



Mr. Renuke Wijayawardhane  
Chief Regulatory Officer  
Colombo Stock Exchange  
Echelon Square  
Colombo 01

02<sup>nd</sup> September 2019

Dear Sir,

## MARKET ANNOUNCEMENTS ON NON-COMPLIANCE WITH CSE LISTING RULES

### **1. Non-Compliance with Corporate Governance requirements of the Listing Rules**

We wish to inform the market that the trading of Securities of the Company has been suspended with effect from 01<sup>st</sup> July 2018, due to non-compliance with the sections 7.10.2(a), 7.10.5(a), 7.10.6(a) & 9.2.2 of the Listing Rules of the Colombo Stock Exchange (CSE), after expiry of six months from the date of transferring the securities of the Company to the Watch List with effect from 01<sup>st</sup> January 2018, by the CSE.

The number of Directors comprising the Board of Directors of Swarnamahal Financial Services PLC is as follows;

Item	Details of non-compliance	Minimum number of Directors as per listing rule	Current status of the Directors
1.	Composition of the Independent Directors in the Board	2	Nil
2.	Composition of the Non - Executive Directors in the Board	2	2
3.	Composition of the Remuneration Committee (Independent Non - Executive Directors)	2	One of each Non - Executive & Executive Director
4.	a) Composition of the Audit Committee (Independent Non - Executive Directors)	2	03 Executive Directors
	b) Chairman or one member of the Audit Committee is a member of the recognized professional accounting body	01	Nil

Swarnamahal Financial Services PLC hereby declare that the entity has failed to comply with the Corporate Governance Requirements as set out in Rule 7.10 of the CSE Listing Rules to the extent disclosed above.

We wish to bring to notice of the Market that SFS could not be able to appoint Independent Non- Executive Directors to reconstitute the Board and Board Sub committees effectively to comply with the Corporate Governance requirements of the sections 7.10.2(a), 7.10.5(a), 7.10.6 (a) & 9.2.2 of the Listing Rules of the CSE, due to the continuous negative net worth position prevailing in the Company affecting its going concern.

Further, in terms of the section 7.10.7. j of the Listing Rules, in the event the trading of the Securities of the Listed Company remains suspended for a period in excess of six (06) months, the securities of the Company shall be delisted by the Board of Directors of the CSE in terms of Rule No. 11.3 (a) of the Listing Rules for which the Company has made an appeal for a deferment from Securities and Exchange Commission of Sri Lanka and awaits for the determination.

## **2) Modified Opinion in the Financial Statements for the Year Ended 31<sup>st</sup> March 2019.**

In terms of the Rule Number 7.5 (d) (i) 4 of the Listing Rules of the CSE, we wish to inform that the Independent Auditors' report dated 28<sup>th</sup> June 2019 contains a Modified Opinion due to the Company's total liabilities exceed total assets by Rs. 1,160,641,208/- as at 31<sup>st</sup> March 2019 and the Company has not complied with several directions issued by the Central Bank of Sri Lanka (CBSL) and other regulatory authorities as described in Notes 34 & 35 to the Financial Statements of the Annual Report 2018/19.

Although, in terms of the Rule No. 7.5 (d) (I) (4) of the Listing Rules, the securities of the Company were to be transferred to the "Watch List" for the above reason with effect from 07<sup>th</sup> September 2018, the securities of the Company were transferred to "Watch List" with effect from 01<sup>st</sup> January 2018 of which the trading have also been suspended with effect from 01<sup>st</sup> July 2018 due to continuous non-compliance with the Corporate Governance requirements of the Listing Rules of the CSE as described in section 1 of the above.

Further, the Company wishes to announce at the Annual General Meeting which will be held on 30<sup>th</sup> September 2019, these matters will be taken up.

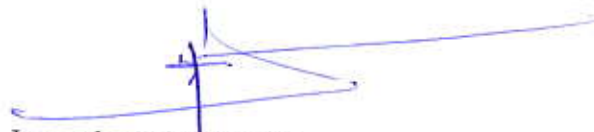
Further, we inform the Market that the Company is now negotiating and finalizing a proposal with a potential investor in consultation with the CBSL to infuse fresh capital, change the ownership and appoint new directors into SFS in terms of the regulatory requirements, hence it is expected that SFS would be able to comply with the above stated sections of the Listing Rules, during next few months, no sooner the proposal of the potential investor is materialized, since the continuation of the listing status is committed by the new investor in compliance with the regulatory requirements of the CBSL.

In terms of the section 7.5.(d) (i) 4 of the Listing Rules of the CSE, we further state;

- i) In the event of any deviation from the proposed remedial action, the extent of the deviation shall be communicated to the investors by way of a subsequent announcement to the Market via the Exchange within one (01) Market Day from the date of obtaining the approval of the Board of Directors of the Company for such deviation;
- ii) In the event the matters giving rise to the Modified Audit Opinion are not resolved within a period of six (06) months from the date of transferring the Securities of the Company to the Watch List, the trading of Securities of the Company shall be suspended. In the event the trading suspension continues for a period in excess of twelve (12) months, the securities of the Company shall be delisted by the Board of Directors of the CSE in terms of Rule 11.3 (a) of the Listing Rules.
- iii) In the event the matters giving rise to the Modified Audit Opinion are resolved, such fact shall be announced to the Market via the CSE in the form of a declaration by the Board of Directors of the Company which shall be accompanied with a confirmation issued by the Audit Committee of the Company stating that the matters giving rise to the Modified Audit Opinion have been resolved.

**Yours faithfully**

**By order of the Board of Swarnamahahal Financial Services PLC**

  
Jeewaka Edirisinghe  
Chairman