



**BY HAND/REGISTERED POST**

18<sup>th</sup> January 2017

**Ref: SEC/LEG/17/01/12**

**To : Swarnamahal Financial Services PLC**

**Re : Directive issued in terms of Section 13 (cc) of the Securities and Exchange Commission of Sri Lanka Act No.36 of 1987 (as amended)**

The Securities and Exchange Commission of Sri Lanka (SEC) at its 381<sup>st</sup> meeting held on 10<sup>th</sup> January 2017 deliberated upon several matters concerning Swarnamahal Financial Services PLC (SFS) including the following:

- repeated non compliance with mandatory Corporate Governance Requirements in terms of Rules 7.10.2(a), 7.10.5(a) and 7.10.6(a) of the Listing Rules of the Colombo Stock Exchange (CSE);
- extensive related party transactions without required checks and balances;
- the negative impact on the interests of investors due to the above mentioned non compliance;
- a Negative Net Asset Value over Rs. 1 billion, indicating a dire financial status; and
- significant issues relating to going concern status and the company's inability to infuse capital as of date despite regulatory requirements of the Central Bank of Sri Lanka (CBSL).

In light of the above significant issues and in the interest of investors, the Commission decided to issue a directive to SFS prohibiting it from entering into any Related Party Transactions including any write-off of outstanding or making of adjustments which will reduce the outstanding balances (except by way of recovering outstanding debt from Related Party Transactions) until such time the Corporate Governance Requirements of the Listing Rules of the Colombo Stock Exchange are complied with.

Therefore, the company is hereby directed to comply with the above mentioned prohibition.

This directive shall be effective from the date hereof until compliance by Swarnamahal Financial Services PLC with Rules 7.10.2(a), 7.10.5(a) and 7.10.6(a) of the Listing Rules of the CSE.

Vajira Wijegunawardane  
**DIRECTOR GENERAL**  
AA/EW

Copy to: Mr. Rajeeva Bandaranayake, Chief Executive Officer, Colombo Stock Exchange