

**vallibel** Finance PLC. – Debenture Issue 2014

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by Sri Lanka



**PROSPECTUS**

Financial Adviser and  
Managers to the Issue



Navara Capital Partners Limited.

 **vallibel** Finance





**VALLIBEL FINANCE PLC**



**PROSPECTUS**

**AN INITIAL ISSUE OF 2,500,000 UNSECURED SUBORDINATED REDEEMABLE DEBENTURES AT THE FACE VALUE OF LKR 100/- EACH TO RAISE SRI LANKA RUPEES TWO HUNDRED AND FIFTY MILLION (LKR 250,000,000/-)**

**WITH AN OPTION TO ISSUE UPTO A FURTHER 2,500,000 OF SAID DEBENTURES TO RAISE UPTO SRI LANKA RUPEES TWO HUNDRED AND FIFTY MILLION (LKR 250,000,000/-), AT THE DISCRETION OF THE COMPANY IN THE EVENT OF AN OVERSUBSCRIPTION OF THE INITIAL ISSUE**

**TO BE LISTED ON THE SECOND BOARD OF THE COLOMBO STOCK EXCHANGE**

**ISSUE OPENS ON 11<sup>th</sup> February 2014**

**FINANCIAL ADVISORS & MANAGERS TO THE ISSUE**



**NAVARA CAPITAL PARTNERS LIMITED**

NO. 12 B, GREGORY'S ROAD, COLOMBO 7

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FAX: +94 11 2698524

WEBSITE: [WWW.NAVARACAPITAL.COM](http://WWW.NAVARACAPITAL.COM)

This Prospectus is dated 27<sup>th</sup> January 2014

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

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

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

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

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

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

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

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

#### **Registration of the Prospectus**

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

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

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

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

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

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

#### **Representation**

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

#### **Forward Looking Statements**

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

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

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

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

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

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

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

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

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

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

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

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

**PLEASE NOTE THAT DEBENTURE CERTIFICATES WILL NOT BE ISSUED.**

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

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

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

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## ISSUE AT A GLANCE

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<b>Issuer</b>	Vallibel Finance PLC
<b>Instrument</b>	Unsecured Subordinated Redeemable Debentures
<b>Listing</b>	The Debentures will be listed on the Second Board of the Colombo Stock Exchange
<b>Number of Debentures to be Issued</b>	An initial Issue 2,500,000 Rated Unsecured Subordinated Redeemable Debentures with an option to issue up to a further 2,500,000 of said Debentures, at the discretion of the Company, in the event of an oversubscription of the initial Issue
<b>Amount to be Raised</b>	Sri Lanka Rupees Two Hundred and Fifty Million (LKR 250,000,000/-) with an option to raise upto a further Sri Lanka Rupees Two Hundred and Fifty Million (LKR 250,000,000/-), at the discretion of the Company in the event of an oversubscription of the initial Issue
<b>Company Rating</b>	BB+ by RAM Ratings (Lanka) Limited
<b>Issue Rating</b>	BB by RAM Ratings (Lanka) Limited
<b>Issue Price</b>	LKR 100/- per each Debenture
<b>Face Value</b>	LKR 100/- per each Debenture

**Details of Debentures (Fixed rate Debentures)**

Type	Interest Payment	Interest Rate Per Annum	Annual Effective Rate (per annum)	Redemption (from the date of allotment)
A	Quarterly	14.75%	15.59%	5 Years
B	Bi-annual	15.00%	15.56%	5 Years
C	Annual	15.50%	15.50%	5 Years

<b>Number of Debentures to be Subscribed</b>	A minimum of One Hundred (100) Debentures (LKR 10,000/-) and in multiples of One Hundred (100) Debentures (LKR 10,000/-) thereafter
<b>Interest Payment Date(s)</b>	<p><b>Type A</b> 31<sup>st</sup> March, 30<sup>th</sup> June, 30<sup>th</sup> September and 31<sup>st</sup> December of each year from the Date of Allotment up to the Date of Redemption</p> <p><b>Type B</b> 31<sup>st</sup> March and 30<sup>th</sup> September of each year from the Date of Allotment up to the Date of Redemption</p> <p><b>Type C</b> 31<sup>st</sup> March of each year from the Date of Allotment up to the Date of Redemption</p> <p>Interest would be paid not later than three (03) Working Days from each Interest Payment Date.</p>
<b>Mode of Payment of Principal Sum and Interest</b>	By cheque marked "Account Payee Only" or through electronic fund transfer mechanism recognised by the banking system of Sri Lanka such as SLIPS and RTGS
<b>Issue Opening Date</b>	11 <sup>th</sup> February 2014

<b>Closure Date of the Subscription List</b>	<p>4<sup>th</sup> March 2014 or such earlier date on which;</p> <ul style="list-style-type: none"><li>▪ The maximum of 5,000,000 Debentures are fully subscribed; or</li><li>▪ Board of Directors of the Company decides to close the Issue upon the initial Issue of 2,500,000 Debentures or such other higher amount becoming fully subscribed</li></ul>
<b>Date of Allotment</b>	<p>The date on which the Debentures will be allotted by the Company to Applicants subscribing thereto</p>
<b>Basis of Allotment</b>	<p>In the event of an over subscription, the Board of Directors will endeavor to decide the basis of allotment of the Debentures in a fair manner as soon as practicable</p>

## 1. CORPORATE INFORMATION

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<b>The Company/Issuer/VFIN</b>	Vallibel Finance PLC
<b>Legal Status</b>	<p>A Public Quoted Company with Limited Liability incorporated in Sri Lanka on 5<sup>th</sup> September 1974, and registered under the Companies Act No. 17 of 1982 and re-registered under the Companies Act No. 07 of 2007. Listed on the Colombo Stock Exchange on 4<sup>th</sup> May 2010.</p> <p>A Finance Company licensed under the Finance Business Act No.42 of 2011. A Registered Finance Leasing Establishment in terms of Finance Leasing Act No.56 of 2000.</p>
<b>Company Number</b>	PB 526 /PQ
<b>Place of Incorporation</b>	Colombo, Sri Lanka
<b>Registered Address</b>	<p>Vallibel Finance PLC No. 310, Galle Road, Colombo 03</p> <p>Tel: (+94) 11-2370990 Fax: (+94) 11-2375851</p>
<b>Company Secretary</b>	<p>P W Corporate Secretarial (Pvt) Ltd No. 3/17, Kynsey Road Colombo 08.</p> <p>Telephone: (+94) 11-4640360-3 Fax: (+94) 11-4740588 Email: pwcs@pwcs.lk</p>
<b>Ratings Agency</b>	<p>RAM Ratings (Lanka) Ltd., No. 11, Melbourne Avenue, Colombo 4.</p> <p>Telephone: +94 11 2553089 / 2503551 Fax: +94 11 2553090 Email: adrian@ram.com.lk</p>
<b>Auditors and Reporting Accountants</b>	<p>KPMG No. 32A, Sir Mohamed Macan Marker Mawatha P.O Box 186 Colombo 03</p> <p>Telephone: (+94) 11-2426426 Fax: (+94) 11-2445872</p>
<b>Board of Directors</b>	<p>Mr. K. D. D. Perera - Chairman Mr. S. B. Rangamuwa - Managing Director/CEO Mr. J. A. S. S. Adihetty – Non-Executive Director Mr. W. D. N. H. Perera – Non-Executive Director Mr. M. D. S. Goonatilleke – Independent Non-Executive Director Mr. S. Senaratne – Independent Non-Executive Director Mr. K. D. H. Perera – Non-Executive Director Mr. R. M. Karunaratne – Independent Non-Executive Director</p>

## 2. RELEVANT PARTIES TO THE ISSUE

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**Financial Advisors and  
Managers to the Issue**

Navara Capital Partners Limited  
No. 12 B, Gregory's Road  
Colombo 7

Tel: +94 11 4378387  
Fax: +94 11 2698524  
Website: www.navaracapital.com

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**Lawyers to the Issue**

Legalink  
Attorneys-at-Law & Notaries Public

65 1/1  
Norris Canal Road  
Colombo 10

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**Registrars to the Issue**

P W Corporate Secretarial (Pvt) Ltd  
No. 3/17, Kynsey Road  
Colombo 08.

Telephone: (+94) 11-4640360-3  
Fax: (+94) 11-4740588  
Email: pwcs@pwcs.lk

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**Bankers to the Issue**

Seylan Bank PLC

No 90  
Galle Road  
Colombo 03.

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**Trustee to the Issue**

Deutsche Bank AG, Colombo Branch  
No. 86, Galle Road  
Colombo 03

Tel: +94 11 4 791 114  
Fax: +94 11 2 343 336

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**Auditors and Reporting  
Accountants to the Issue**

KPMG  
No. 32A,  
Sir Mohamed Macan Marker Mawatha  
P.O Box 186  
Colombo 03

Telephone: (+94) 11-2426426  
Fax: (+94) 11-2445872

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### 3. LIST OF ABBREVIATIONS

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<b>AER</b>	Annual Effective Rate
<b>ASPI</b>	All Share Price Index
<b>ATA</b>	Average Total Assets
<b>ATS</b>	Automated Trading System of the Colombo Stock Exchange
<b>Bn</b>	Billion
<b>CBSL</b>	Central Bank of Sri Lanka
<b>CDS</b>	Central Depository Systems (Private) Limited
<b>CSE</b>	Colombo Stock Exchange
<b>ICT</b>	Information Communication and Technology
<b>NIC</b>	National Identity Card
<b>POA</b>	Power of Attorney
<b>RTGS</b>	Real Time Gross Settlements
<b>SEC</b>	Securities and Exchange Commission of Sri Lanka
<b>SIA</b>	Securities Investment Account
<b>SLIPS</b>	Sri Lanka Inter Bank Payment System

## 4. GLOSSARY OF TERMS RELATED TO THE ISSUE

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<b>Applicant</b>	Any person who submits an Application Form under this Prospectus
<b>Application Form/ Application</b>	The application form that constitutes part of this Prospectus through which an Applicant may apply for the Debentures in Issue
<b>Closure Date</b>	4 <sup>th</sup> March 2014 or such earlier date on which; <ul style="list-style-type: none"><li>▪ The maximum of 5,000,000 Debentures are fully subscribed; or</li><li>▪ Board of Directors of the Company decides to close the Issue upon the initial Issue of 2,500,000 Debentures or such other higher amount becoming fully subscribed</li></ul>
<b>Company /Issuer/ VFIN</b>	Vallibel Finance PLC
<b>Date of Allotment</b>	The date on which the Debentures will be allotted by the Company to Applicants subscribing thereto
<b>Date of Redemption</b>	The date on which Redemption of the Debentures will take place as referred to in Section 5.5 of this Prospectus
<b>Debentures</b>	Unsecured Subordinated Redeemable Debentures of LKR 100 each to be issued pursuant to this Prospectus at an issue price of LKR 100 per Debenture
<b>Debenture Holder(s)</b>	Any person who is for the time being the holder of the Debentures and includes his/her respective successors in title
<b>Entitlement Date</b>	The Market Day immediately preceding the respective Interest Payment Date or Date of Maturity/Redemption on which a Debenture Holder would need to be recorded as being a Debenture Holder on the list of Debenture Holders provided by the CDS to the Company in order to qualify for the payment of any interest or any redemption proceeds
<b>Face Value</b>	LKR 100/- per each Debenture
<b>Interest Payment Date(s)</b>	<p><b>Type A</b> 31<sup>st</sup> March, 30<sup>th</sup> June, 30<sup>th</sup> September and 31<sup>st</sup> December of each year from the Date of Allotment up to the Date of Redemption</p> <p><b>Type B</b> 31<sup>st</sup> March and 30<sup>th</sup> September of each year from the Date of Allotment up to the Date of Redemption</p> <p><b>Type C</b> 31<sup>st</sup> March of each year from the Date of Allotment up to the Date of Redemption</p> <p>Interest would be paid not later than three (03) Working Days from each of the aforesaid dates.</p>

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**Interest Period**

**Type A** - the three month period commencing from the date immediately succeeding an Interest Payment Date and ending on the next Interest Payment Date and shall include the period commencing from the Date of Allotment and ending on the first Interest Payment Date and the period commencing from the day immediately succeeding the last of such Interest Payment Dates and ending on the date preceding the Date of Redemption.

**Type B** - the six month period commencing from the date immediately succeeding an Interest Payment Date and ending on the next Interest Payment Date and shall include the period commencing from the Date of Allotment and ending on the first Interest Payment Date and the period commencing from the day immediately succeeding the last of such Interest Payment Dates and ending on the date preceding the Date of Redemption.

**Type C** - the twelve month period commencing from the date immediately succeeding an Interest Payment Date and ending on the next Interest Payment Date and shall include the period commencing from the Date of Allotment and ending on the first Interest Payment Date and the period commencing from the day immediately succeeding the last of such Interest Payment Dates and ending on the date preceding the Date of Redemption.

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<b>Issue</b>	The offer of Debentures pursuant to this Prospectus
<b>Issue Price</b>	LKR 100/- per each Debenture
<b>Market Day</b>	Any day on which trading takes place at the CSE
<b>Non-Resident(s)</b>	Institutional investors, corporate bodies incorporated outside Sri Lanka, individuals resident outside Sri Lanka and Sri Lankans resident outside Sri Lanka
<b>Principal Sum</b>	The product of the number of Debentures allotted and the Face Value
<b>Prospectus</b>	This prospectus dated 27 <sup>th</sup> January 2014 issued by VFIN
<b>Redemption</b>	Repayment of the Face Value and unpaid and accrued interest (if any) with regard to a Debenture to a Debenture Holder by the Company
<b>Trust Deed</b>	Trust deed executed between VFIN and Deutsche Bank AG, Colombo Branch on 28 <sup>th</sup> January 2014
<b>Trustee</b>	Deutsche Bank AG, Colombo Branch
<b>Unsecured</b>	Repayment of the Principal Sum and payment of interest on the Debentures are not secured by a charge on any assets of VFIN
<b>Working Day</b>	A day (other than a Saturday or Sunday or any statutory holiday) on which licensed commercial banks are open for business in Sri Lanka

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## 5. INFORMATION CONCERNING THE ISSUE

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### 5.1 INVITATION TO SUBSCRIBE

Board of Directors of Vallibel Finance PLC (hereinafter referred to as the "Board"/"BOD") by resolution dated 2<sup>nd</sup> December 2013 and 6<sup>th</sup> January 2014 resolved to raise a sum of upto Sri Lanka Rupees Two Hundred and Fifty Million (LKR 250,000,000/-) by an initial issue of upto 2,500,000 Debentures each with a Face Value of LKR 100/- and to raise a further sum of upto Sri Lanka Rupees Two Hundred and Fifty Million (LKR 250,000,000/-) by an issue of upto a further 2,500,000 of said Debentures, in the event of an oversubscription of the initial Issue.

As such, a maximum amount of Sri Lanka Rupees Five Hundred Million (LKR 500,000,000/-) would be raised by the issue of a maximum of Five Million (5,000,000) Debentures each with the Face Value of LKR 100/-.

The rights of the Debenture Holders with respect to payment of the Principal Sum and accrued interest due thereon upon a winding-up of the Company will rank equal and *pari passu* with all other unsecured creditors of the Company, but in priority to and over the rights of any preference and ordinary shareholders.

**Type A** - Unsecured Subordinated Redeemable **Five (05) year** debentures of LKR 100/- each at a fixed rate of interest of **Fourteen point Seven Five percent (14.75%) per annum** (before any tax) on the principal sum, payable **Quarterly as at the 31<sup>st</sup> March, 30<sup>th</sup> June, 30<sup>th</sup> September and 31<sup>st</sup> December** of each year from the Date of Allotment until the Date of Redemption (Annual Effective Rate of **15.59%** on the principal sum)

**Type B** - Unsecured Subordinated Redeemable **Five (05) year** debentures of LKR 100/- each at a fixed rate of interest of **Fifteen percent (15.00%) per annum** (before any tax) on the principal sum, payable **Bi-annually as at the 31<sup>st</sup> March and 30<sup>th</sup> September** of each year from the Date of Allotment until the Date of Redemption (Annual Effective Rate of **15.56%** on the principal sum)

**Type C** - Unsecured Subordinated Redeemable **Five (05) year** debentures of LKR 100/- each at a fixed rate of interest of **Fifteen point Five percent (15.50%) per annum** (before any tax) on the principal sum, payable **annually as at the 31<sup>st</sup> March** of each year from the Date of Allotment until the Date of Redemption (Annual Effective Rate of **15.50%** on the principal sum)

VFIN invites Applications for Debentures which will rank equal and *pari passu* with each other without any preferences or priority one over the other, except for the Interest Rate and the dates of Interest payment of the Debentures.

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

The Company hereby invites applications for the subscription of the aforesaid 2,500,000 Unsecured Subordinated Redeemable Debentures of LKR 100 each of the Company at an issue price of LKR 100 per Debenture payable in full as outlines in this Prospectus, with an option to issue up to further 2,500,000 Debentures in the event of an over subscription of the initial 2,500,000 Debentures.

## 5.2 SUBSCRIPTION LIST

Subject to the provisions contained below, the subscription list for the Debentures will open at 9.30 a.m. on 11<sup>th</sup> February 2014 and will remain open for fourteen (14) Market Days including the Issue Opening Date until closure at 4.30 p.m. on 4<sup>th</sup> March 2014.

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

- The maximum of 5,000,000 Debentures are fully subscribed; or
- Board of Directors of the Company decides to close the Issue upon the initial Issue of 2,500,000 Debentures or such other higher amount becoming fully subscribed.

The procedure for application is set out in Section 6 of this Prospectus.

## 5.3 OBJECTIVES OF THE ISSUE

The Company intends to raise a sum of Rupees Five Hundred Million( LKR 500,000,000), through this Debenture Issue for the following purposes :

- To expand and strengthen the capital base of the company in line with the Company's expansion strategy and to maintain the Capital adequacy requirements as stipulated by CBSL. The proposed issue will reinforce the Tier II Capital and facilitate future expansion in terms of operations and asset base.
- Diversifying the funding mix of the company.
- To minimize the interest rate risk and the gap exposure in the Company's Assets / Liabilities.

## 5.4 INTEREST

**Type A** - Unsecured Subordinated Redeemable **Five (05) year** debentures of LKR 100/- each at a fixed rate of interest of **Fourteen point Seven Five percent (14.75%) per annum** (before any tax) on the principal sum, payable **Quarterly as at the 31<sup>st</sup> March, 30<sup>th</sup> June, 30<sup>th</sup> September and 31<sup>st</sup> December** of each year from the Date of Allotment until the Date of Redemption (Annual Effective Rate of **15.59%** on the principal sum)

**Type B** - Unsecured Subordinated Redeemable **Five (05) year** debentures of LKR 100/- each at a fixed rate of interest of **Fifteen percent (15.00%) per annum** (before any tax) on the principal sum, payable **Bi-annually as at the 31<sup>st</sup> March and 30<sup>th</sup> September** of each year from the Date of Allotment until the Date of Redemption (Annual Effective Rate of **15.56%** on the principal sum)

**Type C** - Unsecured Subordinated Redeemable **Five (05) year** debentures of LKR 100/- each at a fixed rate of interest of **Fifteen point Five percent (15.50%) per annum** (before any tax) on the principal sum, payable **annually as at the 31<sup>st</sup> March** of each year from the Date of Allotment until the Date of Redemption (Annual Effective Rate of **15.50%** on the principal sum)

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

Interest Payment Date.

In order to accommodate the debenture interest cycles in the Automated Trading System of the CSE, the payment of interest for a particular Interest Payment Date will not include Debenture Holders holding Debentures in the CDS as at the last day of the payment cycle but one day prior to the Interest Payment Date (Entitlement Date).

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

As per Section 9(o) of the Inland Revenue (Amendment) Act No. 18 of 2013, the interest income from any investment made on or after the 1st January 2013 in corporate debt securities (i.e. debentures), quoted in any stock exchange licensed by the SEC is exempt from income tax. Furthermore, in terms of Section 13(xxxxxxx) of the same Act, the profits and income earned from any such investment have also been exempted from income tax.

## **5.5 REDEMPTION**

Redemption of the Debentures will take place on the date on which a period of Sixty (60) months from the Date of Allotment expires or if such date on which a period of Sixty (60) months from the Date of Allotment expires is not a Working Day or a day on which the Banks are closed for business in Sri Lanka, then the Debentures shall be redeemed on the succeeding working day when the Banks are open for business in Sri Lanka ("Date of Redemption") in accordance with the provisions of the Trust Deed. Debenture holders will be paid interest as specified in section 5.4 in the occurrence of such event.

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

These Debentures shall not be subject to Redemption by the Company prior to the Date of Redemption other than in the circumstances set out in terms of Clause 10 of the Trust Deed.

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

Payment of the principal sum and Interest on the Debentures will be made after deducting any withholding tax and/or any other taxes and charges thereon (if any) in Sri Lankan Rupees to the Debenture holder (in the case of joint Debenture holders to the one whose name stands first in the register of Debenture holders) registered as at the end of trading on the due date of Interest/ Principal Sum as per Section 5.4 ( Type A - 31<sup>st</sup> March, 30<sup>th</sup> June, 30<sup>th</sup> September and 31<sup>st</sup> December, Type B - 31<sup>st</sup> March and 30<sup>th</sup> September, Type C – 31<sup>st</sup> March) by crossed cheques marked "Account Payee Only" sent by mail to their address provided to the CDS by the debenture holder at their risk or through electronic fund transfer mechanism recognized by the banking system of Sri Lanka to a bank account provided to the CDS by the Debenture Holder, such as SLIPS and RTGS.

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

If any cheques in respect of Interest payments or redemption of Debentures sent by post to the Debenture holders are returned to the Company undelivered, amounts represented by each of such returned cheques shall be transferred by the Company to a suspense account at the end of 90 days after the date of Maturity/Redemption of the Debentures and retained therein for a period of six (06) years from the date of Maturity/Redemption of the Debentures. Such monies shall be repaid to the Debenture holder if the same is claimed in writing by such Debenture holder within the aforesaid six (06) year period.

No person shall be entitled to claim any such redemption and interest payment after the completion of six (06) years from the date of Maturity/Redemption of the Debentures and all unclaimed monies shall cease to be owned and payable by the Company to any Debenture holder after the expiry of the aforesaid period of six (06) years.

## **5.7 TRUSTEE TO DEBENTURE HOLDERS**

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

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

The fee payable to the Trustee will be LKR 25,000/- per month plus taxes and other statutory charges thereon account of the remuneration of the Trustee for its services set out in the Trust Deed.

## **5.8 RATING OF THE DEBENTURES**

RAM Ratings (Lanka) Limited has assigned a credit rating of "BB" to the Debentures

## **5.9 RIGHTS AND OBLIGATIONS OF DEBENTURE HOLDERS**

**Debenture Holders are entitled to the following rights:**

- Receive the Principal sum on the date of Maturity/Redemption and Interest on the Debentures as per sections 5.4 & section 5.5 of this Prospectus and the provisions contained in the Trust Deed.
- Receive the Annual Audited Financial Statements of the Company in accordance with the Listing Rules of the CSE.
- Call, receive notice, attend and vote at the Meeting of the Debenture holders in accordance with the provisions contained in the Trust Deed.

The other rights of the holders of these Debentures are set out in the Trust Deed.

**Debenture Holders do not have the following rights:**

- Any privileges or rights of the Shareholders of the Company, including the right to,
  - Receive notice, attend and vote at the General Meetings of the Company

- Receive any dividend or distributions or share the profits of the Company
- Participate in any surplus assets of the Company in the event of liquidation
- Any privileges or rights of the holders of any other Debentures issued by the Company, including the right to receive notice, attend and vote at the Meeting of holders of other Debentures issued by the Company.

### **Obligations on the Debentures**

- These Debentures are unsecured obligations of the Company ranking pari passu with all other unsecured obligations of the Company from time to time outstanding.
- The company shall repay the Principal sum on the date of Maturity/Redemption and Interest on the Debentures as per sections 5.4 of this Prospectus and the provisions contained in the Trust Deed and comply with all other terms and conditions stipulated in the Trust Deeds in respect of these Debentures.
- When making payment of the Principal sum and Interest on the Debentures, the Company shall always act on the information furnished by the CDS and it shall be the responsibility/obligation of each Debenture holder to keep all the information in respect of such Debenture holder updated in the CDS. Each Debenture holder shall absolve the Company, CDS and CSE from any responsibility or liability in respect of any error or absence or necessary changes initiated by the Debenture Holders in the information recorded with the CDS.
- CDS and CSE shall be absolved from any responsibility or liability in respect of any error or absence of necessary information initiated by the Debenture holders recorded with the CDS.

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

- (a) Provides an opportunity to diversify the investment portfolio of the investors
- (b) Provides the investor with a regular cash inflow of quarterly interest payments
- (c) Provides the investor with an opportunity to invest in Debentures issued by a leading corporate in Sri Lanka
- (d) Being listed on the CSE, the Debentures will have a secondary market, thus providing the investor with an opportunity to exit at the market price prevailing at the time of divestiture
- (e) The Debentures may be used as collateral to obtain credit facilities from banks and financial institutions
- (f) As per Section 9(o) of the Inland Revenue (Amendment) Act No. 18 of 2013, the interest income from any investment made on or after the 1<sup>st</sup> January 2013 in corporate debt securities (i.e. debentures), quoted in any stock exchange licensed by the SEC is exempt from income tax. Furthermore, in terms of Section 13(xxxxxxx) of the same Act, the profits and income earned from any such investment have also been exempted from income tax.

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

Subscribers to the Debentures could be exposed to the following risks

### **(a) Interest Rate Risk**

Provided all other factors are equal, the market price of the Debentures will be inversely proportional to the market interest rates, i.e. as market interest rates rise the demand for debentures which carry a fixed interest rate may fall, thus the price of the debenture fall. Similarly as market interest rates fall the demand for debentures rise which increased the market price of the

Debenture. This uncertainty is known as the Interest rate risk.

**(b) Reinvestment Risk**

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

**(d) Credit Risk**

Credit Risk is also referred to as default risk. This is the risk that the issuer of a debenture may default, i.e. the issuer will not be able to pay interest and principal payments on a timely basis. It is advisable for the investors to analyze the past performance, earnings, asset growth of the Company as well as the present financial position as reflected in the Statement of Financial Position, its risk management policies, credit ratings, Directors, their experience and skill levels as well as the senior management team in depth when forming an opinion on default risk.

**(e) Liquidity Risk**

Liquidity risk is associated with the ability to encash the Debenture by selling it whenever the Debenture holder deems it necessary. In order to reduce the liquidity risk of the Debentures, the Company has applied for a listing of these Debentures on the CSE and has received in-principle approval for such listing whereby Debenture Holders will be able to sell the Debentures through the CSE in order to convert the Debentures to cash and exit from the investment. Hence these Debentures carry low liquidity risk.

**(f) Duration Risk**

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

## **5.12 TRANSFER OF DEBENTURES**

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

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

- The executors or administrators of the deceased or where the administration of the estate of the deceased is in law not compulsory the heirs of the deceased where such Debenture Holder was the sole or only surviving holder; shall be the only persons recognised by the Company as having any title to his/her Debentures.
- (d) Any person becoming entitled to any Debenture in consequence of bankruptcy or winding up of any Debenture Holder, upon producing proper evidence that he/she sustains the character in respect of which he/she proposes to act or his/her title as the Board of Directors of the Company thinks sufficient may in the discretion of the Board be substituted and accordingly registered as a Debenture Holder in respect of such Debentures subject to the applicable laws, rules and regulations of the Company, CDS, CSE and SEC.
- (e) No change of ownership in contravention to these conditions will be recognised by the Company.

### **5.13 LISTING**

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

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

### **5.14 COST OF THE ISSUE**

The Board estimates that the total cost of the Issue including the Listing Fees, Trustee Fees, Brokerage, Postage, Professionals chargers, Printing, Advertising and other costs connected with the Issue will be approximately LKR 5 Million. Such costs will be financed by the internally generated funds of the Company.

### **5.15 BROKERAGE FEE**

Brokerage fee of 25 cents (LKR 0.25) per Debenture shall be paid in respect of the number of Debentures allotted on Applications bearing the original seal of any bank operating in Sri Lanka or a member/trading member of the CSE or Financial Advisors and Managers to the Issue or any other intermediary appointed by the Company and/or Financial Advisors and Managers to the Issue involved in the marketing of the Issue.

### **5.16 UNDERWRITING**

This Issue is not underwritten.

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

## 5.17 INSPECTION OF DOCUMENTS

The Articles of Association of the Company, the Audited Financial Statements of the Company for the Financial Years ending on 31<sup>st</sup> March 2009, 2010, 2011, 2012, and 2013 Summarized Profit and Loss Account and Balance Sheet for the Financial Years ending on 31<sup>st</sup> March 2009 – 2013, Unaudited Financial Statements as at 30<sup>th</sup> September 2013, Rating Reports, Trust Deed and all other documents pertaining to the Company which references are made in this Prospectus could be inspected by the public during normal working hours at the Registered Office of the Company from the date hereof until the Date of Redemption of the Debentures.

This Prospectus, the Articles of Association of the Company and the Trust Deed will also be hosted in the website of the CSE ([www.cse.lk](http://www.cse.lk)) and the website of the company ([www.vallibelfinance.com](http://www.vallibelfinance.com)) from the date of opening of this Debenture issue until the Date of Redemption of the Debentures as stipulated Rule 3.2.16(b) of the CSE Listing Rules.

## 6. PROCEDURE FOR APPLICATION

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### 6.1 PROSPECTUS AND APPLICATION FORMS

Copies of the Prospectus and the Application Forms may be obtained free of charge from the following places/ institutions:

- Registered Office / Head Office of VFIN.
- Member firms and Trading members of the Colombo Stock Exchange, and branches of VFIN

Prospectus and Application forms could also be downloaded from the Company's and CSE's websites.

### 6.2 ELIGIBLE APPLICANTS

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

- a) Citizens of Sri Lanka, resident in Sri Lanka and above 18 years of age.
- b) Companies, Corporations, Corporate bodies and societies registered/incorporated/established in Sri Lanka and authorised to invest in Debentures.
- c) Approved provident funds and contributory pension schemes registered/incorporated/established in Sri Lanka and authorised to invest in Debentures. In the case of approved provident funds and approved contributory pension schemes, the Application should be in the name of the trustee/board of management.
- d) Non-Residents: Foreign institutional investors, corporate bodies incorporated outside Sri Lanka, Foreign Citizens and Sri Lankans resident outside Sri Lanka and above 18 years of age.

Applications will not be accepted from individuals under the age of 18 years, or in the names of sole proprietorships, partnerships or unincorporated trusts or non – corporate bodies.

“Individuals resident outside Sri Lanka” will have the same meaning as in the notice published under the Exchange Control Act in Gazette No. 15007 dated 21<sup>st</sup> April 1972. The company is in compliance with Exchange Controller Regulations, when allowing foreign investors to invest in the Debentures.

### 6.3 HOW TO APPLY

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

- a) Applications should be made on the Application Forms issued with this Prospectus.
- b) Applications are also permitted on photocopies of the Application Forms issued with the Prospectus. Applicants using photocopies are requested to inspect the Prospectus which is available for inspection with the Registrar to the Issue and also issued free of charge by the parties listed in Annexure IV.

The Application Form can also be downloaded from the website of CSE, [www.cse.lk](http://www.cse.lk), the website of

VFIN, [www.vallibelfinance.com](http://www.vallibelfinance.com) and the website of Financial Advisors and Managers to the Issue, [www.navaracapital.com](http://www.navaracapital.com) from the date of the Prospectus being available until the Closure Date.

The Prospectus will be made available and can be downloaded from the website of CSE, [www.cse.lk](http://www.cse.lk) and the website of VFIN, [www.vallibelfinance.com](http://www.vallibelfinance.com) from the date of opening of the subscription list until the Date of Redemption of the Debentures and from the website of Financial Advisors and Managers to the Issue, [www.navaracapital.com](http://www.navaracapital.com) from the date of opening of the subscription list until the Closure Date.

- c) Care must be taken to follow the instructions on the reverse of the Application Form. **Applications which do not strictly conform to instructions and the other conditions set out herein or which are incomplete or illegible may be rejected.**
- d) Only one type of Debentures should be applied per Application Form. Investors may apply for different types of Debentures on separate Application Forms using Photocopies of the Application Form issued with this Prospectus. Only one Application should be made by any person or entity in respect of the same type of Debentures. **Multiple Applications for the same type of Debentures will be rejected.**
- e) Applications should be made for a minimum of one hundred (100) Debentures (LKR 10,000) of any type. Applications exceeding 100 Debentures should be in multiples of 100 Debentures (LKR 10,000). Applications for less than 100 Debentures or for a number which is not in multiples of 100 Debentures will be rejected.
- f) Applications by companies, corporate bodies, societies, approved provident funds, trust funds and approved contributory pension schemes registered/incorporated/established in Sri Lanka should have obtained necessary internal approvals as provided by their internal approval procedures at the time of applying for the Debentures and should be made under their common seal or in any other manner as provided by their articles of association or such other constitutional documents of such Applicant or as per the statutes governing them. In the case of approved provident funds, trust funds and approved contributory pension schemes, the Applications should be in the name of the trustee/board of management.
- g) A Sri Lankan Citizen must state his/her National Identity Card (NIC) number in the Application Form. In the case of companies, the Company Registration Number should be stated in the space provided in the Application Form. A foreign Citizen must state his/her Passport number in the space provided. A Sri Lankan citizen can state the Passport number only when the NIC is not available.
- h) If the ownership of the Debentures is desired in the name of one Applicant, full details should be given only under the heading SOLE/FIRST APPLICANT in the Application Form. In the case of joint Applicants, the signatures and particulars in respect of all Applicants must be given under the relevant headings in the Application Form. **An Applicant of a joint Application will not be eligible to submit another Application either individually or jointly for the same type of Debentures.**

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

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

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

- i) All Applicants should indicate in the Application for Debentures, their CDS account number.

Applicants who do not have a CDS Account are advised to open a CDS account prior to making the Application in order to facilitate the uploading of allotted Debentures to the CDS.

Please note that upon the allotment of Debentures under this issue the allotted Debentures would be credited to the Applicants CDS account so indicated. Please note that Debenture Certificates shall not be issued.

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

Applications which do not carry the CDS account number, which is not opened at the time of the closure of the subscription list or which indicate an incorrect/ inaccurate CDS account number shall be rejected and no allotment will be made.

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

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

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

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

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

residence and of Sri Lanka.

**Application Forms properly filled in accordance with the instructions thereof together with the remittance for the full amount payable on Application should be enclosed in an envelope marked "VALLIBEL FINANCE PLC – DEBENTURE ISSUE" on the top left hand corner in capital letters and dispatched by post or courier or delivered by hand to Registrars to the Issue or collection points mentioned in Annexure IV.**

Applications sent by post or courier or delivered to any collection point set out in Annexure IV should reach the office of the Registrars to the Issue at least by 4.30 p.m. on the following Market Day immediately upon the Closure Date. Applications received after the said period will be rejected even though they have been delivered to any of the said collection points prior to the Closure Date or carry a postmark dated prior to the Closure Date.

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

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

**Care must be taken to follow the instructions on the reverse of the Application Form. Applications that do not strictly conform to such instructions and additional conditions set out hereunder or which are illegible may be rejected.**

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

Please note that upon the allotment of Debentures under this Issue, the allotted Debentures would be credited to the Applicant's CDS account so indicated. Hence, **Debenture Certificates shall not be issued**

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

- a) Payment in full for the total value of Debentures applied for should be made either by cheque/s, bank draft/s, bank guarantee drawn upon any licensed commercial bank operating in Sri Lanka or RTGS transfer directed through any licensed commercial bank operating in Sri Lanka, as the case may be, subject to (b) below.

**Multiple cheques, bank drafts, bank guarantees or RTGS transfers will not be accepted for Application value below Sri Lanka Rupees One Hundred Million (LKR 100,000,000/-).**

- b) The amount payable should be calculated by multiplying the number of Debentures applied for by the issue price of LKR 100 per Debenture. If there is a discrepancy in the amount payable and the amount specified in the cheque/bank draft or bank guarantee, the Application will be rejected.
- c) Payments for Applications for values above and inclusive of Sri Lanka Rupees One

Hundred Million (LKR 100,000,000/-) should be supported by either;

- A bank guarantee issued by a licensed commercial bank; or
  - Multiple bank drafts/cheques drawn upon any licensed commercial bank operating in Sri Lanka, each of which should be for a value less than LKR 100,000,000/-; or
  - RTGS transfer with value on the Issue Opening Date.
- d) **Cheques or bank drafts should be drawn upon any licensed commercial bank in Sri Lanka and made payable to “VALLIBEL FINANCE PLC – DEBENTURE ISSUE” and crossed "Account Payee Only", and must be honoured on the first presentation.**
- e) **In case of bank guarantees, such bank guarantees should be issued by any licensed commercial bank in Sri Lanka in favour of “VALLIBEL FINANCE PLC – DEBENTURE ISSUE” in a manner acceptable to the Company, and be valid for a minimum of one (01) month from the Issue Opening Date.**

Applicants are advised to ensure that sufficient funds are available in order to honour the bank guarantees, inclusive of charges when called upon to do so by the Registrars to the Issue. It is advisable that the Applicants discuss with their respective bankers the matters with regard to the issuance of bank guarantees and all charges involved. All expenses with regard to such bank guarantees should be borne by the Applicants. The format/s of the Bank Guarantee could be obtained from the office of the Financial Advisor’s & Managers to the Issue.

- f) **In case of RTGS transfers (only for Application values above and inclusive of Sri Lanka Rupees One Hundred Million (LKR 100,000,000/-), such transfers should be made to the credit of “VALLIBEL FINANCE PLC – DEBENTURE ISSUE” bearing the account number 0864 01402254 016 at SEYLAN BANK, MILLENNIUM BRANCH with value on the Issue opening date (i.e. the funds to be made available to the above account on the Issue opening date).**

The Applicant should obtain a confirmation from the Applicant’s bank, to the effect that arrangements have been made to transfer payment in full for the total value of Debentures applied for to the credit of “VALLIBEL FINANCE PLC – DEBENTURE ISSUE” bearing the account number **0864 01402254 016 at SEYLAN BANK, MILLENNIUM BRANCH** with value on the Issue opening date (i.e. the funds to be made available to the above account on the Issue opening date) and should be attached with the Application Form.

For RTGS transfers above and inclusive of Sri Lanka Rupees One Hundred Million (LKR 100,000,000/-), the Applicants are entitled to an interest at the rate of AWPLR plus 5% per annum from the date of such transfers up to the Date of Allotment. However, no interest will be paid if the RTGS transfers are not realised before the end of the Closure Date. Furthermore, even if such RTGS transfers are effected prior to the Issue opening date, no interest will be paid for the period prior to the Issue opening date.

**The Applicants are not entitled to remit funds via RTGS transfers below Sri Lanka Rupees One Hundred Million (LKR 100,000,000/-).**

- g) Cash will not be accepted.
- h) Payment for the Debentures by Non-Residents should be made through a “Securities Investment Account” (SIA) maintained with any licensed commercial bank in Sri Lanka in accordance with directions given by the Controller of Exchange in that regard to licensed commercial banks.

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

- i) In the event that cheques are not realised prior to the date of deciding the basis of allotment, the monies will be refunded and no allotment of Debentures will be made. Cheques must be honoured on first presentation for the Application to be valid.
- j) All cheques/bank drafts received in respect of the Applications for Debentures will be banked commencing from the Working Day immediately following the Closure Date.

## 6.5 FOREIGN CURRENCY REMITTANCE

This section is applicable to Citizens of Sri Lanka above eighteen (18) years of age, who are resident overseas, Foreign Institutional Investors and Corporate bodies incorporated or established outside Sri Lanka and Foreign Citizens above eighteen (18) years of age (irrespective of whether they are resident of Sri Lanka or overseas), who wish to apply for the Debentures.

Applications in respect of such Applicants should be made in conformity with the requisite declarations accompanied by the documentation stipulated by the Controller of Exchange of Sri Lanka.

Payment for the subscription of the Debentures by Foreign Investors and non-resident Sri Lankan citizens should be made through a SIA maintained with any licensed commercial bank in Sri Lanka. Such payments should be made in one of the following ways;

- a) A Foreign Investor may use a service of a Custodian bank as an intermediary when investing in the Sri Lankan Securities Market. The intermediary may open a SIA, on the investor's behalf. In conjunction with the SIA, an account must be opened with the CDS. Payments for the Debentures could be made through bank drafts or RTGS (in the case of Application value more than Sri Lankan rupees One Hundred Million) purchased out of the funds in the SIA and made payable to **"VALLIBEL FINANCE PLC - DEBENTURE ISSUE"**

An endorsement should be made on the reverse of the Bank Draft or RTGS transfer by the Custodian Bank to the effect that such payment has been made out of the funds available in the SIA.

- b) Inward remittances of foreign currency may be held in a Foreign Currency Bank Unit (FCBU) account of the applicant with any licensed commercial bank in Sri Lanka, in which case such applicant could forward his / her Application supported by a bank guarantee only [If the value of such application is Sri Lankan Rupees One Hundred Million (LKR 100,000,000/-) and above] drawn on the applicant's FCBU Account pending allotment of the Debentures. Upon allotment of the Debentures, payment for the Debentures allotted would be called on the bank guarantee. Foreign currency to the extent of Sri Lankan Rupee equivalent value of the Debentures allotted should then be credited to the SIA opened in favour of the applicant via the aforementioned FCBU account and payment for such Debentures should be made through the funds in the SIA. This procedure would protect a prospective investor from any losses accruing due to fluctuating exchange rates.
- c) Bank Guarantees issued by a licensed commercial bank in Sri Lanka against the applicant's SIA maintained with the said bank will also be accepted from Foreign Investors and Nonresident Sri Lankan Citizens.

Bank Guarantees should be in a form acceptable to the Company and the Managers to the Issue and payable on demand unconditionally to **"VALLIBEL FINANCE PLC - DEBENTURE ISSUE"**.

An endorsement should be made by the licensed commercial bank on the face of the bank guarantee to the effect that such Bank Guarantee has been drawn against the applicant's SIA maintained with the said bank.

The Format/s of the Bank Guarantees could be obtained from the office of the Mangers to the Issue.

## **6.6 REJECTION OF APPLICATIONS**

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

Applications from individuals and Sri Lankans residing outside of Sri Lanka who are under the age of 18 years or in the names of sole proprietorships, partnerships, unincorporated trusts will also be rejected.

Any Application Form, which does not state a valid CDS account number, which is not open at the time of the closure of the subscription list or which indicate an incorrect/inaccurate CDS account number shall be rejected, and no allotment will be made. Application forms stating third party CDS account numbers, instead of their own CDS account numbers, except in the case of Margin Trading Accounts will also be rejected.

If an Applicant has applied by using more than one Application Form it will be construed as multiple Applications. An Applicant of a joint Application, applying through another Application Form is also deemed to have made multiple Applications and the Company reserves the right to reject such multiple Applications or suspected multiple Applications.

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

Any Application Form which does not state the NIC, Passport or Company Registration Number, as the case may be, will be rejected.

Applications of value less than Sri Lankan Rupees One Hundred Million (LKR 100,000,000) with two or more cheques, bank drafts or bank guarantees will be rejected. Application Forms accompanied by cash will not be accepted.

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

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

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

The Directors of the Company hereby also reserve the right to refuse any Application or to accept any Application in part only, without assigning any reason therefor.

## 6.7 BANKING OF PAYMENTS

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

## 6.8 ALLOTMENT OF DEBENTURES

In the event of an over subscription of the initial Two point Five Million (2,500,000) Debentures or the entire Five Million (5,000,000) Debentures, the Board of Directors of the Company will endeavor to decide the basis of allotment in a fair manner before the expiry of seven (07) market days from the date. Upon the allotments being decided, an announcement will be made to the CSE.

No preferential allotments will be made by the Company with regard to any specific individual or entity. The allotments will be made in a fair manner.

The Directors of the Company reserve the right to refuse any application or to accept any application in part only, without assigning any reason therefor.

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

## 6.9 REFUNDS

Monies will be refunded where;

- an Application is rejected for reasons given in Section 6.6 subsequent to the cheque being realized,
- Where an Application is accepted only in part, the balance of the Applicants money will be refunded.

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

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

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

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

**[http://www.lankaclear.com/products\\_and\\_services/sl\\_interbank\\_payment\\_system\\_guideline.php](http://www.lankaclear.com/products_and_services/sl_interbank_payment_system_guideline.php)**

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

In the event refund payment is effected via SLIP based on the bank account details provided by the Applicant in the Application Form, but is rejected by the Applicants Bank due to inaccurate information such refund payments would be made via crossed cheque drawn in favour of the Applicant and sent by Registered Post to the registered address of such Applicant. Such payment would be made at the earliest possible date and the Applicant should not hold the Company/ the Financial Advisors & Managers to the Issue responsible for such delays.

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

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

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

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

## 7. AN OVERVIEW OF THE COMPANY

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### 7.1 BACKGROUND OF THE COMPANY

Vallibel Finance PLC is a public limited liability company which was incorporated in Colombo on 5th September 1974 as a private limited liability company under the Companies Ordinance (Chapter 145) as “THE RUPEE FINANCE COMPANY LIMITED” and was converted to a public company on 7th August 1989 under the Companies Act No. 17 of 1982.

On 21st November 2005, the name of the Company was changed to “VALLIBEL FINANCE LIMITED”. The Company was re-registered under the Companies Act No. 7 of 2007 on 20th August 2008 under Registration No.PB 526.

The change of the aforesaid Company name was consequent to the acquisition of the Company by Vallibel Investments (Private) Limited owned by Mr. K.D.D.Perera and his family.

The Company continued to improve its performance after its acquisition by Vallibel Investments (Private) Limited in November 2005, which brought a reconstitution of the Board and the senior management team. The said holding company, Vallibel Investments (Private) Limited holds 30,277,000 shares constituting 72.87% of the Stated Capital of the Company.

Vallibel Finance PLC is a Licensed Finance Company in terms of the Finance Business Act, No.42 of 2011 and a Registered Finance Leasing Establishment in terms of the Finance Leasing Act No.56 of 2000.

### 7.2 CORPORATE VISION AND MISSION

#### **Vision**

Ours is a vision to change the financial landscape of our country; bringing more people in more areas to become stakeholders of a national reawakening. We are driven by a relentless passion to seek out people who need help.

#### **Mission**

Our work ethics involve working tirelessly to formulate and offer a financial product spread that understands the pulse of the people. Our search is for excellence in all we do including accountability in financial stewardship and in our responsibility towards customers, stakeholders and our country.

#### **Values**

Simplicity, Trust, Integrity and Flexibility

### 7.3 STRATEGIC DIRECTION

During the past eight years the Company performed well in all business segments despite several challenges, emerging in the macro landscape of the country’s economy over the same period. The Company reached its benchmark due to the astute management practice and great foresight exercised in its business conducts.

Customer care has been carried out at a very professional level at Vallibel Finance PLC, as the Management believes that the very reason for the Company’s existence and success is its customers. The Management is quite aware of the degree of flexibility and commitment required to satisfy the customers to the extent

that every individual is personally taken care of in relation to their needs and requirements. Owing to such high caliber of service, the Company's business growth has been maintained consistently especially through customer referrals.

The Company carried on its operations keeping in mind the challenge it faced in a very competitive market with a large number of players and a challenging economic environment.

By the end of the 30<sup>th</sup> September 2013, the shareholder's equity of the Company stood at 1.01 Billion, an increase of Rs. 72.58 Million during the first half of the financial year.

The Operating Profit Before Value Added Tax grew by 20.6% for the year 2012/2013 to reach Rs.467.93 Mn compared with the Rs. 388.02 Mn recorded in the previous year. The After Tax Profit was Rs. 294.53 million against Rs. 231.18 million of the previous year. During the first six months of the current financial year the Company recorded After Tax Profit of Rs. 135.82 Mn compared to Rs. 128.66 Mn recorded in the same period in the previous financial year.

During the year 2012/2013, the Company recorded a strong asset growth of 39.4% from Rs. 6.67 Bn in the previous year to hit an all-time high of Rs. 9.30 Bn as at 31st March 2013. Total liabilities for the same year amounted to Rs. 8.37 Bn, compared with the Rs. 5.99 Bn recorded in the previous year, a year-on-year increase of 39.7%. As at 30<sup>th</sup> September 2013 the total assets reached Rs. 10.90 Billion.

Investment in hire purchase and the leasing contributed to the major portion of the increase in the assets and the main contributor to the increase in liabilities was increase in public deposits and bank borrowings.

The level of fixed deposits held by Vallibel Finance is a direct and strong indication of customer confidence in our business. Fixed Deposits form an important part of the portfolio and with the public's increasing trust in the financial arm of the powerful Vallibel Group, Total Deposits which were Rs. 4.02 Bn last year grew significantly by 55.7% to reach Rs. 6.27 Bn at end- March 2013. As at 30<sup>th</sup> September 2013 the total deposit base reached Rs. 7.61 Billion. As Customers continued to place their trust and confidence in the Vallibel name, the Company has been successful in maintaining such levels of customer satisfaction throughout.

The main strategy of the Company in the next few years is to accelerate its growth by further diversifying the business portfolio. The Company also plans to expand the branch network as its expansion strategy.

In the next five years, the Company will continue to differentiate the product range in order to capture market share in financial services market, mainly through adding new products to the existing products of Leasing, Hire Purchases, and Personal Loans, Mortgage loans, Gold loans & Fixed Deposits.

By increasing the presence via number of branches/ service centres will give opportunity to reach general public / potential customers of the remote areas and they will have an easy access to financial services which will in turn help to expand both financial inclusiveness of general public as well as market share of the Company. Hybrid services/products are to be delivered through increased number of branches & centres strategically located island wide in the next 5 years.

### **Risks Attached To Future Plans**

The future plans may change due to unforeseen events that may arise in the macro and micro environment. The national economic climate may affect the future business of the Company as it may affect any other businesses. The inflation and increase in commodity prices that alter the disposable income, savings and spending pattern of the customers may accelerate or slow down the achievement of the Company's goals. The changes in the legislation and directions for Finance Companies and the behavior

of future interest rates will have an impact on the achievement of future plans of the Company.

The corporate risk management process strengthened by the Integrated Risk Management Committee set up under the Finance Companies (Corporate Governance) Direction No.3 of 2008 as amended by Direction No.4 of 2008 and Direction No.06 of 2013, takes into account the above factors and mechanisms are constantly brought into place in an endeavor to manage the impact of the above factors on the achievement of future plans.

#### **Assumptions in Relation to Future Plans**

The Company anticipates that the Macroeconomic conditions along with the social and political stability prevalent in the future would be conducive for the finance sector. Further these plans are based on the supposition that the potential changes in the legislation and directions for Finance Companies, taxations will not have confronting effects to the operations and profitability of the Company.

#### **7.4 PRODUCT PORTFOLIO**

The Company's principal activities are the acceptance of deposits, granting of lease facilities, hire purchase, mortgage loans, pawning and other credit facilities and related services in the finance business.

#### **7.5 BRANCH NETWORK**

During 2012/2013, the Company witnessed a rapid expansion in its branch network by entering new geographical areas of the country such as Galle, Chilaw, Kuliypitiya and Embilipitiya while also continuing on a notable upgrade of the Negambo Office from a collection center to a fully-fledged branch to ensure better customer service.

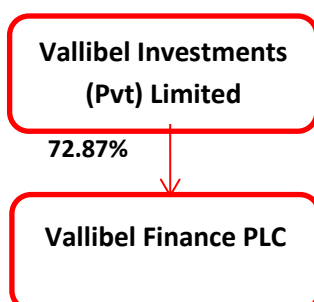
Currently Vallibel Finance operates in a network of 11 branches and 5 collection centers nationwide.

No of Branches is categorized as follows:

Branches	11
Collection Centers	5
<b>Total</b>	<b>16</b>

#### **7.6 GROUP STRUCTURE**

Vallibel Investments (Pvt) Limited currently has a stake of 72.87% of Vallibel Finance, whereas the Company does not have any subsidiaries and associates.



## 7.7 SHAREHOLDING STRUCTURE

Tabulated below is the list of ten major shareholders of VIFL as at 31<sup>st</sup> December 2013.

	<b>Name of the Share Holder</b>	<b>No. of Shares held</b>	<b>Percentage of Shareholding</b>
1	Vallibel Investments (Pvt) Limited	30,277,000	72.87%
2	Employees Trust Fund Board	1,248,127	3.00%
3	Seylan Bank PLC/M/S Divasa Equity (Pvt) Ltd	1,092,424	2.63%
4	Mr K.D.A.Perera	702,682	1.69%
5	George Steuart Teas (Pvt) Ltd	514,275	1.24%
6	HSBC International Nominees Ltd- UBS AG Singapore Branch (Ex SBC)	430,000	1.03%
7	Seylan Bank PLC/HVA Lanka Exports (Private) Limited	203,000	0.49%
8	Mr. H Beruwalage	202,800	0.49%
9	Mrs. K I A Hewage	200,000	0.48%
10	Mr. V R Kathiragamamby	200,000	0.48%
		35,070,308	84.4%
		6,480,292	15.6%
	<b>Total</b>	<b>41,550,600</b>	<b>100.00%</b>

## 7.8 LOANS, OTHER BORROWINGS, LIABILITIES AND INDEBTEDNESS

	LKR '000	
	<b>As at 30<sup>th</sup> October 2013</b>	<b>As at 31<sup>st</sup> March 2013</b>
Bank Overdraft	233,975	360,102
Long Term Bank Borrowings	1,107,737	943,919
Finance Lease	5,276	7,283
Unsecured Debentures	375,000	375,000
<b>Total Borrowings</b>	<b>1,721,988</b>	<b>1,686,304</b>

## 7.9 OTHER DEBT SECURITIES

Details of other Debt securities issued by the Company as at 30<sup>th</sup> October 2013 are given as follows.

Type	Interest Payment Frequency	Interest Rate	Allotment Date	Maturity date	Value as at 31.10.2013 (Rs.)
Unsecured Subordinate Redeemable Debenture	Annually	13% p.a.	19-Dec-11	18-Dec-13	100,000,000
Unsecured Subordinate Redeemable Debenture	Annually	13% p.a.	30-Dec-11	29-Dec-16	125,000,000
Unsecured Subordinate Redeemable Debenture	Annually	364 Days TB rate (Gross) + 4.50%	14-Aug-12	13-Aug-17	50,000,000
Unsecured Subordinate Redeemable Debenture	Annually	364 Days TB rate (Gross) + 4.50%	15-Aug-12	14-Aug-17	20,000,000
Unsecured Subordinate Redeemable Debenture	Annually	364 Days TB rate (Gross) + 4.50%	27-Aug-12	26-Aug-17	80,000,000
<b>Total</b>					<b>375,000,000</b>

## 7.10 CONVERTIBLE DEBT SECURITIES

The Company has not issued any convertible debt securities as at 31<sup>st</sup> October 2013.

## 7.11 DETAILS OF COMMISSIONS/ BROKERAGE PAID

No other commissions or benefits were payable, paid, given or intended to be paid or given in the two preceding years for subscribing or agreeing to subscribe or procuring or agreeing to procure or promoting or agreeing to promote, subscriptions for any shares or debentures of the Company.

## 7.12 DEGREE OF DEPENDENCY ON KEY CUSTOMERS AND SUPPLIERS

The Company adheres to the requirements set forth by the Monetary Board of the Central Bank of Sri Lanka under the Finance Business Act, No.42 of 2011 by virtue of which the exposure to any one individual, company or group of companies is regularly monitored and maintained well below the limits prescribed by the Monetary Board. As such the Company is not overly dependent on any customer or any one sector for income at any given time. The Company is also not significantly dependent on any single supplier for its requirements.

## 7.13 DETAILS OF BENEFITS PAID TO PROMOTERS

No Benefits have been paid or given by the Company to any promoter during the last two financial years and there are no benefits intended to be paid or given to any promoters during the next two financial years.

#### 7.14 MATERIAL CONTRACTS

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

#### 7.15 DIVIDEND POLICY

The Company adopts a policy of paying out dividends based on a number of factors, including but not limited to the Company's earnings, capital requirements and the overall macro financial conditions.

The rate of dividends paid during the last five financial years immediately preceding the date of this Prospectus is given below:

	Year ended 31/03/2013	Year ended 31/03/2012	Year ended 31/03/2011	Year ended 31/03/2010	Year ended 31/03/2009
Dividend per share (Rs.)	1.50	1.00	0.50	1.00	0.50

#### 7.16 TAXATION

The Company is not enjoying any tax concessions or tax exemptions as at the date of this Prospectus.

#### 7.17 CORPORATE GOVERNANCE

The Board has placed significant emphasis on rules and structure in order to manage and control the company efficiency and systematically and ensures that adequate steps have been taken and that the company is in compliance with the Section 7.10 – Corporate Governance of the Listing Rules of the CSE. The Audit Committee, Remuneration Committee and the Nominations Committee function as sub committees of the Board while the company also has an Integrated Risk Management Committee in compliance with the Finance Companies (Corporate Governance) Direction No.3 of 2008.

##### Remuneration Committee

The main objective of the Committee is to make recommendations to the Board on the remuneration policy and to attract and retain the required human resource talent to sustain its operations.

The following Non-Executive Directors comprise the remuneration committee;

- Mr. Dhammika Perera ( Non-executive Director) – Chairman
- Mr. M. D. S. Goonathilaka ( Independent Non-executive Director)
- Mr. S. Senaratne (Independent Non-executive Director)

##### Audit Committee

The Audit Committee charter, which was approved by your Board of Directors in 2009, clearly defines the role and responsibility of the Audit Committee. The key purpose of the Audit Committee of Vallibel Finance PLC is to assist the Board of Directors to protect the integrity of Financial Statements, ensuring that the company complies with legal and regulatory requirements and monitors the Company's financial reporting process and systems of internal control over financial reporting.

The Audit Committee has authority to authorize investigations into any matter within its scope and responsibility as defined in the Audit Committee charter. The Committee provides a communication link between Internal Audit, External Audit and the Board of Directors of the Company.

The following Non-Executive Directors comprise the remuneration committee;

- Mr. M. D. S. Goonathilaka ( Independent Non-executive Director) - Chairman
- Mr. J. A. S. S. Adihetty ( Non-executive Director) – Chairman
- Mr. S. Senaratne (Independent Non-executive Director)

#### **Integrated Risk Management Committee**

The Integrated Risk Management Committee functions within the Terms of Reference approved by the Board which sets out the objectives and responsibilities of the Integrated Risk Management Committee. The scope and functions of the Committee conform to the provisions of the Finance Companies (Corporate Governance) Direction No.3 of 2008.

Committee is as follows.

- Mr. M. D. S. Goonatileke - *Independent Non Executive Director (Chairman)*
- Mr. S. B. Rangamuwa - *Managing Director/CEO*
- Mr. Niroshan Perera - *Deputy General Manager*
- Mr. K. D. Menaka Sameera - *Senior Manager - Finance & Administration*
- Mr. T. U. Amaraweera - *Senior Manager - Asset Management*

#### **7.18 LITIGATION, DISPUTES AND CONTINGENT LIABILITIES**

There are no material legal, arbitration or mediation proceedings, which may have or have had in the recent past, affected the financial position or profitability of the Company. As at the date there are no penalties imposed by any regulatory and/or state authorities.

The Company has contingent liabilities in respect of legal claims arising in the ordinary course of business. Based on the information currently available, the Board of Directors are of the opinion that the ultimate resolution of the litigations would not likely to have a material impact on the Company.

#### **7.19 HUMAN RESOURCE**

Human resources strength of VFIN as at 31<sup>st</sup> October 2013 is as follows.

<b>Employee Category</b>	<b>Number of Employees</b>
Senior Management	8
Middle Management	41
Executives	91
Operational staff	200
Clerical	51
In plant Trainees	2
Minor	4
<b>Total</b>	<b>397</b>

The employees of the Company are not engaged in any labour/trade union activities and there are no labour/trade unions. Therefore, the employees of the Company have not entered into any significant collective agreements with the Company as at the Prospectus date.

## 8. THE BOARD OF DIRECTORS

### 9.1 DETAILS OF THE DIRECTORS

The details of the BOD of VFIN as at the date of the Prospectus are given below.

Name	Designation	Other Directorships
<b>Mr. K. D. D. Perera</b> “Cambridge House” No. 01, Cambridge Place Colombo 7	Chairman	<ul style="list-style-type: none"> <li>– Chairman of Sampath Bank PLC</li> <li>– Chairman of Vallibel One PLC</li> <li>– Chairman of The Fortress Resorts PLC</li> <li>– Chairman of Vallibel Power Erathna PLC</li> <li>– Chairman of Delmege Limited</li> <li>– Chairman of Greener Water Limited</li> <li>– Executive Deputy Chairman of L B Finance PLC</li> <li>– Deputy Chairman of Hayleys PLC</li> <li>– Deputy Chairman of Royal Ceramics Lanka PLC</li> <li>– Deputy Chairman of Orit Apparels Lanka (Pvt) Ltd</li> <li>– Director of Amaya Leisure PLC</li> <li>– Director of Haycarb PLC</li> <li>– Director of Hayleys MGT Knitting Mills PLC</li> <li>– Director of Hotel Services (Ceylon) PLC</li> <li>– Director of Dipped Products PLC</li> <li>– Director of Horana Plantations PLC</li> <li>– Director of Lanka Walltiles PLC</li> <li>– Director of Lanka Floortiles PLC</li> <li>– Director of Strategic Enterprise Management Agency of Sri Lanka.</li> </ul>
<b>Mr. S. B. Rangamuwa</b> No - 617/5 Rajagiriya Gardens Rajagiriya	Managing Director	<ul style="list-style-type: none"> <li>– Director of Hunnas Falls PLC</li> <li>– Director of Style-Kraft Sportswear Ltd (Orit Apparels).</li> </ul>
<b>Mr. J. A. S. S. Adihetty</b> No. 01, Cambridge Terrace Colombo 7	Director	<ul style="list-style-type: none"> <li>– Managing Director of L B Finance</li> <li>– Managing Director of The Fortress Resorts PLC.</li> <li>– Director of Vallibel One PLC</li> <li>– Director of Pan Asia Banking Corporation PLC.</li> </ul>
<b>Mr. W. D. N. H. Perera</b> No. 10/11 C Walawwatta Terrace Galpotta Road Nawala	Director	<ul style="list-style-type: none"> <li>– Chairman of Pan Asia Banking Corporation PLC</li> <li>– Deputy Chairman of Vallibel One PLC</li> <li>– Managing Director of Royal Ceramics Lanka PLC</li> <li>– Executive Director of L B Finance PLC</li> <li>– Director of Amaya Leisure PLC</li> <li>– Director of Hayleys PLC</li> </ul>

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		<ul style="list-style-type: none"> <li>– Director of Hotel Service (Ceylon) PLC</li> <li>– Director of Talawakelle Tea Estates PLC</li> <li>– Director of Haycarb PLC</li> <li>– Director of Lanka Walltiles PLC</li> <li>– Director of Lanka Floortiles PLC</li> <li>– Director of Horana Plantations PLC.</li> </ul>
<p><b>Mr. M. D. S. Goonatileke</b></p> <p>No - 38/A Waragoda Estate Kelaniya</p>	<p>Director</p>	<ul style="list-style-type: none"> <li>– Group Director of Douglas &amp; Sons Ltd. Group of Companies</li> <li>– Director of Pan Asia Banking Corporation PLC</li> <li>– Director of Hayleys PLC</li> </ul>
<p><b>Mr. K. D. H. Perera</b></p> <p>"Samanthi" Angangoda Paiyagala</p>	<p>Director</p>	<ul style="list-style-type: none"> <li>– Director of Vallibel Holdings (Pvt) Ltd</li> <li>– Director of Vallibel Lanka (Pvt) Ltd and several other Vallibel companies.</li> </ul>
<p><b>Mr. Suranimala Senaratne</b></p> <p>No - 40 Victory Gardens Thalawathugoda Road Hokandara South</p>	<p>Director</p>	<ul style="list-style-type: none"> <li>– Chairman / Managing Director Yathra Travels (Pvt) Ltd</li> <li>– Chairman of Blackpool Holdings (Pvt) Ltd</li> <li>– Director of Amaya Leisure PLC</li> </ul>
<p><b>Mr. R. M. Karunaratne</b></p> <p>No - 154 Seeduwa Village Seeduwa</p>	<p>Director</p>	

## 9.2 PROFILES OF THE BOARD OF DIRECTORS

### **Mr. K. D. D. Perera**

*Chairman*

He is a well-known, prominent entrepreneur and investor whose business interests include Hydropower Generation, Manufacturing, Hospitality, Entertainment, Banking and Finance.

He is currently the Secretary to the Ministry of Transport, Sri Lanka. He is also the Chairman of Sampath Bank PLC, Vallibel One PLC, The Fortress Resorts PLC, Vallibel Power Erathna PLC, Delmege Limited and Greener Water Limited. He is the Executive Deputy Chairman of L B Finance PLC, Deputy Chairman of Hayleys PLC, Royal Ceramics Lanka PLC and Orit Apparels Lanka (Pvt) Ltd. He is also a Director of Amaya Leisure PLC, Haycarb PLC, Hayleys MGT Knitting Mills PLC, Hotel Services (Ceylon) PLC, Dipped Products PLC, Horana Plantations PLC, Lanka Walltiles PLC, Lanka Floortiles PLC and Strategic Enterprise Management Agency of Sri Lanka.

He was the former Chairman of the Board of Investment of Sri Lanka.

**Mr. S. B. Rangamuwa**

*Managing Director*

A fellow of the Chartered Institute of Marketing (UK), and a Chartered Marketer, Mr. Rangamuwa is a member of the Institute of Management Accountants of Australia. He is also a Fellow of the Sri Lanka Institute of Credit Management and holds a Certificate in Foundation Studies (Sports) from Unitec, New Zealand.

He obtained an MBA from the University of Southern Queensland / ICASL as well as a postgraduate Diploma in Financial Administration from the Institute of Chartered Accountants of Sri Lanka.

He started his career with Central Finance PLC. After a stint at Ernst and Young, he joined Mercantile Investments Ltd as a Management Trainee, and held various key positions until his appointment to its Board in 2001 as Director, a position he held until he joined Vallibel Finance PLC in February 2007.

He also served as Deputy Chairman of the Leasing Association of Sri Lanka.

Currently he serves as a Director of Hunnas Falls PLC and Style-Kraft Sportswear Ltd (Orit Apparels).

**Mr. J. A. S. S. Adhietty**

*Director*

A well-known professional in the marketing field, he counts over 32 years of experience in the finance sector.

He is the Managing Director of L B Finance and The Fortress Resorts PLC. Also he serves on the board of Vallibel One PLC and Pan Asia Banking Corporation PLC.

He was formerly the Deputy Managing Director of Mercantile Investments Limited and served as a Director of Nuwara Eliya Hotels Limited, Grand Hotel (Pvt) Limited, Royal Palm Beach Hotels Limited, Tangerine Beach Hotels Limited and Security Ceylon (Pvt) Limited.

**Mr. W. D. N. H. Perera**

*Director*

Mr. Nimal Perera joined the Board of Vallibel Finance PLC on 22nd August 2005.

He is a member of the Sri Lanka Institute of Marketing and counts over 30 years of experience in fields of Finance, Capital Market Operations, Manufacturing, Marketing and Management Services.

He is the Chairman of Pan Asia Banking Corporation PLC, Deputy Chairman of Vallibel One PLC, Managing Director of Royal Ceramics Lanka PLC, Executive Director of L B Finance PLC, Director of Amaya Leisure PLC, Director of Hayleys PLC, Hotel Service (Ceylon) PLC, Talawakelle Tea Estates PLC, Haycarb PLC, Lanka Walltiles PLC, Lanka Floortiles PLC and Horana Plantations PLC.

**Mr. K. D. H. Perera**

*Director*

Mr. Harendra Perera joined the Board of Vallibel Finance PLC on 22nd August 2005. He is a Director of Vallibel Holdings (Pvt) Ltd, Vallibel Lanka (Pvt) Ltd and several other Vallibel companies.

**Mr. M. D. S. Goonatileke**

*Director*

Mr. Goonatileke joined the Board of Vallibel Finance PLC on 26th August 2005. He is a financial professional with over 26 years of post-qualification experience and has held Senior Managerial positions in Financial Management, Credit Management, Treasury, Export & Import Trade, General Management and Operations in leading private sector organisations in Sri Lanka.

He is a Group Director of Douglas & Sons Ltd. Group of Companies. In addition, he serves as a Director, Pan Asia Banking Corporation PLC and Hayleys PLC.

Mr. Goonatileke possesses Post Graduate Diploma in Business Administration, PIM, University of Sri Jayawardenapura and an Associate Member of Institute of Chartered Management Accountants (UK) and a passed finalist of Institute of Chartered Accountants, Sri Lanka.

**Mr. Suranimala Senaratne**

*Director*

Mr. Suranimala Senaratne counts over 35 years' experience in the tourism and leisure industry. He held the position of Managing Director of Connaissance Group of Companies from 1987 to 2008.

In 2008, he took over the management of Yathra Travels (Pvt) Ltd as the Chairman / Managing Director. He is also the Chairman of Blackpool Holdings (Pvt) Ltd and a Director of Amaya Leisure PLC.

**Mr. R. M. Karunaratne**

*Director*

Mr. Rathnayake Mudiyansele Karunaratne joined the Board of Vallibel Finance PLC on 30th April 2013.

He received his Bachelor of Science (B.Sc.) degree from the University of Sri Jayawardenapura, Sri Lanka, specializing in Estate Management & Valuation.

After his graduation in 1977, he joined the Board of Investment of Sri Lanka (BOI) in 1978 and during the period 2008 to 2011, having served in various departments, rose to the position of Executive Director – Monetary.

**9.3 DIRECTORS' STATEMENT**

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

- Involved in any petition under any bankruptcy laws filed against such person or any partnership in which he was a partner or any corporation of which he was an executive officer;
- Conviction for fraud, misappropriation or breach of trust or any other similar offence which the CSE considers a disqualification
- The subject of any order, Judgment or ruling of any court of competent jurisdiction temporarily enjoining him from acting as an investment advisor, dealer in securities, director or employee of a financial institution and engaging in any business practice or activity.

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

Directors' shareholding as at 31<sup>st</sup> October 2013 is as follows;

Name	Number of Shares	Percentage
Mr. K. D. D. Perera	600	0.001%
Mr. S. B. Rangamuwa	147,682	0.355%
Mr. J. A. S. S. Adhietty	600	0.001%
Mr. W. D. N. H. Perera	Nil	Nil
Mr. M. D. S. Goonatilleke	600	0.001%
Mr. K. D. H. Perera	22,600	0.054%
Mr. Suranimala Senaratne	600	0.001%
Mr. R. M. Karunaratne	Nil	Nil

#### 9.5 DIRECTORS' INTEREST IN ASSETS/ RELATED PARTY TRANSACTIONS

##### Transactions with Group Companies

Name of the Company	Relationship	Nature of Services	Balance as at 31st October 2013
			Rs.
Pan Asia Banking Corporation PLC	Affiliate	Term Loan	70,377,205
		Term Loan	80,000,000
		Call Deposits - invested	405,000,000
		Overdraft	8,533,905
LB Finance PLC	Affiliate	Fixed Deposit - invested	450,000,000
Vallibel One PLC	Affiliate	Fixed Deposit - Held	440,000,000
		Debentures	375,000,000

Name of the Related Party	Relationship	Terms of the Transaction	Date	Rs.	Rationale for entering Transaction
Pan Asia Banking Corporation PLC	Affiliate	Credit facility obtained of the interest rate of AWPLR+1.5% p.a. for 60 months	30-Sep-10	150,000,000	To meet day today working capital requirements
Pan Asia Banking Corporation PLC	Affiliate	Credit facility obtained of the interest rate of 20% p.a. for 60 months	29-Feb-12	120,000,000	To meet day today working capital requirements
Pan Asia Banking Corporation PLC	Affiliate	OD facility at the interest rate of 15.75% p.a. on demand	29-Feb-12	150,000,000	To meet day today working capital requirements
Vallibel One PLC	Affiliate	Debentures taken for 13% for 5 year maturity	19-Dec-11 & 30-Dec-11	225,000,000	To expand the capital base of the company
Vallibel One PLC	Affiliate	Debentures taken for 01 Year Gross T.B Rate + 4.50% for 5 year maturity	14-Aug-12 / 15-Aug-12 & 27-Aug-12	150,000,000	To expand the capital base of the company
Vallibel One PLC	Affiliate	Fixed Deposits taken for 14.00% interest for 6 months	26-Jul-13	100,000,000	To support the further expansion of business
Vallibel One PLC	Affiliate	Fixed Deposits taken for 14.00% interest for 6 months	26-Jul-13	100,000,000	To support the further expansion of business
Vallibel One PLC	Affiliate	Fixed Deposits taken for 13.75% interest for 3 months	10-Jul-13	20,000,000	To support the further expansion of business
Vallibel One PLC	Affiliate	Fixed Deposits taken for 13.75% interest for 3 months	26-Jul-13	50,000,000	To support the further expansion of business
Vallibel One PLC	Affiliate	Fixed Deposits taken for 13.75% interest for 3 months	26-Jul-13	20,000,000	To support the further expansion of business

Vallibel One PLC	Affiliate	Fixed Deposits taken for 13.75% interest for 3 months	29-Aug-13	110,000,000	To support the further expansion of business
Vallibel One PLC	Affiliate	Fixed Deposits taken for 13.25% interest for 3 months	30-Sep-13	40,000,000	To support the further expansion of business

**Transactions with Key Management Personnel (Board of Directors) & and their immediate family members as at 31<sup>st</sup> October 2013**

**Deposits held by key management personnel**

Mr.S.Senaratne	1,000,000
Miss. W.C.Senaratne	1,000,000
Miss. P.M.Senaratne	1,000,000
Mr. M.D.S.Goonatilleke	10,618,161
Mr. K.D.H.Perera	62,077,450
Mr.H.K. Perera	5,000,000
Mr. P.B. Perera	5,000,000
Mrs.M.T.D. Perera	5,000,000
Ms.P.I. Perera	17,551,673
Mr.K.D.D. Perera	1,000,000

**9.6 DIRECTORS' INTEREST IN CONTRACTS OR ARRANGEMENTS**

There are no contracts or arrangements in force other than those set out in the Section 8.5 above in which a Director of VFIN is materially interested in the business of the Company as at the date of the Prospectus.

**9.7 DIRECTORS' INTERESTS**

None of the Director held or holds any interest in any assets acquired, disposed or leased by the Company during the two (02) years preceding this Debenture Issue and nor they have thus far proposed to have any interest in any assets proposed to be acquires, disposed or leased by the Company during the two years succeeding this Debenture Issue.

**9.8 DIRECTORS' EMOLUMENTS**

The aggregate emoluments including bonus and/or profit sharing payments made to Directors during the financial year (FY 2012/13) amounted to LKR 28.3 Million.

The aggregate emoluments including bonus and/or profit sharing payments payable to the Directors for the financial year ending 31<sup>st</sup> March 2014 is estimated at LKR 32.2 Million.

## 9. THE SENIOR MANAGEMENT TEAM

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### 9.1 THE SENIOR MANAGEMENT TEAM

#### **Mr. S B Rangamuwa - Managing Director/CEO**

A fellow of the Chartered Institute of Marketing (UK), and a Chartered Marketer, Mr. Rangamuwa is a member of the Institute of Management Accountants of Australia. He is also a Fellow of the Sri Lanka Institute of Credit Management and holds a Certificate in Foundation Studies (Sports) from Unitec, New Zealand.

He obtained an MBA from the University of Southern Queensland / ICASL as well as a postgraduate Diploma in Financial Administration from the Institute of Chartered Accountants of Sri Lanka. He started his career with Central Finance PLC. After a stint at Ernst and Young, he joined Mercantile Investments Ltd as a Management Trainee, and held various key positions until his appointment to its Board in 2001 as Director, a position he held until he joined Vallibel Finance PLC in February 2007.

He also served as Deputy Chairman of the Leasing Association of Sri Lanka. Currently he serves as a Director of Hunnas Falls PLC and Style-Kraft Sportswear Ltd (Orit Apparels).

#### **Mr. Niroschan Perera - Deputy General Manager - Credit**

Mr. Niroschan Perera is a marketing professional and has over 18 years of managerial experience in areas of Leasing, Hire Purchase and Micro Finance.

He commenced his career at Mercantile Investments Ltd. and then joined Suntel Ltd. as a Corporate Account Manager. He was at Mercantile Investments Ltd. as Manager Credit until he joined Vallibel Finance PLC.

#### **Mr. S.K.N.C Jayawardena - Deputy General Manager- Business Development**

Mr Chaminda Jayawardana is a Chartered Marketer and possesses globally recognized qualifications such as MBA from University of Southern Queensland, Australia, BSc from University of Kelaniya, Sri Lanka ,DipM (UK) , MCIM and CMA ( Australia).

Mr.Jayawardana counts over 18 years of experience in Leasing , Insurance Brokering & Consumer Sales in the areas of Strategic Marketing, Business Development, Operations & General management of which over 8 years in Senior Management positions in several leading financial Institutions in Sri Lanka.

He has been a Senior Manager at Nations Trust Bank, Mercantile Leasing Ltd (MLL) and a Branch Manager at LOLC.

He has been a General Manager at Softlogic Finance PLC and CEO of Mercantile Insurance Brokers prior to taking up the position at Vallibel Finance PLC, initially as Senior Marketing Consultant and Deputy General Manager subsequently.

**Mr. K D Menaka Sameera - Senior Manager - Finance & Administration**

Mr. Menaka Sameera holds a BSc (Business Administration) Special Degree from the University of Sri Jayewardenepura and is an Associate Member of the Institute of Chartered Accountants Sri Lanka.

He commenced his career as a Banking Assistant and possesses over 12 years of experience in Finance and Accounting including Taxation, Information Technology, Management Accounting and Capital Budgeting.

**Mr. Sajeewa Sapukotana - Senior Manager –Business Development**

Mr. Sajeewa Sapukotana counts over more than 19 years’ experience in the finance industry and more than 14 years’ experience as a Senior Manager. Before joining the Vallibel Finance he worked at The Finance Company PLC for 15 years and at Commercial Credit Ltd as a Regional Manager for 2 and ½ years.

He is an Associate Member of the Sri Lanka Institute of Marketing (SLIM).

**Mrs. L S Wijayananda - Manager Legal**

Mrs. Wijayananda holds a BA (Bachelor of Arts) Degree from the University of Colombo. She enrolled as an Attorney-at-Law on 9th December 2004.

She possesses nine years post qualifying experience as an Attorney-at-Law and Notary Public and relevant administrative functions.

**Mr. T U Amaraweera – Senior Manager - Assets Management**

Mr. Amaraweera joined the Company in March 2007. He commenced his career at Mercantile Investments Ltd and holds over 10 years of experience in Asset Management, Credit Administration and Project Management and has undergone extensive training in Recoveries and Asset Management.

**Mr. D M P M B Dissanayake – Senior Manager - Credit**

Mr. Dissanayake joined the Company in March 2007. He commenced his career at Mercantile Investments Ltd. He holds over 9 years of experience in Credit Management and Micro Finance and had undergone an extensive training in Leasing, Hire Purchase and Micro Finance.

**Mr. L.G.R.De Silva - Senior Manager - Metropolitan Branch**

Mr. Rohan Silva has over 5 years of experience as a Branch Manager. He joined the Company in April 2007. He commenced his career at Mercantile Investments Ltd. He counts over 9 years of experience in Credit Management and Micro Finance and had undergone an extensive training in Leasing, Hire Purchase and Micro Finance.

**9.2 REMUNERATION OF THE CORPORATE MANAGEMENT**

The aggregate emoluments including salaries, bonus and/or profit sharing payments made to the Corporate Management for the financial year ended 31<sup>st</sup> March 2013 amounted to LKR 12.8 Million.

The aggregate emoluments including salaries, bonus and/or profit sharing payments payable to the Corporate Management for the financial year ending 31<sup>st</sup> March 2014 is estimated at LKR 24.8 Million.

## 10. DECLARATIONS

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### 10.1 STATUTORY DECLARATION BY THE DIRECTORS

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

This Prospectus has been seen and approved by us and we collectively and individually accept full responsibility for the accuracy of the information given and confirm that after making all reasonable enquiries and to the best of our knowledge and belief, there are no other facts the omission of which would make any statement herein misleading or inaccurate. Where representations regarding the future performance of the Company have been given in the Prospectus, such representations have been made after due and careful enquiry of the information available to the Company and making assumptions that are considered to be reasonable at the present point in time in our best judgment.

Name of Directors	Designation	Date	Signature
Mr. K. D. D. Perera	Chairman	27 <sup>th</sup> January 2014	Sgd.
Mr. S. B. Rangamuwa	Executive Director	27 <sup>th</sup> January 2014	Sgd.
Mr. J. A. S. S. Adihetty	Non-Executive Director	27 <sup>th</sup> January 2014	Sgd.
Mr. W. D. N. H. Perera	Non-Executive Director	27 <sup>th</sup> January 2014	Sgd.
Mr. M. D. S. Goonatilleke	Independent Non-Executive Senior Director	27 <sup>th</sup> January 2014	Sgd.
Mr. K. D. H. Perera	Non-Executive Director	27 <sup>th</sup> January 2014	Sgd.
Mr. Suranimala Senaratne	Independent Non-Executive Director	27 <sup>th</sup> January 2014	Sgd.
Mr. R. M. Karunaratne	Independent Non-Executive Director	27 <sup>th</sup> January 2014	Sgd.

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

We, Navara Capital Partners Limited, of No. 12B, Gregory's Road, Colombo 7 being the Financial Advisors and Managers to the Issue of Vallibel Finance PLC, hereby declare and confirm that to the best of our knowledge and belief based on the information provided to us by the Company, the Prospectus constitutes full and true disclosure of all material facts about the Issue and Vallibel Finance PLC.

The Common Seal of, Navara Capital Partners Limited affixed on the 27<sup>th</sup> January 2014 at Colombo in the presence of,

Sgd.  
Director

Sgd.  
Director

### 10.3 STATUTORY DECLARATION BY THE DIRECTORS

We, Vallibel Finance PLC of No. 310, Galle Road, Colombo 3 hereby declare that to the best of our knowledge and belief this Prospectus constitutes full and fair disclosure of all material facts about the Issue and the Company.

An application has been made to the CSE for permission to deal in and for a listing for Debentures issued by the Company and those Debentures which are the subject of this Issue.

Such permission will be granted when Debentures are listed on the CSE. The CSE assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports included in this Prospectus. Listing on the CSE is not to be taken as an indication of the merits of the Company or of the Debentures issued.

The Common Seal of Vallibel Finance PLC affixed on this 27<sup>th</sup> January 2014 at Colombo in the presence of two Directors.

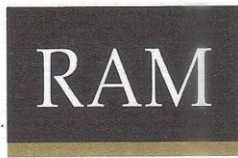
Sgd.  
Director

Sgd.  
Director

# ANNEXURES

# **ANNEXURE I**

## **RATING REPORT**



**RATINGS**

Our Ref.no: RAML/025/2014

21<sup>st</sup> January 2014

Mr S B Rangamuwa  
Managing Director/Chief Executive Officer  
**Vallibel Finance PLC**  
No. 310, Galle Road,  
Colombo 3.

Dear Mr. Rangamuwa,

**VALLIBEL FINANCE PLC-RATING REVIEW 2013**

RAM Ratings Lanka has reaffirmed the long- and short-term financial institution ratings of **BB+** and **NP** respectively to Vallibel Finance PLC ("Vallibel" or "the Company"). Concurrently, RAM Ratings Lanka has assigned the issue rating of **BB** to the Company's proposed LKR 500 million unsecured subordinated redeemable debentures (2014/2019). Both long term ratings have a stable outlook.

The long-term rating of **BB+** reflects:

"A weak capacity to meet financial obligations. The financial institution is highly vulnerable to adverse changes in circumstances, economic conditions and/or operating environments."

The short-term rating of **NP** reflects:


"A doubtful capacity to meet short-term financial obligations. The financial institution faces major uncertainties that could compromise its capacity for payment of financial obligations."

RAM Ratings Lanka will continue to keep your Company under surveillance and request you to keep us informed of any material events that affect your organisation. Further, please forward us the quarterly information as per the mandate in the format already forwarded.

Finally, we would like to thank you and your staff for the co-operation extended to us during the rating and look forward to a long and cordial relationship.

Thank you.

Yours faithfully,

  
Mr Adrian Perera  
**Managing Director / CEO**

RAM Ratings (Lanka) Ltd  
PB - 1636  
Wholly owned by  
RAM Holdings Berhad

No 11, Melbourne Avenue  
Colombo 4  
Sri Lanka

T +94 112 553089  
F +94 112 553090  
E ram@ram.com.lk  
www.ram.com.lk

# **ANNEXURE II**

## **ACCOUNTANTS REPORT AND FIVE YEAR SUMMARY**



**KPMG**  
(Chartered Accountants)  
32A, Sir Mohamed Macan Markar Mawatha,  
P. O. Box 186,  
Colombo 00300,  
Sri Lanka.

Tel : +94 - 11 542 6426  
Fax : +94 - 11 244 5872  
+94 - 11 244 6058  
+94 - 11 254 1249  
+94 - 11 230 7345  
Internet : www.lk.kpmg.com

3<sup>rd</sup> December 2013

The Board of Directors  
Vallibel Finance PLC  
No.310, Galle Road  
Colombo 03  
Sri Lanka

Dear Sirs/Madam,

## **ACCOUNTANTS' REPORT FOR INCLUSION IN THE PROSPECTUS OF VALLIBEL FINANCE PLC**

This report has been prepared for the inclusion in the Prospectus issued in connection with the debenture issue of Rs. 250 Million Rated, unsecured, redeemable debentures with the option of increasing the issue size up to Rs. 500 Million.

We have examined the financial statements of Vallibel Finance PLC from the year ended 31 March 2009 to 31 March 2013, included in the prospectus and report as follows.

### **1. INCORPORATION**

Vallibel Finance PLC ("Company") is a public limited liability company incorporated in 1974 under the Companies Act NO 17 of 1982 and domiciled in Sri Lanka. As per section 487 (2) of the Companies Act No 07 of 2007 the Company has been re registered bearing registration No. PB 526/PQ.

### **2. FINANCIAL STATEMENTS OF THE COMPANY**

#### **2.1 Five Years Summary of Financial Statements**

A summary of the Statements of the Comprehensive Income and Statements of Financial Position of the Company for the financial years ended 31<sup>st</sup> March 2009 to 31<sup>st</sup> March 2013, based on the audited financial statements of the Company are set out in page 49 & 50 of the Prospectus.

#### **2.2 Audited Financial Statements for the year ended 31<sup>st</sup> March 2013**

The Statement of Financial Position as at 31<sup>st</sup> March 2013 and related Statement Comprehensive Income, for the year then ended are set out in Annexure III of the Prospectus. We have audited these financial statements and our report dated 21<sup>st</sup> June 2013 is attached to the Financial Statements.

#### **2.3 Audit Reports**

We have audited the financial statements of the Company for the years ended 31<sup>st</sup> March 2009 to 31<sup>st</sup> March 2013. Unqualified audit opinions have been issued for the said financial years.

KPMG, a Sri Lankan Partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International cooperative ("KPMG International"), a Swiss entity.

M.R. Mihular FCA  
T.J.S. Rajakarier FCA  
Ms. S.M.B. Jayasekara ACA  
G.A.U. Karunaratne ACA  
P.Y.S. Perera FCA  
W.W.J.C. Perera FCA  
W.K.D.C. Abeyrathne ACA  
R.M.D.B. Rajapakse ACA  
C.P. Jayatilake FCA  
Ms. S. Joseph FCA  
S.T.D.L. Perera FCA  
Ms. B.K.D.T.N. Rodrigo ACA  
Principals - S.R.I. Perera ACMA, LLB, Attorney-at-Law, H.S. Goonewardene ACA

## 2.4. Application of Accounting Standards and Accounting Policies

The financial statements of the Company for the years ended 31<sup>st</sup> March 2009 to 31<sup>st</sup> March 2013 complied with applicable Sri Lanka Accounting Standards.

The accounting policies of the Company are stated in detail in the audited financial statements of Vallibel Finance PLC for the year ended 31<sup>st</sup> March 2013. The adoption of revised/ new accounting standards and any changes to the accounting policies of the Company since 31<sup>st</sup> March 2009 to 31<sup>st</sup> March 2013 are given below.

Financial Year	Adoption of revised/ new accounting standards, changes to accounting policies
31 <sup>st</sup> March 2009	There were no material changes.
31 <sup>st</sup> March 2010	There were no material changes.
31 <sup>st</sup> March 2011	There were no material changes.
31 <sup>st</sup> March 2012	There were no material changes.
31 <sup>st</sup> March 2013	Following the convergence of Sri Lanka Accounting Standards with the International Financial Reporting Standards (IFRS's) all existing /new Sri Lanka Accounting standards were prefixed as SLFRS and LKAS (referred to as "SLFRS" in these Financial Statements) to represent Sri Lanka Accounting Standards corresponding to International Accounting Standards (IAS's), respectively. Accordingly the company adopted these new Sri Lanka Accounting Standards (which are commonly known as SLFRS's) applicable for financial periods commencing from April 1, 2012.

## 2.5. Dividends

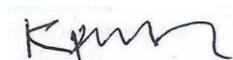
The Company has declared the following dividends in respect of Ordinary Shares during the five financial years ended up to 31<sup>st</sup> March 2013.

Financial Year	Dividend Paid (Rs.)	Dividend Per Share(Rs.)
2009	7,787,650	0.50
2010	20,775,300	1.00
2011	20,775,300	0.50
2012	41,550,600	1.00
2013	62,325,900	1.50

## 2.6. Events after the Balance Sheet Date

Directors have recommended the payment of an interim dividend of Rs. 1.50 per share for the year ended 31<sup>st</sup> March 2013. This was approved at the annual general meeting held on 6<sup>th</sup> September 2013.

Yours faithfully,



**Chartered Accountants**

Colombo

UK/HA

Rs.	COMPANY				
	Based on Financial Statements prepared under SLAS			Based on Financial Statements prepared under SLFRS	
	2009	2010	2011	2012	2013
Revenue	364,278,447	413,871,000	595,382,652	1,111,638,186	1,791,914,232
Other Income	7,960,478	11,581,109	44,277,851	98,995,789	87,482,251
	<b>372,238,925</b>	<b>425,452,109</b>	<b>639,660,503</b>	<b>1,210,633,975</b>	<b>1,879,396,483</b>
Total expenditure	(49,362,121)	(62,573,516)	(135,251,188)	(251,519,643)	(350,944,564)
<b>Profit from operating activities before finance cost</b>	<b>322,876,804</b>	<b>362,878,593</b>	<b>504,409,315</b>	<b>959,114,332</b>	<b>1,528,451,919</b>
Finance cost	(236,607,948)	(233,952,166)	(269,555,960)	(536,824,726)	(1,008,844,798)
Profit on sale of shares	4,129,827	641,060	-	-	-
Profit on disposal of equity accounted investee	-	-	-	-	-
Revaluation deficit provision of impairment loss	-	-	-	-	-
	(17,577,566)	(22,213,779)	(3,436,577)	(34,266,148)	(51,678,935)
<b>Profit before tax</b>	<b>72,821,117</b>	<b>107,353,708</b>	<b>231,416,778</b>	<b>388,023,458</b>	<b>467,928,186</b>
Value Added Tax on Financial Services	(14,933,872)	(24,488,195)	(39,568,361)	(37,386,342)	(38,748,927)
Income tax expense	(25,694,715)	(40,979,923)	(84,142,122)	(119,460,984)	(134,646,817)
<b>Profit for the period</b>	<b>32,192,530</b>	<b>41,885,590</b>	<b>107,706,295</b>	<b>231,176,132</b>	<b>294,532,442</b>
Actuarial Gains / (Losses) on Retirement Benefit Plans				(61,760)	(59,239)
<b>Total Comprehensive Income for the Year, Net of Tax</b>				<b>231,114,372</b>	<b>294,473,203</b>
<b>BALANCE SHEET</b>					
<b><u>Capital and Reserves</u></b>					
Stated Capital	172,753,000	172,753,000	287,153,000	287,153,000	287,153,000
Revaluation Reserve				-	-
Statutory Reserves & General Reserve	17,584,346	25,922,547	52,856,554	138,051,881	245,080,979
Retained Earnings	42,351,209	68,129,243	128,126,231	259,189,630	405,083,134
Total	<b>232,688,555</b>	<b>266,804,790</b>	<b>468,135,785</b>	<b>684,394,511</b>	<b>937,317,113</b>

<b>Interest Bearing Borrowings and Subordinated Term Debts - Borrowings falling due after one year</b>	120,964,995	53,859,578	271,141,493	<b>785,382,610</b>	<b>701,686,015</b>
<b>CAPITAL EMPLOYED</b>	<b>353,653,550</b>	<b>320,664,368</b>	<b>739,277,278</b>	<b>1,469,777,121</b>	<b>1,639,003,128</b>
<b>REPRESENTED BY</b>					
Non Current Assets	9,701,836	12,765,533	78,882,526	105,792,958	122,745,654
Current Assets	1,446,817,185	1,785,126,170	3,810,698,581	6,568,171,961	9,180,759,855
Current Liabilities	280,402,233	334,266,264	537,517,448	1,135,860,673	1,325,135,311
Employee benefits	1,045,100	1,765,100	2,322,916	3,902,921	6,067,712
Deferred Tax Liabilities	870,819	1,718,527	14,230,993	40,018,009	65,089,176
Deposits Due to Customers less than or equal to one year	729,972,890	976,438,937	2,325,423,293	3,685,287,307	5,582,789,817
due after one year	90,574,429	163,038,507	270,809,179	339,118,888	685,420,364
	820,547,319	1,139,477,444	2,596,232,472	4,024,406,195	6,268,210,181
<b><u>CASH FLOW STATISTICS</u></b>					
Net cash Generated from Operating Activities	(102,388,987)	111,109,447	(251,181,638)	(1,106,723,844)	229,756,744
Net cash Used in Investing Activities	(6,413,167)	(10,352,477)	(75,201,492)	(66,266,949)	(43,439,318)
Net cash(Used in)/Generated from Financing Activities	123,694,505	(148,251,418)	373,732,997	1,153,376,564	(303,059,384)
<b>Net Increase/(Decrease) in Cash &amp; Cash equivalents during the year</b>	<b>14,892,351</b>	<b>(47,494,448)</b>	<b>47,349,867</b>	<b>(19,614,229)</b>	<b>(116,741,958)</b>

