



# *Radiant*

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SIYAPATHA FINANCE PLC | ANNUAL REPORT 2015



***Siyapatha***  
**FINANCE PLC**

member  **Sampath Bank Group**

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Siyapatha Finance PLC  
Annual Report 2015

**Siyapatha**  
FINANCE PLC

member  **Sampath Bank Group**

A TRUSTED FINANCE COMPANY WITH A BANKING MINDSET, WE HAVE ALWAYS PLACED ETHICS AND INTEGRITY AT THE PINNACLE OF ALL OUR ENDEAVOURS AND WE HAVE IN TURN EARNED THE TRUST AND RESPECT OF THE STAKEHOLDERS WHO BELIEVE IN THE WAY WE DO BUSINESS. REACHING OUT TO NEW MARKETS AND NEW OPPORTUNITIES, SIYAPATHA FINANCE PLC IS RADIATING A RENEWED VISION AND PURPOSE WITHIN AS WELL AS ON THE OUTSIDE, AS WE EMBARK ON THE NEXT LEG OF OUR JOURNEY TOWARDS PROSPERITY.



# INTEGRATED

**WE ARE HAPPY TO PRESENT OUR INTEGRATED REPORT EXPLAINING OUR PERFORMANCE FOR THE FINANCIAL YEAR 2015. THIS INTEGRATED REPORT FOLLOWS GRI G4 'IN ACCORDANCE' - CORE GUIDELINE PUBLICATION.**

## ABOUT THIS REPORT

We are happy to present our integrated report explaining our performance for the financial year 2015. This integrated report follows GRI G4 'In accordance' - Core guideline publication. Through this Annual Report we seek to maintain an integrated set of measures that incorporates value creation, brand management, channel management, business sustainability, stakeholder engagement, governance practices and risk management. All matters deemed material to our business and the interests of our stakeholders have been included in this report.

This annual report consists of five main sections.

- \* Section 1 describes the Company and its 11 year history, while reports by the Chairman, Managing Director and outgoing CEO elaborate on how the Company has progressed. Financial and Non Financial highlights included in this section give a glimpse of the Company's performance for the year 2015.
- \* Integrated management discussion and analysis is given in Section 2 and provides a host of information which would be of value to our stakeholders. Information on the Board of Directors, their profiles and various Committees of the Board are also provided in this section, in addition to details of corporate and senior management and branch managers of the Company.
- \* Section 3 is devoted to corporate governance and steps that have been taken by the Company and its Board of Directors to ensure adherence to statutory and regulatory requirements. It also deals with the Company's risk management strategies and the manner in which it complies with the Code of Best Practice on Corporate Governance.

- \* All vital information relating to the Company's financial performance is included in Section 4, which also consists of the Directors' statement on internal control over financial reporting and the independent auditor's report.
- \* The final Section comprises supplementary information such as "Financial Value Addition", "Economic Value Addition", capital adequacy, our approach to sustainability reporting, GRI content index and Independent Assurance Report. The 10 year summary provided in this section helps stakeholders to grasp the progress the Company has achieved during the period in which it has been in operation.

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

### THE REPORTING PERIOD

This integrated Annual Report covers the 12-months period from 1 January 2015 to 31 December 2015. The most recent previous year report published by the company was in the year 2014.

### RESTATEMENTS, SCOPE AND ASPECT BOUNDARIES

This is the second annual report in which we applied GRI G4 'In accordance' - Core guideline publication on sustainability reporting. Gold Dream product was launched in the month of February 2016. Hence Product Branding Matrix of Annual Report 2014 has to be corrected. There are no restatements of the report on previous year's information except above. There are no significant changes in the scope and aspect boundaries of this report.

**OUTLOOK STATEMENTS**

The management discussion analysis contains information based on our interpretation of current and future events. However, it is felt that the reader should seek expert professional advice when making conclusions on aspects reported.

**Contact**

Inquiries relating to the information presented in the Annual Report should be addressed to:

**Chief Operating Officer**

Siyapatha Finance PLC  
No:46/12, Sayuru Sevana,  
Nawam Mawatha,  
Colombo 02.

Tel : 0117-605605

Fax : 0117-605606

## ABOUT US

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

Over the 11 years in operation, it has grown to be the largest subsidiary of Sampath Bank PLC and has contributed favourably towards the overall strategic goals of the Group, and the Company has been directed by a highly dynamic and motivated team of industry professionals.

In year 2015 the entity was re-branded with a new identity 'Siyapatha' which denotes the theme of 'Trust and Excellence' to better serve the interests of our customers, subsequent to receiving a finance company license by the Monetary Board of the Central Bank of Sri Lanka. The Company has earned for itself a credit rating of 'A-' with a Stable outlook from M/S Fitch Rating Lanka Ltd, which is an internationally-accredited rating agency.

Coupled with the synergies gained from our parent bank, we always strive to provide more customer-centric service solutions to SME and Corporate markets. Our product portfolio initially consisted of leasing, hire purchase and debt financing (factoring). In the year 2013, the Company initiated its pawning business, thereby expanding the operational horizon and its breadth of financial products and obtained the necessary approvals from the Central Bank of Sri Lanka to solicit public deposits. During the year the company achieved significant growth levels in its asset financing, gold financing and factoring portfolios, irrespective of the prevailing unfavourable market conditions and uncertainties caused by movements of macro environmental forces.

Our operations are limited to Sri Lanka and in our short journey we have been able to expand our presence all over the country

including the North East. The company is powered by a young and energetic staff which believes in team work. We always encourage skilled and innovative young people to join us, to reach high levels of performance and competition. This is part of our Corporate Social Responsibility; we seek to enrich young individuals to better their aspirations. We ensure our business practices in within the interest of our all stakeholders.

## OUR VALUES



BEING CUSTOMER CENTRIC.



MAINTAINING ETHICAL & PROFESSIONAL STANDARDS.

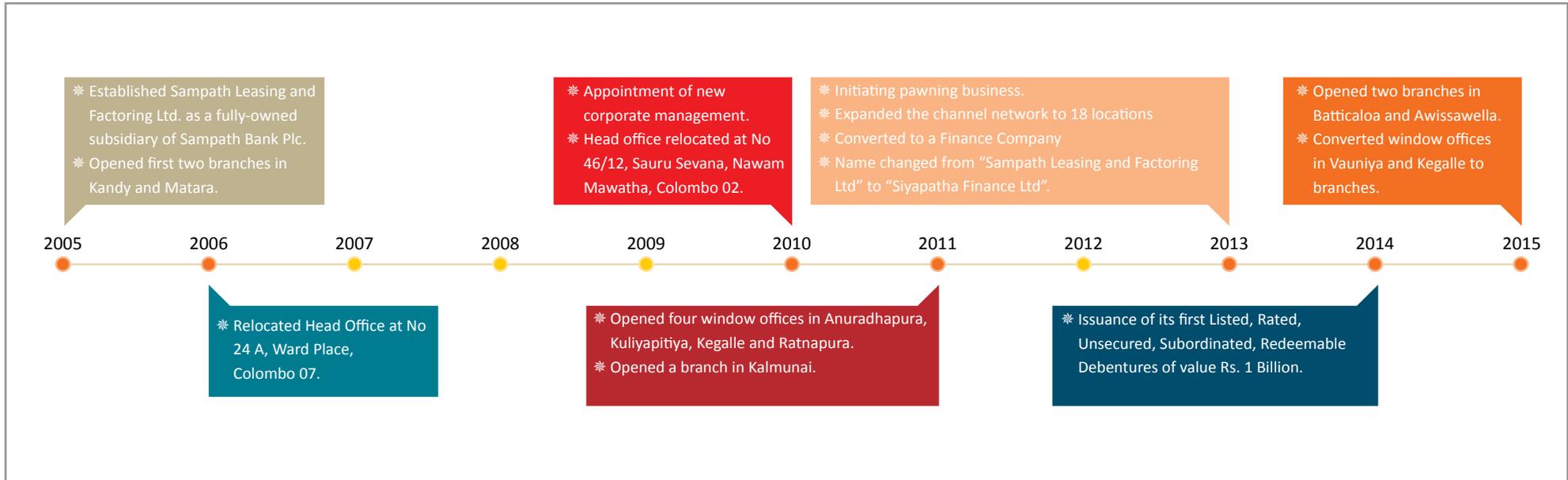


EMPOWERMENT OF EMPLOYEES.



LEARNING CULTURE.

## OUR HISTORY

**AWARDS AND ACCOLADES**

- Winner of Silver Award in the Specialized Leasing Company category at the Annual Report Awards 2011 held by Institute of Chartered Accountants of Sri Lanka.
- Winner of Silver Award in the Specialized Leasing Company category at the Annual Report Awards 2012 held by Institute of Chartered Accountants of Sri Lanka.
- Winner of Gold Award in the Specialized Leasing Company category at the Annual Report Awards 2013 held by Institute of Chartered Accountants of Sri Lanka.
- Winner of Certificate of Compliance at the Annual Report awards 2015 held by Institute of Chartered Accountants of Sri Lanka.

**RATINGS**

Fitch rating 'A-(lka)' Stable 2015

**MEMBERSHIPS**

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

## MATERIALITY ASSESSMENT

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

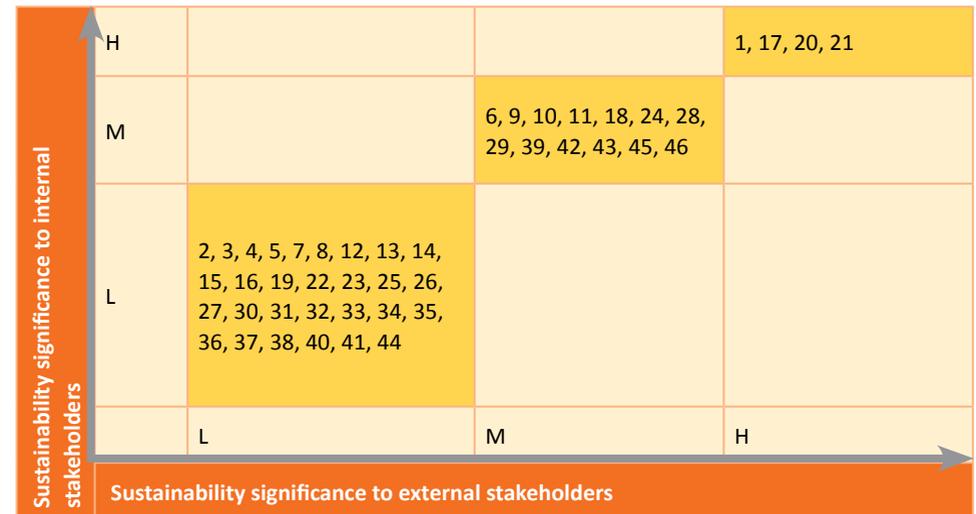
In structuring the flow of information and determining materiality, we observe each aspect in light of the management ethos pertaining to the particular stakeholder group. Accordingly, a number of quantitative and qualitative tools are used to obtain a deeper understanding of the large volume of information.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

	Aspect	Significance in terms of sustainability context	Materiality	
			Internal Stakeholders	External Stakeholder
	<b>Economic</b>			
1	Economic Performance	High	High	High
2	Market Presence	Low	Low	Low
3	Indirect Economic aspects	Low	Low	Low
4	Procurement Practices	Low	Low	Low
	<b>Environmental</b>			
5	Material	Low	Low	Low
6	Energy	Moderate	Moderate	Moderate
7	Water	Low	Low	Low
8	Biodiversity	Low	Low	Low
9	Emissions	Moderate	Moderate	Moderate
10	Effluents and waste	Moderate	Moderate	Moderate
11	Products and services	Moderate	Moderate	Moderate
12	Compliance	Low	Low	Low
13	Transport	Low	Low	Low
14	Overall	Low	Low	Low
15	Supplier Environment Assessment	Low	Low	Low
16	Environment Grievance mechanism	Low	Low	Low

	Aspect	Significance in terms of sustainability context	Materiality	
			Internal Stakeholders	External Stakeholder
	<b>Social : Labour practices &amp; Decent work</b>			
17	Employment	High	High	High
18	Labour management relations	Moderate	Moderate	Moderate
19	Occupational health and safety	Low	Low	Low
20	Training and education	High	High	High
21	Diversity and equal opportunity	High	High	High
22	Equal remuneration for women and men	Low	Low	Low
23	Supplier assessment for labour practices	Low	Low	Low
24	Labour practices grievances mechanism	Moderate	Moderate	Moderate
	<b>Social : Human rights</b>			
25	Investment	Low	Low	Low
26	Non discrimination	Low	Low	Low
27	Freedom for association and collective bargaining	Low	Low	Low
28	Child labour	Moderate	Moderate	Moderate
29	Forced and compulsory labour	Moderate	Moderate	Moderate

	Aspect	Significance in terms of sustainability context	Materiality	
			Internal Stakeholders	External Stakeholder
30	Security practices	Low	Low	Low
31	Indigenous rights	Low	Low	Low
32	Assessments	Low	Low	Low
33	Supplier human rights assessments	Low	Low	Low
34	Human rights grievances mechanism	Low	Low	Low
<b>Social : Society</b>				
35	Local communities	Low	Low	Low
36	Anti corruption	Low	Low	Low
37	Public policy	Low	Low	Low
38	Anti competitive behaviour	Low	Low	Low
39	Compliance	Moderate	Moderate	Moderate
40	Supplier assessment for impact on society	Low	Low	Low
41	Grievance mechanism for impact on society	Low	Low	Low
<b>Social : Product &amp; Responsibility</b>				
42	Customer health & safety	Moderate	Moderate	Moderate

	Aspect	Significance in terms of sustainability context	Materiality	
			Internal Stakeholders	External Stakeholder
43	Product and service labelling	Moderate	Moderate	Moderate
44	Market communications	Low	Low	Low
45	Customer privacy	Moderate	Moderate	Moderate
46	Compliance	Moderate	Moderate	Moderate



## FINANCIAL HIGHLIGHTS

	2015	2014	Change %
<b>Profitability (LKR Mn)</b>			
Gross revenue	2,212.49	1,989.17	11.23%
Total operating income	1,381.54	1,198.24	15.30%
Operating expenses, impairment losses and VAT & NBT on financial services	822.38	792.68	3.75%
Profit before taxation	559.15	405.56	37.87%
Taxation	174.63	145.38	20.12%
Profit for the year	384.52	260.18	47.79%
<b>Assets &amp; Liabilities (LKR Mn)</b>			
Due to other customers (Deposits only)	1,233.04	-	100.00%
Loans and receivables	13,529.24	9,593.31	41.03%
Shareholders' funds	1,611.13	1,311.64	22.83%
Total assets	14,639.33	10,417.79	40.52%
<b>Investor Information</b>			
Net asset value per share (LKR)	30.69	24.98	22.83%
Earnings per share (LKR)	7.32	4.96	47.79%
Dividend per share (LKR)	1.10	0.60	83.33%
Dividend pay out ratio (%)	15.02%	12.11%	
<b>Other key indicators</b>			
Impairment allowance on loans & receivables	2.99%	3.67%	
Return on average assets (%)			
-before tax	4.19%	3.94%	
-after tax	2.88%	2.53%	
Return on equity(after tax) (%)	25.91%	21.83%	
Cost to income ratio (%)	49.21%	45.73%	
Liquid assets ratio (%)	7.53%	7.70%	
Capital adequacy ratios (%)			
-Tier I	12.25%	13.95%	
-Tier I + Tier II	18.34%	20.92%	
Debt/Equity ratio (Times)	4.42	3.61	
Interest cover (Times)	1.84	1.73	
Fitch rating	A-(lka) Stable	A(lka) Stable	



LKR 384.52 Mn

PROFIT AFTER TAX

47.79%

PROFIT AFTER TAX GROWTH



LKR 14.64 Bn

TOTAL ASSETS

40.52%

TOTAL ASSETS GROWTH



LKR 1.23 Bn

CUSTOMER DEPOSITS

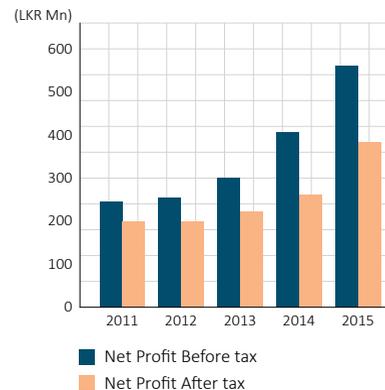
**FINANCIAL GOALS & ACHIEVEMENTS**

	Goal	Achievement				
		2015	2014	2013	2012	2011
Return on average assets (%)	Above 2.5%	<b>2.88%</b>	2.53%	2.64%	4.03%	6.69%
Return on average equity (%)	Above 15%	<b>25.91%</b>	21.83%	21.74%	25.46%	33.16%
Growth in profit after tax (%)	Above 15%	<b>47.79%</b>	17.74%	10.36%	1.12%	55.54%
Growth in assets (%)	Above 15%	<b>40.52%</b>	15.94%	54.64%	40.90%	129.11%
Cost to income ratio	Below 50%	<b>49.21%</b>	45.73%	51.60%	45.36%	45.79%
Capital adequacy ratios:						
Tier I (Minimum ratio of 5%)	Above 10%	<b>12.25%</b>	13.95%	12.44%	17.77%	16.97%
Tier I + Tier II (Minimum ratio of 10%)	Above 15%	<b>18.34%</b>	20.92%	12.44%	17.77%	16.97%

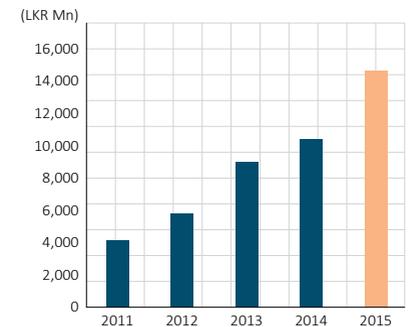
**Gross Revenue**



**Profit Before Tax  
Profit After Tax**



**Total Assets**



## NON FINANCIAL HIGHLIGHTS



## CUSTOMERS

GROWTH IN NUMBER OF CUSTOMERS

54.81%

CUSTOMER DEPOSITS

LKR 1.2 Bn

GROWTH IN NUMBER OF BRANCHES

11%



## GOVERNMENT

TAXES PAID TO GOVERNMENT

LKR 262.59 Mn



## EMPLOYEES

TOTAL NUMBER OF EMPLOYEES:

328

AVERAGE HOURS OF TRAINING PER EMPLOYEE:

14.9 Hours

PROFIT PER EMPLOYEE:

LKR 1.17 Mn

*Radiating  
Prosperity*

The background is a solid orange color. At the bottom center, there is a series of white, curved lines that radiate outwards and upwards, creating a sense of expansion and growth. The lines are thin and closely spaced, forming a fan-like pattern that fills the lower half of the image.





## CHAIRMAN'S MESSAGE

Siyapatha Finance plays a unique role in the Financial Industry of Sri Lanka. By taking on the task of promoting and supporting the development of the economy and society, we ensure that our clients receive all the aid they need in securing their financial future.

### PERFORMANCE OF NON-BANK FINANCIAL INSTITUTIONS

Performance levels in the LFC/SLC sector have remained stable throughout 2015 in terms of the expansion of both business volumes and outreach thanks to the extended economic activities, the appropriate policy initiatives and supportive regulatory and supervisory measures.

With regard to Central Bank announcements, the number of assets of the LFC/SLC sector expanded at faster pace in 2015. The total number of assets grew by 22.3% amounting to LKR 181.6 billion in 2015 in comparison to the 19% growth in 2014. The growth of assets was largely supported by the increase in borrowings by 44.6% and deposits by 16.1%. Furthermore, funds mobilized were largely utilized in the granting of loans and advances.

Throughout 2015, the sector experienced a strong demand for credit on vehicle leasing and other secured loans. During 2015, the LFC/SLC sector recorded an after-tax profit of LKR 15.2 billion compared to LKR 14.8 billion in 2014. However, despite improvements in core business operations, the prominent increase of operational costs contributed mainly to the moderation of profits. The net interest income picked up remarkably by 32% to LKR 82 billion in relation to the expansion of the credit portfolio, particularly due to increasingly higher yields on micro-finance lending and finance leasing portfolios. This has resulted in the growth of the net interest margin by 8.7% in 2015 from 8.0% in 2014.

### OUR PERFORMANCE

I take great pleasure in presenting some of the most notable points of our performance in 2015, which was an extremely rewarding year for Siyapatha Finance PLC. The company recorded the highest-ever top and bottom lines at the end of the financial year of 2015.

In line with the growth of the whole financial sector, we recorded a strong performance in 2015 with a profit of LKR 384 million, showing a growth of 48% compared to 2014. Total assets increased to LKR 14.6 billion with an increase of 40% in comparison to 2014, with 97% of the total assets recorded in interest earning assets amounting to LKR 14.1 billion in 2015.



**“THE COMPANY WILL BE MAKING DEFINITE PROGRESS TOWARDS REACHING THE LONG-TERM GOAL OF BECOMING A HYBRID MINI BANK, WHILE EXPANDING ITS PRODUCT BREADTH BY ADDING ON A BROADER CONTINUUM OF FINANCIAL PRODUCTS THAT ARE DEFINED AS TRADITIONAL BANKING PRODUCTS”**

## Chairman's Message Contd.

**IN LINE WITH THE GROWTH OF THE WHOLE FINANCIAL SECTOR, WE RECORDED A STRONG PERFORMANCE IN 2015 WITH A PROFIT OF LKR 384 MILLION, SHOWING A GROWTH OF 48% COMPARED TO 2014. TOTAL ASSETS INCREASED TO LKR 14.6 BILLION WITH AN INCREASE OF 40% IN COMPARISON TO 2014, WITH 97% OF THE TOTAL ASSETS RECORDED IN INTEREST EARNING ASSETS AMOUNTING TO LKR 14.1 BILLION IN 2015.**



**DIVIDEND PAY OUT RATIO**

15.02%

Further, we began mobilizing customer deposits during the year under review and recorded momentous growth amounting to LKR 1.23 billion.

Taking into account the overall performance of the company, I am pleased to inform the shareholders that the Board of Directors has decided to propose a final dividend of LKR 1.10 per share with a dividend payout ratio of 15%, which is the highest in the history of the company.

#### **OUR PRIORITIES WHILST MOVING FORWARD**

A series of key points have been identified and prioritized by the Board of Directors, which will be given special attention in the coming year.

While working closely with Sampath Bank, the company itself will be making definite progress towards reaching the long-term goal of becoming a hybrid mini bank, while expanding its product breadth by adding on a broader continuum of financial products that are defined as traditional banking products.

The following steps will be initiated during the coming years: A conscious effort is being made to develop a wider spectrum of banking solutions, including housing loans, business loans, trade finance, educational loans, etc., in addition to the traditional leasing, gold financing and factoring products will be offered. This is with the aim of capturing a broader fragment of the island-wide micro and SME market.

We will continue to expand by investing in employee training and development that meet the expectations of stakeholders. Strengthening our usage of technology will enable us to improve our operational efficiencies, which will definitely improve our

customer service. We will also expand our market presence through new branches, while dramatically improving the delivery of our products and services as well.

#### **OUR COMMITMENT**

The Company's vision is reflected in our decision to produce an integrated Annual Report once again, with a review of the operational and financial performance of the company.

#### **APPRECIATION**

In closing, I wish to thank for the contributions made by the Department of Supervision of Non Banking Financial Institutions of the CBSL, our auditors, fund arrangers, bankers, our parent company Sampath Bank PLC, and its Chairman and Board of Directors, my colleagues of the Board of Siyapatha for their guidance and valued contributions to our progress, the CEO and the management for their leadership and commitment and entire employees of the Company for their competence in bringing new strategies. Finally I wish to thank the customers and partners for their continued loyalty.

**Channa Palansuriya**  
Chairman

Colombo, Sri Lanka  
20 May 2016



## MANAGING DIRECTOR'S MESSAGE

Siyapatha Finance entered the financial services industry in 2005 as Sampath Leasing and Factoring Ltd., and was later renamed as Siyapatha Finance PLC. During this 11 year period, Siyapatha became an emerging player in the financial industry and recorded a post-tax profit of LKR 384 Mn for the year ended 31 December 2015, mainly due to the dedicated efforts of the outgoing CEO, Roshan Nanayakkara and the Siyapatha team.

We commenced our business as a traditional finance, company acquiring sizable business volumes from the market, but need to now change our line of business with the changes taken place in market dynamics. The competition coming from banks and other finance companies is enormous in addition to the decline in demand for our traditional business, leasing, due to the upward revision of duty structures and the increase in CIF values of vehicles, as a result of the upward trend in exchange rates. In order to expand business volumes to maintain profitability of the Company, we moved into new lending areas, including micro and SME segments. We will introduce products catering to these customer segments with value additions, at attractive prices to our customers. We will focus on the micro/SME segments that look for business startup capital and working capital for running their business ventures.

Traditionally, we depended on borrowed funds to finance our lending portfolio and with increase in the market prices our cost of borrowing also increased and adversely affected our profitability. Therefore, as a licensed finance company we started mobilizing customer deposits with a view to reduce dependence on borrowed funds. Within a short period we surpassed LKR 2.5 Bn due to attractive prices and customer friendly strategies adopted by the Company. In addition to fixed deposits, we intend to introduce savings deposit accounts to our customers giving them the opportunity to earn higher interest rates while enjoying all value added services, including the ability to withdraw from ATMs, pay for purchases as a shopping card and payment of utility bills at ATMs and via Internet.

Presently we operate with 22 branches and intend to add eight more branches to our network during the year 2016. We believe that with expansion of network we can support development of local economies directly and indirectly as catalyst.



**“WE WILL USE CROSS FUNCTIONAL TEAMS TO THE MAXIMUM TO IMPROVE WORK FLOWS AND MINIMIZE TRANSACTION TIME TO IMPROVE CUSTOMER SERVICE, MAXIMIZING LEVERAGE ON TECHNOLOGY”**

**WE WILL LEVERAGE ON THE STRENGTHS AND THE BRAND IDENTITY OF SAMPATH BANK IN IMPROVING OUR SERVICES AND BUILDING CONFIDENCE AMONG OUR CUSTOMER BASE. THE GUIDANCE, DIRECTIONS AND SUPPORT SERVICES FROM SAMPATH BANK ARE ENORMOUS IN PLANNING AND MANAGING OUR BUSINESS.**

Training is one of the key priority areas for 2016 and we will provide necessary training support to our team to improve knowledge and skills to face challenges and to take up opportunities created with in the organization. In addition, we will use cross functional teams to the maximum to improve work flows and minimize transaction time to improve customer service, maximizing leverage on technology.

As a fully owned subsidiary of the Samapth Group, we are supported by one of the strongest private banks in the country. We will leverage on the strengths and the brand identity of Sampath Bank in improving our services and building confidence among our customer base. The guidance, directions, support and services from Sampath Bank is enormous in planning and managing our business.

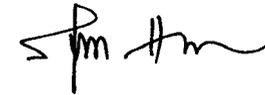
I take this opportunity to thank the Chairman and the Board of Directors of Siyapatha and the Chairman and the Board of Directors of the parent company Samapth Bank, for their guidance, directions and support. We are privileged to work with such a team with vision and wisdom.

I also take this opportunity to thank my predecessor Roshan Nanayakkara, former CEO, for all the support given to me during the short period I worked with him. I wish him all success in his career endeavors.

## Managing Directors Message Contd.

We would like to especially thank our regulators, the Central Bank of Sri Lanka for their guidance, directions and support in regulating our businesses.

At last but not least I would like to mention the most valuable asset of our Company, Team Siyapatha . I am privileged to work with such a talented and a dedicated young team. With the spirit and the enthusiasm of team Siyapatha, achieving the goals for 2016 would not be difficult and my intention is to make Siyapatha Finance PLC a great place to work.



**Saman Herath**  
*Managing Director*

Colombo, Sri Lanka  
26 April 2016



## OUTGOING CHIEF EXECUTIVE OFFICER'S MESSAGE

### WHAT WAS ACHIEVED IN THE LAST SIX YEARS

The year under review was by far the best year for the Company in terms of its performance. Top line matrix as well as bottom line results far exceeded those achieved in previous years. The Company achieved Profit Before Tax of LKR 559 million which was well in excess of the previous year's Profit Before Tax of LKR 405 million. This represents an increase of 38%.

Similarly, Profit After Tax grew from LKR 260 million in 2014 to 385 million in 2015 representing an increase of 48%.

Top line new lending in respect of Finance Leases, Hire Purchase advances, Vehicle Loans, Gold Financing and factoring amounted to LKR 13.52 billion during financial year 2015, an increase of LKR 3.94 billion.

Since the Company returned to profitability in year 2010, during the last five years commencing financial year 2010 to 2015, total aggregate profit of the Company is LKR 1.02 billion. Total asset of the Company grew by LKR 4.22 billion to reach LKR 14.64 billion at the end of financial year 2015.

Compounded Annual Growth Rate of total assets was 52.07%, which well exceeded the aggregate Capital Assets Growth Rate of the Non Bank Financial Institution sector during the year 2015. Total staff number grew to 328 by end 2015 & branch network increased from 18 in 2014 to 20 in 2015.

### WHAT TO EXPECT THE FUTURE OF NON BANK FINANCIAL INSTITUTIONS SECTOR

Non Bank Financial Institutions will soon shed their traditional approach to doing business if they are to be congruent with how financial services will evolve in the future. Finance companies typically provide advances in the form of leases and are more assets centric in their lending. A paradigm shift is required if Non Bank Financial Institutions are to align with the emerging economy which is more transaction based and where people planet and changes are aligned. The new financial services & products that have holistic value, in that one singular product will provide coverage to either buyer home to take lease, personnel loan, credit card, it's for the customer to utilize in his life style. Further a wider channel footprint would not be necessary as most financial transactions will be electronically transmitted with minimal face to face interventions.



**“DURING THE LAST FIVE YEARS COMMENCING FINANCIAL YEAR 2010 TO 2015, TOTAL AGGREGATE PROFIT OF THE COMPANY WAS LKR 1.02 BILLION. TOTAL ASSETS OF THE COMPANY GREW BY LKR 4.22 BILLION TO REACH LKR 14.64 BILLION AT THE END OF FINANCIAL YEAR 2015”**

## The Chief Executive Officer's Message Contd.

**THE NEW FINANCIAL SERVICES & PRODUCTS THAT HAVE HOLISTIC VALUE, IN THAT ONE SINGULAR PRODUCT WOULD PROVIDE COVERAGE TO EITHER BUYER HOME TO TAKE LEASE, PERSONNEL LOAN, CREDIT CARD, IT'S FOR THE CUSTOMER TO UTILIZE IN HIS LIFE STYLE**

Further in developing the future of NBFI sector would be highly regulatory environment & policy makes would also expect them to bring about a wider financial inclusion to cover house hold as well as entrepreneurs.

Human capital requirement would not be as high as at present since transactions bond financial services would be the practice based model.

**APPRECIATIONS**

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



**Roshan Nanayakkara**  
*Chief Executive Officer*

Colombo, Sri Lanka  
26 April 2016

***Radiating  
Growth***



## ECONOMIC REVIEW

### MACRO ECONOMIC OVERVIEW

According to statistics provided by the Central Bank of Sri Lanka, the real economic growth of the country was 4.8% in year 2015. The slowdown of the economy was due to the volatility in traditional export and import markets. However the negative impact was settled to some extent due to lower international commodity prices.

On the production side, the Agriculture sector grew by 5.5% during the year and the Service sector contributed 56.6% of GDP and grew by 5.3% within the same year. This was mainly supported by growth in financial services of 15.8%. Meanwhile industry related activities grew by 3.00% during 2015.

By end 2015 headline inflation was recorded at 2.8% compared to 2.1% at end December 2014. The budget deficit grew by 7.4% of GDP against the target deficit of 4.4% in 2015. This was mainly due to the enhanced growth of bank credit and higher wages offered to government workers and employees in other economic sectors.

### Tax

From the point of government income, several measures were introduced to streamline the tax system in 2015. Accordingly Income Tax, PAYE tax, Concessionary income tax and Super gain tax schemes were restructured. The VAT base was expanded and the applicable rate was lowered to 11% from 12% during the year.

Further the government applied several measures to increase revenue collection from excise tax in 2015. Accordingly, excise (Special Provisions) duty rates on cigarettes and excise tax rates on liquor were revised upwards. In addition, excise duty on motor vehicles less than 1000 cc was revised downwards and excise duty on hybrid motor vehicles revised upwards during the year.

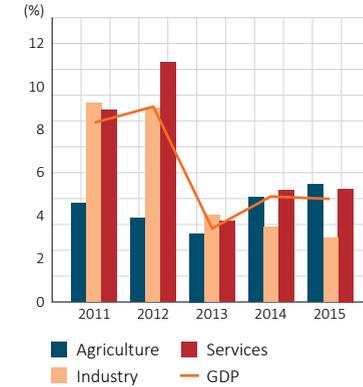
### INTEREST RATES

Benefiting from the low inflation conditions, market interest rates remained low throughout the year.

The deposit rates offered by commercial banks reached their lowest rate, 5.83% in April 2015 and thereafter deposit rates gradually increased.

Meanwhile the Average Weighted Lending Rate (AWLR) showed a declining trend in the early quarters of the year and then gradually increased by end December 2015.

Annual Growth Rate



Inflation



Reflecting the gradual rise in upward pressure on short term lending rates during the year, the weekly average weighted prime lending rate (AWPR), which is computed based on interest rates applicable on loans and advances granted by commercial banks to their prime customers, increased to 7.53 per cent by end 2015 from 6.26 per cent at end 2014.

### FINANCIAL SECTOR DEVELOPMENTS

The financial sector showed improved performance in 2015 without causing any major macro-prudential concerns, supported by a continual expansionary monetary policy and improved macroeconomic performances.

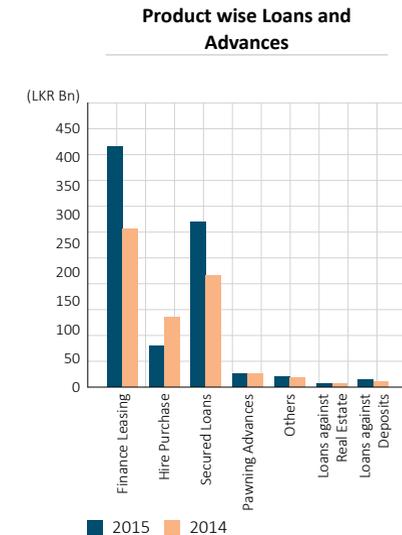
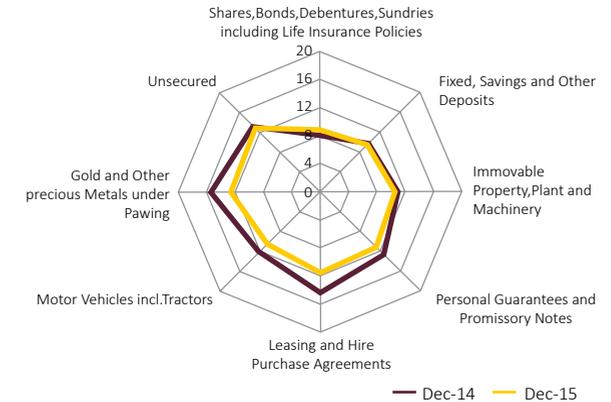
Business operations of the banking sector expanded, supported by increased credit demand against the backdrop of the low interest rate regime, increased profits and internal capital generation, which augmented the cushion available in the sector for absorbing risks arising from any adverse shocks. Asset quality of the banking sector improved during the year. The finance and leasing companies sector also recorded improved performance as reflected in its increased relative share in terms of total assets of the domestic financial system.

### NBFI SECTOR

LFCs and SLCs performed well throughout the year with expansion in assets base and outreach.

Item	2014 (a)		2015 (b)		Change (%)	
	LKR Bn	Share (%)	LKR Bn	Share (%)	2014 (a)	2015 (b)
<b>Assets</b>						
Loans and Advances	604	74.1	796	79.9	15.8	31.8
Investments	110	13.5	100	10	111.9	-9.2
Other	101	12.4	101	10.1	-9.3	-0.4
<b>Liabilities</b>						
Total Deposits	414	50.8	481	48.2	22.8	16.1
Total Borrowings	217	26.7	314	31.6	12.9	44.8
Capital Elements	117	14.3	123	12.4	20.3	5.1
<b>Total Funds</b>	<b>748</b>	<b>91.8</b>	<b>918</b>	<b>92.2</b>	<b>19.3</b>	<b>22.7</b>
Other	67	8.2	78	7.8	14.9	17.9
Total Assets/Liabilities (net)	815	100	996	100	19	22.3

The asset quality of the sector has improved significantly compared to 2014. Gross NPL ratio decreased to 5.7% from 6.9% in 2014. Meanwhile net NPL ratio declined to 1.6% from 2.3% in year 2014. This was mainly due to the higher growth of loan portfolio.



## STAKEHOLDER ENGAGEMENT

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

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

Stakeholder and rationale for selection	Sustainable Business Objective	Engagement Mechanism	Frequency of Engagement	Our Responses / Achievements
<b>INVESTORS</b> Contributors of capital and entrepreneurship	<ul style="list-style-type: none"> <li>* Balancing profitability and sustainable growth</li> <li>* To deliver returns on investment by strengthening governance to support future growth momentum</li> <li>* To establish strong internal processes and policies</li> </ul>	<ul style="list-style-type: none"> <li>* Annual General Meeting</li> <li>* Extra Ordinary General Meeting</li> <li>* Official website</li> <li>* Annual reports</li> </ul>	<ul style="list-style-type: none"> <li>* Annually</li> <li>* Whenever necessary</li> <li>* Regularly</li> <li>* Annually</li> </ul>	<ul style="list-style-type: none"> <li>* Dividends of LKR 57.75 million declared for 2015</li> <li>* Return on equity is reported at 25.91% in 2015 (Industry average - 12.31%)</li> <li>* Cost to income ratio has increased to 49.81% in 2015 compared to 45.73% in 2014</li> </ul>
<b>CUSTOMERS</b> Being at the core of our customer-centric model	<ul style="list-style-type: none"> <li>* Quality customer service</li> <li>* Customer complaint handling</li> <li>* Treat customers fairly and safeguard their interests</li> </ul>	<ul style="list-style-type: none"> <li>* Feedback from visiting customers</li> <li>* Customer surveys via telephone calls</li> <li>* Customer complain handling mechanism</li> <li>* Official website</li> </ul>	<ul style="list-style-type: none"> <li>* Regularly</li> <li>* Regularly</li> <li>* Regularly</li> <li>* Regularly</li> </ul>	<ul style="list-style-type: none"> <li>* Speedy transactions</li> <li>* Superior customer service</li> <li>* Special promotions</li> </ul>
<b>EMPLOYEES</b> Being custodians of customer wealth and guardians of stakeholder interests	<ul style="list-style-type: none"> <li>* Employee well being</li> <li>* Work-life balance</li> <li>* Career development</li> <li>* Recognition and promotion</li> <li>* Ethical practices towards employees</li> </ul>	<ul style="list-style-type: none"> <li>* Open door policy</li> <li>* Grievance procedure</li> <li>* Feedback form</li> <li>* Departmental meetings</li> <li>* Intranet</li> <li>* Training</li> <li>* Get-together/ Events</li> </ul>	<ul style="list-style-type: none"> <li>* Regularly</li> <li>* Regularly</li> <li>* Annually</li> <li>* Regularly</li> <li>* 24/7</li> <li>* Regularly</li> <li>* Regularly</li> </ul>	<ul style="list-style-type: none"> <li>* Effective grievances handling procedure</li> <li>* Continuous training programmes</li> <li>* Staff get-together and events are organized regularly</li> </ul>
<b>REGULATORS</b> Monitoring the compliance of the Company	<ul style="list-style-type: none"> <li>* Ensure compliance on relevance rules and regulations</li> </ul>	<ul style="list-style-type: none"> <li>* Meetings/ Forums with CBSL</li> <li>* Discussion with regulations to ensure compliance</li> </ul>	<ul style="list-style-type: none"> <li>* Periodically</li> <li>* Whenever necessary</li> </ul>	<ul style="list-style-type: none"> <li>* Achieving relevant regulatory deadlines on reporting data</li> <li>* Punctually attending meetings/ forums organized by regulators</li> </ul>
<b>SUPPLIERS</b> Being a direct and indirect source of environmental and social value creation	<ul style="list-style-type: none"> <li>* Ethical business practices</li> <li>* Ethical partnerships</li> <li>* Balance cost considerations with sustainable procurement practices</li> </ul>	<ul style="list-style-type: none"> <li>* Meetings</li> <li>* Visit suppliers</li> <li>* Interaction supported by the purchasing policy</li> </ul>	<ul style="list-style-type: none"> <li>* Regularly</li> <li>* Regularly</li> <li>* Regularly</li> </ul>	<ul style="list-style-type: none"> <li>* Obtaining feedback from suppliers</li> <li>* Meeting with suppliers on a regular basis</li> </ul>

**FINANCIAL REVIEW****FINANCIAL GOALS FOR YEAR 2015****LONG TERM GOALS**

- \* Maintain sustainable Net Interest Yield (NIY) and Net Interest Margin (NIM) based on the risk inherent in the lending portfolio.
- \* Reduce the intermediation costs through operational efficiencies over the period. Measurements would be made through cost to income ratio and percentage increase in operating cost vs general rate of inflation
- \* Achieve average Return on Assets (ROA) and average Return on Equity (ROE), EPS above industry averages.

	2015		2014		Change	Industry Average
	Achieved	Goals Set	Achieved	Goals Set		
ROA	2.88%	2.91%	2.53%	2.64%	0.35%	3.0%
ROE	25.91%	25.46%	21.83%	20.93%	4.08%	12.3%
EPS - LKR	7.32	7.23	4.96	4.76	2.36	
Cost to Income	49.21%	48.01%	45.73%	44.99%	3.48%	
Net Assets Per Share LKR	30.69	31.71	24.98	24.81	5.71	

- \* Maintain high capital adequacy status to compensate for the risk inherent in assets and liabilities, and in particular repricing risks associated with interest earning assets and interest paying liabilities. Further the quality of interest earning lending assets to be maintained at high level. (Measurement: Gap analysis, NPL ratio, net NPL ratio)
- \* Consistent dividend policy to provide satisfactory and sustainable return on investment to shareholders. (Measurement: DPS, dividend payout ratio, dividend yield %)
- \* Transparency, accountability and good governance in financial reporting.
- \* High level of compliance in the context of financial reporting which includes statutory deadlines and compliance with LKAS/ SLFRS and directives issued by regulators.

**SHORT TERM GOALS**

- \* Compliance with financial reporting framework of the country and maintain high level of compliance with regard to directions issued by regulators and compliance with prevailing tax laws.

- \* Provision of timely and accurate financial information for decision making to senior management and to the Board of Directors.
- \* Maintain and improve internal control framework/provide requirements for automated platforms which provide inputs to financial reporting in order to enhance the reliability of financial information.
- \* Effective treasury management which is key to the lower the cost of funds and to drive interest spreads to achieve forecast profits.
- \* Effective financial planning excise and monitoring mechanism to identify variances/ necessary rectifications.

**SUMMARY OF RESULTS**

The Company views its financial performance against performance targets/ standards set by us, and also against peers. This results in relatively high performance standards. Further, we are committed to transparent, accountable, good governance and ethical practices, in our financial reporting.

The Company's performance for the year under review was satisfactorily above the previous year and the Company has consistently maintained a Compound Annual Growth Rate (CAGR) of 18.05% over the last five years. Further, the performance measures considered were not limited to the profitability indicators such as ROA, ROE and EPS. Human capital, new channels and product performance have also been analyzed and measured as contributory factors towards overall profitability.

With increase of profit after tax, the following dividend payout ratios were maintained from 2011.

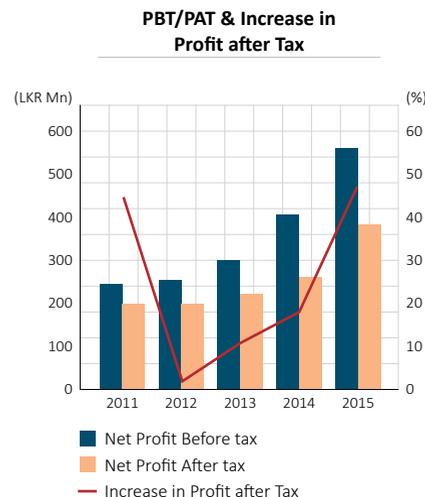
Financial Year	Profit Before Tax (PBT) (LKR 000)	Profit After Tax (PAT) (LKR 000)	Gross Dividend (LKR 000)	EPS (LKR)	Dividend per share (LKR)	Dividend Pay Out Ratio	Payment Date
2011	244,283	198,015	19,950	3.77	0.38	10.07%	25th September 2012
2012	251,987	200,235	21,525	3.81	0.41	10.75%	30th September 2013
2013	301,282	220,981	21,525	4.21	0.41	9.74%	30th September 2014
2014	405,555	260,177	31,500	4.96	0.6	12.11%	5th June 2015
2015	559,153	384,524	57,750	7.32	1.1	15.03%	On or before 30 September 2016

**PROFITABILITY**

The Company’s profits increased during the year 2015 to record a pre tax figure of LKR 559 million an increase of LKR 154 million from the previous year. This represented an increase of 37.87% from the previous year. The post tax profits also increased to LKR 384 million in year 2015, an increase of 47.79% from the previous year. The percentage increase in post tax profits although not substantial in line with the goals set for year 2015 still reflected an increase in excess of inflationary values that prevailed for most of the year. The post tax profits also represented as much as 5.80% of the total Group profits for the year 2015 (year 2014 – 4.92%).

The major contributors towards the increase in profits were the increased Net Interest Income, fee based income and decline in provisions for impairments with the credit quality maintained. An abridged form of the income statement is shown below indicating the changes to each major item of income and expense during the year 2015.

	2015 LKR Million	2014 LKR Million	Change %
<b>Results For the Year</b>			
Interest Income	1,974	1,838	7%
Interest Cost	825	778	6%
<b>Net Interest Income</b>	<b>1,149</b>	<b>1,060</b>	<b>8%</b>
Other Income	232	139	67%
Impairment Charges/ (Reversal) for Loans and Other Losses	49	183	-73%
Operating Cost	683	548	24%
<b>Net Income Before VAT on Financial Services</b>	<b>650</b>	<b>467</b>	<b>39%</b>
Financial Services VAT	93	61	53%
<b>Profit Before Taxation from Operations</b>	<b>557</b>	<b>406</b>	<b>37%</b>
Taxation (Effective Tax Rate : 2015 - 31.23%, 2014 - 35.84%)	174	145	20%
<b>Net Profit After Taxation</b>	<b>382</b>	<b>259</b>	<b>47%</b>



Our analysis continues by commenting on the sources and distribution of income for the year under review and giving reasons for variances.

### SOURCES OF INCOME

#### Gross Revenue

- \* Asset financing – finance leases, hire purchases and vehicle loans
- \* Factoring
- \* Gold Financing
- \* Repo income
- \* Fee based income

#### Total gross revenue

Total revenue consists of both Interest Income and non- interest income sources. SFP being a finance company, income dealing in the main fund based financial products derives the majority of its income from ‘Interest based sources’. During the year 2015, total gross revenue rose to LKR 2,212 million from LKR 1,989 million in 2014. This represented an increase of 11.23%. Interest Income sources were derived from finance lease, hire purchase advances, debt factoring and gold financing. In analyzing the total gross revenue, it is observed that interest income represented as much as 89.22% of total gross revenue in the year 2015. In Year 2014 interest income represented 92.38% of total gross revenue. Fee based income or non interest income which is directly correlated to lending operations also increased in line with the increased lending operations. Total fee based income increased from LKR 151.63 million in 2014 to LKR 238.56 million in year 2015, an increase of 57.34%

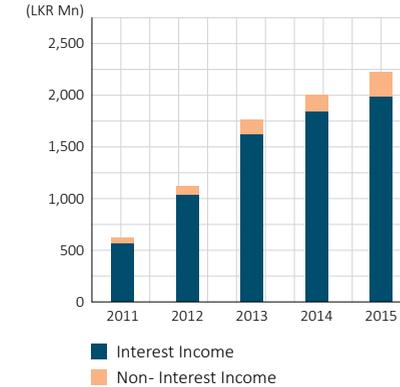
#### Interest Income

Total interest income for year 2015 recorded at LKR 1,989.90 million, grew by 8.29% from the previous year. As stated, interest income was mainly derived from asset financing products such as finance leasing, hire purchase advances, vehicle loans, factoring advances and gold financing receivables. Apart from lending products, interest collected on defaulted rentals and interest income on treasury bills and fixed deposits placed with banks were other main contributors of interest income. The growth in the loan advances portfolio pushed up interest income.

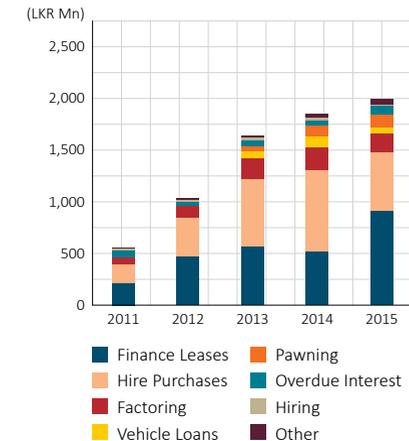
The business of gold financing which commenced in year 2013 is still at an infancy stage in terms of product maturity. Component analysis of interest income evidenced that asset financing products such as finance leases, hire purchase advances and vehicle loans accounted for 77.72% of total interest income in year 2015 (year 2014 =77.05%).

Interest income on asset financing products (finance leases, hire purchases and vehicle loans) was 77.72% from total gross revenue in 2015 compared to 77.05% in 2014. Factoring income was 9.65% from total gross revenue in 2015 as against 11.91% in 2014. Gold financing income was 5.99% of total gross revenue in 2015 compared to 5.46% in 2014. The contribution to interest income of the above products almost remain unchanged in 2015 compared to 2014.

#### Aggregate Gross Revenue



#### Interest Income Components



**DISTRIBUTION OF INCOME**

**Expenses**

- \* Interest expense
- \* Staff expense
- \* Administration expense
- \* Advertising expense
- \* Impairment charge and loss on sale of repossessed vehicles
- \* Taxation charge

**Interest Expense**

Interest expenses increased from LKR 778.66 million in 2014, to reach LKR 824.70 million in 2015, an increase of 5.91 %. Increase in interest costs is attributed to the upward pressure on interest rates with increase in borrowings supported for the growth in operations.

The components of interest costs indicate that short term borrowings and overdrafts accounted for 19.05% of total interest cost for year 2015 (Year 2014= 16.09%). Medium term funds accounted for as much as 80.95% of total interest cost. Sources of funding include customer deposits, medium term bank loans, debentures, securitizations, money market loans obtained from banks and commercial papers.

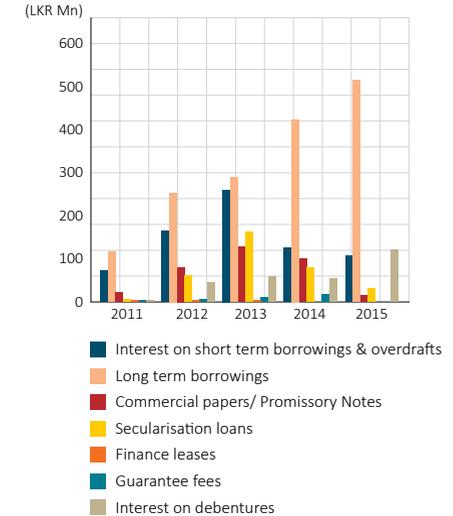
Interest cost as a percentage of interest income is 41.44% in 2015, whereas it was 42.38% in 2014.

**Net Interest Income (LKR Million) & Net Interest Margin (%)**

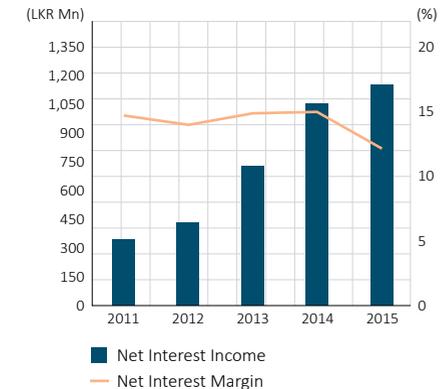
Net Interest Income of the Company recorded a growth of 10.04% from the previous year. Timely pricing of products and efficient fund management into more remunerative areas played a major role in improving NII in year 2015. Growth in interest earning assets to LKR 4.05 billion (2014 - LKR 3.94 billion) also enabled the Company to improve its NII.

Net interest margin which measures net interest income on a percentage of average interest earning assets decreased from 11.93% in 2014 to reach 10.41% in 2015.

**Interest Expense Components**



**Net Interest Income & Net Interest Margin**



**Fee Based Income and Other Income - LKR Million & Growth Rate %**

Fee based income and other income for the year reviewed grew by 57.64% to LKR 238.57 million. Increase in fee based income via documentation fees and other income derived from early settlement of contracts were correlated to increase in business volumes and tendency to pre-terminate facilities incepted under high rate of interest due to lowering trend in lending rates. Growth in fee based and other income provided a cushion in absorbing operational expenses and contributed to reduce the cost to income ratio.

**OPERATIONAL EXPENSES**

Operating expenses including personnel costs, depreciation and amortization and other operating expenses which stood at LKR 547.93 million in 2014, increased to LKR 679.80 million for the year ended 31 December 2015, reflecting an increase of 24.07%. Opening of two branches contributed to the aforementioned increase. However, cost to income ratio increased to 49.21% in year 2015 from being 45.73% in year 2014.

**IMPAIRMENT CHARGE**

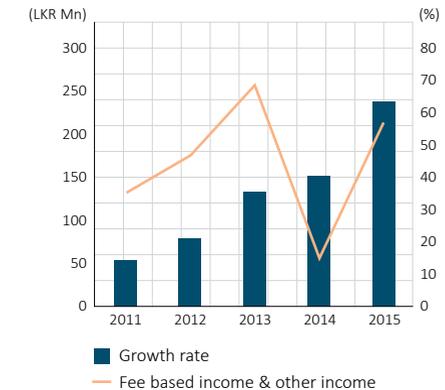
Impairment charge decreased during the year reviewed to LKR 65.26 million from LKR 183.22 million in 2014, an increase of 64.38% which reflected the credit quality maintained by the company.

However, gross NPL decreased to 2.93% from being 3.71% a year ago signifying the improving quality of the Company's asset portfolio. The net NPL ratio too, followed suit as it improved to 0.90% from 1.53%. Impairment cover ratio also increased, reflecting higher loan absorption capacity to withstand shocks.

**VAT AND NBT ON FINANCIAL SERVICES, CROP INSURANCE LEVY AND INCOME TAXATION**

VAT and NBT on financial services expenses increased from LKR 61.54 million in 2014, to LKR 93.30 million in 2015. With the decrease of VAT liable turnover i.e. with the Budget proposals made in October 2014 to withdraw the VAT on importation vehicles, the proportion of income which is liable for VAT & NBT on financial services increased.

The Crop Insurance Levy was introduced in 2013 and increased from LKR 0.62 million to LKR 2.58 million from 2014 to 2015. The Company was liable to pay Crop Insurance Levy since last quarter of year 2013, soon after becoming a Registered Finance Company.

**Fee based income & other income/Growth Rate****Operational Expenses & Cost to income Ratio**

Income taxation increased from LKR 145.38 million in 2014 to LKR 174.63 million. In 2015, effective tax rate decreased to 31.23% (2014- 35.85%). The above increase in 2014 was caused by expenses which are disallowed for income tax purposes.

**BUSINESS GROWTH**

Total interest earning assets as at 31st December 2015 stood at LKR 14,130 billion with a growth rate of 40.15% compared to year 2014, despite the fact that the industry experienced a slower credit growth.

**ASSET FINANCING PRODUCTS**

The composition of asset financing products of 2015 & 2014 is as follows;

	2015 LKR Million	2014 LKR Million	Change LKR Million	Change %
Factoring Receivables	1,157	996	161	16.11%
Gold Financing Receivables	771	456	315	69.01%
Loan Receivables	287	507	(220)	-43.34%
Lease Receivables	9,231	3,384	5,847	172.82%
HP Receivables	2,084	4,251	(2,167)	-50.97%
	<b>13,530</b>	<b>9,593</b>	<b>3,937</b>	<b>41.04%</b>

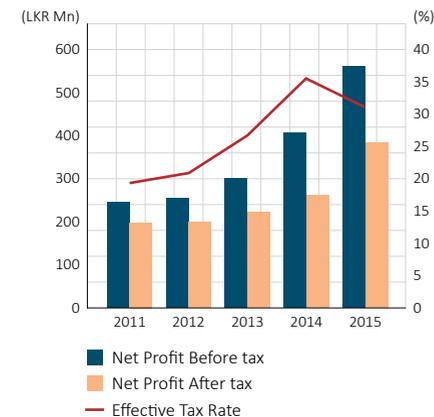
Assets financing portfolio has increased from LKR 9,593 million to 13,530 million in 2015, which is a growth of 41.04%. Finance leases portfolio increased by 172% with the demand for lease facilities increasing during the latter phase of the year with the abolishment of VAT on importation of vehicles and selling of reconditioned vehicles, causing VAT on financial services expenses to increase by 51.63%.

Factoring receivable balance recorded an increase of 16.11% over the previous year. The gold financing product, which was introduced in 2013, recorded a growth of 69.01%, being the third year of operation.

**NON INTEREST EARNING ASSETS**

Non interest earning assets, which is 3.48% of total assets, stood at LKR 509.82 million in year 2015 with an increase of LKR 175.03 million (grew by 52.28 %). Increase in net book value of property, plant and equipment was LKR 26.98 million, which was caused by interior costs for two newly opened branches and new recruitments for business expansion.

**PBT/PAT & Effective Tax Rate**



**DEBT INSTRUMENTS ISSUED AND OTHER BORROWED FUNDS**

Debt instruments issued and other borrowed funds increased from LKR 8,529 million to LKR 12,158 million, an increase of LKR 3,626 million. These funds were sourced for the expansion in asset financing which showed an increase of 43% over the previous year.

Composition of debt instruments issued and other borrowed funds is as follows;

	2015 LKR Million	2014 LKR Million	Change LKR Million	Change %
Commercial Papers/ Promissory Notes	0	648	(648)	-100%
Debentures	1,021	1,267	(247)	-19%
Loans	9,805	6,383	3,422	54%
Securitized	99	231	(131)	-57%
Due to other customers	1,233	-	1,233	100%
	<b>12,158</b>	<b>8,529</b>	<b>3,629</b>	<b>43%</b>

**PERFORMANCE RATIOS****Earnings Per Share (EPS), Return on Average Total Assets (ROA) and Return on Average Equity (ROE)**

EPS has increased to LKR 7.32 per share, from being LKR 4.96 per share a year ago.

ROA (after tax) and ROE (after tax) stood at 2.88% and 25.91% respectively. Slight increase in the aforesaid ratios is attributed to the following.

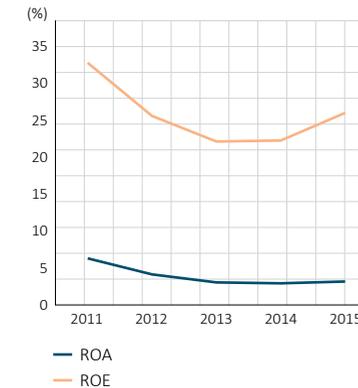
- \* Increase in ROA caused growth in total assets by LKR 4.22 billion (40.52%) against 48% growth of post tax profits in 2015 as against the previous year.
- \* Average equity recorded 22.83% growth as against 48% growth of post tax profits in 2015 as against the previous year.

**STATUTORY LIQUID ASSETS RATIO**

The statutory liquid asset ratio stood at 7.53% which was marginally above the mandatory requirement of 7.5% .

**CAPITAL ADEQUACY RATIOS**

The capital adequacy ratios stood at 12.25% (Tier 1) and 18.34% (total) as at 31st December 2015. Tier 1 capital adequacy recorded a decrease compared to the level recorded as at 31st December 2014. Increase in risk weighted assets caused a decrease in Tier 1, despite the increase in profitability.

**ROA & ROE**

Total capital adequacy ratio also decreased marginally to 18.34% as at 31 December 2015 from 20.92% as at 31 December 2014.

Both the above ratios remained well above the minimum regulatory requirements of 5% and 10% respectively.

**EXTERNAL RATING**

In the rating assessment for year 2015, considering 100% ownership of Sampath Bank, involvement in the strategic direction of the Company through Board representation reaffirmed the Company's long term rating as 'A-' with a stable outlook.

## INVESTORS' INFORMATION

## VALUE CREATION FOR SHAREHOLDERS

	2015	2014	Change
Net profit for the period (LKR Mn)	384.52	260.18	47.79%
Earnings per share (LKR)	7.32	4.96	47.79%
Shareholders' funds (LKR Mn)	1,611.13	1,311.64	22.83%
Net Assets value per share (LKR)	30.69	24.98	22.83%
Dividend per share (LKR)	1.10	0.60	83.33%
Dividend yield	15.02%	12.11%	24.05%
Market price per share-year end (LKR)	N/A*	N/A*	

N/A\*-This is not applicable as the Company's shares are currently not traded on the Colombo Stock Exchange.

## DISTRIBUTION OF SHARE OWNERSHIP

	As at 31-12-2015			
	No of shareholders	%	No of shares	%
1-1,000 shares	7	87.50%	7	0.00%
1,001-10,000 shares	-	-	-	-
10,001-100,000 shares	-	-	-	-
100,001- 1,000,000 shares	-	-	-	-
over 1,000,000 shares	1	12.50%	52,499,993	100.00%
	8	100.00%	52,500,000	100.00%

## INFORMATION ON SHARES

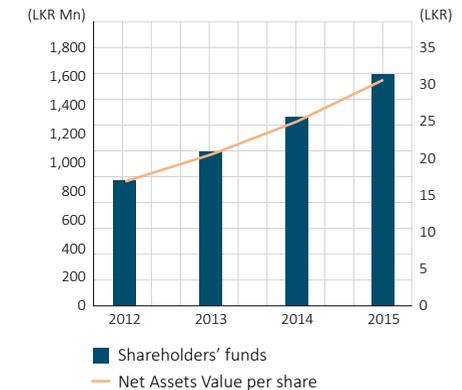
Stated capital as at 31 December 2015 was represented by the number of shares in issue as given below.

	As at 31 December 2015		As at 31 December 2014	
	Number	LKR.	Number	LKR.
Ordinary Shares	52,500,000	525,000,000/-	52,500,000	525,000,000/-
Total	52,500,000	525,000,000/-	52,500,000	525,000,000/-

## Gross Dividend &amp; Dividend per share



## Shareholders' funds &amp; Net assets value per share



The Company distributed a dividend of LKR.0.60 per share (Totaling LKR. 31.50 mn) during the month of June 2015.

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

### SHAREHOLDER INFORMATION

Shareholders' list as at 31 December 2015

Name	No: of Shares	%
Sampath Bank PLC	52,499,993	100.00%
Mr. M.A.Abeynaike	01	0.00%
Mr. S.G. Wijesinha	01	0.00%
Dr. H.S.D.Soysa	01	0.00%
Mr. W.M.P.L. De Alwis	01	0.00%
Mr. M.Y.A.Perera	01	0.00%
Mr. Ranjith Samaranyake	01	0.00%
Mr. S. Sudarshan	01	0.00%
	52,500,000	100.00%

### PUBLIC HOLDINGS

The percentage of ordinary shares held by the public as at 31 December 2015 was 0%.

### Directors'/ CEO's holding in shares as at 31 December 2015

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

## Integrated Management Discussion & Analysis Contd.

### INFORMATION ON LISTED DEBENTURES

#### (i).Market Values

	Highest (LKR.)		Lowest (LKR.)		Period End (LKR.)	
	2015	2014	2015	2014	2015	2014
Debentures -2014/2019	99.98	Not Traded	99.98	Not Traded	99.98	Not Traded

#### (ii).Interest Rates

	2015		2014	
	Coupon Rate	Effective Rate	Coupon Rate	Effective Rate
Debentures -2014/2019	8.90%	8.90%	8.90%	8.90%

#### (iii).Interest rate of comparable Government Securities

	31-12-2015	31-12-2014
6 months treasury bill	7.43%	6.49%
1 year treasury bill	7.90%	6.67%
5 year treasury bond	10.88%	9.92%

#### (iv).Current Yield & Yield to maturity

	2015		2014	
	Current Yield (%)	Yield to Maturity (%)	Current Yield (%)	Yield to Maturity (%)
Debentures Issued-December 2014	8.90%	8.88%	Not Traded	Not Traded
5 year Fixed rated (8.90% p.a. payable annually)				

#### (v).Ratios

	31-12-2015	31-12-2014
Debt to Equity Ratio (Times)	4.42	3.61
Interest Cover (Times)	1.84	1.73
Quick Asset Ratio (%)	110.25%	117.27%

**PRODUCT/ CORPORATE BRANDING, CUSTOMER RELATIONSHIP MANAGEMENT AND MARKETING COMMUNICATION****PRODUCT & SERVICES (INCLUDING NEW PRODUCT DEVELOPMENTS – FIXED DEPOSITS/ BUSINESS GOLD LOAN)**

Siyapatha Finance expanded the product portfolio in 2015 by introducing two new products to the Gold Financing Department namely “Business Gold Loan” and the existing product portfolio of Siyapatha Finance is as follows:

**PRODUCT BRAND MATRIX**

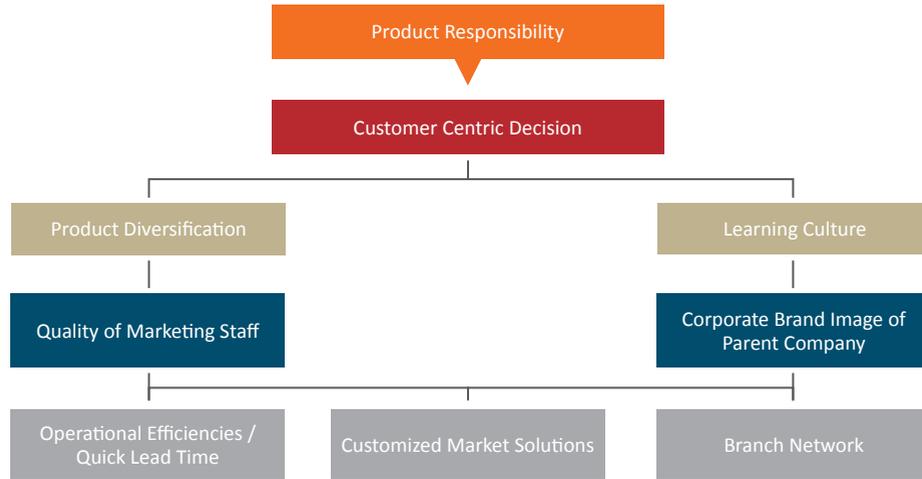
 <b>Siyapatha</b> <b>FINANCE PLC</b> <small>member of</small>  <b>Sampath Bank Group</b>		Product/ Brand Description	Brand Logo	Segmentation and Target Market
Asset Financing	<p><b>LEASE / HIRE PURCHASE</b></p> <p>A finance lease is a contractual agreement where the owner (lessor) of the equipment /asset, transfers the right to use the equipment/ asset to the user (lessee) for an agreed period of time in return for a periodic rental. The entire risk incidental to the usage of the asset is transferred to the lessee, who has to bear the cost of insurance, maintenance and repairs. The lessor agrees to transfer the title of the equipment/asset to the lessee at the end of the lease period, once all rentals are paid.</p> <p>The product is governed by the Finance Leasing Act No. 56 of 2000.</p> <p>Hire purchase is a type of installment credit where the borrower, referred to as the hirer, agrees to take an asset on hire at a stated rental, which is inclusive of the repayment of principal as well as interest, with an option to purchase the asset at the end of the contractual period. The hirer is responsible for insuring and maintaining the asset.</p> <p>The product is governed by the Consumer Credit Act 29 of 1982</p>		<p><b>LIFESTYLE LEASING</b></p> <p>Target Market - Individual executives, professionals and corporate entities</p> <p>Asset Category - Brand new and unregistered motor cars and vans</p> <p>Description - Facilitating customers with structured lease rentals to match fluctuations in their monthly cash in-flows</p>	
			<p><b>AGRI LEASING</b></p> <p>Target Market - Farmers, land owners, earn and pay category</p> <p>Asset category - Brand new and registered agricultural vehicles and machinery</p> <p>Description - Facilitating customers to purchase brand new or registered agricultural Vehicles and machinery on monthly and seasonal rental payment</p>	
			<p><b>SANIN CASH</b></p> <p>Target Market - Mass market</p> <p>Asset Category - Registered motor vehicles</p> <p>Description - Facilitating customers in purchasing registered vehicles while encouraging customers to borrow monies on the existing assets</p>	



Product/ Brand Description		Brand Logo	Segmentation and Target Market
Asset Financing	Siyapatha Finance PLC offers a wide range of finance leasing and hire purchase solutions for a diversified range of customer segments: The following product range/ branches are currently marketed by the Company.		<p><b>TUK-TUK LEASING</b></p> <p>Target Market - Earn and pay category, SME sector</p> <p>Asset Category - Brand new and registered three wheelers</p> <p>Description - Facilitating customers in purchasing brand new or registered three wheelers with simple documentation, one day facility approval and convenient payment mechanism through an island-wide Sampath Bank branch network.</p>
			<p><b>BUDDY TRUCK LEASING</b></p> <p>Target Market - SME sector</p> <p>Asset Category - Brand new and registered buddy trucks and lorries</p> <p>Description - Facilitating customers to purchase brand new or registered buddy trucks and lorries with simple documentation, one day facility approval and convenient payment mechanism through the island-wide Sampath Bank branch network.</p>
Converting Gold into Cash	Gold Financing The Company offers attractive advances for a minimum interest rate, against gold articles which enables customers to make part settlements while ensuring the security of the article and privacy of the transaction. Customers can obtain this facility for one month, up to a maximum period of 12 months.		<p><b>GOLD LOAN</b></p> <p>Target Market - Individual mass market &amp; SME sector</p> <p>Description - Company offers attractive advances for a minimum interest rate against gold articles, which enables customers to make part settlements while ensuring the security of the article and privacy of the transaction.</p>
			<p><b>BUSINESS GOLD LOAN</b></p> <p>Target Market - Small &amp; Medium Entrepreneurs</p> <p>Description - Financing facilities will be given to short term money seekers to fulfil their instant money needs against their gold articles.</p>



Product/ Brand Description		Brand Logo
<p>Converting Invoices into Cash</p>	<p><b>FACTORING</b></p> <p>Factoring is a working capital solution designed specifically for organizations that do business on credit terms. This advance is one of the most expeditious methods of advancing money on invoices generated for products delivered, or services rendered, on credit. Factoring enables customers to increase and maintain a positive cash flow within their business.</p> <p>In factoring we purchase your account receivable (credit sales), at a discount and advance you upfront 70% -80% of the volume of invoices. Factoring helps to expedite the progress of your business, while transferring the hassle of cash flow and debt management to the factor.</p>	<p>The logo for Sfactor, with 'Siyapatha Finance' in small text above the word 'Sfactor' in a large, bold, italicized font. Below it is the tagline 'Unbank with us'.</p>
<p>Converting Cash into an Investment</p>	<p><b>FIXED DEPOSITS</b></p> <p>The Company accepts term deposits from the public with the assurance of an unmatched return while ensuring security of the investment. Term structures ranging from one month, up to five years, are available in the investment plan. Interest payments are made on monthly, quarterly, annually and maturity basis.</p>	<p>The logo for Fixed Deposits, with 'Siyapatha Finance' in small text above the words 'FIXE DEPOSITS' in a large, bold, sans-serif font. Below it is the tagline 'Unmatched returns and reliability'.</p>

**OVERALL PRODUCT RESPONSIBILITY**

Overall, product responsibility is managed and differentiated through a customer centric decision making model, which is a result of product diversification coupled with the learning culture stemming from the Holding Company Sampath Bank PLC. We identify all business processes within each business units and determine financial, customer, operational, legal and regulatory impacts of each processes. Further we evaluate adverse impacts of products and services (Existing and New) to business caused by loss of capacity to conduct business operations.

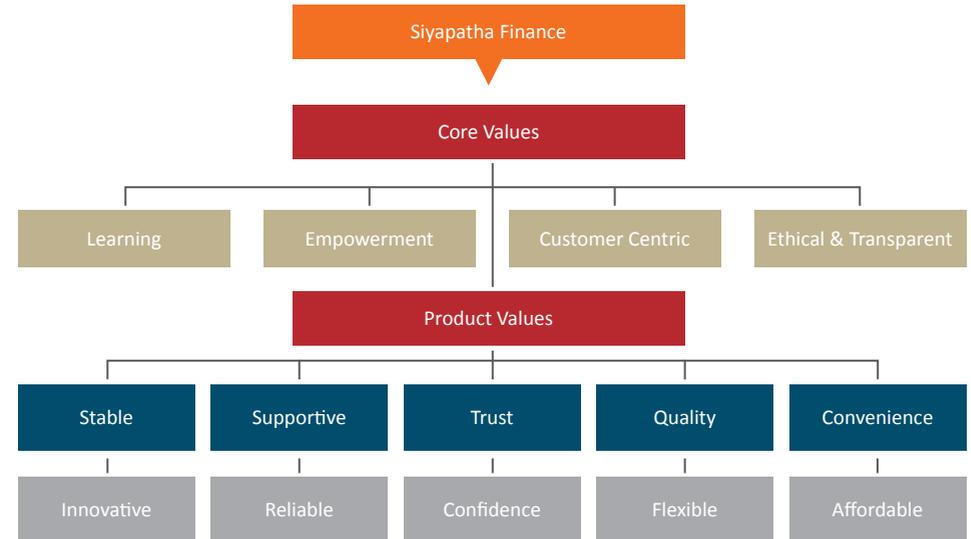
No non compliance with applicable laws and regulations was reported during the year under review.

The environmental impacts of products and services were mitigated as follows:

- \* As a policy, Siyapatha Finance PLC does not lend for vehicles that are over 25 years old, to mitigate the environmental pollution made by old vehicles.  
Hybrid and electric powered vehicles are promoting by facilitating them in a good in manner.

No Sale of banned or disputed products was reported during the year under review.

No substantiated complaints regarding breaches of customer privacy and losses of customer data, was reported during the year under review.

**CORPORATE BRAND & PRODUCT BRAND VALUES****Customer Health and Safety**

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

- \* As a policy, Siyapatha Finance PLC does not lend for vehicles that are over 25 years old. Lease inquiries for such vehicles will be rejected directly at the initial stage.
- \* Financing vehicles which the company perceives as being used for unethical businesses, will not be facilitated or encouraged.
- \* High quality printing materials are used for marketing and promotional campaigns to ensure customers are not harmed due to chemical exposure
- \* Promotional materials made out of polythene are not used for marketing campaigns.
- \* The Company to date has not been in breach of any regulations and/or voluntary codes concerning health and safety of customers.

Nothing has come to our attention about misunderstanding with customers regarding our products and services.

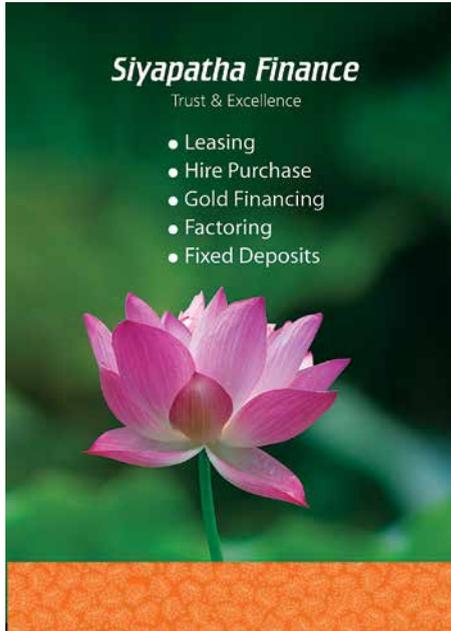
## MARKETING COMMUNICATIONS AND BRANDING

### Corporate Brand



### Concept behind the Corporate Brand

The blooming of the lotus (Siyapatha) in the financial pond of diverse opportunity



### Corporate "Brand Mantra"

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



### Point of Difference: Corporate Brand

"The most innovative, trustworthy & reliable finance company, which is affiliated to a commercial bank in Sri Lanka - Sampath Bank PLC"

### Points of Parity

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

### Marketing Communications

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

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

### Above the line communications

The company is engaged in above the line communication activities as well as below the line communication activities, with a fair geographical coverage of the Company with the new branch openings across the island. The Company has concentrated heavily on creating brand visibility to increase market awareness. Siyapatha Finance has entered into a number of advertising contracts with leading publications in Sri Lanka for both profiling and product specific messages in all three languages.

Press Advertisements

**Siyapatha Finance**  
**FIXED DEPOSITS**

**Stability Carved in Stone...**

Attractive Interest Rates for All Your Fixed Deposits

Period	1 Month	3 Months	6 Months	1 Year	2 Years	3 Years
Male	4.50%	4.75%	5.00%	5.25%	5.50%	5.75%
Female	4.00%	4.25%	4.50%	4.75%	5.00%	5.25%
Female	3.50%	3.75%	4.00%	4.25%	4.50%	4.75%
Female	3.00%	3.25%	3.50%	3.75%	4.00%	4.25%

0772 605 605  
Siyapatha Finance - Trust & Excellence

**Siyapatha FINANCE PLC**  
Siyapatha Bank Group

**10th Anniversary**

**සියපත ආයතනයේ වෙනම පවත්වනු ලබන සියලුම වැටුප්වලට පෙරමුණකර වියදමක්!**

**සියපත ආයතනයේ වෙනම පවත්වනු ලබන සියලුම වැටුප්වලට පෙරමුණකර වියදමක්!**

0773 105 105

**සියපත**  
සියලුම වැටුප්වලට පෙරමුණකර වියදමක්

**10th Anniversary**

**සියපත ආයතනයේ වෙනම පවත්වනු ලබන සියලුම වැටුප්වලට පෙරමුණකර වියදමක්!**

**සියපත ආයතනයේ වෙනම පවත්වනු ලබන සියලුම වැටුප්වලට පෙරමුණකර වියදමක්!**

0773 605 605 0777 605 605

**සියපත**  
සියලුම වැටුප්වලට පෙරමුණකර වියදමක්

**Siyapatha FINANCE**

**Lowest interest rates in the market coupled with unmatched service**

"Siyapatha Finance" offers You:

- One Day Approval
- Minimum Documentation
- Lifetime Customer Service
- Attractive Interest Rates

0777 605 605 0773 605 605

**Siyapatha FINANCE**  
Siyapatha Bank Group

**IS YOUR MONEY TIED UP?**

**Financial Management is one of the most important aspects of running a business. If your cash flow gets stuck, your operation ceases.**

If there are delays in cash inflows, promptly call us. Through the "SFACTOR" factoring service offered by Siyapatha Finance, you can now immediately encash pending invoices and post dated cheques.

We are committed to serve SMEs and large scale enterprises alike

0771 105 105

**Siyapatha FINANCE PLC**  
Siyapatha Bank Group

**සියපත ආයතනයේ වෙනම පවත්වනු ලබන සියලුම වැටුප්වලට පෙරමුණකර වියදමක්!**

**සියපත ආයතනයේ වෙනම පවත්වනු ලබන සියලුම වැටුප්වලට පෙරමුණකර වියදමක්!**

0117 605 605

**සියපත**  
සියලුම වැටුප්වලට පෙරමුණකර වියදමක්





**Through the Line Communication**

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

**Corporate Web Page**

Corporate website – [www.siyapatha.lk](http://www.siyapatha.lk)



QR Code -



**Social Media Interface**

FB page – [www.facebook.com/siyapathafinance](http://www.facebook.com/siyapathafinance)



No non-compliance with applicable laws and regulations were reported during the year under review, concerning Marketing Communications, including Advertising, Promotion and Sponsorship by type of outcomes.

**MARKETING PROMOTIONAL CAMPAIGNNS****Branch Promotions**

The most successful way of identifying and satisfying customer needs is talking to them at their door step. The Company's marketing staff is conducting town storming promotions in their areas; the nature and the voice of the promotion varies on the behavioural changes of the geographic areas.



**10th Anniversary Celebration Promotional Campaign**

2015 was the 10th year of Trust & Excellence. We, Siyapatha Finance conducted a special Promotional Campaign to value the New Customers who joined hands with us at that memorable moment and “Siyapatha Loyalty” Rewarding Programme was declared for our loyal customers who had a loyal bond with us for years, for the first time in the history of the Financial Industry. The theme of the campaign was “Dhashakayaka Abhishekaya” and the following logo was used for all mediums of promotional materials.



**Siyapatha Loyalty Card – Drive into Relaxation**



Siyapatha Loyalty Card was declared available to all existing customers of Siyapatha Finance and it provides our valued customers with unbelievable discounts that significantly reduce the vehicle maintenance cost of Vehicle Servicing, Security Alarms, Spare Parts, Lubricants, Learners, Battery Garage, Car Audio, Tyres, Valuation, Painting and Road Side Recovery Services.

A three months promotional period from 01 May 2015 to 31 July 2015 was announced and a Raffle draw was planned for the new customers who obtain Leasing, Gold Loan and Factoring facilities from Siyapatha Finance within the promotional period.

The Grand Winner was presented with a Brand New Suzuki Alto Car , while a Singapore Tour, Local Hotel Stay Packages, LED Televisions , E-Tabs and Gold Coins were gifted to the other Leasing , Gold Loan and Factoring winners, at a grand celebratory function along with the Launching of the Siyapatha Loyalty Card.

Staff members who strengthened the Siyapatha Finance over the last 10 years were awarded at the same celebratory night and most of the stake holders, suppliers, customers and staff members were invited to the celebrations.



Board of Directors at the Dhashakayaka Abhishekaya Evening



Ten Years of service – Mrs. Gathara Chathudisi was awarded

Integrated Management Discussion & Analysis Contd.



Launching of Siyapatha Loyalty Card



Grand Winner of the Brand New Alto Car



Winners of the Raffle Draw



Winners of the Raffle Draw



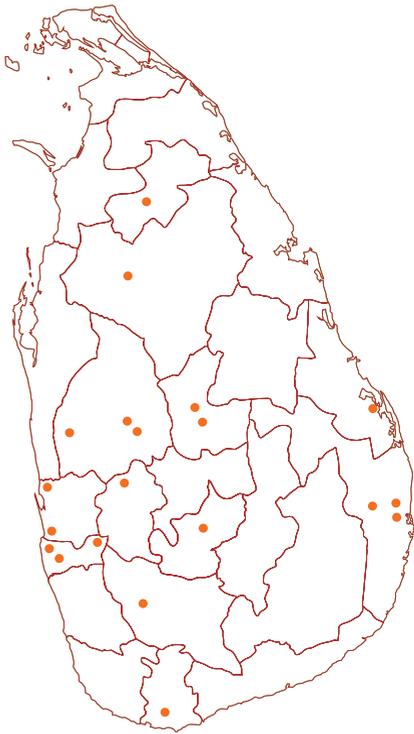
Winners of the Raffle Draw



Winners of the Raffle Draw

**CHANNEL NETWORK EXPANSION**

During the year 2015, the customer reach of Siyapatha Finance expanded by another two new Branch Openings at Avissawella and Battacloa, and two window branches at Kegalle and Vavuniya were re-located as fully-fledged branches, while all three Pawning Centers at Kandy, Kalmunai and Kurunegala were re-opened as fully-fledged branches which offer all products and services of Siyapatha Finance.



*Avissawella Branch Opening*



*Avissawella Branch Opening*



*Kegalle Branch Opening*



*Vavuniya Branch Opening*

Channel Network of Siyapatha Finance was expanded to 20 full service branches as follows within the year 2015.

	Branch	Telephone Number	Address
1	Head Office	0117 605 605	No.46/12, Nawam Mawatha , Colombo 02
2	Nugegoda	0117 605 680	No. 189 , StanleyThilakarathne Mawatha, Nugegoda
3	Peliyagoda	0117 605 625	No.304, Negombo Road, Peliyagoda
4	Matara	0417 605 605	No.5B, Hakmana Road,Matara
5	Kurunegala	0377 605 605	No. 254B, Colombo Road , Kurunegala
6	Kurunegala II	0377 605 625	No. 116, Colombo Road, Kurunegala
7	Kuliyapitiya	0377 605 615	No. 50/52, Kurunegala Road , Kuliyapitiya
8	Kandy	0817 605 605	No. 274/A, Katugasthota Road, Kandy
9	Kandy II	0817 605 627	No. 192/1/1 , Kotugodella Street , Kandy
10	Anuradhapura	0257 605 605	No. 213/4, Maithreepala Senanayaka Mawatha, Anuradhapura
11	Nuwara-Eliya	0527 605 605	No. 28 , Kandy Road, Nuwara eliya
12	Negombo	0317 605 605	No. 187, Thaladuwa Road, Negombo
13	Ratnapura	0457 605 605	No. 186, Main Street Rathnapura
14	Ampara	0637 605 605	No. 32 , D S Senanayake Street , Ampara
15	Kalmunai	0677 605 605	No.1610, Main Street, Sainthamaruthu
16	Kalmunai II	0677 605 625	No. 172/4, Batticaloa Rd, Kalmunai
17	Kegalle	0357 605 605	No. 137, Kandy Road, Kegalle
18	Avissawella	0367 605 605	No. 20, Ratnapura Road, Avissawella
19	Vavuniya	0247 605 605	No. 156, Bazar Road, Vavuniya
20	Batticaloa	0657 605 605	No. 257 , 259, Trinco Road, Batticaloa

#### OBTAINING CUSTOMER FEEDBACK

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

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

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

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

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

### Customer survey methodologies

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

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

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

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

### Mechanisms for customers to provide feedback

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

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

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

## MANAGEMENT COMMITTEES

### 1. ASSET AND LIABILITY COMMITTEE (ALCO)

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

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

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

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

## Integrated Management Discussion & Analysis Contd.

- ✳ Monitor the impact on net interest margin, reserves and profit, from changes in volatility in interest rates.
- ✳ Review the maturity of assets and liabilities.
- ✳ Monitor the Company's asset and liability product pricing.
- ✳ Authorize new product proposals according to set benchmarks, incorporating the costs of liquidity and cost of funds premium.

### 2. MANAGEMENT COMMITTEE MEETING

The Management Committee meeting is held once a month

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

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

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

### 3. PROCUREMENT COMMITTEE

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

The Committee comprises of the following members

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

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

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

Listed below are few of the key procedures

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

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

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

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



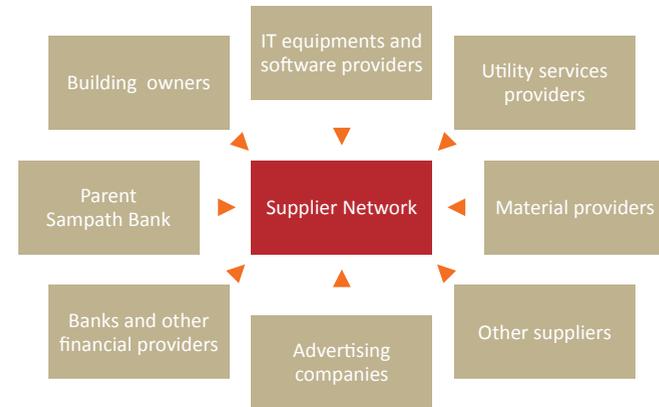
Supplier Evaluation Criteria

**Supply Chain**

The Company’s supply chain ranges from small companies to multinationals and it adopts best practices to create values under the supply chain.

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

Suppliers	Origin of Suppliers
Parent - Sampath Bank	Local
Banks and other financila providers	Local
Vehicle vendors	Local
Advertising companies	Local
Building Owners	Local
Utility Service providers	Local
IT equipments and software providers	International/Local
Material providers	Local
Other suppliers	Local



Supplier Value Chain

**4. TENDER REVIEW COMMITTEE**

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

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

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

- \* Chief Executive Officer
- \* Chief Operating Officer
- \* Head of Recoveries
- \* Head of Credit
- \* Head of Internal Audit

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

**SUPPORT SERVICES****HUMAN CAPITAL MANAGEMENT**

The Siyapatha Human Resources (HR) team has stated its vision to be, 'The Best HR Managed Finance Company in Sri Lanka', by attracting, sustaining, and inspiring Great people, with Great passion, working for a Great purpose that will make SIYAPATHA a Great Place to Work. It provides a positive Human Resources service experience for applicants and employees, and collaborates with all departments of the Company to recruit, develop, support, and retain diversely talented employees. It will pro actively contribute to workplace solutions and services through leadership, excellence, innovation, and engagement, to enrich work and learning environment for our people. HR team focuses on sustainable and profitable growth across the organization with competent people who believe in success, with a development oriented culture, in which performance is aligned with values. We are an increasingly agile and diverse business with people motivated by doing well, while doing well. We are inculcating a performance driven learning culture with a customer centric business model.

**Human Capital Management – Snapshot 2015**

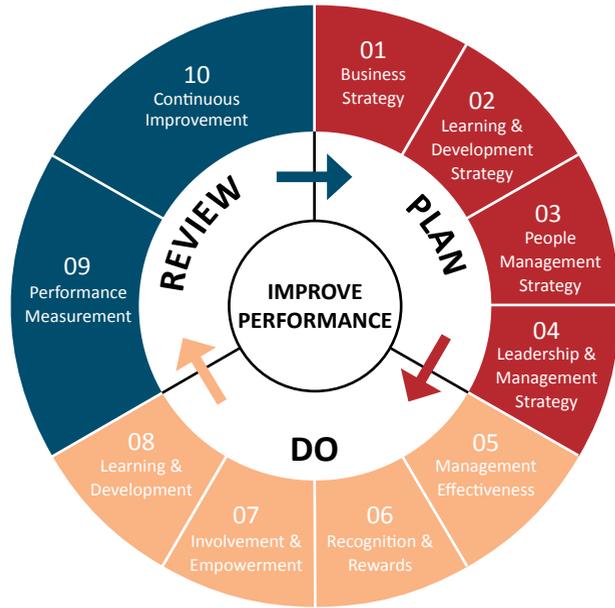
- ✧ HR Policies and Procedures create a sustainable work environment and healthy workplace relationships among the team. These policies and procedures comply with local laws and regulations and the organization incurring corporate liability and employee law suits. HR policies and Procedures also provide guidelines to employees regarding their matters and concerns which streamline the work flow in the organization. HR team has highly focused on establishing HR Policies and Procedures as it was successfully implemented in the year 2015.
- ✧ In our journey to inculcate a performance driven culture, we have completed few successful awareness sessions on formulation of Key Performance Indicators (KPIs) for the year 2016. Departmental and individual KPIs are linked with the annual Learning and Development Plan. All employees have been evaluated and reviewed under the 1800<sup>o</sup> performance appraisal system. Employees were appraised against their KPI (Key Performance Indicators) achievements for the year 2015. Considering employee performance and the competencies, Bonus, Promotions, Salary Increments, Minimum Salary Adjustments and Salary Anomalies correction for the year 2016 are determined.
- ✧ The amount of data which the HR has to keep track of and report on is always growing as every plan needs to be reviewed at certain points to keep best practices while avoiding unnecessary operational systems. HR dashboards are useful to analyze performance and identifying areas for improvement in an organization. Every month the HR dashboard is prepared and presented in order to evaluate the performance of the HR processes. While comparing every month, we are re-engineering processes in order to supply a better service for the employees.



**“TRAIN PEOPLE WELL ENOUGH  
SO THEY CAN LEAVE, TREAT  
THEM WELL ENOUGH SO THEY  
DON'T WANT TO”**

**RICHARD BRANSON**

**PEOPLE DEVELOPMENT**



The People Development Framework shows the strategic initiatives of developing the Company’s business strategy, Learning & Development strategy, People Management strategy, Leadership & Management strategy to enhance the overall performance. Management Effectiveness, Rewards & Recognition, Involvement & Empowerment, Learning & Development strategies are measured by the actions we have taken for the improvement of performance. For sustainable development of the business and performance, we constantly evaluate and improve our performance through an effective performance management system.

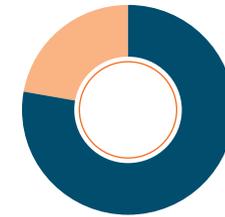
Our strategic objectives are aligned with organizational, financial, customer and operational excellence with the achievement of human capital development of the organization. People development activities align with expansion and the sustainable growth of the organization. In this context performance objective setting has become an important function in the process of annual performance appraisal. Performance objective setting has become a key drive and a positive mind set of employees. The weightage of appraisals differ from managerial categories and others based on their KPI’s and competencies.

Through the performance management system, every employee in the organization gets the opportunity to review their performances annually. Following the review meeting, based on performance, employees are promoted to the relevant grades, with due recognition.

To recognize, reward and motivate employees considering their individual and overall performance while adhering to the policies and procedures to the company. Annual salary increments and promotions were announced. To ensure that the company process the competent human capital to achieve our present and future corporate objectives while ensuring the transparency, equity, to motivate and retain the critical talent in the year 2015. Promotions were given to 51 employees out of 325 considering given KPI achievements as well as employee competency skills for the next level. In the year of 2015, the percentage of total promotions is 15%, from the total cadre.

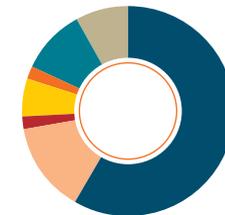
In addition to the promotions, new recruits will get the opportunity to review their performance following the first six months, and based on the review, will be eligible to be permanent employees. All the employees in permanent cadre who employed full time and receive a regular performance and

**Promotions for 2015 - Gender wise Analysis**



Male	78%
Female	22%

**Promotions for 2015 - Grade wise Analysis**



Senior Executive	59%	Manager 02	2%
Executive	14%	Officer	10%
Junior Executive	2%	Senior Officer	8%
Manager 01	6%		

career development reviews according to the company policy, without discrimination on any grounds. As we are having the fair and open communication and grievance handling procedure, as employees are encouraged to communicate with senior management.

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

One HR Officer is specially trained for counseling and grievance handling and she is maintaining the entire grievances strictly confidential manner and anything to be addressed. She is directly dealing with the particular department head or senior management member if needed it will direct to the Head of HR, CEO and COO concern attention. This year 25% grievances come through female employees and balance from male work force. Out of 60 grievances 80% resolved and others were forwarded to the top management for their concerns and views.

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

**EQUAL JOB OPPORTUNITIES**

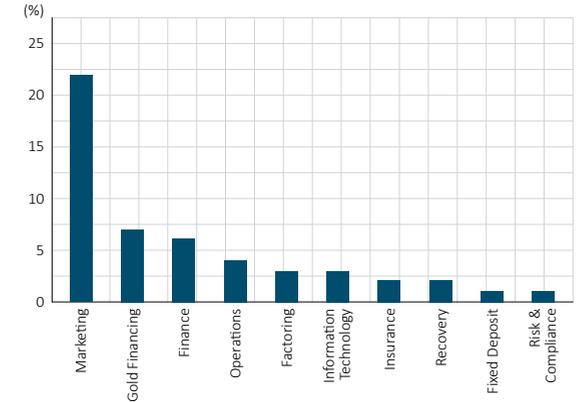
We provide equal opportunities for all citizens of the country irrespective of their age, gender, religion or caste. We do not employ forced labour or child labour. Due to positive relationship, we maintain with our employees there are no any issues arose. We serve a larger community covering all ethnic groups of the country and all citizens have an equal opportunity to join us for excellent career development opportunities. The number of job opportunities further increased during the year through the expansion of the branch network. The total number of employees increased from 254 to 325 during the period of 2014- 2015. Considering the business expansion and the new product launch as well as to cover the employee turnover.

In 2015, we recruited 74 Male employees and 27 Female employees making the total number of new recruitment amount to 101. This covers all the regions and all ethnic groups of Sri Lanka without any discrimination gender, race of the company.

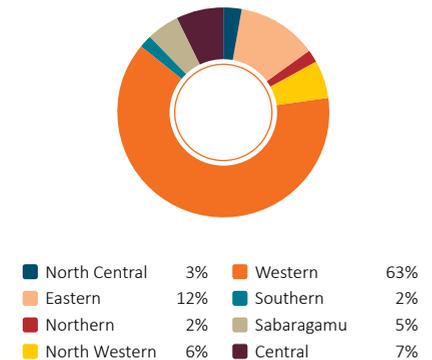
Currently we operate 20 branches across the island. Our proposed branch expansion will lead to more employment opportunities in remote areas in the near future. According to the Company recruitment policy, our strategy is to retain a qualified, skilled and talented workforce to meet corporate goals. Internal promotions and timely review of employee performance are the main aspects that contribute towards retaining talent within the organization. Employees are required to provide one month's notice if they wish to leave the organization. However, 27% of our employees have acquired over four years of experience with the Company which proves the Company's ability to retain experienced staff.

Last year 51 have resigned from the company and noticed the due period for the resignation. Internal transfers among the

**Department wise Promotions Analysis - 2015**



**Recruitment Distribution by Province - 2015**



department and whether the departments are considered and given considering to business needs and employee work life balance. Internal transfer forms which gives clear idea about transferring details. This year we have given 9 internal transfers for betterment of the employee and organization performance. And any process re-engineering or system modifications are done with the consultation of the employees to get their feedback and inputs to smooth functions of the new process or systems.

**EMPLOYEE DIVERSITY**

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

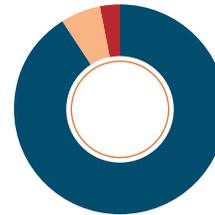
**EMPLOYEES BY GENDER**

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

**EMPLOYEES BY AGE**

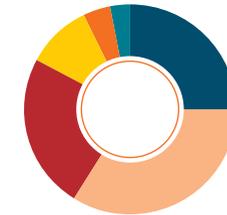
To be competitive against global challenges, we merge talents across generations with industry professionals to drive the business with the incorporation of modern technology. All employees irrespective of age considerations have equal opportunities to progress in their careers by improving their own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

**Ethnicity Mix of Employees - December 2015**



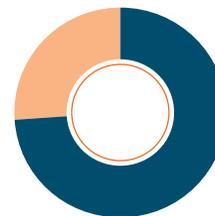
Sinhala	91%
Tamil	6%
Muslim	3%

**Age Analysis of Employees - December 2015**



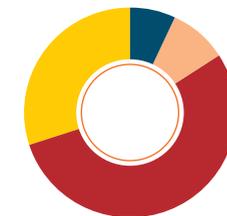
18-25	25%	36-40	10%
26-30	34%	41-45	4%
31-35	24%	45<	3%

**Employment by Gender - December 2015**



Male	74%
Female	26%

**Category Analysis of Employees - December 2015**



Management	7%	Executive	54%
Officer	9%	Assistant	30%

**CADRE COMPOSITION**

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

**EMPLOYEES BY SERVICE**

In terms of employee retention, as at the end of 2015, 54% have been with the Company for one to two years. However, 25% have above three years of service, which demonstrates the solid base of experienced employees retained within the organization. More than 20% of the total cadre has completed five years of service with Siyapatha.

**Recognition of 10 years of service... !!!**

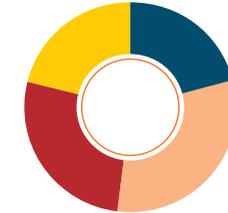


Due to the dynamic changes of the industry and with the increase of Government opportunities, employees have moved to Government sector employment. In the year 2015, 51 employees resigned, of which 39 were males.

The Company culture encourages a work-life balance of employees and fully complies with legal obligations in terms of employee benefits. From the total cadre, 26% are female employees and eligible for Maternity leave, according to the Shop & Office Act.

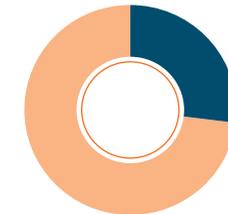
In 2015, six of the female employees took their Maternity leave and returned for work after the Maternity leave period ended. Therefore the employee retention rate after having Maternity leave is 100% since the Company provides a flexible work environment for work-life balance.

**Service Analysis of Employees - December 2015**



5=<	21%	1-2	27%
3-4	31%	1>	21%

**Turnover Rates by Gender - December 2015**



Female	27%
Male	73%

**MODERN WORK ENVIRONMENT**

During the last few years, we set ourselves a challenge to re-engineer our processes and systems to improve efficiency. We expect a competitive advantage in the market by aligning with new technologies. Our modern work environment enhances employee satisfaction and mitigates against risk of occupational diseases and work-related fatalities. Fire, first aid and health and safety programmes improve our team's alertness of disaster management and emergency situations. The Company has a policy on timely review of health and safety procedures. The Health and Safety Committee is responsible for introducing new methods to upgrade employee health in terms of working environment. There is 100% employee representation at department level (Head Office) in this Committee. As a result, the company maintained zero work-related fatalities, injuries and occupational diseases in the year 2015. Since the Company operates in the service industry, there are no employees in occupational activities which have a high risk of occupational diseases, however the Company always aligns with health and safety standards set by relevant official bodies.

And to maintain and establish an occupational health and safety system at Siyapatha Finance with adherence to provisions of the action health and safety policy and shop and office act 1954 to ensure the health and safety welfare of the employees and to promote safe work environment and to mitigate potential risk to the employees at work place occupation workplace has board of directors has approved the occupation health and safety policy.

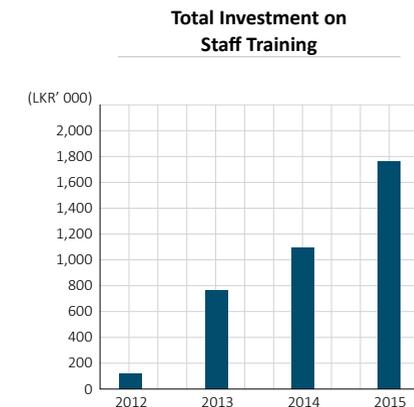
**TRAINING & DEVELOPMENT**

One of our core competitive factors is our ability to develop people. Our people development programmes are helping our team be the best they can be, irrespective of level or role. Employee competencies are linked with our business strategy. Employee leadership development programs are focused on future leaders of the business. We use the following module in our talent management. We always encourage professional and academic advancements from all employees, which sharpen their knowledge, skills and abilities by imparting modern work practices. Our key objective is to inculcate a learning culture among the team. After critically analyzing training and development needs of the organization/ departments and individuals, we provide a wide range of training and development opportunities to enhance employee soft skills and technical skills. To enhance employee soft skills and technical skills, out of 61 training programmes which we have arranged, 25% of sessions have been organized for soft skills development and 75% trainings were conducted for technical skills development.

Year	2012	2013	2014	2015
No. of Training Programmes	8	12	39	61
Total Investment yearly/ LKR.	116,000	760,020	1,106,289	1,760,106
Training Hours/ Hrs	168	975	2308	4881



Staff Training



**REWARDS & RECOGNITION**

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

HR Efficiency Ratios	2012	2013	2014	2015
Profit per employee LKR	1,451	921	1,028	1,172
Revenue per employee LKR	8,059	7,304	7,831	6,745

**EMPLOYEE WELL-BEING**

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

**Welfare Measures**

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

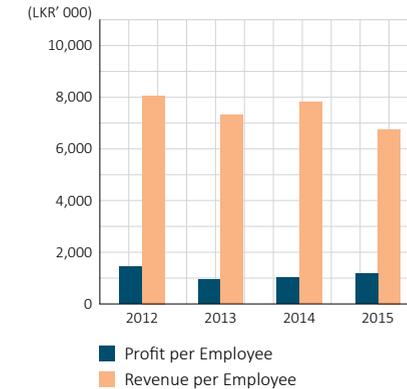
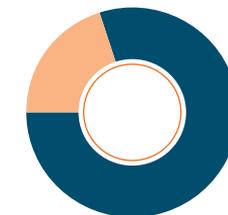
**Integrated Management Discussion & Analysis Contd.**

Employee welfare is a key area of employee non-monetary benefits. We have organized a variety of events to build teamwork and enhance leadership and organizing skills. The Annual Staff Get-Together, Pirith Ceremony, Medical Campaign, 10th Year Anniversary Celebrations and other social activities help employees forge closer relationships with the Siyapatha family. Outdoor activities help employees improve their work-life balance.

**STATUTORY OBLIGATIONS**

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

Board approved 'Stakeholder Communication Policy' is being practiced within the Company and this ensures effective communication, which is in the best interest of all our stakeholders. Our communication culture encourages open communication systems with employees, where top-down and bottom-up communication channels are effectively used. All strategic decisions are communicated amongst corporate management and operational decisions / changes in systems are communicated to all staff members through the communication mechanism implemented within the Company.

**HR Efficiency Ratios****Salary Distribution by Gender**

Male 80%  
Female 20%

**IT SERVICES****Department of Information technology Snapshot**

In order to align the IT resources with the planned business goals, the Company took several futuristic steps during the year to re-organize and strengthen the Information Technology Department which can be summarized as follows.

**Highlights**

- \* Appoint an IT consultant to advise the Management on improving the security and efficiency of IT processes.
- \* Upgrade the capacity and security of the main Data Center to minimize information risk and support future business growth.
- \* Relocate the Disaster Recovery Center to facilitate it with enhanced infrastructure.
- \* Deploy a backup VPN to supplement the existing branch communication network. .
- \* Deploy enhanced load balancing features to streamline IT processes.

Navigation the Finance industry through IT innovation	
System Enhancement	During the reporting year, the IT department continued to be focused on meeting the dynamic needs of business operations. In keeping with best practices, additional features were introduced in Leasing, Higher Purchase, Factoring and Pawning Applications. Also, through in-house development efforts. Several advanced features were added to the HR Management System and Loyalty Card System.
Launched new systems	The Company automated the Fixed Deposit system which resulted in process simplification leading to speedy servicing of FD account holders.

**FUTURE OUTLOOK**

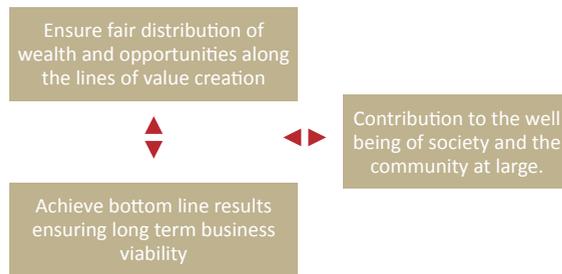
The Company will focus on business strategy to contribute actively towards the country's current economic renaissance to reach beyond middle income status by 2016. Future Company growth is envisaged through expanding the branch network and introduction of new products such as Savings Accounts, Personal and Business Loans, Revolving loans and ATM Card facility.

The IT Department will continue to extend its support towards the Company's automation efforts and to deploy technology to enhance operational efficiency and mitigate information processing costs.

**THE COMPANY WILL FOCUS ON BUSINESS STRATEGY TO CONTRIBUTE ACTIVELY TOWARDS THE COUNTRY'S CURRENT ECONOMIC RENAISSANCE TO REACH BEYOND MIDDLE INCOME STATUS BY 2016. FUTURE COMPANY GROWTH IS ENVISAGED THROUGH EXPANDING THE BRANCH NETWORK AND INTRODUCTION OF NEW PRODUCTS SUCH AS SAVINGS ACCOUNTS, PERSONAL AND BUSINESS LOANS, REVOLVING LOANS AND ATM CARD FACILITY.**

**CORPORATE SOCIAL RESPONSIBILITY (CSR)****OUR APPROACH TO SOCIAL RESPONSIBILITY**

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

**HOW WE ORGANIZE ?**

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

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

**STRUCTURE OF THE CSR COMMITTEE**

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

The scope of CSR initiatives for the period were;

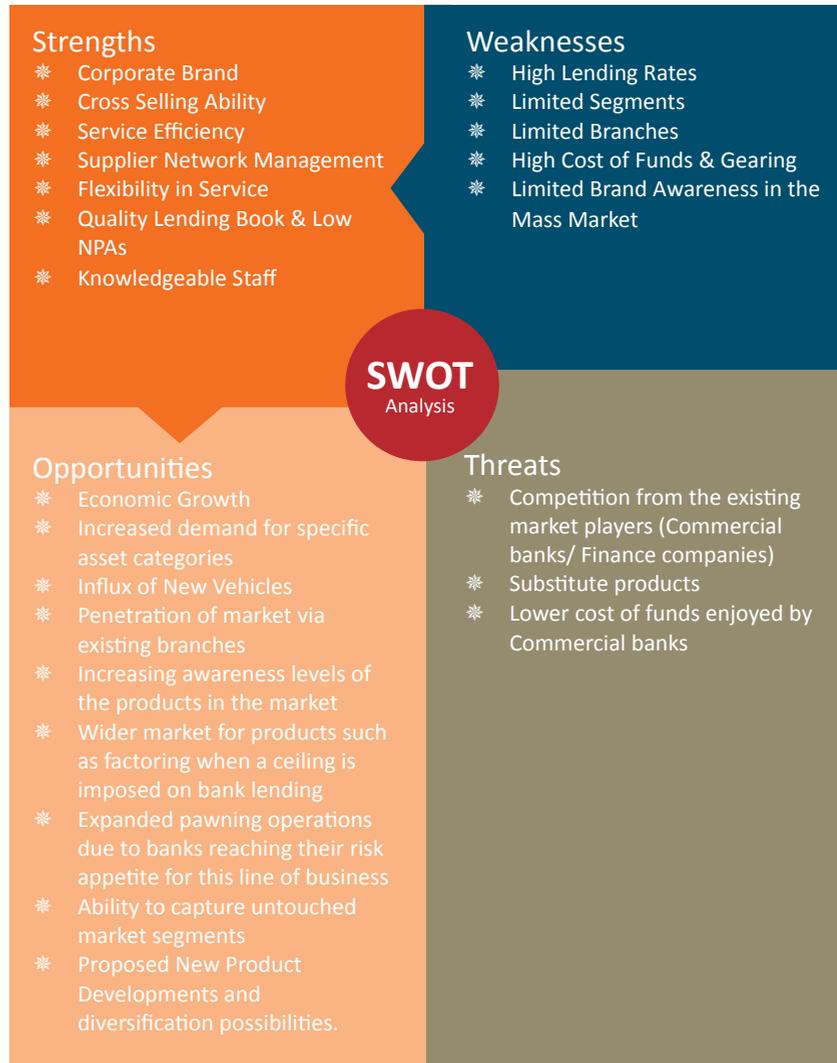
- Improving healthcare
- Improving education
- Improving social infrastructure
- Enhancing social welfare
- Enhancing religious commitments

## FUTURE STRATEGIC OUTLOOK

### SWOT ANALYSIS OF SIYAPATHA FINANCE PLC

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

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



**KEY STRATEGIC OBJECTIVES**

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

**ENTER INTO NEW LINES OF BUSINESS (NEW PRODUCT LAUNCHES)**

The company will progressively launch several new product lines in pawning, deposits and small business loans. Focus would be made on product line extensions, especially for the pawning product to cater to various short term and medium term funding requirements of the customer base. Value additions to existing

## Integrated Management Discussion & Analysis Contd.

products will also be made to privilege existing customers. The Company also plans to offer additional downstream products like vehicles loans. This would enable it to remain in contact with its customers throughout the product life cycle and grow its revenues through opportunities for repeat business and cross selling.

It is believed that diversification strategy would favourably affect the Company to reduce reliance on one sector, leverage the significant opportunities and to increase cross selling opportunities/ client retention.

**EXPANSION OF DISTRIBUTION FOOTPRINT**

The Company intends to expand its operations by growing its branch network and expanding partnerships with dealers and agents. This includes conversion of window offices and pawning centers into branches. The number of branches will be increased to be 30 by end 2016.

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





Win



Sampath Group

### FOCUS ON BRAND BUILDING

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

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

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

### ATTRACTING & RETAINING HUMAN SKILLS

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

### LEVERAGING TECHNOLOGY TO EXTEND REACH AND CONTROL COSTS

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

### FOCUS ON MAINTAINING SUPERIOR ASSET QUALITY AND HIGH PROFITABILITY

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

# BOARD OF DIRECTORS



**1. MR. CHANNA PROBODHA PALANSURIYA**  
Chairman (Non-Executive Non-Independent)

Mr. C. P. Palansuriya has over 30 years of experience in the apparel sector by heading the Orit Group of Companies. He has provided extensive and continuous leadership to other companies in the apparel industry. He has gained wide experience in Government Administration by being a board member of the Board of Investment of Sri Lanka (BOI) during 2005 – 2015. 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 PLC with effect from 02nd May 2014. He was also 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.

He currently serves as the Chairman/Managing Director of Orit Group comprises which Orit Apparels Lanka (Pvt) Limited, Orit Trading Lanka (Pvt) Limited, Chairman of Style-Kraft Sportswear (Pvt) Limited, Deputy Chairman, Sampath Bank PLC, Deputy Chairman of National Livestock Development Board, Executive Committee Member of Joint Apparel Association Forum (JAAF), Executive Committee Member of Apparel Exporters Association gfp and Executive Committee Member of Sri Lanka Apparel Sourcing Association (SLASA).

**2. MR. MOHAN ASOKA ABEYNAIKE**  
Deputy Chairman - ( Non-Executive Independent)

Mr. Abeynaike 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. Abeynaike 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. Abeynaike was appointed a Director of Siyapatha Finance PLC on 28th 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. Abeynaike currently serves as Chairman of Asia Pacific Investments (Pvt) Ltd and Senior Director of Pan Asia Banking Corporation PLC.

**3. MR. KOTHWALA MUDIYANSELAGE SAMAN PRIYANTHA HERATH**  
Managing Director

Mr. Saman Herath is one of the most respected professionals in the banking industry, with 35 years of experience. Beginning his banking career at Commercial Bank in 1981, he later joined Sampath Bank PLC as an Executive in the Finance Division in 1987. Herath worked his way up the proverbial ladder of the bank's hierarchy until he reached the position of Senior Deputy General Manager of Corporate Banking from which he retired in June 2015.

He later went on to take up the position of Head of Branches at Nations Trust Bank. He was also a Director of Sampath Information Technology Systems, a fully owned subsidiary of Sampath Bank and a Director of Lanka Swift User Group (Gurantee) Ltd.

A results oriented person, Herath contributed largely to the development of Sampath Bank. He was appointed as Managing Director of Siyapatha Finance PLC with effect from 5th April 2016.

He is a Fellow Member of the Chartered Institute of Management Accounts of UK (FCMA, UK) as well as the Chartered Global Management Accountants (CGMA). Herath is also an Associate Member of the Institute of Bankers, Sri Lanka and holds a number of qualifications including a Diploma in Credit Management from the Institute of Bankers and a Certificate in Asset and Liability Management from the Postgraduate Institute of Management and has also completed a number of courses in General and Strategic Management conducted by institutions such as The National University of Singapore.

**4. MR. SUNIL GAMINI WIJESINHA****Director (Non-Executive Independent Director)**

Mr. Sunil G. Wijesinha is a Chartered Engineer, a Chartered Management Accountant FCMA (UK) and has a MBA from the University of Sri Jayawardenepura. 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 Directors 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 PLC on 22nd October 2008 and he is a member of Board Audit Committee of Siyapatha Finance PLC.

His experience in the financial services sector includes having been on the Boards of Sampath Bank PLC (as Deputy Chairman), National Development Bank PLC (as 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 a Director of BizEx Consulting (Pvt) Limited, Director of Sampath Centre Limited, Chairman of Watawala Plantations PLC, , and Chairman of United Motors Lanka PLC. He is the Immediate Past President of the National Chamber of Commerce of Sri Lanka and Immediate Past Chairman of the Employers' Federation of Ceylon.

**5. MR. MAHAWADUGE YASALAL ARAVINDA PERERA****Director - (Non-Executive Non-Independent Director)**

Mr. Perera counts over 30 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 PLC on 28th March 2012 and he is a member of Board Credit Committee of Siyapatha Finance PLC.

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

**6. MR. WATUTHANTHRIGE MAHIMAN PRASANTHA LAL DE ALWIS****Director - (Non-Executive Non-Independent Director)**

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 was appointed as a President Counsel in November 2012. He is also a Associate member of the Chartered Institute of Marketing UK.

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

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 visiting lecturer of Faculty of Law, University of Colombo, including subjects of Banking in LL.M Programme and Sri Lanka Law College. He currently serves as a Director of Softlogic Holdings, Orit Apparel and Coral Sands Hotel (Pvt) Ltd. 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.

**7. DR. HENNEDIGE SRINATH DILANJAN SOYSA****Director - (Senior, Non-Executive Independent Director)**

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 Corporation 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 PLC as a Director on 1st 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, STK Properties (Pvt) Limited, STK Quickshaws (Pvt) Limited, Shalsri Investments (Pvt) Limited and Packserve (Pvt) Limited.

**8. MR. PARAKRAMA MAITHRI ASOKA SIRIMANE****Director - (Non-Executive Independent Director)**

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

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

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

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

**9. MR. RANJITH SAMARANAYAKE****Director - (Non-Executive Non-Independent Director)**

Mr. Samaranyake has extensive experience as Head of Finance & Planning at National Savings Bank, Commercial Bank of Ceylon PLC and Sampath Bank PLC. He counts over 40 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. Samaranyake 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. Samaranyake was appointed as a Director to the Board of Siyapatha Finance PLC on 28th March 2012 and he is a Member of Board Credit Committee.

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

**10. MR. LASITH THARAKA RANWALA****Director - (Non-Executive Non-Independent Director)**

Mr. Ranwala is a Deputy General Manager of Sampath Bank PLC responsible for overseeing the areas of Marketing, Deposit Management, Development Banking, City & Commercial Credit and Business Development. Mr. Ranwala is also the Overall Pillar Head for the CSR activities of the Bank. He has over 15 years' experience in the Banking Industry in roles of increasing responsibility in Marketing & Retail Banking. During this period he had stints in Brand Management, Corporate communications, Market Development, CSR, Consumer and International Marketing.

Mr. Ranwala is a Fellow of CIM (UK) and a member of SLIM. He possess a postgraduate Diploma in Marketing (CIM – UK) and is a Chartered Marketer. He is also a Certified Professional Marketer (CPM) of the Asia Pacific Marketing Federation. He has won numerous awards both locally and internationally which includes the "Brand Leadership Award in 2006" and the 'Marketing Professional of the year in 2014' at the CMO ASIA Global Brand Excellence Awards. Tharaka is the Vice President of the International Advertising Association (IAA) Sri Lanka and also a Board Member of the CSR Sri Lanka (Guarantee) Limited, which is the apex body for promoting CSR initiatives in Sri Lanka.

**11. MR. SATHANANTHAN SUDARSHAN****Company Secretary**

Mr. Sathananthan Sudarshan, was appointed as the Company Secretary of Siyapatha Finance PLC with effect from 7th December 2015.

He is a Chartered Secretary by profession and is an Associate of the Institute of Chartered Secretaries & Administrators (UK) and the Institute of Chartered Corporate Secretaries in Sri Lanka.

He was the former Group Company Secretary at Sampath Bank PLC and has wide experience in the industry.

He is also the President of the Institute of Chartered Corporate Secretaries of Sri Lanka.

## CORPORATE MANAGEMENT TEAM



**SAMAN HERATH**  
*Managing Director*



**RAJEEV DE SILVA**  
*Chief Operating Officer*



**HASUNI GAYASHA**  
*Head of Finance*



**ROHANA DISSANAYAKE**  
*Head of Deposits*



**THILANI PUNYAWANSA**  
*Head of Risk & Compliance*



**NIMAL LUXSHMAN**  
*Head of Internal Audit*



**MATHISHA HEWAVITHARANA**  
*Head of Marketing*



**PRASAD UDUGAMPOLA**  
*Head of Human Resources*



**SHAMA SELVARATNAM**  
*Head of Factoring*



**SAJEEVA DODANWATTE**  
*Head of Recoveries*

## OTHER KEY MANAGERS



**BATHIYA SAMARAWEERA**  
*Head of Sales*



**HISHAM ZIARD**  
*Regional Manager*



**THILAK ADIKARI**  
*Regional Manager*



**AJANTHA KUMARA**  
*Head of Gold Financing*



**MOHAMED FAIZ**  
*Regional Manager*



**MANJULA BALASURIYA**  
*Manager - IT*



**SAMANMALI WIJERATNE**  
*Manager - Legal*



**SAMPATH HIMENDRA**  
*Manager - Operations*



**JAMES PEIRIS**  
*Senior Manager - Strategic Marketing*



**AKALANKA PREMARATNE**  
*Manager - Loan Products*



**DAMITH SHAMINDA**  
*Manager - Internal Audit*



**INDIKA RAJAPAKSHE**  
*Regional Manager*



**NIMASHA KUMARASIRI**  
*Manager - Finance*



**LAKMINI PERERA**  
*Manager Operations - Factoring*



**MALAKA ASIRIWARDANA**  
*Manager - Administration*



**GATHARA CHATHUDISI**  
*Assistant Manager - Operations*



**AMILA KUMARA**  
*Regional Manager*



**BANDARA MEDAGODA**  
*Regional Manager*



**SUSANTHA WATUDURA**  
*Manager - Business Development*



**AMILA BAMBARANDAGE**  
*Regional Manager*



**SENARATH BANDARA**  
*Regional Manager*



**AMILA LIYANARACHCHI**  
*Officer Insurance*

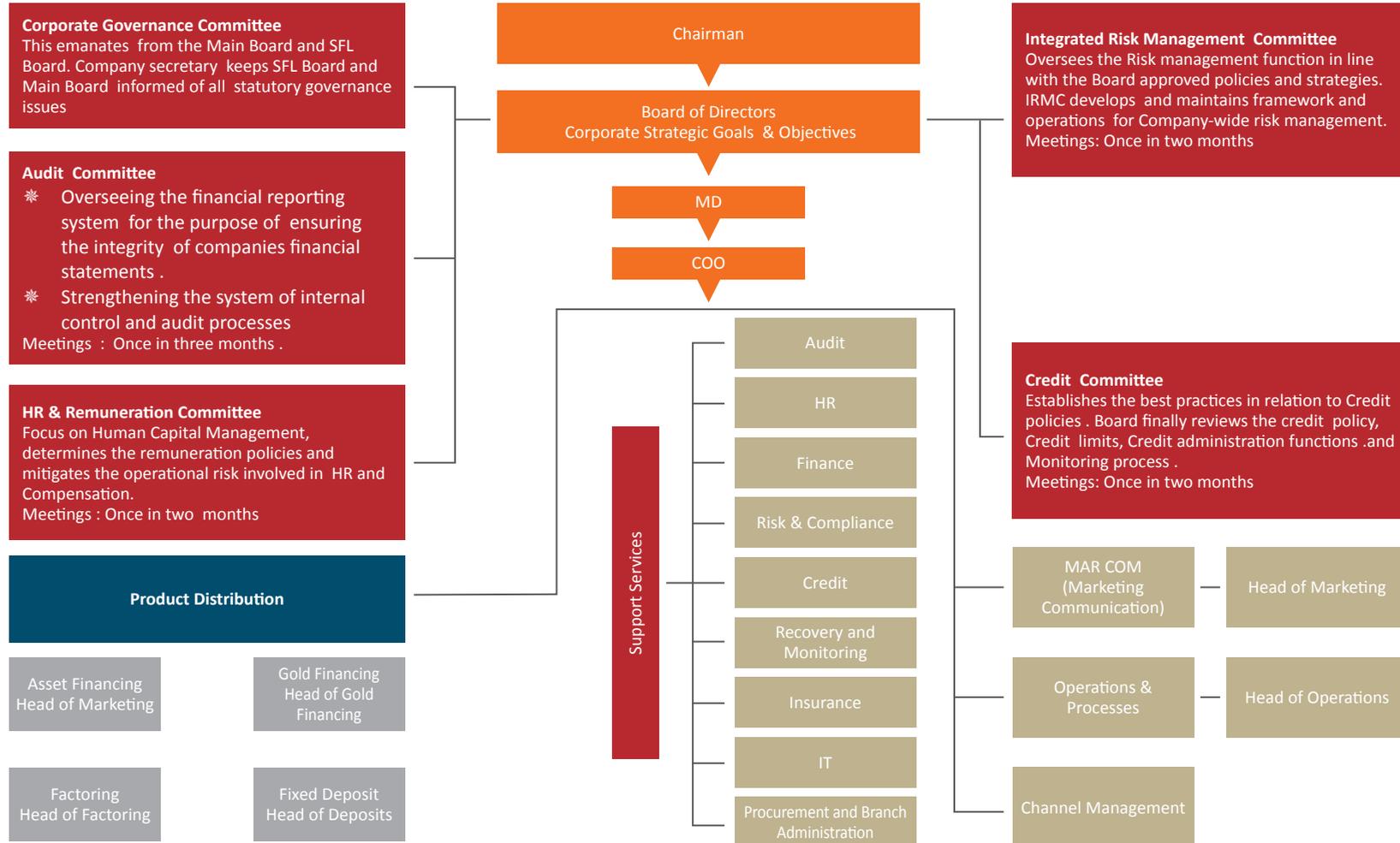
## BRANCH MANAGERS / BRANCH RELATED SERVICES

**MANJULA JAYATHILAKA***Branch Manager - Nuwaraeliya***ANURA JAYASINGHE***Branch Manager - Peliyagoda***BHATHIYA ASANKA KUMARA***Branch Manager - Anuradhapura***BUDDHIKA RATNAYAKE***Branch Manager - Matara***ASHOKA RUPASINGHE***Branch Manager - Ampara***CHAMARA PERERA***Branch Manager - Kuliyaipitiya***GAYAN KAMALJITH***Branch Manager - Avissawella***MOHAMED PRIMSATH***Branch Manager - Kalmunai***SALIYA MALUDDENIYA***Branch Manager - Kegalle***HEMANTHA PREMARATHNA***Officer In Charge - Ratnapura***RASIKA RATHNAYAKA***Branch Manager - Kandy***RENUKA SARANGA***Branch Manager - Vavunia*

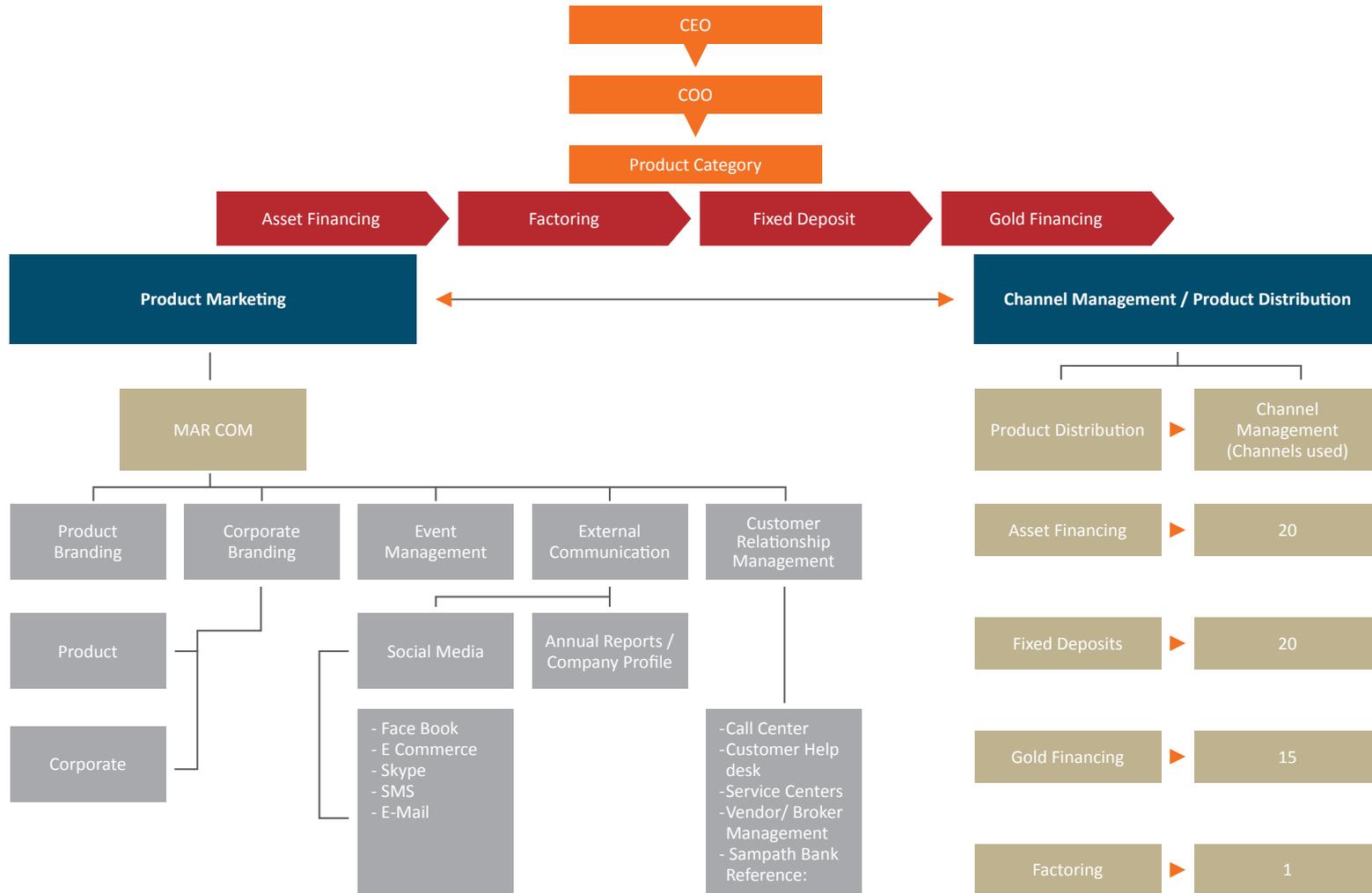
**GAYAN SAMPATH***Branch Manager - Negombo***T. PRABAKARAN***Branch Manager - Batticaloa***KASUN SILVA***Assistant Branch Manager - Nugegoda*

# CORPORATE GOVERNANCE

## CORPORATE GOVERNANCE STRUCTURE



**STRUCTURE REVOLVING AROUND PRODUCT MARKETING, PRODUCT DISTRIBUTION AND CHANNELS USED**



**DIRECTORS' ATTENDANCE & COMMITTEE MEMBERSHIPS**

Directors' Attendance for the year 2015

Director	Board Meetings	Board Audit Committee	Integrated Risk Management Committee	Board Credit Committee	Board HR & Remuneration Committee	Board Corporate Governance Committee	Related Party Transactions Review Committee
Mr. Channa Prabodha Palansuriya	13						
Mr. Mohan Asoka Abeynaike	15	7	6	5			
Mr. Sunil Gamini Wijesinha	16	8				1	
Dr. Henedige Srinath Dilanjan Soysa	14	7	5	5	16		
Mr. Parakrama Maithri Asoka Sirimane	15	8	6		16	1	
Mr. Watuthanthrige Mahiman Prasantha Lal De Alwis	16		6		17	1	
Mr. Mahawaduge Yasalal Aravinda Perera	14			5			
Mr. Ranjith Samaranyake	13	4*		4			
Mr. Lasith Tharaka Ranwala **	06						
Total No. of Meetings	16	8	6	5	17	1	-

\* Joined the Committee on 23.06.2015

\*\* Appointed w. e. f. 28.07.2015 to the Board and was appointed a member to the Board Committee w. e. f. 22.12.2015

\*\*\* Mr. Kothwala Mudiyansele Saman Priyantha Herath was appointed to the Board as Managing Director w. e. f. 05.04.2016

## Committee Composition as at 31st December 2015

Director	Board Meetings	Board Audit Committee	Integrated Risk Management Committee	Board Credit Committee	Board HR & Remuneration Committee	Board Corporate Governance Committee	Related Party Transactions Review Committee
Mr. Channa Prabodha Palansuriya	C						
Mr. Mohan Asoka Abeynaike	M	M	C	M			M
Mr. Sunil Gamini Wijesinha	M	M				M	M
Dr. Henedige Srinath Dilanjan Soysa	M	M	M	C	M		
Mr. Parakrama Maithri Asoka Sirimane	M	C	M		M	C	C
Mr. Watuthanthrige Mahiman Prasantha Lal De Alwis	M		M		C	M	M
Mr. Mahawaduge Yasalal Aravinda Perera	M			M			
Mr. Ranjith Samaranayake	M	M		M			
Mr. Lasith Tharaka Ranwala	M			M			

C- Chairman

M – Member

**THE CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE ISSUED JOINTLY BY THE SECURITIES AND EXCHANGE COMMISSION OF SRI LANKA AND THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA.**

Code of Best Practice Reference	Requirement	Level of Compliance	Explanation of the Company	Responsibility
<b>A DIRECTORS</b>				
<b>A.1 THE BOARD</b>				<b>Complied</b>
The Board of Directors at Siyapatha Finance PLC represents professionals from different disciplines such as Legal, Marketing, Management, Finance, Engineering and Banking and they bring with them a wealth of business experience to provide leadership to Siyapatha Finance PLC.				
A.1.1	<b>Board meetings</b>	Complied	<p>Board meetings are planned well ahead and dates of meetings which are scheduled monthly are finalized at the beginning of the calendar year.</p> <p>Board meetings are mainly focused on reviewing the performance of the Company and other routine matters. The Board spends more time on Strategic Planning and the Company's future direction. Key Officers, in their monthly presentations to the Board, focus on their performances and future plans to achieve the strategic vision.</p> <p>Special Board meetings are convened whenever necessary. These meetings ensure that prompt actions are taken to align the business processes to achieve the expectations of all stakeholders. During the reviewed period 16 Board meetings were held .</p> <p>Please refer 'Number of Meetings Held and Attendance' table given in page 76 on the Annual report.</p>	Board of Directors and Company Secretary
A.1.2	<b>Responsibilities of the Board</b>	Complied	<p>The Board while acting in line with the organization and the Group values is responsible for the formulation of a sound business strategy for the organization. The Management formulates a three year strategic plan which addresses the future challenges, which is tabled, discussed and approved by the Board.</p> <p>During the last few years the Board recognised the importance of Human Capital and recruited to the Corporate management, individuals who are capable and talented with required skills , experience and knowledge to accept any challenge that the Company may face in the future. The Board also implemented a succession plan, with a view to ensuring that there is a strong successor to shoulder the responsibilities of the Company if deemed necessary.</p>	Board of Directors

Code of Best Practice Reference	Requirement	Level of Compliance	Explanation of the Company	Responsibility
			The Board takes necessary steps to fulfill the duties entrusted to them by securing the integrity of the information, managing risks and implementing an effective internal control system. In this process, compliance will ensure that all applicable laws and regulations and adherence to the organization and the group ethical standards and corporate values are met in order to ensure that the interests of all stakeholders are taken into consideration in the corporate decision-making process.	
A.1.3	<b>Agreed procedure on seeking independent professional advice</b>	Complied	Clear, formulated and approved procedure is in place for the Directors to seek independent professional advice as and when required. The Board Sub-Committees advise the Board on various matters under their purview, when necessary.	Board of Directors and Company Secretary
A.1.4	<b>Advice and services of the Company Secretary</b>	Complied	Clear formulated and approved procedure by the Board is in place for the Board members to have full access to the Company Secretary to ensure that proper Board procedures are followed and that all applicable rules and regulations are complied with. Legal matters for which clarifications are needed by the Board are referred to the Company Secretary who is a Chartered Secretary. He provides such information after obtaining necessary professional advice whenever required.	Board of Directors/ Company Secretary
A.1.5	<b>Independent judgment of Directors</b>	Complied	All Directors are free to bring independent judgment for decision making of the Company and for the decisions taken by the Board on issues of strategy, performance, resources and standards of business conduct. Different arguments and ideas are reordered in detail by the Company Secretary with a view to indicate the rational in which decisions are arrived at.	Board of Directors/ Company Secretary
A.1.6	<b>Dedicating adequate time and effort by the Directors</b>	Complied	All Directors of the Company dedicate adequate time and effort at Board and Committee meetings to fulfill their duties. Further they also spend their time before and after the meetings, to ensure that the duties and responsibilities owed to the Company are discharged according to highest standards. Board Papers/Committee papers are dispatched in advance to the directors.	Board of Directors/ Company Secretary
A.1.7	<b>Training for new and existing Directors</b>	Complied	Directors have recognized the need for continuous training and expansion of knowledge and take part in such professional development as they consider necessary in assisting them to carry out their duties as Directors. Market experts and professional services are obtained to share new knowledge from time to time. Any training programmes relevant to the Board are informed by the Company Secretary to Directors for them to participate.	Board of Directors/ Company Secretary

**THE CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE ISSUED JOINTLY BY THE SECURITIES AND EXCHANGE COMMISSION OF SRI LANKA AND THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA.**

Code of Best Practice Reference	Requirement	Level of Compliance	Explanation of the Company	Responsibility
<b>A.2 CHAIRMAN AND CHIEF EXECUTIVE OFFICER (CEO)</b>				<b>Complied</b>
<p>The Board of Directors does not intervene with the Company's day to day business and there is a clear division of responsibilities between conducting the business of the Board and day-to-day operations of the Company by the Executive Management, in order to ensure a balance of power and authority. The Chairman is responsible for leading the Board to drive towards the Strategic Vision and to ensure the effectiveness of the Board. The CEO's role is primarily to conduct the business operations of the Company with the help of the Corporate and the Senior Management. Hence, the roles of the Chairman and CEO are clearly distinct from one another.</p>				
A.2.1	<b>Separation of the roles of Chairman &amp; CEO</b>	Complied	<p>Chairman and CEO positions are held by two individuals and the functions of the Chairman and CEO are clearly documented, defined and separated by the Board, thereby preventing unfettered powers for decision making being vested with one individual.</p> <p>There is a clear division of responsibilities between conducting the business of the Board and day-to-day operations of the Company in order to ensure a balance of power and authority. The Chairman is responsible for leading the Board and for its effectiveness. The CEO's role is primarily to conduct the business operations of the Company with the help of the Corporate Management. The roles of the Chairman and CEO are clearly distinct from one another.</p>	Board of Directors

Code of Best Practice Reference	Requirement	Level of Compliance	Explanation of the Company	Responsibility
<b>A.3 CHAIRMAN'S ROLE</b>				<b>Complied</b>
Chairman is responsible to ensure all Board members make a full contribution to the Board's affairs and ensure that the Board acts as a team while discharging the Board functions. He also provides leadership to the Board and effectively manages the Board while preserving the order and facilitating effective discharge of Board functions.				
A.3.1	<b>Role/ Functions of the Chairman</b>	Complied	<p>The following functions of the Chairman were approved by the Board.</p> <ul style="list-style-type: none"> <li>* Provide leadership to the Company and Board of Directors.</li> <li>* Ensure that the Board works effectively and discharges its responsibilities.</li> <li>* Ensure that all key and appropriate issues are discussed by the Board, in a timely manner.</li> <li>* Responsible for drawing up and approving the agenda for each Board meeting, taking into account, where appropriate, any matters proposed by the other directors for inclusion in the agenda.</li> <li>* Ensure that all directors are properly briefed on issues arising at Board meetings and ensure that directors receive adequate information in a timely manner.</li> <li>* Encourage all directors to make full and active contribution to the Board's affairs and take the lead to ensure that the Board acts in the best interests of the Company.</li> <li>* Facilitate the effective contribution of Non-Executive Directors in particular and ensure constructive relations among the non-executive directors. (Board consists Non-Executive Directors).</li> <li>* Not to engage in activities involving direct supervision of key management personnel or any other executive duties whatsoever.</li> <li>* Ensure that appropriate steps are taken to maintain effective communication with shareholders (at general meetings and in general) and that the views of shareholders are communicated to the Board.</li> </ul>	Board of Directors

**THE CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE ISSUED JOINTLY BY THE SECURITIES AND EXCHANGE COMMISSION OF SRI LANKA AND THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA.**

Code of Best Practice Reference	Requirement	Level of Compliance	Explanation of the Company	Responsibility
<b>A.4 FINANCIAL ACUMEN</b>				
The Code of Best Practice requires that the Board comprises of members with sufficient financial acumen and knowledge to offer guidance on matters of finance. The Board of the Company has met the above requirement as five Board members out of nine Directors are Qualified Accountants having professional qualifications and are equipped with sufficient financial acumen and knowledge to offer guidance on matters of finance.				
A.4	<b>Financial acumen and knowledge</b>	Complied	The Chairman of the Audit committee, Mr. P M A Sirimane and Chairman of the Integrated Risk Management Committee, Mr. M A Abeynaike are Fellow Members of the Institute of Chartered Accountants of Sri Lanka. In addition, the Board includes a Non-Executive Director who is the Group Chief Financial Officer who holds a degree in Bachelor of Commerce (Accountancy Special) from the University of Peradeniya. Further Mr. M Y A Perera, who is the Managing Director of our parent Company, is a Fellow Member of the Chartered Institute of Management Accountants, UK and Mr. S G Wijesinha is also a Fellow Member of The Chartered Institute Management Accountants (UK). These members of the Board have the ability to offer guidance on matters of finance to the Board.	Board of Directors
<b>A.5 BOARD BALANCE</b>				
				<b>Complied</b>
The Code requires that a balance is maintained between the Executive and Non-Executive Directors (NEDs) so that no individual or a small group of individual Directors is able to dominate the Board's decision making. This requirement is fulfilled since the Board comprises only of Non-Executive Directors as at 31 December 2015.				
A.5.1	<b>Presence of a strong team of NEDs</b>	Complied	All nine Directors of the Board are NEDs which is well-above the minimum prescribed by this Code which is two NEDs or NEDs equivalent to one-third of the total number of Directors, whichever is higher. This ensures that the views of Non-Executive Directors are taken into consideration in Board decisions.	Board of Directors
A.5.2 & A.5.3	<b>Independence of NEDs</b>	Complied	Four out of the nine NEDs are Independent which is well above the minimum prescribed by this Code which is two NEDs or NEDs equivalent to one third of the total number of NEDs, whichever is higher	Board of Directors and Company Secretary
A.5.4	<b>Annual Declaration of NEDs</b>	Complied	Every NED of the Company has made written declarations as to their independence against the specified criteria set out by the Company, which is in line with the requirements of Schedule H of this Code.	Board of Directors and Company Secretary

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

**THE CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE ISSUED JOINTLY BY THE SECURITIES AND EXCHANGE COMMISSION OF SRI LANKA AND THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA.**

Code of Best Practice Reference	Requirement	Level of Compliance	Explanation of the Company	Responsibility
<b>A.6 SUPPLY OF INFORMATION</b>				<b>Complied</b>
The Code requires the Company's management to submit timely information to the Board with sufficient information for making decisions which would enable it to discharge its duties.				
A.6.1	<b>Obligation of the Management to provide appropriate and timely information to the Board</b>	Complied	The Executive Management of the Company ensures that the Directors receive adequate information in a timely manner. Every effort is made to provide the information, as early as possible. The Board Papers are prepared by the Executive Management of the Company to provide adequate information to the Board enabling it to deliberate on all key issues concerning the Company. Directors are free to raise inquires/ concerns for additional information, where necessary. In addition, key members of the Executive Management make their presentations at every Board meeting on their performance and issues of importance during the reviewed period. The Chairman ensures that all Directors are briefed adequately on issues arising at Board meetings.	Board of Directors , Company Secretary and Executive Management
A.6.2	<b>Adequate time for Board meetings</b>	Complied	According to the Articles of Association of the Company, all Board members are given notice well ahead the meeting, and all minutes of previous meetings, agenda and Board papers are dispatched in advance . Further, adequate notice is given to all Directors prior to emergency/special Board meetings. This ensures that the Board members have adequate time to study the related papers and prepare for a meaningful discussion at the meetings.	Executive Management and Company Secretary
<b>A.7 APPOINTMENT TO THE BOARD</b>				<b>Complied</b>
Company has a formal and transparent procedure in place to appoint new Directors.				
A.7.1 & A.7.2	<b>Presence of a Nomination Committee and annual assessment of composition of the Board</b>	Complied	New appointments and re-elections of Directors to the Board are considered and recommended by the Nomination Committee of the Parent Company. Based on such recommendations of the parent Company, final decisions are taken by the Siyapatha Board as per the procedure approved by the Board to appoint new directors which is a formal and transparent procedure. Further, The Board assesses the composition of the Board to ensure that the combined knowledge and experience of the Board matches the strategic demand of the market.	Nomination Committee of Parent Company, Board of Directors and Company Secretary
A.7.3	<b>Disclosure of required details to Shareholders on new appointments to the Board</b>	Not Applicable	Since the Parent Company holds 100% of the shares and the Nominations Committee of the parent Company nominates the new appointments to the Board, this requirement is not applicable.	Company Secretary

Code of Best Practice Reference	Requirement	Level of Compliance	Explanation of the Company	Responsibility
<b>A.8 RE-ELECTION</b>				<b>Complied</b>
The Code requires all Directors to submit themselves for re-election, on regular intervals and at least once in every three years				
A.8.1 & A.8.2	<b>Re-election of Non-Executive Directors including Chairman and Directors</b>	Complied	In accordance with Section 24(8) of the Articles of Association, the procedure is adopted by the Company to re elect by rotation at least 1/3 of the Directors at Annual General Meetings. A procedure is also in place to re-elect directors who join the Board during the year to make themselves available for reappointment at the subsequent Annual General Meeting.	Board of Directors and Company Secretary
<b>A.9 APPRAISAL OF BOARD PERFORMANCE</b>				<b>Complied</b>
The Code requires the Board to appraise its own performance periodically to ensure that its responsibilities are satisfactorily discharged.				
A.9.1 & A.9.2	<b>Annual appraisal of the Board's performance and the performance of its Sub-Committees</b>	Complied	The performance of the Board is evaluated by the Chairman with the Board's assistance. The Board Sub-Committees carry out a self-assessment process annually to ensure they function effectively and efficiently with the objective of facilitating continuous improvement and to be in line with good governance.	Board of Directors and Company Secretary
A.9.3	<b>Disclosure of criteria used for the performance evaluation</b>	Complied	Please refer Board Human Resources and Remuneration Committee Report for details of the criteria considered for performance evaluation of the Board.	Board of Directors and Company Secretary
<b>A.10 DISCLOSURE OF INFORMATION IN RESPECT OF DIRECTORS</b>				<b>Complied</b>
The Code requires that details of the Directors be disclosed in the Annual Report for information of the shareholders				
A.10.1	<b>Disclosures on Directors in the Annual Report</b>	Complied	The following details pertaining to each Director are disclosed in the Annual Report  (a) Brief profile with expertise and experience - pages 65 to 68 (b) Other business interests – page 137 (c) Remuneration - Note 44.2 on page 191 (d) Status of independence - page 135 (e) Details of Board Meetings and Board Committee Meetings held during the year - pages 76 to 77	Company Secretary

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Code of Best Practice Reference	Requirement	Level of Compliance	Explanation of the Company	Responsibility
<b>A.11 APPRAISAL OF CHIEF EXECUTIVE OFFICER (CEO)</b>				<b>Complied</b>
The Code requires the Board to assess the performance of the CEO at least annually to ascertain the degree to which the CEO met the pre-set financial and non-financial targets				
A.11.1 & A.11.2	<b>Setting annual targets and the appraisal of performance of the CEO</b>	Complied	At the beginning of each financial year, the Board discusses with the CEO and sets long term, medium term and short term financial and non-financial goals for the Company that are to be guided and achieved by the CEO within the course of that year. Assessment of performance of the CEO is carried out by the Board annually to ensure the performance is achieved.	Board of Directors and Company Secretary
<b>B DIRECTORS' REMUNERATION</b>				
<b>B.1 REMUNERATION PROCEDURE</b>				<b>Complied</b>
This principle ensures that the Company has a well-established, formal and transparent procedure in place for developing an effective remuneration policy to avoid potential conflict of interest.				
B.1.1	<b>Establishment of a Remuneration Committee</b>	Complied	The Company has a Board Human Resources and Remuneration Committee which has power to evaluate, assess and decide matters that may affect the Human Resources Management of the Company.	Board of Directors and Company Secretary
B.1.2	<b>Composition of the Remuneration Committee</b>	Complied	As prescribed in this Code, all members of the Board Human Resources and Remuneration Committee are Non-Executive Directors and the Chairman of the Committee is appointed by the Board	Board of Directors
B.1.3	<b>Chairman and the Members of the Committee</b>	Complied	Please refer 'Board Human Resources and Remuneration Committee Report' for details of the Chairman and the Members of the Board Human Resources and Remuneration Committee.	Board of Directors and Company Secretary
B.1.4	<b>Determination of the remuneration of Non-Executive Directors</b>	Complied	All payments to the directors of the Company are decided by the parent Company as per the Group's policy on remuneration. No Director of the Company can decide their own remuneration. The Non-Executive Directors receive a fee for being a Director of the Board and an additional fee for either chairing or being a member of a Board or a Committee.	Board of Directors of Parent Company, Board of Directors

Code of Best Practice Reference	Requirement	Level of Compliance	Explanation of the Company	Responsibility
B.1.5	<b>Ability to consult the Chairman and/ or CEO and to seek professional advice by the Committee</b>	Complied	There were no Executive Directors in the Company as at 31 December 2015.  The Committee has the authority to seek internal and external independent professional advice on all matters falling within the purview of the Committee at the Company's expense.	Board of Directors and Company Secretary
<b>B.2 LEVEL AND MAKE UP OF REMUNERATION</b>				<b>Not Applicable</b>
The Company ensures that the remuneration of Non-Executive Directors is at a satisfactory level to attract and retain the services of Directors				
B.2.1	<b>Remuneration packages of Executive Directors</b>	Not Applicable	The Board consisted of only Non-Executive Directors as at 31 December 2015.	Company Secretary
B.2.2	<b>Competitiveness of levels of remuneration</b>	Not Applicable	Directors are paid based on the Group Remuneration Policy.	Board of Directors of Parent Company, Board of Directors and Company Secretary
B.2.3	<b>Comparison of remuneration with other companies in the Group</b>	Not Applicable	All payments to the Directors are based on Group policy which is decided on the market rates.	Board of Directors of parent Company, Board of Directors and Company Secretary
B.2.4	<b>Performance based remuneration of Executive Directors</b>	Not Applicable	The Board consisted of only Non-Executive Directors as at 31 December 2015.	Company Secretary
B.2.5	<b>Executive share options</b>	Not Applicable	No Executive Share Option Schemes were granted during the year.	Company Secretary

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Code of Best Practice Reference	Requirement	Level of Compliance	Explanation of the Company	Responsibility
B.2.6	<b>Designing the remuneration of Executive Directors</b>	Not Applicable	The Board consisted of only Non-Executive Directors as at 31 December 2015 and as such there were no remuneration arrangements made to Executive Directors.	Company Secretary
B.2.7 & B.2.8	<b>Early termination of Executive Directors</b>	Not applicable	This was not applicable as there were no Executive Directors as at 31 December 2015.	Company Secretary
B.2.9	<b>Levels of Remuneration of Non-Executive Directors</b>	Not Applicable	Non-Executive Directors of the Company are paid a nominal fee for their time and role in the Company, in line with the Group policy approved by the Parent Company. They are not entitled to receive any other privileges other than the monthly fee and the Board /Committee sitting fees	Board of Directors of Parent Company, Board of Directors, Company Secretary
<b>B.3 DISCLOSURE OF REMUNERATION</b>				<b>Complied</b>
The Code requires the Company to disclose in its Annual Report the details of the remuneration paid and the Remuneration Policy.				
B.3.1	<b>Disclosure of Remuneration</b>	Complied	Please refer 'Board Human Resources and Remuneration Committee Report' for disclosures on the names of the Remuneration Committee members and the Remuneration Policy of the Company.  Please refer Note 10 to the Financial Statements (page 161) for the aggregate remuneration paid to Non-Executive Directors.	Head of Finance of the Company
<b>C RELATIONS WITH SHAREHOLDERS</b>				
<b>C.1 CONSTRUCTIVE USE OF ANNUAL GENERAL MEETING (AGM) AND CONDUCT OF GENERAL MEETINGS</b>				<b>Complied</b>
<b>The Code requires the Board to use the AGM to communicate with shareholders and encourage their active participation</b>				
Since the company is a 100% owned subsidiary of the Parent Company, all Company information is routed through the Directors representing the Parent Company interest.				
C.1.1	<b>Use of Proxy Votes</b>	Not applicable	The Parent Company holds 100% of the shares	Company Secretary

Code of Best Practice Reference	Requirement	Level of Compliance	Explanation of the Company	Responsibility
C.1.2	<b>Separate resolutions for substantially separate issues and adoption of Annual Report and Accounts</b>	Complied	The Parent Company holds 100% of the shares. Further, adoption of the Annual Report of the Board of Directors on the affairs of the Company, Statement of Compliance and the Financial Statements together with the Report of the Auditors thereon are considered separately.	Board of Directors Company Secretary
C.1.3	<b>Availability of Chairmen of Board Committees</b>	Complied	All Board members are present at the AGM .	Board of Directors/ Company Secretary
C.1.4 & C.1.5	<b>Adequate notice of AGM to shareholders together with summary of the procedure</b>	Complied	Annual Reports are dispatched to all Shareholders/Debtenture holders of the Company, whereas a form of proxy together with the Notice of Meeting detailing the summary of procedure as per legal requirements giving adequate notice is dispatched to shareholders .	Company Secretary
<b>C.2 COMMUNICATION WITH SHAREHOLDERS</b>				<b>Not Applicable</b>
The Code requires effective communication with shareholders. This section is not applicable since the company is a fully owned subsidiary of Sampath Bank PLC				
C.2.1	<b>Channel to reach all shareholders of the Company</b>	Not Applicable	This section is not applicable since the Company is a fully owned subsidiary of Sampath Bank PLC.	Company Secretary
C.2.2	<b>Policy and methodology for communication</b>	Not Applicable	This section is not applicable since the Company is a fully owned subsidiary of Sampath Bank PLC.	Company Secretary
C.2.3	<b>Implementation of the policy and methodology for communication with shareholders</b>	Not Applicable	This section is not applicable since the Company is a fully owned subsidiary of Sampath Bank PLC.	Company Secretary

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Code of Best Practice Reference	Requirement	Level of Compliance	Explanation of the Company	Responsibility
C.2.4 & C.2.6	<b>Contact person in relation to shareholder matters</b>	Not Applicable	This section is not applicable since the Company is a fully owned subsidiary of Sampath Bank PLC.	Company Secretary
C.2.5	<b>Process to make all directors aware of major issues and concerns of shareholders</b>	Not Applicable	This section is not applicable since the Company is a fully owned subsidiary of Sampath Bank PLC.	Company Secretary
C.2.7	<b>Process responding to shareholder matters</b>	Not Applicable	This section is not applicable since the Company is a fully owned subsidiary of Sampath Bank PLC .	Company Secretary
<b>C.3 MAJOR AND MATERIAL TRANSACTIONS</b>				<b>Not Applicable</b>
The Code requires the Directors to disclose to shareholders all proposed material transactions which would materially alter the net asset position of the Company, if entered into.				
C.3.1	<b>Disclosures on proposed major transactions</b>	Not Applicable	There were no major transactions involving acquisition or disposal of assets greater than half of the net asset value of the Company	Board of Directors/ Company Secretary
<b>D ACCOUNTABILITY AND AUDIT</b>				
<b>D.1 FINANCIAL REPORTING</b>				<b>Complied</b>
This Principle requires the Board of the Company to present a balanced and understandable assessment of the Companies' financial position, performance and prospects.				
D.1.1	<b>Board's responsibility for Statutory and Regulatory Reporting</b>	Complied	<p>The Board is well aware of its responsibility to present regulatory and statutory reports in a balanced and understandable manner and a statement to this effect is given on page 133 of this Annual Report.</p> <p>The Company has complied with the requirements of the Companies Act No. 07 of 2007, the Finance Companies Act No. 42 of 2011 and amendments thereto, in the preparation of Quarterly and Annual Financial Statements which are prepared and presented in conformity with Sri Lanka Accounting Standards. Further, the Company has complied with the reporting requirements prescribed by the regulatory authorities such as the Central Bank of Sri Lanka and the Colombo Stock Exchange.</p>	Board of Directors, Board Audit Committee, Head of Finance, Head of Risk and Compliance

Code of Best Practice Reference	Requirement	Level of Compliance	Explanation of the Company	Responsibility
D.1.2	<b>Declarations by Directors in the Directors' Report</b>	Complied	The Annual Report of the Board of Directors on the affairs of the Company on pages 133 to 138 contains the declarations as required by the code.	Board of Directors
D.1.3	<b>Statements by Directors' and Auditors' on responsibility for financial reporting</b>	Complied	The "Statement of Directors' Responsibility" for the preparation and presentation of Financial Statements is given in Note 1.4 of the Financial Statements on page 147 of the Annual Report. Please also refer page 141 For the Independent Auditor's Report.	Board of Directors
D.1.4	<b>Management Discussion and Analysis</b>	Complied	Please refer 'Management Discussion and Analysis'. (MD&A) set out on pages 23 to 63 presented as an integrated report covering all aspects referred in the code."	Board of Directors and Executive Management
D.1.5	<b>Declaration by Board on the going concern of the Business</b>	Complied	Please refer "Annual Report of the Board of Directors" and Note 3, Estimates and Assumptions to the Audited Financial Statements. (Page 148)	Board of Directors, Management of the Company
D.1.6	<b>Requirement to Summon an Extraordinary General Meeting (EGM) to notify serious loss in net assets (capital)</b>	Not applicable	No such event occurred during the financial year.	Board of Directors and Company Secretary
D.1.7	<b>Declaration by Board on Related Party Transactions</b>	Complied	Each Director and KMP has declared their interests in transactions with the Company during the year ended 31st December 2015, if any.  Internal controls are placed within the Company to identify, record and disclose related party transactions.  All related party transactions as defined in Sri Lanka Accounting Standards - LKAS 24 (Related Party Transactions) are disclosed in Note 44 to the Audited Financial Statements.	Board of Directors, Head of Finance, Company Secretary

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Code of Best Practice Reference	Requirement	Level of Compliance	Explanation of the Company	Responsibility
<b>D.2 INTERNAL CONTROL</b>				<b>Complied</b>
The Code requires the Company's Board to ensure that an effective system of internal controls, which safeguards the Company's assets to protect the interests of shareholders is in place				
D.2.1	<b>Directors to conduct an annual review of internal controls</b>	Complied	The Company obtained the External Auditor's certification on the effectiveness of the internal control mechanism on financial reporting.	Board Audit Committee, Head of Internal Audit
D.2.2	<b>Need for an internal audit function for companies</b>	Not Applicable	This is not applicable as the Company already has its own in-house Internal Audit Department, which is responsible for the internal audit function.	Board Audit Committee
<b>D.3 AUDIT COMMITTEE</b>				<b>Complied</b>
The Code requires the Board to have formal and transparent arrangements in selecting and applying the accounting policies, financial reporting and internal control principles and maintaining an appropriate relationship with the Bank's External Auditor				
D.3.1	<b>Composition of the Audit Committee</b>	Complied	Out of the five Directors, four Directors are independent including the Chairman and all four members are Non Executive Directors.  Details of the members, are found on the 'Board Audit Committee Report' under the heading 'Composition of the Committee' (Page 117)	Board of Directors/ Company Secretary
D.3.2	<b>Duties of the Audit Committee</b>	Complied	As stated in the Report of the Board Audit Committee of the Company, it regularly reviews the scope of the External Auditors, results and effectiveness of the audit. It also ensures that non audit services provided by the External Auditors does not affect their independence .	Board Audit Committee/ Company Secretary
D.3.3	<b>Terms of Reference of the Audit Committee</b>	Complied	Terms of reference of the Board Audit Committee is clearly defined in the Charter of the Audit Committee approved by the Board of Directors, which was last revised in December 2014. This clearly explains the purpose of the Committee, its duties and responsibilities, together with the scope and functions of the Committee. The Committee mainly deals with the matters pertaining to statutory and regulatory compliance in financial reporting, matters with regard to the External Auditors, internal audit and risk management procedures of the Company.	Board Audit Committee/ Company Secretary

Code of Best Practice Reference	Requirement	Level of Compliance	Explanation of the Company	Responsibility
D.3.4	<b>Disclosure of names of the members of the Audit Committee</b>	Complied	Names and composition of the members of the Audit Committee are given under Audit Committee Report. The Board Audit Committee ensures that External Audit functions are independently handled in the interest of the Shareholders.	
<b>D.4 CODE OF BUSINESS CONDUCT AND ETHICS</b>				<b>Complied</b>
The Code requires the Company to adopt an Internal Code of Conduct and Ethics to be adhered to by all Directors and members of the senior management of the Company				
D.4.1	<b>Disclosures on presence of Code of Business Conduct and Ethics</b>	Complied	<p>The Company has an internally developed Code of Conduct for its Directors and this Code covers the following areas; Conflict of interest, accurate accounting and record keeping, confidentiality of information, fair dealing, protecting and proper use of the Company's assets, compliance with laws and regulations and encouraging the reporting of any illegal or unethical behaviour, etc.</p> <p>Further the "Code of Business conduct &amp; Ethics" is available for all employees including the Corporate and Senior Management. This code focus mainly on the following areas:</p> <p>Fair dealing, protection and proper use of company assets, record-keeping and reporting, accounting and financial reporting concerns, reporting illegal or unethical behaviour, discrimination and harassment, health and safety, discipline etc.</p>	Board of Directors
D.4.2	<b>Affirmative Statement by the Chairman</b>	Complied	Please refer the Chairman's Report for required details. (Pages 15 to 16)	Board of Directors
<b>D.5 CORPORATE GOVERNANCE DISCLOSURES</b>				<b>Complied</b>
Directors of the company disclose annually the Company's adherence to the Code of Best Practice on Corporate Governance issued jointly by The Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka and the CBSL Direction No. 11 of 2007 of the Central Bank of Sri Lanka on Corporate Governance for Finance Companies of Sri Lanka and subsequent Amendments thereto, in the 'Corporate Governance Report'.				
D.5.1	Annual Corporate Governance Report in the Annual Report	Complied	Corporate Governance reports for Central Bank of Sri Lanka, Securities Exchange Commission and code of Best Practice are included on pages 78 to 113 in the Annual Report.	Board of Directors and Company Secretary

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Code of Best Practice Reference	Requirement	Level of Compliance	Explanation of the Company	Responsibility
<b>SECTION 2: SHAREHOLDERS</b>				<b>Not Applicable</b>
<b>E. INSTITUTIONAL INVESTORS</b>				
<b>E.1 SHAREHOLDER VOTING</b>				
Due to the Parent Company holding 100% of equity of the Company, the requirement of disclosures to institutional investors have not arisen from an equity point of view. In the event such need arises from the perspective of accountability and transparency all material disclosures shall be made to strengthen the positive relationship between management and institutional investors.				
E.1.1	Communication with shareholders	Not Applicable	Parent Company holds 100% of shares and is the only institutional investor. All required information to the parent Company is provided in a timely manner.	Board of Directors and Company Secretary
<b>E.2 EVALUATION OF GOVERNANCE DISCLOSURES</b>				<b>Complied</b>
The Code requires the company to encourage institutional investors to give due weight to all relevant factors drawn to their attention				
E.2.1	Due weight by Institutional Investors on matters relating to Board structure and composition	Complied	Sampath Bank as the only Institutional Investor is at liberty to give due weight on matters relating to the Board structure and composition	Board of Directors of Parent Company and Board of Directors
<b>F. OTHER INVESTORS</b>				
<b>F.1 INVESTING/DIVESTING DECISION</b>				<b>Not Applicable</b>
F.1.1	Seek independent advice in investing or divesting decisions	Not applicable	Sampath Bank PLC owns 100% of the Company shares.	

Code of Best Practice Reference	Requirement	Level of Compliance	Explanation of the Company	Responsibility
<b>F.2 SHAREHOLDER VOTING</b>				<b>Not Applicable</b>
F.2.1	Encourage voting by Individual Investors in General Meetings.	Not Applicable	Only the Parent Company uses its voting rights at the AGMs.	Board of Directors
<b>G SUSTAINABILITY REPORTING</b>				<b>Complied</b>
Sustainability is a business approach that creates long term stakeholder value. It focuses on managing risks arising from economic, environmental and social aspects. Sustainability reporting aimed towards the goals of sustainable developments in the context of business strategy and activities.				
G.1.1	Economic Sustainability	Complied	Please refer 'Financial Value Addition' on page 193	CEO and Corporate Management
G.1.2	The Environment	Complied	This is covered in 'Our Approach to Sustainable Growth' on page no. 193	CEO and Corporate Management
G.1.3	Labour Practices	Complied	Please refer 'Human Capital Management' section of the Integrated management Discussion and Analysis contained on pages 52 to 58	CEO and Corporate Management
G.1.4	Society	Complied	'Our approach to Sustainable Growth' on page no. 193 covers this aspect.	CEO and Corporate Management
G.1.5	Product and Service Responsibility	Complied	'Overall Product Responsibility' (page 38 ) and 'Customer Feedback Assessment' (page 48) of the Integrated management Discussion and Analysis contain this aspect.	CEO and Corporate Management

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Code of Best Practice Reference	Requirement	Level of Compliance	Explanation of the Company	Responsibility
G.1.6	Stakeholder Identification, Engagement & Effective Communication	Complied	Please see the contents of 'Stakeholder Engagement' on page 25	CEO and Corporate Management
G.1.7	Sustainable Reporting & Disclosure	Complied	Disclosures relating to company's compliance with sustainability reporting is disclosed in 'GRI g4 Content Index-'In Accordance'-Core' (pages 198 to 203)	CEO and Corporate Management

\*Mr. K.M.S.P Herath joined the Company as Managing Director with effect from 5th April 2016.

On behalf of the Board Corporate Governance Committee



**P.M.A.Sirimane**

*Chairman - Board Corporate Governance Committee*

Colombo, Sri Lanka

24 May 2016

**STATEMENT OF COMPLIANCE UNDER SECTION 7.10 OF THE RULES OF THE CSE ON CORPORATE GOVERNANCE**

Rule No	Applicable Requirement	Compliance Status	Comment
<b>NON EXECUTIVE DIRECTORS</b>			
7.10.1(a)	2 or 1/3 of the total number of directors should be Non Executive Directors	Complied	All nine Directors on the Board are Non-Executive Directors as at 31 December 2015.
<b>INDEPENDENT DIRECTORS</b>			
7.10.2(b)	2 or 1/3 of Non Executive Directors appointed to the Board whichever is higher shall be independent	Complied	Out of nine Non Executive Directors, Mr. P. M. A Sirimane, Mr. M. A. Abeynaike, Dr. H. S. D. Soysa and Mr. S. G. Wijesingha are Independent Non-Executive Directors . Thus the Company is in compliance with the requirement that 1/3 of Non Executive Directors appointed to the Board should be independent
7.10.2(b)	Submission of declarations annually, declaring independence of Directors	Complied	Declarations have been obtained from the Directors regarding their independence or non independence against the specified criteria and copies of the same are under the custody of Company Secretary for review.
<b>DISCLOSURE RELATING TO DIRECTORS</b>			
7.10.3(a)	(a) The Board shall annually determine the independence or non- independence of Directors	Complied	The Board is well aware of the requirement and the Board evaluates the independence of Directors.
	Names of Independent Directors should be disclosed in the Annual Report	Complied	The names of the Independent Directors are set out on page 135 of the Annual Report.
7.10.3(b)	(b) the basis for the Board's determination of Independent Directors if criteria specified independence is not met	Complied	The Board determines independence of the Directors based on the criteria set out in Rule No 7.10.4. The requirement is met.
7.10.3(c)	(c) Publish a brief resume of each Director	Complied	Profiles of each Director has been published on pages 65 to 68 of the Annual Report
7.10.3(d)	(d) Provide a brief resume of new Directors appointed to the Board	Complied	Mr. L. T. Ranwala was appointed to the Board with effect from 28.07.2015.
<b>CRITERIA FOR DEFINING INDEPENDENCE</b>			
7.10.4(a-h)	Determination of Independence	Complied	The Board has met the criteria of defining Independence which is in line with CSE and CBSL Directions on Corporate Governance based on Independence of Directors.

**STATEMENT OF COMPLIANCE UNDER SECTION 7.10 OF THE RULES OF THE CSE ON CORPORATE GOVERNANCE**

Rule No	Applicable Requirement	Compliance Status	Comment
<b>REMUNERATION COMMITTEE</b>			
7.10.5	<b>(a) Composition</b>	Complied	The Company has its own HR & Remuneration Committee, which consists of the following Non Executive Directors <ul style="list-style-type: none"> <li>* Mr. W. M. P. L. De Alwis-Chairman(Non Independent Director)</li> <li>* Dr. H. S. D. Soysa (Independent Director)</li> <li>* Mr. P. M. A. Sirimane (Independent Director)</li> </ul>
	<b>(b) Functions</b> Recommendation on Remuneration for Executive Directors, CEO and/or equivalent position	Complied	Main role of the Committee is to focus on the HR related matters of the Company and determine the remuneration policies (salaries, allowances and other financial payments) relating to MD/CEO and the rest of the staff of the Company
	<b>(c) Disclosure in the Annual Report</b> Names of Directors comprising the Remuneration Committee	Complied	Published in the Annual Report (page 120) under HR & Remuneration Committee
	Remuneration Policy	Complied	Remuneration for Board Directors of Siyapatha Finance PLC is determined by Sampath Bank PLC which is the Parent Company of Siyapatha Finance PLC based on the Group Remuneration Policy
	Aggregated remuneration paid to Directors	Complied	Published in the Annual Report of the Board of Directors on the state of affairs of the Company on page no. 137 of the Annual Report.
<b>AUDIT COMMITTEE</b>			
7.10.6(a)	Composition	Complied	All members of the BAC are Non Executive Directors and the Committee consists of Mr. P.M.A Sirimane - Chairman, Dr. H.S.D Soysa, Mr. M.A Abeynaike and Mr S G Wijesinha who are Independent Non Executive Directors and Mr. R. Samaranayake who is a Non-Executive Director.
	Chairman of the Audit Committee	Complied	Mr. P M A Sirimane who is an Independent, Non-Executive Director and a Fellow Member of ICASL is the Chairman of the Board Audit Committee

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

**STATEMENT OF COMPLIANCE UNDER SECTION 7.10 OF THE RULES OF THE CSE ON CORPORATE GOVERNANCE**

Rule No	Applicable Requirement	Compliance Status	Comment
	<b>c) Disclosure in the Annual Report</b> Names of Directors comprising the Audit Committee	Complied	Published in the Annual Report on page 117 under Audit Committee Report
	Determination of the independence of the auditors and the basis for such determination	Complied	Should it become necessary to entrust any non audit services to be performed by the External Auditors, such non audit service assignments require the prior approval of the Audit Committee.
	Report of the Audit Committee setting out the manner of compliance by the Company	Complied	Please see report of the Audit Committee, published on page 117 of the Annual Report.

\*Mr. K.M.S.P Herath joined the Company as Managing Director with effect from 5th April 2016.

On behalf of the Board Corporate Governance Committee



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

Colombo, Sri Lanka  
25 April 2016

**THE FINANCE COMPANIES DIRECTION NO.03 OF 2008 AND SUBSEQUENT AMENDMENTS THERETO ON CORPORATE GOVERNANCE FOR REGISTERED FINANCE COMPANIES IN SRI LANKA ISSUED BY THE CENTRAL BANK OF SRI LANKA.**

Section	Corporate Governance Principle	Compliance
<b>THE RESPONSIBILITIES OF THE BOARD OF DIRECTORS</b>		
2(1)(a)	Strategic objectives and corporate values	Board approved business plans for 2013-2015 and 2015-2017 are in place. The Company is well aware of the strategic objectives and organizational values since these have been communicated within the Company.
2(1)(b)	Overall business strategy of the finance company including risk policy, risk management procedures and mechanism with measurable goals	Board approved Strategic Plan is in place. Risk Policy including risk management procedures and mechanisms with measurable goals for next three years have been approved by the Board in line with the Strategic Plan. The Board measures the corporate performance against the predetermined goals.
2(1)(c)	Managing the risks in the Company	<p>There is a process at the Company where the Board members discuss new strategies of the Company, the risks arising out of new strategies and the ways and means to mitigate such risks.</p> <p>Further effective oversight of the Company's risk management including the identification and assessment of the principal risks and overseeing the management of those risks are monitored by the Integrated Risk Management Committee (IRMC).</p> <p>Board through the receipt of minutes of the IRMC assesses the overall risk management of the Company.</p>
2(1)( d)	Effective communication with stakeholders	Board approved Stakeholder Communication Policy is in place and the Board of Directors, officers and employees comply with the policy in order to ensure effective communication for the best interest of stakeholders.
2(1)(e)	Internal control systems and Management Information System	<p>There is a mechanism at the Company to identify the accuracy of the internal controls. The Board of Directors through a process and design ensure the effectiveness of internal controls over financial reporting. Further Internal Audit Division of the Company adds value to the process verifying the effectiveness of the above process. The financial information and reporting submitted to the Board are being checked and verified through the financial audit.</p> <p>A Board approved procedure for MIS is in place. The Company is in the process of reviewing the integrity of same. Accordingly, the Board also will review the adequacy and the integrity of the Company's Management Information System through the internal audit reports and MIS Reports submitted by the Internal Auditors of the Company.</p>
2(1)(f)	Identification of KMPs of the Company	<p>Board has identified the Board of Directors, Managing Director (MD), Chief Executive Officer (CEO) and Head of Risk and Compliance as Key Management Personnel (KMP) of the Company as defined in the Sri Lanka Accounting Standards as they are in a position to significantly influence policy; direct activities and exercise control over business activities, operations and risk management.</p> <p>Further in line with the Central Bank requirements all Heads of Departments of the Company have been identified as KMPs.</p>

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Section	Corporate Governance Principle	Compliance
2(1)(g)	Authority and key responsibilities of Key Management Personnel	The general and statutory duties and responsibilities of the Board of Directors are set out in the Board approved Code for Board of Directors and Board Sub Committees. Functions and responsibilities of MD, CEO and Head of Risk and Compliance have been defined and approved by the Board. The HR Committee reviews the authorities and key responsibilities of the rest of the KMPs.
2(1)(h)	Appropriate oversight affairs of the Company by KMPs	In order to ensure management, development and effective performance of the company, KMPs make regular presentations to the Board on matters under their purview.
2(1)(i)	Effectiveness of the Board Directors' own governance practices  Selection, nomination and election of directors and Key Management Personnel  Management of conflicts of interests  Determination of weaknesses and implementation of changes	Board Nomination Committee of Sampath Bank PLC recommends the names of Directors to be appointed as Directors of Siyapatha Finance PLC. According to the Articles of Association, Shareholders of the Company confirms the appointments of directors at the AGM. Appointment of KMPs is recommended by the Board HR & Remuneration Committee under the direction of the Main Board of Siyapatha Finance PLC.  As per Company's Article 26, there is a requirement for the Directors to declare the nature of their interest. Directors' interests are disclosed to the Board and such Director who has a particular interest abstain from voting.  Determinations of weaknesses in Board of Directors' own governance practices and implementation of changes addressed through the self-evaluation process among the Board members. Self -evaluation forms for the year 2015/16 will be obtained and summary will be submitted to the Board during the ensuing year.
2(1)(j)	Succession plan of the KMPs	Company will establish a one to one succession plan in the ensuing year.
2(1)(k)	Regular meetings with KMPs	MD/CEO are called for regular Board Meetings to review policies and monitor progress towards the corporate objectives. The other KMPs attend Board meetings on invitation and make presentations, which provide the opportunity to share their views and contribute towards the performance of the Company .

Section	Corporate Governance Principle	Compliance
2(1)(l)	Understanding the regulatory environment	All directions issued by CBSL have been presented to the Board members by the Company Secretary on a regular basis for their knowledge and guidance. The Head of Risk & Compliance submits Compliance Certificate and Statutory Compliance report which contain the details of returns submitted to CBSL and to other Statutory Bodies, new regulations/statutes and their implications on the business, significant non-compliance events and compliance with regulatory requirements/returns. Thus, the Directors are fully conversant with the regulatory environment.
2(1)(m)	Hiring and oversight of external auditors	Company's Article 38(4) addresses the general procedure for the appointment of External Auditors by the shareholders. Further, as per the Terms of Reference (TOR), Board Audit Committee (BAC) has a process for this purpose and final approval is obtained from the Board. Rotation of the partner is monitored and done by the Company to maintain a high standard of transparency within the system.
2(2)	Appointment of Chairman and CEO and their responsibilities	Board of Directors of Sampath Bank PLC recommends the name of Chairman to be appointed to Siyapatha Finance PLC and appointment of MD/CEO is approved by Siyapatha Finance PLC. Board of Directors of Siyapatha Finance PLC has approved the functions and responsibilities of Chairman in order to provide a guarantee for good governance in the Company.
2(3)	Procedure for seeking Independent Professional Advice	A Board approved procedure is in place to enable Directors, upon reasonable request to seek independent professional advice in appropriate circumstances, at the Company's expense.
2(4)	Dealing with conflicts of interest	Under Company's Article 26 (1 & 5) Directors declare their nature of interest and abstain from participating at the discussions and voting on any Board resolution in relation to a matter in which he/she or any of his/her close relation or a concern in which a Director has substantial interest. Directors of the Company are independent from business transactions and have no personal connections with the Company matters. They have disclosed their interest in the Affidavits and Declarations which have been sent to Central Bank annually.
2(5)	Schedule of matters reserved for Board Decision	Board approved "Code for Board of Directors and Board Sub Committees" is in place and it defines the functions and matters specifically reserved to the Board.
2(6)	Solvency of the Company	Members of the Board are aware and acquainted with the requirement to inform the Director of the Department of Non -Bank Supervision with regard to the situation of the Company, where the Company is unable to meet its obligations and is about to become insolvent. Such a situation has not arisen during the year 2015.
2(7)	Publish Corporate Governance Report	Corporate Governance Report is set out on page nos. 101 to 113 of the Annual Report.
2(8)	Scheme of self- assessment for Board	A procedure is in place for annual self-assessments of Directors which provides an opportunity to discuss the findings during the year. Self- assessment forms are obtained from the Directors annually by the Company Secretary and the summary of the Self- assessment is submitted at the Board meeting enabling Directors to discuss relevant matters if any.

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Section	Corporate Governance Principle	Compliance
<b>3 MEETINGS OF THE BOARD</b>		
3(1)	Regular Board Meetings	<p>Board Meetings for the year have been scheduled at the end of the previous year and annual meeting calendar is submitted to the Board. Special meetings will be conducted as and when required. Sixteen Board Meetings were held during the year under review.</p> <p>Board approved procedure is in place to minimize obtaining consent through the circulation of written or electronic resolutions/papers other than for urgent circumstances.</p>
3(2)	Arrangements for Board Members to include proposals in the agenda	<p>Board approved procedure is in place to enable all Directors to include matters and proposals in the agenda for regular Board meetings.</p> <p>Board Meetings are scheduled at the end of the previous year enabling members to include their proposals which relate to the promotion of business and the management of risk of the Company.</p>
3(3)	Notice of Meetings	<p>Annual Board meeting calendar is scheduled at the end of the previous year, enabling Board of Directors to attend the meetings. As a practice, Directors are given notice of at least seven days for Board Meetings under normal circumstances.</p> <p>All board papers are circulated to Board members through the Board Pack on iPads and all current and previous Board minutes are archived on the system enabling Board members to access them at their convenience.</p>
3(4)	Attendance of Directors	<p>Board of Directors have fully complied with the requirement and each of the Director on the Board has been acquainted about their attendance. Company Secretary too monitors the attendance.</p> <p>During the year 2015 no Director has been absent from three consecutive meetings. Details of Directors' attendance is set out in the Annual Report.</p>
3(5)	Company Secretary	<p>The Board has appointed a Company Secretary who possesses the required qualifications as stated in the Companies Act No 07 of 2007 and provides the secretarial services to the Board and all Sub Committee meetings and carries out other functions specified in the statutes and other regulations.</p> <p>The Company Secretary ensures that the organization complies with relevant directions, legislation and regulation and keeps Board members informed of their legal responsibilities.</p>
3(6)	Preparation of Agenda	<p>Company Secretary is responsible for the preparation of the agenda, in consultation with the Chairman.</p>
3(7)	Access to advice and service for Company Secretary	<p>Board approved procedure is in place to enable all Directors to have access to advice and services of the Company Secretary to ensure all Board procedures, applicable laws, rules, directions and regulations are followed.</p>

Section	Corporate Governance Principle	Compliance
3(8)	Maintenance of Board Minutes	Company Secretary maintains the minutes of Board Meetings and other Committee Meetings with sufficient details. Upon reasonable request any Director can inspect the minutes. All current and the previous Board minutes are archived on the IT system, enabling Board members to access them at their convenience.
3(9)	Minutes of Board Meetings	Company Secretary maintains the minutes with the following contents: <ul style="list-style-type: none"> <li>✧ a summary of data and information used by the Board in its deliberations</li> <li>✧ the matters considered by the Board</li> <li>✧ the fact-finding discussions and the issues of contention or dissent which may illustrate whether the Board was carrying out its duties with due care and prudence</li> <li>✧ the matters which indicate compliance with the Board’s strategies and policies and adherence to relevant laws and regulations;</li> <li>✧ board’s knowledge and understanding of the risks to which the relevant establishment is exposed and an overview of the risk management measures adopted</li> <li>✧ the decisions and Board resolutions</li> <li>✧ minutes are under safe custody of Company Secretary.</li> </ul>
<b>4 COMPOSITION OF THE BOARD</b>		
4(1)	Composition of the Board	The Board consists of nine Directors, which is within the statutory range. Mr C.P Palansuriya, Mr. M.A Abeynaike, Mr. S.G Wijesinha , Mr. P.M.A. Sirimane, Dr. H. S. D. Soysa, Mr. W. M. P. L .De Alwis, Mr. M.Y.A Perera, and Mr. R Samaranayake are the Directors of the Company as at 31.12.2015. Mr. L. T. Ranwala was appointed to the Board with effect from 28.07.2015.
4(2)	Period of Service of Directors	All existing Directors have served on the Board for less than nine years.
4(3)	Number of executive directors	There are no Executive Directors on the Board of the Company
4(4)	Number of independent Non executive directors	The Company has four Independent Non-Executive Directors out of nine Non Executive Directors. The composition of the Board of Directors is published on page 135 of the Annual Report
4(5)	Appointment of alternate director	Mr. P. M. A. Sirimane, Independent Non-Executive Director was appointed as the Alternate Director to Mr. S. G. Wijesinha
4(6)	Skills and experience of Non-executive directors	All Directors of the Company are Non-Executive Directors and they possess vast experience and skills in the field of finance, business, Leasing etc. A summary of their profiles with their educational, professional and relevant experience is published on pages 65 to 68 of the Annual Report.

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Section	Corporate Governance Principle	Compliance
4(7)	Quorum for Board Meetings	Board approved procedure is in place which stipulates the number of members required to meet the quorum at a Board meeting to be not less than 50% of the total Directors of the Company and out of this quorum at least one third should include Non-Executive Directors. Section 31 of the Articles of Association also states the requirement of the quorum which has been complied with at all Board Meetings during the year 2015. A summary of attendance of the Directors at meetings is set out on page no 76 of the Annual Report.
4(8)	Composition of Board	Composition of the Board, by category of Directors, including the names of the Chairman, Non-Executive Directors and Independent Non-Executive Directors has been disclosed on page 135 of the Annual Report.
4(9)	Appointment of new Directors	Since the Sampath Bank PLC is the Parent Company of Siyapatha Finance PLC, names of Directors to be appointed to Siyapatha Finance PLC are recommended by Sampath Bank PLC.
4(10)	Appointment of Directors to fill casual vacancy	As per Company's Article 24 (2), the Board has power to appoint Directors to fill a casual vacancy which is subject to election by shareholders at Annual General Meeting. Mr. L. T. Ranwala was appointed as a casual vacancy.
4(11)	Resignation and removal of Directors	There were no removals or resignations of Directors.
<b>5 CRITERIA TO ASSESS THE FITNESS AND PROPRIETY OF DIRECTORS</b>		
5(1)	Age Limit of a Director	None of the present Directors of the Company are above the age of 70 years.
5(2)	Directorships more than 20 companies	As per declarations given by the Directors for 2015 none of the Directors holds office as a Director of more than 20 Companies.
<b>6 DELEGATION OF FUNCTIONS</b>		
6(1)	Delegation of authority	The Board may delegate the authority to make decisions to any Board Committee or to a Director or employee but monitors by means of reasonable methods the exercise of power so delegated. This delegation is also permitted under Company's articles 25(2) and under Section 186 of the Companies Act.
6(2)	Reviewing of delegation process	Board has reviewed the delegated authority limits to ensure that delegation is acted upon within the controls.
<b>7 THE CHAIRMAN &amp; THE CHIEF EXECUTIVE OFFICER</b>		
7(1)	Roles of Chairman & CEO	The roles of the Chairman and MD/CEO of the Company are segregated to ensure their independency.
7(2)	Appointing a senior Director where Chairman is non independent	The Chairman is a Non-Independent, Non-Executive Director as he holds Deputy Chairmanship of Sampath Bank PLC. Therefore Dr. H S D Soysa, an Independent Non-Executive Director has been appointed as a Senior Director to the Board. The designation of the Senior Director is disclosed in page 67 of the Annual Report

Section	Corporate Governance Principle	Compliance
7(3)	Identification and disclose relationship between Chairman, CEO and Board Members	The names of the Chairman and the Managing Director/Chief Executive Officer are published in the Annual Report and there is no financial, business, family or other material relationship between Chairman, Managing Director/Chief Executive Officer and Board members. A Board approved procedure is in place to monitor the relationship between MD/CEO and the Board of Directors and among the Board Members. The Board Members disclose the relationships, if any, at Board meetings.
7(4)	Role of the Chairman	Chairman's key responsibilities and duties have been approved by the Board.  Self-evaluation process of the Board ensures that the said requirements are fulfilled.
7(5)	Preparation of Agenda	Company Secretary prepares the agenda in consultation with Chairman, as this function has been delegated to the Company Secretary by the Chairman.
7(6)	Ensure to Communicate to Directors the issues arising at Board meetings	The Chairman ensures that all Directors are properly briefed on issues arising at Board meetings and have received adequate, complete and reliable information in a timely manner.
7(7)	Full and active contribution of directors	The Chairman encourages all directors to make a full and active contribution to the Board's affairs. Further this is also evaluated through the Self Evaluation process designed for the Board of Directors.
7(8)	Effective contribution of Non-Executive Directors and constructive relationships between executive and Non-Executive Directors.	Board consists of Non-Executive Directors only and they give their fullest and effective contribution to the Company while discharging their duties collectively. Self Evaluation process covers the contributions of Non-Executive Directors as well.
7(9)	Refrain from direct supervision of KMPs and executive duties.	The Chairman does not engage directly or indirectly in supervision of KMPs and executive duties. MD/CEO are responsible for the day to day operations of the Company.
7(10)	Effective communication with shareholders.	Since the Company is 100% owned subsidiary of Sampath Bank PLC, effective communication is maintained with the Bank (Parent Company) through Mr. C. P. Palansuriya, Mr. M.Y.A Perera, Mr. R Samaranayake and Mr. L. T. Ranwala who have been appointed to the Company's Board to look into the interest of the Parent Company.
7(11)	APEX executive of the Company.	MD/CEO functions as the apex executive in charge of the day to day operations of the Company and he acts as a direct liaison between the Board and management of the Company.

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Section	Corporate Governance Principle	Compliance
<b>8 BOARD APPOINTED COMMITTEES</b>		
8(1)	Board sub committees, their functions and reporting.	<p>Board has established two Board Committees namely Board Audit Committee (BAC) and Integrated Risk Management Committee (IRMC) as per the requirement of CBSL.</p> <p>Apart from the above two Committees, the Company has established four Board Committees, namely Board HR &amp; Remuneration Committee, Board Corporate Governance Committee, Board Credit Committee and Related Party Transactions Review Committee with the approval of the main Board.</p> <p>Company Secretary is the Secretary to all Sub Committees. He discharges his secretarial functions under the supervision of Chairman of Committees. Performance, duties and functions of all Committees have been disclosed on pages 116 to 121 of the Annual Report</p> <p>All minutes of the above Committees are submitted to the Board for their review.</p>
<b>8(2) AUDIT COMMITTEE</b>		
8(2)(a)	Chairman of the Audit Committee and qualifications of the Chairman.	Mr. P M A Sirimane who is an Independent, Non-Executive Director and a Fellow Member of ICASL is the Chairman of Board Audit Committee
8(2)(b)	Composition of the Committee.	All members of the Board Audit Committee are Non-Executive Directors and the Board consists of Mr. P. M. A Sirimane - Chairman, Dr. H.S.D Soysa, Mr. M.A Abeynaike and Mr. S. G. Wijesinha all of who are Independent Non-Executive Directors and Mr. R. Samaranayake who is a Non-Executive Director. All of them have expertise and knowledge in the fields of finance, banking, leasing etc.
8(2) ( c )	Recommendations made by the Audit Committee.	<p>Audit Committee has made the following recommendations:</p> <ul style="list-style-type: none"> <li>✳ The appointment of the External Auditor for audit services to be provided in compliance with the relevant statutes</li> <li>✳ The implementation of the Central Bank guidelines issued to auditors from time to time;</li> <li>✳ The application of the relevant accounting standards;</li> <li>✳ The service period, audit fee and any resignation or dismissal of the auditor; provided that the engagement of the Audit partner shall not exceed five years, and that the particular Audit partner is not re-engaged for the audit before the expiry of three years from the date of the completion of the previous term.</li> </ul>
8(2)(d)	Review and monitor the external auditor's independence and objectivity and the effectiveness of the audit processes.	External auditor is independent since he directly reports to the Chairman and Board Audit Committee. Audit is carried out according to the Sri Lanka Accounting Standards and best practices.

Section	Corporate Governance Principle	Compliance
8(2)(e)	Provision for Non-Audit Services by external auditors	Board approved policy on the engagement of an external auditor to provide non-audit services is in place.
8(2) (f)	Nature and scope of the external audit	The Board Audit Committee has discussed and finalized the nature and scope of the audit, with the external auditors in accordance with SLAuS. The Audit Engagement Letter for the year ending 31.12.2015 is submitted to the BAC.
8(2)g	Reviewing of financial information	The Committee reviews the financial information. Monthly financials have been presented to the main Board by the CEO in consultation with Group Chief Financial Officer (GCFO).
8(2)h	Discussions with External Auditor on Interim and final audits	The Board Audit Committee discusses issues, problems and reservations arising from the interim and final audits. Committee has held two meetings with external auditors, without the executive management being present, to discuss issues of the Company.
8(2)i	External Auditor's Management Letter and Management's response	Committee has reviewed the external auditor's management letter relating to the audit for the year ended 31.12.2015 and management responses thereto.
8(2)j	<p>Internal Audit Functions</p> <ul style="list-style-type: none"> <li>i) Review the adequacy of the scope, functions and resources of the internal audit department</li> <li>ii) Review the internal audit program and results of the internal audit process</li> <li>iii) Review any appraisal or assessment of the performance of the head and senior staff members of the internal audit department</li> <li>iv) Recommend any appointment or termination of the head, senior staff members and outsourced service providers to the internal audit function</li> </ul>	<p>Board Audit Committee has discussed the adequacy of the scope, functions and resources of the Internal Audit Department</p> <p>The Audit Committee has reviewed and approved the internal audit program. Internal Audit reports have been submitted to the Committee with Management comments and action taken to rectify the issues have been reported and discussed at the BAC. Performance appraisal of the Head of Internal Audit was carried out by the Chairman of the Audit Committee.</p> <p>As recommended by the Audit Committee, a Head of Internal Audit has been recruited to the Company.</p>

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Section	Corporate Governance Principle	Compliance
	<p>v) Appraisal of resignations of senior staff members of the internal audit department including the chief internal auditor and any outsourced service providers, and to provide an opportunity to the resigning senior staff members and outsourced service providers to submit reasons for resigning</p> <p>vi) Independent of the activities it audits and that it is performed with impartiality, proficiency and due professional care.</p>	<p>There were no resignations of senior staff members of the Internal Audit Department during the reviewed period. The Head of Internal Audit was recruited to the Company during the year 2015.</p> <p>Internal Audit Department functions independently and does not perform any managerial activities</p>
8(2)(k)	Major findings and management response	The Committee oversees the major findings of any internal investigations and management responses thereto.
8(2)(l)	Attendance at Audit Committee Meetings  External Auditors' meeting without the Executive Directors	Members of the Board Audit Committee, Chief Executive Officer, Head of Internal Audit, Manager -Internal Audit, Head of Finance, representatives of the External Audit firm and Head of Audit of Sampath Bank PLC attend BAC meetings.  There were no Executive Directors in the Board of the Company as at 31.12.2015. Two meetings were held with the External Auditors without the executive management being present.
8(2)(m)	Authority, Resources and access to information of Board Audit Committee	Board has approved the Terms of Reference of BAC. The approved Terms of Reference is in place and it stipulates the required authority of the BAC. The BAC has the required resources and can access the information and if necessary, is also empowered to obtain external professional advice and to invite outsiders with relevant experience to attend meetings.
8(2)(n)	Regular Meetings of Board Audit Committee	Meeting calendar for Audit Committee is scheduled at the end of the previous year which are to be held quarterly, with not less than four meetings per year enabling members to attend meetings. If necessary, Committee may decide to convene additional meetings. There were eight (08) Audit Committee Meetings held during the year 2015.
8(2)(o)	Disclosure in Annual Report	Activities of BAC, No. of meetings and attendance of BAC members have been published in the Annual Report on pages 76, 77 and 117.
8(2)(p)	Secretary of the committee	Company Secretary who is the Secretary of Audit Committee maintains detailed minutes of meetings held.
8(2)(q)	Whistle blowing policy	Board approved Whistle Blowing Policy is in place, enabling employees to voice their concerns over possible improprieties in financial reporting, internal control and other matters. No complaints were reported under Whistle Blowing Policy during the year 2015.

Section	Corporate Governance Principle	Compliance
<b>8(3) INTEGRATED RISK MANAGEMENT COMMITTEE</b>		
8(3) (a)	Composition of IRMC.	IRMC consists of key management personnel who supervise the credit, market, liquidity, operational and strategic risks of the Company, in addition to the MD/CEO and four Non Executive Directors of the Committee. The Committee closely works with Key Management Personnel and makes decisions on behalf of the Board on matters which are subject to their jurisdictions.
8(3)(b)	Assessment of Risk.	IRMC has an appropriate process to assess all risks including credit, market, liquidity, operational and strategic risks in the Company on a monthly basis through appropriate risk indicators and management of information. There are no subsidiaries or associate Companies of Siyapatha Finance PLC.
8(3) (c)	Review the adequacy and effectiveness of management level committees.	In fulfilling its responsibilities the Committee shall review the adequacy and effectiveness of Sub Committees to manage risks within quantitative and qualitative risk limits. Assets & Liabilities Committee (ALCO) reports and minutes are submitted to IRMC. The Committee assesses the functional effectiveness via meeting minutes and the reports discussed therein.
8(3)(d)	Corrective action to mitigate risk exceeding prudential level.	IRMC reviews the risk which is beyond the prudent levels and takes prompt and corrective action to mitigate the effects of such risk.
8(3)(e)	Frequency of Meetings.	The Committee meets at least quarterly or more frequently as circumstances arise. IRMC has held six meetings during the financial year 2015 and has assessed all aspects of risk management.
8(3)(f)	Actions against officers who fail to identify risk.	IRMC is responsible for assessing different types of risk, to which the Company is exposed. In order to accomplish the above task, the Committee takes appropriate action against officers who fail to identify specific risks and those who are unable to take prompt corrective actions as recommended by the Committee and other regulators.
8(3)(g)	Submission of Risk assessment report to the main Board	Board of Directors has ultimate responsibility in risk management of the Company. Therefore minutes of the IRMC are tabled at the subsequent Board meeting and the Chairman of IRMC briefs the main Board, on significant issues and decisions taken up at the risk meeting, enabling the Board to make correct decisions.
8(3)h	Compliance Function.	The Head of Risk and Compliance who has been identified as a KMP in the Company assesses the level of the Company's compliance with laws, regulations, regulatory guidelines, internal controls and approved policies on all areas of business operations.  Compliance Officer has obtained annual confirmations from all department heads to ensure compliance with approved policies/procedures of the company.

**THE FINANCE COMPANIES DIRECTION NO.03 OF 2008 AND SUBSEQUENT AMENDMENTS THERETO ON CORPORATE GOVERNANCE FOR REGISTERED FINANCE COMPANIES IN SRI LANKA ISSUED BY THE CENTRAL BANK OF SRI LANKA.**

Section	Corporate Governance Principle	Compliance
<b>9 RELATED PARTY TRANSACTIONS</b>		
9(2)	Identification of related parties and avoid conflict of interest.	The Board is well aware of the requirement of identification of related party transactions and a Board approved Procedure, which identifies the categories of related parties and types of transactions, is in place. Directors are individually requested to declare their interest in entities with which they transact. They are also responsible for providing declarations to relevant regulators and statutory bodies as and when required.
9(3)	Types of related party transactions.	A documented procedure approved by the Board is in place to avoid related party transactions. All related party transactions have been disclosed in the Financial Statements. No accommodation has been granted to Directors and/or their close relatives during the year 2015.
9(4)	Avoid more favorable treatment.	There is a documented process approved by the Board which clearly defines related party transactions to ensure that the Company does not engage in such transactions in a manner that would grant such related parties "more favorable treatment" than what is accorded to other constituents of the Company carrying out similar transactions with the Company. Monitoring of such transactions through manual procedure is in place and the Company is in the process of procuring a new software to be used for monitoring of such transactions.
<b>10 DISCLOSURES</b>		
10(2)(a)	The statement to the effect that the annual audited financial statements have been prepared in line with applicable accounting standards and regulatory requirements, inclusive of specific disclosures.	This has been disclosed in the "Independent Auditor's Report" appearing on page 141 of the Annual Report.
10(2) (b)	Internal Control Report by the Board of Directors.	Effectiveness of the Company's internal control mechanism has been certified by the Directors on page 139 of the Annual Report under the heading "Directors' Statement on Internal Controls Over Financial Reporting:"
10(2) ( c)	Certification on the effectiveness of the internal control mechanism by external auditors.	The Auditors' certification on the effectiveness of the internal control mechanism has been obtained.
10(2)(d)	Details of the Directors including names and transactions.	The names of the Directors have been set out on page 135 of the Annual Report. The Company did not have any transactions with any of its Directors during the year 2015

Section	Corporate Governance Principle	Compliance
10(2)(e)	Directors' fees and Remuneration.	The fees and remuneration paid has been disclosed in page 137 of the Annual Report under the heading "Annual Report of the Board of Directors on the affairs of the Company".
10(2)(f)	Accommodation granted for related parties.	No loans and advances were given to the Board of Directors, MD/CEO and their family members during the year 2015. There was no outstanding value of loans and advances granted to KMPs (as per CBSL direction) as at 31.12.2015.
10(2)(g)	Aggregate values of remuneration paid for KMPs and aggregate values of transaction of the company with KMPs.	Please refer note 44.2 to the audited financial statements for the aggregate value of remuneration paid to the Board of Directors and MD/CEO. Total value of short term employee benefits paid to KMPs (as per CBSL direction) during the year is LKR 9.02 Million.
10(2)(h)	Details of Compliance with prudential requirements, regulations, laws and internal controls and measures relevant to non compliance	Details of compliance and non-compliance would be highlighted in the 'Annual Report of the Board of Directors on the state of affairs of the Company' on page 137 of the Annual Report.
10(2)(i)	Non-Compliance Report	There were no regulatory and supervisory concerns in the Company's risk management or non compliance with the act, rules and directions that have been communicated by the Director of the Department of Supervision of Non Bank Financial Institutions.
10(2)(j)	Certification of the Compliance by External Auditors	Board has obtained Auditors' confidential letter to the management (Auditors' factual findings report) issued by External Auditors

\*Mr. K.M.S.P Herath joined the Company as Managing Director with effect from 5th April 2016.

On behalf of the Board Corporate Governance Committee



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

Colombo, Sri Lanka  
24 May 2016

**SEPARATION OF ROLES - CHAIRMAN AND CHIEF EXECUTIVE OFFICER**

The division of responsibilities between the roles of Chairman and Chief Executive is clear.

The Chairman provides leadership to the Board while promoting, overseeing and maintaining the highest standards of Corporate Governance within the Board, its committees and the Company.

The Chairman also ensures effective communication with the Shareholders and ensures that the members of the Board develop an understanding of the views of its shareholders.

The Chief Executive is responsible for the day to day management of the business, in line with the strategy and long term objectives approved by the Board. He is directly involved in making decisions in all matters related to the operations, performance and strategy of the Company, with the exception of those matters reserved for the Board or specifically delegated by the Board to its Committees, executive committees or subsidiary company boards.

**NOMINATION, SELECTION AND INDUCTION OF BOARD OF DIRECTORS AND COMMITTEE MEMBERS**

An established recruitment process which includes a well-defined role and a screening process is in place to evaluate and identify the right candidate with the right values, skills, attitude and commitment which aligns with the company's strategy, policies, governance framework and processes.

The Directors are provided with the required documentation containing all relevant governance information and significant reports and policies.

The Board induction is aimed to allow the effective and informed performance of each director which is also an on-going training.

**CONFLICTS OF INTERESTS AND OTHER COMMITMENTS**

The duty to avoid conflicts of interest applies to all the directors. Each member of the Board is responsible to declare their potential or actual conflict of interests arising from personal relationships, external associations and interest in material matters which may have a bearing on their independent judgment.

Further Directors who have an interest in a matter under discussion at meetings of the Board refrain from engaging themselves in the deliberations on that matter and abstain from voting thereon which are duly recorded by the Company Secretary in the minutes.

The Company has established a "Related Party Review Committee" which consists of four Independent-Non-Executive Directors who meets regularly to review the related party transactions by directors which are minuted, properly documented and communicated to the Board of Directors.

**BOARD AND COMMITTEES' PERFORMANCE EVALUATION**

The Board and its Committees periodically assess the effectiveness of the Board of Directors and committee members over governance practices through performance appraisals. The summary of the evaluations were scrutinised by the HR Committee and their feedback was given to the main Board for necessary action.

The evaluation process is a constructive mechanism for improving Board effectiveness, maximising strengths and tackling weaknesses, leading to an immediate improvement in performance throughout the organisation.

**INTERNAL CONTROL FRAMEWORK**

The Company has taken reasonable steps to put in place an effective and comprehensive system of internal controls to identify, record, evaluate and manage significant risks faced by the Company during the year under review.

This comprises internal audits and other reviews which are essential to carry out operations in an orderly manner, safeguard assets and secure as much as possible, accuracy and reliability of financial and other information and to prevent and detect fraud and other irregularities.

**INTERNAL AUDIT**

The Internal Audit department is an independent function which helps the Company to accomplish its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

In carrying out the duties and responsibilities the Internal Audit reports to the Board, through the Audit Committee to maintain its independence.

**SUSTAINABLE REPORTING**

The Board collectively makes decisions on sustainability. Sustainability performance is improved by measuring, monitoring and reporting on it and helping them have a positive impact on the society at large, the economy and the future.

The Board ensures that Sustainability is blended in and reflected in the company strategies in order to cater better to the needs of its stakeholders.

## REMUNERATION POLICIES FOR THE HIGHEST GOVERNANCE BODY AND SENIOR EXECUTIVES

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

HR and Remuneration committee operates within Board approved terms of reference and assists the Board of Directors in ensuring that remuneration arrangements in the Company align reward with performance and support and advise the Board on selection of Board members.

The committee is empowered by its terms of reference to review the structure, size and composition of the Board and make recommendations to the Board with regard to any changes that needs to be introduced.

## AUTHORITY OF THE COMMITTEE

The Committee has the authority to discuss issues under its purview and report back to the Board with recommendations, enabling the Board to take a final decision on the matter. The Committee is authorized by the Board to seek appropriate

professional advice inside and outside the Company as and when it considers this necessary.

## REMUNERATION POLICY

The Company's reward strategies and remuneration structure is designed to attract, motivate and retain high-calibre people, at all levels of the organization, in a highly-competitive environment. Accordingly salaries and other benefits are reviewed periodically taking into account the performance of the individual, comparisons with peer group companies, institutional guidelines and reports from specialist consultants. The skills, experience of the individual and his/her level of responsibility are also taken into account in deciding on the remuneration. Overall remuneration policy is designed to ensure that employees are fairly rewarded for their contribution to the companies' operating and financial performance in line with corporate objectives and strategy. In support of our Employee Value Proposition (EVP), we ensure that the remuneration mix is appropriate and is aligned with the principles of equity and performance recognition.

Principles that underpin the Company's remuneration strategy are,

- ✦ Remuneration is commensurate with each employee's expertise and contribution and is aligned with the business' performance and long term shareholders returns.
- ✦ There is no discrimination against employees based on diversity or physical difference.
- ✦ Remuneration structures encourage a focus on achieving agreed deliverable and behaviours.
- ✦ Individual performance appraisals identify talent at all levels in the organization, enabling fair and competitive remuneration.

## REMUNERATION AND OTHER BENEFITS OF DIRECTORS Fees

The Board as a whole decides the remuneration of the Non-Executive Directors. The Non-Executive Directors receive a fixed fee for attending meetings of the Board and its committees. Fees paid to the Non-Executive Directors are neither performance related nor pensionable. There are no contractual arrangements for compensation for loss of office for any of the Directors.

The fees paid to the Directors during the year 2015 are disclosed on page 191. This includes fees for all the committees of the Company that they served on.

## HR Share Option for Directors

The Company does not have a share option scheme for Directors.

## Directors' Shareholding

The shareholdings of Directors are provided in page 34.

## Personal Loans for Directors

None of the Directors have taken loans from the Company.

## COMMITTEE REPORTS

### REPORT OF BOARD CREDIT COMMITTEE

#### COMPOSITION

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

Name	Position
<b>Members of the Board</b>	
Dr. H.S.D.Soyza (Chairman)	Independent Non-Executive Director
Mr. M.A.Abeynaïke	Independent Non-Executive Director
Mr. M.Y.A.Perera	Non-Independent Non-Executive Director
Mr. R. Samaranyake	Non-Independent Non-Executive Director
Mr. L.T.Ranwala	Non-Independent Non-Executive Director

#### QUORUM

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

#### PERFORMANCE

During the year, the Committee met on five occasions. The Chairman of Credit Committee in consultation with the Company Secretary fixes committee meetings as and when necessary and

meetings are usually held on every other month. The Company Secretary is the Secretary to the Credit Committee and the minutes of the meeting are submitted to the Board of Directors at the monthly board meetings.

The Committee also approves urgent credit proposals by circulation. The approvals of all members of Credit Committee are required in such instances.

#### DUTIES & ROLE

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

#### REVIEW OF CREDIT POLICY / LIMIT CHANGES FOR EACH SECTOR OF THE ECONOMY

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

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

#### ENSURES SOUND CREDIT ADMINISTRATION AND MONITORING PROCESSES

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

#### REVIEW OF THE COMMITTEE

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

#### On behalf of the Credit Committee



**H S D Soysa**

*Chairman - Board Credit Committee*

Colombo, Sri Lanka  
06 May 2016

## REPORT OF THE BOARD AUDIT COMMITTEE

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

As at the end of the financial year 2015 the remaining members who served in the Committee were:

Mr. S.G. Wijesinha - Member - Non-Independent Non Executive Director  
Mr. M.A.Abeynaike - Member - Independent Non Executive Director  
Dr. H.S.D.Soysa - Member - Independent Non Executive Director  
Mr. R. Samaranayake - Member - Non Independent Non Executive Director  
(Appointed on 22 June 2015)

### REPRESENTATION BY EXTERNAL AUDITORS

Mr. Manil Jayasinghe of Messrs. Ernst & Young attended meetings in his capacity as the Audit Partner of the Company. He is a practicing senior Chartered Accountant and counts a wealth of experience in Auditing, Accounting Standards and Financial Reporting.

### MEETINGS

During the year under review the Committee held eight meetings. Other Directors, Chief Executive Officer, Chief Operating Officer of the Company and the Head of Internal Audit of Samapth Bank PLC also attended these meetings on invitation, in addition to the Head of Internal Audit, Manager – Internal Audit, Head of Finance and External Auditors.

Two separate meetings between the Committee and the Audit Partner were held during the year, without members of the management being present, in order to facilitate confidential discussions between the two parties.

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

The Company Secretary functions as the secretary to the Committee.

### CHARTER OF THE COMMITTEE

The Terms of Reference of the Committee are clearly spelt out in the Charter of the Audit Committee, which is approved by the Board of Directors. These Terms are being reviewed annually and approved by the Board of Directors, after incorporating any new developments relating to the functions of the Committee.

### FUNCTIONS OF THE COMMITTEE

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

### ETHICS & GOOD GOVERNANCE

The Company's Whistle Blowing Policy serves as a mechanism to manage risks pertaining to corporate fraud. There is provision under this policy for any staff member, who has a legitimate concern on an existing or potential "wrong doing" committed by any person within the Company, to bring such concerns in confidence to the notice of the Chairman – Audit Committee. A process is also in place for such concerns to be investigated, while maintaining identity of the whistle-blower confidential. The Committee is empowered under their Terms of Reference to monitor this procedure.

On behalf of the Audit Committee;



**P.M.A Sirimane**  
*Chairman – Audit Committee*  
24 May 2016

### REPORT OF THE BOARD INTEGRATED RISK MANAGEMENT COMMITTEE

The Board is ultimately responsible for setting the risk appetite and for the effective management of risk. Operating under the delegated authority of the Board, the Integrated Risk Management Committee (IRMC) comprises Directors and Senior Managers of the Company. They have the responsibility for overseeing and reviewing the overall prudential risks including, but not limited to credit, market, capital, liquidity, operational, strategic and reputational risk.

The scope of the IRMC entails that the actual overall risk profile of the Company conforms to the desirable risk profile and the risk appetite of the Company, as defined by the Board.

The IRMC performs the oversight function through an integrated approach in relation to different types of risks faced by the Company in its business operations and ensures sufficiency of the risk management framework of the Company.

#### COMPOSITION

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

In the year of 2015 the committee consisted of the members shown below.

Name	Position
<b>Members of the Board</b>	
Mr. M.A. Abeynaike (Chairman)	Independent Non-Executive Director
Mr. P.M.A. Sirimane	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

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

Notes : \* Resigned with effect from 31 July 2015

\*\*Appointed with effect from 1 September 2015

#### MEETINGS

The Committee held seven meetings during the year under review. The attendance of members is listed on page 76 of the Annual Report. The Committee reviewed policy frameworks, risk management strategies and key risk indicators at these meetings.

#### SCOPE OF ACTIVITIES AND MANDATE

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

- \* Assessing all risk such as credit, market, liquidity, operational and strategic risk in the Company through appropriate risk indicators and management information.

- \* Reviewing the adequacy and effectiveness of ALCO (Assets and Liability Committee) to address specific risks and manage those risks within quantitative and qualitative risk limits specified by the Committee.
- \* Taking prompt corrective action to mitigate the effects of specific risks in case such risks are at levels beyond the prudent levels decided by the Committee on the basis of the Company's policies, regulatory and supervisory requirements.
- \* Meeting at least quarterly to assess all aspects of risk management including the updated Business Continuity Plan.
- \* Taking appropriate action against the officers responsible for failure to identify specific risks and 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 protective risk management culture within the Company.
- \* Periodically reviewing the risk exposures of the Company to be in line with its risk and business strategies and objectives.

- \* Engage external and independent reviews for the validation of risk measurement, methodology and outputs. In addition to the above, the Committee may perform such other functions which are necessary or appropriate for the discharge of its duty.

#### **REVIEW**

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



**M.A. Abeynaik**  
*Chairman*  
Integrated Risk Management Committee

Colombo, Sri Lanka  
06 May 2016

## Committee Reports Contd.

### REPORT OF THE BOARD HUMAN RESOURCE AND REMUNERATION COMMITTEE

Human capital is the most important factor in any organization. Therefore, good Human Resource (HR) practices and processes play a vital role in achieving the Company's predetermined goals and objectives. The talent and culture are the biggest drivers of innovation, growth and the ability to outperform the competition. Deliver Human Resources programs and services in such a way to gain a competitive advantage through our collaborative efforts to make Siyapatha a Great place to work and to be the best HR Managed Finance Company in Sri Lanka. Human Resources serves as a strategic partner supporting Siyapatha to be an employer of choice by attracting, sustaining, and inspiring great people, with great passion, working for a great purpose.

HR and Remuneration Committee strengthens the relationship between staff and understanding of human capital priorities. The Committee has a responsibility of developing and administering policies and decisions regarding the remuneration packages so it will prevent conflicts of interest within different parties.

The overall performance of the Company can be increased with better service to the organization when staff is motivated. The following are strategically monitored by the HR Committee to minimize the operational risk involved in HR management and compensation.

Composition of the Board HR & Remuneration Committee

The HR and Remuneration Committee consists of the following Non-Executive Directors as at 31 Dec 2015

Name	Position
<b>Members of the Board</b>	
Mr. W.M.P.I. 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

#### MEETINGS FOR THE YEAR 2015

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

#### DUTIES AND RESPONSIBILITIES OF THE COMMITTEE

The overall scope of HR and Remuneration Committee is to expedite the Board to strategically develop a fair and transparent strategy when implementing policies on human resource capital. The main functions such HR policy information, regulations and incentives, i.e Salaries allowances and other financial payments of the CEO and the rest of the staff. The Committee frequently evaluates the performance of the CEO and other Key Management Personnel's performances against their set targets and revises the remuneration and benefits based on their performances.

The Committee takes on the areas which in the Board's and Committee's view and enlarges its scope if it is desirable to be handled by the Committee.

The specific responsibilities that the Committee carries out on behalf of the Board are as follows:

- \* HR strategy-Reviews, monitoring and making recommendations to the Board of Directors on human resources strategy and policies that pertain to staffing, compensation, benefits, and related issues of strategic importance that affect recruitment, development and retention of the highly-qualified staff needed for it to achieve its mandate.
- \* Organizational culture and talent management.
- \* HR perspective of business risk management.
- \* HR structure for effective corporate governance.
- \* Compliance on legal requirements.
- \* In consultation with the Company's CEO, periodically review the Company's management succession planning, including policies, and evaluations of, and development plans for, any potential successors.
- \* Reviews any external evaluations of s Human Resources strategy and policies pertaining to the issues set out in above, and report to the Board its findings and recommendations on such issues.

#### REMUNERATION POLICY

The remuneration for Non-Executive Directors is determined by Sampath Bank PLC, as per the Group policy on remuneration. In accordance with this policy, Directors' of the Company do not decide their own remuneration packages. The aggregate remuneration paid for the Directors for the year ended 31 December 2015, is set out on page 193 of the Annual Report. The remuneration for Key Management Personnel is decided by the Board of Directors of the Company, as per recommendations by the HR & Remuneration Committee.

Further, the committee advises the CEO of the Company on all aspects of HR functions, including the revision of staff salaries and of any major organizational changes needed for effective management.

#### **ACTIVITIES FOR THE YEAR 2015**

With the purpose of establishing good HR processes and practices within the organization, the HR and Remuneration Committee carried out the following activities during the year 2015.

- ✳ In order to establish the Company's acclaimed position as an 'Employer of Choice', and to create a "Great Place to Work", the HR Policy manual was developed according to the Company's philosophy and in compliance with regulations that apply to labour and employment. The HR policies and procedures are the functional elements of an organization's strategic plan. HR policies and procedures create a sustainable work environment and healthy workplace relationships among the team. These policies and procedures comply with local laws and regulations and safeguard the organization from incurring corporate liability and employee lawsuits
- ✳ Re structure the Organization structure to improve employee involvement, engagement and empowerment
- ✳ The committee has identified that the Management Succession plan for the critical talents is vital for the smooth function of the operation and approved a sustainable succession plan for the key managerial positions for the year

- ✳ Implement the comprehensive performance development plan covering all members of the company including CEO and COO
- ✳ Approved the Human Resources strategic Plan for 2015-2018 years for sustainable overall development of the Human capital
- ✳ The committee also reviewed the summary of the performance of the Board of Directors in order to ensure that they are discharging their responsibilities effectively and efficiently and reported the findings to the Board of Directors for their comments and improvements



**W. M. P. L. De Alwis**

*Chairman*

Board HR and Remuneration Committee

Colombo, Sri Lanka  
06 May 2016

## CODE OF BUSINESS CONDUCT & ETHICAL PRACTICES

### ✿ Role of HR

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

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

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

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

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

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

Being recognized as a well - governed company, we always go beyond our business operations, while fulfilling our social responsibility.

### ✿ Business Continuity Plan (BCP)

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

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

### ✿ Whistle Blowing

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

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

In order to comply with the above direction and in furtherance of the Company's continuous commitment to maintain high standards of corporate governance, the Company has

formulated a Whistle Blowing Policy, which is intended to serve as a channel of corporate fraud risk management. This Policy has been hosted on the Company's intranet. Sinhala and English translations of the policy have been mailed to all employees of the Company.

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

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

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

# RISK MANAGEMENT

## A. CORPORATE PRINCIPLES OF RISK MANAGEMENT

High quality management of risk is one of Siyapatha Finance’s hallmarks and thus a priority in its activity. Throughout its more than 10 years, SLFL has combined prudence in risk management with use of risk management techniques, which have proven to be decisive in generating recurrent and balanced earnings and creating shareholder value.

The activity of risk management is governed by the following principles, which are aligned with SLFL’s strategy and business model and take into account the recommendations of the supervisory bodies, regulators and the market’s best practices.

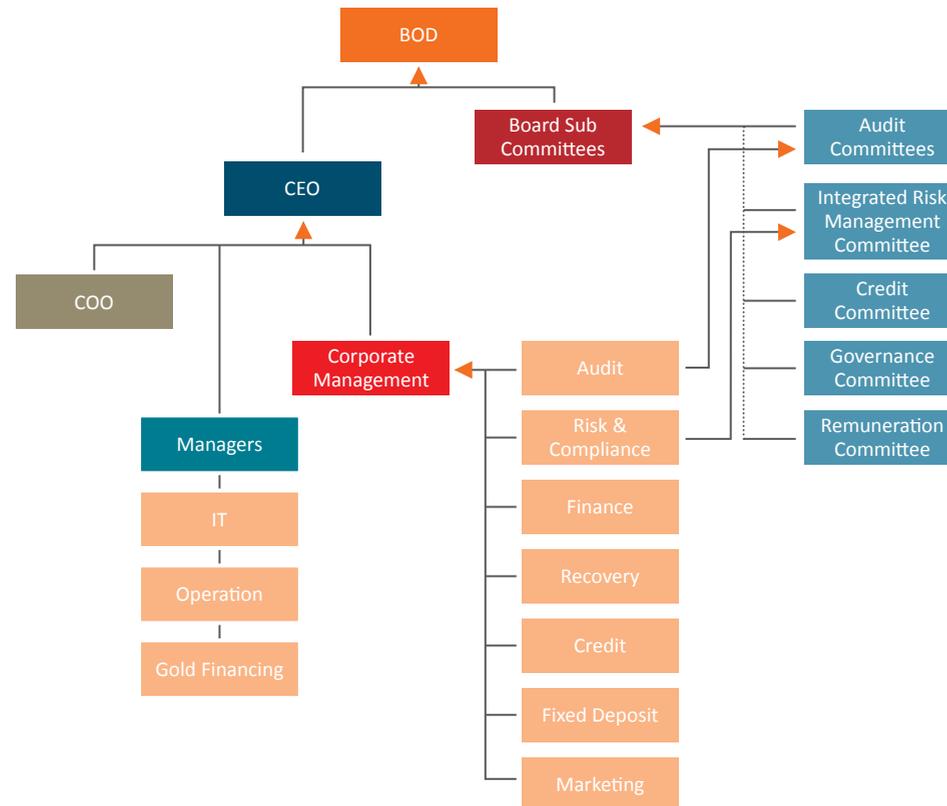
- ✧ A culture of risks integrated throughout the organisation. It embraces a series of attitudes, values, skills and ways of acting toward risks that are integrated into all processes, including taking decisions on change management and strategic and business planning. It is developed by strongly involving senior management in managing and taking decisions on risks, robust control mechanisms and a complete and detailed framework of the policies and processes for managing and controlling risks.
- ✧ Independence of the risk function, covering all risks and providing an adequate separation between the risk generating units and those responsible for its control and supervision, and having the sufficient authority and direct access to the management and supervisory functions which are responsible for setting and supervising the risk strategy and policies.
- ✧ Comprehensive approach to all risks as the objective for adequate management and control of them, including risks directly as well as indirectly originated but which can affect it. It is vital to have the capacity to draw up an

all comprehensive view of the risks assumed, understand the relations between them and facilitate their overall assessment, without detriment to the differences of nature, degree of evolution and real possibilities of management and control of each type of risk, adapting the organisation, processes, reports and tools to the features of each one.

## B. CORPORATE GOVERNANCE OF THE RISK FUNCTION

### 1. Structure of risk corporate governance

The broad structure can be shown as follows:



**Board of Directors**

The Board of Directors being in principle responsible for maintenance of prudent risk management ensures the systematic implementation of the risk framework in the Company. The Board approves the policies, strategies and systems and operational approach for risk management. The Integrated Risk Management Committee along with the Senior Management based on the broad framework stipulated by the Board ensure the effective implementation of the risk management of the Company.

**Integrated Risk Management Committee (IRMC)**

The IRMC is a Board subcommittee, which oversees the risk management function in line with the Board approved policies and strategies. In developing the policies and operations for Company-wide risk management the Committee interacts with the CEO, Board Audit Committee and Board Credit Subcommittee in order to adopt an integrated approach in all aspects. In addition to the Board’s representatives, the IRMC consist of the CEO, COO and other key managerial personnel of the company.

- ✧ **Asset-Liability Management Committee (ALCO)**  
The ALCO being a management committee is responsible for the asset-liability management and market risk management. The ALCO consists of the CEO, as the Chairman, and the Chief Operating Officer (COO) and other key managerial personnel of the Company.
- ✧ **Integrated Risk Management Department (IRMD)**  
The Company’s Integrated Risk Management (IRM) department functions as an independent function from other functions of the Company.

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

- i. Risk policy formulation
- ii. Credit risk management
- iii. ALM and market risk management
- iv. Operational risk management

**2. Model of responsibilities in the risk function**

Three Lines of Defence

SLFL’s management and control model is based on three lines of defence.



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

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

### C. MANAGEMENT MODEL AND CONTROL OF RISKS

The model of managing and controlling risks ensures the risk profile is maintained within the levels set by the risk appetite and the other limits. It also incorporates the adoption of the necessary corrective and mitigation measures to maintain risk levels in line with the defined objectives. The following elements are covered in the management and control of risks at SLFL.

#### 1. Map of risks

Identifying and evaluating all risks is a cornerstone for controlling and managing risks. The risks map covers the main risk categories in which Siyapatha Finance has its most significant exposures, current and/or potential, facilitating this identification. This includes all the risks set out in detail below.

#### 2. Risk Assessment

SLFL, as part of its routine management, identifies and assesses the financial and non-financial risks to which it is exposed and which are inherent in its activity.

The risk identification and assessment methodology enables the Company's residual risks to be identified and assessed by type of risk, business segment, sectors, geographical segments, etc. The results of the exercise identify the Company's main risks as well as weaknesses in the controls that mitigate them. These results are a base and an important source of information and basis for other key elements in risk management.

#### 3. Risk appetite and structure of limits

SLFL defines risk appetite as the amount and type of risks considered reasonable to assume for implementing its business strategy, so that the Company can maintain its ordinary activity in the event of unexpected circumstances. Severe scenarios are taken into account that could have a negative impact on the levels of capital, liquidity and profitability.

The risk appetite is formulated every year and includes a series of metrics and limits on these metric (statements) which express in quantitative and qualitative terms the maximum risk exposure the Company is prepared to assume.

Fulfilling the risk appetite limits is continuously monitored. The Risk Department reports to the IRMC on the adequacy of the risk profile with the risk appetite authorized. Any excesses and non-compliances are then analyzed and appropriate strategies and/or actions are then taken to adjust the risk exposure as per the appetite.

#### 4. Analysis of scenarios

Analysis of scenarios is a very useful tool for senior management as it enables the SLFL's resistance to stressed environments or scenarios to be tested, as well as put into effect measures to reduce the Company's risk profile in these scenarios. The objective is to maximize the stability of the income statement and the levels of capital and liquidity.

#### 5. Independent reporting

One of the key elements of management is the framework of information on risks that sets standards which ensure a consolidated vision of all risks and enable the Board and senior management to take the necessary decisions and actions. This framework is in permanent evolution in order to reflect the best market practices.

### D. TYPES OF RISKS

#### 1. Credit risk

Credit risk arises from the possibility of losses stemming from the failure of clients or counterparties to meet their financial obligations with the Company.

Uneven distribution of exposures (or loan) to its borrowers or uneven distribution of exposures to particular sectors, regions, industries or products also give rise to credit risk since the same scenario would create concentration risk.

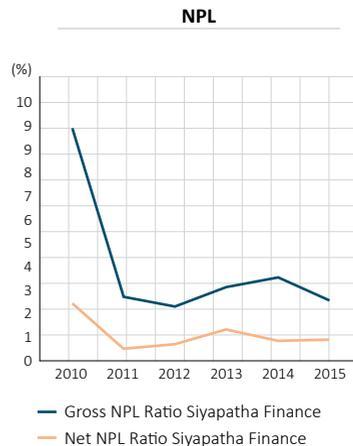
Credit risk is managed through a framework of policies and procedures covering the identification, measurement and management of credit risk. There is clear segregation of duties between transaction originators in the business units, risk management, compliance and internal audit in line with the three lines of defence model. All credit exposure limits are approved and managed within the Delegation of Authority, taking into account the Risk Appetite approved by the Board.

At Siyapatha credit risk is monitored through the tolerance limits set based on the Key Risk Indicators (KRI).

KRI	Tolerance limit
06 months NPA	2.5%
03 months NPA	4.0%
Portfolio concentration	Limits are reviewed based on market trends and strategic direction
Asset concentration	Limits are reviewed based on market trends and macro environment
Branch concentration	Limits are reviewed based on the performance and maturity of the branch

**a) Based on Asset quality**

Asset quality of the portfolio is reflected in the non performing advances ratio. At SLFL the ratio has been at the lower level compared to the industry norms and the set tolerance level.



**b) Based on concentration**

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

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

**\* Asset wise concentration**

Asset	Concentration (Dec. 2015)	Tolerance Limits
Motor car	61.04%	55.00%
Dual purpose vehicle	22.38%	26.00%
Motor lorry	6.45%	10.00%
Agriculture Machines & Land Vehicles	2.82%	5.00%
Three wheeler car	2.05%	3.00%
Other (Machinery & Equip)	1.76%	1.00%
Dual purpose (Tata Batta)	1.55%	3.00%
Motor coach	1.24%	1.00%
Excavator	0.57%	1.50%
Motor cycle	0.12%	0.50%
<b>Total</b>	<b>100.00%</b>	

**\* Sector wise Concentration**

Sector	Concentration (Dec. 2015)	Tolerance %
Services	73.66%	57.00%
Trade	14.75%	29.50%
Agriculture	5.63%	7.50%
Transportation	2.06%	2.00%
Construction	1.92%	3.50%
Tourism	1.02%	6.00%
Manufacturing	0.96%	0.50%
<b>Total</b>	<b>100.00%</b>	

**Stress testing on NPA**

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

**2. Interest Rate Risk**

Interest rate risk is the Company’s exposure to adverse movements in interest rates. It arises from the current or prospective risk to the Company’s capital and earnings arising from adverse movements in interest rates that affect the institution’s portfolio at large. Hence, at Siyapatha, the objective of interest rate risk management is to sustain earnings while improving the ability to absorb potential loss and to ensure the sufficiency of the compensation received for the risk taken.

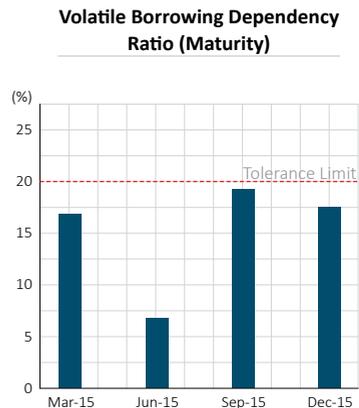
## Risk Management Contd.

In evaluating the interest rate risk the re-pricing mismatches and the net interest position are considered. In order to assess the dynamics of the market, stress testing is carried out on various interest rate scenarios to decide on the risk exposure. Simulation to the interest rates are done to assess probable impact on the Company's profitability resulting from alternative interest rate scenarios.

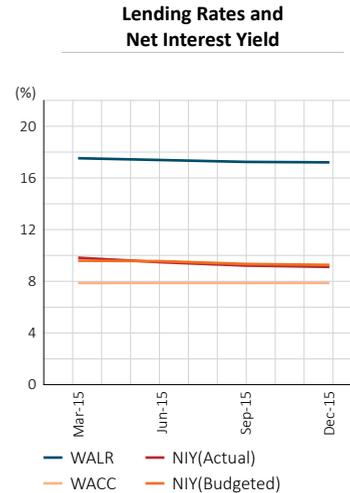
The Company continuously monitored the dynamics of the macro environment and carried out adjustments to reap the best gain from volatility in the market rates during 2015.

KRI	Tolerance limit
Net Interest Yield (NIY)	Above the budgeted level
Volatile liability depending ratio(on interest rate)	40% of the total portfolio

### a) Volatile Liability Dependency Ratio – Based on Interest Rate



### b) Weighted Average Lending Rate, Weighted Average Cost of Funds, Net Interest Yield



### 3. Liquidity Risk

Liquidity is generally defined as the ability of a financial firm to meet its debt obligations without incurring unacceptably large losses. Assessing the firm's current and future fund requirement including debt obligations along with contingencies forms the basis of liquidity risk management at Siyapatha Finance.

In order to ensure confidence and smooth functioning of Company's operations management of mismatches in the timing of cash flows, effective management of liquidity is considered of utmost importance. Thus, in order to assess the efficacy of the cushion provided by the Company's liquid assets, a number of liquidity risk indicators are monitored by the Company. The main focus is on the liquid asset ratio, maturity gap analysis and the volatile liability dependency ratio on maturity and funding concentration.

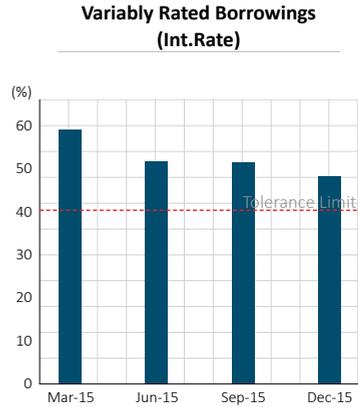
KRI	Tolerance limit
Liquidity ratio	7.5%-8.5%
Statutory liquidity ratio	7.5%
Volatile liability ratio	20%
Available funding ratio	>100%

### Liquidity Ratios

	Liquidity	31-Mar-15	30-Jun-15	30-Sep-15	31-Dec-15	Tolerance Limit
a	Liquid assets ratio	8.60%	9.12%	8.45%	9.28%	7.5%-8.5%
b	Statutory liquid assets ratio (7.5% as per CBSL)	7.53%	7.53%	7.53%	7.53%	7.5%



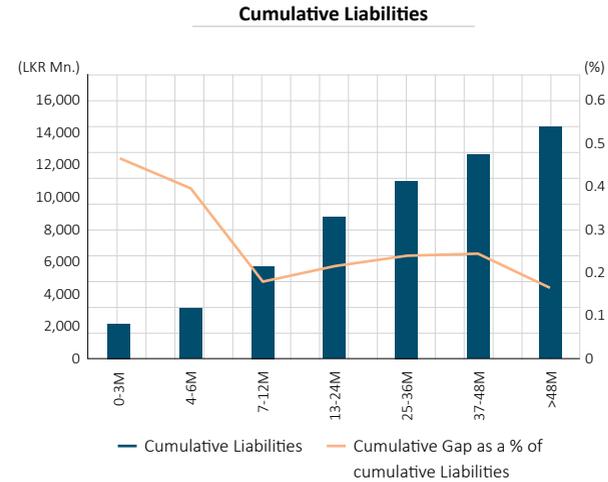
**Volatile Borrowing Dependency Ratio – Based on Maturity**



**Lending to Borrowing Ratio**

Month	LS/HP/LN/ Factoring Portfolio LKR Mn	Borrowing Portfolio LKR Mn	Lending to Borrowing Ratio
Aug-15	11,944.35	9,669.15	1.24
Sep-15	12,309.24	9,924.35	1.24
Oct-15	12,546.22	10,130.17	1.24
Nov-15	12,935.27	10,576.18	1.22
Dec-15	13,167.15	10,841.16	1.21

	0-3 M	4-6 M	7-12 M	13-24 M	25-36 M	37-48 M	> 48 M
Cumulative Liabilities	2,181.58	3,195.89	5,769.03	8,806.87	11,064.47	12,620.20	14,416.95
Cumulative Gap as a % of cumulative Liabilities	48.18%	40.92%	18.36%	22.08%	24.61%	24.97%	16.69%



**4. Operational Risk**

Operational risk is “the risk of a change in value caused by inadequate or failed internal processes, people and systems, or from external events.

The Company’s ability to assess its process for vulnerability and establish controls is the critical factor in managing operational risk. The broader categories of operational risk incidents are divided into eight as internal frauds, external frauds, employment practices and workplace safety, clients, products and business practices, damage to physical assets, business disruptions and system failures.

Operational risk is mainly observed through the following KRIs:

1. Losses due to frauds, misconduct and negligence
2. Losses due to poor quality of credit documentation and legal documentation
3. Number of customer complaints and law suits
4. Frequency of systems breakdowns and costs

Events leading to Operational risk could trigger from the internal environment or external environment. In order to identify the risk events stemming from both external internal environment, operational loss event reporting is carried out based on the broad categories mentioned above. Out of all the key areas mentioned above it can be ascertained that people's risk and technology risk relates to almost all the incident sources.

### People Risk

The Company's main processes revolve round people being a service-oriented Company. Therefore its main strength is human resources. Absence of employing suitable personnel for relevant tasks, lack of proper performance recognition mechanisms, losses arising from conduct of employees and omission of employment related activities give rise to people risk.

Conducting manpower planning in line with expansions, strict adherence to minimum qualification based on the position filled, pre-employment screening, employer feedback and exit interviews are done as mitigating activities of people's risk.

### Technology Risk

The technological risk arises due to obsolesce, unreliability and unexpected break downs. With the increase of dependency on automated systems and processes, the Company's IT risk also elevates. Thus as a precaution the Company finalizes the IT system initially prior to new product introduction or process improvements. Further, after a system is implemented, IT systems audits are performed. Based on the outcome of the systems audit, necessary controls are implemented if possible before the live implementation. In order to ensure competitive advantage the Company invests in the latest technology and IT systems while balancing the cost benefit of such investments.

A Business Continuity Plan (BCP) has been established encompassing planning, establishing, implementing, monitoring and continually improving the management system in relation to business continuity in order to be prepared in terms of extenuating possible losses and reducing the likelihood of occurrence. A disaster recovery site has been established off site.

### 5. Compliance Risk

Compliance risk is observed as the potential threat to the earnings or business resulting from violations or infringement of laws, regulations or stipulated practices and standards within the company, industry and Government. The Company has appointed a Compliance Officer in order to oversee the compliance of the Company with Central Bank directions, Colombo Stock Exchange regulations and other related regulations. A monthly report is submitted to the Board by the Compliance Officer on the statutory returns. Further, on the overall compliance of the Company, a report is submitted to the IRMC. Any significant non-compliance is reported to the Committee and the Board accordingly. Apart from that all the new products procedures are signed off by Compliance prior to the commencement. The Compliance Department disseminates the regulatory directives through internal circular based on the requirement.

### 6. Strategic Risk

With the challenging dynamic market the strategic plan of the Company is monitored regularly to assess the possible obstacle that would arise in achieving the strategic objectives. Strategic risk arises from failure to achieve strategic goals of the Company.

Regular monitoring of the set targets, monthly reports of the achievements to Board of Directors' review and necessary adjustments based on the changes are done in order to ensure achievement of the strategic plan.

### 7. Reputational Risk

Any event that can cause damages to an entity due to tarnishing of the good name or standing of a business or entity gives rise to reputational risk. Such events could arise either internally or externally. The Company mitigates the reputational risk through good governance practices and transparency. Efficient and timely communication among all stakeholders minimizes any issues that would rise due to ambiguities. A Board approved complaint handling policy that ensures a streamlined procedure for receiving customer complaints and a resolution mechanism, are in place.

## FINANCIAL REPORTS

## FINANCIAL CALENDER

### FINANCIAL CALENDAR -2015

	Date
* Audited Financial Statements for the year ended 31 December 2014 signed on	06 February 2015
* Annual General Meeting (AGM)	26 May 2015
* Half Yearly Financial Statements (2 <sup>nd</sup> half of year 2014) as per the requirements of Central Bank of Sri Lanka in Sinhala,Tamil and English language	27 February 2015
* Half Yearly Financial Statements (1 <sup>st</sup> half of year 2015) as per the requirements of Central Bank of Sri Lanka in Sinhala, Tamil and English language	19 August 2015
* LKR 0.60 per share cash dividend for 2014	05 June 2015
* Interim Financial Statements published in terms of Rules 7.4 of the Colombo Stock Exchange	
-1 Quarter ended 31 March 2015	11 May 2015
-2 Quarter ended 30 June 2015	04 August 2015
-3 Quarter ended 30 September 2015	11 November 2015
-4 Quarter ended 31 December 2015	26 February 2016

### FINANCIAL CALENDAR -2016

	Date
* Audited Financial Statements for the year ended 31 December 2015 signed on	15 February 2016
* Annual General Meeting (AGM)	28 June 2016
* Half Yearly Financial Statements (2 <sup>nd</sup> half of year 2015) as per the requirements of Central Bank of Sri Lanka in Sinhala,Tamil & English Language	29 February 2016
* Half Yearly Financial Statements (1 <sup>st</sup> half of year 2016) as per the requirements of Central Bank of Sri Lanka in Sinhala,Tamil & English Language	On or before 31 August 2016
* LKR 1.10 per share scrip dividend for 2015 payable	On or before 30 September 2016*
* Interim Financial Statements published in terms of Rules 7.4 of the Colombo Stock Exchange	
-1 Quarter ended 31 March 2016	12 May 2016
-2 Quarter ended 30 June 2016	On or before 15 August 2016
-3 Quarter ended 30 September 2016	On or before 15 November 2016
-4 Quarter ended 31 December 2016	On or before 28 February 2017

\*Subject to confirmation by shareholders

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

## GENERAL

The Board of Directors of Siyapatha Finance PLC has pleasure in presenting the Company's Annual Report on the State of Affairs of the Company to the members of Siyapatha Finance PLC for the financial year ended 31 December 2015, together with the audited Financial Statements of the Company and the Auditors' Report on those Financial Statements.

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

Siyapatha Finance PLC, formerly known as Sampath Leasing and Factoring Limited, was incorporated on 3rd March 2005, under the Companies Act No. 17 of 1982, as a Specialized Leasing Company and reregistered as required, under the provisions of the Companies Act No. 07 of 2007. The Company which was formerly known as Sampath Leasing and Factoring Limited was renamed Siyapatha Finance Limited on 02 September 2013 and the finance company license was received on 25 September 2013. Upon the listing of the unsecured subordinated redeemable debentures on the Colombo Stock Exchange on 31 December 2014, the status of the Company was changed and Siyapatha Finance Limited was converted to Siyapatha Finance PLC under the new Company registration No. PB 917 PQ with effect from 02 January 2015. The Company is a fully-owned subsidiary of Sampath Bank PLC.

As at 31 December 2015, there were nine Directors in the Company. The total branch network of the Company stood at 20,

as at 31 December 2015. The branch expansion policy continued during the year and the Company opened two branches in Avissawella and Batticaloa and the Siyapatha service centres in Kegalle and Vavuniya were converted into branches.

The total staff strength of the Company as at end December 2015 was 328.

## FITCH RATING

Fitch Rating Lanka has affirmed the Company's long-term rating at "A-(lka)" with a Stable Outlook and subordinated debentures at "BBB+ (lka)".

## REGISTERED ADDRESS AND BUSINESS ADDRESS

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

## CORPORATE VALUES

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

## PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

The Company's principal activities are fund-based lending that include finance leases, hire purchase advances, vehicle loan facilities, mortgage loans, gold loan, debt factoring and gold financing.

## COMPANY'S PERFORMANCE DURING THE YEAR 2015 Financial Statements

Financial Statements of the Company set out on pages 142 to 192 have been prepared in conformity with Sri Lanka Accounting

Standards (SLFRSs & LKASs) laid down by the Institute of Chartered Accountants of Sri Lanka and complies with the requirements of the Companies Act No.7 of 2007.

The aforementioned Financial Statements for the year ended 31 December 2015, duly signed by the Chief Executive Officer, Group Chief Financial Officer and two other Directors are given on page 144 and form an integral part of this Annual Report of the Board of Directors.

The Statement of Directors' responsibility for Financial Reporting set out on page 147 also forms an integral part of the Annual Report of the Board of Directors.

## DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The Directors are responsible for the preparation of Financial Statements of the Company to reflect a true and fair view of its state of affairs. The Statement of Directors' Responsibility for Financial Reporting is given in Note 1.4 to the Audited Financial Statements (page 147) of the Annual Report.

## AUDITORS' REPORT

The Auditors of the Company are Messrs Ernst & Young, Chartered Accountants. Messrs Ernst & Young carried out the audit on the Financial Statements of the Company for the year ended 31 December 2015 and their report on those Financial Statements is as required by Section 168(1) (c) of the Companies Act is given on page 141 of this Annual Report.

## SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the Financial Statements are given on pages 147 to 159 and comply with Section 168 (1) (d) of the Companies Act.

## Annual Report of the Board of Directors on the State of Affairs of the company Contd.

### ACCOUNTING PERIOD

The financial accounting period is from 1 January 2015 to 31 December 2015.

### FINANCIAL RESULTS AND APPROPRIATIONS INCOME

Total interest income of the Company for the year ended 31 December 2015 is LKR 1,973.92 million (LKR 1,837.55 million in 2014). A more descriptive analysis of the interest income is given in Note 5 to the Financial Statements.

### PROFIT AND APPROPRIATIONS

The Company recorded a profit before tax and after tax of LKR.559.15 million and LKR 384.52 million, respectively, in 2015. Total comprehensive income for the year is LKR 382.55 million (2014- LKR 259.27 million). The Company's performance and details of appropriation of profit relating to the Company are tabulated below.

Detailed breakup of the profits & appropriations	2015	2014
	LKR 000	LKR 000
Profit for the year after payment of all operating expenses and provisions for depreciation and contingencies	559,153	405,555
Less: Taxation	(174,629)	(145,379)
Net profit after taxation	384,524	260,177
<b>Other comprehensive income</b>		
Actuarial losses on defined benefit plans (Net of deferred tax effects on losses on defined benefit plans)	(1,979)	(909)
	382,545	259,268
Unappropriated balance brought forward from previous year	735,813	452,627
Less: Super Gain Tax	(51,558)	-
Balance available before appropriation/adjustments	1,066,800	711,895
<b>Appropriations</b>		
Transfer to Statutory Reserve Fund	(19,227)	(13,044)
Transfer from/(to) Investment Fund Reserve	-	58,488

Detailed breakup of the profits & appropriations	2015	2014
<b>Dividend</b>		-
Final cash dividend paid-2013 ( LKR 0.41 per share)	-	(21,525)
Final cash dividend paid-2014 ( LKR 0.60 per share)	(31,500)	-
Unappropriated balance carried forward	1,016,073	735,813
<b>Proposed dividend</b>		
Final scrip dividend-2015(LKR 1.10 per share)	57,750	-

### TAXATION

The income tax rate applicable on the Company's operations is 28%. (2014: 28%).

Further the Company is liable for both VAT and NBT on financial value addition at 11%, (2014:12%) and 2% (2014: 2%) respectively.

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

### DIVIDEND

The Board of Directors of the Company recommend a dividend of LKR 1.10 per ordinary share (2014-LKR 0.60 per share) be paid for the financial year ended 31 December 2015. This will be paid in the form of scrip dividend.

This dividend is subject to Shareholder approval at the Annual General Meeting.

The Board of Directors was satisfied that the Company would meet the solvency test immediately after the final dividend proposed in terms of Section 31(3) of the Companies Act. The Board provided the Statement of Solvency to the Auditors and obtained Certificate of Solvency from the Auditors in respect of the dividend payment conforming to the statutory provision. With this dividend, the Company is also fulfilling the deemed dividend requirement according to the provisions of the Inland Revenue Act.

### PROPERTY, PLANT AND EQUIPMENT (PPE)

Details of PPE are given in Note 28 to the Financial Statements. Total capital expenditure on acquisition of PPE amounted to LKR 52.34 million for the year under review (2014: LKR 37.94 million).

### STATED CAPITAL AND SHAREHOLDERS' FUNDS

No share issues were made during the year 2015. The stated capital of the Company as at 31 December 2015 remained unchanged from the previous financial year, at LKR 525 million, from 52.5 million ordinary shares.

### DEBT CAPITAL

During the year, the Company has not issued any debentures.

### SHARE INFORMATION

Information relating to earnings, dividends and net assets, are given in the Investors' information on page 33.

### SHAREHOLDINGS OF THE COMPANY

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

### SHAREHOLDERS OF THE COMPANY AS AT 31 DECEMBER 2015

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

### BOARD OF DIRECTORS

The Board of Directors of Siyapatha Finance PLC consists of nine Non-Executive Directors, out of which four are Independent Directors and five are Non-Independent Directors. Their brief profiles are given on pages 65-68 of the Annual Report. Mr. K M S P Herath was appointed as Managing Director with effect from 5 April 2016.

### Resignations/Retirement and Re-Appointments of Directors

The names of the Directors of the Company during the period of 1 January 2015 to 31 December 2015 are as follows:

Name	Executive/ Non-Executive Status	Independent / Non-Independent Status	Date of Appointment/ Resignation
Mr. C P Palansuriya	Non Executive	Non-Independent	Appointed as the Chairman on 02.05.2014
Mr. M A Abeynaike	Non Executive	Independent	Appointed to the board on 28.03.2012 Appointed as the Deputy Chairman on 02.06.2014
Mr. S G Wijesinha	Non-Executive	Independent	22.10.2008
Mr. P M A Sirimane	Non-Executive	Independent	03.08.2010
Dr. H S D Soysa	Non-Executive	Independent	01.01.2011
Mr. W M P L De Alwis	Non-Executive	Non-Independent	25.02.2011
Mr. M Y A Perera	Non-Executive	Non-Independent	28.03.2012
Mr. R Samaranayake	Non-Executive	Non-Independent	28.12.2012
Mr. L T Ranwala	Non-Executive	Non-Independent	28.07.2015
ALTERNATE DIRECTORS			
Mr. P M A Sirimane		Alternate Director to Mr S G Wijesinha, since 25.02.2011	

All Directors have submitted affidavits and declarations for the year 2015, under the Finance Companies (Assessment of Fitness and propriety of all Directors on the Board and officers performing executive functions) Direction No. 03 of 2011.

## Annual Report of the Board of Directors on the State of Affairs of the company Contd.

### BOARD SUBCOMMITTEES

The Company has established six Board subcommittees, namely the Board Audit Committee, Integrated Risk Management Committee, Board HR & Remuneration Committee, Board Corporate Governance Committee, Related Party Transaction Review Committee and Board Credit Committee, as at 31.12.2015.

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

Committee	Members Name	No. of Meetings
Audit Committee	Mr. P M A Sirimane- Chairman Mr. S G Wijesinha Mr. M A Abeynaike Dr. H S D Soysa Mr. R Samaranyake	08
Integrated Risk Management Committee	Mr. M A Abeynaike-Chairman Dr. H S D Soysa Mr. W M P L De Alwis Mr. P M A Sirimane  Members from the Company Mr. A R Nanayakkara - CEO Mr. R De Silva - COO Ms. W K H Gayasha- Head of Finance Mr. R G Siriwardana- Head of Factoring Mr. S B Dodanwatte - Senior Manager Credit Mr. N A D Shaminda - Internal Auditor Mr. B L M M Balasuriya - Manager IT Mr. J A P Fernando - Head of Recoveries Ms. T N Punyawansa - Head of Risk and Compliance Mr. G R Dissanayake - Head of Deposits Mr. H H A Kumara - Manager Pawning Mr. M B D Hewavitharana-Head of Marketing	06

Committee	Members Name	No. of Meetings
Board Corporate Governance Committee	Mr. P M A Sirimane-Chairman Mr. W M P L De Alwis Mr. S G Wijesinha	01
Board HR & Remuneration Committee	Mr. W M P De Alwis-Chairman Mr. P M A Sirimane Dr. H S D Soysa	17
Board Credit Committee	Dr. H S D Soysa-Chairman Mr. M Y A Perera Mr. M A Abeynaike Mr. R Samaranyake Mr. L. T. Ranawala	05

### DIRECTORS' MEETINGS

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

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

At the beginning of the year, an annual calendar of meetings for 2015 was submitted to all Board members, giving them an opportunity to know the dates of Board meetings in advance and attend such meetings.

The Board has dedicated adequate time for meetings. The Board of Directors of the Company met regularly and held 16 Board meetings during the year 2015.

Details of Board meetings and Board subcommittee meetings are set out in the Annual Report on pages 76 and 77.

#### DIRECTORS' INTEREST IN CONTRACTS AND PROPOSED CONTRACTS

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

Company

Company Name	Relationship	Nature of the Transaction	Limit LKR 000	Balance Outstanding as at 31.12.2015 LKR 000	Balance Outstanding as at 31.12.2014 LKR 000
Orit Trading Lanka (Pvt) Limited	Chairman	Leasing Facility	3,377	910	1,889

#### DIRECTORS' INTEREST IN TRANSACTIONS

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

#### INTEREST REGISTER

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

#### PERFORMANCE APPRAISAL OF DIRECTORS

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

#### REMUNERATION AND OTHER BENEFITS OF DIRECTORS

##### Remuneration Policy

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

The Company has made a net payment of LKR 9.76 million (gross payment: LKR 11.36 million) being Directors' fees and attendance fees for Board meetings and committee meetings. As a policy, Directors' fees are decided by the main Board of Sampath Bank PLC.

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

Mr. M. A. Abeynaike, Mr. S. G. Wijesinha, Mr. M. Y. A. Perera, Mr. W. M. P. L. De Alwis,

Mr. R. Samaranayake and Dr. H. S. D. Soysa, hold one share each of the Company.

#### ENVIRONMENTAL PROTECTION

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

#### STATUTORY PAYMENTS

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

#### OUTSTANDING LITIGATION

In the opinion of the Directors and in consultation with the Company lawyers, litigation currently pending against the Company will not have a material impact on the reported financial results, or future operations, of the Company. Details of litigation pending against the Company are given in Note 41.1 to the Financial Statements.

#### EVENTS AFTER THE REPORTING PERIOD

No circumstances have arisen since the reporting date which would require adjustments to, or disclosure in the accounts other than those disclosed in Note. 42 to the Financial Statements.

#### COMPLIANCE WITH LAWS AND REGULATIONS

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

## Annual Report of the Board of Directors on the State of Affairs of the company Contd.

### GOING CONCERN

After considering the financial position, the Company's financial projections/business plans, operations, the regulatory environment and other factors, the Directors of the Company have a reasonable expectation that the Company will continue to be in operation for the foreseeable future. Hence, the Company adopted the going concern basis in preparing the Financial Statements.

### INTERNAL CONTROLS

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

### CORPORATE GOVERNANCE

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

Corporate Governance Reports are set out on pages 74 to 115 of this Annual Report.

### AUDITORS

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

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

### AUDIT FEE

Messrs. Ernst & Young, chartered accountants were paid a sum of LKR 2.74 million (In 2014: LKR 2.88 million) by the Company for audit and related services for the year under review.

### SECRETARIES

Mr. S Sudarshan, a Chartered Corporate Secretary is the Company Secretary and he possesses the required qualifications as stated in the Companies Act No 07 of 2007.

### ANNUAL GENERAL MEETING

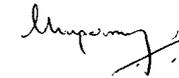
The Annual General Meeting will be held at the Board Room, Sampath Centre Building, No 110, Sir James Peiris Mawatha, Colombo 02, on 28 June 2016 at 0900h.

### NOTICE OF MEETING

Notice of the meeting relating to the 11th Annual General Meeting is provided on page 212 of this Annual Report.

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

### For and on behalf of the Board of Directors



**Channa P Palansuriya**  
Chairman



**M A Abeynaike**  
Deputy Chairman

**Siyapatha Finance PLC**  
Colombo, Sri Lanka.  
24 May 2016

### RESPONSIBILITY

The Board of Directors of Siyapatha Finance PLC (Company) presents this report on Internal Control over Financial Reporting, in compliance with Section 10(2) (b) of Finance Companies Corporate Governance Direction No. 03 of 2008.

The Board of Directors (“Board”) is responsible for the adequacy and effectiveness of the Company’s internal control mechanism over financial reporting, which is designed to provide an assurance to maintain proper accounting records and generate reliable financial information and also to safeguard assets of the Company. Therefore, the internal control mechanism can only provide reasonable but not absolute assurance against errors or material misstatement of management and financial information and records or against financial losses or fraud.

The Board has established an ongoing process for identifying, evaluating and managing the material risks the Company is exposed to in relation to financial reporting. This process includes monitoring changes to business environment or regulatory guidelines and providing directions to enhance the system of internal controls as and when such changes take place. The Board, which regularly reviews this process, is of the view that the system of internal control over financial reporting in place is adequate to provide reasonable assurance regarding the reliability of financial reporting and that the preparation of Financial Statements for external purposes is in accordance with relevant accounting principles and regulatory requirements.

The management assists the Board in the implementation of the Board’s policies and procedures pertaining to internal control over financial reporting. Procedures relating to internal control

## DIRECTORS’ STATEMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

over financial reporting system have been documented. In assessing the internal control system over financial reporting, identified Officers of the Company collated all procedures and controls that are connected with significant accounts and disclosures of the Financial Statements of the Company. These in turn are being observed and checked by the Internal Audit Department of the Company annually for suitability of design and effectiveness.

### KEY INTERNAL CONTROL PROCESSES

In order to review the adequacy and integrity of the system of internal controls, with respect to financial reporting, the following key processes have been established:

- ✳ Establishment of various appointed Committees of the Board to assist the Board with a view to ensuring the effectiveness of the Company’s daily operations and that such operations conform to Company’s corporate objectives, strategies and the annual budget as well as policies and business directions approved by the Company.
- ✳ The Internal Audit Department of the Company verifies whether policies and procedures of the Company are being complied with, while ascertaining effectiveness of the internal control systems on an on going basis, using samples and rotational procedures and highlights any significant non compliance. All Departments and Branches are subjected to audits, the frequency of which is determined by the level of risk assessed which is approved by the Audit Committee. The Internal Audit Department which submits the Annual Audit Plan for review and approval of the Audit Committee also submits independent and objective reports for review by the Audit Committee, at their periodic meetings.

- ✳ The internal audit functions are also reviewed by the Committee, with particular reference to the scope and quality of the audits. Minutes of all Audit Committee meetings are submitted to the Board for review. The Committee also reviews periodical summaries submitted by the Internal Audit Department indicating the functions carried out.
- ✳ The adequacy and effectiveness of the internal control systems are evaluated by the Audit Committee through review of internal control issues identified by the Internal Audit Department, the External Auditors, regulatory authorities and the management. In order to ensure that key management personnel comply with laid down systems and procedures and implement the required internal control systems at their work locations, a procedure to obtain a quarterly certification from the respective Officers is to be introduced commencing from 2016.
- ✳ In order to assess the internal control system, all procedures and controls which are connected with significant accounts and disclosures of the Financial Statements of the Company are being continuously reviewed and updated by identified officers of the Company. The suitability of design and effectiveness of such procedures and controls continue to be verified by the Internal Audit Department on an ongoing basis.

Since the adoption of New SLAS in 2012, processes which are required to comply with the new requirements of recognition, measurement, presentation and disclosure were introduced in 2013. Continuous monitoring is in progress and steps are being taken to make improvements to the processes where required, to enhance the effectiveness and efficiency. During the year 2015 further system integration with upgraded General Ledger and main operating systems were carried out. A system based module for related party transaction identification, was developed during the period under review and is currently at User Acceptance Testing stage. Similar automation initiatives are also being contemplated with regard to impairment calculation.

#### **CONFIRMATION**

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

## Directors' Statement on Internal Control Over Financial Reporting Contd.

#### **EXTERNAL AUDITORS CERTIFICATION**

The External Auditors have reviewed the above Directors' statement on internal control over financial reporting included in this Annual Report and reported that nothing has come to their attention that caused them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in the review of its design and effectiveness of the internal controls over financial reporting.

#### **By order of the Board**



**Channa P. Palansuriya**  
*Chairman*



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

**Siyapatha Finance PLC**  
11 May 2016



Ernst & Young  
Chartered Accountants  
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ey.com

## HMAJ/FSI/AD

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

#### REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying Financial Statements of Siyapatha Finance PLC (the "Company"), which comprise the statement of financial position as at 31 December 2015, and the income statement and statement of comprehensive income, statement of changes in equity and, statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### BOARD'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

#### AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these Financial Statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those standards

require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Financial Statements are free from material misstatement.

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

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

#### Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company as at 31 December 2015, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

#### Report on other legal and regulatory requirements

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

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

15 February 2016  
Colombo

## INCOME STATEMENT

Year ended 31 December 2015

	Note	2015 Rs.'000	2014 Rs.'000
Interest income		1,973,921	1,837,546
Less: Interest expenses		(824,699)	(778,661)
<b>Net interest income</b>	5	<b>1,149,222</b>	1,058,885
Fee & commission income		86,385	46,534
Less: Fee & commission expenses		(6,252)	(12,271)
<b>Net fee &amp; commission income</b>	6	<b>80,133</b>	34,263
Other operating income	7	152,182	105,091
<b>Total operating income</b>		<b>1,381,537</b>	1,198,239
Impairment (charges)/ reversal for loans and other losses	8	(49,275)	(183,217)
<b>Net operating income</b>		<b>1,332,262</b>	1,015,021
<b>Less: Operating expenses</b>			
Personnel costs	9	(329,553)	(234,721)
Other operating expenses	10	(350,251)	(313,209)
<b>Operating profit before VAT &amp; NBT on financial services</b>		<b>652,458</b>	467,091
Less: VAT & NBT on financial services	11	(93,305)	(61,536)
<b>Profit before taxation from operations</b>		<b>559,153</b>	405,555
Less: Taxation	12	(174,629)	(145,379)
<b>Profit for the year</b>		<b>384,524</b>	260,177
Basic earnings per share (Rs.)	13	7.32	4.96
Dividend per share (Rs.)	14	0.60	0.41

The Accounting policies and Notes to the Financial Statements from pages 147 to 192 form an integral part of these Financial Statements.

## STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2015

	Note	2015 Rs.'000	2014 Rs.'000
Profit for the year		384,524	260,177
<b>Other comprehensive income/(expenses)</b>			
Other comprehensive income not to be reclassified to profit or loss:			
Actuarial losses on defined benefit plan	33.3	(2,749)	(1,263)
Deferred tax effect on actuarial losses	31	770	354
<b>Other comprehensive income for the year, net of tax</b>		<b>(1,979)</b>	<b>(909)</b>
<b>Total comprehensive income for the year, net of tax</b>		<b>382,545</b>	<b>259,268</b>
<b>Attributable to :</b>			
Equity holders of the parent company		382,545	259,268
		<b>382,545</b>	<b>259,268</b>

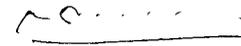
The Accounting policies and Notes to the Financial Statements from pages 147 to 192 form an integral part of these Financial Statements.

## STATEMENT OF FINANCIAL POSITION

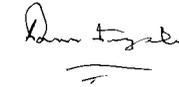
As at 31 December	Note	2015 Rs. '000	2014 Rs. '000
<b>Assets</b>			
Cash and bank balances	16	130,070	88,655
Securities purchased under repurchase agreements	17	601,679	489,685
Factoring receivables	18	1,157,136	996,440
Gold loan receivables	19	770,839	-
Pawning receivables	20	-	456,193
Loan receivables	21	286,968	506,526
Lease receivables	22	9,230,730	3,383,597
Hire purchase receivables	23	2,083,571	4,250,553
Other assets	24	234,417	127,074
Financial instruments- available for sale	25	56	56
Financial investments held to maturity	26	4,274	4,198
Intangible assets	27	14,889	17,097
Property, plant & equipment	28	124,697	97,716
<b>Total Assets</b>		<b>14,639,326</b>	<b>10,417,790</b>
<b>Liabilities</b>			
Bank overdraft		163,583	83,921
Due to other customers		1,233,041	-
Debt issued and other borrowed funds	29	10,925,421	8,528,922
Other payables	30	508,921	299,606
Deferred taxation liability	31	102,306	69,983
Income taxation payable	32	75,663	111,179
Retirement benefit obligations	33	19,259	12,535
<b>Total Liabilities</b>		<b>13,028,194</b>	<b>9,106,146</b>

As at 31 December	Note	2015 Rs. '000	2014 Rs. '000
<b>Shareholders' Funds</b>			
Stated capital	34	525,000	525,000
Statutory reserve fund	35	70,059	50,831
Investment fund reserve	36	-	-
Retained earnings	37	1,016,073	735,813
<b>Total Shareholders' Funds</b>		<b>1,611,132</b>	<b>1,311,644</b>
<b>Total Liabilities and Shareholders' Funds</b>		<b>14,639,326</b>	<b>10,417,790</b>
Net asset value per share (Rs.)		30.69	24.98
Commitments and contingencies	41	315,071	228,058

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



Chief Executive Officer



Group Chief Financial Officer

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



Chairman



Director

The Accounting policies and Notes to the Financial Statements from pages 147 to 192 form an integral part of these Financial Statements.

05 February 2016  
Colombo

## STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2015	Note	Stated Capital  Rs.'000	Retained Earnings  Rs.'000	Statutory Reserve Fund Rs.'000	Investment Fund Reserve Rs.'000	Total  Rs.'000
<b>Balance as at 31 December 2013</b>		525,000	452,627	37,787	58,488	1,073,902
Net profit for the year		-	260,177	-	-	260,177
Other comprehensive income		-	(909)	-	-	(909)
Transfer to Statutory Reserve Fund	35	-	(13,044)	13,044	-	-
Dividend paid	14	-	(21,525)	-	-	(21,525)
Transfer to Investment Fund Reserve		-	(8,331)	-	8,331	-
Transfer of Investment Fund Reserve		-	66,819	-	(66,819)	-
<b>Balance as at 31 December 2014</b>		525,000	735,813	50,832	-	1,311,644
Super Gain Tax	32.2	-	(51,558)	-	-	(51,558)
Net profit for the year		-	384,524	-	-	384,524
Other comprehensive income		-	(1,979)	-	-	(1,979)
Transfer to Statutory Reserve Fund	35	-	(19,227)	19,227	-	-
Dividend paid	14	-	(31,500)	-	-	(31,500)
<b>Balance as at 31 December 2015</b>		525,000	1,016,073	70,059	-	1,611,132

The Accounting policies and Notes to the Financial Statements from pages 147 to 192 form an integral part of these Financial Statements.

## STATEMENT OF CASH FLOWS

Year ended 31 December 2015	Note	2015 Rs. '000	2014 Rs. '000
<b>Cash flows from operating activities</b>			
<b>Profit before taxation from operations</b>		<b>559,153</b>	405,555
Interest expenses	5.2	824,699	778,661
Fee & commission expenses	6	6,252	12,271
Provision for impairment	8	49,275	183,217
Provision for staff gratuity	33.2	4,309	3,581
Provision for depreciation	28	25,355	22,606
Amortisation of software	27	7,087	5,330
Loss on sale of motor vehicles		-	(91)
Write off of provisions		-	(18,442)
		<b>916,977</b>	988,397
<b>Operating profit before working capital changes</b>		<b>1,476,130</b>	1,392,689
(Increase)/Decrease in Lease receivables		(5,832,238)	(598,395)
(Increase)/Decrease in Hire purchase receivables		2,312,656	(885,332)
(Increase)/Decrease in Factoring receivables		(199,542)	60,181
(Increase)/Decrease in Pawning receivables		456,193	(58,242)
(Increase)/Decrease in Gold loan receivables		(773,198)	-
(Increase)/Decrease in Loan receivables		218,433	62,442
(Increase)/Decrease in Other assets		(274,858)	30,226
Increase/(Decrease) in Other payables		150,209	67,771
		<b>(3,942,345)</b>	(1,321,348)
<b>Cash generated from operations</b>		<b>(2,466,215)</b>	71,341
Interest paid		(779,294)	(804,443)
Gratuity paid	33	(334)	(143)
Income tax paid	32	(169,503)	(70,452)
<b>Net cash inflow/(outflow) from operating activities</b>		<b>(3,415,346)</b>	(803,697)

Year ended 31 December 2015	Note	2015 Rs. '000	2014 Rs. '000
<b>Cash flow from investing activities</b>			
Investments in government bonds		(76)	(4,198)
Purchase of property, plant and equipment and intangible assets		(57,213)	(44,446)
Proceeds from sale of property, plant and equipment		-	2,087
<b>Net cash inflow/(outflow) from investing activities</b>		<b>(57,289)</b>	(46,557)
<b>Net cash inflow/(outflow) before financing activities</b>		<b>(3,472,635)</b>	(850,254)
<b>Cash flow from financing activities</b>			
Net proceeds from long term loans/ Securitizations		3,018,370	349,358
Net proceeds from term deposits		1,206,628	-
Net proceeds from debentures		(259,000)	914,500
Net proceeds from short term borrowings		(388,116)	(222,848)
Dividend paid	14	(31,500)	(21,525)
<b>Net cash inflow/(outflow) from financing activities</b>		<b>3,546,382</b>	1,019,485
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>73,747</b>	169,230
<b>Cash &amp; cash equivalents at the beginning of the year</b>		<b>494,419</b>	325,188
<b>Cash and cash equivalents at end of the period</b>		<b>568,166</b>	494,419
<b>Analysis of the cash and cash equivalents at the end of the period</b>			
Cash and bank balances (Note 16)		130,070	88,655
Securities purchased under repurchase agreements (Note 17)		601,679	489,685
Bank overdraft		(163,583)	(83,921)
		<b>568,166</b>	494,419

The Accounting policies and Notes to the Financial Statements from pages 147 to 192 form an integral part of these Financial Statements.

## 1. CORPORATE INFORMATION

### 1.1 General

Siyapatha Finance PLC (“The Company”), formerly known as Siyapatha Finance Limited is a domiciled, Public Limited Company incorporated in Sri Lanka on 03 March 2005. The Company was re-registered under the Companies Act No.07 of 2007. It is a Licensed Finance Company under the Finance Business Act No.42 of 2011 and amendments thereto. The registered office of the Company is located at No.110, Sir James Pieris Mawatha, Colombo 02. The principal place of business is located at. No.46/12,Nawam Mawatha, Colombo 02.

The debentures of the Company were initially listed on the Colombo Stock Exchange on 2 January 2015.

The staff strength of the company as at 31 December 2015 was 328 (253 as at 31 December 2014).

### 1.2 Principal Activities and Nature of Operations

The Company provides a comprehensive range of financial services encompassing acceptance of fixed deposits, providing finance lease, hire purchase, vehicle loan facilities, mortgage loans, gold loan, debt factoring and pawning.

### 1.3 Parent Enterprise and Ultimate Parent Enterprise

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

### 1.4 Directors’ Responsibility Statement

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

### 1.5 Date of Authorization

The Financial Statements of the Company for the year ended 31 December 2015 were authorized for issue in accordance with the resolution of the Board of Directors dated 05 February 2016.

## 2. BASIS OF PREPARATION

### 2.1 Statement of Compliance

The Financial Statements of the Company (Statement of Financial Position, Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows together with Accounting Policies and Notes) as at 31 December 2015 are prepared in accordance with Sri Lanka Accounting Standards (SLFRSs & LKASs) as laid down by the Institute of Chartered Accountants of Sri Lanka, in compliance with the requirements of the Companies Act No. 7 of 2007.

### 2.2 Basis of Measurement

The Financial Statements of the Company are prepared in Sri Lanka Rupees on a historical cost basis, except for the following material items in the Statement of Financial Position.

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

### 2.3 Functional and Presentation Currency

The Financial Statements are presented in Sri Lankan Rupees (Thousands), which is also the Company’s functional and presentation currency (except otherwise indicated).

### 2.4 Presentation of Financial Statements

The Company presents its Statement of Financial Position broadly grouped by nature and listed in an order that reflects their relative liquidity and maturity pattern. An analysis

regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in note 40.

### 2.5 Materiality and Aggregation

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

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

### 2.6 Comparative Information

The accounting policies have been consistently applied by the Company with those of the previous financial year in accordance with LKAS 01 - Presentation of Financial Statements.

The comparative information is re-classified wherever necessary to conform to the current year’s presentation the details of which are given in note 43 to the Financial Statements.

### 2.7 Events After Reporting Date

All material events after the reporting date have been considered where appropriate adjustments or disclosures are made in respective note 42 to the Financial Statements.

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

The preparation of Financial Statements of the Company in conformity with Sri Lanka Accounting Standards requires the management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

The most significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have most significant effect on the amounts recognized in the Financial Statements of the Company are as follows.

**i. Useful Life time of the Property, Plant, Equipment and Intangible Assets**

The Company reviews the residual values, useful lives and methods of depreciation and amortization of Property, Plant, Equipment and Intangible Assets at each reporting date. Judgment of the management is exercised in the estimation of these values, rates, methods and hence they are subject to uncertainty.

**ii. Going Concern**

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

to liquidate or to cease operations. Therefore, the Financial Statements continue to be prepared on the going concern basis.

**iii. Impairment Losses on Loans and Advances (Leases, Hire Purchases, Vehicle Loans, Factoring, Pawning and Gold Loans)**

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 also an 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).

**iv. 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.

**v. Defined Benefit Plans**

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

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

**vi. Provision for Liabilities & Contingencies**

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

**vii. Fair Value of Financial Instruments**

The determination of fair value of financial assets and financial liabilities recorded on the Statement of Financial Position for which there is no observable market price are determined using a variety of valuation techniques that include the use of mathematical models. The valuation of financial instrument is

described in note 38 to the Financial Statements. The Company measures fair value using the fair value hierarchy that reflects the significance of input used in making measurements. The fair value hierarchy is also given in note 38 to the Financial Statements.

**viii. Financial Assets and Financial Liabilities Classification**

The Company's accounting policies provide scope for assets and liabilities to be classified, at inception in to different accounting categories. The classification of financial instrument is given in note 15 "Analysis of Financial Instruments by Measurement Basis".

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies applied by the Company in preparation of its Financial Statements are included in below.

**4.1 Financial Assets and Financial Liabilities – Initial Recognition and Subsequent Measurement**

**4.1.1 Date of Recognition**

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

**4.1.2 Recognition and Initial Measurement of Financial Assets and Financial Liabilities**

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

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

**'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'.

**4.1.3 Classification and Subsequent Measurement of Financial Assets**

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

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

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

Subsequent measurement of financial assets depends on their classification.

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

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

The Company does have financial assets under this category.

**b) Available for Sale Financial Assets**

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

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

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

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

Dividends earned whilst holding available for sale financial investments are recognised in the income statement as 'Other operating income' when the right of the payment

has been established. The losses arising from impairment of such investments are recognised in the Income Statement in 'impairment charges for loans and other losses' and removed from the Available for Sale Reserve.

Currently, the Company has recorded its non-quoted equity investments classified as available for sale financial instruments at cost less impairment if any. The details of available for sale financial assets are given in note 25 to the Financial Statements.

**c) Held to Maturity Financial Investments**

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

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

If the Company were to sell or reclassify more than an insignificant amount of Held to Maturity investments before maturity (other than in certain specific circumstances) the entire category would be tainted and would be reclassified as available for sale. Furthermore, the Company would be prohibited from classifying any financial assets as held to maturity during the following two years. The details of HTM financial investments are given in note 26 to Financial Statements.

**d) Loans and Receivables Financial Instruments**

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

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

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

Loans and Receivables consist of cash and bank balances, securities purchased under repurchase agreements, factoring receivables, lease receivables, hire purchase receivables, loan receivables, pawning receivables, gold loan receivables and other assets.

**Cash and Bank balances**

Cash and bank balances comprise cash in hand, balances with banks, loans at call and at short notice that are subject to an insignificant risk of changes in their fair value and are used by the Company in the management of its short term commitments. Details of cash and bank balances are given in note 16 to Financial Statements.

**4.1.4 Classification and Subsequent Measurement of Financial Liabilities**

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

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

The subsequent measurement of financial liabilities depends on their classification.

**i. Financial Liabilities at Fair Value Through Profit or Loss (FVTPL)**

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

**a) Financial Liabilities held for Trading**

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

**b) Financial Liabilities designated at Fair Value through profit or loss**

The Company designates financial liabilities at fair value through profit or loss in the following circumstances.

- \* Such designation eliminates or significantly reduces measurement or recognition in consistency that would otherwise arise from measuring the liabilities.
- \* The liabilities are a part of group of financial liabilities, financial assets or both, which are managed and their performance evaluated on a fair value basis, in accordance with the documented risk management or investment strategy.
- \* The liability contains one or more embedded derivatives that significantly modify the cash flows that would otherwise have been required under the contract.

The Company has not designated any financial liabilities upon initial recognition as Financial Liabilities designated at Fair Value through profit or loss.

**ii. Financial Liabilities at Amortised Cost**

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

After initial recognition, such financial liabilities are substantially measured at amortised cost using the EIR method. Amortised cost is calculated by taking into account any discount or

premium on the issue and costs that are integral part of the EIR. The EIR amortisation is included in 'interest expenses' in the Income Statement. Gains and losses are recognized in the Income Statement when the liabilities are derecognised as well as through the EIR amortisation process.

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

**Debt issued and other borrowed funds**

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

**4.1.5 Reclassification of Financial Assets**

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

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

**4.1.6 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:

or,

- \* The Company has transferred substantially all the risks and rewards of the asset
- \* The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

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

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

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

**ii. Financial Liabilities**

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

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original

liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

#### 4.1.7 Determination of Fair Value

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

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

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

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

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

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the

fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The disclosure of fair value of financial instruments is disclosed in note 38 to the Financial Statements.

#### 4.1.8 Impairment of Financial Assets

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

Evidence of impairment may include: indications that the borrower or a group of borrowers are experiencing significant

financial difficulty; the probability that they will enter bankruptcy or other financial reorganisation default or delinquency in interest or principal payments; and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

#### i. Financial Assets carried at Amortised Cost

##### a) *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 realization; and
- ✳ Significant downgrading in credit rating by an external credit rating agency

For those loans where objective evidence of impairment exists, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement.

The impairment allowances on individually significant accounts are reviewed more regularly when circumstances require. This normally encompasses re-assessment of the enforceability of any collateral held and the timing and amount of actual and anticipated receipts. Individually assessed impairment allowances are only released when there is reasonable and objective evidence of a reduction in the established loss estimate.

**b) Collectively assessed Loans and Advances**

Impairment is assessed on a collective basis in two circumstances:

- \* To cover losses which have been incurred but have not yet been identified on loans subject to individual assessment; and
- \* For homogeneous groups of loans that are not considered individually significant.

**Incurring but not yet identified impairment**

Individually assessed loans for which no evidence of loss has been specifically identified on an individual basis are grouped together according to their credit risk characteristics for the purpose of calculating an estimated collective loss. This reflects impairment losses that the Company has incurred as a result of events occurring before the balance sheet date, which the Company and the Group are not able to identify on an individual loan basis, and that can be reliably estimated. These losses will only be individually identified in the future. As soon as information becomes available which identifies losses on individual loans within the group, those loans are removed from the group and assessed on an individual basis for impairment.

The collective impairment allowance is determined after taking into account:

- \* Historical loss experience in portfolios of similar credit risk; and

- \* Management's experienced judgment as to whether current economic and credit conditions are such that the actual level of inherent losses at the balance sheet date is likely to be greater or less than that suggested by historical experience.

**Homogeneous groups of Loans and Advances**

Statistical methods are used to determine impairment losses on a collective basis for homogeneous groups of loans. Losses in these groups of loans are recorded on an individual basis when individual loans are written off, at which point they are removed from the group.

- \* When the group of loan by nature short term, the company use Net flow Rate method

Under this methodology the movement in the outstanding balance of customers in to bad categories over the periods are used to estimate the amount of loans that will eventually be written off as a result of the events occurring before the balance sheet date which the Group is not able to identify on an individual loan basis, and that can be reliably estimated.

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

Current economic conditions and portfolio risk factors are also evaluated when calculating the appropriate level of allowance required covering inherent loss.

These additional macro and portfolio risk factors may include:

- \* Recent loan portfolio growth and product mix,
- \* Unemployment rates, Gross Domestic Production (GDP) growth, inflation

- \* Exchange rates, interest rates
- \* Changes in government laws and regulations

**c) Write-off of Loans and Advances**

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

**d) 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.

**e) 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.

**i. 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.

### ii. *Held to Maturity Financial Assets*

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

### 4.1.9 *Offsetting Financial Assets and Liabilities*

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

Income and expenses are presented on a net basis only when permitted under LKAS/ SLFRS, or for gains and losses arising from a group of similar transactions such as in the group's trading activity.

### 4.2 *Finance and Operating Lease*

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 'Loans and advances to Company's or 'Loans and advances to customers', as appropriate. The finance income receivable is recognised in 'Net interest income' over the periods of the leases so as to give a constant rate of return on the net investment in the leases.

When the Company is a lessee under finance leases, the leased assets are capitalised and included in 'Property, plant and equipment' and the corresponding liability to the lessor is including '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.

The details of Finance Lease Receivables are given in note 22 to financial statements.

#### **Operating Lease**

All other leases are classified as operating leases. When acting as lessor, the Company includes the assets subject to operating leases in 'Property, plant and equipment' and accounts for them accordingly. Impairment losses are recognised to the extent that residual values are not fully recoverable and the carrying value of the assets is thereby impaired. When the Company is the lessee, leased assets are not recognised on the Statement of Financial Position. Rentals payable and receivable under operating leases are accounted for on a straight-line basis over the periods of the leases and are included in 'General and administrative expenses' and 'other operating income', respectively.

### 4.3 *Property, Plant and Equipment*

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

Property & Equipment are recognised if it is probable that future economic benefits associated with the asset will flow to the entity and the cost of the asset can be measured reliably in accordance with LKAS 16 on Property, Plant & Equipment. Initially property and equipment are measured at cost.

#### **i. Basis of Recognition and Measurement**

##### *Cost Model*

An item of Property, Plant & Equipment that qualifies for recognition as an asset is initially measured at its costs. Cost include expenditure that is directly attributable to the acquisition of the asset and cost is incurred subsequently to add to or replace a part of it. The cost of self-constructed assets

includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to working condition for its intended use and the costs of dismantling and removing the items and restoring at the site on which they are located and capitalized borrowing costs. Purchase of software that is integral to the functionality of the related equipment is capitalized as a part of computer equipment.

When parts of Property, Plant & Equipment have different useful lives, they are accounted for as separate items (major components) of Property, Plant & Equipment.

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

Changes in the expected useful life are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates.

#### ii. Subsequent Cost

These are costs that are recognised in the carrying amount of an item, if it is probable that the future economic benefits embodied within that part will flow to the Company and it can be reliably measured.

#### iii. Repairs and Maintenance

Repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the assets when it is probable that future economic benefits in excess of the most recently assessed standard of performance of the existing assets will flow to the Company and the renovation

replaces an identifiable part of the asset. Major renovations are depreciated during the remaining useful life of the related asset.

#### iv. Capital Work -in -Progress

Capital work in progress is stated at cost. It would be transferred to the relevant asset when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Capital work in progress is stated at cost less any accumulated impairment losses.

#### v. Borrowing Costs

As per Sri Lanka Accounting Standard-LKAS 23 on 'Borrowing Costs', the company capitalizes the borrowing costs that are directly attributable to acquisition, construction or production of qualifying assets as part of the cost of the asset. A qualifying asset is an asset which takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are recognised in the profit or loss in the period in which they occur.

#### vi. De-recognition

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

Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

#### vii. Depreciation

Depreciation is recognized in profit or loss on a straight line basis over the estimated useful lives of each part of an item of

Property, Plant & Equipment since this method most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The rates of depreciations based on the estimated useful lives are as follows:

Category of Asset	Period of Depreciation	
	2015	2014
Office Equipment	15.00 % p.a.	15.00 % p.a.
Computer Equipment	16.67% p.a	16.67% p.a
Furniture and Fittings	15.00% p.a.	15.00% p.a.
Motor Vehicles	12.50% p.a.	12.50% p.a.
Fixtures	20.00% p.a.	20.00% p.a.

#### viii. Change in Estimates

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

#### 4.4 Intangible Assets

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

#### i. Basis of Recognition

An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Company in accordance with the Sri Lanka Accounting Standard LKAS 38 on Intangible Assets.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses if any.

**ii. Subsequent Expenditure**

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

**iii. Useful Economic life, Amortization and Impairment**

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

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

**iv. Amortization**

Amortisation is calculated using the straight-line method to write down the cost of intangible assets to their residual value

over their estimated useful life as follows:

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

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

**v. Derecognition**

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

**4.5 Impairment of non-Financial Assets**

The Company assesses whether there are any indicators of impairment for an asset or a cash-generating unit at each reporting date or more frequently, if events or changes in circumstances necessitate to do so. This requires the estimation of the 'value in use' of such individual assets or the cash-generating units. Estimating value in use requires management to make an estimate of the expected future cash flows from the asset or the cash-generating unit and also to select a suitable discount rate in order to calculate the present value of the relevant cash flows. These estimates about expected future cash flows and discount rates are subject to uncertainty.

**4.6 Dividend Payable**

Dividends on Ordinary Shares are recognised as a liability and deducted in equity when they are recommended and declared by the Board of Directors and approved by the shareholders.

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

**4.7 Retirement Benefit Obligations**

**i. Defined Benefit Plan - Gratuity**

All the employees of the company are eligible for gratuity under the Payment of Gratuity Act No. 12 of 1983, at the rate of one half of the Gross Salary applicable to the last month of the financial year in which the employment is terminated or resigned, for each year of completed service, for those who have served in excess of five years.

The Company measures the present value of the promised retirement benefits for gratuity which is a defined benefit plan with the advice of an independent professional actuary using projected unit credit method as required by Sri Lanka Accounting Standard – LKAS 19 on "Employee Benefits".

The item is stated under other liabilities in the Statement of Financial Position.

**Recognition of Actuarial Gains and Losses**

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

#### *Interest Cost*

Interest cost is the expected increase due to interest during the period in the present value of the planned liabilities because the benefits are one year closer to settlement.

#### *Funding Arrangements*

The Gratuity liability is not externally funded.

#### **ii. Defined Contribution Plans**

The Company also contributes defined contribution plans. The contribution payable to a defined contribution plan is in proportion to the services rendered to the Company by the employees and is recorded as an expense under 'Personnel expenses'. Unpaid contributions are recorded as a liability.

The Company contributes to the following Schemes:

#### *Employees' Provident Fund*

The Company and employees contribute 12% and 8% respectively of the employee's monthly basic salary to the Employees' Provident Fund.

#### *Employees' Trust Fund*

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

#### **4.8 Statutory Reserve Fund**

The reserves recorded in the equity on the Company's statement of financial position includes the 'Statutory Reserve Fund' which has been created in accordance with the Finance Companies (Capital Funds) Direction No.1 of 2003 issued by Central Bank of Sri Lanka. Accordingly, 5% of the net profit for the period is transferred to the Statutory Reserve Fund during the financial year.

#### **4.9 Provisions**

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

The amount recognised is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligations at that date.

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

#### **4.10 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 there venue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

#### **i. Interest and similar income and expenses**

For all financial instruments measured at amortised cost, and financial instruments designated at fair value through profit or loss, interest income or expense is recorded using the EIR. EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the

instrument and are an integral part of the EIR, but not future credit losses.

The carrying amount of the financial asset or financial liability is adjusted if the Company revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original EIR and the change in carrying amount is recorded as 'Interest and similar income' for financial assets and 'Interest and similar expense' for financial liabilities.

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

#### **ii. Dividend income**

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

#### **iii. Income from Government Securities and Securities purchased under Re-Sale Agreement**

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

#### **iv. Fee and Commission Income**

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

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

Fees arising from negotiating or participating in the negotiation of a transaction for a third party.

**v. Interest Income on Overdue Rentals**

Interest from overdue rentals has been accounted for on cash received basis.

**vi. Recovery of Bad Debts Written Off**

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

**vii. Other Income**

Other Income is recognised on an accrual basis

**4.11 Taxes**

Income Tax expense consists of current and deferred tax. Income tax expense is recognized in the Income Statement.

**i. Current Taxation**

Current tax assets and liabilities consist of amounts expected to be recovered from or paid to the Commissioner General of Inland Revenue in respect of the current as well as prior years. The tax rates and tax laws used to compute the amount are those that are enacted or subsequently enacted by the Balance Sheet date.

Accordingly, provision for taxation is made on the basis of the profit for the year as adjusted for taxation purpose in accordance with the provision of the Inland Revenue Act No. 10 of 2006 and

the amendment thereto, at the rates specified in note 12 to the Financial Statements.

**ii. Deferred Taxation**

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

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

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

Deferred tax assets and liabilities are measured at the tax rate that are expected to apply in the year when the assets are realised or the liabilities are settled, based on tax rates and tax laws that have been enacted or subsequently enacted at the reporting date.

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

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

VAT on Financial Services is calculated in accordance with the Value Added Tax Act No.14 of 2002 and subsequent amendments thereto. The base for the computation of Value Added Tax on Financial Services is the accounting profit before VAT and income tax adjusted for the economic depreciation and emoluments of employees' computed on prescribed rate.

**iv. Withholding Tax on Dividends**

Withholding tax on dividends distributed by the Company withholding tax that arise from the distribution of dividends of the company is recognised at the time of liability to pay the related dividend is recognized. At present, the rate of 10% is deducted at source.

**v. Economic Service Charge (ESC)**

As per the provisions of the Finance Act No. 11 of 2004, and amendments thereto, the ESC was introduced with effect from April 01, 2004. Currently, the ESC is payable at 0.25% on 'Exempt Turnover' and is deductible from the income tax payments. Unclaimed ESC, if any, can be carried forward and set-off against the income tax payable in the five subsequent years.

ESC is not payable on turnover on which income tax is payable.

**vi. Crop Insurance Levy (CIL)**

As per the provisions of the Section 14 of the Finance Act No.12 of 2013, the CIL was introduced with effect from April 1, 2013 and is payable to the National Insurance Trust Fund. Currently, the CIL is payable at 1% of the profit after tax.

**vii. Nation Building Tax (NBT) on Financial Services**

NBT on financial services is calculated in accordance with Nation Building Tax (NBT) Act No 9 of 2009 and subsequent amendments thereto with effect from 01 January 2014. NBT on

financial services is calculated as 2% of the value addition used for the purpose of VAT on financial services.

#### 4.12 Earnings per Share (EPS)

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

#### 4.13 Commitments and Contingencies

Contingent Liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefits is not probable or can not be readily measured as defined in the Sri Lanka Accounting Standard – LKAS 37 on 'Provisions, Contingent Liabilities and Contingent Assets'. Contingent Liabilities are not recognised in the Statement Of Financial Position. But are disclosed unless its occurrence is remote.

#### Legal Claims

Litigation is a common occurrence in the finance industry due to the nature of the business undertaken. The Company has formal controls and policies for managing legal claims. Once professional advice has been obtained and the amount of loss reasonably estimated. The Company makes adjustment to account for any adverse effects which the claims may have on its financial standing.

At the reporting date the Company has several unresolved legal claims against the Company for which legal advisor of the Company advised as the loss is probable, but not possible, that action will succeed.

Accordingly, no provision for any claims has been made in these Financial Statements.

#### 4.14 Statement of Cash Flows

The Cash Flow statement is prepared using the indirect method, as stipulated in LKAS 7-“Statement of Cash Flows” Whereby operating, investing and financial activities are separately recognised. Cash and cash equivalents comprise of short term, highly liquid investments that are readily convertible to known amount of cash and are subject to an insignificant risk of changes in value. Cash and Cash Equivalents as referred to in the Statement of Cash Flows.

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.

#### 4.15 Sri Lanka Accounting Standards effective from 01 January 2016

The following Sri Lanka Accounting Standards have been issued by the Institute of Chartered Accountants of Sri Lanka which are not yet effective as at 31 December 2015.

#### SLFRS 14 – Regulatory Deferral Accounts

The objective of this Standard is to specify the financial reporting requirements for regulatory deferral account balances that arise when an entity provides goods or services to customers at a price or rate that is subject to rate regulation.

SLFRS 14 will become effective on 01 January 2016. The impact on the implementation of the above Standard has not been quantified yet.

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

The objective of this Standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer.

SLFRS 15 will become effective on 01 January 2018. The impact on the implementation of the above Standard has not been quantified yet.

#### SLFRS 09 – Financial Instruments

SLFRS 9, as issued reflects the first phase of work on replacement of LKAS 39 and applies to classification and measurement of financial assets and liabilities.

This standard was originally effective for annual periods commencing on or after 01 January 2018. The impact on the implementation of the above Standard has not been quantified yet.

Year ended 31 December 2015	2015 Rs.000	2014 Rs.000
<b>5. NET INTEREST INCOME</b>		
<b>5.1 Interest income</b>		
Interest income on Lease receivables	912,427	517,075
Interest income on Hire purchase receivables	567,499	790,638
Interest income on Hire rental receivables	-	682
Interest income on Factoring receivables	179,242	218,816
Interest income accrued on impaired financial assets	163	6,280
Interest income on Loan receivables	66,909	107,425
Interest income on Pawning & Gold loan receivables	119,153	100,312
Interest income on government securities	39,328	35,310
Interest income on overdue rentals	86,900	61,008
Interest income on staff loans	2,300	-
<b>Total interest income</b>	<b>1,973,921</b>	<b>1,837,546</b>
<b>5.2 Interest expenses</b>		
Bank overdraft	828	907
Short-term borrowings	106,580	124,396
Customer deposits	35,616	-
Long-term borrowings	515,772	424,003
Commercial papers	14,086	99,802
Securitisation loans	29,797	77,924
Debentures	122,020	51,630
<b>Total interest expenses</b>	<b>824,699</b>	<b>778,661</b>
<b>Net interest income</b>	<b>1,149,222</b>	<b>1,058,885</b>

Year ended 31 December 2015	2015 Rs.000	2014 Rs.000
<b>6. NET FEE AND COMMISSION INCOME</b>		
Documentation charges	35,746	19,316
Insurance commission	28,402	19,340
Service charges-Pawning/Gold loan	22,237	7,879
<b>Total fee and commission income</b>	<b>86,385</b>	<b>46,534</b>
<b>Fee and commission expenses</b>		
Guarantee fee	6,252	12,271
<b>Total fee and commission expenses</b>	<b>6,252</b>	<b>12,271</b>
<b>Net fee and commission income</b>	<b>80,133</b>	<b>34,263</b>
<b>7. OTHER OPERATING INCOME</b>		
Profit on early terminations	116,113	75,546
Profit on disposal of motor vehicles	-	228
Recovery of bad debts written off	3,191	2,622
Recovery of charges	18,575	11,178
Sundry income	14,303	15,517
<b>Total other operating income</b>	<b>152,182</b>	<b>105,091</b>
<b>8. IMPAIRMENT CHARGES/ (REVERSAL) FOR LOANS AND OTHER LOSSES</b>		
Lease receivables	(32,511)	54,677
Hire purchase receivables	(8,080)	28,372
Factoring receivables	38,722	8,285
Loan receivables	(35)	(395)
Pawning & gold loan receivables	2,358	14,802
Repossessed stock	47,793	75,283
Other loans	1,029	2,193
	<b>49,275</b>	<b>183,217</b>

Year ended 31 December 2015	2015 Rs.000	2014 Rs.000
<b>9. PERSONNEL COSTS</b>		
Salary & bonus	271,987	196,530
Contribution to defined contribution plan	26,445	19,820
Gratuity charge for the year	4,309	3,581
Others	26,812	14,790
	<b>329,553</b>	<b>234,721</b>
<b>10. OTHER OPERATING EXPENSES</b>		
Directors' emoluments	11,160	13,328
Auditors' remuneration	2,200	1,919
Non- audit fees to auditors	3,144	963
Professional & legal expenses	15,147	24,493
Depreciation on property, plant & equipment	25,355	22,606
Amortization of intangible assets	7,087	5,330
Office administration & establishment expenses	169,252	142,340
Advertising expenses	75,909	27,676
Loss on sale of fixed assets	-	137
Others	40,997	74,418
	<b>350,251</b>	<b>313,209</b>
<b>11. VAT &amp; NBT ON FINANCIAL SERVICES</b>		
VAT on financial services	77,867	52,633
NBT on financial services	15,438	8,903
	<b>93,305</b>	<b>61,536</b>

Year ended 31 December 2015	2015 Rs.000	2014 Rs.000
<b>12. TAXATION</b>		
<b>12.1 The major components of income tax expense for the year ended 31 December are as follows.</b>		
<b>Income statement</b>		
<b>Current income tax</b>		
Income tax for the year	137,768	134,076
Under/(Over) provision of current taxes in respect of previous year	3,768	-
	<b>141,536</b>	<b>134,076</b>
<b>Deferred tax</b>		
Deferred taxation charge/(reversal) (refer note 31)	33,093	11,303
	<b>174,629</b>	<b>145,379</b>
<b>12.2 A reconciliation between tax expenses and the product of accounting profit multiplied by the statutory tax rate is as follows.</b>		
<b>Accounting profit before income taxation</b>	<b>559,153</b>	<b>405,556</b>
At the statutory income tax rate of 28%	156,563	113,556
Tax effect of non deductible expenses	36,499	41,776
Tax effect of other allowable credits	(55,294)	(21,256)
Tax effect of exempt income	-	-
Tax effect of losses claimed	-	-
Under/(Over) provision of current taxes in respect of previous years	3,768	-
Deferred tax effect	33,093	11,303
At the effective income tax rate of 31.23% (35.84% - 2014)	<b>174,629</b>	<b>145,379</b>

The Company's income is taxed at the rate of 28% during the years 2015 and 2014.

**13. EARNINGS PER ORDINARY SHARE - BASIC (RS.)**

Earnings per share is calculated by dividing the net profit for the year attributable to ordinary shareholders by weighted average number of ordinary shares in issue during the year, as per Sri Lanka Accounting Standard -LKAS 33 (Earnings Per Share).

Year ended 31 December 2015	2015	2014
Profit/(Loss) attributable to ordinary shareholders (Rs. 000)	384,524	260,177
Weighted average number of ordinary shares during the year	52,500,000	52,500,000
Basic earnings per ordinary share-(Rs.)	7.32	4.96

**14. DIVIDEND PAID**

Cash dividends paid (Rs. 000)	31,500	21,525
Weighted average number of ordinary shares during the year	52,500,000	52,500,000
Dividends per ordinary share (Rs.)	0.60	0.41

A final dividend of Rs. 0.60 per share for the year 2014 was paid in June 2015.

**15. ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS**

Financial Instruments are measured on an ongoing basis either at fair value or at amortised cost. The summary of Significant Accounting Policies describes how each category of financial instruments is measured and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the carrying amounts of the financial instruments by category as defined in Sri Lanka Accounting Standard-LKAS 39 (Financial Instruments: Recognition & Measurement) under headings of Statement of Financial Position.

**15.1 Analysis of Financial Instruments by Measurement Basis**

As at 31 December 2015	Amortised Cost Rs.'000	Held to Maturity Rs.'000	Available for Sale Rs.'000	Total Rs.'000
<b>Financial Assets</b>				
Cash and bank balances	130,070	-	-	130,070
Securities purchased under repurchase agreements	601,679	-	-	601,679
Factoring receivables	1,157,136	-	-	1,157,136
Gold loan receivables	770,839	-	-	770,839
Loan Receivables	286,968	-	-	286,968
Lease receivables	9,230,730	-	-	9,230,730
Hire purchase receivables	2,083,571	-	-	2,083,571
Other assets	168,527	-	-	168,527
Financial instruments-Available for sale	-	-	56	56
Financial investments-Held to maturity	-	4,274	-	4,274
<b>Total Financial Assets</b>	<b>14,429,520</b>	<b>4,274</b>	<b>56</b>	<b>14,433,851</b>
<b>Financial Liabilities</b>				
Bank overdraft	163,583	-	-	163,583
Due to other customers	1,233,041	-	-	1,233,041
Debt issued and other borrowed funds	10,925,421	-	-	10,925,421
Other payables	400,491	-	-	400,491
<b>Total Financial Liabilities</b>	<b>12,722,535</b>	<b>-</b>	<b>-</b>	<b>12,722,535</b>

As at 31 December 2014	Amortised Cost Rs.'000	Held to Maturity Rs.'000	Available for Sale Rs.'000	Total Rs.'000
<b>Financial Assets</b>				
Cash and bank balances	88,655	-	-	88,655
Securities purchased under repurchase agreements	489,685	-	-	489,685
Factoring receivables	996,440	-	-	996,440
Pawning receivables	456,193	-	-	456,193
Loan Receivables	506,526	-	-	506,526
Lease receivables	3,383,597	-	-	3,383,597
Hire purchase receivables	4,250,553	-	-	4,250,553
Other assets	78,836	-	-	78,836
Financial instruments- Available for sale	-	-	56	56
Financial investments- Held to maturity	-	4,198	-	4,198
<b>Total Financial Assets</b>	<b>10,250,486</b>	<b>4,198</b>	<b>56</b>	<b>10,254,740</b>
<b>Financial Liabilities</b>				
Bank overdraft	83,921	-	-	83,921
Debt issued and other borrowed funds	8,528,922	-	-	8,528,922
Other payables	234,184	-	-	234,184
<b>Total Financial Liabilities</b>	<b>8,847,026</b>	<b>-</b>	<b>-</b>	<b>8,847,026</b>

Year ended 31 December 2015	2015 Rs. '000	2014 Rs. '000
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**16. CASH AND BANK BALANCES**

Balances with local banks	47,237	76,171
Cash in hand	82,833	12,484
	<b>130,070</b>	<b>88,655</b>

Year ended 31 December 2015	2015 Rs. '000	2014 Rs. '000
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**17. SECURITIES PURCHASED UNDER REPURCHASE AGREEMENTS**

Securities purchased under repurchase agreements	601,679	489,685
	<b>601,679</b>	<b>489,685</b>

**18. FACTORING RECEIVABLES**

Factoring receivables	1,236,835	1,033,488
Less : Provision for individual impairment	(76,116)	(34,484)
Provision for collective impairment	(3,584)	(2,564)
	<b>1,157,136</b>	<b>996,440</b>

**19. GOLD LOAN RECEIVABLES**

Gold loan receivables	775,309	-
Less : Provision for collective impairment	(4,470)	-
	<b>770,839</b>	<b>-</b>

**20. PAWNING RECEIVABLES**

Pawning receivables	14,775	473,104
Less : Provision for collective impairment	-	(2,970)
Less : Auction losses	(14,775)	(13,941)
	<b>-</b>	<b>456,193</b>

**21. LOAN RECEIVABLES**

Loan receivables	287,796	507,389
Less : Provision for collective impairment	(828)	(863)
	<b>286,968</b>	<b>506,526</b>

As at 31 December 2015

	2015	2014
	Rs. '000	Rs. '000

**22. LEASE RECEIVABLES**

**At Amortized cost**

Gross Lease receivables	12,012,660	4,489,217
Less: Unearned income	(2,683,679)	(975,292)
Less: VAT suspense	(4,998)	(4,676)
Less: Prepaid rentals	(1,095)	(1,168)
Less: Provision for collective impairment	(92,158)	(124,483)
<b>Total Lease receivables (Note 22.1 &amp; 22.2)</b>	<b>9,230,730</b>	<b>3,383,597</b>

Lease receivables include receivables amounting to Rs.4,949,818,531/-(2014-Rs.1,830,487,895/-) that have been assigned under securitization & term loan funding arrangement.

As at 31 December 2015	1 Year	1- 5 Year	More than 5 Year	Total	
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	

**22.1**

Lease receivables (Net of VAT suspense and prepaid rentals)	3,750,866	8,160,761	94,939	12,006,567
Less: Unearned income	(1,178,381)	(1,500,788)	(4,510)	(2,683,679)
	2,572,485	6,659,973	90,429	9,322,887
Less: Provision for collective impairment	(28,747)	(62,630)	(781)	(92,158)
	2,543,738	6,597,343	89,649	9,230,730

As at 31 December 2014	1 Year	1- 5 Year	More than 5 Year	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000

**22.2**

Lease receivables (Net of VAT suspense and prepaid rentals)	1,817,959	2,640,924	24,490	4,483,373
Less: Unearned income	(489,177)	(485,138)	(978)	(975,292)
	1,328,782	2,155,786	23,512	3,508,081
Less: Provision for collective impairment	(50,573)	(73,231)	(679)	(124,483)
	1,278,209	2,082,555	22,833	3,383,597

	2015	2014
	Rs. '000	Rs. '000

**23. HIRE PURCHASE RECEIVABLES**

**At Amortised cost**

Gross Hire purchase receivables	2,642,026	5,685,327
Less: Unearned income	(504,610)	(1,372,819)
Less: Prepaid rentals	-	(46)
Less: Provision for collective impairment	(53,845)	(61,909)
<b>Total Hire purchase receivables (Note 23.1 &amp; 23.2)</b>	<b>2,083,571</b>	<b>4,250,553</b>

Hire purchase receivables include receivables amounting to Rs.2,076,068,672/-(2014-Rs.3,615,928,692/-) that have been assigned under a securitization funding arrangement.

As at 31 December 2015	1 Year	1- 5 Year	More than 5 Year	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000

**23.1**

Gross Hire purchase receivables	1,246,025	1,396,001	-	2,642,026
Less: Unearned income	(314,556)	(190,054)	-	(504,610)
	931,469	1,205,947	-	2,137,416
Less: Provision for collective impairment	(25,286)	(28,559)	-	(53,845)
	906,183	1,177,388	-	2,083,571

As at 31 December 2014	1 Year	1- 5 Year	More than 5 Year	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000

**23.2**

Gross Hire purchase receivables	2,189,285	3,490,934	5,109	5,685,327
Less: Unearned income	(715,757)	(656,938)	(170)	(1,372,865)
	1,473,528	2,833,996	4,938	4,312,462
Less: Provision for collective impairment	(23,840)	(38,014)	(56)	(61,909)
	1,449,688	2,795,983	4,883	4,250,553

**23.3** Non performing advances included in Lease receivables and Hire purchase receivables are as follows.

	2015		2014	
	Lease Rs.'000	Hire Purchase Rs.'000	Lease Rs.'000	Hire Purchase Rs.'000
Gross receivables	108,029	58,779	230,481	96,905
Less: VAT Suspense	(4,998)	-	(4,676)	-
Provision for collective impairment	(77,553)	(45,491)	(105,778)	(50,239)
	25,478	13,288	120,028	46,667

2015	2014
Rs.'000	Rs.'000

**23.4 Movement in impairment losses**

**23.4.1 Individually significant customer loan impairment**

<b>Opening balance as at 01 January</b>	48,237	40,418
Charge/(reversal) to income statement	38,748	19,663
Write off during the year	-	(12,495)
Recoveries during the Year	792	1,160
Unwinding impact	(163)	(509)
Other movements	3,277	-
<b>Closing balance as at 31 December</b>	90,891	48,237

**23.4.2 Collective loan impairment**

<b>Opening balance as at 01 January</b>	192,977	112,845
Charge/(reversal) to income statement	(38,295)	86,079
Write off during the year	-	(5,947)
Recoveries during the Year	-	-
Unwinding Impact	-	-
Other movements	202	-
<b>Closing balance as at 31 December</b>	154,885	192,977

<b>Total impairment balance as at 31 December</b>	245,775	241,214
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23.4.3 Movement in impairment losses- product wise

As at 31 December 2015	Rs. '000 Impairment charges at the beginning of the year	Rs. '000 Write off during the year	Rs. '000 Recoveries during the Year	Rs. '000 Unwinding Impact	Rs. '000 Other movements	Rs.'000 Provision for impairment- charge/ (reversal) during the Year	Rs. '000 Impairment charges at the end of the year
Lease	124,483	-	-	-	186	(32,511)	92,158
Hire Purchase	61,909	-	-	-	16	(8,080)	53,845
Factoring	37,048	-	792	(163)	3,301	38,722	79,700
Loan	863	-	-	-	-	(35)	828
Pawning/Gold Loan							
Collective	2,970	-	-	-	-	1,500	4,470
Auction Losses	13,941	-	-	-	(24)	858	14,775
<b>Total</b>	<b>241,215</b>	<b>-</b>	<b>792</b>	<b>(163)</b>	<b>3,479</b>	<b>453</b>	<b>245,776</b>
As at 31 December 2014	Rs. '000 Impairment charges at the beginning of the year	Rs. '000 Write off during the year	Rs. '000 Recoveries during the Year	Rs. '000 Unwinding Impact	Rs. '000 Other movements	Rs.'000 Provision for impairment- charge/ (reversal) during the Year	Rs. '000 Impairment charges at the end of the year
Lease	75,753	(5,947)	-	-	-	54,677	124,483
Hire Purchase	33,537	-	-	-	-	28,372	61,909
Factoring	40,606	(12,495)	1,160	(509)	-	8,285	37,048
Loan	1,258	-	-	-	-	(395)	863
Pawning	-	-	-	-	-	-	-
Collective	2,109	-	-	-	-	861	2,970
Auction Losses	-	-	-	-	-	13,941	13,941
<b>Total</b>	<b>153,263</b>	<b>(18,442)</b>	<b>1,160</b>	<b>(509)</b>	<b>-</b>	<b>105,742</b>	<b>241,215</b>

	2015 Rs. '000	2014 Rs. '000
<b>24. OTHER ASSETS</b>		
<b>24.1 Financial Assets</b>		
Repossession stock	129,847	83,498
Less: Provision for Repossessed stock	(129,847)	(82,066)
Insurance premium receivable	82,386	66,482
Less: Provision for insurance premium receivable	(3,202)	(2,193)
Staff loans	71,848	-
Other financial assets	17,495	13,115
	<b>168,527</b>	<b>78,836</b>
<b>24.2 Non Financial Assets</b>		
Pre paid expenses	35,836	31,143
Advance payments	15,069	5,309
Inventories	2,982	1,747
Other non financial assets	12,004	10,039
	<b>65,890</b>	<b>48,238</b>
	<b>234,417</b>	<b>127,074</b>

As at 31 December 2015	Rs. '000	Rs. '000	Rs. '000	Rs. '000
	Impairment charges at the beginning of the year	Other movements	Provision for impairment-charge/(reversal) during the Year	Impairment charges at the end of the year

**24.3 Movement in provision for repossessed stock & other loans**

Repossession stock	Rs. '000	Rs. '000	Rs. '000	Rs. '000
	Impairment charges at the beginning of the year	Other movements	Provision for impairment-charge/(reversal) during the Year	Impairment charges at the end of the year
Lease	62,582	-	31,920	94,502
Hire Purchase	15,398	(13)	14,588	29,973
Loan	3,721	-	1,160	4,881
Factoring	366	-	124	490
Other Loans	2,536	-	1,029	3,565
	<b>84,602</b>	<b>(13)</b>	<b>48,822</b>	<b>133,411</b>

As at 31 December 2014	Rs. '000	Rs. '000	Rs. '000	Rs. '000
	Impairment charges at the beginning of the year	Other movements	Provision for impairment-charge/(reversal) during the Year	Impairment charges at the end of the year

Repossession stock	Rs. '000	Rs. '000	Rs. '000	Rs. '000
	Impairment charges at the beginning of the year	Other movements	Provision for impairment-charge/(reversal) during the Year	Impairment charges at the end of the year
Lease	6,407	-	56,175	62,582
Hire Purchase	377	-	15,021	15,398
Loan	-	-	3,721	3,721
Factoring	-	-	366	366
Other Loans	343	-	2,193	2,536
	<b>7,126</b>	<b>-</b>	<b>77,476</b>	<b>84,602</b>

Year ended 31 December 2015

	<b>2015</b>	<b>2014</b>
	<b>Rs. '000</b>	<b>Rs. '000</b>

**25. FINANCIAL INSTRUMENTS - AVAILABLE FOR SALE**

Credit Information Bureau-Un-Quoted	56	56
	<b>56</b>	<b>56</b>

Unquoted available for sale investments are recorded at cost, since there is no market value for these investments and the company intends to hold them for the long run.

Year ended 31 December 2015

	<b>2015</b>	<b>2014</b>
	<b>Rs. '000</b>	<b>Rs. '000</b>

**26. FINANCIAL INVESTMENTS- HELD TO MATURITY**

Government debt securities-Treasury bonds	4,274	4,198
	<b>4,274</b>	<b>4,198</b>

**27. INTANGIBLE ASSETS**

Cost as at 01 January	40,203	33,696
Additions and improvements	4,878	6,507
Cost as at 31 December	<b>45,081</b>	40,203
Amortisation as at 01 January	23,106	17,776
Amortisation for the year	7,087	5,330
Accumulated amortisation as at 31 December	<b>30,192</b>	23,106
Net book value as at 31 December	<b>14,889</b>	17,097

During the financial year, the Company acquired intangible assets (Computer Software) to the aggregate value of Rs.4.88 million (2014 - Rs.6.5 million). Cost of fully depreciated assets of the Company as at 31 December 2015 is Rs. 14.66 million (2014 - Rs. 14.66 million). Useful life of the above is estimated as four years.

	<b>Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Write Offs</b>	<b>Balance</b>
	<b>as at</b>				<b>as at</b>
	<b>31.12.2014</b>				<b>31.12.2015</b>
	<b>Rs.000</b>	<b>Rs.000</b>	<b>Rs.000</b>	<b>Rs.000</b>	<b>Rs.000</b>

**28. PROPERTY, PLANT AND EQUIPMENT**

**28.1 Gross carrying amounts**

Fixtures	47,357	19,618	-	(381)	66,593
Office furniture	15,992	3,716	-	(22)	19,686
Office equipment	32,461	16,478	-	(75)	48,863
Motor vehicles	20,424	1,326	-	-	21,750
Computer equipment	38,976	11,198	-	-	50,174
<b>Total Value of Depreciable Assets</b>	<b>155,210</b>	<b>52,335</b>	<b>-</b>	<b>(479)</b>	<b>207,066</b>

	<b>Balance</b>	<b>Charge for</b>	<b>Disposals</b>	<b>Write Offs</b>	<b>Balance</b>
	<b>as at</b>	<b>the year</b>			<b>as at</b>
	<b>31.12.2014</b>				<b>31.12.2015</b>
	<b>Rs.000</b>	<b>Rs.000</b>	<b>Rs.000</b>	<b>Rs.000</b>	<b>Rs.000</b>

**28.2 Depreciation**

Fixtures	12,996	10,485	-	(381)	23,101
Office furniture	7,288	2,097	-	(22)	9,362
Office equipment	10,476	5,117	-	(75)	15,518
Motor vehicles	7,329	2,478	-	-	9,807
Computer equipment	19,405	5,177	-	-	24,581
	<b>57,494</b>	<b>25,354</b>	<b>-</b>	<b>(479)</b>	<b>82,369</b>

	2015 Rs.000	2014 Rs.000
<b>28.3 Net book values</b>		
Fixtures	43,493	34,360
Office furniture	10,323	8,704
Office equipment	33,346	21,985
Motor vehicles	11,943	13,095
Computer equipment	25,592	19,571
	<b>124,697</b>	97,716
<b>Total carrying amount of Property, Plant &amp; Equipment</b>	<b>124,697</b>	97,716

**28.4** During the financial year, the Company acquired Property, Plant & Equipment to the aggregate value of Rs.52.34 million (2014 Rs.37.94 million)

Cost of fully depreciated assets of the Company which are still in use as at 31 December 2015 is Rs.23.17 million (2014 - Rs.21.71 million).

	2015	2014
<b>28.5 The useful lives of the assets is estimated as follows</b>		
Fixtures	05 Years	05 Years
Furniture & fittings	6.67 Years	6.67 Years
Office equipment	6.67 Years	6.67 Years
Motor vehicles	08 Years	08 Years
Computer equipment	06 Years	06 Years

	2015 Rs.000	2014 Rs.000
<b>29. DEBT ISSUED AND OTHER BORROWED FUNDS</b>		
Loans (29.1)	9,805,127	6,382,673
Securitized (29.2)	99,486	230,597
Commercial papers(29.3)	206	648,322
Debentures (29.4)	1,020,602	1,267,330
	<b>10,925,421</b>	8,528,922

The Company has not had any default of principal, interest or other breaches with regard to any liability during 2014 and 2015.

	Period	Amortised cost	
		2015 Rs.'000	2014 Rs.'000
<b>29.1 Loans</b>			
<b>Short-term loans</b>			
Sampath Bank PLC	01 Month	426	540,886
Hatton National Bank PLC	03 Months	802,513	175,259
National Development Bank	03 Months	-	225,748
Nations Trust Bank PLC	03 Months	200,953	100,384
Seylan Bank PLC	03 Months	300,986	-
		<b>1,304,879</b>	1,042,277
<b>Long-term loans</b>			
Sampath Bank PLC	60 Months	2,770,787	714,644
Commercial Bank PLC	60 Months	1,597,262	1,087,309
Hatton National Bank PLC	60 Months	1,533,629	2,201,498
Nations Trust Bank PLC	60 Months	365,132	490,226
Seylan Bank PLC	60 Months	1,566,629	846,718
Union Bank PLC	60 Months	666,810	-
		<b>8,500,248</b>	5,340,396
<b>Total</b>		<b>9,805,127</b>	6,382,673

The above short-term loans and long-term loans were institution wise aggregated values as at 31 December 2015 and 31 December 2014.

**29. DEBT ISSUED AND OTHER BORROWED FUNDS Contd.**

	Payable within 1 year Rs.000	Payable after 1 year Rs.000	Total Rs.000
<b>29.2 Securitization</b>			
Securitization payable	99,486	-	99,486
	99,486	-	99,486
<b>29.3 Commercial papers</b>			
Commercial papers	212	-	212
Less: Interest payable	(5)	-	(5)
	206	-	206
<b>29.4 Redeemable debentures</b>			
Debentures payable	20,602	1,000,000	1,020,602
	20,602	1,000,000	1,020,602

	Issue Date	Maturity Date	Rate of interest	Amortised cost	
				2015 Rs.'000	2014 Rs.'000
<b>29.5.1 Type of debentures</b>					
Guaranteed redeemable debentures	31-Dec-11	31-Dec-15	12.25%-12.80%	-	114,000
Rated unsecured redeemable debentures	27-Jul-12	17-Dec-15	16.65%-17.50%	-	153,330
Rated unsecured subordinated redeemable debentures	24-Dec-14	24-Dec-19	8.90%	1,020,602	1,000,000
				1,020,602	1,267,330

2015  
Rs.000

2014  
Rs.000

**30. OTHER PAYABLES**

	2015 Rs.000	2014 Rs.000
<b>Financial Liabilities</b>		
Vendor payable	311,629	164,121
Insurance premium payable	66,822	61,213
Other financial liabilities	22,040	8,850
	400,491	234,184
<b>Non Financial Liabilities</b>		
VAT payable	4,084	7,166
Other taxes payable	36,186	29,487
Accrued expenses	42,460	18,822
Other non financial liabilities	25,700	9,947
	108,430	65,422
	508,921	299,606

**31. DEFERRED TAX LIABILITIES/(ASSETS)**

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

	Temporary Differences		Income Statement		OCI	
	2015 Rs.000	2014 Rs.000	2015 Rs.000	2014 Rs.000	2015 Rs.000	2014 Rs.000
<b>Deferred Tax Liability</b>						
Capital allowances for tax purposes	382,677	164,669	218,008	60,790	-	-
	<b>382,677</b>	164,669				
<b>Deferred Tax Assets</b>						
Defined benefit plans-Income Statement	4,623	3,156	(1,113)	(963)	-	-
Defined benefit plans-OCI	770	354	-	-	770	354
Tax losses	226,752	55,222	(171,530)	(21,803)	-	-
Unclaimed provisions	48,226	35,955	(12,272)	(26,721)	-	-
	<b>280,371</b>	94,686				
<b>Deferred income tax charge/(reversal)</b>			<b>33,093</b>	11,303	<b>770</b>	354
Net Deferred Tax Liability	<b>102,306</b>	69,983				

	2015 Rs.000	2014 Rs.000
<b>32. INCOME TAXATION PAYABLE</b>		
As at beginning of the year	111,179	54,275
Less:Tax paid	(169,503)	(70,452)
Adjustment (ESC/WHT/Notional Tax etc.)	(7,548)	(6,719)
Provision for the year (Note 12)	141,536	134,076
As at the end of the year	<b>75,663</b>	111,179

**32.1 Notional tax credit on secondary market transactions**

Any company which derives income from secondary market transactions involving any security or treasury bonds or treasury bills on which the income tax has been deducted at the rate of 10% at the time of issue of such security, is entitled to a notional tax credit at 10% of the grossed up amount of net interest income from such secondary market transactions to an amount of one ninth of the same. Accordingly, the net interest income earned by the company from such transactions has been grossed up in the Financial Statements for the year ended 31 December 2015 and the notional tax credit amounts to Rs.3.9 million(2014-LKR.3.4 million).

**32.2 Super gain tax payment on taxable income of year of assessment 2013/2014**

As per the provisions of PART III of the Finance Act, No.10 of 2015 which was certified on 30th October 2015, the company was liable for Super Gain Tax of Rs.51.56 million. According to the Act, the super gain tax shall be deemed to be an expenditure in the financial statements relating to the year of assessment which commenced on 01 April 2013. The Act supersedes the requirements of the Sri Lanka Accounting Standards, hence the expense of super gain tax is accounted in accordance with the requirements of the said Act as recommended by the Statement of Alternative Treatment (SoAT) on Accounting for Super Gain Tax issued by the Institute of Chartered Accountants of Sri Lanka, dated 24 November 2015. The above said liability was fully settled as at 31 December 2015.

**33. RETIREMENT BENEFIT OBLIGATIONS**

An actuarial valuation of the gratuity fund of the Company was carried out as at 31 December 2015 by Messrs Piyal S Goonethilleke & Associates, a firm of professional actuaries. The valuation method used by the actuary to value the fund is the "Projected Unit Credit Actuarial Cost Method", recommended by Sri Lanka Accounting Standard-LKAS 19 (Employee Benefits).

	2015	2014
	Rs.000	Rs.000
<b>33.1 Defined benefit obligation reconciliation</b>		
Benefit obligation at the end of prior year	12,535	7,833
Amount recognised in the income statement (33.2)	4,309	3,582
Amounts recognised in other comprehensive income (33.3)	2,749	1,263
Actual benefit paid from plan	(334)	(143)
Benefit obligation at the end of the year	19,259	12,535

	2015	2014
	Rs.000	Rs.000

**33.2 Amount recognised in the Income Statement**

Current service cost for the year	3,243	2,645
Interest on the defined benefit liability	1,065	940
Total amount recognised in Income Statement	4,309	3,582

**33.3 Amounts recognised in Other Comprehensive Income (OCI)**

Liability (gains)/losses due to changes in assumptions	(34)	1,444
Liability experience (gains)/losses arising during the year	2,784	(181)
Total amount recognized in OCI	2,749	1,263

	2015	2014
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**33.4 Assumptions**

Actuarial assumptions		
Discount rate	9.80%	8.50%
Future salary increment rate	8.80%	7.50%
Mortality	GA 1983	GA 1983
	Mortality	Mortality
	Table	Table
Retirement age	55 Years	55 Years

Expected average future working life of the active participants is 11.3 years.

**33.5 Sensitivity assumptions employed in actuarial valuation**

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

The sensitivity of the Income Statement and Financial Position is the effect of the assumed changes in discount rate and salary increment rate on the profit or loss and employment benefit obligation for the year.

Variable	Rate Change	2015 Sensitivity Effect on Financial Position- Increase/(Decrease) in the Liability (Rs. Mn.)	2015 Sensitivity Effect on Comprehensive Income-(Charged)/ Reversal (Rs. Mn.)	2014 Sensitivity Effect on Financial Position- Increase/(Decrease) in the Liability (Rs. Mn.)	2014 Sensitivity Effect on Comprehensive Income-(Charged)/ Reversal (Rs. Mn.)
Discount rate	1.00%	(2.10 million)	2.10 million	(1.44 million)	1.44 million
Discount rate	-1.00%	2.48 million	(2.48 million)	1.71 million	(1.71 million)
Salary increment rate	1.00%	2.43 million	(2.43 million)	1.68 million	(1.68 million)
Salary increment rate	-1.00%	(2.10 million)	2.10 million	(1.44 million)	1.44 million

	2015		2014	
	No of shares	Rs.000	No of shares	Rs.000
<b>34. STATED CAPITAL</b>				
<b>Issued and Fully Paid-Ordinary shares</b>				
At the beginning of the year	52,500,000	525,000	52,500,000	525,000
Issued during the year	-	-	-	-
At the end of the year	52,500,000	525,000	52,500,000	525,000

The total amount received by the Company or due and payable to the Company in respect of the issue and calls of the shares are referred to as stated capital. The holders of ordinary shares are entitled to receive a dividend as declared from time to time and are entitled to one vote per share at meetings of the Company.

### 35. STATUTORY RESERVE FUND

The statutory reserve fund is maintained as required by Finance Companies (Capital Funds) Direction No.1 of 2003 as Finance Companies Act (amended) issued to Registered Finance Companies. As per the said Direction, every Registered Finance Company shall maintain a reserve fund, out of the net profit for each year after provisions for taxation and bad and doubtful debts. Accordingly 5% of the net profit for the year transferred to Reserve Fund.

As at 31 December	2015 Rs.000	2014 Rs.000
At the beginning of the year	50,831	37,787
Profit transferred during the year	19,227	13,044
At the end of the year	70,058	50,831

**36. 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.

The operations of Investment Fund Account(IFA) was ceased with effect from 1 October 2014. Accordingly Rs.66.82 million was transferred to Retained Earnings through the Statement of Changes in Equity on 1 October 2014.

**37. 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.

**38. 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.

	2015					2014				
	Carrying value	Fair value measurement using			Total	Carrying value	Fair value measurement using			Total
		Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)			Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
<b>FINANCIAL ASSETS</b>										
Cash and bank balances	130,070	-	130,070	-	130,070	88,655	-	88,655	-	88,655
Securities purchased under repurchase agreements	601,679	-	601,679	-	601,679	489,685	-	489,685	-	489,685
Factoring receivables	1,157,136	-	1,142,664	-	1,142,664	996,440	-	968,242	-	968,242
Pawning receivables	-	-	-	-	-	456,193	-	463,282	-	463,282
Gold loan receivables	770,839	-	764,658	-	764,658	-	-	-	-	-
Loan receivables	286,968	-	222,443	-	222,443	506,526	-	535,185	-	535,185
Lease receivables	9,230,730	-	9,233,482	-	9,233,482	3,383,597	-	3,663,998	-	3,663,998

	2015					2014				
	Carrying value	Fair value measurement using			Total	Carrying value	Fair value measurement using			Total
		Quoted prices in active markets (Level I)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)			Quoted prices in active markets (Level I)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Financial investments -										
Held to Maturity	4,274	-	4,166	-	4,166	4,198	-	4,669	-	4,669
Hire purchase receivables	2,083,571	-	2,278,537	-	2,278,537	4,250,553	-	4,597,733	-	4,597,733
Other assets	168,527	-	168,527	-	168,527	78,836	-	78,836	-	78,836
<b>TOTAL FINANCIAL ASSETS</b>	<b>14,433,794</b>	<b>-</b>	<b>14,546,226</b>	<b>-</b>	<b>14,546,226</b>	<b>10,254,684</b>	<b>-</b>	<b>10,890,285</b>	<b>-</b>	<b>10,890,285</b>
<b>FINANCIAL LIABILITIES</b>										
Bank overdraft	163,583	-	163,583	-	163,583	83,921	-	83,921	-	83,921
Due to other customers	1,233,041	-	1,236,295	-	1,236,295	-	-	-	-	-
Debt instruments issued and other borrowed funds	10,925,421	-	10,905,609	-	10,905,609	8,528,922	-	8,528,922	-	8,528,922
Other payables	400,492	-	400,492	-	400,492	234,184	-	234,184	-	234,184
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>12,722,536</b>	<b>-</b>	<b>12,705,978</b>	<b>-</b>	<b>12,705,978</b>	<b>8,847,026</b>	<b>-</b>	<b>8,847,026</b>	<b>-</b>	<b>8,847,026</b>

**Fair value of financial assets and liabilities not carried at fair value**

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the Financial Statements.

**Assets for which fair value approximates carrying value**

For financial assets and financial liabilities that have a short term maturity (less than a year) it is assumed that the carrying amounts approximate their fair value. This assumption is also applied to demand deposits and savings accounts without a specific maturity. Loans and advances to customers with a variable rate are also considered to be carried at fair value.

## **39. RISK MANAGEMENT**

### **39.1 Introduction**

Risk is inherent in a financial business and such risks are managed through a process of ongoing identification, measurement mitigating measures and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Company's continuing profitability and each individual within the Company is accountable for the risk exposures relating to his or her responsibilities.

The Company is exposed to credit risk, interest rate risk, liquidity risk, operational risk, the latter being subdivided into regulatory and 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.

### **39.2 Risk Management Structure**

The Board is primarily responsible for risk management initiatives. Integrated Risk Management committee, which is a sub-committee of the Board oversees the risk management function in line with the Board approved policies and strategies. Integrated Risk Management committee shall develop the policy and operations for Company-wide risk management. In addition to the Board's representatives, the IRMC consist of the CEO, COO and other key managerial personnel of the company.

Risk appetite of the Company is defined in both qualitative and quantitative terms. These risk appetite parameters are dynamic and subject to changes in line with the changing business strategies of the Company and changing market conditions. Risk appetite of the Company is defined through the risk tolerance limits approved by the Board of Directors.

The committee was set up to fulfill 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 four 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 the Risk Management Department (RMD). RMD is responsible for implementing and maintaining risk related procedures to ensure an independent control process is maintained. The Department works closely with the Risk Committee to ensure that procedures are compliant with the overall framework. RMD is also responsible for monitoring compliance with risk principles, policies and limits across the Company. This unit also ensures the complete capture of the risks in risk measurement and reporting systems. Exceptions are reported on, where necessary, to the Risk Committee, and the relevant actions are taken to address exceptions and any areas of weakness.

The Company's policy is to ensure that risk management processes throughout the Company are audited annually by the Internal Audit function, which examines both the adequacy of the procedures and the Company's compliance with the procedures. Internal Audit division discusses the results of all assessments with management, and reports its findings and recommendations to the Board Audit Committee.

**39.3 Risk measurement & Reporting System and Risk Mitigation**

Prudent management of risk exposures relevant to the Company’s business operations would be ensured through a mechanism of “Three Lines of Defence”. These levels consist of management of risk by the relevant risk-assuming function, independent risk management and compliance functions and internal & external audit functions.

The positioning map of each risk component is placed within the risk grid. Tolerance levels are set by using sustainable measurements and these are discussed at risk management meetings. The risk console indicates the severity of each component of risk. Tabulated below is the risk console that is used in identification of key risks and risk measures taken by the Company together with mitigates suggested.

Financial Risks		Risk Measures	Mitigants
Credit risk	<p><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 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>	

### 39.4 Credit Risk

Credit risk refers to the risk that borrowers will default on any type of debt by failing to make payments they are obligated to do. Credit risk originates from the fact that counter parties may be unwilling or unable to fulfil their contractual obligations. The risk is primarily that of the lender and includes lost principal and interest, disruption to cash flows, and increased collection costs. The loss may be complete or partial and can arise in a number of circumstances.

Credit risk is closely tied to the potential return, the most notable being that the yields on portfolios correlate strongly to their perceived credit risk. The strategy of SLFL is not to eliminate risk, but to maintain the same within pre-determined acceptance levels. The Company manages and controls credit risk by setting limits on the level of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits.

#### 39.4.1 Impairment Assessment

For accounting purposes, the Company uses an incurred loss model for the recognition of losses on impaired financial assets. This means that losses can only be recognised when objective evidence of a specific loss event has been observed. Triggering events include the following:

- ✧ Significant financial difficulty of the customer
- ✧ A breach of contract such as a default of payment
- ✧ Where the Company grants the customer a concession due to the customer experiencing financial difficulty
- ✧ It becomes probable that the customer will enter bankruptcy or encounter other financial difficulties
- ✧ Observable data that suggests that there is a decrease in the estimated future cash flows from the loans

#### Individually assessed allowances

The Company determines the allowances appropriate for each individually significant loan on an individual basis, including any overdue payments of interests, credit rating downgrades, or infringement of the original terms of the contract.

Items considered when determining allowance amounts include the sustainability of the counterparty's business plan, its ability to improve performance if it is in a financial difficulty, projected receipts and the expected pay-out, the availability of other financial support, the realizable value of collateral and the timing of the expected cash flows.

Impairment allowances are evaluated at each reporting date, unless unforeseen circumstances require more careful attention.

#### Collectively assessed allowances

Allowances are assessed collectively for losses on loans that are not individually significant and for individually significant loans and advances that have been assessed individually and found not to be impaired. Allowances are evaluated separately at each reporting date with each portfolio.

The collective assessment is made for groups of assets with similar risk characteristics, in order to determine whether provision should be made due to incurred loss events for which there is objective evidence, but the effects of which are not yet evident in the individual loans assessments.

The collective assessment takes account of data from the loan portfolio (such as historical losses on the portfolio, levels of arrears, credit utilization, loan to collateral ratios and expected receipts and recoveries once impaired) or economic data (such as current economic conditions, unemployment levels and local or industry-specific problems).

The approximate delay between the time a loss is likely to have been incurred and the time it will be identified as requiring an individually assessed impairment allowance is also taken into consideration. Management is responsible for deciding the length of this period, which can extend for as long as one year. The impairment allowance is then reviewed by credit management to ensure alignment with the Company's overall policy.

As at 31 December

	Note	Neither Past Due Nor Impaired Rs.'000	Past Due Not Impaired Rs.'000	2015 Individually Impaired Rs.'000	Total Rs.'000	Percentage	Neither Past Due Nor Impaired Rs.'000	Past Due Not Impaired Rs.'000	2014 Individually Impaired Rs.'000	Total Rs.'000	Percentage
<b>39.4.2 Credit Quality by Class of Financial Assets</b>											
<b>Assets</b>											
Cash and bank balances	16	130,070	-	-	130,070	0.89%	88,655	-	-	88,655	0.84%
Securities purchased under repurchase agreements	17	601,679	-	-	601,679	4.12%	489,685	-	-	489,685	4.67%
Financial investments-Held to Maturity	26	4,274	-	-	4,274	0.03%	4,198	-	-	4,198	0.04%
Factoring receivables	18	915,783	17,377	227,561	1,160,720	7.96%	932,616	41,406	24,982	999,004	9.52%
Gold loan receivables	19	517,267	258,043	-	775,309	5.31%	-	-	-	-	0.00%
Pawning receivables	20	-	-	-	-	0.00%	441,213	17,950	-	459,163	4.38%
Loan receivables	21	133,151	154,644	-	287,795	1.97%	308,357	199,031	-	507,389	4.84%
Lease receivables	22	6,072,805	3,250,082	-	9,322,887	63.90%	1,956,871	1,551,210	-	3,508,081	33.43%
Hire purchase receivables	23	934,198	1,203,218	-	2,137,416	14.65%	2,138,667	2,173,794	-	4,312,462	41.09%
Other assets	24	168,527	-	-	168,527	1.16%	123,895	-	1,432	125,327	1.19%
Financial instruments-Available for Sale	25	56	-	-	56	0.00%	56	-	-	56	0.00%
<b>Total</b>		<b>9,477,809</b>	<b>4,883,365</b>	<b>227,561</b>	<b>14,588,735</b>	<b>100.00%</b>	<b>6,484,216</b>	<b>3,983,391</b>	<b>26,414</b>	<b>10,494,020</b>	<b>100.00%</b>

**39.4.2.1 Ageing 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					Total	Past Due Not impaired					Total
	Less than 30 days 2015 Rs.'000	31 to 60 days 2015 Rs.'000	61 to 90 days 2015 Rs.'000	More than 91 days 2015 Rs.'000	Total 2015 Rs.'000		Less than 30 days 2014 Rs.'000	31 to 60 days 2014 Rs.'000	61 to 90 days 2014 Rs.'000	More than 91 days 2014 Rs.'000	Total 2014 Rs.'000	
Factoring receivables	-	-	-	17,377	17,377	26,648	-	-	-	14,757	41,406	
Lease receivables	1,923,439	776,110	360,114	190,421	3,250,082	649,478	326,922	232,347	342,463	1,551,210		
Hire purchase receivable	536,586	357,879	191,856	116,897	1,203,218	1,102,895	531,403	290,251	249,245	2,173,794		
Loan receivables	37,901	49,537	22,244	44,962	154,644	114,602	43,132	39,220	2,077	199,031		
Gold loan receivables	182,449	71,107	4,427	61	258,043	-	-	-	-	-		
Pawning receivables	-	-	-	-	-	9,694	8,256	-	-	17,950		
<b>Total</b>	<b>2,680,375</b>	<b>1,254,632</b>	<b>578,640</b>	<b>369,718</b>	<b>4,883,365</b>	<b>1,903,316</b>	<b>909,714</b>	<b>561,818</b>	<b>608,543</b>	<b>3,983,391</b>		

As at 31 December

	2015	2014		
	Maximum Exposure To Credit Risk Rs.'000	Net Exposure Rs.'000	Maximum Exposure To Credit Risk Rs.'000	Net Exposure Rs.'000
<b>39.4.3 Maximum Exposure to Credit Risk</b>				
<b>Financial Assets</b>				
Cash and bank balances	130,070	47,237	88,655	76,171
Securities purchased under repurchase agreements	601,679	-	489,685	-
Factoring receivables	1,157,136	1,154,842	996,440	994,235
Pawning receivables	-	-	456,193	-
Gold loan receivables	770,839	-	-	-
Loan receivables	286,968	-	506,526	-
Lease receivables	9,230,730	-	3,383,597	-
Hire purchase receivables	2,083,571	-	4,250,553	-
Other assets	168,527	168,527	78,836	78,836
Financial instruments- Available for Sale	56	56	56	56
Financial investments-Held to Maturity	4,274	-	4,198	-
<b>Total Financial Assets</b>	<b>14,433,851</b>	<b>1,370,662</b>	<b>10,254,740</b>	<b>1,149,298</b>

### 39.4.4 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 2015	Manufacturing	Tourism	Agriculture	Trade	Construction	Transport	Services	Government	Financial Institutions	Consumers	Others	Total Rs' 000
Cash and bank balances	-	-	-	-	-	-	-	-	130,070	-	-	130,070
Securities purchased under repurchase agreements	-	-	-	-	-	-	-	601,679	-	-	-	601,679
Factoring receivables	430,355	14,915	50,984	500,296	105,289	-	55,296	-	-	-	-	1,157,136
Gold loan receivables	-	-	-	-	-	-	-	-	-	770,839	-	770,839
Loan receivables	-	258	270	47,185	-	512	238,743	-	-	-	-	286,968
Lease receivables	86,172	89,312	515,385	1,214,630	193,264	200,928	5,782,582	-	-	-	1,148,457	9,230,730
Hire purchase receivables	21,266	29,846	117,696	441,922	31,291	30,858	1,220,933	-	-	-	189,758	2,083,571
Other assets	-	-	-	-	-	-	-	-	-	-	168,527	168,527
Financial instruments - Available for Sale	-	-	-	-	-	-	-	-	56	-	-	56
Financial investments Held to Maturity	-	-	-	-	-	-	-	4,274	-	-	-	4,274
	537,792	134,332	684,336	2,204,032	329,845	232,298	7,297,555	605,953	130,127	770,839	1,506,742	14,433,851
As at 31 December 2014	Manufacturing	Tourism	Agriculture	Trade	Construction	Transport	Services	Government	Financial Institutions	Consumers	Others	Total Rs' 000
Cash and bank balances	-	-	-	-	-	-	-	-	88,655	-	-	88,655
Securities purchased under repurchase agreements	-	-	-	-	-	-	-	489,685	-	-	-	489,685
Factoring receivables	526,118	35,097	11,626	252,663	85,742	-	85,195	-	-	-	-	996,440
Pawning receivables	-	-	-	-	-	-	-	-	-	456,193	-	456,193
Loan receivables	-	-	530	39,810	-	7,697	458,490	-	-	-	-	506,526
Lease receivables	42,165	16,820	343,341	738,311	167,226	77,549	1,708,995	-	-	-	289,190	3,383,597
Hire purchase receivables	30,802	46,052	267,538	996,843	61,142	68,889	2,501,983	-	-	-	277,305	4,250,553
Other assets	-	-	-	-	-	-	-	-	-	-	78,836	78,836
Financial instruments - Available for Sale	-	-	-	-	-	-	-	-	56	-	-	56
Financial investments Held to Maturity	-	-	-	-	-	-	-	4,198	-	-	-	4,198
	599,085	97,969	623,035	2,027,626	314,110	154,134	4,754,663	493,884	88,712	456,193	645,331	10,254,741

### 39.5 Interest Rate Risk

Interest rate risk is the potential negative impact on the Net Interest Income and it refers to the vulnerability of an institution's financial condition due to the movement in interest rates. Changes in interest rate affect earnings, value of assets, liability, off-balance sheet items and cash flow. Hence, the objective of interest rate risk management is to maintain earnings, improve the capability, ability to absorb potential loss and to ensure the adequacy of the compensation received for the risk taken. Management of interest rate risk aims at capturing the risks arising from the maturity and re-pricing.

Asset liability management encompasses the complete set of techniques used to manage interest rate risk within a general enterprise risk management framework.

The fluctuation of interest rates is an external factor which is beyond the control of the company. SLFL though is affected by movements in interest rates to the extent that its asset /liability mismatches gives rise to interest paying liabilities being re-priced faster than its interest earning assets. This in turn affects Net Interest income and Net Interest Yields.

Interest rate risk analysis is almost always based on simulating movements in one or more yield curve. The strategy of SLFL is not to eliminate risk, but to maintain the same within pre-determined acceptance levels.

In setting the tolerance levels for Interest rate risk, the following metrics are used.

- \* Minimum Net Interest Spread: In order to maintain the required Net Interest Spread at the budgeting level the required ROA, ROE are inputs. Further the NPL ratios for different categories of assets are used as a proxy for setting the risk premium.

- \* Setting the proportion of Variable Rated Borrowings 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.

#### 39.5.1 Interest Rate Sensitivity

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

Rs. Million			
Currency of Borrowings/ Advance	Increase (Decrease) in basis points	Sensitivity of Profit or Loss	Sensitivity of Equity
	2015	2015	2015
Long Term Loans linked to AWPLR	+1/ (-1)	(52.94)/52.94	14.11%
	+0.5 / (0.5)	(26.47)/26.47	7.05%
	+0.25 / (0.25)	(13.24)/13.24	3.53%
	2014	2014	2014
Long Term Loans linked to AWPLR	+1/ (-1)	(53.17)/53.17	25.80%
	+0.5 / (0.5)	(26.58)/26.58	11.42%
	+0.25 / (0.25)	(13.29)/13.29	5.40%

The base ratio considers in the Interest Rate Sensitivity Analysis is the AWPLR. Since 43.95% (2015) 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.

### 39.5.2 Interest Rate Risk

#### Interest Rate Risk Exposure On Non Trading Financial Assets & Liabilities

The table below analyses the Company's interest rate risk exposure on financial assets and liabilities. The Company's assets and liabilities are included at carrying amount and categorized by the earlier of contractual reprising or maturity dates.

As at 31 December 2015

	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	Non Interest Bearing Rs.'000	Total as at 31/12/2015 Rs.'000
<b>Financial Assets</b>							
Cash and bank balances	130,070	-	-	-	-	-	130,070
Securities purchased under repurchase agreements	601,679	-	-	-	-	-	601,679
Factoring receivables	1,157,136	-	-	-	-	-	1,157,136
Lease receivables	710,828	1,832,910	4,190,037	2,407,306	89,649	-	9,230,730
Hire purchase receivables	337,616	568,626	1,050,589	126,740	-	-	2,083,572
Gold loan receivables	696,731	74,109	-	-	-	-	770,839
Loan receivables	48,054	71,213	139,567	28,134	-	-	286,968
Other assets	-	-	-	-	-	168,527	168,527
Financial instruments- Available for Sale	-	-	-	-	56	-	56
Financial investments-Held to Maturity	-	-	-	-	4,274	-	4,274
<b>Total Financial Assets</b>	<b>3,682,114</b>	<b>2,546,857</b>	<b>5,380,194</b>	<b>2,562,180</b>	<b>93,979</b>	<b>168,527</b>	<b>14,433,851</b>
<b>Financial Liabilities</b>							
Bank overdraft	163,583	-	-	-	-	-	163,583
Due to other customers	73,519	1,096,559	59,551	3,412	-	-	1,233,041
Debt instruments issued and other borrowed funds	6,885,664	556,055	1,399,600	2,084,102	-	-	10,925,421
Other payables	-	-	-	-	-	400,093	400,093
<b>Total Financial Liabilities</b>	<b>7,122,766</b>	<b>1,652,614</b>	<b>1,459,151</b>	<b>2,087,514</b>	<b>-</b>	<b>400,093</b>	<b>12,722,138</b>
<b>Interest Sensitivity Gap</b>	<b>(3,440,652)</b>	<b>894,243</b>	<b>3,921,043</b>	<b>474,666</b>	<b>93,979</b>	<b>(231,566)</b>	<b>1,711,713</b>

**39.5.2 Interest Rate Risk Contd.**

As at 31 December 2014

	Up to 03 Months Rs.'000	03-12 Months Rs.'000	01-03 Years Rs.'000	03-05 Years Rs.'000	Over 05 Years Rs.'000	Non Interest Bearing Rs.'000	Total as at 31/12/2014 Rs.'000
<b>Financial Assets</b>							
Cash and bank balances	88,655	-	-	-	-	-	88,655
Securities purchased under repurchase agreements	489,685	-	-	-	-	-	489,685
Factoring receivables	996,440	-	-	-	-	-	996,440
Lease receivables	455,737	822,473	1,508,445	574,110	22,832	-	3,383,597
Hire purchase receivables	524,548	925,140	2,078,768	717,215	4,883	-	4,250,553
Pawning receivables	65,816	390,377	-	-	-	-	456,193
Loan receivables	41,053	116,661	256,272	90,765	1,775	-	506,526
<b>Other Assets</b>							
Financial instruments- Available for Sale	-	-	-	-	56	-	56
Financial investments-Held to Maturity	-	-	-	-	4,198	-	4,198
<b>Total Financial Assets</b>	<b>2,661,934</b>	<b>2,254,651</b>	<b>3,843,485</b>	<b>1,382,090</b>	<b>33,743</b>	<b>78,836</b>	<b>10,254,740</b>
<b>Financial Liabilities</b>							
Bank overdraft	83,921	-	-	-	-	-	83,921
Debt instruments issued and other borrowed funds	6,900,377	558,546	69,999	-	1,000,000	-	8,528,922
Other payables	-	-	-	-	-	234,184	234,184
<b>Total Financial Liabilities</b>	<b>6,984,298</b>	<b>558,546</b>	<b>69,999</b>	<b>-</b>	<b>1,000,000</b>	<b>234,184</b>	<b>8,847,027</b>
<b>Interest Sensitivity Gap</b>	<b>(4,322,363)</b>	<b>1,696,104</b>	<b>3,773,486</b>	<b>1,382,090</b>	<b>(966,257)</b>	<b>(155,348)</b>	<b>1,407,713</b>

### 39.6 Liquidity Risk

Liquidity is generally defined as the ability of a financial institution to meet its debt obligations without incurring unacceptably large losses.

Liquidity risk refers to the non-availability of sufficient cash balances to meet new lending targets as well as provide a flow of net liquid assets to meet contractual borrowings and other commitments.

An institution might lose liquidity if its credit rating falls, it experiences sudden unexpected cash outflows, or some other event causes counterparties to avoid trading with or lending to the institution. A firm is also exposed to liquidity risk if markets on which it depends are subject to loss of liquidity.

The Company has developed internal control processes and contingency plans for managing liquidity risk. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding if required. A key element of these systems is monitoring and assessing the firm's current and future fund requirement including debt obligations and planning for any unexpected funding needs, regardless of whether they arise from firm-specific factors, or from systemic (economy-wide) factors.

The 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 the Central Bank of Sri Lanka.

#### 39.6.1 Statutory Liquid Asset Ratio

Statutory Liquid Asset Calculation is performed based on the following calculations as prescribed in section 2, 3 and 4 of the Finance Companies (Liquid Assets) Direction No.04 of 2013.

The Company's liquid asset ratio is 7.5% of average of month end deposit liabilities and borrowings of the 12 months of the preceding financial year (as per Section 4 of the said direction). Liquid assets are maintained with Sri Lanka Government Treasury Bills.

**39.6.2 Contractual Maturities of Undiscounted Cash Flows of Financial Assets & Financial Liabilities**

The table below summarizes the maturity profile of the undiscounted cash flows of the Companies financial assets and liabilities as at 31 December 2015.

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 2015	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 31/12/2015 Rs.'000
<b>Financial Assets</b>						
Cash and bank balances	130,070	-	-	-	-	130,070
Securities purchased under repurchase agreements	601,679	-	-	-	-	601,679
Factoring receivables	1,157,136	-	-	-	-	1,157,136
Lease receivables	1,105,559	2,651,400	5,460,855	2,699,907	94,939	12,012,660
Hire purchase receivables	470,128	775,898	1,260,808	135,193	-	2,642,026
Gold loan receivables	709,989	81,608	-	-	-	791,597
Loan receivables	47,785	93,296	170,415	34,628	-	346,125
Other assets	94,613	11,149	22,712	30,252	9,801	168,527
Financial instruments- Available for Sale	-	-	-	-	56	56
Financial investments-Held to Maturity	-	-	-	-	4,274	4,274
<b>Total Financial Assets</b>	<b>4,316,958</b>	<b>3,613,350</b>	<b>6,914,790</b>	<b>2,899,980</b>	<b>109,071</b>	<b>17,854,149</b>
<b>Financial Liabilities</b>						
Bank overdraft	163,583	-	-	-	-	163,583
Due to other customers	78,355	1,155,965	70,103	5,090	-	1,309,513
Debt instruments issued and other borrowed funds	2,170,338	2,427,700	5,027,517	3,087,244	-	12,712,799
Other payables	400,093	-	-	-	-	400,093
<b>Total Financial Liabilities</b>	<b>2,812,369</b>	<b>3,583,665</b>	<b>5,097,620</b>	<b>3,092,334</b>	<b>-</b>	<b>14,585,988</b>
<b>Liquidity Gap</b>	<b>1,504,589</b>	<b>29,685</b>	<b>1,817,170</b>	<b>(192,354)</b>	<b>109,071</b>	<b>3,268,161</b>

As at 31 December 2014	Up to 03 Months Rs.'000	03-12 Months Rs.'000	01-03 Years Rs.'000	03-05 Years Rs.'000	Over 05 Years Rs.'000	Total as at 31/12/2014 Rs.'000
<b>Financial Assets</b>						
Cash and bank balances	88,655	-	-	-	-	88,655
Securities purchased under repurchase agreements	489,685	-	-	-	-	489,685
Factoring receivables	996,440	-	-	-	-	996,440
Lease receivables	633,533	1,190,271	1,979,832	661,092	24,490	4,489,217
Hire purchase receivables	798,288	1,390,997	2,696,966	793,968	5,109	5,685,327
Pawning receivables	67,269	450,290	-	-	-	517,559
Loan receivables	41,917	116,661	256,272	90,765	1,775	507,389
Other assets	75,956	2,880	-	-	-	78,836
Financial instruments- Available for Sale	-	-	-	-	56	56
Financial investments-Held to Maturity	-	-	-	-	4,198	4,198
<b>Total Financial Assets</b>	<b>3,191,742</b>	<b>3,151,098</b>	<b>4,933,071</b>	<b>1,545,825</b>	<b>35,628</b>	<b>12,857,364</b>
<b>Financial Liabilities</b>						
Bank overdraft	83,921	-	-	-	-	83,921
Debt instruments issued and other borrowed funds	2,026,022	1,764,643	2,756,154	1,982,103	-	8,528,921
Other payables	292,440	-	-	-	-	292,440
<b>Total Financial Liabilities</b>	<b>2,402,383</b>	<b>1,764,643</b>	<b>2,756,154</b>	<b>1,982,103</b>	<b>-</b>	<b>8,905,283</b>
<b>Liquidity Gap</b>	<b>789,360</b>	<b>1,386,455</b>	<b>2,176,917</b>	<b>(436,278)</b>	<b>35,628</b>	<b>3,952,081</b>

As at 31 December 2015

	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 31/12/2015 Rs.'000
<b>40. MATURITY ANALYSIS</b>						
<b>Assets</b>						
Cash and bank balances	130,070	-	-	-	-	130,070
Securities purchased under repurchase agreements	601,679	-	-	-	-	601,679
Factoring receivables	1,157,136	-	-	-	-	1,157,136
Lease receivables	710,828	1,832,910	4,190,037	2,407,306	89,649	9,230,730
Hire purchase receivables	337,616	568,626	1,050,589	126,740	-	2,083,572
Pawning receivables	-	-	-	-	-	-
Gold loan receivables	696,731	74,109	-	-	-	770,839
Loan receivables	48,054	71,213	139,567	28,134	-	286,968
Other assets	122,532	33,145	33,338	34,729	10,674	234,418
Financial instruments- Available for Sale	-	-	-	-	56	56
Financial investments-Held to Maturity	-	-	-	-	4,274	4,274
Intangible assets	-	-	-	14,889	-	14,889
Property, plant & equipment	-	-	-	43,493	81,204	124,697
<b>Total Assets</b>	<b>3,804,647</b>	<b>2,580,001</b>	<b>5,413,532</b>	<b>2,655,290</b>	<b>185,857</b>	<b>14,639,327</b>
<b>Liabilities</b>						
Bank overdraft	163,583	-	-	-	-	163,583
Due to other customers	73,519	1,096,559	59,551	3,412	-	1,233,041
Debt instruments issued and other borrowed funds	2,033,579	1,836,285	4,187,415	2,868,142	-	10,925,421
Other payables	488,706	20,216	-	-	-	508,922
Deferred taxation liability	-	-	-	-	102,306	102,306
Income taxation payable	-	75,663	-	-	-	75,663
Retirement benefit obligations	-	-	-	-	19,259	19,259
<b>Total Liabilities</b>	<b>2,759,387</b>	<b>3,028,724</b>	<b>4,246,966</b>	<b>2,871,554</b>	<b>121,565</b>	<b>13,028,195</b>

As at 31 December 2014

	Up to 03 Months Rs.'000	03-12 Months Rs.'000	01-03 Years Rs.'000	03-05 Years Rs.'000	Over 05 Years Rs.'000	Total as at 31/12/2014 Rs.'000
<b>Assets</b>						
Cash and bank balances	88,655	-	-	-	-	88,655
Securities purchased under repurchase agreements	489,685	-	-	-	-	489,685
Factoring receivables	996,440	-	-	-	-	996,440
Lease receivables	455,737	822,473	1,508,445	574,110	22,833	3,383,598
Hire purchase receivables	524,548	925,140	2,078,768	717,215	4,883	4,250,553
Pawning receivables	65,816	390,377	-	-	-	456,193
Loan receivables	41,053	116,661	256,272	90,765	1,775	506,526
Other assets	82,839	26,238	12,052	5,882	63	127,074
Financial instruments- Available for Sale	-	-	-	-	56	56
Financial investments-Held to Maturity	-	-	-	-	4,198	4,198
Intangible assets	-	-	-	-	17,097	17,097
Property, plant & equipment	-	-	-	-	97,716	97,716
<b>Total Assets</b>	<b>2,744,774</b>	<b>2,280,889</b>	<b>3,855,537</b>	<b>1,387,972</b>	<b>148,620</b>	<b>10,417,790</b>
<b>Total Liabilities</b>						
Bank overdraft	83,921	-	-	-	-	83,921
Debt instruments issued and other borrowed funds	2,026,022	1,764,643	2,756,154	1,982,103	-	8,528,921
Other payables	299,606	-	-	-	-	299,606
Deferred taxation liability	-	-	-	-	69,983	69,983
Income taxation payable	-	111,179	-	-	-	111,179
Retirement benefit obligations	-	-	-	-	12,535	12,535
<b>Total Liabilities</b>	<b>2,409,549</b>	<b>1,875,822</b>	<b>2,756,154</b>	<b>1,982,103</b>	<b>82,518</b>	<b>9,106,145</b>

	2015		2014	
	On Demand	Total	On Demand	Total
	Rs. '000		Rs. '000	
<b>41. COMMITMENTS AND CONTINGENCIES</b>				
<b>Commitments</b>				
Undrawn commitments factoring	315,071	315,071	228,058	228,058
	315,071	315,071	228,058	228,058
<b>Contingencies</b>				
	-	-	-	-
<b>Total commitments &amp; contingencies</b>	<b>315,071</b>	<b>315,071</b>	<b>228,058</b>	<b>228,058</b>

**41.1 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 a few unresolved legal claims. Once professional advice has been obtained and the amount of loss reasonably estimated, the Company makes adjustments to account for.

**42. EVENTS AFTER THE REPORTING PERIOD**

No circumstances have arisen since the reporting date which would require adjustments to, or disclosure in the Financial Statements, other than those disclosed below.

**Acquisition of Land for the proposed Head Office of the Company**

The Board of Directors of the Company has approved to purchase a land for the proposed Head Office of the Company for a total value of Rs. 195.27 million. This approval was made by way of a Board Resolution dated 26th January 2016.

**43. COMPARATIVE INFORMATION**

The comparative information is reclassified wherever necessary to conform to the current year's presentation, the details of which are given below.

	Note	Re-classified	As disclosed	Adjustment
		Rs. '000	in 2014	
		Rs. '000	Rs. '000	Rs. '000
<b>43.1 Income Statement</b>				
Other operating expenses	43.1.1	313,209	310,625	2,584
Crop Insurance Levy	43.1.1	-	2,584	(2,584)

**43.1.1** "Crop Insurance Levy" amounting to Rs.2.58 million has been re-classified under "Other Operating Expenses".

	Note	Re-classified	As disclosed	Adjustment
		Rs. '000	in 2014	
		Rs. '000	Rs. '000	Rs. '000
<b>43.2 Statement of Financial Position</b>				
Other assets	43.2.1	127,074	125,327	1,747
Inventories	43.2.1	-	1,747	(1,747)

**43.2.1** "Inventories" amounting to Rs.1.75 million has been re-classified under "Other Assets".

**44. 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 Sri Lanka Accounting Standard No.24 Related party disclosure, details of which are reported below. The pricing applicable to such transactions is based on the assessment of risk and pricing model of the Company and is comparable with what is applied to transactions between the Company and its unrelated customers.

**44.1 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.

#### 44.2 Transactions with Key Managerial Personnel

According to Sri Lanka Accounting Standard-LKAS 24 (Related Party Disclosures), Key Management Personnel (KMP) are those having authority and responsibility for planning, directing and controlling the activities of the entity. According to the above definition a person cannot be considered as a KMP unless such person has both the authority and responsibility to carry out all of the three activities mentioned in the above definition (i.e. planning, directing and controlling the activities of the entity). Such KMPs include the Board of Directors of the Company, Chief Executive Officer (CEO) and the KMPs of Sampath Bank PLC.

For the year ended 31 December	2015 Rs.'000	2014 Rs.'000
Short term employee benefits	9,018	7,885
Directors' fees and expenses	11,160	13,328
<b>Total</b>	<b>20,178</b>	<b>21,213</b>

##### 44.2.1 Loans and advances granted

No loans or advances were given to Key Managerial Personnel and their close family members during the year. (2014- Nil).

##### 44.2.2 Borrowings through debt instruments

No borrowing through debt instruments were made from or no investments made by Key Management Personnel during the year 2015. (2014- Nil)

#### 44.3 Transactions with Group Companies

##### Sampath Bank PLC

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

	2015 Rs.'000	2014 Rs.'000
<b>Balance outstanding of Credit Facilities</b>		
<b>Short-Term Loans</b>		
Opening Balance	540,000	515,000
Net proceeds from short term loans	(540,000)	25,000
Closing balance	-	540,000
<b>Term Loan</b>		
Opening Balance	713,705	1,071,112
Granted during the year	2,500,000	-
Less : Repayment during the year	(445,785)	(357,407)
Closing balance	2,767,920	713,705
Bank overdraft	163,583	61,799
Total accommodation obtained	2,931,503	1,315,504
Less : Placements with bank	4,742	75,092
	2,926,761	1,240,412
<b>Net Accommodation as a percentage of Capital Funds</b>	<b>181.66%</b>	<b>94.57%</b>
Interest paid	153,163	149,036
Bank guarantee fee paid	6,252	12,271
Staff training expenses were paid to Sampath Bank PLC for facilitating staff training	40	-
Rent was paid to Sampath Bank PLC for the window offices located within Sampath Bank premises.	1,374	784
Broker commission was paid to Sampath Bank PLC for sourcing of lease facilities to Siyapatha Finance PLC.	-	389

	2015 Rs.'000	2014 Rs.'000
<b>Balance outstanding of Credit Facilities Contd.</b>		
Automated Teller Machines (ATMs) of Sampath Bank PLC are located at branch premises of the Company. Thus a fee has been received by the Company for supplying such services to Sampath Bank PLC.		
Fee from ATM operations	405	-
Payment of dividend to Parent Company.		
Dividend Paid (Gross)	31,500	21,525
The Company also invested in short term government securities through Sampath Bank PLC.		
Outstanding balance of short term government securities	601,679	489,685
Interest income on short term government securities	38,930	35,044
<b>Sampath Information Technology Solutions Ltd</b>		
Sampath Information Technology Solutions Ltd is a subsidiary of Sampath Bank PLC which the parent undertaking of Siyapatha Finance PLC.		
The Company has obtained hardware/software maintenance from SITS and payments were made as per the maintenance agreement. Company has purchased Leasing/loan management and pawning software and same is disclosed below.		
Hardware/Software maintenance paid	4,876	4,184
Fee for General Ledger Integration		
Payment for software		
Pawning	473	120
Leasing	315	2,157
Loan management	-	-
Facilities granted	953	5,703
Interest income and other fees for the leasing facilities granted	1,159	2,297

	2015	2014
<b>44.4 Transactions, Arrangements and Agreements Involving KMPs</b>		
<b>44.4.1 Agreement</b>		
Rent Paid	20,628	20,007
Head Office premises of the Company is located at No. 46/12, Nawam Mawatha, Colombo 02, which is owned by Ceylon Ocean Lines Limited, The ultimate Parent of the Company is Hayleys PLC.		
<b>44.4.2 Loans and Advances to the Related Companies of KMPs</b>		
Lease facilities	910	1,889
Interest income earned	362	552

Above lease facility has been granted to a related Company of a KMP of the Company.

#### 45. CAPITAL

The Company maintains an activity managed capital basis to cover risks inherent in the business and meet the capital adequacy requirements of Central Bank of Sri Lanka. The adequacy of the Company's capital is monitored based on the measures, rules and ratios adopted by the Central Bank of Sri Lanka.

#### Capital Management

The primary objective of the Company's capital management policy is 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.

**FINANCIAL VALUE ADDITION**

	2015 LKR.000	2014 LKR.000
<b>Value Added</b>		
Interest income	1,973,921	1,837,546
Cost of services	(824,699)	(778,661)
<b>Value added by financial service</b>	1,149,223	1,058,885
Other income	232,315	139,354
Impairment charges	(49,275)	(183,217)
<b>Total</b>	1,332,263	1,015,022
<b>Distribution of value added</b>		
<b>To employees</b>		
Salaries and other benefits	329,553	234,721
	329,553	234,721
<b>To providers of capital</b>		
Dividends to ordinary shareholders	31,500	21,525
Dividends to preference shareholders	-	-
	31,500	21,525
<b>To the Government</b>		
VAT on financial services	93,305	61,536
Income tax	141,536	134,076
Other taxes	3,702	2,584
	238,543	198,195
<b>To expansion &amp; growth</b>		
Retained profits	700,225	532,645
Depreciation and amortization	32,441	27,935
	732,667	560,581
<b>Total</b>	1,332,263	1,015,022

**ECONOMIC OF VALUE ADDITION**

	2015 LKR.000	2014 LKR.000
<b>Invested Equity</b>		
Shareholder's funds	1,611,132	1,311,644
Add : Provision for impairment	245,776	241,215
<b>Total</b>	1,856,908	1,552,858
<b>Earnings</b>		
Profit After tax and dividends on shares	351,046	237,743
Add : Provision for impairment	49,275	183,217
Less : Amount written off - loans & receivables		
<b>Total</b>	400,321	420,961
Cost of equity	9.11%	8.70%
Cost of average equity	169,164	135,099
<b>Economic Value Added</b>	231,157	285,862

**Our approach to sustainable growth**

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

Goal	Status
Developing a sustainability policy	
Designing sustainability framework	
Water, energy efficiency improvements	
Emissions, affluent / waste management	
Strengthening supplier screening process (Labour)	
Strengthening supplier screening process	
Maintenance of grievances records	

Completed ■  
In progress ■  
To be commenced ■

**TEN YEAR SUMMARY**

Year ended 31 December	SLFRS/LKAS					SLAS				
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
	LKR.000	LKR.000	LKR.000	LKR.000	LKR.000	LKR.000	LKR.000	LKR.000	LKR.000	LKR.000
Interest income	1,973,921	1,837,546	1,625,839	1,033,557	555,329	383,463	434,037	628,611	474,779	233,327
Interest expenses	(824,699)	(778,661)	(899,069)	(600,406)	(210,207)	(133,875)	(370,446)	(583,208)	(410,503)	(168,407)
<b>Net interest income</b>	<b>1,149,223</b>	1,058,885	726,770	433,151	345,122	249,588	63,591	45,403	64,276	64,920
Other income	232,315	139,354	108,518	61,610	44,410	39,608	75,380	86,926	29,558	19,823
Operating income	1,381,537	1,198,239	835,287	494,761	389,532	289,196	138,971	132,329	93,834	84,743
Operating expenses	(679,804)	(547,930)	(431,029)	(224,412)	(178,366)	(108,517)	(108,609)	(117,477)	(98,375)	(66,213)
<b>Operating profit</b>	<b>701,733</b>	650,309	404,258	270,349	211,166	180,679	30,362	14,852	(4,541)	18,530
Impairment (charges)/reversals/provision for doubtful debts	(49,275)	(183,217)	(67,237)	(262)	49,324	1,682	(96,055)	(45,192)	(29,488)	(5,043)
VAT & NBT on financial services	(93,305)	(61,536)	(35,740)	(18,100)	(16,207)	(28,574)	(1,852)	(1,142)	-	-
<b>Profit before taxation</b>	<b>559,153</b>	405,556	301,281	251,987	244,283	153,787	(67,545)	(31,482)	(34,029)	13,487
Tax expenses	(174,629)	(145,379)	(80,301)	(51,752)	(46,268)	(26,477)	(3,738)	(2,313)	(5,487)	(7,725)
<b>Profit for the year</b>	<b>384,524</b>	260,177	220,980	200,235	198,015	127,311	(71,283)	(33,795)	(39,516)	5,762

As at 31 December	SLFRS/LKAS					SLAS				
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
	LKR.000	LKR.000	LKR.000	LKR.000	LKR.000	LKR.000	LKR.000	LKR.000	LKR.000	LKR.000
Cash and bank balances	130,070	88,655	65,378	32,586	29,520	5,322	18,104	18,802	7,436	9,355
Securities purchased under repurchase agreements	601,679	489,685	323,792	5,341	4,045	-	-	-	-	-
Investments in fixed deposits	-	-	-	87,246	-	-	-	-	-	-
Factoring receivables	1,157,136	996,440	1,052,411	566,584	532,458	210,444	135,392	141,749	222,324	138,208
Gold loan receivables	770,839	-	-	-	-	-	-	-	-	-
Pawning receivables	-	456,193	412,753	-	-	-	-	-	-	-
Loan receivables	286,968	506,526	568,573	-	-	-	-	-	-	-
Lease receivables	9,230,730	3,383,597	2,833,933	2,678,159	2,027,939	479,427	570,483	1,004,809	1,226,993	1,085,655
HP receivable	2,083,571	4,250,553	3,393,593	2,155,384	1,253,322	731,548	917,349	1,308,745	1,154,701	563,539
Other assets	378,334	246,141	335,131	285,219	276,531	373,179	213,140	252,552	228,531	217,667
<b>Total Assets</b>	<b>14,639,326</b>	10,417,790	8,985,564	5,810,520	4,123,815	1,799,920	1,854,469	2,726,655	2,839,985	2,014,424

As at 31 December	SLFRS/LKAS					SLAS				
	2015 LKR.000	2014 LKR.000	2013 LKR.000	2012 LKR.000	2011 LKR.000	2010 LKR.000	2009 LKR.000	2008 LKR.000	2007 LKR.000	2006 LKR.000
Bank overdraft	163,583	83,921	63,982	62,124	-	32,340	24,128	170,596	158,498	131,163
Customer deposits	1,233,041	-	-	-	-	-	-	-	-	-
Debt issued and other borrowed funds	10,925,421	8,528,922	7,487,912	4,655,317	3,211,375	939,992	1,169,107	2,135,708	2,314,531	1,674,888
Other payables	706,150	493,303	359,769	216,553	216,198	329,361	275,598	263,433	176,243	103,145
<b>Total Liabilities</b>	<b>13,028,194</b>	9,106,146	7,911,662	4,933,994	3,427,573	1,301,693	1,468,833	2,569,737	2,649,272	1,909,196
<b>Shareholders' Funds</b>										
Stated capital	525,000	525,000	525,000	525,000	525,000	525,000	525,000	225,000	225,000	100,000
Statutory reserve fund	70,059	50,831	37,787	26,738	16,726	7,107	288	288	288	288
Investment fund reserve	-	-	58,488	29,988	12,841	-	-	-	-	-
Accumulated profit/(loss)	1,016,073	735,813	452,627	294,800	141,675	(33,880)	(139,653)	(68,370)	(34,575)	4,940
<b>Total Liabilities and Shareholders' Funds</b>	<b>14,639,326</b>	10,417,790	8,985,564	5,810,520	4,123,815	1,799,920	1,854,468	2,726,655	2,839,985	2,014,424
<b>Year ended 31 December</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
Growth in interest income	7%	13%	57%	86%	45%	-12%	-31%	32%	103%	1000%
Growth interest expenses	6%	-13%	50%	186%	57%	-64%	-36%	42%	144%	1785%
Interest cover ratio	1.84	1.73	1.59	1.42	2.16	2.15	0.82	0.95	0.92	1.08
Growth in operating profit	8%	61%	50%	28%	17%	495%	104%	-427%	-125%	8285%
Growth in profit after tax (PAT)	48%	18%	10%	1%	56%	-279%	111%	-14%	-786%	-1179%
Earning/(Loss) per share-LKR	7.32	4.96	4.21	3.81	3.77	2.42	(1.36)	(1.50)	(1.76)	0.58
Growth in advances	41%	16%	53%	42%	168%	-12%	-34%	-6%	46%	261%
Growth in borrowings	43%	14%	60%	47%	230%	-19%	-48%	-7%	37%	306%
Growth in shareholder's funds	23%	22%	23%	26%	40%	29%	146%	-18%	81%	41%
Debt/equity ratio	13%	15%	14%	19%	22%	51%	32%	7%	8%	6%
Net assets per share-LKR	30.69	24.98	20.46	16.70	13.26	9.49	7.35	6.97	8.48	10.52
Return on average total assets	3%	3%	3%	4%	7%	7%	-3%	-1%	-2%	0%
Return on average equity	26%	22%	22%	25%	33%	29%	-26%	-19%	-27%	6%

**CAPITAL ADEQUACY**

Capital adequacy is one of the measures which ensure the financial soundness of a financial institution and the stability of the financial institution by measuring the adequacy of its capital to meet unexpected losses arising from various risks, associated with the business of finance, such as credit risk, market risk, liquidity risk, operational risk etc. Hence it provides a buffer against any future, unidentified losses by protecting the depositors and creditors.

The capital adequacy assures the public and the financial business supervisor that the financial business is in a position to survive whatever strains that may be placed on it.

Capital Adequacy Ratio (CAR) is a measure of capital of a finance company as a percentage of its Risk Weighted Assets.

$$\begin{aligned}
 &01. \text{ Core Capital Ratio (Tier I)} && : && \frac{\text{Core Capital}}{\text{Risk Weighted Assets}} \\
 &02. \text{ Total Risk Weighted Capital Ratio (Tier I+Tier II)} && : && \frac{\text{Capital Base}}{\text{Risk Weighted Assets}}
 \end{aligned}$$

**TIER I - CORE CAPITAL**

The Tier I core capital mainly consist of shareholder’s equity (paid up shares/common stock) and reserves created or increased by appropriations of retained earnings or other surpluses, i.e. retained profits and other reserves.

**TIER II-SUPPLEMENTARY CAPITAL**

The Tier II supplementary capital representing revaluation reserves approved by CBSL, general provisions and other capital instruments which combine certain characteristics of equity and debt, such as subordinated term debt.

	As at 31 December 2015(LKR.000)
Total tier I core capital (schedule I)	1,611,132
Total Capital Base (schedule II)	2,411,132
Total Risk Weighted Assets (schedule III)	13,146,941
Core Capital Ratio (Mandatory ratio-Minimum 5%) (%)	12.25%
Total Risk Weighted Capital Ratio (Mandatory ratio-Minimum 10%) (%)	18.34%

At present, core capital ratio as well as total risk weighted assets ratio maintained by the company is well above the minimum regulatory requirements set by CBSL. (This ratio set by CBSL for Tier I and Tier I+Tier II capital are minimum of 5% and a minimum of 10% respectively).

Schedule I

Tier I : Core Capital

	LKR.000
Tier I : Core Capital	1,611,132
Issued and Paid-up Ordinary Shares/Common Stock (Cash)	525,000
Non-Cumulative, Non-redeemable Preference Shares	-
Share Premium	-
Statutory Reserve Fund	70,059
Published Retained Profits/(Accumulated Losses)	1,016,073
General and Other Reserves	-
Surplus/Loss after tax arising from the sale of fixed and long-term investments	-
Unpublished Current Year's Profits/Losses	-
Minority Interest (consistent with the above capital constituents)	-
Goodwill (-)	-

Schedule II

Total Capital Base

	LKR.000
Tier 2 : Supplementary Capital	800,000
Eligible Revaluation Reserves	-
Eligible General Provisions (Within the meaning of Limit iii)	-
Approved Hybrid (Debt/Equity) Capital Instruments	-
Minority Interests Arising from Preference Shares Issued by Subsidiaries	-
Eligible Approved Unsecured Subordinated Term Debt (Within the meaning of limit (i))	800,000
Eligible Tier 2 Capital	800,000
Total Capital	2,411,132
Deductions	-
Equity Investments in unconsolidated banking and financial subsidiaries	-
Investments in capital of other banks/financial associates	-
CAPITAL BASE	2,411,132

Limits:

- i) Approved subordinated term debt is limited to 50% of Total Tier I Capital.
- ii) The total of Tier II supplementary elements should not exceed a maximum of 10 times of Tier 1 Capital.
- iii) General provisions should not exceed 1.25% of Risk-Weighted Assets.

Schedule III

Total Risk Weighted Assets

	Total LKR.000	Risk Weight %	Risk weighted Assets LKR.000
<b>Total Assets</b>	<b>14,569,933</b>		<b>13,146,941</b>
<b>Cash &amp; Current Accounts with Banks</b>	<b>63,767</b>	<b>0%</b>	<b>-</b>
Deposits with Banks	-	20%	-
Deposit with Finance Companies	-	20%	-
<b>Due from Central Bank of Sri Lanka</b>	<b>-</b>	<b>0%</b>	<b>-</b>
<b>Sri Lanka Govt Treasury Bills</b>	<b>-</b>	<b>0%</b>	<b>-</b>
<b>Sri Lanka Govt/Central Bank Securities</b>	<b>605,889</b>	<b>0%</b>	<b>-</b>
<b>Other Securities guaranteed by Sri Lanka Government</b>	<b>-</b>	<b>0%</b>	<b>-</b>
<b>Loans and Advances :</b>	<b>13,590,264</b>		<b>12,836,928</b>
Against Deposits with the Company	-	0%	-
Against SL Govt Guarantee/Securities	-	0%	-
Against dues/Securities/Guarantees of Central Bank of Sri Lanka	-	0%	-
Against Deposits with Banks	-	20%	-
Against Deposits with Finance Companies	-	20%	-
Staff Loans Secured by Provident Fund Balances	-	0%	-
Loans against Gold and Gold Jewellery	753,336	0%	-
Less than 10% in Total Advances	753,336	0%	-
Between 10-50% in Total Advances	-	10%	-
Greater than 50% in Total Advances	-	25%	-
Loans against Real Estates (Performing)	-	50%	-
Other Loans and Advances	12,836,928	100%	12,836,928
<b>Other Investments</b>			
(excluding items deducted from the total Capital)	56	100%	56
<b>Fixed Assets</b>	<b>139,586</b>	<b>100%</b>	<b>139,586</b>
<b>Other Assets</b>	<b>170,371</b>	<b>100%</b>	<b>170,371</b>

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G4-EC9	Proportion of spending on local suppliers at significant locations of operation	N/A

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G4-EN3	Energy consumption within the organization	N/A
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G4-EN8	Total water withdrawal by source	N/A
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G4-EN11	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	N/A
G4-EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	N/A
G4-EN13	Habitats protected or restored	N/A
G4-EN14	Total number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk	N/A

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G4-EN18	Greenhouse gas (GHG) emissions intensity	N/A
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G4-EN32	Percentage of new suppliers that were screened using environmental criteria	N/A
G4-EN33	Significant actual and potential negative environmental impacts in the supply chain and actions taken	N/A
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G4-EN34	Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms	N/A
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G4-LA9	Average hours of training per year per employee by gender, and by employee category	57 Partially Complied
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G4-LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	N/A
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G4-LA14	Percentage of new suppliers that were screened using labour practices criteria	193
G4-LA15	Significant actual and potential negative impacts for labour practices in the supply chain and actions taken	N/A
ASPECT: LABOUR PRACTICES GRIEVANCE MECHANISMS		
G4-LA16	Number of grievances about labour practices filed, addressed, and resolved through formal grievance mechanisms	193
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ASPECT: INVESTMENT		
G4-HR1	Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	N/A
G4-HR2	Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	N/A
ASPECT: NON-DISCRIMINATION		
G4-HR3	Total number of incidents of discrimination and corrective actions taken	N/A

General Standard Disclosures	Disclosure Description	Page Number
<b>ASPECT: FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING</b>		
G4-HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights	N/A
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G4-HR7	Percentage of security personnel trained in the organization's human rights policies or procedures that are relevant to operations	N/A
<b>ASPECT: INDIGENOUS RIGHTS</b>		
G4-HR8	Total number of incidents of violations involving rights of indigenous peoples and actions taken	N/A
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G4-HR9	Total number and percentage of operations that have been subject to human rights reviews or impact assessments	N/A
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<b>ASPECT: HUMAN RIGHTS GRIEVANCE MECHANISMS</b>		
G4-HR12	Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms	N/A
<b>SUB-CATEGORY: SOCIETY</b>		
<b>ASPECT: LOCAL COMMUNITIES</b>		
G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs	N/A
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<b>ASPECT: ANTI-CORRUPTION</b>		
G4-SO3	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	N/A
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G4-SO6	Total value of political contributions by country and recipient/beneficiary	N/A
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G4-SO11	Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms	N/A
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## INDEPENDENT ASSURANCE REPORT OF SIYAPATHA FINANCE PLC ON THE SUSTAINABILITY REPORTING CRITERIA PRESENTED IN THE INTEGRATED ANNUAL REPORT 2015

### INTRODUCTION AND SCOPE OF THE ENGAGEMENT

The management of Siyapatha Finance PLC (“the Company”) engaged us to provide an independent assurance on the following elements of the sustainability reporting indicators under the annual report- 2015-16 (“the Report”).

- \* Reasonable assurance on the information on financial performance as specified on page 193 of the Report.
- \* Limited assurance on other information presented in the Report, prepared in accordance with the requirements of the Global Reporting Initiative G4 ‘In accordance’ - Core guidelines.

### BASIS OF OUR WORK AND LEVEL OF ASSURANCE

We performed our procedures to provide limited assurance in accordance with Sri Lanka Standard on Assurance Engagements (SLSAE 3000): ‘Assurance Engagements Other than Audits or Reviews of Historical Financial Information’, issued by the Institute of Chartered Accountants of Sri Lanka (“CASL”).

The evaluation criteria used for this limited assurance engagement are based on the Sustainability Reporting Guidelines (“GRI Guidelines”) and related information in particular, the requirements to achieve GRI G4 ‘In accordance’ –Core guideline publication, publicly available at GRI’s global website at “www.globalreporting.org”.

Our engagement provides limited assurance as well as reasonable assurance. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement conducted in accordance with SLSAE-3000 and consequently does not enable to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement.

### MANAGEMENT OF THE COMPANY’S RESPONSIBILITY FOR THE REPORT

The management of the Company is responsible for the preparation of the self-declaration, the information and statements contained within the Report, and for maintaining adequate records and internal controls that are designed to support the sustaining reporting process in line with the GRI Sustainability Reporting Guidelines.

### ERNST & YOUNG’S RESPONSIBILITY

Our responsibility is to express a conclusion as to whether we have become aware of any matter that causes us to believe that the Report is not prepared in accordance with the requirements of the Global Reporting Initiative G4 ‘In accordance’ – Core guidelines. This report is made solely to the Company in accordance with our engagement letter dated 03 May 2016. We disclaim any assumption of responsibility for any reliance on this report to any person other than the Company or for any purpose other than that for which it was prepared. In conducting our engagement, we have complied with the independence requirements of the Code for Ethics for Professional Accountants issued by the CASL.

### KEY ASSURANCE PROCEDURES

We planned and performed our procedures to obtain the information and explanations considered necessary to provide sufficient evidence to support our limited assurance conclusions. Key assurance procedures included:

- \* Interviewing relevant the company's personnel to understand the process for collection, analysis, aggregation and presentation of data.
- \* Reviewing and validation of the information contained in the Report.
- \* Checking the calculations performed by the Company on a sample basis through recalculation.
- \* Reconciling and agreeing the data on financial performance are properly derived from the Company's audited financial statements for the year ended 31 December 2015.
- \* Comparison of the content of the Report against the criteria for a Global Reporting Initiative G4 'In accordance' - Core guidelines.

Our procedures did not include testing electronic systems used to collect and aggregate the information.

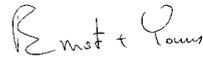
#### **LIMITATIONS AND CONSIDERATIONS**

Environmental and social performance data are subject to inherent limitations given their nature and the methods used for determining, calculating and estimating such data.

#### **CONCLUSION**

Based on the procedures performed, as described above, we conclude that;

- \* The information on financial performance as specified on page 193 of the Report are properly derived from the audited financial statements of the Company for the year ended 31 December 2015.
- \* Nothing has come to our attention that causes us to believe that other information presented in the Report are not fairly presented, in all material respects, in accordance with the Company's sustainability practices and policies some of which are derived from GRI-G4-'In accordance' Core Sustainability Reporting Guidelines.



Chartered Accountants  
25 May 2016  
Colombo

## BRANCH NETWORK & COMMUNICATION INFORMATION

	Region	Branch	Telephone Number	Fax Number	Address	Manager / OIC		Branch Code
						Name	Mobile Number	
1	Region - A - Hisham Ziard	Head Office	0117 605 605	0117 605 606 / 0117 605 604 / 0117 605 627	No.46/12, Nawam Mawatha , Colombo 2	Amila Shanaka	777598203	HO
2		Peliyagoda	0117 605 625	0117 605 626	No.304, Negombo Road, Peliyagoda	Anura Jayasinghe	776063532	PLG
3		Matara	0417 605 605	0417 605 606	No.5B,Hakmana Road, Matara	Buddhika Rathnayake	773872805	MTR
4	Region -B - Thilak Adhikari	Kurunegala	0377 605 605	0377 605 606	No. 254B, Colombo Road, Kurunegala	Senarath Bandara	773714125	KUG
5		Kurunegala - II	0377 605 625	0377 605 626	No. 116,Colombo Road, Kurunegala	Chaminda Pathmasiri	776052191	KUGP
6		Kuliyapitiya	0377 605 615	0377 605 616	No 50/52, Kurunegala road, Kuliyapitiya	Chamara Perera	773936596	KUL
7		Anuradhapura	0257 605 605	0257 605 606	No. 213/4,Maithreepala Senanayaka Mawatha, Anuradhapura	Bhathiya Asanka	772287042	ANU
8		Nuwara-Eliya	0527 605 605	0527 605 606	No 28 , Kandy Road, Nuwara Eliya	Manjula Jayathilaka	772960821	NUW
9	Region -C- ALM Faiz	Kalmunai	0677 605 605	0677 605 606	No.1610, Main Street, Sainthamaruthu	Mohomed Primsath	770800272	KLM
10		Kalmunai - II	0677 605 625	0677 605 626	172/4, Batticaloa Rd, Kalmunai	Kasun Paranaguruge	776057338	KLMP
11		Vauniya	0247 605 605	0247 605 606	No. 159 , Bazaar Street, Vavuniya	A.K.R.Saranga	777706887	VAU
12		Batticaloa	0657 605 605	0657 605 606	No. 257,259 , Trinco Road, Batticaloa	T. Prabakaran	773764750	BAT
13	Region -D- Amila Kumara	Negombo	0317 605 605	0317 605 606	No-187,Thaladuwa Road, Negombo	Gayan Sampath	776053400	NGB
14		Kegalle	0357 605 605	0357 605 606	No 137, Kandy Road, Kegalle	Saliya Maluddeniya	773239898	KGL
15	Region -E- Bandara Medagoda	Kandy	0817 605 605	0817 605 606	No 274/A, Katugasthota Rd, Kandy	Rasika Rathnayaka	773115773	KND
16		Kandy - II	081 7605 625	081 7605 626	192/1/1 , Kotugodella Street ,Kandy	Charith Bandara	776058105	KNDP
17		Ampara	0637 605 605	0637 605 606	No. 32 , D S Senanayake Street , Ampara	Ashoka Rupasinghe	773611088	AMP
18	Region -F- Indika Rajapakse	Nugegoda	0117 605 680	0117 605 675	No. 189 , Stanley Thilakarathne Mawatha, Nugegoda	Kasun Silva	772987010	NUG
19		Ratnapura	0457 605 605	0457 605 606	No. 186, Main Street Ratnapura	Hemantha Premarathne	777807671	RTP
20		Avissawella	0367 605 605	367 605 606	No. 20, Ratnapura Road , Avissawella	Gayan Kamalajith	767174624	AVW

## GLOSSARY OF FINANCIAL TERMS

### A

#### Accounting Policies

The specific principles, bases, conventions, rules and practices adopted by an entity in preparing and presenting financial statements.

#### Accrual Basis

Recognizing the effects of transactions and other events when they occur without waiting for receipt or payment of cash or its equivalent.

#### Amortization

The systematic allocation of the depreciable amount of an asset over its useful life.

#### Amortized Cost

The amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest rate method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

#### Asset and Liability Committee (ALCO)

A risk-management committee in a finance company that generally comprises the senior-management levels of the institution. The ALCO's primary goal is to evaluate, monitor and approve practices relating to risk due to imbalances in the capital structure. Among the factors considered are liquidity risk, interest rate risk, operational risk and external events that may affect the finance company's forecast and strategic balance-sheet allocations.

#### Available -For -Sale financial Assets

Non derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

### C

#### Capital Adequacy Ratio

The relationship between capital and risk weighted assets as defined in the framework developed by the Bank for International Settlements (BIS) and as modified by the Central Bank of Sri Lanka to suit local requirements.

#### Cash

Cash comprises cash on hand and demand deposits.

#### Cash Equivalents

Short-term highly liquid investments those are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

#### Cash Flows

Cash flows are inflows and outflows of cash and cash equivalents.

#### Collectively Assessed Impairment

Impairment assessment on a collective basis for homogeneous groups of loans that are not considered individually significant and to cover losses which have been incurred but have not yet been identified on loans subject to individual assessment.

#### Commercial Paper ('CP')

An unsecured, short-term debt instrument issued by a corporation, typically for the financing of accounts receivable,

inventories and meeting short-term liabilities. The debt is usually issued at a discount, reflecting prevailing market interest rates.

#### Commitments

Credit facilities approved but not yet utilized by the clients as at the Reporting date.

#### Compounded Annual Growth Rate (CAGR)

The rate at which a variable would have grown if it grew at an even rate compounded annually.

#### Contingencies

A condition or situation existing at the Balance Sheet date where the outcome will be confirmed only by occurrence or non-occurrence of one or more future events.

#### Corporate Governance

The process by which corporate entities are governed, it is concerned with the way in which power is exercised over the management and direction of an entity, the supervision of executive actions and accountability to owners and others.

#### Cost to Income Ratio

Operating expenses excluding loan/ lease loss provision as a percentage of net interest income.

#### Credit Ratings

An evaluation of a corporate's ability to repay its obligations or the likelihood of not defaulting, carried out by an independent rating agency.

#### Credit Risk

Credit risk is the potential that a borrower or counter party will fail to meet its obligations in accordance with agreed terms and conditions.

## D

### Deferred Tax

Sum set aside for tax in the Financial Statements that may become payable/ receivable in a financial year other than the current financial year.

### Delinquency

A debt or other financial obligation is considered to be in a state of delinquency when payments are overdue. Loans and advances are considered to be delinquent when consecutive payments are missed. Also known as 'Arrears'.

### Depreciation

The systematic allocation of the depreciable amount of an asset over its useful asset.

### Derecognition

Removal of a previously recognized financial asset or financial liability from an entity's Statement of Financial Position.

### Discount Rate

A rate used to place a current value on future cash flows. It is needed to reflect the fact that money has a time value.

### Dividend Cover

Profit after tax divided by gross dividend. This ratio measures the number of times dividend is covered by the current year's distributable profits.

## E

### Earnings per Share

Profit attributable to ordinary shareholders divided by the number of ordinary shares in use.

### Economic Value Added (EVA)

A measure of productivity which takes into consideration cost of total invested equity.

### Effective Interest Rate (EIR)

Rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instruments or when appropriate a shorter period to the net carrying amount of the financial asset or financial liability.

### Effective Tax Rate

Provision for taxation expressed as a percentage of Profit Before Tax.

### Equity Method

The equity method is a method of accounting whereby the investment is initially recognized at cost and adjusted thereafter for the post-acquisition change in the investor's share of net assets of the investee. The profit or loss of the investor includes the investor's share of the profit or loss of the investee.

### Events after the Reporting Period

Events after the reporting period are those events, favourable and unfavorable, that occur between the end of the reporting period and the date when the financial statements are authorized for issue.

### EXPECTED LOSS (EL)

A regulatory calculation of the amount expected to be lost on an exposure using a 12 month time horizon and downturn loss estimates. EL is calculated by multiplying the Probability of Default (a percentage) by the Exposure at Default (an amount) and Loss Given Default (a percentage).

## Exposure

A claim, contingent claim or position which carries a risk of financial loss.

## F

### Factoring

Factoring is a time-honoured financial tool used by companies worldwide. It is the purchase of account receivables (invoices) for immediate cash.

### Fair Value

The amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

### Fair Value Through Profit or Loss

A financial asset/liability: Acquired/ incurred principally for the purpose of selling or repurchasing in the near term, part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking, or a derivative (except for a derivative that is a financial guarantee contract)

### Finance Lease

A contract whereby a lessor conveys to the lessee the right to use an asset for rent over an agreed period of time which is sufficient to amortize the capital outlay of the lessor. The lessor retains the ownership of the asset but transfers substantially all the risks and rewards of ownership to the lessee.

### Financial Asset

Financial asset is any asset that is cash, an equity instrument of another entity or a contractual right to receive cash or another financial asset from another entity.

#### **Financial Instrument**

Financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

#### **Financial Liability**

Financial Liability is a contractual obligation to deliver cash or another financial asset to another entity.

#### **Functional and Presentation Currency**

These Financial Statements are presented in Sri Lankan Rupees, which is the Company's functional and presentation currency. All financial information has been rounded to the nearest Rupee unless otherwise specifically indicated.

#### **G**

##### **Going concern**

An entity shall prepare Financial Statements on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so.

##### **Group**

A Group is a parent of all its subsidiaries.

##### **Gearing**

Long term borrowings divided by the total funds available for shareholders.

##### **Gross Dividend**

The portion of profits distributed to the shareholders including the tax withheld.

#### **H**

##### **Held for Trading**

Debt and equity investments that are purchased with the intent of selling them within a short period of time.

##### **Hire purchase**

A hire purchase is a contract between hirer and financier where the hirer takes on hire a particular article from the financier, with the option to purchase the article at the conclusion of the agreed rental payments.

##### **HTM (Held to Maturity) Investments**

Held-to-Maturity investments are non-derivative financial assets with fixed or determinable payments and a fixed maturity that an entity has the positive intention and ability to hold to maturity.

##### **International Financial Reporting Standards (IFRS)**

A set of international accounting standards stating how particular types of transactions and other events should be reported in financial statements. IFRS are issued by the International Accounting Standards Board (IASB).

##### **Intangible Assets**

An intangible asset is an identifiable non-monetary asset without physical substance.

##### **Interest Cover**

A ratio showing the number of times interest charges is covered by earnings before interest and tax.

##### **Interest Margin**

Net Interest income expressed as a percentage of average interest earning assets.

##### **Interest Spread**

Represent the difference between average interest rate earned on interest earning assets and the average interest rate paid on interest bearing liabilities.

##### **Interest in Suspense**

Interest suspended on non-performing leases, hire purchases and other advances.

##### **Impairment**

This occurs when recoverable amount of an asset is less than its carrying amount.

##### **Impaired Loans**

Loans where the Group does not expect to collect all the contractual cash flows or expects to collect them later than they are contractually due.

##### **Impairment Allowances**

Management's best estimate of losses incurred in the loan portfolios at the balance sheet date.

##### **Individually Assessed Impairment**

Exposure to loss is assessed on all individually significant accounts and all other accounts that do not qualify for collective assessment.

##### **Interest rate risk**

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

##### **Investment Securities**

Securities acquired and held for yield and capital growth purposes and are usually held to maturity.

## **K**

### **Key Management Personnel**

Key Management Personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any Director (whether Executive or otherwise) of that entity.

## **L**

### **Liquid Assets**

Assets that are held in cash or in a form that can be converted to cash readily, such as deposits with other banks, bills of exchange, treasury bills.

### **Liquidity Risk**

The risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

### **Loan/Credit Losses and Provisions**

Amount set aside against possible losses on loans, advances and other credit facilities as a result of such facilities becoming partly or wholly uncollected.

### **Loss Given Default ('LGD')**

The estimated ratio (percentage) of the loss on an exposure to the amount outstanding at default (EAD) upon default of counterparty.

## **M**

### **Materiality**

The relative significance of a transaction or an event the omission or misstatement of which could influence the economic decisions of users of Financial Statements.

## **Market Risk**

This refers to the possibility of loss arising from changes in a value of financial instrument as a result in changes of market variables such as interest rate, exchange rates, credit spread and other asset prices.

## **N**

### **Net Assets per Share**

Shareholders' funds excluding preference shares, if any, divided by the number of ordinary shares in issue.

### **Net Interest Income**

The difference between income earned on interest bearing assets and costs incurred on financial instruments/ facilities used for funding.

### **Non Performing Advances**

A lease, hire purchase or other advance placed on cash basis (i.e. interest income is only recognized when cash is received), because in the opinion of management, there is a reasonable doubt regarding the collect ability of principal and/ or interest. Rentals receivable in arrears for more than six rentals have been categorized as non-performing. Non-performing advances are reclassified as performing when all arrears rentals are settled in full.

### **NPA Ratio**

The total non-performing leases, hire purchases and other advances expressed as a percentage of total loans and advances portfolio.

## **O**

### **Off- Balance Sheet Items**

Items that are not recognized as assets or liabilities in the statement of financial position, which give rise to the commitment and contingencies in future.

### **Offsetting of financial statements**

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settled the liability simultaneously.

### **Operational Risk**

Operational risk refers to the losses arising from fraud, negligence, oversight, human error, process errors, system failures, external events, etc.

## **P**

### **Parent Company**

A parent is an entity that has one or more subsidiaries.

### **Past Due**

A financial asset is past due when a counter party has failed to make a payment when contractually due.

### **Probability of Default ('PD')**

The probability that an obligor will default within a one-year time horizon.

### **Provision Cover**

Total provision for losses on loans, leases and advances expressed as a percentage of net non-performing loans before discounting for provision on non-performing loans, leases and advances.

### Prudence

Inclusion of degree of caution in the exercise of judgment needed in making the estimates required under the conditions of uncertainty, such that asset or income are not overstated and liabilities or expenses are not understated.

### R

#### Related Parties

Parties where one party has ability to control the other party or exercise significant influence over the other party in making financial and operating decisions, directly or indirectly.

#### Residual Value

The estimated amount that is currently realizable from disposal of the asset, after deducting estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life.

#### Return on Average Assets

Profit after tax expressed as a percentage of average assets

#### Return on Equity

Net Profit after Tax less dividend on preference shares if any, exercised as a percentage of average ordinary shareholders' equity.

#### Reverse Repurchase Agreements

Transactions involving the purchase of securities by the company and resale back to the seller at a future date and specified price.

#### Risk Weighted Assets

The sum of on balance sheet assets and the credit equivalent of off balance sheet assets multiplied by the relevant risk weighting factors.

### S

#### Shareholders' Funds

The total of stated capital and capital and revenue reserves.

#### Sri Lanka Financial Reporting Standards (SLFRSs)

Standards and Interpretations adopted by Institute of Chartered Accountants of Sri Lanka.

They comprise of the followings.

- \* Sri Lanka Accounting Standards (SLFRS);
- \* Sri Lanka Accounting Standards (LKAS); and
- \* Interpretations adopted by the Council of ICASL (IFRIC and SIC).

#### Stated Capital

All amounts received by the Company or due and payable to the Company – (a) in respect of the issue of shares, (b) in respect of calls on shares.

#### Statutory Reserve Fund

A capital reserve created as per the provisions of Finance Companies (Capital Funds) Direction No. 1 of 2003.

#### Substance over Form

The consideration that the accounting treatment and the presentation in Financial Statements of transactions and events should be governed by their substance and financial reality and not merely by legal form.

#### Subsidiary Company

An entity, including an unincorporated entity which is controlled by another entity called parent.

### T

#### Tier 1 Capital and Tier 2 Capital

**Tier 1:** Core capital representing permanent shareholders' equity and reserves created or increased by appropriations of retained earnings or other surpluses.

**Tier 2:** Supplementary capital representing general provisions and other capital instruments which combines certain characteristics of equity and debt such as hybrid capital instruments and subordinated term debts.

#### Transaction Costs

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability.

#### Useful Life

Useful life is the period over which an asset is expected to be available for use by an entity or the number of production or similar units expected to be obtained from the asset by an entity.

### V

#### Volatile Liability Dependency Ratio

Short Term borrowings (of maturity less than 12 months) expressed as a percentage of the Total Advances (Lending) Portfolio.

### Y

#### Yield

Return of an investment in percentage terms, taking in to account annual income and any changes in capital value.

## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 11th Annual General Meeting of Siyapatha Finance PLC will be held at the Board Room of Sampath Bank PLC at No. 110, Sir James Peiris Mawatha, Colombo 02 on 28th June 2016 at 9.00 a.m. for the following purposes.

- (1) To receive and consider the Report of the Board of Directors on the affairs of the Company and the statement of Audited Accounts for the year ended 31 December 2015 with the Report of the Auditors thereon.
- (2) To re-elect Mr. W M P L De Alwis as a Director under Articles 24(8) of the Articles of Association of the Company.
- (3) To re-elect Dr. H S D Soysa as a Director under Articles 24(8) of the Articles of Association of the Company.
- (4) To re-elect Mr. R Samaranyake as a Director under Articles 24(8) of the Articles of Association of the Company.
- (5) To re-elect Mr. L T Ranwala as a Director in accordance with the Article 24(2) of the articles of Association of the Company.
- (6) To declare a dividend of LKR. 1.10 per share for the financial year 2015 be declared payable as follows:
  - \* Scrip Dividend of LKR. 1.10 per share and therefore to consider and if thought fit, to pass the following resolution by way of an Ordinary Resolution.

“It is hereby resolved that a Scrip Dividend of LKR. 1.10 per share for the financial year 2015 payable as follows;

LKR. 1.10 be distributed in the form of a scrip dividend amounting to a total sum of Rupees Fifty Seven Million Seven Hundred and Fifty Thousand (LKR. 57,750,000/-) and the Scrip Dividend be subject to a dividend tax at the rate 10%. The shares issued in the scrip dividend shall be valued at Rs. 31.99 per share which result in one (01) Share being issued for each existing 32.31 Shares.

Consequently the total number of shares to be issued under the scrip dividend shall be 1,624,726 Ordinary Shares.”

- (7) To re-appoint M/s Ernst & Young, Chartered Accountants as the Auditors of the Company for the ensuing year and authorize the Directors to determine their remuneration.

By order of the Board



**S Sudarshan**  
Company Secretary

24th May 2016

# PROXY FORM

I/We.....  
of.....

Being a member/s of Siyapatha Finance PLC hereby appoint

Mr. C P Palansuriya of No 118/1, Dr. N M Perera Mawatha, Colombo 08	failing him
Mr. M A Abeynaika of No 81, 6/6, Ward Place, Colombo 07	failing him
Mr. S G Wijesinha of No 146/8, Havelock Road, Colombo 05	failing him
Mr. P M A Sirimane of 159/7, Rampart Road, Etul Kotte	failing him
Dr. H S D Soysa of No 197/3, Lauries Lane, Colombo 04	failing him
Mr. W M P L De Alwis of No 40/4 Park Road Colombo 05	failing him
Mr. M Y A Perera of No 370 F/2, Lake Road, Averihena, Hokandara (south)	failing him
Mr. R Samaranayake of No.51/A,Weerapuran Appu Mawatha, Lakshapathiya, Moratuwa	failing him
Mr. L T Ranwala of No.70/2, Sri Maha Vihara Road, Kalubowila, Dehiwala	failing him
Mr. K M S P Herath of No.428/56, Eden Gardens, Samagi Mawatha, Hokandara-South	failing him

Mr/Mrs/Miss.....  
of.....  
as my/our proxy to present me/us and vote at the Annual General Meeting of the Company to be held on 28th June 2016 at 9.00 a.m. and at any adjournment thereof.

- |     |  | FOR                      | AGAINST                  |
|-----|--|--------------------------|--------------------------|
| (1) | To receive the Audited Financial Statements and the Annual Report of the Board for the year ended 31.12.2015   | <input type="checkbox"/> | <input type="checkbox"/> |
| (2) | To re-elect Mr. W M P L De Alwis as a Director under Articles 24(8) of the Articles of Association of the Company  | <input type="checkbox"/> | <input type="checkbox"/> |
| (3) | To re-elect Dr. H S D Soysa as a Director under Articles 24(8) of the Articles of Association of the Company   | <input type="checkbox"/> | <input type="checkbox"/> |
| (4) | To re-elect Mr. R Samaranayake as a Director under Articles 24(8) of the Articles of Association of the Company  | <input type="checkbox"/> | <input type="checkbox"/> |
| (5) | To re-elect Mr. L T Ranwala as a Director in accordance with the Article 24(2) of the Articles of Association of the company   | <input type="checkbox"/> | <input type="checkbox"/> |
| (6) | To declare the recommended Scrip Dividend of LKR.1.10 per share for the Financial Year 2015 along with the Ordinary Resolutions set out in the Notice convening the meeting. | <input type="checkbox"/> | <input type="checkbox"/> |
| (7) | To re-appoint M/s Ernst & Young, Chartered Accountants as the Auditors of the Company for the ensuing year and authorize the Directors to determine their remuneration.      |                          |                          |

Mark your preference with 'X'

Signed ..... day of .....2016.

**NOTE :**

- i. Proxy need not be a member of the Company
- ii. Instructions recompletion of Proxy are given on the following page

### INSTRUCTIONS AS TO COMPLETION

1. Kindly perfect the form of proxy, after filling in legibly your full names and address, and by signing on the space provided.
2. The completed form of proxy should be deposited at the Registered Office of the Company at 7th Floor, No. 110, Sir James Peiris Mawatha, Colombo 02 not less than 48 hours before, the appointed time for the holding of the meeting.
3. If you wish to appoint a person other than Chairman, Deputy Chairman or a Director of the Company as your proxy, please insert the relevant details at the space provided (below names of the Board of Directors) on the Proxy form.
4. Article 16(6) of the Articles of Association of the Company provided that;  
“Any corporation which is a member of the Company may by resolution of its directors or other governing body authorize such person as it thinks fit to act as its representative at any meeting of the Company or of any class of members of the company, and the person so authorized shall be entitled to exercise the same powers on behalf of such corporation as the corporation could exercise if it were an individual member of the Company”.
5. Please indicate with an ‘X’ in the space provided how your Proxy is to vote on each resolution. If no indication is given, the Proxy, at his discretion, will vote as he thinks fit.
6. In the case of a Company/Corporation, the Proxy must be under its Common Seal which should be affixed and attested in the manner prescribed by its Articles of Association.
7. In the case of a Proxy signed by an Attorney, the Power of Attorney must be deposited at the Registered Office of the Company for registration.

If undelivered, please return to;  
Company Secretary  
Siyapatha Finance PLC  
No. 110, Sir James Peiris Mawatha,  
7th Floor – Sampath Centre Building  
Colombo 02.

## CORPORATE INFORMATION

### NAME OF THE COMPANY :

Siyapatha Finance PLC (formerly known as Sampath Leasing and Factoring Limited)

**REGISTRATION NO. :** PB 917PQ

**TELEPHONE :** +94117605605

**FAX :** +94117605606

**E-MAIL :** info@siyapatha.lk

**WEBSITE :** www.siyapatha.lk

### CREDIT RATING :

Fitch Rating Lanka Limited has affirmed Siyapatha Finance PLC's National Long Term Rating of A- (Ika) with a Stable outlook.

### PRIMARY BRANDS, PRODUCTS AND SERVICES

Please refer Integrated Management Discussion and Analysis Section

### LOCATION OF HEAD QUARTERS

46/12, Sayuru Sevana, Nawam Mawatha, Colombo 02.

### REGISTERED OFFICE

110, Sir James Peiris Mawatha, Colombo 02

### OPERATING COUNTRIES

Operations are limited to Sri Lanka

### OWNERSHIP

Siyapatha Finance PLC is a fully owned subsidiary of Sampath Bank PLC. Siyapatha Finance PLC does not have any subsidiaries established.

### LEGAL FORM

Sampath Leasing and Factoring Limited was incorporated on 3rd March 2005 under the Companies Act No. 17 of 1982 as a specialized leasing company and re-registered under the Companies Act No. 07 of 2007 on 18th March 2009. Sampath Leasing and Factoring Limited was renamed as "Siyapatha Finance Limited" on 2nd September 2013. The status of the Company was changed and Siyapatha Finance Limited was converted to Siyapatha Finance PLC upon listing in Colombo Stock Exchange on 31st December 2014.

### BOARD OF DIRECTORS :

Name	Description
Mr. C P Palansuriya	Chairman, Non-Independent, Non-Executive Director
Mr. M A Abeynaike	Deputy Chairman, Independent, Non-Executive Director
Mr. S G Wijesinha	Independent, Non-Executive Director
Mr. M Y A Perera	Non-Independent, Non-Executive Director
Mr. W M P L De Alwis	Non-Independent, Non-Executive Director
Dr. H S D Soysa	Independent, Non-Executive Director
Mr. P M A Sirimane	Independent, Non-Executive Director
Mr. R Samaranayake	Non-Independent, Non-Executive Director
Mr. L T Ranwala	Non-Independent, Non-Executive Director (Appointed w.e.f 28.07.2015)
Mr. K M S P Herath	Managing Director (Appointed w.e.f. 05.04.2016)
Mr. A R Nanayakkara	Chief Executive Officer ( Resigned w.e.f. 30.04.2016)

### AUDITORS

: Ernst & Young, Chartered Accountants  
No.201, De Seram Place, Colombo 10,  
Sri Lanka.  
Tel: +94112463500  
Fax:+94112697369

### LAWYERS

: Nithya Partners  
Attorneys-at-Law

### COMPANY

#### SECRETARY

: Mr. S Sudarshan  
Chartered Secretary

### BANKERS

: Sampath Bank PLC  
Commercial Bank of Ceylon PLC  
Hatton National Bank PLC  
Bank of Ceylon  
Nations Trust Bank PLC  
National Developments Bank PLC  
Seylan Bank PLC  
Deutsche Bank AG

### MARKETS SERVED :

Our operations are spread across the island covering all nine provinces.  
Our primary market segments are individual customers, SMEs and corporate clients.

### SIGNIFICANT CHANGES DURING THE REPORTING PERIOD:

There are no significant changes during the reporting period.





