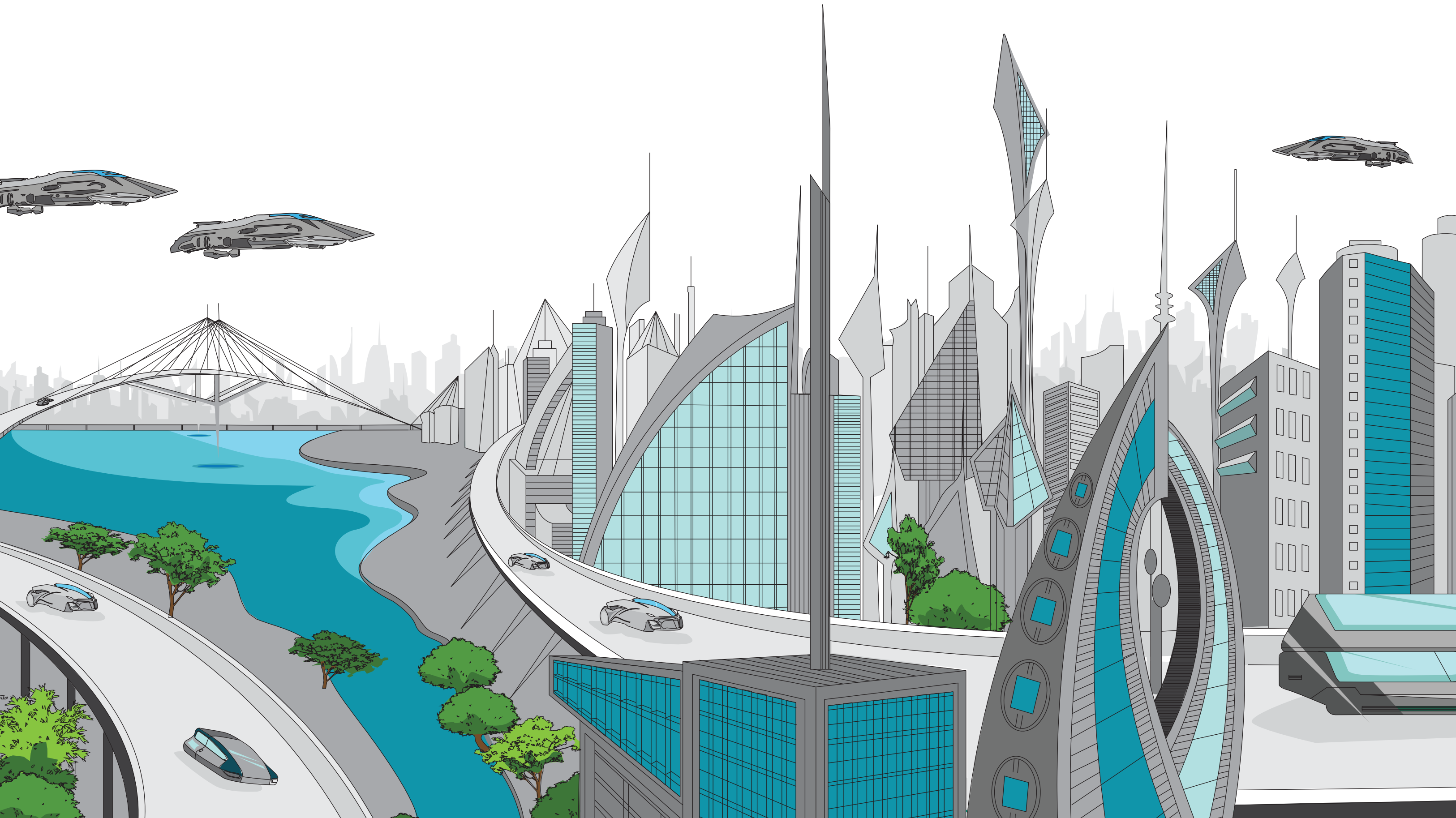
CDB
Your Friend

ENVISIONING

CITIZENS DEVELOPMENT BUSINESS FINANCE PLC
ANNUAL REPORT 2018/19



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INTRODUCING OUR REPORT

[GRI 102-47, 102-50, 102-51, 102-52]

Concept

This is our sixth Integrated Annual Report. The Report presents a balanced, comprehensive overview of our activities and information about Citizens Development Business Finance PLC (CDB)'s position with regard to its performance in the context of the surrounding economic, social, and environmental conditions. This Report contains information about our impact, value creation, and provides our stakeholders insight into the execution of our strategy in the year under review.

Reporting period and boundary

The Report covers the 12 month period from 1 April 2018 to 31 March 2019 which is consistent with our usual annual reporting cycle for both financial and sustainability reporting.

We have included our subsidiaries, CDB Fortune Properties (Pvt) Limited and Unisons Capital Leasing Limited, in the consolidated Financial Statements but have excluded them from the other sections of this Report, unless otherwise stated.

[GRI 102-45]

Key frameworks and compliance

The information provided in this Report, as in the past, is in compliance with all applicable laws, regulations, standards, and guidelines for voluntary disclosures.

This integrated Annual Report draws on concepts, principles, and guidance given in the following, where applicable:

- Sri Lanka Accounting Standards issued by The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka)
- The International Integrated Reporting Council (IIRC) Framework (www.theiirc.org)
- Global Reporting Initiative (GRI) Sustainability Reporting Guidelines GRI Standards (www.globalreporting.org)
- "A Preparer's Guide to Integrated Corporate Reporting", published by The Institute of Chartered Accountants of Sri Lanka (ICASL)
- Sustainable Development Goals (SDGs) – The UN initiative with 17 aspirational "Global Goals"

Materiality

[GRI 102-46, 102-48, 102-49, 102-54]

We have disclosed only the key material aspects in the Annual Report 2018/19 to ensure the Report is comprehensive yet concise. These topics are selected based on the reporting principles of materiality, sustainability context, balance, completeness, and stakeholder inclusivity.

The report provides important financial and non-financial performance indicators focusing on material aspects. An aspect is considered material if it affects our ability to remain commercially viable and socially relevant to the communities in which we operate.

External assurance

We have obtained the services of our external auditor, Messrs KPMG for appropriate assurance in this regard. Our Managing Director is responsible for sustainable practices and disclosures detailed in this Report and interacting with the external assurer of the Report.

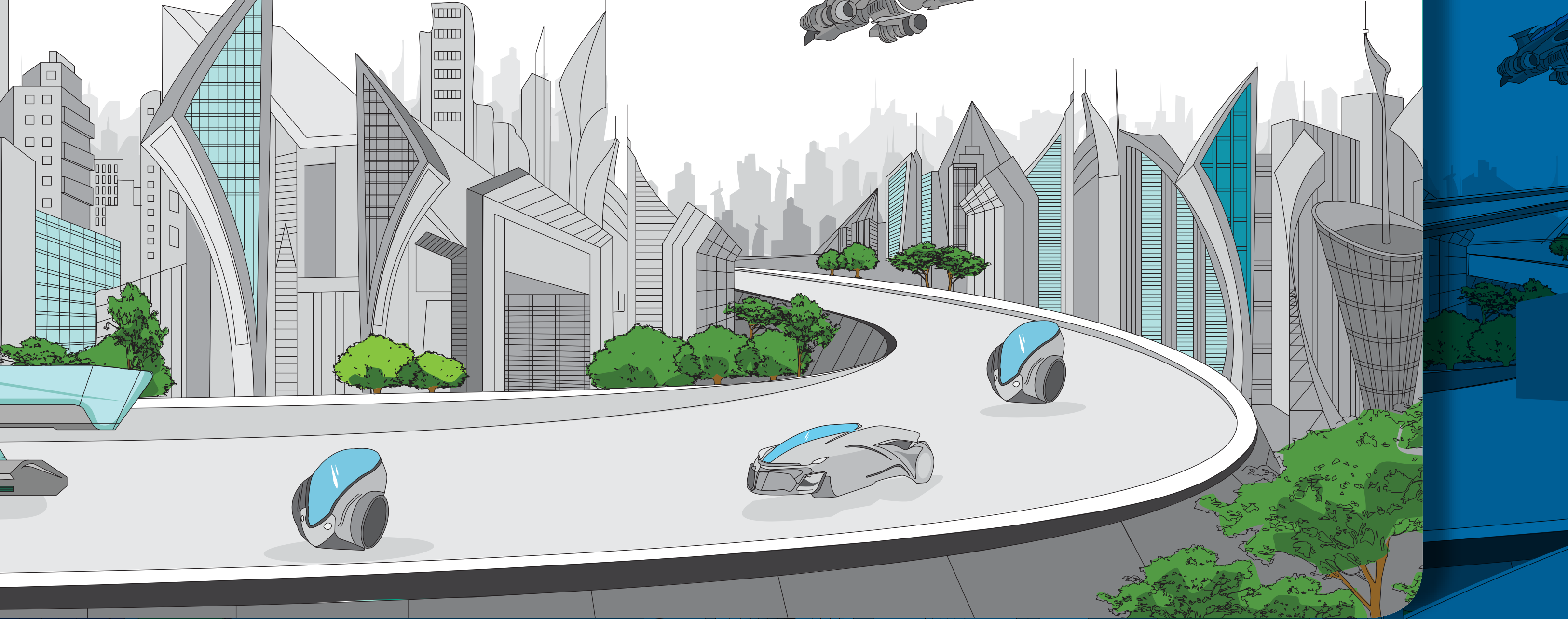
Queries

We welcome your comments or inquiries on this Annual Report which could be addressed to:

Aroshi Ranatunga
Head of Sustainability,
Citizens Development Business Finance PLC,
No. 123, Orabipasha Mawatha,
Colombo 10.
aroshi.ranatunga@cdb.lk

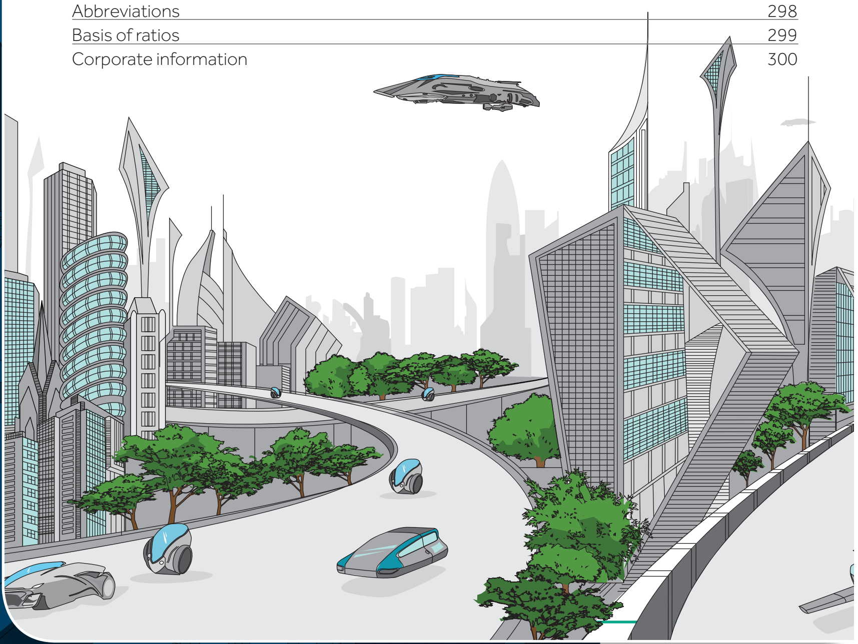
[GRI 102-3, 102-53]

2018/19 AT A GLANCE



CONTENTS

[GRI 102-46]



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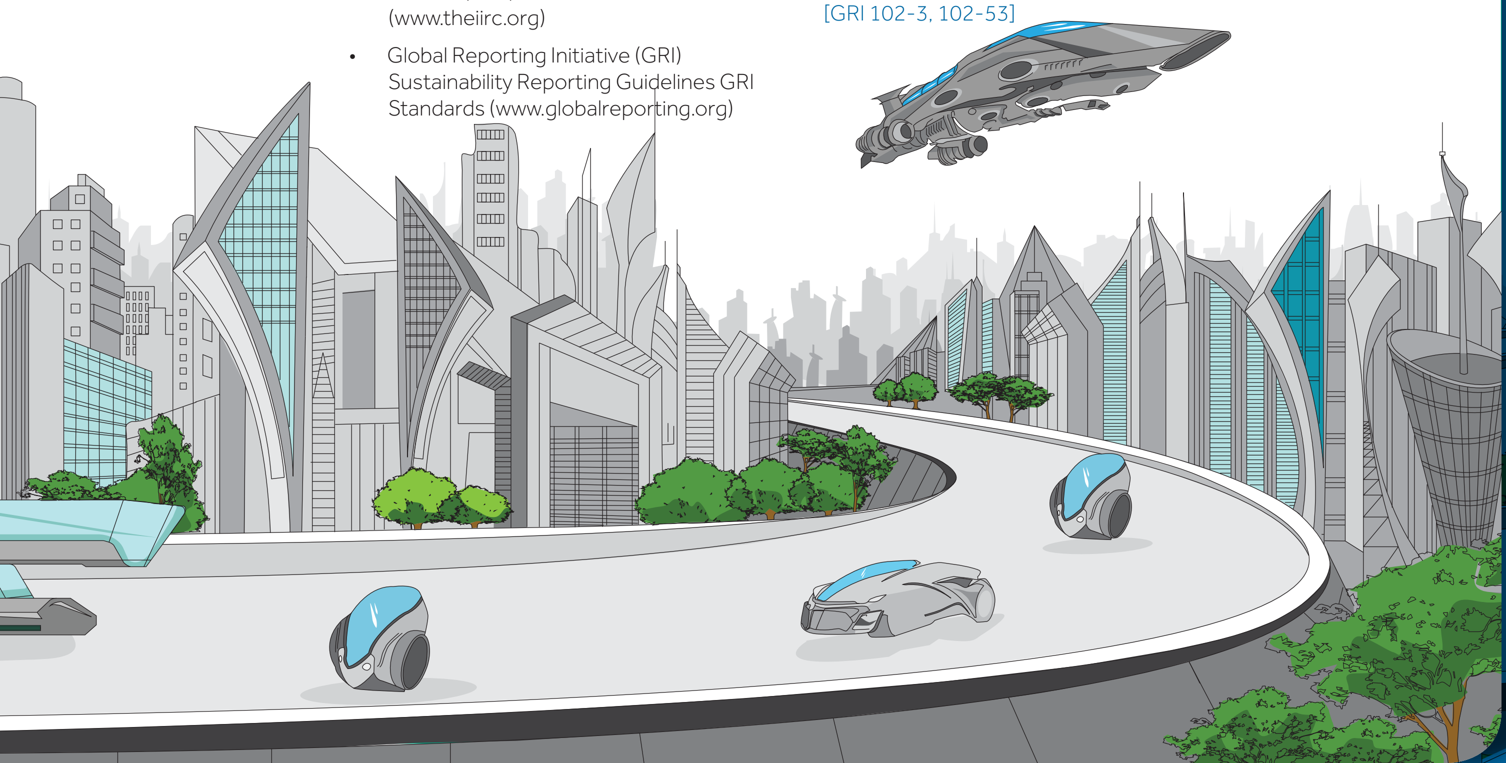


2018/19 AT A GLANCE

OUR

Envisioning is the fount of creativity and innovation. It is the ability to foresee with wisdom in expectation of a greater outcome. Since our inception, we have dared to envision and our journey thus far has been marked by a pioneering spirit and a zest to embrace innovations. Today, we are among the top five NBFIs in the Island, yet our journey has just begun...

As we move towards a "Fourth Industrial Revolution" ushered in by technology, we envision to transform CDB to a "Techfin". Applying our ecosystem thinking to change our role from a disrupter within the financial sector into an incumbent entity providing lifestyle solutions to our customers, we have already taken the initial steps in this transformative journey.

As we expand our horizons supported by innovative solutions and nimble digital platforms, we draw closer to the future we are envisioning. In that future lies myriad possibilities, in that future lies even greater prospects for us and for all our stakeholders.

We dare to envision...

Creative imagination coupled with human ingenuity is the source of innovation. We recognise that the greater our knowledge base and curiosity, the more ideas, patterns, and combinations we can achieve which can be correlated to create novel ways of serving our stakeholders. We continue to be inspired by the world around us, while internally our Vision, core Vales, and Purpose foster a spirit of innovation. In our inner thematic pages, we feature some of the most unique concepts and pioneering inventions from around the world.

For further information about these ground-breaking inventions and concepts refer page 284.

- We invested a total of Rs. 24 Mn. in social and environmental sustainability initiatives in 2018/19
- Board has decided to contribute 2% for social and environmental sustainability from corporate profits

Social highlights

27%	Rs. 15 Bn.	71	Act early for Autism	509
of the total lending portfolio is attributable to females	Net lending outside the Western province	physical service points	CDB and SLACD Add Outdoor Therapeutic Play Area for Children with Autism in Ampara	Scholars benefited through CDB Sisu Diri Scholarship Programme

Environmental highlights

CLIMATE NEUTRAL NOW – MEASURE REDUCE OFFSET

Reaffirmed our commitment to maintain the Zero Carbon operational stance by signing UNFCCC Climate Neutral Now Pledge

ISO 14064-1 Carbon Verified for the 4th consecutive year

Spread awareness of eco-friendly practices to the families of our employees through “Green Family” project

Emission reduction strategies through tech driven solutions –CDBiTransfer, CDBiDeposit

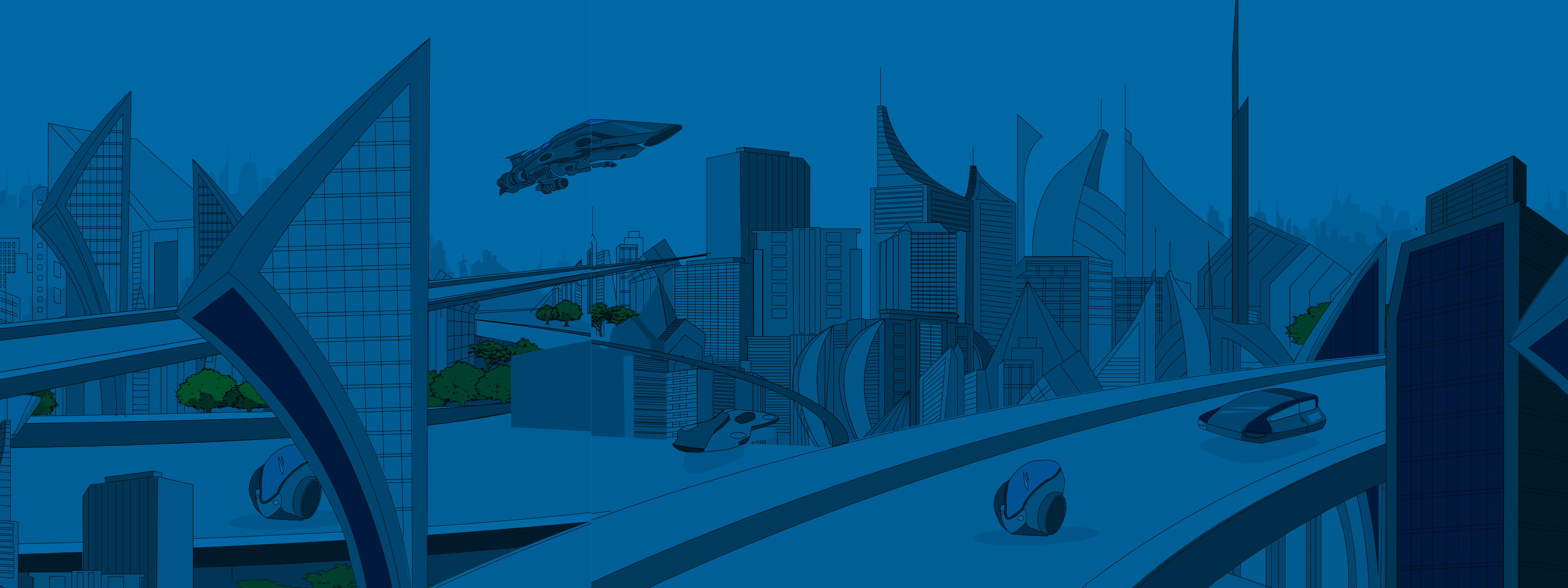
Energy audit conducted covering all 71 service points

Key performance indicators (Company)	2018/19	2017/18	%
Financial performance (Rs. Mn.)			
Gross revenue	16,241	11,785	38
Net interest income	5,226	3,454	51
Net operating income	6,227	4,752	31
Profit before tax	2,111	1,687	25
Profit after tax	1,710	1,401	22
Position as at the year end (Rs. Mn.)			
Loans and receivables	69,133	59,438	16
Total assets	89,432	75,502	18
Total equity	8,665	7,152	21
Customer deposits	47,236	44,710	6
Financial ratios (%)			
Profitability perspective			
Operating profit margin	16.03	16.63	
Net interest margin	6.34	5.34	
Cost to income ratio (excluding taxes on FS)	49.70	54.52	
Return on average assets (ROA) - after tax	2.07	2.17	
Investor Perspective			
Earnings per share (Rs.)	31.49	25.80	
Earnings yield (%)	40.85	30.39	
Return on equity (ROE) (%) - after tax	21.62	20.92	
Dividend per share (Rs.)	5.00	5.00	
Dividend yield (%)	6.49	5.89	
Dividend cover (times)	6	5	
Dividend payout (%)	15.88	19.38	
Net asset value per share (Rs.)	159.57	131.71	
Market value per share - closing - voting (Rs.)	77.10	84.90	
Market value per share - closing - non voting (Rs.)	61.10	74.00	
Market capitalization (Rs. Mn.)	4,059	4,523	
Price to earnings (Times)	2.45	3.29	
Statutory ratios (%)			
Capital adequacy			
Tier I (minimum requirement - 6%)	8.09	10.64	
Tier I & II (minimum requirement - 10%)	11.07	13.93	
Statutory liquidity ratio	18.46	14.37	
Non - performing advances ratio (%)			
Gross NPL (net of IIS)	6.68	3.07	
Net non - performing loans (Net of IIS and provisions)	3.84	0.89	

Revenue	Rs. 16.2 Bn.
Profit after Tax	Rs. 1.7 Bn.
Earnings per Share	Rs. 31.49
Total Assets	Rs. 89.4 Bn.
Loan Book	Rs. 69 Bn.
Net Assets Value per Share	Rs. 159.57

OUR

2018/19 AT A GLANCE



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BUSINESS MODEL PAGE: 23

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FINANCIAL REPORT – 161

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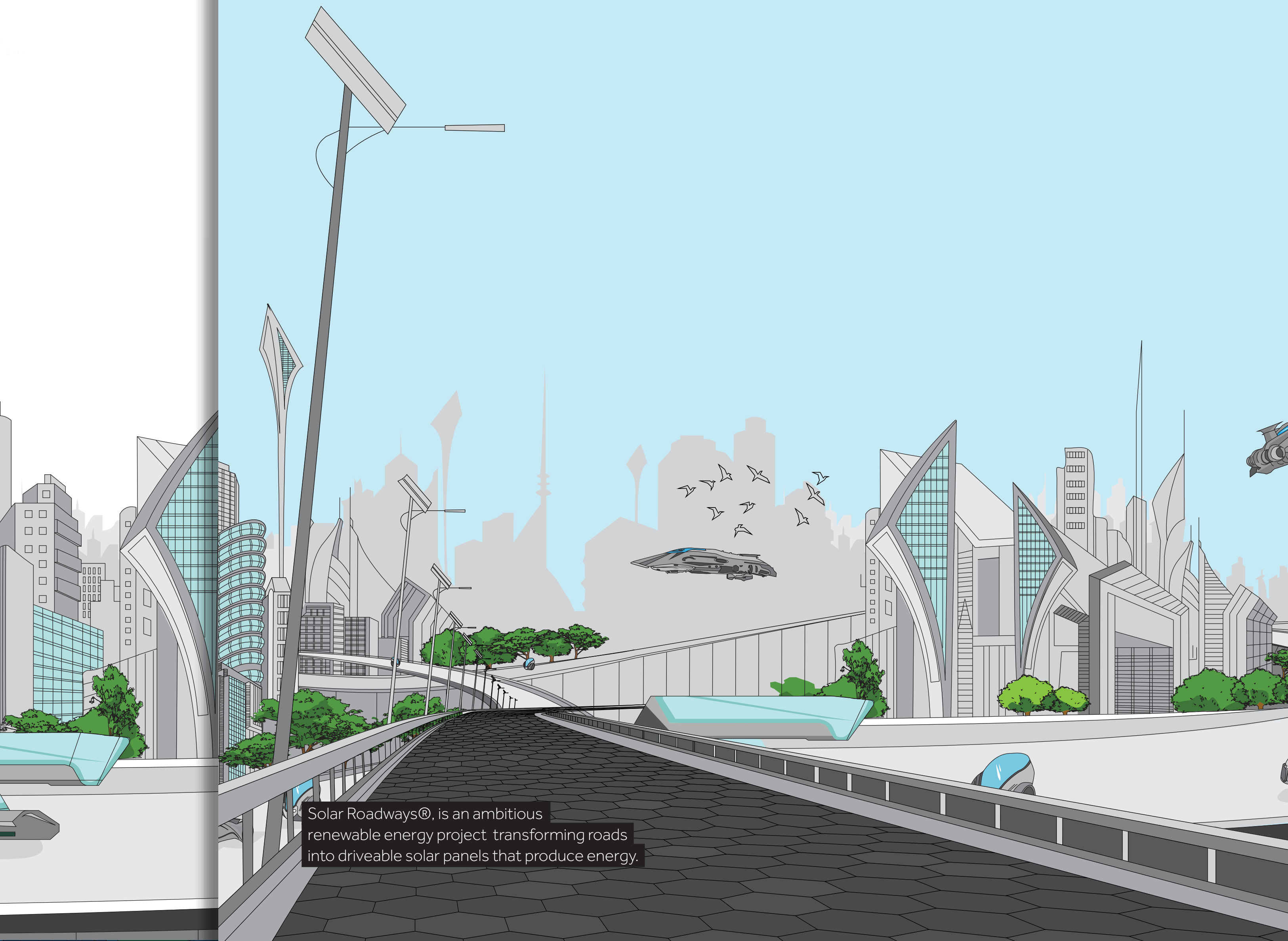
We envision the road ahead foreseeing endless possibilities. Through CDB's strategic plan, we have clearly laid out a roadmap and a framework that equip us to face the future with resoluteness. After all, envisioning is another form of planning.



Solar Roadways®, is an ambitious renewable energy project transforming roads into driveable solar panels that produce energy.

OUR BUSINESS STRATEGY

CDB's business strategy is built on solid foundations taking into account the context and material aspects to deliver sustainable value to all stakeholders. It is guided by CDB's Vision, Values, and its new purpose of empowering aspirations.

RISK MANAGEMENT – 98 | GOVERNANCE REPORT – 105
FINANCIAL REPORT – 161
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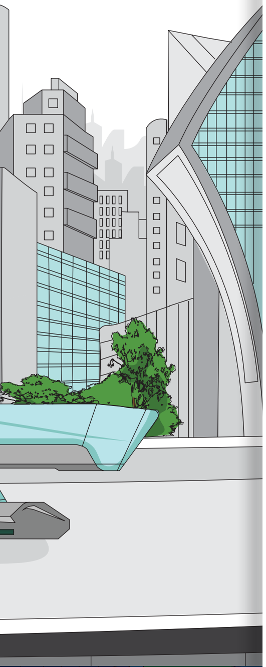

LETTER FROM THE CHAIRMAN

We are confident that the strong foundations in place, our clear strategic direction, and the value of resilience embedded in our organisation culture augurs well for your Company in the long run.

[GRI 102-14]

Dear Shareholders,

On behalf of the Board of Directors, it is my pleasure and privilege to present to you the Annual Report of CDB for the financial year ended 31 March 2019.

Your Company performed admirably in 2018/19, surpassing its performance in 2017/18 by recording a 22% growth in the bottom line, notwithstanding the volatile and challenging climate that prevailed both in the domestic and global fronts. Our outstanding financial performance and experience gathered over the years have positioned us to confront the impending demands in the financial sector and the socio-economic landscape to deliver value to all our stakeholders.

A volatile context

The expected growth impetus in Sri Lanka's economic activities was obstructed by a series of domestic and global occurrences. The country's external sector suffered a setback on account of the expansion of the trade deficit, rising foreign debt repayments, net outflows in the Government securities market and the Colombo Stock Exchange and the sharp fall in the value of the rupee. Its impact on the economy was exacerbated by political uncertainties and the downgrade of the country's sovereign rating experienced in the last quarter of 2018.

Policy measures taken by Government to curtail motor vehicle imports affected core lending activities of NBFIs. Introduction of higher LC margins on motor car imports, cash margin requirement on selected consumer goods imports, tightening of the Loan to Value ratio on motor vehicle related financing, suspending the issuance of LCs on concessionary permits for vehicle imports, together with the steep depreciation of the SL Rupee against the US Dollar had a profound impact on the leasing business, particularly vehicle leasing which is one of the core business activities of the NBFI sector. The profitability of NBFIs was also adversely affected by increased funding costs and higher loan loss provisions made against NPLs as required under SLFRS 9.

An exceptional performance

Viewed in the backdrop of a challenging operating environment, our strong financial performance is all the more significant. We took giant strides during the year to become one of the leading financial institutions in Sri Lanka by increasing our asset base by 18% to reach Rs. 89 Bn. Our profit after tax of Rs. 1.7 Bn. reflected an increase of 22% over the previous year whilst Shareholders' funds increased by 21% to reach Rs. 8.6 Bn.

I am happy to state that in order to keep abreast with best practices in accounting standards and to comply with prudential policy measures laid down by the CBSL, we adopted SLFRS 9 in the previous financial year prior to it becoming mandatory, the only NBFI to do so.

Value creation for all stakeholders

Our corporate governance practices to which we give pride of place, determine the direction and performance of our Company and it enables us to create long-standing relationships and sustainable value for all our stakeholders.

True to our motto "Your Friend", we have empowered the aspirations of our customers by providing innovative product offerings to all segments of the Sri Lankan society. In return for their trust and loyalty, we provide superior service through physical touch points and digital platforms and work endlessly to elevate their aspirations.

Over the past several years, your Company has maintained an attractive and consistent record of dividend payments in keeping with its growth in profitability.

I am pleased to announce that the Board has recommended a dividend of Rs. 5/- per share, Rs. 2.50 per share as a scrip dividend and Rs. 2.50 as a cash payout.

Shareholders will appreciate that strengthening the capital base is necessary to facilitate a healthy growth of the business and ensure a steady return to shareholders. It is from this standpoint that the Board decided to fortify its Tier 1 Capital by calling for a 1:4 rights issue at a consideration of Rs. 77/- per voting share and Rs. 64/- per non-voting share which was approved by the shareholders at the recently held EGM and subsequently approved by the Colombo Stock Exchange.

Our responsibilities as a corporate citizen rooted in the national economy have always been fulfilled. In the financial year under review, we have contributed Rs. 893 Mn. by way of taxes to the Government Treasury which is an increase of 60% over the previous year.

Being committed to sustainable development, we have pledged our support to the United Nations Sustainability Development Goals (UN SDGs) and address SGDs directly related to our operations. The principles of sustainability are seamlessly integrated across the full breadth of our operations.

We were recognised as the first ISO 14064-1 verified financial institution in South Asia by Sri Lanka Carbon Fund in 2015/16 and since then we continued to be a carbon-verified organisation proactively working to reduce our carbon footprint. We continued our commitment towards environmental sustainability through "*Mihikathata Adaren*", our flagship campaign with the primary purpose of connecting people to nature. It consists of a number of green initiatives for our stakeholders to adapt to a green lifestyle.

Under our "Life" project, in partnership with the Biodiversity Sri Lanka, Forest Department, and IUCN Sri Lanka, we made a commitment to restore 1 ha block of land in the Kanneliya conservation forest over a period of four years.

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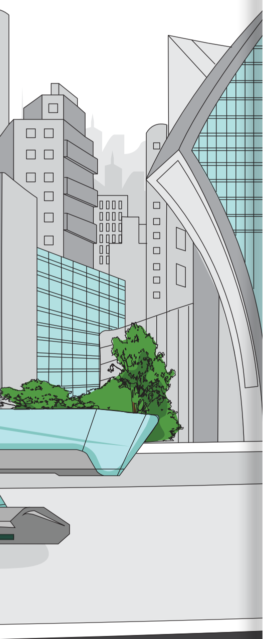

We consider our employees as our greatest asset and the immense success that CDB has enjoyed since inception in an intensely competitive business environment is a direct result of our committed and highly-skilled team of professionals. Our career succession plan and state-of-the-art training programmes enable us to fill key positions with competent performers from within CDB. The Managing Director/CEO and my eminent colleagues on the Board infuse their wealth of knowledge and experience to your Company which complement the talents of our executive team.

Awards and accolades in 2018

The numerous accolades bestowed on CDB in 2018 is a testament to our sound governance, institutional excellence, and our commitment to providing a plethora of lifestyle solutions to our customers. We were awarded the winner – Best Corporate Citizen Sustainability Award 2018 (Turnover less than Rs. 15 Bn. category) and was ranked among the ten Best Corporate Citizens in Sri Lanka.

We also won the Gold Award for Non Bank Financial Services Sector at the National Business Excellence Awards 2018 (NBEA). At the SLT Zero One Awards, we won the Best Digital Integrated campaign in the financial industry for our online financial platform CDB iNet and we became the second runner up for the best website or Microsite in the financial industry.

Further, at the Asia Sustainability Reporting Awards 2018, we became the Top Finalist for Asia's best CSR communication within an annual report. Our 2017/18 Annual Report was also recognised by numerous awarding bodies, most notably, our Annual Report won the Grand Award – "Best in Sri Lanka" at the international ARC Awards 2018.

Future outlook

The terrorist attacks experienced on the 21 April 2019 and its negative impact on key sectors of the economy is likely to slowdown progress being achieved to bring about the reforms needed to ensure macroeconomic stability and create a favourable economic climate for local and foreign investors. In view of elections due in the latter part of the year, it is unlikely that the political environment will be conducive to economic growth. Nevertheless, Sri Lanka could be back on a growth trajectory before long provided the political leadership is united in its efforts to restore public confidence and navigate the country in the right direction to bring about sustainable peace so that the different segments of society can coexist and work towards the common good of the nation.

During the financial year under review, we unveiled our strategic objectives that chart our course for the next five years giving us a clear sense of purpose and direction. Despite the challenges CDB is likely to face in achieving its key targets for 2019/20, we are confident that the strong foundations that are in place, our clear strategic direction, and the value of resilience that is embedded in our organisational culture augurs well for your Company.

In 2019/20, following CBSL directives, we will undertake the merger of our 90.38% – owned specialised leasing subsidiary, Unisons Capital Leasing Ltd. (UCL), and our fully – owned subsidiary Fortune Properties Limited with CDB. This move is expected to rationalise some of our operating costs.

Acknowledgements

In conclusion, I would like to extend my appreciation, on behalf of the Board, to our Management Team and staff for their unwavering dedication, commitment, and hard work under the exemplary leadership of Mahesh Nanayakkara, our Managing Director/CEO. My appreciation is extended to our shareholders for their steadfast support and to our customers for their trust and loyalty to CDB. I also wish to extend my thanks to the senior officials of the CBSL for their wise counsel. My appreciation is extended to our Auditors, KPMG for their valuable advice and timely completion of the audit.

D H J Gunawardena
Chairman

31 July 2019

ORGANISATIONAL OVERVIEW

VISION

To be the financial powerhouse that will foster entrepreneurial innovation and workmanship towards building our Nation's economy to make sustained gains in living standards of Sri Lankans

PURPOSE

Empowering aspirations

Reaffirming our position within the Sri Lankan financial sector, we have advanced from strength to strength overpowering a multitude of macro challenges as a total financial services provider, to secure our position as the fifth largest Non-Bank Financial Institution in the country.

Our ethos: Becoming a sustainable entity

CDB's growth blueprint is intrinsically integrated within a deeply sustainability-oriented ethos founded upon an unshakable belief in social equity and inclusivity. Our unshakable commitment towards preserving the country's natural assets for future generations is amply demonstrated by the many initiatives under our flagship environmental programme, *Mihikathata Adaren*. Our proactive efforts towards facilitating greater social inclusivity are effected through a range of social welfare programmes, including the Act Early for Autism project, the *Pariganaka Piyasa* initiative, the *Sisudiri* scholarship scheme and activities under CDB *Hithawathkam*. It is no surprise then, that CDB's one-of-a-kind sustainable business model has generated admiration and emulation from all economic sectors, inspiring many others to adopt our growth model and has also attracted manifold accolades from independent critics of business performance. These accolades included the prestigious crown of being among the Ten Best Corporate Citizens in the country twice, among a host of other local and global awards.

Net lender to the rural economy

Surging ahead of the competitive curve in creating sustainable solutions, we have placed special emphasis on extending a helping hand to rural and disempowered communities through our island-wide network of 71 service points, which has further consolidated our position as a net lender to the rural economy during the current financial year. Our continuous efforts at channelling funds into the rural economy has unlocked new growth opportunities for underserved and rural communities to attain their aspirations in life, contributing towards quality of life improvements across the country and adding to the national GDP.

Empowering customer aspirations

Driving greater customer advantages through uniquely customised value paradigms, we have enriched our overall customer value proposition from "Your Friend," to the more emboldening and powerful slogan of "Empowering Aspirations". This change in our business dictum reflects the transformational advances that we make available to our customers and also other stakeholders, through our innovative and life changing solutions.

Extending our reach

As we expand our reach across the island, we have harnessed the power of digital innovations to penetrate deeper into markets and reach new and emerging customer segments. Creative solutions and deep knowledge of markets, coupled with innovative technology solutions have created an unparalleled competitive advantage to sustain growth despite the challenges.

Digitalisation to the fore

Our digital strategy, through its innovative digital product range, is aimed at fast-tracking CDB's evolution into a next generation Fin-Tech company. We have launched a comprehensive digital platform, which encompasses a sophisticated portfolio of cutting edge digital solutions, geared to attract new customer segments, while also providing a unique introductory platform to the Company's range of products and services that would enable rapid expansion of the client base and cross selling opportunities. Backed by our revolutionary digital business model, coupled with CDB's enduring brand popularity, we are on track to build a one million client base within the short to medium term.

Creating value through good governance

We are constantly conscious of our duty as a trusted custodian of public funds to safeguard public deposits. This has fuelled us to build upon a tradition of good governance and adherence to best practices, a process we are continually evolving, while rejuvenating our portfolios with new products and services to cater to the changing needs of our country and society. As we forge along our well defined strategic path, we shall remain focused on the two pillars of our people and our customers, strengthening our "EPS" of emotions, passion and spirit. CDB's holistic eco-system approach and strategic operational planning ensure a clear path to our final objective of becoming the number one player in the industry.

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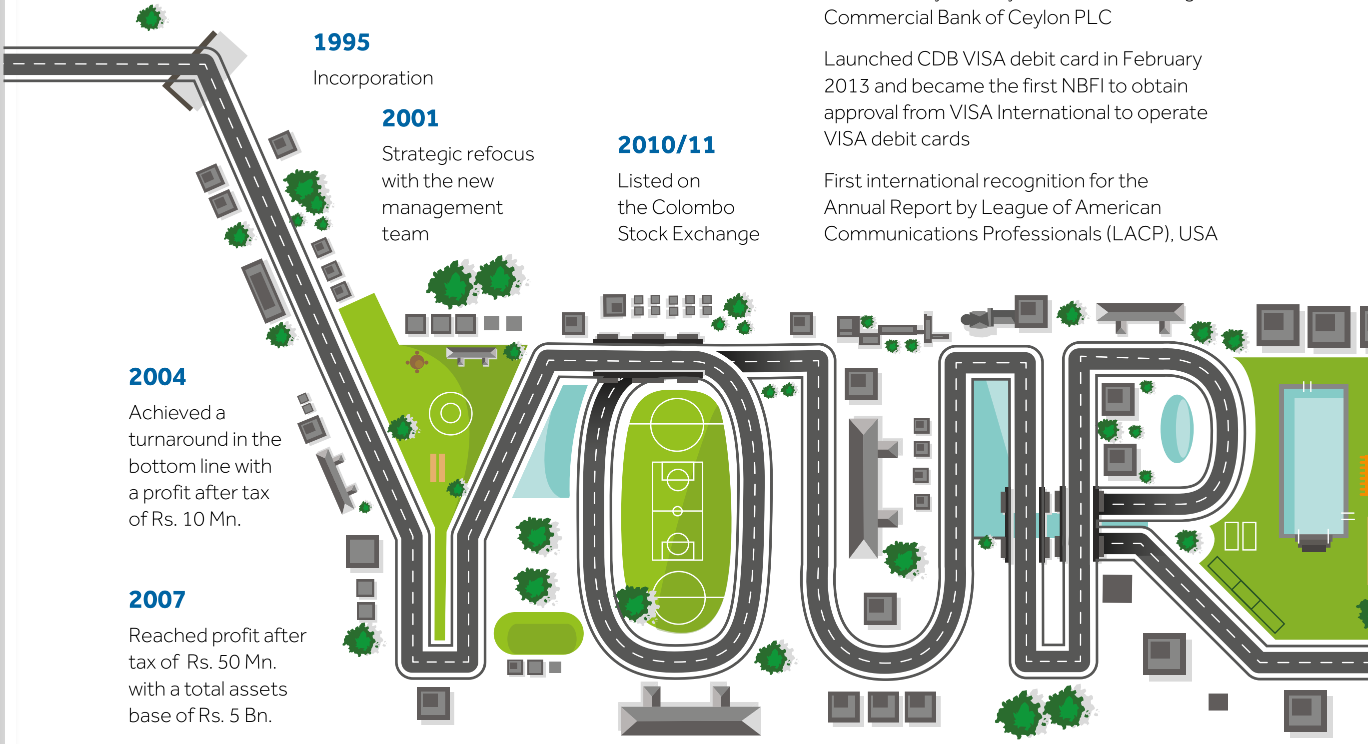
Key milestones in our journey



1995

Incorporation

2001

Strategic refocus with the new management team

2004

Achieved a turnaround in the bottom line with a profit after tax of Rs. 10 Mn.

2007

Reached profit after tax of Rs. 50 Mn. with a total assets base of Rs. 5 Bn.

2008

Initiated two flagship CSR projects:

- CDB *Sisudiri* Scholarship scheme for school children of three-wheel owners
- CDB *Pariganaka Piyasa* by setting up a fully-fledged IT lab

2009/10

Became a public deposit-taking institution

2010/11

Listed on the Colombo Stock Exchange

2011/12

Winner of the National Business Excellence Award in the Specialised Banking and Financial Services Sector

2012/13

CDB was the first Non-Banking Financial Institution (NBFI) to initiate core banking platforms

Honoured with the Prestigious Award for Branding and Marketing Excellence at the Fourth CMO Asia Awards hosted by the World Brand Congress held in Singapore

Installed the first ATM at the Head Office

The first NBFI to sign up for the Sri Lanka Interbank Payment System (SLIPS) through Commercial Bank of Ceylon PLC

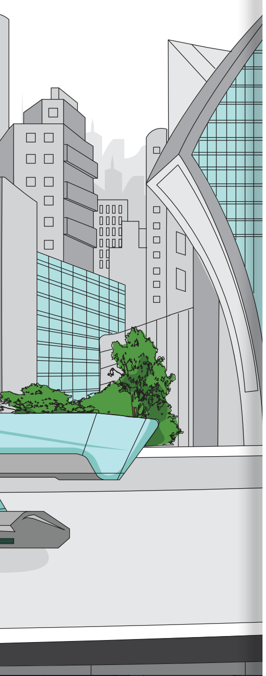
Launched CDB VISA debit card in February 2013 and became the first NBFI to obtain approval from VISA International to operate VISA debit cards

First international recognition for the Annual Report by League of American Communications Professionals (LACP), USA

2013/14

In a breakthrough transaction, CDB secured its first foreign line of credit, worth USD 6 Mn. from the Multilateral Agency of Belgian Investment Company for Developing Countries (BIO)

Received the Platinum Award for CDB Annual Report 2013/14 at the League of American Communications Professionals (LACP) 2013, Vision Awards and was ranked 42 among the Top 100 Annual Reports worldwide, 17 among Top 80 in the Asia Pacific Region and was recognised as the “Best In-House” Annual Report in the Asia Pacific Region

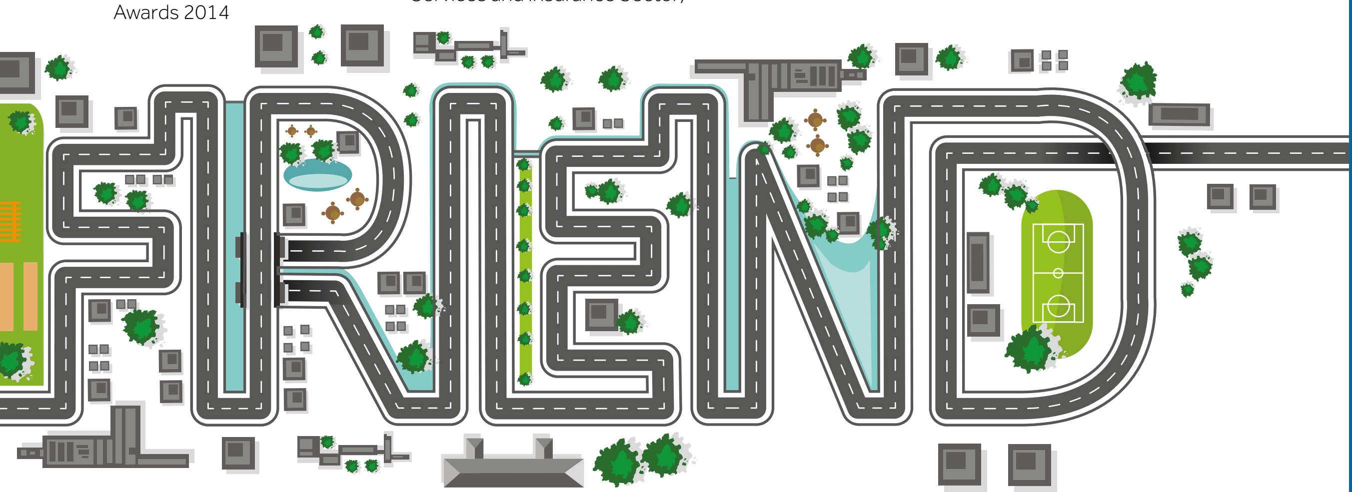


2014/15

Bronze Award for Service Brand of the Year at SLIM Brand Excellence Awards 2014

Silver Award for overall excellence in Integrated Reporting at the CA Sri Lanka Annual Report Awards 2014

Silver Award for People Development at the SLITAD People Development Awards 2014



2015/16

Clinched the Best Corporate Citizen Sustainability Award (turnover less than Rs. 15 Bn. category) and was recognised among the Top 10 Best Corporate Citizens by the Ceylon Chamber of Commerce of Sri Lanka

CDB Annual Report 2014/15 "The Name of the Game" was recognised as the best Non-Traditional Annual Report globally and the best in Sri Lanka at the ARC Awards 2015

Became the first ISO 14064-1 Carbon verified financial institution in South Asia by Sri Lanka Carbon Fund (Pvt) Limited

Clinched the Gold Award at the HRM Awards

Secured the Silver Award in National Business Excellence Awards

Company profit after tax reached Rs. 1 Bn., total asset base reached Rs. 50 Bn. and total equity amounted to Rs. 5 Bn.

Operational footprint increased to 62 outlets

2016/17

First Runner-up in the Best corporate Citizen Sustainability Award 2016 (turnover less than Rs. 15 Bn. Category)

Winner of the Best Corporate Citizen Sustainability Award 2016 for best project on "GHG Emission Analysis"

The sector Gold Award and overall Merit Award for Excellence in Corporate Governance at the National Business Excellence Awards 2016

Silver Awards for CSR and Service Branch of the Year at SLIM Brand Excellence Awards 2016

Top Finalist at the Asia Sustainability Reporting Awards 2016 by CSR Works, Singapore

Runner-Up at the ACCA Sustainability Reporting Awards 2016 (Financial Services and Insurance Sector)

2017/18

First Runner-up in the Best Corporate Citizen Sustainability Award 2017 (turnover less than Rs. 15 Bn. Category)

Winner of the Best Corporate Citizen Sustainability Award 2017 for the Best Project on "Green Ninja CDB Quiz Master 2017"

The sector Gold Award and overall Merit Award for Excellence in Performance Management at the National Business Excellence Awards 2017

Gold Award for People Development at the SLITAD People Development Awards 2017

Joint winner of the Finance Services and Insurance Category at the ACCA Sri Lanka Sustainability Reporting Awards 2017

Special Award for "Act Early for Autism" Project at Ian Dias Abeysinghe Memorial CSR Sustainability Awards 2017

Joint Second Runner-Up (Financial Service Sector) at Best Presented Annual Report Awards and SAARC Anniversary for Corporate Governance Disclosures, 2016

2018/19

First ever online auction through patpat.lk and launch of patpat verticals of education and leisure

First in Sri Lanka to enable fund transfers through social media channels (CDB iTransfer)

First in Sri Lanka to launch credit card self care CDB iControl App

Online fixed deposit placement through the introduction of CDB iDeposit

CDB raised USD 60 Mn. in foreign funding for SMEs

Issue of CDB debenture valued at Rs. 928 Mn.

Migration of CDB Contact Centre from a traditional call centre to a 24/7 omni-channel with a trilingual contact centre solution

Launched patpat.lk mobile application

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SCANNING THE EXTERNAL ENVIRONMENT

Global and Sri Lankan economic context

Global economy grew at an estimated 3.7% according to IMF's World Economic Update January 2019. Economic activity was impacted principally by the trade war between China and the US, Brexit and its implications on Europe, and a strong US dollar leading to a tightening of financial policy in the emerging markets. In the Emerging Market and Developing Economies (EMDEs), borrowing costs increased. Central banks in the EMDEs raised policy rates as a result of concerns about inflation effects from oil price increase and currency depreciation. Global economy is projected to grow at 3.5% in 2019 and 3.6% in 2020. International gold price fell nearly by 5% in 2018 as investors kept away from the gold market due to rising equity markets. However, the gold market is expected to pick up in 2019.

Sri Lanka experienced a challenging year where the economy grew by 3.2% in 2018, below the growth forecasts by the CBSL, ADB, and the IMF due to unfavourable domestic and external developments. However, Sri Lanka experienced a recovery in agriculture and the services sectors and, the advances in the export and tourism sectors contributed to the overall performance in 2018 and will drive growth in 2019.

Measures were taken by the CBSL to relieve the pressure on the exchange rate, however, the Sri Lankan Rupee depreciated by 19% against the US dollar in 2018. Further, Sri Lanka is reported to have USD 5.9 Bn. in external debt repayments in 2019, including an international sovereign bond of USD 1 Bn. which matured in January and was repaid.

IMF forecast an expected growth of 4% for Sri Lanka in 2019. Activity will be supported by robust domestic demand as consumption rebounds following natural disasters, and investment is boosted by infrastructure projects.

Sri Lankan banking sector

Sri Lanka's banking sector consists of 13 local and 12 international licensed commercial banks (LCB) and seven licensed specialised banks (LSB). The sector continued to dominate the financial sector accounting for over 60% of assets. The banking sector recorded a strong performance in 2018 in asset growth and improvements in liquidity and capital levels.

Total assets of the LCBs and LSBs grew by 14.6% to reach Rs. 11.8 Tn. in 2018, compared to the 13.8% growth in 2017, accounting for over 80% of the country's banking sector. Total loans and advances, which accounted for 65.2% of total assets grew by 19.6% in 2018. Total deposits recorded a growth of 14.8% in 2018 to reach Rs. 8.5 Tn. in 2018. 79% of the increase in deposits was represented by time deposits. There was a substantial deterioration in asset quality in 2018 with the gross and net non-performing loan (NPL) ratios rising to 3.4% and 2.0% respectively as at end 2018 compared to 2.5% and 1.3% in 2017. Interest income and interest expenses grew by 14.0% and 12.8% respectively, leading to a growth of 16.3% in net interest income.

Sri Lanka implemented capital adequacy requirements conforming to Basel III in June 2017. The Basel III implementation was complemented with the adoption of SLFRS 9. Despite the fluctuations in the rupee that depreciated 19% against the dollar in 2018 pushing up import costs, headline inflation based on National Consumer Price Index (NCPI) closed at 2.1% in 2018 down from 7.7% in 2017. Year on year inflation measured by the Colombo Consumer Price Index (CCPI) was 3.1% in December 2018, which was low compared to 4.3% recorded at the end of 2017.

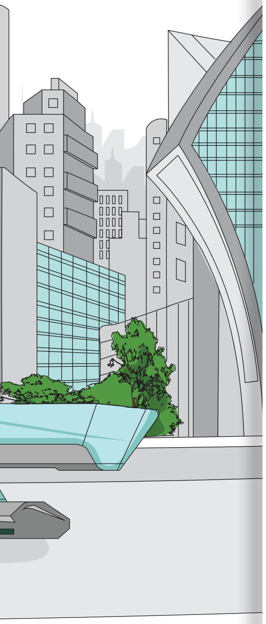
To release liquidity on a permanent basis, the Central Bank reduced the Statutory Reserve Ratio (SRR) to 6% from 7.5%. At the same time, in order to maintain its neutral monetary policy stance, the Central Bank raised policy interest rates: Standing Deposit Facility Rate (SDFR) by 75 basis points to 8% and the Standing Lending Facility Rate (SLFR) by 25 basis points to 9.0%, thereby narrowing the policy rate corridor to 100 basis points.

CBSL is in the process of drafting a new Banking Act to further strengthen the regulatory framework. The Act will include an overall mandate for supervision and regulations and address key challenges of the industry such as digital banking, corporate governance, mergers and acquisitions, structures of foreign banks, and other regulatory challenges.

Non-Bank Financial Institutions (NBFIs) sector review

The NBFIs sector accounted for 7.6% of Sri Lanka's financial sector assets by end 2018. Amidst a challenging business environment, the performance of NBFIs mainly comprising of Licensed Finance Companies (43 LFCs) and Specialised Leasing Companies (5 SLCs), moderated during the year in terms of credit growth, profitability and non-performing loans (NPL) according to the CBSL Annual Report 2018.

Regulatory and policy measures directed at importation and credit granted therefor negatively affected the vehicle market and invariably affected the sector since vehicle leasing is its core lending product. In a bid to diversify business segments, it was observed that many NBFIs were migrating to other business segments and lending activities. Consequently, the asset growth of the sector recorded a moderate 5.6% increase to reach Rs. 1,431 Bn. compared to the 11.8% growth reported in 2017.



As a result of fiscal policy measures lending slowed down during the year. Credit provided by the LFCs and SLCs sector grew by 7.6% to reach Rs. 1,137 Bn. compared to the growth of 9.8% in the corresponding period of 2017. The expansion in finance leases contributed to 84.5% of the credit growth while 16.1% was through secured loans and advances.

Investment portfolio recorded a negative growth of 7.1% to Rs. 109.7 Bn. in 2018 compared to a growth of 5.7% to Rs. 118.1 Bn. in 2017 mainly due to the decline in market value of investments in subsidiaries, associates, and unit trusts.

The gross non-performing advances (NPAs) ratio increased to 7.7% in 2018 compared to 5.9% reported in 2017. This is the highest NPA ratio recorded since February 2015 due to inclement weather and the slowing down of the Sri Lankan economy in 2018. The adoption of the SLFRS 9 accounting standard too had an impact on the impairment which saw a significant increase.

As mentioned above, the sector expanded its business segments in 2018 yet failed to record any yields with profit after tax declining by 17.2% compared to the previous year reaching Rs. 21.4 Bn. This decline is principally due to increased funding cost and higher loan loss provisions. The sector's net interest income saw a sluggish increase of 6% to Rs. 108.8 Bn. negatively impacting the net interest margin of the sector which declined to 7.4% in 2018 from 7.7% in 2017.

Composition of Income and Expenses of the LFCs and SLCs Sector

Item	2017		2018 (a)	
	Amount (Rs. Bn.)	As a % of Avg. Assets	Amount (Rs. Bn.)	As a % of Avg. Assets
Interest Income	231.5	17.3	**241.5**	**16.5**
Interest expenses	128.9	9.6	**135.6**	**9.1**
Net interest income	102.7	7.7	**108.8**	**7.4**
Non-interest income	34.0	2.5	**38.1**	**2.6**
Non-interest expenses	80.0	6.0	**81.2**	**5.5**
Loan loss provisions (Net)	13.5	1.0	**25.9**	**1.8**
Profit before tax	43.2	3.2	**39.7**	**2.7**
Profit after tax	25.8	1.9	**21.4**	**1.5**

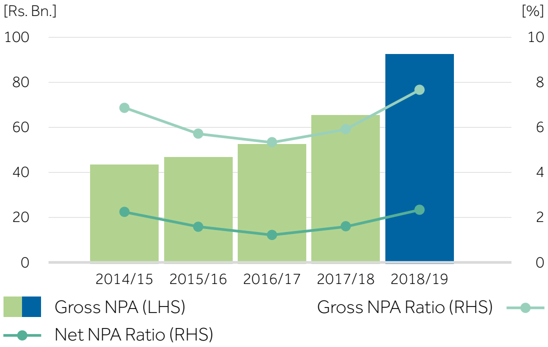
(a) Provisional Source: Central Bank of Sri Lanka

Composition of Assets and Liabilities of the LFCs and SLCs Sector

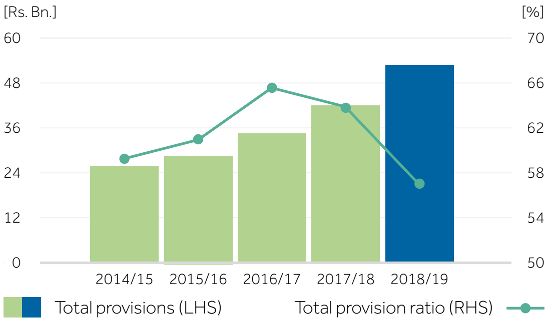
Item	2017		2018 (a)		Change (%)	
	Rs. Bn.	Share (%)	Rs. Bn.	Share (%)	2017	2018 (a)
Assets						
Loans and Advances (net)	1,057.1	78.0	**1,137.0**	**79.4**	9.8	**7.6**
Investments	118.1	8.7	**109.7**	**7.7**	5.7	**(7.1)**
Other	179.8	13.3	**184.6**	**12.9**	30.8	**2.7**
Liabilities						
Total deposits	686.7	50.7	**716.8**	**50.1**	29.4	**4.4**
Total borrowings	396.0	29.2	**463.8**	**32.4**	(9.7)	**17.1**
Capital elements	169.7	12.5	**183.7**	**12.8**	16.1	**8.2**
Other	102.6	7.6	**67.0**	**4.7**	6.4	**(34.7)**
Total assets and liabilities	**1,355.0**	**100.0**	**1,431.3**	**100.0**	**11.8**	**5.6**

(a) Provisional Source: Central Bank of Sri Lanka

Net performing loans



Provision coverage of the LFCs and SLCs sector



Financial sector in the digital age

The future of financial services lies in the virtual domain with Fin-Techs and techfin giants dominating the world markets. Traditional business models and strategic plans are disrupted by the integration of ICT in all financial operations to meet the changing consumer expectations and to prepare for the next phase in the financial service industry dubbed the "Fourth Industrial Revolution".

Disruptive technologies including mobile technology, Fin-Tech partnerships, cloud computing, Internet of Things (IoT), big data, data analytics, AI and machine learning, blockchain technology, robotics, and biometrics are beginning to play a quintessential role in the financial service sector.

While consumer expectations have evolved new entrants equipped with disruptive technology are beginning to capture a significant portion of the market. Non-traditional market players such as telecommunication, Fin-Tech companies, payment facilitators, medical, and insurance providers have entered the industry with tech and data offering a wide range of products through cross selling.

In such a climate, effecting change in the traditional business models, integrating the latest technologies into internal systems and operations, and envisioning what the future may hold will be paramount for the survival of the financial sector.

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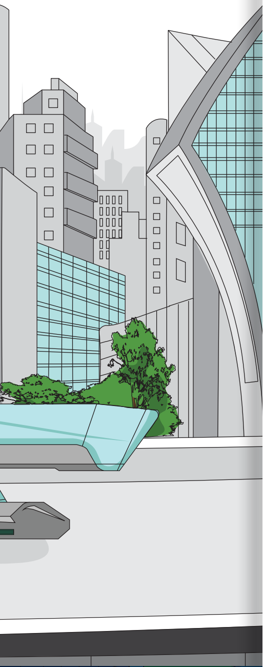


ENGAGING WITH OUR STAKEHOLDERS

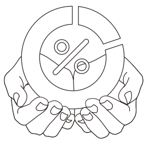
[GRI 102-40, 102-42, 102-43, 102-44]

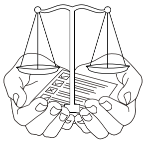
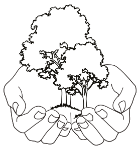
Corporate stakeholder engagement principles

- Integrity
- Significance
- Completeness
- Communications
- Responsiveness
- Transparency

Stakeholder engagement approaches

1. **Think and plan**
   - Who are our key stakeholders?
   - What are their key concerns?
   - What are our responsibilities?
   - How can we prioritise them?
2. **Preparation and engagement**
   - Why do we need to engage with stakeholders?
   - How do we engage with them?
3. **Manage, evaluate, and lead**
   - What areas should be given more attention?
   - How can we provide a sustainable framework for stewardship?
   - Who provides leadership to the stakeholders?

Stakeholders	Investors	Customers
		
Key concerns	• Sustainable growth and return • Financial strength and resilience • Risk management • Sustainability management performance	• Customer experience • Convenience • Accessibility • Reliability
CDB's responses and responsibilities	• Ensure optimal returns on investment • Strengthen risk assessment and mitigation to support sustained growth • Adhere to the Company's Code of Conduct through management oversight • Public affairs management and prompt response	• Technology driven financial solutions • Database protection and ensure high confidentiality • Avert unsolicited communication and intrusive surveillance • Ensure Company brand values and code of conduct
Method of engagement	• Open dialogue channels to clarify and get updated information • Discussions and reviews on business performance, targets, forecasts and industry benchmarks	• Annual customer surveys • Product design, advertising and marketing • Island-wide outlet network
Mode and frequency	• Annual reports and forums • Annual General Meeting • Interim financial statements • Corporate website • Announcements to the CSE – Available when needed	• Customer relationship unit • Dealer network • Media advertisements and website • Product launches
Role of the Sustainability Steering Committee	The Sustainability Steering Committee reviews and monitors performance of the Company as it affects stakeholders Sustainable shareholder return Chief Executive Officer	World class customer service and experience DGM – Innovation and Business Intelligence

Employees	Community	Business partners	Regulators	Environment
				
• Development/career opportunities • Culture and leadership • Transparency and openness • Healthy work environment	• Support and safety • Education and literacy • Societal health and well-being	• Strategic partnerships • Accountability	• Good governance practices • Ethically-driven business model • Transparency	• Conservation practices • Environmental protection • Resource efficiency
• Demonstrate employee productivity and quality • Provide a safe and enriching work experience • Mould future leaders • Ensure welfare and well-being	• Contribute to improving the quality of life • Investment on education • Provide solutions for rural youth empowerment • Supporting on community health and well-being	• Address issues related to supplier chain • Ensure healthy partnerships	• Develop, communicate, and promote good governance and ethical behaviour at all levels • Provide timely and accurate information • Immediate response to queries made by the authorities	• Greenhouse gas analysis and monitoring • Stakeholder awareness on best practices • Adopt environmentally friendly green initiatives • Waste management through waste minimisation
• Regular updates on company performance • Encourage career development via lifelong learning programmes and internal/external training • Comprehensive Integrated HR system	• Child Health and well-being • Child education and literacy programme • Employee volunteering activities • Supporting entrepreneurs through "SMB Friday"	• Joint promotional campaigns • Sustainable sourcing	• Compliance meetings • Regular discussions on regulatory matters • Adhere to all mandatory regulatory requirements	• Adopt and publicise the green policies and practices followed by us, such as our emission reduction programme, paperless operations and recycling, energy saving devices and lighting, etc. • Conform with (and where possible, improve upon) all current environmental laws and regulations • Undertake and publicise relevant CSR projects • ESMS platform
• Weekly managers' meeting • Monthly branch meetings • Weekly regional review meeting • Annual employee engagement • Continuous Internal announcements	• Annual employee volunteering activities • Annual smart classroom donation and scholarship donation • Quarterly outreach programme for autism awareness	• Supplier screening • Individual meetings	• Regular directives and circulars • Ongoing compliance forums, and discussions • Regular inspection of new rules and regulations	• Green house gas emission analysis • Emission reduction • Paper recycling • E-waste recycling • Environmental cadet camp • Renewable energy

through periodic meetings with stakeholders to understand their perspectives. Further, it identifies and investigates emerging issues. It also receives periodic reports on the status and the effectiveness of the business continuity plan and oversees risk management-related sustainability matters.

Health, safety and employee well-being	Societal well-being	Strategic sustainable business partnerships	Corporate governance and ethical business practices	Environmental stewardship
GM – HR and Administration	DGM – Marketing	Chief Financial Officer	Chief Financial Officer	Chief Financial Officer

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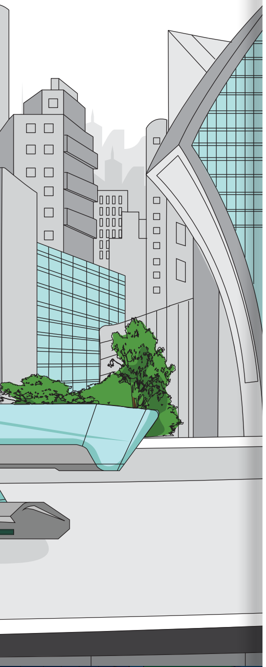

IDENTIFYING RISKS AND OPPORTUNITIES

[GRI 103-1, 103-2, 103-3, 203-1, 203-2, 203-3]

We report on material topics related to society, economy, and the environment. We consider a topic to be material if it could substantively affect our ability to create and sustain value over the short, medium, and the long term. The identification and the assessment of material matters contribute to the formulating our overall strategy and in the determination of strategic objectives. A critical evaluation process is followed in determining material topics and the issues identified through risk and uncertainty exposure analysis. Accordingly, we assess external environmental factors and stakeholder relationships that may have a significant impact on our Company's business performance or substantively influence the assessments and decisions of our stakeholders.

Our approach

[GRI 102-47]

We identify material matters through the continuous evaluation of the operating context, concerns raised by industry analysts, global and regional concerns, stakeholder analysis, and through internal reports and analysis. Whilst certain trends require a long-term perspective, we take a broad view of the local and global operating environment when we assess risk and uncertainty exposure. Once identified, the significance and the risk exposure of each material matter are` determined through categorisation where we segregate each issue under a main topic. Then we identify material drivers through the assessment of the strategic importance of the material issue. The final step is the process of prioritisation of material aspects.

Business environment

Analysis of key trends and developments in our operating environment that could affect our organisation in achieving its strategic objectives

Stakeholder analysis

Engage with our stakeholders to understand their expectations and concerns that link to material matters affecting our Organisation

Risks and uncertainties

Through our enterprise risk management process, we identify and assess specific risks and opportunities affecting our business

Economic aspects	Environmental aspects	Social aspects

Approach

Define the scope and objective	Identify material matters	Categorising	Identify materiality drivers	Prioritising
Defining and identifying the objectives of the internal and external matters related to stakeholders	Identifying material aspects affecting stakeholders and the Company with the help of the Sustainability Team	Considering how material topics are connected and how they influence each other by categorisation according to topics	Assessing the strategic importance of each topic to the Business and internal and external stakeholders	Prioritising according to the significance of economic, environmental, and social impacts

Risks vs Responses

↑ Risk exposure has increased	↔ No significant change in risk exposure	↓ Risk exposure has reduced

Material aspect	Consequences	Risk exposure	CDB's response
Business growth and profit margins Increasing and maintaining business volumes are challenging in the NBFI sector due to intense competition from industry peers and banks that offer similar products at competitive prices	Loss of market share Not achieving budgeted targets	↓	Leveraging tech-based platforms like patpat.lk to attract new customers Launch of CDB credit cards to cater to a new segment of clients Maintained a product mix which caters to a wide array of clients with varied price sensitivity
Capital adequacy and liquidity Capital adequacy and liquidity ratios are key to NBFI's growth and sustainability. It ensures the minimising of risk of depositors' money and meeting short-term obligations of the financial institution	Hindering growth and expansion Inability to meet short-term obligations	↔	Close monitoring of capital adequacy and liquidity ratios Forecasting cash flow requirements Weekly treasury meetings to take swift decisions
Service quality Service quality plays a vital role when it comes to NBFI sector as it will be a differentiating factor among the players in the industry that offer homogeneous products	Loss of customers Loss of reputation due to sub-standard service levels	↔	Training is provided through industry experts to ensure our staff is equipped with skills and abilities to delight customers and create "moments of truth" Customer complaints are captured and systematically handled via the contact centre and communicated to Corporate Management review on a monthly basis
A healthy NPL ratio A healthy NPL ratio indicates our asset quality reducing provisions made and thereby increasing profits	Negative impact on credit rating Reduction of profits	↑	Proactive approach in collection management Formation of a Recovery Call Centre to strengthen the overall process Strengthening car points to reduce yard stock and allocating adequate resources to efficiently manage yard stocks
Retaining best employees Employees' succession planning, welfare, fair remuneration, training and development are some of the key aspects which will ensure the retention of the best employees	Loss of talented employees Increase of staff overheads	↔	Organisation of staff events by the CDB Welfare and Recreation Club like the Sports Day, staff get together, *Vesak Bakthi Gee*, Christmas Carols, Talent Show, and others to ensure work-life balance Staff recognition and rewards for exceptional performance at CDB Award Ceremonies (offering foreign tours. Company-maintained vehicles, etc.) Attractive remuneration, added incentives, and benefits

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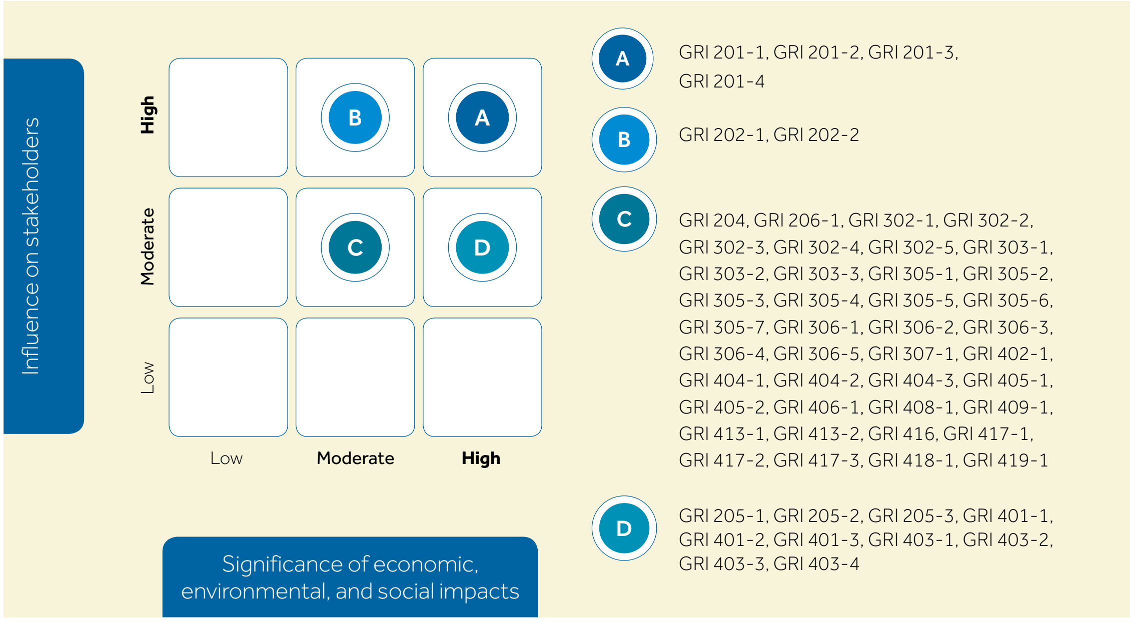
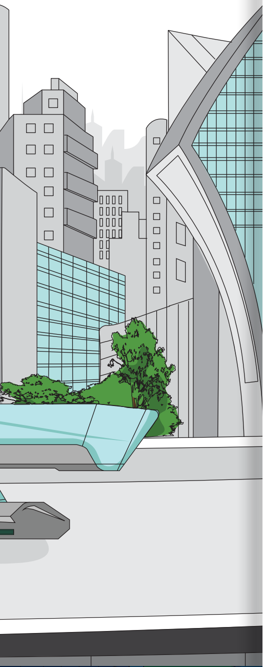
Material aspect	Consequences	Risk exposure	CDB's response
Required level of compliance to regulatory authorities NBFIs come under the direct supervision of the CBSL since we are the custodians of public funds. Quoted Public Companies come under the purview of the Securities and Exchange Commission of Sri Lanka and other regulatory authorities	Imposition of regulatory constraints Financial penalties over non-compliance		A dedicated compliance officer is appointed to ensure that CDB complies with rules and guidelines set by various regulators On a monthly basis a compliance meeting is held with the CEO and relevant staff members to assess the compliance status, new rules and regulations imposed, and other developments
Competitive position Due to the immense competition from industry peers and commercial banks, survival and financial solvency is challenged in the long term	Loss of market share Loss of customers to the competition		Introducing new products with new features to match the new customer requirements CDB as a trendsetter introducing innovative, technological platforms
Cost structure Cost management plays a pivotal role when it comes to achieving set profit targets. There should be a mechanism to control costs across the Company	Decreasing profits		Review of overheads by conducting variance analysis. Reports are presented at Finance Committee meetings/Board meetings Continue to improve and streamline internal systems and processes Application of cost-conscious procedures to maintain the cost structure at a low level
Technological proficiency In a highly competitive environment, it is necessary to achieve differentiation in terms of service and products offered utilising IT platforms	Reduction of efficiency Loss of competitor advantage		CDB has introduced innovative digital platforms, solutions, products, and processes Operations are driven in IT platforms with less documentation resulting in the increase of efficiency and overhead reductions

Materiality matrix

The table below depicts the significant levels for each economic, environmental, social and cultural aspect from the point of our Organisation and our stakeholders. This applies the principles of stakeholder inclusiveness, in the context of sustainability, materiality, and completeness and this enables to chart our course of sustainable value creation.





Prioritising material aspects

We evaluate the information on the relevance of each material aspect and the respective material drivers based on their significance to the stakeholders. Accordingly the impacts are rated as high, moderate and low. This is shown in the table below:

GRI Standard/Disclosure		Aspect boundary							Materiality	
		Significance as per sustainability context	Internal			External				
			CDB	Employees	Customers	Community	Business partners	Regulators	To CDB	To stakeholders
Economic										
GRI 201	Economic performance	H	✓	✓		✓	✓	✓	H	H
GRI 202	Market presence	M	✓	✓		✓		✓	M	H
GRI 204	Procurement practices	M	✓				✓		M	M
GRI 205	Anti-corruption	H	✓			✓			M	M
GRI 206	Anti-competitive behaviour	M	✓					✓	M	M
Environmental										
GRI 302	Energy	M	✓						M	M
GRI 303	Water	M	✓	✓		✓			M	M
GRI 305	Emissions	M	✓			✓		✓	M	M
GRI 306	Effluent and waste	M	✓						M	M
GRI 307	Environmental compliance	M	✓			✓		✓	M	M
Social										
GRI 401	Employment	H	✓	✓			✓		H	M
GRI 402	Labour management relations	M	✓	✓					M	M
GRI 403	Occupational health and safety	H	✓	✓				✓	M	M
GRI 404	Training and education	M	✓	✓					M	M
GRI 405	Diversity and equal opportunity	M	✓	✓					M	M
GRI 406	Non-discrimination	M	✓						M	M
GRI 408	Child labour	M	✓						M	M
GRI 409	Forced or compulsory labour	M	✓						M	M
GRI 413	Local communities	M	✓						M	M
GRI 416	Customer health and safety		✓		✓				M	M
GRI 417	Marketing and labelling	M	✓		✓	✓			M	M
GRI 418	Customer privacy	M	✓		✓				M	M
GRI 419	Socio-economic compliance	M	✓					✓	M	M

H – ***High*** M – ***Moderate*** L – *Low* ✓ – *Relevant to*

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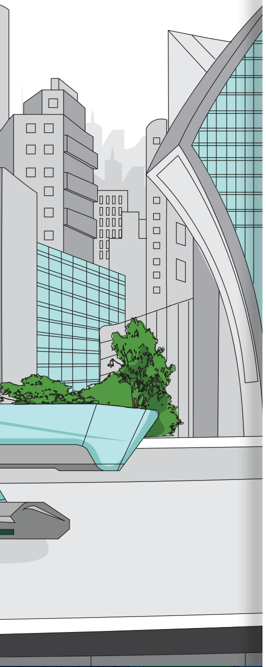


ENGINEERING FUTURE-FIT STRATEGIES

In a rapidly changing business environment, strong strategic planning and analysis are paramount to building a solid, underlying foundation for a company. From its humble beginnings, CDB has grown to be among the top five NBFIs in Sri Lanka owing to exemplary governance and meticulous execution of the Company's strategic plan. CDB's strategy is built on solid foundations taking into account the business environment and its material aspects to deliver sustainable value to all stakeholders in the short, medium, and the long term.

The principles of sustainability are seamlessly integrated in our strategy and all our operations in our endeavour to deliver balanced and sustainable outcomes for our customers, community, people and all stakeholders. As innovation is one of our core values, our focus is to pioneer solutions employing digitalisation which also contributes to reducing our carbon footprint.

Strategic overview

One million customer base

We possess a diverse customer base from different segments of Sri Lankan society. Our strategy and our operations serve through direct and indirect means to enhance customer experience. Our motto is "Your Friend" where we generate positive customer experiences through all our touchpoints. Our highly-skilled team of employees are geared to deliver outstanding service to our customers. Through the strengthening of our core business lines and the diversification of our emerging business segments, we attract, serve, retain, and increase our customer base to reach one million within the next two years.

A Quarter Trillion Asset Base (Q-TAB)

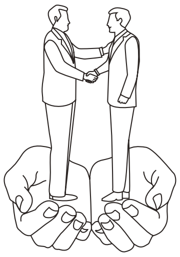
With our balance sheet set to reach Rs. 100 Bn. ahead of the scheduled 2020 target year, we have revised our growth targets to a more ambitious level to become a Quarter Trillion Asset Base (Q-TAB) Company by 2024. We are positioned as a strong financial intermediary embracing innovation and technology which has brought a transformative change in the traditional financial services. We are entering a new era of growth, offering financial intermediary services at the consumer's discretion. This proposition will propel us to attain the status of a Q-TAB Company by 2024.

The techfin transformation

We at CDB have already taken significant steps by introducing digital financial solutions, improving our online integrated platforms, and utilising digital technology like AI, machine learning, and others through our "ecosystem thinking". As the world moves towards a "Fourth Industrial Revolution" ushered in by IT and technology, it is vital that we expand our horizons, support innovative digital solutions, and integrate more of our customers to our social lifestyle ecosystem.

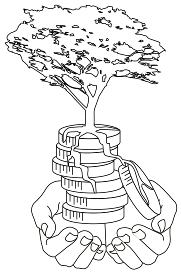
Strategic imperatives

Elevate customer aspirations

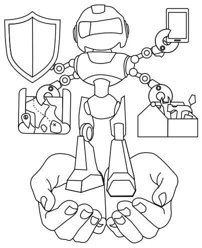


Expand employee engagement

Emphasise organic growth



Expand inspired innovation



Endorse sustainable development

We provide a gamut of financial solutions to diverse customer segments across the island and support economic development of our Nation. In return for our customers' longstanding trust and loyalty, we strive to elevate their aspirations by providing them with the necessary tools to manage their finances today and equip them to face the future with certainty. Digitalisation has transformed the way we live, and changed customer expectations. CDB will not only meet these expectations but will elevate them to new horizons by making luxury affordable. Our strategic objective to elevate customer aspirations will help us reach the goal of one million customer base.

We have a compelling purpose, a clear vision, and have set ourselves ambitious aspirations to realise on our strategic journey. This will only be made possible through the collective effort of one of our most valuable assets, our people. As we go together in this journey of success, we always make sure that our people are engaged and are connected with our organisational values as engaged employees deliver better value to customers and the Organisation as a whole. We are blessed with a group of highly-skilled, dedicated professionals that drive our Organisation forward. Our Human Resource policy and its implementation, the training and development initiatives, benefits and incentives, and our corporate culture have contributed to expanding employee engagement.

Since our inception, we have excelled in all our undertaking to reach our present position as a trusted brand and a leader in the industry. We understand that financial growth is a necessary determinant of the success of our governance, strategy, and our value creation for all stakeholders. Our core business segments continue to outperform expectations while our new and emerging business segments show a rapid growth. With a view to achieving our target of a Quarter Trillion Asset Base, we have placed renewed emphasis on organic growth and value creation.

Innovation is a key factor that drives the growth of our Company. The strategic plan was formulated to expand the existing framework on innovation which will be applicable to every aspect of our Company. Innovation continues to drive growth and enhance customer experience. This strategic objective complements with our long-term objective to become a Techfin company that will provide lifestyle solutions to our customers.

We live in a world of finite resources. As an exemplary corporate citizen, we have pledged to support the United Nations' Sustainable Development Goals (UN SDGs). We carry out comprehensive programmes that are aimed at social development, community upliftment, and reducing our carbon footprint. We have endorsed sustainable development and sustainability is deeply engrained in our Company culture and ethos. We realise that in order to achieve strategic objectives, we must manage our environmental and societal impacts in a responsible manner. We have a number of initiatives that are directed towards achieving blueprint for corporate sustainability and to inspire our stakeholders sustainably.

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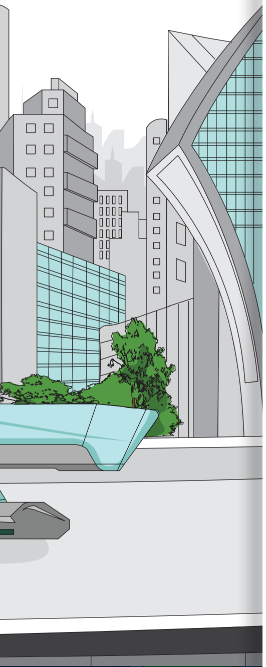


SUSTAINABILITY AT CDB

[GRI 102-16]

Our sustainable business model remains at the core of the Company's growth strategy, firmly anchoring sustainability principles within all aspects of our business. It combines "Urban Funding and Rural Lending" where we facilitate flow of funds to the bottom of the pyramid, thereby embracing proactive inclusivity and enhancing quality of life and economic opportunities among the most underserved communities. Developed in line with the internationally accepted triple bottom line philosophy of People, Profit and Planet, the CDB sustainable business model is operationalised through the three central tenets of Social Inclusivity, Resource Efficiency, and Zero Carbon Growth.

CDB, as a responsible corporate entity, recognises the importance of following a sustainable economic model and aligning organisational strategies and objectives with the holistic goals of the community and the world. We seek to create long-term value for our stakeholders in a sustainable manner via our sustainability tripod. We believe that generating profits responsibly creates a lasting social and environmental impact, by pushing sustainability deep into the corporate DNA with the commitment at the highest level.

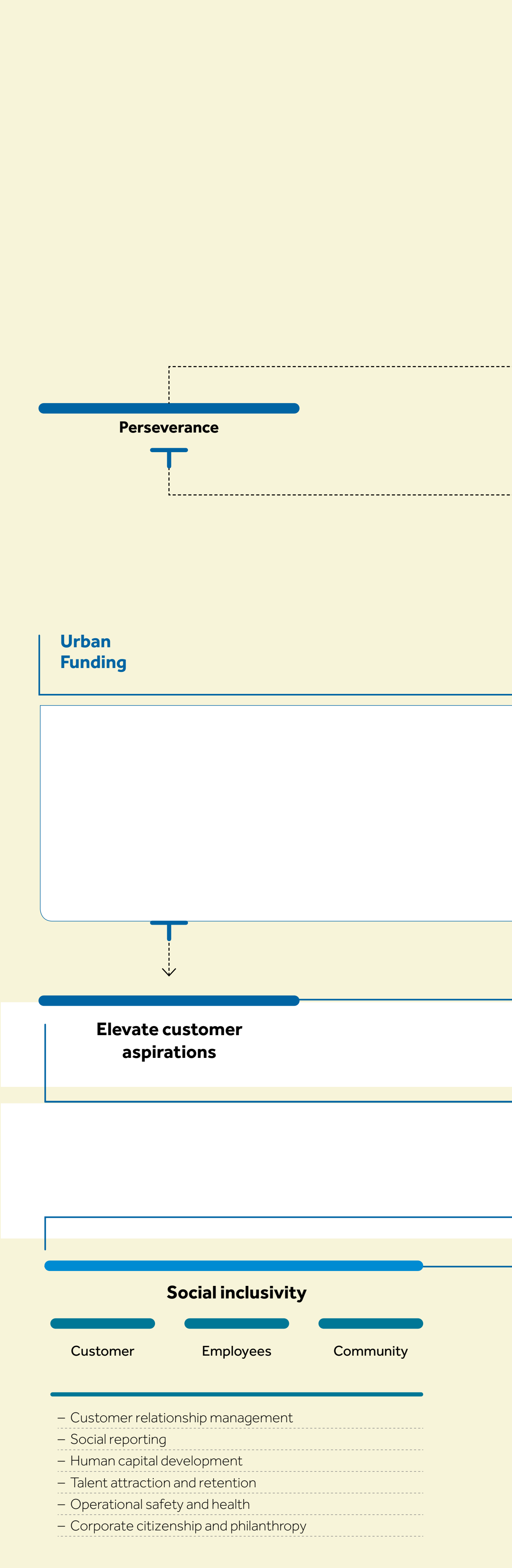
Due to our decades long history in the Sri Lankan financial sector, we have inculcated a deep understanding of our responsibilities as a public deposit-taking institution and our prudent approach to financial management makes protection of other people's money a key financial priority. Therefore, our financial objectives extend beyond incremental profits, to encompass sustainable revenues, and sustainable long-term profitability, demonstrating our commitment towards socially responsible profits.

Our financial sustainability is amply demonstrated by the continued improvements to our financial statements and the growing strength of our balance sheet. Social sustainability is in sync with the overarching Company purpose of "empowering aspirations" of all stakeholders while actively advocating of an environmentally sustainable business.

CDB Sustainability Steering Committee oversees the Company's sustainability policy and agenda promoting financial inclusion. It monitors CDB's efforts towards conducting business in a fair and responsible manner while taking appropriate measures to protect customer data. We have zero tolerance for financial crime, including bribery and corruption.

We are also committed to achieving the UN SDGs and have taken a Company-wide approach that is initiated from the governing body of CDB and implemented by our management team and all employees. We address the SDGs through our product offering and our initiatives aimed at community development and environmental preservation. By doing so we grow as a business which allows us to address the economic and social challenges of our time. The value created by our business is shared – to the benefit of all. Communities are best served by corporations that have aligned their goals to serve the long-term goals of society.

As we continue our journey of sustainable growth, we are committed to create value that goes beyond the numbers, creating true and lasting value for all our stakeholders.

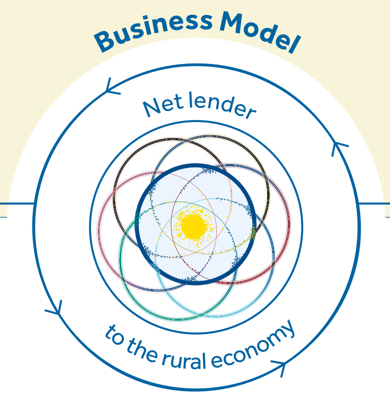


Vision

Purpose

Values

Empthy | **Reliable** | **Innovation**



Rural Lending

Strategic imperatives

Expand employee engagement | **Emphasise organic growth** | **Expand inspired innovation**

Endorse sustainable development

Triple bottom line

Resource efficiency

Regulators | Business partners | Investors

- Corporate governance and tax
- Code of business conduct
- Anti-crime policy and measures
- Risk and crisis management
- Financial stability
- Information and cyber security

Zero-carbon growth

Environment

- Environment reporting
- Environment policy and management systems
- Business risk and opportunity
- Climate strategy

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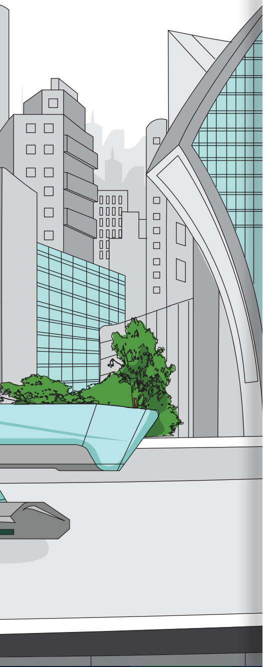

SUSTAINABLE DEVELOPMENT GOALS

Our commitment to UN sustainable development goals

We contribute to a sustainable future. Through our strategic investments, we support the implementation of the UN Sustainable Development Goals (SDGs) which create a framework for sustainable business practices at economic, social and environmental levels.

Our future priorities

Strengthen foundation

We have built a strong foundation with a successful track record. In the process of achieving our long-term objectives, we will further strengthen our performance and organisation sustainability.

1 NO POVERTY

Contribution	Reference
As the net lender to the rural economy, we empower the rural economy by providing financial services to the base of the pyramid markets	Social capital
Extended our reach through 71 touchpoints across the island	Institutional capital
Create employment opportunities to rural youth	Human capital
Provide competitive salaries to our employees	Human capital
Accessibility to our resources	Human capital
Learning and development programmes, foreign tours, participation for seminar, etc.	Human capital

2 ZERO HUNGER

Contribution	Reference
"CDB *Hithawathkam*" employee volunteering events	Social capital

3 GOOD HEALTH AND WELL-BEING

Contribution	Reference
Medical facilities to our employees	Human capital
Invested Rs. 22 Mn. on employeeinsurance and medical scheme (*Suwa Sampatha*)	Human capital
Autism awareness initiatives	Social capital
Healthy working environment	Human capital
Healthy initiatives for employees (Zumba, Active Ninja, Gym facilities)	Human capital

4 QUALITY EDUCATION

Contribution	Reference
Initiatives aimed at improving education and educational opportunities	Social capital Natural capital
Learning and growth	Human capital

5 GENDER EQUALITY

Contribution	Reference
Equal opportunity employer	Human capital
Parental leave	Human capital
"Girl boss" programme to empower business women in rural areas	Human capital

6 CLEAN WATER AND SANITATION

Contribution	Reference
Providing access to safe and clean drinking and non-drinking water	Natural capital
Superior sanitary facilities throughout branch network	Natural capital

7 AFFORDABLE AND CLEAN ENERGY

Contribution	Reference
Company-wide awareness programmes to reduce energy consumption	Natural capital
Three branch premises powered by solar energy	Institutional capital

8 DECENT WORK AND ECONOMIC GROWTH

Contribution	Reference
Creating an outcome oriented and merit based work environment	Human capital
Career progression pathway	Human capital

Enhance employee engagement

Our employees make a difference – with their dedication, skills and knowledge and we aim to enhance and strengthen their commitment to sustainability.

Maximise impact

We aim to strengthen our commitment to addressing major global challenges and maximise the positive impact of our operations, brands and technologies.

Contributing to sustainable development

We will continue to support the United Nations' Sustainable Development Goals (SDGs) and make a meaningful contribution towards building a sustainable nation.

Contribution	Reference
Providing access to financial services	Customer capital
Innovative products, services, and solutions	Institutional capital/ Business partner capital
Online trading platforms, transactional platforms, and mobile apps	Customer capital

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Contribution	Reference
Make financial access affordable through a varied loan product portfolio	Customer capital
Prudent management of risk	Risk management
Development of digital infrastructure	Social and institutional capitals

11 SUSTAINABLE CITIES AND COMMUNITIES

Contribution	Reference
Climate change risk assessment	Risk management
Life project – Reforestation efforts	Natural capital
ISO 14064-1 Carbon verification	Natural capital
Spreading awareness through Green Family, Green Ninja quiz programmes	Natural capital

13 CLIMATE ACTION

Contribution	Reference
Ensuring institutional excellence through a strong, accountable governance framework	Governance
Ethical code of conduct, anti-corruption policy, health and safety policy, zero discrimination policy, and others	Institutional capital
Compliance with all applicable laws and regulations	Governance

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

10 REDUCED INEQUALITIES

Contribution	Reference
Financial inclusivity	Customer capital
Anti discrimination policy	Employee capital
Transparent reporting of financial information	Financial capital
Assessment of socioenvironment risk through ESMS	Social capital

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Contribution	Reference
Energy, water, and waste efficient through carbon footprint calculation	Natural capital
Recycling practices	Natural capital
Product and service information labelling and communication policy	Customer capital

15 LIFE ON LAND

Contribution	Reference
CDB "Life project"	Natural capital
Spreading awareness through Green Family, Green Ninja programmes	Natural capital
"Plant a tree – plant a life" environmental cadet camps	Natural capital

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"The bamboo that bends is stronger than the Oak that resists"

Our versatility to adapt to change, our agility in making vital business decisions, and our adaptability to face challenges and risks emerging from the operating terrain are a few of the seminal ingredients behind our success.

It is the fastest, most versatile water purifier in the world. Geopress makes clean, purified drinking water – anywhere in the world.

OUR BUSINESS MODEL

This section is an overview of the value creation process for all our stakeholders in a highly competitive, evolving business context. It captures our core business operations of financial intermediation and our emerging business segment of providing lifestyle solutions to them.

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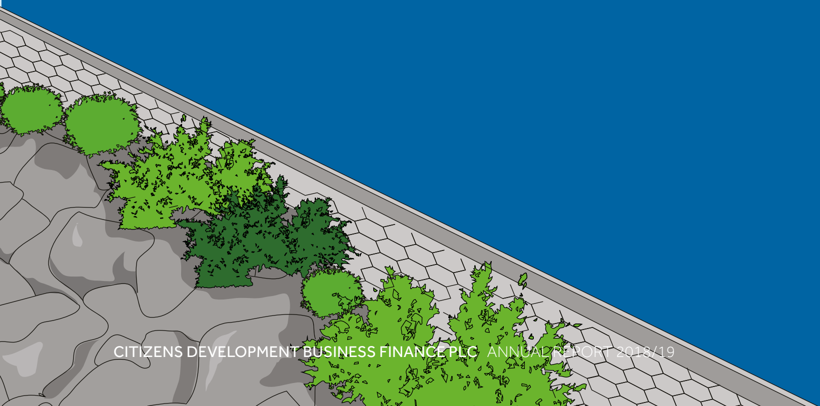

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Operating environment

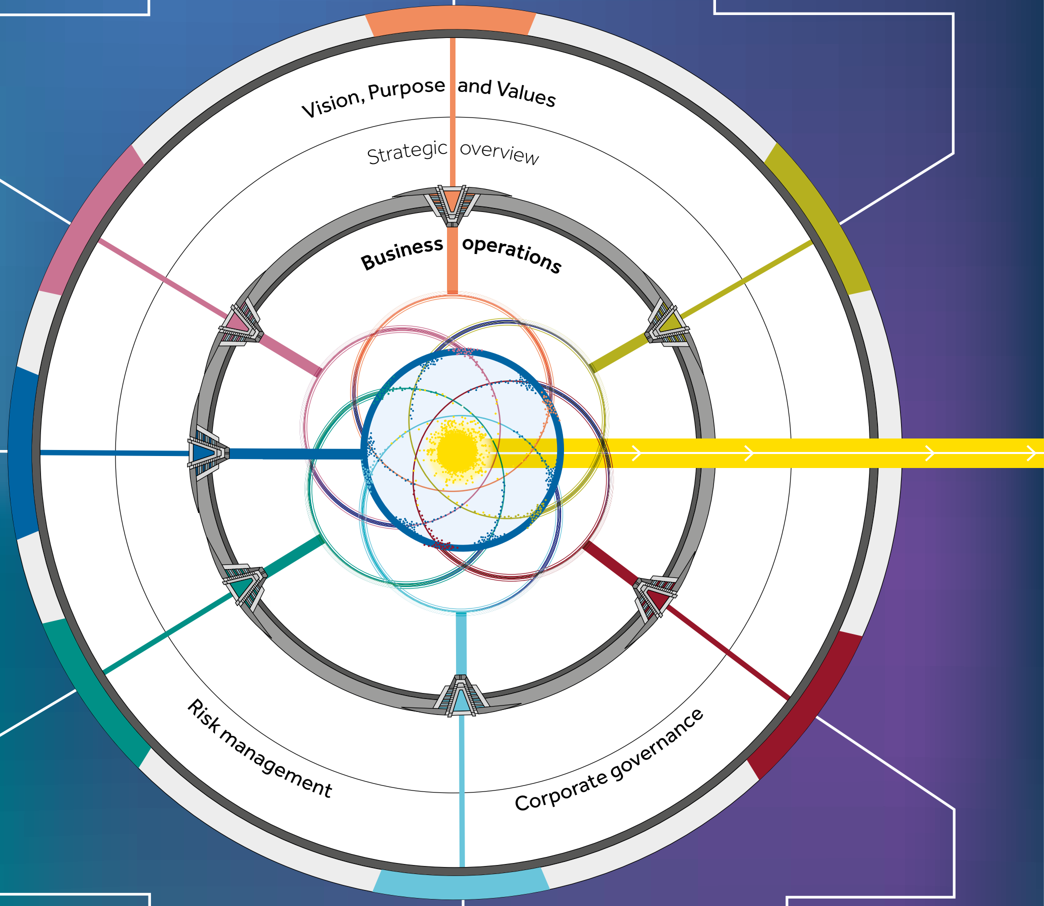
Business domain

INPUTS

Employee capital
- Inventive and open-minded people
- Outcome-oriented, merit-based working environment
- Rs. 17 Mn. spent on training and development
- Recruitment and career progression policy

Business partner capital
- Transparent procurement policy
- Cordial relationships

Social capital
- Commitment to social inclusivity
- Responsible and ethical business operations
- Motivating and enabling employees to effectively serve community needs
- Supporting the human capital development needs of the country

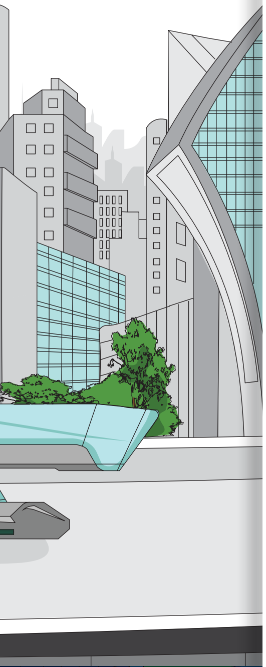


Financial and investor capitals
- Financial stability and strength
- Dividend policy
- Equity capital of Rs. 8.7 Bn.
- Deposits of Rs. 47.2 Bn.
- Borrowings of Rs. 29.1 Bn.
- Investor relations management

Natural capital
- United Nations (UN) Sustainable Development Goals (SDG)
- Environment and Social Safeguard Policy
- CDB Green Pledge
- Demands for a sustainable operation
- Resource conservation through 7R concepts

Institutional capital
- Strong corporate brand
- State-of-the-art core IT system
- Institutionalised knowledge
- Policies and procedures
- Drive towards innovation

Customer capital
- CRM system
- Effective customer engagement
- New products and services
- Innovative digital products and platforms



OUTPUTS

Rs. 16.2 Bn. in Revenue

Rs. 1.7 Bn. Profit after Tax

Rs. 31.49 Earnings Per Share

2.07% Return on Assets

21.62% Return on Equity

Brand value improved to **Rs. 1.833 Bn.**

Physical touch points expanded to **71**

Launched **05** credit cards

24/7 Call centre and trilingual toll free "missed call service"

Facilitated payments and transactions via social Media – CDB iTransfer

800,000+ Onetime users per annum for patpat.lk

4,950 registered dealers in patpat.lk

1,000+ Island-wide dealers' points

71,942 training hours at an investment of **Rs. 17 Mn.** through 108 training programmes, working out to 44 hours per employee

286 promotions during the year

Rs. 24 Mn. invested in sustainability projects

Rs. 15.5 Bn. Net Lending outside the Western Province

Contribution of Rs. 100 to the Autism Trust for each **Rs. 1 Mn.** of business secured

2,433 tCO2e GHG emissions

OUTCOMES

Increased profitability and liquidity through sound financial management and emphasis on organic growth

Elevated customer aspirations through innovation and customer centric business operations

Long-standing mutually beneficial strategic partnerships leading to trust and loyalty

A business entity that is innovative, sustainable, socially responsible, and environmentally friendly

Motivated and dedicated team with a positive attitude through expanded employee engagement

An equitable society through financial inclusion and entrepreneurial empowerment

ISO certified and carbon verified organisation through sustainable business practices

Contribution to a sustainable future committing towards UN Sustainable Development Goals

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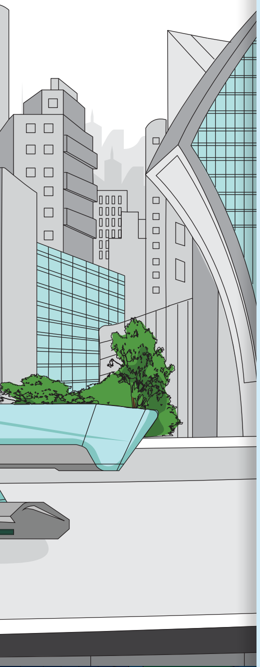
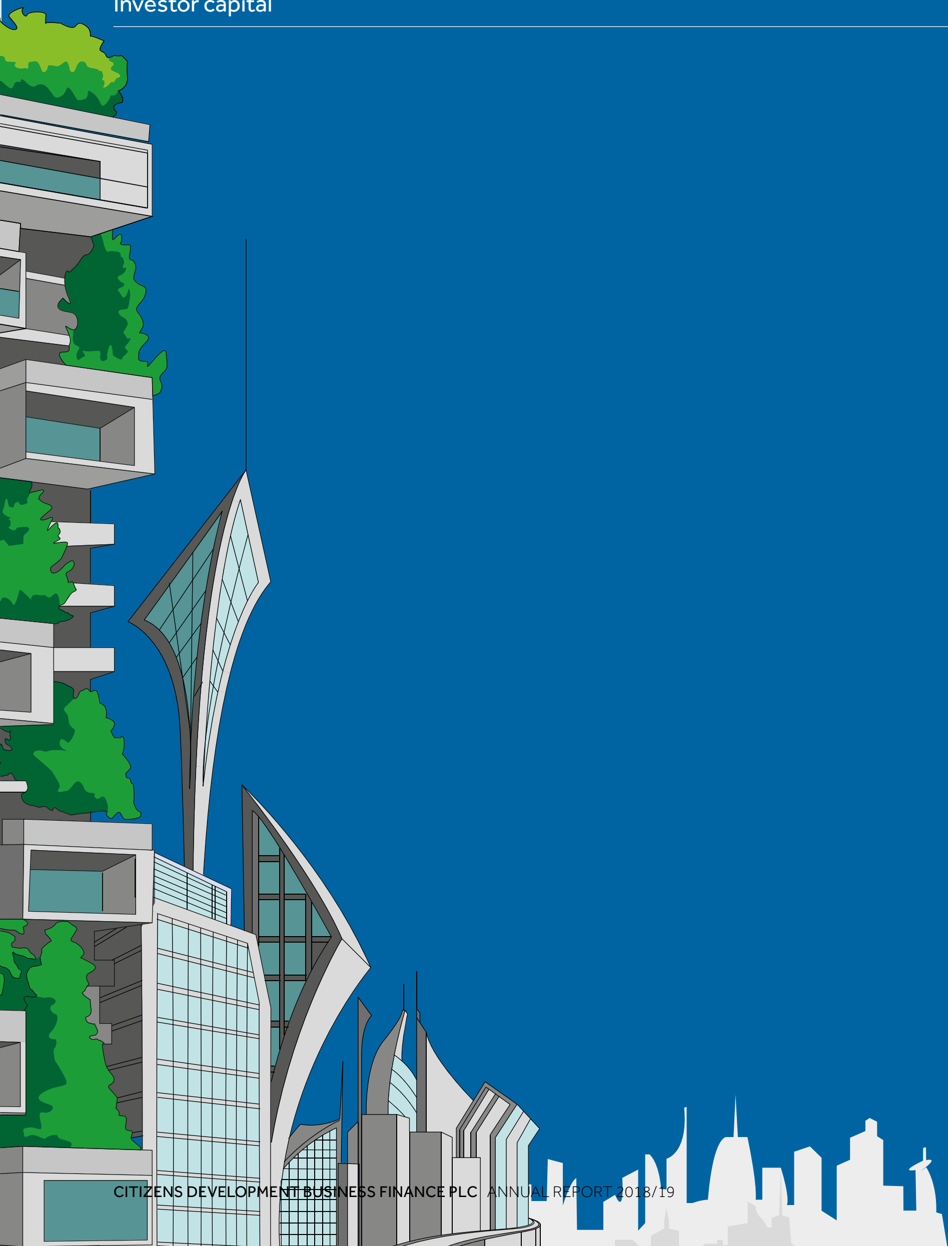
We tread lightly on earth.
As a responsible corporate citizen, we are conscious of the need to minimise our ecological footprint to leave a healthy, habitable planet for our future generations. Our pledge to support the UN SDGs and our commitment towards sustainability are vital cogs in our strategy and all operations.



Urban Skyfarm will be a zero-energy facility, it uses renewable energy produced by both solar and wind energy for the production process, including transportation and food distribution.

OUR BUSINESS IMPACT

This section is an overview of the impact of CDB's operations, performance, challenges, and future outlook. It outlines CDB's commitment to sustainability and the delivery of value to all stakeholders during the year.



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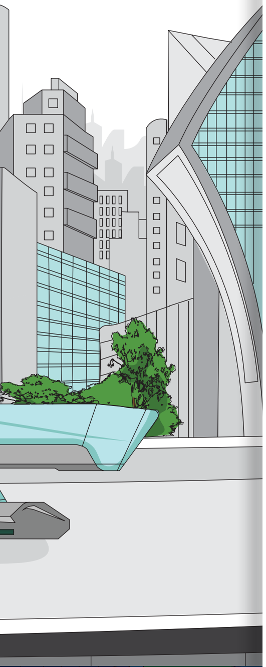

MESSAGE FROM THE MANAGING DIRECTOR/ CHIEF EXECUTIVE OFFICER

Easter dawned bright and sunny as a normal April morning in Sri Lanka. It also had that added ingredient of being peaceful, knowing full well that with Easter comes the promise of new beginnings and peace for all. But it just took twenty minutes on that peaceful morning for the entire fabric of the country to change.

As a country, we have suffered immensely – repeated insurgencies and a 26-year war that left the country in tatters. But we didn't suffer just as a country; we suffered as a people, as Sri Lankans. This is a country that is blessed, truly blessed – whether it is serenity in abundance, natural resources or good hearted people. We also have a rich tradition and culture we draw on in our multi-ethnic, multi-religious pot pourri that we call home. Having known the travails of catastrophic disasters, we cannot allow those sentiments that were the root cause of our tribulations ever raise its head again.

Those who did not seek greener pastures and remained in this country despite its clouds and blemishes knew what the landscape was like and now revel in the peace and economic prosperity the country has had for ten years. We owe it to our future generations to allow this Nation reach its full potential and strongly condemn any negative elements that threaten our pathway to prosperity and peace.

Positive performance

Looking back over the year that was, the most significant milestone for CDB has been gaining the position of being within the Top Five Largest Non-Bank Financial Institutions (NBFIs) in the country. This, as you aware, makes our milestone doubly significant as we have reached this status in a relatively short span of 23 years. Our financial results too have been commendable, given the backdrop of multiple challenges and slower GDP growth of 3.2%.

Total assets at Group level recorded a growth of 20% at Rs. 91 Bn., while Group profit before taxes stands at Rs. 2.7 Bn., showcasing a growth of 34%. Group profit after tax is posted at Rs. 1.8 Bn. with a growth of 24%.

I would like to reiterate that these bottom-line results have been achieved despite an increase of 58% in taxes and a three-fold increase in impairment charges, aligned with regulatory requirements and accounting standards. Gross Non-Performing Loans are detailed at 6.68% and net basis indicated at 3.84%. The net NPL ratio excluding revolving repossessed stock is reflected at 1.5%. We successfully raised USD 60 Mn. in foreign funding, strengthening our funding sources and capacity, in addition to posting a healthy deposit to debt funding composition of 60:40. We also recorded a healthy asset liability maturing status, narrowing up to 12-month maturing basket gap to 7%.

Tier I and Total Capital ratios recorded at 8.09% and 11.07% respectively are above the regulatory levels which have been computed as per the revised direction issued by the Central Bank of Sri Lanka. Liquidity ratio at year end is recorded at 18.4% and stands well above the required regulatory threshold of 10%.
The Loan Book consisting of a 97% asset backed portfolio recorded a growth of 18%, whilst the asset base represented 93% regular cash flow and income generating activities. Earnings per share (EPS) recorded a figure of Rs. 33.11 and the net book value (NBV) per share stood at Rs. 162.50. Return on equity (ROE) is reflected at 22.42%. Detailed analyses of our financial performance are given from pages 161 to 281.

CDB has a controlling ownership of 90.3% in the specialised leasing subsidiary, Unisons Capital Leasing Ltd. (UCL), which has a balance sheet of Rs. 3.3 Bn. and recorded a profit after tax of Rs. 102 Mn. within this financial year, contributing Rs. 98 Mn. towards the Group's bottom-line. Our intended strategy prior to the regulatory requirements that came into being, was to prepare UCL for a listing in 2020. However, aligned with those directives, UCL is in the process of being merged with CDB. I am most appreciative of the commitment and hard work executed by UCL Director/CEO Karthik Elangovan and his team to build UCL to outstanding levels within a short period of time. Their passion and motivation is certainly praiseworthy. UCL will now operate as a strategic business unit of CDB, focusing on two-wheeler financing, adding value to CDB's lending portfolio and capacity.

Our sustainability direction

As you are aware, CDB's extraordinary commitment towards sustainability has reaped in rewards as we continue to raise the bar in social and environmental consciousness. Being adjudged as one of the Ten Best Corporate Citizens at the prestigious Best Corporate Citizen Sustainability Awards organised by the Ceylon Chamber of Commerce last year, a repeat crown for us, makes us even more aware of the responsibilities we have as a corporate steward. As we move towards building an asset base of a quarter of a trillion Rupees within the next five years, we fully comprehend the extent of our responsibility as a custodian of public deposits and strive to embrace our stakeholders from all social and demographic strata into imbuing the quintessence of sustainable development. Our sustainability efforts are detailed from pages 18 to 21 and 64 to 79.

Disrupting for the better

With disruption now being embedded in our DNA, our strategy continued to focus on innovation, built on a springboard of technology and digital initiatives, both in business origination and in operations. Our pioneering award winning e-commerce platform patpat.lk is firmly entrenched in its popularity as an established vehicle trading portal. The overwhelmingly positive responses received for this initial acceptance, has seen us extend the portal to leisure and education. Patpat.lk is also pursuing the idea of a separate ecosystem for three-wheelers and two-wheelers, in addition to integrating other value added segments that can leverage on the synergies of our business.

Another disruption we mooted was the online placement option CDB iDeposit, enabling customers to place deposits from any location on their terms in real time. This is an extension of our multiple award winning financial transaction platform CDB iNet. We also introduced CDB iTransfer, a first for Sri Lanka in fund transfers which enables fund transfers to be implemented very securely, by using any social media, email or text option without knowing the recipient's account details. With customer convenience being the flag bearer for this disruptive platform, innovative solutions are being further pursued with expectations of adding online customer onboarding and a mobile wallet, aligned with regulatory requirements.

The CDB credit card, which is affiliated with Mastercard was launched to fill the gap of a check-in product, with the intention of using it as a customer on-boarding product, supporting our target of reaching a one million customer base. This CDB credit card combines yet another first for Sri Lanka with the addition of our unique money management app, CDB iControl. This app facilitates complete card control by the cardholder, with the added services of card blocking, managing foreign travel and spend management and tracking.

CBSL has introduced a deposit ceiling for Licensed Commercial Banks, a ceiling applicable only for NBFIs previously. The premium on bank rates to NBFI rates range from 50 basis points (0.5%) to 150 basis points (1.5%) for baskets of different tenures at present. With these premiums, it would be challenging to reach the customer with a business model that is not on par with other options available.

Another feather in our cap was celebrated this year with the CDB brand being ranked among the Top 50 Most Valuable Brands in Sri Lanka by Brand Finance. These latest rankings attribute the highest percentage in brand value increase among the top 50 brands.

The empowering ethos

Having also analysed the emerging industry landscape and stakeholder expectations that evolve faster now and with more clarity, our new purpose statement rolled out this year is directed towards culminating all our initiatives into reinforcing our brand promise of being "Your Friend". "Empowering Aspirations" is the overarching tenet that holds CDB as a firm partner in elevating aspirations and making luxury accessible and affordable to customers. With our customer onboarding channels via our e-commerce platforms, check-in products, and online onboarding combining our conventional direct channels of leasing and deposits, CDB is now poised to write its next chapter of progress of which I am very optimistic about.

Appreciations

Despite challenges, as I look back on this year, it has been one of learning, rewards, and opportunities.
I am most appreciative of the confidence the Chairman and Board of Directors placed in me. I'm ever grateful to the highly motivated, very professional CDB team, without whose passion and commitment history books won't be rewritten. The success you see both qualitatively and quantitatively unequivocally belongs to this winning team. It is to our customers and valued business partners that I extend a sincere appreciation to, for their loyalty and patronage. The strong foundation we have built CDB on is due to their partnering us every step of the way.

The future in perspective

Projected GDP growth is estimated at around 3%. But this is a country that has fought hard for decades and has been resilient in the face of challenges. My hope is that the same unity and togetherness we displayed will be our cloak of daring and that we will, against any odds, be able to push the country upwards and onwards. The next year will undeniably be one that requires courage and valour but having experienced the unending trust and confidence our stakeholders have in us, Team CDB is ready to take on any battle, no matter how difficult it may seem, with firm belief in our response rather than the challenge.

W P C M Nanayakkara
Managing Director/Chief Executive Officer
31 July 2019

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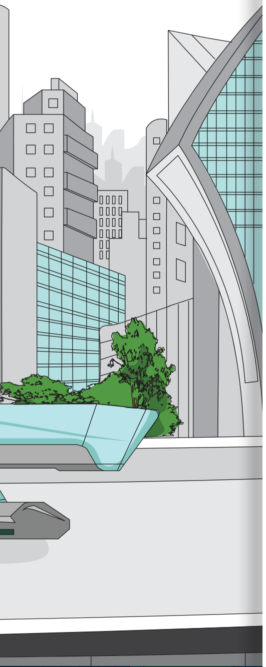


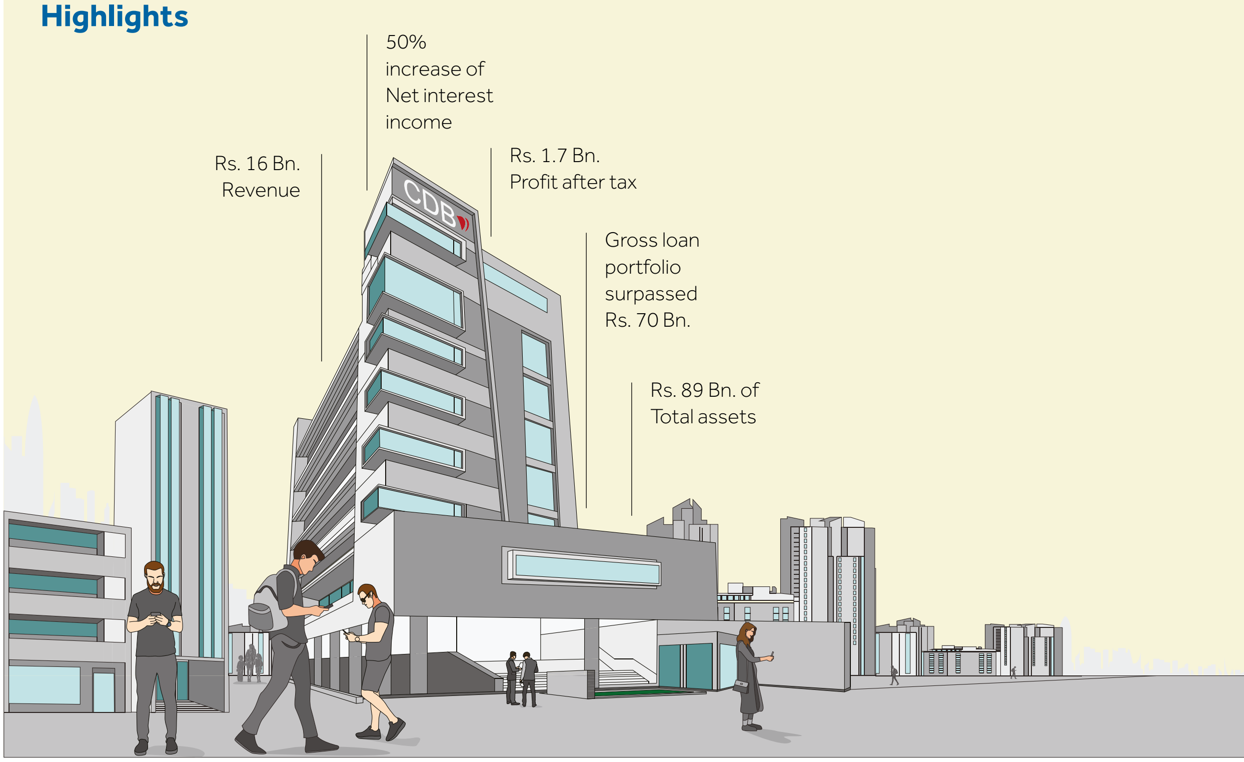
FINANCIAL CAPITAL

[GRI 102-7]

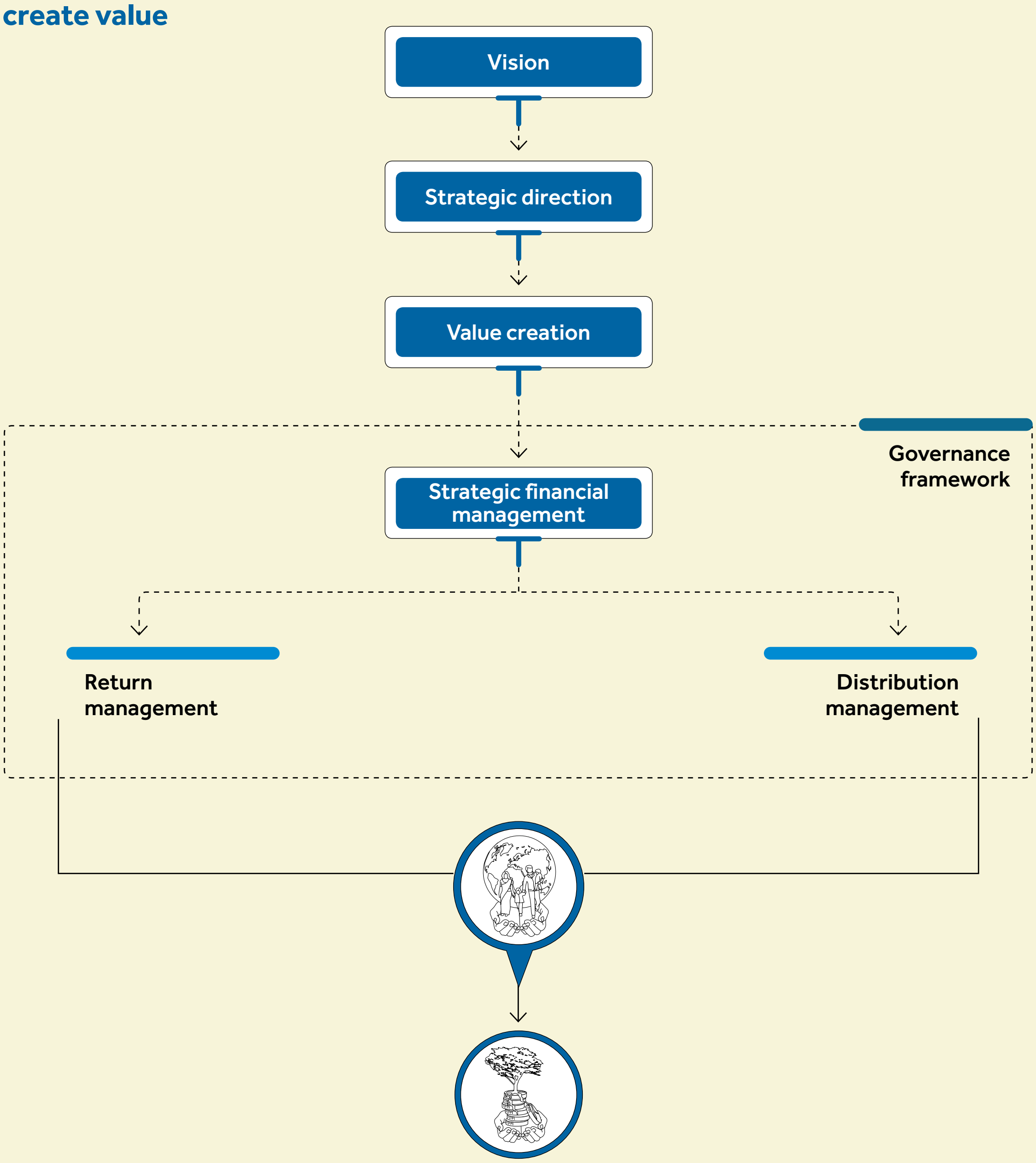
Financial capital reflects the pool of resources which is being managed to create and exchange a dialogue with other capitals. It is the most critical to our business of financial intermediation.

It works in tandem interacting with other capitals to create value over the short, medium, and long term. This section provides an overview of CDB's operating performance in 2018/19. The information provided in this section is duly supplemented by the Financial Statements and notes.

Highlights



How we create value



Contribution to SDGs

Refer pages 20 and 21 for more details

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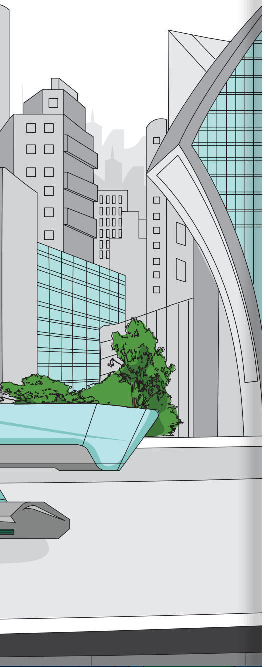
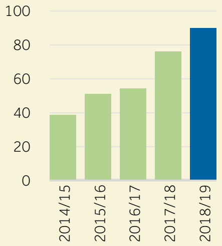
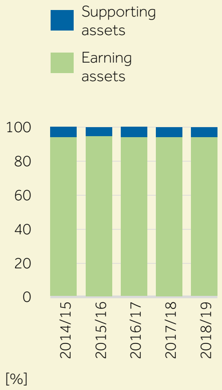


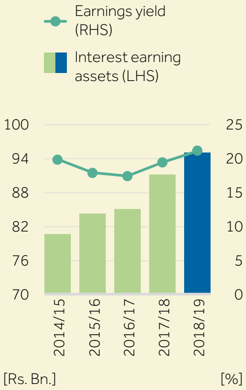
Company consistently maintains a healthy earnings assets to non-earning (supporting) asset base in its quest to generate optimum level of return to the stakeholders. Improvements in the level of capital intensity, productivity, and efficiency of operating cycles have enabled us to consistently maintain these ratios. The interest earning assets grew by a CAGR of 21% consistent with the increase in total assets for the past five years. Interest yield of the earning assets portfolio was consistently monitored to achieve an optimum risk based pricing. The composition of loan assets to liquid assets is also kept at an optimum level to achieve liquidity requirements as per CBSL guidelines while maintaining sufficient overall yield.



Pool of resources to be deployed in the business



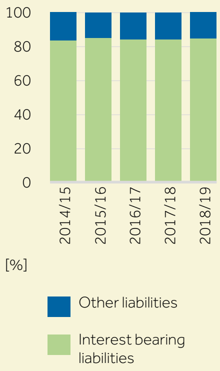
Invested in earning and supporting assets

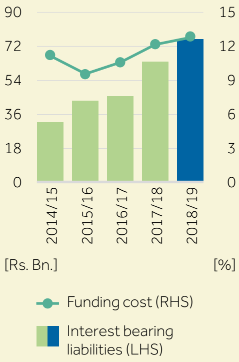


Generating revenue for the Company

Funded through interest bearing and supporting liabilities

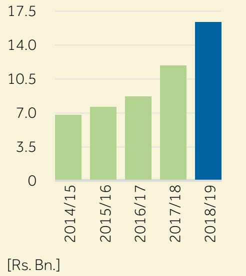
Incurring cost to the Company





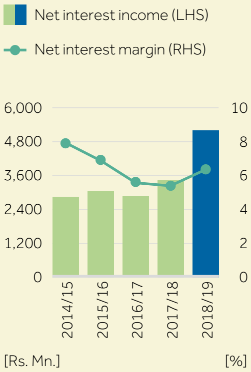
Creation of assets has been funded through interest bearing liabilities and non-interest bearing liabilities including equity. This was strongly supported by the internally generated capital ploughed back after dividend distribution and creating of non-interest bearing liabilities while maintaining a good relationship with our stakeholders. Non-interest yielding liabilities grew by 22% while the interest bearing liabilities grew by 21% CAGR over the past five years. The interest cost of liabilities increased over the past five years, partially due to resorting to long-term borrowing, as part of maturity risk management strategy, which has a comparatively high interest rate compared to low cost customer deposits. However, the Company was able to maintain a healthy 8% spread from the interest earning and bearing portfolios.

Revenue surpassed Rs. 16 Bn. for the year with a CAGR of 21% for the past five years which is in line with the increase in the interest earnings assets portfolio. The non-interest earning component has doubled its relative share over the past five years to 13% with a CAGR of 39%. Majority of the other income was derived from fee-based activities related to portfolio including fees from early closure of contracts due to increase in the transactional volumes of the Company.



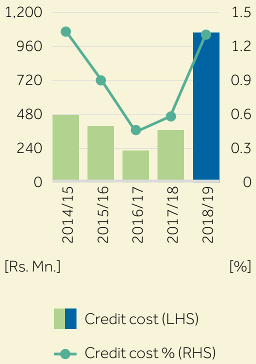
Leading to interest and other income

Net interest income surpassed Rs. 5 Bn. with an increase of 51% with a CAGR of 17% for the past five years. While the net interest margin rose to 6.34% from 5.34% a year ago, increase in interest income surpassed the increase in interest expense by 1.5 times showing a healthy management of both interest income and expenses.

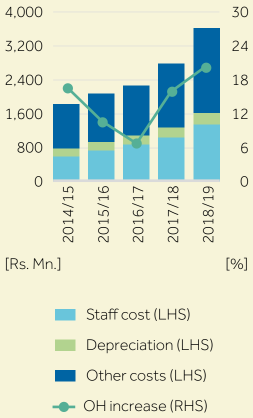


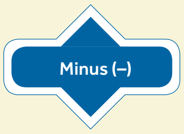
Resulting net gain on financial business

Allocated for credit cost

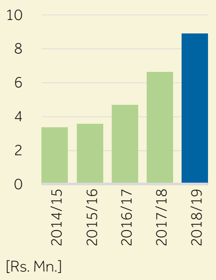


Incurred on OH to support the income generation



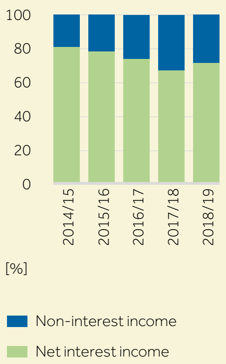


Leading to interest expense

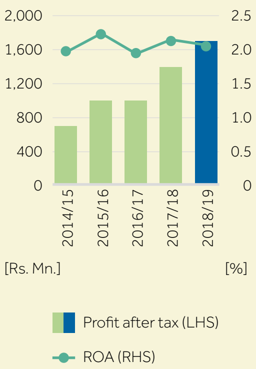


Interest expense increased by a CAGR of 20% over the past five years in line with the increase in the interest bearing liabilities. In addition to the increase in the interest rate in the market, introduction of borrowing as a major funding channel increased the cost of funding over the past five years. This in turn helped manage the asset liability maturity risk of the Company.

Generated below composition of mainstream and supplementary income



Generated net profit for equity holders



Net profit increased by 22% to Rs. 1.7 Bn. while maintaining a return on average assets around 2.1%. This was achieved after absorbing a credit cost of Rs. 1 Bn. Indirect tax burden further increased due to imposition of Debt Repayment Levy. Overheads (OH) to revenue reduced consistently to 22% showcasing the continuous improvement in efficiency of operations.

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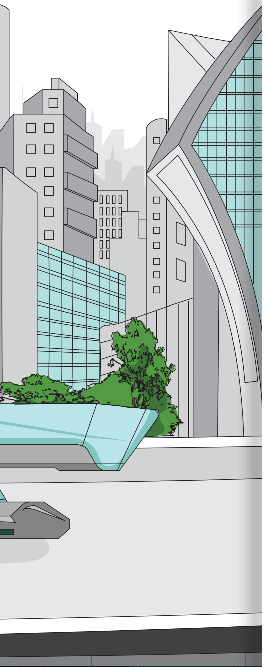
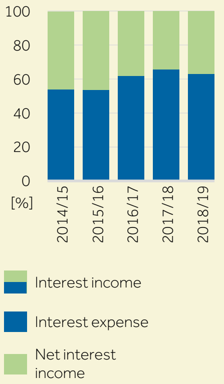
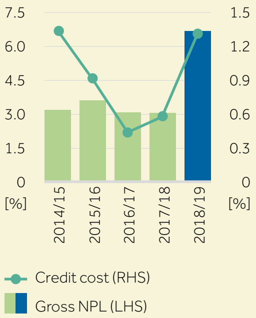


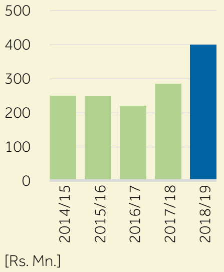
Interest income to interest expense ratio



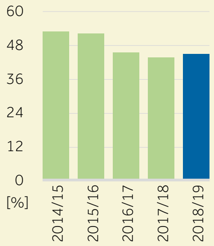
Gross NPL and credit cost



Cost of income tax

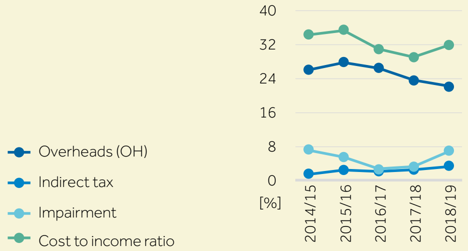


Gross margin



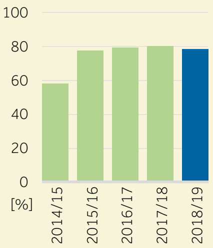
Minus (–)

Operational efficiency



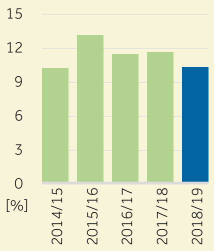
Multiplied by (X)

Tax effect (PAT as a % of PBT)

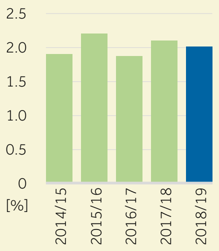


Gross margin denotes the result of funding mix strategy of the Company. This signifies the success of key operations of the Company. The Company improved OH to revenue ratio over the period.

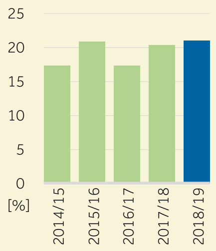
However, the resulting gain was eroded by the increase in credit cost and taxation.



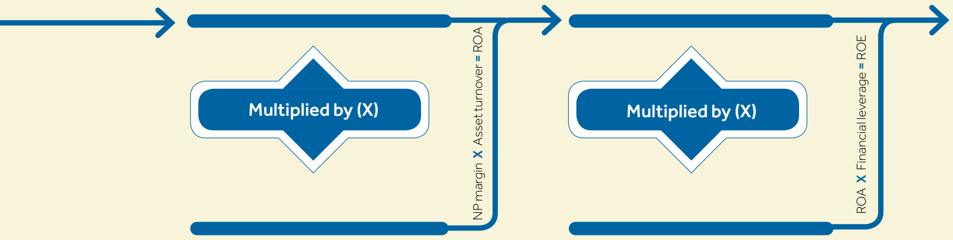
NP margin



ROA

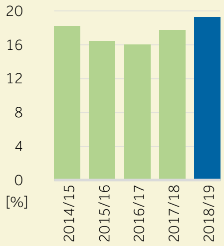


ROE

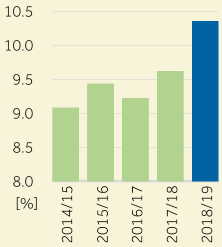


ROE is the return the Company generates to its shareholders over a period. Part of the return will be distributed by way of dividends while the balance is reinvested for generating revenue in the future. We have continuously worked towards optimising the return to shareholders by improving NIM, operational efficiency, and assets utilisation of the Company.

Asset turnover



Financial leverage



Asset turnover denotes the earning capacity of assets. This is affected by the earning yields and composition of assets. This needs to be balanced with credit risk of the assets.

The Company continued to maintain a balance between internal generation of capital and external sourcing to achieve a healthy return and maturity management status. The increase in NIM supported by increase in yields has helped manage the ROA despite heavy charge on impairment and tax.

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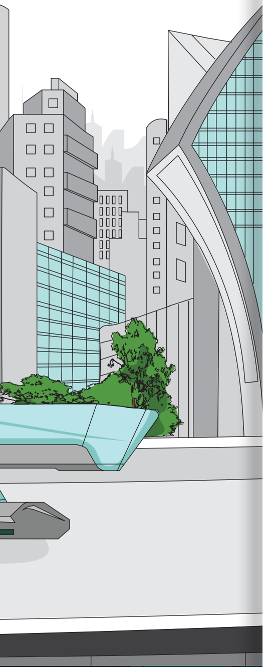


INSTITUTIONAL CAPITAL

We see our offering, systems, and processes as an ecosystem that continues to evolve over time. Our unique ecosystem thinking has inspired our institution and has paved the way to offer innovative products that give our customers an incomparable experience.

It is the intellectual element in institutional capital which drives our innovation pipeline. The efficient use of the institutional capital enables us to be proactive and be future-proof through innovation and enhanced efficiency. It comprises important sources of business advantage such as accumulated internal knowledge base, internal systems and processes, and efficient governance practices that lead to improvement in operational excellence. It also includes our brand and franchise value, research and development, innovation capacity, reputation, and strategic partnerships.

We recognise our brand as one of the key institutional assets and a unique differentiator that enable us to perform and create an identity in a competitive industry. Our brand promise is to make luxury affordable through our products and services and become a lifestyle brand for our customers.

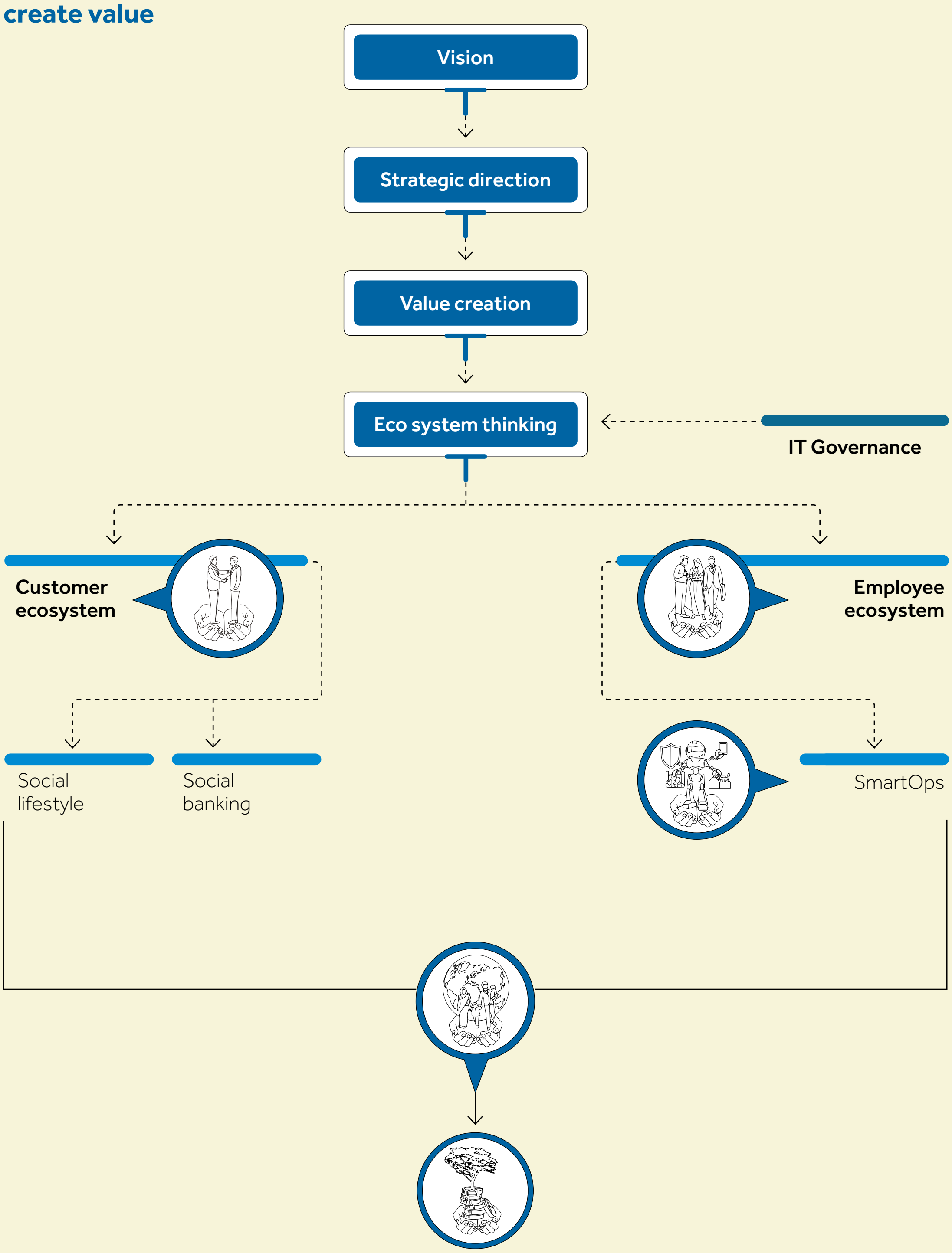
Institutional capital interacts with other capitals to create value forming the overall institutional structure that guides employee learning and development processes and the emergence of tacit knowledge. It forms the basis for sustainable development where our investments in physical and digital infrastructure have reduced the inefficient use of resources, maximised customer engagement, and have led to creating lasting value for all our stakeholders. It will play a prominent role as the backbone of our Company in a fast-evolving, modern, tech-savvy society.

Highlights

- Launch of CDB iDeposit (A real time online deposit solution)
- Launch of Patpat.lk verticals on Education and Leisure.
- Bestweb Awards (2018) most Popular E-commerce and E-banking website- www.patpat.lk
- Rs. 1,833 Mn. Brand value

  Within top 50 Brands in Sri Lanka as per Brand Finance
- First in Sri Lanka to launch credit card self-care CDB iControl app

How we create value



Contribution to SDGs

Refer pages 20 and 21 for more details

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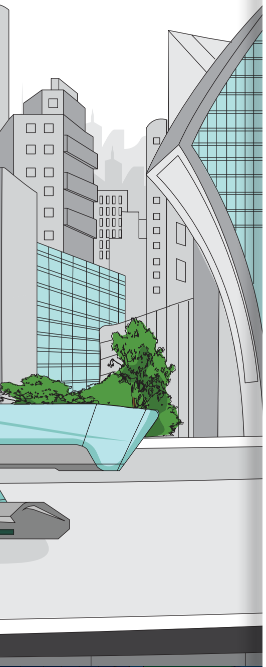


Challenges and responses

Challenge	Our responses
Increased competition from other financial institutions	Bring convenience of managing finance through plethora of services, some of them offered for the first time in Sri Lanka Continuously improve online services on our quest to enhance customers' experience with us
Marketing to tech-savvy Generation	Focus on omni-channel (CDB iNet, patpat.lk) marketing through a variety of devices (eg: smartphones, desktops, tablets). Responsive web design having the technology to respond to the users' preferences Allowing the user to control their experiences (CDB iControl selfcare app)
Responding to increasing demands of suppliers	Through the online payment system and document checking, we were able to expedite the payment process through the in-house developed SmartOps ERP solutions to deliver payments within 24 hours
Demand to increase the file flow efficiency	QR code and ERP base File Tracking System has enabled smooth and effective functioning of file tracking Branch-wise scanning availability Introduced speedy document approval via digital signature-based approval mechanism Launched SmartOps Queue Management system

CDB ecosystem thinking

Integrating physical and digital environments, our transformation strategy "Ecosystem" thinking connects lifestyle ecosystem and social banking ecosystem by converging the retail financial and non-financial services with social media, mobile, analytics, and cloud technology.

The employee ecosystem is optimised through investments and smart improvements of internal operations. Our organisational structure has been revamped to facilitate this transformation which includes emerging business areas, technology, and business intelligence. This has effected a cultural change within the Organisation.

Customer ecosystem facilitates consumers to evaluate real-life options and make lifestyle decisions. After a customer comes onboard with us, we enable the customer to conduct all financial transactions through our social lifestyle ecosystem.

Creating the platform via IT Governance

CDB is now proudly certified with ISO/IEC 27001:2013, the information security standard that specifies a management system intended to bring information security under management control. Following the completion of a successful audit, the conferring of the certification denotes that CDB is completely compliant with all standards and directives contained, leaving no room for non-conformance as certified by the Auditor.

To combat cyber security and to enhance the security architecture of the Group, a comprehensive firewall and security policy management solution for multi-vendor, next-generation firewalls was implemented during the year. Moreover, with the growth in the use of web-based applications and the resulting increase in exposure to the world wideweb, ICT shared services also invested in a web application firewall to protect the application systems.

Customer ecosystem

CDB iNet

This first-of-its-kind e-finance platform in Sri Lanka allows its users possessing a CDB savings account to transfer funds via social media platforms such as Facebook, WhatsApp, Viber, Imo, email, or a simple text message. We have also developed a mobile app for iNet which is also popular among the youth.

Online trading platform: patpat.lk

Patpat is an online trading platform initially launched to make auto leasing as simple and seamless as possible. The platform garnered immense popularity to become one of the leading e-commerce platforms in Sri Lanka. Patpat has now diversified its trading operations to other verticals such as leisure and education.

Vehicle trading

Vehicle trading forms the core of patpat.lk enabling customers to buy, sell, and lease/finance any type of vehicle at their convenience. The key differentiators of patpat.lk is affordability and aspiration.

We have also introduced patpat online auctions through the platform which allows users to bid on their preferred vehicles.

When customers apply for a lease through patpat.lk, they will be entitled to priority service standards set by our leasing partners. This will expedite the process of addressing their financial needs and get an even better vehicle option.

Our algorithm attempts to understand customer's monthly commitment and matches a customised search option that displays other vehicle options with similar lease commitments. The convenience of knowing the monthly instalment and searching the vehicle via this criterion is the added advantage of patpat.lk.

Furthermore, customers also can view their vehicle via a Desktop Viber option that is available with our islandwide dealers.

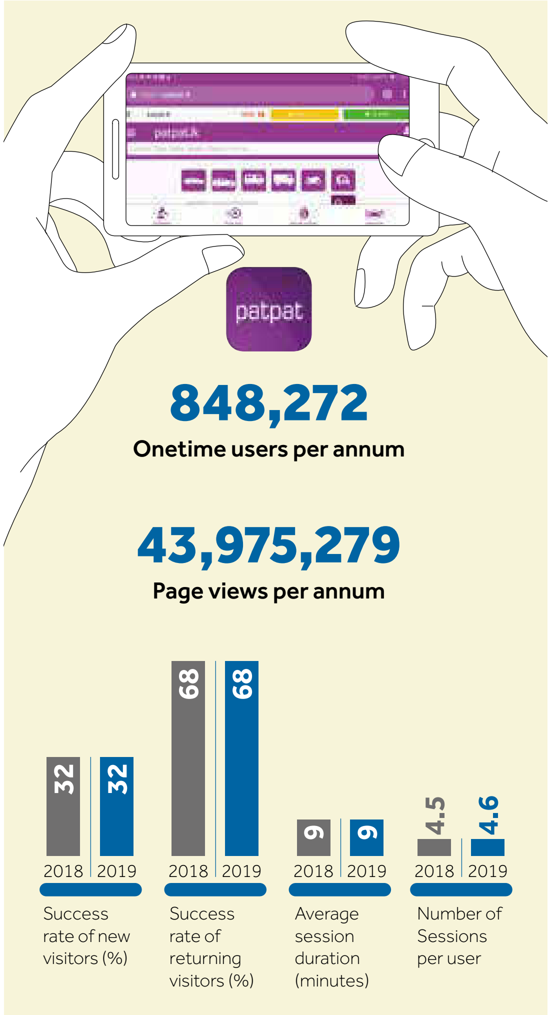
During the year, we launched the patpat mobile text message application to extend our customer engagement on the platform.

Leisure

Leisure was introduced on the platform as a vertical offering to our existing and new customers. We have partnered with a number of travel agencies who offer international and local destinations at an attractive price and through affordable monthly instalments.

Education

Patpat launched another vertical offering in providing educational services to the platform where users can browse through options and opportunities all in a single platform and find the right programme that matches their needs, goals, and preferences.



Employee ecosystem

SmartOps

Our in-house ERP system – SmartOps was developed to facilitate smooth and fast operations integrating all the departments through one network on a real-time basis allowing better customer service and automation of a number of back-office functions. SmartOps has taken operations to the next level by reducing time and improving visibility, allowing us to track bottlenecks and delays, and streamlining all employee operations.

SmartOps in brief

Refer online HTML report

Centralised Data Processing Unit (CDPU)

Our central data processing unit enables to improve operational efficiencies, reduce overhead costs, offer a speedy customer service, and achieve paperless data processing. This has facilitated efficient processing and archiving of documents with the implementation of this highly efficient mechanism. Further, it has enable to meet the file processing time service level agreement (SLA) of two hours by 98%.

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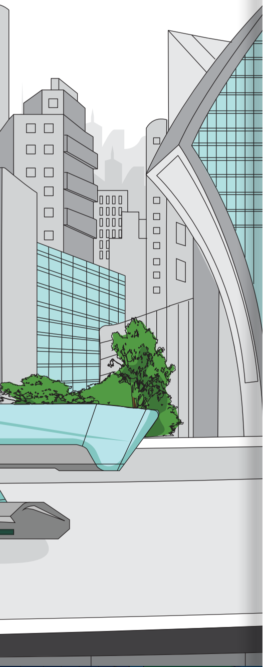

Operational efficiencies of CDPU:

Dealers registration within an hour

The file processing time SLA of two hours by 98%

Some services within 30 minutes and some are within a day

Credit sanctioning SLA of three hours improved from 76% to 84%

Creating a stress-free working environment

Higher transparency levels

All manual work to be transformed into system-based

Flexible working hours based on peak and off-peak

SmartOps Queue Management system to track pending application processing

Security and safety via system controls

File tracking and automated alert for marketing staff have reduced visits to the Head Office

Oracle Business Intelligence (BI)

Oracle Business Intelligence at CDB is a comprehensive business intelligence platform which can perform numerous tasks including ad hoc queries, notifications and alerts, enterprise and financial reporting, scorecard and strategy, management, business process innovation, search and collaboration, integrated systems management, and much more.

Key value additions for CDB:

- Minimising of operational delays and optimisation of resources.
- Introduced speedy document approval via digital signature based approval mechanism. Majority of delivery orders to be issued through branches and approval via electronic signatures.
- Improvements in the Islamic Finance Core Bank Solution with Oracle BI.

In addition, introducing of Business Intelligence tools such as Microsoft Power BI to perform Business Intelligence. Also providing training and allocating provision for further trainings. Further, apart from Oracle BI, CDB has also introduced some of the well rated software tools in the market like "Tableau" for data analytics activities.

Core banking system

CDB is the first NBFI to migrate to a fully-fledged core banking platform in Sri Lanka which enables us to provide a bundle of innovative solutions to our customers.

The CDB brand

Our brand is associated with trust, quality and innovation and it is the above elements which reinforce our strategy and to be one of the largest players. We believe that our brand is one of our key intellectual assets enabling us to become unique in a highly competitive market and to deliver a diversified financial product offering to our customers.

From the Organisation's inception, we have heavily invested on improving our brand. As a result we have been able to experience tangible results during the financial year.

Positioning our brand

Our brand reflects who we are and what we stand for. CDB is a much respected brand in Sri Lanka's financial services industry with a strong brand visibility. Over the years, we have built a strong platform for profitable and sustainable growth of the CDB brand. Driven by relentless pursuit of excellence, innovation, and customer service, we provide an unparalleled product offering to our diverse customer segments. The colours and lettering of the CDB logo enables customers to easily recall our brand.

CDB Your Friend

Red colour denotes life, livelihood, dynamism and energy of our brand which we strive to deliver to our customers. It also portrays our future direction and our commitment to the progress of all Sri Lankans. Blue colour represents the universe of increasing infinite possibilities and opportunities we offer our customers. The tagline "Your Friend" is strongly associated with the close relationships we nurture with our stakeholders.

Our corporate culture

The corporate culture that prevails at CDB is derived from adhering to our values and our purpose. It is a culture of utmost professionalism, teamwork, transparency, diversity, and respect between individuals. Through our induction and training programmes, we build a team that is accountable and responsible consistent with the values of our Company. Our diverse set of employees promotes a culture of collaboration and collective decision-making while being committed to ethical conduct and proactive risk management that have contributed to achieving a competitive edge in the sector.

Business ethics and integrity form the foundation of our working culture where we comply with all legal and regulatory requirements applicable to our business and our Organisation to be in line with industry best practices.

Our values

Perseverance

The passion and perseverance of our team has brought CDB to the forefront of the industry and continues to be our driving force.

Empathy

We care for the well-being of our stakeholders while empowering their aspirations, with an aim of creating a more equitable society. We have never lost sight of our humble beginnings and continue to infuse a sense of humility in all we do.

Reliable

While being a respected, responsible, socially and environmentally conscious public deposit-taking corporate citizen working in an open and a transparent manner in all our dealings, we strive to be the most reliable partner for our stakeholder.

Innovation

We are constantly innovating to stay relevant and valuable to our customers. We highly value and encourage thinking beyond traditional boundaries, embracing change and exploring creative ways of empowering the aspirations of all our stakeholders.

Ecosystem initiatives

Refer online HTML report

Infrastructure development

Developing IT infrastructure

Digital revolution has brought immense opportunities to expand. We have adopted cutting-edge technology into our operations to deliver an exceptional experience to all our stakeholders. We provide great customer convenience and unparalleled service delivery to our customers, whilst safeguarding customer data and securing our systems against cyber threats.

With the pace of change, upgrading the existing IT infrastructure is an important priority to provide flexibility, speed, and enhanced connectivity which lead to securing new business initiatives and processes. In 2018/19, we invested Rs. 165 Mn. to upgrade our existing IT infrastructure.

Our goal is to comply with regulatory measures to become a Regulated and Technology Driven (REGTEC) financial institution. We are planning to expand our IT infrastructure to next level and deployments are already under way. The infrastructure upgrade will give us a strong IT Operational setup and creating a more secure, controlled environment.

Physical infrastructure

While our digital platforms have enjoyed wide, unprecedented reach, we continue to improve our physical touchpoints and infrastructure in providing a superior customer experience. Our physical touchpoints continue to increase facilitating customer interactions through a modernised branch network. We have also invested in creating a great ambience through state-of-the-art, standardised interior and exterior in our branches which contributes to strengthening our brand identity.

Point of sale (POS)

To extend our reach to customers with our unique products and services, we have distributed point-of-sale (POS) machines to 71 branches. In 2018/19, POS transactions recorded an impressive Rs. 651 Mn.

Future outlook

We will continue to transform the way customers do financial transactions by adopting to new technologies and disruptive thinking. Our vision to transform into a technology-backed business through a business process restructuring in order to deliver increased value was initiated several years ago. These transformational changes were effected to deliver high level of quality, open-up two new avenues for customer onboarding, enhance our expertise, and play a role in changing social lifestyles. We will continue on the same path adding to the already cemented CDB brand and culture.

Our customer profiling has facilitated customer engagement and cross selling of products based on our findings. This has enabled to deliver a relevant user experience that enhances customer engagement and loyalty. The comprehensive analysis conducted via business intelligence platforms provides actionable insights to enhance customer segmentation and deploy the ideal influences across our different channels to create increased value for our customers and achieve sustainable business growth.

We are in the process of implementing the Infra Project (IT infrastructure project) which facilitates the availability and easy access to all applications and solutions running in CDB. Previously, only the core banking system was accessible through our systems.

We also plan to strengthen security by introducing SIEM (Security information and event management) that provides real-time analysis of security alerts generated by applications and network. This will complement the Infra project and will facilitate regulatory reporting.

Plans are under way to introduce Artificial Intelligence (AI) for data automation and other tasks previously performed by legacy systems and users. This will greatly improve the entry process and accuracy of data. Further, we plan to initiate cloud solutions to streamline our applications, services, and other digital resources.

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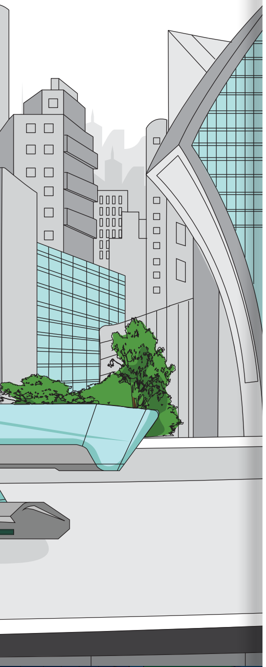

Awards

Asia Sustainability Reporting Awards 2018

Top Finalist – Asia's best CSR communication within Annual Report

ARC Awards

Grand Award – Best of Sri Lanka

Best Corporate Citizen Sustainability Award 2018

Among the Ten best Corporate Citizens in Sri Lanka

Winner – Turnover less than Rs. 15 Bn. Category

CMA Awards

Within the 10 best integrated annual reports

Bestweb Awards 2018

Most popular E-commerce and E-banking website – www.patpat.lk

SLT Zero One Awards

Second runner-up award for the Best website or Microsite in the financial industry

Best Digital Integrated Campaign in the financial industry for its online financial platform CDB iNet

National Business Excellence Awards 2018 (NBEA)

Gold Award – Non-Bank Financial Services Sector Award

Carbon Neutral Certificate

Climate Smart Initiatives (Pvt) Ltd.

Carbon verification certificate

ISO 14064-1:2006 Carbon verified financial institution by Sri Lanka Climate Fund (Pvt) Ltd.

Joint runner-up – Finance and Insurance Sector by ACCA Sri Lanka

ACCA Sustainability reporting award

Bronze Awards – Annual Report in Finance Companies and Leasing companies

CA Awards

SAFA Best presented Annual Report awards 2017-Merit

SAFA Awards

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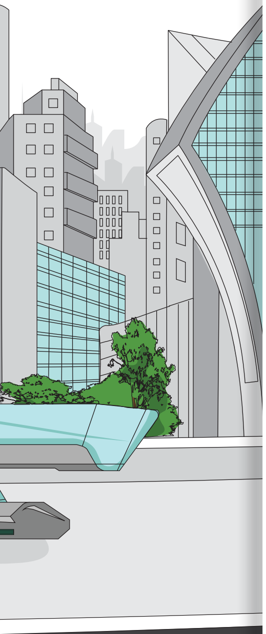


CUSTOMER CAPITAL

Being in an intensively competitive service industry, we strive to provide world-class customer service as a key differentiator for customer retention and loyalty.

Our customers come from all segments of Sri Lankan society and through our organisational purpose "empowering aspirations", we inspire them to reach their goals by providing them with a gamut of financial solutions.

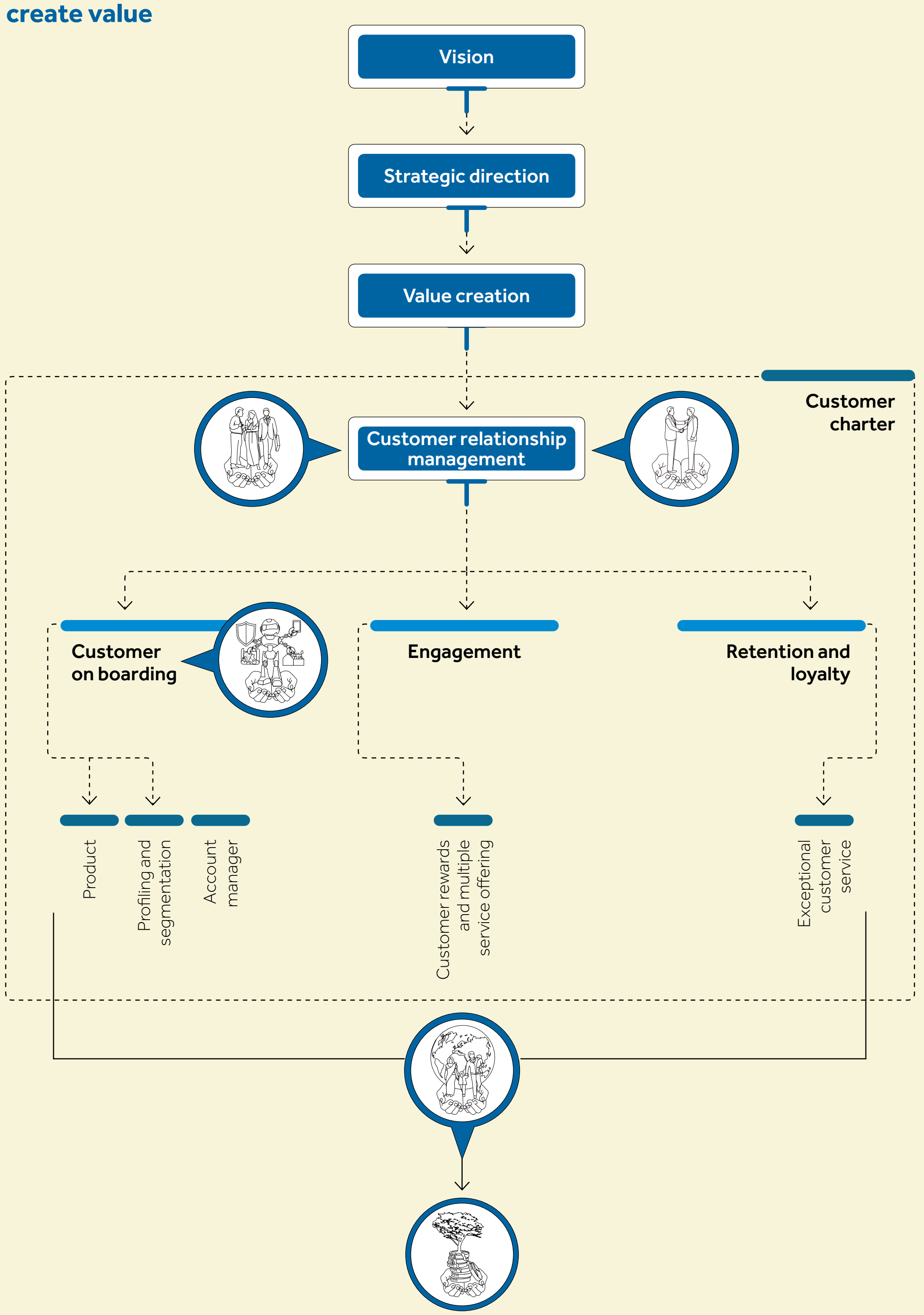
Our brand promise is to make luxury affordable through our products and services and become a lifestyle brand for our customers. Thus, we work closely with them and constantly develop their offering through innovation to increase their satisfaction and experience.

As a financial solutions provider, we are committed to safeguard the trust of our customers by continuing our ethical business practices and culture. Our staff members are bound to work with trust and integrity following our prudent governance framework. We follow responsible marketing practices sharing financial knowledge with our customers, empowering them with a diverse and visionary portfolio of products and services and ensuring that they can make an informed choice with their investment.

Highlights

- Launched 05 categories of credit cards
- Introduction of a toll-free "missed call service" for customers
- 71 Service points
- Launch of Account Manager Concept to improve customer relationships
- Fund transfers through social media channels for the first time in Sri Lanka with CDB iTransfer

How we create value



Contribution to SDGs

Refer pages 20 and 21 for more details

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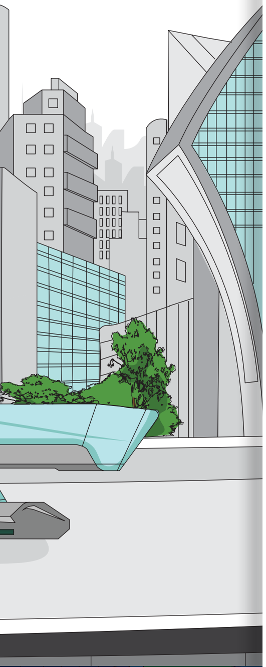


Challenges and responses

Challenge	Our responses
Changing the internal culture of direct product selling into making total financial solutions available for customers	Introduced bundle of products by coupling up products according to our customer needs. Incentivised the staff who aligns with this strategy and provides such services to customers Staff training programmes to change the mindset of our staff of direct selling
Mindset of the customers to seek solutions for direct financial needs from CDB	Offering solution for all the financial needs of the customer by providing bundle products and coupling services Making all the information available to customers for them to make correct decisions on the offered products Making them aware about the available opportunities to satisfy their financial needs
Adapting to digitalisation	For the first time in Sri Lanka, we created a newest trend in transferring funds through Facebook, WhatsApp, Viber, Email and even via an SMS without knowing the recipients' bank details by introducing CDB iTransfer First time in Sri Lanka to launch patpat verticals on education and leisure and to perform a patpat online auction Launch of CDB iDeposit which is a real time online fixed deposit placement increasing customer convenience Launched the CDB iControl self-care app which enables customers to monitor and control their credit card via a mobile app With our objective of becoming a complete Fin-Tech, we have amplified the use of technology and digital platforms to improve user experience and satisfaction
Facing unconventional competition	Our unique relationship with our customers, the use of cutting-edge technology, and our strong business model have equipped us to face the challenge of unconventional competition

CDB Customer charter

Refer online HTML report

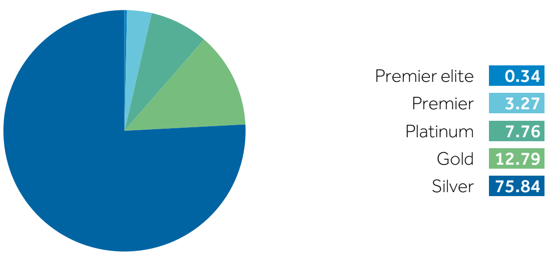
Customer relationship management

[GRI 103-1, 103-2, 103-3]

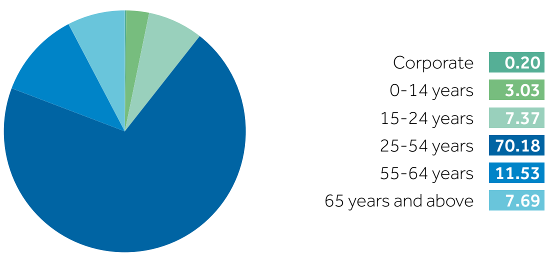
Our Customer Relationship Division steers all aspects in the provision of exceptional customer service and augmenting customer experience under the three main focus areas of customer onboarding, customer engagement, and customer retention and loyalty. Aiming at providing the best possible customer experience and to improve internal capabilities and service standards, we created our "Account Manager" concept which is directed at creating a lasting relationship with our customers. They provide personalised service attending to their financial needs and guide them by providing the best financial solutions that cater to their needs.

In our bid to become a one-stop provider of financial services, we evolved from a transactional focus to a relationship focused offering of total financial solutions that cater to all customer needs. We focus on the customer profile namely, Premier, Platinum, Gold, and Silver to determine and identify the financial needs of each customer and cater accordingly to meet their expectations.

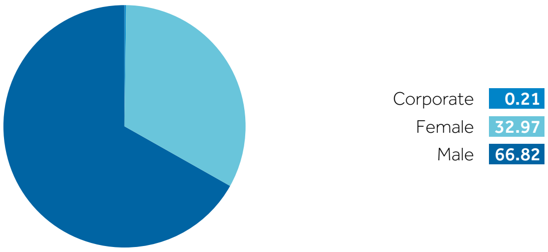
Customer profile by segment [%]



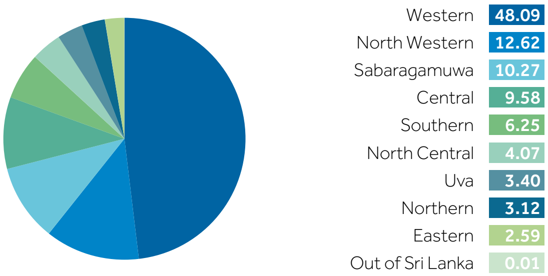
Customer profile by age [%]



Customer profile by gender [%]



Customer profile by region [%]



Customer onboarding

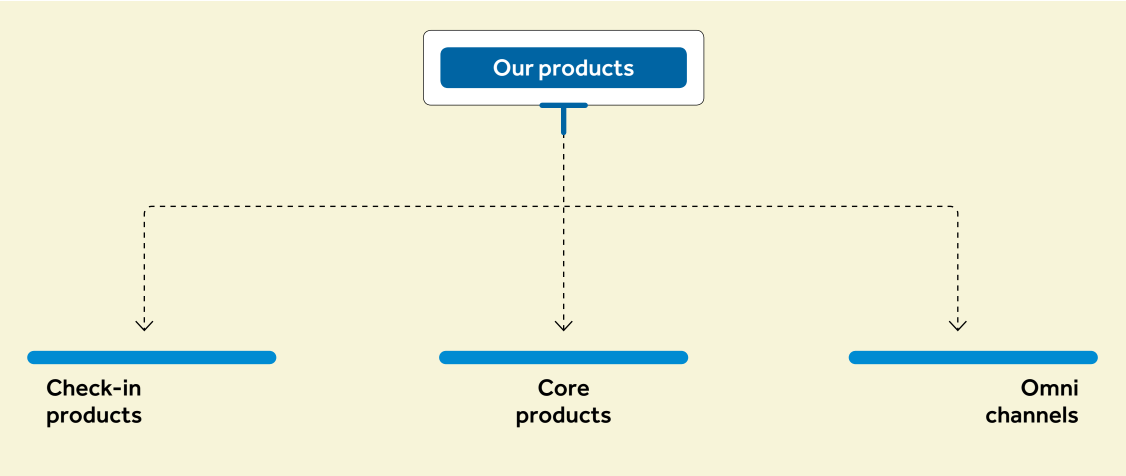
[GRI 102-6, 417-1, 417-2, 417-3]

Our extensive, customer-oriented product portfolio is aimed at maximising our offering to our customers. The products are aimed at elevating the lifestyle and aspirations of our customers. In order to achieve our strategic objective of reaching one million customers within the next two years, we have been decisively reorganising and optimising our offering, while innovation, and robust IT infrastructure have taken a centre stage in the formulation and the multi-channel delivery of our products.

We have always put our customers first and strive to maintain a high level transparency and integrity. We have displayed all the basic information that a customer requires at all our branches and head office. The customer has the opportunity to obtain further information when necessary. Our customer charter is also geared to protect their rights and to ensure a delightful experience.

The essential information that the customer requires will be provided along with directions on how to obtain further information when a need arises. With our customer charter, we deliver a promise to protect our customers' rights and provide a delightful customer experience. During the period under review, there were no instances of non-compliance to any product and service labelling or marketing communication guidelines.

[GRI 102-2]



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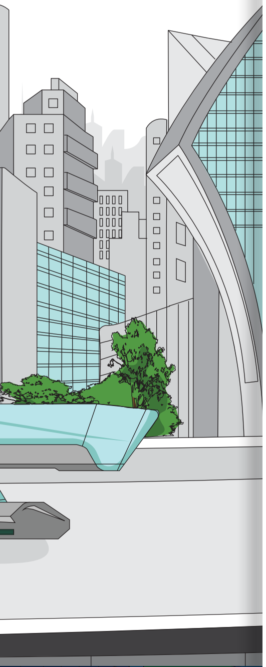
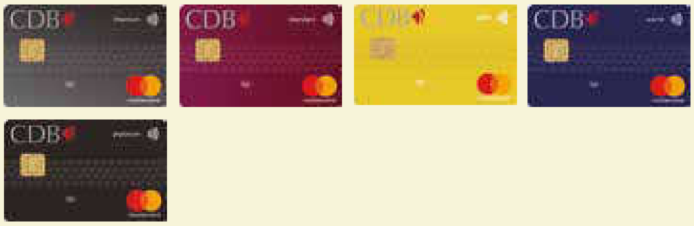


Check-in products

Savings

CDB Credit cards



CDB Debit card

Core products

Fixed deposits

Leasing and lending

Omni channels

Other services

CDB is active on

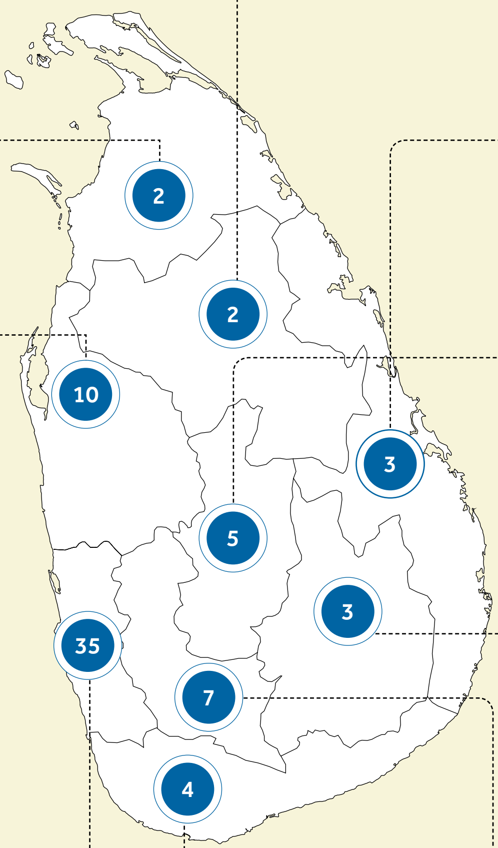
Revamped branches

Anuradhapura

Kegalle

Nugegoda

Customer touchpoints
[GRI 102-4]



North Central
Anuradhapura
Kaduruwela

Northern
Jaffna
Vavuniya

Eastern
Ampara
Batticaloa
Trincomalee

North Western
Chilaw
Giriulla
Kuliyapitiya
Kurunegala
Marawila
Mawathagama
Narammala
Nikaweratiya
Wariyapola
Wennappuwa

Central
Dambulla
Kandy
Katugastota
Matale
Nuwaraeliya

Uva
Badulla
Bandarawela
Mahiyanganaya

Western
Aluthgama
Avissawella
Battaramulla
Boralesgamuwa
Dehiwala
Elakanda
Gampaha
Head office
Horana
Ja-Ela
Kaduwela
Kalutara
Kandana
Kelaniya
Kochchikade
Kotahena
Kottawa
Mahara
Maharagama
Malabe
Mathugama
Minuwangoda
Moratuwa
Negombo
Nittambuwa
Nugegoda
Panadura
Piliyandala
Premier Centre
Ragama
Rajagiriya
Ratmalana
Thalawathugoda
Wattala
Wellawatte

Sabaragamuwa
Eheliyagoda
Embilipitiya
Kegalle
Kuruvita
Pelmadulla
Ratnapura
Warakapola

Southern
Ambalangoda
Galle
Matara
Tissamaharama


Piliyandala


Ratmalana


Rajagiriya


Wellawatte

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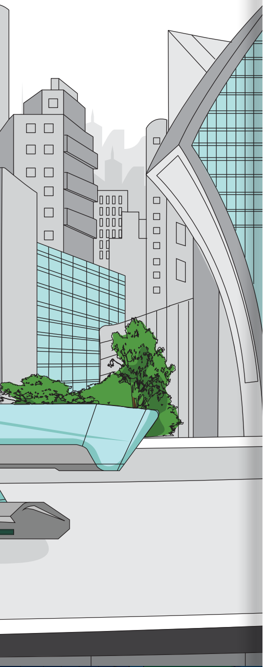


Expanding and improving our reach

Refer online HTML report

New product development

CDB iDeposit

The iDeposit feature is added to CDB iNet with the intention of revolutionising the process of opening fixed deposits. Through this feature our customers can open a fixed deposit by logging into their iNet accounts through the use of the mobile device as well as a desktop with a minimum deposit of Rs. 5,000/-. For those who don't have CDB accounts but would like to open an iDeposit have the ability to submit their details through our website one of our customer service representatives will visit your location and assist to sign up for a CDB iNet account. Undoubtedly that this feature will create more value to our customers by providing them with a unique, convenient, and a speedy service.

CDB iTransfer

This initiative, the first of its kind in Sri Lanka, allows our customers to transfer funds through social media channels such as Facebook, WhatsApp, Viber, Email, and even by SMS in real time from anywhere. It is an instant, secure method of transferring funds by harnessing the convenience and ease of social media to move towards the next step of fund transfers without even knowing the recipient's Bank details.

CBD iControl self-care app

It is the CDB icontrol app that remains the biggest positive in these newly launched CDB credit cards. Once downloaded on to a mobile phone card holders empower themselves with complete control over their CDB credit card spends. With the app card holder can:

- Track credit card spending and view it in a graphical data presentation
- Set sub-limits on spend categories to manage finances better
- Block a lost or stolen card instantaneously
- Select countries and merchant categories to secure payments

CDB credit cards

Following our brand promise to make luxury affordable, we launched the CDB Credit cards customised according to lifestyle needs. CDB credit cards are with an array of options including CDB World, Platinum, Titanium, Gold, and Standard with a lifetime waiver on annual fee.

Patpat app

We launched our online vehicle trading platform two years back enabling customers to buy, sell, and finance any vehicle at their convenience. Facilitating affordability and aspiration as the two key differentiators. In 2018, we launched the patpat mobile app to deliver our promise of closing a deal within 15 minutes providing extensive options and increased value to customers. The application will bring even more convenience to the existing online platform and prompt accessibility to our existing and new customers. The app has been embraced by both existing and new customers, by reaching over 100,000 downloads.

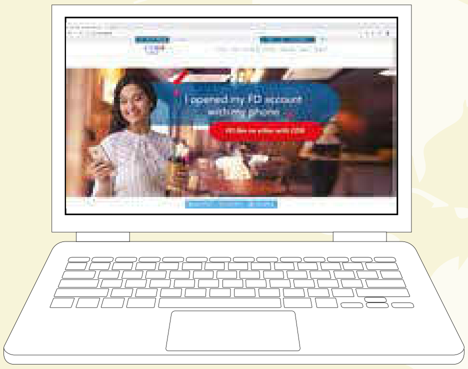
Social media and corporate website

Our ecosystem thinking has reshaped how we communicate with our customers as well as how customers engage with us. Also, the emergence of social media and other developed communication methods have now become a powerful enabler for our operations. To add more value we revamped our CDB website and Google Analytics was implemented to track performance of the website during the year enhancing visual elements to suit the elevated lifestyle.

There has been a substantial growth of 35.42% in total visitors and 37.44% in unique visitors after the revamping of the website.

CDB website – demographical analysis of users – Age

Age category (years)	Total visitors %	Unique visitors %
18-24	8.68	8.72
25-34	57.38	57.81
35-44	19.28	19.07
45-54	7.68	7.56
55-64	4.31	4.23
65+	2.66	2.61



CDB website – demographical analysis of users – Gender

Gender	Total visitors %	Unique visitors %
Male	63.88	64.26
Female	36.12	35.74

Customer engagement, retention, and loyalty

At CDB, we actively engage with our customers primarily by providing exceptional customer experiences in the delivery of our products and services. Engaged customers form an important part of our business since their emotional connection with the CDB brand will lead to more customer activity, promoting the brand, and remaining loyal. When dealing with customers we focus on simplicity, transparency, clarity and empathy. We engage with our customers in many ways through our physical and virtual touchpoints by offering many benefits and incentives to increase customer loyalty and retention.

Measures taken to improve customer service

"Happy customer" residential session

Following the theme "Excellence happens here" we conducted our annual happy customer residential session with the aim to generate new ideas to improve customer service with the participation of representatives from departments and branches.

Customer Service Steering Committee

The members of this committee consist of heads of CRM, Human resources, and Contact centre and they meet on the third week of each month to discuss on action plans for received complaints, requests and feedback by the customers. Then the identified action points will be reported to the relevant division and required actions will be taken in order to provide a delightful customer experience.

Suggestions and feedback

Through our in-house developed ERP solution our employees are able to provide any suggestion and feedback to improve customer service. They can express their views on the products, internal processes, or any other general comments. The feedback is directed to the Head of CRM who will direct it to the relevant division. The progress of the suggestions and their implementation will be communicated to the staff.

Mystery customer survey

Mystery customer is a programme designed to evaluate the level of service, quality, and consistency provided through the front office staff at branch network. Mystery customer survey is a qualitative research undertaken through an observation tracker for each branch. Individual performance will be based on customer care, selling skills, knowledge, and interpersonal skills while Company performance includes facilities, documentation, branch ambience, and overall aspect of CDB. This survey was conducted taking all 71 branches as the research sample.

Contact centre [GRI 418-1]

Our 24/7 contact centre is the focal point where our customers can inquire, request, complain, and give feedback.

We upgraded our Interactive Voice Response for queue management and to manage customer waiting time. Further, we invested Rs. 7.2 Mn. to upgrade our call management system (iphonik) which added a number of sophisticated features for better customer service like SIP Connectivity, Multiple IVR/Unlimited tree structure, Multiple Queues (Skills), Call history on agent interface, Predictive Dialing, Call Barging /Call whispering, Real-Time Monitoring, etc.

All complaints made to the contact centre are initially handled and received by agents and will be directed to the relevant departments and followed up by the respective agents of contact centre and provide an interim reply within 24 hours and the matter will be solved within three working days.

We initiated a toll free "Missed Call Service" at branches for our customers enabling them to contact CDB contact centre through the dedicated hotline of +94 11 712 1111 and customers may give a missed call so that contact centre will get back to the customer directly.

During the year, we celebrated customer service week with the theme "Excellence happens here" and organised several activities to improve customer service standards at contact centre. We also select a "Customer service star of the month" that motivates our employees to provide better service.

Social media demographic analysis

Reach	6 Mn.+
Engagement	Male: 2 mn.+
	Female: 800,000+

Age analysis of users

18-24	2,100,000+
25-34	4,000,000+
35-44	2,200,000+
45-54	690,000+
55-64	210,000+
65+	72,000+

Gender – By reach

Male	7,200,000+
Female	2,400,000+
Number of inquiries	14,000+

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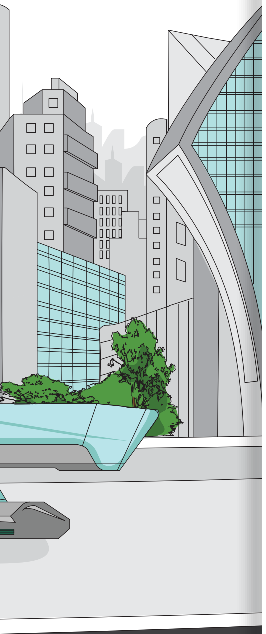


Target	Achievement
Call centre service level should be more than 80%.	86%
Abandon level should be less than 5%.	5%
Maintain high quality service (Zero customer complaints on Call Centre Operation reported to Higher Management).	100%
Facility approval call service level should be 100%.	100%

Customer service training

Refer online HTML report

Contact centre training process

Refer online HTML report

Operational improvements

We have undertaken to streamline CDB's internal systems and processes where excellence and efficiency in internal processes will result in the better delivery of our offering to all our stakeholders. We have identified different aspects that hinder the smooth running of the Organisation such as bottlenecks, repetitions, and redundancies. There were changes that were directed towards improving communication between different departments and the branch network and the stakeholders who are involved. In 2018, the following measures were taken to improve institutional excellence:

Central data processing

- Achieved a 98% success rate for data entry within two hours
- Introducer/Dealer registration time brought down from three days to an hour
- 90% of cash in hand insurance debits completed within 15 minutes
- WALR improved by inbuilt product sheet rates and floor rates

Credit evaluations

- Credit sanctioning SLA of three hours improved from 76% to 84%
- Transparent credit decisions with the help of scorecards and call recording system
- Empowering branches by delegating credit approval limits up to Rs. 2 Mn. (Subject to terms and conditions)
- Improving credit quality by open book exams, training sessions, knowledge sharing, linking officer collection ratio to upload a file and online arrears reports at branch level

Common operations

- 100% system printed delivery order (DO) from any branch
- Branches empowered to serve customers irrespective of home branch concept, at any branch
- Certificate printing delegated to all branches upto Rs. 5 Mn.
- Automation of 3% margin approvals for cash backed loans
- Payment released while documents are at the branch for "Cash in Hand", Pledge Loans, and Personal Loans – SME
- Online file location tracking and dismantling centralised scanning unit
- Branches empowered to issue instant debit cards, RMV no objection letter and system printed cash backed loan (CBL) documents
- Released 12 team members to branch operations without any reduction in work
- Facility settlement insurance debit removal within 30 minutes

Marketing campaigns, promotions, and marketing communications

[GRI 206-1]

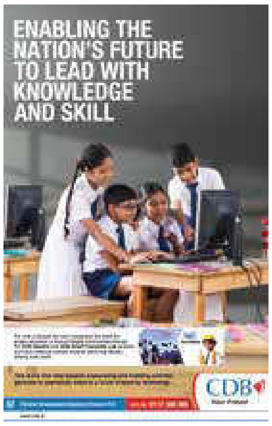
As a responsible corporate entity, we support our customers to select the best suited financial solutions for their financial requirements. We use responsible marketing as a tool to achieve the given objectives. Through a clear marketing and branding strategy, all our communications are conducted in a transparent manner maintaining ethical marketing practices. Further, there were no legal actions for anti-competitive behaviour, anti-trust, and monopoly practices. [GRI 206-1]

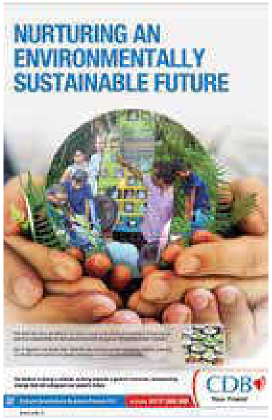
Our marketing communication is conducted primarily with the use of technology through digital marketing, outdoor media, digital screens, cinema screens, and traditional marketing communication on media like advertisements and short messages.

Special promotions and campaigns

The following campaigns were conducted during the year:

- Stripe advertisement campaign on FDs and senior citizen FDs
- CDB *kiwwoth salli thamai* – Dealer loyalty programme to encourage three-wheeler dealers to promote CDB leasing at the point of sale and best dealers were rewarded
- Gold loan consumer promotion phase II – Objective of this promotion was to get more people to do transactions with gold loan and increase the frequency with the chance of winning a land.
- CDB corporate campaign with four pillars of customer experience, innovative financial service provider, sustainability, and recognition.





Customer privacy

Customer information helps us to provide an augmented service and we place utmost priority in maintaining customer privacy and trust by keeping their information confidential. We have invested in the latest technology to fight cyber crime and to train our existing staff to protect customer information under the CBSL guidelines on customer protection. Information security features such as limited access, passwords, segregation of duties, data backup systems, signing of non-disclosure agreements, limited out bound mail access, and fire walls are in place to assure the information security. Also our Risk Management Committee, Compliance Department, and Internal Auditors ensure that customer's deposits, information, and rights are not abused or stolen. No complaints were reported with regard to breach of customer privacy or misuse of customer information during the year under review.

Future outlook

Digitalisation and the change of customer expectations have affected customer experience and customer behaviour at a global scale. Our strategy has addressed these changes and have directed us on the roadmap to achieve our objective of one million customer base within the next two years. Our comprehensive, well-directed training programmes are geared to improve our customer-centric culture. Tools like research on customer and products surveys are utilised to identify gaps and the level of customer satisfaction.

We are in the process of establishing a customer lifetime value measurement which will provide insights on customers and their value propositions.

Further, we are in the process of developing Business Intelligence (BI) models to analyse our customer details and identify their needs so that we can easily match our product solutions with their needs.

With the increase of mobile penetration of the country, we expect to increase our presence among mobile phone users and become more mobile-friendly in our communications. Our digital marketing and communication will be given prominence with the intention to increase customer activation and visibility.

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EMPLOYEE CAPITAL

[GRI 102-8, 103-1, 103-2, 103-3]

The emergence of the digital revolution introduced exponential change across industries and geographies. The financial service industry is at the forefront of this change. The financial services landscape is further being disrupted by new non-traditional competition and Fin-Techs.

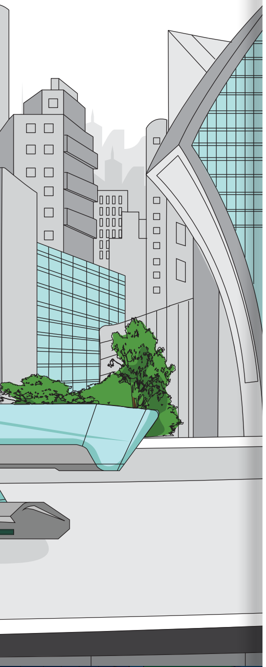
In response to changing context within which we operate, our people strategy was refreshed to ensure that our direction remains relevant. The innovative solutions leverage strong digital strategies leading to more efficient operating models and enhanced client experiences as clients expect services to be delivered with greater speed and efficiency and less effort. Organisation culture, leadership, talent management, people centered approach remain core pillars of our people strategy to cater to these changing trends. However, as our digital journey evolves, there will be a material impact on the nature of work, capabilities, and skills. New roles requiring skills that are scarce and critical to our future success are being introduced. In this transformation process our employees play a primary role in our journey towards a Fintech Company. We have adopted the latest innovations in the sector to stay ahead of competition and provide superior experience in customer service. The technological transformation has brought about the emergence of new skills. Resources allocation and learning and development programmes are specially focused on these emerging areas to enhance the skills of our team members.

We believe that CDB exists because of our 1,600 team of employees who work every day to add value to our customers. Their work environment is outcome oriented and merit based. People aspire to achieve success with winning mind set. New ideas and exploring of alternatives are encouraged.

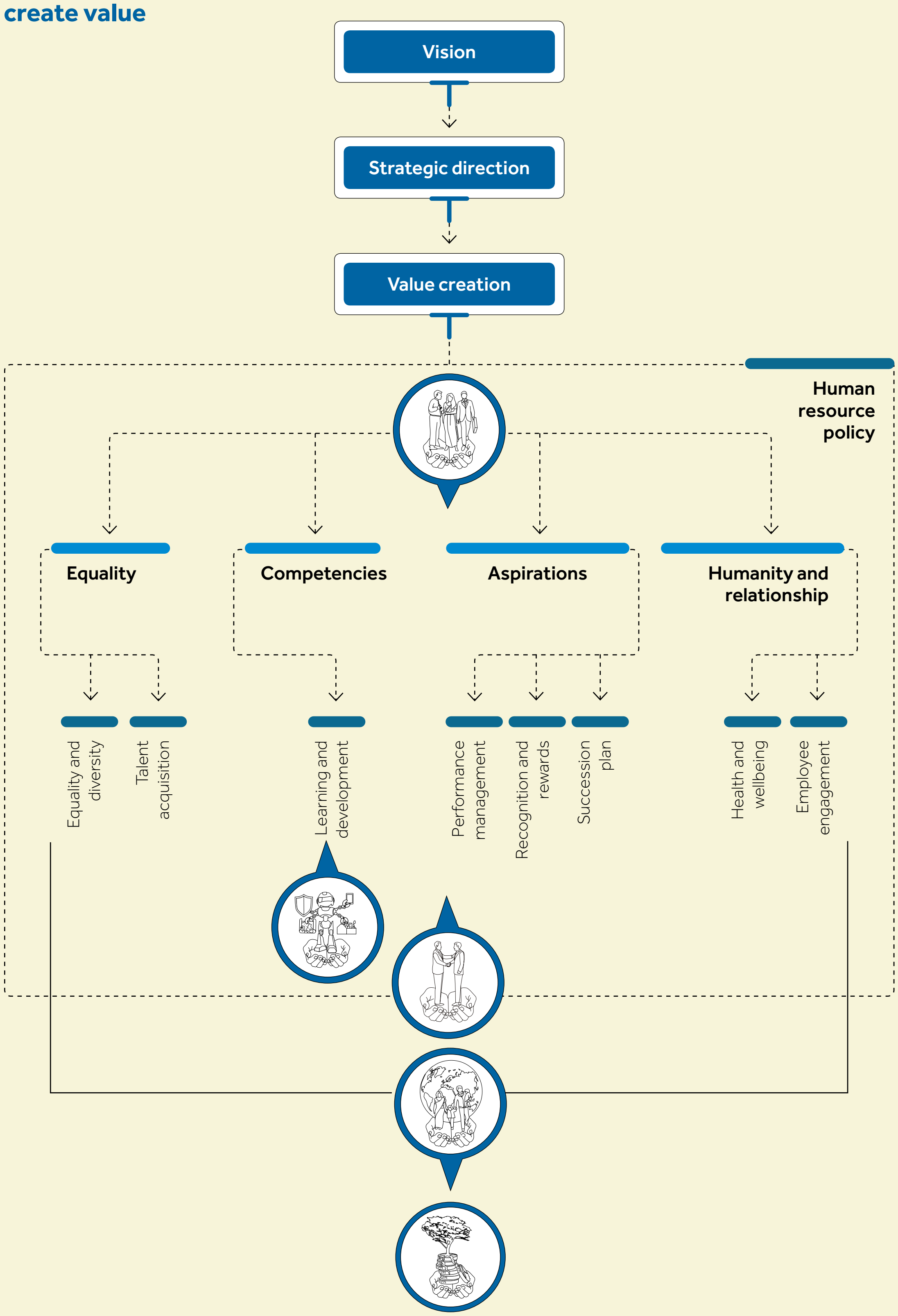
Over the years we integrated our people initiatives gearing them to promote a culture of learning, collaboration, diversity, personal development and transformation.

Highlights

- Induction of 30 talented team members as Professional Trainers through a Train the Trainer programme conducted by a world renowned professional trainer
- Issuing of free online learning licenses of Institute of Bankers of Sri Lanka to 112 employees
- Re-launched Employee Wellbeing Programme to ensure healthy work-life balance
- 109 Learnership programmes were implemented organisation wide with an investment of over Rs. 17 Mn.
- 72% of employees are below 30 years



How we create value



Contribution to SDGs

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Challenges and responses

Challenge	Our responses
Rapid digitalisation of the sector and of operations	Embedding digital capabilities in our employees through training programmes aimed at providing the necessary expertise
Retaining the best talent	Improving employee engagement Communicating to our employees of their value to the Organisation and of Company expectations
Meeting new generation's higher expectations	Creating more value to our employees through our employee value proposition
Attracting the right talent	Attracting the right talent through our employee-centered brand promise and hiring the most suitable people according to the CDB recruitment policy

How we create value

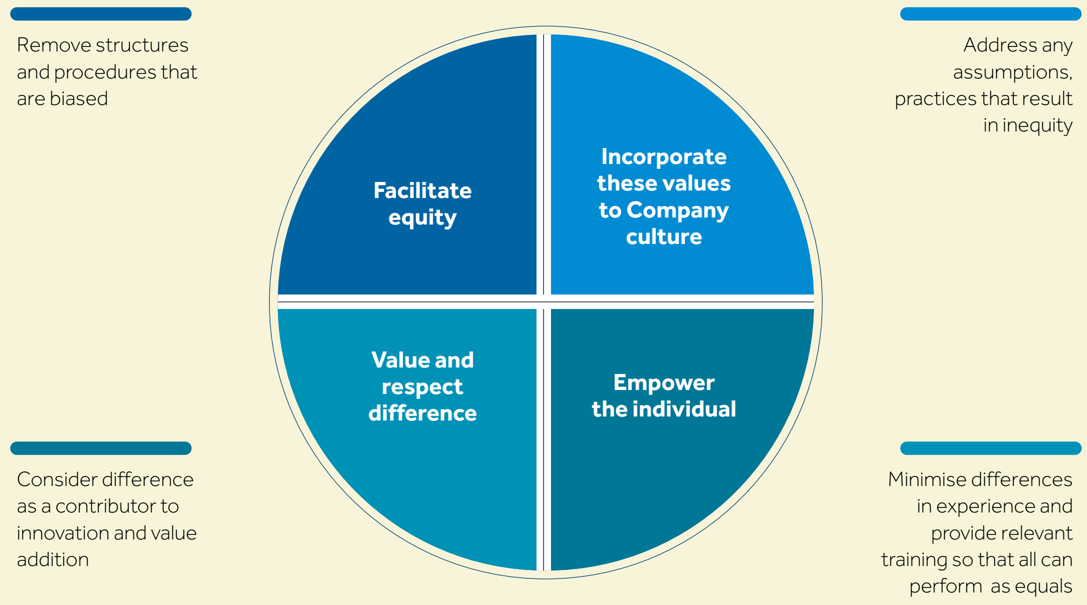
We possess a strong employee value proposition which makes us unique and assures that CDB attracts talent who are able to integrate with our culture and values. We create value for our employees by focusing on employee engagement through innovative learning culture, the provision of incentives and benefits, and ensuring employee health and well-being.

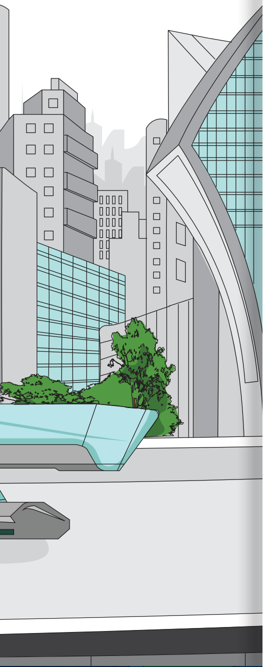
Equality

Equality and diversity

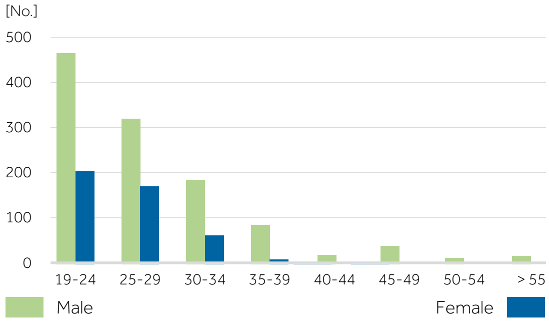
[GRI 405-1, 406-1]

We embrace equality and diversity in all aspects of our business. Our belief is that a diversified team is a factor that enables us to be the best we can be. Our anti-discrimination policy assures that our employees are treated equally with respect. Employees are given equal opportunities at vacancies, promotions and confirmations based solely on capabilities and achievements.



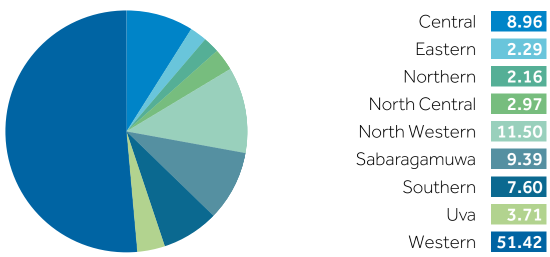


Age analysis (2018/19)

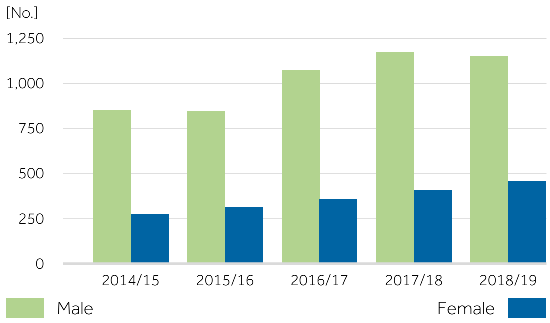


Analysis by region (2018/19)

[%]

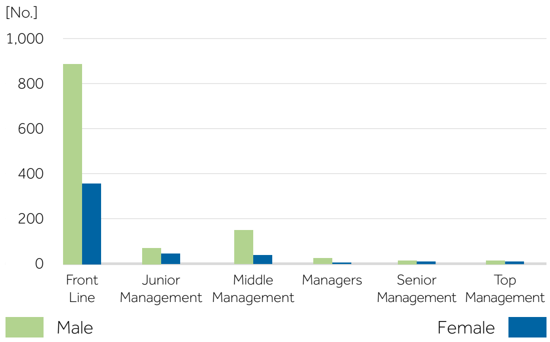


Analysis by gender



Analysis by employee category and gender (2018/19)

[GRI 202-2]

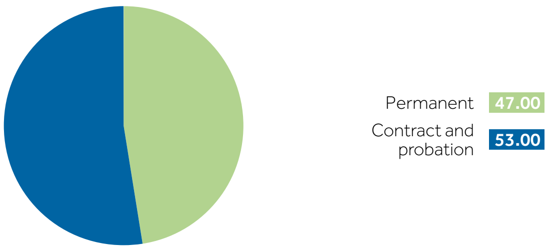


Ratio of basic salary and remuneration by employee category

	2018/19		2017/18	
	Male	Female	Male	Female
Front line	**1.08**	**1**	1.07	1
Junior management	**1.03**	**1**	1.01	1
Middle management	**0.98**	**1**	0.94	1
Managers	**2.80**	**1**	2.70	1
Senior management	**3.03**	**1**	3.02	1
Top management	**3.02**	**1**	3.02	1

Analysis by type of employment

[%]



Talent acquisition

Attracting talent

[GRI 401-1]

At CDB, recruitment is viewed as a tactical move. We nurture our employees and develop them into taking up leadership positions within the Company. Our recruitment policy is therefore geared towards empowering youth by providing opportunities to school leavers and graduates. Further, it makes hiring more productive and efficient and result in faster organisational growth as we build up the best team for our Company.

Our talent acquisition is a continuous process with a strategic plan to find the right talent and skills for specific job roles.

Our recruitment policy does not discriminate based on gender, ethnicity, or disability. As a diverse and an equal opportunity employer, we assess potential candidates based on their skills and suitability for the position. Further, when a position becomes vacant, we give priority to our internal talent.

Talent acquisition model

Refer online HTML report

Sources of talent acquisition

Refer online HTML report

Key highlights in talent acquisition

Refer online HTML report

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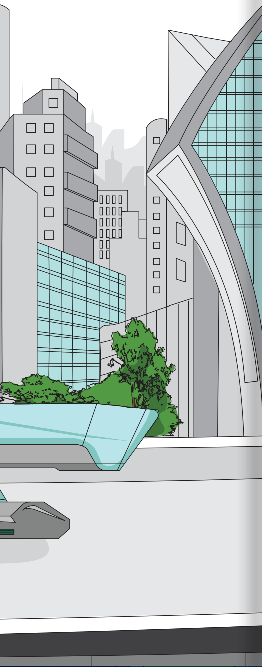

Investing in young talent

We have developed a number of initiatives to nurture youth of the country to enhance skills and provide valuable experience through management training programmes, internships, and financial support for completion of academic activities for our employees.

Graduates

81 Sri Lankan graduates are participating in our comprehensive management training programme. The programme has developed young talent to face the future.

Internships

51 matriculants gained workplace experience through our internship programme. This programme gives them the practical skills, workplace experience, and greater knowledge of the industry, with a pay.

Course fee reimbursement

Course fee reimbursements were provided to 54 employees with an investment over Rs. 1.6 Mn. upon completion of their academic and professional qualifications such as management, accounting, banking, human resources, information technology, and etc.

Progressive learning opportunities

We continue to invest in professional and personal development to provide our employees with progressive learning opportunities which enhance the level of professionalism and to maintain our competitive edge over industry peers, which will ultimately lead to the improvement of service quality and achieving institutional excellence.

We encourage a culture of learning at CDB by making the necessary resources available. Our learning programmes include workshops, digital learning, on-the-job training, foreign and outbound training that are implemented by conducting a training-needs analysis. The training-needs analysis takes into account performance management, future business potential, and customer feedback. We have designed initiatives to further learning opportunities at CDB such as the e-learning platform, Train the trainer, Sales orientation, Executive development, and other such specialised programmes. During the year we invested Rs. 17 Mn. on training and development and each employee clocked in an average of 44 training hours.

Competencies

"Citizen virtual university" E-learning platform

The e-learning platform is a part of our professional development initiatives and is an online knowledge sharing platform accessible to our employees. Our employees have access to a number of specialised courses, functional training programmes, and other compulsory training programmes. Through the portal there is a variety of interactive learning material such as quizzes and videos. The platform provides study material to obtain professional qualifications, (e.g. banking). Further, we distribute free learning material for subjects to encourage our employees to obtain professional qualifications.

Train the trainer

This programme was initiated with the intent to form a panel of trainers internally from CDB to train and develop our own employees. The selected candidates follow a two-month training programme conducted by Mr Dananjaya Hettiarachchi who is the world champion in public speaking and one of the leading trainers in the country. The trainers have to develop a learning content and should conduct an induction programme for freshers.

Sales orientation programme

This programme is conducted for our sales team staff in order to groom our sales force by providing product knowledge and practical knowledge to perform well in the market. This programme is aimed at motivating our sales team to achieve targets and to reap rewards.

Executive development programme

This programme is designed to enhance the skills, knowledge, and capabilities of employees and to groom them to be our future leaders. The programme includes several learning aspects which will develop individual employees and show the path for their career advancement and future growth.

Training programmes [GRI 404-2] [%]

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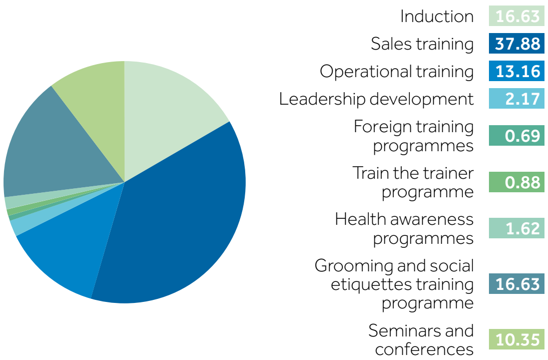

Training evaluation model

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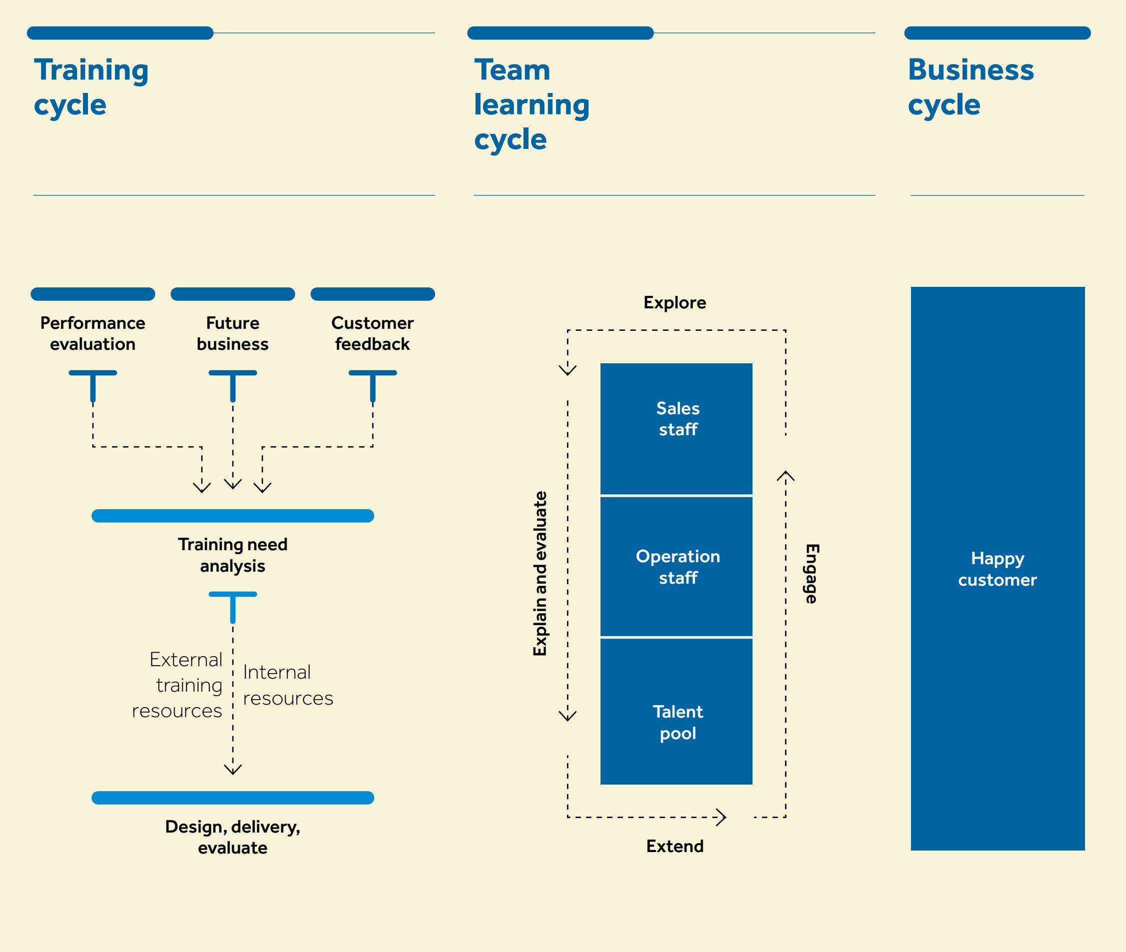
CDB Learning and development model

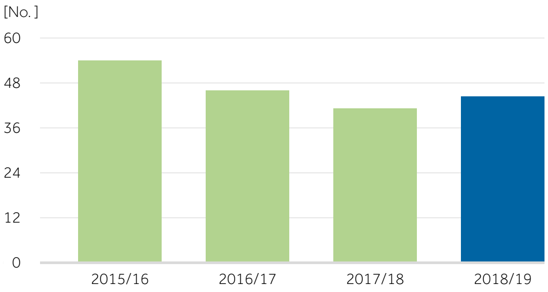


Average training hours by category

[GRI 404-1]

Employee category	Average training hours
Front line	8.80
Junior management	22.02
Middle management	25.60
Managers	8.02
Senior management	1.20
Top management	6.30

Average total hours of training per employee



Aspirations

Performance management [GRI 404-3]

Another important component of employee engagement is performance management that yields productivity, profitability, and decreased turnover. At CDB, we have an effective performance management system in place which ensures that our employees and our operations are aligned with our strategy. We have broken down the objectives of the organisation in to Key Performance Indicators and achievement of Individual KPIs will ultimately result in achievement of organisational objectives.

During the year, all our employees received regular performance review [GRI 404-3].

Our five-fold performance review process

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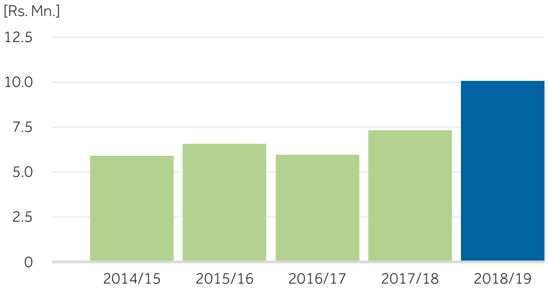
Revenue per employee



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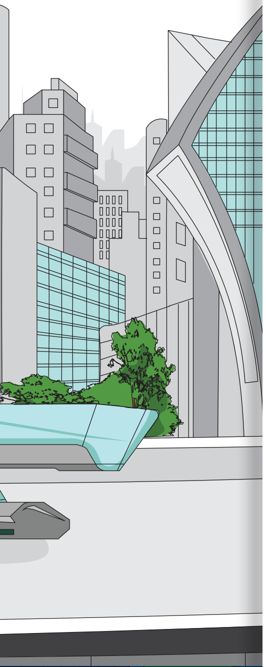
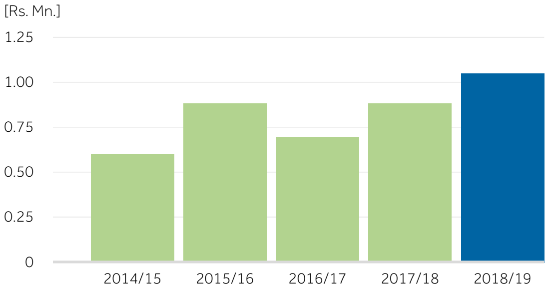
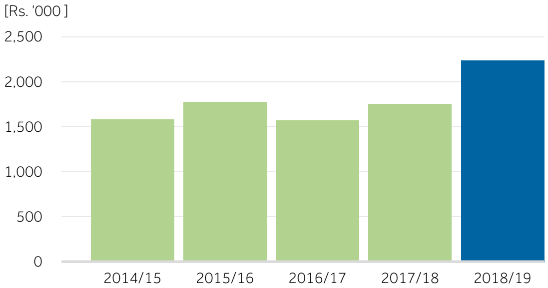


Profit per employee



Operational cost per employee



Recognition and rewards

Employee recognition is an integral part of employee engagement. At CDB, we recognise our top performers and reward them annually in the CDB Annual Awards day and mid year annual awards day. Our rewards and recognition programme is aligned with our business objectives. Employees are recognised following a stringent, impartial process of nomination, voting, and selecting people to ensure that recognition is given where it is due; to the high performers who have contributed to our value creation.

Employee succession plan

Our succession plan which is in place has a positive impact on performance management ensuring that key positions will be filled with competent performers from within the Company. It is a proactive assessment of skills of existing employees and job requirements and then initiating targeted training and development to fill those gaps. When we recruit new employees, we envision their potential and groom them for future leadership positions. The plan also results in employee retention since our employees are able to see a clear career path ahead of them and understand the criteria needed to advance.

Approach to our employee succession plan

Joined as	Branch in charge	Head of branch	Divisional head	Zone manager	Senior management	Corporate manager
Junior operation assistant	44	–	–	25	–	4
Trainee marketing executive	2	82	–	2	–	–
Operations assistant	–	–	1	3	–	–
Management trainee	–	13	–	–	–	1
Assistant/ Deputy manager	2	1	–	2	3	2

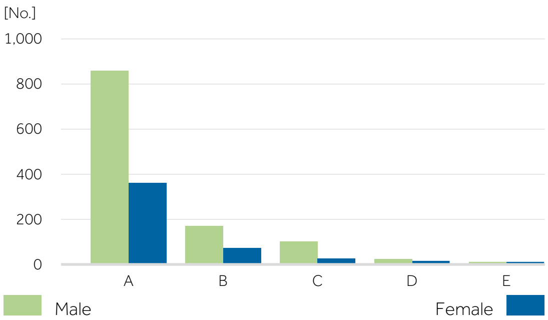
Category and gender wise promotions table

	2018/19		2017/18	
Category	Male	Female	Male	Female
Senior management	**9**	**2**	2	2
Middle management	**53**	**12**	71	14
Junior management	**71**	**27**	63	21
Front Line	**58**	**54**	48	39
Total	**191**	**95**	184	76

Service loyalty

CDB is blessed with a loyal group of employees that are motivated to take CDB towards its strategic objectives. The success of our employee engagement initiatives is reflected in our employee retention rates. Also reasons for employee exits are monitored and addressed seriously to determine the areas that need improvement. Every aspect of our employee/employer relationship is given due attention in order improve employee retention and increase employee satisfaction.

Service analysis



A	Below 5 years	6-10 years	B
C	11-15 years	16-20 years	D
E	Over 20 years		

Humanity and relationship

Health and well-being [GRI 201-3, 401-2]

We consider the health and well-being of our people as a top priority.

We focus on a holistic picture of employee wellness considering physical, emotional, and financial well-being of our people and providing support through a range of financial and non-financial benefits as follows:

GRI 401-2

Medical

- "*Suwa Sampatha*" medical scheme to reimburse hospitalization expenses for employees or a nominated family member.
- Outpatient medical reimbursement will include OPD medical expenses reimbursement, spectacles cover, Special tests and scans cover to employees and their families.
- Group life insurance cover with a death cover and critical illness cover for all CDB staff.
- Medical tests provided at regular intervals for managerial level employees

Wellbeing

- CDB Sports teams – encouraging and rewarding team members for demonstrating and uplifting their talents. (Cricket, Basketball, Netball, Volleyball, Badminton)
- CDB Gymnasium – equipped with advanced fitness machines enabling staff to use at zero charge.
- Zumba fitness programme for ladies.
- Welfare club in place to address welfare needs of employees

Financial assistance

- Different staff loan schemes such as housing, vehicle loans, personal loans with special concessionary interest rates.
- Fuel allowance, Travelling and accommodation allowances.
- Death donation scheme in the event of death of immediate family member.
- Productivity and profit related bonuses.

Educational benefits

- Professional membership and examination fee reimbursement
- Honorarium for completion of professional exams or qualifications. E.g. Completion of banking exams, MBA etc.
- Staff library facility at head office.
- e-learning platform with integrated set of online services for staff members

During the year, 13 staff members were given accident paid leave. We also have two differently-abled staff members who use walking aids and we have made special arrangements to ensure that our facilities have disability access. Also, a special travelling allowance is paid to ensure convenience and safety.

Return to work and retention rate after parental leave

[GRI 401-3]

Description	2018/19	2017/18	2016/17
Number of employees entitled to maternity leave	**462**	414	523
Number of employees who took maternity leave	**20**	18	16
Returned to work after maternity leave	**20**	16	16
Returned to work rate (%)	**100**	88.9	100

Safe working environment

[GRI 102-41, 403-2, 408-1, 409-1]

Commitment to maintain a safe working environment is not only a responsibility; we believe it is our moral obligation to ensure the good health and safety of all our employees. We meet all the requirements of employee safety according to the Sri Lankan labour laws and we strive to go well beyond these laws in order to maintain a hazard free, favourable working environment for all employees. During the year no accidents were reported within our business premises.

Our head office and all branch premises are equipped with fire protection safeguards and our employees are trained to face emergency situations. Each year, we conduct an emergency evacuation drill and train an emergency response team with more than 80 staff members as fire marshals, evacuation wardens, first aid teams, on scene commander, and drill organising team.

Further we have our grievance handling policy in place to find solutions to any grievances raised by employees and HR team is committed to solve any reported grievance as quickly as possible.

There are no collective bargaining agreements in the Company. We do not contemplate any sort of forced or child labour at CDB and do not consider having any business relationship with business partners who have such practices.

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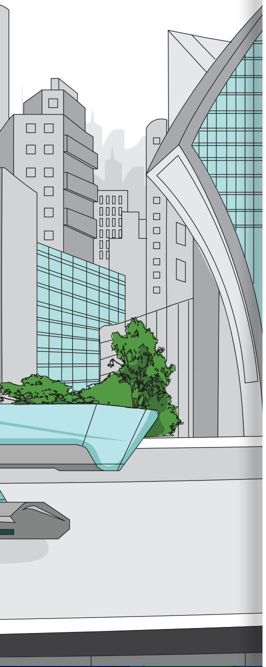

Measures to promote a safe working environment

- Emergency evacuation drill
- Fire protection safeguards to all the branches in the network and head office
- Sophisticated alarm and CCTV camera system to all branches and head office
- Grievance handling policy
- Whistle-blowing policy
- Anti-harassment and anti-discrimination policy
- Deployed trained security officers at head office and all branches through professional security firms.
- First aid boxes are made available within all branches and on each floor at head office

Engaging with our people

[GRI 402-1]

We create an environment where our employees are willing to give their best and motivated to achieve organisational goals as a result of enhanced perception of their own wellness and satisfaction. We consider employee engagement as a strategic priority and have created an open, stress-free environment that motivates our employees to come to work everyday. A minimum of four weeks notice is given to our employees on operational changes. [GRI 402-1]. There exists an efficient communication process that facilitates the exchange of information.

We use a range of effective channels to communicate such as intranet, meetings, discussions, announcements, events, and also we have created SMS groups for CDB staff. Every year we organise events to promote employee engagement to enable leisure and uplifted experience for staff members:

- Religious events: *Vesak bakthi gee*, Celebrating the Christmas carols
- Staff engagement: Staff get-together, green family, sports day
- Clubs: Green club, Toastmasters' club, Welfare club, fire fighters, first aiders

Sports at CDB

We encourage our sports men and women by providing special benefits such as flexible working hours, special allowances for food, and lodging when attending practices and tournaments. Taking part in sporting events contributes to creating an engaged employee and enriches our organisational culture.

Sports achievements

Table tennis

Mercantile Open Table Tennis Singles Championship 2018

- Open Mens Novices Singles Champion – Lakshitha Chathuranga
- Open Mens Novices Singles Runner-up – Chamath Dimantha
- Open Mens Doubles 2nd Runner-up – Lakshitha and Chamath

Mercantile Table Tennis League Tournament 2018

- Mens Team "C" division Winner

Mercantile Knockout Table Tennis Tournament 2018

- Men's Team Event "D" Division Winner.
- Mercantile Tournament Division "C" Champions

Rugby

- Mercantile Rugby Seven's Tournament "Bowl Champions"
- Mercantile Women's Tag Rugby Runner's Up "Cup Championship"
- Finance Houses Association Meet "Tag Rugby" Champions

Basketball

- Mercantile Knockouts Tournament "E" Division Champions
- Mercantile League Tournament "D" Division Champion

Netball

- Mercantile knockouts Division "A" 2nd Runners Up
- Finance Houses Association Meet Champions

Cricket

- Took part at the Mercantile "B" Division League

Athletics

- Mercantile Athletic Meet 10th Place overall
- 2 Gold Medals/10 Silver Medals/4 Bronze Medals
- Frank Miranda/Nadee Perera and Chathura Wekadapola were selected to represent Mercantile Masters Team at the Masters Meet in India
- Nadee Perera: 3 Gold Medals/1 Silver/2 Bronze
- Frank Miranda: 1 Silver/1 Bronze
- Chathura Wekadapola: 1 Silver/1 Bronze

Volleyball

- Finance Houses Association Meet Champions
- S Elilenthini represented Sri Lanka Net Ball Team which won the "Asian Championship in 2018".
- CDB was placed overall "Winners" at the Finance Houses Association Meet in 2018.

Future with our people

Equipped with a group of loyal, committed, highly-skilled professionals at the helm and at every level of our Organisation, our future looks bright. Our efforts in creating a culture of learning and development has yielded substantial results and we will continue to nurture our team to become future leaders.

Digitalisation is one of the primary focuses of CDB as a whole, thus, we will provide training to expand the current skills of our employees to prepare them for the digital transformation.

We are a people-centric company and we will continue to deliver on the same values in our endeavour to create a sustainable organisation. Moreover we will remain focused on nurturing a skilled and competent work force while facilitating open communication, encouraging engagement, and promoting employee well-being. Furthermore we will be committed to encourage diversity and equal opportunity at all the levels of our Company.

CDB has recognised the need to anticipate and plan for future skills requirements in a changing world of work practices where roles are continuously evolving and people need to be groomed for the future roles. In this context our investments for the development of our people remains strategically imperative and our people will continue to remain as one of our key differentiators as we aspire to create a sound employee capital that embraces change and strive to achieve excellence.

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SOCIAL CAPITAL

[GRI 102-12, 103-1, 103-2, 103-3, 413-1, 413-2]

We are a respected, responsible corporate citizen that creates social value through engaging in sustainable practices which permeate across our business operations. Following our ethos and values, the formulation of a sustainable business strategy, was enriched as the Board decided to allocate 2% from its corporate profit after tax for sustainable initiatives towards uplifting the society, developing the community, and preserving the environment.

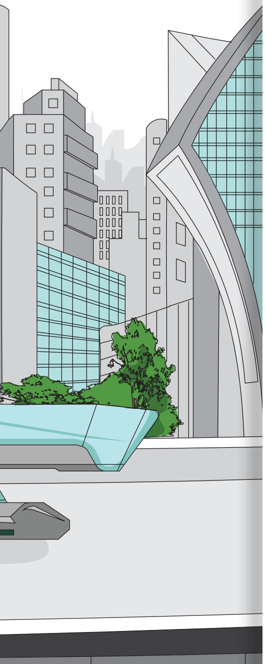
Our commitment to sustainability goes beyond compliance and regulations. It is integrated across the length and breath of all our operations, our culture, and in our belief that generating profits responsibly creates a lasting social and environmental impact. Our awareness that we live in a world with finite resources has led to expedite our efforts to minimise our impact on the ecological system.

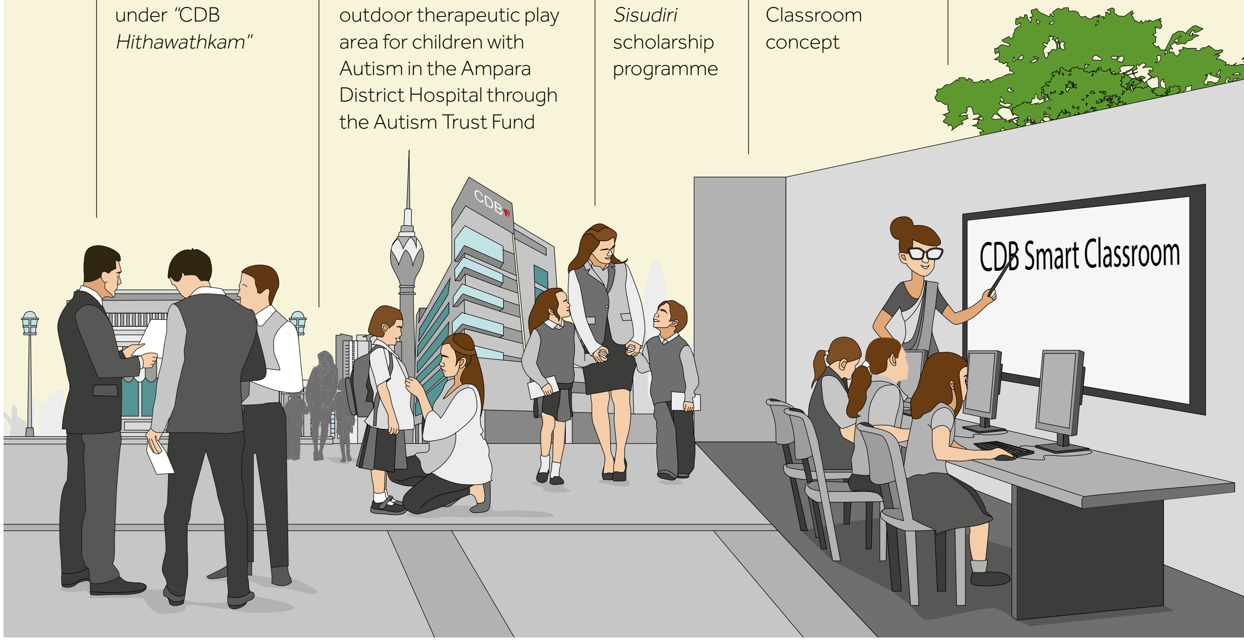
Our Board understands its unique position that connects sustainability with our purpose and strategy and its commitment towards social responsibility and environmental preservation which is why it has allocated 2% of CDB's profit after tax for sustainable initiatives.

Through our effective CSR initiatives, we add value to society and support community development. Our projects are directed towards rural entrepreneurship and development, women's empowerment, youth employment, complemented by the provision of financial services and products that support small businesses and entrepreneurs. Our programmes position CDB as a positive influencer engaged in bringing about positive change to the communities that we operate in. This in turn has a positive influence on our workforce who enthusiastically engage in the execution and realisation of our CSR initiatives.

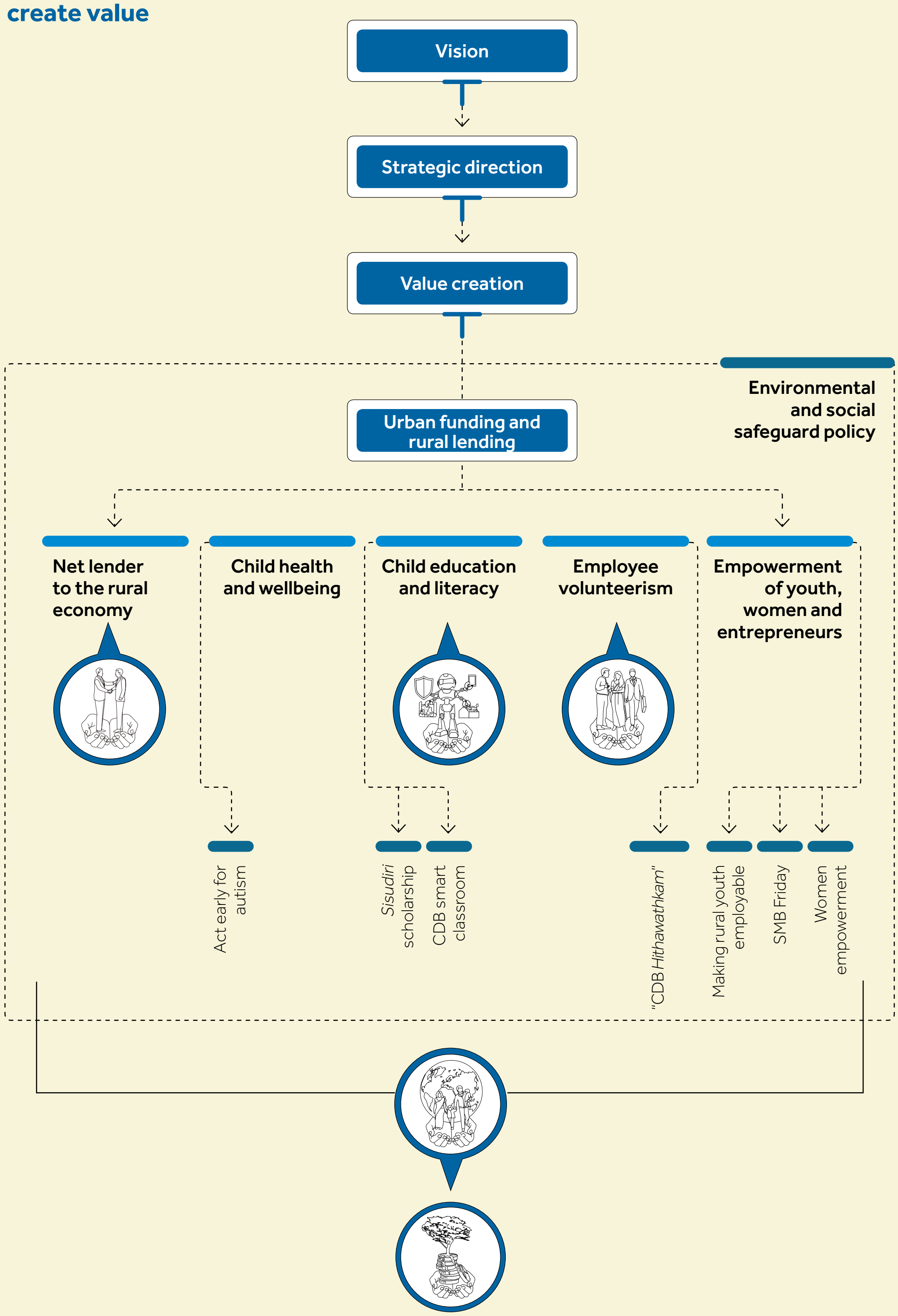
Highlights

- 45 employee volunteering projects done under *"CDB Hithawathkam"*
- In partnership with SLACD, we established a state of-the-art outdoor therapeutic play area for children with Autism in the Ampara District Hospital through the Autism Trust Fund
- 509 *Sisudiri* Scholars under CDB *Sisudiri* scholarship programme
- 12 IT labs donated under CDB Smart Classroom concept
- Rs. 15 Bn. net lending outside Western province





How we create value



Contribution to SDGs

Refer pages 20 and 21 for more details

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Challenges and responses

Challenge	Our responses
Early detection and intervention during childhood	Join in hands with Sri Lanka Association for Child Development (SLACD) and initiated an Autism Trust Fund to strengthen the Autism awareness in Sri Lanka Make public aware by creating mass media communication platforms, public walks, outreach programmes to pass the message of "early detection and timely intervention" Constructing supportive infrastructure such as outdoor therapeutic play area with the required sensory stimulation equipped with swings, slides, trampolines, and tunnels enabling children to engage in therapeutic exercises which are generally unavailable in play areas
Measuring the impact of employee volunteerism	Some key performance measures are tied to specific goals under employee performance appraisal not forgetting the societal impact and promoting the more altruistic goals for the greater good.
Scanning for deserving beneficiaries for scholarships and Smart Classrooms	The recipients are scanned through a precise inspection and then get selected through a transparent and unbiased process by a committee within the Company with the help of respective government authorities
Developing an entrepreneurial culture	"CDB SMB Friday" programme was initiated to promote and digitally empower small businesses and encourage and spread the word about their businesses

Net lender to the rural economy

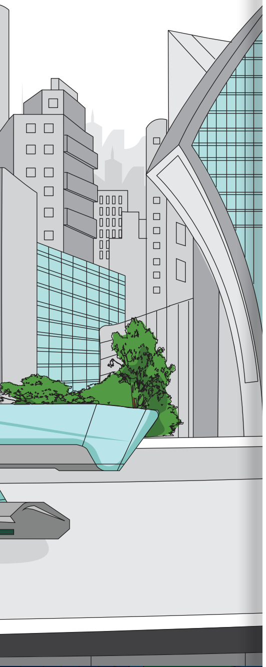
Rural sector can be considered as one of the significant economies in Sri Lanka which represents 77% of the total Sri Lankan population. As per the report "Economic and Social Statistics of Sri Lanka 2018" of the Department of Statistics of the Central Bank of Sri Lanka, the estimated provincial Gross Domestic Product of outside the Western Province continued to grow, accounting for a share of 62.8% in 2017 showcasing the unequal distribution, broadening the regional disparity.

GDP share	2013 %	2014 %	2015 %	2016 %	2017 %
Western province	42.2	41.5	39.9	37.8	37.2
Outside Western province	57.8	58.5	60.1	62.2	62.8

Source: Table 4 statistical appendix, Central Bank Annual Report 2018, available at https://www.cbsl.gov.lk/sites/default/files/cbslweb_documents/publications/annual_report/2018/en/14_Appendix.pdf

To overcome the regional disparity, cooperative rural banks were established with the purpose of uplifting the living standard of citizens through assisting them by providing credit facilities mainly for income generating activities. This rural development approach was operationalised to bring about the desired positive change in the socio-economic and cultural life of rural people by providing credit facilities and other financial assistance to implement agricultural and industrial projects. It also involves extending the benefits of development to the poorest among those who seek a livelihood in rural areas.

At CDB, our social sustainability philosophy is also elevated by such societal priorities embracing social health in every part of our Organisation striving to be a model for community-led sustainability by inspiring their quality of life and enabling growth opportunities by making the process of rural development self-sustaining. Given the varied nature of our clientele, we have positioned our business model as the "Net Lender to the Rural Economy" touching upon the base of the pyramid markets making ourselves approachable and affordable. Therefore, we see that today CDB stands ahead of the curve with a considerable net lending position to the rural economy while cooperative rural banks hold a net deposit position. Through the concept of "Urban Funding and Rural Lending", we enrich rural entrepreneurship and uplift rural financial strength.

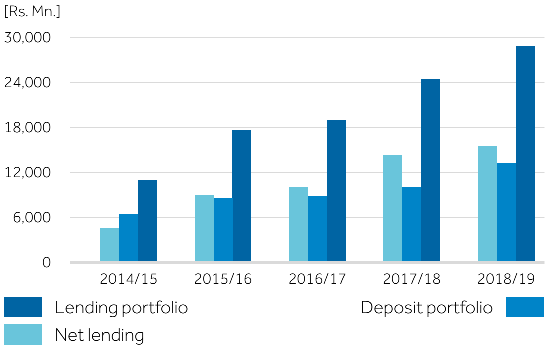


	2017 Rs. Mn.	2016 Rs. Mn.	2015 Rs. Mn.	2014 Rs. Mn.	2013 Rs. Mn.
Cooperative rural banks					
Lending portfolio	55,488	49,770	45,130	37,757	39,520
Deposit portfolio	102,249	91,810	87,157	84,640	79,355
Net lending	(46,761)	(42,040)	(42,027)	(46,883)	(39,835)

Table 4.11 – Economic and Social Statistics of Sri Lanka 2018, Department of Statistics, Central Bank of Sri Lanka.

Net lender to the rural economy

Net lending outside the Western Province



	2018/19 Rs. Mn.	2017/18 Rs. Mn.	2016/17 Rs. Mn.	2015/16 Rs. Mn.	2014/15 Rs. Mn.
Net lending position of CDB outside the Western Province					
Lending Portfolio outside the Western Province	**28,822**	24,444	18,991	17,625	11,080
Deposit Portfolio outside the Western Province	**13,302**	10,113	8,946	8,569	6,498
Net lending outside the Western Province	**15,520**	14,331	10,045	9,056	4,582

Child health and wellbeing

Act early for autism – autism awareness programme

One in hundred children in Sri Lanka is diagnosed with Autism Spectrum Disorder. In partnership with the Sri Lanka Association for Child Development, we launched an island-wide Autism Awareness Campaign, in three phases, to ensure that every child with autism receives early detection and timely intervention which will reduce the negative impact that autism has on their lives. In 2016, we created the Autism Trust Fund allocating Rs. 10 Mn. for autism awareness in Sri Lanka. We contribute Rs. 100/- from every one million new business secured to the Fund and during the year we contributed Rs. 4.6 Mn.

Objectives

- To make parents, teachers, and general public aware on the importance of early detection
- To ensure that every child with autism receives timely intervention to reduce the negative impact that can have on their lives
- To improve cognitive, behavioural and inter-personal development of every child with autism
- To create an equitable society

This campaign was performed successfully through print, television, radio, and digital media and delivered a gross reach of 19 million with 12.4 million gross reach from ATL campaign and 6.6 million gross reach from digital campaign. As a final step of Phase I, a separate hotline; CDB Autism Helpline was set up at the CDB Customer Care Centre.

Outreach programmes

Phase II launched outreach programmes organised by CDB and SLACD in Pimbura and Ratnapura for first point of contact Doctors, Medical officers, public health midwives, and other healthcare professionals. Phase II was successfully completed with other awareness programmes such as the Autism Walk, therapeutic garden, screening of a film for children, and creating awareness through materials dedicated for awareness such as DVDs and posters.

Therapeutic play area for children with autism in Ampara

In partnership with SLACD, we established a state-of-the-art outdoor therapeutic play area designed for children with autism in the Ampara District Hospital through the Autism Trust Fund. This is the first such facility in a Government hospital and it provides children with the required sensory stimulation. The play area is equipped with swings, slides, trampolines, and tunnels enabling children to engage in therapeutic exercises which are generally unavailable in play areas.

Autism Awareness Walk

An Autism Awareness Walk was held during the National Autism Awareness Month. The walk realised due to a request made by the Ampara District Hospital to SLACD and CDB.

The Autism Awareness Walk began from the Ampara City Centre and concluded at the Ampara District Hospital with the support of more than 650 participants including CDB staff, SLACD members, staff of the Ampara District Hospital, the general public, and well-wishers who were highly committed and ensured the message of early intervention and identification is cascaded to as many as possible.

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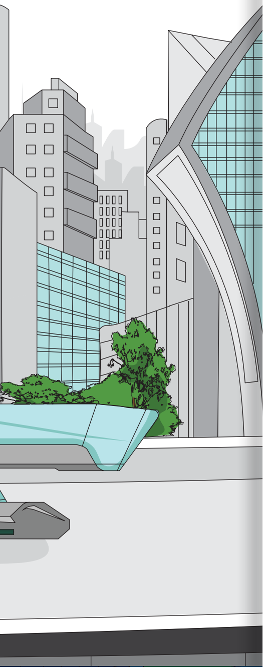

Special movie screening

A movie screening of "Wonder Park" was held at Liberty Cinema (Colombo) for children with Autism Spectrum Disorder. As these children are not afforded many opportunities to participate in activities such as this as a collective, we hoped to show them that they are part of this society and they can reduce the negative impact of autism in their lives. This movie was screened with special lighting and sounds.

As part of Phase III of the programme, we will open a Sensory Unit at Anuradhapura and we will continue to conduct more awareness campaigns and outreach programmes to raise the awareness of autism in the island. We also invite our employees, customers, and the general public to sponsor needy families by registering through the CDB Autism Helpline.

Child education and literacy

CDB Smart Classroom

Empowering Sri Lanka's young people with the apt skills and competencies to become powerful global citizens, we took another step further from the 11 IT laboratories gifted to disadvantaged schools in difficult areas. Under the "CDB Smart Classroom" programme, CDB presented a state-of-the-art "Smart Classroom" as the 12th donation to Musaeus College – Kalutara at an investment of Rs. 1.6 Mn. Another stimulating dynamic of these IT laboratories is that not only does it make technology literacy accessible to students, it also enables communities in proximity to these schools to also avail themselves of the benefits of technology. The classroom was selected as a model Smart Classroom by the Ministry of Education considering it as a IT knowledge hub and has made it as an overarching community centre for knowledge gathering for the entire community.

Year	School	District	Number of students
2009/10	Nadigamvila Maha Vidyalaya	Hambantota	210
2010/11	Navatkuli Maha Vidyalaya	Jaffna	700
2011/12	Ethawatunuwawa Vidyalaya	Anuradhapura	340
2012/13	Swarnapradeepa Maha Vidyalaya	Kurunegala	200
2013/14	Kandapola Mahinda Maha Vidyalaya	Nuwara Eliya	250
2014/15	Kandayamottai Sinhala Vidyalaya	Kurunegala	472
2015/16	Laginagala Kanishta Vidyalaya	Monaragala	227
2016/17	Kehelpannala Kanishta Vidyalaya	Kegalle	242
2017/18	Ra/Sri Saranajothi Tissa Vidyalaya	Ratnapura	420
2018/19	Musaeus College – Kalutara	Kalutara	800

CDB *Sisudiri* scholarship programme

Sisudiri scholarship programme was held for the 11th consecutive year where we recognised high achievers of Grade 5 Scholarship and GCE O/L Examinations. We are pleased to state that we were able to grant 100 scholarships with a total investment of Rs. 6.3 Mn. during this financial year. The scholarship recipients are the children from low-income families and they are selected through a transparent and unbiased selection process. This scholarship scheme offers an annual cash grant of 10,000 to high performers of Grade 5 Scholarship Examination until they complete the Ordinary Level Examination. Exceptional achievers of O/L are awarded Rs, 15,000/- per annum until the completion of Advanced Level Examination.

Sisudiri season	Grade 5 Scholarship Examination	GCE Ordinary Level Examination	Total Scholarships
Season 1	26	–	26
Season 2	24	7	31
Season 3	18	15	33
Season 4	30	10	40
Season 5	22	11	33
Season 6	43	14	57
Season 7	32	26	58
Season 8	31	15	46
Season 9	17	18	35
Season 10	20	30	50
Season 11	60	40	100

Employee volunteerism

CDB *Hithawathkam* employee volunteerism

We have inculcated a spirit of volunteerism by encouraging and providing opportunities to our employees to take part in all our CSR activities. Through CDB *Hithawathkam*, we have allocated Rs. 25,000/- to all branches and all departments to initiate a CSR project collectively. Through this initiative, we have been able to augment employee engagement. We deploy social sustainability representatives throughout the island and our staff has organised numerous CSR activities for the well-being of their local community. During the year, 639 employees participated in this programme contributing 5,632 employee volunteer hours, through 45 CSR projects.

Empowerment of youth, women and entrepreneurs

Making rural youth employable

We believe that a sustainable world can only be achieved with the full engagement of young people irrespective of where they are coming from. While population grows, employment opportunities remain limited for young people in rural areas of the country. Therefore, our internship and management trainee programmes are aimed at providing life changing learning opportunities for such young people who are passionate, dynamic, and committed. This initiative is further supported by our branch network, our values, and our organisational culture aiming at reducing rural migrants to urban areas.

CDB SMB Friday

In a bid to empower and to provide visibility to our small businesses and entrepreneurs, this platform is created through our social media channels and our corporate website to help them increase their visibility. Every Friday, a small business is featured in our channels. There is an investment of Rs. 3.4 Mn. and we have featured 32 videos within this year.

An extension of this initiative is to give recognition for women entrepreneurs. Under our "Girl Boss" theme which features a video on our SMB Friday platform, we support and give deserved recognition to Sri Lankan women entrepreneurs aligning with one of our main social sustainability goals of social inclusivity.

Women empowerment

We recognise that empowerment of women, who constitute more than half the population of Sri Lanka, will provide impetus in Sri Lanka's journey to achieve middle-income status. Through our core business and the provision of financial services, we empower women by providing loans to start new businesses, invest in existing ones, and reinvest their returns which help the development of small businesses. During the year under review, our lending attributable to women was recorded at 27%.

Future outlook

We strive to be a model for community-led sustainability by inspiring their quality of life, sharing knowledge and enabling growth opportunities to act as leaders. Our social value creation which is the springboard to take our next steps in sustainable development best practices ensuring that we create an empowering environment for our people, and all other stakeholders to ensure that while we grow our business, they too will see growth in theirs as a result of our association and in being a corporate steward to the community, being responsive to their needs and imbuing development into communities. Keeping the purpose in mind, we will continue to deliver on our social relationship commitments and play an active role for the betterment of communities across the island. We will work towards achieving the objectives of each project and invest more in all our CSR programmes. Further, we aspire to build collaborations with special partners who will help us to bring systematic solutions to social issues and widen our impact on society.

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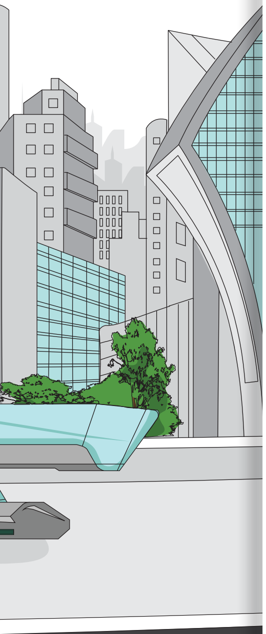


NATURAL CAPITAL

[GRI 103-1, 103-2, 103-3]

Our environmental sustainability philosophy ingrains a conscience into the very core of our operation. "*Mihikathata Adaren*" our flagship environmental sustainability project instils in our people, a sense of responsibility and affinity towards the environment.

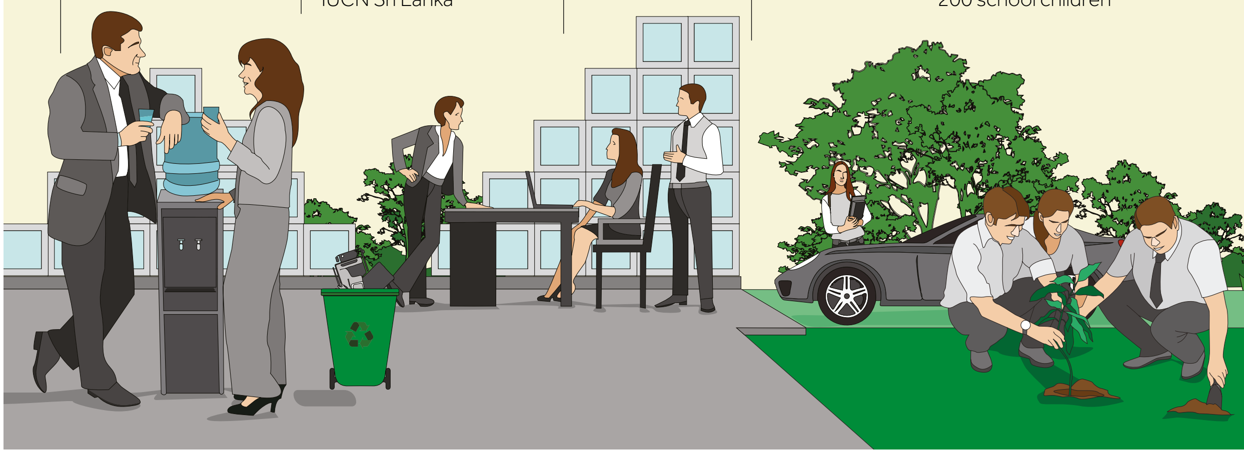
It empowers us to be a team of "doers" taking affirmative action to conserve our natural world for future generations –and as a company, to champion the future health and well-being of the planet through green business operations.

Evidencing the trailblasing mindset we have always espoused, we proudly wear the laurel of being the first ISO 14064 – 1 carbon verified financial institution in South Asia, accredited by the Sri Lanka Carbon Fund in the financial year 2015/16, which is a resounding testament to our commitment towards environmental sustainability.

We believe people play a vital role in protecting nature. In order to protect them, we have initiated G Squared – Go Green Club with a greater purpose of "connecting people to nature" promoting eco-friendly business practices, preserving fragile ecosystems and conserving energy. It makes sense to go back and get connected with the nature so it helps to better understand problems such as climate change and come up with sustainable solutions. Many of our activities therefore carried under the flagship project highlight natural ways to solve environmental problems. This approach has always been with a pinch of high-tech or sophisticated systems and a much more with human engagement and involvement. Therefore promoting awareness of the importance of functioning ecosystems and the services they provide, and safeguarding them for future generations, has become critical elements in our environmental sustainability agenda.

Highlights

- ISO 14064 – 1 carbon verified for the 4th consecutive year and a carbon neutral business entity
- Committed to restore 1 ha block of land adjacent to Kanneliya forest reserve, Halgahawala, Opatha partnering with BSL, the Forest Department, and IUCN Sri Lanka
- Spread awareness of eco-friendly practices to the families of our employees through "Green Family" project
- Energy audit conducted covering all 71 branches
- "Plant a tree plant a life" environment cadet camp conducted for the 8th consecutive year at Kehelpannala Kanishta Vidyalaya – Kegalle inspiring more than 200 school children



How we create value

Vision

Strategic direction

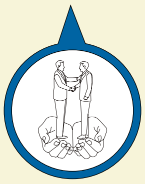
Value creation

Managing our carbon footprint

Environmental and social safeguard policy

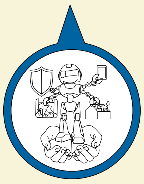
Responsible financing

- ISO 14064-1 Carbon verification
- Environmental and Social Management System
- Eco-friendly lending



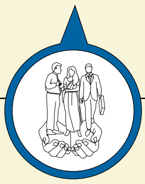
Innovative technology

- Online transaction platform
- Online trading platform
- E-learning platform
- In-house developments
- E-meetings



Environmental integration

Energy and water	Biodiversity	Awareness and engagement	Conservation
Energy audit	Life project	"G Squared" Green Club	7R concepts
Water management	Board member to biodiversity Sri Lanka platform (BSL)		



Contribution to SDGs

Refer pages 20 and 21 for more details

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Challenges and responses

Challenge	Our responses
Increase in carbon footprint over the years with the expansion of operations and branch network	Green audits, awareness programs, and other energy management procedures to measure and minimise our carbon footprint Engaging employees in the efforts to minimise the environmental impact
Firm implementation of ethical and responsible environmentally accountable lending	Development of an Environmental and Social Management System (ESMS) and its implementation
Infusing green thinking across the organisation	Employee engagement in green projects by inculcating green thinking Company-wide awareness programmes Conducting more green events like "Green family and Green Ninja quiz" for employees

Environment and social safeguard policy

As a vital part of our corporate business strategy, our Environment and Social Safeguard Policy is focused on promoting sustainable development. It outlines how the Company will be doing its utmost to conduct business activities that respect and improve the lives of people and conserve the planet's resources in a more socially and environmentally responsible manner. The main objective of this policy is to improve the overall quality of lives of Sri Lankan people by supporting an environmentally and socially sustainable development path and to conserve and manage the environmental resources and endowment across the country.

Responsible financing

CDB Green Pledge

Refer online HTML report

Measuring our carbon footprint

[GRI 302-1, 305-5]

Assessment type

Green House Gas Assessment

Standards applied

ISO 14064-1: 2006, IPCC 2006/ revised guidelines GHG protocol developed by World Resource Institute and World Business Council for Sustainable Development.

Reporting period

1 January 2018 – 31 December 2018

Base year

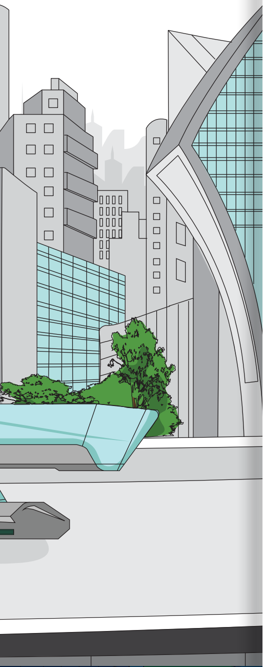
2015

Scope (operational boundary)

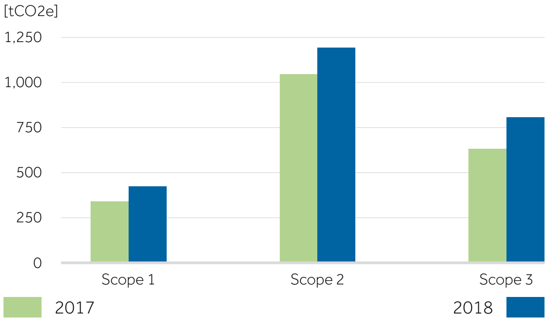
CDB head office and all 71 branches

We embarked on the carbon footprint calculation journey in 2015 in our bid to become a carbon neutral organisation. We have reported data on our Direct Emissions (Scope I), Indirect Emissions (Scope II), and Other Indirect Emissions (Scope III), which recorded our carbon footprint at 2,433 tCO2e for the year 2018. Due to our business nature as a service providing organisation, we are viewed as a low contributor to GHG emission, yet by proactively taking steps to measure, report, manage, and reduce its emissions, we are expressing our commitment to climate action strategies.

Scope	Emission sources	Total
1	On-site diesel generators	7.3
	Company-owned vehicles – fuel paid by CDB	30.5
	Employee commuting – fuel paid by CDB	347.2
	Refrigerant leakage	41.3
	CO_2 fire extinguishers	0.002
2	Grid-connected electricity	1,195.3
3	Transmission and distribution loss	127.4
	Municipal water	5.1
	Waste disposal	0.2
	Waste transportation	0.1
	Business travel of employees via air	8.6
	Employee commuting, not paid by CDB	670.0
	Transport of locally purchased items	0.1
	Total (tCO2e)	2,433



GHG emissions for the years 2017 and 2018

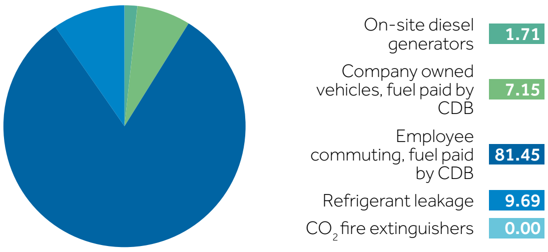


Scope I Emissions

[GRI 305-1]

These emissions are usually released from fuel combustion, refrigerant emissions, and generation of electricity, steam or heat in equipment, business travel and employee commuting on company owned vehicles. Scope I and Scope II emissions are considered to be controllable emissions by a company. Our Scope I Emission has the least contribution (426 tCO2e) to the total emission from all three scopes of emission.

Scope I Emissions [%]



Scope II Emissions

[GRI 305-2]

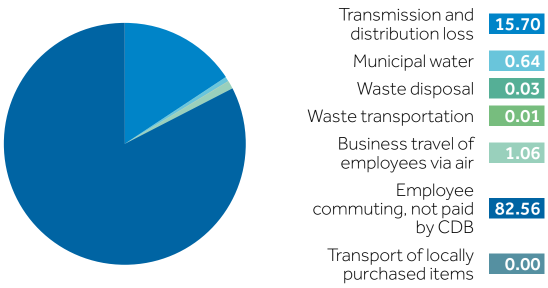
Indirect emissions are released due to production of electricity, steam, hot water, and chilled water, out of which only electricity is purchased for consumption by CDB. Our main supplier of electricity is Ceylon Electricity Board. Also we have installed rooftop solar power systems at our head office and Mahara branch and Mahara vehicle sales unit with the hope of expanding it to all other possible branches. Our Scope II Emissions has the highest contribution of 1195 tCO2e compared to Scope I and Scope II.

Scope III Emissions

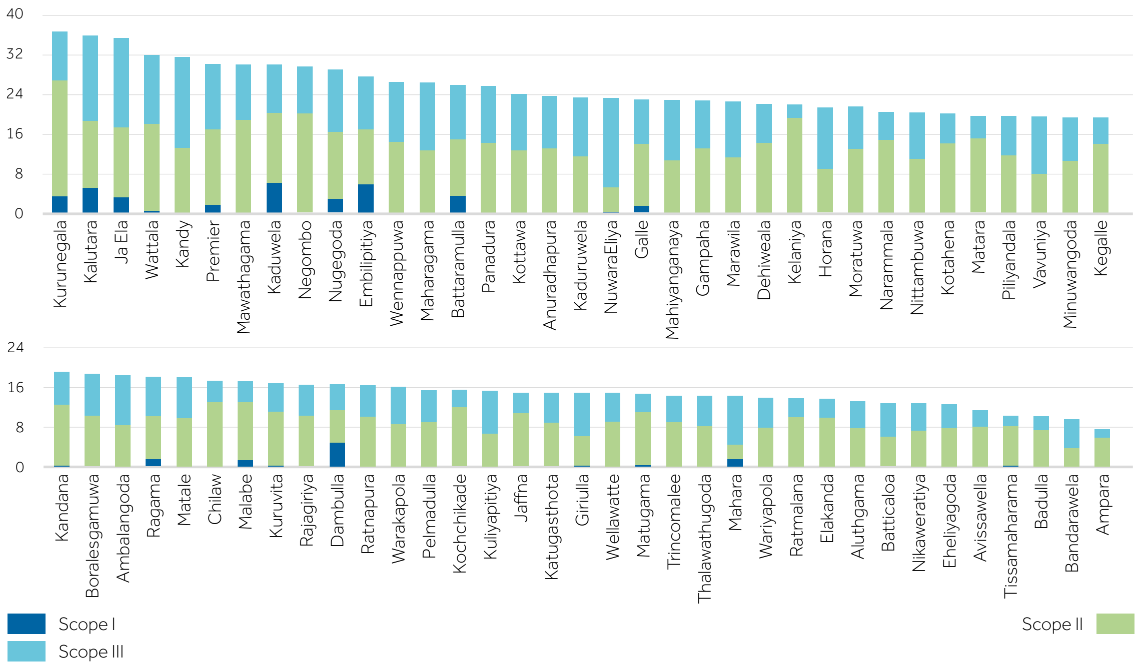
[GRI 305-3]

Reporting of Scope III emissions is optional under ISO 14064-1. Yet CDB has reported emissions of business air travel, transmission and distribution loss, waste disposal, waste transportation, municipal water and transportation of locally purchased items under scope III which has an emission of 812 tCO2e which is 33.3% of the total emission.

Scope III emissions [%]



Branch wise – GHG Emissions (tCO2e)



In spite of our efforts to reduce emission, our total emissions have increased gradually over the years. This is mainly due to increase in number of employees, Increase in branch network and operations with the growth of our customer base. This drives us to further heighten our emission reduction initiatives and minimise our negative environmental impact.

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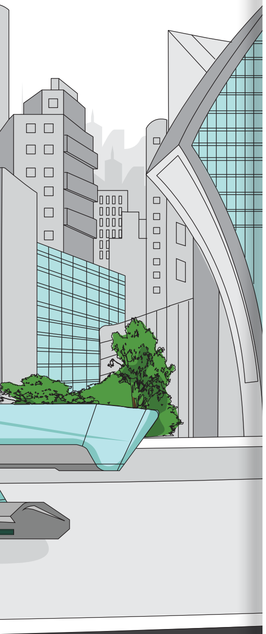


ISO 14064-1 carbon verified

We were recognised as the first ISO 14064-1 verified financial institution in South Asia by Sri Lanka Carbon Fund in 2015/16. We continued to be a carbon verified organisation focusing on contributing towards greenhouse emission reduction as an action against climate change. We independently verified our carbon footprint confirming our inventory was prepared according to GHG Protocol. The verification applied the ISO 14064-1 international standard to form an opinion on conformity with the requirements of GHG protocol and accuracy and completeness of the measurement of emissions.

Environmental and Social Management System (ESMS)

CDB ESMS showcases our commitment to integrate environmental and social aspects to all our business activities and efforts we take in embedding these factors into our organisational culture. Last year, the system was developed and a pilot study was done. Currently, we are at the initial stages of firm implementation of the system.

Our aim is to make sure that we have appropriate policies and procedures in place and we are consistently following them. For this reason we have revamped the ESMS policy and procedure helping to asses and control risks and will pave the way for continuous improvement while helping to manage environmental and social impacts of our business.

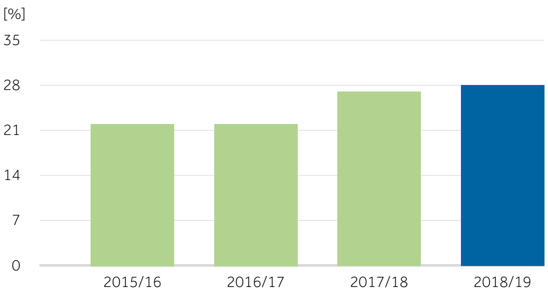
At CDB we have clearly defined roles and responsibilities of each division making them accountable for implementation of all the key elements of ESMS. All the levels and divisions are integrated with this system making a divisional commitment for smooth functioning of the ESMS.

Our ESMS is designed as a set of step by step instructions to screen all the lending activities and if an issue is identified through ESMS we will work together with the customers to educate and resolve such issues and encourage them to reduce their impact on the environment. Going forward, we have planned to conduct continuous training programmes on ESMS to give training to all the employees related to loan approval and evaluation process. Through these initiatives, we were able to be more compliant with environmental laws and regulations by providing guidelines whenever possible. Also we have ensured our green journey is complied with all regulatory requirements. [GRI 307-1]

Eco-friendly lending

Emissions from increasing amount of vehicles lead to increases in greenhouse gasses and greater pollution. With our green lending initiatives, we promote leasing to hybrid and electric vehicles due to low emission and fuel efficiency. We have imposed controls on financing vehicle categories such as three wheelers as they have a higher emission. We do our best to promote more environmental friendly products and encourage customers to reduce their own carbon footprint and be environmental conscious.

Hybrid and electric vehicle portfolio



Innovative technology

Use of Innovative technology

Internal efficiency

- SmartOps in house ERP platform
  - Central data processing unit (CDPU)
  - "Citizens Virtual University" - E leaning platform
  - e-meetings

External efficiency

- Online transactional platform (CDB inet)
  - CDB iTransfer
  - CDB iDeposit
  - CDB iControl
- Online trading platform (patpat.lk)
  - Vehicles
  - Education
  - Leisure
- Mobile Apps
  - CDB iNet
  - CDB iControl
  - Salary Manager
  - patpat.lk

Internal efficiencies [GRI 302-5]

Central Data Processing Unit (CDPU) is an operational unit which replaced the decentralised outlet wide scanning, physical file sharing into centralised, one-time auto scanning, archiving and uploading of credit files through SmartOps-In-House Developed ERP Platform. These two initiatives have paved the way to reduce energy consumption, emissions, carbon footprint, and paper use by rescanning files, eliminating the movement of paper across different departments and courier movement. File tracking and automated alerts for marketing staff has made it unnecessary for them to visit the head office due to this process.

The e-learning platform of the Company facilitates in providing distance learning facility to all our team. Learning materials to training and developmental programmes are available through this platform. Along with the e-learning platform, e-meetings was also introduced during the year. These two initiatives have enhanced the efficiency level of staff members by saving their time, enhancing productivity level, and reduced the carbon footprint, energy and resources spent on conducting training programmes and travelling.

External efficiencies [GRI 302-5]

Our online transactional and trading platforms and mobile apps are fine examples of eco-friendly products developed by CDB. These platforms serve to reduce transportation to vehicle dealers, leasing agents, and simplify transactions.

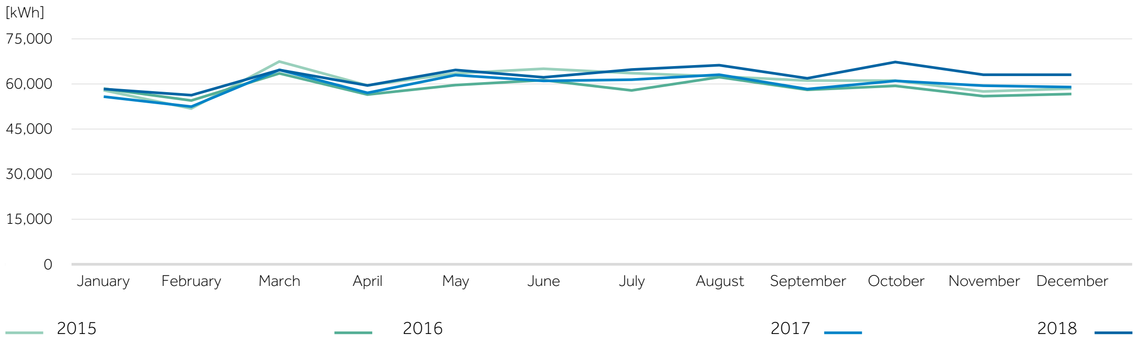
CDBiNet's iTransfer allows the transferring of funds securely through social media platforms. iDeposit allows our customers to open an account online using a smartphone or a desktop. iControl Self Care app tracks spending and balances on CDB Credit cards by setting sub limits according to merchant category. Patpat features vertical services such as education and leisure and has a customer reach of 1,454,987. These innovative digital platforms have all contributed to the reduction of our carbon footprint.

Environmental integration

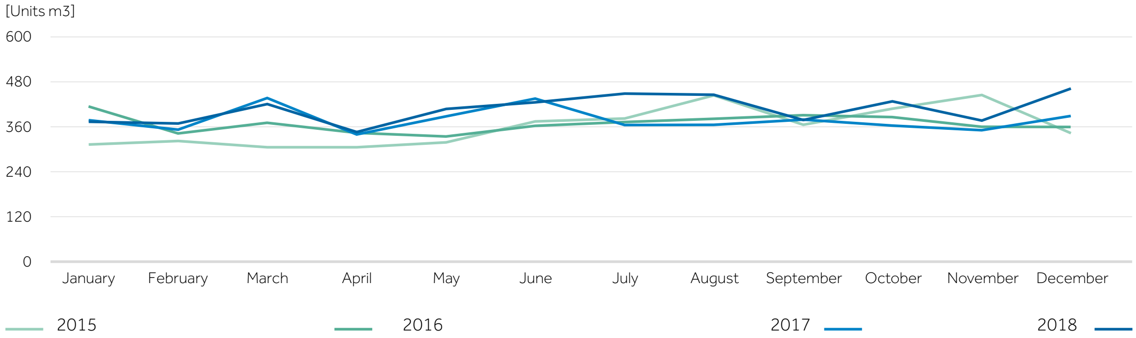
Energy and water [GRI 302-4]

We believe in "what you measure, you manage". We measure and monitor our resource consumption in all our branches and set realistic goals to reduce consumption the following year. We have taken many initiatives and actions to reduce our water and electricity consumption throughout this year.

Electricity consumption over the years



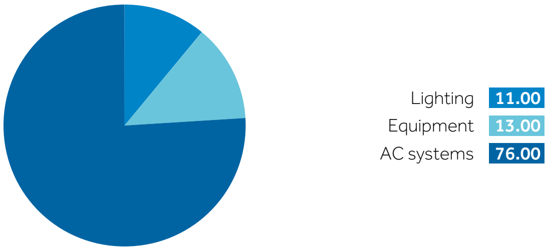
Water consumption over the years



Energy audit
[GRI 302-5]

During the year, CDB performed an energy audit covering all physical touchpoints. This audit provided us to measure and report on consumption and cost while setting baseline targets. In addition, we were able to identify important aspects of the retrofit design process to evaluate our current infrastructure. Through this study we were able to compute the distribution of energy, heavy energy consuming outlets, area-wise analysis, oversized outlets, power density, inefficiencies, and was able to come up with recommendations for improvement.

Overall consumption [%]



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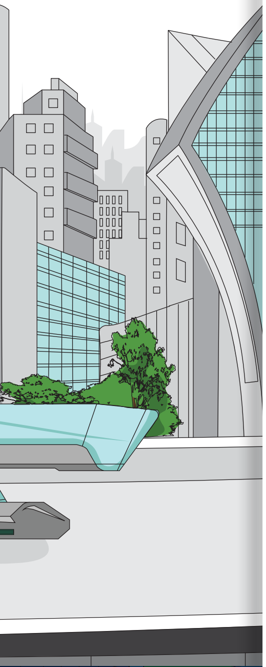
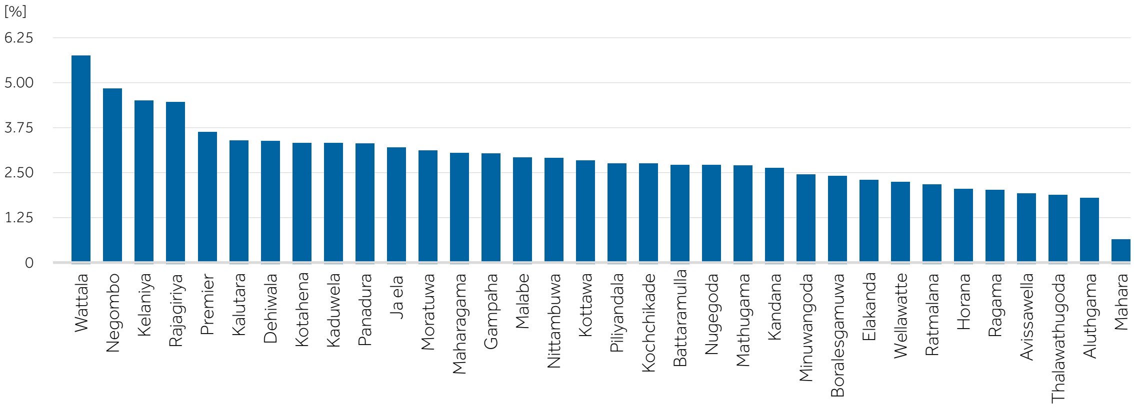
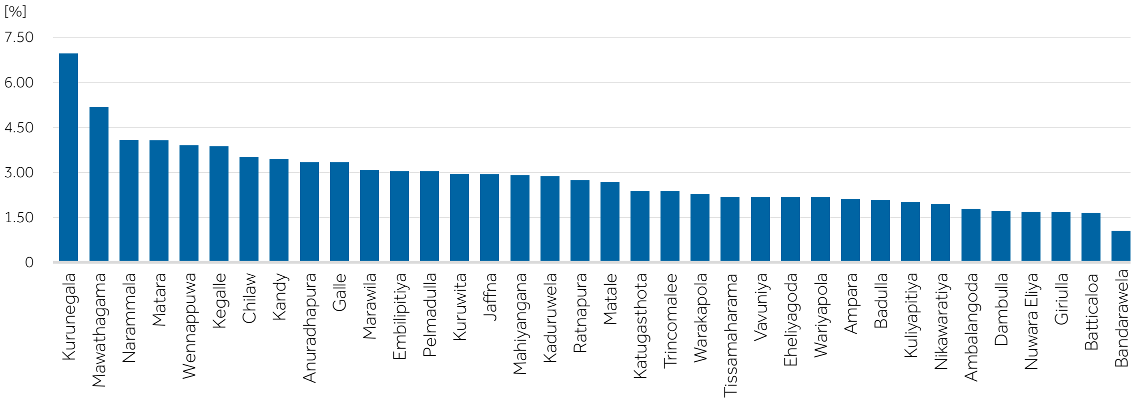


Consumption charts through the operational network

Consumption (Western Province)



Consumption (Outside Western Province)



Biodiversity

"Life"project: A commitment for reforestation

Forests are a necessity if the planet and its inhabitants are to survive without extinction. To contribute towards reforestation, we made a commitment to restore one ha block of land adjacent to the Kanneliya forest, Halgahawala, Opatha. This project is in partnership with Biodiversity Sri Lanka, the Forest Department, and IUCN Sri Lanka taking place over a period of five years.

Phase I will focus on site preparation, nurseries establishment, and setting up a long-term monitoring programme. Phase II will focus on increasing the diversity of the site by planting native species. This is coupled with a monitoring and gap filling plan which will keep the survival rate high.

Further, this project aims to develop a biodiversity credit accrual system on par with international requirements and standards which enable biodiversity conservation project owners, to generate accruable non-carbon credits from the enhancement and protection of biodiversity. The partners involved in this project will be the first companies to earn such credits from restoration activities in Sri Lanka. The credit accruals will be recorded in a "bio register"and may at a later date be used for offsetting the carbon footprint and this process will be carried out through sourcing the expertise in this field.

Through this programme, there will be abundant opportunities for employee engagement programmes which will pass the message of importance of biodiversity conservation among the CDB employees.

Board member to Biodiversity Sri Lanka (BSL) platform

Our sustainability philosophy is strengthened with sound leadership. CDB Managing Director/Chief Executive Officer – Mahesh Nanayakkara joined as a Director to Biodiversity Sri Lanka (BSL) Board paving the way for better networking with professionals, private sector entities towards biodiversity and environment conservation.

Green agents to spread the Green Word

CDB G Squared – Go Green Club comprised energetic, passionate, proactive, and nature-loving people of CDB with the aim of "connecting people to nature". All our green projects are conducted successfully with the help of our club members. Further, all the CDB environmental awareness programmes and environmental conservation projects are organised and conducted through our Green club. The representation spreads across all branches and divisions creating and encouraging them to participate in our green projects and initiatives.

"Let your children grow with nature" – CDB Green Family Event

Our commitment towards preserving the environment goes beyond compliance. This initiative encourages and spreads awareness of eco-friendly practices to the families of our employees that contribute towards building a society that is conscious about environmental preservation.

This was conducted as an outdoor event at two separate locations for families of our team. First event was held at Diyasaru Park – Thalawathugoda and the second event was held at One Earth Urban Arboretum. Participants actively engaged in environment conservation activities and many other activities including tree planting, home gardening, nature walks, awareness sessions, environment themed drawing, butterfly observation, and listening to folk music. This entire event was done with eco-friendly supplies.

Concurrently, to ensure continuous dialogue, the Club created a WhatsApp group with all CDB members and resource persons to share their thoughts, good practices, and green initiatives with others and to stay connected.

Green Ninja CDB Quiz Master

This interactive initiative focused on creating awareness among our employees about environmental conservation and to create a green culture within the Company. The quiz consisted of three rounds under the themes of energy, water, biodiversity and waste management and the grand final was a great success with over 100 participants. Subsequently today, we see a strong progress in inculcating a sense of responsibility and ownership for the environment by infusing such green practices in everything we do.

Environmental Cadet Camp

The "Plant a tree plant a life" campaign was conducted for the 8th consecutive year at Kehelpannala Kanishta Vidyalaya – Kegalle inspiring more than 200 schoolchildren, their parents, and teachers to connect with the environment in a mutually beneficial way. The responsibility of each planted tree was given to children by placing their name board near every tree in order to encourage them to take an active role in caring and protecting the environment. As a part of this programme, we pioneered in creating an environmental pioneer brigade team with forty children.

An art competition was organised for grades 1 to 3 under the topic of environment protection while grades 4 and 5 children engaged in an interesting quiz competition on the environment. Grades 6 and 7 were given the opportunity to participate in a practical gardening session and grades 8 to 10 students had an interactive learning session on environment conservation conducted by one of our own staff members. Seventy plants were planted in the school premises and 13 employees spent 156 volunteer hours on this project.

Green stall

CDB green club built a green stall at the sports day for the very first time in the history of CDB, encouraging all the participants to enjoy organic food products. The products of this stall had a high demand which was an encouraging sign.

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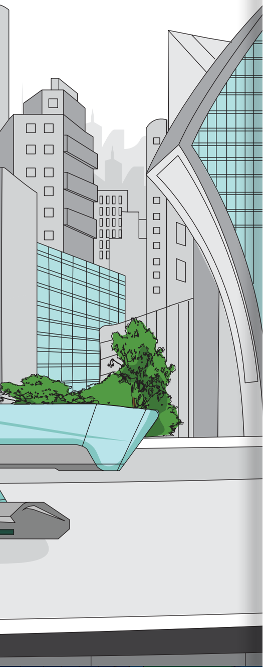


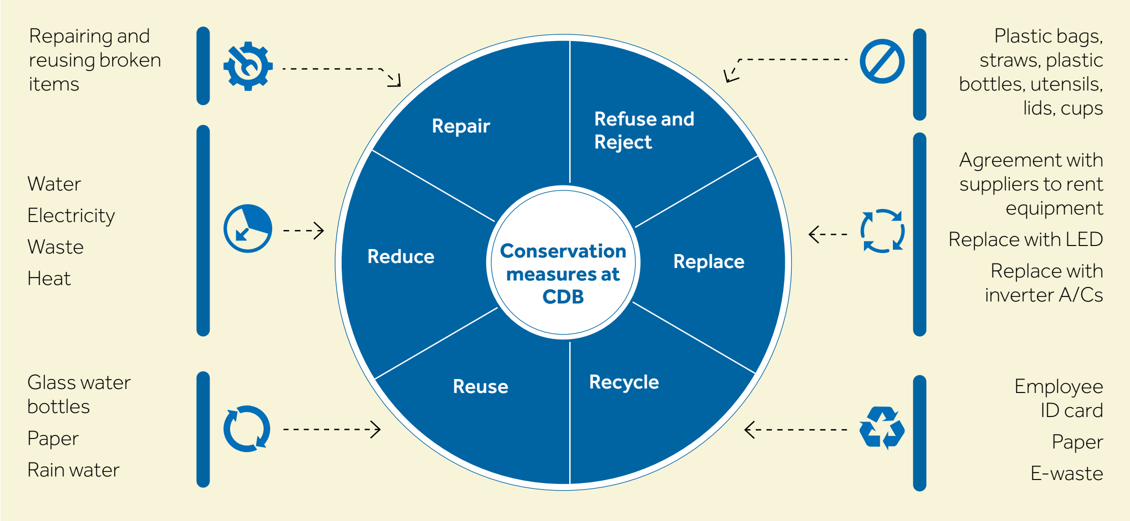
Product launch and demonstration of enterprise-based project by University of Colombo

We support green entrepreneurship through various funding schemes. At the Product launch and demonstration of Enterprise-based Project by University of Colombo, we sponsored Best Green Product Award and many other awards at the event. encouraging youth green entrepreneurship.

Green thinking and sharing

We spread awareness of environmentally-friendly living to all our employees through digital means. We regularly circulate eflyers using intranet that provide information regarding energy conservation, climate change, environment protection, and all other important topics to live more sustainably as humans. We continuously upload green videos once a week to digital display screens placed in each floor. Our green club screens environmental themed movies with the objective of making our employees aware of global environmental problems.

Conservation wheel [GRI 306-2]



Reduce

Energy: With the annual energy audit, we provide targets for all branches to reduce their energy and water footprint.

Water: For the purpose of water saving, apart from the water saving tips displayed and spread across all staff to create awareness; we commemorate the "World Water Day" on March 22nd by organising a World Water Day Competition among staff members. Our aim was to sensitise our staff members and create awareness about water conservation so that they will always consume it responsibly and take actions against water wastage.

Heat: Heat proofing stickers were used to reduce heat build-up within head office and some selected branches and thereby reduce energy consumption for air conditioners.

Waste: Maintaining waste disposal records at head office for better management and disposal of waste. We also educate our staff to reduce all sorts of waste including food waste as responsible waste management is and essential to reduce our environment footprint.
[GRI 306-2]

Type of waste item	Disposal frequency	Weight (Annual – kg)
Waste paper	Ad hoc	1,094kg
e-waste	Ad hoc	280.5 kg
Polythene	Daily	Not weighted
Food	Once in two days	16,314 kg
Damaged office equipment	Once a year (Based on the requirement)	Not weighted

Reuse

Paper: We take a great effort to reduce our paper usage in all our operational activities. We make our employees aware about right usage of paper through displaying awareness tags near all the printing and photocopy machines.

Rainwater: To collect and reuse rainwater, we have our rainwater harvesting system installed at our head office with seven water tanks with a capacity of 1000 litres each. This water is used for gardening and non-drinking purposes.

Glass water bottles: We replaced plastic drinking water bottles to a CDB branded reusable glass water bottle.

Recycle

Paper and e-waste: We have tied up with Green Links Lanka for proper disposal and recycling of paper and e-waste. Through this we are contributing towards saving of trees, and recycled paper produce lesser emission to the environment than production of new paper. Also we continued collecting e-waste from our employees through e-waste week project, reducing the release of toxic material to the environment and reducing land fill from such waste.

E-waste recycling

- Saving of 122 fully grown trees
- 2,051 gallons of gasoline conserved
- 4,622 plastic bottles recycled

Paper waste recycling

- 37,772 litres of water
- 2,182 Kg of wood
- 3,714 KWh of energy
- 196 Kg of green house gas emissions
- 1,342 Kg of land fill

ID card: To minimise the usage of plastics in every way possible, we have introduced a recyclable and rewritable ID card for all staff members.

Replace

Air conditioners: We make a pledge to replace all conventional air conditioners to inverter air conditioners under 22,000, 36,000 and 48,000 BTU capacities and maintain those by doing all the repairs on time to minimise gas leakages.

Disposal method
Daily collected paper from head office is stored at basement floor and disposed through Green Links Lanka (Pvt) Ltd.
E-waste for the whole year is collected once and disposed through Green Links Lanka (Pvt) Ltd.
Daily collected polythene is kept at basement and disposed through CMC garbage disposal process
Collected daily and disposed once in two days to a piggery owner
Items of particular branch/branches will be collected to a single location (Depending on the availability of space). Disposed through a supplier with the highest quoted amount

Light bulbs: When replacing light bulbs of our outlets we ensure to replace those with LED ones.

Refuse and reject

Plastic: As a continuous practice we reject and refuse disposable plastic products as much as possible. We refrain from using plastic cups, bottles, lids, utensils, decorations, and other plastic products.

Repair

We constantly try to make the maximum use of our office equipment and try to repair the broken items before purchasing new items. We make sure all our equipment and machines are in a good condition and are maintained regularly.

Carbon neutral organisation [GRI 307-1]

For the fourth consecutive year, CDB was certified as a carbon neutral company by the Climate Smart Initiatives (Pvt) Ltd., having invested in purchasing United Nations Certified Emission Reductions (CERs) from 10 MW bundled Luni–III and Luni–II hydroelectric projects for a grid system at Sri Sai Krishna Hydro Energies Private Limited registered under UN Clean Development Mechanism. We take pride in our sustainability efforts and noteworthy achievements in our sustainability journey. This exercise paved the way for CDB to sign UNFCCC Climate Neutral Now Pledge which is an initiative to guide the world to the path of climate neutrality by committing to;

- Measure and report our greenhouse gas emissions for the agreed time period
- Reduce greenhouse gas emissions as much as possible
- Offset remaining emissions with UN Certified Emission Reductions (CERs)

Future outlook

Our environmental sustainability targets are ambitious. At CDB we take every possible step in reducing our operational footprint on our environment. We truly walk the talk and strive to become a model organisation for environmental sustainability. Therefore, we spread our wings towards adopting best environmental practices among internal customers and external customers.

Our focus for the coming years will be based on creating awareness on conservation and preservation. We believe with this focus we will be able to make a greater impact on all our stakeholders in creating a sustainable environment and to deliver substantial solutions to issues such as climate change, waste, water, biodiversity, and energy.

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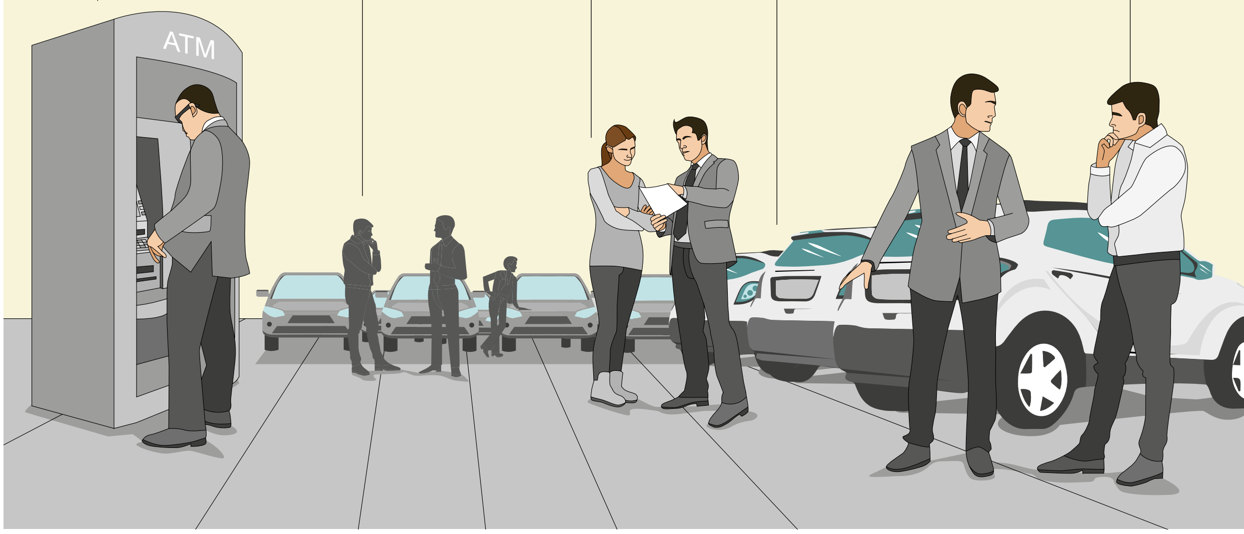
BUSINESS PARTNER CAPITAL

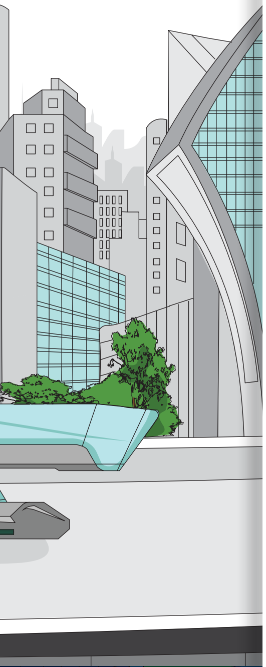
Over the years, we have established a number of interdependent business partnerships with those who share our values and our vision to deliver value to our stakeholders.

Our partners are essential for the continuity of our business and are a vital part of our value chain. The quality, competitiveness, timeliness, availability and cost benefits of our business partners assist us to create the value we eventually deliver. We also evaluate business partnership needs which helps us to identify priorities. We ensure sustainable relationships through trust, transparency, fair dealing, and responsible behaviour.

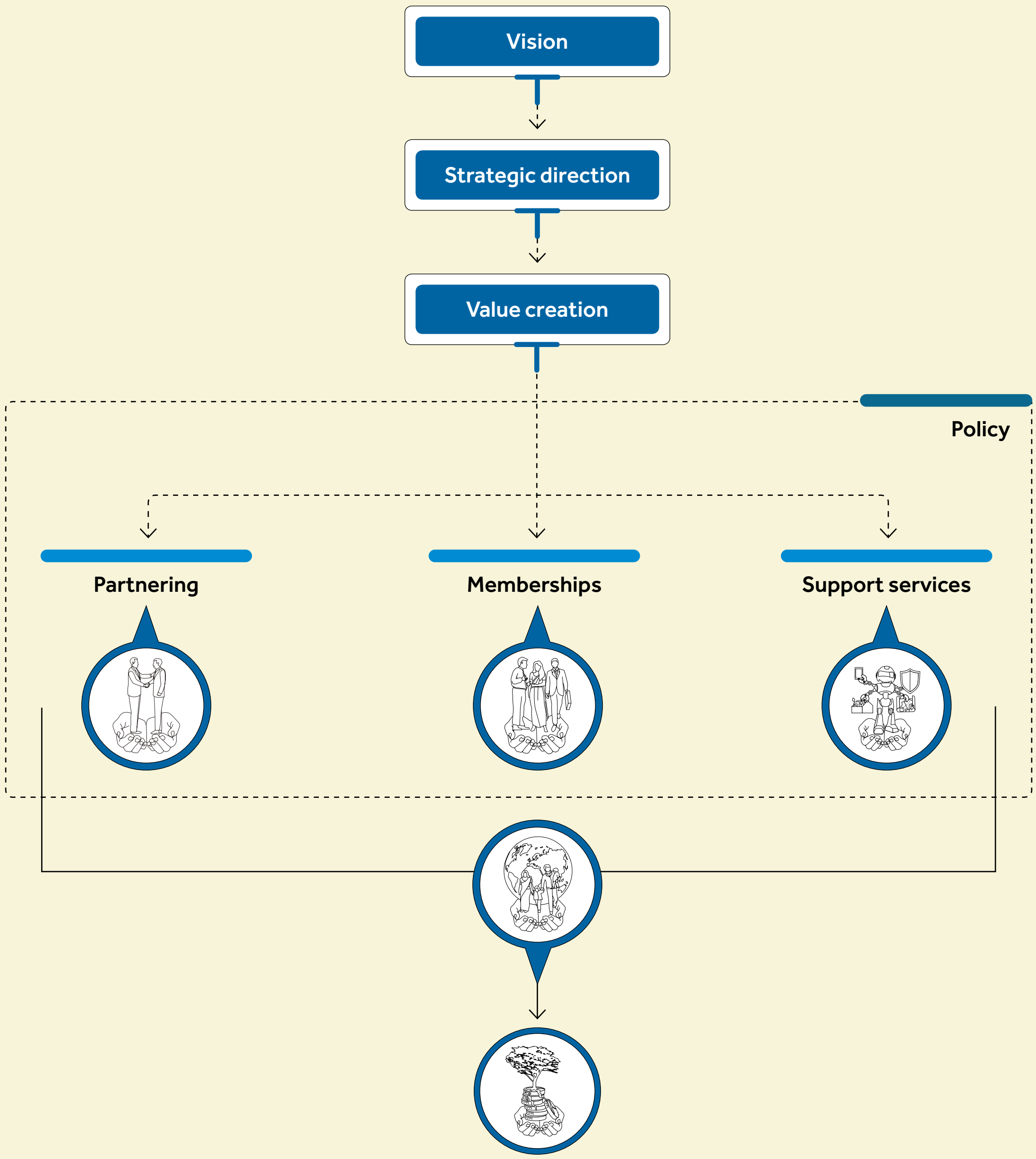
Highlights

- Credit card – hosted solution partnered with Worldline India, MCT Cards and Technology (Pvt) Ltd.
- 1000+ Island wide dealers' points
- 4,950 No. of registered dealers in patpat.lk
- 79,217 No. of ads posted in patpat.lk
- 500 monthly promotions for lead generation partnering with a number of motor dealers





How we create value



Contribution to SDGs

Refer pages 20 and 21 for more details

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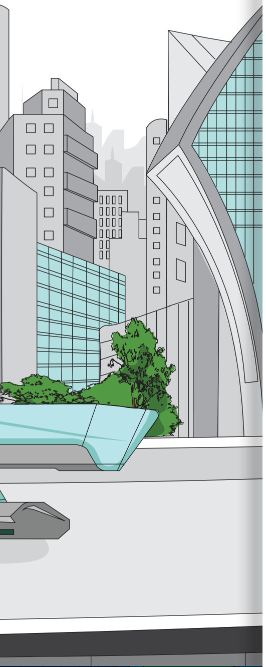

Challenges and responses

Challenge	Our responses
Goods and services delivering on time	Through the relationship we maintain with our partners we manage to get them to deliver the required goods and services on time
Offers from other financial institutions and competitors	Pre-approved counter offers and our committed marketing staff enable us to get into mutually beneficial partnerships
Request from principal partners to enter into exclusive agreements	After analysing the market trends we get into partnerships after considering all the terms and conditions, making favourable partnerships for CDB

How we create value

The value preposition we deliver to our customers reflects the inputs of business partners, being an imperative component of the value chain.

By ensuring sustainable relationships with our business partners, we create value for them by active engagement, our timely payments, transparency in our dealings, mutually beneficial initiatives, and providing opportunity to grow with us.

We were able to deliver a greater convenience to our customers through our business partners in technology and other services. Also, business partners facilitated us to achieve resource efficiency in many different ways such as availability of island-wide ATM network, outsourced staff for better use of resources, and joint promotional campaigns among many other benefits.

We recognise that our Company is made stronger through the business partnerships we have established, the supplier base we work with, and the strategic partnerships with local entities.

CDB is conscientious in its selection of parties with whom we partner. We follow best practices in selecting and relationship maintenance of our suppliers. Fundamentally, they must have corporate values that complement with our values and they must show their conformity to relevant environmental and social aspects.

Selection and evaluation of business partners

All the suppliers must be registered with CDB before initiating a relationship and it is done after necessary background checks. Details of the suppliers and partners are closely evaluated and necessary management approvals are obtained before initiating the relationship. Further, regular evaluations are done to make sure that our strategic objectives are achieved through our business partner relationships. Our first preference is given to local suppliers provided that they meet the required standards.

Meeting business partner expectations

Our approach to establish mutually beneficial, long-standing relationships is formalised through our procurement policy. We establish relationships of trust by maintaining transparency. We conduct business with higher levels of integrity and comply with all relevant rules and regulations. At the point of initiation of the relationship, the objectives and the expectation of the partners are discussed and agreed on the terms to build a successful relationship. Clear identification of the expectations of our partners, proactive resolution of conflicts and upholding our obligations, helped us to deliver the expectations of the business partners while securing better business partner relationships. We request feedback from our business partners to identify areas for improvement and enhance the business partner experience with us in order to nurture a long lasting mutually benefiting relationship.

Supply chain [GRI 102-9, 102-10]

Company value creation is facilitated by the business partners who are considered as an imperative part of our supply chain.

Selection

Procurement division calls for applications to register suppliers for the business: New suppliers/ existing suppliers

Evaluation

Procurement division – According to evaluation criteria (past records, prices, profile, customer base, reviews)

Partnerships, promotions, and marketing campaigns [GRI 204-1]

We have established partnerships in different business areas, to accomplish strategic objectives. Leasing, insurance, supply of vehicles being part of our core business, insurance companies, and vehicle dealers are considered as important strategic partners. We have nurtured sustainable partnerships with several insurance companies and as well as suppliers of all kinds of vehicles.

During the year we conducted several successful promotional campaigns by creating many positive synergies. We conducted joint promotions with principal agents AMW, United Motors, MICRO, and DPMC. There was over 500 monthly promotions for lead generation partnering with a number of motor dealers. Promotional campaigns were undertaken jointly sharing costs with our partners.

We conducted seasonal campaigns, night campaigns, special campaigns (E.g. *Ganan yanna kalin aran yanna*), and special product category promotions like "We make luxury affordable", a campaign for below 1000cc vehicles.

We effected a special partnership with Commercial Bank of Ceylon PLC for our customers to have access to the Bank's extensive ATM network islandwide. Further, we are a subagent of HNB MoneyGram network from 2013. We also work with banks to run our financial operations smoothly on a daily basis.

Our credit card is a hosted solution where we have partnered with international partners such as Worldline India and MCT Cards and Technology Pvt. Ltd. Further, we have partnered with Commercial Bank of Ceylon PLC to deliver our Visa debit cards. Such strategic partnerships facilitate our worldwide connectivity and facilitate our customers to access global payment platforms.

Support services

Our ecosystem of business partners consists of many international and local partners who are vital for continuity of our business and smooth functioning of operations. Our main business partners and suppliers have expansive expertise on our core activities.

Through our outsourcing partners, we have engaged outsourced staff in different departments such as IT and scanning divisions which help us to use resources efficiently and cost effectively. Further other outsourced services such as security, courier, sanitary and cleaning, office equipment and machine servicing, and transport help us to function smoothly and do our daily business operations effectively.

Memberships [GRI 102-13]

CDB is an active member in many industrial forums and industry associations, with the objective of contributing our best to resolve any industry issues through giving our ideas and support. Further, we mutually benefit through such relationships by making it an opportunity to engage with our stakeholders.

Future outlook

We will continue to improve our relationships with our partners to nurture long-standing, sustainable partnerships. Our aim is to maximise the value we deliver to all our stakeholders and to improve operational excellence through outsourced suppliers and service providers.

We will look into new avenues to enhance our engagement with our business partners through assessments and feedback which will systematise our engagement to improve business partner experience. Sustainable resource utilisation will be one of the aspects that we will take into consideration in our selection process. We will also continue to initiate new partnerships and engage in mutually beneficial initiatives to strengthen our business operation and deliver more value to our customers.

Recommendations	Approval	Processing	Register
Obtained from relevant divisions – E.g. Technical – IT division	Purchasing committee	Either: • Administration division • Procurement division • Facility management division	Supplier in the data base

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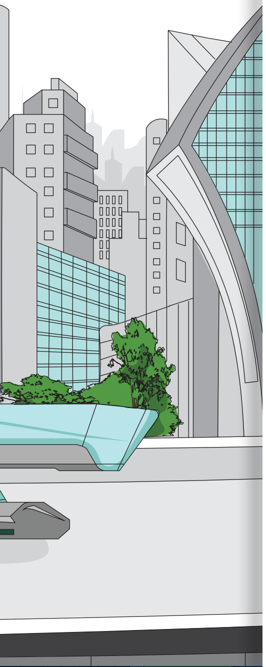


INVESTOR CAPITAL

Investors are a key stakeholder in our value creation process. Our primary objective is to maximise our investor wealth by providing sustainable, long-term returns. We regularly engage with our investors where they are cognisant of the operations of the Company and its investment proposition through various forms of engagement methods.

Our investors also play an active role in shaping our corporate behaviour on socio-environmental and governance aspects.

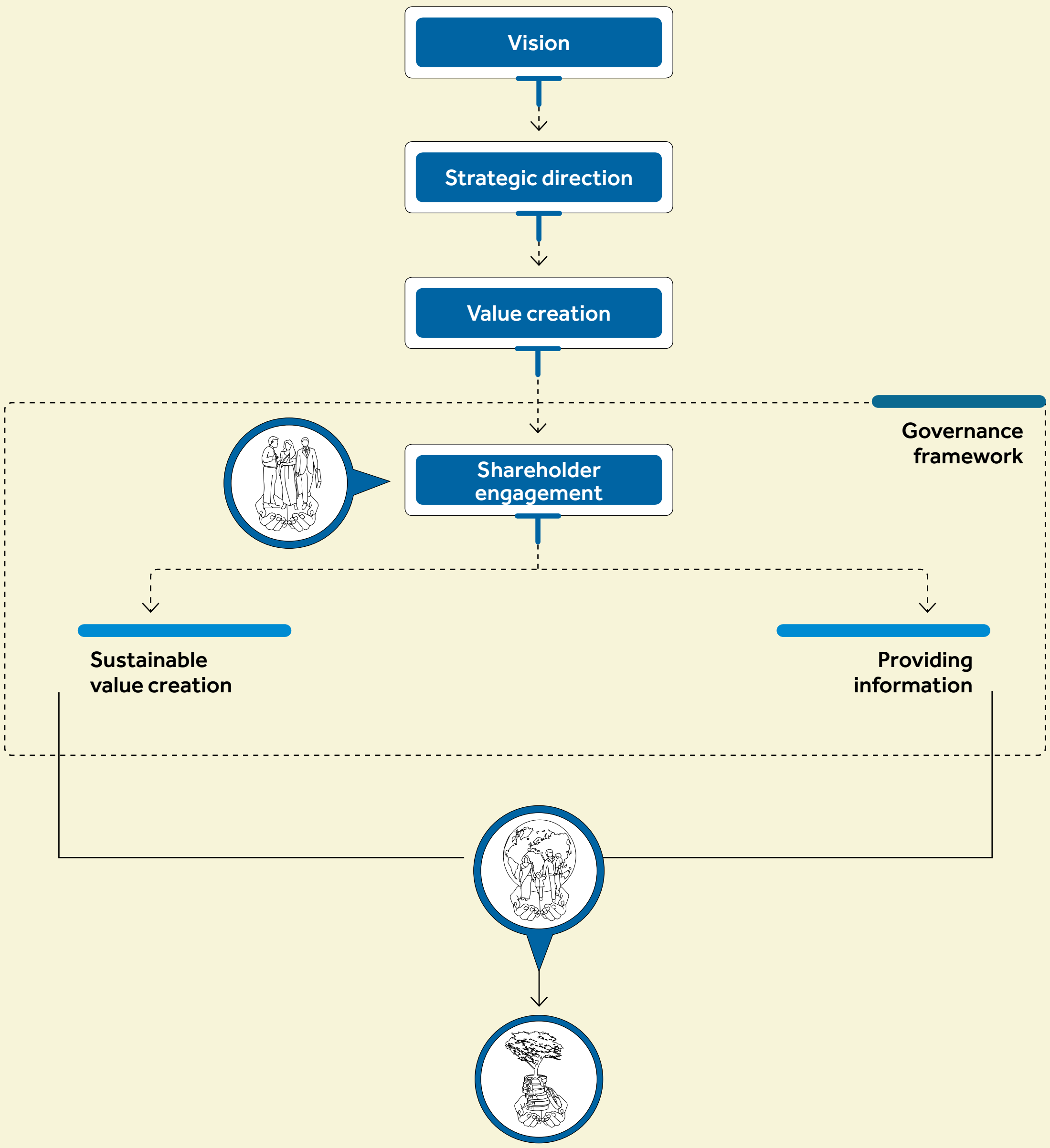
We have gained the trust of our investors by maintaining sustainable growth over the past years. For the year 2018/19 we have maintained a healthy financial return and this momentum will continue. Some of the key indicators and a detailed discussion can be found in the financial capital.

We keep our investors informed through CDB investor forums, CSE announcements, press releases and others. Further, we keep our investors informed through fair disclosure of information and bilateral communication in a timely manner. Accordingly, shareholders were notified of quarterly results, dividend declarations, resignation and appointment of Directors through announcements in the CSE. CDB's website also has an area dedicated to investors which includes Annual Reports and other important and valuable information.

Highlights

- Rs. 159.57 of net assets per share
- 21.62% Return on equity
- Rs. 31.49 Earnings per share
- Rs. 8.6 Bn. Shareholders' funds
- Rs. 4 Bn. Market capitalisation

How we create value



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Challenges and responses

Challenge	Our responses
Delivering sustainable return to investors	Our Sustainable business model and practices prove that we have consistently created value to our investors with continuous growth momentum
Provision of information to help investor decision making	We provide relevant and reliable information on a timely basis to our investors
Balance of short-term value delivery and long term valuation creation	CDB practices a dividend pay-out ratio comparable with the peers and considering the short-term and long-term perspectives of the value creation and delivery

How we create value

Capital market performance

As at 31 March 2019, the Colombo Stock Exchange (CSE) accommodated 297 companies with a market capitalisation of Rs. 2,606 Bn. which shows a decrease of 14% compared to previous year of Rs. 3,033 Bn. All Share Price Index (ASPI) and S&P Sri Lanka 20 Index (S&P SL 20) stood at 5,557 and 2,739 respectively. When comparing the peak performance of CDB share movement with ASPI, over the past twelve months CDB's share price outperformed the market where CDB.N and CDB.X have seen a hike of 10% each respectively, whereas ASPI recorded a peak performance level of 1.16%.

Over the period, the Company has maintained a positive and effective communication with investors and shareholders which has enhanced the relationship and the performance of the Organisation. In order to ensure fair and timely disclosures, CDB has connected them through online and offline communication and has provided the relevant information.

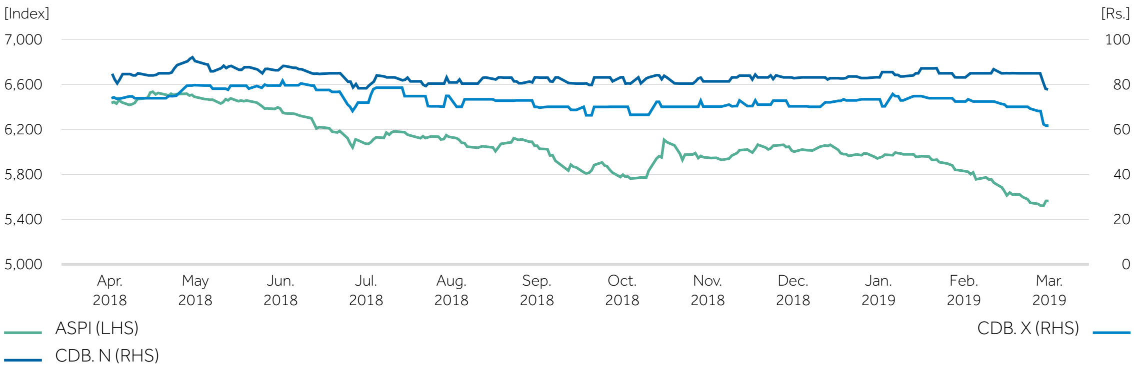
Stock Exchange Listing

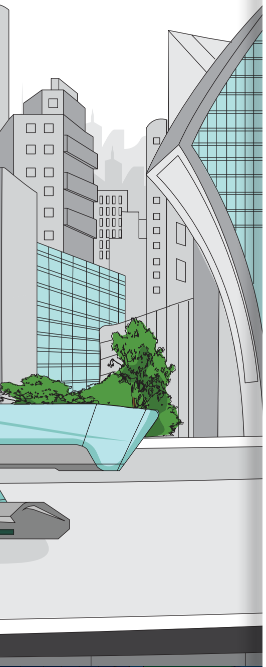
The issued ordinary shares of the Citizens Development Business Finance PLC are listed on the Main Board of the Colombo Stock Exchange.

The unaudited Interim Financial Statements for the three quarters in the financial year 2018/19 have been submitted to the Colombo Stock Exchange within the stated 45 days period. The unaudited Interim Financial Statements for the final quarter was submitted to the Colombo Stock Exchange within the stated 60 days from the Statement of Financial Position date.

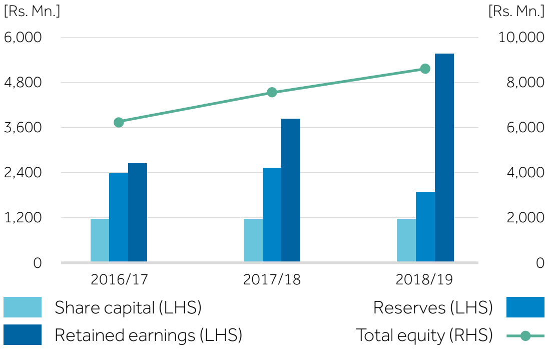
Overall share market

Comparison of CDB share movement with ASPI



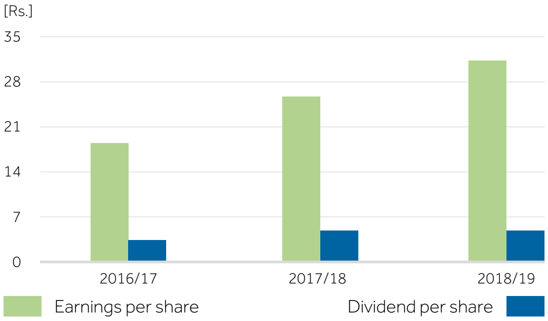


Movement of total equity, share capital and reserves

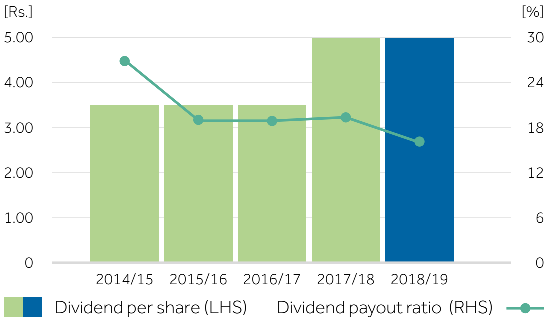


	31 March 2019
All Share Price Index (ASPI)	5,557
S&P Sri Lanka 20 Index (S&P SL 20)	2,739
Market capitalisation (Rs. Bn.)	2,606

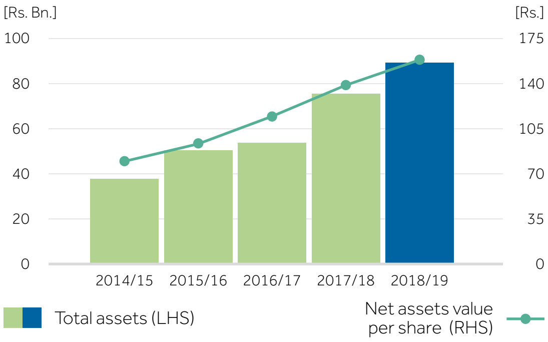
Movement of DPS and EPS



Dividend per share and dividend payout ratio



Total assets and net assets value per share



Dividend

CDB's dividend policy is to ensure a healthy dividend payout ratio in line with the industry norms and growth plans. During the year, Company has declared and paid a dividend of Rs. 5/- for both voting and non-voting shares of 46,299,223 and 8,005,984 respectively which was aggregated to a sum of Rs. 271,526,035/- relating to the financial year 2017/18. Accordingly, the Company has distributed 19% of earnings as dividend related to financial year 2017/18.

Cash and scrip dividends

	2018/19* Rs.	2017/18 Rs.	2016/17 Rs.	2015/16 Rs.	2014/15 Rs.
Final-cash dividend	**2.50**	5.00	3.50	3.50	3.50
Scrip dividend	**2.50**	–	–	–	–
Total dividend	**5.00**	5.00	3.50	3.50	3.50

** Proposed dividend*

- For the year 2018/19, the Board has proposed a dividend of Rs. 5/- to be distributed in the form of a cash dividend of Rs. 2.50/- and in the form of scrip dividend of Rs. 2.50/- which need to be approved by the shareholders at the AGM. For the purpose of calculating the scrip dividend referred to above, the ordinary voting shares are being valued at Rs. 79/- per share and ordinary non-voting shares are valued at Rs. 64/- per share which are considered by the Board of Directors as fair and reasonable to the Company and to the shareholders. The shares allotted and issued to a shareholder as described above are;

i. 0.02721519 new ordinary voting share for every one existing issued and fully paid ordinary voting share and ;

ii. 0.03359375 new ordinary non-voting share for every existing issued and fully paid ordinary non-voting share.

Share price

	Voting		Non-voting	
	2018/19	2017/18	**2018/19**	2017/18
High	**94.00**	85.00	**82.50**	76.00
Low	**76.10**	60.10	**61.00**	49.90
Last traded	**77.10**	84.90	**61.10**	74.00

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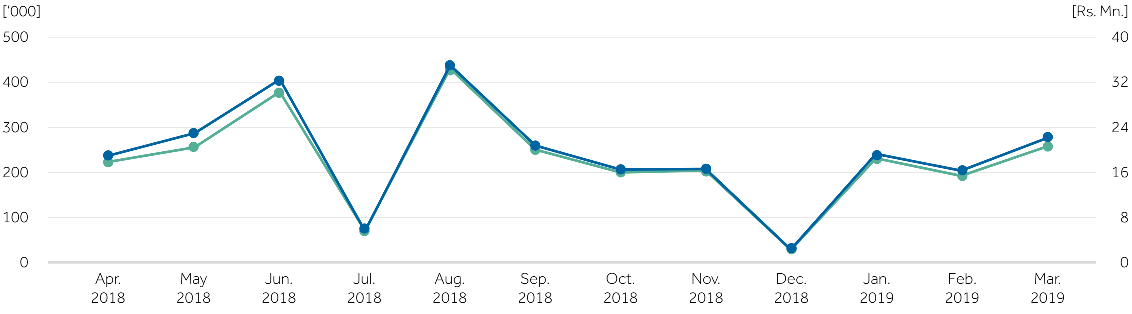
Investor ratios

	2017/18	2018/19
Price earnings ratio (Times)	3.29	2.45
Price to Book value (Times)	0.64	0.48
Return on Equity (%)	20.92	19.73
Earnings Yield (%)	30.39	40.84
Net interest margin (%)	5.34	6.34
Operating profit margin (%)	16.63	18.25
Return on Assets (%)	2.17	2.07

	2017/18	2018/19
Debt/Equity Ratio (Times)	8.93	8.74
Quick Assets Ratio (Times)	0.75	0.87
Interest Cover (Times)	1.78	1.58
Dividend Yield (%)	5.89	6.49
Dividend pay-out (%)	19.38	15.88
Dividend Cover (Times)	5.16	6.30
PAT Growth rate (%)	39.21	22.05

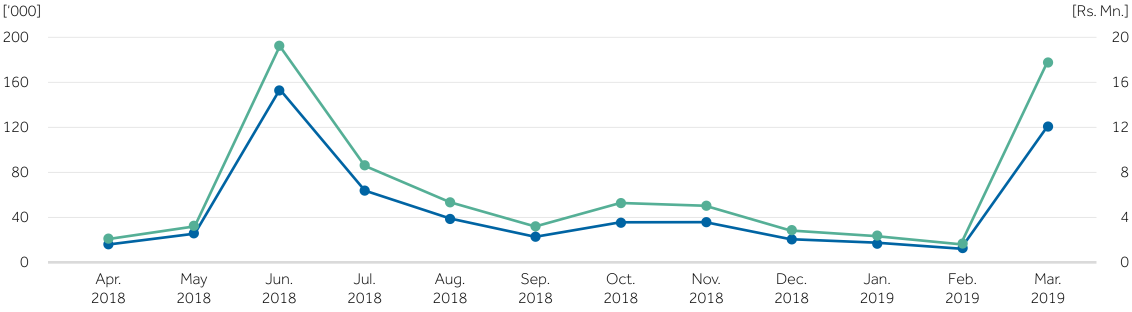
Performance of the share

Voting share performance



During the financial year, 2.7 Mn. shares were traded through 1,970 transactions and recorded an average daily turnover of Rs. 1.1 Mn.

Non-voting share performance

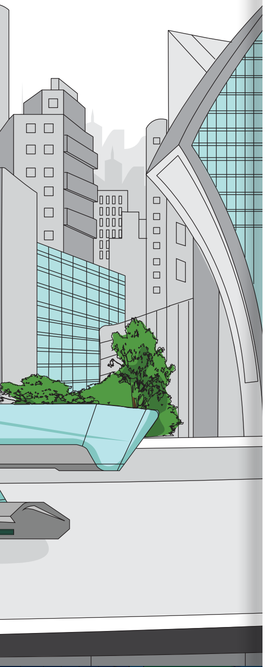


During the financial year, 0.75 Mn. shares were traded through 789 transactions and recorded an average daily turnover of Rs. 0.37 Mn.

Share trading information

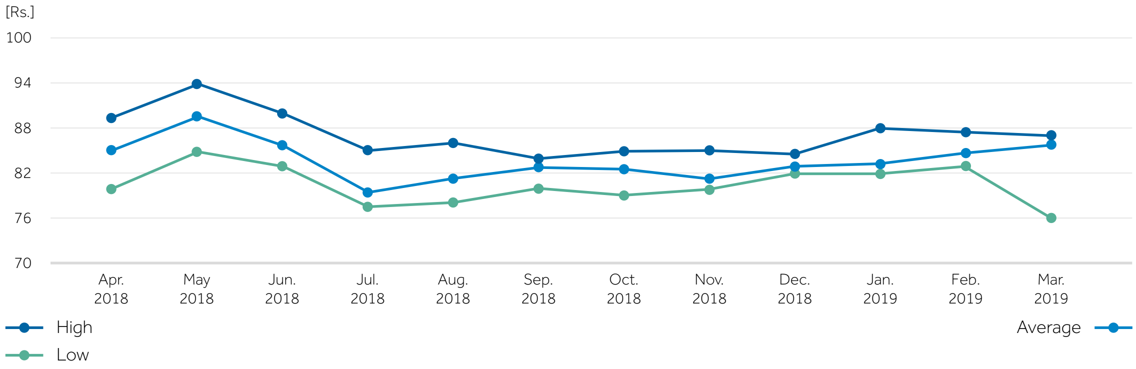
Annual transaction information	Ordinary voting share				
	2018/19	2017/18	2016/17	2015/16	2014/15
Number of transactions	**1,970**	3,330	2,965	2,696	5,264
Number of shares traded	**2,735,334**	7,354,042	4,453,153	6,958,625	14,705,064
Value of shares traded (Rs.)	**229,888,715**	508,655,792	351,201,140	695,635,543	1,262,908,176

Annual transaction information	Ordinary non-voting share				
	2018/19	2017/18	2016/17	2015/16	2014/15
Number of transactions	**789**	1,261	1,200	1,846	4,038
Number of shares traded	**755,533**	1,172,546	1,601,961	3,081,158	4,491,996
Value of shares traded (Rs.)	**55,384,111**	70,699,527	116,268,214	280,559,777	296,610,356

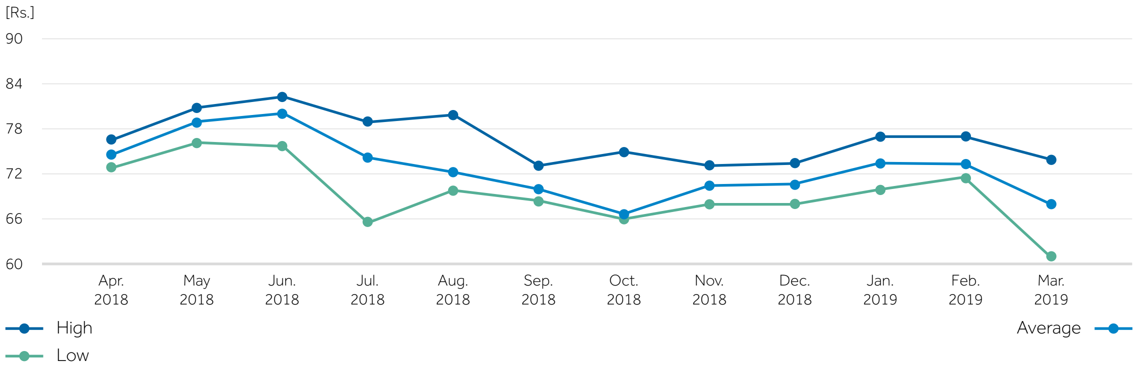


Share price movement

Share price movement – Ordinary voting



Share price movement – Ordinary non-voting



Quarterly summary

Period - voting	High Rs.	Low Rs.	Close Rs.	Trade volume	Share volume	Turnover Rs.	Days traded
2018/19 – Q4	88.00	76.10	77.10	356	683,813	57,874,850	50
2018/19 – Q3	85.00	79.10	83.00	311	433,076	35,490,929	48
2018/19 – Q2	86.00	77.50	80.00	454	755,571	61,665,256	56
2018/19 – Q1	94.00	84.10	85.10	849	862,874	74,857,680	57
Year	94.00	76.10	77.10	1,970	2,735,334	229,888,715	211

Period – Non-voting	High Rs.	Low Rs.	Close Rs.	Trade volume	Share volume	Turnover Rs.	Days traded
2018/19 – Q4	77.00	61.00	61.10	163	213,433	14,706,515	35
2018/19 – Q3	74.90	66.00	70.00	113	128,310	8,853,891	33
2018/19 – Q2	80.00	65.50	68.50	218	168,996	12,313,525	34
2018/19 – Q1	82.50	73.00	77.10	295	244,794	19,510,180	45
Year	82.50	61.00	61.10	789	755,533	55,384,111	147

Market capitalisation

As at 31 March 2019	Number of shares	MPS	2018/19 Rs.	2017/18 Rs.
Voting	46,299,223	77.10	**3,569,670,093**	3,930,804,033
Non-voting	8,005,984	61.10	**489,165,622**	592,442,816
Total			**4,058,835,716**	4,523,246,849

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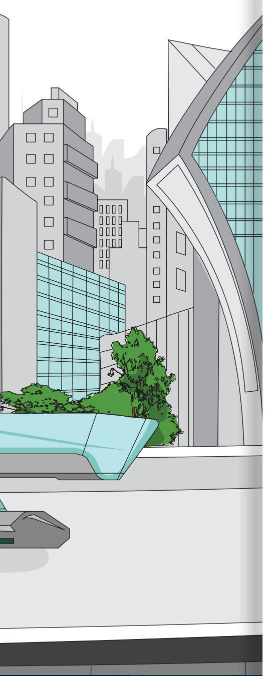


Float adjusted market capitalisation

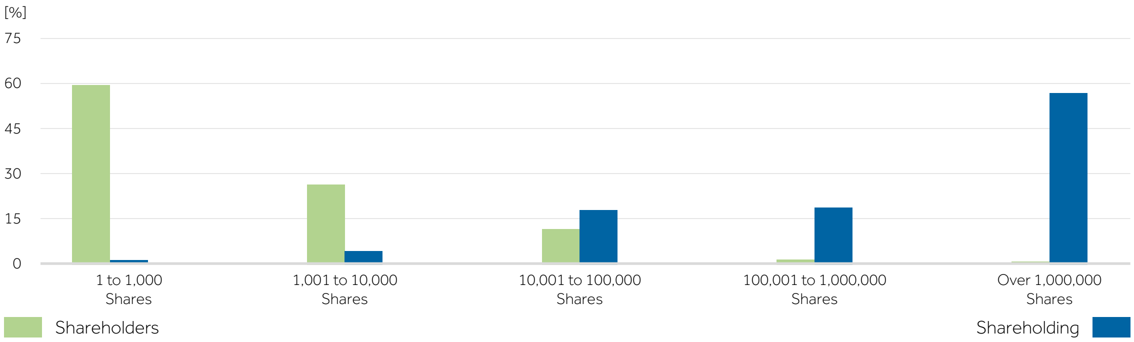
	Number of shares	MPS	Market capitalisation 2018/19 Rs.	Percentage of public holders (%)	Float adjusted market capitalisation Rs.
Voting	46,299,223	77.10	3,569,670,093	45.73	1,632,410,134
Non-voting	8,005,984	61.10	489,165,622	87.19	426,503,506
Total			**4,058,835,716**		**2,058,913,640**

Shareholder analysis

Ordinary voting – Composition according to shareholding

Shareholdings	Resident			Non-resident			Total			
	Number of shareholders	Number of shares	Percentage (%)	Number of shareholders	Number of shares	Percentage (%)	Number of shareholders	Percentage (%)	Number of shares	Percentage (%)
1 to 1,000 shares	1,261	377,262	0.82	5	505	–	1,266	65.22	377,767	0.82
1,001 to 10,000 shares	474	1,789,506	3.87	3	10,000	0.02	477	24.57	1,799,506	3.89
10,001 to 100,000 shares	161	5,643,258	12.19	2	32,655	0.07	163	8.40	5,675,913	12.26
100,001 to 1,000,000 shares	25	7,289,528	15.74	–	–	–	25	1.29	7,289,528	15.74
Over 1,000,000 shares	10	31,156,509	67.29	–	–	–	10	0.52	31,156,509	67.29
	1,931	**46,256,063**	**99.91**	**10**	**43,160**	**0.09**	**1,941**	**100.00**	**46,299,223**	**100.00**

Respective shareholding vs number of shareholders – Voting



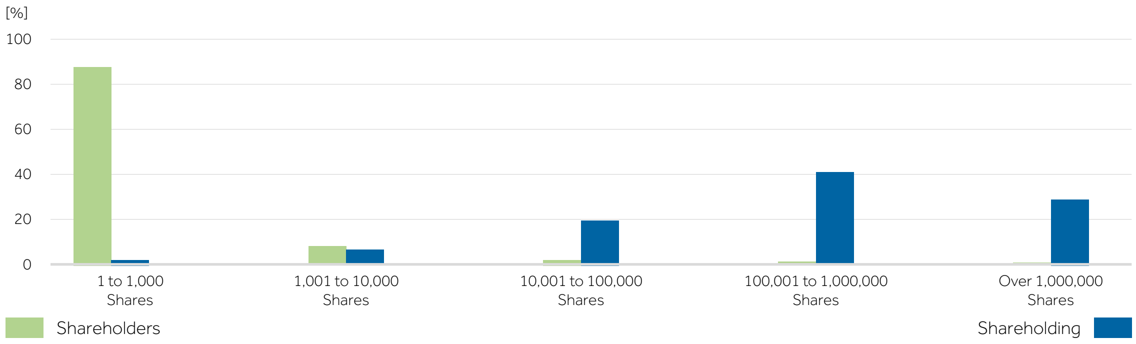
Composition of shareholders

Categories of shareholders	2018/19			2017/18		
	Number of shareholders	Number of shares	Holding %	Number of shareholders	Number of shares	Holding %
Individual	1,842	10,552,417	22.79	1,922	11,724,995	25.32
Institutional	99	35,746,806	77.21	120	34,574,228	74.68
	1,941	46,299,223	100.00	2,042	46,299,223	100.00

Ordinary non-voting – Composition according to shareholding

Shareholdings	Resident			Non-resident			Total			
	Number of shareholders	Number of shares	Percentage (%)	Number of shareholders	Number of shares	Percentage (%)	Number of shareholders	Percentage (%)	Number of hares	Percentage (%)
1 to 1,000 shares	1,525	199,417	2.49	5	1,863	0.02	1,530	88.13	201,280	2.51
1,001 to 10,000 shares	144	536,217	6.70	1	6,817	0.09	145	8.35	543,034	6.78
10,001 to 100,000 shares	44	1,599,104	19.97	–	–	–	44	2.53	1,599,104	19.97
100,001 to 1,000,000 shares	13	3,108,658	38.83	2	208,998	2.61	15	0.86	3,317,656	41.44
Over 1,000,000 shares	2	2,344,910	29.29	–	–	–	2	0.12	2,344,910	29.29
	1,728	**7,788,306**	**97.28**	**8**	**217,678**	**2.72**	**1,736**	**100.00**	**8,005,984**	**100.00**

Respective shareholding vs number of shareholders – Non-voting



Composition of shareholders

Categories of shareholders	2018/19			2017/18		
	Number of shareholders	Number of shares	Holding %	Number of shareholders	Number of shares	Holding %
Individual	**1,654**	**3,764,332**	**47.02**	1,703	3,552,369	44.37
Institutional	**82**	**4,241,652**	**52.98**	92	4,453,615	55.63
	1,736	**8,005,984**	**100.00**	1,795	8,005,984	100.00

Information on share capital movement

Year	Details	Share type	Basis	Number of shares issued	Number of voting shares issued (after issue)	Number of non-voting shares issued (after issue)	New capital raised
	Prior to Introduction	Voting shares			39,685,048		
2010	Introduction				39,685,048		
2011	Rights issue	Voting shares @ Rs. 70/-	1 for every 6 voting shares	6,614,175	46,299,223		462,992,250
	Rights issue	Non-voting shares @ Rs. 45/-	1 for every 7 voting shares	5,669,293	46,299,223	5,669,293	255,118,185
2012	Scrip issue	Non-voting shares	1 for every 22.222224 voting shares and non-voting shares	2,336,691	46,299,223	8,005,984	

Note – Ordinary non-voting shares held under CDB ESOP Trust Fund (Pvt) Limited were distributed among its beneficiaries (entitled employees) on 2 March 2016.

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List of 20 major shareholders based on their shareholdings as at 31 March 2019

Ordinary voting shares

No.	Name	Shareholding	%
1.	Ceylinco Life Insurance Limited Account No. 1	15,529,116	33.54
2.	Janashakthi Insurance PLC – Shareholders	2,371,348	5.12
3.	Janashakthi Insurance PLC – Non Par	2,314,961	5.00
4.	People's Leasing & Finance PLC/Mr W P C M Nanayakkara	1,869,099	4.04
5.	Ceylinco General Insurance Limited	1,853,287	4.00
6.	People's Leasing & Finance PLC/Asia Management Consultancy (Private) Limited	1,745,837	3.77
7.	Citizens Development Business Finance PLC A/C 2 (CDB Employee Gratuity Fund)	1,708,816	3.69
8.	Seylan Bank PLC/Janashakthi PLC	1,612,945	3.48
9.	Ceylinco Life Insurance Limited Account No. 3	1,126,000	2.43
10.	People's Leasing & Finance PLC/Mr S V Munasinghe	1,025,100	2.21
11.	People's Leasing & Finance PLC/ Mr R H & Mrs V F Abeygoonewardena	941,837	2.03
12.	Seylan Bank PLC/Tennakoon Mudiyanselage Damith Prasanna Tennakoon	935,258	2.02
13.	First Capital Limited	570,247	1.23
14.	Mr W W K M Weerasooriya/Mrs R C T Hennadige	487,803	1.05
15.	Mr H M L M B Heenkenda	472,260	1.02
16.	Mr E Karthik	429,500	0.93
17.	People's Leasing & Finance PLC/Mrs N D Kodagoda	392,496	0.85
18.	Mr H K Dassanayake	285,653	0.62
19.	Mr I M Kotigala	256,224	0.55
20.	People's Leasing & Finance PLC/Mr M N M Imdaad	247,782	0.54
	Subtotal of top 20 shareholders	36,175,569	78.13
	Others	10,123,654	21.87
	Total	46,299,223	100.00

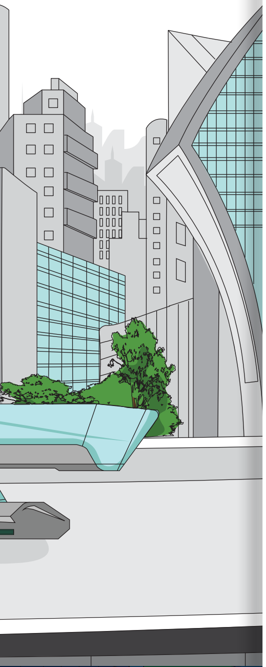
The percentage of shares held by the public as at 31 March 2019 is 45.73% (with 1,929 public shareholders).

List of 20 major shareholders based on their shareholdings as at 31 March 2019

Ordinary non-voting shares

No.	Name	Shareholding	%
1.	Deutsche Bank AG as Trustee for JB Vantage Value Equity Fund	1,336,592	16.69
2.	J B Cocoshell (Pvt) Ltd.	1,008,318	12.59
3.	Mr Amarakoon Mudiyanselage Weerasinghe	614,454	7.67
4.	People's Leasing & Finance PLC/Mr H M Abdulhussein	346,565	4.33
5.	Mr Yusuf Husseinally Abdulhussein	305,298	3.81
6.	Miss Rukaiya Husseinally Abdulhussein	252,182	3.15
7.	Askold (Private) Limited	240,000	3.00
8.	Essajee Carimjee Insurance Brokers (Pvt) Ltd.	238,508	2.98
9.	Mr Malik Joseph Fernando	208,999	2.61
10.	Mr Husein Nuruddin Esufally	208,999	2.61
11.	Mr Murtaza Ali Jafferjee	167,189	2.09
12.	Mr Murtaza Ali Abidhussen Hassanaly Esufally	160,000	2.00
13.	Mr Abbasally Nuruddin Esufally	160,000	2.00
14.	Jafferjees Investments (Pvt) Ltd.	104,499	1.31
15.	Gold Investment Limited	104,499	1.31
16.	Mr Mukesh Abhaykumar Valabhji	104,499	1.31
17.	Commercial Bank of Ceylon PLC A/C No. 4	101,965	1.27
18.	Lakdhanavi Limited	100,000	1.25
19.	Seylan Bank PLC/Mr Duleep Nissanka Daluwatte	83,493	1.04
20.	Maxwell Insurance Brokers (Pvt) Limited A/C No. 2	73,149	0.91
	Subtotal of top 20 shareholders	5,919,208	73.93
	Others	2,086,776	26.07
	Total	8,005,984	100.00

The percentage of shares held by the public as at 31 March 2019 is 87.19% (with 1,729 public shareholders).



Rights Issue

Rights Issue of 11,574,805 new ordinary-voting shares each issued at Rs. 77/- per share and 2,001,496 new ordinary non-voting shares each issued at Rs. 64/- per share.

It was decided by the Board to issue one new (1) ordinary-voting share each for every four (4) ordinary voting shares held by the shareholders by issue of 11,574,805 new ordinary voting shares, at a price of Rs. 77/- per share. Further one new (1) ordinary non-voting share each for every four (4) ordinary non-voting shares held by the shareholders by issue of 2,001,496 new ordinary non-voting shares, at a price of Rs. 64/- per share are to be issued. Accordingly, Company expects to raise total of Rs. 1,019,355,729/-. CSE granted the in principle approval for the proposed Rights Issue on 30 April 2019. The ordinary resolution pertaining to the Rights Issue was passed at the Extraordinary General Meeting held on 28 May 2019, and allotment was made on 27 June 2019. The main objectives of the proposed Rights issue was to strengthen the Tier I capital while supporting the Company's asset growth.

Rights issue movement

Share type	Total number of issued shares prior to the rights issue	Basis	Price per share	Number of shares issued	New capital raised Rs.
Voting share	46,299,223	1 for every 4 voting shares	Voting shares @ Rs. 77/-	11,574,805	891,259,985
Non-Voting share	8,005,984	1 for every 4 non-voting shares	Non-Voting shares @ Rs. 64/-	2,001,496	128,095,744

Information on listed debentures

Opening balance as at 1 April 2017 (Rs.)	During the year issue				During the year Maturity				Closing balance as at 31 March 2018 (Rs.)
	Type	Rate %	Value	Total value	Type	Rate %	Value	Total value	
2,000,000,000	A (Semi Annual)	13.75	1,066,990,000	2,000,000,000					4,000,000,000
	B (Annual)	14.20	933,010,000						

Opening balance as at 1 April 2018 (Rs.)	During the year issue				During the year Maturity				Closing balance as at 31 March 2019 (Rs.)
	Type	Rate %	Value	Total value	Type	Rate %	Value	Total value	
4,000,000,000	A(Semi Annual)	15.00	259,180,000	927,770,000	A	16.00	665,360,000	1,000,000,000	3,927,770,000
	B (Annual)	15.50	668,590,000		B	15.50	310,360,000		
					C	15.00	24,280,000		

Debentures June 2016 – June 2021

Listing	Debenture Description	Type	Interest Payment Frequency	Tenor (years)	Issued Quantity as at 31 March 2019	Interest Rate: Coupon Rate (Per Annum) (%)	Interest Rate: Annual Effective Rate (%)	Comparable Government Security Yield (%)
Listed Debenture (Rs. 100)	Rated Subordinated Guaranteed Redeemable Debenture	A	Annually	5	9,983,700	12.75	13.16	10.97
		B	Semi-annually	5	16,300	6 Months Net T.Bill rate (net of tax plus – 1.5%)		10.97

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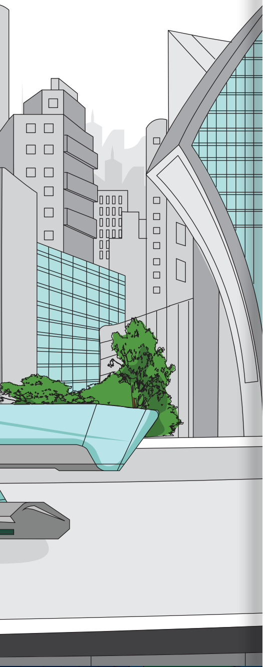

Debentures March 2018 – March 2023

Listing	Debenture Description	Type	Interest Payment Frequency	Tenor (years)	Issued Quantity as at 31 March 2019	Interest Rate: Coupon Rate (Per Annum) (%)	Interest Rate: Annual Effective Rate (%)	Comparable Government Security Yield (%)
Listed Debenture (Rs. 100)	Rated Subordinated Listed Unsecured Redeemable Debenture	A	Annually	5	10,669,900	13.75	13.16	10.97
		B	Semi-annually	5	9,330,100	14.20	14.20	10.97

Debentures January 2019 – January 2024

Listing	Debenture Description	Type	Interest Payment Frequency	Tenor (years)	Issued Quantity as at 31 March 2019	Interest Rate: Coupon Rate (Per Annum) (%)	Interest Rate: Annual Effective Rate (%)	Comparable Government Security Yield (%)
Listed Debenture (Rs. 100)	Rated Subordinated Listed Unsecured Redeemable Debenture	A	Annually	5	2,591,800	15.00	15.60	10.97
		B	Semi-annually	5	6,685,900	15.50	15.50	10.97

Current yield and yield to maturity

Guaranteed listed rated unsecured redeemable debentures June 2016 – June 2021

Debenture type	Current yield (%)	Yield to maturity (%)
Type A	13.21	15.17
Type B	Not traded	–

Subordinated listed rated unsecured redeemable debentures March 2018 – March 2023

Debenture type	Current yield (%)	Yield to maturity (%)
Type A	Not traded	–
Type B	Not traded	–

Subordinated listed rated unsecured redeemable debentures January 2019 – January 2024

Debenture type	Current yield (%)	Yield to maturity (%)
Type A	Not traded	–
Type B	Not traded	–

Subordinated listed rated unsecured redeemable debenture issue January 2019 – January 2024

Corporate Finance Division structured and managed the rated, subordinated, listed, redeemable, unsecured debenture issue with initial issue of 5 Mn. debentures with an option to increase by a further 5 Mn. debentures in the event of an oversubscription with a further option to issue 2.5 Mn. debentures in the event of an oversubscription of the second tranche at the par value of Rs. 100/- each to raise up to a total of Rs. 1,250 Mn. of CDB. The initial issue was oversubscribed on the opening day and out of the total issue, Rs. 928 Mn. was subscribed where Rs. 259.18 Mn. were allotted under type A (15.00% payable semi-annually) and Rs. 668.59 Mn. were allotted under type B (15.50% payable annually) on 31 January 2019.

Disclosure on utilisation of funds raised via capital market

Debenture issue June 2016

Objective number	Objective as per prospectus	Amount allocated as per prospectus in Rs.	Proposed date of utilisation as per prospectus	Amount allocated from proceeds in Rs. (A)	Percentage of total proceeds	Amount utilised in Rs. (B)	Percentage Utilisation against allocation (B/A)	Clarification if not fully-utilised including where the funds are invested (eg: whether lent to related party/s etc)
1	To expand the leasing portfolio		Within the 6 months from date of cash receipt					
2	Improving the Capital Adequacy of the Company's balance sheet, by strengthening its Tier II Capital	1 Bn.	With effect from the closure of issue	1 Bn.	100	1 Bn.	100	N/A
3	Reducing the mismatch of maturity periods between assets and liabilities		Within 12 months from date of cash receipt					

Subordinate debenture issue March 2018

Objective Number	Objective as per prospectus	Amount allocated as per prospectus in Rs.	Proposed date of utilisation as per prospectus	Amount allocated from proceeds in Rs. (A)	Percentage of total proceeds	Amount utilised in Rs. (B)	Percentage Utilisation against allocation (B/A)	Clarification if not fully-utilised including where the funds are invested (eg: whether lent to related party/s etc.)
1	Supporting the general business growth opportunities of the Company		Within the 6 months from date of cash receipt					
2	Improving the Capital Adequacy of the Company's Balance Sheet, by strengthening its Tier II Capital	2 Bn.	With effect from the closure of issue	2 Bn.	100	2 Bn.	100	N/A
3	Reducing the mismatch of maturity periods between assets and liabilities		Within 12 months from date of cash receipt					

Debenture issue January 2019

Objective Number	Objective as per prospectus	Amount allocated as per prospectus in Rs.	Proposed date of utilisation as per prospectus	Amount allocated from proceeds in Rs. (A)	Percentage of total proceeds	Amount utilised in Rs. (B)	Percentage Utilisation against allocation (B/A)	Clarification if not fully-utilised including where the funds are invested (eg: whether lent to related party/s etc.)
1	Supporting the general business growth opportunities of the Company		Within the 6 months from date of cash receipt					
2	Improving the Capital Adequacy of the Company's balance sheet, by strengthening its Tier II Capital	927,770,000	With effect from the closure of issue	927,770,000	100	927,770,000	100	
3	Reducing the mismatch of maturity periods between assets and liabilities		Within 12 months from date of cash receipt					

Credit rating

ICRA Lanka Limited has assigned a "BBB+ (negative); outstanding" on long and short-term corporate credit rating of the Company. Credit ratings obtained for listed debentures are as follows:

Instrument*	Rated amount (Rs. Mn.)	Rating action
Issuer rating	NA	[SL]BBB+ (Negative); Outstanding
Subordinated, unsecured, listed redeemable debentures programme	928	[SL]BBB (Negative); Outstanding
Trust certificates programme of Citizens Development Business Finance PLC Trust-3	628	[SL]A-(SO) (Negative); Outstanding
Subordinated, unsecured, listed redeemable debentures programme	2,000	[SL]BBB (Negative); Outstanding
Subordinated guaranteed listed redeemable debentures	1,000	[SL]A-(SO) (Stable); Outstanding

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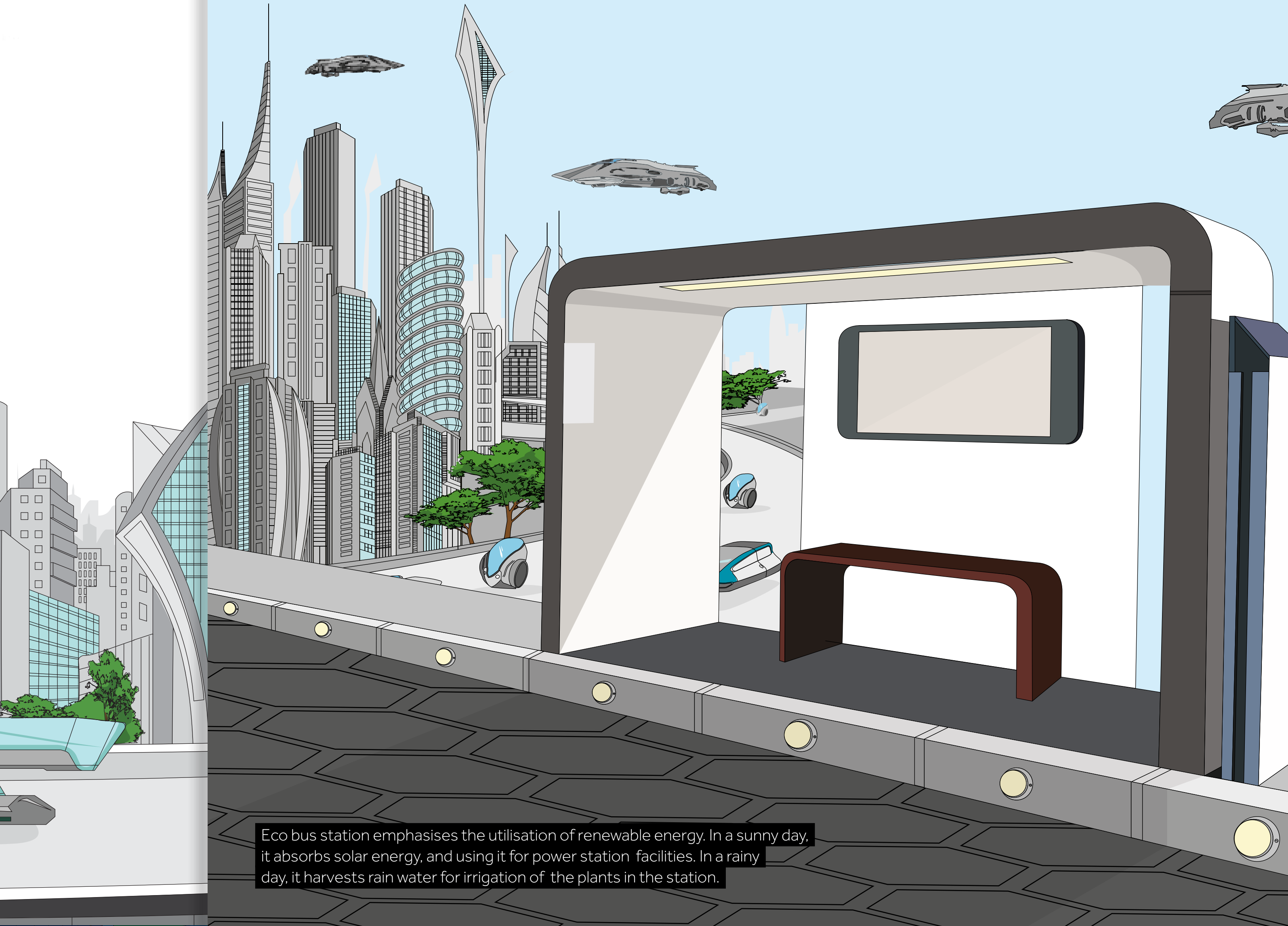
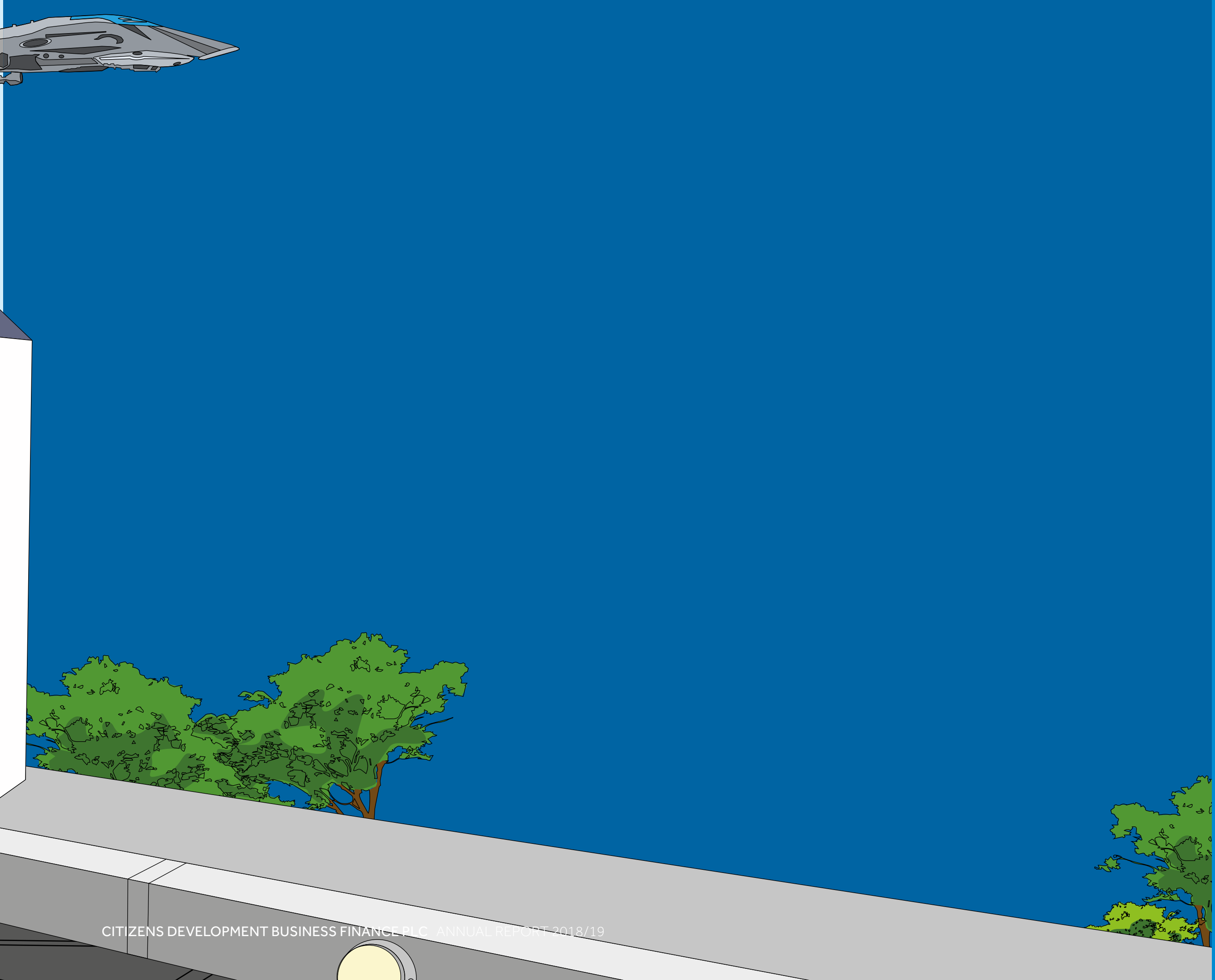
Inventiveness, creativity, and imagination will be what save our planet. We must first envision the world that we want to live in and then work towards achieving it. Our flagship project *Mihikathata Adaren* has succeeded in inculcating the principles of sustainability in our employees and also other stakeholders.



Eco bus station emphasises the utilisation of renewable energy. In a sunny day, it absorbs solar energy, and using it for power station facilities. In a rainy day, it harvests rain water for irrigation of the plants in the station.

RISK MANAGEMENT

CDB possesses a comprehensive framework of policies and procedures for prudent risk management and internal controls, through which specific business risks and opportunities are identified and assessed.



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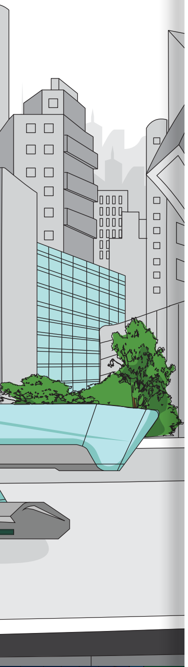


RISK MANAGEMENT

11 SUSTAINABLE CITIES AND COMMUNITIES
13 CLIMATE ACTION

Refer pages 20 and 21 for more details

Strategy towards managing risk

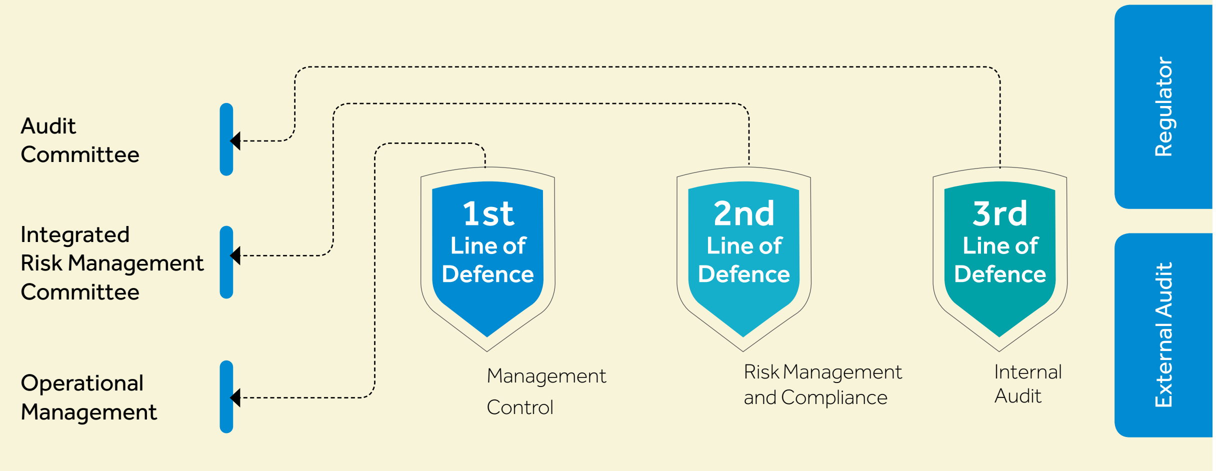
Being in the financial services industry, risk management is an integral part of our operations. CDB's risk strategy aims to instil a discipline of calculated risk taking throughout the Organisation as we pursue our identified growth opportunities. Hence, we have adopted a company-wide risk management framework that helps identification, management and reporting of all the risks likely to impact our operations.

Robust and effective management of risk is an essential and integral part of corporate governance. Going in line with our new purpose statement "Empowering Aspirations" we remain commit to increase shareholder value by developing and growing our business within the set risk appetite and we are mindful of achieving this objective in line with the interests of all stakeholders.

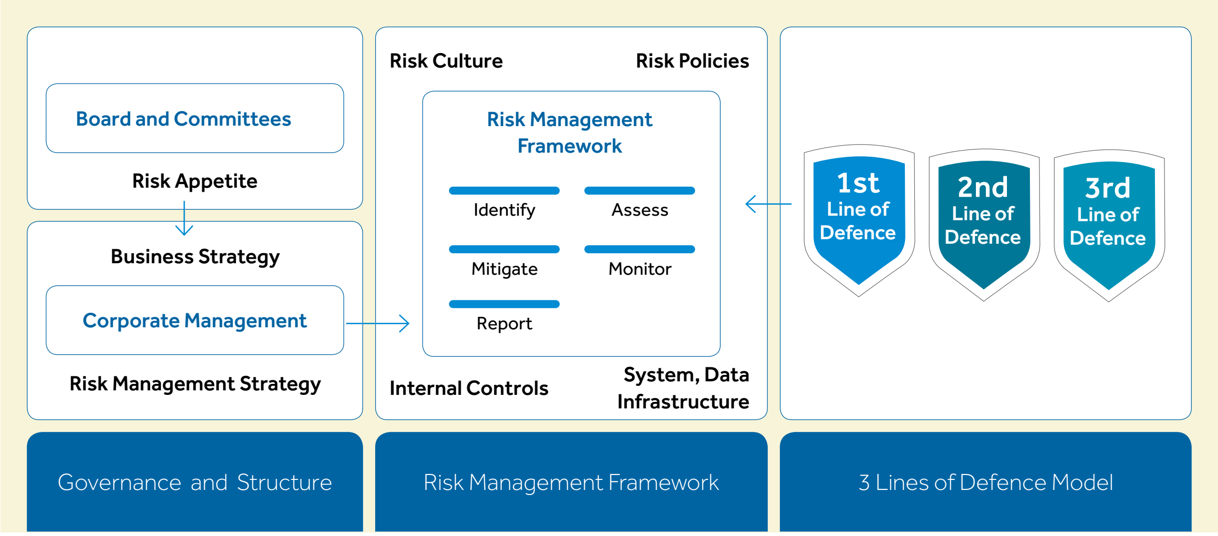
We seek to achieve an appropriate balance between risk and reward, and continue to build and enhance the risk management capabilities that assist in delivering our growth plans in a controlled environment. Our risk management framework is anchored in the three-lines-of-defence approach to managing risk, which is fundamental to our operating model, as depicted below:

- Our operational managers are the Company's First Line of Defence. They are accountable for the risks arising from business activities and exposures. They are also expected to pursue business opportunities within the established risk appetite and to identify, measure, manage, monitor, mitigate, and report all risks arising from said aspects.
- The Second Line of Defence is comprised of the risk and compliance. It provides an independent assessment of risks and risk management practices and compliance to rules and regulations imposed by regulators.
- Internal Audit Division is the Third Line of Defence, which provides an independent assessment of the effectiveness of internal controls across the Company, including controls that support our risk management and governance processes.

The Three Lines of Defence model



Enterprise risk management approach

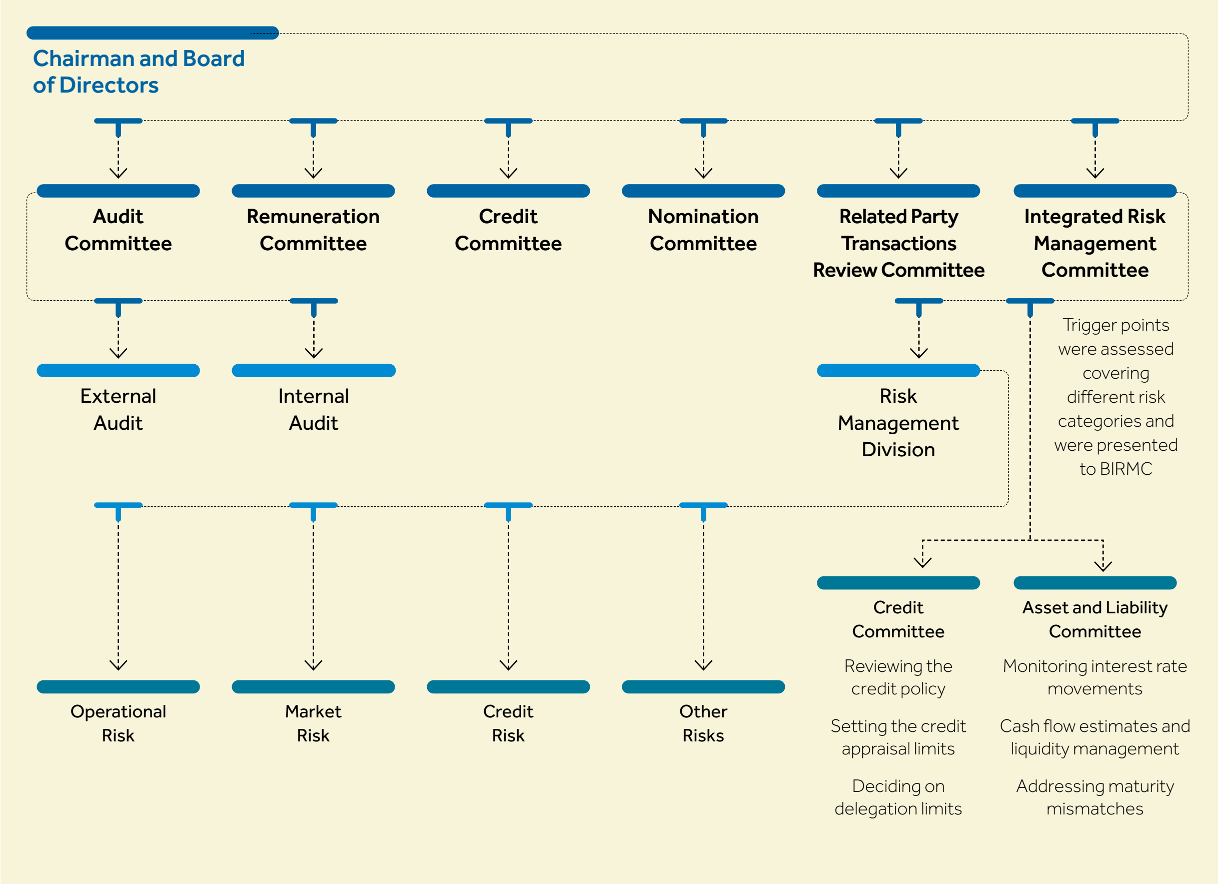


A strong linkage between the risk management strategy and business strategy is key to ensuring our long-term sustainable growth and profitability. CDB's risk appetite statement sets out the aggregate level and types of risks that we are willing to accept in order to meet our set goals. Risk appetite is reviewed in response to changes to our business environment and clearly communicated to those who manage risk.

Our overall objective is to manage our business and the associated risks in a manner that balances the interests of our stakeholders which aims to encourage maximising the risk reward trade-off capitalising identified growth opportunities. At CDB, we believe that risk is everyone's business and our material risks are monitored, managed and mitigated going in line with the three lines of defence model where operational levels are responsible for identifying and managing risks, and risk function provides the necessary oversight and challenge to ensure effectiveness while internal audit provides independent assurance on the effectiveness of the first and the second lines of defence.

Risk governance

Risk governance applies the principles of good governance to the identification, assessment, management and communication of risks. Headed by an independent Non-Executive Director, Board Integrated Risk Management Committee (BIRMC) carries the overall responsibility for ensuring that an efficient and effective risk management framework is put in to practice and create awareness among the members of the Board of Directors regarding the risk levels faced by CDB.



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Risk culture

The three lines of defence model has reinforced our ability to build and maintain a strong risk culture, prioritising resilience for the effective management of risk across CDB. During the recent past, there has been a consistent improvement in our risk culture, founded on risk awareness, compliance with laws and regulations, and ethical behaviour.

What is unique about CDB is how we have carved the importance of risk identification and risk management into our employees' mindset. For them it is a value addition than a mere reporting activity. We reward those employees who identify and report on critical risk areas.

Snapshot of the year

Sri Lankan economy grew at 3.2% during 2018 down by 0.2% (2017: 3.4%). Interest rates were on an upward trend with low credit growth and the market liquidity was also tight hindering the growth prospects. The political unrest observed during the month of October too adversely impacted the GDP growth during the latter part of 2018. Amidst tough economic conditions, both banking and non-banking financial institutions' sectors faced low collections which resulted in increasing NPLs. This necessitated increased impairment provisioning which was further impacted due to the adoption of IFRS 9. CDB too was facing challenges in terms of collections which resulted in NPL ratio increasing from 3.07% to 6.68% impairment charge for the year stood at Rs. 1.06 Bn., compared to Rs. 370 Mn. in last year. Amidst all these challenges, CDB managed to pose a profit of Rs. 1.7 Bn., an increase of 22% compared to last financial year.

Risk management process

Risk identification

55 risk areas were reported through risk identification system.

Rewarded 41 staff members for reporting high risk areas.

Risk assessment

Risk areas identified via the risk register/risk identification system were assessed, considering the likelihood and the impact and mitigation actions were taken accordingly.

Risk treatment

Risk areas which were identified and assessed were treated with mitigation actions.

With the direct communication line initiated during last financial year, risk areas reported with regard to core banking system which needed attention of Intellect India, were reported.

Risk monitoring

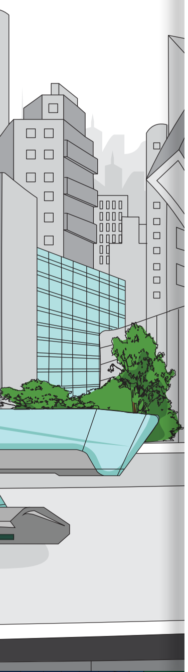
Risk areas which were identified via risk register/reported to Risk Management Division which treated them with mitigation actions and continuously monitored in order to ensure the mitigation actions actually mitigated the risks.

During the financial year under review, 14 new exceptional reports were developed.

Risk reporting

A dashboard covering different risk categories assessed based on trigger points set and with a summary of the identified risks, assessments, and strategies employed to minimise risks and monitoring mechanism is presented at the quarterly IRMC meetings.

A detailed discussion is carried out by the Committee and suggestions are also put into practice through the Risk Department to strengthen the risk management process.



CDB risk interactions

Stakeholders

- Customers
- Employees
- Regulators
- Environment
- Society
- Business Partners

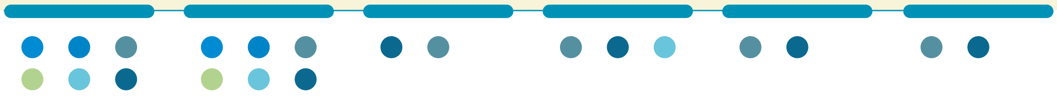
Stakeholder Engagement Approach

- Lend money
- Funding through deposits and other sources
- Net fee and commission revenue
- Revenue from other sources linked to core businesses, as well as strategic investments
- Investing in our operations
- Investing in our people

Net interest income | **Fee and other income** → Income

Operating expenses and Staff cost → Expenses

Risk Areas



- Authorisation levels, credit evaluation parameters, system limits etc. will be set based on an agreed framework
- Investment and credit dashboard which provides information pertaining to Weighted Average Borrowing Rates and Weighted Average Lending Rates on a daily basis. Interest rate movements are given a special emphasis at the ALCO meetings
- We have a dedicated team placed at the customer care division to ensure an effective and efficient process in dealing with customer complaints/ concerns etc.
- Treasury meetings will be held to discuss about the liquidity position with the CEO together with key management personnel.
- Policies and exposure limits are set to monitor market risks on a daily basis by Treasury and Risk Departments
- In-house training, external training, and foreign training is provided based on the training needs

Credit risk
Interest rate risk
Business and reputational risk
Liquidity risk
Market risk
Operational risk, including compliance, environmental and/or social risk

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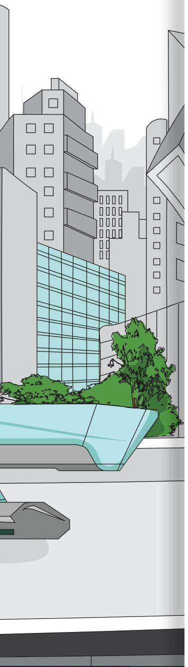

Snapshot of key risks and mitigation strategies

[GRI 102-11]

Refer online HTML report

Credit risk

The failure of obligors to meet their financial or contractual obligations when due.

Key highlights in 2018/19	Risk exposure	Future focus
NPL ratio increased from 3.07% to 6.68% and cumulative collection ratio stood at 93% due to economic factors not being conducive for business to flourish. Contact centre was expanded to strengthen collections. NPL ratios were monitored giving a high consideration and exposures were reduced for the products with continuously high NPL ratios. Collections were monitored under different baskets, different perspectives. Reducing yard stock was given a high emphasis via allocating resources to dispatch higher number of vehicles on a daily/weekly basis. Car points were opened in strategic locations to sell off vehicles which were seized.		Will continue with the initiated strategies to manage NPL ratios within acceptable levels and the potential impact on them adhering to IFRS 9. NPLs will be monitored giving special consideration on products, sectors etc., to identify products/sectors which are prone to high NPLs. Get the business intelligence support and improve automated processes focusing on recoveries through enhanced systems, processes and analytics.

Funding and liquidity risk

Failure to maintain or generate sufficient cash resources to meet day-to-day obligations.

Key highlights in 2018/19	Risk exposure	Future focus
Market liquidity was tight during most of the year but Company was able to manage the statutory liquidity ratio at adequate levels and the ratio stood at 18.46% as at 31 March 2019. A weekly treasury meeting was conducted focusing mainly on cash flow projections to ensure we meet the short-term obligations. Off-shore options for funding were evaluated and Company could attract USD 60 Mn. worth of money through foreign borrowings.		Focus on having optimum liquidity level to ensure compliance with statutory ratios and that the Company has the appropriate diversification and tenor of funding and liquidity to support our asset base, while minimising the overall cost of funding.

Market risk

The risk of a change caused by adverse movements in market interest rates.

Key highlights in 2018/19	Risk exposure	Future focus
Weighted average rates were increased almost by 200bp at the end of December by the CBSL which resulted in increasing interest expenses during the latter part of the financial year under review. Reviewed maturity mismatches and stress testing was conducted and presented at monthly ALCO meetings for both behavioural and contractual maturities. At monthly ALCO meetings, interest rates, margins, asset liability composition, weighted average rates etc. were reviewed.		Continue to conduct stress testing under different scenarios to better react to unforeseen economic conditions. Continue to monitor and manage market risk elements in the context of future market volatility, including monetary policy decisions and rating changes.

Operational risk

The risk of loss suffered as a result of the inadequacy of or failure in systems, policies and procedures, internal frauds, external frauds, employment practices and workplace safety, clients, products, and business practice, damage to physical assets, business disruption and systems failures, execution, delivery, and process management.

Key highlights in 2018/19	Risk exposure	Future focus
Continued focus on fraud and technology risks, driven by the pace of technology evolution experienced during recent past. Strengthened risk management team by recruiting a manager grade employee responsible for IT risk management. Developed 14 exceptional reports to obtain information from Oracle BI to monitor transactions. Conducted vulnerability assessments through third parties. Employees were provided with proper in-house training, external training and foreign training based on the training needs identified at the performance appraisals.		Get the support of BI to get AI based models and data analytics to establish client behaviour and further enhance our prediction, prevention, detection and response capabilities in the fraud identification. Continuously make arrangements to enhance the risk reporting culture. Continue to monitor the cyber risks, IT risks stemming from new and continuously changing IT platforms.

Strategic risk

This is the risk that the future business plans and strategies are inadequate to prevent financial loss or protect the Company's competitive position and shareholder returns.

Key highlights in 2018/19	Risk exposure	Future focus
With challenging market conditions, achieved a bottom line growth of 22%. New products/new processes etc., introduced were referred to risk division and evaluated covering various risk categories. Various dash boards in place to monitor the performance on a daily, weekly and monthly basis and various sensitivity analysis and financial analysis are carried out at ALCO, Finance Committee etc., meetings to ensure Company is on the track to achieve the targets set.		To use BI data and analytics to better decision-making. Enhance skills based learning and continue to work on best human resource practices to meet the requirements of a different future.

Reputational risk

Damage to the Company's image due to potential or actual events which may impair the profitability and/or sustainability of its business.

Key-highlights in 2018/19	Risk exposure	Future focus
Strengthening call centre infrastructure to facilitate better call recording. Facility of calling back for abandoned calls was initiated during the year under review. Customer complaints were treated with a systematic process and all were referred and discussed at the corporate management meeting. Process was in place to capture subsidiary (UCL) customer complaints via centralised contact centre		Further strengthening customer service through conducting mystery shopper programmes. Continue to improve stakeholder engagement processes. Continue to inculcate a culture with ethical behaviour. Continue contact centre as an avenue to improve aspects of our customer service and also from the risk perspective to perform as a risk identification mechanism.

Compliance Risk [GRI 205-1, 205-2, 205-3]

The risk of legal or regulatory sanction, financial loss or damage to reputation of the Company may suffer as a result of its failure to comply with laws, regulations, codes of conduct and standards.

Key highlights in 2018/19	Risk exposure	Future focus
Adopted a rigorous and proactive approach when complying with various regulatory authorities. A compliance meeting is held with the Management on a monthly basis to review the compliance status of the current rules and guidelines and to communicate about the newly formed rules and guidelines. Strengthen the processes with regard to anti-money laundering aspects.		To have a proper system in place to capture suspicious transactions going in line with the guidelines set by Financial Intelligence Unit (FIU) of CBSL. Initiating Company-wide awareness training on anti-money laundering.

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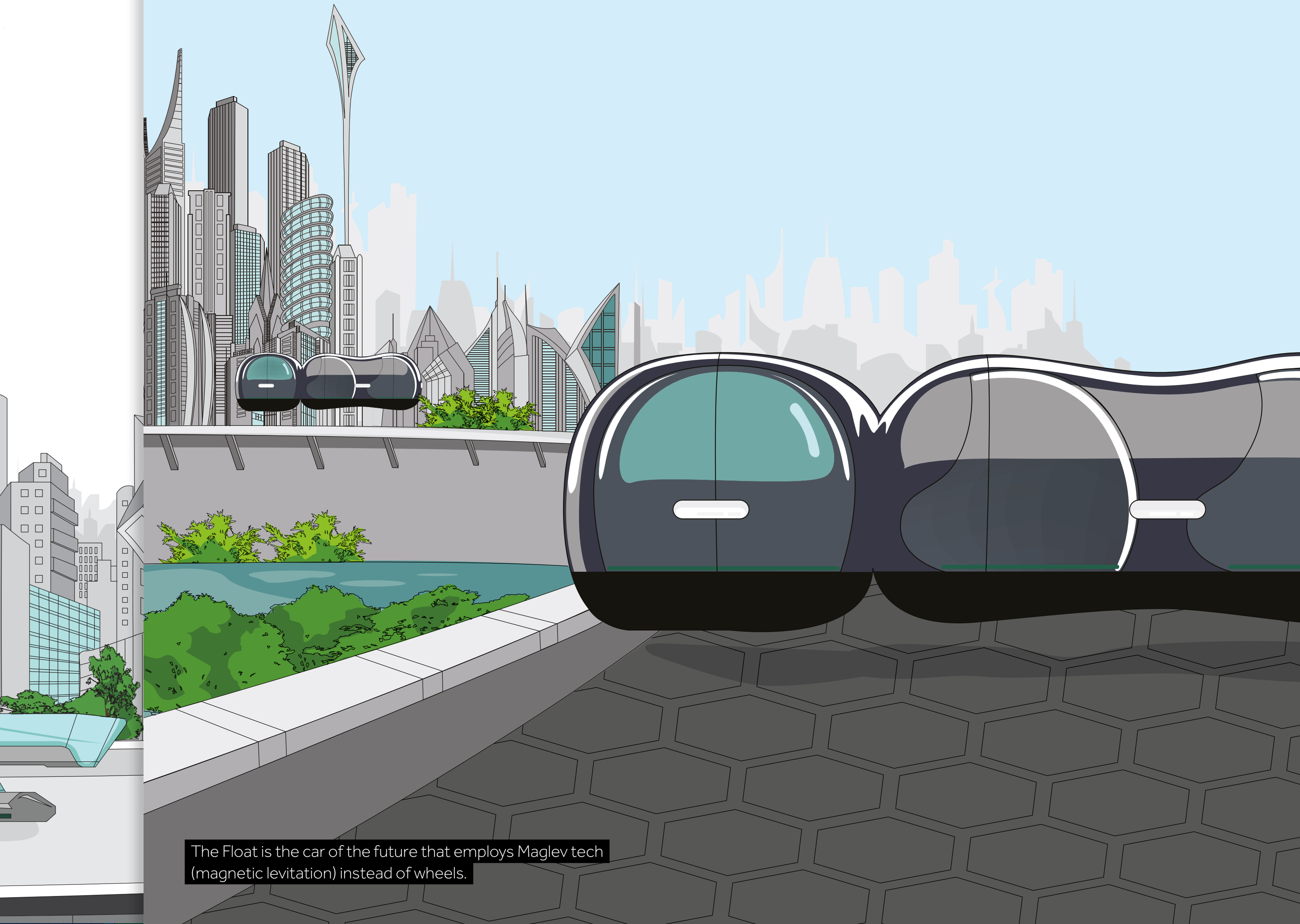
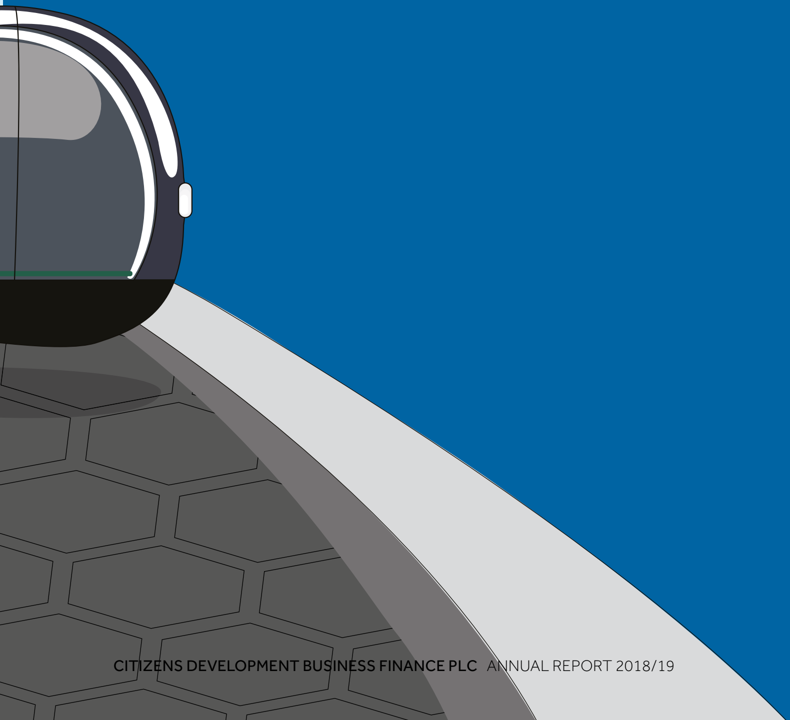
Innovation is one of CDB's core values. Our pioneering spirit and our promptness to embrace innovative forms of doing business integrating the latest digital technology in the sector have been crucial to our advancement.



The Float is the car of the future that employs Maglev tech (magnetic levitation) instead of wheels.

GOVERNANCE REPORT

CDB's corporate governance provides a sound basis for its operations and determines the direction of the Company enabling it to create long-standing relationships and sustainable value for all stakeholders.



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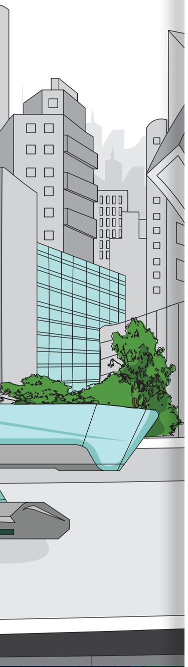

BOARD OF DIRECTORS

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1. Herschel Gunawardena

Chairman

Mr Gunawardena was appointed to the Board on 1 January 2012. He is a Fellow of the Chartered Institute of Management Accountants, UK and a Chartered Global Management Accountant. He counts over 45 years experience in diverse fields including shipping, airline, automobile, mining and export & import trading; of which 20 years was general management experience. Mr Gunawardena is an Independent Non-Executive Director of Ceylinco Insurance PLC and a Non-Executive Director of Ceylinco Life Insurance Limited, Pelwatte Dairy Industries Limited and the Non-Executive Chairman of TechIncglobal Advisory (Pvt) Limited. He is also a Director of Hunter and Company PLC, Lanka Canneries (Pvt) Limited and Heath and Company (Ceylon) Limited.

2. Mahesh Nanayakkara

Managing Director/
Chief Executive Officer

Having joined CDB in early 2001, Mahesh Nanayakkara was appointed CEO in 2004 and to the Board in 2005. Todate, he counts thirty years' experience in banking and financial services. He holds a BSc in Business Administration and an MBA in Business Administration from the Postgraduate Institute of Management, both from the University of Sri Jayewardenepura. He is also a Fellow of the Chartered Institute of Management Accountants UK and has attended Executive Development Programmes at Harvard Business School (HBS) in Boston, USA. Mahesh also functions as the Chairman of Unisons Capital Leasing Limited, a specialised leasing subsidiary of CDB. He successfully spearheaded a dynamic team of young professionals who were instrumental in transforming CDB from a negative net worth Company to the dynamic entity it is today.

He was instrumental in setting up an Employee Share Ownership Plan (ESOP) for CDB when the Net Assets of the Company stood at almost zero, prompting benefits to over 200 team members across the Organisation. Firmly believing in inclusive economic development, his vision is to moot a development model for Sri Lanka based on a Social Market Economy and an asset owning growing middle class. Possessing an anti-corporate raider mindset, he firmly advocates life long career commitments in his management teams, pushing their passions and optimising capability to build corporates that have a participation of equity, which he believes is a sustainable wealth creation process and a strategy to found an eco-system that transforms brain drain to brain gain. These ideologies are well exampled by eleven senior team members of CDB being among the top 20 shareholders of the Company, which may also be the only such instance of a corporate listed on the Colombo Stock Exchange has its employees among top shareholders. Mahesh was instrumental in establishing the Autism Trust Fund, a collaboration between CDB and the Sri Lanka Association for Child Development (SLACD) which focuses on the early detection and intervention of autism in Sri Lanka.

3. Razik Mohamed

Independent Non-Executive Director

Mr Mohamed was appointed to the Board in 2012. He counts over 40 years experience in finance and management, both in Sri Lanka and overseas. He was the President of the Lions Club of Cinnamon Gardens 2009-2010 and is currently the Counsellor of The Institute of Chartered Accountants of Sri Lanka's Students Gavel Club, affiliated with Toastmasters International. Mr Mohamed is a member of The Institute of Chartered Accountants of Sri Lanka (ICASL). He serves on the panel that assesses the suitability of organisations for training under the curriculum of the Institute of Chartered Accountants of Sri Lanka. He also represents the ICASL in the Organisation of Professional Associations (OPA). Mr Mohamed is a committed social worker and has served for three years as Honorary Secretary of the National Council for Child and Youth Welfare and continues to be a life member.

4. Ranga Abeynayake

Non-Executive Director

Mr Abeynayake was appointed to the Board in January 2012. He holds an MBA from the Postgraduate Institute of Management (PIM) in Colombo and is a Fellow of The Institute of Chartered Accountants of Sri Lanka and the Institute of Certified Management Accountants of Sri Lanka. He counts over 19 years experience in accounting, finance, treasury management and strategic planning. Mr Abeynayake is an Executive Director of Ceylinco Life Insurance Limited and also serves as its Deputy Chief Financial Officer. He has been a Board member of Ceylinco Insurance PLC since 2011.

5. Prof Sampath Amaratunge

Independent Non-Executive Director

Prof Amaratunge was appointed to the Board in October 2016. He holds a BA (Hons) in economics and a MA in Economics from the University of Colombo. He also holds an MSc in Economics of Rural Development from the Saga National University and a PhD from Kogoshima National University in Japan. He was appointed as the Vice-Chancellor of the University of Sri Jayewardenepura twice and was the Dean of the Faculty of Management Studies and Commerce. Prof Amaratunge counts over 25 years as an academic at the University of Sri Jayewardenepura. He has published more than 75 articles in international and national refereed journals and proceedings. As of year 2019, he was appointed the Chairman of the Committee of Vice Chancellors and Directors Sri Lanka (CVCD) for the year 2019. Prof Amaratunge was also a recipient of the prestigious Research Excellence Award 2002, awarded by the Kyushu Society of Rural Economics, Japan. He is an expert in the field of Economics with special reference to Rural Development. From 2012 to 2014, Prof. Amaratunge served as a member of the University Grants Commission (UGC) of Sri Lanka and several other commissions. He was the youngest professor ever appointed to the UGC. Prof Amaratunge was the Chairman of the Federation of University Teachers Associations (FUTA) of Sri Lanka from 2009 to 2012 and holds directorships in two other listed Corporates as well.

6. Joe Jayawardena

Non-Executive Director

Mr Jayawardena was appointed to the Board in 2011. He is a Fellow Member of Life Underwriter Training Council, USA and a Member of the Chartered Insurance Agency. He joined Ceylinco Insurance PLC in 1994 and serves as General Manager – Business Development.

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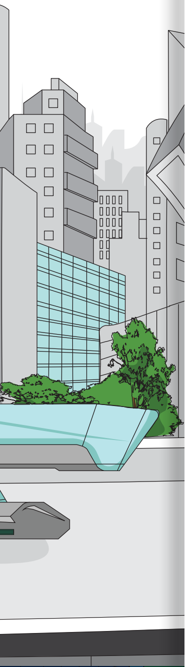


7. Prof Ajantha Dharmasiri

Independent Non-Executive Director

Prof Ajantha Dharmasiri, Professor in Management, is the Director and the Chairman of the Board of Management of the Postgraduate Institute of Management, University of Sri Jayewardenepura. He is the Immediate Past President of the Chartered Institute of Personnel Management (CIPM), Sri Lanka and was a Vice President of the Asia Pacific Federation of Human Resource Management (APFHRM). He also serves as an Adjunct Professor at the Price College of Business, University of Oklahoma, USA. He has three decades of both private and public sector experience including Unilever and Nestle. He has engaged in consultancies in almost twenty countries in Africa, Asia and the Middle East. He is a Commonwealth AMDISA Doctoral Fellow, Fulbright Postdoctoral Fellow and a Commonwealth Postdoctoral Fellow. He holds a PhD and an MBA from the Postgraduate Institute of Management and a BSc in Electrical Engineering from the University of Moratuwa. He is a Chartered Electrical Engineer, a Fellow of the Chartered Institute of Management, UK and an Independent Director of several boards. Being an author of seven books and editor of the longest publishing management journal in Sri Lanka, he has won many accolades including Gold medals for best papers in two international management conferences, Emerald best paper award in 2014, and in 2010 the platinum award by the Alumni of the Postgraduate Institute of Management (PIMA) for outstanding academic contribution. He also won the prestigious IPM Lifetime Gold Award 2014, the highest honour for an HR professional in Sri Lanka. Prof Dharmasiri likes to identify himself as one who transitioned from being an "Engineer of Electrical" to an "Engineer of Hearts and Minds."

8. Damith Tennakoon

Executive Director/Deputy Chief Executive Officer/Chief Financial Officer

Mr Tennakoon was appointed to the Board in April 2011. He is a Fellow of the Chartered Institute of Management Accountants, UK and a Chartered Global Management Accountant. He counts over 27 years experience in banking, finance and life insurance.

9. Roshan Abeygoonewardena

Executive Director – Corporate Finance

Mr Abeygoonewardena was appointed to the Board in 2011. He is a Fellow of the Chartered Institute of Management Accountants, UK and an Associate Member of the Institute of Certified Management Accountants of Sri Lanka. Mr Abeygoonewardena counts over 24 years experience in the financial services industry and 3 years in the manufacturing industry. He is a Non-Executive Director of Unisons Capital Leasing Limited as well. He is the present Chairman of the Finance House Association of Sri Lanka (FHASL), the apex body for the Non-Bank Financial Institutions in Sri Lanka.

10. Dave De Silva

Executive Director – Business Operations

Mr De Silva was appointed to the Board on 1 January 2012 as an Independent Non-Executive Director and thereafter appointed as Executive Director – Business Operations in October 2016. He holds a Bachelor of Business Administration Degree from the University of Sri Jayewardenepura and is an Associate Member of the Chartered Institute of Management Accountants, UK. He counts over 23 years experience in financial services, oil and gas, telecom infrastructure and pharmaceutical industries.

11. Sasindra Munasinghe

Executive Director – Sales and Business Development

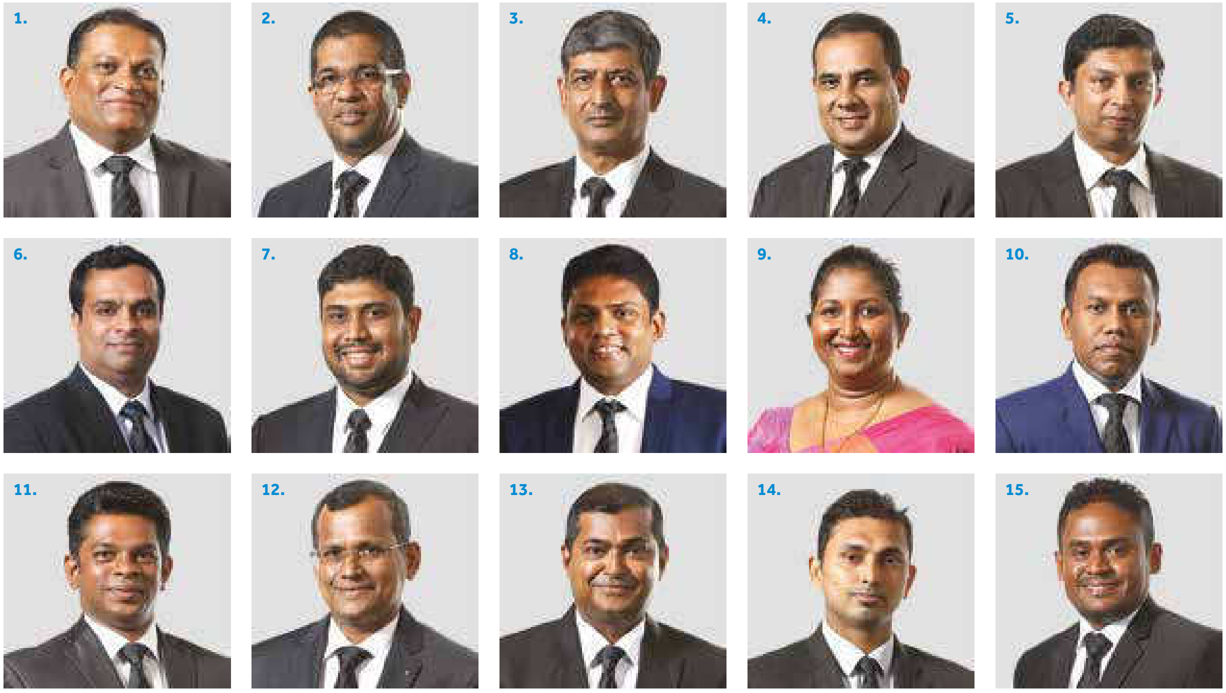
Mr Munasinghe was appointed to the Board in April 2011. He holds an MBA from the Federation University of Australia. He counts over 26 years experience in the leasing industry. He was instrumental in setting up leasing operations at CDB including credit evaluations, recoveries, operations and marketing. He is a Non-Executive Director of Unisons Capital Leasing Limited as well.

12. Alastair Corera

Independent Non-Executive Director

Mr Alastair Corera is an Executive Director of Orion Fund Management (Pvt) Ltd, a position he has held since 2006. Previously, he was at Fitch Ratings Lanka Ltd. where he headed the Financial Institutions team and was its Country Head from 2004 to 2006. Prior to that he was General Manager at Forbes ABN AMRO Securities (Pvt) Ltd. Mr Corera is a Chartered Financial Analyst, USA and a Fellow Member of the Chartered Institute of Management Accountants, UK.

CORPORATE MANAGEMENT TEAM



1. Mahesh Nanayakkara
Managing Director/
Chief Executive Officer

Refer page 107 for the profile.

2. Damith Tennakoon
Executive Director/Deputy Chief Executive Officer/Chief Financial Officer

Refer page 108 for the profile.

3. Roshan Abeygoonewardena
Executive Director – Corporate Finance

Refer page 108 for the profile.

4. Dave De Silva
Executive Director – Business Operations

Refer page 108 for the profile.

5. Sasindra Munasinghe
Executive Director – Sales and Business Development

Refer page 108 for the profile.

6. Karthik Elangovan
Unisons Capital Leasing Limited
Director/Chief Executive Officer

Mr Karthik is a Chartered Marketer, a Fellow of the Chartered Institute of Marketing of UK and a Practicing Marketer of SLIM. He holds a BSc in Management from the University of Sri Jayewardenepura and an MBA from the Postgraduate Institute of Management (PIM). He was conferred the Honorary Fellow of the Institute of Marketing of Malaysia. He has attended Executive Development Programmes at Harvard Business School (HBS) Boston, USA. He also holds a National Diploma in Human Resource Management (IPM) and is a Chartered Global Management Accountant (CGMA) as well. Mr Karthik joined CDB as Assistant Manager – Marketing in July 2004 and was responsible for the development of the CDB Brand. He is a member of the corporate management team and currently serves as the Director/ CEO of Unisons Capital Leasing Limited (UCL), which is a subsidiary of CDB. He was the President of SLIM (Sri Lanka Institute of Marketing) for the year of 2017/18.

7. Maduranga Heenkenda
General Manager – Emergent Business Strategy and Sales

Mr Heenkenda holds an MBA from University of Wales and Postgraduate Diploma from Chartered Institute of Marketing, He also holds Chartered Certificate of "Risk in Financial Services" from the Chartered Institute of Securities and Investment. Further he is a Practicing Marketer of (SLIM) and Certified Professional Marketer (CPM) of Asia Marketing Federation.

Mr Heenkenda is a Member of Chartered Institute of Marketing, (MCIM) and Sri Lanka Institute of Marketing (MSLIM), also an Associate Member of Chartered Institute of Securities and Investment (ACSI) UK., Further he followed an Executive Education Programme at Harvard Business School (Boston).

In his 20 years of career, he was involved in corporate planning, branding, digital strategy and franchise operations and he has been instrumental in leading many profitable markets in the industry and acclaimed national recognition

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for such initiatives at SLIM-NASCO 2010 as "the most outstanding manager of the year" among the 22 industries,

8. Imdaad Naguib

Emergent Business Information Technology

Mr Imdaad holds an MSc in Business Information Systems from the Sri Lanka Institute of Information Technology (SLIIT). He is a member of the British Computer Society. He counts over 20 years in the Financial Services and Information Technology industries. Mr Imdaad has extensive experience in Digital Banking and e-Commerce Platforms, Payment Card Platforms, Management Information Systems, Software Engineering, Project Management and Cyber Security.

9. Nayanthi Kodagoda

General Manager – HR and Administration

Ms Kodagoda is an Associate Member of the Sri Lanka Institute of Credit Management. She counts over 22 years experience in the finance business industry and is an expert in the operational aspects of finance, HR, credit administration and branch operations. Ms Kodagoda has served CDB for 22 years.

10. Hasitha Dassanayake

Senior Deputy General Manager – Innovation and Business Intelligence

Mr Dassanayake holds an honours degree of Bachelor of Commerce from University of Colombo and an MBA, University of Sri Jayewardenepura, Post Graduate Institute of Management (PIM). He is an Associate Member for Chartered Institute of Management Accountants (UK) and a Chartered Global Management Accountant (CGMA). He counts for over 13 years of experience at CDB. Prior to his appointment to Innovation and Business Intelligence, he had accumulated over 11 years of experience in the Finance Division. He currently heads Innovation and Business Intelligence.

11. Isanka Kotigala

Senior Deputy General Manager – Sales

Mr Kotigala holds an MBA from the University of Wales. He has gained both local and international experience prior to joining CDB. He counts over 8 years experience in well-recognised multinational companies. Mr Kotigala has served CDB for over 12 years.

12. Ranjith Gunasinghe

Senior Deputy General Manager – Risk and Compliance

Mr Gunasinghe holds Master of Financial Economics (MFE) from the University of Colombo, an MBA from the University of Southern Queensland, Australia, and a Postgraduate Diploma in Business and Financial Administration from The Institute of Chartered Accountants of Sri Lanka. He is a Certified Professional Marketer of the Asia Marketing Federation and holds a Postgraduate Diploma in Marketing from Sri Lanka Institute of Marketing (SLIM). He counts over 20 years experience in the finance business industry and has served CDB for over 17 years.

13. Sudath Fernando

Senior Deputy General Manager – Credit/Leasing

Mr Fernando counts 28 years experience in banking and finance business industry. He has served CDB for over 10 years.

14. Ruwan Chandrajith

Deputy General Manager – Finance and Planning

Mr Chandrajith holds a BSc (Accountancy) (Sp) from the University of Sri Jayewardenepura. He is an Associate Member of The Institute of Chartered Accountants of Sri Lanka. He counts nearly 16 years of experience in financial management and auditing and has served CDB for over 9 years.

15. Darshana Jayasinghe

Deputy General Manager – Marketing

Mr Jayasinghe is a professional Marketer with over 13 years in Brand Marketing and Communications. A member of the Chartered Institute of Marketing of UK and the Vice President of Marketing Alumni of University of Sri Jayewardenepura. He holds a Masters in Business Studies from the University of Colombo and 1st Class Bachelor's Degree in Marketing Management from the University of Sri Jayewardenepura.

MANAGEMENT TEAM

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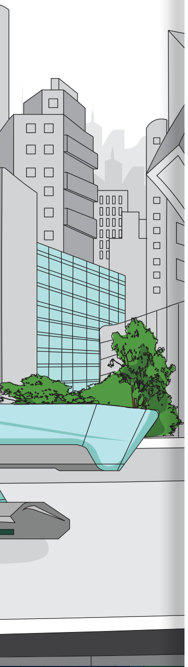


1. Nadee Silva
Senior Assistant General Manager - Business Development

2. Prasad Ranasinghe
Senior Assistant General Manager – Non-Auto Finance

3. Herath Dharmadasa
Senior Assistant General Manager – Business Development

4. Dassana Chandrananda
Assistant General Manager – Business Development

5. Sanjeewa Ranathunga
Assistant General Manager – Post Disbursement Follow-up

6. Priyantha Jayawardena
Assistant General Manager – Auto Finance Portfolio Sales

7. Aruni Panagoda
Assistant General Manager – Insurance

8. Sarath Kumara
Assistant General Manager – Credit Operations

9. Lalith Peiris
Assistant General Manager – Liability Portfolio Sales

10. Mahesh Pathmalal
Assistant General Manager – Enterprise Risk Management

11. Heshan Bandara
Senior Manager – Risk

12. Subash Kumar
Senior Manager – Special Business Unit

13. Rizvi Mohomed
Senior Manager – Information System

14. Steve Gabriel
Senior Manager – Credit Cards

15. Tharanga Udawaththa
Senior Manager – Information Security

16. Darshana Amerasinghe
Senior Manager – Compliance and Tax

17. Aravinda Perera
Senior Manager – Business Development

18. Ashad Weerabangsa
Senior Manager – Branch Operations

19. Bandula Kumara
Senior Manager – Business Development

20. Eranga Gunaratne
Senior Manager – Human Resources

21. Asenath Wijeratne
Manager – Business Development

22. Chamath Siriwardana
Manager – Finance Reporting and Planning

23. Chamil Silva
Manager – Business Development

24. Dilruk Abeydiwakara
Manager – IT Operations

25. Garry Reith
Manager – Business Development

26. Laavanya Paheerathan
Manager – Legal

27. Nadarajah Sasigar
Manager – Business Development

28. Nuwan De Silva
Manager – Finance Operations

29. Priyangani Wickramage
Manager – Repossessed Vehicles Unit

30. Rangana Pragnarathna
Manager – Business Development

31. Tharanga Suraweera
Manager – Business Development

32. Yenara Udayanga
Manager – Business Development

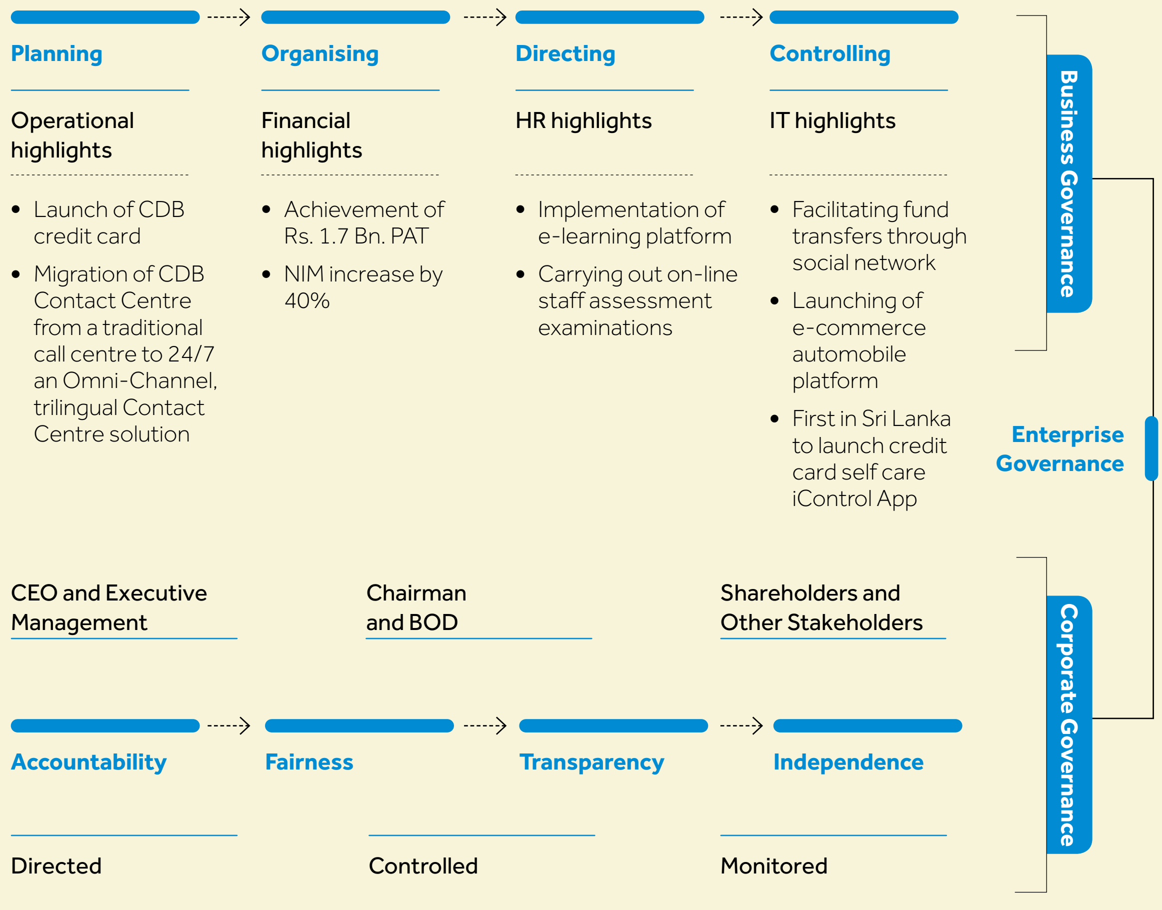
CORPORATE GOVERNANCE

[GRI 102-18, 102-19, 102-22]

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Refer pages 20 and 21 for more details

CDB enterprise governance framework



CDB enterprise governance

CDB considers enterprise governance as one of the most critical components of creating value to our stakeholders. Hence, above diagram clearly illustrates how CDB balances both business and corporate governance in order to create maximum value to stakeholders. In creating such value, CDB always strives to implement the right processes, structures and relational mechanisms which in turn would achieve the set objectives of the Organisation.

Enterprise governance constitutes the entire accountability framework of CDB. There are two dimensions of enterprise governance – conformance (i.e., Corporate Governance) and performance (i.e., Business Governance).

CDB's Corporate Governance mainly covers areas such as Board structure and roles of the Board. Further, Board uses well established oversight mechanisms to ensure that CDB at all times maintains a good corporate governance culture.

As the second part of enterprise governance, Business Governance focuses on creating value to its stakeholders by effectively utilising the resources. These value creations would come from operational aspects, financial aspects and also from IT.

Corporate governance

CDB is committed to maintaining a high standard of corporate governance practices within the Organisation and devotes considerable effort to identify and formalise best practices. We believe that sound and effective corporate practices are fundamental to the smooth, effective and transparent operation of a company and its ability to attract investment, protect the rights of shareholders and other stakeholders, and enhance shareholder value.

Further, CDB's Board of Directors always works to bolster the effectiveness of the Organisation governance models in order to create the above stated value to its stakeholders. CDB's Board whenever requires strengthen their governance frameworks and policies and reasserted their governance roles, and further clarify the responsibilities of other Board Committees. At the same time CDB allocates resources to Senior Management to enhance the governance frameworks whenever the necessity arises.

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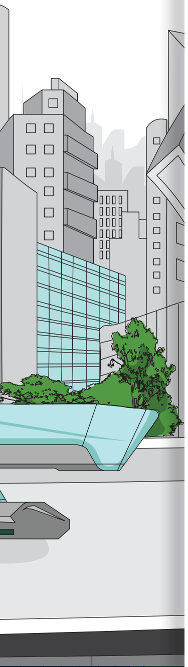
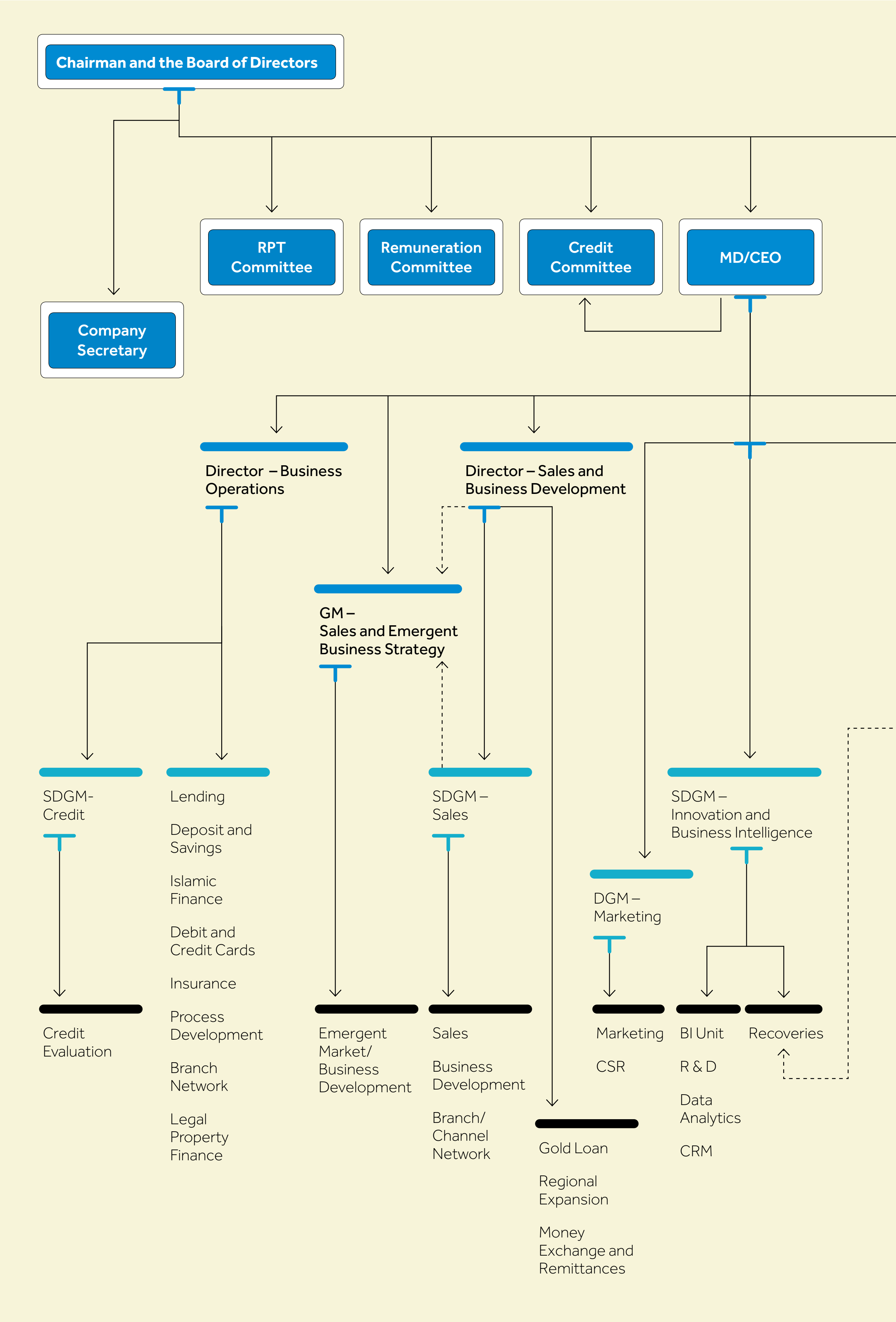
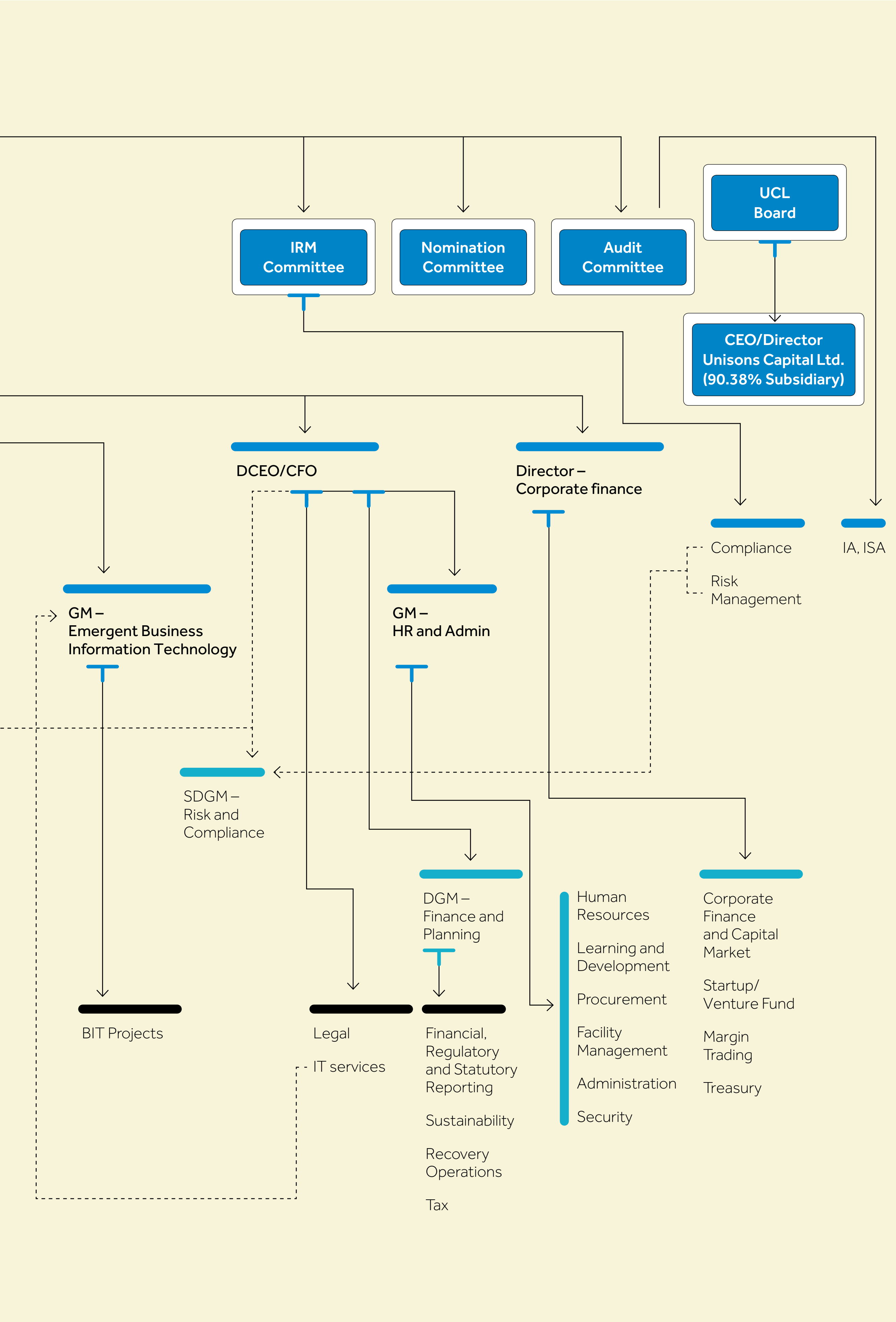


Set out below is the current Governance Structure: [GRI 102-23]




IRM Committee
Nomination Committee
Audit Committee
UCL Board
CEO/Director Unisons Capital Ltd. (90.38% Subsidiary)
DCEO/CFO
Director – Corporate finance
Compliance
Risk Management
IA, ISA
GM – Emergent Business Information Technology
GM – HR and Admin
SDGM – Risk and Compliance
DGM – Finance and Planning
Human Resources
Learning and Development
Procurement
Facility Management
Administration
Security
Corporate Finance and Capital Market
Startup/ Venture Fund
Margin Trading
Treasury
BIT Projects
Legal
IT services
Financial, Regulatory and Statutory Reporting
Sustainability
Recovery Operations
Tax

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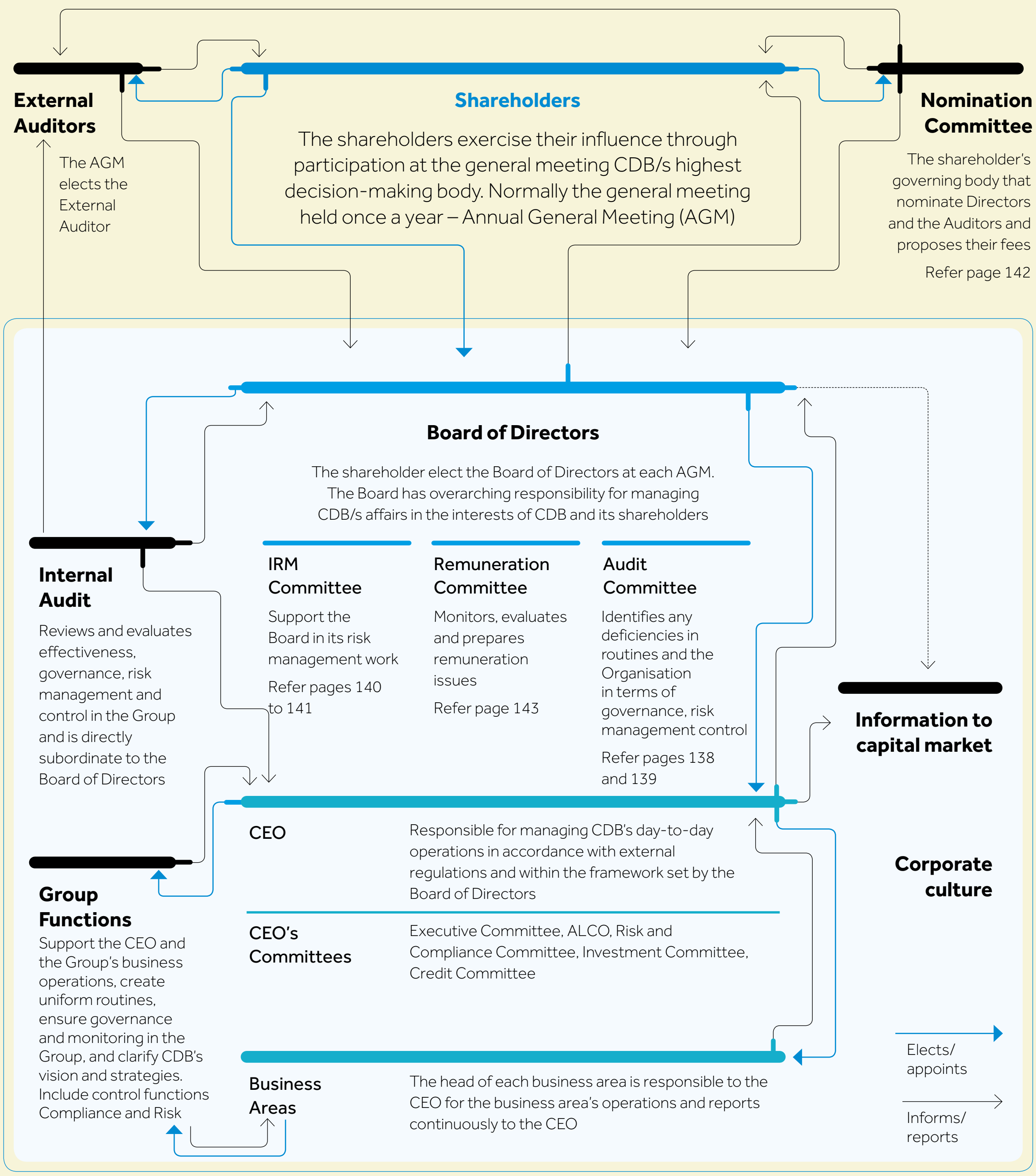
Comprehensive guidelines, policies and procedures have been formulated by the Board in support of the CDB's corporate governance framework including the "Guidelines on Internal Control System", "Corporate Policy on Staff Responsibility", "Whistle-blowing Policy", "Communication Policy", and the terms of reference for various Board committees. These documents are reviewed regularly by the Board and the relevant Board committees and are updated in line with the amendments of applicable legislations and rules as well as the current market practices.

Below diagram depicts the detailed Corporate Governance Framework followed by CDB:

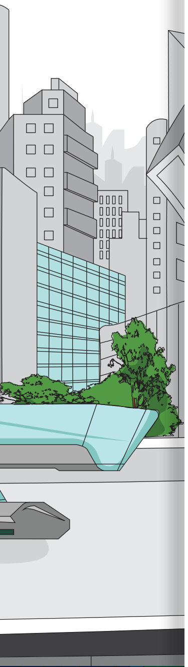
Corporate governance framework



Above diagram clearly illustrates the level of accountability and transparency to its stakeholders by covering all aspects such as financial reporting, level of disclosures and respecting the rights and needs of stakeholders.

CDB's stewardship is mainly established by the Board and the Corporate Management through clearly defined objectives, strategies and responsibilities. Further, CDB currently practices three lines of defence model which helps it mitigate risk exposures in an effective and efficient manner.

With all these aspects, CDB strives to add value to its stakeholders through efficient and effective ways of utilising the resources and thereby introducing state-of-the-art technology, providing low cost financial services and unmatched customer service to its valued customers.



Compliance process in CDB depicted in the below diagram would further strengthen our Corporate Governance Process:

Corporate governance process

Compliance in financial institutions is increasingly getting sophisticated with growing regulatory demands. Hence, CDB has devoted substantial resources to ensure compliance.

CDB's approach on certain aspects of compliance has gradually changed from rule based to risk based. Above diagram clearly illustrates the CDB's Compliance function and how it can support the Organisation's ultimate objective of creating value to its stakeholders.

Board of Directors

Chairman
Herschel Gunawardena

Executive Directors
C M Nanayakkara
T M D P Tennakoon
R H Abeygoonewardena
S V Munasinghe
D A De Silva

Non-Executive Directors
P A J Jayawardena
S R Abeynayake
Prof A Dharmasiri
Prof S P P Amaratunge
Razik Mohamed
J R A Corera (Appointed w.e.f. 16 May 2019)

The Board

Good governance is essential for the long-term survival and success of a financial institution. Therefore, CDB considers this success greatly depends on the skills, experience and knowledge of its Board of Directors and also with Executive Management.

Financial services are becoming complex day-by-day, so much so that its risks cannot be monitored only by the regulator. CDB believes that the safety and soundness of finance sector requires the upfront involvement of the Board of Directors.

Whilst protecting the safety and soundness of the industry, one of the primary roles of the CDB Board is to protect and enhance long-term shareholder value. Further, Board sets the overall strategy for CDB and supervises Executive Management. It also ensures that Good Corporate Governance policies and practices are implemented within the CDB. In the course of discharging its duties, the Board acts in good faith, with due diligence and care, and in the best interests of the Company and its shareholders.

The Board currently comprises 12 members whose biographical details are set out in the Board of Directors and Corporate Management Section of this Annual Report. Updated biographical details of each Director are also available on the Company's website.

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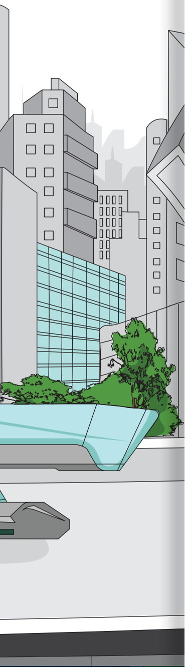


Day-to-day operations of the business of the Company are delegated to the Management who is led by the Executive Directors. They are being closely monitored by the Board and are accountable for the performance of the Company as measured against the corporate goals and business targets set by the Board.

Furthermore, the Board has separate and independent access to the Senior Management and the Company Secretary at all times. With prior request to the Company Secretary, the Board is given access to independent professional advice any time when it thinks appropriate.

The posts of Chairman and Chief Executive Officer of the Company are separate to ensure a clear distinction between the Chairman's responsibility to manage the Board and the Chief Executive Officer's responsibility to manage the Company's business.

CDB Board effectiveness process

Board composition and Directors capabilities

- Board composition
- Director succession
- Director remuneration and trends

Board evaluation and renewal

Director duties and responsibilities

- Individual Director skills/expertise
- Role of MD/CEO (Refer page 119)
- Oversight of the Board
- Role of Chairman (Refer page 119)
- Role of Non-Executive Directors
- Duties towards minority shareholder's

Board structure, processes and protocols

- General assembly
- Annual Board calendar
- Decisions and voting process
- Subcommittee (6)
- Confidentiality and disclosure
- Type and location of Board meeting

Effective Board dynamics

Interactions in meetings, discipline in discussions, effective probing and conflict management

Delivering on the roles of the Boards

Strategy development

- Supporting strategic planning
- Understanding industry context and evaluation

Performance management

- Holding performance dialogues
- Managing consequences

Risk management

- Understanding overall exposure
- Approving risk boundaries
- Guiding risk mitigation

Capital market

- Leveraging capital markets' view of Company
- Communicating with capital market

Senior Management evaluation and development

- Evaluating of top talent
- Developing leaders
- Managing CEO succession

Chairman's Responsibilities	MD/CEO's Responsibilities
To keep abreast of the activities of the Company and its Management in general;	Developing CDB's strategy for consideration and approval by the Board and its implementation thereafter;
To develop and set the agendas for meetings of the Board in collaboration with the CEO;	Developing and recommending budgets to the Board to support CDB's mid and long-term strategy;
To call for special meetings of the Board where appropriate;	Monitoring and reporting to the Board on the performance of CDB and its compliance with applicable legal and regulatory obligations;
To sit on other Committees of the Board where appropriate as determined by the Board;	Ensuring that CDB operates within the approved risk appetite; and
To ensure that the Directors are properly informed and that sufficient information is provided to enable the Directors to form appropriate judgements; and	Ensuring proper succession planning of the Executive Team and assessing their performance.
To assess and make recommendations to the Board annually regarding the effectiveness of the Board as a whole, the committees of the Board and individual Directors.	

Board meetings

The Board meets once a month and holds additional meetings as and when the Board thinks necessary.

Twelve Board meetings were held during the FY 2018/19. Notice of not less than 14 days was given to Directors for the regular Board meetings. Draft agenda for Board meetings is prepared by the Company Secretary and is circulated to all Directors for comments before each meeting. Directors were given an opportunity to include any other matters in the agenda. The agenda, together with Board Papers is uploaded in the Boardpac in full, not less than seven business days before the intended date of the Board meeting.

Minutes of Board meetings were prepared by the Company Secretary with details of decisions reached and any concerns raised. The draft minutes were sent to all Directors within a reasonable period of time after each meeting for their comments before being formally signed by the Chairman of the meeting. Copies of the final version of minutes of the Board meetings were sent to the Directors for information and record.

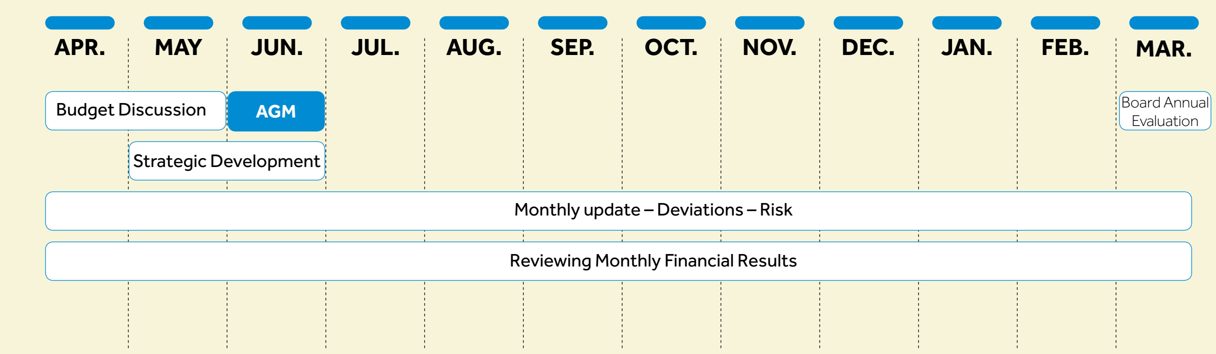
At each regular Board meeting, Executive Directors of the Company made presentations to the Board on various aspects, including the business performance, financial performance, corporate governance, outlook, etc.

Throughout FY 2018/19, Directors of the Company also participated in the consideration and approval of matters of the Company by way of written resolutions circulated to them. Supporting written materials were provided in the circulation and verbal briefings were given by the subject Executive Directors or the Company Secretary when required.

Directors of CDB play an active role while participating in the Company's meetings through contribution of their professional opinions and actively engaging in discussions. The attendance record of each of the Directors at the Board meetings held during FY 2018/19 is given below:

Name of the Director	Executive	Non-Executive	Independent	Non-Independent	Attendance at Board Meetings											
					25/04/2018	30/05/2018	13/06/2018	18/07/2018	22/08/2018	05/09/2018	17/10/2018	21/11/2018	12/12/2018	16/01/2019	20/02/2019	27/03/2019
1. Mr D H J Gunawardena		✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
2. Mr C M Nanayakkara	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
3. Mr R H Abeygoonewardena	✓			✓	✓	✓	✓	✓	✓	✓	×	✓	✓	✓	✓	✓
4. Mr T M D P Tennakoon	✓			✓	✓	✓	✓	✓	×	✓	✓	✓	✓	✓	✓	✓
5. Mr S V Munasinghe	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
6. Mr P A J Jayawardena		✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	×	✓
7. Mr S R Abeynayake		✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
8. Mr D A de Silva	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
9. Prof A Dharmasiri		✓	✓		✓	✓	✓	✓	✓	×	✓	✓	✓	✓	✓	✓
10. Mr Razik Mohamed		✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
11. Prof S P P Amaratunge		✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

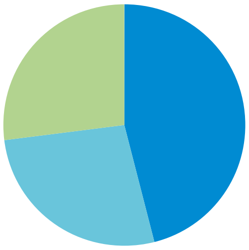
Board Work for 2018/19



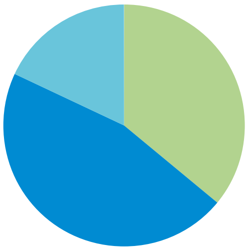
Board diversity

CDB always believes that a truly diverse Board will benefit the Company by making good use of differences in the skills, industrial experience, background, race, gender and other qualities of members of the Board. These differences will be taken into account in determining the optimum composition of the Board. The graph below depicts the composition of the Board in terms of Executive, Non-Executive and Independent Non-Executive Directors:

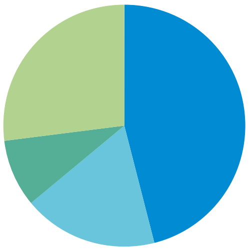
Board composition [%]



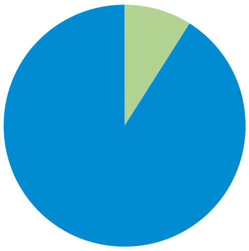
Board composition by age as at 31 March 2019 [%]



Board composition by professional experience as at 31 March 2019 [%]



Board composition by length of tenure as at 31 March 2019 [%]



CDB's level of compliance with corporate governance [GRI 419-1]

CDB has complied with the provisions in all the applicable codes and directions on corporate governance. Accordingly, the Company is in compliance with the "Code of Best Practice on Corporate Governance 2017" issued by The Institute of Chartered Accountants of Sri Lanka (the ICASL) as well as the Finance Companies (Corporate Governance) Direction No. 03 of 2008 and subsequent amendments issued by the Monetary Board of the Central Bank of Sri Lanka under the Finance Business Act No. 42 of 2011.

SECTION I

Statement of Compliance

The disclosures below reflect CDB's level of conformance to the "Code of Best Practice on Corporate Governance 2017" Issued by The Institute of Chartered Accountants of Sri Lanka, which comprises eight fundamental principles relating to the following aspects:

A. Directors

B. Directors' Remuneration

C. Relations with Shareholders

D. Accountability and Audit

E. Institutional Investors

F. Other Investors

G. Internet of Things and Cyber Security

H. Environment, Society and Governance (ESG)

Corporate Governance Principles	CA Sri Lanka Code Reference	Compliance Status	CDB's Level of Compliance

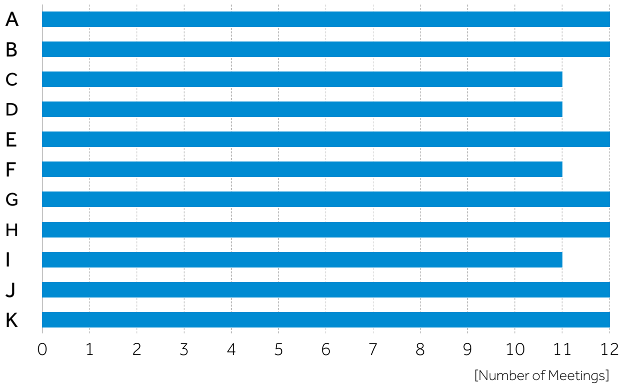
A. Directors

A.1 The Board

The Company should be headed by a Board, which should direct, lead and control the Company
The Board consists of professionals in Finance, Accounting, Management, Information Technology, Marketing, Human Resources and Business Leaders. All Directors possess the skills and experience and knowledge complemented with a high sense of integrity and independent judgement. Their leadership skills, direction provided and controls put in place ensure the achievement of the objectives of the Company set out in the corporate plan and the budget which aim to satisfy the expectations of all stakeholders.

Corporate Governance Principles	CA Sri Lanka Code Reference	Compliance Status	CDB's Level of Compliance
Board meetings	A.1.1	Compliant	Board meetings are held monthly mainly to review the performance of the Company and other matters referred to the Board by the heads of respective divisions, while special Board meetings are convened whenever necessary. These meetings ensure that prompt action is taken to align the business processes to achieve the expectations of all stakeholders.

Attendance of Board Meetings



A	Mr D H J Gunawardena	Mr C M Nanayakkara	B
C	Mr R H Abeygoonewardena	Mr T M D P Tennakoon	D
E	Mr S V Munasinghe	Mr P A J Jayawardena	F
G	Mr S R Abeynayake	Mr D A De Silva	H
I	Prof A Dharmasiri	Mr Razik Mohamed	J
K	Prof S P P Amaratunge		

Please refer "Number of meetings held and attendance" table given on page 119 on the Annual Report.

Corporate Governance Principles	CA Sri Lanka Code Reference	Compliance Status	CDB's Level of Compliance
Responsibilities of the Board	A.1.2	Compliant	The Board is collectively responsible for the success of the Company. The Board formulates the business strategy and ensures that MD/CEO and the Management Team possess the skills, experience and knowledge to implement the strategy. It also ensures that effective systems are in place to secure integrity of the information, internal controls and risk management and compliance with all applicable laws and regulations. The Independent Directors are responsible for bringing independent judgement to decisions made by the Board. The Board is satisfied with the integrity of financial information and the robustness of the financial controls and system of risk management of the Company.
Compliance with laws and access to independent professional advice	A.1.3	Compliant	The Board collectively as well as the Directors individually, recognised their duty to comply with laws of the country which are applicable to the Company. The Board of Directors ensures that procedures and processes are in place to ensure that the Company complies with all applicable laws and regulations. A procedure has been put in place for Directors to seek independent professional advice, in furtherance of their duties, at the Company's expense. This will be co-ordinated through the Board Secretary, as and when it is required. In addition, the Board is assisted by several Board subcommittees on various matters.

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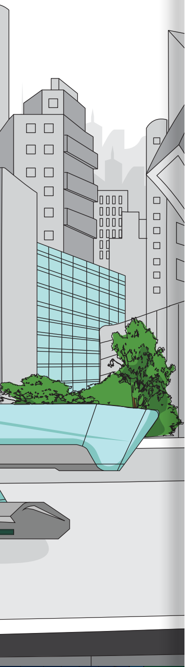


Corporate Governance Principles	CA Sri Lanka Code Reference	Compliance Status	CDB's Level of Compliance
Advice and services of the Company Secretary	A.1.4	Compliant	All secretarial matters for which clarification is needed by the Board are referred to the Company Secretary who has the required qualifications as set out in the Companies Act. Company Secretary provides all information after obtaining necessary professional advice, whenever required to do so. All Board members have access to the Company Secretary to ensure that proper Board procedures are followed and that all applicable rules and regulations are complied with. Consent of all Board members is required for the removal of the Company Secretary.
Independent judgement of Directors	A.1.5	Compliant	None of the Directors have held executive responsibilities in their capacity as Non-Executive Directors. The Non-Executive Directors do not have any business interests that could materially interfere with the exercise of their independent judgement. Directors are required to disclose all transactions with the Company, including those of their close family members as required by the relevant Sri Lanka Accounting Standards and the Companies Act, and these requirements have been complied with.
Dedication of adequate time and effort for matters of the Board	A.1.6	Compliant	The Board members dedicate adequate time and effort to fulfill their duties as Directors of the Company (both before and after the Board meetings) to ensure that the duties and responsibilities owned to the Company are discharged accordingly. In addition to attending Board meeting, they have attended Subcommittee meetings and also have made decisions via circular resolutions where necessary. The Board Subcommittees include: – Audit Committee, – Integrated Risk Management Committee, – Credit Committee, – Remuneration Committee, – Nomination Committee. – Board Related Party Transaction Review Committee Further additional meetings and discussions are held with the Management whenever the need arises.
Resolutions to be presented	A.1.7	Compliant	One-third of Directors can call for a resolution to be presented to the Board.
Training for new and existing Directors	A.1.8	Compliant	Both new and existing Directors of the Company are provided guidelines on general aspects of directorship and industry specific matters. In this regard, the Directors have recognised the need for continuous training, expansion of knowledge and to take part in such professional development as and when they consider necessary which would assist them to carry out duties as Directors. During the year, presentations were made to the Board/Board Subcommittees by the Company from time to time on industry specific matters and regulatory updates. The Directors have attended a number of meetings with the Corporate Management Teams to familiarise themselves with the Company strategy, operations and internal control. Director Training Focus Area 2018/19 were: • Accounting Standards • Governance • Cyber Security etc.

A.2 Chairman and Chief Executive Officer (CEO)

There is a clear separation in the duties of the Chairman and the Chief Executive Officer to ensure a balance of power and authority, in such a way that any individual has no unfettered powers of decisions.

The roles of the Chairman and the MD/Chief Executive Officer are functioning separately in the Company. The Chairman is responsible for leading, directing and managing the work of the Board to ensure that it operates effectively and fully discharges its legal and regulatory responsibilities. The MD/CEO's role is primarily to conduct the business operations of the Company with the help of the Corporate Management.

Corporate Governance Principles	CA Sri Lanka Code Reference	Compliance Status	CDB's Level of Compliance
Division of responsibilities of the Chairman and MD/CEO	A.2.1	Compliant	The roles of the Managing Director and the Chairman are not combined. The Chairman is a Non-Executive Director while the Managing Director serves as an Executive Director of the Company. This is to ensure a balance of power in strategic and operational decisions such that no one possesses unfettered powers of decisions.

A.3 Chairman's role

The Chairman's main role is to lead and manage the Board, ensuring that it discharges its legal and regulatory responsibilities effectively and fully. He preserves order and facilitates the effective discharge of the Board function.

The profile of Mr Herschel Gunawardena, the Chairman is given on page 107.

Role of the Chairman	A.3.1	Compliant	The Chairman's main role is to lead and manage the Board, ensuring effectiveness in all aspects of its role. The Chairman of the CDB is a Non-Executive Director. The Chairman's role encompasses that: • The views of Directors on issues under consideration are ascertained. • The Board is in complete control of the Company's affairs and alert to its obligations to all shareholders and other stakeholders. • All Directors are encouraged to make an effective contribution within their respective capabilities, for the benefit of the Company. • A balance of power between Executive and Non-Executive Directors is maintained. • Representing the views of the Board to the public.

A.4 Financial acumen

The Board should ensure the availability within it of those with sufficient financial acumen and knowledge to offer guidance on matters of finance.

There are a sufficient number of Board members who possess finance qualifications and experience in the Financial Services Industry and provide significant input in matters concerning this area.

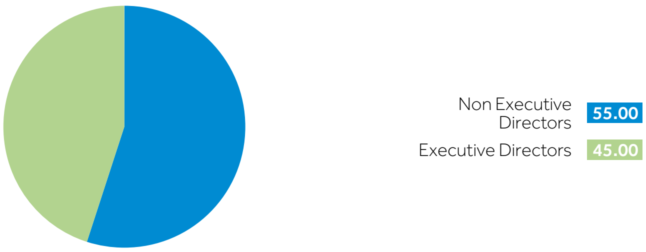
Availability of sufficient financial acumen and knowledge	A.4	Compliant	The Chairman is a fellow member of the Chartered Institute of Management Accountants of UK while MD/CEO is also a member of the Chartered Institute of Management Accountants of UK. In addition, the Board includes two members of the Institute of Chartered Accountants of Sri Lanka and four members of the Chartered Institute of Management Accountants of UK. Directors' profiles are given on pages 107 and 108.

A.5 Balance of the Board

The Code recommends having a balance of Executive and Non-Executive Directors so that no individual or small group of individuals can dominate the Board's decision-making.

Presence Non-Executive Directors	A. 5.1	Compliant	During the FY 2018/19, six of the eleven Directors are Non-Executives (NED) which is well above the minimum prescribed by this Code which is two NEDs or NEDs equivalent to one-third of the total number of Directors, whichever is higher. This ensures that the views of NEDs carry a significant weight in the decisions made by the Board. Further, w.e.f. 16 May 2019 an Independent Non-Executive Director appointed to the Board.

Executive Directors Vs Non-Executive Directors



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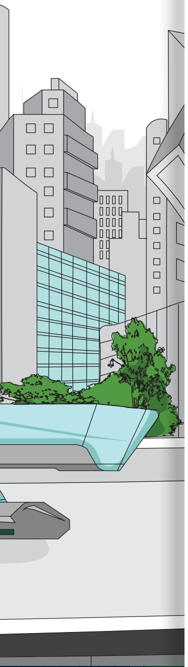
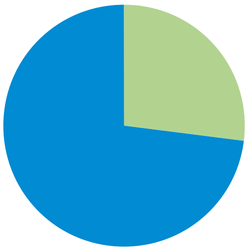


Corporate Governance Principles	CA Sri Lanka Code Reference	Compliance Status	CDB's Level of Compliance
Independent Directors	A.5.2	Compliant	During the FY 2018/19, three out of six Non-Executive Directors are Independent as defined by the Code. In addition, w.e.f. 16 May 2019 another Independent Non-Executive Director appointed to the Board.

Independent Vs Non-Independent Directors [%]



Independence evaluation review	A.5.3	Compliant	All three Independent Directors are independent of Management and free of any business or other relationships that could impair their independence.
Signed declaration of Independence	A.5.4	Compliant	All Non-Executive Directors of the Company have made written submissions as regards their independence against the specified criteria set out by the Company, which is in line with the requirements of Schedule K of the Code.
Determination of Independence of the Directors by the Board	A.5.5	Compliant	The Board has determined the independence of Directors based on the declarations submitted by the NEDs, as to their independence, as a fair representation and will continue to evaluate their independence on this basis annually. No circumstances have arisen for the determination of independence by the Board, beyond the criteria set out in the Code. Independent Non-Executive Directors are: Prof A S Dharmasiri Prof Sampath Amaratunge Mr Razik Mohamed Mr J R A Corera (Appointed w.e.f. 16 May 2019) Ms Udayanthi Senevirathna (resigned with effect from 23 April 2018)
Appointment of Alternative Director	A.5.6	Compliant	Where the Alternative Director is appointed, requirements of the Code have been compliant.
Senior Independent Director	A.5.7	Compliant	The Company has designated Prof A S Dharmasiri as the Senior Independent Director, to meet the requirement under this Code and under Section 7 (2) of the Finance Companies (Corporate Governance) Direction No. 03 of 2008 issued by the CBSL.
Confidential discussion with the Senior Independent Director	A.5.8	Compliant	Confidential discussions are held with the Senior Independent Director, whenever the need arises.
Meeting of Non-Executive Directors	A.5.9	Compliant	Chairman meets with the Non-Executive Directors without the presence of MD/CEO, on a need basis.
Recording of concern in Board minutes	A.5.10	N/A	There were no concerns raised by the Directors during the year, which needed to be recorded in the Board meeting minutes.

A.6 Supply of information

Management is required to provide time bound information in a form which does not compromise quality to enable the Board to discharge its duties. Financial and non-financial information is analysed and presented to the Board to make informed and accurate decisions.

Corporate Governance Principles	CA Sri Lanka Code Reference	Compliance Status	CDB's Level of Compliance
Information to the Board by the Management	A.6.1	Compliant	The Board was provided with timely and appropriate information by the Management by way of Board Papers and proposals. The Board sought additional information as and when required. Corporate and Senior Management made presentations on issues of importance. The Chairman ensured that all Directors were briefed on matters arising from Board meetings. The Directors have free and open contact with Corporate and Senior Management of the Company.
Adequate time for effective Board meetings	A.6.2	Compliant	Board was provided with timely and appropriate information by the Management by way of Board Papers and proposals. The Board sought additional information as and when necessary. Further, refer pages 119 to 120 for Board meeting write up.

A.7 Appointments to the board

In terms of the Company's Articles of Association, the majority shareholder is entitled from time to time, by writing under the hand of its Chairman, to make appointments of new Directors. The said appointments are notified to the Board of Directors immediately. In identifying suitable candidates for appointment as Executive and Non-Executive Directors, professional qualifications, business experience and personal qualities are taken into consideration.

Nomination Committee and Assessment of Board composition	A.7.1 and A.7.2	Compliant	Board as a whole annually assesses Board composition to ascertain whether the combined knowledge and experience of the Board matches the strategic demands facing the Company. The findings of such assessment should be taken into account when new Board appointments are considered and when incumbent Directors come up for re-election. Refer page no 142 for the details of the Nomination Committee and its composition. Further, w.e.f. 16 May 2019, CDB has appointed a new Independent Non-Executive Director.
Disclosure of details of new Directors to shareholders	A.7.3	Compliant	When the new Directors were appointed to the Board, a brief résumé of each such Director including the nature of his/her experience, the names of companies in which the Director holds Directorship, membership, in the Board subcommittees etc. are informed to the Central Bank of Sri Lanka and the Colombo Stock Exchange in addition to disclosing this information in the Annual Report. Further, the required information is published in newspapers for information of the interested parties.

A.8 Re-election

The Code requires all Directors to submit themselves for re-election at regular intervals and at least once in every three years. It also requires that all Non-Executive Directors to be appointed for a specific term and subject to re-election.

Appointment of Non-Executive Directors	A.8.1	Compliant	Articles of Association of the Company requires, each Director to retire by rotation once in every three years and is required to stand for re-election by the shareholders at the Annual General Meeting. The proposed re-election of Directors are subject to prior review by the full Board.
Re-election by the shareholders	A. 8.2	Compliant	Refer comment above.
Resignation of Directors	A.8.3	Compliant	During the financial year, Ms U R Seneviratne resigned from the CDB Board w.e.f. 23 April 2018.

A.9 Appraisal of board performance

The Board periodically appraises its own performance against the preset targets in order to ensure that the Board responsibilities are satisfactorily discharged.

Annual appraisal of Board performance and that of its committees	A.9.1 and A.9.2	Compliant	The Board annually evaluated its performance against the annual objectives set at the beginning of the year. The performance of Board subcommittees was also evaluated against the objectives of the respective subcommittees.
Level of contribution, engagement of each Director at the time of re-election.	A.9.3	Compliant	Board already has a robust process to review the participation, contribution and engagement of each Director at the time of re-election.

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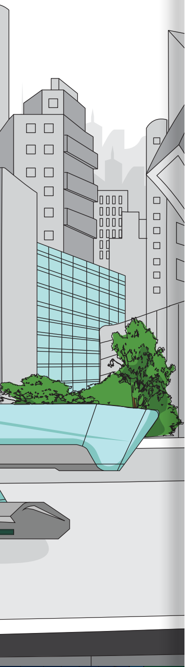

Corporate Governance Principles	CA Sri Lanka Code Reference	Compliance Status	CDB's Level of Compliance
Disclosure of Criteria used for the performance evaluation	A.9.4	Compliant	Refer page 143 for the "Report of the Remuneration Committee" in the Annual Report for details of the criteria considered for performance evaluation of the Board.

A.10 Disclosure of information in respect of Directors

The Code requires that the details in respect of each Director to be disclosed in the Annual Report for the benefit of the shareholders.

Details in respect of Directors	A.10.1	Compliant	Details of Directors are given in this Annual Report. (Refer page 106 to 108)

A.11 Appraisal of CEO

The Code requires the Board to assess the performance of the Chief Executive Officer (CEO) at least annually to ascertain the degree to which the CEO met the pre-set financial and non-financial targets.

Financial and non-financial targets for CEO	A.11.1	Compliant	MD/CEO's performance objectives are aligned with the business sustainability of the Company. The performance targets for the MD/CEO are set at the commencement of every financial year by the full Board which are in line with, medium and long-term objectives of the Company.
Annual evaluation of the performance of CEO	A. 11.2	Compliant	There is an ongoing process to evaluate the performance of MD/CEO against the financial and non-financial targets set as described above which is followed by a formal annual review by the Board at the end of each financial year.

B. Directors' Remuneration

B.1 Remuneration procedures

The Code requires companies to have a formal and transparent procedure for developing policies on executive remuneration and fixing the remuneration packages of individual Directors and also recommends that no Director should be involved in deciding his/her remuneration in order to avoid the self-review threat.

Remuneration Committee	B.1.1	Compliant	The Remuneration Committee is responsible for assisting the Board with regard to the remuneration policy for the Executive Director and the Corporate Management, and for making all relevant disclosures. The Committee determines and agrees with the Board, the broad policy framework for the remuneration of the MD/CEO. The MD/CEO participates in meetings by invitation in deciding the remuneration of the Corporate Management in order to recruit, retain and motivate the Corporate Management Team.
Composition of the Remuneration Committee	B.1.2 and B.1.3	Compliant	The following Non-Executive Directors served on the Remuneration Committee during the financial year: Mr S R Abeynayake – Committee Chairman Mr Razik Mohamed Prof A S Dharmasiri
Remuneration of Non-Executive Directors	B.1.4	Compliant	The Board as a whole decides the remuneration of the Non-Executive Directors. The Non-Executive Directors receive a fee for being a Director of the Board and additional fee for either chairing or being a member of a committee, working on special committees and/or serving on Subsidiary Boards. They do not receive any performance-related incentive payments.
Consultation of the Chairman and access to professional advice	B.1.5	Compliant	Inputs of the Chairman are obtained by his involvement as a member of the said Subcommittee. External professional advice is sought by the Remuneration Committee, on a need basis through the Board Secretary.

B.2 The level and make up of remuneration

Levels of remuneration of both Executive and Non-Executive Directors should be sufficient to attract and retain the Directors needed to run the Company successfully. The proportion of remuneration of Executive Directors is linked to corporate and individual performance.

Corporate Governance Principles	CA Sri Lanka Code Reference	Compliance Status	CDB's Level of Compliance
Level and make up of remuneration	B.2.1 to B.2.9	Compliant	The Board is mindful of the fact that the remuneration of Executive and the Non-Executive Directors should reflect the expectation of the Company and sufficient enough to attract and retain the quality of Directors needed to run the Company. The remuneration package of the MD/CEO is structured to link rewards to corporate and individual performance. The Company's remuneration framework for the CEO is designed to create and enhance value for all CDB's stakeholders and to ensure that there is strong alignment between the short-term and long-term interests of the Company.
Remuneration of the Non-Executive Directors	B.2.10	Compliant	Non-Executive Directors receive a nominal fee in line with the market practices as disclosed in this Annual Report. Non-Executive Directors do not participate in performance-related incentive schemes.

B.3 Disclosure of remuneration

The Code requires the company to disclose in its Annual Report the details of the remuneration paid and the remuneration policy.

Disclosure of Directors' remuneration in the Annual Report.	B.3.1	Compliant	Refer the Remuneration Committee Report on page 143 for disclosure of the names of the Remuneration Committee members and the remuneration policy of the Company. Also refer the Note 46.2.1 to the Financial Statements on page 245 for the aggregate remuneration paid to Executive and Non-Executive Directors.

C. Relations with shareholders

C.1 Constructive use of the Annual General Meeting (AGM) and Conduct of General Meetings

The Code requires the Board to use the Annual General Meeting to communicate with shareholders and encourage their active participation. In this regard, all shareholders of the Company receive the Notice of Meeting within the statutorily due dates.

Arranging Notice of AGM and related papers to be sent to shareholders	C.1.1	Compliant	Company ensures that all the notices relevant for AGM are disseminated well before the meeting and as per the stipulated regulatory time lines.
Separate resolution for all separate issues	C.1.2	Compliant	Separate resolutions are proposed for all substantially separate issues to provide shareholders with the opportunity to deal with each significant matter separately. This mechanism promotes better stewardship while assuring the transparency in all activities of the Company.
Use of proxy votes	C.1.3	Compliant	The Company has an effective mechanism to record all proxy votes and proxy votes lodged for each resolution prior to the general meeting.
Availability of all Board Subcommittees' Chairmen at the AGM	C.1.4	Compliant	Chairman of the Company ensures that Chairmen of all Board appointed Subcommittees are present at the AGM to answer the questions under their purview.
Adequate notice of the AGM to shareholders together with the summary of the procedure	C.1.5	Compliant	A Form of Proxy and a copy of the Annual Report are dispatched to all shareholders together with the Notice of Meeting detailing the summary of procedure as per legal requirements giving adequate notice to shareholders. This provides opportunity to all shareholders to attend the AGM based on their voting status and obtain clarifications for the matters of interest to them.

C.2 Communication with shareholders

The Board is required to implement effective communication with shareholders.

Communication with Shareholders	C.2.1 to 2.7	Compliant	The Company has implemented the relevant communication channels, disclosed the policy and methodology and other requirements of the Code for communication with shareholders.

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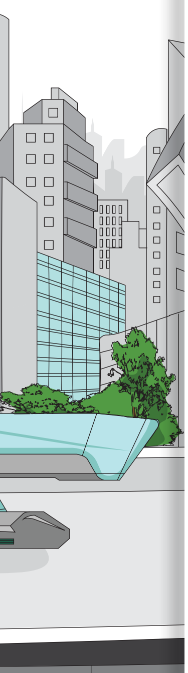

Corporate Governance Principles	CA Sri Lanka Code Reference	Compliance Status	CDB's Level of Compliance

C.3 Major and material transactions

Directors are required to disclose to shareholders all proposed material transactions which would materially alter the net asset position of the Company.

Corporate Governance Principles	CA Sri Lanka Code Reference	Compliance Status	CDB's Level of Compliance
Major transactions	C.3.1 to C.3.2	Compliant	During the year, there were no major transactions as defined by Section 185 of the Companies Act No. 7 of 2007 which materially affected CDB's net asset base. Transactions, if any, which materially affect the net assets of the Company, will be disclosed in the quarterly/annual Financial Statements. Further, all these transactions (if any, during the financial year) are reviewed by the Board-Related Party Transactions Review Committee headed by an Independent Non-Executive Director of CDB.

D. Accountability and audit

D.1 Financial and business reporting

The Board is required to present a balanced and understandable assessment of the Company's financial position, performance and prospects.

Corporate Governance Principles	CA Sri Lanka Code Reference	Compliance Status	CDB's Level of Compliance
Reports to public and Regulatory and Statutory reporting	D.1.1 to D.1.3	Compliant	CDB has reported a true and fair view of its financial position and performance for the year ended 31 March 2019 and at end of each Quarter of 2018/19. In the preparation of Financial Statements, CDB had strictly complied with the requirements of the Companies Act No. 07 of 2007, the Finance Business Act No. 42 of 2011 and amendments thereto. They are prepared and presented in conformity with Sri Lanka Accounting Standards. CDB has complied with the reporting requirements prescribed by the regulatory authorities such as the Central Bank of Sri Lanka, the Colombo Stock Exchange and the Securities and the Exchange Commission of Sri Lanka.
Directors' Report in the Annual Report	D.1.4	Compliant	The Directors' Report given in this Annual Report covers all areas of this section as required by the direction. Please refer pages 147 to 155 for Directors' Report.
Statement of Directors and Auditors responsibility for the Financial Statements, report/ statement on Internal Control.	D.1.5	Compliant	The Statement of Directors' Responsibility for Financial Reporting is given in this Annual Report as required by the direction, and Auditors' reporting responsibility is given in their audit report on the Financial Statements in this Annual Report.
Management Discussion and Analysis	D.1.6	Compliant	The Management Discussion and Analysis Report is given in this Annual Report as required by the direction.
Declaration by the Board that the business is a going concern and summoning an EGM to notify serious loss of capital.	D.1.7	Compliant	This is given in the Directors' Report. Further likelihood of such occurrence is remote. However, should the situation arise, an EGM will be called for and shareholders will be notified.
Disclosure of Related Party Transactions	D.1.8	Compliant	Relevant related party transactions are adequately and accurately disclosed in the Annual Report. Further all the related party transactions are reviewed by the BRPTR Committee.

D.2 Risk management and internal control

The Code requires the Board to have a process of risk management and a sound system of internal controls to safeguard shareholders' investments and the Company's assets.

Corporate Governance Principles	CA Sri Lanka Code Reference	Compliance Status	CDB's Level of Compliance
Review of risks facing the Company and evaluation of the Internal Control system.	D.2.1 and 2.5	Compliant	The Company has established a comprehensive framework of policies and procedures for risk management and internal controls, which are regularly reviewed and updated. The Company's Audit Committee ensures that there is an effective internal control and financial reporting system by adopting the following measures: (i) Audits are conducted by the Internal Audit Department, in areas involving high risks as identified in the annual internal audit plan. (ii) A structured process is in place for loss reporting, control exception reporting and compliance breach reporting. (iii) A comprehensive checklist is used for follow up on the status of implementation of all audit recommendations. (iv) Periodic Branch Audits are performed on the Company's branch operations. The Company obtained the External Auditor's Certification on the effectiveness of the internal control mechanism on financial reporting.
Internal audit function	D.2.3	Compliant	The Company already has its own-in-house Internal Audit Department, which is responsible for internal audit function.
Reviews of the process and effectiveness of risk management and internal controls	D.2.4	Compliant	The Audit Committee carries out reviews of the process and effectiveness of risk management, internal controls and reports to the Board on a regular basis.

D.3 Audit Committee

The Code requires the Board to have formal and transparent arrangements in selecting and applying the accounting policies, financial reporting and internal control principles and maintaining an appropriate relationship with the Company's External Auditor.

Composition of the Audit Committee	D.3.1	Compliant	The Company's Audit Committee consists of three members, all of whom are Non-Executive Directors. The Committee operates within clearly defined terms of reference. Details of the members, invitees and the Secretary of the Committee are found in the Audit Committee Report in this Annual Report. Please refer pages 138 to 139 for Audit Committee Report.
Duties of Audit Committee – Ensuring the objectivity and independence of External Auditors and terms of reference of the Audit Committee	D.3.2	Compliant	The Committee maintains an appropriate relationship with the External Auditors, KPMG (Chartered Accountants) to ensure their objectivity and independence. The payments to External Auditors for Audit and Non-Audit services are disclosed in the Directors' Report of this Annual Report. In addition, the Company has established an internal audit function which operates independently and has direct access to the Audit Committee. The External Auditors do not have any relationship (other than that of Auditor) and any interest in the Company.
Disclosure of the Audit Committee	D.3.3	Compliant	Names of the members of the Audit Committee and the scope of the Committee are given in this Annual Report under the Audit Committee Report.

D.4 Related Party Transactions Review Committee

The Board should establish a procedure to ensure that the Company does not engage in transactions with "related parties" in a manner that would grant such parties "more favourable treatment" than that accorded to third parties in the normal course of business.

Related Party Transactions Review Committee	D.4.1 to D.4.3	Compliant	Please refer the BRPTRC note on pages 145 and 146 and the RPT on pages 245 to 247.

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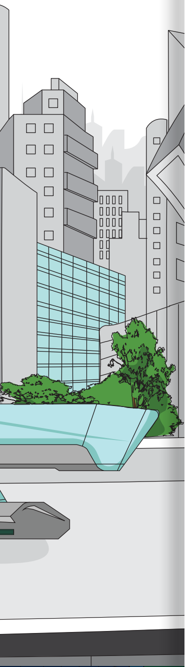
Corporate Governance Principles	CA Sri Lanka Code Reference	Compliance Status	CDB's Level of Compliance
D.5 Code of Business Conduct and Ethics			
The Company should develop a Code of Business Conduct and Ethics for Directors and members of the Senior Management Team.			
Code of Business Conduct and Ethics	D.5.1 to D.5.3	Compliant	Company has developed a code of business conduct and ethics for all employees, which addresses conflicts of interest, corporate opportunities, confidentiality of information, fair dealing, protecting and proper use of the Company's assets, compliance with applicable laws and regulations and encouraging the reporting of any illegal or unethical behaviour etc.
Affirmation by the Chairman that there is no violation of the code of conduct and ethics	D.5.4	Compliant	Refer the Chairman's Statement in the Annual Report for details.
D.6 Corporate governance disclosure			
The Company should disclose the extent of adoption of best practices in Corporate Governance.			
Disclosure of Corporate governance	D.6.1	Compliant	This requirement is met through the presentation of this Report.
E. Institutional investors			
E.1 Shareholder voting			
Institutional shareholders are required to make considered use of their votes and encouraged to ensure their voting intentions are translated into practice.			
Communication with shareholders	E.1.1	Compliant	Annual General Meeting is used to have an effective dialogue with the shareholders on matters which are relevant and of concern to the general membership.
E.2 Evaluation of governance disclosures			
Institutional Investors are encouraged to give due weight to all relevant factors in Board structure and composition.			
F. Other investors			
F.1 Investing/Divesting decisions			
Individual shareholder	F.1	Compliant	Individual shareholders are encouraged to carry out adequate analysis or seek independent advice on their investing, holding or divesting decisions.
F.2 Shareholder voting			
Individual Shareholders' voting	F.2	Compliant	Individual shareholders are encouraged to participate in General Meetings and exercise their voting rights.
G. Internet of things and cyber security			
G.1 The Board should have a process to identify cyber security risk face by the Company and controls to mitigate such risk			
Process of mitigating Cyber Security threats	G.1 to G.5	Compliant	During the Financial Year, CDB carried out internal and external IT vulnerability test with the assistance of external parties in order to mitigate cyber security threats. Further, these external parties carried out several board presentations on the findings and Local/Global best practices. Refer Risk Management report on pages 98 to 103 and the Audit Committee Report on pages 138 and 139 for further details on risk mitigation factors



Corporate Governance Principles	CA Sri Lanka Code Reference	Compliance Status	CDB's Level of Compliance

H. Environment, society and governance (ESG)

H.1 ESG reporting

ESG is a business approach that creates long-term stakeholder value by embracing opportunities and managing risks derived from economic, environmental and social developments and their potential implications and impacts on the business activities of the entity

ESG Reporting	H.1 to H.1.1	Compliant	Please refer Report on the Natural Capital on pages 70 to 79
Environmental Factors	H.1.2 to H.1.2.1	Compliant	Please refer Report on the Natural Capital on pages 70 to 79
Social Factors	H.1.3 to H.1.3.1	Compliant	Please refer Report on the Natural Capital on pages 70 to 79
Governance	H.1.4 to H.1.4.1	Compliant	Please refer Report on the Natural Capital on pages 70 to 79
Board Role on ESG Factors	H.1.5 to H.1.5.1	Compliant	Please refer Key Framework and Compliance Report on pages 113 to 137

SECTION II
Statement of Compliance

Finance Companies (Corporate Governance) Direction No. 03 of 2008 as amended by Finance Companies (Corporate Governance) Direction No. 04 of 2008.

The Monetary Board of the Central Bank of Sri Lanka has issued the above Direction which shall apply to every finance company licensed in terms of Section 02 of the Finance Business Act No. 42 of 2011 and shall come into operation with effect from 1 January 2009.

Corporate Governance Principle	CBSL Rule Reference	Compliance Status	CDB's Level of Compliance
2. The Responsibilities of the Board of Directors			
1. Strengthening the safety and soundness of the Company	2. (1)	Compliant	The Board formulates the business strategy and ensures that the CEO and the Management Team possess the skills, experience and knowledge to implement the strategy. It also ensures that effective systems are in place to secure integrity of the information, internal controls and risk management and compliance with all applicable laws and regulations.
2. Chairman and CEO	2. (2)	Compliant	The Chairman is a Non-Executive Director. The Chief Executive Officer is in charge of the overall Management of the Company.
3. Independent professional advice for Directors	2. (3)	Compliant	Please refer Section A.1.3 of the CA Sri Lanka Code Compliance table.
4. Conflicts of Interest	2. (4)	Compliant	Board is conscious of its obligations to ensure that Directors avoid conflicts of interest (both real and apparent) between their duty to CDB and their other interests. The Board has taken steps to ensure that conflicts and potential conflicts of interest of Directors are disclosed to the Board. Any Director with a material personal interest in a matter being considered by the Board declares his/her interest and unless the Board resolves otherwise, he/she does not participate in discussions or vote on that specific matter. Independent Directors do participate in such meetings.
5. Formal schedule of matters	2. (5)	Compliant	The Board has a formal schedule of matters reserved to it.
6. Situation of insolvency	2. (6)	Compliant	No such situation arose during the year.

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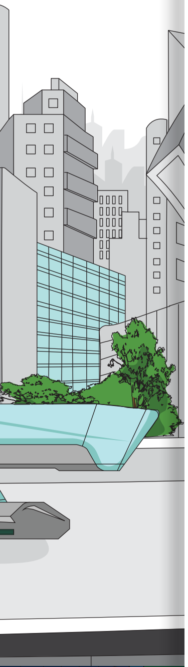

Corporate Governance Principle	CBSL Rule Reference	Compliance Status	CDB's Level of Compliance
7. Corporate Governance Report	2. (7)	Compliant	This report addresses the requirement.
8. Annual self-assessment by the Directors	2. (8)	Compliant	The Directors provide an annual self-assessment to the Board to assess the fitness and propriety to hold office as Directors of the Company.
3. Meeting of the Board			
9. Board meeting	3. (1)	Compliant	The Board has met 12 times during the financial year under review and has ensured that the performance of the Company for the financial year under review has been duly assessed at those meetings.
10. Inclusion of proposals by all Directors in the agenda	3. (2)	Compliant	The Company Secretary facilitates any request made by the Directors at the meeting or otherwise and ensures that the said matters and proposals are included in the agenda for the next meeting for discussion.
11. Notice of Meetings	3. (3)	Compliant	Directors are given adequate time and at least 7 days of notice for regular Board meetings. For all other meetings, a reasonable notice period is given.
12. Non-attendance of Directors	3. (4)	Compliant	Such a situation did not arise in the Company.
13. Board Secretary	3. (5)	Compliant	Please refer Section A.1.4. of the CA Sri Lanka Code compliance Table.
14. Agenda and Minutes of the meetings	3. (6) and 3. (8)	Compliant	The Company Secretary prepares the agenda and keeps the minutes of meetings.
15. Access to Secretary by Directors	3. (7)	Compliant	All the Directors have access to the Secretary and records of Board meetings.
16. Minutes of Board Meetings shall be recorded in sufficient details	3. (9)	Compliant	Minutes of all meetings are duly recorded in sufficient detail and retained by the Company Secretary under the supervision of the Chairman.
4. The Board's composition			
17. Number of Directors	4. (1)	Compliant	The Board comprises twelve Directors.
18. Subject to transitional provisions contained herein and subject to para 5. (1) of this direction, the total period of service of the Director other than a Director who holds the position of CEO or Executive Director shall not exceed nine years.	4. (2)	Compliant	The total period of service of any of the Non-Executive Directors does not exceed the nine years.
19. Appointment of an employee as a Director	4. (3)	Compliant	The Company has five Executive Directors.
20. Independent Non-Executive Director	4. (4)	Compliant	Three out of eleven Directors are Independent Non-Executive Directors. In addition, w.e.f. 16 May 2019 another Independent Non-Executive Director was appointed to the Board.
21. Alternative Director	4. (5)	Compliant	This situation has not arisen.

Corporate Governance Principle	CBSL Rule Reference	Compliance Status	CDB's Level of Compliance
22. Credibility, skills and experience of Non-Executive Directors	4. (6)	Compliant	Profiles of the Non-Executive Directors are included in this Annual Report.
23. Presence of Non-Executive Directors in Board Meetings	4. (7)	Compliant	One-half of the quorum was Non-Executive Directors in all meetings held.
24. Details of Directors	4. (8)	Compliant	Details of Directors are included in this Annual Report. Please refer pages 107 and 108.
25. Appointment of new Directors	4. (9)	Compliant	The Board collectively assesses the composition of the Board and makes appointments as necessary. In addition, w.e.f. 16 May 2019 CDB appointed an Independent Non-Executive Director to the Board.
26. Appointment to fill a casual vacancy	4. (10)	Compliant	No such event occurred during the financial year 2018/19.
27. Resignation/removal of a Director	4. (11)	Compliant	During the financial year, Ms U R Seneviratne resigned from the CDB Board w.e.f. 23 April 2018.
5. Criteria to assess the fitness and propriety of Directors			
28. Directors over 70 years of age	5. (1)	Compliant	This situation has not arisen.
29. Holding office in more than 20 companies	5. (2)	Compliant	No Director holds such positions.
6. Management function delegated by the Board			
30. Delegation of work to the management and review of delegation process	6. (1) and 6. (2)	Compliant	The Board annually evaluates the delegated authority process to ensure that the delegation of work does not materially affect the ability of the Board as a whole in discharging its functions.
7. The Chairman and Chief Executive Officer			
31. Division of Responsibilities of the Chairman and MD/CEO	7. (1)	Compliant	The roles of the Chairman and the Chief Executive Officer are separated.
32. Chairman shall be a Non-Executive Director. In the case where the Chairman is not an Independent Non-Executive Director, the Board shall designate an Independent Non-Executive Director as the Senior Director with suitably documented term of reference to ensure a greater independent element. The designation of the Senior Director shall be disclosed in the finance company's Annual Report.	7. (2)	Compliant	Chairman is a Non-Executive Director. Nevertheless, the Board designated Prof A Dharmasiri (Independent Non-Executive Director) as the Senior Director.

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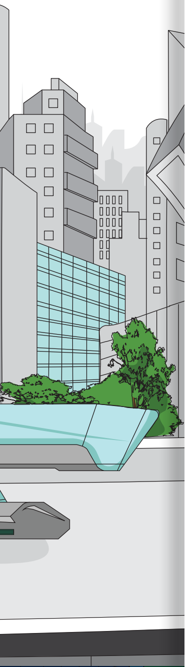
Corporate Governance Principle	CBSL Rule Reference	Compliance Status	CDB's Level of Compliance
33. Relationship between Chairman and CEO and other Directors	7. (3)	Compliant	There are no material relationships between the Chairman/the CEO and/or other members of the Board which will impair their respective roles.
34. Role of the Chairman	7. (4) to 7.(10)	Compliant	Please refer Section A.3 of the CA Sri Lanka Code Compliance Table. Further, refer page 119.
35. Role of the Chief Executive Officer	7. (11)	Compliant	Please refer Section A.2.1 of the CA Sri Lanka Code of Compliance Table. Further, refer page 119.
8. Board-appointed committees			
36. Board appointed two Subcommittees	8.	Compliant	Audit Committee and Integrated Risk Management Committee are functioning as per the requirements of this direction.
9. Related party transactions			
37. Avoiding conflict of interest and favourable treatment in related party transactions	9. (2) to 9. (4)	Compliant	Steps have been taken by the Board to avoid any conflicts of interest, that may arise, in transacting with related parties as per the definition of this Direction and Sri Lanka Accounting Standard – LKAS 24 on "Related Party Transactions". Further, Board ensures that there are no related party benefits from favourable treatment. Further, all the related party transactions (if any) are reviewed by the BRPTR Committee.
10. Disclosures			
38. Financial reporting, statutory and regulatory reporting	10. (1)	Compliant	Financial Statements for the year ended 31 March 2019 are in conformity with all rules and regulatory requirements and also published in the newspapers in all three languages.
39. Minimum disclosure in the Annual Report	10. (2)	Compliant	All required disclosures have been made in the Annual Report. Please refer pages 106 to 159.
11. Transitional provisions			
40. Transitional and other general provisions	11. (1) to 11. (6)	Compliant	The Company has complied with transitional provisions when applicable.

Report on compliance with the rules on the content of the Annual Report according to Section 7.6 of the Listing Rules of the Colombo Stock Exchange (Listing Rules).

Colombo Stock Exchange (CSE) Listing Rules aim to boost the confidence of investors of the companies by requiring the companies to publish accurate information on a timely basis to evaluate companies and helping investors to make wise decisions on investing. These rules also depict governance rules which should be adhered to by all listed companies. Level of compliance by CDB with such rules is highlighted in the following table:

Rule number	Disclosure requirement	Section reference	Page Reference
7.6 (i)	Names of persons who held the positions of Directors during the financial year	Annual Report of the Board of Directors	147 to 155
7.6 (ii)	Principal activities of the Entity and its Subsidiaries during the year and any changes therein	Notes to the Financial Statements – Reporting Entity Annual Report of the Board of Directors	178 to 279 147 to 155
7.6 (iii)	The names and the number of shares held by the 20 largest holders of voting and non-voting shares and the percentages of such shares held	Investor capital	84 to 95
7.6 (iv)	The public holding percentage	Investor capital	84 to 95
7.6 (v)	A statement of each Director's and Chief Executive Officer's holding in shares and the percentage of such shares held	Annual Report of the Board of Directors	147 to 155
7.6 (vi)	Information pertaining to material foreseeable risk factors of the Entity	Risk Management Report	98 and 103



Rule number	Disclosure requirement	Section reference	Page Reference
7.6 (vii)	Details of material issues pertaining to employees and industrial relations of the Entity	N/A	N/A
7.6 (viii)	Extent, locations, valuations, and the number of buildings of the Entity's land holdings and investment properties	Notes to the Financial Statements	178 to 279
7.6 (ix)	Number of shares representing the Entity's stated capital	Annual Report of the Board of Directors, Investor capital	147 to 155 84 to 95
7.6 (x)	A distribution schedule of the number of holders in each class of equity securities and the percentage of their total holdings	Investor capital	84 to 95
7.6 (xi)	Ratios and market price information: Equity Debt Any changes in credit rating	Investor capital	84 to 95
7.6 (xii)	Significant changes in the Entity's or its subsidiaries' fixed assets and the market value of land, if the value differs substantially from the book value	Notes to the Financial Statements	178 to 279
7.6 (xiii)	Details of funds raised through Public Issues, Rights and Private Placements during the year	Investor capital	84 to 95
7.6 (xiv)	Information in respect of Employee Share Option Schemes and Employee Share Purchase Schemes	N/A	N/A
7.6 (xv)	Disclosure pertaining to Corporate Governance Practices in Terms of Rules 7.10.3, 7.10.5 c and 7.10.6 c of Section 7 of the Rules	Corporate Governance	136 and 137
7.6 (xvi)	Disclosure on Related Party Transactions exceeding 10% of the Equity or 5% of the total assets whichever is lower, of the entity as per the latest Audited Financial Statements.	Refer Notes to the Financial Statements in relation to Related Party Transactions. Further, refer page 137 for compliance with Section 09.	

Compliance requirements on corporate governance rule 7.10 of the listing rules

The Continuing Listing Rule Section 7.10 of the Colombo Stock Exchange (CSE) mandates companies listed on the Colombo Stock Exchange to publish a table in the Annual Report, confirming that as at the date of the Annual Report they comply with the Corporate Governance rules. The rule addresses the following areas:

A. Non-Executive Directors,

B. Independent Directors,

C. Disclosures relating to Directors,

D. Remuneration Committee,

E. Audit Committee.

Rule reference	Requirement	Compliance status	Details
7.10.1 (a)	Two or one-third of the Directors, whichever is higher, should be Non-Executive Directors	Compliant	For the FY 2018/19, six of the eleven Directors are Non-Executives (NED), which is more than the requirement of the rule.
7.10.2 (a)	Two or one-third of Non-Executive Directors, whichever is higher, should be Independent	Compliant	For the FY 2018/19 three out of six Non-Executive Directors are Independent.
7.10.2 (b)	Each Non-Executive Director should submit a declaration of independence/non-independence in the prescribed format	Compliant	All Non-Executive Directors submitted the requisite declarations during the year under review.

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Rule reference	Requirement	Compliance status	Details
7.10.3 (a)	Names of Independent Directors should be disclosed in the Annual Report	Compliant	Please refer Annual Report of the Board of Directors on pages 147 to 155
7.10.3 (b)	In the event a Director does not qualify as Independent as per the rules on corporate governance but if the Board is of the opinion that the Director is nevertheless Independent, it shall specify the basis of the determination in the Annual Report	N/A	No such determination was required to be made by the Board, as all the Independent Directors of the Company met the specified criteria.
7.10.3 (c)	A brief résumé of each Director should be published in the Annual Report including the areas of expertise	Compliant	Please refer pages 107 and 108 for Directors Profiles.
7.10.3 (d)	A brief résumé of any new Director appointed to the Board should be provided to the Exchange for dissemination to the public	Compliant	No new appointments to the Board during the FY 2018/19. However, w.e.f. 16 May 2019 Mr J R A Corera appointed to the Board as an Independent Non-Executive Director.
7.10.5	A listed company shall have a Remuneration Committee	Compliant	Refer the Remuneration Committee Report on page 143 for disclosure on the names of the Remuneration Committee Members and the Remuneration Policy of the Company.
7.10.5 (a)	The Remuneration Committee shall comprise a minimum of two Independent Non-Executive Directors or a majority of Independent Non-Executive Directors, whichever is higher	Compliant	Refer the Remuneration Committee Report on page 143 for disclosure on the names of the Remuneration Committee members.
7.10.5 (b)	Functions of the Remuneration Committee shall be to recommend the remuneration of the Chief Executive Officer and the Executive Directors	Compliant	Refer the Remuneration Committee Report on page 143 for disclosure on the names of the Remuneration Committee members and the Remuneration Policy of the Company.
7.10.5 (c) The Annual Report shall set out:			
	(i) The names of the Directors that comprise the Remuneration Committee	Compliant	Refer the Remuneration Committee Report on page 143 for disclosure on the names of the Remuneration Committee Members.
	(ii) A statement of Remuneration Policy	Compliant	Refer the Remuneration Committee Report on page 143 for disclosure on the names of the Remuneration Committee Members and the remuneration policy of the Company.
	(iii) Aggregate remuneration paid to Executive and Non-Executive Directors	Compliant	Please refer page 245 on KMP compensation.
7.10.6	A listed company shall have an Audit Committee	Compliant	Refer Board Audit Committee Report on pages 138 and 139
7.10.6 (a)	The Audit Committee shall comprise a minimum of two Independent Non-Executive Directors, or a majority of Independent Non-Executive Directors, whichever is higher	Compliant	The Audit Committee comprised three Non-Executive Directors of whom two were Independent.
	The Chief Executive Officer and Chief Financial Officer shall attend Audit Committee meetings	Compliant	Both the Chief Executive Officer and the Chief Financial Officer attended the Audit Committee meetings by invitation.
	The Chairman or one member of the Committee should be a member of a recognised professional accounting body	Compliant	The Chairman of the Committee is a Member of The Institute of Chartered Accountants of Sri Lanka.

Rule reference	Requirement	Compliance status	Details
7.10.6 (b)	The functions of the Audit Committee shall be as set out in Section 7.10 of the Listing Rules.	Compliant	Refer Board Audit Committee Report on pages 138 and 139
7.10.6 (c) The Annual Report shall set out;			
	The names of the Directors who comprise the Audit Committee	Compliant	Refer Board Audit Committee Report on pages 138 and 139
	The Audit Committee shall make a determination of the independence of the Auditors and disclose the basis for such determination	Compliant	Refer Board Audit Committee Report on pages 138 and 139
	A report by the Audit Committee setting out the manner of compliance of the functions set out in Section 7.10 of the Listing Rules	Compliant	Refer Board Audit Committee Report on pages 138 and 139

"Report on compliance with the rules on the content of the Annual Report in Section 9.3.2 of the Listing Rules of the Colombo Stock Exchange (Related Party Transactions)"

With the Compulsory adoption of the Code of Best Practice on Related Party Transactions – since January 2016 ("the Code") issued by the Securities and Exchange Commission of Sri Lanka, the Related Party Transactions Review Committee was established with the approval of the Board of Directors of CDB to ensure strict compliance with the rules and regulations governing related party transactions for Listed Entities.

Rule Number	Disclosure Requirement	Section Reference	Page Reference
9.3.2 (a)	In the case of Non-recurrent Related Party Transactions, if aggregate value of the Non-recurrent Related Party Transactions exceeds 10% of the Equity or 5% of the Total assets, whichever is lower, of the Listed Entity according to the latest Audited Financial Statements	Related Party Transactions Note in the Financial Statements.	245 to 247
9.3.2 (b)	In the case of Recurrent Related Party Transactions, if the aggregate value of the Recurrent Related Party Transactions exceeds 10% of the Net revenue/income as per the latest Audited Financial Statements	Related Party Transactions Note in the Financial Statements.	245 to 247
9.3.2 (c)	Annual Report shall contain a report compiled by the RPTR Committee including following: • Names of the Directors who are in the Committee • Statement with regard to Related Party Transactions reviewed during the financial year • Number of times the Committee met during the financial year • Policies and procedures adopted by the RPTR Committee	BRPT Review Committee Report.	145 to 146

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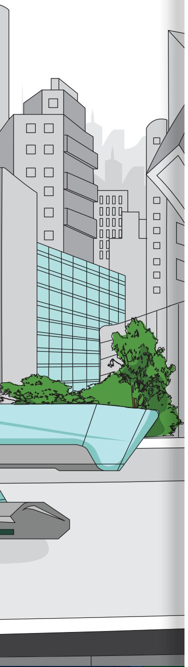


REPORT OF THE BOARD AUDIT COMMITTEE

Composition of the board audit committee

The Audit Committee appointed by and responsible to the Board of Directors of Citizens Development Business Finance PLC consists of three Non-Executive Directors all of whom are members of recognised professional bodies and possess-wide ranging financial, commercial and management experience. The Chairman of the Committee is a member of The Institute of Chartered Accountants of Sri Lanka. The biographical details of the members of the Audit Committee are set out in the Directors' Profiles Section of the Annual Report. Mr D H J Gunawardena stepped down from the chairmanship of the Committee w.e.f. 11 February 2019 and continued as a member of the Committee. Mr Razik Mohamed functions as the Chairman of the Audit Committee with effect from 11 February 2019.

The committee members

- Mr Razik Mohamed – Chairman
  Independent Non-Executive Director
- Mr D H J Gunawardena
  Non-Executive Director
- Prof A S Dharmasiri
  Independent, Non-Executive Director
  (Appointed to the Committee w.e.f. 25 April 2018)

Meetings

The Board Audit Committee held six meetings during the period under review which included two meetings with the External Auditors without the presence of the Executive Directors and Management. The quorum for a meeting of the Committee is two Audit Committee members.

The Chief Executive Officer, the Chief Financial Officer, the Head of Internal Audit and other Executive Directors attend meetings of the Committee by standing invitation. The Committee also invited members of the Senior Management of the Company to participate in the meetings from time to time on a need basis. The External Auditors also attend meetings whenever they are invited to be present.

The Head of Internal Audit functions as the Secretary to the Audit Committee. Proceedings of these meetings with adequate details of matters discussed are regularly reported to the Board.

The attendance of the Committee Members at the meetings was as follows:

Name of the Director	Eligibility	Attendance
Mr Razik Mohamed	6	6
Mr D H J Gunawardena	6	6
Prof A S Dharmasiri	6	5

Terms of reference

The scope and responsibilities of the Board Audit Committee emanates from its Terms of Reference. The Committee is responsible to the Board of Directors and reports on its activities regularly. The Board Audit Committee also assists the Board in its general oversight of financial reporting, internal controls and functions relating to internal and external audits.

Role and responsibilities of the audit committee

The main objective of the Audit Committee is to assist the Board of Directors in exercising its fiduciary responsibilities towards its stakeholders. The Committee is empowered by the Board to:

(i) Ensure that the financial reporting system in place is effective and well managed in order to provide accurate, appropriate and timely information to the Board, Regulatory Authorities and other stakeholders.

(ii) Review the Annual Financial Statements and Interim Financial Statements prior to publication to ensure compliance with statutory requirements, accounting standards and accounting policies which are consistently applied.

(iii) Evaluate the adequacy, effectiveness of Risk Management Systems and Internal Controls of the Company.

(iv) Assess the independence and review adequacy of the scope, functions and resources of the Internal Audit Department.

(v) Review and monitor the External Auditors' independence, objectivity and effectiveness of the audit process.

(vi) Ensure that sound corporate governance practices are upheld within the Company.

Reporting to the Board

The Minutes of the Committee meetings are tabled at Board meetings every quarter, enabling all Board members to have access to them.

Activities in the financial year 2018/19

The Committee carried out the following activities:

Financial reporting

The Committee reviewed the interim and year-end Financial Statements and ensured that approval is obtained from the Board, prior to their publication. The Committee considered reports from the External Auditors, KPMG, on the scope of the annual audit and later, with regard to its outcome. These reviews facilitated the Committee to monitor compliance with SLFRS/LKAS and the other regulations and also to ensure the integrity of the information provided to the Company's stakeholders.

The Committee reviewed the impact of adopting new accounting standards, the accounting treatment of significant risks and uncertainties and key estimates and judgements, material to the Company's financial reporting and whether disclosures made in the published Financial Statements were adequate and appropriate.

Risk management and internal control

The Committee reviewed the process by which CDB evaluated its control environment, its risk assessment process and the way in which significant business risks were managed. It also considered the Internal Audit Department's reports on the effectiveness of internal controls, significant frauds and any fraud that involved employees of the Company and took corrective action in this regard. The Committee continues to strengthen the internal controls of the Company where necessary.

External auditors

The Audit Committee assisted the Board in engaging the External Auditors for the audit service in compliance with regulatory provisions. The Committee also reviewed the non-audit services provided by the External Auditors to ensure that they do not lead to impairment of the External Auditors' independence and objectivity.

The Management Letter issued by the External Auditors in respect of the financial year ended 31 March 2018 was considered by the Committee and corrective action is being pursued wherever such action is warranted.

Prior to commencement of the annual audit, the Committee discussed with the External Auditors, their audit plan, audit approach, and matters relating to the nature and scope of the audit.

The Committee met the External Auditors on two occasions during the financial year without the Executive Directors and the Management being present, to ensure that there was no limitation of scope in relation to the audit and to allow for full disclosure of any matters, which could have had a negative impact on the effectiveness of the external audit. The Committee concluded that there was no such cause for concern.

The Audit Committee having considered the independence and performance of the External Auditors KPMG (Chartered Accountants) recommend that they be re-appointed as the Company's statutory Auditors for the financial year ending 31 March 2020, subject to the approval of shareholders at the forthcoming Annual General Meeting.

Internal audit

The Committee approved the annual audit plan for the year and also monitored and reviewed the scope, extent and effectiveness of the activities of the Internal Audit Department. The Committee also reviewed and monitored the progress of the internal audit plan during the year, along with its resource requirements.

During the financial year the Committee also reviewed the audit reports covering matters pertaining to branches, departments, IS audits and special investigations and also followed up the implementation of audit recommendations. Audit findings presented in the reports were prioritised based on the level of risk involved. The Audit Committee advised the corporate management to take precautionary measures on significant audit findings. Internal Audit reports were made available to the External Auditors as well. The Committee has had sufficient interaction with the Head of Internal Audit throughout the year.

Statutory and regulatory compliance

The Committee reviewed the procedures established by Management for compliance with the requirements of the regulatory bodies. The Compliance Officer submitted a report to the Audit Committee on a quarterly basis, indicating the extent to which CDB was in compliance with mandatory statutory requirements. Due compliance with all requirements are monitored through this process. Further, Internal Audit Department of the Company performs the independent test checks on regulatory compliance requirements.

Whistle-blowing policy

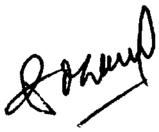
The Company's Whistle-Blowing Policy was put in place and all members of staff were educated and encouraged to report to whistle-blowing if they had reasonable grounds to believe that there were wrong doings or other improprieties. All appropriate procedures are in place to conduct independent investigations into incidents reported through this process or if identified through other means. Concerns raised are investigated and the identity of the person raising the concern is kept confidential. Even anonymous complaints are investigated. This process is monitored by the Board Audit Committee.

Board audit committee evaluation

An independent evaluation of the effectiveness of the Committee was carried out by the members of the Board during the year. Considering the overall conduct of the Committee and its contribution on the overall performance of the Company, the Committee has been rated as highly effective.

Conclusion

Based on the review of reports submitted by the External and Internal Auditors, the information obtained by the Committee and after examination of the adequacy and effectiveness of the internal controls which have been designed to provide a reasonable assurance to Directors that the assets of the Company are safeguarded, the Audit Committee is satisfied that the financial position of the Company is regularly monitored and that steps are being taken to continuously improve the control environment in which the Company operates.



Razik Mohamed
Chairman
Board Audit Committee

31 July 2019
Colombo

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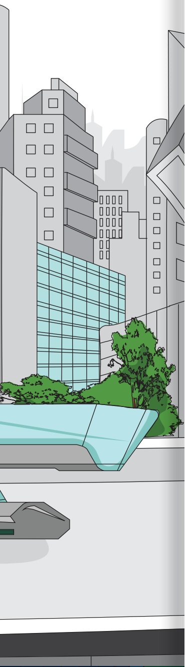

REPORT OF THE INTEGRATED RISK MANAGEMENT COMMITTEE

Integrated Risk Management Committee (IRMC) assists the Board of Directors in fulfilling their oversight responsibilities with respect to deciding risk appetite and ensuring that significant risks are competently managed. It clearly sets out the membership, source of authority, duties and responsibilities.

Composition of the board integrated risk management committee

The Board-appointed Integrated Risk Management Committee comprises the following members:

- Mr Razik Mohamed
  Chairman, Independent Non-Executive Director
- Mr Mahesh Nanayakkara
  Executive Director/MD/CEO
- Mr Damith Tennakoon
  Executive Director/Deputy CEO/CFO
- Mr Roshan Abeygoonewardena
  Executive Director/Corporate Finance
- Mr Sasindra Munasinghe
  Executive Director/Sales and Business Development
- Mr Dave de Silva
  Executive Director/Business Operations
- Mr Heshan Bandara
  Senior Manager – Risk – Secretary

Charter of the board integrated risk management committee

The Integrated Risk Management Committee was established as a subcommittee of the Board in compliance with Finance Companies (Corporate Governance) Direction No. 03 of 2008 issued by the Central Bank of Sri Lanka.

Governance of IRMC

The IRMC's governance structure comprises representatives from the Board, IRMC, Risk Management Division, Internal Audit and Compliance Division (refer pages 114 and 115 for the governance structure).

Committee meetings and methodology

During the financial year under review, four meetings were held. Through a risk dashboard, key risks such as credit, operational, market, liquidity and strategic risks were assessed. The risk dashboard together with meeting minutes were referred to the Board on a quarterly basis.

	Meetings held			
Name of the Director	28.06.2018	27.09.2018	21.12.2018	12.02. 2019
Mr Razik Mohamed	√	√	√	√
Mr Mahesh Nanayakkara	√	√	√	√
Mr Damith Tennakoon	√	√	√	√
Mr Roshan Abeygoonewardena	√	√	√	√
Mr Sasindra Munasinghe	√	√	√	√
Mr Dave de Silva	√	√	√	√

Committee activities during the financial year

Trigger points

Trigger points were reviewed and changed to reflect the prevailing context.

Reporting risks

Risks which were identified specially at the operational level were reported through the established mechanism of risk reporting via the ERP system. This was carried out with a rewards framework which has immensely contributed to the establishment of a strong risk reporting culture. Altogether 55 risk areas were reported via the ERP system and 41 staff members were rewarded as risk champions.

New products/processes/proposals

New products/processes which were introduced during the year were referred to the Risk Management Division and the same were evaluated from the risk perspective in order to ensure that all risk areas with regard to that particular process/product are addressed.

Risk monitoring

Risk monitoring will be carried out through the exceptional reports generated via the Oracle database and during the financial year 14 new reports were developed covering various processes to identify suspicious transactions and procedure violations.

Business continuity plan (BCP) and disaster recovery (DR)

Evacuation drill has been conducted at CDB head office with the support of the Colombo Fire Service Department and a building investigation was also conducted subsequently. Fire marshal training was also conducted for selected fire marshals.

Updates from committees

The Committee also reviewed updates from the three management committees which were also involved in risk management namely Asset-Liability Committee, Compliance Committee and Credit Committee.

Board reporting

The Board was updated on a regular basis on the performance of identified risk indicators and prudential limits defined and approved by the Board.

Stress testing

Stress testing was done to assess the appropriateness of the trigger points for the next quarter/financial year and to reflect the prevailing business context.

Committee evaluation

The Committee evaluates its performance annually and was satisfied that it had functioned effectively in the past year.

Razik Mohamed
Chairman
Integrated Risk Management Committee

31 July 2019

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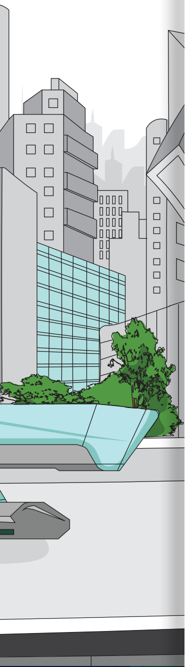

REPORT OF THE NOMINATION COMMITTEE

[GRI 102-24]

Composition of the committee

The Board appointed Nomination Committee consists of a majority of Non-Executive Directors and is chaired by a Non-Executive Director. The members of the Committee have wide range of experience and knowledge of the business acumen.

Committee members are –

- Mr P A J Jayawardena
  Chairman (Non-Executive Director)
- Mr C M Nanayakkara
  (Executive Director)
- Prof Ajantha Dharmasiri
  (Non-Executive Independent Director)

Independence of the committee

The Committee is independence of the Management and is totally free from any business, personnel or any other relationships that may interfere in making independent judgements.

Terms of reference of the committee

- Identify and recommend suitable candidates as Directors to the Board considering succession plan and requirement of the Board and its subsidiary companies.
- Regularly review the structure, size and composition of the Board.
- Ensure the Board consists of persons possessing a good knowledge, experience and entrepreneurial skills to advance the effectiveness of the Board.
- Review the Charter for the appointment and reappointment of Directors to the Board and recommend amendments wherever necessary.

Key functions performed during the year under review:

- Considered and promoted Board diversity and effectiveness,
- Evaluated and recommended changes to the Board where necessary ,
- Evaluated and recommended the suitable internal and external candidates to higher levels of the Management,
- Abiding by the principles of good governance and recommended best practices.

Meetings

The Committee formally met once during the year under review.

The year ahead

The Committee would continue to propose policies and best practices to attract and retain the best talent to the Company by providing them fair and equal opportunities.

P A J Jayawardena
Chairman
Nomination Committee

31 July 2019
Colombo

REPORT OF THE REMUNERATION COMMITTEE

[GRI 102-35, 102-36]

Composition of the committee

The Board-appointed Remuneration Committee consists of a majority of Independent Non-Executive Directors and is chaired by a Non-Executive Director. The members of the Committee have wide range of experience and knowledge of the business and industry.

Committee members are –

- Mr S R Abeynayake
  Chairman (Non-Executive Director)
- Mr Razik Mohamed
  (Non-Executive Independent Director)
- Prof Ajantha Dharmasiri
  (Non-Executive Independent Director)

Independence of the committee

The Committee is independence of the Management and is totally free from any business, personnel or any other relationships that may interfere in making independent judgements.

Company remuneration policy

Company's remuneration policy aims to recruit, retain and motivate high caliber personnel at Board and Executive levels who possess appropriate professional, managerial and operational expertise required to achieve Company's short-term and long-term objectives. The remuneration policy attempts to guarantee that the total remuneration package is sufficiently competitive to attract the best spirit for the Company.

The Company's remuneration framework has been designed, incorporating the newly developed Human Resource Information System to enhance value for stakeholders of Company as well as to align the inspiration of the executives with the short and long-term interests of the Company. In designing competitive compensation packages, the policy is to appreciate and reward high performers while consciously balancing the short-term performance with medium to long-term commitment to the Company.

Purpose

Remuneration Committee recommends adoption of a market-oriented remuneration policy for its staff and ensure the selection of the best talent and create incentives for staff for their performance and loyalty.

The Committee also reviews the recruitment, evaluation of employee performance, incentive schemes, bonus policy of the Company, rewarding and promotions policy of the Senior Management and Executive Officers of the Company. The succession plan policy in place and its effectiveness is critically evaluated by the Committee. The Committee evaluates the performance of the CEO and Key Management Personnel against pre-determined set targets and goals to determine the basis for recommending the basis for rewarding, increments and other benefits.

It considers such other matters relating to remuneration policies or practices as the Board, may from time to time bring to its attention of the Committee.

Further the Committee consciously evaluates the appropriateness of the current remuneration policy adopted by the Company for its suitability and appropriateness.

Key functions performed during the year under review

- Recommended revision of remuneration packages based on performance , cost of living and comparative industry norms,
- Evaluate and recommended the individual remuneration packages of Managing Director/CEO and Executive Directors,
- Abiding by the principles of good governance and recommended best practices.

Meetings

The Committee formally met once during the year under review. The Chief Executive Officer and Chief Financial Officer attend meetings by invitation and assist in their by providing relevant information. However, they were not involve in their own compensation packages or other matters relating to them reviewed.

The year ahead

The Committee would continue to propose remuneration policies and best practices to attract and retain the best talent to the Company.

S R Abeynayake
Chairman
Remuneration Committee

31 July 2019
Colombo

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REPORT OF THE CREDIT COMMITTEE

The Credit Committee of the Company will direct the Company's credit strategy, credit policy and other lending guidelines in order to achieve the Company's overall corporate strategy.

Composition of the committee

The Board-appointed Credit Committee consists of Executive Directors chaired by MD/CEO. The members of the Committee have a wide range of expertise and knowledge in credit management. The Committee consists of the following members.

- Mr Mahesh Nanayakkara
  Managing Director/Chief Executive Officer
- Mr Damith Tennakoon
  Executive Director/Deputy Chief Executive Director/ Chief Financial Officer
- Mr Dave De Silva
  Executive Director – Business Operations
- Mr Roshan Abeygoonewardena
  Executive Director – Corporate Finance
- Mr Sasindra Munasinghe
  Executive Director – Sales and Business Development

Company credit policy

The Board of Directors have approved the credit policy of the Company, where all product guidelines and exposure limits have been highlighted. The credit policy of the Company is the communication tool of the Company's credit strategy and the objective of which is to ensure the credit quality of the Company's credit portfolio is at its highest.

Main responsibilities of the Credit Committee

- Overseeing the credit management of the Company including reviewing of internal credit policies.
- Analysis and review of credit control techniques and external risks associated with credit policies of the Company.
- Provide credit guidance and conduct a more intensive and comprehensive credit analysis when necessary.
- Review and approve credit proposals in line with Board-approved credit policies and standards, where required recommended credit requests for Board approval.
- Ensure compliance of all regulatory and statutory requirements prescribed by regulatory and supervisory authorities.
- Set lending directions based on the current economic environment.
- Ensure post credit monitoring and post reviews are performed where necessary.

Accountability of the credit committee

Accountability of Credit Committee can be delivered through the minutes of Credit Committee meeting, circulated decision-memorandum, and periodic Credit Committee reports.

Methodology used by credit committee

- The Committee approves credit proposals based on limits set by the Board. Credit proposals and other credit reports intended for Board approval are examined.
- Credit proposals are evaluated in line with the Company's risk appetite and credit policies.
- Members of the Corporate Management of the Company are invited to participate at the meetings as and when required.
- Monitor the resulting shifts in the composition and the quality of the portfolio and recommended new exposure limits for each sectors/product lines as appropriate.

Committee meetings

Meetings are taken up quarterly to review overall credit strategy of the Company. All other meetings were conducted to review and approve credit proposals recommended by the Management.

Activities during 2018/19

The Committee approved the credit proposals and other specific reports which prerequisite the approval of the Board in line with the credit policies and credit risk appetite of the Company in order to ensure the efficient and effective performance over the credit direction of the Company.

Focus for 2019/20

- Maintaining a healthy credit book while enabling the risk appetite.
- Proactive risk management, strengthen internal controls and management information systems with respect to credit aspects of the Company.
- Continuous monitoring on the adherence to Board-approved credit policy.

W P C M Nanayakkara
Chairman
Credit Committee

31 July 2019
Colombo

REPORT OF THE BOARD RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

[GRI 102-25]

The Board established the Board Related Party Transactions Review Committee (BRPTRC) with effect from 26 March 2015 in terms of the Code of Best Practice on Related Party Transactions issued by the Securities & Exchange Commission of Sri Lanka (the "Code") and Section 9 of the Listing Rules of the Colombo Stock Exchange (the "Rules"). The Board Related Party Transactions Review Committee comprises of 2 Independent-Non Executive Directors and 2 Executive Directors. The following members serve on the Committee:

The Committee as at the end of the financial year 2018/19 consisted of the following members:

- Mr Razik Mohamed (Committee Chairman/Independent Non-Executive Director)
- Prof Ajantha Dharmasiri (Independent Non-Executive Director)
- Mr Damith Tennakoon (Director/Chief Financial Officer)
- Mr Roshan Abeygoonewardena (Director/Corporate Finance)

The above composition is in compliance with the provisions of the Code regarding the composition of the Board Related Party Transactions Review Committee.

Objectives

This Committee's primary objectives are to:

- Consider, review, evaluate and provide oversight of related party transactions of all types and to approve, ratify, disapprove or reject a related party transaction.
- Determine whether the related party transaction is fair and in the best interest of CDB.
- Review, revise, formulate and approve policies on related party transactions.
- At least once a year conduct a review of all related party transactions concluded throughout the group.

In carrying out its mandate the BRPTRC must at least consider the following matters:

Transaction and Transacting Parties: the nature and scope and identity of all the parties involved in the transaction or relationship in order to determine whether it is a related party transaction or not.

Related Party: a full description of the nature, extent and scope of the related party's interest in the transaction including the related party's position or relationship with, or ownership in, a company, partnership or other legal entity that is party to or has an interest in the transaction.

Terms and Conditions: whether the terms of the transaction or relationship are not less favourable than terms generally offered to an unrelated third party given the same facts and circumstances.

Purpose and Rationale: consideration must be given to the business purpose, timing, rationale and benefits of the transaction or relationship.

Value: the monetary value of the related party's interest in the transaction must be accurately ascertained.

Valuation Method: the method used to determine the value of the transaction.

Scope of the Committee includes:

- Adopting policies and procedures to review related party transactions of the Company and reviewing and overseeing existing policies and procedures;
- Reviewing in advance all proposed related party transactions of the Company except those explicitly exempted in the code under rule 27;
- Determining whether related party transactions that are to be entered into by the Company require the approval of the Board or Shareholders of the Company;
- If related party transactions are "recurrent in nature" the Committee establishes set of guidelines for Senior Management as explain in the code to follow in its ongoing dealings with the relevant related party.
- Ensuring that no Director of the Company shall participate in any discussion of a proposed related party transaction for which he or she is a related party, unless such Director is requested to do so by the Committee for the express purpose of providing information concerning the related party transaction to the Committee.
- If there is any potential conflict in any related party transaction, the Committee may recommend the creation of a special committee (including independent consultant if necessary) to review and approve the proposed related party transaction.
- Ensuring that immediate market disclosures and disclosures in the Annual Report as required by the code are made in a timely and detailed manner.

Meetings

During 2018/19, the Committee held four meetings. Attendance by the Committee members at each of these meetings is given in the table on page 146 of the Annual Report.

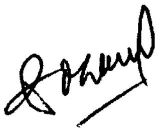
Review of transactions for the financial year 2018/19

All related party transactions that had taken place during 2018/19 were reviewed by the BRPTRC. There were no non-recurrent or recurrent related party transactions that exceeded the respective thresholds mentioned in the Listing Rules of the Colombo Stock Exchange. Further, all the related party transactions which occurred during the year are disclosed in the audited Financial Statements.

Please refer page 245 for RPTs published in the Note 46 to the Financial Statements.

Declaration

A declaration by the Board of Directors in the Annual Report as a negative statement that no related party transaction falling within the ambit of the Listing Rules was entered into by the Company during 2018/19 is given on page 155 of the Annual Report.



Razik Mohamed
Chairman
Board Related Party Transactions Review Committee

31 July 2019
Colombo

Committee meetings

The attendance of the members of the Committee was as follows for the financial year 2018/19:

Name of the Directors/KMPs	Designation	Total number of meetings Eligible to Attend	Number of meetings attended
Mr Razik Mohamed	Committee Chairman/Independent Non-Executive Director	4	4
Prof Ajantha Dharmasiri	Independent Non-Executive Director	4	4
Mr Damith Tennakoon	Director/Chief Financial Officer	4	4
Mr Roshan Abeygoonewardena	Director/Corporate Finance	4	4

ANNUAL REPORT OF THE BOARD OF DIRECTORS

General

The Directors of Citizens Development Business Finance PLC have pleasure in presenting to the shareholders this report together with the Audited Financial Statements and Audited Group Financial Statements for the year ended 31 March 2019 of the Company and the Group together with the Auditors' Report on those Financial Statements, confirming to the requirements of the Companies Act No. 07 of 2007, Finance Business Act No. 42 of 2011 and amendments there to and the Directions issued on the same. The details set out herein provide appropriate information required by the Companies Act No. 07 of 2007, Finance Business Act No. 42 of 2011, Direction No. 03 of 2008 (Finance companies – Corporate Governance) issued under the Finance Business Act No. 42 of 2011 and subsequent amendments thereto, disclosure requirements under the Listing Rules of the Colombo Stock Exchange and recommended best practices on Corporate Governance. This Report was approved by the Board of Directors on 31 July 2019.

Overview of the Company

The Citizens Development Business Finance PLC (CDB) is a licensed finance company registered under the Finance Business Act No. 42 of 2011 and was incorporated as a public limited liability company on 7 September 1995 under the provisions of the Companies Act No. 17 of 1982 and re-registered under the Companies Act No. 07 of 2007 under the Company Registration Number PB 232 PQ. The Company is registered under the Finance Leasing Act No. 56 of 2000 and also approved Credit Agency registered under Mortgage Act No. 56 of 2000.

The ordinary voting shares and ordinary non-voting shares of the Company are quoted on the Main Board of the Colombo Stock Exchange.

ICRA Lanka Limited has assigned BBB+ long-term and short-term financial institution ratings respectively to the Company.

The registered office of the Company is at No. 123, Orabipasha Mawatha, Colombo 10, at which the Company's Head Office is also situated.

Vision, purpose and corporate conduct

The Company's vision and purpose are given on page 5. In achieving its vision and purpose, all Directors, Management and employees conduct their activities to the highest level of ethical standards and integrity as set out in the Code of Ethics.

Principal activities of the Company and its subsidiary

Company – Citizens Development Business Finance PLC.

The principal activities of the Company continue to be Finance Business and related activities such as accepting term deposits, savings deposits, personal finance leasing, hire purchase financing, pawning, corporate and retail credit, Dealing with Government Securities, Foreign Exchange Dealership, Money Exchange Dealership, Islamic Finance and other financial services. There have been no significant changes in the nature and main business activities of the Company and the Group during the year under review.

Subsidiaries

Citizens Development Business Finance PLC has two subsidiaries as at 31 March 2019. Names of the subsidiaries and their principal business activities are as tabulated bellow:

Entity	Principal business activities
Fortune Properties Limited (Formerly known as CDB Micro Finance Limited)	Fortune Properties Limited (Formerly known as CDB Micro Finance Limited) is a fully owned subsidiary of CDB and it was established for the purpose of accommodating microcredit facilities. However, since January 2009, there has not been any business operations. Registration Number PB 3296
Unisons Capital Leasing Limited	Unisons Capital Leasing Limited (UCL) is registered under the Finance Leasing Act No. 56 of 2000 and was incorporated as a public limited liability company on 24 August 1991 under the provisions of the Companies Act No. 17 of 1982 and re-registered under the Companies Act No. 07 of 2007. Registration Number 589

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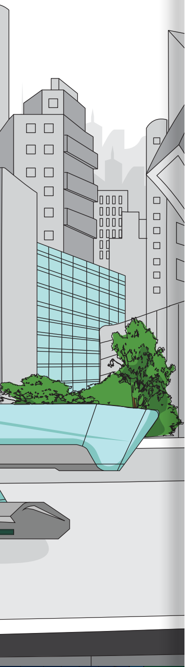

Changes to the Group structure

There were no changes to the Group Structure during the financial year ended 31 March 2019. However, management intends to merge both Unisons Capital Leasing Limited and Fortune Properties Limited with Citizens Development Business Finance PLC.

Review of operations

A review of Company's business and its performance during the year with comments on financial results and future developments contained in the Chairman's Review on pages 2. to 4. the Managing Director's Review on pages 28. to 29. Our Business Model on pages 23 to 25 and Our Business Impact on pages 26 to 95 present an overall appraisal of the business operations, financial performance and the overall financial position of the Company and the Group.

Growth expectations

With our balance sheet set to reach Rs. 100 Bn., ahead of the schedule 2020 target year, we have revised our growth expectations to a more ambitious level. The Company is now entering a new era of growth with a mission to change status from a disrupter within financial intermediary business into an incumbent company and to become a Quarter Trillion Assets Base (Q-TAB) company by 2024.

Financial statements of the Company and the Group

The Financial Statements of the Company and the Group, which are duly certified by the Chief Financial Officer and approved by the Audit Committee and the Board of Directors and signed by the Chairman and the Managing Director as per the requirements of the Companies Act No. 07 of 2007 and appear on pages 161 to 281.

Directors' responsibility for financial reporting

The Directors are responsible for the preparation of the Financial Statements of the Company and the Group and for ensuring that the Financial Statements have been presented in accordance with the Sri Lanka Accounting Standards and to provide the information required by the Companies Act No. 07 of 2007 and Finance Business Act No. 42 of 2011. The Directors are of the view that the Financial Statements appearing on pages 161 to 281. have been prepared in conformity with the requirements of Sri Lanka Accounting Standards (SLAS) as issued under the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, the Companies Act No. 07 of 2007 and the Finance Business Act No.42 of 2011 and amendments thereto.

The Statement of Directors' Responsibility for Financial Reporting appearing on page 156. forms an integral part of this Report.

Auditors' report

The Company's Auditors, Messrs KPMG performed the audit on the Consolidated Financial Statements for the year ended 31 March 2019, and the Auditors' Report issued thereon is given on pages 166 to 169. as required by Section 168 (1) (c) of the Companies Act No. 07 of 2007.

Accounting policies and changes during the year

The Financial Statements for the year ended 31 March 2019 are prepared in accordance with the revised Sri Lanka Accounting Standards. The significant accounting policies adopted in the preparation of the Financial Statements of the Group and the Company is given on pages 161 to 281.

Review of the financial performance during the year

The Chairman's Statement, Chief Executive Officer's Report and the Management Discussion and Analysis give details of the operations of the Company and the Group, and key strategies that were adopted during the year under review.

Financial Results

Income

Interest income represents the Company's main income. The total income for the year 2018/19 and 2017/18 were as follows:

	COMPANY		GROUP	
Year ended 31 March	2019 Rs. Mn.	2018 Rs. Mn.	2019 Rs. Mn.	2018 Rs. Mn.
Composition				
Revenue	**16,240**	11,788	**16,921**	12,050
Interest Income	**14,175**	10,117	**14,682**	10,320
Non-interest income	**2,065**	1,672	**2,239**	1,730
Total operating income	**7,292**	5,122	**7,736**	5,344

Details are given in the Income Statements of the Financial Statements.

Profit and appropriations

Year ended 31 March	COMPANY		GROUP	
	2019 Rs. Mn.	2018 Rs. Mn.	2019 Rs. Mn.	2018 Rs. Mn.
Profit before tax	**2,111**	1,687	**2,236**	1,764
Provision for taxation	**401**	286	**428**	310
Net profit	**1,710**	1,401	**1,808**	1,454
Non-controlling interest			**(10)**	(5)
Net Actuarial gain/(loss) on defined benefit Plan	**(70)**	(5)	**(70)**	(5)
Total comprehensive income	**1,640**	1,396	**1,728**	1,444
Retained earnings brought forward	**4,213**	3,287	**4,279**	3,309
Profit available for Appropriation	**5,853**	4,683	**6,007**	4,753
Appropriations				
Statutory reserve fund (SRF)	**342**	280	**336**	283
Dividend paid	**271**	190	**272**	190
Balance carried forward	**5,240**	4,213	**5,399**	4,280

Income tax expense

The income tax rate applicable to the Company for the year 2018/19 is 28% (2017/18 – 28%). The Company is also subject to tax on value added on financial services at the rate of 15 %. (2017/18 – 15%). In addition, Company is liable to pay crop insurance levy of 1% of profit after tax and debt repayment levy of 7% starting from 2018/19 FY.

The information on income tax expenses of the Company and Group is given in Note 15 to the Financial Statements on pages 196 to 197 .

Proposed dividends on ordinary shares

The Board of Directors recommends a first and final dividend of Rupees Five (Rs. 5/-) per share (less withholding tax) be declared and paid/satisfied on ordinary (voting) shares and ordinary (non-voting) shares of the Company which are in issue as at the close of trading on the date of this Annual General Meeting for the financial year ended 31 March 2019. The Board have proposed the dividend in the following form:

(a) a cash dividend of Rs. 2.50 per share (less withholding tax) to be paid; and

(b) a scrip dividend of Rs. 2.50 per share (less withholding tax) to be satisfied by the issue by issuing both ordinary voting non-voting shares of the Company (voting) shares and 336,188; and

(c) that for the purpose of the issuance of the scrip dividend referred to in (b) above the ordinary (voting) shares and ordinary (non-voting) shares be valued at Rs. 79/- and Rs. 64/- respectively which prices are considered by the Board to be fair and reasonable to the Company and to the shareholders and that consequently the shares be allotted and issued to a shareholder be in the following ratios and based on scrip dividend computation described in the Circular to Shareholders:

(i) 0.02721519 new ordinary (voting) share for every one (1) existing issued and fully-paid ordinary (voting) share; and

(ii) 0.03359375 new ordinary (non-voting) share for every one (1) existing issued and fully-paid ordinary (non-voting) share.

The Board was satisfied that the Company would meet the solvency test after the declaration of the aforesaid dividend and required the Company Secretary to obtain a solvency certificate from the Company's Auditors to that effect. The Board authorised the distribution in terms of Section 56 of the Companies Act No. 07 of 2007. The said dividend will, subject to the approval by the shareholders be payable by the 7th market day from the Annual General Meeting.

In compliance with Finance Companies Guideline No. 1 of 2013, the Company has obtained the approval of the Director, Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka for the proposed dividend.

Reserves

A summary of Company and Group reserves are given below. The information on the composition and movement of reserves is given in the Statement of Changes in Equity on pages 172 to 175.

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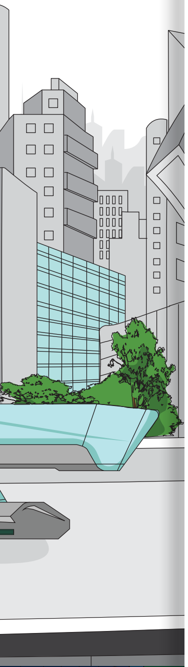

Year ended 31 March	COMPANY 2019 Rs. Mn.	COMPANY 2018 Rs. Mn.	GROUP 2019 Rs. Mn.	GROUP 2018 Rs. Mn.
Composition				
Revaluation reserve	**578**	433	**578**	433
Statutory reserve fund (SRF)	**1,663**	1,321	**1,663**	1326
Retained profit	**5,240**	4,213	**5,399**	4,279
Total	**7,481**	5,967	**7,640**	6,038

Minimum capital requirement

The Company ensures that it maintains the statutory requirement on minimum capital, to mitigate the liquidity, Credit and other associate risks and safeguard the depositors, thus ensuring the sustainability of the Company and the industry as a whole. The information on Minimum Capital Requirement is given on pages 277 to 281 of this Annual Report.

Capital expenditure

The total capital expenditure on acquisition of property, plant and equipment and intangible assets of the Group and the Company amounted to Rs. 387 Mn. and Rs. 390 Mn. respectively. (2017/18 Group: Rs. 364 Mn. Company: Rs. 352 Mn. Details are given in Note 28 to the Financial Statements.

Market value of freehold property

All freehold land of the Company were revalued by a professionally qualified independent valuer as at 31 March 2019, and brought into the Financial Statements. The Directors are of the opinion that the revalued amounts are not in excess of the current market values of such properties. The details of the freehold properties owned by the Company are given in Note 28 to the Financial Statements.

Stated capital and debentures

The stated capital of the Company as at 31 March 2019 was 1,185,061,645 consisting of ordinary voting shares of 46,299,223 and ordinary non-voting shares of 8,005,984 (2017/18 – Rs. 1,185,061,645.00 consisting of ordinary voting shares of 46,299,223 and ordinary non-voting shares of 8,005,984).

The debentures of the Company as at 31 March 2019 was Rs. 3,927 Mn. consisting of 39.27 debentures at Rs. 100/- (2017/18 – Rs. 1,000,000,000/-). The movement of the debentures for the financial year is disclose in the Investor capital section of the Annual Report (page 232).

Share information

Information relating to earnings, dividend, net assets, market value per share, trading of the shares and movement in number of shares of the entity is given in the investor relation section on pages 84 to 95.

Shareholding

There were 1,941 registered voting shareholders and 1,736 non-voting shareholders as at 31 March 2019. The details of Top Twenty Shareholders, public holding, analysis of distribution of shareholders and market information of the shares are given under the Investor Capital Section on pages 84 to 95 of this Annual Report.

Information relating to Earnings, Dividend, Net Assets per share, and Market Value per share are given in Financial Highlights on pages 84 to 95.

Equitable treatment to all shareholders

The Company has no restrictions with regard to shareholders carrying out analysis or obtaining independent advice regarding their investment in the Company and has made all endeavours to ensure equitable treatment to all the shareholders.

Information on Directors of the Company and the Group

The Board of Directors of the Company as at this Report date , comprised 12 Directors with extensive financial and commercial knowledge and experience. The qualifications and experience of the Directors are given in the "Board of Directors" – Profile' on pages 106 to 108 of this Annual Report.

Names of the persons holding office as Directors of the Company at the reporting date and the names of persons who ceased to hold office as Directors of the Company during the year, as required by the Section 168 (1) (h) of the Companies Act No. 07 of 2007 are given below:

Directors holding office as of reporting date

Name	Date of appointment	Other information
Mr D H J Gunawardena	1 January 2012	Chairman Non-Executive Director
Mr P C M Nanayakkara	1 February 2004	Executive Director/Chief Executive Officer/Managing Director
Mr R H Abeygoonewardena	1 April 2011	Executive Director – Corporate Finance
Mr S R Abeynayake	1 January 2012	Non-Executive Director
Prof Ajantha Dharmasiri	1 February 2012	Non-Executive Independent Director/Senior Independent Director
Mr D A De Silva	1 January 2012	Executive Director – Business Operations
Mr P A J Jayawardena	26 October 2011	Non-Executive Director
Mr Razik Mohamed	1 July 2012	Non-Executive Independent Director
Mr S V Munasinghe	1 April 2011	Executive Director – Sales and Business Development
Mr T M D P Tennakoon	1 April 2011	Executive Director/Chief Financial Officer/Deputy Chief Executive Officer
Prof S P P Amarathunga	20 October 2016	Non-Executive Independent Director
Mr J R A Corera	16 May 2019	Non-Executive Independent Director

There were no Directors ceased to hold office as Director of the Company as of reporting date.

Re-election of Directors by rotation

In terms of Articles 24 (6) and 24 (7) of the Articles of Association of the Company, Mr R H Abeygoonewardena, Mr S V Munasinghe, and Mr P A J Jayawardena, retires by rotation and being eligible, offer themselves for re-election. at the Annual General Meeting as a Director.

In terms of Articles 24 (2) of the Articles of Association of the Company, Mr J R A Corera retires by rotation and being eligible, offer themselves for re-election. at the Annual General Meeting as a Director.

Names of the Directors of the Subsidiary Companies of Fortune Properties Limited and Unisons Capital Leasing Limited as at 31 March 2019:

Subsidiary	Name	Other information
Fortune Properties Limited (Formerly known as CDB Micro Finance Limited)	Mr M B Heenkenda Mr Imdaad Naguib Ms N Kodagoda	Chairman/Non-Executive Director Non-Executive Director Non-Executive Director Non-Executive Director Non-Executive Director Non-Executive Director
Unisons Capital Leasing Limited	Mr C M Nanayakkara Mr R H Abeygoonewardena Mr S V Munasinghe Mr Karthik Elangovan Dr J P Wansapura Ms P R W Perera	Chairman/Non-Executive Director Non-Executive Director Non-Executive Director Executive Director/Chief Executive Officer Non-Executive Independent Director Non-Executive Independent Director

Register of Directors and Secretaries

As required under Section 223 (1) of the Companies Act, the Company maintains a Register of Directors and Secretaries which contains information of each Director and the Secretary.

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Board subcommittees

The Board of Directors while assuming the overall responsibility and accountability for the Management of the Company has also appointed Board subcommittees to ensure oversight and control over certain affairs of the Company, conforming to Finance Companies (Corporate Governance) Direction No. 03 of 2008 issued by the Central Bank of Sri Lanka issued under the Finance Business Act No. 42 of 2011 and adopting the best practices accordingly.

Audit Committee	Mr Razik Mohamed Chairman/Non-Executive Independent Director Mr D H J Gunawardena Member/Non-Executive Director Prof Ajantha Dharmasiri Member/Non-Executive Independent Director
Integrated Risk Management Committee	Mr Razik Mohamed Chairman/Non-Executive Independent Director Mr D A De Silva Member/Executive Independent Director Mr W P C M Nanayakkara Member/Executive Director Mr R H Abeygoonewardena Member/Executive Director Mr S V Munasinghe Member/Executive Director Mr T M D P Tennakoon Member/Executive Director
Remuneration Committee	Mr S R Abeynayake Chairman/Non-Executive Director Mr Razik Mohamed Member/Non-Executive Independent Director Prof Ajantha Dharmasiri Member/Non-Executive Independent Director
Nomination Committee	Mr P A J Jayawardena Chairman/Non-Executive Director Prof Ajantha Dharmasiri Member/Non-Executive Independent Director Mr W P C M Nanayakkara Member/Executive Director
Credit Committee	Mr W P C M Nanayakkara Chairman/Executive Director Mr R H Abeygoonewardena Member/Executive Director Mr S V Munasinghe Member/Executive Director Mr T M D P Tennakoon Member/Executive Director Mr D A De Silva Member/Executive Director
Related Party Transactions Review Committee	Mr Razik Mohamed Chairman/Non-Executive Independent Director Prof Ajantha Dharmasiri Member/Non-Executive Independent Director Mr R H Abeygoonewardena Member/Executive Director Mr T M D P Tennakoon Member/Executive Director

Directors meetings

The details of Directors meetings which comprise Board meeting and Board Subcommittee meetings and the attendance of Directors at these meetings are given in Corporate Governance Section of the Annual Report.

The interest register of the Company and Directors' interests in contracts or proposed contracts

The interest register of the Company

The interest register is maintained by the Company as required by the Companies Act No. 07 of 2007. All Directors have made declarations as required by Section 192 (1) and (2) of the Companies Act No. 07 of 2007. All related entries were made in the Interest Register for the year under review. Information pertaining to Directors' interest in transactions, their remuneration and their share ownership are disclosed in the Interest Register. The Interest Register is available for inspection by shareholders or their authorised representatives as required by Section 119 (1) (d) of the Companies Act No. 07 of 2007.

Directors' interests in contracts or proposed contracts

Directors' interests in contracts or proposed contracts with the Company both direct and indirect are disclosed on pages 245 and 247 under the Related Party Transactions. These interests have been declared at Directors' meeting. As a practice, Directors have refrained from voting on matters in which they have an interest. Directors have no direct or indirect interest in any other contracts or proposed contracts with the Company.

Related party transactions

Directors have disclosed transactions if any that could be classified as related party transactions in terms of Sri Lanka Accounting Standards – LKAS 24 – "Related Party Disclosures" which is adopted in preparation of the Financial Statements. This Disclosure is given in Note 46 to the Financial Statements which form an integral part of the Annual Report of the Board of Directors.

Directors' dealings in shares and debentures

Directors' interest in ordinary voting/non-voting shares of the Company

Name	31 March 2019 voting	31 March 2018 voting	31 March 2019 non-voting	31 March 2018 non-voting
Mr D H J Gunawardena				
Mr P C M Nanayakkara	**1,870,099**	1,813,243	**44**	44
Mr R H Abeygoonewardena	**1,029,500**	922,240	**7.579**	7,579
Mr S R Abeynayake				
Dr Ajantha Dharmasiri				
Mr D A De Siva				
Mr P A J Jayawardena	**500**	500	**22**	22
Mr Razik Mohamed				
Mr S V Munasinghe	**1,025,100**	1,000,100		
Mr T M D P Tennakoon	**1,067,733**	1,067,733	**7,262**	7,262
Prof S P P Amarathunga				
Mr J R A Corera*	**17,840**		**10,000**	

- Mr J R A Corera has appointed to the Board on 16 May 2019.

Directors' interest in debentures

Following Directors have been subscribed for Company debentures as indicated below as at 31 March 2019:

Mr R H Abeygoonewardena   Rs. 4 Mn.

Except for above there were no debentures registered in the name of other Directors at 31 March 2019. However, Mr D H J Gunawardena and S R Abeynayake are Directors of Ceylinco Insurance PLC, where Rs. 100 Mn. debentures are registered under Ceylinco Life Insurance Limited, where Ceylinco Life Insurance Limited is a Fully own subsidiary of Ceylinco Insurance PLC.

Directors interest in shares and debentures of subsidiaries

There were no debentures registered in the name or any Director as at 31 March 2019 or any or its subsidiaries.

Remuneration and other benefits of Directors

Remuneration and Other Benefits of Directors in respect of the Company and the Group for the financial year ended 31 March 2019 are given in Note 13 to the Financial Statements on pages 193 to 195 as required by the Section 168 (1) (f) of the Companies Act No. 07 of 2007.

Employment

The Company employment policies are based on recruiting the best people, providing them training to enhance their skills, recognition of distinctive skills and competencies of each individual while offering equal career opportunities regardless of gender, race or religion and to retain them with the Company as long as possible. The number of persons employed by the Company as at 31 March 2019 was 1,618.

Human resources

The strategies practiced by the Human Resources team has ensured efficient, effective and productive workforce. The Human Resources team encourages employees to discuss operational and strategic issues with their line management and to make suggestions which would improve the Company's performance.

Performance management

The process has implement to evaluating the contribution of our employees enables us to reward our people for superior performance and identify and address their development needs. The Company approach to performance management is to ensure that employees have common understanding of the Company's strategy and how it integrate to business units and individual goals.

Succession planning and talent management

Succession planning and talent management should be treated as continuous practice whereby Management and Board prepared for transitions at any time at a multiple level throughout the Company. This includes not only the Key Management Personnel level but also their direct reporting lines and other critical positions.

Environmental protection

Company has not engaged in any activities detrimental to the environment. The Company applies very high standards to protect and nurture the environment in which it operates and ensures strict adherence to all environment laws and practices.

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Statutory reporting and payments

Statutory payments

The Directors to the best of their knowledge and belief are satisfied that all statutory payments in relation to the Government and the employees have been made up to date.

Statutory reporting and payments

The Directors to the best of their knowledge and belief are satisfied that all reporting relating to the Government and other regulatory institutions have been reported up to date. The Directors to the best of their knowledge and belief are satisfied that all statutory payments due to the Government and other regulatory institutions and related to the employees have been made on time.

Outstanding litigation

The Directors to the best of their knowledge and belief confirm that the litigation currently pending against the Company will not have any material impact on the reported financial results or future operations of the Company.

Events occurring after the reporting date

All material events occurring after the Reporting date reconsidered and where necessary, adjusted to or disclosed in the Financial Statements.

Going concern

The Board of Directors after considering the financial position, operating conditions, regulatory and other factors has a reasonable expectation that the Company and its subsidiary possess adequate resources to continue its operations without any disruption in the foreseeable future. Accordingly, the Financial Statements of the Company and its subsidiary are prepared based on the going concern concept.

The total amount of expenses paid in respect of corporate social responsibility (CSR) activities and donations by the Company and the Group Company

During the year, the Company has made donations amounting to Rs. 24 Mn. for its CSR activities in terms of the resolution passed at the last Annual General Meeting.

Subsidiaries

During the year under review, Fortune Properties Limited (Formerly known as CDB Micro Finance Limited) as well as Unisons Capital Leasing Limited has not made any donations.

This information forms an integral part of the Report of the Directors as required by Section 168 (1) (g) of the Companies Act No. 07 of 2007.

Significant Shareholdings in other Organisations other than Subsidiaries

The Company continues to hold the 3.19% shareholding in Ceylinco Insurance PLC. Details are given in the Note 25 to the Financial Statements.

Risk management and internal control

Risk management

The Directors have established a comprehensive risk management framework which identifies the risks faced by the Company, evaluates the impact of the risks and mitigates the risks. The Directors review this process through the Audit Committee and the Risk Management Committee.

Internal control

The Board of Directors has established an effective internal control which ensures that the assets of the Company are safeguarded and appropriate systems are in place to minimise and detect fraud, errors and other irregularities. The system ensures that Company adopts procedures which results in financial and operational effectiveness and efficiency.

Corporate governance

The Board of Directors are dedicated in maintaining an effective corporate governance framework, which ensures that the Company complies with the Code of Best Practices on Corporate Governance, issued by The Institute of Chartered Accountants of Sri Lanka, the Central Bank of Sri Lanka and the Securities and Exchange Commission of Sri Lanka.

The Directors declare that –

(a) The Company complied with all applicable laws and regulations in conducting its business;

(b) The Directors have declared all material interests in contracts involving the Company and refrained from voting on matters in which they were materially interested;

(c) The Company has made all endeavours to ensure the equitable treatment of shareholders;

(d) The business is a going concern with supporting assumptions or qualifications as necessary, and that the Board of Directors have reviewed the business plans and are satisfied that the Company has adequate resources to continue its operations in the near future; and

(e) Have conducted a review of internal controls covering financial, operational and compliance controls and risk management and have obtained a reasonable assurance of their effectiveness and successful adherence herewith.

Compliance with laws and regulations

The Company and the Group have not engaged in any activity contravening the relevant laws and regulations, except non-compliance with regulations pertaining to *Situmina* Rewards scheme and quick savings product despite an appeal being made. The Compliance officer is responsible for ensuring compliance with the provisions in various laws and regulations and confirms such compliance to the Board on a monthly basis.

There are no significant orders/concerns passed by the Regulators/Courts which would impact the going concern status of the Company and its future operations.

Related party transactions

Section 7.6 (xvi) of CSE Listing Rules – There are no related party transactions which exceed 10% of the equity or 5% of the total assets, whichever is lower, and the Company has complied with the requirements of the Listing Rules of the Colombo Stock Exchange on Related Party Transactions. However, the Directors have disclosed the transactions that could be classified as related party transactions which are adopted in the presentation of the Financial Statements and accordingly given in Note 46 on pages 245 to 247 of this Annual Report.

Appointment of Auditors

The Financial Statements for the year ended 31 March 2019 have been audited by Messrs KPMG, Chartered Accountants who offer themselves for reappointment. The retiring Auditors Messrs KPMG, Chartered Accountants have signified their willingness to continue in office and a resolution relating to their reappointment and authorising Directors to fix their remuneration as recommended by the Board will be proposed at the forthcoming Annual General Meeting.

The Board further confirms that the retiring Auditors, KPMG, Chartered Accountants are listed in the approved panel of External Auditors in terms of the guideline issued by the Monetary Board of Central Bank of Sri Lanka under Section 30 (2) of the Finance Business Act No. 42 of 2011.

The Auditors have been paid a fee of Rs. 7.5 Mn. as audit fee for the year ended 31 March 2019 which has been approved by the Board. The Directors recommend their reappointment.

Notice of meeting

Notice relating to 23rd Annual General Meeting of the Company is enclosed.

Acknowledgements of the contents of the report

The Board of Directors does hereby acknowledge the contents of this Annual Report as per the requirement of Section 168 (1) (k) of the Companies Act No. 07 of 2007.

Signed in accordance with the resolution adopted by the Directors.

By Order of the Board,

D H J Gunawardena
Chairman

W P C M Nanayakkara
Managing Director

(sgd.)
SSP Corporate Services (Pvt) Limited
Company Secretary

31 July 2019

Colombo

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STATEMENT OF DIRECTORS' RESPONSIBILITY

The responsibility of the Directors in relation to the Financial Statements of the Citizens Development Business Finance PLC (Company) and the Consolidated Financial Statements of the Company and its subsidiaries (Group) are set out in the following statement. The responsibility of the Auditors in relation to the Financial Statements is set out in the Report of the Auditors given on pages 166 to 169.

These Financial Statements are prepared in compliance and conformity with the requirements of the following rules, regulations and guidelines:

- Companies Act No. 07 of 2007;
- Finance Business Act No. 42 of 2011;
- Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995;
- Listing Rules of the Colombo Stock Exchange;
- Code of Best Practice on Corporate Governance issued jointly by The Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka; and
- Directions, Rules, Determinations, Notices and Guidelines issued under the Finance Business Act No. 42 of 2011 by the Department of Supervision of Non-bank Financial Institutions of Central Bank of Sri Lanka.

In preparing these Financial Statements, the Directors are required to ensure that –

- The appropriate accounting policies have been selected and applied in a consistent manner and material departures, if any have been disclosed and explained;
- The Financial Statements are presented in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS);
- Reasonable and prudent judgements and estimates have been used so that the form and substance of transactions are appropriately reflected;
- These Financial Statements provide the information required by and otherwise comply with the Companies Act No. 07 of 2007, Finance Business Act No. 42 of 2011 and the Listing Rules of the Colombo Stock Exchange.

In terms of the Companies Act No. 07 of 2007, the Directors of the Company are responsible for ensuring that the Company and the Group keep proper books of accounts and prepare Financial Statements that give true and fair view of the state of affairs of the Company and the Group as at the end of each financial year and of the Statement of Income of the Company and the Group for each financial year and place them before General Meeting.

The Financial Statements comprise the Statement of Financial Position, Statement of Comprehensive Income, and Statement of Changes in Equity, Cash Flow Statement and the Notes to the Financial Statements. The Directors have taken reasonable measures to safeguard the assets of the Company and the Group and to prevent and detect frauds and other irregularities. Accordingly, the Directors have taken steps to establish appropriate systems of internal controls comprising of internal audit, checks, risk assessment tests and financial and other controls to mitigate, prevent and detect fraud and other irregularities.

The Board of Directors provided the Statement of Solvency to the Auditors and obtained Certificates of Solvency from the Auditors in respect of dividends paid and payable (Proposed) conforming to the Section 57 of the Companies Act No. 07 of 2007.

Further, the Board of Directors wishes to confirm that the Company has met requirements under the Section 07 of the continuing Listing Requirements of the Listing Rules of the Colombo Stock Exchange where applicable.

The Board of Directors also wishes to confirm that, as required by the Sections 166 (1) and 167 (1) of the Companies Act, they have prepared this Annual Report in time and ensured that a copy thereof is sent to every shareholder of the Company, who have expressed desire to receive a hard copy or to other shareholders a soft copy each in a CD containing the Annual Report within the stipulated period of time as required by the Rule No. 7.5 (a) and (b) on Continuing Listing Requirements of the Listing Rules of the Colombo Stock Exchange. The Directors also wish to confirm that all shareholders in each category have been treated equitably in accordance with the original terms of issue.

The Company's External Auditors Messrs KPMG were reappointed, in terms of the Companies Act No. 07 of 2007 and in accordance with a resolution passed at the last Annual General Meeting. They carried out reviews, and sample checks on the system of internal controls as they considered required and appropriate and necessary for expressing an opinion on the Financial Statements and internal controls. They were provided with every opportunity to undertake the inspections they considered appropriate.

The Directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the Company and its subsidiary, all contributions, levies and taxes payable on behalf of and in respect of the employees of the Company and its subsidiary, and all other known statutory dues as were due and payable by the Company and its subsidiaries as at the reporting date have been paid or where relevant, provided.

The Directors further confirm that after considering the financial position, operating conditions, regulatory and other factors, reasonable expectation that the Company and its subsidiaries have adequate resources to continue in operation for the foreseeable future. Accordingly, we continue to adopt the going concern basis in preparing the Financial Statements.

By Order of the Board,

(sgd.)	(sgd.)
D H J Gunawardena	**W P C M Nanayakkara**
Chairman	Managing Director

31 July 2019

Colombo

DIRECTORS' STATEMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Responsibility

In line with the Section 10 (2) (b) of the Finance Companies Direction No. 03 of 2008 as amended by the Direction No. 06 of 2013, and principle D 1.5 of Code of Best Practice on Corporate Governance 2017 issued by The Institute of Chartered Accountants of Sri Lanka, the Board of Directors presents this Report on Internal Control over Financial Reporting.

The Board of Directors ("Board") is responsible for the adequacy and effectiveness of the Internal Controls in place at Citizens Development Business Finance PLC ("the Company"). However, such a system is designed to manage the Company's key areas of risk within an acceptable risk profile, rather than to eliminate the risk of failure to achieve the business objectives and policies of the Company. Accordingly, the system of internal controls can only provide reasonable but not absolute assurance against material misstatement of management and financial information and records or against financial losses or fraud.

The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company and this process includes enhancing the system of Internal Controls as and when there are changes to the business environment or regulatory guidelines. The process is regularly reviewed by the Board in accordance with the guidance for Directors of the Company on the "Directors' Statement on Internal Control" issued by The Institute of Chartered Accountants of Sri Lanka . As per the said guidance, significant processes affecting significant accounts of the Company were assessed along with the key areas of the Company.

The Board is of the view that the system of Internal Control over Financial Reporting in place is sound and adequate to provide reasonable assurance regarding the reliability of Financial Reporting and that the preparation of Financial Statements for external purposes is in accordance with relevant accounting principles and regulatory requirements.

The Management assists the Board in the implementation of the Board's policies and procedures on risk and control by identifying and assessing the risks faced, and in the design, operation and monitoring of suitable internal controls to mitigate and control these risks.

Key features of the process adopted in applying and reviewing the design and effectiveness of the internal control system over financial reporting

The key processes that have been established in reviewing the adequacy and integrity of the system of internal controls with respect to financial reporting include the following:

- Establishment of Board subcommittees to assist the Board in ensuring the effectiveness of the Company's day-to-day operations and to ensure that all such operations are carried out in accordance with the corporate objectives, strategies and the annual budget as well and the policies and business directions that have been approved.
- Policies/Procedures are developed covering all functional areas of the Company and these are approved by the Board or Board-approved committees. Such policies and procedures are reviewed and approved periodically.
- Internal Audit Department of the Company checks for compliance with policies and procedures and the effectiveness of the Internal Control system on an on-going basis using samples and rotational procedures and highlights significant findings in respect of any non-compliance. The annual audit plan is reviewed and approved by the Board Audit Committee. Audits are carried out on majority of departments/units and branches. The frequency of these audits are determined by the level of risk assessed. The findings of the audits are submitted to the Board Audit Committee for review at their periodic meetings.
- The Board Audit Committee of the Company reviews Internal Control issues identified by the Internal Audit Department, the External Auditors, Regulatory Authorities and the Management, and evaluates the adequacy and effectiveness of the risk management and internal control systems. The Board Audit Committee reviews the effectiveness of internal audit functions with particular emphasis on the scope of audits and the quality of the same. The Minutes of the Board Audit Committee meetings are forwarded to the Board on a quarterly basis. Further, details of the activities undertaken by the Board Audit Committee are set out in the Board Audit Committee Report of this Annual Report.
- The Board Integrated Risk Management Committee (BIRMC) is established to assist the Board to oversee the overall management of principal areas of risk of the Company.
- Operational Committees have also been established with appropriate empowerment to ensure effective management and supervision of the Company's core areas of the business operations. These Committees include the Assets and Liability Committee, Credit Committee, Treasury Committee and Information Technology Steering Committee.

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In assessing the Internal Control System over Financial Reporting, identified officers of the Company were assigned to collate all procedures and controls that are connected with significant accounts and disclosures of the Financial Statements of the Company. These in turn were observed and checked by the Internal Audit Department for suitability of design and effectiveness on an ongoing basis. This assessment included a subsidiary (Unisons Capital Leasing Limited) of the Company as well.

The Company has early adopted SLFRS 9 – "Financial Instruments" which issued in 2014 with a date of initial application of 1 April 2017. Since adoption of this standard, progressive improvements on processes to comply with new requirements of classification, estimation of expected credit losses and disclosure were made whilst, further strengthening of processes will take place pertaining to expected credit loss estimation and Financial Statement disclosures.

The Comments made by the External Auditors in connection with internal control system over financial reporting in previous year were reviewed during the year and appropriate steps have been taken to implement the recommendations.

Confirmation

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

Review of the statement by external auditors

The External Auditors, Messrs KPMG, have reviewed the above Directors' Statement on Internal Control over Financial Reporting for the year ended 31 March 2019 and reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in the review of the design and effectiveness of the Internal Control System over Financial Reporting of the Company. Their independent assurance report on the "Directors' Statement on Internal Control over Financial Reporting" is given on page 159 of this Annual Report.

By order of the Board

D H J Gunawardena
Chairman

Razik Mohamed
Chairman – Audit Committee

C M Nanayakkara
Managing Director/CEO

T M D P Tennakoon
Deputy CEO/Director/CFO

31 July 2019
Colombo

AUDITORS' ASSURANCE REPORT ON THE DIRECTORS' STATEMENT ON INTERNAL CONTROL

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
Internet : www.kpmg.com/lk

The Board of Directors of Citizens Development Business Finance PLC

Report on the Directors' statement on internal control

We were engaged by the Board of Directors of Citizens Development Business Finance PLC ("the Company") to provide Assurance on the Directors' Statement on Internal Control ("Statement") included in the Annual Report for the year ended 31 March 2019.

Management's responsibility

Management is responsible for the preparation and presentation of the Statement in accordance with the "Guidance for Directors of Licensed Finance Companies on the Directors' Statement on Internal Control" issued in compliance with the Section 10 (2) (b) of the Finance Companies Direction No. 3 of 2008, by The Institute of Chartered Accountants of Sri Lanka.

Our independence and quality control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by The Institute of Chartered Accountants of Sri Lanka, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Sri Lanka Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Auditors' responsibilities

Our responsibility is to assess whether the Statement is both supported by the documentation prepared by or for Directors and appropriately reflects the process the Directors have adopted in reviewing the design and effectiveness of the internal control of the licensed finance company.

We conducted our engagement in accordance with Sri Lanka Standard on Assurance Engagements (SLSAE) 3051, Assurance Report for Licensed Finance Companies on Directors' Statement on Internal Control, issued by The Institute of Chartered Accountants of Sri Lanka.

This standard requires that the Auditors plan and perform procedures to obtain limited assurance about whether Management has prepared, in all material respects, the Statement on Internal Control.

For purposes of this engagement, we are not responsible for updating or reissuing any reports, nor have we, in the course of this engagement, performed an audit or review of the financial information.

Summary of work performed

Our engagement has been conducted to assess whether the Statement is both supported by the documentation prepared by or for Directors and appropriately reflects the process the Directors have adopted in reviewing the system of internal control for the Company.

To achieve this objective, appropriate evidence has been obtained by performing the following procedures:

(a) Enquired the Directors to obtain an understanding of the process defined by the Board of Directors for their review of the design and effectiveness of internal control and compared their understanding to the Statement made by the Directors in the Annual Report.

(b) Reviewed the documentation prepared by the Management to support their Statement made.

(c) Related the Statement made by the Directors to our knowledge of the Company obtained during the audit of the Financial Statements.

(d) Reviewed the minutes of the meetings of the Board of Directors and of relevant Board Committees.

(e) Considered whether the Directors' Statement on Internal Control covers the year under review and that adequate processes are in place to identify any significant matters arising.

(f) Obtained written representations from Directors on matters material to the Statement on Internal Control where other sufficient appropriate audit evidence cannot reasonably be expected to exist.

SLSAE 3051 does not require us to consider whether the Statement covers all risks and controls, or to form an opinion on the effectiveness of the Company's risk and control procedures. SLSAE 3051 also does not require us to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the Annual Report will, in fact, remedy the problems.

The procedures selected depend on the Auditors' judgement, having regard to the Auditors' understanding of the nature of the Company, the event or transaction in respect of which the Statement has been prepared.

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

Auditors' conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the Statement included in the Annual Report is inconsistent with our understanding of the process the Board of Directors has adopted in the review of the design and effectiveness of internal control of the licensed finance company.

KPMG

Chartered Accountants

31 July 2019
Colombo

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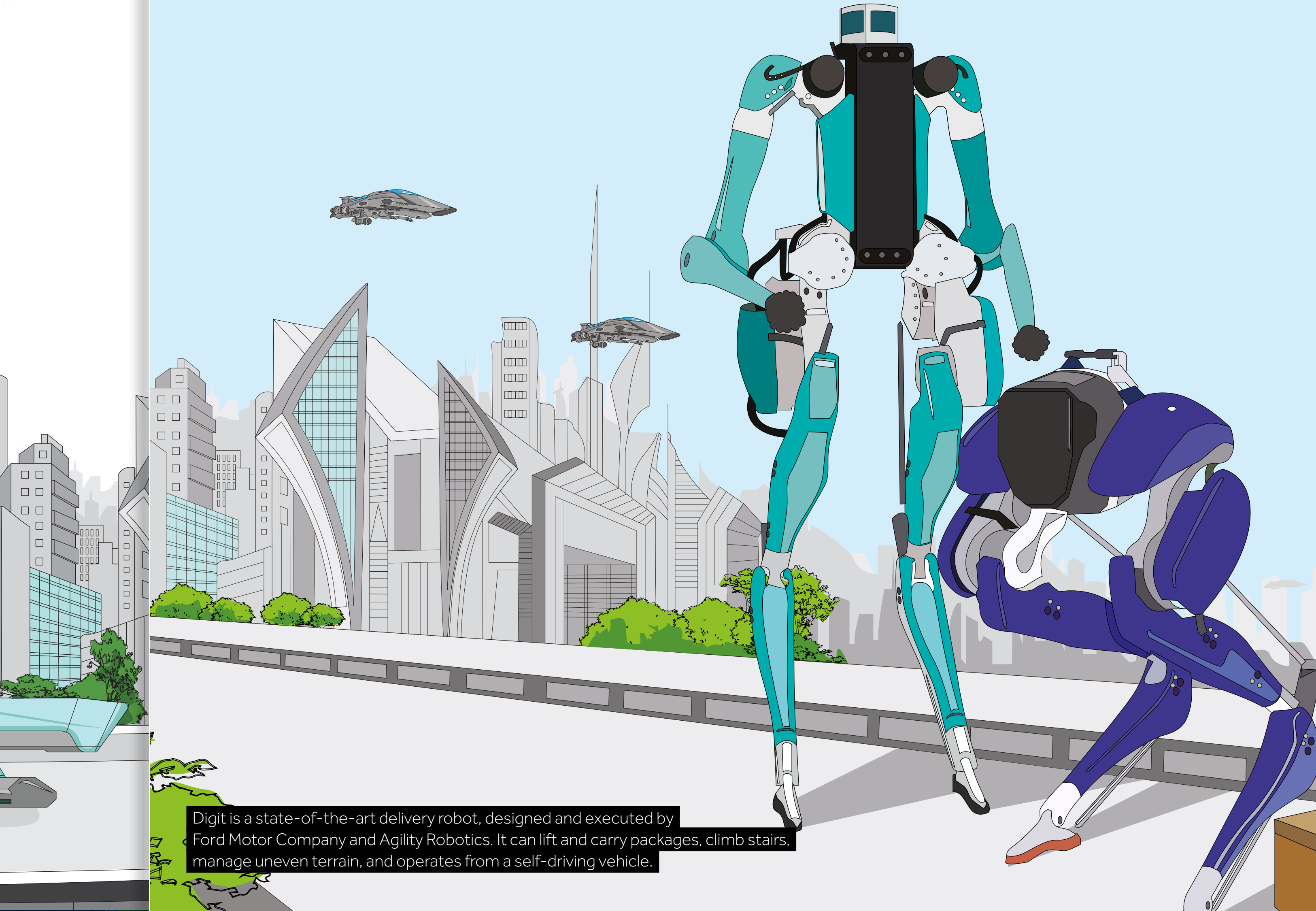
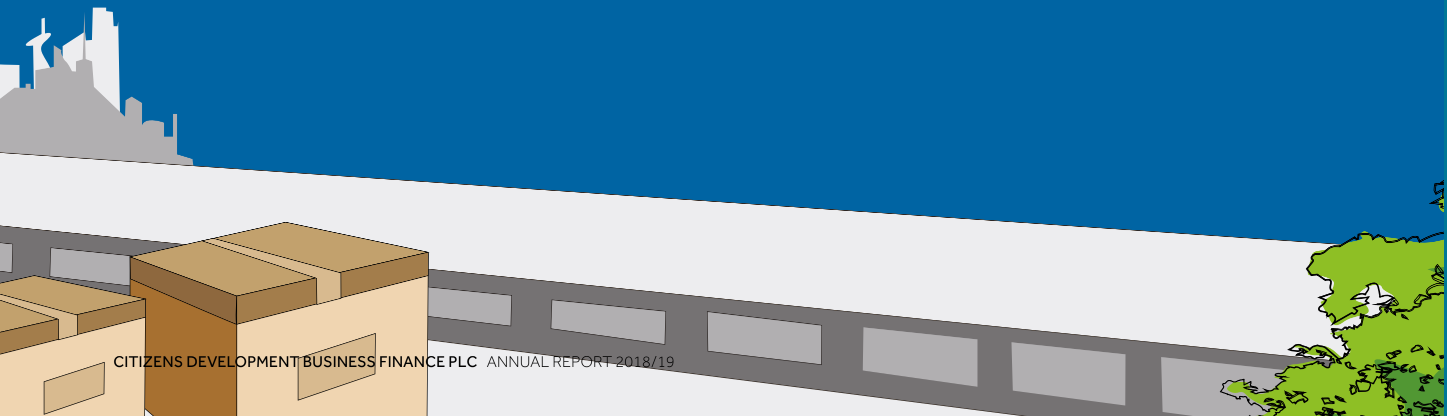
We envision of being a Techfin, moving beyond our core business lines to provide lifestyle solutions to our customers. With our ecosystem thinking and digital platforms like patpat.lk, we have already taken the initial steps in this transformative journey.



Digit is a state-of-the-art delivery robot, designed and executed by Ford Motor Company and Agility Robotics. It can lift and carry packages, climb stairs, manage uneven terrain, and operates from a self-driving vehicle.

FINANCIAL REPORTS

Statement of Profit or Loss and Other Comprehensive Income, and Statement of Financial Position that depict the financial performance and position for the year 2018/19.



FINANCIAL CALENDAR

Dividend Payments	
Final dividend for the year ended 31 March 2018 paid on	Tuesday, 10 July 2018
Final dividend for the current year to be proposed on	Thursday, 19 September 2019
Final cash dividend for the current year to be paid on*	Thursday, 3 October 2019
Scrip dividend for the current year to be distributed on*	Thursday, 3 October 2019

**Subject to confirmation by shareholders at Annual General Meeting.*

	2018/19	2019/20 (Proposed)
Audited Financial Statements and Annual General Meeting		
Annual general meeting	**Thursday, 19 September 2019**	Tuesday, 30 June 2020
Interim Financial Statements to CSE**		
Quarter ended 30 June	**Wednesday, 8 August 2018**	Monday, 12 August 2019
Quarter ended 30 September	**Wednesday, 14 November 2018**	Monday, 11 November 2019
Quarter ended 31 December	**Thursday, 14 February 2019**	Thursday, 13 February 2020
Quarter ended 31 March	**Tuesday, 21 May 2019**	Monday, 18 May 2020

*** In terms of the Rule 7.4 of the CSE and as per the requirements of the Central Bank of Sri Lanka.*

	News paper	2018	2019 (Proposed)
Six Months Financial Statements			
Year ended 31 March (Audited)	Lankadeepa	**Friday, 29 June 2018**	Saturday, 3 August 2019
	Virakesari	**Friday, 29 June 2018**	Saturday, 3 August 2019
	Daily FT	**Friday, 29 June 2018**	Saturday, 3 August 2019
Six months ended 30 September (Unaudited)	Lankadeepa	**Tuesday, 27 November 2018**	Friday, 22 November 2019
	Virakesari	**Tuesday, 27 November 2018**	Friday, 22 November 2019
	Daily FT	**Tuesday, 27 November 2018**	Friday, 22 November 2019

*** In terms of the requirements in Direction No. 2 of 2006, Central Bank of Sri Lanka.*

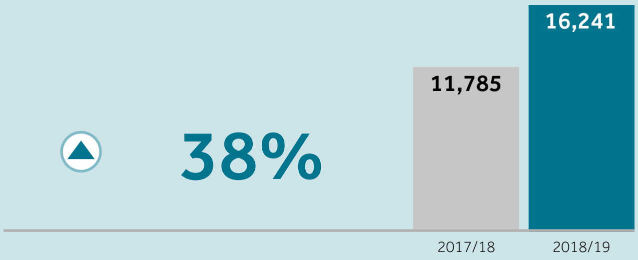
Tuesday 21 May 2019	**Wednesday 31 Jul. 2019**	**Thursday 19 Sep. 2019**	**Thursday 15 Aug. 2019**	**Monday 11 Nov. 2019**	**Thursday 13 Feb. 2020**
Unaudited Financial Statements	Audited Financial Statements	Annual General Meeting	Quarterly Financial Statements	Quarterly Financial Statements	Quarterly Financial Statements

FINANCIAL STATEMENTS – TABLE OF CONTENTS

HIGHLIGHTS

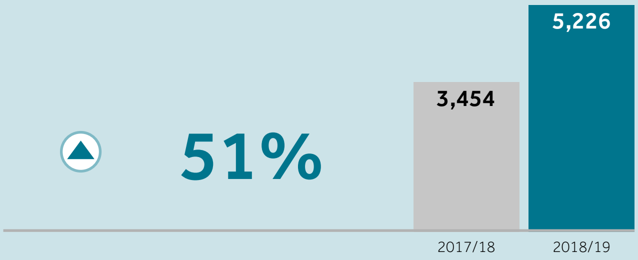
Revenue

[Rs. Mn.]



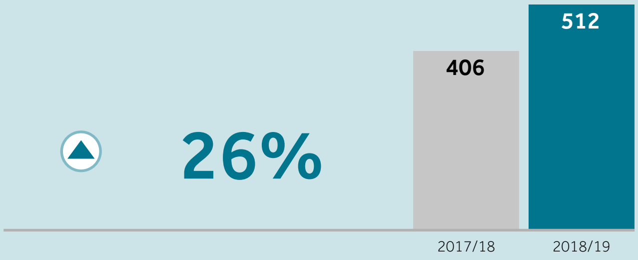
Net interest income

[Rs. Mn.]



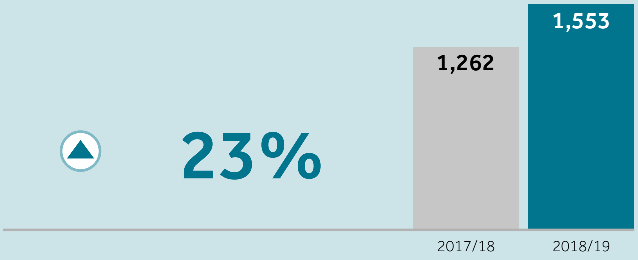
Fee and commission income

[Rs. Mn.]



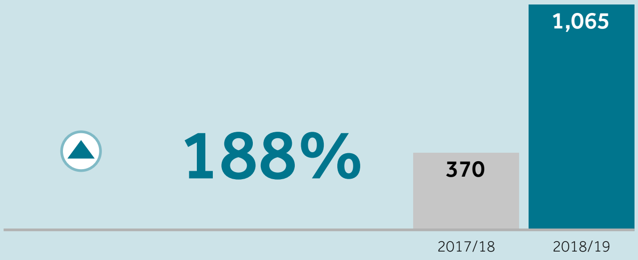
Other operating income

[Rs. Mn.]



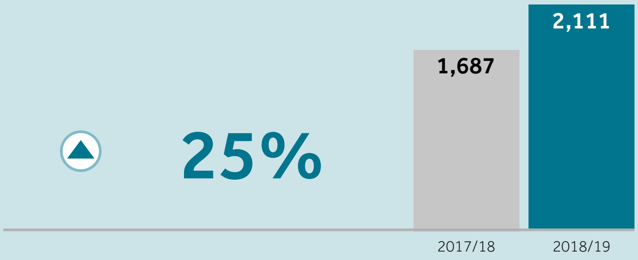
Impairment charges

[Rs. Mn.]



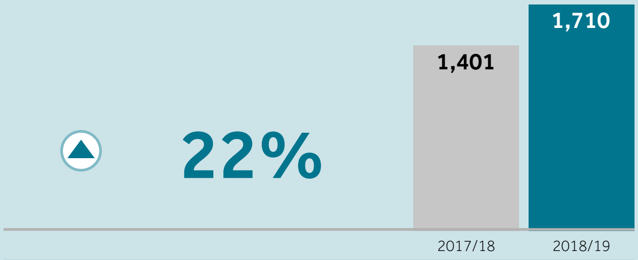
Profit before tax

[Rs. Mn.]



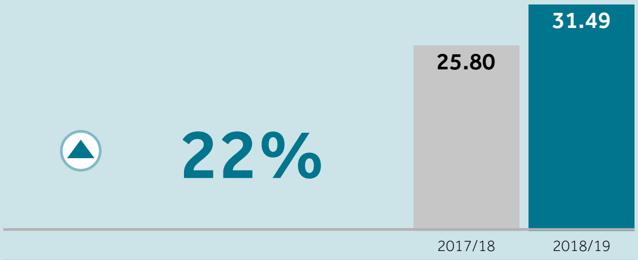
Profit after tax

[Rs. Mn.]



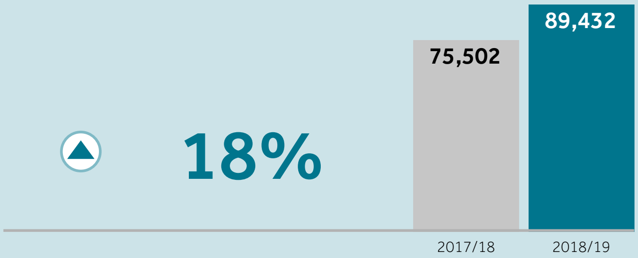
Basic earnings per share

[Rs.]



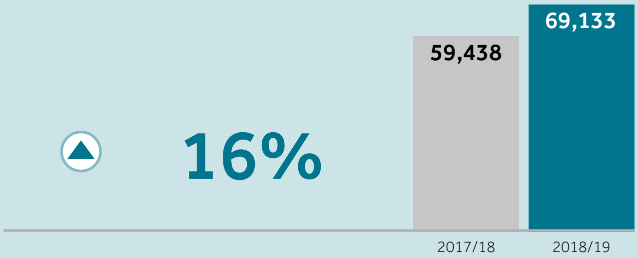
Total assets

[Rs. Mn.]



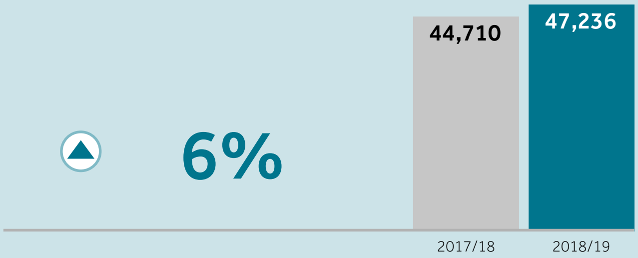
Loans and advances to customers

[Rs. Mn.]



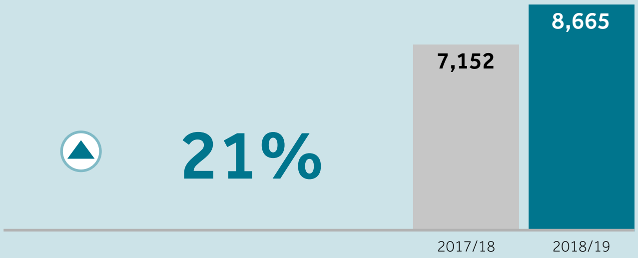
Deposits from customers

[Rs. Mn.]



Equity

[Rs. Mn.]



Revenue – Product wise

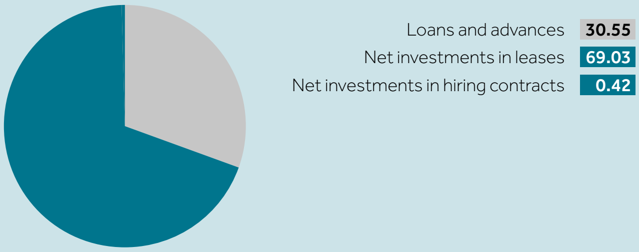
[%]

Interest income – Product wise

[%]

Loans and receivables – Product wise

[%]



INDEPENDENT AUDITOR'S REPORT

KPMG
(Chartered Accountants)
32A, Sir Mohamed Macan Markar Mawatha,
P. O. Box 186,
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Internet : www.kpmg.com/lk

To the Shareholders of Citizens Development Business Finance PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Citizens Development Business Finance PLC ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the statement of financial position as at 31 March 2019, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31 March 2019, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the Group in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics), and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

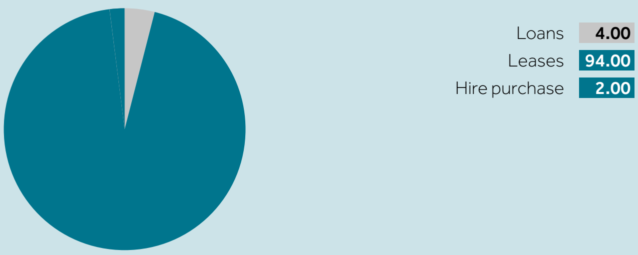
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Company financial statements and the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the Company financial statements and the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Impairment of loans and receivables

Refer to the accounting policies in the Financial Statements: Impairment of Loans and Receivables to customers, "Note 24" to the Financial Statements: Significant Accounting Judgements and Estimates, "Note 52.A.I" to the Financial Statements.

Loans and receivables [%]

Expected credit loss allowances [%]



Composition of Loans and receivables and Expected Credit Loss Allowances:

Risk Description	Our responses
The Group has recognised impairment provision of Rs. 2,064,302,000 on loans and receivables amounting to Rs. 71,197,351,000 as at 31 March 2019. Impairment of loans and receivables is a subjective area due to the level of judgement applied by management in determining impairment allowances. From the Group's perspective, the portfolios which gave rise to the greatest uncertainty in determining impairment allowances for loans and receivables to customers were those where impairments were derived from internally developed statistical models, where the loans and receivables to customers were unsecured or where the loans and receivables to customers were subject to potential collateral shortfalls. The determination of the allowance for expected credit losses is heavily dependent on the external macroenvironment and statistical, internal credit risk management models. The Group's expected credit losses for loans and receivables to customers are derived from the statistical models which are based on internally computed data comprising qualitative and quantitative factors including past due information and also incorporating forward looking information. We identified assessing impairment of loans and receivables to customers as a key audit matter because there is a high degree of complexity and judgement involved for the Group in estimating individual and collective credit impairment provisions against these loans. These features resulted in significant audit effort to address the risks around loan recoverability and the determination of related provisions	Our audit procedures included: • Assessing the design, implementation and operating effectiveness of key internal controls over the approval of new lending facilities against the Group lending policies, recording, monitoring of counterparty credit quality and restructuring of loans and receivables to customers, the process of the measurement of impairment allowances for loans and receivables to customers; • Challenging the validity of the models used and assumptions adopted in Group or Company calculation of the impairment allowances by critically assessing: – Input parameters involving management judgement; – the overdue statistical data for the loan and receivable portfolios; and – Historical loss parameters used. Considering, as part of the procedures above, the nature of and reasons for any revisions to the key assumptions and input parameters in the models, the consistency of judgement applied in the use of economic factors and forward looking information and assessing key internal controls over the input of underlying data into the models: • Assessing the economic factors used in the models to market information to assess whether they were aligned with market and economic developments. We also assessed the emergence period by tracing the lifecycle of overdue accounts from the specific credit event to downgrading the account to a non-performing loan; • Re-performing credit assessments for the selected impaired loans and receivables by assessing the forecast of recoverable cash flows through inquiry, applying judgement and our own research. We evaluated the timing and means of realisation of collateral and considered other sources of repayment asserted by management. We also evaluated the consistency of management's application of key assumptions and compared them with our own data sources. Where available, we made use of post reporting date information to evaluate credit quality with hindsight; • Assessing the disclosures related to impairment of loans and receivables to customers and transition disclosures in the financial statements.

2. IT systems and controls over financial reporting

Risk Description	Our Responses
Automated accounting procedures and IT environment controls, which include IT governance, controls over programme development and changes, access to programmes and data and IT operations, are required to be designed and to operate effectively to ensure accurate financial reporting in particular areas of importance are system calculations, logic regarding significant accounts, including interest calculations, interfaces between business management systems and accounting systems. We identified IT systems and controls over financial reporting as a key audit matter because the Group's financial accounting and reporting systems are fundamentally reliant on complex IT systems and control processes which are driven by significant transaction volumes caused by the size of the customer base.	Our audit procedures included: We used our own IT specialists to perform audit procedures to assess IT systems and controls over financial reporting, which included: • Assessing the design, implementation and operating effectiveness of key internal controls over the continued integrity of all major IT systems fundamental to dealing with the financial data, particularly financial reporting; • Examining the framework of governance over the Group's IT organisation and the controls over programme development and changes, access to programmes and data and IT operations, including compensating controls where required; • Evaluating the design, implementation and operating effectiveness of the significant accounts-related IT process controls by assessing the operating effectiveness of IT Application Controls, assessing the operating effectiveness of certain automated controls and system calculations which are relevant to the Group's compliance activities; • Assessing the availability and stability of key operating systems, taking into consideration the rapid development of businesses, types and transactions volumes as well as IT projects that have a significant impact on business continuity; • Testing the access rights given to staff by checking them to approved records, and inspecting the reports over the granting and removal of access rights; • Testing preventative controls designed to enforce segregation of duties between users within particular systems.

Other information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and the Group's financial reporting process.

Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SLAuSs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

As required by Section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 3707.

CHARTERED ACCOUNTANTS
Colombo, Sri Lanka
31 July 2019

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March	Note	COMPANY 2019 Rs. '000	COMPANY 2018 Rs. '000	GROUP 2019 Rs. '000	GROUP 2018 Rs. '000
Revenue	8	**16,240,520**	11,784,862	**16,920,793**	12,049,986
Interest income	9.1	**14,174,791**	10,117,149	**14,682,037**	10,320,089
Interest expense	9.2	**8,949,018**	6,662,828	**9,184,258**	6,705,127
Net interest income	9	**5,225,773**	3,454,321	**5,497,779**	3,614,962
Fee and commission income	10	**512,254**	405,986	**683,301**	464,591
Other operating income	11	**1,553,475**	1,261,727	**1,555,455**	1,265,306
Total operating income		**7,291,502**	5,122,034	**7,736,535**	5,344,859
Less: Impairment charges and other credit losses on financial assets	12	**1,064,610**	369,872	**1,138,407**	396,102
Net operating income		**6,226,892**	4,752,162	**6,598,128**	4,948,757
Less: Operating expenses					
Personnel expenses	13.1	**1,354,366**	1,047,154	**1,413,444**	1,083,585
Premises, equipment and establishment expenses	13.2	**1,717,375**	1,336,545	**1,808,013**	1,358,788
Other expenses	13.3	**552,112**	408,950	**617,663**	448,772
Total operating expenses	13	**3,623,853**	2,792,649	**3,839,120**	2,891,145
Operating profit before taxes on financial services		**2,603,039**	1,959,513	**2,759,008**	2,057,612
Less: Taxes on financial services	14	**491,673**	272,696	**522,783**	293,398
Profit before tax		**2,111,366**	1,686,817	**2,236,225**	1,764,214
Less: Income tax expense	15	**401,173**	285,629	**428,111**	310,063
Profit for the year		**1,710,193**	1,401,188	**1,808,114**	1,454,151
Profit attributable to:					
Equity holders of the Company		**1,710,193**	1,401,188	**1,798,213**	1,448,875
Non-controlling interest		**–**	–	**9,901**	5,276
Profit for the year		**1,710,193**	1,401,188	**1,808,114**	1,454,151
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Net change in revaluation surplus:					
Increase in revaluation surplus		**200,804**	59,638	**200,804**	59,638
Less: Deferred tax on revaluation surplus		**(56,225)**	(168,387)	**(56,225)**	(168,387)
Net actuarial loss on defined benefit plan		**(70,242)**	(4,969)	**(70,108)**	(5,024)
Total other comprehensive income		**74,337**	(113,718)	**74,471**	(113,773)
Total comprehensive income for the year		**1,784,530**	1,287,470	**1,882,585**	1,340,378
Total comprehensive income attributable to:					
Equity holders of the Company		**1,784,530**	1,287,470	**1,872,671**	1,335,107
Non-controlling interest		**–**	–	**9,914**	5,271
Total comprehensive income for the year		**1,784,530**	1,287,470	**1,882,585**	1,340,378
Earnings per share					
Basic/Diluted earnings per share (Rs.)	16	**31.49**	25.80	**33.11**	26.68
Dividend per share					
Dividend per ordinary share (Gross) (Rs.)	17	**5.00***	5.00		

The Notes to the Financial Statements on pages 178 to 279 form an integral part of these Financial Statements.
Figures in brackets indicate deductions.

**The Board has proposed a first and final dividend of Rs. 5 per share for the year ended 31 March 2019. This will be paid in the form of a cash dividend of Rs. 2.50 and in the form of a scrip dividend of Rs. 2.50.*

STATEMENT OF FINANCIAL POSITION

		COMPANY		GROUP	
As at 31 March	Note	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
Assets					
Cash and cash equivalents	20	**1,093,874**	2,974,825	**1,189,251**	3,039,663
Financial assets measured at fair value through profit or loss (FVTPL)	21	**1,687,004**	1,485,315	**1,727,013**	1,519,227
Loans and receivables to banks	22	**3,094,312**	1,425,000	**3,195,205**	1,475,356
Deposits with financial institutions	23	**6,719,704**	2,392,827	**6,719,704**	2,392,827
Loans and receivables to customers	24	**69,133,049**	59,438,349	**71,582,081**	60,585,395
Other investment securities	25	**1,313,861**	2,471,305	**1,319,177**	2,476,583
Investment in subsidiaries	26	**509,918**	509,918	**–**	–
Investment property	27	**20,198**	20,198	**20,198**	20,198
Property, plant and equipment	28	**2,369,187**	2,029,222	**2,384,016**	2,042,777
Intangible assets	29	**82,791**	86,149	**97,838**	101,692
Goodwill on consolidation	30	**–**	–	**244,180**	244,180
Other assets	31	**3,408,541**	2,669,002	**3,499,958**	2,699,662
Total assets		**89,432,439**	75,502,110	**91,978,621**	76,597,560
Liabilities					
Derivative financial liabilities	32	**363,153**	–	**363,153**	–
Deposits from customers	33	**47,236,367**	44,709,832	**47,222,578**	44,705,409
Debt securities issued	34	**3,980,483**	4,081,033	**3,980,483**	4,081,033
Other interest-bearing borrowings	35	**24,509,877**	15,114,486	**26,473,852**	15,831,490
Current tax liabilities	36	**556,748**	443,080	**633,142**	445,407
Deferred tax liabilities	37	**1,357,419**	860,819	**1,336,061**	887,200
Retirement benefit obligation	38	**7,369**	60,727	**7,681**	61,017
Other liabilities	39	**2,755,620**	3,079,734	**3,091,402**	3,326,267
Total liabilities		**80,767,036**	68,349,711	**83,108,352**	69,337,823
Equity					
Stated capital	40	**1,185,062**	1,185,062	**1,185,062**	1,185,062
Reserves	41	**2,240,486**	1,753,868	**2,240,471**	1,758,999
Retained earnings	42	**5,239,855**	4,213,469	**5,399,141**	4,279,468
Total equity attributable to equity holders of the Company		**8,665,403**	7,152,399	**8,824,674**	7,223,529
Non-controlling interest	43			**45,595**	36,208
Total equity		**8,665,403**	7,152,399	**8,870,269**	7,259,737
Total liabilities and equity		**89,432,439**	75,502,110	**91,978,621**	76,597,560
Net assets value per share (Rs.)	44	**159.57**	131.71	**162.50**	133.02
Contingencies and commitments	45	**269,613**	103,047	**269,613**	103,047

The Notes to the Financial Statements on pages 178 to 279 form an integral part of these Financial Statements.

I certify that these Financial Statements have been prepared in compliance with the requirements of the Companies Act No. 07 of 2007 and Finance Business Act No. 42 of 2011.

Damith Tennakoon
Deputy CEO/Director/CFO

The Board of Directors is responsible for the preparation and the presentation of these Financial Statements.
Approved and signed for and on behalf of the Board.

D H J Gunawardena
Chairman
31 July 2019
Colombo

R H Abeygoonewardena
Director

STATEMENT OF CHANGES IN EQUITY

COMPANY

	Stated Capital Rs. '000
Balance as at 31 March 2017	1,185,062
Impact of adopting SLFRS 9 – "Financial Instruments" as at 1 April 2017 (Refer Note 4)	
Restated Balance as at 1 April 2017	1,185,062
Total comprehensive income for the year 2017/18	
Profit for the year	
Other comprehensive income for the year	
Net change in revaluation surplus: (Refer Note 41.1)	
Increase in revaluation surplus	
Less: Deferred tax on revaluation surplus	
Net actuarial gain/(loss) on defined benefit plan (Refer Note 38)	
Total comprehensive income for the year 2017/18	–
Transactions with equity holders of the Company	
Dividends to equity holders for the year – 2016/17	
Transfers during the year (Refer Note 41.2)	
Total transactions with equity holders	–
Balance as at 31 March 2018	1,185,062
Balance as at 1 April 2018	**1,185,062**
Total comprehensive income for the year 2018/19	
Profit for the year	
Other comprehensive income for the year	
Net change in revaluation surplus: (Refer Note 41.1)	
Increase in revaluation surplus	
Less: Deferred tax on revaluation surplus	
Net actuarial gain/(loss) on defined benefit plan (Refer Note 38)	
Total comprehensive income for the year 2018/19	**–**
Transactions with equity holders of the Company	
Dividends to equity holders for the year – 2017/18	
Transfers during the year (Refer Note 41.2)	
Total transactions with equity holders	**–**
Balance as at 31 March 2019	**1,185,062**

The Notes to the Financial Statements on pages 178 to 279 form an integral part of these Financial Statements.
Figures in brackets indicate deductions.

Reserves				
Revaluation Reserve Rs. '000	Available-for-Sale Reserve Rs. '000	Statutory Reserve Fund Rs. '000	Retained Earnings Rs. '000	Total Equity Rs. '000
541,744	819,709	1,040,635	2,654,015	6,241,165
	(819,709)		633,541	(186,168)
541,744	–	1,040,635	3,287,556	6,054,997
			1,401,188	1,401,188
59,638				59,638
(168,387)				(168,387)
			(4,969)	(4,969)
(108,749)	–	–	1,396,219	1,287,470
			(190,068)	(190,068)
		280,238	(280,238)	–
–	–	280,238	(470,306)	(190,068)
432,995	–	1,320,873	4,213,469	7,152,399
432,995	**–**	**1,320,873**	**4,213,469**	**7,152,399**
			1,710,193	**1,710,193**
200,804				**200,804**
(56,225)				**(56,225)**
			(70,242)	**(70,242)**
144,579	**–**	**–**	**1,639,951**	**1,784,530**
			(271,526)	**(271,526)**
		342,039	**(342,039)**	**–**
–	**–**	**342,039**	**(613,565)**	**(271,526)**
577,574	**–**	**1,662,912**	**5,239,855**	**8,665,403**

GROUP

	Stated Capital Rs. '000
Balance as at 31 March 2017	1,185,062
Impact of adopting SLFRS 9 - "Financial Instruments" as at 1 April 2017 (Refer Note 4)	
Restated Balance as at 1 April 2017	1,185,062
Total comprehensive income for the year 2017/18	
Profit for the year	
Other comprehensive income for the year	
Net change in revaluation surplus: (Refer Note 41.1)	
Increase in revaluation surplus	
Less: Deferred tax on revaluation surplus	
Net actuarial gain/(loss) on defined benefit plan (Refer Note 38)	
Total comprehensive income for the year 2017/18	–
Transactions with equity holders of the Company	
Dividends to equity holders for the year – 2016/17	
Transfers during the year (Refer Note 41.2)	
Total Transactions with equity holders	–
Balance as at 31 March 2018	1,185,062
Balance as at 1 April 2018	**1,185,062**
Total comprehensive income for the year 2018/19	
Profit for the year	
Other comprehensive income for the year	
Net change in revaluation surplus: (Refer Note 41.1)	
Increase in revaluation surplus	
Less: Deferred tax on revaluation surplus	
Net actuarial gain/(loss) on defined benefit plan (Refer Note 38)	
Total comprehensive income for the year 2018/19	**–**
Transactions with equity holders of the Company	
Dividends to equity holders for the year – 2017/18	
Transfers during the year (Refer Note 41.2)	
Total transactions with equity holders	**–**
Balance as at 31 March 2019	**1,185,062**

The Notes to the Financial Statements on pages 178 to 279 form an integral part of these Financial Statements.
Figures in brackets indicate deductions.

	Reserves						
	Revaluation Reserve Rs. '000	Available-for-Sale Reserve Rs. '000	Statutory Reserve Fund Rs. '000	Retained Earnings Rs. '000	Shareholders' Equity Rs. '000	Non-Controlling Interest Rs. '000	Total Equity Rs. '000
	541,744	821,740	1,042,908	2,690,686	6,282,140	32,782	6,314,922
		(821,740)		618,090	(203,650)	(1,644)	(205,294)
	541,744	–	1,042,908	3,308,776	6,078,490	31,138	6,109,628
				1,448,875	1,448,875	5,276	1,454,151
	59,638				59,638		59,638
	(168,387)				(168,387)		(168,387)
				(5,019)	(5,019)	(5)	(5,024)
	(108,749)	–	–	1,443,856	1,335,107	5,271	1,340,378
				(190,068)	(190,068)	(201)	(190,269)
			283,096	(283,096)			
	–	–	283,096	(473,164)	(190,068)	(201)	(190,269)
	432,995	–	1,326,004	4,279,468	7,223,529	36,208	7,259,737
	432,995	**–**	**1,326,004**	**4,279,468**	**7,223,529**	**36,208**	**7,259,737**
				1,798,213	**1,798,213**	**9,901**	**1,808,114**
	200,804				**200,804**		**200,804**
	(56,225)				**(56,225)**		**(56,225)**
				(70,121)	**(70,121)**	**13**	**(70,108)**
	144,579	**–**	**–**	**1,728,092**	**1,872,671**	**9,914**	**1,882,585**
				(271,526)	**(271,526)**	**(527)**	**(272,053)**
			336,893	**(336,893)**			
	–	**–**	**336,893**	**(608,419)**	**(271,526)**	**(527)**	**(272,053)**
	577,574	**–**	**1,662,897**	**5,399,141**	**8,824,674**	**45,595**	**8,870,269**

STATEMENT OF CASH FLOWS

ACCOUNTING POLICY

In accordance with LKAS 7 – "Statement of Cash Flows". The Statement of cash flows has been prepared using the "Direct Method". Cash and cash equivalents comprise short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

The cash and cash equivalents include cash in hand, balances with banks, money at call and money market funds.

	COMPANY		GROUP	
For the year ended 31 March	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
Cash flow from operating activities				
Interest receipts	**14,091,470**	10,071,310	**14,631,161**	10,331,714
Commission receipts	**177,240**	354,773	**285,118**	386,076
Other income receipts	**1,424,025**	1,126,899	**1,446,721**	1,128,335
Interest payments	**(8,753,486)**	(5,708,843)	**(8,938,263)**	(5,784,897)
Fee and business promotion expenses	**(478,818)**	(99,364)	**(550,997)**	(99,364)
Employee related payments	**(1,297,965)**	(1,007,190)	**(1,367,125)**	(1,046,447)
Supplier payments	**(1,947,820)**	(1,099,450)	**(1,991,487)**	(1,123,487)
Financial expenses	**(73,294)**	(21,183)	**(76,387)**	(24,334)
Operating profit before changes in operating assets	**3,141,352**	3,616,952	**3,438,741**	3,767,596
(Increase)/Decrease in operating assets				
Investments in financial institutions	**(5,996,188)**	(455,156)	**(5,996,188)**	(455,156)
Investments in Government securities	**(28,877)**	(709,631)	**(79,415)**	(721,381)
Net funds advanced to customers	**(10,675,989)**	(16,001,860)	**(12,172,564)**	(16,900,485)
Changes in other short-term assets	**(387,363)**	(1,045,178)	**(407,076)**	(1,134,795)
Changes in inventories	**(17,164)**	7,952	**(17,164)**	7,952
	(13,964,229)	(14,586,921)	**(15,233,666)**	(15,436,269)
Increase/(Decrease) in operating liabilities				
Net borrowings	**9,758,545**	3,683,083	**11,070,188**	4,526,347
Net deposits from customers	**2,331,003**	11,628,396	**2,331,003**	11,627,538
	12,089,548	15,311,479	**13,401,191**	16,153,885
Net cash generated from/(used in) operating activities	**(1,874,681)**	724,558	**(1,832,475)**	717,616
Contribution to plan asset	**(180,000)**	–	**(180,000)**	–
Taxation	**–**	(39,709)	**(2,025)**	(42,647)
	(2,054,681)	684,849	**(2,014,500)**	674,969
Cash flow from investing activities				
Dividend receipts	**38,041**	20,411	**38,874**	21,129
Investment in other investment securities	**1,157,443**	(176,343)	**1,157,443**	(176,343)
Purchase of property, plant and equipment	**(393,954)**	(390,797)	**(399,454)**	(403,690)
Proceeds from sale of property, plant and equipment	**5,559**	6,000	**5,559**	6,000
Net cash from/(used in) investing activities	**807,089**	(540,729)	**802,422**	(552,904)
Cash flow from financing activities				

For the year ended 31 March	COMPANY 2019 Rs. '000	COMPANY 2018 Rs. '000	GROUP 2019 Rs. '000	GROUP 2018 Rs. '000
Dividend paid	**(271,526)**	(190,068)	**(277,531)**	(190,269)
Net change in debentures	**(100,550)**	2,005,402	**(100,550)**	2,005,402
Net cash inflows/(outflows) from financing activities	**(372,076)**	1,815,334	**(378,081)**	1,815,133
Net increase/(decrease) in cash and cash equivalents	**(1,619,668)**	1,959,454	**(1,590,159)**	1,937,198
Cash and cash equivalents at the beginning of the year	**2,205,081**	245,627	**2,233,378**	296,180
Cash and cash equivalents at the end of the year	**585,413**	2,205,081	**643,219**	2,233,378
Cash and cash equivalents at the beginning of the year				
Cash at bank and cash in hand	**2,974,825**	454,061	**3,039,663**	507,020
Bank overdrafts	**(769,744)**	(208,434)	**(806,285)**	(210,840)
	2,205,081	245,627	**2,233,378**	296,180
Cash and cash equivalents at the end of the year				
Cash at bank and cash in hand	**1,093,874**	2,974,825	**1,189,251**	3,039,663
Bank overdrafts	**(508,461)**	(769,744)	**(546,032)**	(806,285)
	585,413	2,205,081	**643,219**	2,233,378

The Notes to the Financial Statements on pages 178 to 279 form an integral part of these Financial Statements.
Figures in brackets indicate deductions.

NOTES TO THE FINANCIAL STATEMENTS

1. Reporting entity

1.1 Corporate information

Citizens Development Business Finance PLC ("CDB") is a public limited liability company listed on the Main Board of the Colombo Stock Exchange, incorporated on 7 September 1995 (Domiciled) in Sri Lanka. The Registered Office is situated at No. 123, Orabipasha Mawatha, Colombo 10. The Company was re-registered under the new Companies Act No. 07 of 2007.

CDB is licensed by Monetary Board of the Central Bank of Sri Lanka under the Finance Business Act No. 42 of 2011, and also registered under the Finance Leasing Act No. 56 of 2000 and Consumer Credit Act No. 29 of 1982.

CDB is an approved credit agency under Mortgage Act No. 06 of 1949 and Trust Receipt Ordinance No. 12 of 1947.

The staff strength of the Company as at 31 March 2019 – 1,618 (2018 – 1,588).

1.2 Principal activities and nature of operation

Entity	Principal business activities	Holding percentage 2018/19	Holding percentage 2017/18
Company			
Citizens Development Business Finance PLC	Company provides a vast range of financial services which includes accepting term and savings deposits, leasing, hire purchase and loan facilities, gold loan, foreign exchange, foreign remittances, issuance of international debit cards, credit cards, margin trading, Islamic finance products and other financial services.		
Subsidiaries			
Fortune Properties Limited (formerly known as CDB Micro Finance Limited)	Company provides financial services for property development.	**99.98%**	99.98%
Unisons Capital Leasing Limited	Company provides financial services including leasing personal loan and term-loan.	**90.38%**	90.38%

The holding percentages of the subsidiaries are disclosed in Note 26 to the Financial Statements. There were no significant changes in the nature of the principal activities of the Company and the Group during the financial period under review.

2. Basis of preparation

2.1 Consolidated Financial Statements

The Consolidated Financial Statements of CDB for the year ended 31 March 2019 include the Company (Parent) and its subsidiaries ("together referred to as the Group").

The individual Financial Statements of the companies in the Group have a common financial year which ends on 31 March.

CDB does not have an identifiable parent of its own.

2.2 Statement of compliance

The Consolidated Financial Statements of the Group and the Financial Statements of the Company which comprise Statement of Financial Position, Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows and Notes have been prepared in accordance with the Sri Lanka Accounting Standards (SLFRSs and LKASs) laid down by the Institute of Chartered Accountants of Sri Lanka and in compliance with the requirements of the Companies Act No. 07 of 2007 and Finance Business Act No. 42 of 2011 and amendments thereto and provides appropriate disclosures required by the Listing Rules of the Colombo Stock Exchange.

2.3 Responsibility for Financial Statements

The Board of Directors is responsible for the preparation and presentation of the Financial Statements of the Company and its subsidiaries as per the provisions of the Companies Act No. 07 of 2007 and Sri Lanka Accounting Standards.

The Board of Directors acknowledges this responsibility as set out in the Report of the Directors under "Directors' Responsibility for Financial Statements".

Financial Statements include the following components:

- Information on the financial performance of the Group and Company for the year under review.
- Information on the financial position of the Group and the Company as at the year end.
- Information showing all changes in shareholders' equity during the year under review of the Group and the Company.
- Information to the users on the movement of the cash and cash equivalents of the Group and the Company.
- Notes to the Financial Statements including the accounting policies and other explanatory notes.

2.4 Approval of Financial Statements by Directors

The Consolidated and Company's Financial Statements for the year ended 31 March 2019 were authorised for issue by the Board of Directors in accordance with the Resolution of the Directors on 31 July 2019.

2.5 Basis of measurement

The Consolidated Financial Statements have been prepared on a historical cost basis except for the following material items:

Item	Basis of measurement	Note	Page
Retirement benefit obligation	Fair value of plan assets less the present value of the defined benefit obligation, as explained in Note 38	38	239
Freehold land	Fair value	28	224
Financial assets measured at fair value through profit or loss (FVTPL)	Fair value	21	210
Debt investments measured at fair value through other comprehensive income (FVOCI)	Fair value	25	218
Equity investments measured at fair value through other comprehensive income (FVOCI)	Fair value	25	218

2.6 Functional and presentation currency

Items included in the Financial Statements of the Group and the Company are measured using the currency of the primary economic environment in which the Company operates. Financial Statements are presented in Sri Lankan Rupees, which is the Company's and its Subsidiary's functional currency. There was no change in the Group's presentation and functional currency during the year under review.

2.7 Presentation of Financial Statements

The assets and liabilities of the Group presented in its Statement of Financial Position are grouped by nature and listed in an order that reflects their relative liquidity and maturity pattern. No adjustments have been made for inflationary factors affecting the Financial Statements.

Financial assets and financial liabilities are offset and the net amount reported in the Consolidated Statement of Financial Position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expenses are not offset in the Consolidated Statement of Profit or Loss and Other Comprehensive Income unless required or permitted by an Accounting Standard or interpretation, and as specifically disclosed in the Accounting Policies of the Group.

2.8 Materiality and aggregation

Each material class of similar items are presented separately in the Financial Statement. Items which dissimilar in nature or function are presented separately unless they are immaterial as permitted by the Sri Lanka Accounting Standard – LKAS 1 – "Presentation of Financial Statements".

2.9 Offsetting of income and expenses

Income and expenses are not offset unless required or permitted by accounting standards.

2.10 Offsetting of assets and liabilities

Assets and liabilities are offset and the net amount reported in the Statement of Financial Position only where there is a legal right to setoff the recognised amounts and it intents either to settled on a net basis or to realise the asset and settle the liability simultaneously.

2.11 Rounding

The amounts in the Financial Statements have been rounded off to the nearest Rupees thousands, except where otherwise indicated.

2.12 Use of estimate and judgement

The preparation of the Financial Statements in conformity with Sri Lanka Accounting Standards (SLFRSs/LKAS) requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual amount may differ from these estimates.

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

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the Financial Statements are described in Notes below:

2.12.1 Assumptions and estimation uncertainties

(a) Going concern

The Management has made as assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, Management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the Financial Statements continue to be prepared on a going concern basis.

(b) Fair value of financial instruments

The determination of fair values of financial assets and financial liabilities recorded on the Statement of Financial Position for which there is no observable market price are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but if this is not available, judgement is required to establish their fair values. The valuation of financial instruments is described in more detail in Note 19. The Group measures fair value using the fair value hierarchy that reflects the significance of input used in making measurements.

(c) Useful Life of property, plant and equipment

The Group reviews the residual values, useful life and method of depreciation for Property, Plant and Equipment at each reporting date. Judgement of the Management is exercised in the estimation of these values, rate, methods and hence subject to uncertainty.

(d) Impairment on cash-generating unit

The Group assesses whether there are any indicators of impairment for an asset or a cash-generating unit at each reporting date or more frequently, if events or changes in circumstances necessitate to do so. This requires the estimation of the "value in use" of such individual assets or the cash-generating units. Estimating value in use requires Management to make an estimate of the expected future cash flows from the asset or the cash-generating unit and also to select a suitable discount rate which reflects the current market assessment of the rate of money and risk specific to the assets in order to calculate the present value of the relevant cash flows.

This valuation requires the Group to make estimates about expected future cash flows and discount rates, and hence, they are subject to uncertainty.

(e) Deferred tax

Deferred taxation is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax base of assets and liabilities, which is the amount attributed to those assets and liabilities for tax purposes. Significant Management judgements are required to determine the amount of deferred tax assets/liabilities that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

(f) Revaluation of property, plant and equipment

The Group measures land at revalued amounts with changes in fair value being recognised in equity through other comprehensive income. The Group engages independent professional valuer to assess fair value of land. The key assumptions used to determine fair value is provided in Note 28.1.

(g) Contingencies and commitments

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events on present obligations where the transfer of economic benefit is not probable or can't be reliably measured.

Summary of legal cases against the Company have been disclosed in the Notes to the Financial Statements. However, based on the available information and the available legal advice, the Company do not expect the outcome of any action to have any material effect on the financial position of the Company.

Commitments of the Group are disclosed in Note 45.

(h) Provision for employee defined benefit obligation

The provision for defined benefits obligations and the related charge for the year is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rate, future salary increase, mortality rate etc. All the assumption are reviewed at each reporting date. Due to the long-term nature of such obligation, these estimates are subject to significant uncertainty.

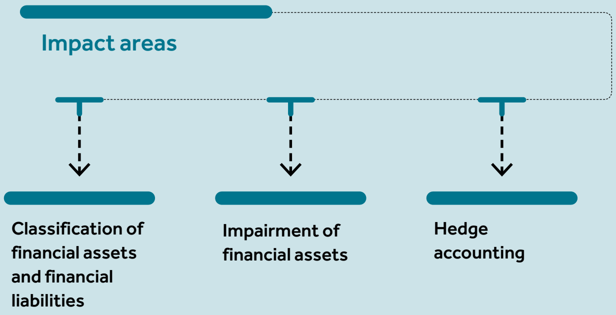
(i) Expected Credit Losses (ECL) on financial assets

The Group measures loss allowances using both lifetime ECL and 12-month ECL. When estimating ECL Group determines whether the credit risk of a financial asset has increased significantly since initial recognition. For this the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience, informed credit assessment and including forward-looking information.

3. Changes in accounting policies

3.1 SLFRS 9 – "Financial Instruments"

The Group has elected to early adopt SLFRS 9 – "Financial Instruments" issued in 2014 with a date of initial application of 1 April 2017. The requirements of SLFRS 9 – "Financial Instruments" represent a significant change from LKAS 39 – "Financial Instruments: Recognition and Measurement". (Refer Note 12 for the detailed ECL Policy).



3.1.1 Classification and measurement of financial assets and financial liabilities

SLFRS 9 – "Financial Instruments" contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under SLFRS 9 – "Financial Instruments" is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Under SLFRS 9 – "Financial Instruments", derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

(a) Financial assets measured at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(b) Debt instruments measured at FVOCI

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(c) Equity instruments

Investments in equity instruments are always measured at fair value. Equity instruments are those that meet the definition of "equity" from the perspective of the issuer as defined in LKAS 32 – "Financial instrument: Presentation". For all other equity instruments, management has the ability to make an irrevocable election on initial recognition, on an instrument-by-instrument basis, to present changes in fair value in OCI rather than profit or loss. If this election is made, all fair value changes, excluding dividends that are a return on investment, will be included in OCI. There is no recycling of amounts from OCI to profit and loss (for example, on sale of an equity investment), nor are there any impairment requirements. However, the entity might transfer the cumulative gain or loss within equity.

- All the equity instrument for which the irrecoverable option is not made should be measured at fair value through profit or loss.

(d) Other

All other financial assets are classified as financial assets measured at FVTPL.

3.1.2 Impairment of financial assets

SLFRS 9 – "Financial Instruments" replaces the "Incurred Loss" model in LKAS 39 – "Financial Instruments: Recognition and Measurement" with a forward-looking "Expected Credit Loss" (ECL) model. The new model applies to financial assets that are not measured at FVTPL, including loans and receivables, and all other debt securities. ECL does not apply to equity investments and need to be measured at fair value.

Loans and receivables

Under ECL model Group uses a dual measurement approach, under which the loss allowance is measured as either 12-month ECL or lifetime ECL. The measurement basis generally depends on whether there has been a significant increase in credit risk since initial recognition. Special rules apply to assets that are credit-impaired.

Key changes in the Group's accounting policy for expected losses of financial assets are listed below:

The Group applies three-stage approach to measuring expected credit losses (ECL) on loans and receivables and other financial assets measured at amortised cost. Assets migrate through the following three stages based on the change in credit quality since initial recognition.

Stage 1: 12 months ECL

For exposures where there has not been a significant increase in credit risk since initial recognition, the portion of the lifetime ECL associated with the probability of default events occurring within next 12 months from the reporting date is recognised.

Stage 2: Lifetime ECL – Not credit impaired

For credit exposures where there has been a significant increase in credit risk since initial recognition but that are not credit impaired, a lifetime ECL is recognised.

Stage 3: Lifetime ECL – Credit impaired

Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. As this uses the same criteria as under LKAS 39 -"Financial Instruments: Recognition and Measurement".

The assessment of whether credit risk on a financial asset has increased significantly will be one of the critical judgements used in impairment model prescribed in SLFRS 9 – "Financial Instruments" which uses combination of both qualitative factors and backstop based on delinquency. Group consider that a significant increase in credit risk occurs when an asset is more than 60 days past due. Where there is a significant increase in credit risk Group uses lifetime ECL model to assess loss allowances instead of 12 month ECL model.

The Group considers the indications of credit default does not occur equal or later than 150 days past due which is in line with the regulatory definition of default.

The key inputs used for measurement of ECL is likely to be the term structures of the following variables:

Probability of Default (PD)	PD estimates are estimates at a certain date, which are calculated based on statistical models, and assessed using various categories based on homogeneous characteristics of exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. Group forecast PD by incorporating forward looking economic variables (Unemployment, GDP growth, inflation, interest rate and using lag effect of these variables).
Loss Given Default (LGD)	LGD is the magnitude of the likely loss if there is a default. The Group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties.
Exposure at Default (EAD)	EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount.

Group has used these parameters from internally-developed statistical models using historical data. All inputs were adjusted to reflect forward-looking information and future economic scenarios.

Refer Note 52 (Financial Risk Management) for more details on inputs, assumptions and techniques used for estimating ECL.

Other financial assets measured at amortised cost

The new model of ECL applies to other financial assets measured at amortised cost as well. Group measures loss allowance at an amount equal to life time ECL, except those investments that are determined to have low credit risk at the reporting date. The Group considers a debt security to have low credit risk when their credit risk rating is equivalent to the globally understood definition of "investment grade". The Group uses information from external credit agencies as inputs to the ECL calculation and adjust to reflect forward looking information and economic scenarios.

3.1.3 Hedge accounting

The new general hedge accounting model in SLFRS 9 – "Financial Instruments". This requires the Group to ensure that hedge accounting relationships are aligned with its risk management objectives and strategy and to apply a more qualitative and forward – looking approach to assessing hedge effectiveness. SLFRS 9 – "Financial Instruments" require extensive new disclosures in particular about hedge accounting.

The general hedge accounting requirements of SLFRS 9 – "Financial Instruments" retain the three types of hedge accounting mechanisms in LKAS 39 – "Financial Instruments: Recognition and Measurement". However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify as hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an "economic relationship". Retrospective assessment of hedge effectiveness is no longer required.

3.2 SLFRS 15 – "Revenue from contracts with customers"

SLFRS 15 – "Revenue from contracts with customers" establishes a comprehensive framework for determining whether, how much, and when revenue is recognised. New qualitative and quantitative disclosure requirements aim to enable Financial Statements users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

The Group has applied the five-step model framework to determine when to recognise revenue and at what amount. The model specified that revenue is recognised when or as an entity transfers control of goods and services to a customer at the amount to which the entity expects to be entitled.

Depending on whether certain criteria are met, revenue is recognised. It replaces existing revenue recognition guidance, including LKAS 18 – "Revenue" and LKAS 11 – "Construction Contracts" and IFRIC 13 – "Customer Loyalty Programmes".

The five step model framework applied by the Group is disclosed below:

- Identify the contract(s) with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognise revenue when (or as) the entity satisfies a performance obligation

Application of this guidance will depend on the facts and circumstances present in a contract with a customer and will require the exercise of judgement.

The Group did not have any material impact on its fee and commission income with the adoption of SLFRS 15 – "Revenue from Contracts with Customers" for the year beginning 1 April 2018.

4. Transition to SLFRS 9 – "Financial instruments"

Group has early adopted SLFRS 9 – "Financial Instruments" issued in 2014 with the date of initial application on 1 April 2017.

Changes in accounting policies resulting from the adoption of SLFRS 9 – "Financial Instruments" have been applied retrospectively. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of SLFRS 9 – "Financial Instruments" are recognised in retained earnings and reserves as at 1 April 2017.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application:

- The determination of the business model within which a financial asset is held.
- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
- If a debt security had low credit risk at the date of initial application of SLFRS 9 – "Financial Instruments", then the Group has assumed that credit risk on the asset had not increased significantly since its initial recognition.

Accordingly, the Group has disclosed the accounting policies under SLFRS 9 – "Financial Instruments" along with disclosures prescribed in SLFRS 7 – "Financial Instruments: Disclosures" that would apply from the date of initial application which is 1 April 2017.

Impact of adopting SLFRS 9 – "Financial instruments"

The following table summarises the impact, net of tax, of transition to SLFRS 9 – "Financial Instruments" on reserves and retained earnings as at 1 April 2017:

COMPANY	Retained earnings Rs. '000	Available-for-sale reserve Rs. '000
Closing balance as per LKAS – 39 (31 March 2017)	2,654,015	819,709
Impact on reclassification and remeasurements:		
Classification of quoted equity securities as financial assets measured at FVTPL	819,709	(819,709)
Impact on recognition of expected credit losses:		
Expected credit losses under SLFRS 9 for		
– Loans and receivable to customers	(185,818)	
– Deposits with licensed commercial banks	(347)	
– Other investment securities (debt) measured at amortised cost	(3)	
Opening balance as per SLFRS 9 – "Initial Application" (1 April 2017)	3,287,556	–

GROUP	Retained earnings Rs. '000	Available-for-sale reserve Rs. '000	Non-controlling interest Rs. '000
Closing balance as per LKAS 39 (31 March 2017)	2,690,686	821,740	32,782
Impact on reclassification and remeasurements:			
Classification of quoted equity securities as financial assets measured at FVTPL	821,544	(821,740)	196
Impact on recognition of expected credit losses:			
Expected credit losses under SLFRS 9 for:			
– Loans and receivable to customers	(203,091)		(1,839)
– Deposits with licensed commercial banks	(360)		(1)
– Other investment securities (debt) measured at amortised cost	(3)		–
Opening balance as per SLFRS 9 – "Initial Application" (1 April 2017)	3,308,776	–	31,138

5. New accounting standards issued but not yet effective

Group has not applied the following new or amended standards in preparing these Consolidated Financial Statements. The new standards and amendments listed below are those that could potentially have an impact on the Group's performance, financial position or disclosures:

Accounting standard	Summary of requirements	Possible impact on financial statements
SLFRS 16 – "Leases"	SLFRS 16 eliminates the current dual accounting model for lessees and introduces a single, on balance sheet lease accounting model for leases. A lessee recognises a right-of-use (ROU) asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases of low-value items. Lessor accounting remains similar to the current standard – i.e., lessor continues to classify leases as finance or operating leases. SLFRS 16 replaces existing leases guidance, including LKAS 17 – "Leases", IFRIC 4 "Determining whether an arrangement contains a lease", SIC – 15 "Operating Leases – Incentives" and SIC – 27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease". The new standard requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Lessee should present depreciation of leased assets separately from interest on lease liabilities in the statement of profit or loss. The standard is effective for annual periods beginning on or after 1 January 2019.	The Group has Performed an initial assessment of the potential impact on its Consolidated Financial Statements. Based on the initial impact assessment performed the Group is not expecting a significant impact except for the capitalisation of operating lease commitments. (Refer Note 45.3)

6. General accounting policies

6.1 Basis of consolidation

The Financial Statements of the Group represent the consolidation of the Financial Statements of the Company and its Subsidiaries Fortune Properties Limited and Unisons Capital Leasing Limited.

"Subsidiaries" are investees controlled by the Parent. As per the SLFRS 10 – "Consolidated Financial Statements", the Parent "controls" an investee if it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Parent reassesses whether it has control if there are changes to one or more of the elements of control. This includes circumstances in which protective rights held (e.g., those resulting from a lending relationship) become substantive and lead to the Parent having power over an investee. The Financial Statements of subsidiaries are included in the Financial Statements from the date that control effectively commences until the date that control effectively ceases.

The Consolidated Financial Statements incorporating all Subsidiaries in the Group are prepared to a common financial year ending 31 March, using uniform accounting policies for like transactions and events in similar circumstances are applied consistently.

There are no significant restrictions on the ability of Subsidiaries to transfer funds to CDB (the Parent) in the form of cash dividend or repayment of loans and advances. CDB does not own any Associate or Joint Venture Company as at the reporting date.

6.1.1 Acquisition method and goodwill

As per the SLFRS 3 – "Business Combinations" acquisition date is the date on which it obtains control of the acquiree. As at this date identifiable assets acquired, liabilities assumed, and non-controlling interests in the acquiree, are recognised separately from goodwill in the Group's Financial Statements. All assets acquired and liabilities assumed in a business combination are measured at acquisition date fair value.

Goodwill is measured as the difference between the aggregate value of the consideration transferred, the amount of any non-controlling interest and in a business combination achieved in stages, the acquisition date fair value of the acquirer's previously-held equity interest in the acquiree, and the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed.

6.1.2 Transactions eliminated on consolidation

All intra-group balances and transactions and any unrealised gains arising from intra-group transactions are eliminated in preparing the Consolidated Financial Statements.

Unrealised losses are eliminated in the same way as unrealised gains except that they are only eliminated to the extent that there is no evidence of impairment.

6.1.3 Non-controlling interest

Non-controlling interest is measured at their proportionate share of acquiree's identifiable net assets at the date of acquisition. Changes in the Group's interest in a Subsidiary that do not result in a loss of control are accounted for as equity transactions.

6.1.4 Loss of control

When the Group loses control over a Subsidiary, it derecognises the assets and liabilities of the Subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost and is accounted depending on the level of control retained.

6.2 Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of the operations at the spot exchange rates at the dates of the transactions. All differences arising on non-trading activities are taken to "Other Operating Income" in the Statement of Profit or Loss. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the spot exchange rate at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Unrealised gains and losses are dealt under "Other Operating Income" in the Statement of Profit or Loss.

7. Specific accounting policies

Set out below is an index of the specific accounting policies, the details of which are available on the pages that follow:

8. Revenue

ACCOUNTING POLICY

Revenue is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

For the year ended 31 March	COMPANY		GROUP	
	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
Interest income (Refer Note 9)	**14,174,791**	10,117,149	**14,682,037**	10,320,089
Fee and commission income (Refer Note 10)	**512,254**	405,986	**683,301**	464,591
Other operating income (Refer Note 11)	**1,553,475**	1,261,727	**1,555,455**	1,265,306
Total revenue	**16,240,520**	11,784,862	**16,920,793**	12,049,986

9. Net interest income

ACCOUNTING POLICY

Interest income and expense are recognised in Statement of Profit or Loss using the effective interest rate (EIR) method.

Effective Interest Rate (EIR)

The "effective interest rate" is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Amortised cost and gross carrying amount

The "amortised cost" of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

Calculation of interest income and expense

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

For credit-impaired financial assets (Stage three) Interest revenue is calculated on the net carrying amount that is reduced for expected credit losses.

For information on when financial assets are credit-impaired, see Note 12.

Presentation

Interest income and expense presented in the statement of profit or loss include

- Interest on financial assets and financial liabilities measured at amortised cost
- Interest income and expense on all assets and liabilities measured at fair value

For the year ended 31 March	COMPANY		GROUP	
	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
Interest income (Refer Note 9.1)	**14,174,791**	10,117,149	**14,682,037**	10,320,089
Less: Interest expense (Refer Note 9.2)	**(8,949,018)**	(6,662,828)	**(9,184,258)**	(6,705,127)
Net interest income	**5,225,773**	3,454,321	**5,497,779**	3,614,962

9.1 Interest income

For the year ended 31 March	COMPANY 2019 Rs. '000	COMPANY 2018 Rs. '000	GROUP 2019 Rs. '000	GROUP 2018 Rs. '000
Placements with financial institutions	422,733	276,967	434,952	285,517
Loans and receivables to banks	169,749	28,011	174,837	28,011
Loans and receivables to customers (Refer Note 9.1.1)	13,410,547	9,558,453	13,900,486	9,752,843
Other financial investments (Refer Note 9.1.2)	171,762	253,718	171,762	253,718
Total interest income	14,174,791	10,117,149	14,682,037	10,320,089

9.1.1 Interest on loans and receivables to customers

For the year ended 31 March	COMPANY 2019 Rs. '000	COMPANY 2018 Rs. '000	GROUP 2019 Rs. '000	GROUP 2018 Rs. '000
Finance leases	9,272,247	6,409,114	9,824,268	6,640,370
Stock out on hire	294,454	305,270	294,514	306,323
Loans and advances	3,098,483	2,380,759	3,036,341	2,342,840
Ijara profit income	420,136	248,195	420,136	248,195
Murabaha profit income	324,953	215,115	324,953	215,115
Credit card	274	–	274	–
Total interest income from loans and receivables to customers	13,410,547	9,558,453	13,900,486	9,752,843

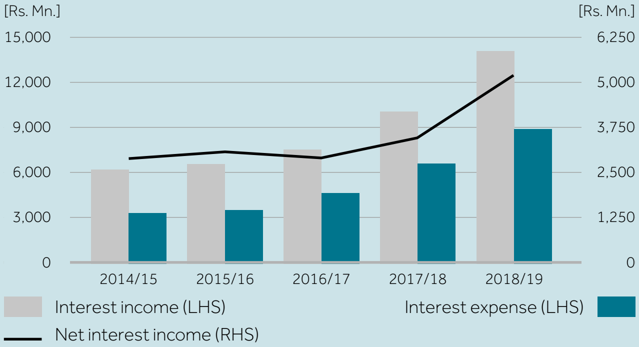
9.1.2 Interest on other financial investments

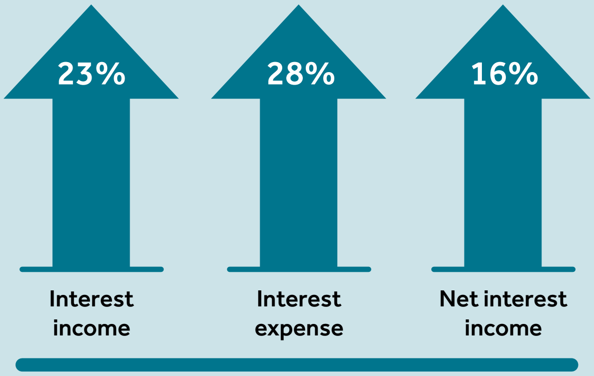
For the year ended 31 March	COMPANY 2019 Rs. '000	COMPANY 2018 Rs. '000	GROUP 2019 Rs. '000	GROUP 2018 Rs. '000
Government Treasury Bond investments	10,840	12,480	10,840	12,480
Government Treasury Bill investments	159,921	240,160	159,921	240,160
Corporate bond investments	405	1,078	405	1,078
Other investments	596	–	596	–
Total interest income from other financial investments	171,762	253,718	171,762	253,718

9.2 Interest expense

For the year ended 31 March	COMPANY 2019 Rs. '000	COMPANY 2018 Rs. '000	GROUP 2019 Rs. '000	GROUP 2018 Rs. '000
Term deposits from customers	5,593,615	4,700,073	5,593,615	4,700,073
Savings deposits from customers	131,970	117,698	131,970	117,698
Mudharaba investments from customers	30,558	37,847	30,558	37,847
Debentures	548,732	291,654	548,732	291,654
Foreign borrowings	273,094	8,914	273,094	8,914
Other borrowings	2,371,049	1,506,642	2,606,289	1,548,941
Total interest expenses	8,949,018	6,662,828	9,184,258	6,705,127

Net interest income





Compound annual growth rate (5 years)

9.3 Analysis of net interest income

Below analysis shows the yield of each core income generating portfolios (lending and investment) and expenses generating portfolios (funding excluding equity) together with the income/expense generated during the year under review.

Interest income yield

For the year ended 31 March 2019	COMPANY			GROUP		
	Interest income Rs. '000	Average assets Rs. '000	Yield %	Interest income Rs. '000	Average assets Rs. '000	Yield %
Interest income categories						
Placements with financial institutions	**422,733**	**4,556,266**	**9.3**	**440,040**	**4,556,266**	**9.7**
Loans and receivables to banks	**169,749**	**2,259,656**	**7.5**	**169,749**	**2,335,280**	**7.3**
Loans and receivables to customers	**13,410,547**	**64,285,699**	**20.9**	**13,900,486**	**66,083,738**	**21.0**
Other financial investments	**171,762**	**3,478,743**	**4.9**	**171,762**	**3,521,000**	**4.9**
Total interest income	**14,174,791**	**74,580,364**	**19.0**	**14,682,037**	**76,496,284**	**19.2**

For the year ended 31 March 2018	COMPANY			GROUP		
	Interest income Rs. '000	Average assets Rs. '000	Yield %	Interest income Rs. '000	Average assets Rs. '000	Yield %
Interest income categories						
Placements with financial institutions	276,967	2,143,221	12.9	285,517	2,143,221	13.3
Loans and receivable to banks	28,011	1,040,336	2.7	28,011	1,065,514	2.6
Loans and receivable to customers	9,558,453	51,313,680	18.6	9,752,843	52,095,296	18.7
Other financial investments	253,718	3,841,547	6.6	253,718	3,892,257	6.5
Total interest income	10,117,149	58,338,784	17.3	10,320,089	59,196,288	17.4

Interest expense yield

For the year ended 31 March 2019	COMPANY			GROUP		
	Interest expense Rs. '000	Average liabilities Rs. '000	Cost %	Interest expense Rs. '000	Average liabilities Rs. '000	Cost %
Interest expense categories						
Term deposits from customers	**5,593,615**	**43,637,913**	**12.8**	**5,593,615**	**43,637,913**	**12.8**
Savings deposits from customers	**131,970**	**2,009,092**	**6.6**	**131,970**	**1,999,986**	**6.6**
Mudharabah investments from customers	**30,558**	**326,095**	**9.4**	**30,558**	**326,095**	**9.4**
Debentures	**548,732**	**4,030,758**	**13.6**	**548,732**	**4,030,758**	**13.6**
Foreign borrowings	**273,094**	**4,967,891**	**5.5**	**273,094**	**4,967,891**	**5.5**
Other borrowings	**2,371,049**	**14,844,290**	**16.0**	**2,606,289**	**16,184,735**	**16.1**
Total interest expense	**8,949,018**	**69,816,039**	**12.8**	**9,184,258**	**71,147,377**	**13.1**

For the year ended 31 March 2018	COMPANY			GROUP		
	Interest expense Rs. '000	Average liabilities Rs. '000	Cost %	Interest expense Rs. '000	Average liabilities Rs. '000	Cost %
Interest expense categories						
Term deposits from customers	4,700,073	36,609,931	12.8	4,700,073	36,604,240	12.8
Savings deposits from customers	117,698	1,778,965	6.6	117,698	1,776,754	6.6
Mudharaba investments from customers	37,847	266,937	14.2	37,847	266,937	14.2
Debentures	291,654	3,078,332	9.5	291,654	3,078,332	9.5
Foreign borrowings	8,914	105,401	8.5	8,914	210,802	4.2
Other borrowings	1,506,642	12,930,350	11.7	1,548,941	13,369,113	11.6
Total interest expense	6,662,828	54,769,916	12.2	6,705,127	55,306,178	12.1

10. Fee and commission income

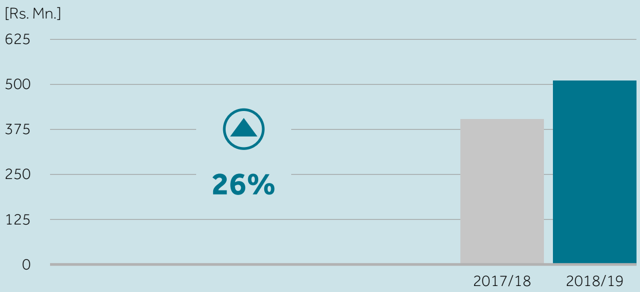
ACCOUNTING POLICY

Fees and commission that are integral to the effective interest rate on financial asset or liability are included in the effective interest rate of respective asset or liability. Fees and commission income, including commission, service fees are recognised as the related services are performed. All fee and commissions are recognised on financial statement once the related service is performed.

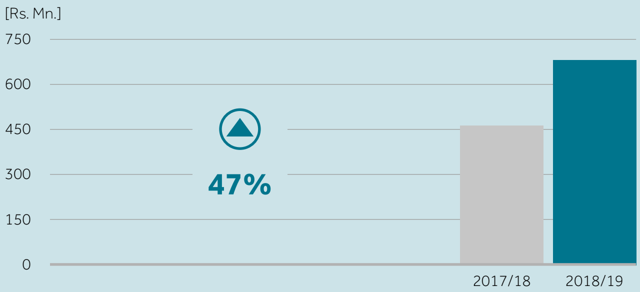
A contract with a customer that results in a recognised financial instrument in the Group's Financial Statements may be partially in the scope of SLFRS 9 and SLFRS 15. If this is the case the Group first applies SLFRS 9 to separate and measure the part of the contract that is in the scope of SLFRS 9 and then applies SLFRS 15 to the residual.

For the year ended 31 March	COMPANY		GROUP	
	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
Insurance commission	**507,216**	402,690	**641,629**	402,690
Guarantee/lending-related commission income	**630**	593	**37,264**	59,198
Commission on money remittances	**234**	329	**234**	329
Commission on debit card transactions	**2,857**	2,374	**2,857**	2,374
Credit card fee income	**1,317**	–	**1,317**	–
Total fee and commission income	**512,254**	405,986	**683,301**	464,591

Fee and commission income – Company



Fee and commission income – Group



11. Other operating income

ACCOUNTING POLICY

Profit/loss from sale of fixed assets is recognised in the period in which the sale occurs and is classified as other income/expense.

Income from early settlement and other income is recognised once the contract is derecognised due to closure.

Dividend income from equity investments at FVTPL is recognised in the Statement of Profit or Loss on an accrual basis when the Group's right to receive the dividend is established.

Other net income on trading portfolio comprises unrealised gains and losses from changes in fair value and realised gains from equity instruments measured at FVTPL.

Foreign exchange gain/loss includes gain and losses from foreign transactions and fair value changes in the derivative contracts.

	COMPANY		GROUP	
For the year ended 31 March	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
Dividend income from equity investments measured at FVTPL	**38,041**	20,411	**33,924**	21,129
Other net income from trading portfolio (Refer Note 11.1)	**181,642**	130,937	**187,739**	134,965
Profit on sale of fixed assets	**5,559**	2,700	**5,559**	2,700
Other operating income	**786,430**	529,495	**786,430**	528,328
Income from early settlement of lending facilities	**628,765**	578,892	**628,765**	578,892
Foreign exchange gain/(loss) (Refer Note 11.2)	**(86,962)**	(708)	**(86,962)**	(708)
Total other operating income	**1,553,475**	1,261,727	**1,555,455**	1,265,306

11.1 Other net income from trading portfolio

	COMPANY		GROUP	
For the year ended 31 March	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
Trading income – Treasury Bonds	**8,830**	9,926	**8,830**	9,926
Realised gain from trading securities	**(4,530)**	1,028	**(4,530)**	1,028
Mark to market adjustment				
Treasury Bonds (Refer Note 21.1)	**52**	8,266	**52**	8,266
Equity securities (Refer Note 21.2.1)	**177,290**	111,717	**183,387**	115,745
Total net income from trading portfolio	**181,642**	130,937	**187,739**	134,965

11.2 Foreign exchange gain/(loss)

	COMPANY		GROUP	
For the year ended 31 March	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
Foreign exchange gain/(loss) on transactions*	**13,691**	(708)	**13,691**	(708)
Derivative financial instruments				
Exchange gain/loss on foreign borrowings	**262,500**	–	**262,500**	–
Fair value changes in derivative contracts	**(363,153)**	–	**(363,153)**	–
Total foreign exchange gain/loss	**(86,962)**	(708)	**(86,962)**	(708)

**Foreign exchange gain/loss on transaction represent exchange differences arising on settlement of monetary items and retranslation of monetary items.*

12. Impairment charges and other credit losses on financial assets

ACCOUNTING POLICY

The Group recognises loss allowances for ECL on loans and receivables, other financial assets measured at amortised cost and debt investments at FVOCI.

Accordingly this note covers expected loss allowances for

- Loans and receivables to customers
- Other financial assets measured at amortised cost

No impairment loss is recognised on investments in equity instruments classified under FVTPL.

Loans and receivables to customers

The Group measures loss allowances using both lifetime ECL and 12 months ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 60 days past due.

The Group considers a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- The financial asset is more than 150 days past due.

12 months ECL are the portion of ECL that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECL are a probability weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

ECL are discounted at the effective interest rate of the respective financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit impaired. A financial asset is "credit impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 150 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Other financial assets measured at amortised cost and debt investments at FVOCI

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12 months ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments on which credit risk has not increased significantly since their initial recognition

The Group considers a debt security to have low credit risk when their credit risk rating is equivalent to the globally understood definition of 'investment grade'.

This policy is applicable to loans and receivables to banks, deposits with licensed commercial banks and other investment securities measured at amortised cost as well.

Expected Credit Losses (ECL) as per SLFRS 9 – "Financial instruments"

For the year ended 31 March	COMPANY 2019 Rs. '000	COMPANY 2018 Rs. '000	GROUP 2019 Rs. '000	GROUP 2018 Rs. '000
Expected credit losses (ECL)				
Loans and receivables to customers				
Finance leases receivables	**428,426**	283,839	**504,361**	317,727
Hiring contracts	**(51,259)**	10,665	**(51,415)**	10,155
Loans and advances	**351,479**	37,840	**349,498**	30,700
	728,646	332,344	**802,444**	358,582
Other financial assets measured at amortised cost	**–**	(89)	**–**	(97)
Net deficit from disposal of leased assets	**335,964**	37,617	**335,963**	37,617
Total impairment charges on financial assets	**1,064,610**	369,872	**1,138,407**	396,102

Refer Note 24.2 for more details on allowance for impairment and other credit losses.
Refer Note 52.A.I for more details on inputs, assumptions and techniques used for estimating ECL.

13. Operating expenses

ACCOUNTING POLICY

All the expenditure incurred in the running of the business and in maintaining the Property, Plant and Equipment in a state of efficiency has been charged in arriving at the profit for the year.

For the year ended 31 March	COMPANY 2019 Rs. '000	COMPANY 2018 Rs. '000	GROUP 2019 Rs. '000	GROUP 2018 Rs. '000
Personnel expenses (Refer Note 13.1)	**1,354,366**	1,047,154	**1,413,444**	1,083,585
Premises, equipment and establishment expenses (Refer Note 13.2)	**1,717,375**	1,336,545	**1,808,013**	1,358,788
Other expenses (Refer Note 13.3)	**552,112**	408,950	**617,663**	448,772
Total operating expense	**3,623,853**	2,792,649	**3,839,120**	2,891,145

13.1 Personnel expenses

ACCOUNTING POLICY

Personnel expense include salaries and bonus, terminal benefit charges and other employee related expenses. The provision for bonus is recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made on the amount of the obligation.

Short term employee benefits

Short term employee benefits are measured on an undiscounted basis and expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short term benefits as a result of past service provided and where the Group has legal or constructive obligation to pay.

Defined benefit plans – Retiring gratuity

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The defined benefit obligation is calculated annually using the Projected Unit Credit method as specified by the Sri Lanka Accounting Standard LKAS 19 – "Employee Benefits" and valuation of the defined benefit obligation is carried out by a qualified actuary. The key assumptions used in determining the defined benefit obligations are given in Note 38. Actuarial gains or losses are recognised in the Other Comprehensive Income in the period in which they arise. The defined benefit obligation recognised in the Statement of Financial Position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service cost. When the benefits of a plan are changed, the portion of the changed benefit relating to past service by employees is recognised in the Statement of Profit or Loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in Statement of Profit or Loss.

ACCOUNTING POLICY

Gratuity payments are being made by the Group according to the Payment of Gratuity Act No. 12 of 1983. As per the present policy of the Company the employees are entitled to payment of gratuity as follows:

5-10 years Service – ½ month basic salary for each year of service

10-15 years Service – 1 month basic salary for each year of service

Over 15 years Service – 1 ½ months basic salary for each year of service

Defined contribution plan

Employees' Provident Fund:

The Group and employees contribute 12% and 8% respectively on the salary of each employee to the approved Employees' Provident Fund.

Employees' Trust Fund:

The Company/Group contributes 3% of the salary of each employee to the Employees' Trust Fund.

Share based payment plans

The Group does not have any share based payment transactions in force as at 31 March 2019.

Personnel expenses includes the following significant items:

	COMPANY		GROUP	
For the year ended 31 March	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
Salary and bonus	**956,040**	715,616	**1,004,910**	746,896
Employees' defined benefit plan service expenses (Refer Note 38)	**56,401**	39,964	**56,556**	40,132
Contribution to employees' provident fund and trust fund	**102,899**	81,393	**108,836**	85,277
Directors' emoluments	**175,541**	115,788	**178,041**	116,888

13.2 Premises, equipment and establishment expenses

ACCOUNTING POLICY

Depreciation of property, plant and equipment

The Group provides depreciation from the date the assets are available for use up to the date of disposal, at the following rates on a straight-line basis over the periods appropriate to the estimated useful lives based on the pattern in which the asset's future economic benefits are expected to be consumed by the Company of the different types of assets, except for which are disclosed separately. Depreciation is determined separately for each significant component of an item of Property, Plant and Equipment. Management reviews the assets residual value, useful life and depreciation method at each reporting date. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held-for-sale or the date that the asset is derecognised. Depreciation does not cease when the assets become idle or is retired from active use unless the asset is fully depreciated.

Companies within the Group use the same depreciation rates and policies.

Freehold buildings – 2.5%
Motor vehicles – 20%
Computer equipment – 20%
Office equipment – 20%
Furniture and fittings – 20%

Depreciation is not provided for freehold land.

Amortisation of intangible assets

Intangible assets are amortised on a straight-line basis in the Statement of Profit or Loss from the date when the asset is available for use, over the best estimate of its useful economic life based on a pattern in which the asset's economic benefits are consumed by the Company. The estimated useful life of software is eight years. Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

Changes in estimates

Useful lives and residual values of the assets are reassessed at each reporting date and adjust if appropriate. During the year Group conducted an operational review and no estimates were revised.

Premises, equipment and establishment expenses includes the following significant items:

For the year ended 31 March	COMPANY 2019 Rs. '000	COMPANY 2018 Rs. '000	GROUP 2019 Rs. '000	GROUP 2018 Rs. '000
Depreciation and amortisation	**265,818**	236,539	**270,422**	276,360
Contribution to deposit insurance scheme of CBSL	**68,318**	56,683	**68,318**	56,683
Legal expense and professional charges	**51,954**	43,231	**56,574**	43,231
Regulatory fines	**2,000**	–	**2,000**	–
Auditor's remuneration				
Audit fees and expenses	**7,548**	5,413	**8,128**	5,961
Audit-related fees and expenses	**2,478**	2,006	**2,478**	2,006
Non-audit services	**385**	1,507	**835**	1,507

13.3 Other expenses

Other expenses includes the following significant items:

For the year ended 31 March	COMPANY 2019 Rs. '000	COMPANY 2018 Rs. '000	GROUP 2019 Rs. '000	GROUP 2018 Rs. '000
Advertising and communication	**374,860**	283,009	**388,824**	283,009
Activities on corporate social responsibility	**24,010**	28,000	**24,128**	28,075

14. Taxes on financial services

ACCOUNTING POLICY

Value Added Tax (VAT) on financial services

VAT on financial services is calculated in accordance with the Value Added Tax (VAT) Act No. 14 of 2002 and subsequent amendments thereto. The base for the computation of VAT on financial services is the accounting profit before VAT, NBT on financial services, and income tax adjusted for economic depreciation and emoluments to employees including cash benefits, non-cash benefits and provisions relating to terminal benefits.

VAT on financial services rate applied during the financial year ended 31 March 2019 was 15%.

Nation Building Tax (NBT) on financial services

NBT on financial services is calculated in accordance with Nation Building Tax (NBT) Act No. 09 of 2009 and subsequent amendments thereto. NBT on financial services is calculated based on the value addition calculated for the purpose of VAT on financial services.

NBT on financial services rate applied during the financial year ended 31 March 2019 was 2%.

Crop Insurance Levy (CIL)

Section 14 of the Finance Act No. 12 of 2013 impose a Crop Insurance Levy on finance companies and accordingly the Company is required to pay 1% of the profit after tax for a year of assessment to the National Insurance Trust Fund with effect from 1 April 2013.

Debt Repayment Levy (DRL)

As per the Finance Act No. 35 of 2018, Debt Repayment Levy (DRL) has introduced to the Finance industry. DRL will be charged at 7% on the value addition calculated for the purposes of VAT on Financial services and should be paid on monthly basis. This was effective from 01 October 2018.

For the year ended 31 March	COMPANY 2019 Rs. '000	COMPANY 2018 Rs. '000	GROUP 2019 Rs. '000	GROUP 2018 Rs. '000
Value added tax on financial services (VAT)	**345,739**	210,492	**373,163**	231,194
Nation building tax on financial services (NBT)	**58,843**	48,183	**62,529**	48,183
Crop insurance levy (CIL)	**17,435**	14,021	**17,435**	14,021
Debt repayment levy (DRL)	**69,656**	–	**69,656**	–
Total taxes on financial services	**491,673**	272,696	**522,783**	293,398

15. Income tax expense

ACCOUNTING POLICY

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the Statement of Profit or Loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted on the reporting date and any adjustment to tax payable in respect of previous years.

Deferred tax

Deferred taxation is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax base of assets and liabilities, which is the amount attributed to those assets and liabilities for tax purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted as at the reporting date. Deferred tax liabilities are not recognised for the following temporary differences:

The initial recognition of assets and liabilities in a transaction that is not business combination and that affects neither accounting nor taxable profit nor differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future. Deferred tax assets, including those related to temporary tax effects of income tax losses and credits available to be carried forward, are recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Current and deferred tax assets and liabilities are offset only to the extent that they relate to income taxes imposed by the same taxation authority, there is a legal right and intention to settle on a net basis and it is allowed under the tax law of the relevant jurisdiction.

Economic service charge

As per the provisions of the Economic Service Charge Act No. 13 of 2006 and amendments thereto, currently, ESC is payable at 0.50% on "Liable Turnover" and deductible from the income tax payments. Unclaimed ESC, if any can be carried forward and set off against the income tax payable as per relevant provisions of the Act.

	COMPANY		GROUP	
For the year ended 31 March	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
Current income tax expense (Refer Note 15.2)	**–**	227,174	**74,678**	235,492
Changes in provision estimates of prior periods	**(39,202)**	(5,256)	**(39,202)**	(5,256)
Deferred tax expense (Refer Note 37.2)	**440,375**	63,711	**392,635**	79,827
Income tax charge for the year	**401,173**	285,629	**428,111**	310,063

15.1 Tax provisions based on inland revenue Act No. 24 of 2017

Provision for taxation is based on the profit for the year adjusted for taxation purposes in accordance with the provisions of the Inland Revenue Act No. 10 of 2006 (prior to 31 March 2018) and the Inland Revenue Act No. 24 of 2017 (after 1 April 2018) and the amendments thereto.

According to the provisions of repealed Act (i.e. Inland Revenue Act No. 10 of 2006), any loss incurred from any business of finance leasing can be set off only against any taxable profit from business of finance leasing. Therefore, taxable profit from Leasing and non-leasing business was calculated separately. With the introduction of new Inland Revenue Act No. 24 of 2017, with effect from 1 April 2018, such segregation is not required.

Further, Payments made by a person under a finance lease or in acquiring an asset under an instalment sale shall be treated as interest and a repayment of capital under a loan made by the lessor or seller to the lessee or buyer, as the case requires. Accordingly, any lease granted on or after 1 April 2018 is treated as loan granted.

Income tax rate applicable for the company and its subsidiaries for the financial year 2017/18 and 2018/19 is 28%.

Gain from realisation of investments assets will be taxable at 10%.

15.2 Reconciliation between income tax expenses and the accounting profit

A reconciliation between taxable income and the accounting profit multiplied by the statuary tax rates is given below:

	COMPANY		GROUP	
For the year ended 31 March	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
Accounting profit before tax	**2,111,366**	1,686,817	**2,241,227**	1,766,100
Tax expenses as per accounting profit (28%)	**591,182**	472,309	**627,544**	494,508
Adjustments				
Tax effect of capital portion of lease rentals	**1,925,010**	1,647,643	**2,043,333**	1,721,966
Income from non-taxable sources	**(203,658)**	(127,847)	**(203,658)**	(129,176)
Tax effect of disallowed expenses	**537,100**	289,763	**577,673**	310,338
Tax effect of deductible expenses and tax losses	**(2,849,636)**	(2,054,694)	**(2,970,214)**	(2,162,144)
Tax on business profit (Based on taxable profit)	**-***	227,174	**74,678**	235,492
Prior period under/(over) provision (Refer Note 36.1)	**(39,202)**	(5,256)	**(39,202)**	(5,256)
Deferred tax expenses (Refer Note 37.2)	**440,375**	63,711	**392,635**	79,827
Income tax expense	**401,173**	285,629	**428,111**	310,063

**With the utilisation of brought forwarded tax losses there is no income tax liability for the current year ended 31 March 2019.*

15.3 Summary of the taxes paid during the year

We have paid following direct and indirect taxes to the Government of Sri Lanka during the financial year:

	COMPANY	
For the year ended 31 March	2019 Rs. '000	2018 Rs. '000
Direct taxes		
Value added tax on financial services	**253,985**	180,225
Nation building tax on financial services	**33,865**	24,030
Crop insurance levy	**17,102**	14,021
Economic service charge	**77,197**	93,784
Income tax	**–**	39,709
Debt repayment levy	**70,789**	–
Indirect taxes (Collected and paid)		
Value added tax	**89,650**	151,050
Nation building tax	**10,152**	13,913
Stamp duty	**185,203**	171,477
Withholding tax on dividend and interest	**286,959**	87,696
PAYE tax	**46,594**	28,259
Total taxes paid during the financial year	**1,071,496**	804,164

16. Earnings Per Share (EPS)

ACCOUNTING POLICY

The Company computes basic and diluted EPS for its ordinary shares. Basic EPS is calculated by dividing the profit attributable to ordinary shareholders of the parent company by the weighted average number of ordinary shares outstanding.

Diluted EPS is computed by dividing the profit or loss attributable to ordinary shareholders of the parent company and the weighted average number of ordinary shares outstanding adjusted for the effects of all dilutive potential ordinary shares.

Basic earnings per share

	COMPANY		GROUP	
For the year ended 31 March	2019	2018	2019	2018
Amount used as numerator:				
Net profit attributable to equity holders of parent (Rs.)	**1,710,193,456**	1,401,187,936	**1,798,213,430**	1,448,874,204
Amount used as denominator:				
Weighted average number of ordinary shares	**54,305,207**	54,305,207	**54,305,207**	54,305,207
Basic earnings per ordinary share (Rs.)	**31.49**	25.80	**33.11**	26.68

Diluted earnings per share

There were no potentially dilutive ordinary shares as at 31 March 2019 and there have been no transactions involving ordinary shares or potential ordinary shares as at the reporting date which would require restatement of EPS.

Restated earnings per share

The Company announced a right issue of 11,574,805 new ordinary voting shares and 2,001,496 ordinary non-voting shares. As per LKAS 33 – "Earning per share", EPS of the comparative period must be restated for the financial year ending 31 March 2020.

17. Dividend Per Share (DPS)

ACCOUNTING POLICY

Provision for final dividend and interim dividend are recognised at the time the dividend is recommended and declared by the Board of Directors, and approved by the shareholders. However interim cash dividend is recognised when the Board approves such dividend in accordance with Companies Act No. 07 of 2007.

	COMPANY	
For the year ended 31 March	2019 (Proposed)	2018
Gross dividend per share (Rs.)	**5.00***	5.00
Dividend payout ratio (%)	**19**	27

First and final dividend of Rs. 5 per share for voting and non-voting ordinary shares for the year ended 31 March 2018 was paid on 10 July 2018.

**The Board has proposed a first and final dividend of Rs. 5 per share for its voting and non-voting ordinary shares for the year ended 31 March 2019. This will be paid in the form of a cash dividend of Rs. 2.50 and in the form of a scrip dividend of Rs. 2.50. In accordance with the provisions of the LKAS 10 - "Events after the reporting period", this proposed dividend has not been recognised as a liability in the Financial Statements for the year ended 31 March 2019.*

Withholding tax on dividend distributed by the Company

Withholding tax that arises from the distribution of dividends by the Company is recognised at the time the liability to pay the related dividend is recognised.

Withholding tax for dividend income with effect from 1 April 2018 is 14% (prior to 1 April 2018 – 10%).

18. Classification of financial assets and financial liabilities

ACCOUNTING POLICY

i. Recognition and initial measurement

The Group initially recognises loans and receivables, deposits, debt securities issued and subordinated liabilities on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Group becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus transaction costs. For an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

subsequent measurement of financial assets depends on their classification.

ii. Classification

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI or FVTPL. A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows (Business Model Assessment) and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. (SPPI Test)
- A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:
  - the asset is held within a business model whose objective is achieved by both collecting;
  - Contractual cash flows and selling financial assets; and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not measured at FVTPL (default option), the Group may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

All other financial assets are classified and measured at FVTPL.

In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

The Group makes an assessment of the objective of a business model in which an asset is held at a portfolio level a because this best reflects the way the business is managed and information is provided to management. The information considered includes the stated policies and objectives for the portfolio and the operation of those policies in practice.

In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;

- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment whether contractual cash flows are solely payments of principal and interest (SPPI Test)

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration of the time value of money – e.g. periodical reset of interest rates.

Financial liabilities

The Group classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost or FVTPL.

ACCOUNTING POLICY

iii. Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets.

An entity shall not reclassify any financial liability.

iv. Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

From 1 April 2017 any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities . Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability.

The Group enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised. Examples of such transactions are securities lending and sale-and-repurchase transactions.

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to sale-and- repurchase transactions, because the Group retains all or substantially all of the risks and rewards of ownership of such assets.

In transactions in which the Group neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain transactions, the Group retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognised if it meets the derecognition criteria. An asset or liability is recognised for the servicing contract if the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

v. Modifications of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Group recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss.

If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income.

If the terms of a financial asset were modified because of financial difficulties of the borrower and the asset was not derecognised, then impairment of the asset was measured using the pre-modification interest rate.

Financial liabilities

The Group derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss.

vi. Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

Classification of financial assets and liabilities

As at 31 March 2019	Note	Classification of financial assets			Classification of financial liabilities		COMPANY Total
		Fair value through profit or loss Rs. '000	Fair value through OCI Rs. '000	Amortised cost Rs. '000	Fair value through profit or loss Rs. '000	Amortised cost Rs. '000	Rs. '000
Cash and cash equivalents	20			1,093,874			1,093,874
Financial assets measured at FVTPL	21	1,687,004					1,687,004
Loans and receivables to banks	22			3,094,312			3,094,312
Deposits with financial institutions	23			6,719,704			6,719,704
Loans and receivables to customers	24			69,133,049			69,133,049
Other investment securities	25			1,313,861			1,313,861
Total financial assets		1,687,004	–	81,354,800			83,041,804
Other non-financial assets							6,390,635
Total assets							89,432,439
Derivative financial liabilities	32				363,153		363,153
Deposits from customers	33					47,236,367	47,236,367
Debt securities issued	34					3,980,483	3,980,483
Other interest-bearing borrowings	35					24,509,877	24,509,877
Total financial liabilities					363,153	75,726,727	76,089,880
Other non-financial liabilities							4,677,156
Total liabilities							80,767,036

As at 31 March 2019	Note	Classification of financial assets			Classification of financial liabilities		GROUP Total
		Fair value through profit or loss Rs. '000	Fair value through OCI Rs. '000	Amortised cost Rs. '000	Fair value through profit or loss Rs. '000	Amortised cost Rs. '000	Rs. '000
Cash and cash equivalents	20			1,189,251			1,189,251
Financial assets measured at FVTPL	21	1,727,013					1,727,013
Loans and receivables to banks	22			3,195,205			3,195,205
Deposits with financial institutions	23			6,719,704			6,719,704
Loans and receivables to customers	24			71,582,081			71,582,081
Other investment securities	25		124	1,319,053			1,319,177
Total financial assets		1,727,013	124	84,005,294			85,732,431
Other non-financial assets							6,246,190
Total assets							91,978,621
Derivative financial liabilities	32				363,153		363,153
Deposits from customers	33					47,222,578	47,222,578
Debt securities issued	34					3,980,483	3,980,483
Other interest – bearing borrowings	35					26,473,852	26,473,852
Total financial liabilities					363,153	77,676,913	78,040,066
Other non-financial liabilities							5,068,286
Total liabilities							83,108,352

As at 31 March 2018	Note	Classification of financial assets			Financial liability measured at amortised cost	COMPANY Total
		Fair value through profit or loss Rs. '000	Fair value through OCI Rs. '000	Amortised cost Rs. '000	Rs. '000	Rs. '000
Cash and cash equivalents	20			2,974,825		2,974,825
Financial assets measured at FVTPL	21	1,485,315				1,485,315
Loans and receivables to financial institutions	22			1,425,000		1,425,000
Deposits with financial institutions	23			2,392,827		2,392,827
Loans and receivables to customers	24			59,438,349		59,438,349
Other investment securities	25			2,471,305		2,471,305
Total financial assets		1,485,315	–	68,702,306		70,187,621
Other non-financial assets						5,314,489
Total assets						75,502,110

						COMPANY
As at 31 March 2018	Note	Classification of financial assets			Financial liability measured at amortised cost	Total
		Fair value through profit or loss Rs. '000	Fair value through OCI Rs. '000	Amortised cost Rs. '000	Rs. '000	Rs. '000
Deposits from customers	33				44,709,832	44,709,832
Debt securities issued	34				4,081,033	4,081,033
Other interest – bearing borrowings	35				15,114,486	15,114,486
Total financial liabilities					63,905,351	63,905,351
Other non-financial liabilities						4,444,360
Total liabilities						68,349,711

						GROUP
As at 31 March 2018	Note	Classification of financial assets			Financial liability measured at amortised cost	Total
		Fair Value through profit or loss Rs. '000	Fair value through OCI Rs. '000	Amortised cost Rs. '000	Rs. '000	Rs. '000
Cash and cash equivalents	20			3,039,663		3,039,663
Financial assets measured at FVTPL	21	1,519,227				1,519,227
Loans and receivables to financial institutions	22			1,475,356		1,475,356
Deposits with financial institutions	23			2,392,827		2,392,827
Loans and receivables to customers	24			60,585,395		60,585,395
Other investment securities	25		124	2,476,459		2,476,583
Total financial assets		1,519,227	124	69,969,700		71,489,051
Other non-financial assets						5,108,509
Total assets						76,597,560
Deposits from customers	33				44,705,409	44,705,409
Debt securities issued	34				4,081,033	4,081,033
Other interest – bearing borrowings	35				15,831,490	15,831,490
Total financial liabilities					64,617,932	64,617,932
Other non-financial liabilities						4,719,891
Total liabilities						69,337,823

19. Fair value measurement of financial instruments

ACCOUNTING POLICY

Fair Value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Group measurers the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the assets or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants' would take into account in pricing a transaction.

The best evidence of the fair value of financial instrument at initial recognition is normally the transaction price – i.e., the fair value of the consideration given or received. If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only date from observable markets, then the financial instrument is initially measured at a fair value, adjusted to defer the deference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

ACCOUNTING POLICY

Portfolio of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Group on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. These portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The Group recognises transfer between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

ACCOUNTING ESTIMATES

The determination of fair values of financial assets and financial liabilities recorded on the Statement of Financial Position for which there is no observable market price are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but if this is not available, judgement is required to establish their fair values. The Company measures fair value using the fair value hierarchy that reflects the significance of input used in making measurements.

ACCOUNTING POLICY

19.a Valuation models

Financial instruments are measured on an ongoing basis either at fair value or at amortised cost. The Group measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which observable market prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premier used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The Group uses widely recognised valuation models for determining the fair value of common and simple financial instruments. Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determining fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

Model inputs and values are calibrated against historical data and published forecasts and, where possible, against current or recent observed transactions in different instruments and against broker quotes. This calibration process is inherently subjective and it yields ranges of possible inputs and estimates of fair value and management uses judgement to select the most appropriate point in the range.

ACCOUNTING POLICY

The Group's methodology for valuing these asset-backed securities uses a discounted cash flow technique that takes into account the probability of default and loss severity by considering the original underwriting criteria, vintage borrower attributes, LTV ratios, expected house price movements and expected prepayment rates. These features are used to estimate expected cash flows, which are then allocated using the "waterfall" applicable to the security and discounted at a risk-adjusted rate.

The discounted cash flow technique is often used by market participants to price asset-backed securities. However, this technique is subject to inherent limitations, such as estimation of the appropriate risk-adjusted discount rate, and different assumptions and inputs would yield different results.

19.b Valuation control framework

The Group has established a control framework with respect to the measurement of fair value which is independent from the Treasury Division and followings are the some specific controls exists:

- verification of observable pricing;
- re performance of model valuations;
- review of significant unobservable inputs, valuation adjustments and significant changes to the fair value of measurement of Level 3 instruments compared with the previous month.

When third party information, such as broker quotes or pricing services, is used to measure fair value and documents the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of SLFRS. This includes:

- verifying that the broker or pricing service is approved by the Group for use in pricing the relevant type of financial instrument;
- understanding how the fair value has been arrived at, the extent to which it represents actual market transactions and whether it represents a quoted price is an active market for an identical instrument;
- when prices of similar instruments are used to measure fair value, how these prices have been adjusted to reflect the characteristics of the instrument subject to measurement; and
- if a number of quotes for the same financial instrument have been obtained, then how fair value has been determined using those quotes.

Significant valuation issues are reported to the Group Audit Committee.

19.c Valuation summary

As at 31 March	COMPANY		GROUP	
	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
Assets disclosed at fair value – Fair value hierarchy (Refer Note 19.d)	**2,921,404**	2,340,353	**2,961,537**	2,374,389
Assets not disclosed at fair value – Fair value hierarchy (Refer Note 19.f)	**86,511,035**	73,161,757	**89,017,084**	74,223,171
Total assets	**89,432,439**	75,502,110	**91,978,621**	76,597,560
Liabilities disclosed at fair value – Fair value hierarchy (Refer Note 19.d)	**363,153**	–	**363,153**	–
Liabilities not disclosed at fair value – Fair value hierarchy (Refer Note 19.f)	**80,403,883**	68,349,711	**82,745,199**	69,337,823
Total liabilities	**80,767,036**	68,349,711	**83,108,352**	69,337,823

19.d Financial instruments disclosed at fair value – Fair value hierarchy

The following table analyses financial instruments measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the Statement of Financial Position. The fair values include any differences between the transaction price and the fair value on initial recognition when the fair value is based on a valuation technique that uses unobservable inputs.

		COMPANY				GROUP			
As at 31 March 2019	Note	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	Total Rs. '000	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	Total Rs. '000
Financial assets									
Financial assets measured at FVTPL	21								
– Government securities – Treasury Bonds		107,423			107,423	107,423			107,423
– Equity instruments – Quoted shares		1,579,581			1,579,581	1,619,590			1,619,590
Other investment securities measured at FVOCI	25								
– Equity instruments – Unquoted shares								124	124
Total financial assets disclosed at fair value		1,687,004	–	–	1,687,004	1,727,013	–	124	1,727,137
Other non-financial assets									
Property, plant and equipment – Freehold land	28			1,234,400	1,234,400			1,234,400	1,234,400
Total non-financial assets at fair value		–	–	1,234,400	1,234,400	–	–	1,234,400	1,234,400
Total assets at fair value		1,687,004	–	1,234,400	2,921,404	1,727,013	–	1,234,524	2,961,537
Financial liabilities									
Derivative financial liabilities		363,153			363,153	363,153			363,153
Total financial liabilities disclosed at fair value		363,153		–	363,153	363,153		–	363,153

		COMPANY				GROUP			
As at 31 March 2018	Note	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	Total Rs. '000	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	Total Rs. '000
Financial assets									
Financial assets measured at FVTPL	21								
– Government securities – Treasury bonds		110,135			110,135	110,135			110,135
– Equity instruments – Quoted shares		1,375,180			1,375,180	1,409,092			1,409,092
Other investment securities measured at FVOCI	25								
– Equity instruments – Unquoted shares								124	124
Total financial assets disclosed at fair value		1,485,315	–	–	1,485,315	1,519,227	–	124	1,519,351
Other non-financial assets									
Property, plant and equipment – Freehold land	28			855,038	855,038			855,038	855,038
Total non-financial assets at fair value				855,038	855,038			855,038	855,038
Total assets disclosed at fair value		1,485,315	–	855,038	2,340,353	1,519,227		855,162	2,374,389

Company holds unquoted shares of Rs. 24 Mn. as at the reporting date 31 March 2019 categorised under financial assets measured at FVOCI whose fair value cannot be measured reliably and fully impaired.

Note 28.1 provides information on significant unobservable inputs used as at 31 March 2019 in measuring fair value of freehold land categorised under Level 3 and fair value reconciliation can be found in Statement of Changes in Equity.

19.e Level 3 fair value measurements

19.e.i Reconciliation

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy:

	Property, plant and equipment – freehold land	
	COMPANY	GROUP
	Rs. '000	Rs. '000
Balance as at 1 April 2017	783,100	783,100
Purchases/Additions	15,600	15,600
Disposals during the year	(3,300)	(3,300)
Revaluation surplus	59,638	59,638
Balance as at 31 March 2018	855,038	855,038
Balance as at 1 April 2018	855,038	855,038
Purchases/Additions	181,999	181,999
Disposals during the year	(3,441)	(3,441)
Revaluation surplus	200,804	200,804
Balance as at 31 March 2019	1,234,400	1,234,400

19.e.ii Unobservable inputs used in measuring fair value

Refer Note 28.1 for information about significant unobservable inputs used at 31 March 2019 in measuring fair value of freehold/land categorised as Level 3 in the fair value hierarchy.

19.e.iii The effect of unobservable inputs on fair value measurement

Table below shows the effect of changes in assumptions used above for fair value determination:

	Effect on total comprehensive income	
	Favourable	Unfavourable
Property, plant and equipment – Freehold land	1% Increase in fair value Rs. '000	1% Decrease in fair value Rs. '000
2018/19	**12,344**	**(12,344)**
2017/18	8,550	(8,550)

19.e.iv Recurring and non-recurring basis valuation

The Group is using recurring basis valuation for assets categorised under Level 3 and details relating to fair valuation is given in Note 28.1.

19.f Assets and liabilities not disclosed at fair value – Fair value hierarchy

The following table sets out the fair values of financial instruments not measured at fair value and analysed them by the level in the fair value hierarchy into which each fair value measurement is categorised. The fair values in the table below are stated as at 31 March and may be different from the actual amount that will be received/paid on the settlement or maturity of the financial instrument:

		COMPANY				
As at 31 March 2019	Note	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	Carrying amount Rs. '000	Fair value Rs. '000
Assets						
Cash and cash equivalents	20	1,093,874			1,093,874	1,093,874
Loans and receivables to banks	22			3,094,312	3,094,312	3,094,320
Deposits with financial institutions	23			6,719,704	6,719,704	6,747,078
Loans and receivables to customers	24			69,133,049	69,133,049	70,099,610
Other investment securities	25					
– Treasury Bills		1,200,370			1,200,370	1,192,064
– Treasury Bonds		108,391			108,391	109,269
– Corporate debentures			5,100		5,100	5,101
Investment property	27			20,198	20,198	54,000
Other assets					5,136,037	5,136,037
Total assets not disclosed at fair value		2,402,635	5,100	78,967,263	86,511,035	87,531,353
Liabilities						
Deposits from customers	33			47,236,367	47,236,367	47,318,780
Debt securities issued	34			3,980,483	3,980,483	3,980,483
Other interest-bearing borrowings	35			24,509,877	24,509,877	24,509,877
Other liabilities					4,677,156	4,677,156
Total liabilities not disclosed at fair value		–	–	75,726,727	80,403,883	80,486,296

		COMPANY				
As at 31 March 2018	Note	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	Carrying amount Rs. '000	Fair value Rs. '000
Assets						
Cash and cash equivalents	20	2,974,825			2,974,825	2,974,825
Loans and receivables to banks	22			1,425,000	1,425,000	1,430,174
Deposits with financial institutions	23			2,392,827	2,392,827	2,463,082
Loans and receivables to customers	24			59,438,349	59,438,349	60,452,642
Other investment securities	25					
– Treasury Bills		2,341,916			2,341,916	2,342,477
– Treasury Bonds		124,289			124,289	120,492
– Corporate debentures			5,100		5,100	5,101
Investment property	27			20,198	20,198	54,000
Other assets					4,439,253	4,439,252
Total assets not disclosed at fair value		5,441,030	5,100	63,276,374	73,161,757	74,282,045
Liabilities						
Deposits from customers	33			44,709,832	44,709,832	44,891,957
Debt securities issued	34			4,081,033	4,081,033	4,325,895
Other interest-bearing borrowings	35			15,114,486	15,114,486	15,168,376
Other liabilities					4,444,360	4,444,360
Total liabilities not disclosed at fair value		–	–	63,905,351	68,349,711	68,830,588

					GROUP	
As at 31 March 2019	Note	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	Carrying amount Rs. '000	Fair value Rs. '000
Assets						
Cash and cash equivalents	20	1,189,251			1,189,251	1,189,251
Loans and receivables to banks	22			3,195,205	3,195,205	3,195,213
Deposits with financial institutions	23			6,719,704	6,719,704	6,747,078
Loans and receivables to customers	24			71,582,081	71,582,081	72,548,642
Other investment securities	25					
– Treasury Bills		1,205,562			1,205,562	1,197,256
– Treasury Bonds		108,391			108,391	109,269
– Corporate debentures			5,100		5,100	5,101
Investment property	27			20,198	20,198	54,000
Other assets					4,991,592	4,991,592
Total assets not disclosed at fair value		2,503,204	5,100	81,517,188	89,017,084	90,037,403
Liabilities						
Deposits from customers	33			47,222,578	47,222,578	47,304,991
Debt securities issued	34			3,980,483	3,980,483	3,980,483
Other interest-bearing borrowings	35			26,473,852	26,473,852	26,473,852
Other liabilities					5,068,286	5,068,286
Total liabilities not disclosed at fair value		–	–	77,676,913	82,745,199	82,827,612

					GROUP	
As at 31 March 2018	Note	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	Carrying amount Rs. '000	Fair value Rs. '000
Assets						
Cash and cash equivalents	20	3,039,663			3,039,663	3,039,663
Loans and receivables to banks	22			1,475,356	1,475,356	1,480,530
Deposits with financial institutions	23			2,392,827	2,392,827	2,463,082
Loans and receivables to customers	24			60,585,395	60,585,395	61,599,688
Investment securities held-to-maturity	25					
– Treasury bills		2,341,916			2,341,916	2,342,477
– Treasury bonds		129,443			129,443	125,646
– Corporate debentures			5,100		5,100	5,100
Investment property	27			20,198	20,198	54,000
Other assets					4,233,273	4,233,273
Total assets not disclosed at fair value		5,511,022	5,100	64,473,776	74,223,171	75,343,459
Liabilities						
Deposits from customers	33			44,705,409	44,705,409	44,887,534
Debt securities issued	34			4,081,033	4,081,033	4,325,895
Other interest-bearing borrowings	35			15,831,490	15,831,490	15,885,379
Other liabilities					4,719,891	4,719,891
Total liabilities not disclosed at fair value		–	–	64,617,932	69,337,823	69,818,699

19.f.i Methodology

The fair value calculated in this section are only for disclosure purposes and do not have any impact on the Group's reported financial position and performance. The following section consist with the methodologies and assumptions used in determining fair value for financial instruments not disclosed at fair value in the face of Financial Statements:

Asset/Liability	Methodology and assumptions
Cash and cash equivalents	Carrying value of the financial instruments which are typically short-term in nature and which are repriced to current market rates frequently are considered reasonable approximation to fair value.
Loans and receivables to banks	Carrying value of the financial instruments which are typically short-term in nature and which are repriced to current market rates frequently are considered reasonable approximation to fair value.
Deposits with financial institutions	The fair value of deposits with banks is estimated using discounted cash flow techniques, applying the rates that are offered for deposits of similar maturities and terms.
Loans and receivables to customers	Where available, fair value of loans and advances is based on observable market transactions. Where observable market transactions are not available, fair value is estimated using valuation models, such as discounted cash flow techniques. Input into the valuation techniques includes incurred credit losses, interest rates, prepayment rates and primary origination or secondary market spreads. For collateral dependent impaired loans, the fair value is measured based on the value of the underlying collateral. To improve the accuracy of the valuation estimate for retail and smaller commercial loans, homogeneous loans are grouped into portfolios with similar characteristics such as vintage, LTV ratios, the quality of collateral, product and borrower type, prepayment and delinquency rates and default probability.
Investment securities at amortised cost	The fair value of investment securities at amortised cost is estimated by applying the active market prices for similar or identical instruments. Discounted cash flow techniques are used to arrive at the value of these instruments by using observable market rates as valuation inputs.
Investment property	Fair value has been determined by using market comparable method which considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of the property being revalued. This involves evaluation of recent active market prices of similar assets, making appropriate adjustments for differences in size, nature, location condition of specific property.
Investment in subsidiaries	In absence of active market, an investment's fair value is estimated on the basis of an analysis of the investee's financial position and performance, risk profile, prospectus and other factors, incorporated valuation model as well as by reference to market valuations for similar entities quoted in the active market.
Deposits from customers	The fair value of deposits from customers is estimated using discounted cash flow techniques, applying the rates that are offered for deposits of similar maturities and terms.
Debt securities issued	Discounted cash flow techniques are used to arrive at the value of these instruments by using observable market rates as valuation inputs.
Other interest-bearing borrowings	Discounted cash flow techniques are used to arrive at the value of these instruments by using observable market rates as valuation inputs.

Reclassification of financial assets and liabilities

There were no significant reclassifications have been made during the reporting periods of 2018/19 and 2017/18.

20. Cash and cash equivalents

ACCOUNTING POLICY

Cash and cash equivalents include cash in hand and balance with banks. They are brought to account at the face value or the gross value where appropriate.

Bank overdraft that is repayable on demand and forms an integral part of the Company's cash resources and it is only included as a component of cash equivalents for the purpose of the Cash Flow Statements.

Cash and cash equivalents are carried at amortised cost in the Statement of Financial Position.

	COMPANY		GROUP	
As at 31 March	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
Local currency in hand	**523,628**	328,349	**523,771**	331,948
Foreign currency in hand	**46,873**	28,373	**46,873**	28,373
Demand/savings deposit balances with Banks	**523,373**	2,618,103	**618,607**	2,679,342
Total cash and cash equivalents	**1,093,874**	2,974,825	**1,189,251**	3,039,663

Maturity analysis of cash and cash equivalents is given in Note 50.

21. Financial assets measured at Fair Value through Profit or Loss (FVTPL)

ACCOUNTING POLICY

Financial assets measured at FVTPL are those assets that the Group acquires or incurs principally for the purpose of selling or repurchasing in the near term, or holds as part of a portfolio that is managed together for short-term profit or position taking.

Trading assets are those assets that the Group acquires or incurs principally for the purpose of selling or repurchasing in the near term, or holds as part of a portfolio that is managed together for short-term profit or position taking.

Recognition

Financial assets measured at FVTPL are measured initially at fair value and transaction costs that are directly attributable to its acquisition or issue is charge to profit or loss.

Measurement

Financial assets measured at FVTPL are subsequently recorded in the Statement of Financial Position at fair value. Changes in fair value are recognised in profit or loss. Interest and dividend income are recorded in "Interest income" net gains/(losses) from trading recorded in the income statement.

No impairment loss is recognised on equity instruments classified as financial assets measured at FVTPL.

Classification of financial asset are given in Note 18.

	COMPANY		GROUP	
As at 31 March	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
Government securities (Refer Note 21.1)	**107,423**	110,135	**107,423**	110,135
Quoted equity investments (Refer Note 21.2)	**1,579,581**	1,375,180	**1,619,590**	1,409,092
Total financial assets measured at FVTPL	**1,687,004**	1,485,315	**1,727,013**	1,519,227

Maturity analysis of financial assets measured at FVTPL is given in Note 50.

21.1 Government securities

As at 31 March	COMPANY 2019 Rs. '000	COMPANY 2018 Rs. '000	GROUP 2019 Rs. '000	GROUP 2018 Rs. '000
Amortised cost as at 31 March	**107,371**	101,869	**107,371**	101,869
Gain/(loss) from mark to market valuation	**52**	8,266	**52**	8,266
Fair value as at 31 March	**107,423**	110,135	**107,423**	110,135

**Government securities include treasury bonds.*

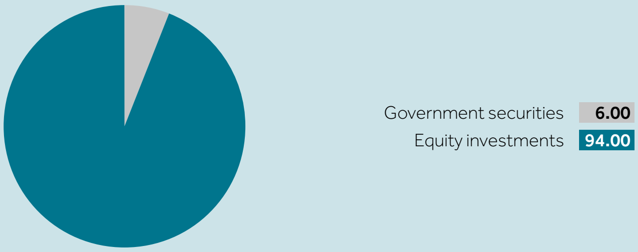
21.2 Quoted equity investments

As at 31 March 2019	Sector as per CSE classification	Number of shares	Market price Rs.	Market value Rs. '000	Cost of the investment Rs. '000	Mark to market gain/(loss) Rs. '000
Investments by the Company						
Ceylinco Insurance PLC – Voting	Bank, Finance and Insurance	663,624	2,124	1,409,272	240,614	1,168,658
Commercial Bank of Ceylon PLC – Voting	Bank, Finance and Insurance	178,725	99	17,641	23,849	(6,208)
Sampath Bank PLC – Voting	Bank, Finance and Insurance	210	180	38	70	(32)
Union Bank of Colombo PLC – Voting	Bank, Finance and Insurance	55,101	11	606	722	(116)
National Development Bank PLC – Voting	Bank, Finance and Insurance	1,054	94	99	120	(21)
John Keells Holdings PLC – Voting	Diversified Holdings	190,096	156	29,655	28,383	1,272
Aitken Spence PLC – Voting	Diversified Holdings	344,146	41	14,110	18,883	(4,773)
Melstacorp PLC – Voting	Diversified Holdings	112,698	36	4,057	6,196	(2,139)
Ceylon Hospitals PLC (Durdans) – Voting	Health and Care	38,167	73	2,790	3,432	(642)
Ceylon Hospitals PLC (Durdans) – Non-voting	Health and Care	1,631	68	111	115	(4)
John Keells Hotels PLC – Voting	Hotels	108,168	8	811	1,273	(462)
Asian Hotels & Properties PLC – Voting	Hotels	260,791	42	10,927	13,993	(3,066)
The Kingsbury PLC – Voting	Hotels	288,762	13	3,697	4,095	(398)
The Lighthouse Hotel PLC – Voting	Hotels	5,000	26	128	228	(100)
Chevron Lubricants Lanka PLC – Voting	Manufacturing	17,236	63	1,079	1,116	(37)
Teejay Lanka PLC – Voting	Manufacturing	80,000	30	2,432	2,536	(104)
Regnis Lanka PLC – Voting	Manufacturing	150,005	64	9,585	19,545	(9,960)
Bairaha Farms PLC – Voting	Manufacturing	142,330	120	17,065	22,185	(5,120)
Ceylon Grain Elevators PLC – Voting	Manufacturing	171,520	52	8,936	11,071	(2,135)
Three Acres Farms PLC – Voting	Manufacturing	161,666	98	15,892	19,474	(3,582)
Swisstek (Ceylon) PLC – Voting	Manufacturing	482,121	35	16,778	29,924	(13,146)
ACL Cables PLC – Voting	Manufacturing	327,864	32	10,590	17,311	(6,721)
Distilleries Company of Sri Lanka PLC – Voting	Beverage, Food and Tobacco	118	15	2	1	1
Overseas Realty (Ceylon) PLC – Voting	Land and Property	200,000	16	3,280	4,343	(1,063)
Total equity investments of the Company				1,579,581	469,479	1,110,102
Investments by subsidiaries						
Ceylinco Insurance PLC – Voting	Bank Finance and Insurance	18,840	2,124	40,009	26,191	13,818
Total equity investments of the Group				1,619,590	495,670	1,123,920

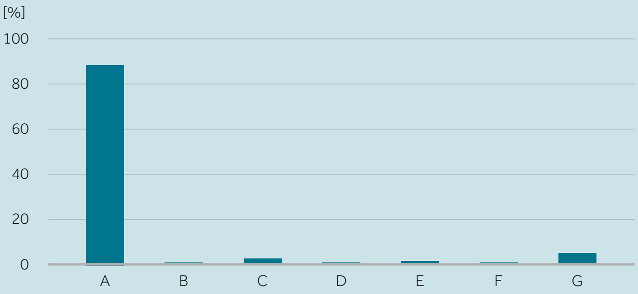
As at 31 March 2018	Sector as per CSE classification	Number of shares	Market price Rs.	Market value Rs. '000	Cost of the investment Rs. '000	Mark to market gain/(loss) Rs. '000
Investments by the Company						
Ceylinco Insurance PLC – Voting	Bank, Finance and Insurance	663,624	1,800	1,194,523	240,614	953,910
Commercial Bank of Ceylon PLC – Voting	Bank, Finance and Insurance	72,950	136	9,907	10,034	(127)
Sampath Bank PLC – Voting	Bank, Finance and Insurance	200	300	60	67	(7)
Union Bank of Colombo PLC – Voting	Bank, Finance and Insurance	50,000	13	640	657	(17)
John Keells Holdings PLC – Voting	Diversified Holdings	120,480	160	19,229	18,087	1,142
Aitken Spence PLC – Voting	Diversified Holdings	344,146	51	17,413	18,883	(1,469)
Melstacorp PLC – Voting	Diversified Holdings	28,919	58	1,683	1,733	(50)
Ceylon Hospitals PLC (Durdans) – Voting	Health and care	38,167	79	3,023	3,432	(409)
Ceylon Hospitals PLC (Durdans) – Non-Voting	Health and care	68,670	73	4,979	4,804	174
John Keells Hotels PLC – Voting	Hotels	108,168	9	1,006	1,273	(268)
Asian Hotels & Properties PLC – Voting	Hotels	281,341	50	14,123	15,473	(1,350)
Dolphin Hotels PLC – Voting	Hotels	94,037	26	2,445	3,106	(661)
The Kingsbury PLC – Voting	Hotels	10,000	18	180	158	22
The Lighthouse Hotel PLC – Voting	Hotels	5,000	40	199	228	(29)
Overseas Realty (Ceylon) PLC – Voting	Land and property	200,000	18	3,620	4,343	(723)
Chevron Lubricants Lanka PLC – Voting	Manufacturing	101,012	105	10,555	12,144	(1,589)
Teejay Lanka PLC – Voting	Manufacturing	339,590	32	10,833	12,823	(1,990)
Regnis Lanka PLC – Voting	Manufacturing	145,315	100	14,561	19,226	(4,665)
Bairaha Farms PLC – Voting	Manufacturing	115,735	135	15,578	18,602	(3,024)
Ceylon Grain Elevators PLC – Voting	Manufacturing	818	72	58	57	1
Three Acre Farms PLC – Voting	Manufacturing	131,739	112	14,755	16,165	(1,411)
Swisstek (Ceylon) PLC – Voting	Manufacturing	390,726	59	23,170	25,554	(2,384)
ACL Cables PLC – Voting	Manufacturing	308,263	41	12,638	17,115	(4,476)
Distilleries Company of Sri Lanka PLC – Voting	Beverage, food and tobacco	118	8	1	1	–
Total equity investments of the Company				1,375,180	444,579	930,601
Investments by subsidiaries						
Ceylinco Insurance PLC – Voting	Bank, Finance and Insurance	18,840	1,800	33,912	26,191	7,721
Total equity investments of the Group				1,409,092	470,770	938,322

Financial assets measured at FVTPL

[%]



Sector-wise analysis of equity investments



A. Bank, finance and insurance
B. Beverage, food and tobacco
C. Diversified holdings
D. Healthcare
E. Hotels
F. Land and property
G. Manufacturing

The Company has not pledged any of the above financial assets as collateral for any liability or contingent liability.

21.2.1 Reconciliation for mark to market adjustment on quoted equity investments

	COMPANY		GROUP	
	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
Market value of the equity instruments at the beginning of the year	**1,375,180**	63,938	**1,409,092**	63,938
Changes in classification of available-for-sale equity securities to FVTPL (Refer Note 4) – SLFRS 9	**–**	1,034,214	**–**	1,064,097
Additions and disposals in equity investments during the year	**27,111**	165,311	**27,111**	165,311
Carrying amount as at 31 March	**1,402,291**	1,263,463	**1,436,203**	1,293,347
Market value of the equity investments at the end of the year	**1,579,581**	1,375,180	**1,619,590**	1,409,092
Mark to market gain during the year	**177,290**	111,717	**183,387**	115,745

22. Loans and receivables to banks

ACCOUNTING POLICY

Group classifies non-derivative financial assets with fixed or determinable payments that are not quoted in an active market under loans and receivables to banks. Accordingly, Loans and receivables to banks comprise repurchase agreements with banks.

Recognition

Loans and receivables to banks are measured initially at fair value plus transaction costs.

Measurement

Loans and receivables to banks are subsequently measured at amortised cost using EIR. Amortised cost is calculated by taking into account any discount or premium on acquisition and other fees and cost that are an integral part of EIR

Expected credit losses

The Group recognises loss allowances for ECL on assets subsequently measured at amortised cost. Group measures loss allowance at an amount equal to life time ECL, except financial investments that are determined to have low credit risk at the reporting date. Refer Note 3.12 for further details on ECL policy.

Classification of financial assets are given in Note 18.

	COMPANY		GROUP	
As at 31 March	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
Securities purchased under resale agreements – Treasury Bills	**3,094,312**	1,425,000	**3,195,205**	1,475,356
Less: Allowance for expected credit losses	**–**	–	**–**	–
Net loans and receivables to banks	**3,094,312**	1,425,000	**3,195,205**	1,475,356

No expected credit losses (ECL) were recognised for Government securities since those are rated as risk free investments.

Maturity analysis of loans and receivables to banks is given in Note 50.

23. Deposits with financial institutions

ACCOUNTING POLICY

Deposits with financial institutions comprises the fixed deposits with licensed commercial banks and other financial institutions.

Recognition

Deposits with financial institutions are measured initially at fair value plus transaction costs.

Measurement

Deposits with licensed financial institutions subsequently measured at amortised cost using EIR. Amortised cost is calculated by taking into account any discount or premium on acquisition and other fees and cost that are an integral part of EIR.

Expected credit losses

The Group recognises loss allowances for ECL on assets subsequently measured at amortised cost. Group measures loss allowance at an amount equal to life time ECL, except financial investments that are determined to have low credit risk at the reporting date. Refer Note 3.1.2 for policy on expected credit losses (ECL).

Classification of financial assets are given in Note 18.

As at 31 March	COMPANY		GROUP	
	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
Term deposits with financial institutions	**6,719,965**	2,393,088	**6,719,965**	2,393,088
Less: Allowance for expected credit losses	**(261)**	(261)	**(261)**	(261)
Total deposits with financial institutions	**6,719,704**	2,392,827	**6,719,704**	2,392,827

Maturity analysis of deposits with financial institutions is given in Note 50.

24. Loans and receivables to customers

ACCOUNTING POLICY

Amount receivable under finance lease, hire purchase and loans net of prepaid rentals, unearned lease income and allowance for expected credit losses are presented in the loans and receivable to customers.

Recognition

Loans and receivables to customers are measured initially at fair value plus transaction costs.

Measurement

After initial recognition loans and receivables from customers are subsequently measured at amortised cost using the effective interest rate less loss allowance based on expected credit losses. Amortised cost is calculated by taking into account any fee and cost that are integral part of EIR. The amortisation is included in interest income in the Statement of Profit or Loss.

Expected credit losses

Refer Note 12 for impairment policy based on expected credit losses (ECL)

Classification of financial assets are given in Note 18.

Loans and receivables from customers are carried at amortised cost in the Statement of Financial Position.

As at 31 March	COMPANY		GROUP	
	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
Gross loans and receivables to customers	**71,197,351**	60,774,005	**73,777,326**	61,978,196
Less: Allowance for impairment and other credit losses (Refer Note 24.2)	**2,064,302**	1,335,656	**2,195,245**	1,392,801
Net loans and receivables to customers (Refer Note 24.1)	**69,133,049**	59,438,349	**71,582,081**	60,585,395

Maturity analysis of loans and receivables from customers is given in Note 50 and pre terminations may cause actual maturities differ from contractual maturities.

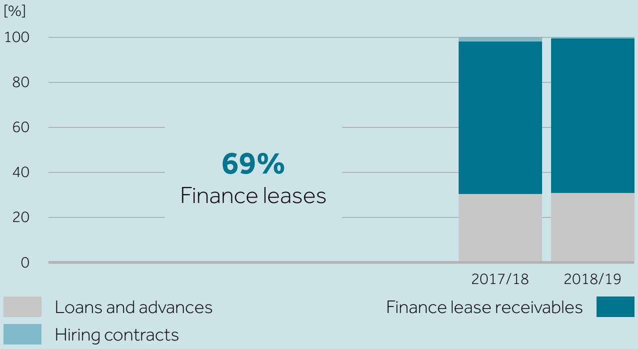
24.1 Analysis

Product-wise analysis

As at 31 March	COMPANY		GROUP	
	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
Loans and advances to customers (Refer Note 24.1.1)	**21,639,934**	18,420,432	**21,218,968**	18,057,689
Finance lease receivables (Refer Note 24.1.2)	**49,211,534**	41,301,219	**52,212,475**	42,865,115
Hiring contracts (Refer Note 24.1.3)	**345,883**	1,052,354	**345,883**	1,055,392
Gross loans and receivables to customers	**71,197,351**	60,774,005	**73,777,326**	61,978,196
Less: Allowance for impairment and other credit losses (Refer Note 24.2)	**(2,064,302)**	(1,335,656)	**(2,195,245)**	(1,392,801)
Net loans and advances to customers	**69,133,049**	59,438,349	**71,582,081**	60,585,395

Further analysis on loans and receivables to customers is given in Note 52 (Financial Risk Management).

Product-wise analysis of loan portfolio



24.1.1 Loans and advances to customers

As at 31 March	COMPANY 2019 Rs. '000	COMPANY 2018 Rs. '000	GROUP 2019 Rs. '000	GROUP 2018 Rs. '000
Short-term loans	**1,761,343**	1,644,269	**1,761,343**	1,644,269
Term and vehicle loans	**16,933,883**	14,963,933	**16,512,917**	14,601,190
Staff loans	**475,149**	401,734	**475,149**	401,734
Gold-related lending	**2,439,859**	1,410,496	**2,439,859**	1,410,496
Credit card	**29,700**	–	**29,700**	–
Gross loans and advances to customers	**21,639,934**	18,420,432	**21,218,968**	18,057,689
Less: Allowance for impairment and other credit losses (Refer Note 24.2)	**(521,451)**	(169,972)	**(530,522)**	(181,024)
Net loans and advances to customers	**21,118,483**	18,250,460	**20,688,446**	17,876,665

24.1.2 Finance lease receivable

As at 31 March	COMPANY 2019 Rs. '000	COMPANY 2018 Rs. '000	GROUP 2019 Rs. '000	GROUP 2018 Rs. '000
Gross investment in finance leases				
Receivable within one year	**4,313,573**	20,993,837	**6,207,402**	21,819,453
Receivable after one year before five years	**55,920,714**	36,020,632	**58,092,719**	37,281,376
Receivable after five years	**7,989,531**	605,694	**7,991,013**	669,892
Total finance lease receivables	**68,223,818**	57,620,163	**72,291,134**	59,770,721
Unearned finance income	**(19,012,284)**	(16,318,944)	**(20,078,659)**	(16,905,606)
Gross finance lease receivables	**49,211,534**	41,301,219	**52,212,475**	42,865,115
Less: Allowance for impairment and other credit losses (Refer Note 24.2)	**(1,488,133)**	(1,059,707)	**(1,610,005)**	(1,105,644)
Net finance lease receivables	**47,723,401**	40,241,512	**50,602,470**	41,759,471

24.1.3 Hiring contracts

As at 31 March	COMPANY 2019 Rs. '000	COMPANY 2018 Rs. '000	GROUP 2019 Rs. '000	GROUP 2018 Rs. '000
Gross investment in hiring contracts	**345,883**	1,052,354	**345,883**	1,055,392
Less: Allowance for impairment and other credit losses (Refer Note 24.2)	**(54,718)**	(105,977)	**(54,718)**	(106,133)
Net investment in hiring contracts	**291,165**	946,377	**291,165**	949,259

24.2 Allowance for impairment and other credit losses

Provision for Expected Credit Losses (ECL) as per SLFRS 9 – "Financial instruments"

				COMPANY
As at 31 March	2019			
	Loans and advances	Finance lease	Hiring contracts	Total
Balance as at the beginning of the year	**169,972**	**1,059,707**	**105,977**	**1,335,656**
Charge/(Reversal) for the year	**351,479**	**428,426**	**(51,259)**	**728,646**
Balance as at the end of the year	**521,451**	**1,488,133**	**54,718**	**2,064,302**

				GROUP
As at 31 March	2019			
	Loans and advances	Finance lease	Hiring contracts	Total
Balance as at the beginning of the year	**181,024**	**1,105,644**	**106,133**	**1,392,801**
Charge/(Reversal) for the year	**349,498**	**504,361**	**(51,415)**	**802,444**
Balance as at the end of the year	**530,522**	**1,610,005**	**54,718**	**2,195,245**

				COMPANY
As at 31 March	2018			
	Loans and advances	Finance lease	Hiring contracts	Total
Balance as at the beginning of the year (as per LKAS 39)	90,016	757,842	46,846	894,704
Impact of adopting SLFRS 9 – "Financial instruments"	42,116	18,026	48,466	108,608
Balance as at the beginning of the year (as per SLFRS 9)	132,132	775,868	95,312	1,003,312
Charge/(Reversal) for the year	37,840	283,839	10,665	332,344
Balance as at the end of the year	169,972	1,059,707	105,977	1,335,656

				GROUP
As at 31 March	2018			
	Loans and advances	Finance lease	Hiring contracts	Total
Balance as at the beginning of the year (as per LKAS 39)	99,684	759,745	47,071	906,500
Impact of adopting SLFRS 9 – "Financial instruments"	50,640	28,172	48,907	127,719
Balance as at the beginning of the year	150,324	787,917	95,978	1,034,219
Charge/(Reversal) for the year	30,700	317,727	10,155	358,582
Balance as at the end of the year	181,024	1,105,644	106,133	1,392,801

Refer Notes 3 and 4 for more details on transition to SLFRS 9 –"Financial Instruments".

Refer Note 52.A.I for more details on inputs, assumptions and techniques used for estimating ECL.

Movements in allowance for expected credit losses stage transition)

	2019			
COMPANY	Stage 1: 12 months ECL Rs. '000	Stage 2: lifetime ECL not credit-impaired Rs. '000	Stage 3: lifetime ECL credit-impaired Rs. '000	Total ECL Rs. '000
Balance as at the beginning of the year	**348,528**	**301,108**	**686,020**	**1,335,656**
Changes due to loans and receivables recognised in opening balance that have:				
Transferred from 12 months ECL	**(45,958)**	**32,957**	**13,001**	**–**
Transferred from lifetime ECL not credit-impaired	**57,882**	**(130,374)**	**72,492**	**–**
Transferred from lifetime ECL credit-impaired	**11,120**	**7,893**	**(19,013)**	**–**
Net remeasurement of loss allowance	**201,678**	**211,650**	**315,318**	**728,646**
Balance as at the end of the year	**573,250**	**423,234**	**1,067,818**	**2,064,302**

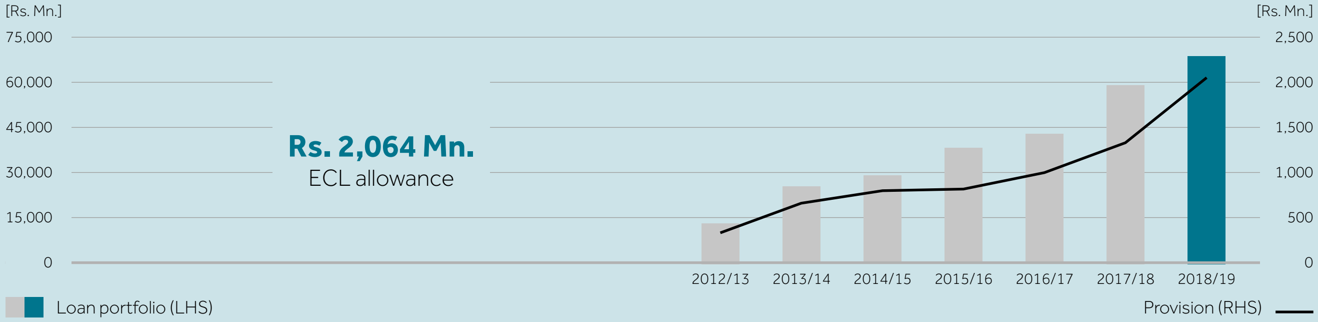
GROUP	2019			
	Stage 1: 12 months ECL Rs. '000	Stage 2: lifetime ECL not credit impaired Rs. '000	Stage 3: lifetime ECL credit impaired Rs. '000	Total ECL Rs. '000
Balance as at the beginning of the year	**348,527**	**301,108**	**743,166**	**1,392,801**
Changes due to loans and receivables recognised in opening balance that have:				
Transferred from 12 months ECL	**(45,958)**	**32,957**	**13,001**	**–**
Transferred from lifetime ECL not credit-impaired	**57,882**	**(130,374)**	**72,492**	**–**
Transferred from lifetime ECL credit-impaired	**11,120**	**7,893**	**(19,013)**	**–**
Net remeasurement of loss allowance	**222,104**	**233,086**	**347,254**	**802,444**
Balance as at the end of the year	**593,675**	**444,670**	**1,156,900**	**2,195,245**

COMPANY	2018			
	Stage 1: 12 months ECL Rs. '000	Stage 2: lifetime ECL not credit impaired Rs. '000	Stage 3: lifetime ECL credit impaired Rs. '000	Total ECL Rs. '000
Balance as at the beginning of the year	298,260	190,935	514,117	1,003,312
Changes due to loans and receivables recognised in opening balance that have:				
Transferred from 12 months ECL	(36,369)	32,367	4,002	–
Transferred from lifetime ECL not credit impaired	63,871	(91,096)	27,225	–
Transferred from lifetime ECL credit impaired	5,204	1,840	(7,044)	–
Net remeasurement of loss allowance	17,562	167,062	147,720	332,344
Balance as at the end of the year	348,528	301,108	686,020	1,335,656

GROUP	2018			
	Stage 1: 12 months ECL Rs. '000	Stage 2: lifetime ECL not credit impaired Rs. '000	Stage 3: lifetime ECL credit impaired Rs. '000	Total ECL Rs. '000
Balance as at the beginning of the year	298,260	190,935	545,024	1,034,219
Changes due to loans and receivables recognised in opening balance that have:				
Transferred from 12 months ECL	(36,369)	32,367	4,002	–
Transferred from lifetime ECL not credit-impaired	63,871	(91,096)	27,225	–
Transferred from lifetime ECL credit-impaired	5,204	1,840	(7,044)	–
Net remeasurement of loss allowance	24,127	172,735	161,720	358,582
Balance as at the end of the year	355,093	306,781	730,927	1,392,801

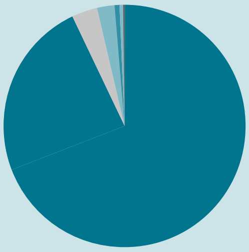
24.3 Allowance for impairment against the loan portfolio (Company)

Allowance for impairment against the loan portfolio



24.4 Analysis of loans and receivables to customers (Company)

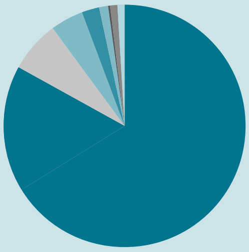
Product concentration [%]



	[%]
Leasing	69.12
Vehicle and term loans	23.78
Gold related lending	3.43
Loans against deposits	2.33
Staff loans	0.67
Hire purchase	0.49
Other	0.18

69% Leasing

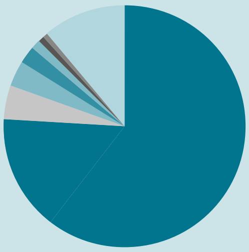
Sector concentration [%]



	[%]
Transport	66.18
Service	16.84
Commercial	6.86
Housing and property development	4.40
Financial services	2.34
Agricultural	1.19
Industrial	0.26
Tourism	0.98
Other	0.94

66% Transport sector

Asset concentration – Company [%]



	[%]
Motor cars and other light vehicles	60.44
Three wheelers	15.50
Motor lorry and other heavy vehicles	4.54
Gold	3.43
Loans against deposits	2.33
Mini trucks	1.24
Motor bus and coaches	0.79
Machinery	0.65
Other	11.08

60% Motor cars and other light vehicles

Refer Note 52.A.IV for further analysis on portfolio concentration.

25. Other investment securities

ACCOUNTING POLICY

Other Investment securities comprise with debt investments measured at amortised cost and equity investments measured at FVOCI.

Recognition

Debt investment securities measured at amortised cost

Debt investments measured at amortised cost are initially measured at fair value plus incremental direct transaction costs.

Debt investment securities measured at FVOCI

Debt investments measured at FVOCI are initially measured at fair value plus incremental direct transaction costs.

Measurement

Debt investments measured at amortised cost

Debt investments subsequently measured at their amortised cost using the effective interest method.

The Group recognises loss allowances for ECLs on assets subsequently measured at amortised cost. Group measures loss allowance at an amount equal to life time ECL, except financial investments that are determined to have low credit risk at the reporting date. Refer Note 12 for further details on ECL policy.

ACCOUNTING POLICY

Debt investments measured at FVOCI

For debt investments measured at FVOCI, gains and losses are recognised in OCI except for the following, which are recognised in profit or loss in the same manner as for financial assets measured at amortised cost:

- Interest revenue using the effective interest method
- ECL and reversals
- Foreign exchange gains and losses

When debt security measured at FVOCI is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss.

Equity investments at FVOCI

The Group elects to present in OCI changes in the fair value of certain investments in equity instruments that are not FVTPL. The election is made on an instrument-by-instrument basis on initial recognition and is irrevocable.

Gains and losses on such equity instruments are never reclassified to profit or loss and no impairment is recognised in profit or loss. Dividends are recognised in profit or loss unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognised in OCI. Cumulative gains and losses recognised in OCI are transferred to retained earnings on disposal of an investment.

Classification of financial assets is given in Note 18.

No impairment loss is recognised on investments in equity instruments.

As at 31 March	COMPANY		GROUP	
	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
Debt investments measured at amortised cost (Refer Note 25.1)	**1,313,861**	2,471,305	**1,319,053**	2,476,459
Unquoted equity investments measured at FVOCI (Refer Note 25.2)	**–**	–	**124**	124
Total other investment securities	**1,313,861**	2,471,305	**1,319,177**	2,476,583

Maturity analysis of other investment securities is given in Note 50.

25.1 Debt Investments measured at amortised cost

As at 31 March	COMPANY		GROUP	
	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
Treasury Bills	**1,200,370**	2,341,916	**1,205,562**	2,341,916
Treasury Bonds	**108,391**	124,289	**108,391**	129,443
Corporate debentures (Refer Note 25.1.1)	**5,100**	5,100	**5,100**	5,100
Debt investments measured at amortised cost	**1,313,861**	2,471,305	**1,319,053**	2,476,459

No expected credit losses were recognised for Government securities since those are rated as risk-free investments.

25.1.1 Corporate debentures measured at amortised cost

As at 31 March	COMPANY		GROUP	
	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
Name of the Company				
Sampath Bank PLC	**5,101**	5,101	**5,101**	5,101
Less: Provision for expected credit losses	**(1)**	(1)	**(1)**	(1)
Total corporate debentures	**5,100**	5,100	**5,100**	5,100

25.2 Unquoted equity investments measured as at FVOCI

	COMPANY				
	2019				
As at 31 March	Number of shares	Cost at acquisition Rs. '000	Cost Rs. '000	Carrying amount Rs. '000	Fair value Rs. '000
Unquoted shares					
Middleway Limited - Ordinary shares	416,455	4,165	4,165	–	–
Middleway Limited - Preference shares	2,050,000	20,500	20,500	–	–
Total unquoted equity investments			24,665	–	–

	GROUP				
	2019				
As at 31 March	Number of shares	Cost at Acquisition Rs. '000	Cost Rs. '000	Carrying amount Rs. '000	Fair value Rs. '000
Unquoted shares					
Middleway Limited – Ordinary shares	416,455	4,165	4,165	–	–
Middleway Limited – Preference shares	2,050,000	20,500	20,500	–	–
Credit Information Bureau of Sri Lanka (CRIB)	100	1	124	124	124
Total unquoted equity investments			24,789	124	124

These unquoted investments were fully impaired.

25.3 Reclassification of investment securities

During the financial year 2018/19 Group has not reclassified any investment securities.

26. Investments in subsidiaries

ACCOUNTING POLICY

Subsidiaries are investees controlled by the Group. The Group "Controls" an investee if it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The cost of an acquisition is measured at fair value of the consideration of acquired identifiable assets, liabilities and contingent liabilities are at the date of acquisition.

Subsequent to the initial measurement the Company continues to recognise the investment in subsidiaries at cost. However, the Group reassesses any impairment indications at each reporting dates and adjusts accordingly.

The Financial Statement of all subsidiaries included the Consolidated Financial Statements from the date on which control commences until the date control ceases. At each reporting date, the Company reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more control elements.

All subsidiaries in the Group have a common financial year which ends on 31 March. Financial Statements of the subsidiaries are prepared using uniform and consistent accounting policies and all intra-group balances, unrealised gains and losses resulting from intra-group transactions, intra-group income and expenses eliminated in full.

The Group does not have a significant restrictions on its ability to access or use its assets and settle its liabilities other than those resulting from the supervisory framework within which subsidiary operates.

	COMPANY	
As at 31 March	2019 Rs. '000	2018 Rs. '000
Balance as at the beginning of the year	**512,172**	512,172
Acquisitions made during the year	**–**	–
Disposals made during the year	**–**	–
	512,172	512,172
Less: Provision for impairment	**(2,254)**	(2,254)
Net investment in subsidiaries	**509,918**	509,918

26.1 Group structure

As at 31 March	2019 Ownership %	2019 Cost Rs. '000	2018 Ownership %	2018 Cost Rs. '000
Fortune Properties Limited	99.98	5,000	100.00	5,000
Unisons Capital Limited	90.38	507,172	90.38	507,172
		512,172		512,172
Less: Provision for impairment		(2,254)		(2,254)
Net investment in subsidiaries		509,918		509,918

Both subsidiaries are not quoted in Colombo Stock Exchange. Summarised Financial Statements of subsidiaries are given in Note 26.2.

24 October 2014 CDB acquired Laugfs Capital Limited (Unisons Capital Leasing Limited) and became a subsidiary with 86.26% share ownership and now it has increased up to 90.38%.

CDB Micro Finance Limited have changed the name to Fortune Properties Limited with effect from 25 June 2018.

Amalgamation of Unisons Capital Leasing Limited and Fortune Properties Limited

Central Bank of Sri Lanka (CBSL) requires the Company to amalgamate Unisons Capital Leasing Limited and Fortune Properties Limited where the Company shareholding is 90.38% and 99.98% respectively. Accordingly the Board of Directors of the Company resolved on 8 April 2019 to initiate the process of amalgamation and subsequent to the amalgamation Citizens Development Business Finance PLC will be the surviving entity. This need to be treated under SLFRS 3 – "Business Combinations" and the Company already has started detailed assessment on this amalgamation.

Provision for already impairment

The Directors valuation of investments in subsidiaries has been carried out on cash flow basis as at 31 March 2019 and formerly known as accordingly Company has recognised an impairment charge of Rs. 2.25 Mn. against the investment in Fortune Properties Limited formerly known an (CDB Micro Finance Limited) (In 2018 Rs. 2.25 Mn.).

Present value of the expected cash flows of Unisons Capital Limited exceeds its carrying value and thus no impairment was recognised.

Refer Note 30.1 for impairment test for goodwill acquired.

26.2 Summarised financial information of subsidiaries

Summarised financial information of Unisons Capital Leasing Limited with significant non-controlling interest is given below:

For the year ended 31 March	Unisons Capital Leasing Limited 2019 Rs. '000	Unisons Capital Leasing Limited 2018 Rs. '000
Revenue	744,850	305,795
Net operating income	376,188	198,480
Less: Operating expenses	(246,327)	(119,197)
Profit before tax	129,861	79,283
Taxation	(26,938)	(24,435)
Profit after tax	102,923	54,848
Other comprehensive income (net of tax)	134	(55)
Total comprehensive income	103,057	54,793

As at 31 March	Unisons Capital Leasing Limited 2019 Rs. '000	Unisons Capital Leasing Limited 2018 Rs. '000
Loans and receivables to customers	**2,879,070**	1,532,830
Financial Investments	**45,324**	39,189
Property, plant and equipment and intangible assets	**29,875**	29,096
Other assets	**348,354**	147,667
Total assets	**3,302,623**	1,748,782
Due to banks	**2,265,215**	1,045,654
Debt issued and other borrowed funds	**185,759**	93,676
Other liabilities	**383,390**	238,771
	2,834,364	1,378,101
Total equity	**468,259**	370,681
Total liabilities and equity	**3,302,623**	1,748,782

For the year ended 31 March	Unisons Capital Leasing Limited 2019 Rs. '000	Unisons Capital Leasing Limited 2018 Rs. '000
Cash flows from operating activities	**283,437**	207,077
Cash flows from investing activities	**(55,169)**	(23,924)
Cash flows from financing activities	**(184,933)**	(216,792)
Net increase in cash and cash equivalents	**43,335**	(33,639)

26.3 Investment in associates

Associates are those entities in which the Group has significant influence, but not control, over the variable returns through its power over the investee. In general significant influence is presumed to exist when the Group holds 20% or more of the voting power of another entity.

The Group doesn't hold any significant influence on another entity which could be classified as investment in associates.

27. Investment property

ACCOUNTING POLICY

Recognition

Investment properties are properties held either to earn rental income or for capital appreciation or both but not for sale in the ordinary course of business, used in the production or supply of goods or services or for administrative purposes. Investment properties are recognised if it is probable that future economic benefits that are associated with the investment property will flow to the Group and cost of the investment property can be reliably measured.

Measurement

Investment properties are initially measured at its cost and transaction costs shall be included in the initial measurement. Subsequent to the initial recognition the investment properties are stated at cost model which is in accordance with LKAS 16 – "Property, Plant and Equipment".

Depreciation is provided on a straight-line basis over the estimated life of the class of asset from the date of purchase up to the date of disposal. The land is non-depreciated.

Accordingly, land classified as investment properties are stated at cost less any accumulated impairment losses.

However entity measure the fair value of investment property for the purpose of disclosure and the Company obtain a valuation by an independent valuer who holds recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued.

Transfers to/from investment property

Transfers to, or from, investment property shall be made when, and only when, there is a change in use, evidenced by commencement of owner occupation, for a transfer from investment property to owner occupied property, commencement of development with a view to sale, for a transfer from investment property to inventories, end of owner occupation, for a transfer from owner-occupied property to investment property; or commencement of an operating lease to another party, for a transfer from inventories to investment property.

ACCOUNTING POLICY

When the use of property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified as investment property.

Any gain arising on remeasurement is recognised in Statement of Profit or Loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognised in Other Comprehensive Income and presented in revaluation reserve in equity. Any loss is recognised immediately in the Statement of Profit or Loss.

Derecognition

An investment property shall be derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal.

	COMPANY		GROUP	
As at 31 March	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
Balance as at the beginning of the year	**20,198**	20,198	**20,198**	20,198
Acquisitions during the year	**–**	–	**–**	–
Disposals during the year	**–**	–	**–**	–
	20,198	20,198	**20,198**	20,198
Less: Provision for impairment	**–**	–	**–**	–
Balance as at the end of the year	**20,198**	20,198	**20,198**	20,198

Investment property comprises land acquired by the Company and held for capital appreciation purpose.

No depreciation is recognised since the land has an unlimited useful life.

No provision for impairment was recognised for the year ended 31 March 2019 since fair value is higher than the carrying amount of the property. (Refer Note 27.1)

27.1 Fair valuation of investment property

The fair values of investment property were determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued. The independent valuers provide the fair values of the Company's investment property at the reporting period end.

Property	Extent (perches)	Date of valuation	Cost	Fair value	
				2019	2018
			Rs. '000	Rs. '000	Rs. '000
Land – Biyagama	120	10 April 2019	20,198	**54,000**	54,000

Valuer	Valuation technique	Significant unobservable inputs	Sensitivity
A R Ajith Fernando (FRICS). Chartered Valuation Surveyor, B.Sc Estate Management (London), Diploma in Valuation (SL).	Market Comparable Method - Valuation of the property have been arrived at with reference prevailing land sales and in the area adjusted for the specific conditions of the above property.	The reference rage of value for the properties in the area range from Rs. 400,000/- to Rs. 500,000/- per perch.	Estimated fair value would increase if the market value of the per perch land value increases.

28. Property, plant and equipment

ACCOUNTING POLICY

Property, plant and equipment are tangible items that are held for use in the production or supply of goods or services, for rental to others or for administrative purposes and are expected to be used during more than one period

Recognition

Property, plant and equipment are recognised if it is probable that future economic benefits associated with the assets will flow to the Group and cost of the asset can be reliably measured.

Measurement

An item of property, plant and equipment that qualifies for recognition as an asset is initially measured at its cost. Cost includes expenditure that is directly attributable to the acquisition of the asset and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by Management. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of computer equipment.

Cost model

The Group applies cost model to property, plant and equipment except for freehold land and records at cost of purchase or construction together with any directly attributable expenses thereon less accumulated depreciation and any accumulated impairment losses

Revaluation model

The Group applies the revaluation model to the freehold land. Revaluation is performed annually and if material value difference is observed such difference is taken to revaluation reserve. Such properties are carried at a revalued amount, being their fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Freehold land of the Group is revalued to ensure that the carrying amounts do not differ materially from the fair values at the reporting date. On revaluation of an asset, any increase in the carrying amount is recognised in other comprehensive income and accumulated in equity, under capital reserve or used to reverse a previous revaluation decrease relating to the same asset, which was charged to the Statement of Profit or Loss. In this circumstance, the increase is recognised as income to the extent of the previous write down. Any decrease in the carrying amount is recognised as an expense in the Statement of Profit or Loss or debited in the Other Comprehensive Income to the extent of any credit balance existing in the capital reserve in respect of that asset. The decrease recognised in Other Comprehensive Income reduces the amount accumulated in equity under capital reserves.

Any balance remaining in the revaluation reserve in respect of an asset is transferred directly to retained earnings on retirement or disposal of the asset.

Group revalued all of its free hold land as at 31 March 2019. Method and significant assumptions including unobservable market inputs employed in estimating fair value is given in Note 28.1.

Subsequent cost

The subsequent cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within that part will flow to the Group and its cost can be reliably measured. The carrying amount of those parts that are replaced is derecognised The costs of day-to-day servicing of property, plant and equipment are charged to the Statement of Profit or Loss as incurred. Costs incurred in using or redeploying an item are not included under carrying amount of an item.

Derecognition

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of an item of property, plant and equipment is included in Statement of Profit or Loss Income when the item is derecognised. When replacement costs are recognised in the carrying amount of an item of property, plant and equipment, the remaining carrying amount of the replaced part is derecognised. Major inspection costs are capitalised. At each such capitalisation, the remaining carrying amount of the previous cost of inspections is derecognised.

Depreciation

The Group provides depreciation from the date the assets are available for use up to the date of disposal, at the following rates on a straight-line basis over the periods appropriate to the estimated useful lives based on the pattern in which the asset's future economic benefits are expected to be consumed by the Company of the different types of assets, except for which are disclosed separately. Depreciation is determined separately for each significant component of an item of property, plant and equipment. Management reviews the assets residual value, useful life and depreciation method at each reporting date. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held-for-sale or the date that the asset is derecognised. Depreciation does not cease when the assets become idle or is retired from active use unless the asset is fully depreciated.

Companies within the Group use the same depreciation rates and policies:

Freehold buildings	2.5%
Motor vehicles	20%
Computer equipment	20%
Office equipment	20%
Furniture and fittings	20%

Depreciation is not provided for freehold land.

ACCOUNTING POLICY

Useful life time of property, plant and equipment

The Company reviews the residual values, useful lives and method of deprecation of property, plant & equipment at reach reporting date. Judgement of the management is exercised in the estimation of these values, rates, methods and hence they are subject to uncertainty.

Capital work-in-progress

Capital work-in-progress is stated at cost less any accumulated impairment losses. These are expenses of a capital nature directly incurred in the construction of buildings, major plant and machinery and system development, awaiting capitalisation. Capital work-in-progress would be transferred to the relevant asset when it is available for use i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by Management.

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset have been capitalised as part of the cost of the asset in accordance with Sri Lanka Accounting Standard 23 (LKAS 23) - "Borrowing Costs". A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use are completed.

Impairment of individual assets

The carrying amounts of the Group's non-financial assets, other than investment property and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its Cash Generating Unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset or CGU.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU subject to an operating segment ceiling test. The Group's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGUs to which the corporate asset is allocated. Impairment losses are recognised in Statement of Profit or Loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs) and then to reduce the carrying amount of the other assets in the CGU (group of CGUs) on a pro rata basis. Assets impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

							COMPANY
	Land Rs. '000	Building Rs. '000	Furniture and fittings Rs. '000	Computer equipment Rs. '000	Office equipment Rs. '000	Motor vehicles Rs. '000	Total Rs. '000
Cost/Valuation							
Balance as at 1 April 2018	855,038	655,133	656,415	457,838	221,565	177,232	3,023,221
Additions during the year	181,999		116,815	28,413	7,817	52,066	387,110
Revaluation surplus	200,804						200,804
Disposal during the year	(3,441)					(11,109)	(14,550)
Balance as at 31 March 2019	**1,234,400**	**655,133**	**773,230**	**486,251**	**229,382**	**218,189**	**3,596,585**
Accumulated depreciation							
Balance as at 1 April 2018	–	53,950	412,720	260,750	165,777	100,802	993,999
Charged during the year		16,378	105,127	60,000	24,627	38,376	244,508
Disposal during the year						(11,109)	(11,109)
Balance as at 31 March 2019	**–**	**70,328**	**517,847**	**320,750**	**190,404**	**128,069**	**1,227,398**
Carrying value							
Balance as at 31 March 2019	**1,234,400**	**584,805**	**255,383**	**165,501**	**38,978**	**90,120**	**2,369,187**
Balance as at 31 March 2018	855,038	601,183	243,695	197,088	55,788	76,430	2,029,222

	GROUP						
	Land	Building	Furniture and fittings	Computer equipment	Office equipment	Motor vehicles	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cost/Valuation							
Balance as at 1 April 2018	855,038	655,133	660,401	466,517	230,458	177,884	3,045,431
Additions during the year	181,999		117,180	30,149	9,225	52,066	390,619
Revaluation surplus	200,804						200,804
Disposal during the year	(3,441)				(35)	(11,109)	(14,585)
Balance as at 31 March 2019	**1,234,400**	**655,133**	**777,581**	**496,666**	**239,648**	**218,841**	**3,622,269**
Accumulated depreciation							
Balance as at 1 April 2018	–	53,950	413,044	267,486	166,925	101,249	1,002,654
Charged during the year		16,378	105,535	60,718	25,603	38,474	246,708
Disposal during the year						(11,109)	(11,109)
Balance as at 31 March 2019	**–**	**70,328**	**518,579**	**328,204**	**192,528**	**128,614**	**1,238,253**
Carrying value							
Balance as at 31 March 2019	**1,234,400**	**584,805**	**259,002**	**168,462**	**47,120**	**90,227**	**2,384,016**
Balance as at 31 March 2018	855,038	601,183	247,357	199,031	63,533	76,635	2,042,777

Maturity Analysis of property, plant and equipment given in Note 50.

28.1 Revalued properties

The fair values of property, plant and equipment were determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued.

Details of the revalued properties is as follows:

Property as at 31 March 2019	Extent (Perches)	Date of valuation	COMPANY Rs. '000	GROUP Rs. '000
Land - No. 123, Orabipasha Mawatha, Colombo 10	85.20	Saturday, 6 April 2019	**852,000**	**852,000**
Land - No. 377/2, Kandy Road, Mahara, Kadawatha	39.00	Saturday, 6 April 2019	**97,500**	**97,500**
Land - No. 79, Mihindu Mawatha, Kadawatha	76.00	Saturday, 6 April 2019	**76,000**	**76,000**
Land - Madapatha, Piliyandala Lot 1A	11.85	Tuesday, 7 May 2019	**4,700**	**4,700**
Land - Madapatha, Piliyandala Lot X	11.00	Tuesday, 7 May 2019	**4,100**	**4,100**
Land - No. 119, Galle Road, Moratuwa	5.20	Sunday, 12 May 2019	**16,900**	**16,900**
Land - No. 79, Colombo Road, Kurunegala – Front	23.00	Saturday, 11 May 2019	**174,800**	**174,800**
Land - No. 79, Colombo Road, Kurunegala – Rear	2.10	Saturday, 11 May 2019	**8,400**	**8,400**
			1,234,400	**1,234,400**

Property as at 31 March 2018	Extent (Perches)	Valuation	COMPANY Rs. '000	GROUP Rs. '000
Land - No. 123, Orabipasha Mawatha, Colombo 10	85.20	Monday, 7 May 2018	681,600	681,600
Land - No. 377/2, Kandy Road, Mahara, Kadawatha.	39.00	Tuesday, 8 May 2018	78,000	78,000
Land - No. 79, Mihindu Mawatha, Kadawatha.	76.00	Tuesday, 8 May 2018	68,400	68,400
Land - Madapatha, Piliyandala	32.68	Friday, 11 May 2018	11,438	11,438
Land - No. 119, Galle Road, Moratuwa	5.20	Tuesday, 6 February 2018	15,600	15,600
			855,038	855,038

Valuer	Valuation technique	Significant unobservable inputs	Sensitivity
Land - No. 123, Orabipasha Mawatha, Colombo 10			
A R Ajith Fernando (FRICS), Chartered Valuation Surveyor, BSc Estate Management (London), Diploma in Valuation (SL)	Market Comparable Method*	The reference rage of value for the properties in the area range from Rs. 9,500,000/- to Rs. 10,000,000/- per perch.	Estimated fair value would increase if the market value of the per perch land value increases.
Land - No. 377/2, Kandy Road, Mahara, Kadawatha			
A R Ajith Fernando (FRICS), Chartered Valuation Surveyor, BSc Estate Management (London), Diploma in Valuation (SL)	Market Comparable Method*	The reference rage of value for the properties in the area range from Rs. 2,400,000/- to Rs. 2,500,000/- per perch.	Estimated fair value would increase if the market value of the per perch land value increases.
Land - No. 79, Mihindu Mawatha, Kadawatha			
A R Ajith Fernando (FRICS), Chartered Valuation Surveyor, BSc Estate Management (London), Diploma in Valuation (SL)	Market Comparable Method*	The reference rage of value for the properties in the area range from Rs. 900,000/- to Rs. 1,000,000/- per perch.	Estimated fair value would increase if the market value of the per perch land value increases.
Land - Madapatha Lot 1A, Piliyandala			
A R Ajith Fernando (FRICS), Chartered Valuation Surveyor, BSc Estate Management (London), Diploma in Valuation (SL)	Market Comparable Method*	The reference rage of value for the properties in the area range from Rs. 350,000/- to Rs. 400,000/- per perch.	Estimated fair value would increase if the market value of the per perch land value increases.
Land - Madapatha Lot X, Piliyandala			
A.R.Ajith Fernando (FRICS), Chartered Valuation Surveyor, BSc Estate Management (London), Diploma in Valuation (SL)	Market Comparable Method*	The reference rage of value for the properties in the area range from Rs. 350,000/- to Rs. 400,000/- per perch.	Estimated fair value would increase if the market value of the per perch land value increases.
Land - No. 119, Galle Road, Moratuwa			
K T Nihal, BSc Estate Management and Valuation, Associate member of Institute of Valuers in Sri Lanka. Incorporated Valuer	Market Comparable Method*	The reference rage of value for the properties in the area range from Rs. 2,500,000/- to Rs. 3,500,000/- per perch.	Estimated fair value would increase if the market value of the per perch land value increases.
Land - No. 79, Colombo Road, Kurunegala – Front			
K T Nihal, BSc Estate Management and Valuation, Associate Member of Institute of Valuers in Sri Lanka, Incorporated valuer	Market Comparable Method*	The reference rage of value for the properties in the area range from Rs. 7,000,000/- to Rs. 8,000,000/- per perch.	Estimated fair value would increase if the market value of the per perch land value increases.
Land - No. 79, Colombo Road, Kurunegala – Rear			
K T Nihal, BSc Estate Management and Valuation, Associate Member of Institute of Valuers in Sri Lanka, Incorporated valuer	Market Comparable Method*	The reference rage of value for the properties in the area range from Rs. 3,000,000/- to Rs. 4,000,000/- per perch.	Estimated fair value would increase if the market value of the per perch land value increases.

**Market Comparable Method - Valuation of the property have been arrived at with reference prevailing land sales and in the area adjusted for the specific conditions of the above property.*
Valuation guideline CA

Valuer has been selected with reference to the guideline on property, plant and equipment and biological assets valuation for the purpose of financial reporting issued by CA Sri Lanka.

28.2 Cost of the revalued properties

Property as at 31 March 2019	Cost Rs. '000
Land - No. 123, Orabipasha Mawatha, Colombo 10	196,628
Land - No. 377/2, Kandy Road, Mahara, Kadawatha.	15,234
Land - No. 79, Mihindu Mawatha, Kadawatha.	23,000
Land - Madapatha, Piliyandala Lot 1A	1,635
Land - Madapatha, Piliyandala Lot X	1,528
Land - No. 119, Galle Road, Moratuwa	15,600
Land - No. 79, Colombo Road, Kurunegala	181,999
Total cost of the revalued properties	435,624

Above table includes the original cost of the properties which carries at revalued amounts as at 31 March 2019.

28.3 Title restriction on property, plant and equipment

There were no restrictions existed on the title of the property, plant and equipment of the Group as at the reporting date.

28.4 Compensation from third parties for property, plant and equipment

There were no compensation received or pending for property plant and equipment as at the reporting date.

28.5 Fully depreciated property, plant and equipment

The Company is having Rs. 23 Mn. fully depreciated assets available within the Group as at the reporting date.

28.6 Temporary idle property, plant and equipment

There were no any temporary idle property, plant and equipment as at the reporting date.

28.7 Property, plant and equipment retired from active use

There were no property plant and equipment retired from active use as at the reporting date.

28.8 Borrowing cost

There were no capitalised borrowing cost related to the acquisition of property, plant and equipment during the year.

28.9 Number of buildings in lands held by the Company

There are four buildings in the following lands hold by the Group

- Land - No. 123, Orabipasha Mawatha, Colombo 10
- Land - No. 79, Mihindu Mawatha, Kadawatha
- Land - No. 377/2, Kandy Road, Mahara, Kadawatha
- Land - No. 119, Galle Road, Moratuwa

28.10 Property, plant and equipment pledged as securities

There were no any properties pledge as a security as at the reporting date for liabilities.

29. Intangible assets

ACCOUNTING POLICY

An intangible asset is an identifiable non-monetary asset without physical substance held for use in the production or supply of goods or services, for rental to others or for administrative purposes.

Recognition

An intangible asset is recognised if it is probable that the future economic benefits that are attributable to the asset will flow to the entity and the cost of the assets can be measured reliably. An intangible asset is initially measured at cost.

Computer software

All computer software costs incurred, licensed for use by the Group, which are not integrally related to associated hardware, which can be clearly identified, reliably measured and its probable that they will lead to future economic benefits, are included in the Statement of Financial Position under the category Intangible Assets and carried at cost less accumulated amortisation and any accumulated impairment losses.

(a) Subsequent expenditure

Expenditure incurred on software is capitalised only when it is probable that this expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standard of performance and this expenditure can be measured and attributed to the asset reliably. All other expenditure is expensed as incurred.

(b) Amortisation

Intangible assets are amortised on a straight-line basis in the Statement of Profit or Loss from the date when the asset is available for use, over the best estimate of its useful economic life based on a pattern in which the asset's economic benefits are consumed by the Company. The estimated useful life of software is eight years. Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

Derecognition

An intangible asset shall be derecognised on disposal; or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of an intangible asset shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset. It shall be recognised in profit or loss when the asset is derecognised.

As at 31 March	COMPANY 2019 Rs. '000	COMPANY 2018 Rs. '000	GROUP 2019 Rs. '000	GROUP 2018 Rs. '000
Cost				
Balance as at the beginning of the year	**160,985**	122,084	**185,092**	145,873
Additions during the year	**17,953**	38,901	**19,943**	39,219
Disposals during the year	**–**	–	**(94)**	–
Balance as at the end of the year	**178,938**	160,985	**204,941**	185,092
Accumulated amortisation				
Balance as at the beginning of the year	**74,836**	56,400	**83,400**	61,305
Charge during the year	**21,311**	18,436	**23,715**	22,095
Disposals during the year	**–**	–	**(12)**	–
Balance as at the end of the year	**96,147**	74,836	**107,103**	83,400
Carrying value				
Balance as at the end of the year	**82,791**	86,149	**97,838**	101,692

Intangible assets comprise computer software and licenses acquired by the Company to be used in its operation.

There is no restrictions on the title of the intangible assets of the Group as at the reporting date. Further, there were no items pledged as securities. There were no capitalised borrowing cost during the financial year.

As at the reporting date, the Group does not have development costs capitalised as an internally-generated intangible assets and no software under development.

Maturity analysis of intangible assets is given in Note 50.

30. Goodwill on consolidation

ACCOUNTING POLICY

Goodwill is initially measured being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable asset acquired and liabilities assumed. Subsequent to initial recognition, Goodwill is measured at cost less accumulated impairment losses. For the purpose of impairment testing goodwill acquired in a business combination is allocated to each of the Group's cash-generating units that are expected to benefit from the combination irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Impairment test for goodwill

A cash-generating unit to which goodwill has been allocated shall be tested for impairment annually, and whenever there is an indication that the unit may be impaired, by comparing the carrying amount of the unit, including the goodwill, with the recoverable amount of the unit. If the recoverable amount of the unit exceeds the carrying amount of the unit, the unit and the goodwill allocated to that unit shall be regarded as not impaired. If the carrying amount of the unit exceeds the recoverable amount of the unit, the entity shall recognise the impairment loss.

As at 31 March	GROUP 2019 Rs. '000	GROUP 2018 Rs. '000
Balance as at the beginning of the year	**244,180**	244,180
Additions during the year	**–**	–
Disposal during the year	**–**	–
Balance as at the end of the year	**244,180**	244,180

30.1 Impairment test on goodwill

Goodwill acquired through business combination is tested for impairment annually as at the reporting date.

For the purpose of impairment testing subsidiary company was considered as a separate cash-generating unit (CGU) and the recoverable amounts of the CGU have been calculated based on its value in use. The value in use is determined by discounting the future cash flows expected to be generated from the continuing use of the CGU. No impairment loss was recognised during 2018/19 (2017/18 – Nil) because the recoverable amount of this CGUs was determined to be higher than its carrying amount.

The key assumptions used in the calculation of value in use were as follows:

As at 31 March	2019 %	2018 %
Discount rate*	**14.00**	13.25
Growth in terminal value**	**7**	7
Growth in budgeted profit before tax (Average of next five years)***	**20**	20

**The discount rate was based on the cost of capital of CDB.*

***Five years of cash flows were included in the discounted cash flow model. A long-term growth rate into perpetuity has been determined as the lower of the nominal GDP rate adjusted to reflect the Company specific performance strategies and the long-term compound annual profit before taxes, depreciation and amortisation growth rate estimated by the Management.*

**** Budgeted profit after tax was based on expectations of future outcomes taking into account past experience, adjusted for the anticipated revenue growth. Revenue growth was predicted taking into account the average growth levels experienced over the past five years and the estimated growth for the next five years.*

The key assumptions described above may change as economic and market conditions change. The Group estimates that reasonably possible changes in these assumptions would not cause the recoverable amount of either CGU to decline below the carrying amount.

Sensitivity

The following changes to the key assumptions in the value in use calculation would be necessary in order to reduce headroom to nil:

Discount rate	Increase by 6.6%
Growth in terminal value	Decrease by 100%
Growth in budgeted profit before tax (Average of next five years)	Decrease by 14.5%

**Headroom – The gap between fair value and the carrying amount of investment in subsidiary.

The following table illustrate the effect on value in use due to a reasonable possible changes to key assumptions.

	1%	
As at 31 March	Increase %	Decrease %
Discount rate	**-16.24**	21.92
Growth in terminal value	**16.11**	-6.91
Growth in budgeted profit before tax (Average of next five years)	**5.53**	-5.34

30.2 Amalgamation of Unisons Capital Leasing Limited and Fortune Properties Limited

Central Bank of Sri Lanka (CBSL) requires the Company to amalgamate Unisons Capital Leasing Limited and Fortune Properties Limited where the Company shareholding is 90.38% and 99.98% respectively. Accordingly the Board of Directors of the Company resolved on 8 April 2019 to initiate the process of amalgamation and subsequent to the amalgamation Citizens Development Business Finance PLC will be the surviving entity. This need to be treated under SLFRS 3 – "Business Combinations" and the Company has started detailed assessment on this amalgamation.

31. Other assets

ACCOUNTING POLICY

Other assets mainly comprise recoverable tax, insurance premium receivable, insurance commission receivable, advance payments and inventory carried at historical cost.

Inventories

Inventories include mainly the gift items purchased for the savings value added scheme. Those inventories are valued at cost or net realisable value whichever is lower. The cost of an inventory is the purchase price. Net realisable value is the estimated realisable value less estimated cost necessary to make the sale.

As at 31 March	COMPANY 2019 Rs. '000	COMPANY 2018 Rs. '000	GROUP 2019 Rs. '000	GROUP 2018 Rs. '000
Tax recoverable	**286,953**	210,095	**289,097**	215,549
Insurance premium receivable and capitalised charges	**2,277,378**	1,868,916	**2,277,378**	1,868,916
Insurance commission receivable	**172,651**	77,309	**172,651**	82,354
Unamortised cost on staff loans	**139,915**	125,214	**139,915**	125,214
Vehicle stock	**–**	2,212	**–**	2,212
Gift stock	**23,584**	20,791	**23,584**	20,791
Other stocks	**18,059**	1,475	**18,059**	1,475
Other receivables and advances	**490,001**	362,990	**579,274**	383,151
Total other assets	**3,408,541**	2,669,002	**3,499,958**	2,699,662

Maturity analysis of other assets is given in Note 50.

32. Derivative financial liabilities

ACCOUNTING POLICY

Derivative contract is a financial instrument or other contract with all three of the following characteristics.

(a) Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the "underlying").

(b) It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.

(c) It is settled at a future date.

A derivative usually has a notional amount, which is an amount of currency, a number of shares, a number of units of weight or volume or other units specified in the contract.

However, a derivative instrument does not require the holder or writer to invest or receive the notional amount at the inception of the contract. Alternatively, a derivative could require a fixed payment or payment of an amount that can change (but not proportionally with a change in the underlying) as a result of some future event that is unrelated to a notional amount.

Derivatives are recorded at fair value with corresponding gains or losses are recognised in net gains/(losses) on trading in the Income Statement.

Derivative financial liabilities are classified as fair value through profit or loss if they are acquired principally for the purpose of selling or repurchasing it in the near term.

Derivative financial instruments are subject to hedge accounting if those instruments are satisfying the hedge effectiveness criteria.

As at 31 March	COMPANY 2019 Rs. '000	COMPANY 2018 Rs. '000	GROUP 2019 Rs. '000	GROUP 2018 Rs. '000
Forward exchange contracts	**363,153**	–	**363,153**	–
Total derivative financial liabilities	**363,153**	–	**363,153**	–

Maturity analysis of derivative financial liabilities is given in Note 50.

Company has entered into two short-term forward contracts to cover the exchange rate risk exposed from the foreign borrowings obtained from Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V. (FMO) and BlueOrchard Microfinance Fund.

Refer Note 35.2 for more details on foreign borrowings.

33. Deposits from customers

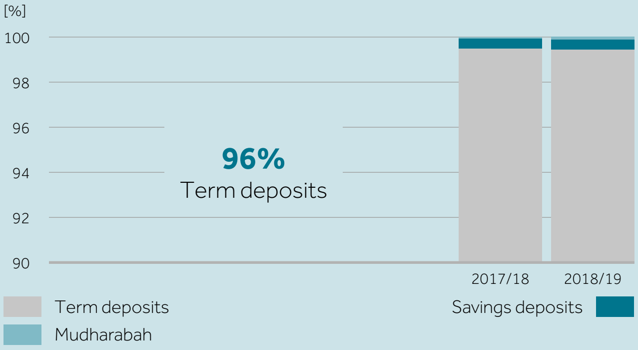
ACCOUNTING POLICY

These include savings deposits and, term deposits. Customer deposits are initially recognised at fair value net of transaction cost. Subsequent to initial recognition deposits are measured at their amortised cost using the effective interest rate (EIR) method. Interest paid/payable on these deposits is recognised in the Statement of Profit or Loss.

As at 31 March	COMPANY 2019 Rs. '000	COMPANY 2018 Rs. '000	GROUP 2019 Rs. '000	GROUP 2018 Rs. '000
Term deposits	**44,944,577**	42,331,249	**44,944,577**	42,331,249
Savings deposits	**2,027,771**	1,990,413	**2,013,982**	1,985,990
Mudharabah	**264,019**	388,170	**264,019**	388,170
Total deposits from customers	**47,236,367**	44,709,832	**47,222,578**	44,705,409

Maturity analysis of deposits from customers is given in Note 50 and pre-termination of fixed deposits and renewal of fixed deposits may cause actual maturities differ from contractual maturities.

Composition of customer deposits



Deposit insurance scheme

As per the Direction No. 01 of 2010, Sri Lanka Deposit Insurance Scheme, which was effected from 1 October 2010 all licensed finance companies are required to pay an insurance premium calculated at the rate of 0.15% per annum payable monthly for all eligible deposits as at the end of the month. Eligible deposits includes all the time deposits held by CDB except for –

a. Deposit liabilities to member institutions

b. Deposit liabilities to the Government of Sri Lanka inclusive of Ministries, Departments and Local Governments.

c. Deposit liabilities to Directors, Key Management Personnel and other related parties as defined by the Finance Companies Act (Corporate Governance) Direction No. 03 of 2008.

d. Deposit liabilities held as collateral against any accommodation granted.

e. Deposits falling within the meaning of abandoned property in terms of the Finance Companies Act, Funds which have been transferred to the Central Bank of Sri Lanka in terms of the relevant directions issued by the Monetary Board.

34. Debt securities issued

ACCOUNTING POLICY

Debt securities issued include debentures issued by the Company. Subsequent to the initial recognition these are measured at amortised cost using EIR method in the Statement of Financial Position. Interest paid/payable (Effective interest rate method) on debt securities is recognised in the Statement of Profit or Loss.

As at 31 March	COMPANY 2019 Rs. '000	COMPANY 2018 Rs. '000	GROUP 2019 Rs. '000	GROUP 2018 Rs. '000
Listed debentures (Refer Note 34.1)	**3,980,483**	4,081,033	**3,980,483**	4,081,033
Total debt securities issued	**3,980,483**	4,081,033	**3,980,483**	4,081,033

Debt securities issued would be subordinated to the claims of depositors and all other creditors of the issuer in the event of the winding-up of the issuer.

The Group has not had any defaults of principal or interest or other breaches with respect to any subordinated liability during the year ended 31 March 2019 (2018 – Nil)

Maturity analysis of debt securities issued is given in Note 50.

34.1 Details of listed debentures issued

Debenture issue – 2013

Initial issue of five million (5,000,000) Subordinated, Listed, Rated (BBB-), Unsecured, Redeemable debentures at a price of Rs. 100/- each with an option to issue up to a further five million (5,000,000) debentures in the event of an oversubscription of the initial issue.

Debenture issue – 2016

Ten million (10,000,000) Subordinated, Listed, Rated (A-), Guaranteed, Redeemable debentures at a price of Rs. 100/- each.

Debenture issue – 2018

Initial issue of ten million (10,000,000) Subordinated, Listed, Rated (BBB), Unsecured, Redeemable debentures at a price of Rs. 100/- each with an option to issue up to a further ten million (10,000,000) debentures in the event of an oversubscription of the initial issue.

Debenture issue – 2019

Five million (5,000,000) Subordinated, Listed, Rated (BBB), Unsecured, Redeemable debentures at a price of Rs. 100/- each with the option to increased by a further Five million (5,000,000) debentures in the event of an oversubscription with a further option to issue two million five hundred thousand (2,500,000) debentures.

Description	Face value	Amortised cost		Allotment date	Maturity date	Term	Interest rate	Repayment term
		2019	2018			(Years)	%	
	Rs. '000	Rs. '000	Rs. '000					
Issued in 2013								
Type A	665,360	–	699,574	19 December 2013	18 December 2018	5	16.00	Annually
Type B	310,360	–	327,202	19 December 2013	18 December 2018	5	15.50	Semi-annually
Type C	24,280	–	24,450	19 December 2013	18 December 2018	5	15.00	Quarterly
	1,000,000	–	1,051,226					
Issued in 2016								
Type A	998,370	**1,035,950**	1,026,094	3 June 2016	2 June 2021	5	12.75	Semi-annually
Type B	1,630	**1,703**	1,683	3 June 2016	2 June 2021	5	6-months Net T-Bill Rate (net of tax) plus 1.50% (Maximum of 15% per annum)	Semi-annually
	1,000,000	**1,037,653**	1,027,777					
Issued in 2018								
Type A	1,066,990	**1,064,439**	1,068,052	28 March 2018	27 March 2023	5	13.75	Semi-annually
Type B	933,010	**930,833**	933,978	28 March 2018	27 March 2023	5	14.20	Annually
	2,000,000	**1,995,272**	2,002,030					
Issued in 2019								
Type A	259,180	**264,593**	–	31 January 2019	30 January 2024	5	15.00	Semi-annually
Type B	668,590	**682,965**	–	31 January 2019	30 January 2024	5	15.50	Annually
	927,770	**947,558**	–					
Total debt securities issued		**3,980,483**	4,081,033					

34.2 Utilisation of funds raised via capital market

Objective as per prospectus	Amount allocated as per prospectus in Rs.	Proposed date of utilisation as per prospectus	Amount allocated from proceeds in Rs. (A)	Total proceeds %	Amounts utilised in Rs. (B)	Utilisation against Allocation (B/A) %
Issued in 2013						
Finance the Company's anticipated future business growth						
Reduce the asset and liability mismatch	1 Bn.	Within the next 12 months from the date of allotment	1 Bn.	100	1 Bn.	100
Strengthen the Tier II capital base						
Issued in 2016						
Finance the Company's anticipated future business growth						
Strengthen the Tier II capital base	1 Bn.	Within the next 12 months from the date of allotment	1 Bn.	100	1 Bn.	100
Reduce the asset and liability mismatch						
Issued in 2018						
Supporting the general business growth opportunities of the Company	2 Bn.	Within the next 12 months from the date of allotment				
Reduce the asset and liability mismatch			2 Bn.	100	2 Bn.	100
Strengthen the Tier II capital base						
Issued in 2019						
Supporting the general business growth opportunities of the Company	928 Mn.	Within the next 12 months from the date of allotment				
Reduce the asset and liability mismatch			928 Mn.	100	928 Mn.	100
Strengthen the Tier II capital base						

35. Other interest-bearing borrowings

ACCOUNTING POLICY

These represent borrowings from financial institutions, due to foreign institutions, securitisation, commercial papers and other borrowings. These facilities are initially recognised at fair value net of transaction cost. Subsequent to initial recognition borrowings are measured at their amortised cost using the effective interest method. Amortised cost is computed by taking into account any discount or premium identified at initial recognition which are an integral part of EIR. Interest paid/payable on these borrowings are recognised in profit or loss.

As at 31 March	COMPANY 2019 Rs. '000	COMPANY 2018 Rs. '000	GROUP 2019 Rs. '000	GROUP 2018 Rs. '000
Due to banks (Refer Note 35.1)	**11,908,910**	12,634,628	**13,687,126**	13,258,008
Due to foreign institutional lenders (Refer Note 35.2)	**9,935,782**	–	**9,935,782**	–
Securitisation (Refer Note 35.3)	**2,660,653**	2,475,326	**2,660,653**	2,475,326
Other borrowings	**4,532**	4,532	**190,291**	98,156
	24,509,877	15,114,486	**26,473,852**	15,831,490

Maturity analysis of other interest – bearing borrowings is given in Note 50.

35.1 Due to banks

As at 31 March	Loan obtained Rs. '000	COMPANY 2019 Rs. '000	COMPANY 2018 Rs. '000	GROUP 2019 Rs. '000	GROUP 2018 Rs. '000
Seylan Bank PLC – Term Loan 1	100,000	**–**	50,749	**–**	50,749
Seylan Bank PLC – Term Loan 2	200,000	**–**	92,138	**–**	92,138
Seylan Bank PLC – Term Loan 3	1,000,000	**317,254**	518,880	**317,254**	518,880
Seylan Bank PLC – Term Loan 4	2,000,000	**832,557**	1,238,616	**832,557**	1,238,616
Seylan Bank PLC – Term Loan 5	1,000,000	**538,061**	736,475	**538,061**	736,475
Seylan Bank PLC – Term Loan (Revolving)	950,000	**–**	954,069	**–**	954,069
Seylan Bank PLC – Term Loan 7	500,000	**393,365**	493,773	**393,365**	493,773
Seylan Bank PLC – Term Loan 8	1,000,000	**866,155**	–	**866,155**	–
Sampath Bank PLC – Term Loan 1	1,010,000	**–**	249,665	**–**	249,665
Sampath Bank PLC – Term Loan 2	450,000	**–**	56,491	**–**	56,491
Sampath Bank PLC – Term Loan 3	1,100,000	**784,708**	1,058,665	**784,708**	1,058,665
Sampath Bank PLC – Term Loan 4	1,500,000	**1,353,601**	–	**1,353,601**	–
Sampath Bank PLC – Short -Term Loan	500,000	**–**	499,758	**–**	499,758
Hatton National Bank PLC – Term Loan 1	1,000,000	**460,801**	821,686	**460,801**	821,686
Hatton National Bank PLC – Term Loan 2	750,000	**63,556**	251,874	**63,556**	251,874
Hatton National Bank PLC – Term Loan (Revolving)	300,000	**300,829**	1,506,425	**300,829**	1,506,425
Hatton National Bank PLC – Term Loan 3	200,000	**92,092**	164,337	**92,092**	164,337
Hatton National Bank PLC – Term Loan 4	1,000,000	**697,873**	–	**697,873**	–
Nations Trust Bank PLC – Term Loan 1	750,000	**229,174**	481,210	**229,174**	481,210
Nations Trust Bank PLC – Term Loan 2	500,000	**335,728**	502,142	**335,728**	502,142
Nations Trust Bank PLC – Short-term Loans	200,000	**–**	200,857	**–**	200,857
Commercial Bank of Ceylon PLC – Term Loan 1	300,000	**186,858**	267,809	**186,858**	267,809
Nations Development Bank PLC – Term Loan 1	500,000	**539,083**	502,142	**539,083**	502,142
Nations Development Bank PLC – Term Loan 2	1,000,000	**1,078,761**	1,004,283	**1,078,761**	1,004,283
Nations Development Bank PLC – Term Loan 3	1,000,000	**1,101,171**	–	**1,101,171**	
MCB Bank Limited – Term Loan 1	200,000	**88,775**	156,186	**88,775**	156,186
National Savings Bank – Term Loan 1	500,000	**291,699**	460,297	**291,699**	460,297

As at 31 March	Loan obtained Rs. '000	COMPANY 2019 Rs. '000	COMPANY 2018 Rs. '000	GROUP 2019 Rs. '000	GROUP 2018 Rs. '000
Bank of Ceylon – Term Loan	500,000	**241,899**	366,101	**241,899**	366,101
DFCC Bank PLC – Term Loan 1	500,000	**385,451**	–	**385,451**	–
DFCC Bank PLC – Term Loan 2	300,000	**323,483**	–	**323,483**	–
Union Bank PLC – Term Loan 1	500,000	**405,976**	–	**405,976**	–
Loans obtained by – Subsidiaries				**1,778,216**	623,380
Total due to banks		**11,908,910**	12,634,628	**13,687,126**	13,258,008

35.2 Due to foreign institutional lenders

As at 31 March	Loan obtained Rs. '000	COMPANY 2019 Rs. '000	COMPANY 2018 Rs. '000	GROUP 2019 Rs. '000	GROUP 2018 Rs. '000
Belgian Investment Company for Developing Countries (BIO)	1,597,500	**1,217,159**	–	**1,217,159**	–
Nederlandse Financierings – Maatschappij voor Ontwikkelingslanden N.V. (FMO)	4,562,500	**4,418,812**	–	**4,418,812**	–
BlueOrchard Microfinance Fund	4,487,500	**4,299,811**	–	**4,299,811**	–
Total due to foreign institutional lenders	10,647,500	**9,935,782**	–	**9,935,782**	–

35.3 Securitisation

Details of securitisation as at 31 March 2019 is as follows:

Issue No.	Face value (Rs. '000)	Maximum period (Months)	Trustee	Balance as at 31 March 2019 Rs. '000	Security
D1	900,400	48	Deutsche Bank	**10,079**	Mortgage over lease and hire purchase receivables
D2	200,000	36	HNB	**154,008**	Mortgage over lease and hire purchase receivables
D3	1,321,170	36	HNB	**605,209**	Mortgage over lease and hire purchase receivables
D4	750,000	60	Deutsche Bank	**272,540**	Mortgage over lease and hire purchase receivables
D5	250,000	60	Deutsche Bank	**61,053**	Mortgage over lease and hire purchase receivables
D18	50,000	36	HNB	**53,687**	Mortgage over lease and hire purchase receivables
D19	628,000	36	HNB	**548,912**	Mortgage over lease and hire purchase receivables
D20	210,000	36	HNB	**161,062**	Mortgage over lease and hire purchase receivables
D21	290,000	36	HNB	**245,238**	Mortgage over lease and hire purchase receivables
D22	250,000	24	Peoples Bank	**259,748**	Mortgage over lease and hire purchase receivables
D23	163,000	24	Peoples Bank	**258,247**	Mortgage over lease and hire purchase receivables
D24	40,000	24	Peoples Bank	**30,870**	Mortgage over lease and hire purchase receivables
Total securitisation				**2,660,653**	

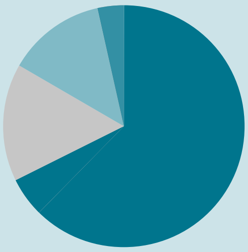
Details of securitisation as at 31 March 2018 is as follows:

Issue No.	Face value (Rs. '000)	Maximum period (Months)	Trustee	Balance as at 31 March 2018 Rs. '000	Security
D12	1,000,000	48	Deutsche Bank AG	168,551	Mortgage over lease and hire purchase receivables
D13	900,400	48	Deutsche Bank AG	170,385	Mortgage over lease and hire purchase receivables
D14	1,500,000	33	Deutsche Bank AG	88,084	Mortgage over lease and hire purchase receivables
D15	1,000,000	60	Deutsche Bank AG	514,417	Mortgage over lease and hire purchase receivables
D16	1,000,000	60	HNB	189,304	Mortgage over lease and hire purchase receivables
D2	1,389,231	36	HNB	1,132,463	Mortgage over lease and hire purchase receivables
D17	400,000	36	HNB	212,122	Mortgage over lease and hire purchase receivables
Total securitisation				2,475,326	

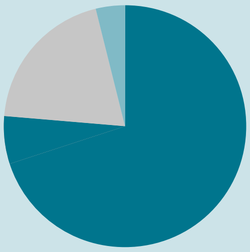
35.4 Analysis of interest-bearing funding mix

As at 31 March	COMPANY 2019 Rs. '000	COMPANY 2018 Rs. '000	GROUP 2019 Rs. '000	GROUP 2018 Rs. '000
Deposits	**47,236,367**	44,709,832	**47,222,578**	44,705,409
Debentures	**3,980,483**	4,081,033	**3,980,483**	4,081,033
Bank borrowings	**11,908,910**	12,634,628	**13,687,126**	13,258,008
Foreign borrowings	**9,935,782**	–	**9,935,782**	–
Securitisation	**2,660,653**	2,475,326	**2,660,653**	2,475,326
Others	**4,532**	4,532	**190,291**	98,156
Total funds	**75,726,727**	63,905,351	**77,676,913**	64,617,932

Analysis of funding mix – Company 2018/19 [%]



Analysis of funding mix – Company 2017/18 [%]



36. Current tax liabilities

ACCOUNTING POLICY

A provision is recognised if, as a result of past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Refer Note 15 for more details on taxation.

The Company and the Group are subject to income taxes and other taxes including VAT and NBT on financial services. Significant judgement is required to determine the total provision for current and other taxes since uncertainties are exist, with respect to the tax laws which are applicable.

As at 31 March	COMPANY 2019 Rs. '000	COMPANY 2018 Rs. '000	GROUP 2019 Rs. '000	GROUP 2018 Rs. '000
VAT on financial services	**137,931**	44,384	**141,214**	44,384
Withholding tax payable	**35,266**	10,223	**35,266**	10,223
Provision for income tax (Refer Note 36.1)	**228,214**	286,759	**299,244**	289,086
Provision for Nation Building Tax (NBT)	**27,107**	13,285	**27,478**	13,285
Stamp duty payable	**114,294**	88,429	**116,004**	88,429
Debt Repayment Levy (DRL)	**13,936**	–	**13,936**	–
Total current tax liabilities	**556,748**	443,080	**633,142**	445,407

Maturity analysis of current tax liabilities is given in Note 50.

36.1 Provision for income tax

As at 31 March	COMPANY 2019 Rs. '000	COMPANY 2018 Rs. '000	GROUP 2019 Rs. '000	GROUP 2018 Rs. '000
Balance as at the beginning of the year	**286,759**	104,550	**289,086**	104,955
Current tax for the year (Refer Note 15)	**–**	227,174	**74,678**	235,492
Over provision in respect of prior periods (Refer Note 15)	**(39,202)**	(5,256)	**(39,202)**	(5,256)
Self-assessment payment of tax/ESC recovered	**(19,343)**	(39,709)	**(25,318)**	(46,105)
Balance as at the end of the year	**228,214**	286,759	**299,244**	289,086

37. Deferred tax assets and liabilities

ACCOUNTING POLICY

A provision is recognised if, as a result of past event, the Group has a present legal or constructive obligation that can be estimated reliably , and it is probable that an outflow of economic benefits will be required to settle the obligation.

The Group and the Company are subject to income taxes and other taxes including VAT and NBT on financial services. Significant judgement is required to determine the amount of deferred tax assets and liabilities.

Deferred taxation is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax base of assets and liabilities, which is the amount attributed to those assets and liabilities for tax purposes. Significant management judgements are required to determine the amount of deferred tax assets/liabilities that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Refer Note 15 fore more details on taxation.

As at 31 March	COMPANY 2019 Rs. '000	COMPANY 2018 Rs. '000	GROUP 2019 Rs. '000	GROUP 2018 Rs. '000
Deferred tax liabilities	**2,068,260**	2,485,470	**2,046,989**	2,511,892
Deferred tax assets	**(710,841)**	(1,624,651)	**(710,928)**	(1,624,692)
Total net deferred tax liabilities	**1,357,419**	860,819	**1,336,061**	887,200

Net deferred tax assets/liabilities of one entity cannot be set-off against another entity's assets/liabilities since there is no legally enforceable right to set-off. Therefore net deferred tax assets and liabilities of different entities are separately recognised in the Statement of Financial Position.

Maturity analysis of deferred tax asset and liabilities are given in Note 50.

37.1 Summary of net deferred tax liability

				COMPANY
	2019		2018	
	Temporary difference Rs. '000	Tax effect Rs. '000	Temporary difference Rs. '000	Tax effect Rs. '000
Deferred tax liabilities on:				
Accelerated depreciation for tax purposes – owned assets	**416,295**	**116,562**	327,725	91,763
Accelerated depreciation for tax purposes – leased assets	**6,168,164**	**1,727,086**	7,947,574	2,225,321
Deferred tax on revaluation surplus	**802,185**	**224,612**	601,382	168,386
	7,386,644	**2,068,260**	8,876,681	2,485,470
Deferred tax assets on:				
Unutilised tax losses	**(2,538,718)**	**(710,841)**	(5,802,326)	(1,624,651)
	(2,538,718)	**(710,841)**	(5,802,326)	(1,624,651)
Net deferred tax liability	**4,847,926**	**1,357,419**	3,074,355	860,819

	GROUP			
	2019		2018	
	Temporary difference Rs. '000	Tax effect Rs. '000	Temporary difference Rs. '000	Tax effect Rs. '000
Deferred tax liabilities on:				
Accelerated depreciation for tax purposes – owned assets	**431,128**	**120,716**	338,412	94,755
Accelerated depreciation for tax purposes – leased assets	**6,077,362**	**1,701,661**	8,031,250	2,248,750
Deferred tax on revaluation surplus	**802,185**	**224,612**	601,382	168,387
	7,310,675	**2,046,989**	8,971,044	2,511,892
Deferred tax assets on:				
Unutilised tax losses	**(2,538,718)**	**(710,841)**	(5,802,325)	(1,624,650)
Tax effect on defined benefit plans	**(312)**	**(87)**	(149)	(42)
	(2,539,030)	**(710,928)**	(5,802,474)	(1,624,692)
Net deferred tax liability	**4,771,645**	**1,336,061**	3,168,570	887,200

37.2 Movement of net deferred tax liability

	COMPANY					
	2019			2018		
	Total movement Rs. '000	Effect on income statement Rs. '000	Effect on other comprehensive income Rs. '000	Total movement Rs. '000	Effect on income statement Rs. '000	Effect on other comprehensive income Rs. '000
Net deferred tax liability as at 1 April	**860,819**			628,721		
Changes in net liability:						
Accelerated depreciation for tax purposes – Owned assets	**24,800**	**24,800**		(22,435)	(22,435)	
Accelerated depreciation for tax purposes – Leased assets	**(498,235)**	**(498,235)**		813,237	813,237	
Unutilised tax losses	**913,810**	**913,810**		(727,090)	(727,090)	
Revaluation surplus	**56,225**		**56,225**	168,386		168,386
Total effect on total comprehensive income		**440,375**	**56,225**		63,711	168,386
Net deferred tax liability as at 31 March	**1,357,419**			860,819		

	GROUP					
	2019			2018		
	Total movement Rs. '000	Effect on income statement Rs. '000	Effect on other comprehensive income Rs. '000	Total movement Rs. '000	Effect on income statement Rs. '000	Effect on other comprehensive income Rs. '000
Net deferred tax liability as at 1 April	**887,200**			638,987		
Changes in net liability:						
Accelerated depreciation for tax purposes – Owned assets	**25,960**	**25,960**		(21,536)	(21,536)	
Accelerated depreciation for tax purposes – Leased assets	**(547,088)**	**(547,089)**		826,202	826,202	
Unutilised tax losses	**913,810**	**913,810**		(724,709)	(724,709)	
Tax effect on defined benefit plans	**(46)**	**(46)**		(130)	(130)	–
Revaluation surplus	**56,225**		**56,225**	168,386		168,386
Total effect on total comprehensive income		**392,635**	**56,225**		79,827	168,386
Net deferred tax liability as at 31 March	**1,336,061**			887,200		

38. Retirement benefit obligation

ACCOUNTING POLICY

A provision is recognised if, as a result of past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Plan asset comprises the assets held by a long-term employee benefit fund that is legally separate from the reporting entity and exists solely to pay or fund employee benefits.

Refer Note 13.1 for Group's policy on retirement benefit obligation.

	COMPANY					
	2019			2018		
	Defined benefit obligation Rs. '000	Fair value of plan asset Rs. '000	Net defined benefit liability Rs. '000	Defined benefit obligation Rs. '000	Fair value of plan asset Rs. '000	Net defined benefit liability Rs. '000
Balance as at the beginning of the year	**374,098**	**313,371**	**60,727**	293,235	277,441	15,794
Recognised in profit or loss						
Current service cost	**49,721**		**49,721**	38,227		38,227
Interest cost/Income	**41,151**	**34,471**	**6,680**	32,256	30,518	1,737
	90,872	**34,471**	**56,401**	70,483	30,518	39,964
Recognised in other comprehensive income						
Actuarial gain/loss	**61,406**	**(8,835)**	**70,241**	17,206	12,238	4,969
	61,406	**(8,835)**	**70,241**	17,206	12,238	4,969
Others						
Contributions made during the year		**180,000**	**(180,000)**			
Benefits paid by the plan asset	**(12,427)**	**(12,427)**		(6,826)	(6,826)	
Total net defined benefit obligation as at end of the year	**513,949**	**506,580**	**7,369**	374,098	313,371	60,727

	GROUP					
	2019			2018		
	Defined benefit obligation Rs. '000	Fair value of plan asset Rs. '000	Net defined benefit liability Rs. '000	Defined benefit obligation Rs. '000	Fair value of plan asset Rs. '000	Net defined benefit liability Rs. '000
Balance as at the beginning of the year	**374,388**	**313,371**	**61,017**	293,302	277,441	15,861
Recognised in profit or loss						
Current service cost	**49,877**		**49,877**	38,395		38,395
Interest cost/Income	**41,150**	**34,471**	**6,679**	32,255	30,518	1,737
	91,027	**34,471**	**56,556**	70,650	30,518	40,132
Recognised in other comprehensive income						
Actuarial gain/loss	**61,273**	**(8,835)**	**70,108**	17,262	12,238	5,024
	61,273	**(8,835)**	**70,108**	17,262	12,238	5,024
Others						
Contributions made during the year		**180,000**	**(180,000)**			
Benefits paid by the plan asset	**(12,427)**	**(12,427)**		(6,826)	(6,826)	
Total net defined benefit obligation as at end of the year	**514,261**	**506,580**	**7,681**	374,388	313,371	61,017

Maturity analysis of retirement benefit obligation is given in Note 50.

38.1 Plan assets

Plan assets comprise the followings and all equity investments are quoted:

As at 31 March	COMPANY 2019 Rs. '000	COMPANY 2018 Rs. '000	GROUP 2019 Rs. '000	GROUP 2018 Rs. '000
Cash and cash equivalents	**11,118**	1,067	**11,118**	1,067
Quoted equity securities	**131,750**	145,078	**131,750**	145,078
Term deposits	**363,712**	167,226	**363,712**	167,226
Total plan assets	**506,580**	313,371	**506,580**	313,371

38.2 Actuarial valuation

An actuarial valuation of the retirement benefit obligation was carried out as at 31 March 2019 by Actuarial and Management Consultants (Private) Limited, a firm of professional actuaries. The valuation method used by the actuaries is the "Projected Unit Credit Method", the method recommended by LKAS 19 – "Employee Benefits".

Actuarial assumptions

Assumption	Description		2019	2018
Non-financial assumptions				
Mortality	A 1967/70 mortality table issued by the Institute of Actuaries, London		**A 67/70**	A 67/70
Staff turnover	The probability of employee leaving the organisation other than death, illness and normal retirement	Permanent	**6%**	6%
		Contract	**54%**	54%
Normal retirement age	Age which employee is normally retired		**55 years**	55 years
Financial assumptions				
Discount rate	Determined based on the long-term Government Bond rate and expected inflation in long-term		**11%**	11%
Future salary growth	Normal annual salary increment rate per employee was considered		**10%**	10%

Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions (financial), holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

Assumption	Change	Adjusted present value of net defined benefit liability ('000)	Net Effect on present value of defined benefit liability ('000)
Discount rate	1% increase	473,007	40,942
	1% decrease	560,895	(46,946)
Future salary growth	1% increase	563,121	(49,172)
	1% decrease	470,430	43,519

Although the analysis does not take account of the full distribution of cash flows expected under the plans, it does provide an approximation of the sensitivity of the assumptions shown.

Expected benefits to be paid out in future years

As at 31 March	COMPANY 2019 Rs. '000	COMPANY 2018 Rs. '000	GROUP 2019 Rs. '000	GROUP 2018 Rs. '000
Within next year	**21,739**	18,600	**21,739**	18,600
Between 2 and 5 years	**200,819**	120,699	**201,130**	120,989
Beyond 5 years	**291,391**	234,799	**291,392**	234,799
Total benefits	**513,949**	374,098	**514,261**	374,388

39. Other liabilities

ACCOUNTING POLICY

A provision is recognised if, as a result of past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Other liabilities mainly comprise accrued expenses, supplier payable, insurance premium payable, bank overdrafts, rental received in advance and etc.

	COMPANY		GROUP	
As at 31 March	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
Accrued expenses	**214,266**	95,845	**227,035**	152,198
Supplier payable	**679,261**	1,286,950	**731,595**	1,400,265
Insurance premium payable	**599,587**	567,899	**599,587**	597,516
Bank overdrafts	**508,461**	769,744	**546,032**	806,285
Rentals received in advance from loans and advances to customers	**593,695**	320,842	**593,695**	320,842
Other liabilities	**160,350**	38,454	**393,458**	49,161
Total other liabilities	**2,755,620**	3,079,734	**3,091,402**	3,326,267

Maturity analysis of other liabilities is given in Note 50.

40. Stated capital

Ordinary shares

Ordinary shares of the Company are recognised at the amount paid per ordinary shares net of directly attributable issue cost.

	COMPANY				GROUP			
	2019		2018		2019		2018	
	Number of shares	Value Rs. '000	Number of shares	Value Rs. '000	Number of shares	Value Rs. '000	Number of shares	Value Rs. '000
Balance as at the beginning of the year	**54,305,207**	**1,185,062**	54,305,207	1,185,062	**54,305,207**	**1,185,062**	54,305,207	1,185,062
Issued during the year								
Voting	**–**	**–**	–	–	**–**	**–**	–	–
Non-voting	**–**	**–**	–	–	**–**	**–**	–	–
Balance as at the end of the year	**54,305,207**	**1,185,062**	54,305,207	1,185,062	**54,305,207**	**1,185,062**	54,305,207	1,185,062
Composition of number of shares								
Voting	**46,299,223**	**859,843**	46,299,223	859,843	**46,299,223**	**859,843**	46,299,223	859,843
Non-voting	**8,005,984**	**325,219**	8,005,984	325,219	**8,005,984**	**325,219**	8,005,984	325,219
Total stated capital	**54,305,207**	**1,185,062**	54,305,207	1,185,062	**54,305,207**	**1,185,062**	54,305,207	1,185,062

Rights, preferences and restrictions of ordinary shares

The shares of the Citizens Development Business Finance PLC are quoted on the Main Board of Colombo Stock Exchange.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

All shares rank equally with regard to the Company's residual assets.

Rights issue

On 26 March 2019 the Company announced a right issue of 11,574,805 new ordinary voting shares on the basis of one new ordinary voting share for every four ordinary voting shares held at the price of Rs. 77/- and 2,001,496 new ordinary non-voting shares on the basis of one new ordinary non-voting share for every four ordinary non-voting shares held at the price of Rs. 64/-. The right issue was approved by the shareholders at the extra ordinary general meeting (EGM) held on 28 May 2019, and allotment was made on 27 June 2019.

41. Reserves

	COMPANY		GROUP	
As at 31 March	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
Revaluation reserve (Refer Note 41.1)	**577,574**	432,995	**577,574**	432,995
Statutory reserve fund (Refer Note 41.2)	**1,662,912**	1,320,873	**1,662,897**	1,326,004
Total reserves	**2,240,486**	1,753,868	**2,240,471**	1,758,999

41.1 Revaluation reserve

This revaluation reserve relates to revaluation of freehold land and represent the fair value changes as at the reporting date.

	COMPANY		GROUP	
As at 31 March	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
Balance as at the beginning of the year	**432,995**	541,744	**432,995**	541,744
Surplus on revaluation of lands during the year	**200,804**	59,638	**200,804**	59,638
Deferred tax on revaluation surplus*	**(56,225)**	(168,387)	**(56,225)**	(168,387)
Balance as at the end of the year	**577,574**	432,995	**577,574**	432,995

** Inland Revenue Act No. 24 of 2017 came into operation on 1 April 2018 along with the transitional provisions. Accordingly on the revaluation surplus of resulting capital and investment assets, deferred tax liabilities will arise and measured at the applicable tax rate of 28% (Capital Assets).*

41.2 Statutory reserve fund

Statutory reserve fund is maintained by the Group in order to meet the legal requirements.

	COMPANY		GROUP	
As at 31 March	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
Balance as at the beginning of the year	**1,320,873**	1,040,635	**1,326,004**	1,042,908
Transfers during the year	**342,039**	280,238	**336,893**	283,096
Balance as at the end of the year	**1,662,912**	1,320,873	**1,662,897**	1,326,004

The Reserve Fund is maintained in compliance with Direction No. 1 of 2003 Central Bank of Sri Lanka (Capital Funds) issued to finance companies.

As per the said Direction, every licensed finance company shall maintain a reserve fund and transfer to such reserve fund out of the net profits of the each year after due provisions has been made for taxation and bad and doubtful debts on following basis:

Capital funds to deposit liabilities	Percentage of transfer to reserve fund (%)
Not less than 25%	5
Less than 25% and not less than 10%	20
Less than 50%	50

Accordingly, the Company has transferred 20% of its net profit after taxation to the reserve fund as Company's capital funds to deposit liabilities, belongs to less than 25% but not less than 10% category.

42. Retained earnings

As at 31 March	COMPANY 2019 Rs. '000	COMPANY 2018 Rs. '000	GROUP 2019 Rs. '000	GROUP 2018 Rs. '000
Balance as at the beginning of the year	**4,213,469**	2,654,015	**4,279,468**	2,690,686
Impact of adopting SLFRS 9 – "Financial Instruments"	**–**	633,541	**–**	618,090
Restated balance as at the beginning of the year	**4,213,469**	3,287,556	**4,279,468**	3,308,776
Profit for the period	**1,710,193**	1,401,188	**1,798,213**	1,448,875
Remeasurement of defined benefit liability/(asset) (net of tax)	**(70,242)**	(4,969)	**(70,121)**	(5,019)
Dividends to equity holders for year	**(271,526)**	(190,068)	**(271,526)**	(190,068)
Net Transfers during the period	**(342,039)**	(280,238)	**(336,893)**	(283,096)
Balance as at the end of the year	**5,239,855**	4,213,469	**5,399,141**	4,279,468

43. Non-controlling interest

Non-controlling interest represented 9.62% of net assets of the Unisons Leasing Limited as at 31 March 2019.

As at 31 March	2019 Rs.	2018 Rs.
Balance as at the beginning of the year	**36,208**	32,782
Impact of adopting SLFRS 9 – "Financial Instruments"	**–**	(1,644)
Restated balance as at the beginning of the year	**36,208**	31,138
Profit for the year	**9,901**	5,276
Other comprehensive income for the year	**13**	(5)
Dividend paid	**(527)**	(201)
Non-controlling interest acquired by parent	**–**	–
Balance as at the end of the year	**45,595**	36,208

In 2016 Company subscribed to the rights issue of its Subsidiary Company Unisons Capital Leasing Limited and purchased 7.8 Mn. shares, increasing the holding percentage to 90.38%.

44. Net assets value per share

As at 31 March	COMPANY 2019	COMPANY 2018	GROUP 2019	GROUP 2018
Numerator				
Total equity attributable to equity holders (Rs.)	**8,665,402,614**	7,152,398,259	**8,824,673,614**	7,223,527,751
Denominator				
Total number of shares	**54,305,207**	54,305,207	**54,305,207**	54,305,207
Net assets value per share (Rs.)	**159.57**	131.71	**162.50**	133.02

45. Contingencies and commitments

ACCOUNTING POLICY

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events on present obligations where the transfer of economic benefit is not probable or can't be reliably measured.

Summary cases against the Company have been disclosed in the Notes to the Financial Statements. However, based on the available information and the available legal advice, the Company do not expect the outcome of any action to have any material effect on the financial position of the Company.

As at 31 March	COMPANY 2019 Rs. '000	COMPANY 2018 Rs. '000	GROUP 2019 Rs. '000	GROUP 2018 Rs. '000
Contingencies				
– Contingent liabilities/(assets) (Refer Note 47)	**–**	–	**–**	–
Commitments				
– Undrawn commitments (Refer Note 45.1)	**185,145**	–	**185,145**	–
– Capital commitments (Refer Note 45.2)	**84,468**	103,047	**84,468**	103,047
Total contingencies and commitments	**269,613**	103,047	**269,613**	103,047

Refer Note 45 for litigations against the Company.

45.1 Undrawn commitments

As at 31 March	COMPANY 2019 Rs. '000	COMPANY 2018 Rs. '000	GROUP 2019 Rs. '000	GROUP 2018 Rs. '000
Direct credit facilities	**185,145**	–	**185,145**	–
Total undrawn commitments	**185,145**	–	**185,145**	–

The Company started offering credit card facilities during the year and direct credit facilities includes undrawn credit card balances as at the reporting date.

45.2 Capital commitments

As at 31 March	COMPANY 2019 Rs. '000	COMPANY 2018 Rs. '000	GROUP 2019 Rs. '000	GROUP 2018 Rs. '000
Commitments in relation to property, plant and equipment				
– Approved and contracted for	**–**	40,103	**–**	40,103
– Approved but not contracted for	**24,510**	2,082	**24,510**	2,082
Commitments in relation to intangible assets				
– Approved and contracted for	**–**	60,862	**–**	60,862
– Approved but not contracted for	**59,958**		**59,958**	
Total capital commitments	**84,468**	103,047	**84,468**	103,047

45.3 Operating lease commitments

The Group has taken number of branches and office premises under cancellable operating leases. These leases have an average life of between there to five years. Lease agreements include clauses to enable upward revisions of the rental payment on a periodic basis to reflect the market conditions. There are no restrictions placed upon the Group by entering into these leases.

Future minimum rentals payable under operating leases are as follows:

As at 31 March	COMPANY 2019 Rs. '000	COMPANY 2018 Rs. '000	GROUP 2019 Rs. '000	GROUP 2018 Rs. '000
Less than one year	**170,734**	127,679	**170,734**	127,679
Between one year to five years	**761,933**	594,741	**761,933**	594,741
Over five years	**348,108**	106,101	**348,108**	106,101
Total	**1,280,775**	828,521	**1,280,775**	828,521

45.4 Contingencies and commitments of subsidiaries and associates

Subsidiaries of the Company do not have any contingencies or commitments as at the reporting date.

46. Related party disclosures

ACCOUNTING POLICY

The Company carried out transactions in the ordinary course of business on an arm's length basis at commercial rates with parties who are defined as related parties as per LKAS 24 - "Related Party Disclosures". The details are reported below.

The pricing applicable to such transaction is based on the assessment of risk and pricing model of the Company and is comparable with what is applied to transactions between the Company/Group and its unrelated customers with similar credit rating. However, the Key Management Personnel (KMP) are entitle to the scheme of benefits which all the other staff members are uniformly entitled.

46.1 Parent and ultimate controlling party

The Company (CDB) does not have an identifiable parent of its own.

46.2 Transactions with Key Management Personnel (KMP)

Key Management Personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity directly or indirectly.

KMP of the Company	The Board of Directors (Including Executive Directors and Non-Executive Directors) of the Company has been Classified as KMP of the Company
KMP of the Group	As the Company is the ultimate parent of the subsidiaries listed below. The Board of Directors of the Company has the authority and responsibility for planning, directing and controlling the activities of the Group directly or indirectly. Accordingly, the Board of Directors of the Company (including Executive Directors and Non-Executive Directors) are also KMP of the Group. Therefore, officers who are only Directors of the subsidiaries and not of the Company have been classified as the KMP only for that respective Subsidiary. 1. Unisons Capital Leasing Limited 2. Fortune Properties Limited (formerly known as CDB Micro Finance Limited)

46.2.1 Compensation of KMP

As at 31 March	COMPANY 2019 Rs. '000	COMPANY 2018 Rs. '000	GROUP 2019 Rs. '000	GROUP 2018 Rs. '000
Short-term employment benefits	**175,541**	115,788	**178,041**	116,888
Total compensation	**175,541**	115,788	**178,041**	116,888

46.2.2 Transactions, Arrangements and Agreements Involving KMP and their Close Family Members (CFM)

CFM of KMP are those family members who may be expected to influence or be influenced by, that KMP in their dealings with the entity. They may include KMP's domestic partner and children of the KMPs domestic partner and dependents of the KMPs domestic partner. CFM are related party to the Group/Company. Aggregate value of the transactions with KMPs and their CFMs are described below:

As at 31 March	Year end balance 2019 Rs. '000	Year end balance 2018 Rs. '000
Assets		
Loans and receivables	**–**	–
Other credit facilities	**–**	–
Total assets	**–**	–
Liabilities		
Deposits placed by KMP and CFM	**36,160**	40,132
Other credit facilities	**–**	–
Total liabilities	**36,160**	40,132
Commitments and contingencies	**–**	–
Total outstanding balance	**36,160**	40,132

For the year ended 31 March	2019 Rs. '000	2018 Rs. '000
Interest income	**–**	–
Interest expense	**3,847**	3,816
Total transactions during the year		

No losses have been recorded against loan balances outstanding with KMP during the period and no provisions have been made for impairment losses against such balances as at the reporting date.

Dividend paid to KMP and CFM

For the year ended 31 March	2019	2018
Number of ordinary shares (Voting) held	**4,927,552**	4,668,085
Number of ordinary shares (Non-voting) held	**24,907**	14,885
Cash dividends paid (Rs. '000)	**36,246**	16,390

Mr Joseph Rene Alastair Corera has been appointed as an Independent Non-Executive Director of the Company with effect from 16 May 2019.

46.3 Transactions with Group Companies

The Group entities include the two subsidiaries mentioned in Note 26.1. Aggregate value of the transactions with subsidiaries are described below:

Fortune Properties Limited

Statement of Financial Position

As at 31 March	2019 Rs. '000	2018 Rs. '000
Receivable for expenses incurred by CDB	**–**	–

Unisons Capital Leasing Limited (UCL)

Summary of transactions

For the year ended 31 March	2019 Rs. '000	2018 Rs. '000
Savings		
Opening balance	**4,424**	19,267
Deposits during the year	**2,253,269**	817,126
Withdrawals during the year	**(2,244,815)**	(832,826)
Interest credited	**911**	857
Closing balance at the year end	**13,789**	4,424
Fixed deposits		
Opening balance	**–**	–
Deposits during the year	**–**	–
Withdrawals during the year	**–**	–
Interest credited	**–**	–
Closing balance at the year end	**–**	–
Credit facilities		
Term loan		
Opening balance	**40,627**	4,398
Loans granted during the year	**200,000**	50,000
Interest income	**12,685**	8,162
Loan settlements	**(32,287)**	(21,933)
Closing balance at the year end	**221,025**	40,627
Securitisations		
Opening balance	**345,157**	97,856
Loans granted during the year	**–**	350,000
Interest income	**52,777**	34,654
Loan settlements	**(169,532)**	(137,353)
Closing balance at the year end	**228,402**	345,157

For the year ended 31 March	2019 Rs.	2018 Rs.
Intercompany current account balance	**9,464**	725
Reimbursement of expenses of shared services by UCL	**39,127**	31,005

Commitments and contingencies

For the year ended 31 March	2019 Rs. '000	2018 Rs. '000
Undrawn facilities	–	–
Other commitments	–	–

46.4 Transactions with other related entities

Other related entities include significant investors that have nominated Board members or having common directorships with CDB and their respective entity.

Related company	Holding %	Common Directors	Nature of transaction	2019 Rs. '000	2018 Rs. '000
Ceylinco Life Insurance Limited	33.54%	Mr D H J Gunawardena Mr S R Abenayake	As at 31 March		
			Loans and receivables	**–**	–
			Deposits	**500,000**	250,000
			Debentures	**100,000**	99,770
			Other liabilities	**–**	–
			Commitments and contingencies	**–**	–
			Total	**600,000**	340,770

47. Litigation against the Company

ACCOUNTING POLICY

Litigation is a common occurrence in the financial services industry due to the nature of the business undertaken. Provision for legal matters typically require a higher degree of judgement. When matters are at an early stage, accounting judgements can be difficult because of the high degree of uncertainty involved. Group has established a formal controls and policies for managing legal claims. Once the professional advice has been obtained and the amount of loss reasonably estimated Group make adjustments to the accounts for any adverse effect, if any, which the claim may have on Groups' financial position. As at the reporting date Group had unresolved legal claim as explained below. The significant unresolved legal claims against the Company for which legal advisor of the Company is of the opinion that there is a probability that the action will not succeed. Accordingly no provision has been made in these Financial Statements.

A. Court action has been filled by a customer in Anuradhapura District Court bearing no 26288/M for the recovery of Rs. 16,952,175/- and interest thereon citing CDB as the second and third defendant. The case was fixed for objections of the amended Plaint on 17 May 2019.

B. Court action has been filled by a customer in Commercial High Court bearing No. CHC505/15/MR for the recovery of Rs. 6,000,000/- and interest thereon citing CDB as the defendant. The case will be called on 17 July 2019 for an update of the documents.

C. Court action has been filled by a customer in Commercial High Court bearing No. CHC 88/16/MR for the recovery of Rs. 10,400,000/- and interest thereon citing CDB as the defendant. The case is called for trial on 9 September 2019.

D. Court action has been filled by a customer in Anuradhapura District Court bearing No. 27744/M for the recovery of Rs. 1,500,000/- and interest thereon citing CDB as the second defendant. The case is called for Pre Trial on 23 July 2019.

E. Court action has been filled by a customer in Commercial High Court bearing No. CHC 136/2016 for the recovery of Rs. 13,037,400/- and interest thereon citing CDB as the defendant. The case is fixed for further trial on 30 July 2019.

F. Court action has been filled by a third party in Colombo District Court bearing No. CLM156/15 in relation to a land purchased by CDB requiring to restore the purchase transaction in to its original position. The case will be called to for trial on 9 May 2019.

G. Court action has been filled by two customers jointly in Anuradhapura District Court bearing No. 27815/M for the recovery of Rs. 4,700,000/- and interest thereon citing CDB as the fifth defendant. The case is called for Pre Trial on 23 July 2019.

H. Court action has been filled by a customer in Anuradhapura District Court bearing No. 27816/M for the recovery of Rs. 6,600,000/- and interest thereon citing CDB as the fifth defendant. The case is called for Pre Trial on 23 July 2019.

I. There are 7 pending cases bearing DSP37/13, DSP 513/15, DSP 14/16, 9975, MR 552, 14956 MR, 597/17M, 28947M, 2068/SP, DTR/8/2018,related to lending facilities claiming a total sum of Rs. 45.376 Mn. which are at the hearing stage.

Other than matters disclosed above there were no material capital commitments and contingent liabilities that require adjustment to or disclosure in the Financial Statements as at the reporting date.

48. Events that occurred after the reporting date

ACCOUNTING POLICY

Events after the reporting date are those favourable and unfavourable events that occur between the reporting date and the date when Financial Statements are authorised for issue.

All material events after the reporting date have been considered and where appropriate adjustments to/or disclosures have been made in the respective Notes to the Financial Statements.

Dividend payable

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are recommended and declared by the Board of Directors and approved by the shareholders. Interim dividends are deducted from equity when they are declared and no longer at the discretion of the Company.

Dividends for the year that are approved after the Reporting date are disclosed as an event after the reporting period in accordance with the Sri Lanka Accounting Standard 10 – (LKAS 10) "Events after the Reporting Period".

Proposed dividends

The Board has proposed a first and final dividend of Rs. 5 per share for its voting and non-voting ordinary shares for the year ended 31 March 2019. This will be paid Rs. 2.50 in the form of cash dividend and the balance Rs. 2.50 in the form of Scrip dividend. In accordance with the provisions of the LKAS 10 - "Events after the reporting period". This proposed dividend has not been recognised as a liability in the Financial Statements for the year ended 31 March 2019.

There were no other events except above occurring after the reporting date which require disclosures adjustments to the financial statements.

Amalgamation of Unisons Capital Leasing Limited and Fortune Properties Limited

Central Bank of Sri Lanka (CBSL) requires the Company to amalgamate Unisons Capital Leasing Limited and Fortune Properties Limited where the Company shareholding is 90.38% and 99.98% respectively. Accordingly the Board of Directors of the Company resolved on 8 April 2019 to initiate the process of amalgamation and subsequent to the amalgamation Citizens Development Business Finance PLC will be the surviving entity.

Rights issue

On 26 March 2019 the Company announced a right issue of 11,574,805 new ordinary voting shares on the basis of one new ordinary voting share for every four ordinary voting shares held at the price of Rs. 77/- and 2,001,496 new ordinary non-voting shares on the basis of one new ordinary non-voting share for every four ordinary non-voting shares held at the price of Rs. 64/-. The right issue was approved by the shareholders at the Extraordinary General Meeting (EGM) held on 28 May 2019, and allotment was made on 27 June 2019.

As per LKAS 33 –"Earning per share" This may require restatement of current year (2018/19) earning per share in next Financial year (2019/20).

Computation of Capital Adequacy Ratios

Central Bank of Sri Lanka (CBSL) has informed the company to deduct the fair value of the investment in Ceylinco Insurance PLC from the computation of Capital Adequacy ratios by their letter dated 26 July 2019. At the request of the company, CBSL permitted to deduct the said investment in three equal annual tranches beginning from 31 March 2019.

Further, as per the CBSL dividend approval letter dated 26 July 2019, quote "However, declaring and distributing any cash dividends by Citizens Development Business Finance PLC (CDBFP) has been restricted for the next two financial years (2019/20 and 2020/21) during the period the forbearance given above is in effect" unquote.

49. Segmental analysis

ACCOUNTING POLICY

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity) whose operating results are reviewed regularly by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

Reportable segments

Reportable segments are operating segments or aggregations of operating segments that meet specified criteria:

- its reported revenue, from both external customers and inter segment sales or transfers, is 10% or more of the combined revenue, internal and external, of all operating segments; or
- the absolute measure of its reported profit or loss is 10% or more of the greater, in absolute amount, of (i) the combined reported profit of all operating segments that did not report a loss and (ii) the combined reported loss of all operating segments that reported a loss; or
- its assets are 10% or more of the combined assets of all operating segments.

Two or more operating segments may be aggregated into a single operating segment if aggregation is consistent with the core principles of the standard, the segments have similar economic characteristics and are similar in various prescribed respects.

If the total external revenue reported by operating segments constitutes less than 75% of the entity's revenue, additional operating segments must be identified as reportable segments (even if they do not meet the quantitative thresholds set out above) until at least 75% of the entity's revenue is included in reportable segments.

For the Management purposes, the Group has identified four operating segments based on products and services, as follows:

- Leasing and stock out on hire
- Loans and advances
- Others

ACCOUNTING POLICY

Operating segment	Type of the product and services offered
Leasing and stock out on hire	Finance lease business and hire purchases of the Company as well as its subsidiaries included here.
Loans and advances	Loans and advances given to customers other than leasing and hire purchases of the Company as well as its subsidiaries included here.
Others	Other products and services which is not included in above two segments included here.

Segment performance is evaluated based on operating profits or losses which, in certain respects, are measured differently from operating profits or losses in the Consolidated financial Statements. Income taxes are managed on a Group basis and are not allocated to operating segments.

The following tables presents the income, profit, asset and liability information on the Company's and Group's strategic business divisions for the year ended 31 March 2019 and comparative figures.

COMPANY

As at 31 March	Lease and stock out on hire		Loans and advances		Other		Total	
	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
Interest income	**9,986,837**	6,962,579	**3,423,710**	2,595,874	**764,244**	558,696	**14,174,791**	10,117,149
Non-interest income					**2,065,729**	1,667,713	**2,065,729**	1,667,713
Segmented revenue	**9,986,837**	6,962,579	**3,423,710**	2,595,874	**2,829,973**	2,226,409	**16,240,520**	11,784,862
Interest cost	**5,503,049**	3,936,446	**1,886,568**	1,467,634	**1,559,401**	1,258,748	**8,949,018**	6,662,828
Charges for impairment and other credit losses	**713,130**	332,121	**351,480**	37,840	**–**	(89)	**1,064,610**	369,872
Segment contribution	**3,770,658**	2,694,012	**1,185,662**	1,090,400	**1,270,572**	967,750	**6,226,892**	4,752,162
Unallocated expenses							**3,623,853**	2,792,649
VAT on financial services, NBT, Crop insurance levy, Debt repayment levy							**491,673**	272,696
Profit from before tax							**2,111,366**	1,686,817
Income tax expenses							**(401,173)**	(285,629)
Profit for the year							**1,710,193**	1,401,188
Segment assets	**48,014,566**	41,187,889	**21,118,483**	18,250,460	**14,418,673**	10,749,273	**83,551,722**	70,187,622
Unallocated assets							**5,880,717**	5,314,488
Total assets	**48,014,566**	41,187,889	**21,118,483**	18,250,460	**14,418,673**	10,749,273	**89,432,439**	75,502,110

GROUP

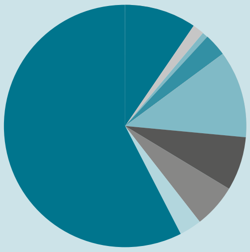
As at 31 March	Lease and stock out on hire		Loans and advances		Other		Total	
	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
Interest income	**10,538,918**	7,194,888	**3,361,568**	2,557,955	**781,551**	567,246	**14,682,037**	10,320,089
Non-interest income					**2,238,756**	1,729,897	**2,238,756**	1,729,897
Segmented revenue	**10,538,918**	7,194,888	**3,361,568**	2,557,955	**3,020,307**	2,297,143	**16,920,793**	12,049,985
Interest cost	**5,720,308**	4,003,543	**1,824,590**	1,423,355	**1,639,360**	1,278,228	**9,184,258**	6,705,127
Charges for impairment and other credit losses	**788,913**	365,499	**349,494**	30,701	**–**	(97)	**1,138,407**	396,102
Segment contribution	**4,029,697**	2,825,846	**1,187,484**	1,103,899	**1,380,947**	1,019,012	**6,598,128**	4,948,757
Unallocated expenses							**3,839,120**	2,891,144
VAT on financial services, NBT, Crop insurance levy, Debt repayment levy							**522,783**	293,398
Profit from before tax							**2,236,225**	1,764,215
Income tax expenses							**(428,111)**	310,064
Profit for the year							**1,808,114**	1,454,151
Segment assets	**50,893,635**	42,708,731	**20,688,446**	17,876,664	**14,150,350**	10,903,656	**85,732,431**	71,489,051
Unallocated assets							**6,246,190**	5,108,509
Total assets							**91,978,621**	76,597,560

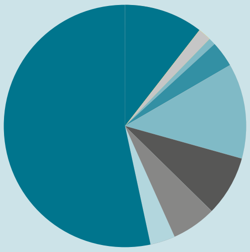
Geographical segments

Revenue segmented based on the geographical location of the asset/branch is provided below.:

As at 31 March	COMPANY		GROUP	
Revenue – Province-wise	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
Central	**1,549,734**	1,238,336	**1,614,648**	1,266,195
Eastern	**252,337**	207,583	**262,906**	212,253
Northern	**123,351**	111,570	**128,518**	114,080
North Central	**489,400**	401,785	**509,900**	410,824
North Western	**1,886,920**	1,497,183	**1,965,958**	1,530,865
Sabaragamuwa	**1,162,720**	945,954	**1,211,423**	967,235
Southern	**943,754**	698,781	**983,285**	714,502
Uva	**480,482**	392,942	**500,608**	401,782
Western	**9,351,822**	6,290,728	**9,743,547**	6,432,249
Total revenue	**16,240,520**	11,784,862	**16,920,793**	12,049,985

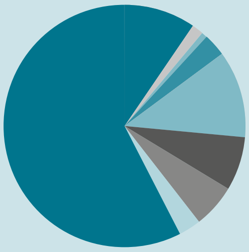
Province wise revenue – Company [%]

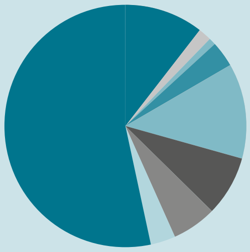




2018/19		2017/18
9.54	Central Province	10.51
1.55	Eastern Province	1.76
0.76	North Central Province	0.95
3.02	North Western Province	3.41
11.62	Northern Province	12.70
7.16	Sabaragamuwa Province	8.03
5.81	Southern Province	5.91
2.96	Uva Province	3.33
57.58	Western Province	53.58

Province wise revenue – Group [%]





2018/19		2017/18
9.54	Central Province	10.51
1.55	Eastern Province	1.76
0.76	North Central Province	0.95
3.02	North Western Province	3.41
11.62	Northern Province	12.70
7.16	Sabaragamuwa Province	8.03
5.81	Southern Province	5.91
2.96	Uva Province	3.33
57.58	Western Province	53.58

50. Maturity analysis

ACCOUNTING POLICY

The Company has disclosed an analysis of assets and liabilities in to relevant maturity baskets based on the remaining period as at the reporting date to the contractual maturity date.

Remaining contractual period to maturity as at the date of Statement of Financial Position of the assets, liabilities and share holders' funds is detailed below:

Maturity analysis as at 31 March 2019

Assets/Liabilities	Note	Maturity period				
		Up to 1 month Rs. '000	2-3 months Rs. '000	4-6 months Rs. '000	7-12 months Rs. '000	13-24 months Rs. '000
Assets						
Cash and cash equivalents	20	1,093,874				
Financial assets measured at FVTPL	21	1,687,004				
Loans and receivables to banks	22	3,094,312				
Deposits with financial institutions	23	1,548,786	1,456,776	1,895,046	1,819,096	
Loans and receivables to customers	24	7,194,849	3,221,121	4,544,158	9,114,861	16,084,306
Other investment securities	25	500,905		655,716	64,968	
Investment in subsidiaries	26					
Investment property	27					
Property, plant and equipment	28					
Intangible assets	29					
Other assets	31	664,670	1,095,042	1,020,602	628,227	
Total assets		15,784,400	5,772,939	8,115,522	11,627,152	16,084,306
Percentage of total assets (%)		17.65	6.46	9.07	13.00	17.98
Cumulative percentage (%)		17.65	24.10	33.18	46.18	64.16
Liabilities						
Derivative financial liabilities	32	363,153				
Deposits from customers	33	7,492,165	8,583,068	7,908,954	13,754,864	7,203,717
Debt securities issued	34					
Other interest-bearing borrowings	35	479,167	1,105,160	1,470,601	2,788,604	6,694,664
Current tax liabilities	36		556,748			
Deferred tax liabilities	37	110,416	65,897	92,313	178,545	324,692
Retirement benefit obligation	38		7,369			
Other liabilities	39	670,428	259,205	1,048,372	777,615	
Total liabilities		9,115,329	10,577,447	10,520,240	17,499,628	14,223,073
Shareholders' funds						
Stated capital	40					
Reserves	41					
Retained earnings	42					
Total equity						
Total equity and liabilities		9,115,329	10,577,447	10,520,240	17,499,628	14,223,073
Percentage of total liabilities and equity (%)		10.19	11.83	11.76	19.57	15.90
Cumulative percentage (%)		10.19	22.02	33.78	53.35	69.25
Maturity gap		6,669,071	(4,804,508)	(2,404,718)	(5,872,476)	1,861,233
Cumulative gap		6,669,071	1,864,563	(540,155)	(6,412,631)	(4,551,398)
Asset/Liability gap – Cumulative percentage (%)		7.46	2.08	(0.60)	(7.17)	(5.09)

Maturity period					Assets/Liabilities
25-36 months Rs. '000	37-60 months Rs. '000	More than 60 months Rs. '000	Unclassified Rs. '000	Total Rs. '000	
					Assets
				1,093,874	Cash and cash equivalents
				1,687,004	Financial assets measured at FVTPL
				3,094,312	Loans and receivables to banks
				6,719,704	Deposits with financial institutions
13,482,642	13,493,690	1,997,422		69,133,049	Loans and receivables to customers
54,484	37,788			1,313,861	Other investment securities
			509,918	509,918	Investment in subsidiaries
			20,198	20,198	Investment property
			2,369,187	2,369,187	Property, plant and equipment
			82,791	82,791	Intangible assets
				3,408,541	Other assets
13,537,126	13,531,478	1,997,422	2,982,094	89,432,439	Total assets
15.14	15.13	2.23			Percentage of total assets (%)
79.30	94.43	96.67			Cumulative percentage (%)
					Liabilities
				363,153	Derivative financial liabilities
1,422,151	842,342	29,106		47,236,367	Deposits from customers
1,013,421	2,967,062			3,980,483	Debt securities issued
4,873,619	7,098,062			24,509,877	Other interest-bearing borrowings
				556,748	Current tax liabilities
272,422	272,661	40,473		1,357,419	Deferred tax liabilities
				7,369	Retirement benefit obligation
				2,755,620	Other liabilities
7,581,613	11,180,127	69,579		80,767,036	Total liabilities
					Shareholders' funds
			1,185,062	1,185,062	Stated capital
			2,240,486	2,240,486	Reserves
			5,239,855	5,239,855	Retained earnings
			8,665,403	8,665,403	Total equity
7,581,613	11,180,127	69,579	8,665,403	89,432,439	Total equity and liabilities
8.48	12.50	0.08	9.69		Percentage of total liabilities and equity (%)
77.73	90.23	90.31	100.00		Cumulative percentage (%)
5,955,513	2,351,351	1,927,843	(5,683,309)		Maturity gap
1,404,115	3,755,466	5,683,309			Cumulative gap
1.57	4.20	6.35			Asset/Liability gap – Cumulative percentage (%)

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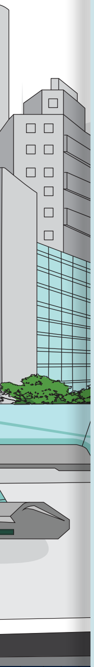


Maturity analysis as at 31 March 2018

Assets/Liabilities	Note	Maturity period Up to 1 month Rs. '000	2-3 months Rs. '000	4-6 months Rs. '000	7-12 months Rs. '000	13-24 months Rs. '000
Assets						
Cash and cash equivalents	20	2,974,825				
Financial assets measured at FVTPL	21	1,485,315				
Loans and receivables to banks	22	1,425,000				
Deposits with financial institutions	23	216,481	294,250	562,938	1,319,158	
Loans and receivables to customers	24	5,349,920	3,400,273	4,816,040	8,901,656	14,973,940
Other investment securities	25	406,123	551,166	498,710	763,897	149,879
Investment in subsidiaries	26					
Investment property	27					
Property, plant and equipment	28					
Intangible assets	29					
Other assets	31	480,898	810,487	832,480	545,137	
Total assets		12,338,562	5,056,176	6,710,168	11,529,848	15,123,819
Percentage of total assets (%)		16.34	6.70	8.89	15.27	20.03
Cumulative percentage (%)		16.34	23.04	31.93	47.20	67.23
Liabilities						
Deposits from customers	33	6,654,836	9,030,337	9,606,144	10,141,479	7,060,935
Debt securities issued	34				1,020,258	
Other interest-bearing borrowings	34	507,830	1,092,644	1,437,992	2,428,318	4,215,904
Current tax liabilities	36		443,080			
Deferred tax liabilities	37	57,851	109,888	65,822	119,899	205,202
Retirement benefit obligation	38		60,727			
Other liabilities	39	790,779	284,204	1,139,151	865,600	
Total liabilities		8,011,296	11,020,880	12,249,109	14,575,554	11,482,041
Shareholders' funds						
Stated capital	40					
Reserves	41					
Retained earnings	42					
Total equity						
Total equity and liabilities		8,011,296	11,020,880	12,249,109	14,575,554	11,482,041
Percentage of total liabilities and equity (%)		10.61	14.60	16.22	19.30	15.21
Cumulative percentage (%)		10.61	25.21	41.43	60.74	75.94
Maturity gap		4,327,266	(5,964,704)	(5,538,941)	(3,045,706)	3,641,778
Cumulative gap		4,327,266	(1,637,438)	(7,176,379)	(10,222,085)	(6,580,307)
Asset/Liability gap – Cumulative percentage (%)		5.73	(2.17)	(9.50)	(13.54)	(8.72)

Maturity period 25-36 months Rs. '000	37-60 months Rs. '000	More than 60 months Rs. '000	Unclassified Rs. '000	Total Rs. '000	Assets/Liabilities
					Assets
				2,974,825	Cash and cash equivalents
				1,485,315	Financial assets measured at FVTPL
				1,425,000	Loans and receivables to banks
				2,392,827	Deposits with financial institutions
11,035,800	9,679,273	1,281,447		59,438,349	Loans and receivables to customers
	101,530			2,471,305	Other investment securities
			509,918	509,918	Investment in subsidiaries
			20,198	20,198	Investment property
			2,029,222	2,029,222	Property, plant and equipment
			86,149	86,149	Intangible assets
				2,669,002	Other assets
11,035,800	9,780,803	1,281,447	2,645,487	75,502,110	Total assets
14.62	12.95	1.70			Percentage of total assets (%)
81.84	94.80	96.50			Cumulative percentage (%)
					Liabilities
1,179,722	993,929	42,450		44,709,832	Deposits from customers
	1,020,258	2,040,517		4,081,033	Debt securities issued
2,961,161	2,225,854	244,783		15,114,486	Other interest-bearing borrowings
				443,080	Current tax liabilities
151,593	132,960	17,604		860,819	Deferred tax liabilities
				60,727	Retirement benefit obligation
				3,079,734	Other liabilities
4,292,476	4,373,001	2,345,354		68,349,711	Total liabilities
					Shareholders' funds
			1,185,062	1,185,062	Stated capital
			1,473,630	1,753,868	Reserves
			4,493,707	4,213,469	Retained earnings
			7,152,399	7,152,399	Total equity
4,292,476	4,373,001	2,345,354	7,152,399	75,502,110	Total equity and liabilities
5.69	5.79	3.11			Percentage of total liabilities and equity (%)
81.63	87.42	90.53			Cumulative percentage (%)
6,743,324	5,407,802	(1,063,907)	(4,506,912)		Maturity gap
163,017	5,570,819	4,506,912			Cumulative gap
0.22	7.38	5.97			Asset/Liability gap – Cumulative percentage (%)

51. Comparative information

ACCOUNTING POLICY

Comparative information including quantitative, narrative and descriptive information is disclosed in respect of the previous periods for all the amounts reported in the Financial Statements to enhance the understanding of the current period's Financial Statements and to enhance the inter period comparability.

Comparative information is reclassified whenever necessary to conform with the current year's classification in order to provide better presentation.

There were no any reclassifications made during the year ended 31 March 2019.

52. Financial risk management

FINANCIAL RISK MANAGEMENT FRAMEWORK

Introduction and overview

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board of Directors has established the Company Integrated Risk Management Committee (IRMC), which is responsible for developing and monitoring Company's risk management policies.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

The risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company Audit Committee oversees how Management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Company Audit Committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Company Audit Committee.

The Company has exposure to the following risks from the financial instruments:

A. Credit risk

B. Liquidity risk

C. Market risk

D. Operational risk

The chart below provides a link between the Company's business units and the principal risks that they are exposed to. The significance of risk is assessed within the context of the Company as a whole and is measured based on allocation of the regulatory capital within the Company.

This note presents the information about the Company's objectives, policies and processes for measuring and managing risk.

A. CREDIT RISK

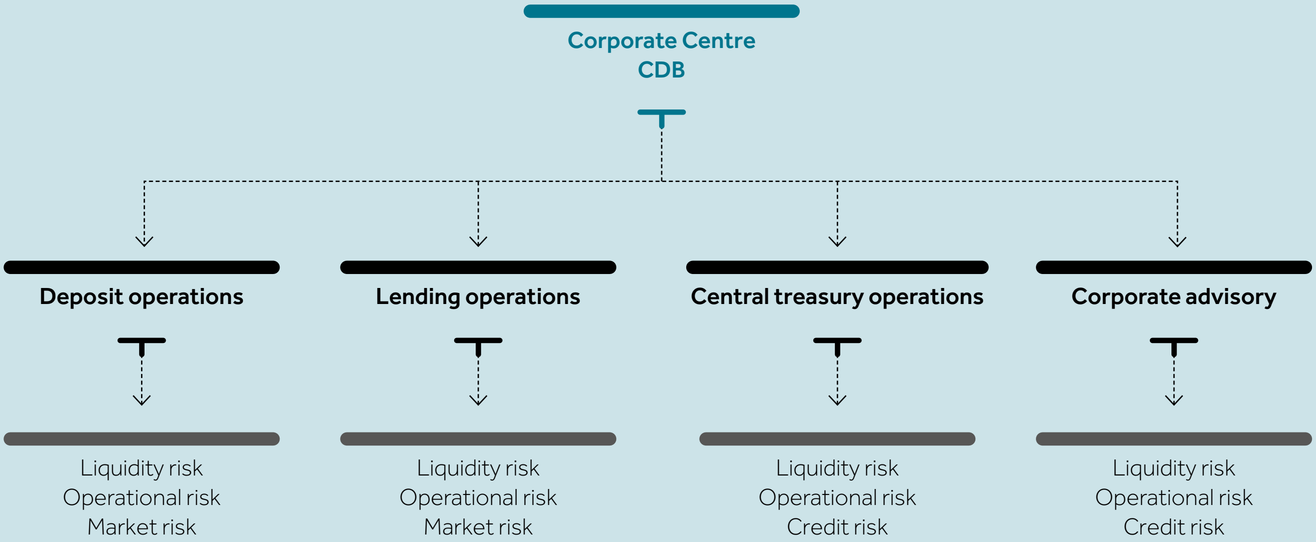
"Credit risk" is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's loans and receivables to customers and other banks, and investment debt securities. For risk management reporting purposes, the Company considers and consolidates all elements of credit risk including contingent or potential credit exposure (such as individual obligor default risk, country and sector risk).

The market risk in respect of changes in value in trading assets arising from changes in market credit spreads is managed as a component of market risk; for further details,see (C) below.

i. Settlement risk

The Company's activities may give rise to risk at the time of settlement of transactions and trades. "Settlement risk" is the risk of loss due to the failure of an entity to honour its obligation to deliver cash, securities or other assets as contractually agreed.

For certain types of transactions, the Company mitigates this risk by conducting settlements through a settlement/clearing agent to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations. Settlement limits form part of the credit approval/limit monitoring process described earlier. Acceptance of settlement risk on free-settlement trades requires transaction-specific or counterparty-specific approvals from the Company risk committee.



FINANCIAL RISK MANAGEMENT FRAMEWORK

ii. Management of credit risk

The principal objective of risk management is to maintain strong risk culture across the Company which is responsible for leading and robust risk policies and control framework to reinforcement and challenge in defining, implementing and controlling evaluating our risk appetite under both actual and simulated scenarios and to establish independent evaluation of cost and their mitigation.

In order to achieve this the Board of Directors has delegated responsibility for the oversight of credit risk to its Company Delegated Credit Committee (DCC). A separate Credit evaluation department, reporting to the Company Credit Committee, is responsible for managing the Company's credit risk, including the following:

- Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- Establishing the authorisation structure for the approval and renewal of credit facilities. Authorisation limits are allocated to business unit Credit Officers. Larger facilities require approval by Company credit, the Head of Company credit, the Company Credit Committee or the Board of Directors as appropriate.
- Reviewing and assessing credit risk: Company Credit Committee assesses all credit exposures in excess of designated limits, before facilities are committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process.
- Limiting concentrations of exposure to counterparties, geographies and industries (for loans and receivables, financial guarantees and similar exposures), and by issuer, credit rating band, market liquidity and country (for investment securities).
- Reviewing compliance of business units with agreed exposure limits, including those for selected industries, country risk and product types. Regular reports on the credit quality of local portfolios are provided to Company Credit Committee, which may require appropriate corrective action to be taken.
- Providing advice, guidance and specialist skills to business units to promote best practice throughout the Company in the management of credit risk.

Companies in the Company is required to implement Company credit policies and procedures, with credit approval authorities delegated from the Company Credit Committee. Each business unit has a Chief Credit Risk Officer who reports on all credit-related matters to local management and the Company Credit Committee. Each business unit is responsible for the quality and performance of its credit portfolio and for monitoring and controlling all credit risks in its portfolios, including those subject to central approval.

Regular audits of business units and Company credit processes are undertaken by internal audit.

B. LIQUIDITY RISK

"Liquidity risk" is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

i. Management of liquidity risk

The objective of the Company's liquidity risk management framework is to ensure that the Company can fulfill its payment obligations at all times and can manage liquidity and funding risk within risk appetite.

The Company's Board of Directors sets the Company's strategy for managing liquidity risk and delegates responsibility for oversight of the implementation of this policy to Asset and Liability Committee (ALCO). ALCO approves the Company's liquidity policies and procedures. Treasury manages the Company's liquidity position on a day-to-day basis and reviews daily reports covering the liquidity position of both the Company and operating subsidiaries. A summary report, including any exceptions and remedial action taken, is submitted regularly to ALCO.

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The key elements of the Company's liquidity strategy are as follows:

- Maintaining a diversified funding base consisting of customer deposits (both retail and corporate) and wholesale market deposits and maintaining contingency facilities.
- Carrying a portfolio of highly liquid assets, diversified by currency and maturity.
- Monitoring liquidity ratios, maturity mismatches, behavioural characteristics of the Company's financial assets and financial liabilities, and the extent to which the Company's assets are encumbered and so not available as potential collateral for obtaining funding.
- Carrying out stress testing of the Company's liquidity position.

Central Treasury receives information from other business units regarding the liquidity profile of their financial assets and financial liabilities and details of other projected cash flows arising from projected future business. Central Treasury then maintains a portfolio of short-term liquid assets, largely made up of short-term liquid investment securities, loans and advances to banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Company as a whole. The liquidity requirements of business units and subsidiaries are met through loans from Central Treasury to cover any short-term fluctuations and longer-term funding to address any structural liquidity requirements.

If an operating subsidiary or branch is subject to a liquidity limit imposed by its local regulator, then the subsidiary or branch is responsible for managing its overall liquidity within the regulatory limit in coordination with Central Treasury. Central Treasury monitors compliance of all operating subsidiaries with local regulatory limits on daily basis.

FINANCIAL RISK MANAGEMENT FRAMEWORK

Regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. The scenarios are developed taking into account both Company specific events (e.g., a rating downgrade) and market-related events (e.g., prolonged market illiquidity, reduced fungibility of currencies, natural disasters or other catastrophes).

C. MARKET RISK

"Market risk" is the risk that changes in market prices – such as interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's/ issuer's credit standing) – will affect the Company's income or the value of its holdings of financial instruments.

i. Management of market risk

The objective of the Company's market risk management is to manage and control market risk exposures with inacceptable parameters to ensure the Company's solvency while optimising the return on risk.

Overall authority for market risk is vested in ALCO. ALCO sets up limits for each type of risking aggregate and for portfolios, with market liquidity being a primary factor in determining the level of limits set for trading portfolios. The Company Market Risk Committee is responsible for the development of detailed risk management policies (subject to review and approval by ALCO) and for the day-to-day review of their implementation.

ii . Exposure to market risk

The principal risk to which portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for repricing bands. ALCO is the monitoring body for compliance with these limits and is assisted by Central Treasury in its day-to-day monitoring activities. Equity price risk is subject to regular monitoring by Company market risk, but is not currently significant in relation to the overall results and financial position of the Company. In respect of foreign currency, the Company monitors any concentration risk in relation to any individual currency in regard to the translation of foreign currency transactions and monetary assets and liabilities into the functional currency of Company entities.

D. OPERATIONAL RISK

"Operational risk" is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks, such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Company's operations.

The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and innovation. In all cases, Company policy requires compliance with all applicable legal and regulatory requirements.

The Board of Directors has delegated responsibility for operational risk to its Company Operational Risk Committee, which is responsible for the development and implementation of controls to address operational risk. This responsibility is supported by the development of overall Company standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- Requirements for the reconciliation and monitoring of transactions;
- Compliance with regulatory and other legal requirements;
- Documentation of controls and procedures;
- Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- Requirements for the reporting of operational losses and proposed remedial action;
- Development of contingency plans;
- Training and professional development;
- Ethical and business standards; and
- Risk mitigation, including insurance where this is cost effective.

Compliance with Company standards is supported by a programme of periodic reviews undertaken by internal audit. The results of internal audit reviews are discussed with the Company Operational Risk Committee, with summaries submitted to the Audit Committee and Senior Management of the Company.

Integrated risk management division

Primarily, business divisions and respective risk owners are responsible for risk management. The risk management division acts as the Second Line of Defence in managing the risks faced by the Company. Division has taken leadership in building a strong risk culture which is embedded through clear and consistent communication and appropriate training for all employees. Chief Risk Officer reports risk identified through robust risk reporting tool, risk measurement techniques, stress testing and other risk measures to the Corporate Management Team.

Financial risk review of the Company

This presents information about the Company's exposure to financial risks and the Company's management of capital.

A. Credit risk

A I. Credit quality analysis

The tables below sets out information about the credit quality of financial assets held by Company net of allowance for expected credit losses against those assets.

Expected Credit Losses (ECL)

As per SLFRS 9 - "Financial Instruments" the Company manages credit quality using a three stage approach.

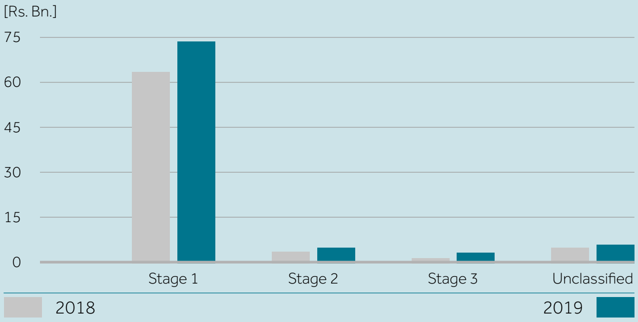
Stage One : 12 months expected credit losses (ECL)
Stage Two : Life time expected credit losses (ECL) – Not credit impaired
Stage Three : Lifetime expected credit losses (ECL) – Credit impaired

Explanation of the terms: 12 months ECL, lifetime ECL included in Note 3 (Changes in Accounting Policies)

Table below shows the classification of assets and liabilities based on the above-mentioned three stage model:

	Note	12 months ECL Rs. '000	Life Time ECL – Not credit impaired Rs. '000	Life time ECL – Credit impaired Rs. '000	Unclassified Rs. '000	Total Rs. '000
As at 31 March 2019						
Cash and cash equivalents	20	**1,093,874**				**1,093,874**
Financial assets measured at FVTPL	21	**1,687,004**				**1,687,004**
Loans and receivables to banks	22	**3,094,312**				**3,094,312**
Deposits with financial institutions	23	**6,719,704**				**6,719,704**
Loans and receivables to customers	24	**60,216,869**	**5,372,990**	**3,543,190**		**69,133,049**
Other investment securities	25	**1,313,861**				**1,313,861**
Other non-financial assets	26				**6,390,635**	**6,390,635**
Total assets		**74,125,624**	**5,372,990**	**3,543,190**	**6,390,635**	**89,432,439**
As at 31 March 2018						
Cash and cash equivalents	20	2,974,825				2,974,825
Financial assets measured at FVTPL	21	1,485,315				1,485,315
Loans and receivables to banks	22	1,425,000				1,425,000
Deposits with financial institutions	23	2,392,827				2,392,827
Loans and receivables to customers	24	53,469,776	4,277,626	1,690,947		59,438,349
Other investment securities	25	2,471,305				2,471,305
Other non-financial assets	26				5,314,489	5,314,489
Total assets		64,219,048	4,277,626	1,690,947	5,314,489	75,502,110

Total assets based on three stage approach



83%
Stage 1

Amounts arising from Expected Credit Losses (ECL)

This note highlights inputs, assumptions, and techniques used for estimating expected credit losses (ECL) as per SLFRS 9 – "Financial Instruments".

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company historical experience and expert credit assessment and including forward-looking information.

Credit risk

Assessment of credit risk is based on a variety of data by applying experienced credit judgement. Credit risk is evaluated using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

Each exposure is assessed at initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade based on 3-stage model. The monitoring typically involves use of the following data:

Corporate exposures	Retail exposures	All exposures
Information obtained during periodic review of customer files – e.g. Audited financial statements, management accounts, budgets and projections.	Internally collected data on customer behaviour	Payment record – this includes overdue status as well as a range of variables about payment ratios
Data from credit reference agencies, press articles, changes in external credit ratings	Affordability metrics	Requests for and granting of forbearance
Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities	External data from credit reference agencies including industry-standard credit scores	Existing and forecast changes in business, financial and economic conditions

Generating the term structure of probability of default (PD)

Date past due has taken as the primary input into the determination of the term structure of PD for exposures. The Company collects performance and default information about its credit risk exposures analysed by the type of product and the borrower. For some portfolios, information gathered from external credit agencies is also used. (Debt Investments)

The Company employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

This analysis includes the identification and calibration of relationships between changes in default rates and changes in key macroeconomic factors as well as in-depth analysis of the impact of certain other factors (e.g. forbearance experience) on the risk of default.

Using variety of external actual and forecasted information, the Company formulates a "base case" view of the future direction of relevant economic variables (GDP growth, inflation, interest rates and unemployment, with lag effect of these variables) as well as a representative range (Best Case and Worst Case) of other possible forecast scenarios. The Company then uses these forecasts to adjust its estimates of PDs.

Determining whether credit risk has increased significantly

The assessment of whether credit risk on a financial asset has increased significantly will be one of the critical judgements used in expected credit loss model prescribed in SLFRS 9 – "Financial Instruments". The criteria for determining whether credit risk has increased significantly vary by portfolio and include qualitative factors, including a backstop based on delinquency.

Using its expert credit judgement and, where possible, relevant historical experience, the Company may determine that an exposure has undergone a significant increase in credit risk based on particular qualitative indicators that it considers are indicative of such and whose effect may not otherwise be fully-reflected in its quantitative analysis on a timely basis.

As a backstop, the Company considers that a significant increase in credit risk occurs no later than when an asset is more than 60 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

The Company monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews.

Modified financial assets

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value.

When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly by analysing both qualitative and based on the delinquency status before the modification of terms of the contract.

The Company renegotiates loans to customers in financial difficulties (referred to as "forbearance activities") to maximise collection opportunities and minimise the risk of default. Under the Company's forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. Both retail and corporate loans are subject to the forbearance policy. The Company Audit Committee regularly reviews reports on forbearance activities.

For financial assets modified as part of the Company's forbearance policy, the estimate of PD reflects whether the modification has improved or restored the Company's ability to collect interest and principal and the Group's previous experience of similar forbearance action. As part of this process, the Company evaluates the borrower's payment performance against the modified contractual terms and considers various behavioural indicators.

Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an exposure is credit-impaired/in default. A customer needs to demonstrate consistently good payment behaviour over a period of time before the exposure is no longer considered to be credit-impaired/in default.

Definition of default

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the borrower is past due more than 150 days on any material credit obligation to the Company. In determination of default the Company largely aligns with the regulatory definition of default.

In assessing whether a borrower is in default, the Company considers indicators that are:

- qualitative – e.g., breaches of covenant;
- quantitative – e.g., overdue status and non-payment on another obligation of the same issuer to the Company; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

Incorporation of forward-looking information

The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Using variety of external actual and forecasted information, the Company formulates a "base case" view of the future direction of relevant economic variables as well as a representative range (Best Case and Worst Case) of other possible forecast scenarios.

This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by both local and international sources.

The base case represents a most-likely outcome and is aligned with information used by the Company for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Company carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

The Company has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macroeconomic variables and credit risk and credit losses. The Economic variables used by the Company based on the statistical significance include the followings:

Unemployment rate	Base case scenario along with two other scenarios has been used (Best Case and Worst Case)
Interest rate	
GDP Growth rate	
Inflation rate	

Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:

- Probability of default (PD)
- Loss given default (LGD)
- Exposure at default (EAD)

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described above.

Probability of Default (PD)
PD estimates are estimates at a certain date, which are calculated based on statistical models, and assessed using various categories based on homogenous characteristics of exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. Where it is available, market data may also be used to derive the PD for large corporate counterparties.

Loss Given Default (LGD)
LGD is the magnitude of the likely loss if there is a default. The Company estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, product category and recovery costs of any collateral that is integral to the financial asset. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

Exposure at Default (EAD)
EAD represents the expected exposure in the event of a default. The Company derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount. For lending commitments and financial guarantees, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract. For some financial assets, EAD is determined by considering contractual cash flows, prepayments and other factors.

As described above, and subject to using a maximum of a 12 months PD for financial assets for which credit risk has not significantly increased, the Company measures ECL considering the risk of default over the maximum contractual period over which it is exposed to credit risk, even if, for risk management purposes, the Company considers a longer period. The maximum contractual period extends to the date at which the Company has the right to require repayment of an advance or terminate a loan commitment or guarantee.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. The groupings are subject to regular review to ensure that exposures within a particular company remain appropriately homogeneous.

Loss allowance

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instruments. Explanation of the terms: 12 months ECL, lifetime ECL and credit impaired are included in Note 3.

Movements in allowance for expected credit losses (Stage transition)

COMPANY	2019 Stage 1: 12 months ECL Rs. '000	Stage 2: Lifetime ECL not credit impaired Rs. '000	Stage 3: Lifetime ECL credit impaired Rs. '000	Total ECL Rs. '000
Balance as at the beginning of the year	348,528	301,108	686,020	1,335,656
Changes due to loans and receivables recognised in opening balance that have:				
Transferred from 12 months ECL	(45,958)	32,957	13,001	–
Transferred from lifetime ECL not credit impaired	57,882	(130,374)	72,492	–
Transferred from lifetime ECL credit impaired	11,120	7,893	(19,013)	–
Net measurement of loss allowance	201,678	211,650	315,318	728,646
Balance as at the end of the year	573,250	423,234	1,067,818	2,064,302

COMPANY	2018 Stage 1: 12 months ECL Rs. '000	Stage 2: Lifetime ECL not credit impaired Rs. '000	Stage 3: Lifetime ECL credit impaired Rs. '000	Total ECL Rs. '000
Balance as at the beginning of the year	298,260	190,935	514,117	1,003,312
Changes due to loans and receivables recognised in opening balance that have:				
Transferred from 12 months ECL	(36,369)	32,367	4,002	–
Transferred from lifetime ECL not credit-impaired	63,871	(91,096)	27,225	–
Transferred from lifetime ECL credit-impaired	5,204	1,840	(7,044)	–
Net measurement of loss allowance	17,562	167,062	147,720	332,344
Balance as at the end of the year	348,528	301,108	686,020	1,335,656

Loans and receivables to customers – Credit grade based on delinquency

The following table shows the loans and receivables to customers based on delinquency and expected credit losses for each stage of loss allowances:

As at 31 March 2019	12 months ECL Rs. '000	Lifetime ECL – Not credit impaired Rs. '000	Lifetime ECL – Credit impaired Rs. '000	Total Rs. '000
Grade 1 – Low risk	35,564,626			35,564,626
Grade 2 – Low risk	10,178,701			10,178,701
Grade 3 – Low risk	10,361,417			10,361,417
Grade 4 – Low risk	6,176,429			6,176,429
Grade 5 – Watch list		2,666,626		2,666,626
Grade 6 – Watch list		1,501,268		1,501,268
Grade 7 – Watch list		1,205,095		1,205,095
Grade 8 – Default			3,543,189	3,543,189
Gross loans and receivables to customers	62,281,173	5,372,989	3,543,189	71,197,351
Expected credit loss allowance	(573,250)	(423,234)	(1,067,818)	(2,064,302)
Net loans and receivables to customers	61,707,923	4,949,755	2,475,371	69,133,049

As at 31 March 2018	12 months ECL Rs. '000	Lifetime ECL – Not credit impaired Rs. '000	Lifetime ECL – Credit impaired Rs. '000	Total Rs. '000
Grade 1 – Low risk	30,892,224			30,892,224
Grade 2 – Low risk	9,999,918			9,999,918
Grade 3 – Low risk	8,699,446			8,699,446
Grade 4 – Low risk	4,226,716			4,226,716
Grade 5 – Watch list		2,423,798		2,423,798
Grade 6 – Watch list		1,067,248		1,067,248
Grade 7 – Watch list		1,087,688		1,087,688
Grade 8 – Default			2,376,967	2,376,967
Gross loans and receivables to customers	53,818,304	4,578,734	2,376,967	60,774,005
Expected credit loss allowance	(348,528)	(301,108)	(686,020)	(1,335,656)
Net loans and receivables to customers	53,469,776	4,277,626	1,690,947	59,438,349

Stage transition on loans and receivables to customers

The following table shows the net loans and receivables to customers based on 3-stage approach:

As at 31 March 2019	12 months ECL Rs. '000	Lifetime ECL – Not credit impaired Rs. '000	Lifetime ECL – Credit impaired Rs. '000	Total Rs. '000
Loans and receivables to customer				
Balance as at 1 April 2018	**53,469,776**	**4,277,626**	**1,690,947**	**59,438,349**
Changes due to loans and receivables recognised in opening balance that have –				
Transferred from 12 months ECL	**(4,288,361)**	**3,206,382**	**1,081,979**	**–**
Transferred from lifetime ECL not credit impaired	**921,965**	**(1,947,440)**	**1,025,475**	**–**
Transferred from lifetime ECL credit impaired	**49,569**	**38,927**	**(88,496)**	**–**
Financial assets that have been derecognised	**(11,037,177)**	**(2,106,787)**	**(525,717)**	**(13,669,681)**
Net change in expected credit loss allowance	**(201,678)**	**(211,650)**	**(315,318)**	**(728,646)**
Other net changes in portfolio	**22,793,829**	**1,692,697**	**(393,499)**	**24,093,027**
Balance as at 31 March 2019	**61,707,923**	**4,949,755**	**2,475,371**	**69,133,049**

As at 31 March 2018	12 months ECL Rs. '000	Lifetime ECL – Not credit impaired Rs. '000	Lifetime ECL – credit impaired Rs. '000	Total Rs. '000
Loans and receivables to customer				
Balance as at 1 April 2017	39,510,221	2,480,897	1,197,892	43,111,800
Changes due to loans and receivables recognised in opening balance that have –				
Transferred from 12 months ECL	(2,816,032)	2,474,023	342,009	–
Transferred from lifetime ECL not credit impaired	917,723	(1,224,125)	306,402	–
Transferred from lifetime ECL credit impaired	25,244	8,251	(33,495)	–
Financial assets that have been derecognised	(6,943,230)	(887,306)	(296,405)	(8,126,941)
Net change in expected credit loss allowance	(50,267)	(110,173)	(171,904)	(332,344)
Other net changes in portfolio	22,826,117	1,536,059	346,448	24,785,834
Balance as at 31 March 2018	53,469,776	4,277,626	1,690,947	59,438,349

Maximum exposure to credit risk – based on aging

Table below shows the maximum exposure to credit risk based on the aging of each instrument:

	Loans and receivables to customers		Loans and receivables to banks		Deposits with financial institutions		Other investment securities and financial assets measured at FVTPL	
As at 31 March	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
Financial assets measured at amortised cost								
0 days	**45,743,327**	40,892,143	**3,094,312**	1,425,000	**6,719,965**	2,393,088	**1,313,862**	2,471,306
0-30 days	**10,361,417**	8,699,446						
31-60 days	**6,176,429**	4,226,716						
61-90 days	**2,666,626**	2,423,798						
91-120 days	**1,501,268**	1,067,248						
121-150 days	**1,205,095**	1,087,687						
Above 150 days	**3,543,189**	2,376,967						
Total gross amount	**71,197,351**	60,774,005	**3,094,312**	1,425,000	**6,719,965**	2,393,088	**1,313,862**	2,471,306
Allowance for impairment	**(2,064,302)**	(1,335,656)	**–**	–	**(261)**	(261)	**(1)**	(1)
Net carrying amount	**69,133,049**	59,438,349	**3,094,312**	1,425,000	**6,719,704**	2,392,827	**1,313,861**	2,471,305
Financial assets measured at FVPT								
0 days							**1,687,004**	1,485,315
Total gross amount			**–**	–	**–**	–	**1,687,004**	1,485,315
Allowance for impairment							**–**	–
Net carrying amount	**–**	–	**–**	–	**–**	–	**1,687,004**	1,485,315
Maximum exposure	**69,133,049**	59,438,349	**3,094,312**	1,425,000	**6,719,704**	2,392,827	**3,000,865**	3,956,620

Age represents the period in days which any amount uncollected or due beyond their contractual due date. For rescheduled loans age is calculate based on the initial due date of the original contract.

Credit ratings of financial instruments

Table below sets out the credit quality of financial investments based on the instruments' credit ratings:

		COMPANY	
As at 31 March	Note	2019 Rs. '000	2018 Rs. '000
Financial assets measured at FVTPL			
Equity investments	21	**1,579,581**	1,375,180
Government securities	21	**107,423**	110,135
		1,687,004	1,485,315
Loans and receivables to banks			
Securities purchased under resale agreements	22	**3,094,312**	1,425,000
		3,094,312	1,425,000
Deposits with financial institutions			
Term deposits	23		
Rated AA+		**1,032,220**	58,372
Rated AA		**160,234**	–
Rated AA-		**1,410,244**	463,310
Rated A+		**2,390,780**	807,648
Rated A		**134,305**	–
Rated A-		**1,280,801**	955,544
Rated BB+		**311,120**	107,952
		6,719,704	2,392,827

A.II Impaired financial instruments

Impaired loans and receivables and other financial instruments

The Company regards a loan and receivable or a other financial instrument impaired when there is an objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s), and that the loss event has an impact on the future cash flows of the asset(s). As per SLFRS 9 - "Financial Instruments" stage three assets are considered as credit impaired.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

As at 31 March	2019 Rs. '000	2018 Rs. '000
Impaired financial instruments		
Loans and receivables to customers	**2,475,371**	1,690,947
Total credit impaired value	**2,475,371**	1,690,947

Loans and receivables with renegotiated terms and the Company's forbearance policy

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have modified may be derecognised and the renegotiated loan recognised as a new loan at fair value.

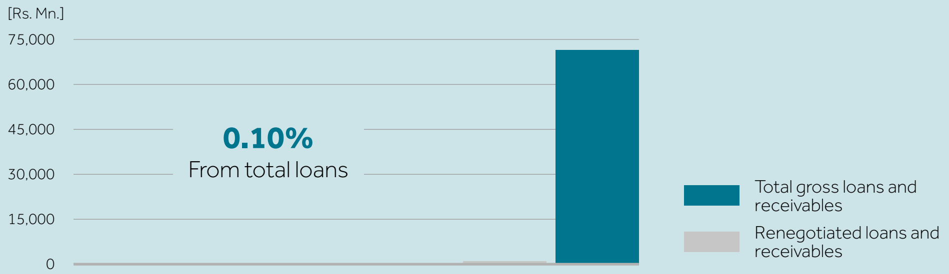
The Company renegotiates loans to customers in financial difficulties (referred to as 'forbearance activities') to maximise collection opportunities and minimise the risk of default, there is evidence that the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants.

The table below set out information about the loans and receivables with renegotiated terms:

As at 31 March	2019 Rs. '000	2018 Rs. '000
Gross carrying amount	**71,631**	13,514
Total gross loans and receivables	**71,197,351**	60,774,005
Percentage of renegotiated loans (%)	**0.10**	0.02

Renegotiated facilities



Write-off policy

The Company writes-off a loan or an investment debt/equity security balance and any related allowances for impairment losses, when it determines that the loans security is uncollectible. This determination is made after considering information such as the occurrence of significant changes in the borrower's/issuer's financial position such that the borrower/issuer can no longer pay the obligation or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardised loans, write-off decisions generally are based on a product-specific past due status. The Company's policy is to pursue timely realisation of the collateral in an orderly manner.

A.III Collateral held and other credit enhancements

The Company holds collateral and other credit enhancements against certain of its credit exposures. The table below sets out the principal types of collateral held against types of loans and receivables.

Collateral held

As at 31 March	Note	Percentage of exposure that is subject to collateral requirements 2019 %	2018 %	Type of collateral Held
Loans and receivables to banks				
Securities purchased under resale agreements	22	**100**	100	Marketable Securities
Loans and receivable to customers				
Lease and hiring contracts	24	**100**	100	Vehicles
Mortgage loan	24	**100**	100	Property and equipment
Personal loans and staff loans	24	**–**	–	Vehicles and guarantors
Loans against deposits	24	**100**	100	Lien deposits
Gold loans	24	**100**	100	Pawning articles

A.IV Concentration of credit risk

Company reviews the on regular basis its concentration of credit granted in each of the products offered. The diversification was made to ensure that an acceptable level of risk in line with the risk appetite of the Company is maintained. The diversification decision was made at the ALCO, where it sets targets and present strategies to the Management and optimising the diversification. The product development team of the Company is advised on the strategic decisions taken in diversification of the portfolio to align their product development activities accordingly.

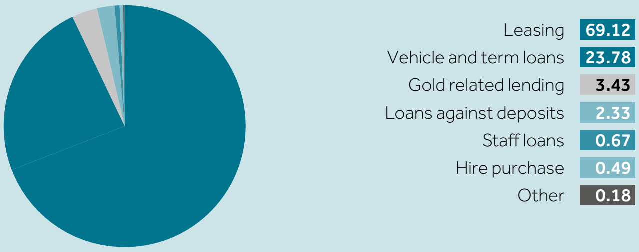
The Company monitors concentration of credit risk by product, by sector and by geographical location. An analysis of concentrations of credit risk from loan and receivable to customers and other financial investments is shown below:

Product concentration

The Company monitors concentration of credit risk by product categories and analysis is shown below:

	COMPANY			
As at 31 March	2019 Rs. '000	%	2018 Rs. '000	%
Leasing	**49,211,534**	**69.1**	41,301,219	68.0
Vehicle and term loans	**16,933,883**	**23.8**	14,963,933	24.6
Gold-related lending	**2,439,859**	**3.4**	1,410,496	2.3
Loans against deposits	**1,661,782**	**2.3**	1,552,129	2.6
Staff loans	**475,149**	**0.7**	401,734	0.7
Hire purchase	**345,883**	**0.5**	1,052,354	1.7
Other	**129,261**	**0.2**	92,140	0.2
Gross loans and receivables to customers	**71,197,351**		60,774,005	

Product concentration – 2019 [%]



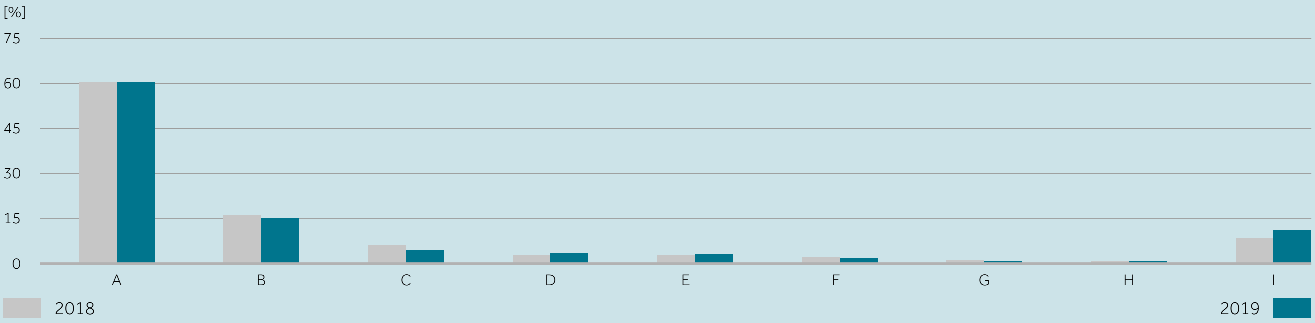
Product concentration – 2018 [%]

Asset concentration

The Company monitors concentration of credit risk by asset categories and an analysis is shown below:

	COMPANY			
As at 31 March	2019 Rs. '000	%	2018 Rs. '000	%
Motor cars and other light vehicles	**43,028,983**	**60.4**	37,068,460	61.0
Three wheeler	**11,038,154**	**15.5**	9,666,999	15.9
Motor lorries and other heavy vehicles	**3,232,488**	**4.5**	3,714,902	6.1
Gold articles	**2,439,859**	**3.4**	1,410,496	2.3
Loans against deposits	**1,661,782**	**2.3**	1,552,129	2.6
Mini trucks	**885,776**	**1.2**	1,098,790	1.8
Motor buses and motor coach	**559,601**	**0.8**	567,347	0.9
Machineries	**463,408**	**0.7**	496,120	0.8
Other	**7,887,300**	**11.1**	5,198,762	8.6
Gross loans and receivables to customers	**71,197,351**		60,774,005	

Asset concentration



A Motor cars and other light vehicles
B Three wheelers
C Motor lorries and other heavy vehicles
D Gold
E Loans against deposits
F Mini trucks
G Motor buses and coaches
H Machinery
I Other

Geographical concentration

Company reviews its geographical diversification on regular basis at the ALCO and sets long-term target in achieving a geographical well-diversified credit portfolio. Group's strategy on geographical diversification was executed through the establishment of a distribution network for the Company. The geographical concentration is considered when selecting prospective locations for new branches as well. The credit concentration of the economy is mostly affected by the wealth distribution of the country where high concentration was seen in the Western Province.

As at 31 March	2019 Rs. '000	%	2018 Rs. '000	%
Western	**37,300,789**	**52.4**	32,440,996	53.5
North Western	**9,284,789**	**13.0**	7,720,907	12.7
Central	**7,625,629**	**10.7**	6,386,045	10.5
Sabaragamuwa	**5,721,287**	**8.0**	4,878,241	8.0
Southern	**4,643,840**	**6.5**	3,603,583	5.9
North Central	**2,408,146**	**3.4**	2,071,989	3.4
Uva	**2,364,262**	**3.3**	2,026,386	3.3
Eastern	**1,241,648**	**1.7**	1,070,496	1.8
North	**606,961**	**0.9**	575,362	0.9
Gross loans and receivables to customers	**71,197,351**		60,774,005	

Sector-wise analysis of credit exposures

Company manages its credit exposure to a single industry by regularly reviewing the portfolio. As there is more concentration on the vehicle-related financing of the Company there is an inherent concentration on the transportation sector.

Company has set targets to bring down the exposures to each industry to a level accepted by the Group based on its risk appetite.

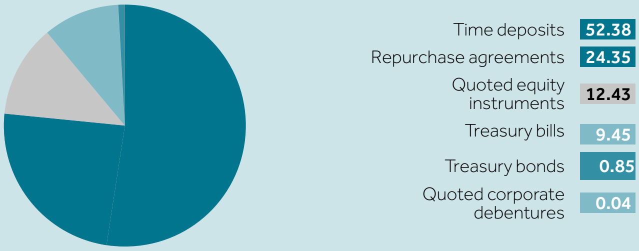
As at 31 March	2019 Rs. '000	%	2018 Rs. '000	%
Transport	**47,118,172**	**66.2**	42,427,408	69.8
Service	**11,991,546**	**16.8**	8,123,355	13.4
Commercial	**4,884,802**	**6.9**	2,602,429	4.3
Housing and property development	**3,130,332**	**4.4**	1,906,196	3.1
Financial services	**1,667,862**	**2.3**	1,430,638	2.4
Agricultural	**850,103**	**1.2**	1,179,808	1.9
Industrial	**186,526**	**0.3**	229,388	0.4
Tourism	**696,817**	**1.0**	199,346	0.3
Other	**671,191**	**0.9**	2,675,438	4.4
Gross loans and receivables to customers	**71,197,351**		60,774,005	

Concentration of other financial investments

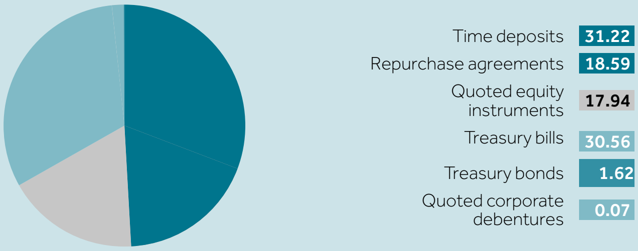
Company manages its credit exposure to a single investment security by regularly reviewing the investment portfolio. This analysis includes all the financial investments classified under financial assets measured at FVTPL, loans and receivables to banks, deposits with financial institutions and other investment securities.

As at 31st March	2019 Rs. '000	2019 %	2018 Rs. '000	2018 %
Time deposits	**6,719,704**	52.9	2,392,827	31.2
Securities purchased under resale agreements	**3,094,312**	24.4	1,425,000	18.6
Quoted equity instruments	**1,579,581**	12.4	1,375,180	17.9
Treasury bills	**1,200,370**	9.4	2,341,916	30.6
Treasury bonds	**108,391**	0.9	124,289	1.6
Quoted corporate debentures	**5,100**	0.0	5,100	0.1
Total other financial investments	**12,707,458**		7,664,313	

Investment concentration – 2019 [%]



Investment concentration – 2018 [%]



A.V Offsetting financial assets and liabilities

The disclosure set out in the table below include financial assets and liabilities that are offset in the Company's Statement of Financial Position or that are subject to an enforceable master netting arrangement or similar financial agreements. Similar financial agreements include sale and repurchase agreements, reverse sale and repurchase agreements and securities borrowing and lending agreements.

Master netting arrangements do not meet the criteria for offsetting in the Statement of Financial Position until event of default is occurred.

Table below shows financial assets subject to offsetting, enforceable master netting agreements and similar agreements:

As at 31 March 2019	Gross amount recognised in financial assets	Gross amount recognised in financial liabilities		Net exposure	Underlying security
		Offset in Statement of Financial Position	Not offset in Statement of Financial Position		
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	
Types of financial assets					
Securities purchased under resale agreements	3,094,312		3,094,312		Treasury bills
Loans and receivables to customers	1,661,782		1,661,782		Term deposits

As at 31 March 2018	Gross Amount recognised in financial assets	Gross amount recognised in financial liabilities		Net exposure	Underlying security
		Offset in Statement of Financial Position	Not offset in Statement of Financial Position		
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	
Types of financial assets					
Reverse sale and repurchase agreements	1,425,000		1,425,000		Treasury bills
Loans and receivables to customers	1,552,129		1,552,129		Term Deposits

B. Liquidity risk

B.I Exposure to liquidity risk

The key ratio used by the Company for managing liquidity risk is the ratio of net liquid assets to deposits from customers. For this purpose, "net liquid assets" includes cash and cash equivalents and investment-grade debt securities for which there is a active and liquid market. Details of the reported Company ratio of net liquid assets to deposits from customers at the reporting date and during the reporting period were as follows:

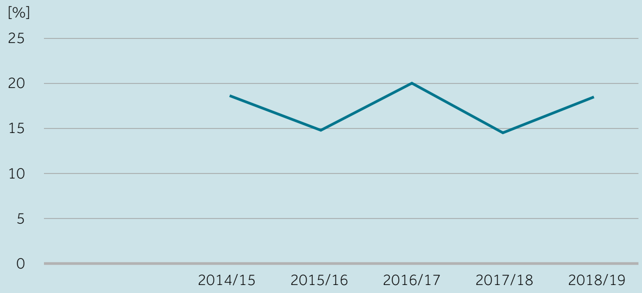
As at 31 March	2019 %	2018 %
As at 31 March	**18.46**	14.37
Average for the period	**14.51**	12.21
Maximum for the period	**19.28**	14.37
Minimum for the period	**10.27**	10.85

Minimum liquidity requirement

As per the Direction 4 of 2013 of Central Bank of Sri Lanka, every finance company shall maintain minimum holding of liquid assets. The table below sets out the components of the Company's holding of liquid assets:

As at 31 March	2019 Rs. '000	2018 Rs. '000
Required minimum amount of liquid assets	**5,942,582**	4,994,271
Total liquid assets	**10,786,904**	7,032,569
Excess liquidity	**4,844,322**	2,038,298

Liquidity risk



Rs. 11 Bn.
Liquid assets

B.II Maturity analysis for financial liabilities and financial assets

Detailed maturity analysis is given in Note 50.

The amounts shown in the maturity analysis above have been compiled by applying discounted cash flows which exclude future interest which is applicable. Some estimated maturities will be vary due to changes in contractual cashflows such as early repayment option of loans and receivables. As a part of the management of liquidity risk arising from financial liabilities, the Company holds liquid assets comprising cash and cash equivalents and debt securities which can be readily sold to meet liquidity requirements.

The table below sets out the carrying amounts of Company's non-derivative financial assets and financial liabilities expected to be recovered or settled more than 12 months after the reporting date:

		More than 12 months	
As at 31 March	Note	2019 (Rest.) Rs. '000	2018 (Rest.) Rs. '000
Financial assets			
Loans and receivables to customers	24	**45,058,060**	36,970,460
Other investment securities	25	**92,272**	251,409
Total financial assets		**45,150,332**	37,221,869
Financial liabilities			
Deposits from customers	33	**9,497,315**	9,277,036
Debt securities issued	34	**3,980,484**	3,060,775
Other interest-bearing liabilities	35	**18,666,345**	9,647,702
Total financial liabilities		**32,144,144**	21,985,513

B.III Liquidity reserves

The table below sets out the components of the Company's liquidity reserves:

As at 31 March	2019 Rs.	%	2018 Rs.	%
Cash and balances with other banks	**874,432**	**1.2**	2,217,984	3.1
Other cash and cash equivalents	**5,691,891**	**8.0**	1,154,279	1.6
Investments in Government securities	**4,220,581**	**5.9**	3,660,306	5.1
Total liquidity reserves	**10,786,904**		7,032,569	

B.IV Financial assets available for future funding

The table below sets out the availability of the Company's financial assets to support future funding.

As at 31 March 2019	Note	Encumbered		Unencumbered		
		Pledge as a collateral Rs. '000	Other* Rs. '000	Available as collateral Rs. '000	Other** Rs. '000	Total Rs. '000
Cash and cash equivalents	20				**1,093,874**	**1,093,874**
Financial assets measured at FVTPL	21				**1,687,004**	**1,687,004**
Loans and receivables to banks	22				**3,094,312**	**3,094,312**
Deposits with financial institutions	23	**818,298**		**5,901,406**		**6,719,704**
Loans and receivables from customers	24	**5,052,570**		**59,404,128**	**4,676,351**	**69,133,049**
Other investment securities	25				**1,313,861**	**1,313,861**
Non-financial assets				**6,390,635**		**6,390,635**
Total assets		**5,870,868**	**–**	**71,696,169**	**11,865,402**	**89,432,439**

** Represents assets that are not pledged but that the Company believes it is restricted from using to secure funding, for legal or other reasons.*

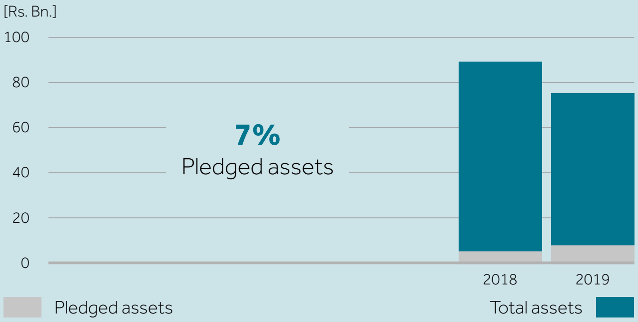
*** Represents assets that are not restricted for use as collateral, but the Company would not consider them as readily available to secure funding in the normal course of business.*

As at 31 March 2018	Note	Encumbered		Unencumbered		
		Pledge as a collateral Rs. '000	Other* Rs. '000	Available as collateral Rs. '000	Other** Rs. '000	Total Rs. '000
Cash and cash equivalents	20				2,974,825	2,974,825
Financial assets measured at FVTPL	21				1,485,315	1,485,315
Loans and receivables to banks	22				1,425,000	1,425,000
Deposits with financial institutions	23	779,243		1,613,584		2,392,827
Loans and receivables from customers	24	7,189,632		48,792,219	3,456,498	59,438,349
Investment securities	25				2,471,305	2,471,305
Non-financial assets		142,885		5,171,604		5,314,490
Total assets		8,111,760	–	55,577,407	11,812,943	75,502,110

** Represents assets that are not pledged but that the Company believes it is restricted from using to secure funding, for legal or other reasons.*

*** Represents assets that are not restricted for use as collateral, but the Company would not consider them as readily available to secure funding in the normal course of business.*

Financial assets pledged as collateral



C. Market risk

C. I. Exposure to market risk

The table below sets out the allocation of Company's assets and liabilities subject to market risk between trading and non-trading assets.

As at 31 March 2019	Note	Carrying amount	Market risk measure	
			Trading assets	Non-trading Assets
		Rs. '000	Rs. '000	Rs. '000
Assets subject to market risk				
Cash and cash equivalents	20	1,093,874		1,093,874
Financial assets measured at FVTPL	21	1,687,004	1,687,004	
Loans and receivables to banks	22	3,094,312		3,094,312
Deposits with financial institutions	23	6,719,704		6,719,704
Loans and receivables to customers	24	69,133,049		69,133,049
Other investment securities	25	1,313,861		1,313,861
Total assets subject to market risk		83,041,804	1,687,004	81,354,800
Liabilities subject to market risk				
Derivative financial liabilities	32	363,153	363,153	
Deposits from customers	33	47,236,367		47,236,367
Debt securities issued	34	3,980,483		3,980,483
Other interest-bearing liabilities	35	24,509,877		24,509,877
Total liabilities subject to market risk		76,089,880	363,153	75,726,727

As at 31 March 2018	Note	Carrying amount	Market risk measure	
			Trading assets	Non-trading assets
		Rs. '000	Rs. '000	Rs. '000
Assets subject to market risk				
Cash and cash equivalents	20	2,974,825		2,974,825
Financial assets measured at FVTPL	21	1,485,315	1,485,315	
Loans and receivables to banks	22	1,425,000		1,425,000
Deposits with financial institutions	23	2,392,827		2,392,827
Loans and receivables to customers	24	59,438,349		59,438,349
Other investment securities	25	2,471,305		2,471,305
Total assets subject to market risk		70,187,621	1,485,315	68,702,306
Liabilities subject to market risk				
Deposits from customers	33	44,709,832		44,709,832
Debt securities issued	34	4,081,033		4,081,033
Other interest-bearing liabilities	35	15,114,486		15,114,486
Total liabilities subject to market risk		63,905,351		63,905,351

C.II. Value at Risk (VaR)

Value at risk (VaR) is a statistical technique used to quantify the level of financial risk within a company or investment portfolio over a specific time period. It estimates how much a set of investments might lose in given normal market conditions.

VaR has been implemented in the Company to measure the market risk exposure of our trading assets on monthly basis. Company calculates VaR monthly using 95% confidential level and one month holding period. Our VaR Model is based on variance-covariance method which calculates portfolio's maximum loss by analysing historic market prices.

A summary of VaR positions as at 31 March 2019 and 2018 is given below:

2019	Carrying amount Rs. '000	Portfolio value Rs. '000	Risk adjusted Portfolio value Rs. '000	Value at risk Rs. '000
Financial assets measured at FVTPL				
Government securities	107,423	100,000	108,726	8,726
Quoted equity instruments	1,579,581	469,479	547,650	78,171
Total financial assets measured at FVTPL	1,687,004	569,479	656,376	86,897

2018	Carrying amount Rs. '000	Portfolio value Rs. '000	Risk adjusted Portfolio value Rs. '000	Value at risk Rs. '000
Financial assets measured at FVTPL				
Government securities	110,135	100,000	105,933	5,933
Quoted equity instruments	1,375,180	444,579	470,955	26,376
Total financial assets measured at FVTPL	1,485,315	544,579	576,888	32,309

C.III Exposure to interest rate risk

interest rate risk exists in interest-bearing assets, due to the possibility of a change in the asset's value resulting from the variability of interest rates. Since interest rate risk management has become imperative, CDB takes proactive measures to manage the exposure by forecasting the rate fluctuations. We perform scenario analysis in the course of observing liquidity position, market movements and reprise products-based thereon.

The following table exhibits the gap between the interest-earning financial assets and interest-bearing financial liabilities of the Company:

As at 31 March 2019	Note	Carrying amount Rs. '000	Maturity Less than 12 months Rs. '000	1-2 years Rs. '000	2-5 years Rs. '000	More than 5 years Rs. '000
Interest-bearing assets						
Financial assets measured at FVTPL	21	**1,687,004**	**1,687,004**			
Loans and receivables to banks	22	**3,094,312**	**3,094,312**			
Deposits with financial institutions	23	**6,719,704**	**6,719,704**			
Loans and receivables to customers	24	**69,133,049**	**24,074,988**	**16,084,306**	**26,976,332**	**1,997,423**
Other investment securities	25	**1,313,861**	**1,221,589**		**92,272**	
Total interest-bearing assets		**81,947,930**	**36,797,597**	**16,084,306**	**27,068,604**	**1,997,423**
Interest-bearing liabilities						
Derivative financial liabilities	32	**363,153**	**363,153**			
Deposits from customers	33	**47,236,367**	**37,739,052**	**7,203,717**	**2,293,598**	
Debt securities issued	34	**3,980,483**			**3,980,483**	
Other interest-bearing borrowings	35	**24,509,877**	**5,843,532**	**6,694,664**	**11,971,681**	
Total interest-bearing liabilities		**76,089,880**	**43,945,737**	**13,898,381**	**18,245,762**	
Net interest-bearing assets gap		**5,858,050**	**(7,148,140)**	**2,185,925**	**8,822,842**	**1,997,423**

As at 31 March 2018	Note	Carrying amount Rs. '000	Maturity Less than 12 months Rs. '000	1-2 years Rs. '000	2-5 years Rs. '000	More than 5 years Rs. '000
Interest-bearing assets						
Financial assets measured at FVTPL	21	1,485,315	1,485,315			
Loans and receivables to banks	22	1,425,000	1,425,000			
Deposits with financial institutions	23	2,392,827	2,392,827			
Loans and receivables to customers	24	59,438,349	22,467,889	14,973,940	20,715,073	1,281,447
Other investment securities	25	2,471,305	2,219,896	149,879	101,530	–
Total interest-bearing assets		67,212,796	29,990,927	15,123,819	20,816,603	1,281,447
Interest-bearing liabilities						
Deposits from customers	33	44,709,832	35,432,796	7,060,935	2,173,651	42,450
Debt securities issued	34	4,081,033	1,020,258		1,020,258	2,040,517
Other interest-bearing borrowings	35	15,114,486	5,466,784	4,215,904	5,187,015	244,783
Total interest-bearing liabilities		63,905,351	41,919,838	11,276,839	8,380,924	2,327,750
Net interest-bearing assets gap		3,307,445	(11,928,911)	3,846,980	12,435,679	(1,046,303)

Interest rate sensitivity

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Company's financial assets and financial liabilities to various standard and non-standard interest rate scenarios. Standard scenarios that considered are increase and decrease in interest rate by 100 basis points. This analysis assumes the financial position and performance is constant over the remaining financial year and movement of interest rate is immediate.

	2019		2018	
	100 bp		100 bp	
	Increase Rs.	Decrease Rs.	Increase Rs.	Decrease Rs.
Sensitivity of projected net interest income	**58,581**	**(58,581)**	33,074	(33,074)
Sensitivity of reported net assets	**58,581**	**(58,581)**	33,074	(33,074)

C.IV Exposure to currency risk

currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates and arises from financial instruments denominated in a foreign currency. Intention of managing currency risk is to curtail the currency losses incurred due to foreign currency transactions. CDB oversees the exposure by co-ordinating and being in line with the rates of forex dealing unit. We take initiatives to control the currency stocks in different currencies by exchanging and converting them in the best and a more profitable manner to compose a gain. Future Forex market movements and trends are considered when deciding rates to offer the customers and always intend to maintain in sequence with the Central Bank rate predictions to make the business more competitive.

Foreign currency exposures of the Company is shown below:

As at 31 March	2019			2018			
	Amount	Rate	Value Rs. '000	Amount	Rate LKR	Value Rs. '000	Net exposure Increase/ decrease (%)
EUR	**50,000**	**194.30**	**9,715**	88,457	152.60	13,507	(5)
USD	**130,060**	**174.17**	**22,652**	3,278	108.79	357	68
AUD	**30,812**	**122.18**	**3,765**	7,254	180.70	1,311	51
GBP	**9,773**	**226.51**	**2,214**	58,773	173.40	10,191	69
CAD	**5,973**	**128.87**	**770**	4,395	115.24	506	52
SGD	**4,406**	**127.84**	**563**	22,019	113.58	2,501	58

Exchange rate sensitivity

The management of exchange rate risk by monitoring the sensitivity of the Company's financial performance to various standard and non-standard exchange rate scenarios. Standard scenarios that considered are increased and decreased in exchange rate by 1% to 5%. This analysis assumes the exchange reserve position is constant over the remaining financial year as well.

Subsequent sensitivity analysis shows changes in LKR, against foreign currencies which would have increased/(decreased) impact to Company's financial performance.

As at 31 March	Shock	2019		2018	
	%	Strengthening Rs. '000	Weakening Rs. '000	Strengthening Rs. '000	Weakening Rs. '000
EUR	1	**97**	**(97)**	138	(138)
USD	1	**227**	**(227)**	113	(113)
EUR	3	**291**	**(291)**	413	(413)
USD	3	**680**	**(680)**	338	(338)
EUR	5	**486**	**(486)**	688	(688)
USD	5	**1,133**	**(1,133)**	563	(563)

C.V Exposure to equity price risk

Equity price risks arises as a result of fluctuations in market prices of individual equities and management conduct mark-to-market calculation on monthly basis and on a need basis to identify the impact.

The following table exhibits the impact on financial performance and net assets due to a shock of 10% on equity price.

As at 31 March	2019		2018	
	Financial assets measured at FVTPL Rs. '000	Total Rs. '000	Financial assets measured at FVTPL Rs. '000	Total Rs. '000
Market value of quoted equity instruments as at 31 March	**1,579,581**	**1,579,581**	1,375,180	1,375,180

Equity price sensitivity

The management of equity price risk is done by monitoring various standard and non-standard equity price scenarios and analysis is given below:

As at 31 March	2019			2018		
Shock Levels	Impact on profit Rs. '000	Impact on OCI Rs. '000	Impact on net assets Rs. '000	Impact on profit Rs. '000	Impact on OCI Rs. '000	Impact on net assets Rs. '000
10% shock (Increase)	**157,958**	**–**	**157,958**	137,518	–	137,518
10% shock (Decrease)	**(157,958)**	**–**	**(157,958)**	(137,518)	–	(137,518)

C.VI Exposure to gold price risk

Gold price risks arises as a result of fluctuations in market gold prices and Management conduct mark-to-market calculation on monthly basis and on a need basis to identify the impact.

As at 31 March	Total net weight of pawning articles (in Grams)	Market price per gram*	Total market value Rs. '000	Gold loan receivable amount Rs. '000	Value excess Rs. '000
2019	**495,450**	**7,312**	**3,622,934**	**2,439,859**	**1,183,075**
2018	322,857	6,535	2,109,935	1,410,496	699,439

** Gold prices were extracted from Central Bank of Sri Lanka*

Gold price sensitivity

The following table exhibits the impact on market value of the gold stock held due to a shock of 10% on gold price:

As at 31 March	2019		2018	
Shock Levels	Impact on market value Rs. '000	Impact on value excess Rs. '000	Impact on market value Rs. '000	Impact on value excess Rs. '000
10% shock (Increase)	**362,293**	**362,293**	210,994	210,994
10% shock (Decrease)	**(362,293)**	**(362,293)**	(210,994)	(210,994)

C.VII Exposure to Government security price risk

Government Security price risks arises as a result of fluctuations in market prices of Government securities and Management conduct mark-to-market calculation on monthly basis and on a need basis to identify the impact.

The following table exhibits the impact on financial performance and net assets due to a shock of 10% on Government Security Price.

As at 31 March	2019			2018		
	Financial Assets measured at (FVTPL) Rs. '000	Other financial assets Rs. '000	Total Rs. '000	Financial assets measured at FVTPL Rs. '000	Other financial assets Rs. '000	Total Rs. '000
Government securities	**107,423**	**1,308,761**	**1,416,184**	110,135	2,466,205	2,576,340

Government security price sensitivity

The following table exhibits the impact on market value of the Government securities held due to a shock of 10% on market price:

As at 31 March	2019			2018		
Shock Levels	Impact on profit Rs. '000	Impact on OCI Rs. '000	Impact on net assets Rs. '000	Impact on profit Rs. '000	Impact on OCI Rs. '000	Impact on net assets Rs. '000
10% shock (Increase)	**12,510**	**–**	**12,510**	25,646	–	25,646
10% shock (Decrease)	**(12,510)**	**–**	**(12,510)**	(25,646)	–	(25,646)

Rates on Government securities as per Central Bank of Sri Lanka 2018/19 – during the year

Shock Levels	Last traded rate as at 31 March 2019 %	Minimum rate %	Maximum rate %	Last traded rate as at 31 March 2018 %
Treasury Bills				
91 Days	**9.39**	8.00	10.07	8.17
181 Days	**9.67**	8.60	10.03	8.52
364 Days	**10.4**	8.97	11.25	9.69
Treasury Bonds				
3 Years	**10.85**	9.7859	11.88	9.85
7 Years	**10.32**	10.1086	10.53	10.34

D. Capital management

Central Bank of Sri Lanka (CBSL) has introduce a New Capital Adequacy Framework intended to foster a strong emphasis on risk management and to encourage improvements in LFC's risk assessment capabilities by repealing the earlier Direction No. 02 of 2006.

Under the earlier Direction risk confined only to credit risk and no capital requirements for other risks such as market and operational risk. With the introduction of new capital Adequacy Direction No. 03 of 2018, it provides for maintenance of capital adequacy ratios on a more risk sensitive focus covering credit risk and operational risks under basic approach available in Basel II accord.

The minimum requirement for core capital adequacy ratio and total capital adequacy ratio are 6 % and 10% respectively for assets less than 100BN LFCs.

The core capital represents the permanent shareholders equity and reserves created or increased by appropriations of retained earnings or other surpluses and the total capital includes in addition to the core capital the revaluation reserves, general provisions/ impairment allowances and unsecured subordinated debts.

The risk-weighted assets have been calculated by multiplying the value of each category of asset using the risk weight specified by the Central Bank of Sri Lanka for credit risk and the basic indicator approach is used for operational risk.

Details of the computation of Company's capital adequacy and the resulting ratios are given below:

Capital adequacy for 31 March 2019 as per new direction

	As per new direction				
	Balance				Risk-weighted balance
As at 31 March 2019	Amount Rs. '000	Credit equivalent of off-balance sheet items Rs. '000	Total Rs. '000	Risk weight factor %	2019 Rs. '000
Claims on Government of Sri Lanka, Public Sector Entities and Central Bank of Sri Lanka					
Government of Sri Lanka					
Outright purchase	4,510,497	–	4,510,497	–	**–**
Others	–	–	–	–	**–**
Public sector entities					
AAA to BBB-	–	–	–	20	**–**
BB+ to B-	–	–	–	50	**–**
Below B-	–	–	–	150	**–**
Unrated	–	–	–	100	**–**
Central Bank of Sri Lanka	–	–	–	–	**–**
Claims on financial institutions					
Banks					
AAA to BBB-	6,663,738	–	6,663,738	20	**1,332,748**
BB+ to B-	300,718	–	300,718	50	**150,359**
Below B-	–	–	–	150	**–**
Unrated	–	–	–	100	**–**
Financial institutions					
AAA to AA-	–	–	–	20	**–**
A+ to A-	–	–	–	50	**–**
BBB+ to BBB-	728,046	–	728,046	75	**546,034**
BB+ to BB-	–	–	–	100	**–**
Below BB-	–	–	–	150	**–**
Unrated	–	–	–	100	**–**
Claims on corporates					

As at 31 March 2019	As per new direction				
	Balance				Risk-weighted balance
	Amount Rs. '000	Credit equivalent of off-balance sheet items Rs. '000	Total Rs. '000	Risk weight factor %	2019 Rs. '000
AAA to AA-	–	–	–	20	–
A+ to A-	–	–	–	50	–
BBB+ to BBB-	–	–	–	75	–
BB+ to BB-	–	–	–	100	–
Below BB-	–	–	–	150	–
Unrated	–	–	–	100	–
Retail claims					
Retail claims in respect of motor vehicles and machinery	55,065,959	–	55,065,959	100	55,065,959
Claims secured by Gold					
Outstanding claim portion up to 70% of the market value	2,439,859	–	2,439,859	–	–
Remaining outstanding claim portion over 70% of the market value	–	–	–	100	–
Retail claims secured by immovable property					
Retail claims that qualify for regulatory capital purposes	840,114	–	840,114	50	420,057
Retail claims that do not qualify for regulatory capital purposes	3,437,143	–	3,437,143	100	3,437,143
Other retail claims	1,946,700	91,532	2,038,232	125	2,547,790
Claims secured by commercial real estate	–	–	–	100	–
Non-Performing Assets (NPAs)					
Non-performing retail claims secured by immovable property					
Specific provisions are equal or more than 20%	–	–	–	50	–
Specific provisions are less than 20%	742,389	–	742,389	100	742,389
Other non-performing assets					
Specific provisions are equal or more than 20%	2,549,675	–	2,549,675	100	2,549,675
Specific provisions are less than 20%	–	–	–	150	–
Higher-risk categories	–	–	–	150	–
Other claims (assets)					
Notes and coins	570,501	–	570,501	–	–
Gold bullion held in own vault	–	–	–	–	–
Cash items in the process of collection	–	–	–	20	–
Fixed assets	2,389,385	–	2,389,385	100	2,389,385
Other assets/exposures	4,499,983	–	4,499,983	100	4,499,983
	86,684,707	91,532	86,776,239		73,681,522

Item	Amount Rs. '000
Tier I capital	7,894,367
Stated capital	1,185,062
Non-cumulative, non-redeemable preference shares	–
Reserve fund	1,662,911
Audited retained earnings/(losses)	5,046,394
(Less) Revaluation gains/surplus of investment property	–
General and other disclosed reserves	–
Current year's profit/(losses)	–
Adjustments to Tier I capital	1,262,616
Goodwill (net)	–
Other intangible assets (net)	82,791
Other comprehensive income losses	–
Deferred tax assets (net)	–
Shortfall of the cumulative impairment to total provisions and interest in suspense	678,246
50% of investment in banking and financial subsidiary companies	254,959
50% of investment in other banking and financial institutions	246,620
Shortfall of capital in financial subsidiaries	–
Tier I capital (after adjustments)	6,631,751
Tier II capital	2,937,517

Item	Amount Rs. '000
Instruments qualified as Tier II capital	2,722,489
Revaluation gains	215,028
General provisions/collective impairment allowances	–
Eligible Tier II capital	2,937,517
Total adjustments to eligible Tier II capital	501,579
50% of investment in banking and financial subsidiary companies	254,959
50% of investment in other banking and financial institutions	246,620
Eligible Tier II capital after adjustments	2,435,939
Total capital	9,067,690

Computation as at 31 March 2019 under the new direction:

	Amount Rs. '000
Tier I capital	6,631,751
Total capital	9,067,690
Total risk-weighted amount	81,925,127
Risk-weighted amount for credit risk	73,681,522
Risk-weighted amount for operational risk	8,243,605
Tier I capital ratio (%)	8.09
Total capital ratio (%)	11.07

Note: The above figures arrived after considering proposed cash dividend and WHT impact on scrip issue.

The fair value of the investment in Ceylinco Insurance PLC was scheduled for deduction from capital in three annual tranches, beginning from 31 March 2019 when computing the capital adequacy ratios.

Capital adequacy for 31 March 2018 as per previous direction

As at 31 March	2018		
	Balance Rs. '000	Risk factor Rs. '000	Risk-weighted balance Rs. '000
Risk-weighted assets computation			
Assets			
Cash and bank balances	2,974,825		
Investment in Government securities	4,001,340		
Bank deposits	2,392,827	20	478,565
Loans against fixed deposits	1,552,129		
Loans against gold and jewellery	1,410,496		
Loans and advances	56,475,724	100	56,475,724
Other investment	1,364,573	100	1,364,573
Other assets	2,689,200	100	2,689,200
Fixed assets	2,115,371	100	2,115,371
Total risk-weighted assets	74,976,485		63,123,433
Capital base computation			
Capital base			
Core capital			
Stated capital			1,185,062
Reserve fund			1,320,873
General and other free reserve			–
Published retained earnings			4,213,469
Total core capital			6,719,404

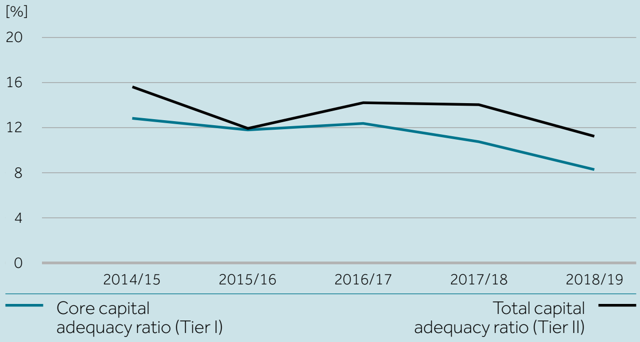
As at 31 March	2018 Balance Rs. '000	2018 Risk factor Rs. '000	2018 Risk-weighted balance Rs. '000
Supplementary capital			
Eligible approved unsecured subordinated term debts			**2,598,445**
General provision			
Total supplementary capital			**2,598,445**
Total capital			**9,317,849**
Deductions:			
Equity investments in unconsolidated financial and banking subsidiaries			**(509,918)**
Investments in capital of other financial associates/banks			**(15,708)**
Capital base			**8,792,223**

The Company's policy is to maintain a strong capital base to maintain investor, creditor and market confidence and to sustain the future development of the business. The Company and its individually-regulated operations have complied with all externally imposed capital requirements.

D.II Capital adequacy ratio

			2019 %	2018 %
Core capital adequacy ratio (Tier I)	Core capital	*100%	**8.09**	10.64
	Risk-weighted assets			
Total capital adequacy ratio (Tier II)	Capital base	*100%	**11.07**	13.93
	Risk-weighted assets			

Capital adequacy ratio



8.09%
Tier I

11.07%
Tier I and Tier II

D.III Capital allocation

Management uses regulatory capital ratios to monitor its capital base. The allocation of capital between specific operations and activities is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based primarily on regulatory capital requirements, but in some cases the regulatory requirements do not fully reflect the varying degree of risk associated with different activities. In such cases the, the capital requirements may be fixed to reflect differing risk profiles, subject to the overall level of capital to support a particular operation or activity not falling below the minimum required for regulatory purposes. The process of allocating capital to specific operations and activities is undertaken independently of those responsible for the operation by Company risk and Company credit and is subject to review by the Company ALCO.

Although maximisation of the return on risk-adjusted capital is the principal basis used in determining how capital is allocated within the Company to particular operations or activities, it is not the sole basis used for decision-making. Account is also taken of synergies with other operations and activities, the availability of Management and other resources, and the fit of the activity with the Company's longer-term strategic objectives. The Company's policies in respect of capital management and allocation are reviewed regularly by the Board of Directors.

Nothing is an accident. Our current, cutting-edge product offering, ranging from social media fund transfers to CDBiDeposit, is a result of hard work and emerges out of the culture of ingenuity at CDB, guided by our core values of innovation and perseverance.

Levia is a marble top levitating led lamp, designed and made in Italy, with anti-fall system and energy efficiency. It works via electromagnetic induction and magnetic levitation.

SUPPLEMENTARY REPORTS

This section provides important additional material that supports information provided in the earlier sections.

ENVISIONING: INNER THEMATIC PAGES

In our inner thematic pages, we featured some of the most unique concepts and pioneering inventions from around the world. Here is further information about these ground-breaking inventions and concepts.

Solar Roadways

"I see a vision for roads and walkways to be modern, intelligent, safer, attractive, dynamic, modular and easy to install and maintain."

Scott Brusaw, co-founder, Solar Roadways.

The Solar Roadways® is an ambitious, renewable energy project to turn roads into energy producers. It makes driveable solar panels for roads and is funded by the US Department of Transportation (DOT). The road would be made of individual solar cells to collect sunlight. The project currently has a pilot 30-panel installation in Sandpoint, USA.

http://www.solarroadways.com/About/Journey

Grayl® Geopress

It is the fastest, most versatile water purifier in the world. In only seconds, Geopress makes 24oz of clean, purified drinking water – anywhere in the world. Designed for international travel, it provides complete protection by removing all waterborne pathogens (virus, bacteria, protozoan cysts) and filtering chemicals, heavy metals, and even microplastics.

https://grayl.com/

Skyfarms

Inspired by Dr Dickson Despommier's concept of vertical farm, Skyfarm takes advantage of hydroponic system as substitution to soil-based agricultural extensions, yet it is able to produce the same food but more efficient and healthy thanks to controlled environment (heat, light, moisture). Urban Skyfarm will be a zero energy facility, it uses renewable energy produced by both solar and wind energy for the production process, including transportation and food distribution.

http://www.tuvie.com/urban-skyfarm-future-vertical-farm-for-urban-areas/

Eco bus stop

ECO bus station emphasises the utilisation of renewable energy. In a sunny day, it absorbs solar energy, and using it for power station facilities. In a rainy day, it collects rain water for irrigation of the plant in the station. With the using of public facilities in the station, it spreads the concept of eco-environmental protection in order to guide people to choose eco-environmental protection of urban lifestyle.

https://ifworlddesignguide.com/entry/48791-eco-bus-stop

"The Float": Renault's hover car

Designed by Yunchen Chai in collaboration with Renault, The Float is the car of the future that employs Maglev tech (magnetic levitation) instead of wheels. Based on the same technology as Tesla's conceptual hyper-loop, and the high-speed rail in Japan, the Renault Float is a concept car for the smart cities of the future.

https://www.youtube.com/watch?v=B6K-yQaWgTw

https://www.autoexpress.co.uk/renault/101028/renault-s-autonomous-car-of-the-future-unveiled-in-london

"Digit": The delivery robot

"Go where humans go"

Ford Motor Co., in collaboration with Agility Robotics have come up with a state-of-the-art delivery robot. The lightweight robot, which was designed and built by Agility Robotics, can lift and carry packages of up to 40lbs (18kg). It can climb stairs, manage uneven terrain, and recover from being bumped or knocked without falling over. The robot is designed to operate from a self-driving vehicle, so that the AV can bring the robot to the destination, and the robot completes the delivery.

http://www.agilityrobotics.com/

Levia: The levitating lamp

Levia is a marble top levitating LED lamp, designed and made in Italy, with anti-fall system and energy efficiency. It works via electromagnetic induction and magnetic levitation. The light bulb has not internal batteries and it's warm light. Its design, with the highest quality materials, makes Levia one of a kind.

https://www.kickstarter.com/projects/idea3di/levia-unique-levitating-marble-lamp?ref=project_link

USD ACCOUNTS

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Given below are the set of Financial Statements of the Company and the Group presented using USD denomination as at the reporting date based on the guidelines sets in LKAS 21 – "The effect of changes in foreign exchange rates".

	COMPANY		GROUP	
For the year ended 31 March	2019 USD	2018 USD	2019 USD	2018 USD
Revenue	**92,207,574**	76,674,447	**96,069,908**	78,399,384
Interest income	**80,479,140**	65,824,003	**83,359,093**	67,144,363
Interest expense	**50,809,164**	43,349,566	**52,144,768**	43,624,766
Net interest income	**29,669,976**	22,474,437	**31,214,325**	23,519,597
Fee and commission income	**2,908,386**	2,641,421	**3,879,526**	3,022,713
Other operating income	**8,820,048**	8,209,023	**8,831,289**	8,232,308
Total operating income	**41,398,410**	33,324,881	**43,925,140**	34,774,617
Less: Impairment charges and other credit losses on financial assets	**6,044,456**	2,406,454	**6,463,447**	2,577,112
Net operating income	**35,353,954**	30,918,427	**37,461,693**	32,197,505
Less: Operating expenses				
Personnel expenses	**7,689,582**	6,812,973	**8,025,004**	7,050,000
Premises, equipment and establishment expenses	**9,750,610**	8,695,801	**10,265,219**	8,840,523
Other expenses	**3,134,685**	2,660,705	**3,506,859**	2,919,792
Total operating expenses	**20,574,877**	18,169,479	**21,797,082**	18,810,315
Profit before taxes on financial services	**14,779,077**	12,748,948	**15,664,611**	13,387,196
Less: Taxes on financial services	**2,791,535**	1,774,210	**2,968,166**	1,908,899
Profit before tax	**11,987,542**	10,974,738	**12,696,445**	11,478,298
Less: Income tax expense	**2,277,710**	1,858,355	**2,430,653**	2,017,326
Profit for the year	**9,709,832**	9,116,383	**10,265,792**	9,460,972
Profit attributable to:				
Equity holders of the Company	**9,709,832**	9,116,383	**10,209,578**	9,426,643
Non-controlling interest	**–**	–	**56,214**	34,329
Profit for the year	**9,709,832**	9,116,383	**10,265,792**	9,460,972
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Net change in revaluation surplus:				
Increase in revaluation surplus	**1,140,090**	388,016	**1,140,090**	388,016
Less: Deferred tax on revaluation surplus	**(319,224)**	(1,095,556)	**(319,224)**	(1,095,556)
Net actuarial loss on defined benefit plan	**(398,808)**	(32,327)	**(398,047)**	(32,687)
	422,058	(739,867)	**422,819**	(740,228)
Total other comprehensive income	**422,058**	(739,867)	**422,819**	(740,228)
Total comprehensive income for the year	**10,131,890**	8,376,516	**10,688,611**	8,720,739
Total comprehensive income attributable to:				
Equity holders of the Company	**10,131,890**	8,376,516	**10,632,323**	8,686,445
Non-controlling interest	**–**	–	**56,288**	34,294
Total comprehensive income for the year	**10,131,890**	8,376,516	**10,688,611**	8,720,739
Earnings per share				
Basic/Diluted earnings per share	**0.18**	0.17	**0.19**	0.17

Consolidated Statement of Financial Position

As at 31 March	COMPANY 2019 USD	COMPANY 2018 USD	GROUP 2019 USD	GROUP 2018 USD
Assets				
Cash and cash equivalents	**6,210,606**	19,354,749	**6,752,121**	19,776,597
Financial instruments measured at FVTPL	**9,578,175**	9,663,729	**9,805,331**	9,884,366
Loans and receivables to banks	**17,568,342**	9,271,308	**18,141,174**	9,598,936
Deposits with financial institutions	**38,151,956**	15,568,168	**38,151,956**	15,568,165
Loans and receivables from customers	**392,511,486**	386,716,651	**406,416,170**	394,179,538
Other investment securities	**7,459,609**	16,078,760	**7,489,790**	16,113,097
Investment in subsidiaries	**2,895,123**	3,317,617	**–**	–
Investment property	**114,677**	131,412	**114,677**	131,412
Property, plant and equipment	**13,451,354**	13,202,485	**13,535,548**	13,290,677
Intangible assets	**470,056**	560,504	**555,487**	661,627
Goodwill on consolidation	**–**	–	**1,386,362**	1,588,679
Other assets	**19,352,422**	17,365,007	**19,871,454**	17,564,489
Total assets	**507,763,805**	491,230,390	**522,220,070**	498,357,580
Liabilities				
Derivative financial liabilities	**2,061,846**	–	**2,061,846**	–
Deposits from customers	**268,190,354**	290,890,254	**268,112,065**	290,861,477
Debt securities issued	**22,599,688**	26,551,938	**22,599,688**	26,551,939
Other interest-bearing borrowings	**139,157,878**	98,337,577	**150,308,590**	103,002,537
Current tax liabilities	**3,161,006**	3,297,275	**3,594,743**	2,897,899
Deferred tax liabilities	**7,706,915**	5,186,130	**7,585,653**	5,772,284
Retirement benefit obligation	**41,838**	395,099	**43,610**	396,988
Other liabilities	**15,645,376**	20,037,320	**17,551,819**	21,641,295
Total liabilities	**458,564,901**	444,695,593	**471,858,014**	451,124,418
Equity				
Stated capital	**6,728,337**	7,710,225	**6,728,337**	7,710,228
Reserves	**12,720,638**	9,587,703	**12,720,553**	11,444,366
Retained earnings	**29,749,929**	29,236,869	**30,654,295**	27,842,990
Total equity attributable to equity holders of the Company	**49,198,904**	46,534,797	**50,103,185**	46,997,584
Non-controlling interest	**–**	–	**258,871**	235,577
Total equity	**49,198,904**	46,534,797	**50,362,056**	47,233,161
Total liabilities and equity	**507,763,805**	491,230,390	**522,220,070**	498,357,580
Net assets value per share	**0.91**	0.85	**0.92**	0.86

QUARTERLY STATISTICS

COMPANY

	2018/19 Rs. '000				2017/18* Rs. '000			
	30.06.2018	30.09.2018	31.12.2018	31.03.2019	30.06.2017	30.09.2017	31.12.2017	31.03.2018
Statement of profit or loss								
Revenue	**3,586,980**	**4,224,459**	**4,339,334**	**4,089,719**	2,400,100	2,684,810	3,244,060	3,455,891
Net interest income	**1,136,406**	**1,308,458**	**1,510,300**	**1,270,608**	715,608	794,442	932,077	1,012,194
Total operating income	**1,500,962**	**2,015,390**	**2,026,835**	**1,748,287**	1,002,374	1,081,079	1,468,140	1,570,440
Net operating income	**1,296,897**	**1,472,563**	**1,669,107**	**1,788,297**	906,149	1,033,280	1,350,513	1,462,220
Non-interest expenses	**823,826**	**922,772**	**1,009,117**	**868,139**	664,237	758,610	705,970	663,832
Profit before tax	**400,970**	**448,228**	**506,514**	**755,625**	188,899	206,170	548,360	743,388
Income tax expense	**80,224**	**105,861**	**129,088**	**86,000**	63,473	80,717	100,981	40,458
Profit for the period	**320,746**	**342,367**	**377,426**	**669,625**	125,426	125,453	447,379	702,930
Statement of financial position								
Total assets	**78,978,338**	**82,259,800**	**87,968,467**	**89,430,442**	56,394,954	63,073,631	67,304,227	75,502,110
Loans and receivables to customers	**63,986,309**	**67,229,926**	**68,661,421**	**69,133,048**	45,311,120	50,315,862	54,493,084	59,438,349
Deposits and borrowings	**67,597,965**	**70,207,006**	**76,165,951**	**76,089,881**	47,327,255	53,702,475	57,029,097	63,905,351
Shareholder's funds	**7,468,660**	**7,535,018**	**7,867,291**	**8,665,403**	6,447,104	6,427,092	6,867,565	7,152,399
Key ratios								
Net assets value per share (Rs.)	**137.53**	**138.75**	**144.87**	**159.57**	118.72	118.35	126.46	131.71
Return on average shareholders' equity (annualise %)	**17.55**	**18.06**	**18.47**	**21.62**	13.31	16.30	16.89	20.92
Non-performing accommodations ratio (%)	**2.32**	**3.46**	**3.93**	**3.84**	1.79	1.73	1.54	0.89
Capital adequacy								
Tier I (%)	**9.93**	**8.30**	**8.32**	**7.80**	12.16	11.00	10.93	10.64
Tier I and II (%)	**12.66**	**11.06**	**10.75**	**11.05**	13.47	12.19	11.73	13.93

**Comparatives for 2017/18 has been prepared based on SLFRS 9 – "Financial Instruments".*

TEN YEAR STATISTICAL SUMMARY

	2018/19 Rs. '000	2017/18 Rs. '000	2016/17 Rs. '000
Operating results			
Income	**16,240,520**	11,784,862	8,591,218
Interest income	**14,174,791**	10,117,149	7,587,180
Interest expenses	**8,949,018**	6,662,828	4,699,482
Non-interest income	**2,065,729**	1,667,713	1,004,038
Operating expenses (including taxes on financial services)	**5,180,136**	3,435,217	2,664,235
Profit before tax	**2,111,366**	1,686,817	1,227,501
Income tax expense	**401,173**	285,629	220,986
Profit after tax	**1,710,193**	1,401,188	1,006,515
Liabilities and shareholders' funds			
Deposits from customers	**47,236,367**	44,709,832	32,601,836
Interest – bearing borrowings	**28,853,513**	19,195,517	13,032,648
Other liabilities	**3,319,737**	3,583,543	1,429,915
Deferred tax liabilities	**1,357,419**	860,819	628,721
Shareholders' funds	**8,665,403**	7,152,399	6,241,165
Total liabilities and shareholders' funds	**89,432,439**	75,502,110	53,934,285
Assets			
Loans and receivables to customers	**69,133,049**	59,438,349	43,189,010
Cash and short-term funds	**13,908,755**	10,749,272	5,695,608
Property, plant and equipment	**2,369,187**	2,029,222	1,839,091
Other assets	**4,021,448**	3,285,267	3,210,576
Total assets	**89,432,439**	75,502,110	53,934,285
Ratios			
Growth in income (%)	**38**	37	15
Growth in interest expenses (%)	**34**	42	31
Growth in other expenses (%)	**5**	29	3
Growth in profit after tax (%)	**22**	39	1
Growth in total assets (%)	**18**	40	7
Earnings per share (Rs.)	**31.49**	25.80	18.53
Return on average assets (%)	**2.07**	2.17	1.93
Dividend per share (Rs.)		5.00	3.50

** 15 months period*

2015/16 Rs. '000	2014/15 Rs. '000	2013/14 Rs. '000	2012/13 Rs. '000	2011/12 Rs. '000	2010/11 Rs. '000	2009/10* Rs. '000
7,486,004	6,907,077	6,267,086	4,389,593	2,892,653	226,023	1,898,899
6,647,024	6,251,533	5,895,604	4,087,387	2,555,433	1,731,159	1,794,819
3,588,413	3,381,455	3,553,403	2,386,570	1,311,936	912,786	1,190,635
838,980	655,544	481,482	302,206	337,220	494,864	104,080
2,643,648	2,574,201	2,093,715	1,378,740	1,048,410	751,966	619,525
1,253,944	951,420	729,968	624,282	532,307	561,271	88,740
248,790	249,686	168,755	135,118	13,840	29,461	9,163
1,005,154	701,734	561,213	489,164	518,467	531,810	79,577
30,887,693	27,079,134	24,518,193	17,771,173	11,699,663	7,700,659	4,837,876
12,345,820	4,824,245	4,314,338	2,763,083	2,155,694	1,027,654,377	828,926
1,861,067	1,526,248	1,213,714	922,665	456,069	493,578,084	495,787
479,764	282,079	145,383	31,912	–	–	–
5,051,968	4,302,003	3,576,914	2,965,098	2,302,503	1,098,702	513,215
50,626,312	38,013,709	33,768,542	24,453,931	16,613,929	10,390,593	6,675,804
38,538,920	29,378,799	25,724,945	19,450,587	13,469,076	8,081,942	5,035,084
7,765,844	4,734,541	3,168,727	1,540,598	626,231	320,139	851,278
1,606,958	1,421,343	1,004,471	657,718	470,980	237,822	200,670
2,714,590	2,479,026	3,870,400	2,805,028	2,047,642	1,750,690	588,772
50,626,312	38,013,709	33,768,542	24,453,931	16,613,929	10,390,593	6,675,804
8	8	45	52	28	17	16
6	(5)	49	82	44	(23)	9
3	30	52	32	33	21	30
43	25	15	(6)	(3)	568	22
33	13	38	47	60	53	(2)
18.51	12.92	10.33	9.99	10.28	12.76	1.60
2.27	1.96	1.93	2.38	3.84	6.30	1.18
3.50	3.50	3.00	2.75	2.50	2.00	0.50

SUSTAINABILITY ASSURANCE REPORT

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INDEPENDENT ASSURANCE REPORT TO CITIZENS DEVELOPMENT BUSINESS FINANCE PLC

We have been engaged by the Directors of Citizens Development Business Finance PLC ("the Company") to provide reasonable assurance and limited assurance in respect of the Sustainability Indicators as identified below for the year ended 31 March 2019. The Sustainability Indicators are included in the Citizens Development Business Finance PLC's Integrated Annual Report for the year ended 31 March 2019 (the "Report").

The Reasonable assurance sustainability indicators covered by our reasonable assurance engagement are:

Assured sustainability indicators	Integrated annual report page
Financial highlights presented	Inner cover

The limited assurance sustainability indicators covered by our limited assurance engagement are:

Limited assurance sustainability indicators	Integrated annual report page
Non-financial highlights presented under "Social Highlights"	Inner cover
Information provided on following stakeholder groups:	
• Investors – Financial capital and investor capital	30-35 and 84-95
• Customers – Institutional capital and customer capital	36-43 and 44-53
• Employees – Employee capital	54-63
• Business partners, regulators and society – Business partner capital and social capital	80-83 and 64-69
• Environment – Natural capital	70-79

Our conclusions:

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this Report.

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

Reasonable assurance sustainability indicators

In our opinion, the reasonable assurance sustainability indicators, as defined above, for the year ended 31 March 2019 are, in all material respects, prepared and presented in accordance with the GRI Standards.

Limited assurance sustainability indicators

Based on the limited assurance procedures performed and the evidence obtained, as described below, nothing has come to our attention that causes us to believe that the limited assurance sustainability indicators, as defined above, for the year ended 31 March 2019, have not in all material respects, been prepared and presented in accordance with the GRI Standards.

Management's responsibility

Management is responsible for the preparation and presentation of the reasonable assurance sustainability indicators and the limited assurance sustainability indicators in accordance with the GRI Standards.

These responsibilities includes establishing such internal controls as management determines are necessary to enable the preparation of the reasonable assurance sustainability indicators and the limited assurance sustainability indicators that are free from material misstatement whether due to fraud or error.

Management is responsible for preventing and detecting fraud and for identifying and ensuring that the Company complies with laws and regulations applicable to its activities.

Management is also responsible for ensuring that staff involved with the preparation and presentation of the description and Report are properly trained, information systems are properly updated and that any changes in reporting encompass all significant business units.

Our responsibility

Our responsibility is to express a reasonable assurance conclusion on the Company's preparation and presentation of the reasonable assurance sustainability indicators and a limited assurance conclusion on the preparation and presentation of the limited assurance sustainability indicators included in the Report, as defined above.

We conducted our assurance engagement in accordance with Sri Lanka Standard on Assurance Engagements SLSAE 3000: Assurance Engagements other than Audits or Reviews of Historical Financial Information (SLSAE 3000) issued by The Institute of Chartered Accountants of Sri Lanka.

We have complied with the independence and other ethical requirements of the Code of Ethics issued by The Institute of Chartered Accountants of Sri Lanka.

SLSAE 3000 requires that we plan and perform the engagement to obtain reasonable assurance about whether the reasonable assurance sustainability indicators are free from material misstatement and limited assurance about whether the limited assurance sustainability indicators are free from material misstatement.

Reasonable assurance over reasonable assurance sustainability indicators

The procedures selected in our reasonable assurance engagement depend on our judgement, including the assessment of the risks of material misstatement of the reasonable assurance sustainability indicators whether due to fraud or error.

In making those risk assessments, we have considered internal control relevant to the preparation and presentation of the reasonable assurance sustainability indicators in order to design assurance procedures that are appropriate in the circumstances, but not for the purposes of expressing a conclusion as to the effectiveness of the Company's internal control over the preparation and presentation of the Report.

Our engagement also included assessing the appropriateness of the reasonable assurance sustainability indicators, the suitability of the criteria, being the GRI Standards, used by the Company in preparing and presenting the reasonable assurance sustainability indicators within the Report, obtaining an understanding of the compilation of the financial and non-financial information to the sources from which it was obtained, evaluating the reasonableness of estimates made by the Company, and re-computation of the calculations of the reasonable assurance sustainability indicators.

Limited assurance on the assured sustainability indicators

Our limited assurance engagement on the Limited assurance sustainability indicators consisted of making enquiries, primarily of persons responsible for the preparation of the limited assurance sustainability indicators, and applying analytical and other procedures, as appropriate. These procedures included:

- interviews with Senior Management and relevant staff at corporate and selected site level concerning sustainability strategy and policies for material issues, and the implementation of these across the business;
- enquiries of Management to gain an understanding of the Company's processes for determining material issues for the Company's key stakeholder groups;
- enquiries of relevant staff at corporate and selected site level responsible for the preparation of the limited assurance sustainability indicators;
- enquiries about the design and implementation of the systems and methods used to collect and report the limited assurance sustainability indicators, including the aggregation of the reported information;
- comparing the limited assurance sustainability indicators to relevant underlying sources on a sample basis to determine whether all the relevant information has been appropriately included in the Report;
- reading the limited assurance sustainability indicators presented in the Report to determine whether they are in line with our overall knowledge of, and experience with, the sustainability performance of the Company;
- reading the remainder of the Report to determine whether there are any material misstatements of fact or material inconsistencies based on our understanding obtained as part of our assurance engagement.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement, and consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Accordingly, we do not express a reasonable assurance conclusion on the Limited Assurance Sustainability Indicators.

Purpose of our Report

In accordance with the terms of our engagement, this assurance Report has been prepared for the Company for the purpose of assisting the Directors in determining whether the Company's Reasonable and limited assurance sustainability indicators are prepared and presented in accordance with the GRI Standards and for no other purpose or in any other context.

Restriction of use of our report

Our Report should not be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than the Company, for any purpose or in any other context. Any party other than the Company who obtains access to our report or a copy thereof and chooses to rely on our report (or any part thereof) will do so at its own risk. To the fullest extent permitted by law, we accept or assume no responsibility and deny any liability to any party other than the Company for our work, for this Independent Assurance Report, or for the conclusions we have reached.

KPMG

CHARTERED ACCOUNTANTS
Colombo
31 July 2019

GRI INDEX

Global Reporting Initiative (GRI) Content Index for "in accordance" – Core

GRI Standard/Disclosure	Disclosure	Page number (s) and/URL (s)	Comments
GRI 101: Foundation 2016			
General disclosures			
GRI 102: General Disclosures 2016			
Organisational profile			
Disclosure 102-1	Name of the organisation	300	Corporate information
Disclosure 102-2	Activities brands, products and services	47, 48	Product portfolio
Disclosure 102-3	Location of headquarters	Cover	Queries – Introducing our report
Disclosure 102-4	Location of operations	49	Customer touch points
Disclosure 102-5	Ownership and legal form	300	Corporate information
Disclosure 102-6	Markets served	47	Customer on boarding
Disclosure 102-7	Scale of the organisation	30	Financial capital
Disclosure 102-8	Information on employees and other workers	54	Employee capital
Disclosure 102-9	Supply chain	82	Supply chain
Disclosure 102-10	Significant changes to the organisation and its supply chain	82	Supply chain
Disclosure 102-11	Precautionary principle or approach	102	Snapshot of key risk and mitigation strategies
Disclosure 102-12	External initiatives	64 – 69	Social capital
Disclosure 102-13	Membership of associations	83	Memberships
Strategy			
Disclosure 102-14	Statement from senior decision-maker	2 – 4	Chairman's review
Ethics and integrity			
Disclosure 102-16	Values, principles, standards and norms of behaviour	18	Sustainability at CDB
Governance			
Disclosure 102-18	Governance structure	111 – 115	Corporate governance
Disclosure 102-19	Delegating authority	111 – 115	Corporate governance
Disclosure 102-22	Composition of the highest governance body and its committees	111 – 146	Corporate governance
Disclosure 102-23	Chair of the highest governance body	114 – 115	Governance Structure
Disclosure 102-24	Nominating and selecting the highest governance body	142	Nomination Committee
Disclosure 102-25	Conflicts of interest	145 – 146	Report of the Board Related Party Transactions Review Committee
Disclosure 102-35	Remuneration policies	143	Remuneration Committee Report
Disclosure 102-36	Process for determining remuneration	143	Remuneration Committee Report
Stakeholder engagement			
Disclosure 102-40	List of stakeholder groups	10, 11	Engaging with stakeholders
Disclosure 102-41	Collective bargaining agreements	61	Safe working environment
Disclosure 102-42	Identifying and selecting stakeholders	10, 11	Engaging with stakeholders
Disclosure 102-43	Approach to stakeholder engagement	10, 11	Engaging with stakeholders
Disclosure 102-44	Key topics and concerns raised	10, 11	Engaging with stakeholders
Disclosure 102-45	Entities included in the Consolidated Financial Statements	Inner cover	Reporting period and boundaries
Reporting practice			
Disclosure 102-46	Define report content and topic boundaries	Cover	Introducing our report
Disclosure 102-47	List of material topics	Cover	Introducing our report
Disclosure 102-48	Restatements of information	Cover	Introducing our report
Disclosure 102-49	Changes in reporting	Cover	Introducing our report
Disclosure 102-50	Reporting period	Cover	Introducing our report
Disclosure 102-51	Date of most recent report	Cover	Introducing our report
Disclosure 102-52	Reporting cycle	Cover	Introducing our report
Disclosure 102-53	Contact point for questions regarding the report	Cover	Introducing our report
Disclosure 102-54	Claims of reporting in accordance with GRI Standards	Cover	Introducing our report
Disclosure 102-55	GRI Content Index	292 – 295	GRI Content Index
Disclosure 102-56	External assurance	290 – 291	Independent Assurance Report

GRI Standard/Disclosure	Disclosure	Page number (s) and/URL (s)	Comments
Specific disclosures			
GRI 200: Economic			
GRI 103: Management approach 2016			
Disclosure 103-1	Explanation of the material topic and its boundary	12 – 15	Identifying risks and opportunities
Disclosure 103-2	The management approach and its components	12 – 15	Identifying risks and opportunities
Disclosure 103-3	Evaluation of the management approach	12 – 15	Identifying risks and opportunities
GRI 201: Economic performance			
Disclosure 201-3	Define benefit plan obligations and other retirement plans	61	Health and well-being
Disclosure 201-4	Financial assistance received from Government	–	No financial assistance received from the Government
GRI 103: Management approach 2016			
Disclosure 103-1	Explanation of the material topic and its boundary	12 – 15	Identifying risks and opportunities
Disclosure 103-2	The management approach and its components	12 – 15	Identifying risks and opportunities
Disclosure 103-3	Evaluation of the management approach	12 – 15	Identifying risks and opportunities
GRI 202: Market presence 2016			
Disclosure 202-1	Ratios of standard entry level wage by gender compared to local minimum wage	–	No minimum wage levels
Disclosure 202-2	Proportion of senior management hired form the local community	57	Analysis by employee category and gender
GRI 103: Management approach 2016			
Disclosure 103-1	Explanation of the material topic and its boundary	12 – 15	Identifying risks and opportunities
Disclosure 103-2	The management approach and its components	12 – 15	Identifying risks and opportunities
Disclosure 103-3	Evaluation of the management approach	12 – 15	Identifying risks and opportunities
GRI 204: Procurement practices 2016			
Disclosure 204-1	Proportion of spending on local suppliers	83	Partnerships, promotions and marketing campaigns
GRI 103: Management approach 2016			
Disclosure 103-1	Explanation of the material topic and its boundary	12 – 15	Identifying risks and opportunities
Disclosure 103-2	The management approach and its components	12 – 15	Identifying risks and opportunities
Disclosure 103-3	Evaluation of the management approach	12 – 15	Identifying risks and opportunities
GRI 205: Anti corruption 2016			
Disclosure 205-1	Operations assessed for risks related to corruption	103	Compliance risk
Disclosure 205-2	Communication and training about anti-corruption policies and procedures	103	Compliance risk
Disclosure 205-3	Confirm incidents of corruption and actions taken	103	Compliance risk
GRI 103: Management approach 2016			
Disclosure 103-1	Explanation of the material topic and its boundary	54 – 64	Employee capital, Social capital
Disclosure 103-2	The management approach and its components	54 – 64	Employee capital, Social capital
Disclosure 103-3	Evaluation of the management approach	54 – 64	Employee capital, Social capital
GRI 206: Anti-competitive behaviour 2016			
Disclosure 206-1	Legal actions for anti-competitive behaviour, anti-trust and monopoly practices	53	Marketing campaigns, promotions and marketing communications
GRI 300: Environmental			
GRI 103: Management approach 2016			
Disclosure 103-1	Explanation of the material topic and its boundary	70	Natural capital
Disclosure 103-2	The management approach and its components	70	Natural capital
Disclosure 103-3	Evaluation of the management approach	70	Natural capital
GRI 302- Energy 2016			
Disclosure 302-1	Energy consumption within the organisation	72 – 73	Measuring our carbon foot print
Disclosure 302-4	Reduction of energy consumption	75	Energy and water
Emission reduction			
Disclosure 302-5	Reductions in energy requirements of products and services	75	Internal efficiencies, external efficiencies
GRI 103: Management approach 2016			
Disclosure 103-1	Explanation of the material topic and its boundary	70	Natural capital
Disclosure 103-2	The management approach and its components	70	Natural capital
Disclosure 103-3	Evaluation of the management approach	70	Natural capital

GRI Standard/Disclosure	Disclosure	Page number (s) and/URL (s)	Comments
GRI 305: Emissions 2016			
Disclosure 305-1	Direct (Scope 1) GHG Emissions	73	Scope I Emissions
Disclosure 305-2	Energy (Indirect) GHG emissions	73	Scope II Emissions
Disclosure 305-3	Other indirect (Scope 3) emissions	73	Scope III Emissions
Disclosure 305-5	Reduction of GHG emissions	72 – 73	Measuring our carbon foot print
GRI 103: Management approach 2016			
Disclosure 103-1	Explanation of the material topic and its boundary	70	Natural capital
Disclosure 103-2	The management approach and its components	70	Natural capital
Disclosure 103-3	Evaluation of the management approach	70	Natural capital
GRI 306: Effluents and waste 2016			
Disclosure 306-2	Waste by type and disposal method	78 – 79	Conservation wheel
GRI 103: Management approach 2016			
Disclosure 103-1	Explanation of the material topic and its boundary	70	Natural capital
Disclosure 103-2	The management approach and its components	70	Natural capital
Disclosure 103-3	Evaluation of the management approach	70	Natural capital
GRI 307: Environmental compliance 2016			
Disclosure 307-1	Non-compliance with environmental laws and regulations	79	Carbon neutral organisation
GRI 400: Social			
GRI 103: Management approach 2016			
Disclosure 103-1	Explanation of the material topic and its boundary	54	Employee capital
Disclosure 103-2	The management approach and its components	54	Employee capital
Disclosure 103-3	Evaluation of the management approach	54	Employee capital
GRI 401: Employment 2016			
Disclosure 401-1	New employee hires and employee turnover	57	Attracting talent
Disclosure 401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	61	Health and well-being
Disclosure 401-3	Parental leave	61	Return to work and retention rate after parental (maternity leave, paternity leave)
GRI 103: Management approach 2016			
Disclosure 103-1	Explanation of the material topic and its boundary	54 – 55	Employee capital
Disclosure 103-2	The management approach and its components	54 – 55	Employee capital
Disclosure 103-3	Evaluation of the management approach	54 – 55	Employee capital
GRI 402: Labour/management relations 2016			
Disclosure 402-1	Minimum notice periods regarding operational changes	62	Engaging with our people
GRI 403: Occupational health and safety			
Disclosure 403-2	Occupational diseases, lost days and absenteeism and number of work related facilities	61	Safe working environment
GRI 103: Management approach 2016			
Disclosure 103-1	Explanation of the material topic and its boundary	54 – 55	Employee capital
Disclosure 103-2	The management approach and its components	54 – 55	Employee capital
Disclosure 103-3	Evaluation of the management approach	54 – 55	Employee capital
GRI 404: Training and education 2016			
Disclosure 404-1	Average hours of training per year per employee	59	Average training hours by category
Disclosure 404-2	Programmes for upgrading employee skills and transition assistance programmes	58	Training programmes
Disclosure 404-3	Percentage of employees receiving regular performance and career development reviews	59	Performance management
GRI 103: Management approach 2016			
Disclosure 103-1	Explanation of the material topic and its boundary	54 – 64	Employee capital, social capital
Disclosure 103-2	The management approach and its components	54 – 64	Employee capital, social capital
Disclosure 103-3	Evaluation of the management approach	54 – 64	Employee capital, social capital
GRI 405: Diversity and equal opportunity 2016			
Disclosure 405-1	Diversity of governance bodies and employees	56	Equality and diversity
GRI 103: Management approach 2016			
Disclosure 103-1	Explanation of the material topic and its boundary	54 – 55, 64 – 65	Employee capital, Social capital
Disclosure 103-2	The management approach and its components	54 – 55, 64 – 65	Employee capital, Social capital
Disclosure 103-3	Evaluation of the management approach	54 – 55, 64 – 65	Employee capital, Social capital

GRI Standard/Disclosure	Disclosure	Page number (s) and/URL (s)	Comments
GRI 406: Non-discrimination 2016			
Disclosure 406-1	Incidents of discrimination and corrective actions taken	56	Equality and diversity
GRI 103: Management approach 2016			
Disclosure 103-1	Explanation of the material topic and its boundary	54 – 55, 64 – 65	Employee capital, Social capital
Disclosure 103-2	The management approach and its components	54 – 55, 64 – 65	Employee capital, Social capital
Disclosure 103-3	Evaluation of the management approach	54 – 55, 64 – 65	Employee capital, Social capital
GRI 408: Child labour 2016			
Disclosure 408-1	Operations and suppliers at significant risk for incidents of child labour	61	Safe working environment
GRI 103: Management approach 2016			
Disclosure 103-1	Explanation of the material topic and its boundary	54 – 64	Employee capital, Social capital
Disclosure 103-2	The management approach and its components	54 – 64	Employee capital, Social capital
Disclosure 103-3	Evaluation of the management approach	54 – 64	Employee capital, Social capital
GRI 409: Forced or compulsory labour 2016			
Disclosure 409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	61	Safe working environment
GRI 103: Management approach 2016			
Disclosure 103-1	Explanation of the material topic and its boundary	54 – 64	Employee capital, Social capital
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GRI 413: Local communities 2016			
Disclosure 413-1	Operations with local community engagement, impact assessments, and development programmes	64 – 69	Social capital
Disclosure 413-2	Operations with significant actual and potential negative impacts on local communities	64 – 69	Social capital
GRI 103: Management approach 2016			
Disclosure 103-1	Explanation of the material topic and its boundary	54 – 64	Employee capital, Social capital
Disclosure 103-2	The management approach and its components	54 – 64	Employee capital, Social capital
Disclosure 103-3	Evaluation of the management approach	54 – 64	Employee capital, Social capital
GRI 103: Management approach 2016			
Disclosure 103-1	Explanation of the material topic and its boundary	46	Customer relationship management
Disclosure 103-2	The management approach and its components	46	Customer relationship management
Disclosure 103-3	Evaluation of the management approach	46	Customer relationship management
GRI 417: Marketing and labelling 2016			
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GRI 103: Management approach 2016			
Disclosure 103-1	Explanation of the material topic and its boundary	46	Customer relationship management
Disclosure 103-2	The management approach and its components	46	Customer relationship management
Disclosure 103-3	Evaluation of the management approach	46	Customer relationship management
GRI 418: Customer privacy 2016			
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GRI 103: Management approach 2016			
Disclosure 103-1	Explanation of the material topic and its boundary	54 – 64	Employee capital, Social capital
Disclosure 103-2	The management approach and its components	54 – 64	Employee capital, Social capital
Disclosure 103-3	Evaluation of the management approach	54 – 64	Employee capital, Social capital
GRI 419: Socio-economic compliance 2016			
Disclosure 419-1	Non-compliance with laws and regulations in the social and economic area		CDB's level of compliance with corporate governance

GLOSSARY

A

→ Accounting Policies
The specific principles, bases, conventions, rules and practices adopted by an entity in preparing and presenting Financial Statements.

→ Accrual Basis
Recognition of the effects of transactions and other events when they occur without waiting for receipt or payment of cash or cash equivalent.

→ Actuarial Gain/Loss
Gain or loss arising from the difference between estimates and actual experience in an entity's pension plan.

→ Amortisation
The systematic allocation of the depreciable amount of an intangible asset over its useful life.

→ Amortised Cost
Amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and minus any reduction for impairment or un-collectability.

→ Associate
An entity over which the investor has significant influence.

→ Available-for-Sale (AFS) Financial Investments
All non-derivative financial assets that are designated as available-for-sale or are not classified as loans and receivables, financial investments – Held-to-maturity and financial investments at fair value through profit or loss.

B

→ Basis Point (bp)
One-hundreth of a percentage point (0.01 per cent); 100 basis points is 1 percentage point. Used in quoting movements in interest rates or yields on securities.

C

→ Capital Adequacy Ratio
The percentage of risk-adjusted assets supported by capital as defined under the framework of risk-based capital standards developed by the Bank for International Settlements (BIS) and as modified by the Central Bank of Sri Lanka to suit local requirements.

→ Cash Equivalents
Short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

→ Cash Generating Unit (CGU)
The smallest group of assets that independently generates cash flow and the cash flow is largely independent of the cash flows generated by other assets.

→ Collectively Assessed Loan Impairment Provisions
Also known as portfolio impairment provisions. Impairment assessment on a collective basis for homogeneous groups of loans that are not considered individually significant and to cover losses that has been incurred but has not yet been identified at the reporting date.

→ Commitments
Credit facilities approved but not yet utilised by the clients as at the reporting date.

→ Contingencies
A condition or situation, the ultimate outcome of which will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events.

→ Corporate Governance
The process by which corporate entities are governed. It is concerned with the way in which power is exercised over the management and direction of entity, the supervision f executive actions and accountability to owners and others.

→ Correspondent Bank
A bank in a foreign country that offers banking facilities to the customers of a bank in another country.

→ Cost/Income Ratio
Operating expenses excluding impairment charge for loans and other losses as a percentage of total operating income.

→ Credit Rating
An evaluation of a corporate's ability to repay its obligations or the likelihood of not defaulting, carried out by an independent rating agency.

→ Credit Risk
Risk of financial loss to the Bank, if a customer or counter party to a financial instrument fails to meet its contractual obligations and arises principally from the loans and advances to customers and other banks and investment in debt securities.

D

→ Deferred Taxation
Sum set aside in the Financial Statements for taxation that may become payable/receivable in a financial year other than the current financial year. It arises because of temporary differences between tax rules and accounting conventions.

→ Derivatives
A derivative is a financial instrument or other contract, the value of which changes in response to some underlying variable (e.g. interest rate) that has an initial net investment smaller than would be required for other instruments that have a similar response to the variable, and that will be settled at a future date.

→ Dividend Cover
Profit after tax divided by gross dividends. This ratio measures the number of times dividend is covered by the current year's distributable profits.

→ Dividend Yield
Dividend earned per share as a percentage of its market value.

E

→ Earnings per Ordinary Share (EPS)
The profit attributable to ordinary shareholders divided by the number of ordinary shares in issue.

→ Effective Interest Rate (EIR)
Rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instruments or when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

→ Effective Tax Rate (ETR)
Provision for taxation excluding deferred tax expressed as a percentage of the profit before taxation.

→ Equity Method
This is a method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition changes in the investor's share of net assets of the investee. The profit or loss and other comprehensive income of the investor include the investor's share of the profit or loss and other comprehensive income of the investee.

→ Expected Credit Losses
This is the method of providing for impairment of financial assets held at amortised cost.

F

→ Fair Value
The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

→ Fair Value through Profit or Loss Investments
A financial asset/liability acquired/incurred principally for the purpose of selling or repurchasing it in the near term, part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking, or a derivative (except for a derivative that is a financial guarantee contract).

→ Finance Lease
A lease in which the lessee acquires all the financial benefits and risks attaching to ownership of the asset under lease.

→ Financial Instrument
A financial instrument is any contract that gives rise to both a financial asset in one entity and a financial liability or equity instrument in another entity.

G

→ Global Reporting Initiative (GRI)
The GRI is an international independent standards organisation that helps businesses, Governments and other organisations understand and communicate their impacts on issues such as climate change, human rights and corruption. GRI promotes sustainability reporting as a way for organisations to become more sustainable and contribute to sustainable development.

→ Group
A parent and all its subsidiaries.

→ Guarantees
Three party agreement involving a promise by one party (the guarantor) to fulfil the obligations of a person owing a debt if that person fails to perform.

H

→ Hedging
A strategy under which transactions are effected with the aim of providing cover against the risk of unfavourable price movements (interest rate, foreign exchange rate, commodity prices, etc.).

→ Held-to-Maturity (HTM) Investments
Non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity.

I

→ Impaired Loans
Loans where the Group does not expect to collect all the contractual cash flows or expects to collect them later than they are contractually due.

→ Impairment
This occurs when recoverable amount of an asset is less than its carrying amount.

→ Impairment Allowances
Impairment allowances are provisions held on the Statement of Financial Position as a result of the raising of a charge against profit for the incurred loss. An impairment allowance may either be identified or unidentified and individual (specific) or collective (portfolio).

→ Intangible Asset
An intangible asset is an identifiable non-monetary asset without physical substance.

→ Interest Rate SWAP
An agreement between two parties (known as counterparties) where one stream of future interest payments is exchanged for another stream of future interest payments based on a specified principal amount.

→ Interest Spread
Represents the difference between the average interest rate earned on interest earning assets and the average interest rate paid on interest-bearing liabilities.

→ Investment Properties
Property (land or a building – or part of a building – or both) held (by the owner or by the lessee for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative services; or sale in the ordinary course of business.

K

→ Key Management Personnel (KMP)
Key Management Personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any Director (whether Executive or otherwise) of that entity.

L

→ Liquid Assets
Assets that are held in cash or in a form that can be converted to cash readily, such as deposits with other banks, Bills of Exchange and Treasury Bills and Bonds.

→ Loans and Receivables
Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those intends to sell immediately or in the near term and designated as fair value through profit or loss or available-for-sale on initial recognition.

→ Loan-to-Value Ratio (LTV)
The LTV ratio is a mathematical expression which expresses the amount of a first mortgage lien as a percentage of the total appraised value of real property. The LTV ratio is used in determining the appropriate level of risk for the loan and therefore the correct price of the loan to the borrower.

→ Loss Given Default (LGD)
LGD is the percentage of an exposure that a lender expects to lose in the event of obligor default.

M

→ Market Capitalisation
The value of an entity obtained by multiplying the number of ordinary shares in issue multiplied by its market value as at a date.

→ Market Risk
This refers to the possibility of loss arising from changes in the value of a financial instrument as a result of changes in market variables such as interest rates, exchange rates, credit spreads and other asset prices.

→ Materiality
The relative significance of a transaction or an event, the omission or misstatement of which could influence the economic decisions of users of Financial Statements.

N

→ Net Interest Income (NII)
The difference between the amount a bank earns on assets such as loans and securities and the amount it pays on liabilities such as deposits, refinance funds and inter-bank borrowings.

→ Net Interest Margin (NIM)
The margin is expressed as net interest income divided by average interest earning assets.

→ Non-Controlling Interest (NCI)
Equity in a Subsidiary not attributable, directly or indirectly, to a parent.

O

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

P

→ Parent
An entity that controls one or more entities.

→ Price Earnings Ratio (P/E Ratio)
Market price of a share divided by the earnings per share.

→ Probability of Default (PD)
PD is an internal estimate for each borrower grade of the likelihood that an obligor will default on an obligation.

→ Provision Cover
Total provisions for loan losses expressed as a percentage of net non-performing loans and advances before discounting for provisions on non-performing loans and advances.

R

→ Related Parties
One party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions, directly or indirectly.

→ Related Party Transaction (RPT)
RPT is a transfer of resources, services or obligations between a reporting entity and a related party, regardless whether a price is charged.

→ Repurchase Agreement
Contract to sell and subsequently repurchase securities at a specified date and price.

→ Return on Average Assets (ROA)
Profit after tax expressed as a percentage of the average assets.

→ Return on Average Equity (ROE)
Net profit attributable to owners expressed as a percentage of average ordinary shareholders' equity.

→ Reverse Repurchase Agreement
Transaction involving the purchase of securities by a bank or a dealer and resale back to the seller at a future date at a specified price.

→ Risk-Weighted Assets
The sum total of assets as per the Statement of Financial Position and the credit equivalent of assets that are not on the Statement of Financial Position multiplied by the relevant risk weighting factors.

S

→ Segment Reporting
Disclosure of bank's assets, income and other information, broken down by activity and geographical area.

→ Subsidiary
An entity that is controlled by another entity.

→ Substance Over Form
The consideration that the accounting treatment and presentation of Financial Statements of transactions and events should be governed by their substance and financial reality and not merely by legal form.

T

→ Tier I Capital (Core Capital)
Core capital representing permanent shareholders' equity and reserves created or increased by appropriations of retained earnings or other surpluses.

→ Tier II Capital (Supplementary Capital)
Supplementary capital representing revaluation reserves, general provisions and other capital instruments, which combine certain characteristics of equity and debt such as hybrid capital instruments and subordinated term debts.

SERVICE NETWORK

No	Branch	Branch Locations	Contact No.
1	Aluthgama	No. 377,Galle Road,Aluthgama	034-2291136
2	Ambalangoda	No. 61, New Road, Ambalangoda	912254271
3	Ampara	No. 66, D.S.Senanayake Street, Ampara	063 2222150
4	Anuradhapura	No. 521/20, Maithripala Senanayake MW, New Town, Anuradhapura	025-2234000/025-2226609
5	Avissawella	No. 23, Colombo Road, Avissawella	036-2235220
6	Badulla	No. 22, Bank Road, Badulla	055-2225533
7	Bandarawela	No. 344, Badulla Road, Bandarawela	572221484
8	Battaramulla	No. 97/1, Main Street, Battaramulla	011-2869944/011-2869949
9	Batticaloa	No. 601/D, Trincomalee road, Batticaloa	065-2228490
10	Boralesgamuwa	No. 28 A, Maharagama Road, Boralesgamuwa.	011-2509306
11	Chilaw	No. 80, Colombo Road, Chilaw	032-2220646
12	Colombo (H/O)	No. 123, Orabipasha Mawatha, Colombo 10	011-2429800/011-7388388
13	Dambulla	No. 687, Anuradhapura Road, Dambulla	066-2284088
14	Dehiwala	No. 103, Galle Road, Dehiwala	011-2761443/011-2761442
15	Eheliyagoda	No. 114, Main Road, Eheliyagoda	036-2259951
16	Elakanda	No. 30, Hendala Road, Elakanda	011-2930986
17	Embilipitiya	No. 21, Main Street, Embilipitiya	047-2261961/047-2261962
18	Galle	No. 99, Sea Street, Galle.	091-2227501/091-2227502
19	Gampaha	No. 114, Colombo Road, Gampaha	033-2233774/033-2223637
20	Giriulla	No. 52, Negombo Road, Giriulla	037-2288183
21	Horana	No. 119/A, Panadura Road, Horana	034-2266177/034-2266188
22	Ja-Ela	No.195/A, Negambo Road, JaEla	011-2228228
23	Jaffna	No. 208, Stanley Road, Jaffna	021-2221585/021-2221586
24	Kaduruwela	No. 660, Main Street, Kaduruwela.	027-2226710/027-2226720
25	Kaduwela	No. 102 colombo road, Kaduwela	011-2538888
26	Kalutara	No. 296, Main st, Kalutara	034-2224400
27	Kandana	No. 37/1, Negombo Road, Kandana	011-2237645
28	Kandy	No. 110, Yatinuwara Veediya, Kandy	081-2204600/081-2204246
29	Katugasthota	No. 468, Katugastota Road, Katugastota	081-2212517/081-2212516
30	Kegalle	No. 227, Kandy Road, Kegalle	035-2222442/035-2222599
31	Kelaniya	No. 159, Kandy Rd, kiribathgoda	011-2913501/011-2913502/ 011-2910202
32	Kochchikade	No. 176, Chilaw Road, Kochchikade	031-2278695
33	Kotahena	No. 30, Sri Ramanadan Mawatha, Kotahena	011-2422465/011-2422466
34	Kottawa	No. 35/1, High Level Road, Kottawa	011-2782706
35	Kuliyapitiya	No. 259, Madampe Road, Kuliyapitiya	037-2281825
36	Kurunegala	No. 54, Colombo Road, Kurunegala	037-2234444
37	Kuruwita	No. 85, Colombo Road,Kuruwita	045 2263371
38	Mahara	No 337/2, Mahara, Kadawatha	011-2925000
39	Maharagama	No. 249, Highlevel Road, Maharagama	011-2845945
40	Mahiyanganaya	No. 01, Padiyathalawa Road, Mahiyanganaya	055-2258322
41	Malabe	No. 838/04, New Kandy Road, Malabe	011-2078651/011-2078652
42	Marawila	No. 63, Chilaw Road, Marawila	032-2250930
43	Matale	No. 115/117, Trincomalee Road, Matale	066-2226545
44	Matara	No. 06, Station Road, Matara	041-2226655/041-2229955

No	Branch	Branch Locations	Contact No.
45	Mathugama	No. 190, Aluthgama Road, Mathugama	034-2248888
46	Mawathagama	No. 29, Kurunegala Road, Mawathagama	037-2296470
47	Minuwangoda	No. 18/A, Siriwardena Mw, Minuwangoda	011-2298864
48	Moratuwa	No. 760, Galle Road, Moratuwa	011-2642309/011-2642310
49	Narammala	No. 95, Kurunegala Road, Narammala	037-2249525/037-2249595
50	Negombo	No. 129, St Joseph Street, Negombo	031-2224040
51	Nikaweratiya	No. 113, Puttalama Road, Nikaweratiya	037-2260387
52	Nittabuwa	No. 2/1, Colombo Rd, Nittabuwa	033-2296969
53	Nugegoda	No. 70 A, Stanly Thilakarathna Mawatha, Nugegoda	011-2828313/011-2828312
54	Nuwara Eliya	No. 120, Kandy Road, Nuwara Eliya	522 224 728
55	Palmadulla	No. 11, Main Street, Pelmadulla	045-2274428
56	Panadura	No. 383, Galle Road, Panadura	038-2237327
57	Piliyandala	No. 92, Moratuwa Road, Piliyandala	011-2614425
58	Premier Centre	No. 101, Dharmapala Mawatha, Colombo 07	011-2332150/011-2332180
59	Ragama	No.26/05 and 26/06, Kadawatha Road, Ragama	011-2952492
60	Rajagiriya	No. 340, 340 1/1 and 340 2/1, Kotte Road, Welikada, Rajagiriya	011-2078218/011-2078216
61	Rathnapura	No. 89, Bandaranayake Mawatha, Rathnapura	045-2226636
62	Ratmalana	No. 105, Galle Road, Mount Lavinia	011-2710056
63	Thalawathugoda	No. 706, Madiwela Road, Thalawathugoda	011-2773718
64	Tissamaharama	No. 47, Hambanthota Road, Thissamaharama	047-2239655
65	Trincomalee	No. 266, 268 Central Road ,Trincomalee	026-2226945/026-2226946
66	Vavuniya	No. 11, Horowpathana road, Vavuniya	024-2225862
67	Warakapola	No. 09, Main Street, Warakapola	035-2268281
68	Wariyapola	No. 77, Puttalama Road, Wariyapola	037-2057708
69	Wattala	No. 237, Negambo Road, Wattala.	011-2981133
70	Wellawatta	No. 288, Galle Road, Wellawatta	011-2364699
71	Wennappuwa	Sterline Building, Chilaw Road, Wennappuwa	031-2245245

ABBREVIATIONS

AGM	Annual General Meeting
AFS	Available-for-sale
ALCO	Assets & Liabilities Committee
BAC	Board Audit Committee
BCC	Board Credit Committee
BCP	Business Continuity Plan
BHRRC	Board Human Resources & Remuneration Committee
BIRMC	Board Integrated Risk Management Committee
BNC	Board Nomination Committee
BRPTRC	Board Related Party Transactions Review Committee
CAR	Capital Adequacy Ratio
CASL	Institute of Chartered Accountants of Sri Lanka
CBSL	Central Bank of Sri Lanka
CEO	Chief Executive Officer
CFM	Close Family Members
CFO	Chief Financial Officer
COO	Chief Operating Officer
CRO	Chief Risk Officer
CSE	Colombo Stock Exchange
DRP	Disaster Recovery Plan
EGM	Extraordinary General Meeting
ESOP	Employee Share Ownership Plan
EVE	Economic Value of Equity
EAD	Exposure at Default
ECL	Expected Credit Losses
FIS	Fixed Income Securities
FS	Financial Statements
FX	Foreign Exchange
FY	Financial Year
FVTPL	Fair Value Through Profit or Loss
GDP	Gross Domestic Product
GOSL	Government of Sri Lanka
GRI	Global Reporting Initiative
HFT	Held-for-trading
HR	Human Resources
HTM	Held-to-maturity
IMF	International Monetary Fund
IRMD	Integrated Risk Management Department
IRR	Interest Rate Risk
KRI	Key Risk Indicators
KMP	Key Management Personnel
LCB	Licensed Commercial Bank
LCR	Liquidity Coverage Ratio
LSB	Licensed Specialised Bank
LGD	Loss Given Default
LKAS	Sri Lanka Accounting Standards
LTV	Loan to Value Ratio
NII	Net Interest Income
NIM	Net Interest Margin
NPA	Non-Performing Assets
NPL	Non-Performing Loans
OCI	Other Comprehensive Income
PAT	Profit After Tax
PBT	Profit Before Tax
PD	Probability of Default
ROA	Return on Assets
ROE	Return on Equity
RPT	Related Party Transactions
RWA	Risk Weighted Assets
SEC	Securities and Exchange Commission of Sri Lanka
SLFRS	Sri Lanka Financial Reporting Standards
SME	Small and Medium Enterprise
SLAR	Statutory Liquid Assets Ratio
VaR	Value at Risk
YoY	Year-on-Year

BASIS OF RATIOS

Ratio	Definition
Earnings per share (EPS) (Rs.)	Profit/loss attributable to ordinary shareholders / Average number of shares
Net assets value per share (NAPS) (Rs.)	Total shareholders' equity / Average number of shares
Market capitalisation (Rs.)	Market price per share x Number of shares
Price earnings (PE) (Times)	Market price per share / Earnings per share
Dividend per Share (Rs.)	Total Gross Dividend (Proposed) / Number of Shares as at the reporting date
Dividend yield (%)	Dividend per ordinary share x 100 / Market price per share
Dividend cover (Times)	Profit/loss attributable to ordinary shareholders / Total dividend paid to shareholders
Dividend payout (%)	Total dividend paid to shareholders x 100 / Profit/loss attributable to ordinary shareholders
Earnings yield (%)	Earnings per share x 100 / Market price per share
Return on equity (ROE) (%)	Profit/loss attributable to ordinary shareholders x 100 / Average shareholders' equity
Return on asset (ROA) (%)	Profit/loss attributable to ordinary shareholders x 100 / Average total assets
Debt to equity (Times)	Borrowings / Total shareholders' equity
Cost to income ratio (%) (Excluding VAT on FS)	Total operating cost without VAT on financial services x 100 / Total operating income
Interest cover (Times)	Profit before interest and tax / Interest expenses
Operating profit margin (%)	Operating profit before VAT on financial services x 100 / Total Revenue
Net interest margin (%)	Net interest income x 100 / Average total assets
Provision cover	Provisions / Accelerated Non-performing assets
Price to book value (PBV) (Times)	Market price per share / Net assets per share
Total impairment provision to gross portfolio (%)	Total impairment provision x 100 / Gross loans and receivables
Non-performing ratio	Gross non-performing portfolio x 100 / Gross loans and receivables
Interest Cover	Interest expense on borrowings / Profit after tax + interest expense on borrowings

CORPORATE INFORMATION

Name of the Company

Citizens Development Business Finance PLC

Legal Form

A public quoted company incorporated in Sri Lanka under the provisions of the Companies Act No. 17 of 1982 and re-registered under the Companies Act No. 07 of 2007.
The Company is licensed under the Finance Business Act No. 42 of 2011. The Company is registered under the Finance Leasing Act No. 56 of 2000 and CDB is an approved credit agency under mortgage Act No. 06 of 1949 and Trust Receipt Ordinance No. 12 of 1947.

Date of Incorporation

7 September 1995

Registration No

PB 232 PQ

Accounting Year

31 March

Board of Directors

D H J Gunawardena
FCMA (UK), CGMA
Chairman/Non-Executive Director

W P C M Nanayakkara
BSc (Mgt.), FCMA (UK), MBA (Sri J), CGMA
Managing Director/Chief Executive Officer/Executive Director

R H Abeygoonewardena
FCMA (UK), ACMA (Sri), MCPM, CGMA
Executive Director/Director – Corporate Finance

S R Abeynayake
MBA (Sri J), FCA, FCMA
Non-Executive Director

Prof. S P P Amaratunge
BA Econ (Sp) (Sri J); MA Econ (Colombo); MSc Econ. of Rural Dev. (Saga. Japan); PhD (Kagoshima, Japan)
Non-Executive Independent Director

Prof Ajantha Dharmasiri
BSc Eng, MBA (Sri J), PhD (Sri J), MCMI (UK)
Senior Independent Non-Executive Director

D A De Silva
BSc (Hons), ACMA, CGMA
Executive Director/Director – Business operations

P A J Jayawardena
LUTCF (USA), CIAM, CMFA
Non-Executive Director

Razik Mohamed
ACA
Independent Non-Executive Director

S V Munasinghe
MBA (Fed. Uni. Aus)
Executive Director/Director – Sales and Business Development

T M D P Tennakoon
FCMA (UK), CGMA
Executive Director/Chief Financial Officer/Deputy CEO

Joseph Rene Alastair Corera
CFA (USA), FCMA (UK)
Independent Non-Executive Director
(With effect from 16 May 2019)

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Tel: +94117388388
Fax: +94112429888
Email: cdb@cdb.lk
Web: www.cdb.lk

Company Secretary

SSP Corporate Services (Pvt) Limited
101, Inner Flower Road, Colombo 03
Tel: +94112573894, +94112576871
Fax: +94112573609
Email: sspec@sltnet.lk

External Auditors

KPMG
Chartered Accountants
32 A, Sir Mohamed Macan Marker Mawatha,
Colombo 03, Sri Lanka
Tel: +94115426426

Lawyer

Nithya Partners
No. 97 A, Galle Road,
Colombo 03, Sri Lanka

Bankers

Bank of Ceylon
Commercial Bank of Ceylon PLC
Deutsche Bank
Hatton National Bank PLC
National Development Bank PLC
Nations Trust Bank PLC
DFCC Bank PLC
People's Bank
Sampath Bank PLC
Seylan Bank PLC
Union Bank PLC

Credit Rating Agency

ICRA Lanka Limited

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