lanka or any other authority (in the event that the Central Bank of Sri Lanka ceases to publish the AWPLR) plus Five *per centum* (5.00%) for the delayed period on any refunds not made within this period.

#### **6.10 CDS ACCOUNTS AND SECONDARY MARKET TRADING**

Debentures allotted will be directly deposited to the respective CDS accounts given in the Application Forms before the expiry of eighteen (18) Market Days, from the Closure Date. A written confirmation of the credit will be sent to the Applicants within two (02) Market Days of crediting the CDS account, by ordinary post to the address provided by each Applicant.

SFL will submit to the CSE a 'Declaration' on direct upload to CDS on the Market Day immediately following the day on which the Applicants' CDS accounts are credited with the Debentures.

Trading of Debentures on the secondary market will commence on or before the third (3<sup>rd</sup>) Market Day from the receipt of the Declaration by the CSE as per the CSE Listing Rules.



## 7.0 THE COMPANY

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### 7.1 BACKGROUND AND NATURE OF BUSINESS

Siyapatha Finance Limited (SFL) (Formerly known as Sampath Leasing & Factoring Limited) is a 99.99% owned subsidiary of Sampath Bank PLC. SFL commenced its operations in March 2005 as a Specialized Leasing Company registered under Section 34 of the Finance Leasing Act No. 56 of 2000. In 2013, SFL obtained a Finance License under the Finance Business Act, No. 42 of 2011 which allowed the Company to accept deposits from the public.

The Company's principal lines of business are fund-based services of lease finance, hire purchase finance, factoring, hiring, pawning and short term gold loans. Upon receipt of finance license in 2013, the Company intends in introducing new deposit schemes to mobilize public deposits.

Despite smaller size compared to its peers in the finance industry, the Company has maintained a strict focus on operational efficiency and profitability whilst concentrating on the growth of market share. The Company has expanded its presence to encompass an island-wide network of branches which currently includes 13 main branches and two window offices.

As a testimony of the good financial reporting practices coupled with sound corporate governance and transparency of SFL, the Company won the Gold Award in the Specialized Leasing Company category at annual report competition held by the Institute of Chartered Accountants of Sri Lanka in year 2013. The Company has also won two silver awards under the same category in years 2011 and 2012.

### 7.2 PRODUCTS

#### FINANCE LEASES, HP ADVANCES & VEHICLE LOANS

The Company currently offers fund based financial products in the main and these include asset financing products such as finance leases, hire purchase advances and vehicle loans. The principle segments to which these funds extended are the Small and Medium Enterprises (SME) sector and the corporate sector. Funds extended in this category are for medium term tenors and all facilities are extended with asset backed securities.

#### FACTORING

Factoring is provided to the corporate segment in the main and funds are extended through a mechanism where an organizations assigned debts are factored by the Company. These are generally short term in duration.

#### PAWNING

Pawning of gold jewelry also forms an important constituent of the Company's short term fund disbursements. This product is extended to households and businesses that require funds with minimum paper work and for a short gestation time. The duration of a pawning advance usually does not exceed twelve (12) months.

In the latter part of 2014, the Company commenced “Gold Loans” under which facilities are granted for short term tenures ranging from 01 month up to 12 months.

### 7.3 VALUES

The Values of SFL are denoted by the acronym “C E E L”. They are as follows.

C - Customer Centric

E - Ethical & professional standards

E - Empowerment of employees

L - Learning Culture

### 7.4 STATED CAPITAL

The stated capital of SFL represents ordinary voting shares as given in the table below.

Stated Capital	As at 31 <sup>st</sup> December 2013	As at 30 <sup>th</sup> September 2014
Balance (LKR)	525,000,000	525,000,000
Number of Shares	52,500,000	52,500,000

The Company does not have non-voting, preference or any other classes of shares in issue. SFL also does not have any outstanding convertible debt securities.

Further, there was no issuance of any class of shares during the last two (02) years preceding the date of the Prospectus.

### 7.5 MAJOR SHAREHOLDERS

The shareholders of SFL as at 31<sup>st</sup> October 2014 are given in the table below.

	Name of the Shareholder	Number of Shares	% Holding
1	Sampath Bank PLC (Holding Company)	52,499,993	99.999%
2	Mr. M. A. Abeynaike	1	0.001%
3	Dr. H. S. D. Soysa	1	0.001%
4	Mr. S. G. Wijesinha	1	0.001%
5	Mr. W. M. P. L. De Alwis	1	0.001%
6	Mr. M. Y. A. Perera	1	0.001%
7	Mr. R. Samaranayake	1	0.001%
8	Mr. S. Sudardshan	1	0.001%
		<b>52,500,000</b>	<b>100.000%</b>

## **7.6 SUBSIDIARY COMPANIES AND THEIR PRINCIPAL ACTIVITIES**

SFL is a 99.99% owned subsidiary of Sampath Bank PLC. Further, SFL does not have interest in subsidiary or associate company.

## **7.7 FUTURE STRATEGIES, RISKS AND ASSUMPTIONS**

### **7.7.1 FUTURE STRATEGIES**

The Company has drawn up a strategic plan for the next three years that outlines its future. Plan with regard to the products/ services that is currently intends marketing. The strategies relating to channel expansion, human resources management, funding and key performance indicators have been addressed in the plans set. The strategic plan has been approved by the Board.

#### **7.7.1.1. FINANCIAL SECTOR CONSOLIDATION PROGRAMME**

The Central Bank of Sri Lanka requested all finance companies to take necessary steps to comply with the Financial Sector Consolidation Programme which was announced consequent to the budget proposals 2013.

SFL has had discussions with prospective sellers, however SFL has not made firm offers so far. If a proposal is finalised, there will be a certain impact which SFL is unable to quantify at this point in time.

### **7.7.2 ASSUMPTIONS RELATED TO FUTURE STRATEGIES**

The future plans and prospects of the Company are based on the assumption that there will be a favorable environment in terms of macroeconomic, social & political stability and stability in the industry.

### **7.7.3 RISKS ATTACHED TO FUTURE STRATEGIES**

The finance industry is considerably sensitive to various risks attached to the economy and thus SFL has recognized the need to be prudent and the importance of strengthening risk management capabilities.

Finance companies are exposed to numerous risk factors which include credit risk, credit concentration risk, market risk in the form of interest rate risk and equity price risk, operational risk, liquidity risk and strategic risk. At SFL the following risks are identified and monitored.

#### **(a) Credit Risk and Concentration risk**

Credit risk is the potential loss due to the failure of counterparty to meet its obligations to pay the Company in accordance with agreed terms.

Concentration risk in credit portfolios arises through an uneven distribution of Company's lending facilities to individuals or counterparties (single-name concentration) or within industry sectors and geographical regions (sectorial concentration).

**(b) Market Risk**

Market risks are the risks arising from changes in interest rates, foreign currency, equity prices and risk related factors such as market volatilities. The objective of market risk management is to obtain the best balance of risk and return whilst meeting customers' requirements. For SFL the main category of Market risk arises from Interest rate risk.

**(c) Interest Rate Risk**

Interest rate risk is the exposure of a firm's financial condition to adverse movements in interest rates. Interest rate risk arises mainly through some specific products with fixed rates or, more generally, because the overall structure of the firm's balance sheet creates an interest rate exposure through asset-liability re-pricing mismatches.

**(d) Operational Risk**

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

**(e) Liquidity Risk**

Liquidity risk is generally defined as the inability of a financial institution to meet its debt obligations without incurring unacceptably large losses as they fall due. Liquidity risk is heavily influenced by the maturity profile and mix of the Company's funding base, as well as the quality and liquidity value of its liquid assets portfolio.

**(f) Strategic Risk**

Strategic risk arises from the fundamental decisions that Directors take concerning organization's objectives. Strategic risk is the risk of losses of the credit organization as a result of mistakes made in taking decisions, erroneous definitions of the Company strategies, non-consideration or insufficient consideration of possible threats to the Company's activity which will deviate the company in achieving the business objective.

**(g) Legal and Compliance Risk**

Legal risk arises from unenforceable transactions in a court of law or the failure to successfully defend legal action instituted against the Company.

## 7.8 HUMAN RESOURCES

The human resources strength of SFL was 235 employees as at 30<sup>th</sup> September 2014, the breakdown of which is given in the table below.

Category	Number of Employees
Senior Management Staff	7
Management Staff	38
Executive Staff	120
Non-Executive Staff	70
<b>Total</b>	<b>235</b>

### Notes

(01). Personnel providing services under outsourced agreements are not included in the breakdown of human resources given above.

(02). The employees of SFL are not attached to any labour unions.

(03). SFL aims to attract and retain high-quality and professional staff at all levels. SFL has invested substantially in both internal and external training and development programmes for staff at all levels to enhance and upgrade their skills.

## 7.9 PARTICULARS OF LONG TERM LOANS AND OTHER BORROWINGS

The outstanding debt instruments and borrowings of the Company as at 30<sup>th</sup> September 2014 are as follows:

Category	LKR
Commercial Papers/ Promissory Notes	929,315,990
Debentures	344,500,000
Loans	6,313,547,650
Securitizations	224,965,224
Public Deposits*	-
<b>Total</b>	<b>7,812,328,865</b>

*\*SFL is a finance company licensed under the Finance Business Act, No.42 of 2011 and authorized to accept public deposits. However, at present the Company has not yet commenced acceptance of public deposits.*



## 7.10 DETAILS OF OTHER DEBENTURES IN ISSUE

The details of debentures issued by SFL and outstanding as at 30<sup>th</sup> September 2014 are given in the table below.

Debentures	Interest Payable Frequency	Rate of Interest	Issue Date	Maturity Date	Balance LKR '000
Unlisted Secured Redeemable Debentures	Quarterly	12.25%	04.01.2012	31.12.2015	24,500
Unlisted Secured Redeemable Debentures	Quarterly	12.80%	30.12.2011	31.12.2015	70,000
Unlisted Secured Redeemable Debentures	Quarterly	12.25%	11.01.2012	31.12.2015	105,000
Unlisted Unsecured Redeemable Debentures	Semi-annually	16.65%	27.07.2012	31.07.2015	95,000
Unlisted Unsecured Redeemable Debentures.	Semi-annually	17.50%	17.12.2012	17.12.2015	50,000
<b>Total</b>					<b>344,500</b>

## 7.11 DETAILS OF CONVERTIBLE DEBT SECURITIES

SFL does not have any convertible debt securities in issue.

## 7.12 FINANCIAL RATIOS

Financial Ratios	As at 31 <sup>st</sup> December 2012	As at 31 <sup>st</sup> December 2013	As at 30 <sup>th</sup> September 2014 <sup>#</sup>
Capital Adequacy Ratios - Tier I (%) <sup>##</sup>	17.77%	12.06%	11.94%
Capital Adequacy Ratios - Tier 1&II (%) <sup>##</sup>	17.77%	12.06%	11.94%
Interest Cover Ratio for the year (Times) <sup>*</sup>	1.42	1.34	1.43
Net Debt/EBITDA (Times) <sup>**</sup>	5.38	5.89	6.32

<sup>#</sup> Annualised as necessary

<sup>##</sup> The Company has complied with the CBSL minimum capital adequacy ratio requirement of 5.00% for Tier I and 10% for Tier 1 & Tier II

<sup>\*</sup> Interest expense includes total interest expense of the Company

<sup>\*\*</sup> Net Debt includes total debt and deposits less cash and cash equivalents

### 7.13 CONTINGENT LIABILITIES AND LITIGATION

The details of contingent liabilities and commitments of SFL as at 30<sup>th</sup> September 2014 are given in the table below.

Category	LKR '000
Undrawn Commitments to Lend	269,237
<b>Total</b>	<b>269,237</b>

There are no legal, arbitration or mediation proceedings, which will have a material impact on SFL's financial position or future operations.

### 7.14 DETAILS OF PENALTIES IMPOSED BY REGULATORY AND STATE AUTHORITIES

There were no penalties imposed by Regulatory and State Authorities on SFL. A forfeiture was paid to the Department of Customs as stated in Note 4 (i) of the Interim Financial Statements, in 11.3 of this Prospectus.

### 7.15 DETAILS OF MATERIAL CONTRACTS

SFL has not entered into any material contracts as at the date of this Prospectus other than contracts entered into in the ordinary course of business.

### 7.16 DEGREE OF DEPENDENCE ON KEY CUSTOMERS AND SUPPLIERS

SFL is prudent in its lending and adheres to all requirements set out by the CBSL. SFL strictly adheres to the single borrower limits and, as such, is not dependent on any one customer or sector of the economy for its income at any one given time nor is SFL dependent on any one supplier for its requirements. SFL will continue to focus on quality of lending rather than on quantitative lending.

### 7.17 DETAILS OF COMMISSIONS PAID

No commission has been paid in the two (02) years preceding the Issue or payable for subscribing or agreeing to subscribe or procuring or agreeing to procure subscriptions, for any shares in or debentures of SFL.

### 7.18 MANAGEMENT AGREEMENTS

There are no management agreements entered into by SFL and in force as at the date of this Prospectus other than contracts entered into in the ordinary course of business.

### 7.19 TRANSACTIONS RELATING TO THE PROPERTY

There is no transaction relating to the property completed within the two (02) preceding years in which any vendor of the property to SFL or any person who is or was at the time of the transaction, a promoter or a director or proposed director of SFL who had any interest, direct or indirect.

## 7.20 DETAILS OF BENEFITS PAID TO PROMOTERS

No benefit has been paid or given by SFL within the two (02) years preceding the Issue and there are no benefits intended to be paid or given to any promoter.

## 7.21 DIVIDEND POLICY

The company paid/ proposed moderate dividends to its parent between Rs.0.38 – Rs.0.41 per share during the last three years, considering the need to plough back bulk of the profits in to reserves to fulfill CBSL capital adequacy requirements.

## 7.22 TAXATION

The Company is not enjoying any tax concessions or any tax exemptions as at 30<sup>th</sup> September 2014

## 7.23 CORPORATE GOVERNANCE PRACTICES

The Governance structure at SFL consists at the apex the Chairman and Board of Directors who have being appointed/authorised by the parent company, Sampath Bank PLC. The Board has appointed a series of Committees that are mandated by statute, namely Integrated Risk Management Committee and Audit Committee. Further three other committees (Corporate Governance Committee, Credit Committee and HR & Remuneration Committee) have been appointed for purposes of providing strategic linkage between the 'Board' and the Corporate Management of SFL. The Corporate Management structure at SFL is headed by the Chief Executive Officer and consists of a number of functionalities which are shown in the structure.

### 7.23.1 CREDIT COMMITTEE

The Credit Committee which is appointed by the Board of SFL comprises of the following members as at the date of the Prospectus.

Name of Director	Designation
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

#### Responsibilities

- Reviewing the policy/limit changes for each sector of the Company
- Recommending credit policy changes to the Board.
- To approve the credit facilities as delegated by the Board.

## 7.23.2 INTEGRATED RISK MANAGEMENT COMMITTEE

The Integrated Risk Management Committee which is appointed by the Board of SFL comprises of the following members as at the date of the Prospectus.

Name of Director	Designation
Mr. M.A. Abeynaike (Chairman)	Independent Non-Executive Director
Dr. H.S.D. Soysa	Independent Non-Executive Director
Mr. W.M.P.L. De Alwis	Non-Independent Non-Executive Director
Mr. P.M.A. Sirimane	Independent Non-Executive Director

### Members from the Company

Name	Designation
Mr. A.R. Nanayakkara	Chief Executive Officer
Mr. R. De Silva	Chief Operating Officer
Mr. Anura Fernando	Head of Recoveries
Ms. W.K.Hasuni Gayasha	Head of Finance
Mr. R.G. Siriwardana	Head of Factoring
Mr. Mathisha Hewavitharana	Head of Marketing
Ms. Thilani Punyawansa	Head of Risk and Compliance
Mr. Rohana Dissanayake	Head of Deposits
Mr. S.B. Dodanwatte	Senior Manager Credit
Mr. N.A.D. Shaminda	Internal Auditor
Mr. B.L.M.M. Balasuriya	Manager IT
Mr. Ajantha Kumara	Manager Pawning

### Responsibilities

- To assess all risks such as credit, market, liquidity, operational and strategic risk to the Company through appropriate risk indicators and management information.
- The Committee shall review the adequacy and effectiveness of Assets and Liability Committee (ALCO) to address specific risks and manage those risks within quantitative and qualitative risk limits specified by the Committee.
- The Committee shall take prompt corrective action to mitigate the effects of specific risks in the case such risks are at levels beyond the prudent levels decided by the Committee on the basis of the Company's policies, regularity and supervisory requirements.
- The Committee shall meet at least quarterly to assess all aspects of risk management including updated business continuity plan.
- The Committee shall take appropriate action against the officer's responsible for failure to identify specific risks and take prompt corrective actions 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 the approval of the Board.
- Establish a protective Risk Management culture within the Company.
- Periodically review the risk exposures of the Company to be in line with its risk and business strategies and objective.
- 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 performance of its duty.

### 7.23.3 AUDIT COMMITTEE

Name of Director	Designation
Mr. P.M.A. Sirimane (Chairman)	Independent Non-Executive Director
Mr. M.A. Abeynaike	Independent Non-Executive Director
Mr. S.G. Wijesinha	Non- Independent Non-Executive Director)
Dr. H.S.D. Soysa	Independent Non-Executive Director

#### Responsibilities

- To consider the appointment of the external auditor, the audit fee, and any questions of resignation or dismissal.
- To discuss with the external auditor before the audit commences the nature and scope of the audit and ensure co-ordination where more than one audit firm is involved.
- To review the quarterly, half-year and annual financial statements before submission to the Board, focusing particularly on:
  - (i) Any changes in accounting policies and practices
  - (ii) Major judgmental areas
  - (iii) Significant adjustments resulting from the audit
  - (iv) The going concern assumption
  - (v) Compliance with accounting standards
  - (vi) Compliance with legal requirements applicable for financial statements
  - (vii) Approve and recommend the financials to the Board.
- To discuss problems and reservations arising from the interim and final audits, and any matters the auditor may wish to discuss (in the absence of management where necessary).
- To review the external auditor's Management Letter and management's response.
- To review the Company's statement on internal control systems prior to endorsement by the Board and to make sure the adequacy and effectiveness of internal control systems in the Company.
- To review the internal audit programme, comment on the audit findings, recommend appropriate action, to ensure co-ordination between the internal and external auditors and ensure that the internal audit function is adequately resourced and has appropriate standing with the Company.
- To consider the major findings of internal investigations and managements response.
- To consider other topics, as defined by the Board.

#### 7.23.4 HUMAN RESOURCES AND REMUNERATION COMMITTEE

Name of Director	Designation
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

##### Responsibilities

- Main role of the HR & Remuneration 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 directors, CEO and the rest of the staff of the Company.
- The committee shall evaluate the performance of the CEO and key management personal against set targets and goals periodically and determine the basis for revising remuneration, benefits and other payments of performance based incentives.
- The Committee shall take any other areas and enlarge its scope which its view or in the Board view is desirable if it were handled by the Committee.
- The Committee shall advise the CEO of the Company with regard to all aspects of HR functions including the revision of salaries of staff and any major organizational changes needed for the Company purpose.

#### 7.23.5 CORPORATE GOVERNANCE COMMITTEE

Name of Director	Designation
Mr. P.M.A. Sirimane (Chairman)	Independent Non-Executive Director
Mr. W.M.P.L. De Alwis	Non-Independent Non-Executive Director

##### Responsibilities

- Observance of practices of Corporate Governance at all levels and to suggest remedial measures wherever necessary.
- Monitoring Companies compliance with the Corporate Governance guidelines and applicable laws and regulations and make recommendations to the Board on all such matters and on any corrective action to be taken, as the Committee may deem appropriate.
- Review and assess the adequacy of the Company's code for board directors and senior management, code of ethics and other internal policies guidelines and monitor that the principles describes therein are being incorporated into the Company's culture and business practices.
- In addition to the above the Committee may in addition perform such other functions which are necessary appropriate for the performance of its duties.



## 8.0 BOARD OF DIRECTORS

### 8.1 DETAILS OF THE DIRECTORS

The Board comprise of eight (08) Directors as at the date of this Prospectus, eight (08) of whom, including the Chairman, are Non-Executive Directors. Out of the eight (08) Non-Executive Directors, three (03) are independent as defined under the Finance Companies (Corporate Governance) Direction No. 03 of 2008. The Managing Director of Sampath Bank PLC functions as an ex-officio Director.

The details of the Board of Directors of SFL as at the date of this Prospectus are given below.

Name	Position	Independent/ Non-Independent
Mr. Channa Prabodha Palansuriya	Chairman, Non-Executive Director	Non-Independent
Mr. Mohan Asoka Abeynaike	Deputy Chairman, Non-Executive Director	Independent
Mr. Sunil Gamini Wijesinha	Non-Executive Director	Non-Independent
Mr. Mahawaduge Yasalal Aravinda Perera	Non-Executive Director	Non-Independent
Mr. Parakrama Maithri Asoka Sirimane	Non-Executive Director	Independent
Dr. Henedige Srinath Dilanjan Soysa	Senior, Non-Executive Director	Independent
Mr. Watuthanthrige Mahiman Prasantha Lal De Alwis	Non-Executive Director	Non-Independent
Mr. Ranjith Samaranayake	Non-Executive Director	Non-Independent

A brief biography of each of the Directors is provided below.

**Mr. Channa Prabodha Palansuriya**

*No. 11 8/1, Dr. N.M.Perera Mawatha, Colombo 08*

Mr. C. P. Palansuriya has 30 years of vast experience in the apparel sector by heading the Orit Group of Companies and continuous leadership given 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) since 2005. He has won awards such as Asia Pacific Outstanding Entrepreneurship Award in 2013, Sri Lankan Entrepreneur of the year in 2002 and the Silver Award of the National Chamber of Exporters of Sri Lanka for the Garment Extra Large category in 2012.

He was appointed as the Chairman of Siyapatha Finance Limited with effect from 02<sup>nd</sup> May 2014 and he was a Board Member of Sri Lanka Institute of Textile & Apparel, Chairman of Apparel Exporters' Association 200 gfp during 2006-2008 and Chairman of GC Lanka Clothing (Pvt) Limited till 2013.

Currently he serves as the Deputy Chairman of Sampath Bank PLC, Chairman/Managing Director of Orit Group comprising of Orit Apparels Lanka (Pvt) Limited, Orit Trading Lanka (Pvt) Limited, Chairman of Style-Kraft Sportswear (Pvt) Limited (Canada), Orit Inspired Creations (Pvt) Limited, Deputy Chairman of Joint Apparel Association Forum (JAAF), Executive Member of BOI, Executive Committee Member of Apparel Exporters Association gfp and Executive Committee Member of Sri Lanka Apparel Sourcing Association (SLASA).

**Mr. Mohan Asoka Abeynaïke**

*No. 81-6/6, Ward Place, Colombo 07*

Mr. Abeynaïke was a Director of Sampath Bank PLC from July 1995 to December 2011. He was President of the Institute of Chartered Accountants of Sri Lanka and a member of the Securities & Exchange Commission of Sri Lanka. Mr. Abeynaïke has been Chairman/Director of several Companies and Public sector organizations. He is a Fellow of the Institute of Chartered Accountants of Sri Lanka. Mr. Abeynaïke was appointed a Director of Siyapatha Finance Limited on 28<sup>th</sup> March 2012.

He is the Chairman of the Integrated Risk Management Committee and a member of the Board Credit Committee and Board Audit Committee.

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

**Mr. Sunil Gamini Wijesinha**

*No. 146/8, Havelock Road, Colombo 05*

Mr. Sunil G. Wijesinha is a Chartered Engineer, a Chartered Management Accountant FCMA (UK) and has a MBA from the University of Sri Jayewardenepura. He counts 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 many state organizations and public and private companies including Sri Lankan Airlines Limited, MILCO, Colombo Dockyard, Sri Lanka Standards Institution, State Plantations Corporation, National Institute of Plantation Management, Maturata Plantations Limited and Asiri Surgical Hospitals PLC. He is the former Chairman and MD of Dankotuwa Porcelain PLC.

Mr. Wijesinha was appointed to the Board of Siyapatha Finance Limited on 22<sup>nd</sup> October 2008 and he is a member of Board Audit Committee of Siyapatha Finance Limited.

His experience in the financial services sector includes having being on the Boards of Sampath Bank PLC (as Deputy Chairman), Merchant Bank of Sri Lanka PLC (as Managing Director), Employees' Trust Fund Board (as Chairman), Merchant Credit of Sri Lanka (as Chairman), Lanka Securities (Pvt) Limited, DNH Financial (Private) Limited and DFCC Vardhana Bank PLC.

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

Mr. S.G. Wijesinha is currently the Managing Director of BizEx Consulting (Pvt) Limited, Director of Sampath Centre Limited, Chairman of Watawala Plantations PLC, President of National Chamber of Commerce of Sri Lanka, Chairman of United Motors Lanka PLC, Chairman of Unimo Enterprises Ltd, Chairman of Orient Motor Company Limited, Chairman of UML Property Developments Ltd, Chairman of UML Agencies & Distributors (Pvt) Ltd., Director of TVS Lanka (Pvt) Ltd, Chairman of TVS Automotives (Pvt) Ltd and Chairman of the Employers' Federation of Ceylon. He is also the Chairman of National Development Bank PLC.

**Mr. Mahawaduge Yasalal Aravinda Perera**

*No. 370, F/2, Lake Road, Avarihena, Hokandara South*

Mr. Perera counts over 29 years experience in the banking sector. He is a Fellow Member of the Chartered Institute of Management Accountants, UK and a Fellow of the Institute of Bankers Sri Lanka. He is a Chartered Engineer and a member of the Institute of Engineers, Sri Lanka. He has obtained Bachelor of Science Degree in Engineering from the University of Moratuwa and a MBA from the University of Sri Jayawardenapura. Previously he functioned as the Deputy Managing Director (DMD), Chief Operating Officer, Deputy General Manager-Corporate Banking and other roles spanning a career of 26 years at Sampath Bank. He served as the Senior Project Officer at DFCC and Departmental Manager and Service Engineer at Ceylon Tobacco Company. He was an Engineer at National Milk Board, former Director of Credit Information Bureau, Sri Lanka and Lanka Clear (Pvt) Limited.

Mr. Perera was appointed to the Board of Siyapatha Finance Limited on 28<sup>th</sup> March 2012 and he is a member of Board Credit Committee of Siyapatha Finance Limited.

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

**Mr. Parakrama Maithri Asoka Sirimane**

*No. 159/7, Rampart Road, Ethul Kotte*

Mr. Sirimane is a Fellow Member of 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 which included Chief Financial Officer, Sri Lanka Telecom PLC and Managing Director/Chief Executive Officer, Mercantile Leasing Limited.

He was appointed as a Director to the Board of Siyapatha Finance Limited on 03<sup>rd</sup> August 2010. He is the Chairman of Board Audit Committee and Board Corporate Governance Committee and holds the memberships in Integrated Risk Management Committee and Board HR /Remuneration Committee of Siyapatha Finance Limited.

He currently serves as a Director/Chief Financial Officer of E.B Creasy & Co PLC. He is also the Director of Darley Butler & Company Limited, Creasy Foods Limited, E B Creasy Logistics Limited, Group Three Associates (Pvt) Limited, Island Consumer Suppliers (Pvt) Limited, Filmepak Limited, Corporate Systems Limited, Capital Leasing Company Limited, E B Creasy Trading Limited, Laxapana Batteries PLC, Muller & Phipps (Ceylon) PLC, Pettah Pharmacy (Pvt) Limited and Wealth Lanka Management (Pvt) Limited.

**Dr. Henedige Srinath Dilanjan Soysa**

*No.19, Flat 7/3, Lauries Lane, Colombo 04*

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

Dr. Soysa started his working career as an Executive Officer at Grindlays Bank PLC. He has held several key corporate positions which include Management Consultant, Development Financial Coloration of Ceylon Limited and Citi Bank. In the field of leasing he was involved in starting operations in 1983 at Mercantile Lloyds Leasing Limited from where he retired as Deputy Managing Director in 2000. He then joined 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 Limited as a Director on 01<sup>st</sup> 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, Kelani Paper Convertors (Pvt) Limited and Packserve (Pvt) Limited.

**Mr. Watuthanthrige Mahiman Prasantha Lal De Alwis**

*No. 40/4, Park Road, Colombo 05*

Mr. Alwis was a Director of Sampath Bank from January 2002 to January 2011. He continues to be an Advisor to the Board of Sampath Bank since January 2011. Mr. Alwis has been an attorney-at-law since 1983 and holds LL.B and LL.M in Law from University of Colombo. He was a former State Counsel at the Attorney General's Department and he was appointed as a President Counsel in November 2012. He is also a member of the Chartered Institute of Marketing UK.

Mr. Alwis was appointed to the Board on 25<sup>th</sup> February 2011. He is the Chairman of HR & Remuneration Committee and holds memberships of Integrated Risk Management Committee and Board Corporate Governance Committee of Siyapatha Finance Limited.

He was a member of the Consumer Affairs Authority, Board of Sri Lanka Foreign Employment Agency and Official Language Commission in Sri Lanka.

Mr. Alwis is a Certified National Trainer in Human Resource Management of the Junior Chamber International and a visiting lecturer of Faculty of Law, University of Colombo. He currently serves as a Director of Softlogic Holdings, Orit Apparels Lanka (Pvt) Limited and member of Board Management-Kadiragamar Institute of International Relations and Strategic Studies. He was appointed as Honorary Consul of Seychelles in Sri Lanka in October 2013. He is also a Member of Board of Management Centre for Human Right Development- University of Colombo.

**Mr. Ranjith Samaranayake**

*No 51 A, Weera Puranappu Mawatha Laxapathiya Moratuwa.*

Mr. Samaranayake has extensive experience as Head of Finance & Planning at National Savings Bank, Commercial Bank of Ceylon PLC and Sampath Bank PLC. He counts over 37 years experience of managing finance in the financial services sector and holds a Bachelor of Commerce (Accountancy Special) Degree from the University of Peradeniya.

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 the 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 Limited on 28<sup>th</sup> December 2012 and he is a Member of Board Credit Committee of Siyapatha Finance Limited.

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

## **8.2 DIRECTORS' STATEMENT**

No Director or a person nominated to become a Director of the Company is or was involved in any of the following events;

- A petition under any bankruptcy laws filed against such person or any partnership in which he was a partner or any corporation of which he was an executive officer; and
- Conviction for fraud, misappropriation or breach of trust or any other similar offence which the CSE considers a disqualification.

### 8.3 DIRECTORS' INTEREST IN SHARES OF THE COMPANY

The Directors of SFL held the following shares in the Company as at 31<sup>st</sup> October 2014.

Name of the Director	Number of Shares
Mr. Channa Probodha Palansuriya	-
Mr. Mohan Asoka Abeynaike	01
Mr. Sunil Gamini Wijesinha	01
Mr. Mahawaduge Yasalal Aravinda Perera	01
Mr. Parakrama Maithri Asoka Sirimane	-
Dr. Hennedige Srinath Dilanjan Soysa	01
Mr. Watuthanthrige Mahiman Prasantha Lal De Alwis	01
Mr. Ranjith Samaranayake	01

### 8.4 DIRECTORS' INTEREST IN ASSETS

The Directors of SFL hold no interest in acquisition, disposal, or lease of any asset of SFL during the past two (02) years preceding the Issue and have not proposed to acquire, dispose or lease any asset of SFL, during the two (02) years succeeding the Issue.

### 8.5 DIRECTORS' INTEREST IN CONTRACTS OR ARRANGEMENTS AND RELATED PARTY TRANSACTIONS

There are no contracts or arrangements in force in which a Director of SFL is materially interested in relation to the business of the Company other than the details pertaining to related party transactions which are disclosed under Note 32 of the audited financial statements for the year ended 31<sup>st</sup> December 2013 of SFL presented in Section 11.2 of this Prospectus.

### 8.6 DIRECTORS' EMOLUMENTS

The aggregate emoluments made to the Directors for the financial year ended 31<sup>st</sup> December 2013 was LKR 13.725 Million.

The aggregate emoluments payable to the Directors for the financial year ending 31<sup>st</sup> December 2014 is estimated at LKR 13.25 Million.

The Directors are not entitled to bonus or profit sharing payments.



## 9.0 CORPORATE MANAGEMENT

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### 9.1 CHIEF EXECUTIVE OFFICER

#### **Mr. Roshan Nanayakkara**

Mr. Roshan Nanayakkara currently serves as Chief Executive Officer of Siyapatha Finance Limited. He was appointed as Chief Executive Officer on 9<sup>th</sup> February 2010.

He holds a MBA from UWS- Australia, AICM and Diploma in Credit Management from Institute of Bankers, Sri Lanka.

He counts over 25 years experience in the banking & finance sector having held several key corporate positions in the fields of credit, marketing, financial planning & risk management. These positions included CEO of Asia Asset Finance PLC, Assistant General Manager - Leasing, Nations Trust Bank PLC and several other key positions.

**The Chief Executive Officer/Managing Director or a person nominated to become the Chief Executive Officer/Managing Director of the Company is or was not involved in the following events;**

- A petition under any bankruptcy laws filed against such person or any partnership in which he was a partner or any corporation of which he was an executive officer; and
- Conviction for fraud, misappropriation or breach of trust or any other similar offence which the CSE considers a disqualification.

## 9.2 PROFILES OF THE KEY MANAGEMENT

The Key Management team of the Company is as follows.

Name	Designation	Educational/ Professional Qualifications	Experience in the Banking & Financial Field	Length of Service in Banking & Finance Field
Mr. Roshan Nanayakkara	Chief Executive Officer	MBA (UWS - Australia)  MABE (UK)  ACIM  Diploma in Credit Management (Institute of Bankers of Sri Lanka)  Executive Diploma in Business Administration (University of Colombo)	Siyapatha Finance Limited- Present Designation - 2010 to date  Senkadagala Finance Company- Head of Risk and Financial Planning- 2008- 2010  Asia Asset Finance Limited- Chief Executive Officer -2007- 2008  Nations Trust Bank- Assistant General Manager (Leasing) - 2006-2007  Mercantile Leasing - Assistant General Manager (Leasing)- 2005-2006  Senkadagala Finance Company- Business Development Manager- 2002-2005  Asian Finance Limited- Credit Manager- 1999-2002  Arpico Finance Company Limited- Senior Manager - Research-1993-1997  Mercantile Leasing Limited- Credit Officer-1992- 1993  Arpico Finance Company Limited- Accounts/ Credit Executive- 1989- 1992	25 Years
Mr. Rajeev De Silva	Chief Operating Officer	Institute of Marketing (Dipin, ACIM )  Chartered Institute of Management Accountants (CIMA - ACMA)	Siyapatha Finance Limited- Present Designation- 2012 to Date  Nations Trust Bank - Chief Manager (Leasing - Operations)- 2012 - Chief Manager (Leasing - Marketing)- 2007-2011 - Senior Manager (Credit)- 2005 -2006  Mercantile Leasing Limited -- - Senior Manager- 2004-2005 - Manager- 2001-2003 - Assistant Manager -1998- 2003	16 Years
Mr. Anura Fernando	Head of Recoveries	MBA (Sri J.)- Postgraduate Institute of Management, University of Sri Jayewardenepura  Associate Member- Institute of Bankers of Sri Lanka	Siyapatha Finance Limited - Present Designation - 2010 to date  Pan Asia Banking Corporation- Senior Manager- Recoveries -2009-2010  Asset line Leasing Company Limited.- Asst. General Manager- 2003-2009  Alliance Finance Co. Limited.- General Manager-Recoveries- 2000-2003  Lanka Orix Leasing Co - Manager Recoveries- 1991-2000  The Finance Co. Limited.- Branch Manager- 1988- 1991  L B Finance - Executive- 1987- 1988 Bank Of Ceylon - Clerk Grade.II- 1978- 1986	36 Years

Name	Designation	Educational/ Professional Qualifications	Experience in the Banking & Financial Field	Length of Service in Banking & Finance Field
Ms. Hasuni Gayasha	Head of Finance	B.Sc. Finance (Special) (Sri J)  MBA (Sri J.)- Postgraduate Institute of Management, University of Sri Jayewardeneputra  Fellow Member of Institute of Chartered Accountants of Sri Lanka  Diploma in IFRS (ACCA)	Siyapatha Finance Limited- Present Designation- 2013 to date.  Siyapatha Finance Limited- Finance Manager- 2011- 2012 Accountant- 2007 to 2010  KPMG Ford Rhodes Thornton & Company (Audit Trainee to Audit Supervisor)- 2004 to 2007	10 Years
Mr. Randhil Siriwardena	Head of Factoring	ACMA (UK) CGMA ACMA (SL)	Siyapatha Finance Limited- Present Designation- 2012 to date.  Nations Trust Bank - Manager Leasing Operations 2011- 2012 - Manager NL Operations 2007-2011  Mercantile Leasing Limited - - Assistant Manager 2004- 2006 - Executive 2002-2003 - Junior Executive 2000- 2002  Ernst & Young- Audit Trainee -1998- 2000	16 Years
Mr.Matheesha Hewavitharana	Head of Marketing	MBA- General (Colombo)  BBA – Marketing (Colombo),  Professional Postgraduate Diploma in Marketing CIM- (UK)  MCIM (UK)  Chartered Marketer (UK),  ACMA CGMA (CIMA- UK),  DBF (IBSL)  AIB (IBSL),  MSLIM (SL),  Practicing Marketer (SL)	Siyapatha Finance Limited  - Present Designation 2014 to date - Produce Development Manager 2013 - 2014 - Branding Manager 2011- 2012 - Marketing Manager 2008- 2011 - Marketing Officer 2007- 2008 - Marketing Executive 2006- 2007 - Junior Marketing Executive 2005- 2006  Commercial Leasing & Finance PLC Junior Marketing Executive 2005	9 Years

Name	Designation	Educational/ Professional Qualifications	Experience in the Banking & Financial Field	Length of Service in Banking & Finance Field
Ms. Thilani Punyawansa	Head of Risk & Compliance	Bachelor of science – special degree in business Administration (Sri J.)  Attorney-at-Law  Diploma in Credit Management (College of Banking & Finance)  Higher Diploma in Management Accounting (CMA)	Siyapatha Finance Limited – Head of Risk & Compliance  DFCC Bank- - Relationship Manager Risk Assessment & Control 2013-2014 - Relationship Manager Credit 2010- 2013 - Assistant Relationship Manager Credit – 2007-2010  Asian Finance - Assistant Manager Credit & Recoveries- 2004- 2006 - Asian Finance - Legal Officer- 2002- 2004	12 Years
Mr. Rohana Dissanayake	Head of Deposits	Associate of Institute of Bankers of Sri Lanka  Diploma in Bank Management (IBSL)	Siyapatha Finance Limited- Present Designation- June 2013 - to date  Sampath Bank PLC (1987- 2012)  - Head of Deposits 2008- 2012 - Senior Regional Manager -2005 -2008 - Senior Manager- Operations – 2004 -2005 - Branch Manager -1996 -2003 - Executive/ Senior Executive- Imports & Exports -1987- 1996  Bank of Ceylon (1978- 1987)	36 Years
Mr. Shajeewa Dodanwatte	Senior Manager Credit	Diploma in Management (American College)  Certificate Course in Credit Management (IBSL)	Siyapatha Finance Limited (2005 to date) - Senior Manager- Credit (Present Designation)- 2012 to date - Regional Manager- Marketing and Branch Operations - 2011 - Area Manager – 2008 -2010 - Branch Manager 2005- 2005  People's Leasing and Finance PLC (1999 to 2005) - Assistant Manager - Senior Executive  Asian Finance (1996 to 1998) - Marketing Executive	18 Years
Mr.N.A.Damith Shaminda	Internal Auditor	B.Sc. Accountancy (Special)(Sri J.)  Associate Member- Institute of Chartered Accountants of Sri Lanka	Siyapatha Finance Limited - Present Designation 2010 to date.  Member of the Internal Audit Department of People's Leasing PLC -2008-2010	06 Years

Name	Designation	Educational/ Professional Qualifications	Experience in the Banking & Financial Field	Length of Service in Banking & Finance Field
Mr.Bathiya Samaraweera	Head of Sales		<p>Siyapatha Finance Limited</p> <ul style="list-style-type: none"> <li>- Present Designation – 2014 to date</li> <li>- Senior Manager- Sales &amp; Marketing- 2013</li> <li>- Senior Manager- Strategic Accounts - 2011- 2012</li> </ul> <p>Asian Finance</p> <ul style="list-style-type: none"> <li>- Senior Manager Corporate Marketing 2006 to 2011</li> <li>- Manager- Corporate Business Unit 2004 - 2005</li> <li>- Assistant Manager- Marketing 2001 -2004</li> <li>- Senior executive- Marketing 2000- 2001</li> <li>- Marketing Executive 1999- 2000</li> </ul> <p>Customer Relations Officer - Merchant Bank of Sri Lanka 1992- 1999</p>	22 Years
Mrs.S.V.E. Wijeratne	Manager- Legal	Attorney at Law and Notary Public	<p>Siyapatha Finance Limited- Present Designation – 2009 to date</p> <p>Sampath Bank PLC- Legal Officer (Staff Assistant to Senior Executive II) – 1988 - 2009</p> <p>Mufulira District Council- Zambia- Legal Officer – 1986-1987</p> <p>DFCC Bank Bank – Legal Officer (1984- 1985)</p>	34 Years
Mr.Manjula Balasuriya	Manager- IT	MBCS (UK)	<p>Siyapatha Finance Limited – Present Designation- 2011 to date</p> <p>People’s Leasing and Finance PLC – Senior Executive – ICT- 2010 – 2011</p> <p>Virtusa (Pvt) Limited- Senior Engineer – Technology – 2009-2010</p> <p>OpenArc Systems Management (Pvt) Limited – Product Manager (Banking &amp; Finance Software) 2007-2009</p> <p>Assistant Development Manager (Banking &amp; Finance Software) -2006- 2007</p> <p>Project Coordinator – 2005-2006</p> <p>Division Head (Software Implementation) -2004- 2005</p> <p>Cluster Leader (Software) – 2003-2004</p> <p>Team Leader (Software) -2002- 2003</p> <p>Senior Programmer- 2001-2002</p> <p>Programmer -2000- 2001</p>	14 Years

### 9.3 EMOLUMENTS OF THE KEY MANAGEMENT

The aggregate emoluments including bonus payments made to the Key Management for the financial year ended 31<sup>st</sup> December 2013 was LKR 35.41 Million.

The aggregate emoluments including bonus payments payable to the Key Management for the financial year ending 31<sup>st</sup> December 2014 is estimated at LKR 40.94 Million.

The Key Management Personnel are not entitled to profit sharing payments.



## 10.0 STATUTORY DECLARATIONS

### 10.1 STATUTORY DECLARATION BY THE DIRECTORS

We, the undersigned who are named herein as Directors of Siyapatha Finance Limited hereby declare and confirm that we have read the provisions of CSE Listing Rules and of the Companies Act No. 7 of 2007 and any amendments thereto relating to the issue of the Prospectus and those provisions have been complied with.

"This Prospectus has been seen and approved by the Directors of Siyapatha Finance Limited and they collectively and individually accept full responsibility for the accuracy of the information given and confirm that provisions of the CSE Listing Rules and of the Companies Act No. 07 of 2007 and any amendments to it from time to time have been complied with and after making all reasonable enquiries and to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading or inaccurate. Where representations regarding the future performance of Siyapatha Finance Limited have been given in the Prospectus, such representations have been made after due and careful enquiry of the information available to Siyapatha Finance Limited and making assumptions that are considered to be reasonable at the present point in time in the best judgement of the Directors.

An application has been made to the Colombo Stock Exchange for permission to deal in and for a listing of Debentures issued by Siyapatha Finance Limited and those Debentures which are the subject of this Issue. Such permission will be granted when Debentures are listed on the Colombo Stock Exchange. The Colombo Stock Exchange assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports included in this Prospectus. Listing on the Colombo Stock Exchange is not to be taken as an indication of the merits of Siyapatha Finance Limited or of the Debentures issued."

Name of Directors	Designation	Date	Place	Signature
Mr. Channa Probodha Palansuriya	Chairman/ Director	03/12/2014	Colombo	Sgd.
Mr. Mohan Asoka Abeynaike	Deputy Chairman	03/12/2014	Colombo	Sgd.
Dr. Henedige Srinath Dilanjan Soysa	Senior Director	03/12/2014	Colombo	Sgd.
Mr. Sunil Gamini Wijesinha	Director	03/12/2014	Colombo	Sgd.
Mr. Mahawaduge Yasalal Aravinda Perera	Director	03/12/2014	Colombo	Sgd.
Mr. Parakrama Maithri Asoka Sirimane	Director	03/12/2014	Colombo	Sgd.
Mr. Watuthanthrige Mahiman Prasantha Lal De Alwis	Director	03/12/2014	Colombo	Sgd.
Mr. Ranjith Samaranyake	Director	03/12/2014	Colombo	Sgd.

## 10.2 STATUTORY DECLARATION BY FINANCIAL ADVISORS AND MANAGERS TO THE ISSUE

We, NDB Investment Bank Limited, of No. 40, Navam Mawatha, Colombo 02 being the Financial Advisors and Managers to the Issue of Siyapatha Finance Limited, hereby declare and confirm that to the best of our knowledge and belief based on the information provided to us by Siyapatha Finance Limited, the Prospectus constitutes full and true disclosure of all material facts about the Issue and Siyapatha Finance Limited.

The Common Seal of NDB Investment Bank Limited affixed on the 03<sup>rd</sup> December 2014 at Colombo in the presence of two Directors.

Sgd.  
Director

Sgd.  
Director

## 11.0 FINANCIAL INFORMATION

### 11.1 ACCOUNTANT'S REPORT AND FIVE YEAR SUMMARY OF FINANCIAL STATEMENTS



Ernst & Young  
Chartered Accountant  
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eysl@k.ey.com  
ey.com

HMAJ/WDPL

4th November 2014

Board of Directors  
Siyapatha Finance Limited  
No 46/12," Sayuru Sevana"  
Nawam Mawatha,  
Colombo 02.

Dear Sirs/ Madam

#### Accountants' Report for inclusion in the Prospectus of Siyapatha Finance Limited

##### Introduction

This report has been prepared for the inclusion in the prospectus issued in connection with the issuance of Five Million (5,000,000) Rated Unsecured Subordinated Redeemable Debentures with an option to issue up to a further Five Million (5,000,000) of said Debentures, at the discretion of Siyapatha Finance Limited, in the event of an Oversubscription of the initial Issue in terms of this prospectus.

#### 1. INCORPORATION

Siyapatha Finance Limited ("The Company") was incorporated as a Public 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. In 2013, SFL obtained Finance License under Finance Business Act, No. 42 of 2011

#### 2. FINANCIAL STATEMENTS

##### 2.1 Five-Year Summary of Audited Financial Statements

A summary of audited Income Statements, Balance Sheets, Statements of Changes in Equity and Cash Flow Statements of Siyapatha Finance Limited for the financial years ended 31 December 2009 to 31 December 2013, are set out in annexure of the report.

##### 2.2 Unaudited Financial Statements for the period ended 30th September 2014

The financial statements for the period ended 30<sup>th</sup> September 2014 together with such financial statements comprising the balance sheet and income statement, statements of changes in equity and cash flow statement along with the accounting policies and notes thereon as prepared by the management are given in section 11.3 of the Prospectus and not audited by us.

Partners: A.D.B. Talagala 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, A.T.H. Fernando FCA FCMA,  
W.K.B.S.P. Fernando FCA FCMA, Ms. K.M.L. Fonseka FCA, A.P.A. Gunasekera FCA FCMA, A. Herath FCA, D.K. Hiralal FCA FCMA, A. Jayasinghe FCA FCMA, A. Jayasinghe FCA FCMA,  
Ms. A. Jayasinghe FCA FCMA, Ms. S.J.S. Manjuna FCA, N.M. Subraman ACA FCMA, B.P. Wijesuriya ACA FCMA

A member firm of Ernst & Young Global Limited



## 2.3 Audit Reports

We have audited the financial statements of the Company for the years ended 31 December 2009 to 31 December 2013 and Unqualified audit opinions have been issued for the said financial years by our reports dated 25<sup>th</sup> May 2010, 12<sup>th</sup> April 2011, 30<sup>th</sup> March 2012, 18<sup>th</sup> March 2013 and 26<sup>th</sup> February 2014 respectively.

## 2.4 Accounting Policies

The financial statements of the Company for the years ended 31 December 2009 to 31 December 2013 comply with Sri Lanka Accounting Standards.

The accounting policies of the Company are stated in detail in the audited financial statements of Siyapatha Finance Limited for the year ended 31<sup>st</sup> December 2013. There were no material Changes in the accounting policies of the Company, except for first time adoption of Sri Lanka Accounting Standards ("SLFRS/ LKAS").

### First time adoption of Sri Lanka Accounting Standards ("SLFRS/ LKAS")

For all periods up to and including the year ended 31<sup>st</sup> December 2011 the company has prepared its financial statements in accordance with previous Sri Lanka Accounting Standards (SLAS). The Financial Statements, for the year ended 31<sup>st</sup> December 2012 are the first set of financial statements that the company has prepared in accordance with revised Sri Lanka Accounting Standards comprising SLFRS & LKAS, effective for the period beginning on or after 1<sup>st</sup> January 2012. There were no other material changes in accounting policies of the company.

The depreciation rates in Note 4.9 of the Financial Statements for the year ended 31<sup>st</sup> December 2013 should be as same as those in Note 19.5.

## 2.5 Dividends

Company has paid dividends during the years ended 31 December 2010 to 31 December 2014 as follows.

### 2.5.1 On ordinary Shares

Year	Dividend Paid (Rs.'000)	Dividend per Share (Rs.)
2010	-	-
2011	-	-
2012	19,950	0.38
2013	21,525	0.41
2014	21,525	0.41

## 2.6 Events Occurring After the Balance Sheet Date

A forfeiture was paid to Department of Customs amounting to Rs.50 Million on 10<sup>th</sup> June 2014. Provision of Rs.23 million for same was made in the Financial Statements for the year

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ended 31<sup>st</sup> December 2013. A further sum of Rs.27 Million was expensed during the 09 months ended 30<sup>th</sup> September 2014, in respect of the said liability.

Company has paid Rs.24.45 Million in respect of vehicle importation claim by a motor vehicle importer in the month of July 2014.


The Company has paid a dividend of Rs.0.41 per share amounting to Rs.21,525,000/- for the financial year 2013 on 30<sup>th</sup> September 2014.

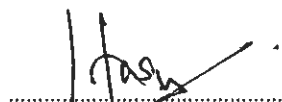
Yours faithfully

**SIYAPATHA FINANCE LIMITED**  
**INCOME STATEMENT**

Year ended 31 December	Presentation under SLFRSs		
	2013 Rs.'000	2012 Rs.'000	2011 Rs.'000
Interest Income	1,625,839	1,033,557	555,329
Interest Expenses	(899,069)	(600,406)	(210,207)
<b>Net Interest Income</b>	<b>726,770</b>	<b>433,151</b>	<b>345,122</b>
Fee and Commission Income	71,344	39,695	23,570
Fee and Commission Expenses	(18,579)	(16,911)	(9,089)
<b>Net Fee and Commission Income</b>	<b>52,765</b>	<b>22,784</b>	<b>14,481</b>
Other Operating Income	55,752	38,827	29,929
<b>Total Operating Income</b>	<b>835,288</b>	<b>494,761</b>	<b>389,532</b>
Impairment (Charges) / Reversal for loans and other losses	(67,237)	(262)	49,324
<b>Net Operating Income</b>	<b>768,050</b>	<b>494,499</b>	<b>438,856</b>
<b>Operating Expenses</b>			
Personnel Costs	(214,497)	(119,639)	(86,615)
Other Operating Expenses	(215,917)	(104,773)	(91,751)
<b>Operating Profit before Value Added Tax on Financial Services</b>	<b>337,637</b>	<b>270,087</b>	<b>260,490</b>
Financial Services VAT	(35,740)	(18,100)	(16,207)
Crop Insurance Levy	(615)	-	-
<b>Profit before Taxation from Operations</b>	<b>301,281</b>	<b>251,987</b>	<b>244,283</b>
Taxation	(80,301)	(51,752)	(46,268)
<b>Profit for the Year</b>	<b>220,980</b>	<b>200,235</b>	<b>198,015</b>
<b>Earnings Per Share (Rs.)</b>	<b>4.21</b>	<b>3.81</b>	<b>3.77</b>

Above summarised financial information and its extraction from the Audited Financial Statements, Signed for and on behalf of the Management by,

  
 Chief Executive Officer

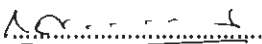
  
 Head of Finance

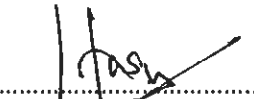


For the year ended 31 st December

	Presentation under SLFRSs		
	2013	2012	2011
	Rs.'000	Rs.'000	Rs.'000
Profit for the Year	220,980	200,235	198,015
<b>Other Comprehensive Income/Expenses</b>			
Acturial gain/(losses) on defined benefit plan	(1,625)	-	-
Deffered Tax effect on Acturial gain/(losses)	(455)	-	-
<b>Total Comprehensive Income for the year</b>	<b>218,900</b>	<b>200,235</b>	<b>198,015</b>
<b>Attributable to :</b>			
Equity Holders of the Parent Company	<b>218,900</b>	<b>200,235</b>	<b>198,015</b>

Above summarised financial information and its extraction from the Audited Financial Statements, Signed for and on behalf of the Management by,


  
Chief Executive Officer


  
Head of Finance

For the year ended 31 st December

	Previous presentation under SLASs	
	2010	2009
	Rs.'000	Rs.'000
	Restated	
<b>Revenue</b>	423,071	509,417
Interest Income	383,463	434,037
Less: Interest Expenses	(133,875)	(370,446)
Net Interest Income	249,588	63,591
Other Income	39,608	75,380
<b>Operating Income</b>	289,196	138,971
<b>Less : Operating Expenses</b>		
Employee Costs and related benefits	42,808	39,877
Premises, Equipment & Establishment Expenses	54,715	60,933
Other Overhead Expenses	10,994	7,799
Provision for Doubtful Debts	(1,682)	96,055
<b>Profit/Loss from Operations</b>	182,361	(65,693)
<b>Less : Value Added Tax on Financial Services</b>	28,574	1,852
<b>Profit/Loss before Taxation</b>	153,787	(67,545)
Income Tax Expenses	(26,477)	(3,738)
<b>Profit/Loss for the year</b>	<b>127,311</b>	<b>(71,283)</b>
<b>Earnings/Loss per Share (Rs.)</b>	<b>2.42</b>	<b>(1.90)</b>

Above summarised financial information and its extraction from the Audited Financial Statements,  
Signed for and on behalf of the Management by,


  
Chief Executive Officer

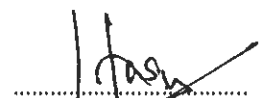
  
Head of Finance

Presentation under SLFRSs

As at 31st December	2013 Rs. '000	2012 Rs. '000	2011 Rs. '000	2010 Rs. '000
<b>Assets</b>				
Cash and Bank Balances	65,378	32,586	29,520	5,322
Securities purchased under Repurchase Agreements	323,792	5,341	4,045	-
Investments in Fixed Deposits	-	87,246	-	-
Factoring Receivables	1,052,411	566,584	532,458	210,444
Pawning Receivables	412,753			
Loan Receivables	568,573			
Lease Receivables	2,833,933	2,678,159	2,027,939	479,427
HP Receivable	3,393,593	2,155,384	1,253,322	731,548
Other Debtors & Prepayments	232,548	216,531	201,127	284,578
Financial Instruments- Available for Sale	56	56	56	56
Intangible Assets	15,920	4,506	5,608	9,273
Property, Plant & Equipment	84,380	63,401	69,021	77,021
Inventories	2,227	726	719	469
Deferred Taxation Asset	-	-	-	1,782
<b>Total Assets</b>	<b>8,985,564</b>	<b>5,810,520</b>	<b>4,123,815</b>	<b>1,799,920</b>
<b>Liabilities</b>				
Bank Overdraft	63,982	62,124	-	32,340
Debt Instruments Issued and Other borrowed funds	7,487,912	4,655,317	3,211,375	939,992
Other Payables	238,627	152,769	175,845	296,760
Deferred Taxation Liability	59,034	40,842	15,753	-
Income Taxation Payable	54,275	18,814	21,705	30,445
Retirement Benefit Obligations	7,833	4,128	2,895	2,156
<b>Total liabilities</b>	<b>7,911,662</b>	<b>4,933,994</b>	<b>3,427,573</b>	<b>1,301,693</b>
<b>Shareholders' Funds</b>				
Stated Capital	525,000	525,000	525,000	525,000
Statutory Reserve Fund	37,787	26,738	16,726	7,107
Investment Fund Reserve	58,488	29,988	12,841	-
Accumulated Profit/ (Loss)	452,627	294,800	141,675	(33,880)
<b>Total Shareholders' Funds</b>	<b>1,073,902</b>	<b>876,526</b>	<b>696,242</b>	<b>498,227</b>
<b>Total Liabilities and Shareholders' Funds</b>	<b>8,985,564</b>	<b>5,810,520</b>	<b>4,123,815</b>	<b>1,799,920</b>

Above summarised financial information and its extraction from the Audited Financial Statements, Signed for and on behalf of the Management by,

  
Chief Executive Officer

  
Head of Finance

Previous  
presentation  
under SLASs

As at 31st December

2009

Rs. '000

**Assets**

Cash and Bank Balances	18,104
Lease Receivables	570,483
HP receivable	917,349
Factoring Receivables	135,392
Other Debtors & Prepayments	171,749
Inventories	477
Investment Securities	56
Intangible Assets	2,872
Property, Plant & Equipment	37,986
<b>Total Assets</b>	<b>1,854,468</b>

**Liabilities**

Bank Overdraft	24,128
Borrowings	1,169,107
Other Payables	272,009
Retirement Benefit Obligations	3,589
Income Taxation Payable	-
Deferred Taxation	-
<b>Total liabilities</b>	<b>1,468,833</b>


**Shareholders' Funds**

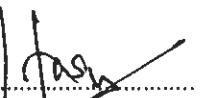
Stated Capital	525,000
Statutory Reserve Fund	288
Accumulated Loss	(139,653)
<b>Total Shareholders' Funds</b>	<b>385,635</b>

**Total Liabilities and Shareholders' Funds**

**1,854,468**

Above summarised financial information and its extraction from the Audited  
Financial Statements, Signed for and on behalf of the Management by,

  
Chief Executive Officer

  
Head of Finance


**SIYAPATHA FINANCE LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**

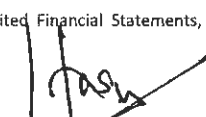
	Stated Capital Rs'000	Retained Earnings Rs'000	Statutory Reserve Rs'000	Investment Reserve Fund Rs'000	Total Rs'000
<b>Balance as at 31.12.2008</b>	<b>225,000</b>	<b>(68,370)</b>	<b>288</b>	<b>-</b>	<b>156,918</b>
Share issue during the year	300,000	-	-	-	300,000
Net Loss for the year	-	(71,283)	-	-	(71,283)
<b>Balance as at 31.12.2009</b>	<b>525,000</b>	<b>(139,653)</b>	<b>288</b>	<b>-</b>	<b>385,635</b>
Effect of Changes in Accounting Policies As at 01.01.2010 ( Restated )	525,000	(13,304)	288	-	(13,304)
	<b>525,000</b>	<b>(152,957)</b>	<b>288</b>	<b>-</b>	<b>372,331</b>
Net Profit/ (Loss) for the year	-	127,311	-	-	127,311
Transfer to Statutory Reserve	-	(6,819)	6,819	-	-
<b>Balance as at 31.12.2010</b>	<b>525,000</b>	<b>(32,465)</b>	<b>7,107</b>	<b>-</b>	<b>499,642</b>
Net Profit/ (Loss) for the year	-	192,389	-	-	192,389
Transfer to Statutory Reserve	-	(9,619)	9,619	-	-
Transfer to Investment Fund Reserve	-	(12,841)	-	12,841	-
<b>Balance as at 31.12.2011</b>	<b>525,000</b>	<b>137,463</b>	<b>16,726</b>	<b>12,841</b>	<b>692,030</b>

**RESTATED STATEMENT OF CHANGES IN EQUITY**  
**(Presentation under SLFRSs)**

	Stated Capital Rs'000	Retained Earnings Rs'000	Statutory Reserve Rs'000	Investment Reserve Fund Rs'000	Total Rs'000
<b>Balance as at 31 December 2010</b>	<b>525,000</b>	<b>(33,880)</b>	<b>7,107</b>	<b>-</b>	<b>498,227</b>
Net Profit/ (Loss) for the Year	-	198,015	-	-	198,015
Transfer to Statutory Reserve	-	(9,619)	9,619	-	-
Transfer to Investment Reserve	-	(12,841)	-	12,841	-
<b>Balance as at 31 December 2011</b>	<b>525,000</b>	<b>141,675</b>	<b>16,726</b>	<b>12,841</b>	<b>696,242</b>
Net Profit/ (Loss) for the Year	-	200,235	-	-	200,235
Transfer to Statutory Reserve	-	(10,012)	10,012	-	-
Dividend Declared	-	(19,950)	-	-	(19,950)
Transfer to Investment Fund Reserve	-	(17,148)	-	17,148	-
<b>Balances as at 31 December 2012</b>	<b>525,000</b>	<b>294,800</b>	<b>26,738</b>	<b>29,989</b>	<b>876,527</b>
Net Profit/ (Loss) for the Year	-	220,981	-	-	220,981
Other Comprehensive Income	-	(2,080)	-	-	(2,080)
Transfer to Statutory Reserve	-	(11,049)	11,049	-	-
Dividend Declared	-	(21,525)	-	-	(21,525)
Transfer to Investment Fund Reserve	-	(28,500)	-	28,500	-
<b>Balances as at 31 December 2013</b>	<b>525,000</b>	<b>452,626</b>	<b>37,787</b>	<b>58,488</b>	<b>1,073,902</b>

Above summarised financial information and its extraction from the Audited Financial Statements, Signed for and on behalf of the Management by,

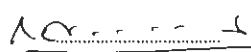
  
 Chief Executive Officer

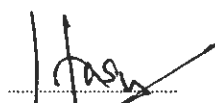
  
 Head of Finance

**SIYAPATHA FINANCE LIMITED**  
**CASH FLOW STATEMENT**

	Presentation under SLFRSs		
	2013	2012	2011
Year ended 31 December	Rs. '000	Rs. '000	Rs. '000
<b>Cash Flow from Operating Activities</b>			
<b>Profit/ (Loss) before Taxation</b>	299,656	251,987	244,283
Interest & Similar Expenses	899,069	600,406	210,207
Fee & Commission Expenses	18,579	16,911	9,089
Provision for Impairment	67,237	262	(49,324)
Provision for /(Reversal of) Staff Gratuity	4,030	1,669	1,012
Provision for Depreciation	16,819	13,990	16,917
Amortisation of Software	5,512	3,211	3,668
(Profit)/Loss on sale of motor vehicle	1,376	(314)	(521)
	<u>1,012,623</u>	<u>636,136</u>	<u>191,048</u>
<b>Operating Profit before Working Capital Changes</b>	<b>1,312,279</b>	<b>888,123</b>	<b>435,331</b>
(Increase)/Decrease in Leased Assets	(193,670)	(647,022)	(1,529,589)
(Increase)/Decrease in Hire Purchase Debtors	(1,247,514)	(900,633)	(489,956)
(Increase)/Decrease in Factoring Debtors	(487,036)	(34,015)	(316,671)
(Increase)/Decrease in Pawning Receivables	(414,862)	-	-
(Increase)/Decrease in Loan Receivables	(569,831)	-	-
(Increase)/Decrease in Inventories	(1,501)	(7)	(250)
(Increase)/Decrease in Other Receivables	(31,455)	(20,402)	78,506
Increase/(Decrease) in Other Payables	71,556	(33,040)	(126,620)
	<u>(2,874,313)</u>	<u>(1,635,118)</u>	<u>(2,384,580)</u>
<b>Cash Generated from Operations</b>	<b>(1,562,034)</b>	<b>(746,995)</b>	<b>(1,949,249)</b>
Interest paid	(903,369)	(663,958)	(199,724)
Gratuity Paid	(325)	(436)	(273)
Income Tax Paid	(27,103)	(19,594)	(31,766)
<b>Net Cash Inflow/(Outflow) from Operating Activities</b>	<b>(2,492,832)</b>	<b>(1,430,984)</b>	<b>(2,181,012)</b>
<b>Cash Flow from Investing Activities</b>			
Investments in Fixed Deposits	87,246	(87,246)	-
Purchase of Property, Plant & Equipment	(88,319)	(12,052)	(11,519)
Proceeds from Sale of Property, Plant & Equipment	32,219	1,887	3,120
<b>Net Cash Inflow/(Outflow) from Investing Activities</b>	<b>31,146</b>	<b>(97,411)</b>	<b>(8,399)</b>
<b>Cash Flow from Financing Activities</b>			
Net Proceeds from Long Term Loans/ Securitizations	2,556,554	93,115	1,750,407
Net Proceeds from Debenture	(84,377)	330,000	100,000
Repayment of Finance Lease Obligations	-	-	(1,751)
Net Proceeds from Short Term Borrowings	360,417	1,067,468	401,339
Dividend Paid	(21,525)	(19,950)	-
<b>Cash Flow from Financing Activities</b>	<b>2,811,069</b>	<b>1,470,633</b>	<b>2,249,995</b>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>	<b>349,384</b>	<b>(57,762)</b>	<b>60,583</b>
<b>Cash &amp; Cash Equivalent at the beginning of the year</b>	<b>(24,196)</b>	<b>33,565</b>	<b>(27,018)</b>
<b>Cash and Cash Equivalents at end of the Period</b>	<b>325,188</b>	<b>(24,196)</b>	<b>33,565</b>
<b>Analysis of the Cash and Cash Equivalents at the end of the period</b>			
Investment in Repo	323,792	5,341	4,045
Cash and Bank balances	65,378	32,586	29,520
Bank Overdraft	(63,982)	(62,124)	-
	<u>325,188</u>	<u>(24,196)</u>	<u>33,565</u>

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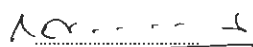
  
Chief Executive Officer

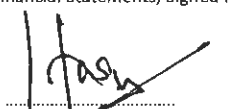
  
Head of Finance

**SIYAPATHA FINANCE LIMITED**  
**CASH FLOW STATEMENT**

	Previous presentation under SLASs	
	2010	2009
	Rs. '000 Restated	Rs. '000
<b>For the Year Ended 31 st December</b>		
<b>Cash Flow from Operating Activities</b>		
<b>Profit/ (Loss) before Taxation</b>	153,787	(67,545)
Interest Expenses	133,875	370,446
Provision for Doubtful Debts	(1,682)	96,055
Provision for /(Reversal of) Staff Gratuity	(1,011)	(237)
Provision for Depreciation	16,053	20,724
Amortisation of Software	5,449	1,149
(Profit)/Loss on sale of motor vehicle	(10,472)	(1,281)
Write off of Provisions	(211)	-
	<u>142,000</u>	<u>486,856</u>
<b>Operating Profit before Working Capital Changes</b>	<b>295,787</b>	<b>419,311</b>
(Increase)/Decrease in Leased Assets	114,409	417,925
(Increase)/Decrease in Hire Purchase Debtors	195,797	359,653
(Increase)/Decrease in Factoring Debtors	(101,776)	6,356
(Increase)/Decrease in Inventories	8	(116)
(Increase)/Decrease in Other Receivables	(127,130)	(49,841)
Increase/(Decrease) in Other Payables	113,946	57,630
	<u>195,255</u>	<u>791,607</u>
<b>Cash Generated from Operations</b>	<b>491,042</b>	<b>1,210,917</b>
Interest paid	(173,971)	(399,389)
Gratuity Paid	(422)	-
Income Tax Paid	(7,329)	-
<b>Net Cash Inflow/(Outflow) from Operating Activities</b>	<b>309,320</b>	<b>811,529</b>
<b>Cash Flow from Investing Activities</b>		
Purchase of Property, Plant & Equipment	(70,380)	(731)
Proceeds from Sale Of Property, Plant & Equipment	13,657	1,573
<b>Net Cash Inflow/(Outflow) from Investing Activities</b>	<b>(56,723)</b>	<b>842</b>
<b>Cash Flow from Financing Activities</b>		
Net Proceeds from Long Term Loans/ Securitizations	(174,309)	153,866
Repayment of Finance Lease Obligations	(1,837)	(2,947)
Proceeds from Ordinary Shares	-	300,000
Net Proceeds from Short Term Borrowings	(97,446)	(1,117,521)
<b>Cash Flow from Financing Activities</b>	<b>(273,592)</b>	<b>(666,602)</b>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>	<b>(20,994)</b>	<b>145,770</b>
Cash & Cash Equivalent at the beginning of the year	(6,024)	(151,794)
<b>Cash and Cash Equivalents at end of the Period</b>	<b>(27,018)</b>	<b>(6,024)</b>
<b>Analysis of the Cash and Cash Equivalents at the end of the period</b>		
Cash and Bank balances	5,322	18,104
Bank Overdraft	(32,340)	(24,128)
	<u>(27,018)</u>	<u>(6,024)</u>

Above summarised financial information and its extraction from the Audited Financial Statements, Signed for and on behalf of the Management by,

  
Chief Executive Officer

  
Head of Finance



## 11.2 AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31<sup>ST</sup> DECEMBER 2013



Ernst & Young  
Chartered Accountants  
201 De Saram Place  
P.O. Box 101  
Colombo 10  
Sri Lanka

Tel : +94 11 2463500  
Fax Gen : +94 11 2697369  
Tax : +94 11 5578180  
eysl@lk.ey.com  
ey.com

HMAJ/WDPL/DM

### INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SIYAPATHA FINANCE LIMITED

#### Report on the Financial Statements

We have audited the accompanying financial statements of Siyapatha Finance Limited (Formally known as Sampath Leasing and Factoring Limited) ("Company"), which comprise the statement of financial position as at 31 December 2013, and the income statement and statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

#### Management's Responsibility for the Financial Statements

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

#### Scope of Audit and Basis of Opinion

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

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

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

#### Opinion

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended 31 December 2013 and the financial statements give a true and fair view of the Company's financial position as at 31 December 2013 and 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

These financial statements also comply with the requirements of Sections 151(2) of the Companies Act No. 07 of 2007.

26 February 2014  
Colombo

# Siyapatha Finance Limited

## INCOME STATEMENT

Year ended 31 December 2013

	Note	2013 Rs. '000	2012 Rs. '000
Interest Income		1,625,839	1,033,557
Interest Expenses		(899,069)	(600,406)
<b>Net Interest Income</b>	1	726,770	433,150
Fee & Commission Income		71,344	39,695
Fee & Commission Expenses		(18,579)	(16,911)
<b>Net Fee &amp; Commission Income</b>	2	52,765	22,784
Other Operating Income	3	55,752	38,827
<b>Total Operating Income</b>		835,288	494,761
Impairment Charges / (Reversal) for loans and other losses	4	67,237	(262)
<b>Net Operating Income</b>		768,050	494,499
<b>Operating Expenses</b>			
Personnel Costs	5	(214,497)	(119,639)
Other Operating Expenses	6	(215,917)	(104,773)
<b>Operating Profit before Value Added Tax on Financial Services</b>		337,637	270,087
Financial Services VAT		(35,740)	(18,100)
Crop Insurance Levy		(615)	-
<b>Profit before Taxation from Operations</b>		301,281	251,987
Taxation	7	(80,301)	(51,752)
<b>Profit for the Year</b>		220,980	200,235
<b>Earnings Per Share (Rs)</b>	8	4.21	3.81

The Notes to the Financial Statement from pages 07 to 50 form an integral part of these Financial Statements

## Siyapatha Finance Limited

### COMPREHENSIVE INCOME

Year ended 31 December 2013

	2013 Rs. '000	2012 Rs. '000
Profit for the Year	220,980	200,235
<b>Other Comprehensive Income/ (Expense)</b>		
Actuarial gain/ (losses) on defined benefit plan	(1,625)	-
Deferred Tax effect on Actuarial gain/ (losses)	(455)	-
<b>Total Comprehensive Income</b>	218,900	200,235
<b>Attributable to :</b>		
Equity Holders of the Parent Company	<u>218,900</u>	<u>200,235</u>

The Notes to the Financial Statement from pages 07 to 50 form an integral part of these Financial Statements

# Siyapatha Finance Limited

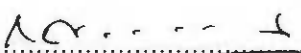
## BALANCE SHEET

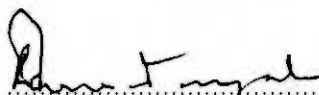
Year ended 31 December 2013

		2013 Rs. '000	2012 Rs. '000
<b>Assets</b>	<b>Note</b>		
Cash and Bank Balances	9	65,378	32,586
Securities purchased under Repurchase Agreements		323,792	5,341
Investments in Fixed Deposits	11	-	87,246
Factoring Receivables	10	1,052,411	566,584
Pawning Receivables	12	412,753	-
Loan Receivables	13	568,573	-
Lease Receivables	14	2,833,933	2,678,159
HP receivable	15	3,393,593	2,155,384
Other Debtors & Prepayments	16	232,548	216,531
Financial Instruments- Available for Sale	17	56	56
Intangible Assets	18	15,920	4,506
Property, Plant & Equipment	19	84,380	63,401
Inventories		2,227	726
<b>Total Assets</b>		<b>8,985,564</b>	<b>5,810,520</b>
<b>Liabilities</b>			
Bank Overdraft		63,982	62,124
Debt Instruments Issued and Other borrowed funds	20	7,487,912	4,655,317
Other Payables	21	238,627	152,769
Deferred Taxation Liability	22	59,034	40,842
Income Taxation Payable	23	54,275	18,814
Retirement Benefit Obligations	24	7,833	4,128
<b>Total liabilities</b>		<b>7,911,662</b>	<b>4,933,994</b>
<b>Shareholders' Funds</b>			
Stated Capital	25	525,000	525,000
Statutory Reserve Fund	26	37,787	26,738
Investment Fund Reserve	27	58,488	29,988
Accumulated Profit/ (Loss)		452,627	294,800
<b>Total Shareholders' Funds</b>		<b>1,073,902</b>	<b>876,526</b>
<b>Total Liabilities and Shareholders' Funds</b>		<b>8,985,564</b>	<b>5,810,520</b>

The Notes to the Financial Statement from pages 07 to 50 from an integral part of these Financial Statements

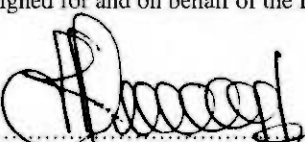
We certify that these Financial Statements are presented in compliance with the requirements of the companies Act No. 7 of 2007

  
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,

  
Director

  
Director

26 February 2014  
Colombo

## STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2013

	Stated Capital	Retained Earnings	Statutory Reserve Fund	Investment Reserve Fund	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
<b>Balances as at 01/01/2012</b>	525,000	141,675	16,726	12,841	696,242
Net Profit/ (Loss) for the Year	-	200,235	-	-	200,235
Transfer to Statutory Reserve	-	(10,012)	10,012	-	-
Dividend Declared	-	(19,950)	-	-	(19,950)
Transfer to Investment Reserve	-	(17,148)	-	17,148	-
<b>Balances as at 31/12/2012</b>	<u>525,000</u>	<u>294,800</u>	<u>26,738</u>	<u>29,989</u>	<u>876,527</u>
Net Profit/ (Loss) for the Year	-	220,980	-	-	220,980
Other Comprehensive Income	-	(2,080)	-	-	(2,080)
Transfer to Statutory Reserve	-	(11,049)	11,049	-	-
Dividend Declared	-	(21,525)	-	-	(21,525)
Transfer to Investment Fund Reserve	-	(28,500)	-	28,500	-
<b>Balances as at 31/12/2013</b>	<u>525,000</u>	<u>452,626</u>	<u>37,787</u>	<u>58,488</u>	<u>1,073,902</u>

The Notes to the Financial Statement from pages 07 to 50 from an integral part of these Financial Statements

# Siyapatha Finance Limited

## STATEMENT OF CASH FLOWS

Year ended 31 December 2013

	2013 Rs. '000	2012 Rs. '000
<b>Cash Flow from Operating Activities</b>		
<b>Profit/ (Loss) before Taxation (after OCI Adjustment)</b>	299,656	251,987
Interest & Similar Expenses	899,069	600,406
Fee & Commission Expenses	18,579	16,911
Provision for Impairment	67,237	262
Provision for /(Reversal of) Staff Gratuity	4,030	1,669
Provision for Depreciation	16,819	13,990
Amortisation of Software	5,512	3,211
Profit on sale of motor vehicle	1,376	(314)
	<u>1,012,623</u>	<u>636,136</u>
<b>Operating Profit before Working Capital Changes</b>	<u>1,312,279</u>	<u>888,123</u>
(Increase)/Decrease in Leased Assets	(193,670)	(647,022)
(Increase)/Decrease in Hire Purchase Debtors	(1,247,514)	(900,633)
(Increase)/Decrease in Factoring Debtors	(487,036)	(34,015)
(Increase)/Decrease in Pawning Receivables	(414,862)	-
(Increase)/Decrease in Loan Receivables	(569,831)	-
(Increase)/Decrease in Inventories	(1,501)	(7)
(Increase)/Decrease in Other Receivables	(31,455)	(20,402)
Increase/(Decrease) in Other Payables	71,556	(33,040)
	<u>(2,874,313)</u>	<u>(1,635,118)</u>
<b>Cash Generated from Operations</b>	<u>(1,562,034)</u>	<u>(746,995)</u>
Interest paid	(903,369)	(663,958)
Gratuity Paid	(325)	(436)
Income Tax Paid	(27,103)	(19,594)
<b>Net Cash Inflow/(Outflow) from Operating Activities</b>	<u>(2,492,832)</u>	<u>(1,430,984)</u>
<b>Cash Flow from Investing Activities</b>		
Investments in Fixed Deposits	87,246	(87,246)
Purchase of Property, Plant & Equipment	(88,319)	(12,052)
Proceeds from Sale Of Property, Plant & Equipment	32,219	1,887
<b>Net Cash Inflow/(Outflow) from Investing Activities</b>	<u>31,146</u>	<u>(97,411)</u>
<b>Net Cash Inflow/(Outflow) before Financing Activities</b>		
<b>Cash Flow from Financing Activities</b>		
Net Proceeds from Long Term Loans/ Securitizations	2,556,554	93,115
Net Proceeds from Debenture	(84,377)	330,000
Net Proceeds from Short Term Borrowings	360,417	1,067,468
Dividend Paid	(21,525)	(19,950)
<b>Cash Flow from Financing Activities</b>	<u>2,811,069</u>	<u>1,470,633</u>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>	<u>349,384</u>	<u>(57,762)</u>
<b>Cash &amp; Cash Equivalent at the beginning of the year</b>	<u>(24,196)</u>	<u>33,565</u>
<b>Cash and Cash Equivalents at end of the Period</b>	<u>325,187</u>	<u>(24,196)</u>
<b>Analysis of the Cash and Cash Equivalents at the end of the period</b>		
Investment in Repo	323,792	5,341
Cash and Bank balances	65,378	32,586
Bank Overdraft	(63,982)	(62,124)
	<u>325,188</u>	<u>(24,196)</u>

The Notes to the Financial Statement from pages 07 to 50 from an integral part of these Financial Statements

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NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2013

**1. CORPORATE INFORMATION**

**1.1 General**

Siyapatha Finance Limited (“The Company”), formerly known as Sampath Leasing and Factoring Limited was incorporated as a Public 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.

**1.2 Principal Activities and Nature of Operations**

The company provides comprehensive range of financial products which comprises of Leasing, Hire Purchase & Loans for plant, machinery, equipment, vehicles, Debt Factoring Pawning and hiring of Vehicles.

**1.3 Parent Enterprise and Ultimate Parent Enterprise**

The Company’s parent undertaking is Sampath Bank PLC. The Company’s ultimate parent undertaking and 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).

**1.5 Date of Authorization**

The Financial Statements of the Company for the year ended 31 December 2013 were authorized for issue in accordance with a resolution of the Board of Directors on 26 February 2014.

The staff strength of the company as at 31 December 2013 was 240 (138 as at 31 December 2012).



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NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 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 31<sup>st</sup> December 2013 are prepared in accordance with Sri Lanka Accounting Standards (SLFRSs) 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. Sri Lanka Accounting Standards (SLFRS) comprise Accounting Standards both Sri Lanka Financial Reporting Standards and Sri Lanka Accounting Standards.

**2.2 Basis of Measurement**

The Financial Statements of the Company are prepared in Sri Lanka Rupees on a historical cost basis. No adjustments have been made for inflationary factors.

**2.3 Functional and presentation currency**

The financial statements are presented in Sri Lanka Rupees Thousands, except when otherwise indicated.

**2.4 Presentation of financial statements**

The Company presents its statement of financial position broadly in order of liquidity. 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 29.8.

**2.5 Materiality & 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* except those resulted to change as the revision or application of new SLFRS. Further comparative information is reclassified wherever necessary to comply with the current presentation.

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NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2013

**3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS**

The preparation of financial statements requires the application of certain critical accounting and assumptions relative to the future. Further, it requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. 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.

**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:

**a) Useful life-time of the Property and equipment**

The company review the assets residual values, useful lives and methods of depreciation at each reporting date. Judgement by the management is exercised in the estimation of these values, rates, methods and hence they are subject to uncertainty.

**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 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

**3.1 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 they do not intend either to liquidate or to cease operations. Therefore, the financial statements continue to be prepared on the going concern basis.

**3.2 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 (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).

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NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2013

**3.3 Impairment of available for sale investments**

The Company reviews its debt securities classified as available for sale investments at each reporting date to assess whether they are impaired. This requires similar judgement as applied to the individual assessment of loans and advances.

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

**3.4 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.

**3.5 Defined benefit plans**

The cost of defined benefit pension plans and other post employment medical benefits and the present value of the pension obligation are 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, mortality rates and future pension increases. 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 and pension increases are based on expected future inflation rates and expected future salary increase rate for the Company.

**3.6 Taxation**

The Company is subject to income taxes and other taxes including VAT on financial services.

Significant judgment was required to determine the total provision for current, deferred and other taxes pending the issue of tax guidelines on the treatment of the adoption of SLFRS in the financial statements and the taxable profit for the purpose of imposition of taxes. Uncertainties exist, with respect to the interpretation of the applicability of tax laws, at the time of the preparation of these financial statements.

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

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## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2013

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied by the company in preparation of its financial statements are included in below. The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

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

Financial assets within the scope of LKAS 39 are classified as Securities purchased under Repurchase Agreements, Factoring Receivables, Lease Receivables, HP Receivables, available-for-sale financial assets, Loan Receivables and Pawning Receivables.

Financial liabilities within the scope of LKAS 39 are classified as Bank Overdraft, Debt Instruments Issued and Other borrowed funds and Other Payables.

##### (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.

##### (ii) 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.

##### (iii) Available for sale financial assets

Available for sale investments include non-quoted 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.

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.

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

##### (iv) Debt issued and other borrowed funds

Financial instruments issued by the Company that are not designated at fair value through profit or loss, are classified as liabilities under 'Debt issued and other borrowed funds', 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 asset for a fixed number of own equity shares.

After initial measurement, debt issued and other borrowings are subsequently measured at amortised cost using the EIR. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR.

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## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2013

**(v) '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'. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognised in the income statement when the inputs become observable, or when the instrument is derecognised.

**(vi) Reclassification of financial assets**

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

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

The Company may reclassify a non-derivative trading asset out of the 'held for trading' category and into the 'loans and receivables' category if it meets the definition of loans and receivables and the Company has the intention and ability to hold the financial asset for the foreseeable future or until maturity. If a financial asset is reclassified, and if the Company subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognised as an adjustment to the EIR from the date of the change in estimate.

Reclassification is at the election of management, and is determined on an instrument by instrument basis. The Company does not reclassify any financial instrument into the fair value through profit or loss category after initial recognition.

### 4.2 De recognition 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

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.

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2013

### (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 ade-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.

### 4.3 Repurchase and reverse repurchase agreements

Securities sold under agreements to repurchase 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.

Conversely, securities purchased under agreements to resell at a specified future date are not recognised in the statement of financial position. The consideration paid, including accrued interest, is recorded in the statement of financial position, within 'reverse repurchase agreements', reflecting the transaction's economic substance as a loan by the Company. The difference between the purchase and resale prices is recorded in 'Net interest income' and is accrued over the life of the agreement using the EIR.

If securities purchased under agreement to resell are subsequently sold to third parties, the obligation to return the securities is recorded as a short sale within 'Financial liabilities held for trading' and measured at fair value with any gains or losses included in 'Net trading income'.

### 4.4 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 assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that 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 is 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

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets'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 is 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.

Two alternative methods are used to calculate historical loss experience on a collective basis:

- When the group of loan by nature long term, the Company use Probability of default method

Under this methodology the movement in number 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.

- 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.



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## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2013

Under both methodologies, 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.

### **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) 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.

## **(iv) Collateral repossessed or where properties have devolved to the Company**

The Company's policy is to determine whether a repossessed or devolved asset is best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. Assets that are determined better to be sold are immediately transferred to assets held for sale at their fair value at the repossession date in line with the Company's policy. The assets held by Company for temporary periods pending unexecuted auctions or any suitable recovery methods are not shown as investment properties.

#### **4.5 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.

#### **4.6 Finance and operating leases**

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 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 'Lease Receivable', 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.

##### **Company as a Lessor**

Leases where the Company does not transfer substantially all of the risk and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

##### **Company as a Lessee**

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

##### **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 balance sheet. 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.

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NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2013

**4.7 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, interest bearing financial assets classified as available for sale 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 income' for financial assets and 'Interest 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) Fee and commission income**

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

**a) Fee income earned from services that are provided over a certain period of time**

Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and asset management, custody and other management and advisory fees.

**b) Fee income from providing transaction services**

Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the purchase or sale of business is recognized on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognized after fulfilling the corresponding criteria.

**(iii) Dividend income**

Dividend income is recognised when the Company's right to receive the payment is established.

**(iv) Net trading income**

Results arising from trading activities include interest income or expense and dividends for financial assets.

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2013

**4.8 Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, demand deposits, and short term, highly liquid investment that are readily convertible to known amounts of cash which are subject to an insignificant risk of changes in value, and are used by the company 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.

**4.9 Property, Plant and equipment**

Property, Plant and 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 and Equipment. Initially property, Plant and Equipment are measured at cost.

**Recognition and measurement****Cost Model**

Property, Plant and Equipment is stated at cost or valuation excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. 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.

**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 Group and it can be reliably measured.

**Depreciation**

Depreciation is calculated using the straight-line method to write down the cost of property and equipment to their residual values over their estimated useful lives. Land is not depreciated. The rates of depreciations based on the estimated useful lives are as follows:

<u>Category of Asset</u>	<u>Period of Depreciation</u>
Office Equipment	8 Years
Computer Equipment	8 Years
Furniture and Fittings	6 Years
Motor Vehicles	6 Years
Fixtures	5 Years

The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

Property, Plant 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.

The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2013

**De-recognition**

Property, Plant 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

**4.10 Intangible assets**

The Company's intangible assets include the value of computer software. 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.

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 any accumulated impairment losses.

**Useful life of Intangible Assets**

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 values over their estimated useful lives as follows:

<u>The Class of Intangible Assets</u>	<u>Useful Life</u>	<u>Amortisation Method</u>
Computer software	4 Years	Straight line method

**4.II Impairment of non-financial assets**

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

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NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2013

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement.

Impairment losses relating to goodwill are not reversed in future periods.

**4.12 Retirement Benefit Obligations**

**(i) Gratuity**

All the employees of the company are eligible for gratuity under the Payment of Gratuity Act No. 12 of 1983.

Employees those who have resigned or whose services are terminated other than by retirement are eligible to receive the terminal 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 method of calculation of retirement benefit obligation has changed to actuarial valuation method and changes in accounting policy have been retrospectively accounted. The comparative statements for 2010 have been restated to confirm to changed policies.

**Recognition of Actuarial Losses / Gains**

Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding net interest (not applicable to the Group) and the return on plan assets (excluding net interest), are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

**Expected Return on Assets**

Expected return on assets is zero as the plan is not pre funded.

**Interest Cost**

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Company recognises the following changes in the net defined benefit obligation under 'Personal Cost', in statement of comprehensive income:

Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements

Net interest expense or income

**Funding Arrangements**

The Gratuity liability is not externally funded.

**(ii) Defined contribution plan**

The Company also operates a defined contribution plan. 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:

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NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2013

**Employees' Provident Fund**

The Company and employees contribute 12% and 8% respectively of the employee's monthly gross salary (excluding overtime) to the Provident Fund. The Company's Provident Fund is an approved fund under the Employees' Provident Fund Act.

**Employees' Trust Fund**

The Company contributes 3% of the employee's monthly gross salary excluding overtime to the Employees' Trust Fund maintained by the Employees Trust Fund Board.

**4.13 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. The expense relating to any provision is presented in the income statement net of any reimbursement.

**4.14 Taxes**

Income Tax expense comprises 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 07 to the Financial Statements.

**(ii) Deferred Taxation**

Deferred tax is provided using the liability method on temporary differences at the Balance Sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purpose. Deferred tax liabilities are recognised for all temporary differences, except:

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

Deferred tax assets are recognised for all deductible 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, except:

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



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NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2013

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 Balance Sheet date.

**(iii) Value Added Tax on Financial Services (VAT)**

The base for the computation of Value Added Tax on Financial Services is the accounting profit before tax adjusted for the economic depreciation and emoluments of employees computed on prescribed rates. The computations are done in accordance with 25A of VAT Act No.7 of 2002 and amendments thereto.

**4.15 Dividend on Ordinary Shares**

Dividends on ordinary shares are recognized as a liability and deducted from equity when they are approved by the company's shareholders. Interim dividends are deducted when they are declared and no longer at the discretion of the company.

Dividends for the year that are approved after the reporting date as an event after the reporting date.

**4.16 Comparative Information**

The accounting policies adopted and comparative information are consistent with those of the previous financial year is in accordance with Sri Lanka Accounting Standards LKAS No. 1 on Presentation of Financial Statements.

**4.17 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.

**4.18 Statement of Cash Flows**

The Cash flow statement is prepared using the indirect method, as stipulated in LKAS 7-“Statement of Cash Flows”. Cash and cash equivalents comprise cash in hand, cash at bank, bank overdrafts and investments in REPO.

**4.19 Sri Lanka Accounting Standards effective from 01 January 2014**

**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 as defined in LKAS 39. SLFRS 9, was issued in 2012 and effective date of this standard has been deferred until the new effective date is notified. Pending the completion of full study of this standard, the financial impact is not yet known and reasonably estimable.

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## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2013

### **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

#### **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 management to exercise significant judgment to determine which entities are controlled and therefore are required to be consolidated by a parent, compared with the requirements that were in LKAS 27.

### **SLFRS 11 Joint Arrangements**

SLFRS 11 replaces LKAS 31 Interests in joint ventures and SIC-13 Jointly-controlled Entities Non-Mandatory Contributions by Ventures. SLFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method.

### **SLFRS 12 Disclosure of Interests in Other Entities**

SLFRS 12 includes all of the disclosures that were previously in LKAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in LKAS 31 and LKAS 28. These disclosures relate to an entity's interest in subsidiaries, joint arrangements, associates and structured entities. The number of new disclosures are also required, but has no impact on the Group's/Company's financial position or performance.

### **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. Use of principles of measurement in these standards are currently encouraged.

Pending the completion of full study of these standards, the financial impact is not yet known and reasonably estimatable.

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2013

**1. INTEREST INCOME**

	<b>2013</b>	<b>2012</b>
	<b>Rs.000</b>	<b>Rs.000</b>
Lease Income	566,994	479,568
Hire Purchase Income	650,739	364,841
Hire Rental Income	6,994	16,129
Factoring Income	200,066	109,700
Interest income accrued on impaired financial assets	5,741	5,893
Interest Income- Fixed Deposit	16,728	20,272
Loan Interest Income	63,936	-
Interest Income - Pawning	47,950	-
Interest Income- REPO	6,867	290
Interest on Overdue Rentals	59,824	36,860
Interest Income- Staff Loan	-	4
<b>Total Interest Income</b>	<b>1,625,839</b>	<b>1,033,556</b>
<b>Interest Expenses</b>		
Interest on,		
Short Term Borrowings and Overdrafts	260,823	164,887
Long Term Borrowings	289,710	253,910
Commercial Papers/ Promissory Notes	127,434	80,086
Securitisation Loans	161,053	59,066
Interest on Debentures	60,050	42,457
<b>Total Interest Expenses</b>	<b>899,069</b>	<b>600,406</b>
<b>Net Interest Income</b>	<b>726,770</b>	<b>433,150</b>

**2. FEE AND COMMISSION INCOME**

	<b>2013</b>	<b>2012</b>
	<b>Rs.000</b>	<b>Rs.000</b>
Documentation Charges	15,679	10,552
Insurance Commission	17,169	15,185
Income from Sourcing of Vehicles	38,495	13,958
<b>Total Fee and Commission Income</b>	<b>71,344</b>	<b>39,695</b>
<b>Fee and Commission Expenses</b>		
Guarantee Fee	18,579	16,911
<b>Total Fee and Commission Expenses</b>	<b>18,579</b>	<b>16,911</b>
<b>Net Fee and Commission Income</b>	<b>52,765</b>	<b>22,784</b>

**3. OTHER OPERATING INCOME**

	<b>2013</b>	<b>2012</b>
	<b>Rs.000</b>	<b>Rs.000</b>
Profit on Cancellations	38,368	27,625
Profit on Disposal of Motor Vehicles	-	314
Recovery of Bad Debts Written Off	3,189	6,974
Sundry Income	14,196	3,913
<b>Total Other Operating Income</b>	<b>55,752</b>	<b>38,827</b>

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2013

**4. IMPAIRMENT (CHARGES)/ REVERSAL FOR LOANS AND OTHER LOSSES**

	<b>2013</b>	<b>2012</b>
	<b>Rs.000</b>	<b>Rs.000</b>
Finance Leases	50,466	(541)
Hire Purchase	11,853	915
Factoring Receivable	1,209	(113)
Loans	1,258	-
Pawning	2,109	-
Other	343	-
	<u>67,237</u>	<u>262</u>

**5. STAFF COSTS**

	<b>2013</b>	<b>2012</b>
	<b>Rs.000</b>	<b>Rs.000</b>
Salary & Bonus	185,388	103,301
Contribution to Defined Contribution Plan	17,474	9,895
Gratuity Charge for the Year	2,405	1,669
Others	9,230	4,774
	<u>214,497</u>	<u>119,639</u>

**6. OTHER OPERATING EXPENSES**

	<b>2013</b>	<b>2012</b>
	<b>Rs.000</b>	<b>Rs.000</b>
Directors' Emoluments	13,815	9,750
Auditors' fee and Expenses	1,785	1,200
Non- Audit fees to Auditors	1,241	1,389
Professional & Legal Expenses	20,585	8,221
Depreciation on Property, Plant & Equipment	16,819	13,992
Amortization of Intangible Assets	5,512	3,211
Office Administration & Establishment Expenses	100,728	57,658
Advertising Expenses	17,097	4,063
Others	38,334	5,288
	<u>215,916</u>	<u>104,773</u>

**7. TAXATION**

**7.1** The major components of income tax expense for the years ended 31 December are as follows.

<b>Income Statement</b>	<b>2013</b>	<b>2012</b>
	<b>Rs.000</b>	<b>Rs.000</b>
<b>Current Income Tax</b>		
Income Tax for the year	62,565	26,270
Under/ (Over) Provision of Current Taxes in respect of Previous Years/ SLFRS Adjustments	-	394
<b>Deferred Tax</b>		
Deferred Taxation Charge/ (Reversal) (Refer Note 22)	17,736	25,088
	<u>80,301</u>	<u>51,752</u>

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2013

**7. TAXATION (Contd...)****7.2 A reconciliation between tax expenses and the product of accounting profit multiplied by the statutory tax rate is as follows.**

	<b>2013 Rs.000</b>	<b>2012 Rs.000</b>
<b>Accounting Profit Before Income Taxation</b>	299,657	251,986
At the statutory income tax rate of 28%	83,904	70,556
Tax effect of Non deductible Expenses	24,133	10,524
Tax effect of Other allowable Credits	(27,025)	(40,264)
Tax Effect of Exempt Income	-	(400)
Tax Effect of Losses Claimed	(18,447)	(14,146)
<b>At the effective income tax rate (Excluding Deferred Tax) of 20.88% (10.43%- 2012)</b>	<b>62,565</b>	<b>26,270</b>

The Company's income is taxed at the rate of 28% during the Years 2013 &amp; 2012.

**8. EARNINGS PER ORDINARY SHARE**

	<b>2013 Rs.000</b>	<b>2012 Rs.000</b>
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.		
<b>For the year ended 31 st December</b>	<b>2013</b>	<b>2012</b>
Profit/ (Loss) attributable to Ordinary Shareholders (Rs. 000)	220,980	200,235
Weighted Average Number of Ordinary Shares during the year	52,500,000	52,500,000
Earnings per Ordinary Share- (Rs.)	<u>4.21</u>	<u>3.81</u>

**9. CASH AND BANK BALANCES**

	<b>2013 Rs.000</b>	<b>2012 Rs.000</b>
Cash at Bank	56,030	32,430
Cash in Hand	9,348	156
	<u>65,378</u>	<u>32,586</u>

**10. FACTORING RECEIVABLES**

	<b>2013 Rs.000</b>	<b>2012 Rs.000</b>
Factoring Debtors	1,093,017	605,694
Less : Individual Impairment Charges	(40,418)	(38,397)
Collective Impairment Charges	(188)	(713)
Net Factoring Receivable	<u>1,052,411</u>	<u>566,584</u>

**11. INVESTMENTS IN FIXED DEPOSITS**

	<b>2013 Rs.000</b>	<b>2012 Rs.000</b>
Fixed Deposits	-	87,246
	<u>-</u>	<u>87,246</u>

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2013

## 12. PAWNING RECEIVABLES

	2013 Rs. '000	2012 Rs. '000
Pawning Receivables	414,862	-
Less : Collective Impairment Charges	(2,109)	-
	<u>412,753</u>	<u>-</u>

## 13. LOAN RECEIVABLES

	2013 Rs. '000	2012 Rs. '000
Loan Receivables	569,831	-
Less : Collective Impairment Charges	(1,258)	-
	<u>568,573</u>	<u>-</u>

## 14. LEASE RENTALS RECEIVABLES

	2013 Rs. '000	2012 Rs. '000
<b>Gross Lease rentals receivables</b>	3,858,955	3,676,359
Less: Unearned Income	(942,041)	(952,258)
Less: VAT Suspense	(6,039)	(6,552)
Less: Prepaid Rentals	(1,189)	(1,561)
Less: Individual Impairment Charges	-	-
Less: Collective Impairment Charges	(75,753)	(37,829)
Total lease rentals receivable (Note 14.1 & 14.2)	<u>2,833,933</u>	<u>2,678,159</u>

Lease receivables include receivables amounting to Rs. 2,323,391,778/84 (2012- Rs.2,082,074,94a/-) that have been assigned under securitisation & term loan funding arrangement.

## 14.1 As at 31 December 2013

	1 Year Rs. '000	1- 5 Year Rs. '000	More than 5 Year Rs. '000	Total Rs. '000
Lease Receivables	1,587,875	2,260,188	3,664	3,851,727
Less: Unearned Income & Other Deductions	(480,233)	(461,624)	(184)	(942,041)
	<u>1,107,642</u>	<u>1,798,564</u>	<u>3,480</u>	<u>2,909,686</u>
Less: Provision for Impairment (Collective)	(27,064)	(48,610)	(79)	(75,753)
	<u>1,080,578</u>	<u>1,749,954</u>	<u>3,401</u>	<u>2,833,933</u>

## 14.2 As at 31 December 2012

	1 Year Rs. '000	1- 5 Year Rs. '000	More than 5 Year Rs. '000	Total Rs. '000
Lease Receivables	1,337,450	2,338,950	-	3,676,400
Less: Unearned Income	(458,379)	(502,032)	-	(960,412)
	<u>879,071</u>	<u>1,836,918</u>	<u>-</u>	<u>2,715,988</u>
Less: Provision for Impairment (Collective)	(13,164)	(24,665)	-	(37,829)
	<u>865,907</u>	<u>1,812,253</u>	<u>-</u>	<u>2,678,159</u>

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2013

## 14. LEASE RENTALS RECEIVABLES (Contd...)

## 14.3 Movement in Impairment Charges

## Specific Provisions As at 31 December 2013

Specific Provisions	Lease	HP	Factoring	Repossession		Loan	Pawning	Other Loans	Total
	Rs. '000	Rs. '000	Rs. '000	Lease Rs. '000	HP Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Impairment Charges at the beginning of the year	37,829	24,233	39,109	5,666	4,804	-	-	109	111,750
Write off during the year	-	-	-	(11,801)	(6,979)	-	-	(109)	(18,889)
Recoveries during the Year	-	-	1,201	-	-	-	-	-	1,201
Unwinding Impact	-	-	(913)	-	-	-	-	-	(913)
Provision for Impairment- Charge/(Reversal) during the Year	37,924	9,304	1,209	12,542	2,552	1,258	2,109	343	67,241
Impairment Charges at the end of the year	<u>75,753</u>	<u>33,537</u>	<u>40,606</u>	<u>6,407</u>	<u>377</u>	<u>1,258</u>	<u>2,109</u>	<u>343</u>	<u>160,390</u>

## Specific Provisions As at 31 December 2012

Specific Provisions	Lease	HP	Factoring	Repossession		Other Loans	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	HP Rs. '000	Rs. '000	Rs. '000
Impairment Charges at the beginning of the year	41,024	25,662	38,801	2,996	2,460	109	111,052
Recoveries during the Year	-	-	564	-	-	-	564
Unwinding Impact	-	-	(143)	-	-	-	(143)
Provision for Impairment- Charge/(Reversal) during the Year	(3,195)	(1,429)	(112)	2,654	2,344	-	262
Impairment Charges at the end of the year	<u>37,829</u>	<u>24,233</u>	<u>39,110</u>	<u>5,666</u>	<u>4,804</u>	<u>109</u>	<u>111,750</u>

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2013

## 15. HIRE PURCHASE RENTALS RECEIVABLES

	2013 Rs. '000	2012 Rs. '000
Gross hire purchase rentals receivables	4,749,009	3,058,078
Less: Unearned Income	(1,321,762)	(878,344)
Less: Prepaid Rentals	(117)	(117)
Less: Collective Impairment Charges	(33,537)	(24,233)
Total Hire Purchase rentals receivable (Note 13.1 & 13.2)	3,393,593	2,155,384

Hire Purchase receivables include receivables amounting to Rs. 3,007,219,333/- (2012- Rs.1,195,348,958/-) that have been assigned under a securitisation funding arrangement.

## 15.1 As at 31 December 2013

	1 Year Rs. '000	1- 5 Year Rs. '000	More than 5 Year Rs. '000	Total Rs. '000
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	3,427,131
Less: Collective Impairment Charges	(11,700)	(21,796)	(41)	(33,537)
	1,117,394	2,270,768	5,432	3,393,593

## 15.2 As at 31 December 2012

	1 Year Rs. '000	1- 5 Year Rs. '000	More than 5 Year Rs. '000	Total Rs. '000
Gross Hire Purchase Rentals Receivables	1,114,933	1,933,387	9,758	3,058,078
Less: Unearned Income	(403,284)	(474,412)	(764)	(878,460)
	711,649	1,458,975	8,994	2,179,618
Less: Collective Impairment Charges	(7,649)	(16,483)	(102)	(24,233)
	704,000	1,442,492	8,892	2,155,384

## 15.3 Non Performing Advances included in Lease Rentals Receivables and Stock out on Hire are as follows.

	2013		2012	
	LS Rs'000	HP Rs'000	LS Rs'000	HP Rs'000
Gross Receivable	66,770	28,890	58,181	38,640
Less: VAT Suspense	(6,039)	-	(6,552)	-
Collective Impairment Charges	(60,731)	(28,890)	(37,829)	(24,233)
	-	-	13,800	14,407

## 16. OTHER DEBTORS AND PREPAYMENTS

	2013 Rs. '000	2012 Rs. '000
VAT Receivable	40,708	100,722
Other Debtors and Prepayments	191,840	115,809
	232,548	216,531



## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2013

17. OTHER DEBTORS AND PREPAYMENTS		2013	2012		
Un-Quoted		Rs. '000	Rs. '000		
Credit Information Bureau		56	56		
		56	56		
18. INTANGIBLE ASSETS		2013	2012		
		Rs. '000	Rs. '000		
Cost as at 01 January		16,770	14,661		
Additions and Improvements		16,926	2,109		
Cost as at 31 December		33,696	16,770		
Amortisation as at 01 January		12,264	9,053		
Amortisation for the year		5,512	3,211		
Accumulated amortisation as at 31 December		17,776	12,264		
Net book value as at 31 December		15,920	4,506		
19. PROPERTY, PLANT AND EQUIPMENT		Balance	Additions	Disposals	Balance
		As at	/Transfers		As at
19.1 Gross Carrying Amounts		01.01.2013	/Acquisitions		31.12.2013
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
Fixtures		7,918	28,668	-	36,586
Office Furniture		8,355	5,715	-	14,070
Office Equipment		6,406	13,610	-	20,016
Motor Vehicles		9,336	10,362	-	19,698
Motor Vehicles (Hiring)		53,893	-	50,043	3,850
Computer Equipment		19,480	13,038	-	32,518
Total Value of Depreciable Assets		105,388	71,393	50,043	126,738
19.2 Depreciation		Balance	Charge for	Disposals	Balance
		As At	the year/		As at
		01.01.2013	Transfers		31.12.2013
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
Fixtures		3,470	4,387	-	7,857
Office Furniture		3,943	1,443	-	5,386
Office Equipment		4,064	2,268	-	6,332
Motor Vehicles		3,551	1,898	-	5,449
Motor Vehicles (Hiring)		13,985	3,950	16,448	1,487
Computer Equipment		12,974	2,873	-	15,847
		41,987	16,819	16,448	42,358
19.3 Net Book Values			2013	2012	
			Rs. '000	Rs. '000	
Fixtures			28,729	4,448	
Office Furniture			8,684	4,412	
Office Equipment			13,684	2,342	
Motor Vehicles			14,249	5,785	
Motor Vehicles (Hiring)			2,363	39,908	
Computer Equipment			16,671	6,506	
Total Carrying Amount of Property, Plant & Equipment			84,380	63,401	
19.4 During the financial year, the Company acquired Property, Plant & Equipment to the aggregate value of Rs.71.39 Million (2012 Rs. 9.94 Million).					
Cost of fully depreciated assets of the company as at 31 December 2013 is 33.85 Million (2012- Rs.17.131 Million).					
19.5 The useful lives of the assets is estimated as follows			2013	2012	
Fixtures			05 Years	05 Years	
Furniture & Fittings			08 Years	08 Years	
Office Equipments			06 Years	06 Years	
Motor Vehicles			08 Years	08 Years	
Computer Equipments			06 Years	06 Years	

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2013

**20. DEBT INSTRUMENTS ISSUED & OTHER BORROWED FUNDS**

	<b>2013</b>	<b>2012</b>
<b>Debt Instruments Issued &amp; Other Borrowed Funds</b>	<b>Rs.000</b>	<b>Rs.000</b>
Commercial Papers/ Promissory Notes (20.3)	611,241	1,120,274
Debentures (20.4)	352,830	437,207
Loans (20.1)	5,839,831	2,313,839
Securitizations (20.2)	684,009	783,997
	<u>7,487,912</u>	<u>4,655,317</u>

**20.1 Loans as at 31 December 2013**

	<b>Payable within 1 Year</b>	<b>Payable after 1 Year</b>	<b>Total</b>
	<b>Rs.000</b>	<b>Rs.000</b>	<b>Rs.000</b>
Short Term Loans	1,302,206	-	1,302,206
Long Term Loans	1,409,485	3,128,140	4,537,625
	<u>2,711,691</u>	<u>3,128,140</u>	<u>5,839,831</u>

**20.2 Securitization Payables as at 31 December 2013**

	<b>Payable within 1 Year</b>	<b>Payable after 1 Year</b>	<b>Total</b>
	<b>Rs.000</b>	<b>Rs.000</b>	<b>Rs.000</b>
Securitization- Capital Payable	517,824	166,185	684,009
	<u>517,824</u>	<u>166,185</u>	<u>684,009</u>

**20.3 Commercial Papers/ Promissory Notes as at 31 December 2013**

	<b>Payable within 1 Year</b>	<b>Payable after 1 Year</b>	<b>Total</b>
	<b>Rs.000</b>	<b>Rs.000</b>	<b>Rs.000</b>
Commercial Papers/ Promissory Notes	619,990	-	619,990
Less: Interest in Suspense	(8,749)	-	(8,749)
	<u>611,241</u>	<u>-</u>	<u>611,241</u>

**20.4 Debentures as at 31 December 2013**

	<b>Payable within 1 Year</b>	<b>Payable after 1 Year</b>	<b>Total</b>
	<b>Rs.000</b>	<b>Rs.000</b>	<b>Rs.000</b>
Debenture - Capital Payable	85,500	267,330	352,830
	<u>85,500</u>	<u>267,330</u>	<u>352,830</u>

**21. OTHER PAYABLES**

	<b>2013</b>	<b>2012</b>
	<b>Rs.000</b>	<b>Rs.000</b>
Vendor Payable	101,084	81,215
Other Payables	137,543	71,554
	<u>238,627</u>	<u>152,769</u>

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2013

## 22. DEFERRED TAXATION

Deferred Tax Assets, Liabilities and Income Tax relates to the following;

	Balance Sheet		Income Statement	
	2013 Rs.000	2012 Rs.000	2013 Rs.000	2012 Rs.000
<b>Deferred Tax Liability</b>				
Capital Allowances for tax purposes	103,880	81,164	22,716	5,316
	<u>103,880</u>	<u>81,164</u>	<u>22,716</u>	<u>5,316</u>
<b>Deferred Tax Assets</b>				
Defined Benefit Plans	2,193	1,156	1,037	(345)
Tax Losses	33,419	39,166	(5,747)	20,117
Unclaimed Provisions	9,234	-	9,234	
	<u>44,846</u>	<u>40,322</u>		
<b>Deferred income tax charge/(reversal)</b>	18,192	25,089	<u>4,524</u>	<u>25,088</u>
<b>Net Deferred Tax Liability</b>	<u>59,034</u>	<u>40,842</u>	<u>18,192</u>	<u>(19,772)</u>
<b>Effect on Income Statement</b>			17,736	
<b>Effect on Comprehensive Income</b>			455	

## 23. INCOME TAXATION PAYABLE

	2013 Rs.000	2012 Rs.000
As at beginning of the year	18,814	21,705
Tax Paid	(25,187)	(19,600)
Adjustment (ESC/ WHT ect.)	(1,916)	(9,955)
Provision for the year (Note 07)	62,565	26,664
As at the end of the year	<u>54,275</u>	<u>18,814</u>

## 24. RETIREMENT BENEFIT OBLIGATIONS

	2013 Rs.000	2012 Rs.000
Net accrued/ (Pre-paid) Liability	4,128	2,895
Benefit Expenses for the Year	4,030	1,669
Gratuity Paid during the Period	(325)	(436)
Balance at the end of the year	<u>7,833</u>	<u>4,128</u>

## 24.1 Expenses on Defined Benefit Plan

Current Service Cost for the year	1,826	1,227
Interest cost for the year	580	442
Amount recognized in OCI - Actuarial Losses	1,624	-
	<u>4,030</u>	<u>1,669</u>

An actuarial valuation of the gratuity fund was carried out as at 31st December 2013 by M/s. Piyal S Goonetilleke and Associates, a professional actuary. The valuation method used by the actuary to value the Fund is the "Projected Unit Credit Method", recommended by LKAS 19 Employee Benefits.

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2013

## 24. RETIREMENT BENEFIT OBLIGATIONS (Contd...)

24.2 Assumptions	2013	2012
Actuarial Assumptions;		
Discount Rate	12%	11%
Salary increment	10%	10%
Mortality	GA 1983	GA 1983
	Mortality Table	Mortality Table
Retirement age	55 Years	55 Years

## Sensitivity of assumptions employed in actuarial valuation

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

The sensitivity of the Income Statement and Balance Sheet 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.

Increase / (decrease) in discount rate	Increase / (Decrease) in Salary Increment	2013	Sensitivity Effect on Employment Benefit obligation Increase/(Decrease) in the Liability (Rs. Mn.)
		Sensitivity Effect on Comprehensive Income Increase/(Reduction) in results for the year (Rs. Mn.)	
1.00%		(2.4 Million)	
-1.00%		2.4 Million	
	1.00%		(0.88 Million)
	-1.00%		1.04 Million

## 25. STATED CAPITAL

	2013		2012	
	No of Shares	Rs.000	No of Shares	Rs.000
<i>Issued and Fully Paid-Ordinary shares</i>				
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 Authorised Capital and Par Value Concept in relation to shares were abolished by the Companies Act No. 07 of 2007. 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.

*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.

## 26. 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.

The company has received the 'Registered Finance Company Status' on 25 September 2013. The company has maintained statutory reserve fund as per CBSL direction No.5 of 2006 issued to specialized leasing establishments up to 31 December 2012.

As at 31 December	2013 Rs.000	2012 Rs.000
At the beginning of the year	26,738	16,726
Profit transferred during the year	11,049	10,012
At the end of the year	37,787	26,738

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2013

**27. Investment Fund Reserve**

As proposed in the Budget 2011, as and when taxes are paid after 1 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.

**As at 31 December**

	<b>2013 Rs.000</b>	<b>2012 Rs.000</b>
At the beginning of the year	29,988	12,841
Profit transferred during the year	28,500	17,147
At the end of the year	<u>58,488</u>	<u>29,988</u>

<b>27.1 Utilisation of Investment Fund Account (IFA)</b>	<b>2013</b>	<b>2012 Rs.000</b>	<b>2011 Rs.000</b>	<b>Total From Year 2011- 2013 Rs.000</b>
Balance available for utilization as at 01 January **	5,624	4,021	-	-
Total transfers to IFA	28,500	17,147	12,841	58,488
Less : Total approved loans granted	22,204	15,544	8,820	46,568
Less : Total Investments in Government Securities	9,399	4,045	2,981	(9,399)
Balance available for utilization as at 31 December	<u>2,521</u>	<u>1,579</u>	<u>1,040</u>	<u>2,521</u>

Balance available for utilization as at 01 January includes both Balance available for utilization as at 31 December and total investments in Government Securities.

		<b>Interest rates</b>	<b>Tenure</b>	<b>Number of Loan Granted</b>	<b>Total amount outstanding Rs.000</b>
<b>27.2 Total loans granted</b>					
(a) Cultivation of Agriculture / Plantation corps	- 2013	13.82% - 17.72%	5 Years	12	16,912
	- 2012	11.44% -17.72%	5 Years	10	13,697
(b) Factory/Mills modernisation		-	-	-	-
(c) Small and Medium Enterprises		-	-	-	-
(d) Information Technology and BPO		-	-	-	-
(e) Infrastructure Development		-	-	-	-
(f) Education		-	-	-	-
(g) Housing		-	-	-	-
(h) Construction of hotels and related purposes		-	-	-	-
(i) Restructuring of loans extended for above purposes		-	-	-	-
				<u>22</u>	<u>30,609</u>

**27.3 Investments in Government Securities**

	<b>Face Value Rs.000</b>	<b>Year of Maturity</b>	<b>Cost of Investment Rs.000</b>	<b>Outstanding Rs.000</b>
<b>(a) Treasury Bonds over 5 years</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>(b) Treasury Bills</b>				
Investment in REPO	9,776	2014	9,704	9,776
	<u>9,776</u>	<u>2014</u>	<u>9,704</u>	<u>9,776</u>
<b>Total Investments in Government Securities</b>	<u>9,776</u>	<u>2014</u>	<u>9,704</u>	<u>9,776</u>

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2013

**28. 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.

	2013		2012	
	Carrying Amount Rs'000	Fair Value Rs'000	Carrying Amount Rs'000	Fair Value Rs'000
<b>Assets</b>				
Cash and Bank Balances	65,378	65,378	32,586	32,586
Securities purchased under Repurchase Agreements	323,792	323,792	5,341	5,341
Investments in Fixed Deposits	-	-	87,246	85,460
<b>Loans &amp; advances to customers</b>				
Factoring Receivables	1,052,411	1,028,163	566,584	552,375
Pawning Receivables	412,753	331,121	-	-
Loan Receivables	568,573	892,856	-	-
Lease Receivables	2,833,933	3,099,452	2,678,159	2,556,975
HP receivable	3,393,593	3,231,940	2,155,384	2,119,622
Other Debtors & Prepayments	232,548	190,054	216,531	113,889
<b>Total Assets</b>	<b>8,883,038</b>	<b>9,162,812</b>	<b>5,741,887</b>	<b>5,466,304</b>
<b>Liabilities</b>				
Bank Overdraft	63,982	63,982	62,124	62,124
Debt Instruments Issued and Other borrowed funds	7,487,912	7,487,912	4,655,317	4,655,317
<b>Total Liabilities</b>	<b>7,551,893</b>	<b>7,551,893</b>	<b>4,717,441</b>	<b>4,717,441</b>

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## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2013

### **29. RISK MANAGEMENT DISCLOSURES**

#### **29.1 Introduction**

Risk is inherent in a financial business and such risks are managed through a process of ongoing identification, measurement 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.

#### **29.2 Risk Management Structure**

The board is primarily responsible for risk management initiatives. Integrated Risk Management committee, which is a sub-committee of the board has been established and delegated risk management responsibilities. This Committee plays a vital role in establishing best practices in relation to risk policies and practices within the company.

The quantum and level of risks that the company is willing to accept is decided at the Board Risk Committee level, and the decisions made by this committee is communicated to the Board of Directors. The Board ratifies the risk policies and risk tolerance levels agreed at the Integrated Risk Management Committee meetings.

The committee fulfils 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 5 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 Unit (RMU). RMU is responsible for implementing and maintaining risk related procedures to ensure an independent control process is maintained. The unit works closely with the Risk Committee to ensure that procedures are compliant with the overall framework. RMU 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 a monthly basis, 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.

#### **29.3 Risk measurement & Reporting System and Risk Mitigation**

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.

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2013

Financial Risks		Risk Measures	Mitigates
Credit Risk	<p><b>1.Default Risk</b> Potential loss due to borrower/ counterparty unable or unwilling to meet its obligations</p> <p><b>2. Concentration Risk</b> Credit Exposure being concentrated to few sectors/ groups (insufficient diversification)</p>	<ul style="list-style-type: none"> <li>• Probability of Default</li> <li>• Loss Given Default</li> <li>• Sector / Asset / Client / Branch Concentrations of Lending Portfolio</li> <li>• Concentrations in Repossessed assets</li> <li>• Macro Credit Portfolio risk measures such as               <ul style="list-style-type: none"> <li>a) Provision Coverage</li> <li>b) Net NPL as a % of Equity Funds</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Board approved credit policies/ procedures/ framework and annual review</li> <li>• Delegated authority levels/ segregation of duties</li> <li>• Setting Prudential limits on maximum exposure               <ul style="list-style-type: none"> <li>- Overall NPL Ratio setting based on risk appetite</li> <li>- Credit Limit Exposures (for Asset Type and Sector) that takes account of NPL / Infection ratios and movement in NPL ratios</li> <li>- Concentration limits for clients/ groups, asset types</li> </ul> </li> <li>• Monitoring of exposures against the limits</li> <li>• Trend analysis reported to BRMC</li> <li>• Strict compliance with CBSL Guidelines</li> </ul>
Interest rate risk	Adverse effect on Net Interest Income	<ul style="list-style-type: none"> <li>• Net Interest Yield and Movement in Net Interest Yield</li> <li>• Lending to Borrowing Ratio</li> <li>• Tracking of Movements in Money Market rates</li> <li>• Marginal Cost of funds / Risk based Pricing</li> <li>• Gaps in asset Liability Re-Pricing</li> <li>• Cumulative Gaps as a % of Cumulative Liabilities</li> </ul>	<ul style="list-style-type: none"> <li>• Setting of Marginal Pricing with Risk Premiums for Different classes of Lending assets</li> <li>• Setting of Lending to Borrowing ratios</li> <li>• Gaps limits for structural liquidity,</li> <li>• Liquidity contingency planning and Limits of minimum stocks of high quality liquid assets</li> <li>• Volatile Liability Dependency measures</li> <li>• Balance sheet ratios</li> </ul>
Liquidity Risk	Inability to meet obligations as they fall due	<ul style="list-style-type: none"> <li>• Gaps in dynamic liquidity flows</li> <li>• Stocks of high quality liquid assets</li> </ul>	

## 29.4 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. The risk of loss of principal or loss of a financial reward stems from a borrower's failure to repay a loan or otherwise meet a contractual obligation. 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 amount 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.



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NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2013

**29.4.1 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 payout, 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.

## Siyapatha Finance Limited

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2013

## 29. RISK MANAGEMENT DISCLOSURES (Contd...)

29.4.2 Credit Quality By Class Of Financial Assets  
As at 31 December

		2013					2012				
	Note	NEITHER PAST DUE NOR IMPAIRED	PAST DUE NOT IMPAIRED	INDIVIDUALLY IMPAIRED	TOTAL 2013	PERCENTAGE	NEITHER PAST DUE NOR IMPAIRED	PAST DUE NOT IMPAIRED	INDIVIDUAL LY IMPAIRED	TOTAL 2012	PERCENTAGE
		Rs'000	Rs'000	Rs'000	Rs. '000		Rs'000	Rs'000	Rs'000	Rs. '000	
Assets											
Cash and Bank Balances	9	65,378	-	-	65,378	0.73%	32,586	-	-	32,586	0.56%
Securities purchased under Repurchase Agreements		323,792	-	-	323,792	3.60%	5,341	-	-	5,341	0.06%
Investments in Fixed Deposits	11	-	-	-	-	0.00%	87,246	-	-	87,246	1.50%
Factoring Receivables	10	1,031,186	4,870	16,543	1,052,599	11.70%	542,643	47,888	15,163	605,694	10.39%
Pawning Receivables	12	414,862	-	-	414,862	4.61%	-	-	-	-	0.00%
Loan Receivables	13	231,164	338,667	-	569,831	6.33%	-	-	-	-	0.00%
Lease Receivables	14	1,210,168	1,699,518	-	2,909,686	32.34%	2,099,555	616,433	-	2,715,988	46.60%
HP receivable	15	1,627,648	1,799,483	-	3,427,130	38.10%	1,785,888	393,729	-	2,179,617	37.40%
Other Debtors	16	232,548	-	-	232,548	2.59%	201,298	-	-	201,298	3.45%
Financial Instruments- Available for Sale	17	56	-	-	56	0.00%	56	-	-	56	0.00%
<b>Total</b>		<b>5,136,802</b>	<b>3,842,538</b>	<b>16,543</b>	<b>8,995,882</b>	<b>100.00%</b>	<b>4,754,613</b>	<b>1,058,050</b>	<b>15,163</b>	<b>5,827,826</b>	<b>100.00%</b>

## 29.4.2.1 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 30 days 2013 Rs'000	31 to 60 days 2013 Rs'000	61 to 90 days 2013 Rs'000	More than 91 days 2013 Rs'000	Total 2013 Rs'000	Less than 30 days 2012 Rs'000	31 to 60 days 2012 Rs'000	61 to 90 days 2012 Rs'000	More than 91 days 2012 Rs'000	Total 2012 Rs'000
Factoring Receivables		934	-	3,185	751	4,870	2,412	39,149	6,327	-	47,888
Lease Receivables		741,496	360,309	238,115	359,598	1,699,517	375,762	146,236	24,702	69,733	616,433
HP Receivables		1,002,265	413,712	230,742	152,764	1,799,483	221,210	98,761	17,308	56,450	393,729
Loan		192,400	76,959	36,007	33,301	338,667	-	-	-	-	-
Pawning		-	-	-	-	-	-	-	-	-	-
<b>Total</b>		<b>1,936,161</b>	<b>850,980</b>	<b>504,864</b>	<b>545,663</b>	<b>3,842,537</b>	<b>599,384</b>	<b>284,146</b>	<b>48,337</b>	<b>126,183</b>	<b>1,058,050</b>

### 29.43 Maximum Exposure To Credit Risk

<b>MAXIMUM EXPOSURE TO CREDIT RISK</b>	<b>NET EXPOSURE</b>
<b>Rs.'000</b>	<b>Rs. '000</b>
65,378	-
323,792	-
1,052,411	1,050,332
412,753	398,692
568,573	-
2,833,933	-
3,393,593	-
232,548	232,548
8,882,981	1,681,572

## Siyapatha Finance Limited

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2013

**29. RISK MANAGEMENT DISCLOSURES (Contd...)****29.4.4 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 December 2013

Rs' 000

Purpose wise Breakdown	Finance Leases	Hire Purchase	Loan	Factoring	Pawning	Investment in FD's	Other	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
<b>Total</b>	<b>2,833,933</b>	<b>3,393,593</b>	<b>568,573</b>	<b>1,052,411</b>	<b>412,753</b>	<b>-</b>	<b>581,066</b>	<b>8,842,329</b>

As at 31 December 2012

Rs' 000

Purpose wise Breakdown	Finance Leases	Hire Purchase	Loan	Factoring	Pawning	Investment in FD's	Other	Total
Industry	21,704	10,150	-	213,100	-	-	-	244,954
Agriculture	435,416	108,797	-	-	-	-	-	544,213
Trade	716,734	769,422	-	236,935	-	-	-	1,723,091
Transport	73,348	58,217	-	4,419	-	-	-	135,984
Construction	149,309	32,576	-	1,515	-	-	-	183,400
Services	1,281,648	1,176,222	-	110,615	-	-	-	2,568,485
Government	-	-	-	-	-	-	5,341	5,341
Financial Institutions	-	-	-	-	-	87,246	-	87,246
Others	-	-	-	-	-	-	233,941	233,941
<b>Total</b>	<b>2,678,159</b>	<b>2,155,384</b>	<b>-</b>	<b>566,584</b>	<b>-</b>	<b>87,246</b>	<b>239,282</b>	<b>5,726,654</b>

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2013

**29.5 Interest Rate Risk**

Interest rate risk refers to the variability in value borne by an interest-bearing asset, such as a loan or a bond, due to variability of interest rates. In general, as rates rise, the price of a fixed rated bond or Loan Portfolio will fall, and vice versa. Asset liability management is a common name for 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

**29.5.1 Interest Rate Sensitivity**

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, on the company's Income Statement & Equity.

Rs. Million			
Currency of Borrowings/ Advance	Increase (Decrease) in basis points	Sensitivity of Profit or Loss	Sensitivity of Equity
	<b>2013</b>	<b>2013</b>	<b>2013</b>
Long Term Loans linked to AWPLR	+1/ (-1)	(44.98)/ 44.98	20.55%
	+0.5 / (0.5)	(22.94) / 22.49	10.27%
	+0.25 / (0.25)	(11.25) / 11.25	5.14%
	<b>2012</b>	<b>2012</b>	<b>2012</b>
Long Term Loans linked to AWPLR	+1/ (-1)	(18.34) / 18.34	9.16%
	+0.5 / (0.5)	(9.17) / 9.17	4.58%
	+0.25 / (0.25)	(4.59) / 4.59	2.29%

The base ratio considered in the Interest Rate Sensitivity Analysis is the Average Weighted Prime Lending Rate. Since 60.70% (in year 2013) 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.

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2013

## 29. RISK MANAGEMENT DISCLOSURES (Contd...)

## 29.5.2 Interest Rate Risk

## Interest Rate Risk Exposure On Non Trading Financial Assets &amp; 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 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 as at 31/12/2013 Rs'000
<b>Assets</b>						
Cash and Bank Balances	65,378	-	-	-	-	65,378
Securities purchased under Repurchase Agreements	323,792	-	-	-	-	323,792
Investments in Fixed Deposits	-	-	-	-	-	-
<b>Loans &amp; advances to customers</b>						
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
<b>Total Assets</b>	<b>2,456,695</b>	<b>1,966,507</b>	<b>3,357,567</b>	<b>1,084,456</b>	<b>17,812</b>	<b>8,883,037</b>
<b>Liabilities</b>						
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
<b>Total Liabilities</b>	<b>6,881,358</b>	<b>436,751</b>	<b>425,185</b>	<b>47,257</b>	<b>-</b>	<b>7,790,551</b>
<b>Total Interest Sensitivity Gap</b>	<b>(4,424,663)</b>	<b>1,529,756</b>	<b>2,932,382</b>	<b>1,037,199</b>	<b>17,812</b>	<b>1,092,486</b>
<b>As at 31 December 2012</b>						
	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 31/12/2013 Rs'000
<b>Assets</b>						
Cash and Bank Balances	32,586	-	-	-	-	32,586
Securities purchased under Repurchase Agreements	5,341	-	-	-	-	5,341
Investments in Fixed Deposits	87,246	-	-	-	-	87,246
<b>Loans &amp; advances to customers</b>						
Factoring Receivables	566,584	-	-	-	-	566,584
Lease Receivables	285,284	580,622	1,361,983	450,270	-	2,678,159
HP receivable	227,076	476,920	1,057,390	385,104	8,894	2,155,384
Pawning Receivables	-	-	-	-	-	-
Loan Receivables	-	-	-	-	-	-
Other Debtors	97,481	100,721	2,849	247	-	201,298
Financial Instruments- Available for Sale	-	-	-	-	56	56
<b>Total Assets</b>	<b>1,301,598</b>	<b>1,158,263</b>	<b>2,422,222</b>	<b>835,621</b>	<b>8,950</b>	<b>5,726,654</b>
<b>Liabilities</b>						
Bank Overdraft	62,124	-	-	-	-	62,124
Debt Instruments Issued and Other	3,465,009	553,800	633,509	3,000	-	4,655,318
Other Payables	152,771	-	-	-	-	152,771
<b>Total Liabilities</b>	<b>3,679,904</b>	<b>553,800</b>	<b>633,509</b>	<b>3,000</b>	<b>-</b>	<b>4,870,213</b>
<b>Total Interest Sensitivity Gap</b>	<b>(2,378,306)</b>	<b>4,604,463</b>	<b>1,788,713</b>	<b>832,621</b>	<b>8,950</b>	<b>856,440</b>

## 29.6 Liquidity Risk

Liquidity risk refers to the 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. Liquidity risk is financial risk due to uncertain liquidity. 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.

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.

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2013

## 29. RISK MANAGEMENT DISCLOSURES (Contd...)

## 29.6 Liquidity Risk

## 29.6.1 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 is liquid asset ratio is 7.5% of 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.

## 29.6.2 Contractual Maturities of Undiscounted Cash Flows of Financial Assets &amp; Financial Liabilities

The table below summarizes the maturity profile of the undiscounted cash flows of the companies financial assets and liabilities as at 31 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.

As at 31 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 as at 31/12/2013 Rs'000
<b>Assets</b>						
Cash and Bank Balances	65,378	-	-	-	-	65,378
Securities purchased under Repurchase Agreements	323,792	-	-	-	-	323,792
Investments in Fixed Deposits	-	-	-	-	-	-
<b>Loans &amp; advances to customers</b>						
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
<b>Total Financial Assets</b>	<u>2,789,890</u>	<u>2,784,506</u>	<u>4,441,095</u>	<u>1,233,532</u>	<u>14,397</u>	<u>11,263,419</u>
<b>Liabilities</b>						
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
<b>Total Financial Liabilities</b>	<u>2,714,832</u>	<u>1,475,107</u>	<u>2,443,915</u>	<u>1,156,667</u>	<u>-</u>	<u>7,790,521</u>
	<u>75,058</u>	<u>1,309,399</u>	<u>1,997,180</u>	<u>76,865</u>	<u>14,397</u>	<u>3,472,898</u>
<b>As at 31 December 2012</b>	<b>Up to 03 Months Rs'000</b>	<b>03-12 Months Rs'000</b>	<b>01-03 Years Rs'000</b>	<b>03-05 Years Rs'000</b>	<b>Over 05 Years Rs'000</b>	<b>Total as at 31/12/2012 Rs'000</b>
<b>Assets</b>						
Cash and Bank Balances	32,586	-	-	-	-	32,586
Securities purchased under Repurchase Agreements	5,341	-	-	-	-	5,341
Investments in Fixed Deposits	87,246	-	-	-	-	87,246
<b>Loans &amp; advances to customers</b>						
Factoring Receivables	566,584	-	-	-	-	566,584
Lease Receivables	427,447	910,002	1,824,451	514,499	-	3,676,399
HP receivable	343,763	771,171	1,480,037	453,350	9,758	3,058,079
Pawning Receivables	-	-	-	-	-	-
Loan Receivables	-	-	-	-	-	-
Other Debtors & Prepayments	97,481	100,721	2,849	247	-	201,298
<b>Total Financial Assets</b>	<u>1,560,448</u>	<u>1,781,894</u>	<u>3,307,337</u>	<u>968,096</u>	<u>9,758</u>	<u>7,627,533</u>
<b>Liabilities</b>						
Bank Overdraft	62,124	-	-	-	-	62,124
Debt Instruments Issued and Other borrowed funds	1,790,948	1,061,174	1,648,321	154,875	-	4,655,318
Other Payables	152,771	-	-	-	-	152,771
<b>Total Financial Liabilities</b>	<u>2,005,843</u>	<u>1,061,174</u>	<u>1,648,321</u>	<u>154,875</u>	<u>-</u>	<u>4,870,213</u>
	<u>(445,396)</u>	<u>720,720</u>	<u>1,659,016</u>	<u>813,221</u>	<u>9,758</u>	<u>2,757,319</u>



## **29.7 Operational Risk**

An operational risk is the risk arising from execution of a company's business functions. The concept of operational risk is broad and focuses on the risks arising from the people, systems and processes through which a company operates. It also includes other categories such as fraud risks, regulatory and compliance risks, reputation and physical or environmental risks.

The Company has identified the key events that ground the operational risk. It is relatively difficult to identify or assess levels of operational risk and its many sources. In practical terms, most organizations accept that their people, processes and systems are imperfect, and that losses will arise from errors and ineffective operations. The size of the loss they are prepared to accept, because the cost of correcting the errors or improving the systems is disproportionate to the benefit they will receive, determines their appetite for operational risk. Determining appetite for operational risk is a discipline which is still in its infancy.

## Siyapatha Finance Limited

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2013

## 29. RISK MANAGEMENT DISCLOSURES (Contd...)

## 29.8 Maturity Analysis (Contractual)

As at 31 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 as at 31/12/2013 Rs'000	Total as at 31/12/2012 Rs'000
<b>Assets</b>							
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
<u>Loans &amp; advances to customers</u>							
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
<b>Total Assets</b>	<u>2,458,922</u>	<u>1,966,507</u>	<u>3,357,567</u>	<u>1,084,456</u>	<u>118,112</u>	<u>8,985,564</u>	<u>5,810,520</u>
<b>Liabilities</b>							
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	-	-	-	-	61,936	61,936	40,842
Income Taxation Payable	-	52,123	-	-	-	52,123	18,814
Retirement Benefit Obligations	-	-	-	-	7,833	7,832	4,128
<b>Total Liabilities</b>	<u>2,714,832</u>	<u>1,527,230</u>	<u>2,443,915</u>	<u>1,156,667</u>	<u>69,769</u>	<u>7,912,412</u>	<u>4,933,994</u>

# Siyapatha Finance Limited

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2013

### 30. COMMITMENTS & CONTINGENCIES

Undrawn Commitments to Lend

2013					Rs'000
On Demand	Less than 03 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Total
118,467	-	-	-	-	118,467
118,467	-	-	-	-	118,467

2012					Rs'000
On Demand	Less than 03 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Total
203,655	-	-	-	-	203,655
203,655	-	-	-	-	203,655

#### 30.1 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.

"The Company, as a matter of prudence, has made a provision of Rs.23 million in the financial statements to cover any liability which may arise from a dispute relating to customs duty payable on motor vehicle imports for which the Company has acted as facilitator"

### 31. EVENTS AFTER THE REPORTING PERIOD

No circumstances have arisen since the Balance Sheet date which would require adjustments to, or disclosure in the financial statements.

### 32. 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 related party transactions which the company had during the year is as follows,

#### 32.1 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.

#### 32.2 Transactions with Key Managerial Personnel

Related party includes KMPs defined as those persons having authority and responsibility for planning directing and controlling the activities for the company, executives who directly report to Board sub committees and other key executives who meet the criteria set out in LKAS 24.

Key Managerial Personnel of the company includes members of the Board of Directors, Chief Executive Officer and Chief Operating Officer of the Company and the KPM's of the Sampath Bank PLC.

##### 32.2.1 Short Term Employment Benefits

No Short Term Employment benefits was paid to Key Managerial Personnel during the year except for the Directors fees and expenses amounting to Rs.25,991,351/- for the year 2013 (2012- Rs.17,473,782/-).

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2013

**32. RELATED PARTY TRANSACTIONS (Contd...)****32.2.2 Post Employment Benefits**

No post employment benefits were paid to key management personnel during the year.(2012- Nil)

**32.2.3 Loans & Advances granted**

No loans or advances were given to Key Managerial Personnel and their close family members during the year.(2012- Nil)

**32.2.4 Borrowings through Debt Instruments**

No borrowing through debt instruments were made from or no investments made by key management personnel during the year 2013. (2012- Nil)

**32.2.5 Transactions with Group Companies****Sampath Bank PLC**

The company has obtained short term loans, term loans, overdraft & bank guarantee facilities from the bank. All the transactions with the bank were on terms and conditions similar to facilities obtained through other banks.

Company	Nature of Facility	2013 Rs'000	2012 Rs'000
	<b>Balance outstanding of Credit Facilities</b>		
	Short Term Loans	515,000	370,000
	Term Loan	1,071,112	601,000
	Bank Overdrafts	40,491	19,000
		<u>1,626,603</u>	<u>990,000</u>
	<b>Accommodations as a percentage of Capital Funds (Refer Note a) below)</b>	<b>151.47%</b>	<b>112.95%</b>
	Interest Paid	188,085	198,291
	Bank Guarantee Fee paid	18,516	17,100
Rent was paid to Sampath Bank PLC for the window offices located within Sampath Bank premises.			
	Rent Paid	1,198	1,150
Broker commission was paid to Sampath Bank PLC for saucing of lease facilities to Siyapatha Finance Limited.			
	Broker Commission Paid	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.			
	Dividend Paid (Gross)	21,525	19,950
The company had a fixed deposit with Sampath Bank PLC during the year.			
	Fixed Deposits	-	87,246
	Interest on Fixed Deposits	16,728	20,272

The company also invested in short term government securities through Sampath Bank PLC.

**32. RELATED PARTY TRANSACTIONS (Contd...)****32.2.6 Sampath Information Technology Solutions Ltd**

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.

Hardware/Software maintenance paid	3,645	1,826
Fee for General Ledger Integration	675	-
Payment for Software		
Pawning	2,276	-
Leasing	8,667	6,000
Loan Management	558	-
Facilities granted to SITS	9,673	-
Interest Income for Leasing Facilities granted	2,213	-

**32.2.7 Transactions with related companies**

Head office premises of the company is located at No: 46/12, " Sayuru Sewana, Nawam Mawatha, Colombo 02 which is owned by Ceylon Ocean Lines Limited. The ultimate parent of the company is Haylese PLC.

Rent Paid Rs. 9,104,500/-

Since 27 May 2013

**33. 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 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.

# INTERIM FINANCIAL STATEMENTS

For the 09 months ended 30<sup>th</sup> September  
2014

# SIYAPATHA FINANCE LIMITED

***Siyapatha***  
**F I N A N C E**



***Sampath Bank Group***

**SIYAPATHA FINANCE LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**

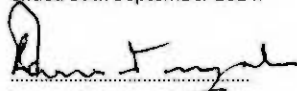
	For 9 months ended		Change %	For the quarter ended		Change %
	30.09.2014 Rs.000	30.09.2013 Rs.000		30.09.2014 Rs.000	30.09.2013 Rs.000	
<b>Income</b>	<b>1,492,136</b>	<b>1,252,023</b>	<b>19%</b>	<b>503,538</b>	<b>470,459</b>	<b>7%</b>
Interest Income	1,393,292	1,163,550	20%	462,260	448,158	3%
Interest Expenses	(612,818)	(653,810)	-6%	(183,172)	(237,895)	-23%
<b>Net Interest Income</b>	<b>780,473</b>	<b>509,740</b>	<b>53%</b>	<b>279,088</b>	<b>210,263</b>	<b>33%</b>
Fee and Commission Income	27,702	59,244	-53%	10,200	11,337	-10%
Fee and Commission Expenses	(9,735)	(14,312)	-32%	(2,891)	(4,566)	-37%
<b>Net Fee and Commission Income</b>	<b>17,967</b>	<b>44,932</b>	<b>-60%</b>	<b>7,309</b>	<b>6,771</b>	<b>8%</b>
Net gain/(loss) from trading	-	-	0%	-	-	0%
Other Operating Income	71,142	29,228	143%	31,079	10,965	183%
<b>Total Operating Income</b>	<b>869,582</b>	<b>583,900</b>	<b>49%</b>	<b>317,476</b>	<b>227,999</b>	<b>39%</b>
<b>Impairment (charge)/reversal for loans &amp; other losses</b>	<b>(152,228)</b>	<b>(33,922)</b>	<b>349%</b>	<b>(56,265)</b>	<b>(22,902)</b>	<b>146%</b>
Individual Impairment (charge)/reversal & other losses	(71,646)	(4,756)	1406%	(23,278)	1,257	1952%
Collective Impairment (charge)/reversal	(80,581)	(29,166)	176%	(32,987)	(24,159)	37%
<b>Net Operating Income</b>						
<b>Operating Expenses</b>	<b>(412,840)</b>	<b>(276,536)</b>	<b>49%</b>	<b>(129,106)</b>	<b>(107,257)</b>	<b>20%</b>
Personnel Expenses	(170,661)	(154,317)	11%	(63,146)	(60,587)	4%
Depreciation of Property & Equipment	(16,689)	(11,498)	45%	(6,959)	(3,664)	90%
Amortization of Intangible Assets	(3,804)	(3,794)	0%	(1,351)	(1,519)	-11%
Other Operating Expenses	(221,686)	(106,927)	107%	(57,649)	(41,487)	39%
<b>Operating Profit before VAT &amp; NBT on Financial Services &amp; Crop Insurance Levy</b>	<b>304,515</b>	<b>273,442</b>	<b>11%</b>	<b>132,105</b>	<b>97,840</b>	<b>35%</b>
VAT & NBT on Financial Services	(41,581)	(22,909)	82%	(18,365)	(9,434)	95%
Crop Insurance Levy	(1,834)	-	100%	(785)	-	100%
<b>Profit before Taxation</b>	<b>261,099</b>	<b>250,533</b>	<b>4%</b>	<b>112,956</b>	<b>88,406</b>	<b>28%</b>
Tax Expenses	(98,634)	(55,891)	76%	(35,188)	(19,847)	77%
<b>Profit after Taxation</b>	<b>162,466</b>	<b>194,642</b>	<b>-17%</b>	<b>77,768</b>	<b>68,559</b>	<b>13%</b>
<b>Other Comprehensive Income/(Expenses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Financial Assets- Available for Sale</b>						
Sri Lanka Government Securities	-	-	-	-	-	-
Equity Securities	-	-	-	-	-	-
Income Tax (Charge)/Credit relating to components of Other Comprehensive Income	-	-	-	-	-	-
<b>Other Comprehensive Income,Net of taxes</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Comprehensive Income,Net of taxes</b>	<b>162,466</b>	<b>194,642</b>	<b>-17%</b>	<b>77,768</b>	<b>68,559</b>	<b>13%</b>
<b>Earnings Per Share(Rs)</b>	<b>4.13</b>	<b>4.94</b>		<b>5.93</b>	<b>5.22</b>	

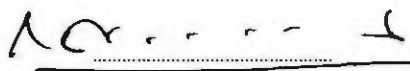
	30-09-2014 Rs'000	Audited 31-12-2013 Rs'000
<b>Assets</b>		
Cash and Bank Balances	6,781	65,378
Placements with Banks	83,365	-
Securities purchased under Repurchase Agreements	499,411	323,792
Loans and receivables	8,998,394	8,261,263
Financial investments- Available for Sale	56	56
Financial investments- Held to Maturity	4,196	-
Intangible assets	14,701	15,920
Property and equipment	90,955	84,380
Inventories	2,799	2,227
Other assets	172,304	232,548
<b>Total Assets</b>	<b>9,872,963</b>	<b>8,985,564</b>
<b>Liabilities</b>		
Due to banks	6,549,265	5,903,813
Other Borrowings	1,580,990	1,648,080
Current tax liabilities	69,771	54,275
Deferred tax liabilities	75,554	59,034
Retirement Benefit Obligations	11,166	7,833
Other liabilities	371,374	238,627
<b>Total Liabilities</b>	<b>8,658,120</b>	<b>7,911,662</b>
<b>Shareholders' Funds</b>		
Stated capital	525,000	525,000
Reserves		
Statutory Reserve Fund	39,902	37,787
Investment Fund Reserve	66,819	58,488
Retained Earnings	583,121	452,627
<b>Total Shareholders' Funds</b>	<b>1,214,843</b>	<b>1,073,902</b>
Non controlling interest	-	-
<b>Total Equity</b>	<b>1,214,843</b>	<b>1,073,902</b>
<b>Total Liabilities and Shareholders' Funds</b>	<b>9,872,963</b>	<b>8,985,564</b>
<b>Net Assets per Share(Rs)</b>	<b>23.14</b>	<b>20.46</b>

The information contained in these financial statements have been extracted from the unaudited Financial Statements of the company unless indicated as "Audited".

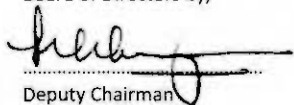
#### CERTIFICATION

We certify that the above Interim Financial Statements are in compliance with the requirements of the Companies Act No: 7 of 2007 and give true and fair view of the state of affairs of Siyapatha Finance Limited as at 30th September 2014 and its profits for the nine months ended 30th September 2014.

  
Group Chief Financial Officer

  
Chief Executive Officer

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

  
Deputy Chairman

  
Director



SIYAPATHA FINANCE LIMITED  
STATEMENT OF CHANGES IN EQUITY

Rs.000

	Stated Capital	Statutory Reserve Fund	Investment Fund Reserve	Retained Earnings	Total Shareholders' Funds
<b>For the nine months ended 30.09.2014</b>					
<b>Balance as at 1st January 2014</b>	<b>525,000</b>	<b>37,787</b>	<b>58,488</b>	<b>452,627</b>	<b>1,073,902</b>
Dividend Declared	-	-	-	(21,525)	(21,525)
Net profit for the year	-	-	-	162,466	162,466
Other Comprehensive Income, Net of Tax	-	-	-	-	-
Transfers to Investment Fund Account	-	-	8,331	(8,331)	-
Surplus/(reversals) on revaluation of property	-	-	-	-	-
Transfer to Statutory Reserve during the year	-	2,115	-	(2,115)	-
<b>Balance as at 30 th September 2014</b>	<b>525,000</b>	<b>39,902</b>	<b>66,819</b>	<b>583,121</b>	<b>1,214,843</b>
<b>For the nine months ended 30.09.2013</b>					
<b>Balance as at 1st January 2013</b>	<b>525,000</b>	<b>26,738</b>	<b>29,989</b>	<b>294,800</b>	<b>876,527</b>
Dividend Declared	-	-	-	(21,525)	(21,525)
Net profit for the year	-	-	-	194,642	194,642
Other Comprehensive Income, Net of Tax	-	-	-	-	-
Transfers to Investment Fund Account	-	-	18,583	(18,583)	-
Transfer to Statutory Reserve during the year	-	-	-	-	-
<b>Balance as at 30th September 2013</b>	<b>525,000</b>	<b>26,738</b>	<b>48,572</b>	<b>449,334</b>	<b>1,049,644</b>

For 09 months Ended 30th September	2014 Rs. '000	2013 Rs. '000
<b>Cash Flow from Operating Activities</b>		
<b>Profit/ (Loss) before Taxation</b>	<b>261,099</b>	<b>250,533</b>
Interest & Similar Expenses	612,818	653,810
Fee & Commission Expenses	9,735	14,312
Provision for Impairment	152,228	33,923
Provision for /(Reversal of) Staff Gratuity	3,476	2,925
Provision for Depreciation	16,689	11,498
Amortization of Software	3,804	3,794
(Profit)/Loss on sale of motor vehicle	1	1,376
	798,753	721,639
<b>Operating Profit before Working Capital Changes</b>	<b>1,059,852</b>	<b>972,172</b>
(Increase)/Decrease in Leased Assets	36,167	(232,289)
(Increase)/Decrease in Hire Purchase Debtors	(921,465)	(979,937)
(Increase)/Decrease in Factoring Debtors	48,106	(437,833)
(Increase)/Decrease in Pawning Receivables	(23,197)	(444,705)
(Increase)/Decrease in Loan Receivables	32,472	(273,793)
(Increase)/Decrease in Inventories	(572)	(2,209)
(Increase)/Decrease in Other Receivables	(11,285)	(165,956)
Increase/(Decrease) in Other Payables	136,115	80,004
	<b>(703,659)</b>	<b>(2,456,718)</b>
<b>Cash Generated from Operations</b>	<b>356,193</b>	<b>(1,484,546)</b>
Interest paid	(636,065)	(661,473)
Gratuity Paid	(143)	(225)
Income Tax Paid	(59,899)	(19,079)
<b>Net Cash Inflow/(Outflow) from Operating Activities</b>	<b>(339,913)</b>	<b>(2,165,323)</b>
<b>Cash Flow from Investing Activities</b>		
Investments in Government Treasury Bonds/Fixed Deposits	(4,196)	(325,865)
Purchase of Property, Plant & Equipment	(25,852)	(61,142)
Proceeds from Sale of Property, Plant & Equipment	-	35,966
<b>Net Cash Inflow/(Outflow) from Investing Activities</b>	<b>(30,048)</b>	<b>(351,041)</b>
<b>Net Cash Inflow/(Outflow) before Financing Activities</b>	<b>(369,961)</b>	<b>(2,516,364)</b>
<b>Cash Flow from Financing Activities</b>		
Net Proceeds from Long Term Loans/ Securitizations	155,050	209,539
Net Proceeds from Debenture	-	-
Net Proceeds from Short Term Borrowings	278,075	2,841,274
Dividend Paid	(21,525)	(21,525)
<b>Cash Flow from Financing Activities</b>	<b>411,600</b>	<b>3,029,288</b>
Net Increase/(Decrease) in Cash and Cash Equivalents	41,640	512,924
Cash & Cash Equivalents at the beginning of the period	325,188	(24,196)
<b>Cash and Cash Equivalents at end of the Period</b>	<b>366,828</b>	<b>488,728</b>
<b>Analysis of the Cash and Cash Equivalents at the end of the period</b>		
Investment in REPOs	499,411	7,419
Cash and Bank balances	90,146	531,636
Bank Overdraft	(222,729)	(50,328)
	<b>366,828</b>	<b>488,728</b>

KEY RATIOS	As at 30.09.2014	As at 31.12.2013
<b><u>Capital Adequacy</u></b>		
Core Capital to Risk Weighted Asset Ratio (Minimum 5%)	11.94%	12.06%
Total Capital to Risk Weighted Asset Ratio (Minimum 10%)	11.94%	12.06%
Capital Funds to Total Deposit Liabilities Ratio*	-	-
<b><u>Profitability</u></b>		
Return on Avg Assets (After Tax) -Annualized	2.15%	2.98%
Return on Avg Shareholders' Funds -Annualized	18.69%	26.28%
<b><u>Asset Quality (Rs.'000)</u></b>		
Non-Performing Accommodation	337,390	262,751
Total Accommodation	9,219,234	8,524,014
Net Total Accommodation(Net of Allowance for Impairment Losses)	8,998,394	8,261,263
<b><u>Liquidity (Rs.000)</u></b>		
Required Minimum Amount of Liquid Assets**	213,271	112,822
Required Minimum Amount of Government Securities***	469,343	307,421
Available Amount of Liquid Assets	499,535	322,434
Available Amount of Government Securities	491,632	314,016
Debt to Equity Ratio (Times)	6.69	7.03
Net Asset per share-Rs.	23.14	20.46
Interest Cover (Times)	1.43	1.34

*\* This does not apply to the company as it has not yet commenced mobilization of deposits.*

*\*\*Required minimum amount of liquid assets equals to 10 % & 5% of total liabilities less Shareholders' Funds and Secured Borrowings as at 30th September 2014 & 30th September 2013 respectively.*

*\*\*\*Required minimum amount of government securities equals to 7.5% of the average of month end deposit liabilities and borrowings of the twelve months of the preceding financial year.*

### **EXPLANATORY NOTES**

1. The Interim Financial Statements of the Company have been prepared in accordance with Sri Lanka Accounting Standards that came into effect from January 1, 2012.

Further, these Interim Financial Statements have been prepared in compliance with the requirements of Sri Lanka Accounting Standards - LKAS 34 on 'Interim Financial Reporting' & the accounting policies and methods of computation followed in preparing the above interim financial statements are the same as those disclosed in our Audited Financial Statements for the year ended 31st December 2013 and provide the information as required in terms of Rule 7.4 of the Colombo Stock Exchange.

2. The Interim Financial Statements for the nine months ended 30th September 2014 are drawn up from unaudited accounts of the company unless indicated as audited.
3. There have been no material events subsequent to the reporting date, which require adjustments to or disclosures in the interim financial statements.
4. Operating Expenses include the following.
  - (i) A forfeiture was paid to the Department of Customs amounting to Rs.50 Million on 10<sup>th</sup> June 2014. Provision of Rs.23 Million for same was made in the Financial Statements for the year ended 31<sup>st</sup> December 2013 and a further sum of Rs.27 Million was expensed during the 09 months ended 30<sup>th</sup> September 2014, in respect of the said liability.
  - (ii) Other Operating Expenses also include Rs.24.45 Million in respect of vehicle importation claim by a motor vehicle importer which was subsequently settled in the month of July 2014.
5. The company intends to issue Unsecured, Subordinated, Redeemable debentures to the value of Rs.500 Mn with an option to issue further Rs.500 Mn for a period of five years, in the event of over subscription. These debentures are to be listed on the Colombo Stock Exchange. The proposed issue would reinforce the company's Tier II capital and facilitate further expansion of operations and the asset base.

### **INFORMATION ON SHARES**

Stated Capital as at 30th September 2014 was represented by the number of shares in issue as given below.

	As at 30th September 2014		As at 30th September 2013	
	Number	Rs.	Number	Rs.
Ordinary Shares	52,500,000	525,000,000/-	52,500,000	525,000,000/-
<b>Total</b>	<b>52,500,000</b>	<b>525,000,000/-</b>	<b>52,500,000</b>	<b>525,000,000/-</b>

The company has distributed a dividend of Rs.21.525 Million (Rs. 0.41 per share) during the month of September 2014.

*The company's shares or any debt instruments issued as at 30th September 2014 have not been listed on the Colombo Stock Exchange.*

#### **SHAREHOLDER INFORMATION**

##### **Shareholders' list as at 30th September 2014**

	<b>Name</b>	<b>No: of Shares</b>	<b>%</b>
(01).	Sampath Bank PLC	52,499,993	100.00%
(02).	Mr. I.W.Senanayake	01	0.00%
(03).	Mr. S.G. Wijesinha	01	0.00%
(04).	Mr.L.J.K. Hettiaratchi	01	0.00%
(05).	Mr. W.M.P.L. De Alwis	01	0.00%
(06).	Mr. Ranjith Samaranayake	01	0.00%
(07).	Mr. M.Y.A.Perera	01	0.00%
(08).	Mr.S. Sudarshan	01	0.00%
		<b>52,500,000</b>	<b>100.00%</b>

##### **Public Holdings**

The percentage of ordinary shares held by the public as at 30th September 2014 was 0%.

##### **Directors'/ CEO's Holding in Shares as at 30th September 2014**

<b>Name</b>	<b>Position</b>	<b>No: of Shares</b>
Mr. S.G. Wijesinha	Director	01
Mr. W.M.P.L. De Alwis	Director	01
Mr. Ranjith Samaranayake	Director	01
Mr. M.Y.A. Perera	Director	01

Shareholding (one share each) of retired directors of Mr.I.W.Senanayake & Mr.L.J.K. Hettiaratchi has been transferred to Mr. M.A.Abeynaike(Deputy Chairman)& Dr.H.S.D.Soyas(Senior Director) with effect from 20<sup>th</sup> October 2014.

# Fitch Ratings

## Fitch Rates Siyapatha Finance's Subordinated Debt Final 'A-(lka)'

Fitch Ratings-Colombo/Taipei-26 November 2014: Fitch Ratings Lanka has assigned Siyapatha Finance Ltd's (SLFL; A(lka)/Stable) proposed subordinated redeemable debentures of up to LKR1bn a final National Long-Term Rating of 'A-(lka)'.

The assignment of the final rating follows the receipt of final documents that conform to information previously received. The final rating is at the same level as the expected rating assigned on 2 October 2014.

The proposed debentures will have a five-year tenor with bullet principal repayment at maturity. Coupon payments will be made annually at 8.90%. The debentures are to be listed on the Colombo Stock Exchange. SLFL expects to use the proceeds to strengthen its regulatory Tier 2 capital and to reduce maturity mismatches between assets and liabilities.

### KEY RATING DRIVERS

The proposed debentures are rated one notched below SLFL's National Long-Term Rating to reflect their subordination to senior unsecured creditors.

SLFL's rating reflects support from its parent, Sampath Bank PLC (AA-(lka)/Stable). SLFL is rated two notches below its parent because Fitch classifies SLFL as strategically important to Sampath Bank. This view is premised on Sampath Bank's 100% ownership of SLFL, involvement in the strategic direction of SLFL through board representation, and the potential reputational repercussions on Sampath Bank should it allow SLFL to fail.

### RATING SENSITIVITIES

Any changes to SLFL's National Long-Term Rating would impact the issue's National Long-Term Rating. SLFL's rating could change if Sampath Bank's rating changes or if SLFL's strategic importance to Sampath Bank changes.

### Contacts:

Primary Analyst  
Dilranie Mudannayake  
+94 1 1254 1900  
Analyst  
Fitch Ratings Lanka Limited  
Level 15-04, East Tower, World Trade Centre  
Colombo 01, Sri Lanka

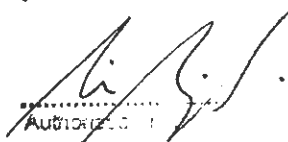
Secondary Analyst  
Kanishka De Silva  
+94 1 1254 1900

Committee Chairperson  
Jonathan Lee  
Senior Director  
+886 2 8175 7600

Media Relations: Bindu Menon, Mumbai, Tel: +91 22 4000 1727, Email: bindu.menon@fitchratings.com.

Sampath Bank PLC has a 1.78% equity stake in Fitch Ratings Lanka Ltd. No shareholder other than Fitch, Inc. is involved in the day-to-day rating operations of, or credit reviews undertaken by, Fitch Ratings Lanka Ltd.

FITCH RATING LANKA LIMITED



AUTHORIZED

Note to editors: Fitch's National ratings provide a relative measure of creditworthiness for rated entities in countries with relatively low international sovereign ratings and where there is demand for such ratings. The best risk within a country is rated 'AAA' and other credits are rated only relative to this risk. National ratings are designed for use mainly by local investors in local markets and are signified by the addition of an identifier for the country concerned, such as 'AAA(lka)' for National ratings in Sri Lanka. Specific letter grades are not therefore internationally comparable.

Additional information is available at [www.fitchratings.com](http://www.fitchratings.com).

Applicable criteria, "Global Financial Institutions Rating Criteria", dated 31 January 2014, "National Scale Ratings Criteria", dated 30 October 2013, "Rating FI Subsidiaries and Holding Companies", dated 10 August 2012, "Finance and Leasing Companies Criteria", dated 11 December 2012 and "Evaluating Corporate Governance", dated 12 December 2012 are available at [www.fitchratings.com](http://www.fitchratings.com).

#### Additional Disclosure Solicitation Status

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## ANNEXURE II - COLLECTION POINTS

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Copies of the Prospectus and the Application Form can be obtained free of charge from the following collection points.

<b>Financial Advisors and Managers to the Issue</b>	<b>Registrars to the Issue</b>	<b>Bankers to the Issue</b>
NDB Investment Bank Limited No. 40, Navam Mawatha Colombo 02  Tel: +94 11 2 300 385 Fax: +94 11 2 300 393	S S P Corporate Services (Private) Limited No. 101, Inner Flower Road Colombo 03  Tel: +94 11 2 573 894 Fax: +94 11 2 573 609	Sampath Bank PLC 110, Sir James Peiris Mawatha, Colombo 02  Tel: +94 112303050 Fax: +94 114712013 2 341 044

### Members of the CSE

<b>Acuity Stockbrokers (Private) Limited</b> Level 6, Acuity House 53, Dharmapala Mawatha Colombo 03  Tel: +94 11 2 206 206 Fax: +94 11 2 206 298-9 E-mail: <a href="mailto:sales@acuitystockbrokers.com">sales@acuitystockbrokers.com</a>	<b>Asha Phillip Securities Limited</b> 10, Prince Alfred Towers 2 <sup>nd</sup> Floor, Alfred House Gardens Colombo 03  Tel: +94 11 2 429 100 Fax: +94 11 2 429 199 E-mail: <a href="mailto:apsl@ashaphillip.net">apsl@ashaphillip.net</a>
<b>Asia Securities (Private) Limited</b> Level 21, West Tower World Trade Centre Echelon Square Colombo 01  Tel: +94 11 2 423 905, +94 11 5 320 000 Fax: +94 11 2 336 018 E-mail: <a href="mailto:enquiry@asiacapital.lk">enquiry@asiacapital.lk</a>	<b>Assetline Securities (Private) Limited</b> 120, 120A, Pannipitiya Road Battaramulla  Tel: +94 11 4 700 111, +94 11 2 307 366 Fax: +94 11 4 700 112 E-mail: <a href="mailto:colombo.dpglobal@dpmcfs.com">colombo.dpglobal@dpmcfs.com</a>



<b>Bartleet Religare Securities (Private) Limited</b> Level "G", "Bartleet House" 65, Braybrooke Place Colombo 02  Tel: +94 11 5 220 200 Fax: +94 11 2 434 985 E-mail: <a href="mailto:info@bartleetstock.com">info@bartleetstock.com</a>	<b>Capital TRUST Securities (Private) Limited</b> 42, Sir Mohamed Macan Markar Mawatha Colombo 03  Tel: +94 11 2 174 174 Fax: +94 11 2 174 173 E-mail: <a href="mailto:inquiries@capitaltrust.lk">inquiries@capitaltrust.lk</a>
<b>CT Smith Stockbrokers (Private) Limited</b> 4-14, Majestic City 10, Station Road Colombo 04  Tel: +94 11 2 552 290-4 Fax: +94 11 2 552 289 E-mail: <a href="mailto:ctssales@sltnet.lk">ctssales@sltnet.lk</a>	<b>First Capital Equities (Pvt) Limited</b> No. 01, Level 02 Lake Crescent Colombo 02  Tel: +94 11 2 145 000 Fax: +94 11 2 145 050 E-mail: <a href="mailto:info@dnhfinancial.com">info@dnhfinancial.com</a>
<b>J B Securities (Private) Limited</b> 150, St. Joseph Street Colombo 14  Tel: +94 11 2 490 900, +94 77 2 490 900-1 Fax: +94 11 2 430 070 E-mail: <a href="mailto:jbs@jb.lk">jbs@jb.lk</a>	<b>John Keells Stockbrokers (Private) Limited</b> 130, Glennie Street Colombo 02  Tel: +94 11 2 306 250, +94 11 2 338 066-7 Fax: +94 11 2 342 068 E-mail: <a href="mailto:jkstock@keells.com">jkstock@keells.com</a>
<b>Lanka Securities (Private) Limited</b> 228/2, Galle Road Colombo 04  Tel: +94 11 4 706 757, +94 11 2 554 942 Fax: +94 11 4 706 767 E-mail: <a href="mailto:lankasec@sltnet.lk">lankasec@sltnet.lk</a>	<b>Nation Lanka Equities (Private) Limited</b> 44, Guildford Crescent Colombo 07  Tel: +94 11 4 714 300, +94 11 4 714 388-9, +94 77 3 421 821 Fax: +94 11 2 387 228 E-mail: <a href="mailto:info@nlequities.com">info@nlequities.com</a>
<b>NDB Securities (Private) Limited</b> 5 <sup>th</sup> Floor, NDB Building 40, Navam Mawatha Colombo 02  Tel: +94 11 2 314 170-8 Fax: +94 11 2 314 180 E-mail: <a href="mailto:mail@ndbs.lk">mail@ndbs.lk</a>	<b>S C Securities (Private) Limited</b> 2 <sup>nd</sup> Floor, 55, D. R. Wijewardena Mawatha Colombo 10  Tel: +94 11 4 711 000 Fax: +94 11 2 394 405 E-mail: <a href="mailto:ceo@sampathsecurities.lk">ceo@sampathsecurities.lk</a>

**Somerville Stockbrokers (Private) Limited**

137, Vauxhall Street  
Colombo 02

Tel: +94 11 2 329 201-5, +94 11 2 332 827,  
+94 11 2 338 292-3

Fax: +94 11 2 338 291

E-mail: [ssb-web@sltnet.lk](mailto:ssb-web@sltnet.lk)

**Trading Members****Softlogic Stockbrokers (Private) Limited**

Level 23, East Tower  
World Trade Centre  
Echelon Square  
Colombo 01

Tel: +94 11 7 277 000-98

Fax: +94 11 7 277 099

Email: [info@equity.softlogic.lk](mailto:info@equity.softlogic.lk)

**Capital Alliance Securities (Private) Limited**

Level 5, "Millennium House"  
46/58, Navam Mawatha  
Colombo 02

Tel: +94 11 2 317 777

Fax: +94 11 2 317 788

Email: [general@capitalalliance.lk](mailto:general@capitalalliance.lk)

**Claridge Stockbrokers (Private) Limited**

10, Gnanartha Pradeepa Mawatha  
Colombo 08

Tel: +94 11 2 697 974

Fax: +94 11 2 689 250

E-mail: [csb@mackwoods.com](mailto:csb@mackwoods.com)

**First Guardian Equities (Private) Limited**

32<sup>nd</sup> Floor, East Tower  
World Trade Centre  
Echelon Square  
Colombo 01

Tel: +94 11 5 884 400

Fax: +94 11 5 884 401

E-mail: [info@firstguardianequities.com](mailto:info@firstguardianequities.com)

**Candor Equities Limited**

Level 8, South Wing  
Millennium House  
46/58, Navam Mawatha  
Colombo 02

Tel: +94 11 2 359 100

Fax: +94 11 2 305 522

E-mail: [info-hasl@heraymila.com](mailto:info-hasl@heraymila.com)

**IIFL Securities Ceylon (Private) Limited**

27<sup>th</sup> Floor, East Tower  
World Trade Centre  
Echelon Square  
Colombo 01

Tel: +94 11 2 333 000

Fax: +94 11 2 333 383

E-mail: [info.ceylon@iiflcap.com](mailto:info.ceylon@iiflcap.com)

**IOLC Securities (Private) Limited**

Level 18, West Tower  
World Trade Centre  
Echelon Square  
Colombo 01

Tel: +94 11 7 880 880

Fax: +94 11 2 434 771

**New World Securities (Private) Limited**

2<sup>nd</sup> Floor, 45/2, Braybrooke Street  
Colombo 02

Tel: +94 11 2 358 700-20

Fax: +94 11 2 358 701

E-mail: [viraj@nws.lk](mailto:viraj@nws.lk)

<p><b>SMB Securities (Private) Limited</b> 47, Dharmapala Mawatha Colombo 03</p> <p>Tel: +94 11 5 232 091 Fax: +94 11 2 339 292 E-mail: <a href="mailto:admin@smbsecurities.lk">admin@smbsecurities.lk</a></p>	<p><b>Serendib Stock Brokers (Private) Limited</b> 156, 3rd Floor, Walukarama Road, Colombo 03</p> <p>Tel: +94 11 2 565 635 Fax: +94 11 2 565 604 E-mail: <a href="mailto:info@serendibsb.com">info@serendibsb.com</a></p>
<p><b>Taprobane Securities (Private) Limited</b> 2nd Floor 10, Gothami Road Colombo 08</p> <p>Tel: +94 11 5 328 200 Fax: +94 11 5 328 277 E-mail: <a href="mailto:info@taprobane.lk">info@taprobane.lk</a></p>	<p><b>TKS Securities (Private) Limited</b> 19-01, East Tower World Trade Centre Echelon Square Colombo 01</p> <p>Tel: +94 11 7 857 799 Fax: +94 11 7 857 857 E-mail: <a href="mailto:info@tkslk">info@tkslk</a></p>
<p><b>Richard Pieris Securities (Pvt) Limited</b> 55/20, Vauxhall Lane, Colombo 02</p> <p>Tel: +94 11 7 448 900, +94 11 5 900 800 Fax: +94 11 2 330 711 E-mail: <a href="mailto:jayantha@rpsecurities.com">jayantha@rpsecurities.com</a></p>	<p><b>First Capital Markets Limited</b> No.02, Deal Place Colombo 03</p> <p>Tel: +94 11 2 639 898, +94 11 2 681 888 Fax: +94 11 2 639 899, +94 11 2 681 460 E-Mail: <a href="mailto:info@firstcapital.lk">info@firstcapital.lk</a></p>

## SELECTED BRANCHES OF SAMPATH BANK PLC

Branch	Address	Contact Number
Akkaraipattu	No.61, Sulaiman Shopping Complex, Main Street, Akkaraipattu	+94 67 2 279 197
Ampara	No. 9 D S Senanayake Road, Ampara	+94 63 2 223 840-1
Anamaduwa	69, Galgamuwa Road, Anamaduwa	+94 32 2 263 042
Anuradhapura Bazaar	521/19, Maithripala Senanayake Mawatha, New Town, Anuradhapura	+94 25 2 226 190
Anuradhapura	No:268, Maithripala Senanayake Mawatha, Anuradhapura	+94 25 2 235 026
Badulla	14, Dharmadutha Road, Badulla	+94 55 2 225 450
Balangoda	No.117, Barnes Ratwatta Mawatha, Balangoda	+94 45 2 288 793
Bambalapitiya	1-01, Majestic City , Station Road, Bambalapitiya, Colombo 4	+94 11 2 501 829
Bandarawela	253, 255 Main Street, Bandarawela	+94 57 2 223 720
Battaramulla	157, Main Street, Battaramulla.	+94 11 2 861 805
Batticaloa	No.32, Thamaraikeny Road, Batticaloa	+94 65 2 227 581
Batticaloa 2	395, Trinco Road, Batticaloa	+94 65 2 228 240
Borella	No 1022, Maradana Road, Borella, Colombo 08	+94 11 2691121-3
Chavakachcheri	Kandy Road, Chavakachcheri	+94 21 2 270 091-2
Chilaw	No.64, Colombo Road, Chilaw	+94 32 2 222 677
City	No. 55, D R Wijewardena Mw, Colombo 10	+94 11 2 541 332
Colombo Super	No:103, Dharmapala Mawatha, Colombo 07	+94 11 2 336 112
Dambulla	No. 622, Anuradhapura Road, Dambulla	+94 66 2 283 085
Dehiwela	No. 155, Galle Road, Dehiwela	+94 11 2 738 422
Fort	98, Chatham Street Fort, Colombo 01	+94 11 2 447 231
Galle	No. 5, Wakwella Road, Galle	+94 91 2 245 646
Gampaha	08, Mangala Road, Gampaha	+94 33 2 226 640
Gampaha Super	No. 150, Colombo Road, Gampaha	+94 33 2 239 771
Gampola	No.06, Panabokke Mawatha, Gampola	+94 81 2 350 564
Gangodawila	374, Highlevel Road, Gangodawila	+94 11 2 814 147- 8
Gothatuwa New Town	No:55/4, Kotikawatte Road, Gothatuwa New Town	+94 11 2 411 609
Grandpass	64, Jethawana Road, Colombo 14	+94 11 2 472 390
Gregory's Road - PBC	106, Wijerama Mawatha, Colombo 7	+94 11 2 681 144
Hatton	No. 173, Dimbula Road, Hatton	+94 51 2 225 403-4
Headquarters	110, Sir James Peiris Mw, Colombo 02	+94 11 4 730 630

Branch	Address	Contact Number
Homagama	46, 1 <sup>st</sup> Lane, Station Road, Homagama	+94 11 2 855 975
Horana	114, Sri Somananda Mawatha, Horana	+94 34 2 260 345
Jaffna	56/16, Link Road, Off Stanley Road, Jaffna	+94 21 2 221 025-6
Kadawatha	174/3, Ragama Road, Kadawatha	+94 11 2 921 001
Kaduwela	510/1 & 510/2, Avissawella Road, Kaduwela	+94 11 2 537 539
Kalmunai	No.18, Police Station Road, Kalmunai	+94 67 2 220 448
Kalutara	314, Main Street, Kalutara	+94 34 2 235 600
Kandana	No.72, Colombo Road, Kandana	+94 11 2 229 218
Kandy	No. 19, Dalada Veediya, Kandy	+94 81 2 232 778
Kandy City Centre	Shop No:L1-6Level One, Kandy City Centre Building, Dalada Vidiya, Kandy	+94 81 2 205 825
Kegalle	No.142, 142A, Kandy Road, Kegalle	+94 35 2 230 519
Kiribathgoda Super	No:139, Kandy Road, Kiribathgoda	+94 11 2 910 369
Kirulapone	136,138 & 140, High Level Road, Kirulapone	+94 11 2 513 828-29
Kohuwala	81, S De S Jayasinghe Mawatha, Kohuwala	+94 11 2 814 480
Kollupitiya	Ground Floor, Platinum Residences Building, No:01, Bagatale Road, Colombo 03	+94 11 2 590 682 - 3
Kotahena	165, George R De Silva Mawatha Colombo 13	+94 11 2 384 010
Kurunegala	31, Negombo Road, Kurunegala	+94 37 2 223 944
Kurunegala Metro	No. 183A, Colombo Road, Kurunegala	+94 37 2 056 704 - 5
Maharagama - Singer Mega	No. 272, Highlevel Road, Maharagama	+94 11 2 842 442
Maharagama	81, Highlevel Road, Maharagama	+94 11 2 840 950
Main Street	110-114, Main Street, Colombo 11	+94 11 2 386 732
Mannar	28, Field Street Ward No:06, Mannar	+94 23 2 251 320-1
Maradana	657, Kularathne Mawatha, Maradana Road, Colombo 10	+94 11 2 678 541
Matale	No:184-186, Trincomalee Street, Matale	+94 66 2 223 861-2
Matara	03, Hakmana Road, Matara	+94 41 2 223 260
Moratuwa	653, Galle Road, Rawatawatte, Moratuwa	+94 11 2 644 737
Mount Lavinia	No:294, Galle Road, Mount Lavinia	+94 11 2 719 587
Mutwal	No:811, Aluthmawatha Road, Colombo 15	+94 11 2 540 575
Narahenpita	193, Kirula Road, Narahenpita, Colombo 05	+94 11 2 552 820
Nawala	143, Nawala Road, Nugegoda	+94 11 2 812 331

Branch	Address	Contact Number
Nawam Mawatha	46/38, Nawam Mawatha, Colombo 02	+94 11 2 305 025
Negombo	293, Main Street, Negombo	+94 31 2 224 345-6
Nikaweratiya	No.136, Kurunegala Road, Nikaweratiya	+94 37 2 260 918
Nugegoda	79A, Stanley Tillekeratne Mw, Nugegoda	+94 11 2 856 907
Nuwaraeliya	No. 01, Lawson Street, Nuwara Eliya	+94 52 2 222 946
Orugodawatte	No. 760B Dr. Danister De Silva Mawatha, Colombo 09	+94 11 2 682 695-6
Panadura	373, Galle Road, Panadura	+94 38 2 235 100
Panadura - Wekada	No:111B & 111C, Horana Road, Wekada, Panadura	+94 38 2 244 457
Pannala	No:100, Negombo Road, Pannala	+94 37 2 246 250
Pelawatte - PBC	No.424, Pannipitiya Road, Thalangama South, Pelawatte, Battaramulla	+94 11 2 787 209
Peliyagoda	No:304, Negombo Road, Peliyagoda	+94 11 2 940 279
Pettah	999, Peoples Park, Bodhiraja Mawatha, Colombo 11	+94 11 2 432 324
Rajagiriya	No: 316,316 1/1, 316 1 /2, Kotte Road, Rajagiriya	+94 11 2 864 922
Ratmalana	261, Galle Road, Ratmalana	+94 11 2 730 821
Ratnapura	180-182, Main Street, Ratnapura	+94 45 2 232 261
Sainthamaruthu	Main Street, Sainthamaruthu-16	+94 67 2 225 310
Sampath Platinum Plus	No: 18, Cambridge Place, Colombo 07	+94 11 2 695 073
Seeduwa	No. 499, Negombo Road, Seeduwa	+94 11 2 253 553-4
Tangalle	61, Muhudu Mawatha, Tangalle	+94 47 2 241 865 -6
Thimbirigasyaya	154, Havelock Road, Colombo 05	+94 11 2 505 001
Trincomalee	262, Central Road, Trincomalee	+94 26 2 225 387
Vavuniya Super	No:7a, Horowpatana Road, Vavuniya	+94 24 2 226 227-8
Wattala	No:280 & 280/1, Negombo Road, Wattala	+94 11 2 931 569 - 70
Wellawatte	No:591A, Galle Road, Colombo 06	+94 11 2 507 607-8
Wellawaya	70/D, Kumaradasa Mawatha, Wellawaya	+94 55 2 274 470



## BRANCHES OF SIYAPATHA FINANCE LIMITED

Branch	Address	Contact Number
Ampara	No. 09, D.S. Senanayaka Street, Ampara	+94 63 7 605 605
Anuradhapura	No. 213/4, Maithripala Senanayake Mawatha, Anuradhapura.	+94 25 7 605 605
Kalmunei	No:1610, Main Street, Sainthamaruthu	+94 67 7 605 605
Kalmunei-Pawning Centre	No:172/4, Batticaloa Road, Kalmunei.	+94 67 7 605 625
Kandy	No:274A, Katugastota Road, Kandy.	+94 81 7 605 605
Kandy-Pawning Centre	No:192/1/1, Kotugodella Road, Kandy	+94 81 7 605 625
Kegalle	No.142A, Kandy Road, Kegalle	+94 35 7 605 605
Kuliyapitiya	No:50/52, Kurunegala Road, Kuliyapitiya	+94 37 7 605 615
Kurunegala	No.254 B, Colombo Road, Kurunegala	+94 37 7 605 605
Kurunegala-Pawnig Centre	No:116, Colombo Road, Kurunegala	+94 37 7 605 629
Matara	No. 5B, Hakmana Road, Matara	+94 41 7 605 605
Negombo	No:187, Thaladuwa Road, Negombo	+94 31 7 605 605
Nugegoda	No:189, Stanley Thilakarathne Mawatha, Nugegoda	+94 11 7 605 680
Nuwara Elliya	No:28/1, Kandy Road, Nuwara Elliya.	+94 52 7 605 605
Peliyagoda	No.304, Negombo Road, Peliyagoda	+94 11 7 605 625
Ratnapura	No. 186, Main Street, Rathnapura.	+94 45 7 605 605
Vauniya	No.25, Station Road, Vauniya	+94 24 7 605 605

## ANNEXURE III - CUSTODIAN BANKS

<b>Bank of Ceylon</b> Head Office 11 <sup>th</sup> Floor 04, Bank of Ceylon Mawatha, Colombo 01  Tel: +94 11 2 317 777, +94 11 2 448 348, +94 11 2 338 742/55, +94 11 2 544 333	<b>Citi Bank, N A</b> 65 C, Dharmapala Mawatha P.O. Box 888, Colombo 07  Tel: +94 11 2 447 316/8, +94 11 2 447 318, +94 11 2 449 061, +94 11 2 328 526, +94 11 4 794 700
<b>Commercial Bank of Ceylon PLC</b> Commercial House No 21, Sir Razik Fareed Mawatha Colombo 01  Tel: +94 11 2 445010-15, 011 238193-5, 011 430420, 011 2336700	<b>Deutsche Bank AG</b> P.O. Box 314 86, Galle Road, Colombo 03  Tel: +94 11 2 447 062, +94 11 2 438 057
<b>Hatton National Bank PLC</b> HNB Towers 479, T. B. Jayah Mawatha, Colombo 10  Tel: +94 11 2 664 664	<b>The Hong Kong and Shanghai Banking Corporation Limited</b> 24, Sir Baron Jayathilake Mawatha, Colombo 01  Tel: +94 11 2 325 435, +94 11 2 446 591, +94 11 2 446 303, +94 11 2 346 422
<b>People's Bank</b> Head Office, 5th Floor Sir Chittampalam A Gardiner Mawatha, Colombo 02  Tel: +94 11 2 781 481, +94 11 2 37 841-9, +94 11 2 446 315/6, +94 11 2 430 561	<b>Standard Chartered Bank</b> 37, York Street P. O. Box 112, Colombo 01  Tel: +94 11 4 794 400, +94 11 2 480 000
<b>Sampath Bank PLC</b> 110, Sir James Peiris Mawatha, Colombo 02  Tel: +94 11 5 331 441	<b>State Bank of India</b> 16, Sir Baron Jayathilake Mawatha, Colombo 01  Tel: +94 11 2 326 133-5, +94 11 2 439 405-6, +94 11 2 447 166, +94 11 2 472 097



<b>Seylan Bank PLC</b> Level 8, Ceylinco Seylan Towers 90, Galle Road, Colombo 03  Tel: +94 11 2 456 789, +94 11 4 701 812, +94 11 4 701 819, +94 11 4 701 829	<b>Union Bank of Colombo PLC</b> 64, Galle Road, Colombo 03  Tel: +94 11 2 374 100
<b>National Savings Bank</b> 255, Galle Road, Colombo 03  Tel: +94 11 2 573 008-15	<b>Pan Asia Banking Corporation PLC</b> Head Office 450, Galle Road, Colombo 03  Tel: +94 11 2 565 565
<b>Public Bank Berhad</b> 340, R A De Mel Mawatha, Colombo 03  Tel: +94 11 2 576 289, +94 11 7 290 200-07	



# ***Siyapatha***

**F I N A N C E**

member  ***Sampath Bank Group***

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