

IT'S ALL ABOUT THE EXPERIENCE

IT'S ALL ABOUT THE
EXPERIENCE

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Experience is a 'Big word' at CDB! A key differentiator for CDB is the exceptional stakeholder experience we provide across every segment of our operations. From the warmth of our very personal greeting, through a myriad, often one of a kind interactions to extremely stakeholder friendly systems and services, the whole initiative is geared towards providing an exceptional experience. The cumulative years of service and levels of expertise of our personnel is a repository of invaluable experience CDB is privileged to be able to deploy in service to the customer.

At the end of the day...it's all about the experience!

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**CDB'S VISION
IS TO BECOME THE
FINANCIAL POWERHOUSE
CONTRIBUTING TO
NATIONAL DEVELOPMENT**



JOURNEY OF TWO DECADES

In its our journey of two decades, **CDB** has been passionately committed to realising its vision centred on entrepreneurship, innovation and elevating the lifestyles of its stakeholders.

In its journey of two decades, CDB has been passionately committed to realising its vision centred on entrepreneurship, innovation and elevating the lifestyles of its stakeholders. The continuously evolving business model adopted by CDB strongly complements this journey by promoting financial inclusion with access to finance for those at the grass root level, being a net lender to the rural economy remains at the core, of this well-crafted integrated strategy.

Having been established in 1995, it has been a journey of milestones, achievements and pioneering initiatives for CDB. 20 years on, the institution has become a leading player in the financial services industry in Sri Lanka, with an impressive network of 62 outlets supported by touch-point technology to facilitate island-wide accessibility.

From its humble beginning, CDB's ability to effectively build on its strengths and capitalise on the foreseen opportunities has enabled the Company to come up the ranks and become a challenging presence amongst the top Non-banking Financial Institutions in Sri Lanka.

We firmly believe that our reputation as a respected, responsible corporate citizen, is our most treasured asset. It stands on the two pillars on which the CDB brand is built upon – our people and our customers. Acknowledged as a wholly people-driven organisation, built on human emotions, human passion and human spirit categorised as 'EPS' the two decades journey truly brings into focus the long-standing relationships we have nurtured with our stakeholders.

Our fundamentals are constructed on the strong tenets of financial empowerment and social inclusivity, which resonate throughout the business. We have always been stakeholder oriented in every decision we make, every product we innovate and every service we impart.

All our products are built on a responsible and ethical platform and are designed to promote economic empowerment. The CDB *Sisudiri* scholarship scheme, CDB *Pariganaka Piyasa*, CDB *Diriliya* and CDB *Hithawathkam* are the social initiatives of the Company which are detailed elsewhere in the Annual Report.

Although the demographics we work with our wide and varied, they are firmly embedded in our sustainability agenda. During the year under review, CDB was certified as a Carbon Neutral Business Entity and became the first ISO 14064-1 carbon verified financial institution in South Asia by the Sri Lanka Carbon Fund (Pvt) Limited. This highlights our many endeavours to preserve the environment under CDB's flagship environmental project of '*Mihikathata Adaren*'.

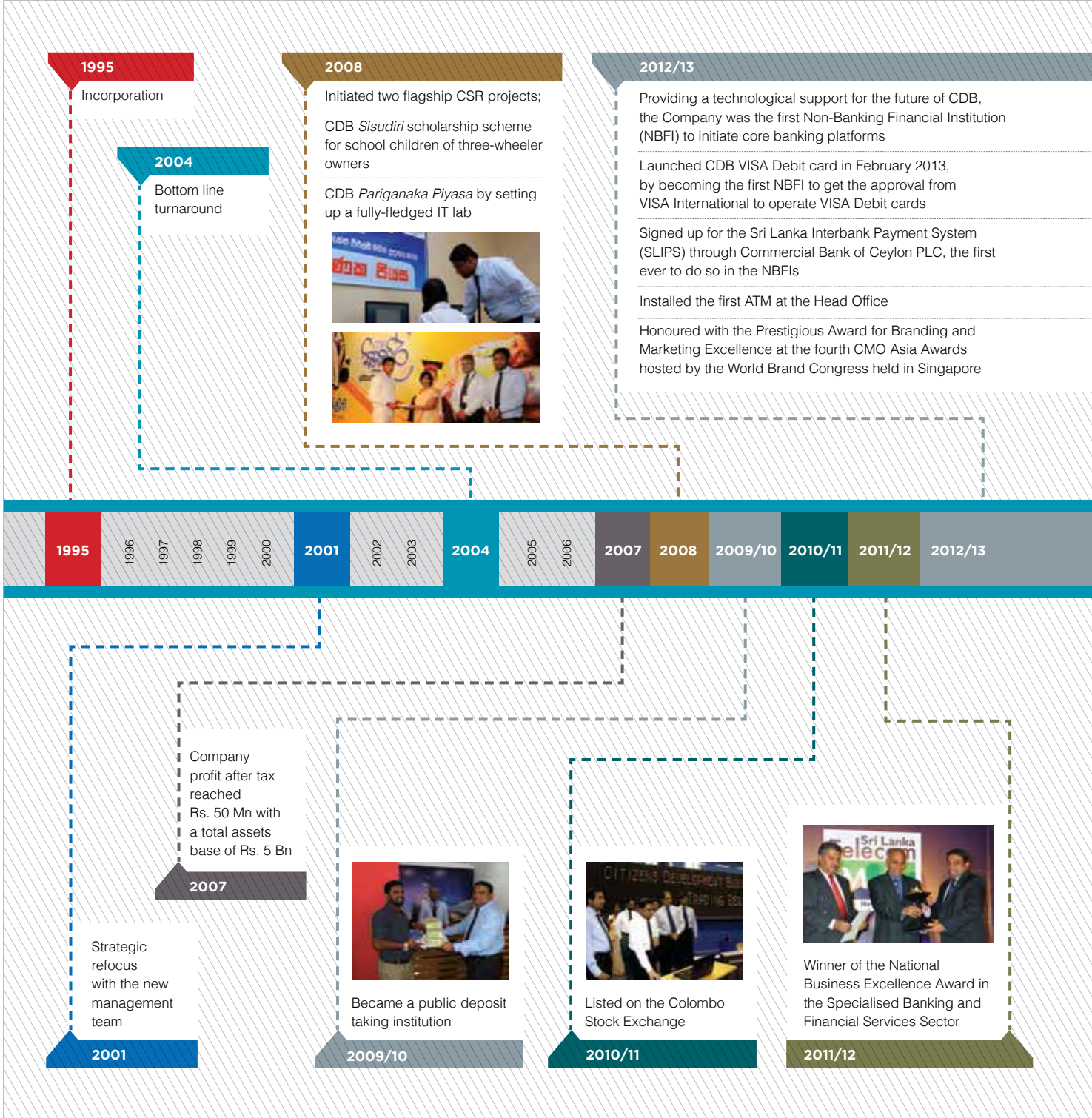
Being awarded the Best Corporate Citizen Sustainability Award by the Ceylon Chamber of Commerce and being amongst the Top Ten Best Corporate Citizens in Sri Lanka were truly proud moments for us. These reiterate the sustainability agenda of our Company. As the custodians of public funds, a strong ethos of compliance, governance, transparency, accountability and ethics are embedded in our operations. This has been recognised by the numerous awards we have been conferred both locally and internationally.

The strong disciplined culture permeating through CDB has contributed to building financial stability and strength, which has showcased year after year through the record of financial performance.

Highly-engaged and motivated team is the backbone of CDB. Although, the challenges in the twenty-year journey have been many, the team has been the driving force, enabling CDB to grow from strength to strength and emerge victorious. CDB is a strong financial institution with an asset base of Rs. 50 Bn and a total equity of Rs. 5 Bn, recording an after tax profit of Rs.1 Bn as at the end of the financial year 2015/16.

The impressive reputation CDB has gained from the stakeholders and the recognition earned as a responsible corporate steward with an unblemished track record speaks volumes about CDB winning team.

HISTORICAL MILESTONES





2015/16

Clinched the Best Corporate Citizen Sustainability Award (turnover less than Rs. 15 Bn category) and 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' recognised as the best Non-traditional Annual Report in the world and the Best in Sri Lanka at the ARC Awards 2015

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 with a total asset base of Rs. 50 Bn and total equity of Rs. 5 Bn

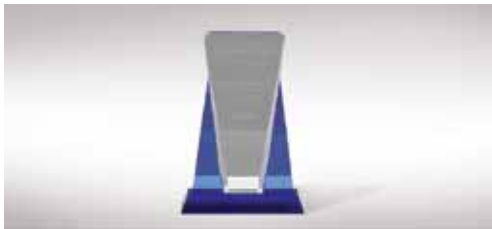
Operational footprint comprising 62 outlets



2013/14

2014/15

2015/16



Platinum Award for our Annual Report 2013/14 at the League of American Communications Professionals (LACP) 2013, Vision Awards with the ranks of 42nd among top 100 Annual Reports worldwide, 17th among top 80 in Asia Pacific Region and the best In-House Annual Report in Asia Pacific Region

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

2013/14



Emphasis on compliance and governance was well rewarded as the Company won the 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

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

2014/15

AWARDS AND ACCOLADES

**First ISO 14064 - 1
Carbon Verified Financial
Institution in South Asia**
Sri Lanka Carbon Fund
(Pvt) Limited

**Grand Winner – Best Non-Traditional
Annual Report (International)
Grand Winner – Best of Sri Lanka**
ARC Awards 2015



**Carbon Neutral
Certificate 2015**
Sri Lanka
Carbon Fund (Pvt) Limited

**“Ten Best Integrated Reports”
Excellence in Integrated
Reporting Awards 2015**
CMA Sri Lanka

**SLIM Brand
Excellence
Awards 2015**
SLIM Sri Lanka

**First Runner-up –
SAFA Best Presented
Annual Report 2014**
South Asian Federation
of Accountants

CDB’s emphasis on constructing and nurturing a **sustainable business that believes strongly in the ethos of compliance, governance, transparency and ethics** has been well evidenced when we gained a number of kudos both locally and internationally during the year 2015/16



Gold Award
SLITAD People Development Awards 2015
 Sri Lanka Institute of Training and Development

Winner
Best Corporate Citizen Sustainability Award 2015
 (Less than Rs. 15 Bn Revenue Category)
 Ceylon Chamber of Commerce

Top 10 Best Corporate Citizen Sustainability Award 2015
 Ceylon Chamber of Commerce

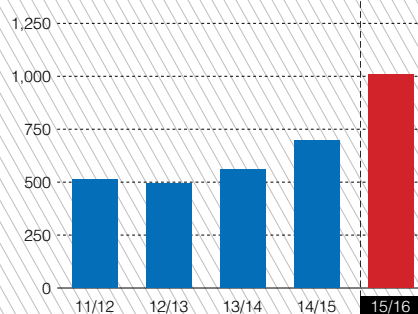
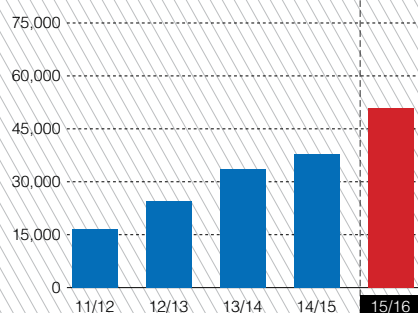
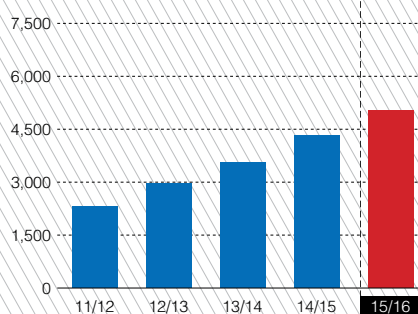
Silver Award
 HRM Awards 2014

Silver Award
 National Business Excellence Awards 2015
 National Chamber of Commerce of Sri Lanka

Gold Award
 Vision Awards 2014
 League of American Communications Professionals (LACP) – USA

HIGHLIGHTS

FINANCIAL HIGHLIGHTS

PROFIT AFTER TAX
(Rs. Mn)TOTAL ASSETS
(Rs. Mn)TOTAL EQUITY
(Rs. Mn)

Key Performance Indicators (Company)

	2015/16	2014/15	%
Financial performance (Rs. Mn)			
Gross revenue	7,486	6,907	8
Net Interest income	3,059	2,870	7
Net operating income	3,498	2,845	23
Profit before tax	1,254	951	32
Taxation	249	250	(0.36)
Profit after tax	1,005	702	43
Position as at the year end (Rs. Mn)			
Cash and cash equivalents	722	313	130
Loans and receivables	38,539	29,379	31
Total assets	50,626	38,014	33
Total equity	5,052	4,302	17
Savings deposits	1,569	1,401	12
Fixed deposits	29,319	25,678	14
Financial ratios (%)			
Profitability perspective			
Operating profit margin	19.01	15.12	
Net Interest margin	6.90	8.00	
Cost to income ratio	53.24	51.07	
Return on assets (ROA)	2.27	1.96	
Investor perspective			
Earnings per share (Rs.)	18.51	12.92	
Earnings yield (%)	24.68	15.20	
Return on equity (ROE) (%)	21.49	17.81	
Dividend per share (Rs.)	3.50	3.50	
Dividend yield (%)	4.67	4.12	
Dividend cover (Times)	5	4	
Dividend payout (%)	18.91	27.09	
Net asset value per share (Rs.)	93.03	79.22	
Market value per share – closing (Rs.) - voting	75.00	85.00	
Market value per share – closing (Rs.) - non-voting	68.00	73.90	
Market capitalisation (Rs. Mn)	4,017	4,527	
Price to earnings (Times)	4.05	6.58	
Statutory ratios (%)			
Capital adequacy			
Tier I (minimum requirement - 5%)	11.72	12.79	
Tier I & II (minimum requirement - 10%)	11.74	15.57	
Statutory liquidity ratio	20.04	14.66	
Non-performing advances ratio			
Gross non-performing loans (Net of IIS)	3.62	5.78	
Net non-performing loans (Net of IIS and provisions)	1.56	3.19	

ENVIRONMENTAL HIGHLIGHTS

First ISO 14064 - 1 Carbon Verified Financial Institution in South Asia

by Sri Lanka Carbon Fund (Pvt) Limited



Savings from paper recycling efforts

22% of total loan book comprised electric and hybrid vehicle facilities

02 Solar power backed locations

Fully grown trees	32	
Litres of oil	3,159	
kWh of electricity	7,200	
Litres of water	57,204	
Cubic metre of landfill	5	
kg reduction of GHG emission	1,826	

SOCIAL HIGHLIGHTS

Rs. 9 Bn

Net lending outside Western Province

Empowering under-served segments in rural communities

527

Jobs opportunities across value chain

Recruiting 527 employees to the Company, representing 304 from outside Western Province

324 Scholars

Through CDB *Sisudiri* Scholarships Programme

Enriching educational pillar for rural regional students for the 8th consecutive year with a total investment of Rs. 14 Mn

7th

CDB *Pariganaka Piyasa* IT Lab Donation

Providing IT access and ICT education to underprivileged students in rural schools and facilitating them to adjust into a future shaped by technology

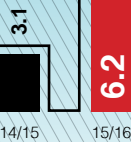


Winner of the Best Corporate Citizen Sustainability Award 2015 (less than Rs. 15 Bn turnover category)

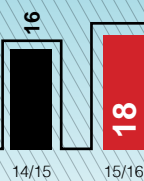


Winner of the Best Human Resource Development Award of the Year

Total Investment on Sustainability (Rs. Mn)



Investment on Learning and Development (Rs. Mn)



CHAIRMAN'S MESSAGE

Your Board of Directors is cognizant of its responsibility to fulfil the expectations of all its stakeholders and to add value to the business ensuring that sustainable progress is made year on year to achieve its long-term goals

YOUR COMPANY IS WELL POSITIONED FOR LONG-TERM GROWTH WITH A DIVERSE FOOTPRINT, A PROVEN STRATEGY AND AN EXTRAORDINARY TEAM OF DEDICATED MEN AND WOMEN COMMITTED TO EXCELLENCE, TO EXECUTE IT

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present to you the Annual Report of CDB for the year ended 31st March 2016.

The year 2016, marked an important milestone in the history of CDB as we celebrated our 20th anniversary of serving the Nation. In this relatively short period your Company has made significant progress, turning out to be a top tier financial institution in Sri Lanka, delivering remarkable and yet sustainable results year on year, in an increasingly competitive and evolving industry. Our performance reflects the dedication

and commitment of an outstanding team of employees led by a strong and experienced management team.

CHANGING ECONOMIC ENVIRONMENT

It is imperative to bring into perspective the economic environment in which your Company achieved its noteworthy results in the year under review.

In the recent past, the Sri Lankan economy was largely driven by construction and public sector directed infrastructure development, funded mostly by external borrowings which led to increased foreign debt and built

up certain structural vulnerabilities over time. The country experienced a slowdown in economic growth in 2015 as the new Government grappled with a range of external and internal challenges. The gains from lower international oil prices and improved earnings from tourism were negated by the slowdown in export earnings, higher non-oil imports and reduced inflow of remittances from migrant workers as a result of labour cutbacks in the Middle East, with economic activity in the region decelerating. The balance of payments was also adversely affected by higher capital outflows due to the reversal of some foreign investments in the Government rupee securities market (prompted

by improving interest rates in the US), servicing the country's high foreign debt obligations and lower than anticipated inflows from foreign direct investments (FDIs). Furthermore, the downgrading of Sri Lanka's sovereign rating to B+ from BB- and the lackluster performance of the Colombo Stock Exchange have also impeded the inflow of funds and resulted in the depletion of the country's foreign exchange reserves.

Towards the latter part of the year, the previously managed exchange rate regime was replaced by a free float which saw the Sri Lanka Rupee depreciate by over 10% in the period under review. The imposition of a 100% cash margin against Letters of Credit opened with commercial banks for motor vehicle imports and a maximum Loan to Value (LTV) ratio of 70% imposed on loans and advances granted for the purchase of motor vehicles, saw the tapering down of motor vehicle imports in the second half of the year which slowed down the vehicle leasing business. The moderate rise in interest rates in the latter part of the financial year, exerted further pressure on net interest margins.

Notwithstanding these constraints, most Non-Banking Financial Institutions (NBFIs) performed reasonably well in 2015, expanding further and improving on their asset quality.

MEASURING OUR PERFORMANCE

Despite the turbulent economic environment and its resultant effect on the financial services sector, your Company achieved exceptional financial results in the year under review with Net Profit After Tax surpassing the Rs. 1 Bn mark, reflecting

a growth of 43% over the previous year. By the end of the financial year total equity had increased to Rs. 5 Bn with the Company's asset base exceeding Rs. 50 Bn. Gross NPL Ratio improved from 5.78% to 3.62% reflecting a further enhancement in the asset quality.

Our branch network was amplified by adding three new branches bringing the total number of outlets to 62, thereby facilitating a wider market reach.

We gained significant recognition both in the local and international arena. Winning the 'Best Corporate Citizen' Sustainability Award from the Ceylon Chamber of Commerce for the first time and also several other awards and accolades (referred to elsewhere in this Report), is a testament of the unwavering foundations of economic and social inclusivity upon which CDB has constructed its business model.

The Board remained committed towards pursuing excellence in corporate governance and risk management oversight. We continued to strengthen risk management with a focus on our internal controls, policies and procedures. In addition, we also engaged directly and frequently with regulators and key stakeholders on a range of issues which has led to a better understanding and ease of dialogue between the Company and its stakeholders.

ADDING VALUE TO OUR STAKEHOLDERS

Your Board of Directors is cognisant of its responsibility to fulfil the expectations of all its stakeholders and to add value to the business ensuring that sustainable progress is made year on year to achieve its long-term goals.

OUR SHAREHOLDERS

Over the years, your Company has consistently improved on its financial performance enabling us to maintain a healthy dividend payout each year. Your Company's Balance Sheet has grown by 25% (CAGR) over the last five years. At 31st March 2016 net assets per share stood at Rs. 93.03, reflecting a growth of 17.5% over last year, considerably enhancing shareholder value. The market value of your share remained buoyant throughout the period under review.

I am pleased that your Board recommends a dividend of Rs. 3.50 per share.

OUR EMPLOYEES

Our people are our most important asset. They project our brand values and our passion for excellence at all service touch points. We continuously strive to add value to our employees enabling them to be better each year, by developing their competencies through the enhancement of their knowledge and experience. Towards this end, in the year under review, the Company has invested more than Rs. 18 Mn in training and professional development to ensure that our employees have the skills they need to serve our customers at the highest level.

OUR CUSTOMERS

We have continued to serve our customers diligently offering them an excellent level of service at every customer touch point, improving customer convenience and offering new products to cater to the changing needs of the market.

OUR COMMUNITY

Your Company continued its flagship social responsibility programme of empowering young people through education and IT literacy which is in line with the Government's agenda of promoting IT literacy in Sri Lanka.

A total of 46 scholarships were also awarded to children from low income families who excelled in the Grade 5 Scholarship Examination and GCE Ordinary Level Examination under the 'CDB *Sisudiri* Scholarship' scheme.

These and many other activities which are fundamental to our role as a responsible financial institution, is reported elsewhere in this Report.

We became the first ISO 14064-1 Carbon Verified Financial Institution in South Asia and was certified as a Carbon Neutral Business Entity based on a carbon footprint business assessment conducted by the Sri Lanka Carbon Fund. The green initiatives we have embarked on including increasing awareness and forest cover through 'CDB *Mihikathata Adaren*', pioneering Sri Lanka's first Green Asset Backed Securitisation and recycling have added weight to our eco-accountability.

THE GOVERNMENT

During the year under review, your Company paid Rs. 417.33 Mn as taxes to the Government which was an increase of 22% year on year. As in the past your Company has complied with all statutory and regulatory requirements and such compliance is closely monitored by the Board of Directors.

OUR 2016 DIRECTION

Taking into account the challenges faced by the country as mentioned in the early paragraphs of my letter,

considerable resolve is needed to deal with the structural weaknesses in the country's economy, attract much needed FDIs for development projects and resume progress along a high growth-low inflation path.

In keeping with developments in the country and within the framework of Government policy, your Company will continue to pursue strategies that will increase its presence in the financial services sector through profitable revenue growth and product innovation. We believe that providing adequate space this year for consolidation of the gains achieved by CDB over the years, will increase the long-term sustainability of its progress. As in the past, we will continue to strengthen our governance structure and persist in adopting best practices throughout all our processes.

Your Company is well positioned for long-term growth with a diverse footprint, a proven strategy and an extraordinary team of dedicated men and women committed to excellence, to execute it.

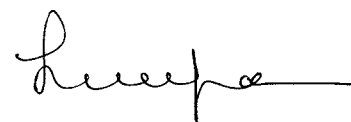
EXPRESSING APPRECIATION

Our success in 2015/16 would not have been possible without the strong and consistent support and guidance of our Board of Directors, to whom I am extremely grateful. We are fortunate to have such a dedicated group of individuals who share their perspectives and expertise to shape our vision. I wish to commend Mr. Mahesh Nanayakkara, our Managing Director and CEO for his inspiring leadership over the past two decades in steering this Company to this position of strength. I wish to extend my appreciation to the management

team and all staff members for their dedication and commitment towards making CDB as successful and dynamic as it is today.

I wish to thank our valued customers for their unwavering loyalty and trust over the years. I greatly appreciate the valuable advice and guidance extended by the senior officials of the Central Bank of Sri Lanka and other statutory institutions. I am particularly grateful to all our shareholders for their steadfast support and confidence placed in the Company through the years.

In conclusion, let me thank our Auditors, KPMG for their valuable professional advice and timely completion of the audit.



D H J GUNAWARDENA
Chairman

- 6th June 2016

MANAGING DIRECTOR'S REVIEW



After twenty years, we at CDB, look back at an illustrious journey. Times have been tough but then, the rewards have been great too; lessons have been learned and new areas ventured into; but through it all, CDB has continued to reach formidable heights, while forming a vital channel to be a partner in ensuring the fruition of the country's development goals

THE CEYLON CHAMBER OF COMMERCE PLACED CDB AMONG THE BEST CORPORATE CITIZENS OF 2015 AT THE CHAMBER'S SUSTAINABILITY AWARDS

Dear Shareholders,

The year under review is one of celebration. We celebrate 20 years in business in an industry that has recognised us as a spearhead, leader and trailblazer, no small feat for a company that is considerably young in the annals of the NBFi sector in Sri Lanka.

Since our inception on the 7th September 1995, CDB has faced some daunting challenges. However, in these twenty years, we have girded ourselves with fortitude and courage, driven by our young proactively intrepid spirited team who embarked on a journey of building the Company brick by brick and step by step, to position CDB as one of the best NBFi entities in Sri Lanka. The milestones have been many, the trailblazing pathways numerous and CDB has been growing in

stature significantly over the years. The Company was listed on the Colombo Stock Exchange on the 6th October 2010 and has continued this upward trajectory of notching achievements in every aspect of the business.

In this landscape, it gives me great pleasure to proclaim to you that CDB has continued its groundbreaking trails, surpassing some key financial and non-financial milestones that are truly a celebratory cause for our 20th anniversary.

One of our most exciting laurels we donned this year was when the Ceylon Chamber of Commerce placed CDB among the Best Corporate Citizens of 2015 and gave us the added crown of winning the less than Rs. 15 Bn revenue category at the Chamber's Sustainability Awards. These accolades are surely fitting rewards for our team. It surely recognises that it is the CDB

team who have placed this Company on an assured path of success, to be applauded as being among the top blue chip corporates in the country in just two decades, which is surely a feat.

Employee shares held under the CDB ESOP Trust Fund (Pvt) Limited were transferred to those team members eligible for such transfer in compliance with the Listing Rules and as per terms and conditions in the Indenture of Trust. Over two hundred from our team became beneficiaries under this scheme. I am also proud to mention that to the best of my knowledge, CDB remains the only listed company on the Colombo Bourse with twelve senior employees among the top 20 shareholders as at the end of this financial year. With this capital structure in place, CDB is well poised to optimise stakeholder value while embarking on our journey of reaching a balance sheet of Rs. 100 Bn by 2020.

From a financial landmark perspective, this year saw CDB impressively cross the Rs. 1 Bn Profit After Tax milestone, posting Rs. 1,005 Mn, a growth of 43%, which has seen our balance sheet grow by 33% to Rs. 50.6 Bn. Total equity has recorded an impressive figure of Rs. 5.1 Bn.

CDB's revenue is detailed this year at Rs. 7.49 Bn, reflecting a growth of 8%, while the net interest income of Rs. 3.1 Bn displayed a growth of 7%, despite a loan book growth of 31% with the loan book standing at Rs. 39 Bn as at the balance sheet date. This is the result of both the impact of upward movement in interest rates and conscious changes in the loan book mix, resulting in the Net Interest Margin (NIM) narrowing to 7% from 8% in the previous year. The impact of the upward trend in interest rates is due to the maturity gaps in assets and liabilities, coupled with the repricing scope of assets in a backdrop of a very competitive market environment in the market segments we focus upon. The direct positive impact of the change in the product mix resulted in the reducing of impairment charges, including disposal deficits. Impairment charges and disposal deficits recorded a figure of Rs. 399 Mn during the year in comparison to the Rs. 681 Mn recorded in the corresponding previous year. This resulted in a net reduction of Rs. 282 Mn, where the NPL ratio on gross and net basis declined from 5.78% to 3.62% and 3.19% to 1.56% respectively.

CDB's specialised leasing subsidiary heralded a change of name to Unisons Capital Leasing Limited (UCL) during the year. CDB fully subscribed to the rights issue announced by UCL during the FY 2015/16 investing Rs. 82 Mn at Rs. 10.50 per share, which increased CDB's stake in UCL to 90.38%. For this financial year, UCL contributed Rs. 13 Mn towards the Group's

consolidated results. Judging by the positive trends already experienced, we expect UCL to make a significant contribution to the Group's bottom line in the coming years.

There have been some changes in the economic and regulatory environment in the last financial year which has directly impacted our business. The interest rate milieu gradually inclined, as reflected in the one year Treasury Bill rate recording an increase of approximately 3.5% from 7% to 10.5%. The Loan To Value (LTV) ratio which came into effect during the latter part of the year, impacted our automobile financing business, which is 97% of our loan book. However, the positive outcome of this scenario has seen CDB aggressively pursuing non-automobile business, which resulted in impressive innovations to our product portfolio, including CDB Shop House, reiterating our focus on the property backed business.

In looking ahead, we intend to move more aggressively in our gold-backed loans as a high yielding product in the lending product mix, targeting to improve lending yield and the NIM. During the period under review, key funding sources emerged from debt funding, seeing this funding segment increase by Rs. 8 Bn to be recorded at Rs. 12 Bn as at the balance sheet date. This reflects an increase of 156%. The deposit portfolio grew by Rs. 3.81 Bn notching a growth of 14%, detailed at Rs. 31 Bn, which includes a savings base of Rs. 1.6 Bn.

Capital adequacy ratios in the meanwhile for Tier I and Tier I & II were at 11.72% and 11.74% respectively, above the regulatory requirements of 5% and 10%. The liquidity ratio too echoed similar paradigms of being above regulatory requirements, standing at 20%. 91% of assets remain in interest earning regular cash flow generating

investments including the asset-backed loan book comprising 76% of assets.

Overheads, however increased by 15% as did the cost to income ratio to 53% mainly due to the narrowing of margins. Profit before VAT on Financial Services, NBT and the crop levy is notched at Rs. 1.4 Bn, stipulating an increase of 36%, where profit before income tax stands at Rs. 1.3 Bn. This an increase of 32%. Return on Equity recorded 21.49%, while Earnings Per Share stands at Rs. 18.51. The Net Book Value per share is now Rs. 93.03 as at the balance sheet date.

One of CDB's success factors has been our accessibility and reachability, both in hardware and software. In enhancing our distribution and client reach, CDB now has an additional three ATMs and three new branches which increases our reach to 62 outlets. We also relocated six branches to more strategic locations during the year.

The recognition and rewards that CDB has received throughout the year have been far-reaching, primarily because not only do these kudos proclaim the financial stability and soundness of CDB, but also the caring passion we have for our stakeholders and the environment, which all account for a sustainable business model. While being recognised as being among the Top Ten Corporate Citizens for 2015 as mentioned above, CDB continued to don many a crown in people development, HRM and branding. Exhibiting the stringent emphasis of our governance tenets imbuing transparency, accountability and moral obligation to doing the right thing, our Annual Report garnered a number of awards from prestigious organisations both local and international.

We are also proud that our environmental commitment is well accented given that CDB is now a certified Carbon Neutral entity

based on the carbon emissions from our Head Office. We extended this green consciousness to our business strategies as well. Our automobile financing footprint includes more hybrid and electric vehicles where 22% of our automobile financing this year was directed towards hybrid and electric vehicles. Aligned with this, we reduced our three-wheeler financing composition as well, from 24% of the new business executed in the previous year to 18% in the current year, comprising all brand new three-wheelers. This has resulted in the three-wheeler composition of our loan book reducing from 36% to 26% for this financial year. Our pioneering green mindset was further entrenched when CDB executed the first green securitisation in the country for Rs. 1 Bn, entirely backed by hybrid vehicles.

Our eco-friendly CSR initiatives which recognise young children as being the beneficiaries of this planet continue to formulate and instigate an eco-consciousness among the younger generation and communities around the country. The year saw, CDB's IT laboratory presentations to schools in difficult areas through CDB *Pariganaka Piyasa*, scholarships for high achievers through CDB *Sisudiri*, CDB *Hithawathkam* and CDB *Mihikathata Adaren* ensure that our social responsibility initiatives are all constructed on a platform of sustainability.

In ensuring that our policies and strategies match the rhetoric of being a sustainably responsible corporate steward, CDB formulated a formal whistle-blowing policy adding further impetus to the Company's transparency fabric. In addition, we introduced a mystery customer feedback system and engaged the services of Best Places to

Work to gain valuable feedback from our team to accumulate more insight that would spur further improvement and development in forging and nurturing strong relationships with our stakeholders.

CDB has continued to break records this year too, pushing boundaries that have now made us an emulated industry leader. I have been fortunate to have judicious counsel and guidance extended to me by the Chairman and Board of Directors, whose unwavering confidence placed in me has enabled me to lead this Company exceed its goals with great enthusiasm. It is my senior management and dynamic team that enabled me to journey even closer towards our vision, while also reaching unbridled heights. Our stakeholders have undoubtedly been the trusses upon which we have constructed our business on, building a strong foundation of economic, social and environmental consciousness and for that, I remain ever grateful, especially to our shareholders, customers and valued business partners, for constantly pushing us to reach higher goals.

We look ahead at a banking and financial services industry in Sri Lanka that will undoubtedly be at the cusp of change. There are numerous deliberations and discussions that are prompting change and will hopefully be the pathway to identifying opportunities that come with rapid economic development. Sri Lanka itself is now embracing the change that is swathing the Asian region, elevating itself within the paradigms of the global economy and taking advantage of such change to spur development within the country.

The strength we possess in this equation is our people factor; an extraordinary team of professional highly competent individuals who have been harnessed and nurtured to optimise their inherent

talent and skill. I am confident that our CDB team possesses the apt formula to maximise on this change, proactively adopting and adapting as necessary to spearhead economic development that will permeate collectively to people as a whole, making our nation a progressive one and adaptable to the technologically driven era emerging around the world.

After twenty years, we at CDB look back at an illustrious journey. Times have been tough but then, the rewards have been great too; lessons have been learned and new areas ventured into; but through it all, CDB has continued to reach formidable heights, while forming a vital channel to be a partner in ensuring the fruition of the country's development goals.

As we step into the third decade of our exciting journey, we have now set our sights on reaching a Balance Sheet of Rs. 100 Bn by 2020. We know unequivocally that our inherent competencies, skill and knowledge will continue to be the foundation upon which we can continue to construct a solid and stable corporate entity. We believe unwaveringly in using our social and environmental consciousness coupled with our financial acumen to empower the nation through pioneering innovations, trailblazing initiatives and responsible interactions to spur a better industry, a better nation and overall, a better world.



W P C M NANAYAKKARA
Managing Director/
Chief Executive Officer

- 6th June 2016

BUSINESS MODEL

022

OUR THIRD INTEGRATED REPORT

024

VALUE CREATION

026

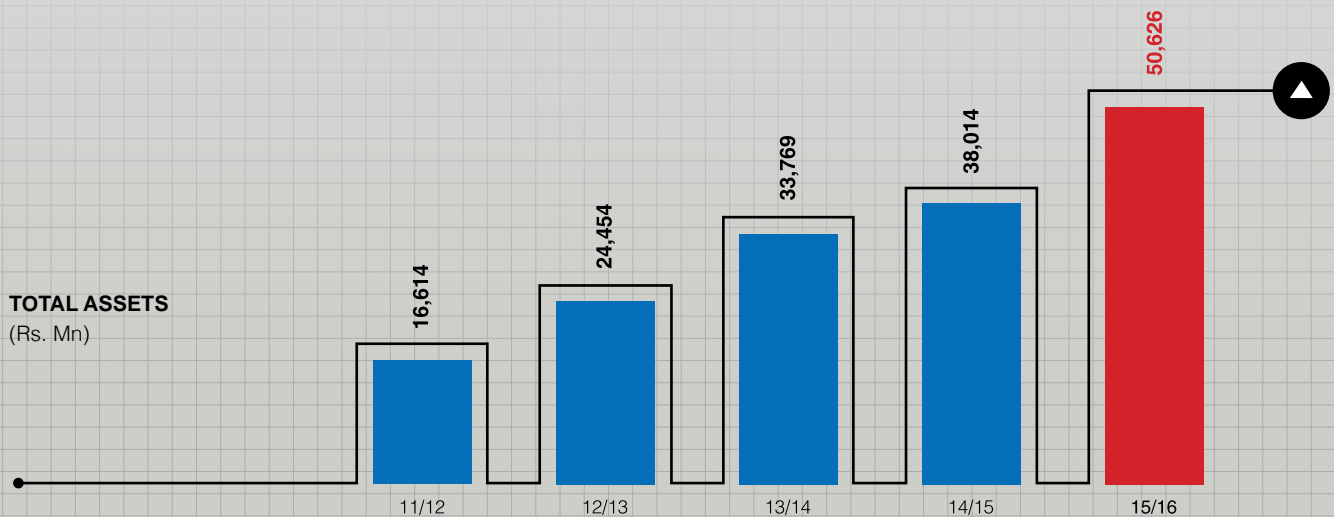
ECONOMIC REVIEW

030

SUSTAINABILITY AND MATERIALITY

036

OUR STAKEHOLDERS





Commercial Bank
Finance PLC

CDB 
#123

OUR THIRD INTEGRATED REPORT

Board has identified that integrated thinking ensures the long-term sustainability of the organisation through the creation of sustained value for the stakeholders. **It has enhanced the decision-making process, both at management and Board levels with the availability of accurate information, improved governance and risk management.** Therefore, we are more committed towards enhancing our decision-making process and improved reporting by embedding integrated thinking into the organisation culture.

– Board of Directors

The integrated Annual Report of CDB for the year 2014/15, was well received with valuable feedback by the stakeholders. [\(G4-28, G4-29\)](#)

Adopting this approach in an advanced way, we have attempted to communicate more coherently and concisely the creation of value over time encompassing our strategy, governance, performance and prospects, in the context of our external environment.

We were amongst the pioneers in the industry to adopt the triple bottom line reporting concept. We firmly believe that sustainability is an integral aspect of the Company's overall performance and it cannot be separated from the overall discussion of the performance of the Company. Building on that approach, this year's integrated Annual Report reflects our holistic thinking explaining the value creation process around the Company's strategic imperatives.

2015/16 Integrated Report

Content Development

In keeping with the need to keep the Report both comprehensive and concise, only the key material aspects are detailed in the printed Annual Report 2015/16.

There weren't any significant changes and restatements, with regard to the scope, boundary or measurement techniques. CDB chose to be an early adopter of GRI G4 Guidelines as in the previous report based on GRI G4 'In accordance – Core' option. This Report primarily covers sustainability impacts, risks and opportunities arising from financial operations within the organisation [\(G4-13, G4-22, G4-23, G4-32\)](#).

- GRI G4 Disclosures – 'In accordance – Core' criteria (Refer page 106)
- Sustainability outline (Refer page 30)
- Stakeholder inclusiveness (Refer page 36)
- Risk report (Refer page 148)
- Corporate governance (Refer page 127)
- Financial reports (Refer page 174)

Materiality

This integrated Report focuses on the material developments and issues, and includes important financial and non-financial performance indicators. A material development or issue is defined based on its impact on the Company's ability to remain commercially viable and socially relevant to the communities in which it operates.

- Determining process of the refreshed material issues and materiality assessment (Refer page 32)
- Healthy engagement with stakeholders (Refer page 36)

2015/16 Integrated Report		
Material Aspects and Boundaries (G4-6, G4-17)	As a service-oriented company, certain GRI G4 performance indicators have been deemed inapplicable. As such, CDB's Subsidiaries, CDB Micro Finance Limited and Unisons Capital Leasing Limited, were excluded from this Report, taking only the parent company into consideration.	<ul style="list-style-type: none"> Excluded some non-core activities such as payroll services, security services, janitorial services and office equipment maintenance services
Key Frameworks	All relevant frameworks which are important have been adopted to provide an integrated assessment of the Company's ability to create value over time.	<ul style="list-style-type: none"> Companies Act No. 07 of 2007 Finance Business Act No. 42 of 2011 Corporate Governance Direction No. 03 of 2008 International Integrated Reporting Council (IIRC) Guidelines Smart Media Methodology™ for Integrated Reporting Global Reporting Initiative (GRI) International Financial Reporting Standards (IFRSs) Sri Lanka Accounting Standards (SLFRSs and LKASs)
Compliance	CDB's Annual Report 2015/16 covers the 12-month period, 1st April 2015 to 31st March 2016, and is consistent with the annual reporting cycle. (G4-30) The information contained in this Report, as in the past, is in compliance with all applicable laws, regulations and standards as well as guidelines for voluntary disclosures.	
Capital Formation	Our ability to create value depends on certain forms of capital – the manner in which we derive value and deliver value. We apply the capital model to manage and assess the value creation process of the future. This Report aims to explain the initiatives taken in this regard.	<ul style="list-style-type: none"> Financial capital (Refer page 46) Intellectual capital (Refer page 62) Human capital (Refer page 66) Social and Relationship capital (Refer page 84) Environmental capital (Refer page 98)
External Assurance	The Board of Directors and senior management do not have any relationship with the Company's External Auditors; Messrs KPMG. The Managing Director who is an Executive Director and member of the corporate management team is responsible for sustainable practices and disclosures detailed in this Report in addition to interacting with the external assurer of the Report. (G4-33)	<ul style="list-style-type: none"> Independent assurance report in respect of reported sustainability parameters was assured by an independent external verifier in accordance with Sri Lanka Stranded on Assurance Engagement SLSAE 3000. (Refer page 111)
Distribution	The Report is available on the Company website, at www.cdb.lk and at the CSE website, www.cse.lk Printed copies are available at all CDB outlets	
Queries (G4-3, G4-5, G4-31)	For any clarifications on this Report we invite you to contact us. Nuwan De Silva Deputy Manager – Treasury Operations Citizens Development Business Finance PLC No. 123, Orabipasha Road, Colombo 10. nuwan.darshana@cdb.lk	
Audience	All stakeholder groups	

VALUE CREATION

EXTERNAL ENVIRONMENT

INPUT

FINANCIAL CAPITAL

- Equity capital – Rs. 5 Bn
- Customer deposits and savings – Rs. 30.88 Bn
- Corporate borrowings – Rs. 11.3 Bn
- Debt securities – Rs. 1 Bn
- Foreign borrowings – Rs. 0.4 Bn

PAGE : 46

HUMAN CAPITAL

- Skills and experience of staff and management team
- Staff strength – 1,167 Nos.
- Gender diversity – 73% (M), 27% (F)
- Learning and development
- Health and wellness
- Experience
- Effort and motivation
- Talent attraction

PAGE : 66

SOCIAL AND RELATIONSHIP CAPITAL

- Diversified products and services
- Accessibility – 62 outlets
- Ethical communication
- Regulatory compliance
- Business partnerships
- Investment on education
- Women empowerment
- Investment on rural youth

PAGE : 84

INTELLECTUAL CAPITAL

- Systems of internal controls
- Research and development
- Product innovation and service enhancement
- Process development
- Digitalisation
- Brand equity

PAGE : 62

ENVIRONMENTAL CAPITAL

- Energy savings initiatives
- Green awareness and campaign
- Water management
- Tree planting
- Investment on renewable energy

PAGE : 98

CORPORATE GOVERNANCE (PAGE 127)

VISION

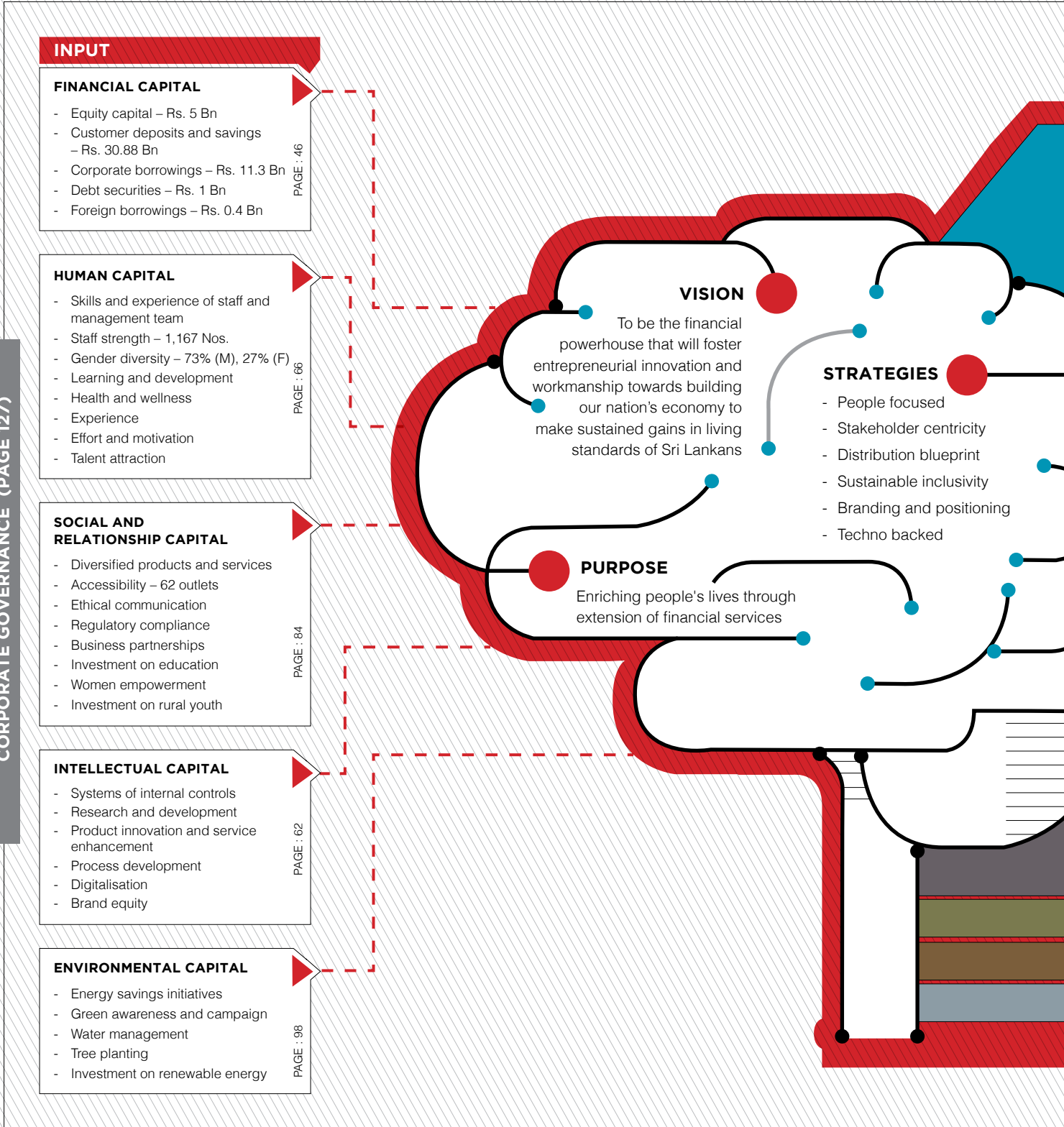
To be the financial powerhouse that will foster entrepreneurial innovation and workmanship towards building our nation's economy to make sustained gains in living standards of Sri Lankans

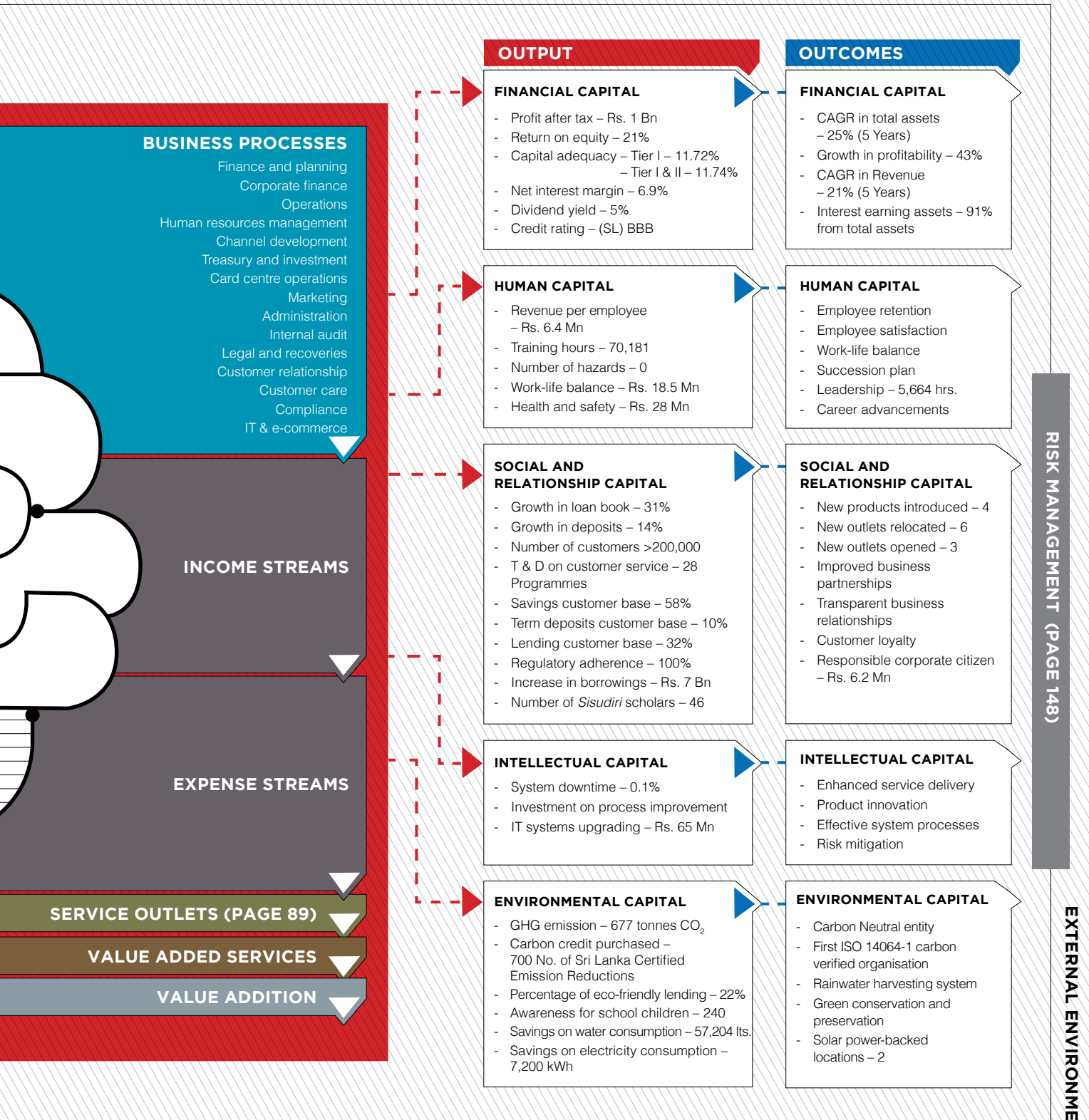
STRATEGIES

- People focused
- Stakeholder centricity
- Distribution blueprint
- Sustainable inclusivity
- Branding and positioning
- Techno backed

PURPOSE

Enriching people's lives through extension of financial services





ECONOMIC REVIEW

THE GLOBAL ECONOMY

Global growth, currently estimated at 3.1% in 2015, is lower than the 3.4% growth in 2014. Growth in emerging markets and developing economies which accounted for over 70% of global growth, declined for the fifth consecutive year, whilst a modest recovery continued in advanced economies.

The Chinese economy grew at its slowest pace in 25 years, despite the policy measures adopted to aid the economy. In addition, global oil prices fell dramatically during the year on account of the persistent supply glut. There were continued capital outflows in many emerging markets spurred by a 0.25% hike in US interest rates in December 2015.

Global growth is projected to be 3.4% in 2016 and 3.6% in 2017. Risks to the global outlook remain tilted to the downside and relate to ongoing adjustments in the global economy. This includes a generalised slowdown in emerging market economies, China's rebalancing, lower commodity prices, and the gradual exit from extraordinarily accommodative monetary conditions in the United States.

Developed economies are expected to grow by 2.1% in both years, with the US economy growing by 2.6% and the Euro Area and Japan recording growth rates of 1.7% and 1.0% respectively in 2016. Emerging and developing market growth is expected to be comparatively robust, at 4.3% whilst growth in China is expected to slow further. India and the rest of emerging Asia are expected to record higher rates of growth. Russia on

the other hand, is anticipated to contract by 1.0% in 2016, following its 3.7% contraction in 2015.

Source: IMF World Economic Outlook, Update January 2016.

THE SRI LANKAN ECONOMY

GROWTH

Sri Lankan economy grew by 4.8% in 2015, similar to the revised growth rate of 4.9% in 2014. This estimate was based on the new methodology adopted by the Department of Census and Statistics of Sri Lanka, incorporating more economic activities with year 2010 as the base year. Services sector continued to be the largest contributor to the economy, recording a growth of 5.3%. The Industry sector grew by 3.0% reflecting a dip from a 3.5% growth in 2014 largely due to the contraction in the construction sub-sector. Agriculture sector on the other hand, recorded the highest growth during the year, amounting to 5.5%.

INFLATION

Headline inflation indicated a downward trend in most months of 2015 with the index falling into deflation from July to September. This was largely due to the downward revision of fuel prices on account of lower global prices coupled with the other administered price changes in early 2015. However, core inflation continued to rise, reaching the highest level in February 2016 since April 2014.

UNEMPLOYMENT

By the end of the fourth quarter of 2015, the unemployment rate dipped marginally to 4.3% compared to 4.4%

in the same quarter of 2014. The total number of employed persons has increased to 8.6 million in Q4 of 2015 from 8.4 million the same period previous year. There has been a shift in employment from the Agriculture sector to the Services sector.

EXTERNAL SECTOR

Exports in 2015 fell 5.6% with tea and textile and garments exports recording declines. Imports fell 2.5% mainly due to a 41% decline in fuel imports. However, consumer goods grew 22.3% with vehicle imports being the key driver while investment goods grew 10%. Since the increase of import duties and the depreciation of the currency, there has been a slowdown in the pace of imports in early 2016. Earnings from tourism continued to be positive as it recorded a growth of 22.6% in 2015. Remittances inflows growth contracted for the first time since 2011. The overall Balance of Payment position shifted to a deficit of US \$ 1.49 Bn from a surplus of US \$ 1.37 Bn in 2014 while Gross Official Reserves stood at US \$ 6.2 Bn by end March 2016.

MONETARY POLICY

The Central Bank of Sri Lanka (CBSL) maintained an eased monetary policy in 2015 with a policy rate cut in April 2015. However, in December 2015 the Statutory Reserve Ratio was increased by 1.5% to curb excess liquidity in the market. In February 2016, the CBSL increased key policy rates by 0.5% each to ward off risks to macroeconomic stability.

RUPEE PERFORMANCE

The Sri Lankan Rupee faced depreciatory pressure in 2015 due to a number of reasons including, fund

outflows from the local government securities market, debt outflows and emerging market volatility. In early September 2015, the CBSL removed its daily reference rate for the Rupee, enabling the Rupee to be market determined. The Sri Lankan Rupee depreciated 10% against the US \$ in 2015.

FINANCIAL SECTOR PERFORMANCE

BANKING SECTOR

The asset base of the Banking sector continued to expand, recording a growth of 15% YoY and surpassing Rs. 8.0 Trillion in 2015. Total loans and advances increased by 21% to Rs. 4,620 Bn as at the end of 2015. Banks aggressively grew their leasing portfolio and term loans throughout the year. There was a significant increase in loans and advances extended to the construction, infrastructure, trading, financial and business services sectors during 2015. In addition, the asset quality improved as reflected in the decline of the Gross NPL ratio to 3.2% as at the end of 2015, compared to 4.2% in December 2014. On the funding side, deposits grew by 15% whilst CASA ratio improved to 40.3% compared to 39.3% in December 2014. PAT increased by 10% due to higher net interest income despite narrowing margins. However, ROA decreased to 1.3%, from 1.4% in 2014, due to the rapid expansion of the asset base.

NON-BANK FINANCIAL (NBF) SECTOR

The NBF Sector in Sri Lanka is represented by Licensed Finance Companies (LFC) and Specialised

Leasing Companies (SLC). The sector consists of 46 LFCs and 7 SLCs with a network of 1,216 branches island-wide.

The total asset base as at December 2015 stood at Rs. 996 Bn which represents a 22.2% Year of Year (YoY) growth, accounting for approximately 7.3% of assets in the financial system. Credit growth expanded during the latter half of 2015 enabling the sector to recover from the dampened credit demand in 2014. Credit growth during the year was largely driven by the increased demand for credit and the rise in vehicle imports during the period. As a result, the loans and advances extended by LFCs and SLCs increased significantly by 31.8% (Rs. 192.1 Bn) to Rs. 795.8 Bn by December 2015.

Growth in the loan book was predominantly driven by finance leasing which increased by Rs. 143 Bn (51.8% YoY growth) and secured loans and advances which added Rs. 93 Bn (47.9% YoY growth) to the loan book by the end of 2015. The hire purchase segment contracted by 39.7%, due to changes in the tax structure following the Government Budget.

Total borrowings by the sector recorded a noteworthy 44.6% YoY growth to reach Rs. 314.3 Bn by December 2015. The growth in borrowings was on the back of funds obtained from the banking system via debenture issues which resulted in an increase in the sectors share of borrowings from the financial system from 26.7% recorded in 2014 to Rs. 31.6% in 2015.

In addition, the sector operated with an excess liquidity position with a surplus of Rs. 13.7 Bn being recorded in 2015

which resulted in the liquid assets to deposit ratio being well above the statutory minimum requirements.

There was an improvement in the asset quality as reflected by the decline in the Gross and Net NPL ratios to 5.7% and 1.6%, respectively by December 2015. The funding cost declined on account of lower interest rates and excess liquidity in 2015.

Favourable re-pricing of assets and liabilities had a positive impact on net interest income while a sharp increase in operating costs dampened bottom line profitability. As a result, profitability ratios such as ROA and ROE dipped marginally to 3% and 12.3% respectively in 2015. Deposits continued to grow albeit at a slower pace with a 16.2% YoY (2014 – 22.8% YoY) growth being recorded in 2015 on account of the relative higher deposit rates on offer at LFC's. The share of Rupee borrowings increased due to the availability of lower cost funding.

Given the accelerated demand for vehicle leasing facilities being observed, the Central Bank took action whereby a maximum Loan to Value (LTV) ratio of 70% on motor vehicle loans and advances was imposed with effect from 1st December 2015, in order to curb the surge of motor vehicle financing by banks and NBFIs and reduce the overall risk exposure of the financial system. This is expected to reduce the high concentration of consumption-related lending for motor vehicles, which would mitigate the potential risk to financial stability.

THE SERVICES SECTOR CONTINUED TO BE THE LARGEST CONTRIBUTOR TO THE ECONOMY, A RECORDING OF 5.3% IN 2015

FUTURE OUTLOOK

Going forward, import volumes are likely to be affected on account of the depreciation of the Sri Lankan Rupee and tax policy revisions. Leasing and hire purchase account for over half of the loan book of the LFCs. In addition, NBFIs face intense competition from banks in the leasing segment. Hence, leasing is likely to be a challenging market in the future. However, we will capitalise on the opportunities in the non-leasing segments targeting executives through the extension of our products, such as CDB Shop House and CDB Personal Loans. We will also strengthen our fee-based income as a means of diversifying our income sources. In addition, we will continuously focus on improving our asset quality by strengthening the Recoveries Division to improve NPLs. With the increase in market interest rates, funding costs are

likely to increase. Hence, the sector needs to effectively manage their assets and liabilities to sustain margins in a volatile interest rate environment. Deposit mobilisation will be an area of focus with the increase in borrowing costs from credit lines.

3,129

11

**SRI LANKA'S GDP
PER CAPITA AT
MARKET PRICE (US\$)**

SOURCE : CBSL ANNUAL REPORT, 2015

3,351

12



3,610
13

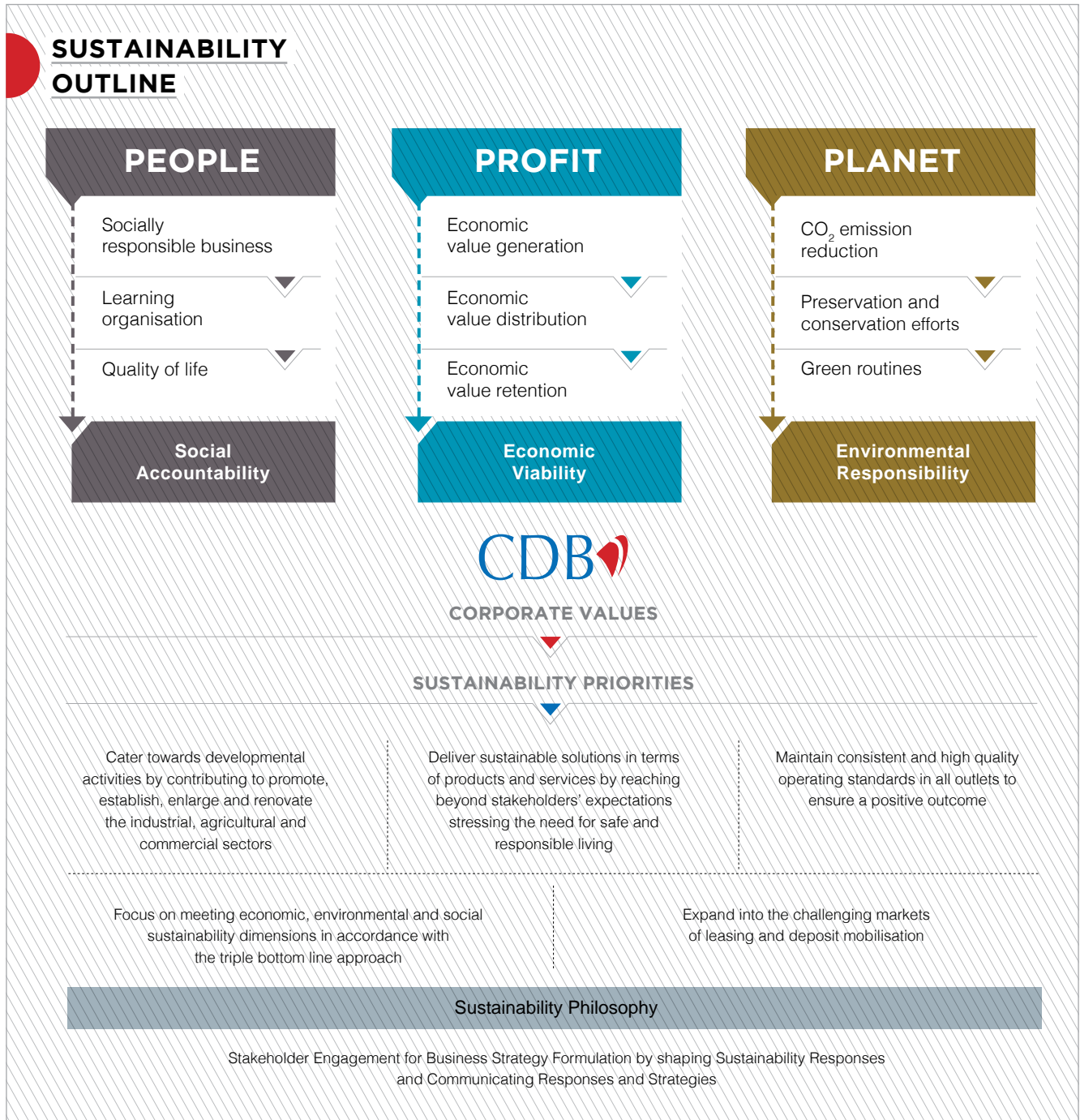
3,853
14

3,924
15

SUSTAINABILITY AND MATERIALITY

SUSTAINABILITY CONTEXT

This report presents CDB performance in the wider context of sustainability, providing insights about the initiatives adopted by the Company to enhance the economic, environmental, social and cultural aspects in which we operate. (G4-15) (G4-56)



CDB's concern on economic value addition is where it enables local economic development, poverty alleviation, social and economic transformation, environmental stewardship and infrastructure development. The pursuit of sustainability has grown from the work of a few idealists to being a mainstream concept.

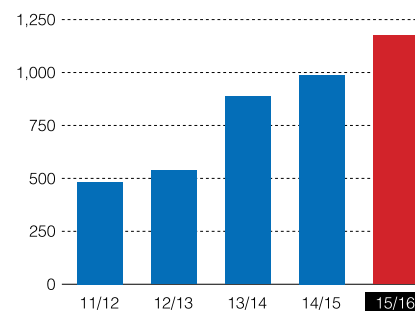
CDB does not sacrifice its shared assets for short-term profits. The approach to economic sustainability has been to stick to comprehensive corporate policies and procedures that are guided by the Board members. Regular Board meetings ensure that the material concerns on formulating and implementing Company's strategic direction, risk assessment and response, control of operations – internal control

system; regulatory framework, legislation and code of conduct, corporate social responsibility and other external factors are adequately addressed. The ongoing monitoring process and the proper internal controls, policies and procedure will ensure the Company's progress by way of detailed Financial Statements prepared monthly, quarterly, biannually and yearly where the Board discusses on material variances and other standards.

The essence of CDB's commitment to ensuring economic sustainability in every single aspect is highlighted throughout the report from the corporate governance section, risk management section to the operational highlights.

Economic performance has therefore become a critical factor in determining economic sustainability.

ECONOMIC VALUE ADDED
(Rs. Mn)



ECONOMIC VALUE ADDITION (G4-EC1)

	2015/16 Rs. Mn	2014/15 Rs. Mn	2013/14 Rs. Mn	2012/13 Rs. Mn	2011/12 Rs. Mn
Direct economic value generated (Revenue)	7,486	6,704	6,268	4,311	2,833
Economic value distributed					
Operating costs	1,369	1,229	937	688	634
Employee wages and benefits	697	567	498	361	279
Payment to providers of capital	3,784	3,573	3,715	2,544	1,389
Payments to Government	430	342	227	176	42
Community investment	3	3	3	3	4
Economic value retained	1,202	989	888	539	485

ECONOMIC VALUE DISTRIBUTION

CDB creates value through business activities using the stocks of capital available. Understanding the dependence on and contribution to these forms of capital is fundamental to our ability to continue creating value over the long-term. Ultimately, the most significant outcomes of the business activities are in the contribution to socioeconomic development, which CDB can only achieve through remaining profitable and staying relevant to the societies we serve in by continuing in our pledge to lend responsibly into the future.

CDB ensure being the employer of choice through our value proposition including competitive remuneration and significant opportunities for development and growth.

CDB contributes to building an economically strong Sri Lanka through the taxes we pay to the Government of Sri Lanka.

As a vehicle for sustainable returns we ensure our capital providers a satisfactory return in the form of dividends and consistent capital gains from growth in the Company's share price.

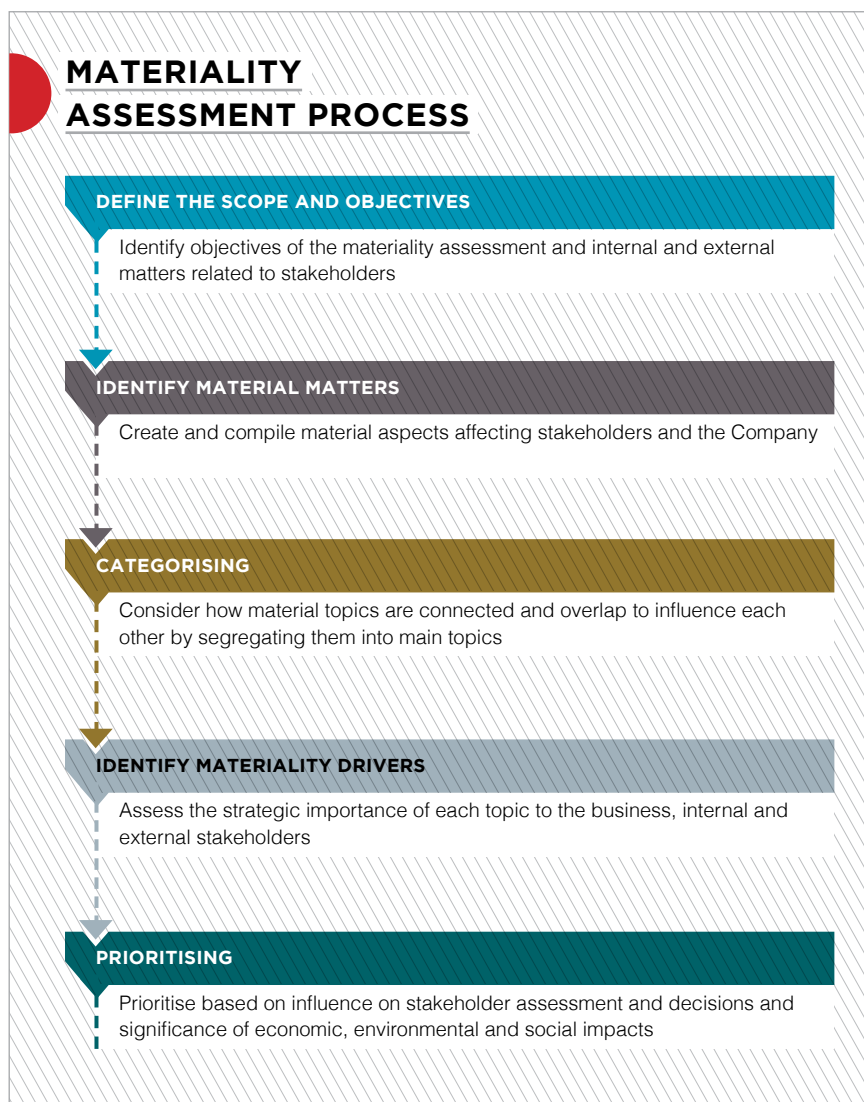
However, our most important contribution to sustainable development is to have a positive influence towards the communities which we are in.

MATERIALITY ASSESSMENT

In formulating CDB's strategies, we consider the full range of issues that influence the sustainability of our business in the context of social, economic and environmental aspects in which we operate. Areas of priority are determined based on feedback received from stakeholders and consultations with the management team.

Materiality of a topic is assessed based on its impact on the Company's ability to remain commercially viable and socially relevant in the communities it operates. Our approach to materiality assessment is illustrated in the diagram below:

(G4-18, G4-19)



MATERIAL DETERMINANTS AND DRIVERS

	Material Determinants	Material Drivers
Economic	<ul style="list-style-type: none"> • Building and nurturing a sustainable organisation • Advancing the ease and convenience of financing • Striking a balanced trade-off on acceptable risk return appetite • Standardising the service level for all stakeholders • Widening the operational footprint of the Company • Efficient customer complaints resolution on a real time basis • Increasing access to a wide range of financial solutions • Reducing the cost of services • Amplifying financial inclusion • Planning and forecasting for economic recovery in an uncertain environment • Complying with governance and ethics • Effective risk management • Integrity of Information Technology (IT) systems 	<ul style="list-style-type: none"> • Variety of products and services • Easy accessibility through a wide range of customer touch points • Efficient and high quality IT platform • Standardised service excellence • Trust and safety • Initiating sustained growth transactions • Economic value addition
Social	<ul style="list-style-type: none"> • Generating an empowering environment • Ensuring a consistent community investment strategy • Boosting socio-economic development • Responsible access to finance sources • Enhancing financial literacy • Lending for social well-being and community development • Being responsive to human needs and nurturing their development • Embedding an ethical transformation throughout the Company • Encouraging employee engagement • Putting CDB's corporate values to practice • Consistent communication across the most resonant platforms • Embedding talent management 	<ul style="list-style-type: none"> • Building a performance-driven culture • Developing new markets, revenue streams and customer bases • Contributing to strengthen social welfare • Enhancing facilities for employee development • Continuous customer education on proactive actions • Improving communication within and out of the Company • Maintaining high ethical standards • Responsible lending • Fair treatment for all stakeholders • Regulatory change • Building an innovative culture • Developing high performing and competent people
Environmental	<ul style="list-style-type: none"> • Inculcating a sense of responsibility and affinity for the environment • Infusing green practices in each business activity • Resource and energy consumption • Energy savings through conservation and efficiency improvement • Being a carbon conscious entity • Compliance with environmental laws and regulations • Gearing renewable power energy solutions 	<ul style="list-style-type: none"> • Ensuring compliance with existing and developing environmental regulations • Contributing to behavioural change for a more sustainable future • Reducing adverse environmental impact • Encouraging employees to adopt green practices

PRIORITISING MATERIAL TOPICS

These matters are evaluated based on the significance to both internal and external stakeholders of the Company through a rating system on a scale of high, moderate and low. The feedback is then analysed to determine its significance towards the performance of the Company. (G4-20, G4-21)

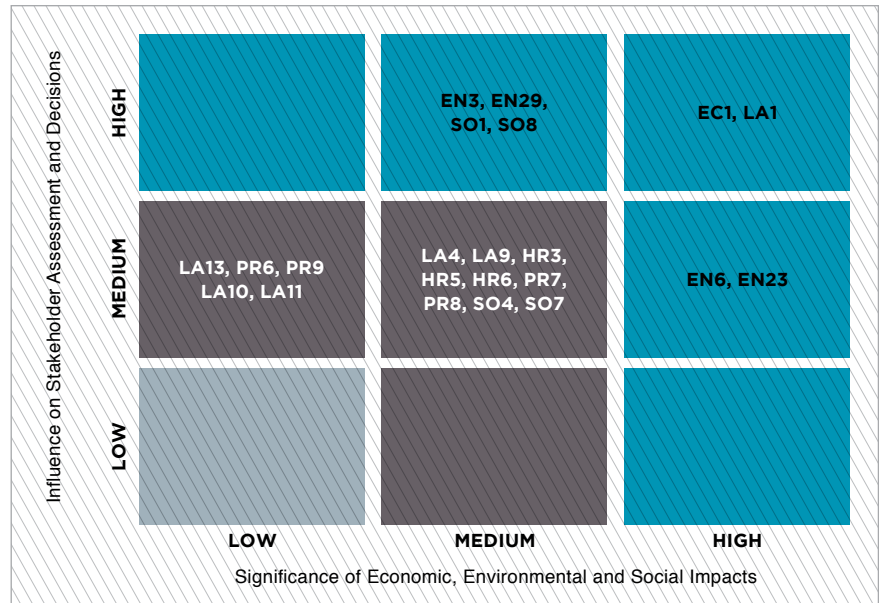
Category		Economic	Environmental		Social: Labour Practices and Decent Work			Social: Human Rights		Social: Society			Social: Product Responsibility				
		Economic Performance	Energy	Effluents and Waste	Employment	Labour/ Management Relations	Training and Education	Equal Remuneration for Women and Men	Non-Discrimination	Child Labour	Forced or Compulsory Labour	Local Communities	Anti-Corruption	Anti-Competitive Behaviour	Compliance	Marketing Communications	Customer Privacy
Significance as per Sustainability context		H	M	M	H	M	M	M	M	M	M	M	M	M	M	M	M
Aspect Boundary	Internal	CDB	Δ	Δ	Δ	Δ	Δ	Δ	Δ	Δ	Δ	Δ	Δ	Δ	Δ	Δ	Δ
		Employees	Δ			Δ	Δ	Δ	Δ								
	External	Customers	Δ													Δ	Δ
		Suppliers and Business Partners	Δ			Δ											
		Regulators	Δ											Δ	Δ		Δ
		Social and Environment	Δ										Δ	Δ			
Materiality	To CDB	H	M	M	H	M	M	M	M	M	M	M	M	M	M	M	M
	To Stakeholders	H	M	M	M	M	M	M	M	M	M	M	M	M	M	M	M
Reported		Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

H = High M = Moderate L = Low Δ = Relevant to

MATERIALITY MATRIX

The information given under 'Prioritising Material Topics' is depicted in this diagram on two dimensions – influence on stakeholder assessments and decisions and significance of economic, environmental and social impacts.

The Materiality Matrix identifies and classifies material aspects using GRI G4 based indicators defined under the categories of Economic, Environmental and Social.



It's all about getting 'warm and personal' with our customers. It's how CDB goes about treating people in general...providing products, services, interactions and more which make people comfortable and secure...and there's no better place for anyone to feel comfortable and secure than...home!

HOMELY EXPERIENCE

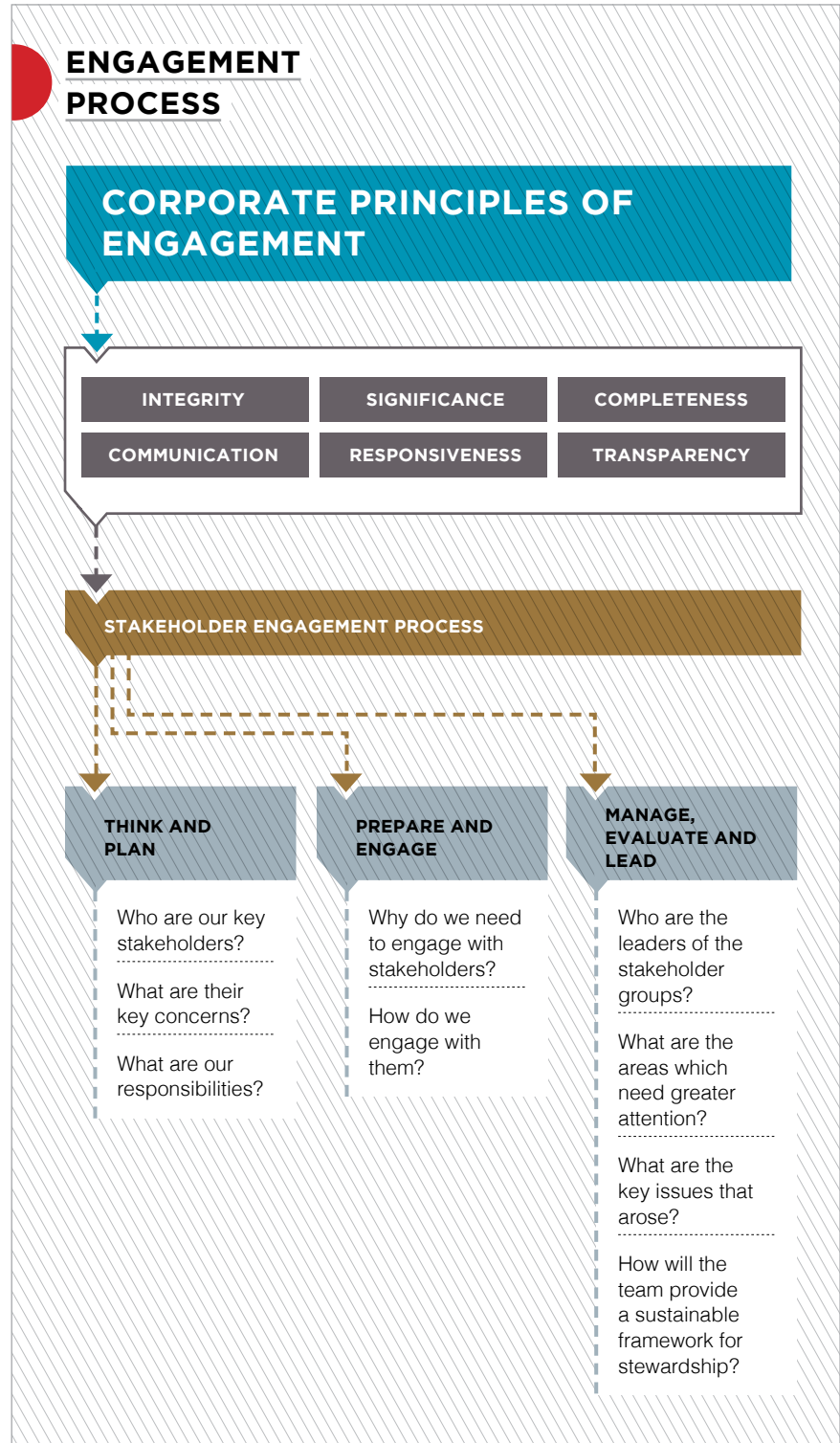


OUR STAKEHOLDERS

Stakeholders can affect or be affected by the Company's actions, objectives and policies. Accordingly, the principal stakeholders of CDB include the investors, customers, employees, business partners, regulators, the community and environment.

STAKEHOLDER INCLUSIVITY AND ENGAGEMENT

Understanding and fulfilling the diverse concerns and requirements of CDB's stakeholders is imperative for our growth and sustained profitability. Therefore, we have in place a formal mechanism to engage with the stakeholders which comprises three stages, namely, **Think and Plan**, **Prepare and Engage** and **Manage**.



THINK AND PLAN

CDB follows an analytical process to understand stakeholder concerns and expectations. CDB has identified that all stakeholders in a particular group do not necessarily share the same concerns and opinions. (G4-24)

Stakeholder Groups						
Investors	Customers	Business Partners	Employees	Regulators	Community	Environment
Stakeholder Key Concerns						
Consistent financial performance	Positive experience	Sustainability of the supply chain	Employee health and safety	Good corporate governance	Living standard	Energy conservation
Sustainable ROE	Accurate and reliable real time information	Functionality of the supply chain	Remuneration, rewards and benefit schemes	Fair and transparent framework and work practices	Social investment	Natural resource preservation
Increased share values	Assurance of privacy	Wealth maximisation	Career advancement	Ethically driven business models	Community development	Reduction of carbon footprint
Integrity of Board and Management	Keeping promises	Mutually beneficial ethical relationship	Well-being and work-life balance	Legal compliance	Education and literacy	Resource efficiency
Goodwill of the Company	Product innovation		Diversity	Voluntary compliance with codes	Ethical sourcing	Carbon Neutral Business Processes
Safeguard assets quality	Technology driven financial solutions				Empowerment	
Reinvest earnings	Ethical lending practices				Financial awareness	
	Speedy complaint resolution					

Fulfilling Key Concerns						
Balancing profitability in the short-term and long-term sustainable profitable growth	Database protection and ensuring high confidentiality	Addressing issues related to supplier chain	Demonstrating employee productivity, quality and leadership	Developing and communicating a framework which promotes good governance and ethical behaviour at all levels	Contributing to improve the quality of life of the society	Maintaining a social investment fund to develop products and services that benefit society
Optimal returns on investment	Bar unsolicited communication and intrusive surveillance	Nurturing healthy partnerships	Safeguarding human capital	Ensure compliance at all times	Investment on community upliftment	Reducing energy consumption and pollution
Reinvesting earnings for future growth	Strengthening Company brand values and Code of Conduct	Joint promotional campaign	Providing a safe and enriching work experience	Providing timely and accurate information	Supporting entrepreneurs	Adopting green policies, practices and approaches to save the environment

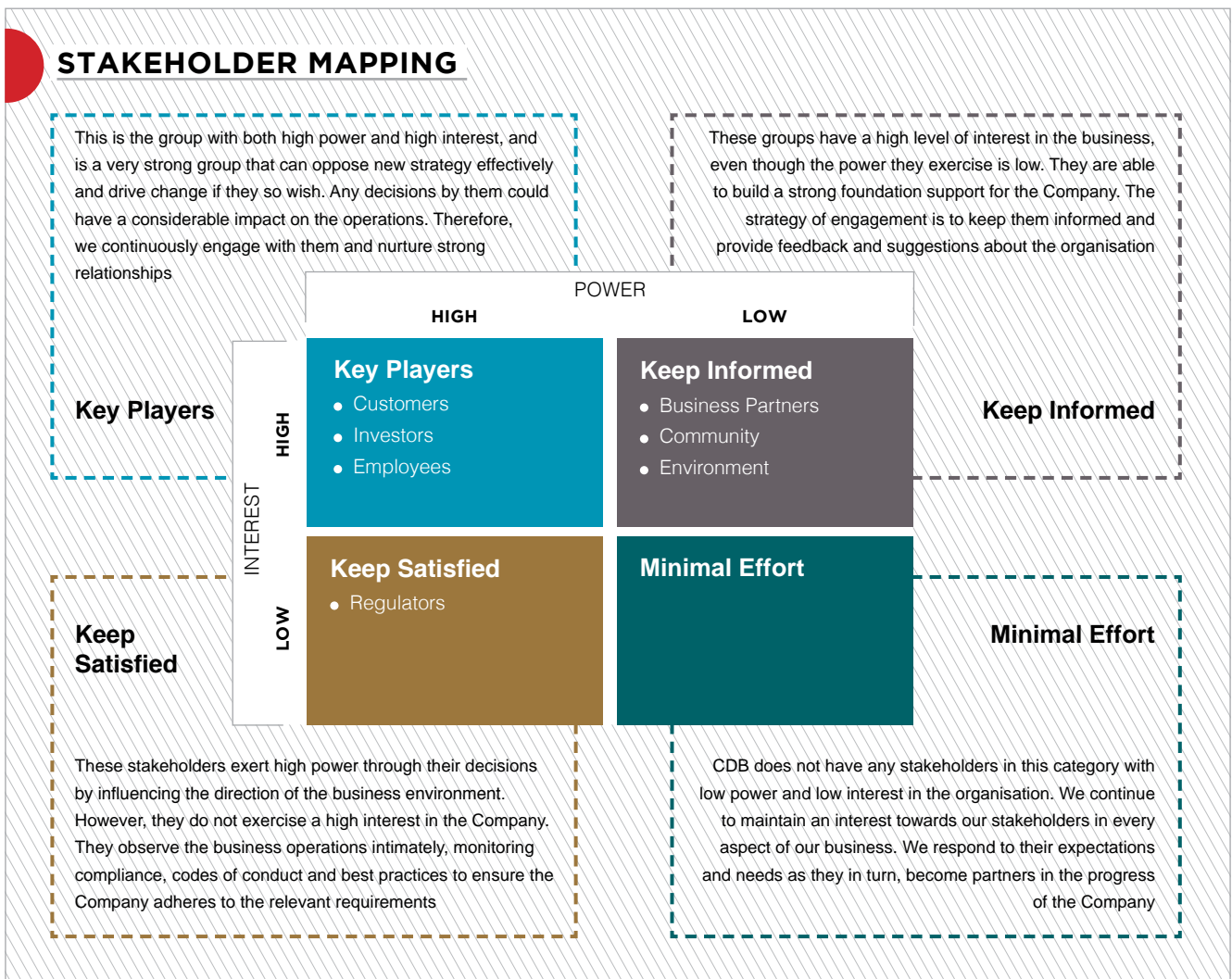


Stakeholder Groups						
Investors	Customers	Business Partners	Employees	Regulators	Community	Environment
Fulfilling Key Concerns						
Strengthening risk assessment and mitigation to support sustained growth	Providing positive customer experiences	Customer awareness campaign	Promoting and maintaining harmonious relationships	Speedy response to queries made by authorities	Engage in rural youth empowerment	Engaging environmentally friendly green events
Adherence to Company Code of Conduct with sound management oversight	Customer felicitation ceremony		Grooming future leaders through succession planning	Complying with rules and regulations	Economic empowerment of women	Solar energy harvesting system
Public affairs management	Customer doorstep service		Recognising exceptional performers	Ensure transparency and accountability	Encouraging thrift and saving	Waste management through waste minimisation
	Customer loyalty programme		Organising activities to facilitate a healthy work-life balance		Nurturing and growing grass root level of people	Recycling efforts

FULFILLING THE REQUIREMENTS OF STAKEHOLDERS HAS BECOME AN IMPERATIVE FOR OUR GROWTH

STAKEHOLDER MAPPING (G4-25)

Stakeholder mapping is done according to Mendelow's Matrix by prioritising and balancing the diverse expectations of our stakeholders. CDB takes into account their power to affect the Organisation and their interest in doing so. The required management response to stakeholders in different quadrants is also taken into consideration.



PREPARE AND ENGAGE

In order to strengthen stakeholder engagement, CDB has taken steps to strengthen the systems whilst identifying the gaps and weaknesses. The analytical steps undertaken to understand the stakeholder concerns and expectations are given below (G4-26).

STAKEHOLDER ENGAGEMENT (G4-27)

Stakeholder	Why?	How?	Mode	Frequency
Investors				
Owners and the providers of capital	To gain an insight in allocating resources to generate expected returns	Variety of open dialogue channels to clarify and update with information	Annual Reports Annual General Meeting	Annually Annually
	Early engagement will reduce the likelihood of unexpected consequences for long-term operational strategies	Discuss and review business performance against targets, revised forecasts. Projections and industry bench marks	Interim Financial Statements	Quarterly
		Identify performance drivers, industry trends, opportunities and realign with business plans	Corporate Website Announcements to CSE	Ongoing Available when needed
		Provide assurance on all regulatory and statutory compliance requirements	Investor Form Media Releases	Annually Available when needed
Customers				
Principal source of sustenance includes loyal depositors and borrowers	To ensure that their service expectations are met	Product design, advertising and marketing	Corporate Relationships	Ongoing
	To verify the accuracy of personal information furnished	Face-to-face interactions at CDB offices and branches	Area Development Officers	Ongoing
	Treating customers fairly and safeguarding the interests and rights of deposit holders	Regular correspondence with account and facility holders	Dealer Network Media	Ongoing
		Annual customer surveys	Advertisements	Available when needed
	To meet with reasonable customer expectations with regard to investment return, access and reach, service quality, financial stability	Island-wide outlet network Access to ATMs with VISA debit card	Corporate Website Product Launches	Ongoing Ongoing
	To comply and conform to all regulatory and statutory requirements by maintaining prescribed ratios and capital adequacy as prescribed by the Central Bank	Customer care and complaints handling services		
		Adherence to good governance and having a robust control framework for embedded controls		
	To adhere to good governance and having a robust control framework tested frequently for effectiveness of embedded controls	Treating customers fairly and safe guarding the interests and rights of deposit holders		
	To make capital accessible to those who lack access to capital due to socio-economic, demographic and geographic limitations			
	To promote financial literacy proactively in improving customer awareness across all customer segments			

Stakeholder	Why?	How?	Mode	Frequency	
Employees					
The key resource for competitive advantage and sustainable growth	To recruit and retain the best talent through talent evaluation and management	Talent evaluation and management through a formal training need analysis and engagement surveys	Managers' Meetings	Once a week	
	To ensure compliance with governance policies, codes of best practice and conduct	Assess performance against key performance indicators – KPI dashboard	Branch Meetings Regional Review Meetings	Once a month Once a week	
	To consistently outperform the industry in terms of building and managing talent through CDB's unique grow talent philosophy	Performance reviews based on management by objective and competency based methods	CDB Social Events Internal Announcements E-library facility	Annually Available when needed Ongoing	
	To facilitate more direct access to staff and increase face time with employees working across all regions managing the diverse aspirations of a multigenerational workforce	Ongoing structured performance feedback system for performance development	CEO's Forum Breakfast meeting with CEO	Ongoing Annually	
	To ensure the working environment is safe and secure to enhance productivity	Equal opportunity for learning and development via virtual classroom, external and overseas learning and development exposure, exchange programmes and study tours	Award Ceremony HR Space Integrated System	Annually Continuous	
	To understand and respond humanely to their needs and concerns	Intranet and E-Learning access	Performance Evaluation and Reward Mechanism	Continuous	
	To ensure they are in line with the corporate strategic direction	External training on leadership, performance enhancement and other technical subjects			
	To remain as an employer of choice	Open-door policy and protection			
	Business Partners				
	Critical element of value chain emphasising the synergistic effects	To maintain and enhance healthy working relationships	Promotional campaigns	Supplier and Business Partner Relationships	Ongoing
To get them involved in planning		Conduct people development programmes collaboratively	Joint Promotional Campaigns	Available when needed	
To maintain mutual understanding		Extended dealer network and marketing channels	Supplier Product Displays at CDB Branches	Available when needed	
To build a more diverse product portfolio through sound partnerships					
Community					
Social networks in quest of a common interest	To obtain feedback from the community pertaining to the business and the manner of conduct	Establishment of school savings units	Wider Reaching Outlets	Ongoing	
	To create awareness of the integrated sustainability commitment and initiatives	Fully-equipped computer labs in schools to enhance IT literacy	Press Releases	Available when needed	
		Community development through investments	CDB <i>Sisudiri</i> Scholarships	Annually	
		Women empowering through CDB "Diriliya" Dealer network	CDB <i>Pariganaka Piyasa</i> Lab Donations	Annually	
		Expansion of Area Development Officers (ADO)	Investment for Community Lending for Rural Economic Development	Ongoing Ongoing	

Stakeholder	Why?	How?	Mode	Frequency
Regulator				
Umpire who maintains a level playing field and the stability of the financial system	To ensure compliance with changing legal and regulatory requirements	Conduct forums on compliance meetings	Directives and Circulars	Issuing when needed
	To mitigate adverse effects and risk exposure	Discussions by the Corporate Management and Board members with external officials on regulatory matters	Compliance Forums, Meetings and Discussions	Quarterly
	To maintain healthy legal relationships with the authorities	Immediate response on regulators requests	Press Releases	Available when needed
	To retain various operating licenses	Adherence with all mandatory regulatory requirements	Inspecting new Rules and Regulations	Daily
Environment				
Natural capital for existence and sustenance	To minimise the risks of negative publicity, lawsuits, customer boycotts, etc., due to complaints of environmental degradation, pollution, etc.	Adopt and publicise the green policies and practices to follow, such as emission reduction programme, paperless operations, recycling and the use of energy-saving devices and lighting, etc.	Carbon Footprint Analysis and Verification	Annually
		Conform with (and where possible, improve upon) all current environmental laws and regulations	Emission Reduction	Ongoing
	To make use of co-operation and expertise of authorities engaged in environmental preservation to develop more effective environmental policies	Undertake recycling projects of E-waste and paper recycling	Paper Recycling	Ongoing
			CFL Bulb Recycling	Ongoing
		E-waste recycling	Ongoing	
		Solar Power harvesting system	Ongoing	

MANAGE, EVALUATE AND LEAD (G4-34)

CDB has established a sustainability team headed by key leaders to drive the sustainability agenda of the Company. Their mandate is to integrate ethical, social and environmental aspects of the daily business activities and support the value creation process of stakeholders.

The team provide guidance and facilitate proactive engagement with stakeholders to build strategic relationships with each group. CDB has in place a decentralised stakeholder engagement model, where each business unit undertakes an apt stakeholder engagement activity.

Stakeholder Relations Forum, comprising business unit managers and executives are held every month to facilitate stakeholder engagement activities across the Group, with consistent communication and adherence to our code of ethics, values and strategy.

THE RESPONSIBILITIES OF THE SUSTAINABILITY AND CORPORATE RESPONSIBILITY COMMITTEE ARE AS FOLLOWS:



THE SUSTAINABILITY AND CORPORATE RESPONSIBILITY COMMITTEE

COMPOSITION OF THE STEERING COMMITTEE



Stakeholder	Aspect	Concerns	Led By
Customers	Privacy and Confidentiality	Secure our customers including data protection, confidentiality, ensure customer privacy, preventing unsolicited communication and intrusive surveillance	Senior Deputy General Manager – IT & E-commerce
	Customer Promise	Provide a positive and satisfying customer experience by ensuring customer protection	Chief Credit and Marketing Officer
Employees	Health, Safety and Well-being	Ensure that we properly safeguard those who work for us and those who may be affected by our operations	Chief Operations Officer
		Develop a quality human capital assets base	
Environment	Environment	Overlook the social investment fund to develop products and services that benefit society	Deputy General Manager – Finance and Planning
	Protection	Reduce energy consumption and pollution	
	Energy	Embed green thinking to the corporate culture	
Society	Social Investment	Contribute to enhance the standard of living of the society	Chief Credit/Marketing Officer
Investors	Maximise Shareholder Wealth	Generate profits and ensure that they get good returns for their investment	Chief Financial Officer
Regulators and Business Partners	Corporate Governance and Business Ethics	Develop and communicate a framework that promotes good corporate governance and ethical behaviour at all levels	Chief Financial Officer
	Supply Chain	Work with suppliers and service providers to address sustainability issues in the supply chain	Chief Credit and Marketing Officer

MANAGEMENT DISCUSSION & ANALYSIS

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FINANCIAL
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SOCIAL AND
RELATIONSHIP CAPITAL

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OPERATIONAL
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ENVIRONMENTAL
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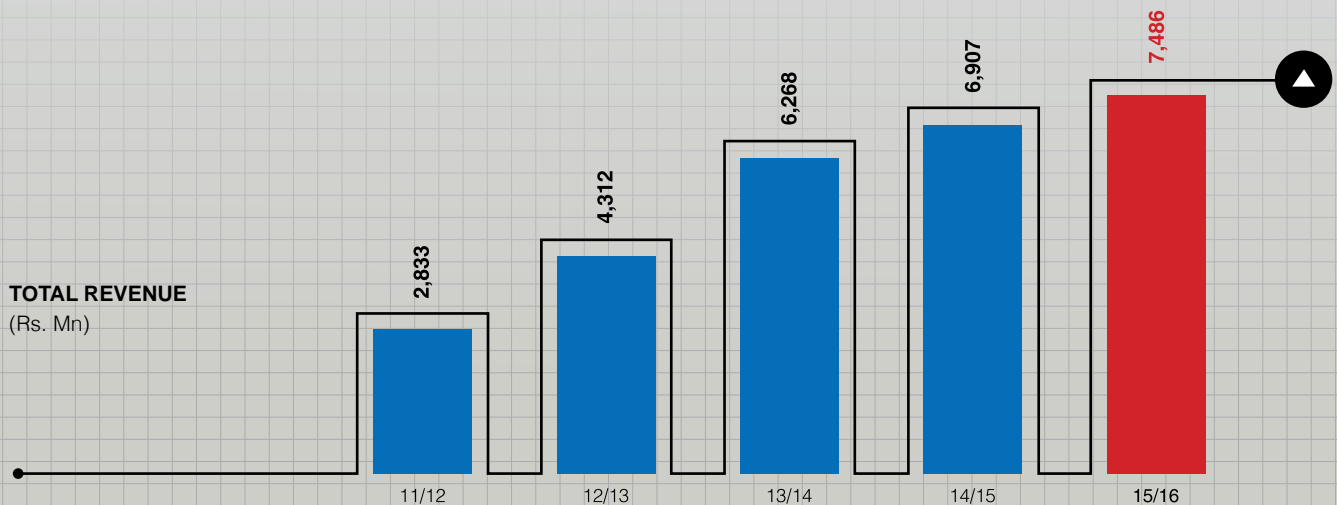
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INDEPENDENT
ASSURANCE REPORT





FINANCIAL CAPITAL

“Over the past years we have achieved significant advances in our **efforts to simplify our business processes, manage costs effectively and comply with ever increasing regulatory changes** while maintaining momentum of our business strategy in challenging market conditions.”



–Damith Tennakoon
Director/Chief Financial Officer

Highlights

1

Total Assets
Rs. 50 Bn

2

Total Revenue
Rs. 7.5 Bn

3

Profit After Tax
Rs. 1 Bn

4

Total Equity
Rs. 5 Bn

Challenges

1

Global market
uncertainties

2

High interest rates
and policy uncertainties

3

Impact on
climate changes

4

Pressure on margins

Priorities 2016/17

1

Building a digital face
to finance business

2

Skills and remodelling
processes to cater to the
digital face

3

Further strengthening
capital base

4

Expansion of outreach

FINANCIAL REVIEW

CDB managed to report an excellent performance in the financial year 2015/16, its 20th year of operations, crossing many milestones and challenges, Company achieved a – profit after tax of Rs. 1 Bn, total assets of Rs. 50 Bn and total equity of Rs. 5 Bn. This is really an exceptional achievement given the challenges that prevailed in the external environment. The fact that CDB was able to record these achievements in a much shorter time frame than other large NBFIs makes it all the more significant.

Over the past years, we have achieved significant advances in its efforts to simplify our business processes, manage costs effectively and comply with ever increasing regulatory changes while maintaining momentum of our business strategy in challenging market conditions.

SECTOR COMPARISON

The performance of the Licensed Finance Companies (LFCs) and Specialised Leasing Companies (SLCs) sector remained robust during the year 2015/16 in terms of the expansion of both business volumes and outreach reflecting in expanding economic activities and policy initiatives.

This sector comprised 46 LFCs and 7 SLCs by the end of 2015 with a total of 1,216 branches of which 62 or 5% are operated by Citizens Development Business Finance PLC. (The Company).

Total assets of the LFCs/SLCs sector expanded during the year at a higher pace. Sector assets portfolio grew by

22.3% or Rs. 181.6 Bn compared to the growth of 18.9% in financial year 2014/15. Total assets of the Company also showed a remarkable growth of 33% to Rs. 50 Bn which is a market share of 5% in terms of assets. During the first nine months of the financial year 2015/16, the sector experienced a strong demand for credit on vehicle leasing and secured loans. However, imposition of specific fiscal and policy measures including the maximum loan to value ratio (LTV) of 70% and increased import taxes on vehicles,

curtailed credit demand during the latter part of the year and impacted our automobile financing sector which comprised 96.76% of our loan book.

The sector share of deposits in total liabilities decreased to 48.3% in 2015/16 from 50.8% a year ago. However, sector deposit portfolio grew by steady 16.1% or Rs. 66.5 Bn to Rs. 480.6 Bn. Deposit base of the Company too grew by 14% to Rs. 31 Bn. CDB market share in terms of LFC sector deposits stood at 6.4% by the year end.

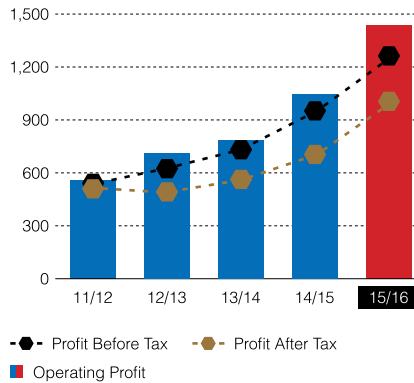
KEY FINANCIAL HIGHLIGHTS OF THE SECTOR AND CDB

	CDB		Industry as at 31st December 2015*
	2015/16	2014/15	
Financial Position			
Total Assets (Rs. Bn)	50	38	997
Loans, Leasing and other advances (Rs. Bn)	38.5	29.4	796
Deposits (Rs. Bn)	30.9	27.0	481
Borrowings (Rs. Bn)	12.3	4.8	314
Equity (Rs. Bn)	5.1	4.3	123
Key Performance Indicators			
Return on Equity (ROE) (%)	21.5	17.8	12.4
Return on Assets (ROA) (%)	2.3	1.9	3.0
Net interest Margin (NIM) (%)	6.9	8.00	8.7
Assets Quality			
Gross NPL (%)	3.6	5.8	5.7
Net NPL (%)	1.6	3.2	1.6
Capital Adequacy			
Tier I (Minimum 5%)	11.7	12.8	10.6
Tier I & II (Minimum 10%)	11.7	15.6	11.2
Capital Funds to Total Deposits (Minimum 10%)	15.7	18.6	25.6

* 'Provisional Figure', as per CBSL Annual Report 2015

PROFITABILITY

PROFITABILITY
(Rs. Mn)



CDB recorded a significant growth in profitability during the year. Profit after tax grew by 43% and reached Rs. 1,005 Mn compared to Rs. 702 Mn in 2014/15. Profit before taxation grew by 32%.

Growth in business volumes and boost in credit demand significantly strengthened the financial position and performance of the business activities. This coupled with prudent management practices adopted to meet the changing needs of the macroeconomy, led to a healthy growth in revenue and net interest income. Measures we adopted to manage non-performing portfolio resulted in a reversal in the net impairment loss on financial assets which further strengthened the bottom line.

During the year, CDB operated in a fiercely competitive market, in the face of high volatility in the interest rates and competitive pricing of the banking sector. It is amidst these conditions that CDB managed to secure a healthy growth in business volumes and revenue and controlled its cost structure in a prudent manner.

STRENGTH OF THE FINANCIAL POSITION

We took steps to ensure that the high quality of our financial position was maintained in a more challenging operating environment.

ASSET QUALITY

The Company has been successful in its efforts to maintain a quality portfolio. Apart from the recovery efforts, the prudent credit policies adopted and the continuous and consistent credit evaluation process have all contributed to raising the quality of the credit portfolio. A significant reduction in the stock of repossessed vehicles contributed substantially to the bottom line of the financial year with a reversal of Rs. 215 Mn. from the impairment losses previously made on financial assets. Focus on this area was further strengthened during the year with advanced controls and risk monitoring processes.

The non-performing loan ratio has improved to healthy level of 3.62% from 5.8% of the last year end. Our loan loss coverage of 57% was higher than many of our peers reflecting prudent level of cumulative loan impairment provision of Rs. 805 Mn. The value of repossessed stocks was considered coverage would be 80%.

IMPAIRMENT CHARGES

The direct positive impact of the change in the product mix resulted in the reducing of impairment charges, including disposal deficits. Impairment charges and disposal deficits recorded a figure of Rs. 399 Mn during the year in comparison to the Rs. 681 Mn recorded in the corresponding previous year. This resulted in a net reduction of Rs. 282 Mn.

ADAPTATION OF SRI LANKA FINANCIAL REPORTING STANDARD 9 (SLFRS 9)

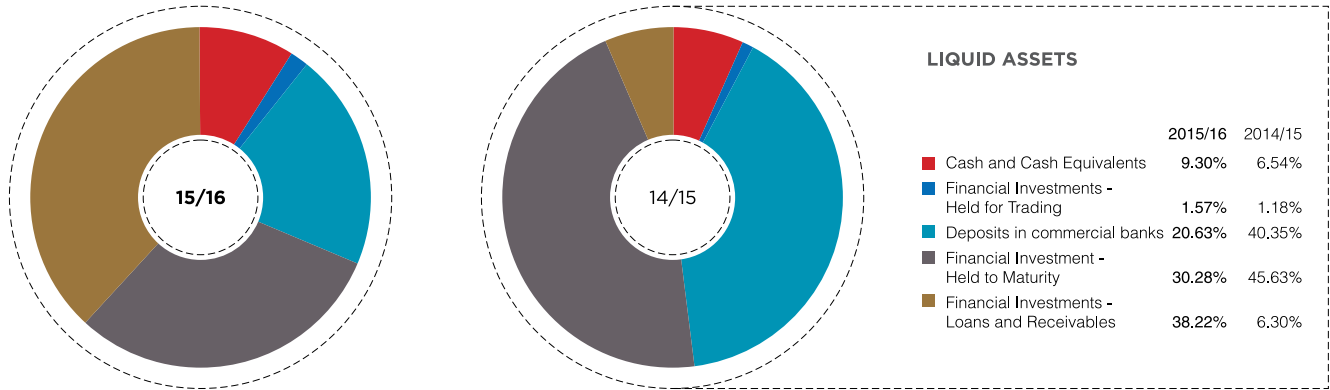
New impairment methodology in 2018 SLFRS 9 will take effect. This new accounting standard will govern how reporting entities classify and measure financial instruments, impairment, and accounting for hedges. This is an intended departure from the incurred loss provisioning model prescribed under LKS 39 to Expected credit loss (ECL) model proposed by SLFRS 9. This standard will impact a company's current processes for establishing allowance for loan and lease losses other than temporary impairment.

LIQUID ASSETS

We kept our ample liquidity to support growth and meet any contingencies.

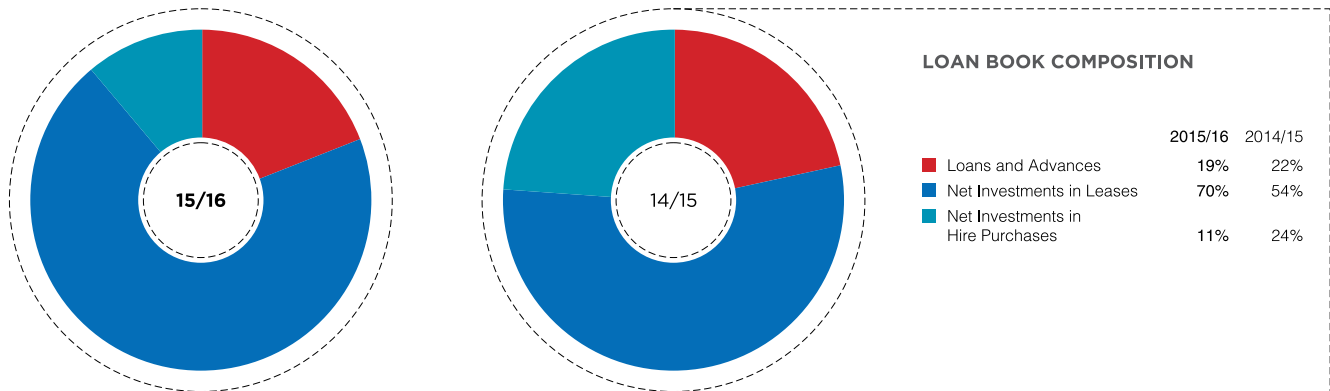
Liquid assets to total assets ratio of 15.3% indicates the strong liquidity position and confidence placed in us. Total liquid assets amounted to Rs. 7.8 Bn as at 31st March 2016 which is a growth of nearly Rs. 3 Bn from the last financial year. Placements with commercial banks reduced by Rs. 331 Mn due to the Government Securities presently generating higher returns at zero risk. Financial investments held for trading consists of investments in Treasury Bonds and investments in quoted shares amounting to a total of Rs. 121 Mn.

Financial investments in securities representing the investments in Treasury Bills and Treasury Bonds are classified under held to maturity. Rs. 3.1 Bn had been invested in this as at 31st March 2016 and it accounted for 73% of the total liquid assets.



LOAN BOOK COMPOSITION

Leases made up 70% of the loan book when compared to 54% in the previous year while loans and advances and net investment in hire purchase represented 19% and 11% respectively. The loans to deposits and debt ratio was 89%. During the year deposits were supplemented by corporate debts targeting longer tenor liabilities which helped to lower the assets liability maturity mismatch risk.

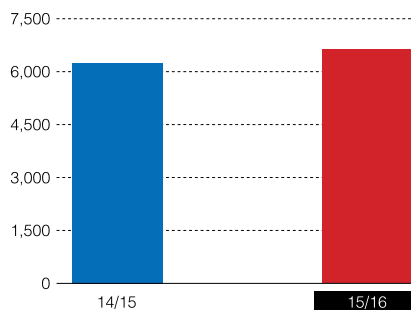


INTEREST INCOME

The total interest income for the year grew by 6% to Rs. 6,647 Mn from Rs. 6,252 Mn in 2014/15. Highest contribution to the total income came from finance leases which amounted to Rs. 4.2 Bn. This was followed by hire purchase and loans and advances at 16% and 14% respectively, from the total interest income.

Income from Islamic finance lending portfolio recorded a significant growth of 324% by recording Rs. 106 Mn against Rs. 25 Mn in 2014/15.

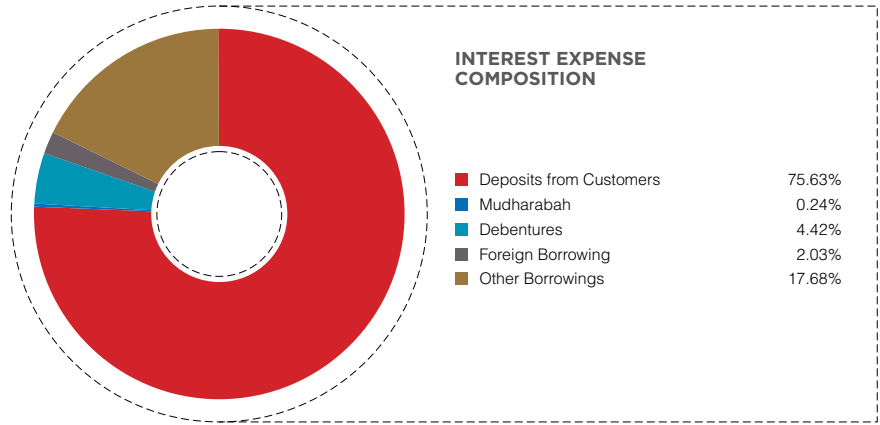
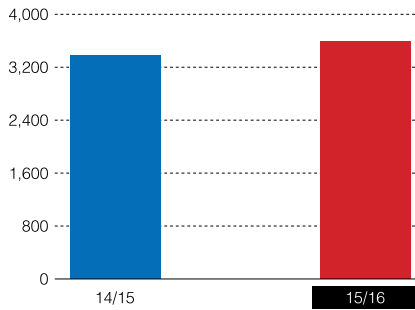
INTEREST INCOME (Rs. Mn)



INTEREST EXPENSE

Interest expense of the Company recorded an increase of 6% compared to 2014/15, consequent to an increase in interest bearing liabilities during the latter part of the financial year, sourced to finance the increased levels of disbursements. Interest on deposits accounted for 76% of the total interest expense while interest expense on borrowings increased by 56% mainly due to the changes in the composition of deposits and borrowings in the funding mix.

INTEREST EXPENSE
(Rs. Mn)



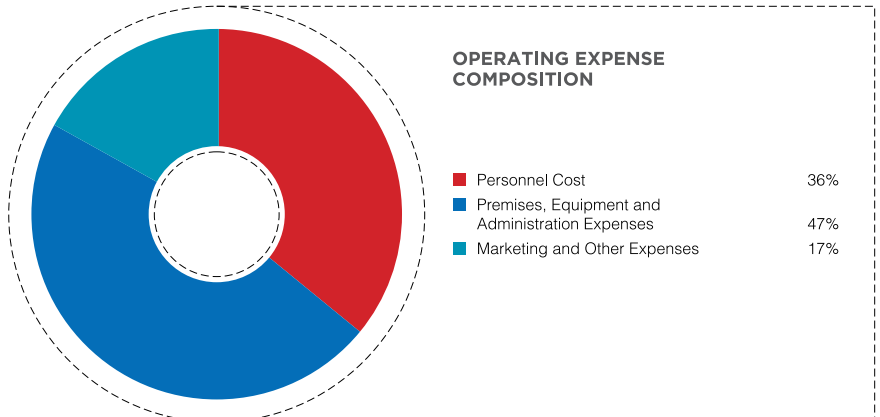
NET INTEREST INCOME AND OTHER INCOME

Net interest income reached Rs. 3 Bn with a growth rate of 7%. Company managed to strike a good balance between the lending and borrowing rates resulting in a net interest margin of 6.9% for the year 2015/16. Strategy towards maintaining a healthy balance between borrowings and deposits led to a change in the composition of interest expenses as detailed above. Other income consisting of fee and commission and other operating income was Rs. 839 Mn for 2015/16,

an increase of 28% when compared to the previous year. Sources of other income included insurance commissions, dividend Income trading income and lending related fees.

OPERATING EXPENSES

Operating expenses comprise personnel administration and other expenses. Personnel cost consist of 36% of the operating expense where an administration, marketing and other expenditure contributes to 47% and 17% from the total operating expenses. Investment of total operating expense is 15% from the previous year leading to a cost to income ratio of 53% compared to the previous year's 51%.

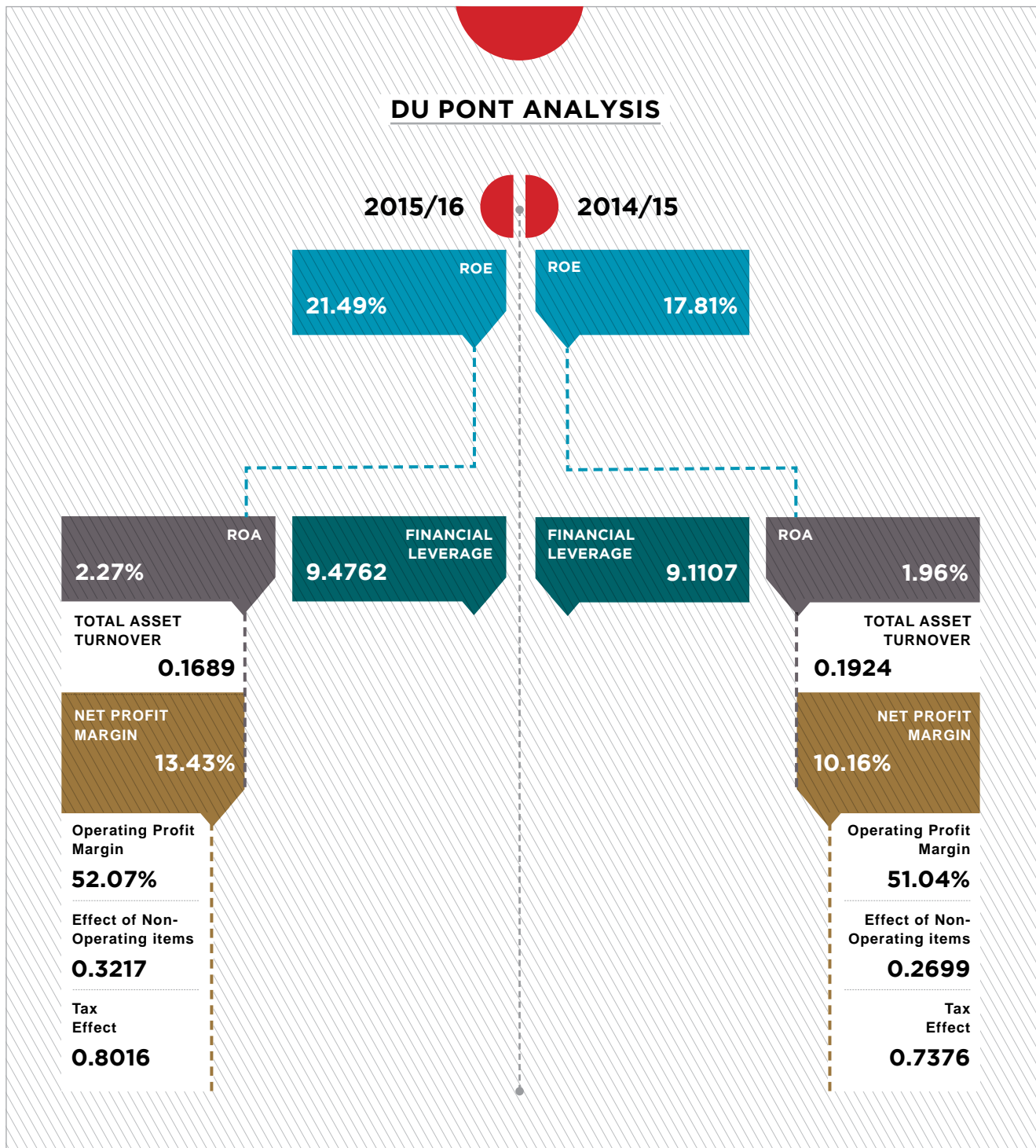


We don't just come to work at CDB...we live life at CDB...we seek and receive empowerment and fulfilment in large measure. It's one of the few places we can be ourselves, develop as individual and collective personalities, attain skills and 'live' our calling with passion!

FULFILLING EXPERIENCE



INVESTOR VALUE CREATION MODEL

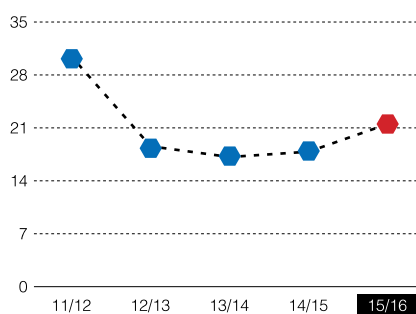


RATIO ANALYSIS

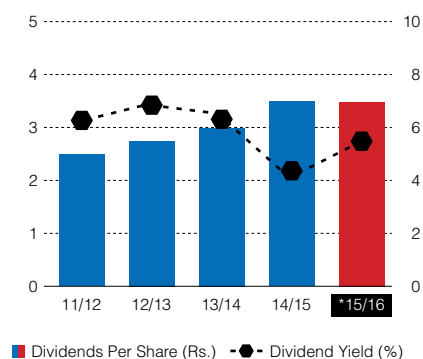
Key Performance Indicators	2015/16	2014/15	2013/14	2012/13	2011/12
EPS (Rs.)	18.51	12.92	10.33	9.99	10.28
NAV per share (Rs.)	93.03	79.22	65.87	54.6	44.31
Return on equity (%)	21.49	17.81	17.16	18.57	30.49
Dividend per share (Rs.)	3.50*	3.50	3.00	2.75	2.50
Dividend payout ratio (%)	18.91	27.08	29.04	30.52	24.32
Credit rating	(SL)BBB	(SL)BBB	BBB/P2	BBB/P2	BBB/P2

* Proposed

RETURN ON EQUITY (%)

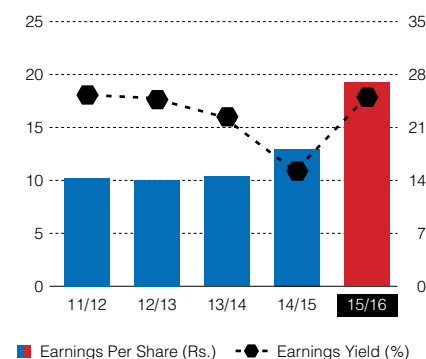


DIVIDENDS PER SHARE AND DIVIDEND YIELD (Rs.)

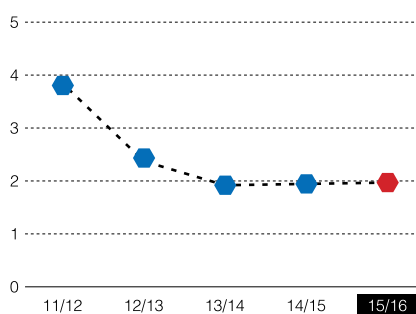


* Proposed

EARNINGS PER SHARE AND EARNINGS YIELD (Rs.)



RETURN ON ASSETS (%)



The Company proposed a dividend of Rs. 3.50 per share for the financial year 2015/16 on both ordinary voting shares and ordinary non-voting shares.

Earnings per share improved to Rs. 18.51 in 2015/16 which is a 43% growth compared to Rs. 12.92 in 2014/15.

Net book value per share increased by 17% to Rs. 93.03. However accretion of net book value has not been reflected in the market price both voting and non-voting shares reporting a decline of 11% for voting share price and non-voting shares by 8%. The accretion on net book value not reflected in the share price has decreased by 11% similar to domestic peers. CDB had a market capitalisation of Rs. 4 Bn as at 31st March 2016.

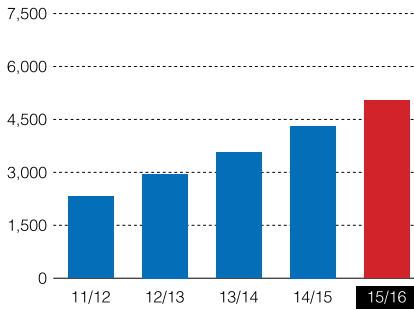
CAPITAL ADEQUACY RATIOS

The Company successfully maintained core capital and total risk-weighted capital ratios at 11.72% and 11.74% respectively as at 31st March 2016, ratios well above the minimum requirements of 5% and 10% respectively.

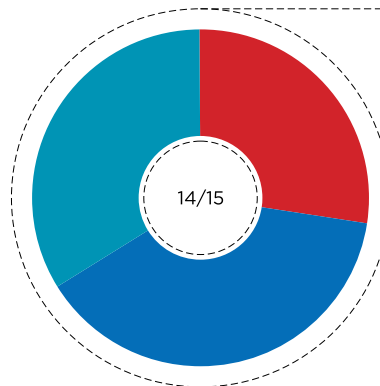
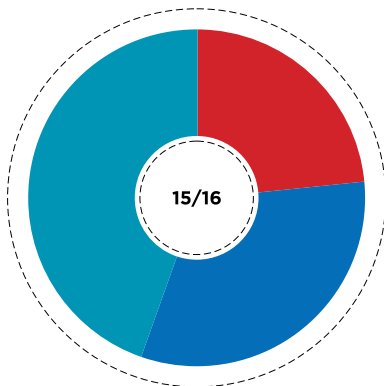
As at 31 March		2015/16 %	2014/15 %
Core Capital Ratio	Core Capital	11.72	12.79
	Risk-Weighted Assets		
Total Capital Ratio	Capital Base	11.74	15.57
	Risk-Weighted Assets		

TOTAL EQUITY

TOTAL EQUITY
(Rs. Mn)



Management decided to retain 78% of the profits generated in the financial year, thereby augmenting the shareholders' equity by 17% to Rs. 5 Bn as at 31st March 2016. This will create leeway for the Company to further expand its business and generate more value for the shareholders.

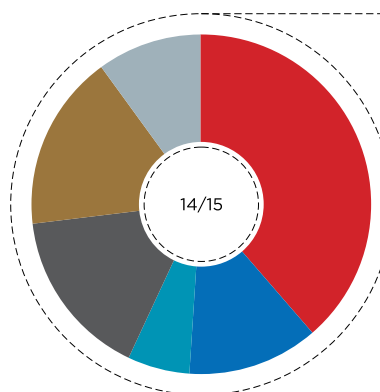
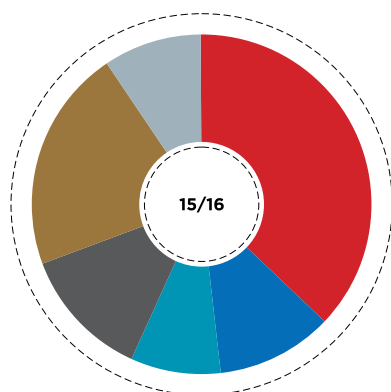


TOTAL EQUITY

	2015/16	2014/15
Stated Capital	23%	28%
Retained Earnings	41%	33%
Reserves	36%	39%

VALUE ADDED STATEMENT

For the Year	2015/16		2014/15	
	Rs. Mn	%	Rs. Mn	%
Net interest income earned by providing financial services	3,059		2,870	
Cost of services	1,526		1,291	
	1,532		1,579	
Non-financial income	839		452	
Impairment charge on financial assets	399		477	
Value added	1,972		1,554	
Distribution of value added				
To employees				
Salaries, wages and other benefits	745	38	602	39
To providers of capital				
Dividends paid/proposed	190	10	190	12
To Government				
Value added tax, crop insurance levy and NBT	169	9	93	6
Income Tax	249	13	249	16
To expansion and growth				
Retained as reserves	431	22	263	17
Retained as depreciation	187	9	156	10
	1,972		1,554	



VALUE DISTRIBUTED

	2015/16	2014/15
Salaries, Wages and Other Benefits	38%	39%
Dividend Paid/Proposed	10%	12%
Value Added Tax on Financial Services, NBT and Crop Insurance Levy	9%	6%
Income Tax	13%	16%
Retained as Reserves	22%	17%
Retained as Depreciation	9%	10%

OPERATIONAL PERFORMANCE OF THE YEAR

INDUSTRY PERFORMANCE VS CDB

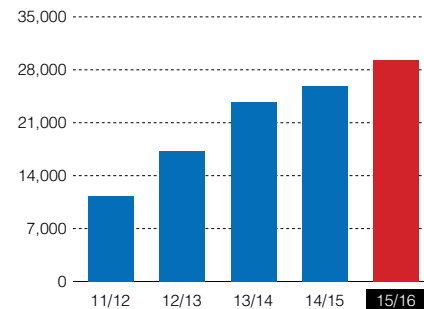
	Industry			CDB		
	2015 Rs. Bn	2014 Rs. Bn	Change %	2015 Rs. Bn	2014 Rs. Bn	Change %
Deposits	481	414	16	30.8	27.1	11
Lending	796	604	32	38.5	29.3	31
NPL	47.4	44.3	7	1.4	1.7	-18

DEPOSITS AND SAVINGS MOBILISATION

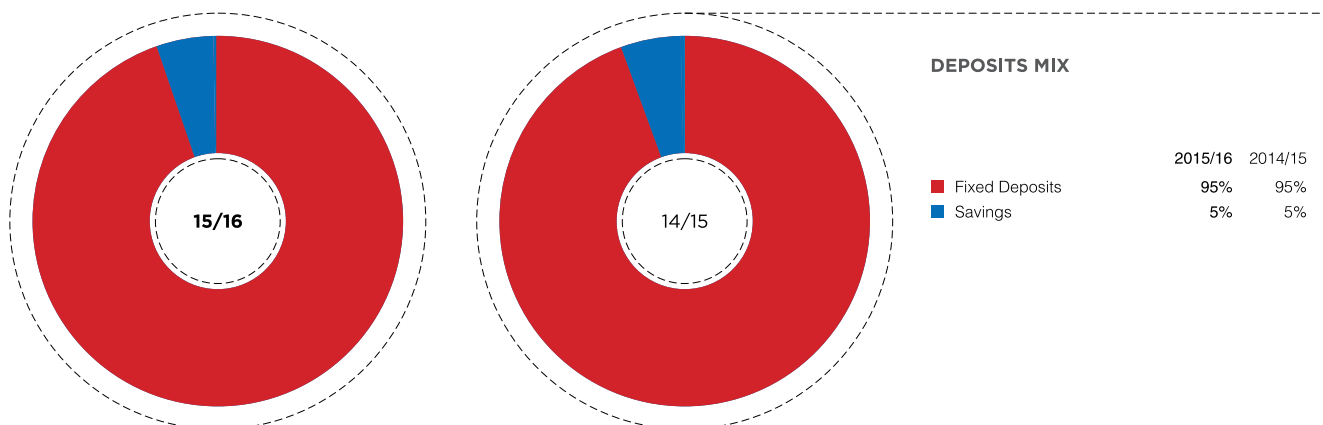
During the last financial year CDB drew on a very challenging pricing strategy for its deposit products which is more similar to licensed commercial banks while targeting on lower cost on fund mobilisation. Despite the price competition CDB managed to achieve a 14% growth in the FD portfolio while maintaining a healthy liquidity position. Prevailed lower interest rate scenario during the financial year made deposits less attractive to the investors and this has opened new value additions for our customers. Though there is a pricing competition with banks, it did not affect much to CDB with the excess liquidity position in the Company. (G4-4)

Achievement of 14% YoY growth in fixed deposits base to Rs. 29.3 Bn is a significant achievement and it clearly indicates the increasing customer confidence in CDB. We managed to control our deposit volumes within our parameters to achieve the bottom line results which was significant in developing our product portfolio by understanding the requirement of the customer.

FIXED DEPOSITS PORTFOLIO (Rs. Mn)

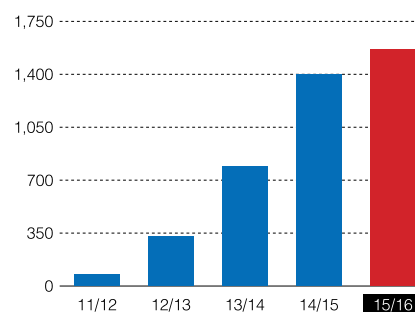


FD Product	Product Detail	Highlight
CDB <i>Dhana Surakum</i>	' <i>Dhanasurekum</i> ' is the general fixed deposit with a higher comparative interest rates	 73% of the interest expense consists with term deposit interest expenses
CDB <i>Aee</i>	' <i>Aee</i> ' is specialised deposit scheme which focuses on the female community	
CDB <i>Deegayu</i>	' <i>Deegayu</i> ' fixed deposit focus on the senior citizens of the country with 1% additional interest rates and many more benefits	 Senior citizens deposits consists 46% of the total deposit base
<i>Mudharabah</i> Deposit	<i>Mudharabah</i> deposit is a profit sharing form of investment option available for customers which operates under the Sharia guidelines (Islamic Finance). Profits generated through such deposits at the stipulated period are being shared between customers and CDB at a pre-agreed ratio at the time of investment	 <i>Mudharabah</i> deposit base as at 31st March 2016 was Rs. 100 Mn with a 48% growth compared to the last financial year



FD Product	Product Detail	Highlight
CDB Savings	<p>'CDB Savings' is the general savings account at CDB which offers our customers the highest interest rate for any savings account</p> 	
CDB Salary plus	<p>'CDB Salary Plus' will enable to do more above and beyond the limits of savers monthly remunerations</p> <ul style="list-style-type: none"> • Can apply for a personal loan 15 times of their salary • Pre-approved lease facility • Quick cash up to two times of salary • Unlimited standing orders free of charge • Free SMS alert system along with other value additions 	<p>Savings portfolio achieved a 12% growth against last financial year despite the challenging market conditions and lower interest rate scenarios. (G4-4)</p>
CDB Rankati	<p>'CDB Rankati' is a minor savings account which ensure a rich future for children with offering amazing array of gifts and benefits through different savings plans to suit your needs</p> 	
Mudharabah savings	<p>Mudharabah savings operates on a profit sharing basis under the Sharia guidelines (Islamic Finance) with the liberty whereas customers can withdraw the invested money (savings) in a full or partial at any given time. Profit generated are being shared between customers and CDB at a pre-agreed ratio at the time of investment</p> 	

SAVINGS PORTFOLIO
(Rs. Mn)



CREDIT GROWTH

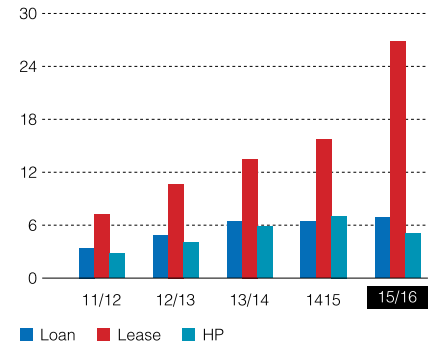
Loans and advances grew by 31% YoY to Rs. 38.5 Bn. High growth was achieved in the areas of leasing from which majority represents the automobile financing. Significant reduction was witnessed in the area of 3W financing and CDB is shifting towards diversified product ranges including personal loans, Housing Loans and SME sector loans in line with current economic conditions in the country.

Growth in the loan book was supported by the strong credit demand of the country

which prevailed for the first nine months of the year. Especially tariff reductions and increased number of vehicle registrations during the first half of the financial year was well supported by the lower interest rate scenario to boost the credit demand of the organisation.

With all the available infrastructural facilities at branch level for pawning business CDB re-strategised the pawning business with more risk mitigation plans with a 84% growth in the pawning and gold loan portfolio against last financial year of Rs. 126 Mn.

LOAN BOOK (Rs. Bn)






Loan Book Mix	2015/16 Rs. Mn	2014/15 Rs. Mn	2013/14 Rs. Mn	2012/13 Rs. Mn	2011/12 Rs. Mn	2010/11 Rs. Mn
Loans	7,494	6,515	6,390	4,829	3,414	1,870
Leases	26,766	15,800	13,528	10,637	7,193	4,903
Hire purchase	4,277	7,062	5,807	3,985	2,862	1,309
Total loan book	38,538	29,378	25,725	19,451	13,469	8,082

(G4-4)

Product Category	Brand Name	Product Detail	Highlight
Lease	CDB Hybrid lease/permit holders	An attractive leasing package with special leasing rates for car enthusiast to invest in Hybrid vehicles	
	Small car lease	CDB small car leasing is a brand which facilitate in lending for small cars which are below 1,000 cc	
	CDB 3w <i>Raja Selakili</i>	This brand will focus on attracting three-wheelers	
	Flex leasing	An easy leasing package with a special feature of having flexible instalments according to the income earning nature of the customer	
	Ladies leasing	A unique vehicle leasing facilities provided to any female who wishes to drive her dream vehicle	
	Big ticket leasing	Another leasing facility for high priced machineries and high tech equipment	
	Aspire leasing	A leasing facility especially targeted on professional and business bodies	
	CDB Diesel Mini truck lease and Diesel batta lease	These two brands will focus on providing lending to small truck segments	
	<i>Ijarah</i>	<i>Ijarah</i> is a Sharia compliant leasing scheme which is unique, being specially designed and tailor-made to address customers vehicle leasing needs	

Leasing portfolio grew by Rs. 11 Bn from the last financial year 31st March 2016. Hybrid leasing facilities directly focuses upon green initiatives facilitated by CDB

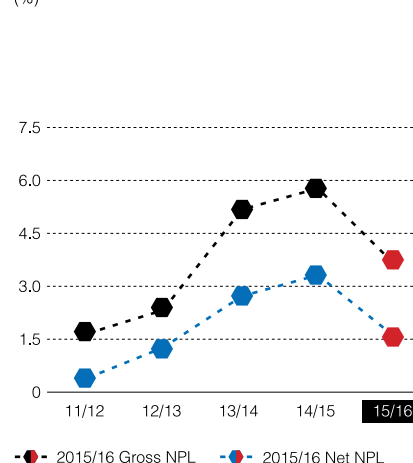
Product Category	Brand Name	Product Detail	Highlight
Hire purchase	CDB hire purchase facility for registered vehicles	Hire purchase category deals with providing lending to registered vehicles	11% of the loan book consists with hire purchases facilities as at 31st March 2016
Loan	CDB gold loans Housing loans	CDB 'Ran Nidahasa' is the brand which focuses on conducting pawning facility at CDB	 CDB branch network fully capitalised on all the relevant infrastructure for pawning businesses
	'CDB Privilege' personal loan	CDB personal loan scheme serves four categories as Non-Executive, Executive, Doctor and professionals with a low interest rates and convenient application process by making the easiest way to have the lifestyle the customer always wanted	
	CDB Shop house	CDB shop house facilities on empowering entrepreneurial efforts	
	Murabahah	Murabahah is trade finance option (sale of good) designed for customers which operates under Sharia guidelines. A defining characteristic of Murabahah facility is the cost of goods and its profit margin of seller (CDB) being disclosed to the customer at the time of entering into Murabahah facility agreement	

ASSET QUALITY

The Gross NPL ratio by the end of financial year stood at 3.62% which is a strong improvement from last year of 5.78% and well below the industry average of 5.1%. This was facilitated by the strong credit evaluation process, continuous monitoring by strong post disbursement follow-up and effective branch level monitoring mechanisms.

CDB's customer care centre remains a proactive axis in dealing with customers, paving a reduction in exposure to bad credit, while internally, CDB breaks down non-performing loans into different segments, dealing with each as an individual case. Also two special teams have been deployed to manage different clients segments based on the age of the loan facility.

GROSS NPL VS NET NPL (%)



**COMPANY WAS
ABLE TO MAINTAIN A
HEALTHY COLLECTION
RATIO OF 96.10%**



Loan Book Mix	2015/16 Rs. Mn	2014/15 Rs. Mn	2013/14 Rs. Mn	2012/13 Rs. Mn	2011/12 Rs. Mn	2010/11 Rs. Mn
Performing accommodations	37,642	28,182	24,672	18,120	13,243	7,685
Non-performing accommodations	1,412	1,727	1,349	431	225	290
NPL Ratio	3.62%	5.78%	5.18%	2.32%	1.67%	3.64%

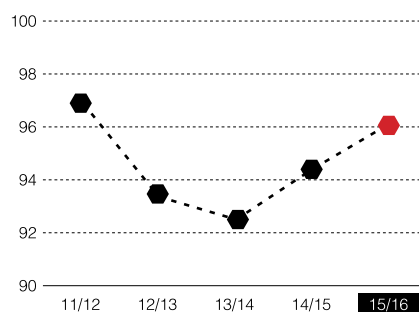
COLLECTION RATIO

CDB has always maintained a close monitoring and control milieu for collections, infusing IT processes as well to ensure foolproof analysis of threats, weaknesses and deviations. The Company was able to maintain a healthy collection ratio of 96.10% in the financial year under review which is an improvement from 94.39%.



Each branch manager, recovery officer and sales officer bears the responsibility for this quotient which has resulted in CDB having a strong stable and creditworthy customer portfolio. The monitoring process also garners information from monthly reports, which are presented to the Board who decipher the findings and recommend actions if needed.

YEARLY COLLECTION RATIO
(%)



	2015/16 %	2014/15 %	2013/14 %	2012/13 %	2011/12 %
Average yearly collection ratio	96.10	94.39	92.54	93.33	96.92

MONEYGRAM AND MONEY EXCHANGE

In partnering with MoneyGram international, a leading global payment services company operating money transfer services worldwide as well as bill payment in the US through a global network of more than 307,000 agent's locations, CDB is a sub-agent for Hatton National Bank. Our focus is to obtain more partnering products in order to create more value additions for our customers.

	2015/16 Rs.	2014/15 Rs.	2013/14 Rs.	2012/13 Rs.	2011/12 Rs.	2010/11 Rs.
Commission on money remittance	166,242	92,238	136,291	71,510	84,678	3,733

	2015/16 Rs.	2014/15 Rs.	2013/14 Rs.	2012/13 Rs.	2011/12 Rs.	2010/11 Rs.
Exchange gain on money exchange	656,510	(637,252)	684,263	54,791	18,411	38,821

INTELLECTUAL CAPITAL

“In 2015/16, we continued to strengthen our innovation process, by becoming more efficient, effective and faster. We are improving our ability to innovate end-to-end solutions and increase our focus on digital innovation. **By using technology, data and algorithms we are making our innovations even more relevant and meaningful for people on an individual level.**”



–Naguib Imdaad
Senior Deputy General Manager –
Information Technology and E-Commerce

Highlights

- 1 Centralise data entry through digital image capturing
- 2 Customer doorstep collection service through POS devices
- 3 Automation of non-core business activities
- 4 Streaming branch technical support process
- 5 Reassessment of IT security policies and procedures

Challenges

- 1 End user adoption towards change management
- 2 Rapid changes in the technological environment
- 3 Adhering to strict internal controls and risk management procedures

Priorities 2016/17

- 1 Introducing online financial services to retail customer segment
- 2 Introduction of credit card products
- 3 Introducing digitalisation at branch level to enhance customer services
- 4 Obtaining ISO 27001 certification for IT processes

CDB recognises intellectual capital as a real business asset and continues to focus for its sustained growth.

Intellectual capital at CDB comprises five components, namely:

- Research and Development
- Product Innovation and Service Enhancement
- Digitalisation
- Business Intelligence (BI)
- Internal Control Framework

RESEARCH AND DEVELOPMENT

CDB celebrated its 20th anniversary in 2015, operating its businesses with technology-enabled innovation. Creating new technologies and the related intellectual property, enables us to grow in both businesses and markets. Through innovations we strengthen our core businesses and seize new opportunities in adjacent business areas. The research and innovation pipeline at CDB is aligned with the Company vision and strategy and is inspired by unmet customer needs and major challenges faced by the society.

PRODUCT INNOVATION AND SERVICE ENHANCEMENT

We improved the working mechanism and approach on product innovation, implemented product lifecycle management and elevated CDB customer service levels. The saving product was improved with the POS channel collections.

The 'Happy Customer' initiative was carried out to enhance the Company-wide customer service levels. In addition, CDB's strong island-wide branch network has enabled us to strengthen our brand contributing to enhanced intellectual capital.

DIGITALISATION SUPPORTING STRATEGY, ENABLING DIGITAL COMMERCE AND MITIGATING RISK

The Information Technology (IT) team continues to focus on driving Company's strategies, pursuing new opportunities and improving technology risk management of growing information security threats.

The IT environment is broadly governed according to the COBIT (control objectives for informations and related technology) practices and is fully integrated into the strategic planning process of the Company. This facilitates pursuing of new business opportunities and the strategic, tactical and operational alignment of business objectives.

The Senior DGM IT & E-com is responsible for IT at divisional level whilst the Chief Operating Officer is responsible at the Board level. The IT Steering Committee facilitates alignment of IT investment with the business direction. The IT Steering Committee is chaired by the CEO and comprises CFO, COO, CCMO and SDGM IT & E-com is given significant management attention and is applied to the best advantage of the Company. IT function is included in the quarterly risk and Audit Committee meetings as well.

INVESTING IN FUTURE SOLUTIONS

Technology is rapidly changing and exerting a significant influence on the business operations and the competitive environment. The current areas of focus include, data and analytics, mobility and the Internet of Things. Social media has a great influence on our business. In addition, we are advancing the use of cloud solutions, applying due care to safeguard information security and ensure information privacy.

CDB technology strategy is to effectively position the Company in the application of these new technologies. This is based on four key aspects:

BUSINESS MODEL

Technology is effecting changes to business models in the markets we operate. These changes have opened up new ways of interacting and extending services to customers. CDB's IT Steering Committee is actively investing in these new models and we give careful consideration to the business potential.

TECHNOLOGY-ENABLED SOLUTIONS

Product and equipment management involves the utilisation of technology and the Internet of Things to improve product features and experience of the customers. This includes the use of equipment data to monitor utilisation, provide predictive diagnostics, improve maintenance regimes and thereby reduce the total cost of ownership. CDB principles are active in product innovation through technology enablement. Our businesses are making considerable progress in introducing new products and solutions to the markets.

CDB celebrated its 20th anniversary in 2015, operating its businesses with technology-enabled innovation. **Creating new technologies and the related intellectual property**, enables us to grow in both businesses and markets

For the first time, an **Internal Control Framework (ICF)** was implemented to ensure that the Organisation's objectives are achieved efficiently and effectively.

These solutions are improving the capabilities and the effectiveness of the products.

INTEGRATED SOLUTIONS

Integrated solutions facilitate CDB business processes to operate smoothly across organisational boundaries through the integration of computer systems of the Company. The solutions help the Company to optimise the customer service and to build rapport with them.

E-BUSINESS

Business solutions include the use of technology to improve customer efficiency and optimise discrete business activities. Many services are offered through the Internet and increasingly through mobile applications. These include a number of e-commerce solutions that enhance the optimal deployment of equipment and assets, contributing to enhanced productivity and reduced operating costs.

CDB enhanced the service offer using the Internet and built a relatively comprehensive Internet-based financial service and operational system.

BUSINESS INTELLIGENCE (BI)

The financial service industry is becoming increasingly competitive and is faced with regulatory requirements which are subject to change often. This makes it more challenging for NBFIs to keep abreast with the changes and competition. With the vast range of customers and customer needs coupled with ongoing regulatory changes and increasing consolidation, we need information

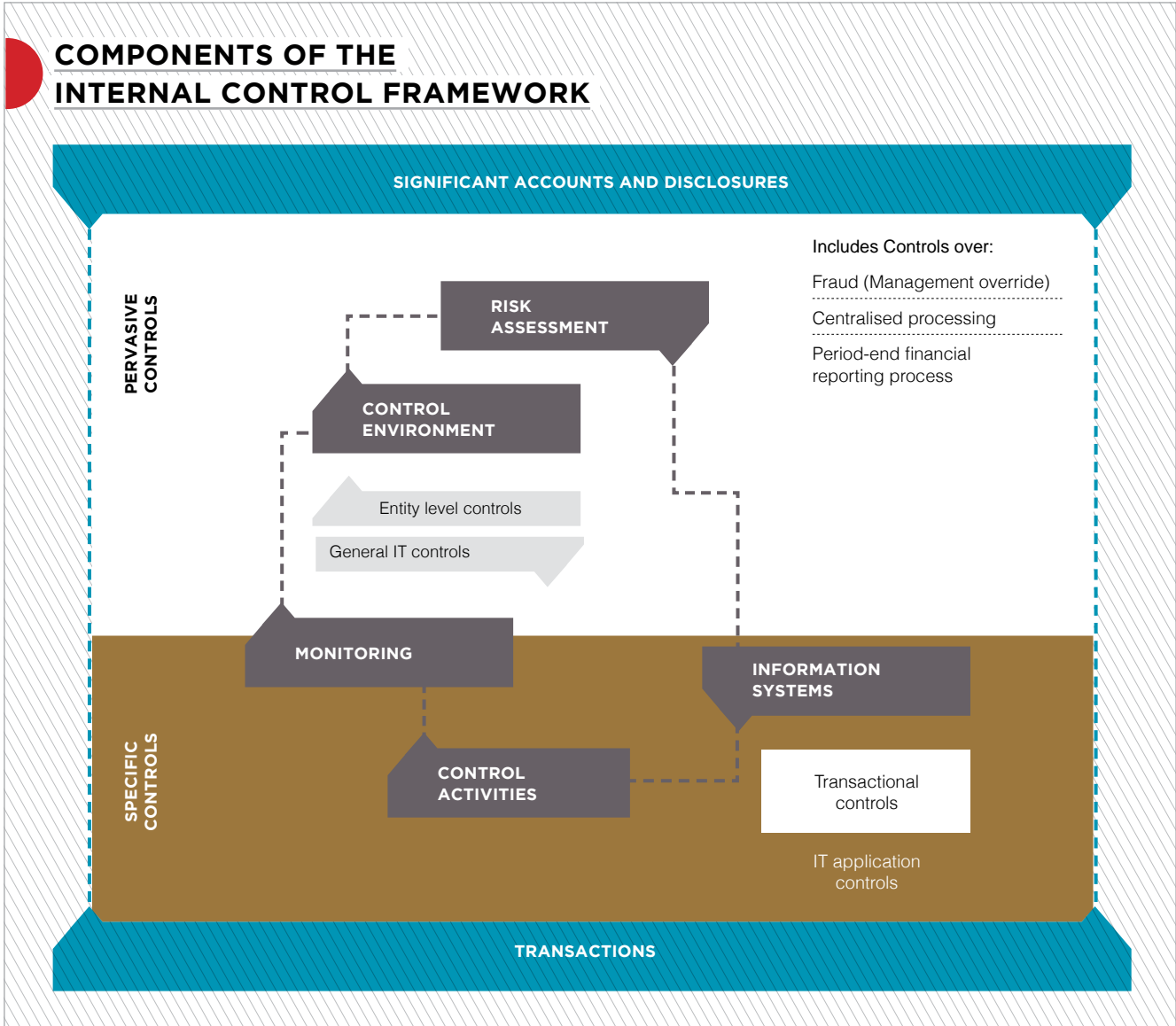
management solutions that enable us to make smart decisions. Therefore, we use BI tools to manage industry challenges and ensure financial stability. CDB uses Oracle Business Intelligence and ACL Analytics to accomplish the following tasks;

- Financial and Operational Performance Management
- Improving Financial Reporting and Analysis
- Customer Profitability Management
- Credit Analysis
- Regulatory Compliance
- Operations Management
- Enhancing Risk Management
- Data Analysis

INTERNAL CONTROL FRAMEWORK

For the first time, an Internal Control Framework (ICF) was implemented to ensure that the Organisation's objectives are achieved efficiently and effectively. Accordingly, internal controls based on the COSO framework were established at CDB.

CDB's internal control framework is geared to improve the quality of financial reporting through corporate governance, ethical practices and internal controls. It consists of policies and procedures designed to provide management with reasonable assurance that the Company achieves its objectives and goals. It also includes the reliability of financial reporting, compliance with applicable laws and regulations and the effectiveness and efficiency of operations.



In order to enhance the existing internal control system, process control matrices were developed to attain assertions regarding the importance of performance and risk of each process. A self-assessment was conducted to ascertain the manner in which controls are carried out for each process.

Internal Audit also independently rates the preliminary understanding of importance, performance and risk of each process.

HUMAN CAPITAL

“Our business premise of ‘Strategy bets on people to succeed’. During the year, we integrated our processes gearing them to promote a culture of learning, collaboration, diversity, personal development and close interaction further. **These initiatives will certainly be even more relevant in engaging with the new generation of employees now entering the workforce. As happy employees lead the Company to happy customers which in return makes our shareholders happy!**”



–Roshan Abeygoonewardena
Director/Chief Operations Officer

Highlights

- 1 Restructuring the HR department and allocating a HR relationship officer to each Business zone
- 2 Developing networks all over the country to cater to workforce demands
- 3 Introducing an assessment base recruitment process in order to select the right person
- 4 KPI base performance-based system was realigned with the overall objectives of the organisation and measurable KPIs were developed for all staff levels

Challenges

- 1 Promoting a fact based organisational culture
- 2 Encouraging a diversified work culture within teams
- 3 Developing required competencies for existing staff

Priorities 2016/17

- 1 EFC 'Compliance Plus' certification during 2016/17
- 2 Enhancing Employment Engagement strategy exceeding industry standards
- 3 Commencing Value based performance appraisal
- 4 To develop Product Ambassadors in branches
- 5 To develop a Service charter in order to establish a standard service level across the branch network

CDB would not be the successful Company it is today without its dedicated employees. Over the years, their dedication, commitment and passion have enabled the Company to achieve its growth targets and position, making CDB one of the leading financial institutions in Sri Lanka. The quality of the people has been a key competitive advantage and we have made solid progress in nurturing a winning team, building a culture of camaraderie, prioritising people development and promoting a well-balanced work life.

During the year under review, CDB renewed the focus on key human resource aspects, including talent management, learning and development, diversity and inclusion and employee engagement. We strive to optimise the human capital whilst simultaneously paving the way for – employees to achieve their personal and professional aspirations and goals.

EMPLOYEE VALUE PROPOSITION

CDB's employee value proposition is designed to attract, engage and retain employees of the highest calibre by making CDB a great place to work. The integrated processes are geared to promote a culture of learning, teamwork, diversity, personal development and trust with close interaction between employees and the Management team. Internal processes and systems are continuously reviewed and improved.



HR STRATEGY, POLICY AND RESPONSIBILITY

The human capital strategy is entrenched in the passion to deliver extended financial services by enriching people's lives through nurturing a healthy, motivated and dedicated workforce. Therefore, CDB emphasises good employer principles, in attracting, motivating and retaining the best individuals. The HR strategy is geared to add value to employees through learning and development, staff empowerment, maintaining a healthy work-life balance, and offering an attractive reward and recognition scheme.

We strive to nurture a performance-based culture based on core human values identified as HRCAP (Humanity, Relationships, Competencies, Aspirations, Performance). These strategic steering points ensure that the professional capacity, aspirations and values of employees are aligned to the Company's core values and business priorities.

HR TOUCH POINTS

We define tasks, create realistic goals and motivate employees to perform in a healthy and stimulating work environment which facilitates innovation and enables every employee to contribute to his or her

full potential. Employee performance and commitment is recognised and rewarded, whilst nurturing a culture of appreciation and respect for all employees. All promotions, rewards and remunerations are offered purely on merit.

We strive to maintain the reputation as one of the best employers in Sri Lanka, upholding the rights of employees under all circumstances and conditions. We also strive to be a just and fair employer maintaining a non-discriminatory policy at all times. We do not condone the use of child labour nor forced labour in the Company, neither do we maintain any business relationships with any partner, customer, outsourcing agency or other stakeholders who may engage in such practices. (HR-3, HR-5, HR-6). In addition, gender equality is promoted within the Company. We also abide by all the applicable labour laws in Sri Lanka and comply with the norms set out by the International Labour Organisation. No incidents of discrimination were recorded in the year under review.

A minimum of four weeks is given to an employee affected by significant operational changes such as departmental/branch transfers. In such a circumstance adequate time is given to adjust to the new work environment whilst offering the needed resources and training to the employee. (LA-4) There are no collective bargaining agreements in the Company. (G4-11)

SHARED MANAGEMENT APPROACH

All material HR-related functions are centralised. We use metrics and Key Performance Indicators (KPIs) to monitor and improve employment practices.

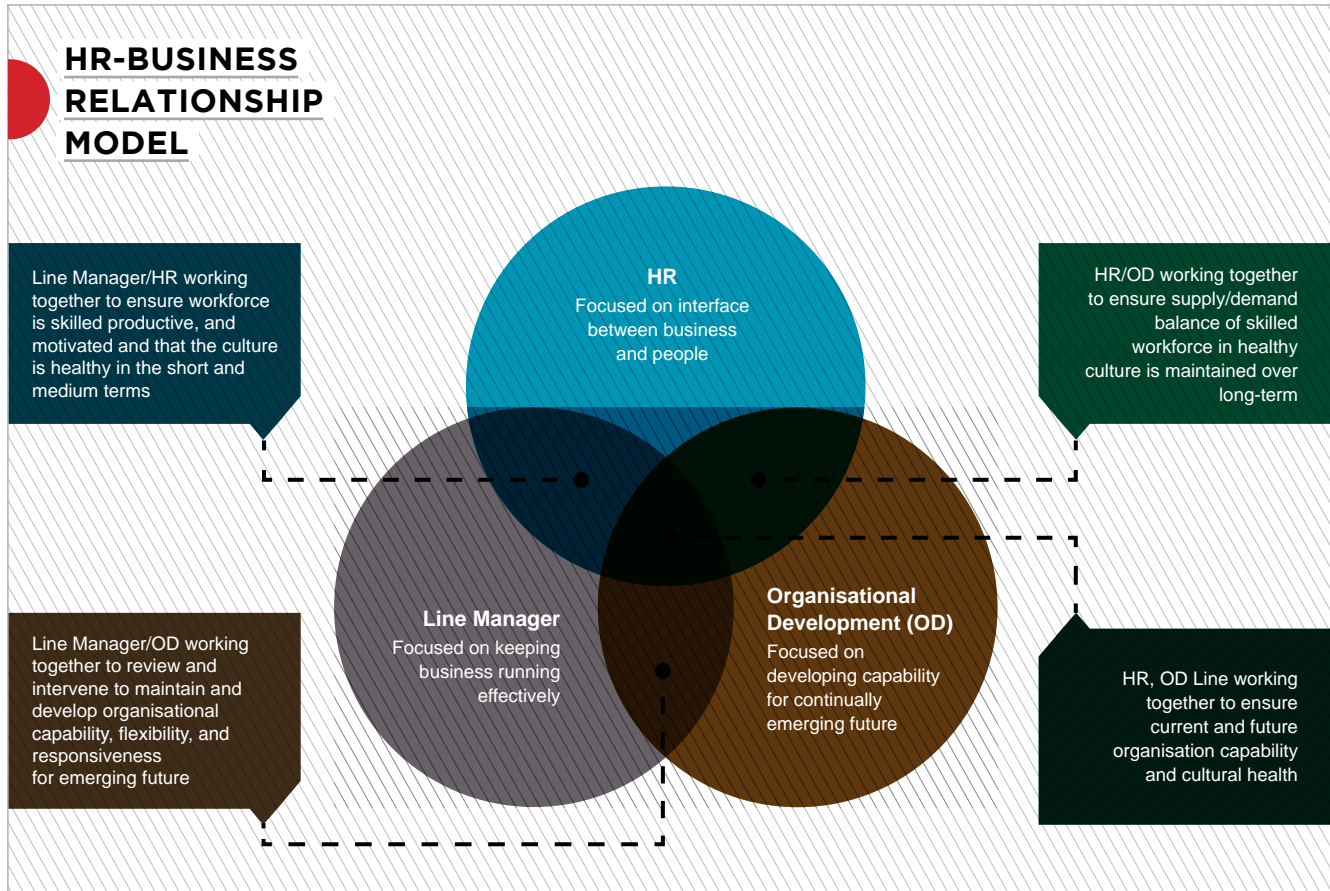
Key Performance Indicators	2015/16	2014/15
Total employees	1,167	1,136
New recruitments	527	545
Male	402	444
Female	125	101
No. of meetings held		
Corporate management meetings	50	50
Sales meetings	12	12
BOIC meetings	12	12
No. of performance reviews conducted	2	2
Employee distribution		
Western province	605	588
Outside western province	562	548
Total No. of training hours	70,181	62,556

BUSINESS RELATIONSHIP HR MODEL

Although increased automation promotes efficiency and productivity in the organisation, it exerts a certain negative impact on human resources. Therefore, we need to continually upgrade the skill levels of employees through extensive training and development. We understand that this could only be achieved through a systematic, long-term strategy aimed at developing the required skills of employees in line with new job responsibilities.

During the year, an HR – Business Relationship Model was formulated to enable the HR Division to deliver increased business value to the Organisation. This model enables to synergise the HR structure and the business strategy of the Company.

We believe that clear job roles and responsibilities coupled with a mechanism of tracking and measuring the impact of HR not only enables us to create value to external stakeholders but offers a caring service with the highest positive business impact. Competency mapping enables to plot the competency profiles for each job, identify competency gaps and initiate training based on need. Opportunities for career progression are also created by encouraging staff members to work in cross functional teams and to taking on challenging assignments.



AUTOMATING KEY HR FUNCTIONS

The customised HR information system has increased the functional effectiveness and reduced several time consuming administrative tasks. This has enabled the business lines as well as HR to focus on the direct business-related activities. Automation has facilitated efficient management information systems and convenient analysis of reports that support business decision-making in the Organisation.

The effectiveness of the functional tasks has improved due to the automation of key HR components and the success

of implementation is measured through user acceptance tests. Due to the successful implementation of this project at CDB, a multinational service provider has nominated the HR team of CDB as their advisors on HR automation.

HUMAN RESOURCE PLANNING

HR planning entails getting the right number and calibre of individuals to perform the required tasks due to the expanding operations of the Company. The HR Division, in consultation with each department, ascertains the

HR requirement taking into account the current availability and future requirements including the skill levels. Accordingly, talent acquisition, replacements, training and succession plans are mapped out. The career progression and succession plan is given below for the year under review.



EMPLOYEE SUCCESSION PLAN

The Succession Plan of CDB is geared to develop potential successors to ensure a strong leadership and a talented workforce in the future. Continuous development is based on the concepts of 'Leading Self, Leading Others and Leading the Company.'

Succession Plans for all middle level and first level management positions are in place to ensure a steady flow of talent committed to meeting the Company's future business targets. This has also motivated employees to take up additional responsibilities and form highly engaged teams contributing to improved performance.

Mid-year and annual performance evaluations are conducted to ascertain the performance and feedback from employees. We also have in place small teams mentored by successors. In the future, the performance of employees will be directly linked to the resulting financial impact.

Joined as	Branch Operation In charge	Head of Branch	Divisional Head	Senior Management	Corporate Management
Trainee Operation Assistant	31	1	5	1	2
Trainee Marketing Executive (TME)	-	34	-	1	-
Junior Operation Assistant (JOA)	6	-	-	1	2
Operations Assistant	-	-	1	-	-
Management Trainee (MT)	19	-	3	-	1
Executive	-	-	2	3	-
Branch Manager	-	-	-	-	1
Assistant Manager	-	-	-	1	2

THE SUCCESSION PLAN OF CDB IS GEARED TO DEVELOP A TALENTED WORKFORCE

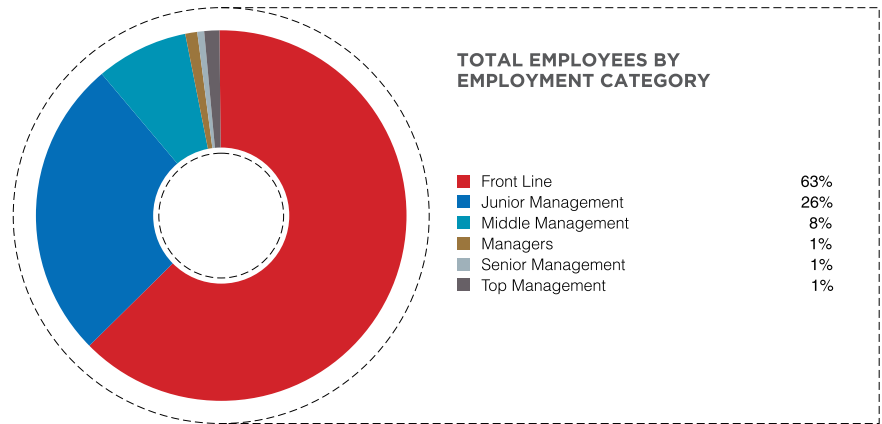
ATTRACTING AND RETAINING TALENT

To ensure a good employee-job fit, we recruit employees whose professional capacity, aspirations and values are aligned to the Company's core values and business priorities. Therefore, it is imperative that individuals of the right calibre, displaying integrity, honesty and accountability with a strong inclination towards excellent customer service tenets are recruited to the Organisation.

During the year in review, CDB introduced an assessment-based recruitment process to select the best candidates for the job. A total of 527 recruitments was done over the past 12 months following this process.

(G4-10)

As at the end of the financial year 2016, the total staff strength of CDB stood at 1,167 employees. This was a 3% increase over the preceding year.



TALENT ACQUIRING MODEL 2015/16

EXTERNAL

FUTURE TALENTS

Brand, Search, Attract

Social Network

Professional bodies, Chambers, Competitors, Schools, Universities, JOB banks, Media, Executive search companies, Divisional Secretaries, Dealers networks, Labour Ministry/Department etc.

INTERNAL

EXISTING TALENTS

Develop, Retain, Feedback

Internal Networks

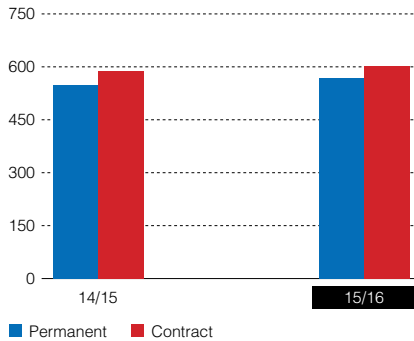
Building competencies, commitment, culture and systems through people networks, Information networks, IT Systems, Process networks etc.

HR BRIDGE TO BUSINESS IN 2015/16 IS NETWORKS

BUSINESS STRATEGY

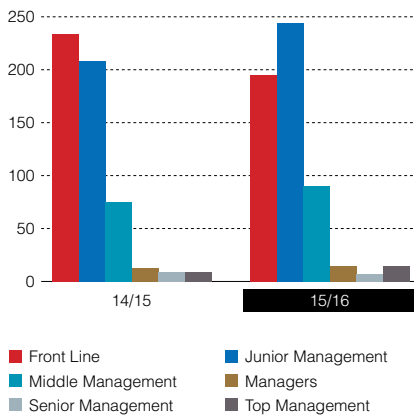
TOTAL EMPLOYEES BY EMPLOYMENT TYPE

(Nos.)



PERMANENT EMPLOYEES BY EMPLOYMENT TYPE

(Nos.)

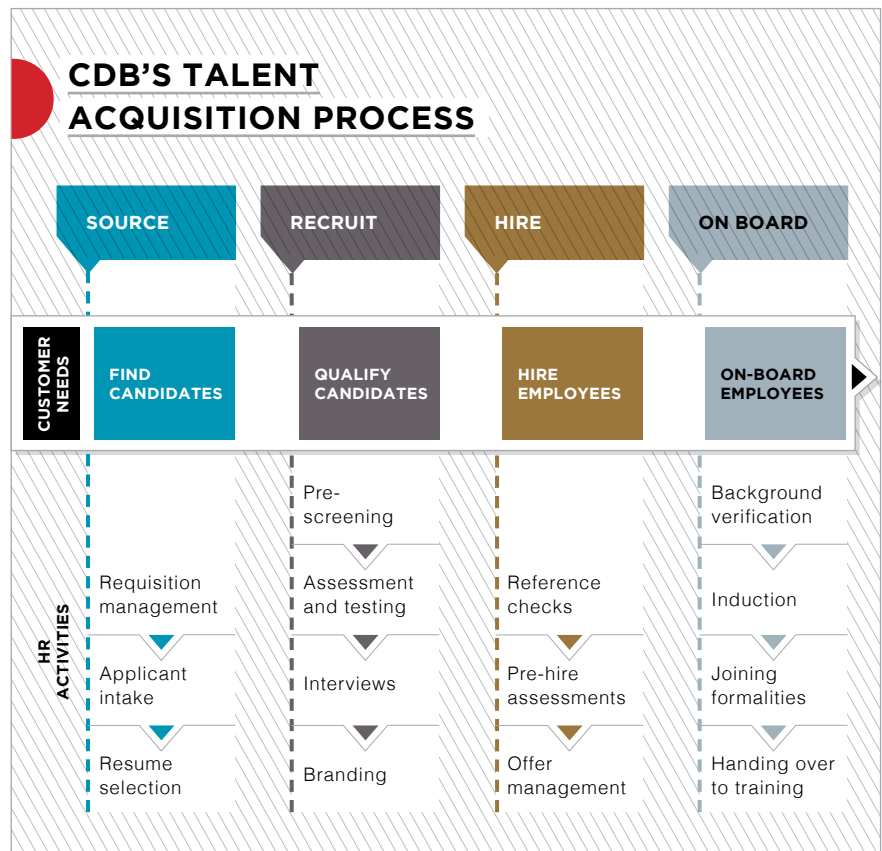


Being a relatively young organisation, the Company strongly believe in empowering the younger generation. Therefore, CDB's talent acquisition strategy is based on attracting motivated, dynamic young individuals; predominantly school leavers, who will adapt to the unique culture and thrive in it. CDB has benefited immensely from their unfettered spirit, creativity and innovative thinking, which has enabled the Company to be pioneers in certain areas of business.

TALENT ACQUISITION POLICY

A key element in CDB's business strategy is to provide employment opportunities to rural youth. We follow a localised recruitment policy, where we recruit individuals from the localities of the operational network. This enables us to groom young individuals who are talented and suitably qualified to take up leadership positions and to have career advancements in the Company.

CDB's talent acquisition process is as follows:



In order to recruit management trainees and internship trainees who best fit the Company, a thorough background verification check is carried out prior to recruitment. In addition, we have linked with leading universities and professional bodies to acquire talent.

TALENT ACQUISITION AVENUES

MANAGEMENT TRAINEE PROGRAMME

This is a two-year programme. Each graduate is assigned to a mentor and is exposed to networking opportunities. Graduates are placed in job roles in different areas of operations, to work in teams and acquire broader skills. Training include secondments to locations within the operational network

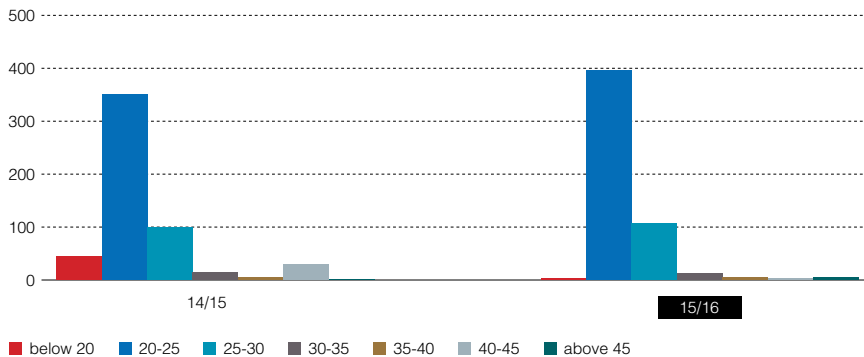
INTERNSHIP PLACEMENT

Internship training opportunities are provided to university undergraduates to enable them to complete their graduate studies. These candidates are placed as in-house trainees and are provided comprehensive hands on experience with on the job training

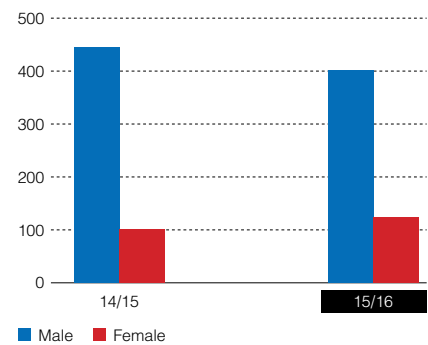
PLACEMENT OF BUSINESS PROMOTION AGENTS (BPA)

The placement of BPAs is done through referrals from higher educational institutes. They are given the opportunity to earn an incentive during full time education. This mechanism is exclusively introduced for full time learners who wish to earn to support their education. Once they apply for a placement at CDB through their institute, they are screened and selected as a business promotion officer of the Company

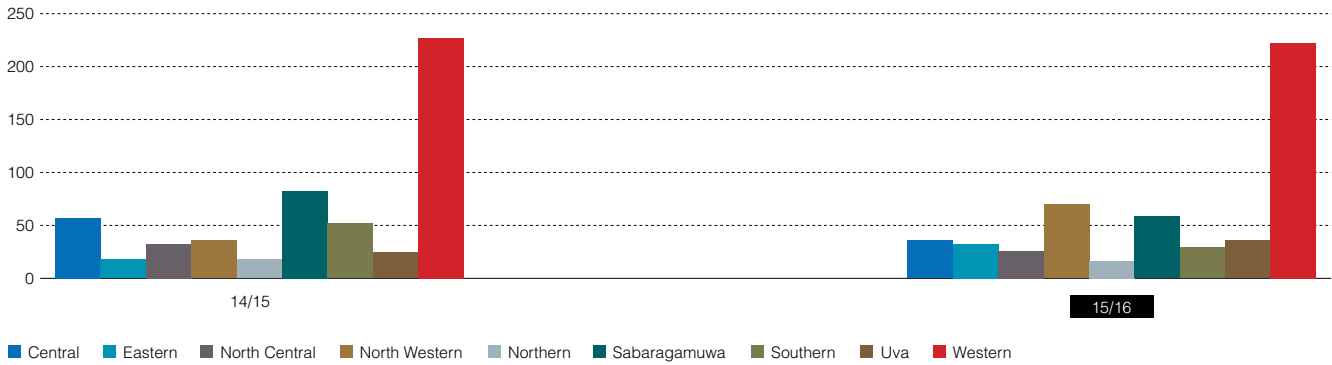
TOTAL RECRUITMENT AGE-WISE
(Nos.)



TOTAL RECRUITMENT GENDER-WISE
(Nos.)



TOTAL RECRUITMENT PROVINCE-WISE
(Nos.)



PROVIDING EQUAL OPPORTUNITIES

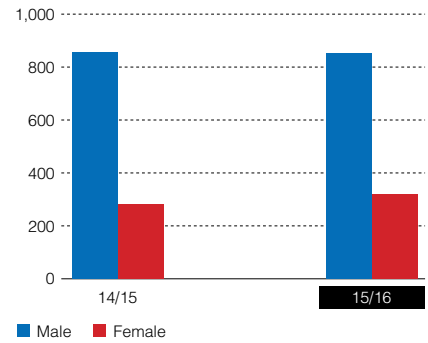
We are an equal opportunity employer. Hence, we do not discriminate based on gender, race or religion in talent acquisition, remuneration and career development etc. We are committed to building a culture of inclusion that facilitates collaboration across generations. In addition, we support those who are differently abled to enable them to become productive members of the society. Currently 4 differently abled persons are employed in the Company.

GENDER DIVERSITY

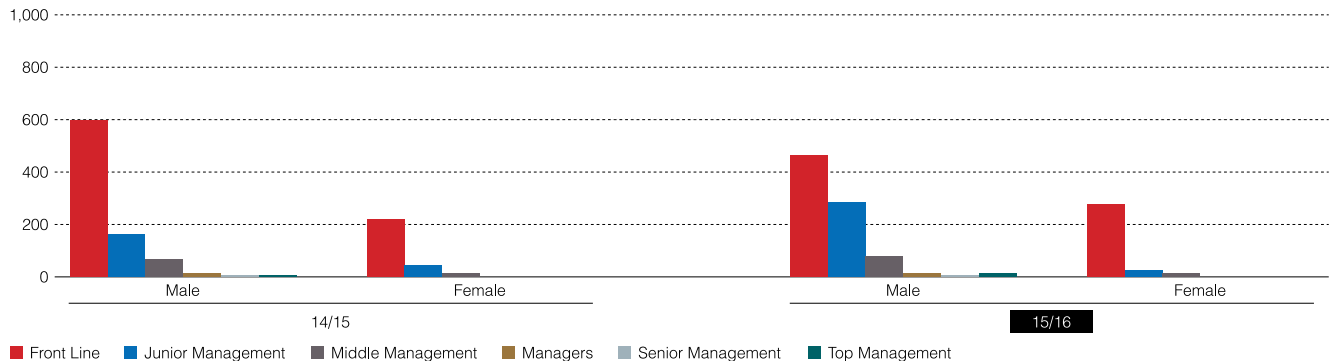
CDB is enriched with a workforce, diverse in gender, age, religion, race, skills and expertise among other areas of diversity. Their diverse viewpoints, ideas, and market insights have facilitated better problem solving and offering an effective service to the diverse customer base.

We aim to improve the representation of women throughout operations, and also introduce new talent to achieve diverse objectives in the future.

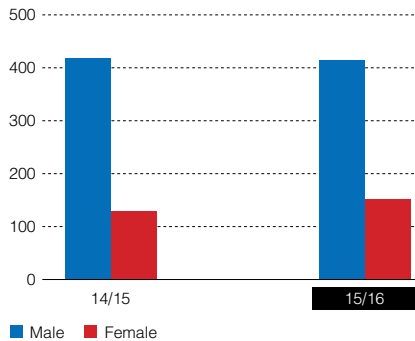
TOTAL EMPLOYEES BY GENDER
(Nos.)



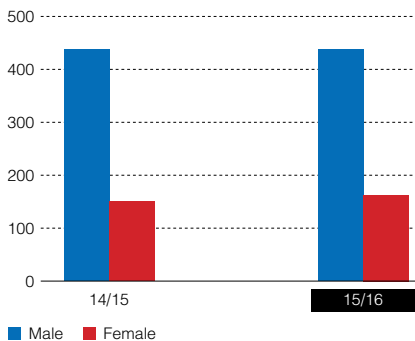
TOTAL EMPLOYEES BY EMPLOYMENT CATEGORY AND GENDER
(Nos.)



**PERMANENT EMPLOYEES
GENDER-WISE
BREAK DOWN
(Nos.)**



**CONTRACT EMPLOYEES
GENDER-WISE
BREAK DOWN
(Nos.)**



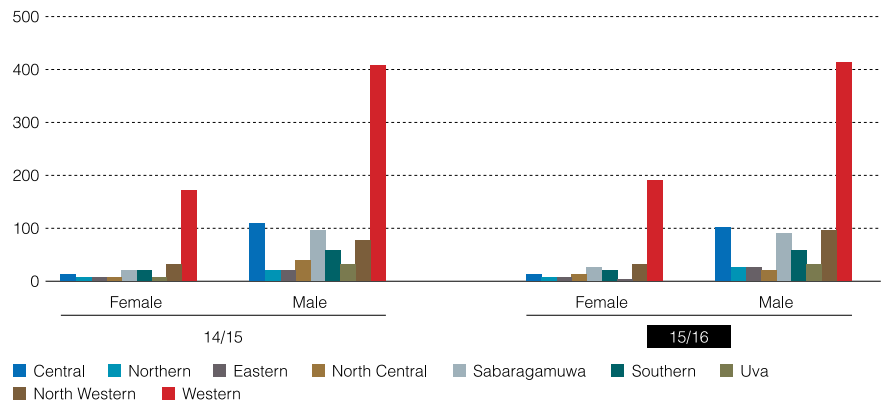
**CULTURE AND EMPLOYEE
ENGAGEMENT**

Leadership driven culture at CDB, steers the Company's performance and employee engagement. Last year, we conducted an independent mystery shopper survey to better understand customer needs to prioritise the activities in pursuit of the vision of becoming the financial powerhouse in Sri Lanka. We also sought employee input and feedback through interactive surveys and discussions. The topics discussed were leadership support and service excellence.

EMPLOYEE DISTRIBUTION

A total of 1,167 employees were engaged within the network whilst the highest number of employees were in the Western Province accounting for 52%. Followed by North Western and Central Provinces which accounted for 11% and 10% respectively.

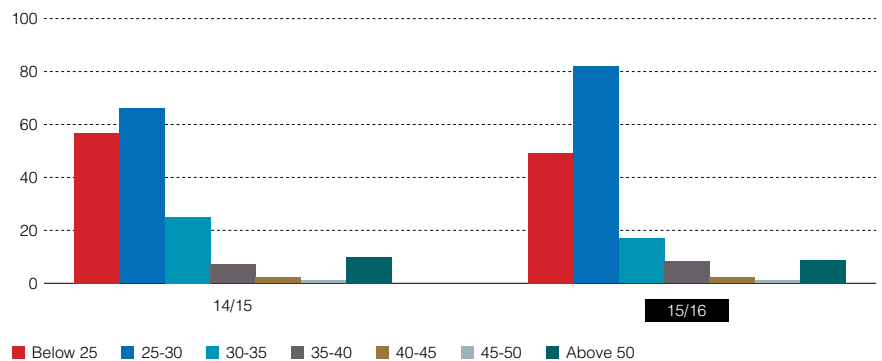
**TOTAL EMPLOYEES BY GENDER AND REGION
(Nos.)**



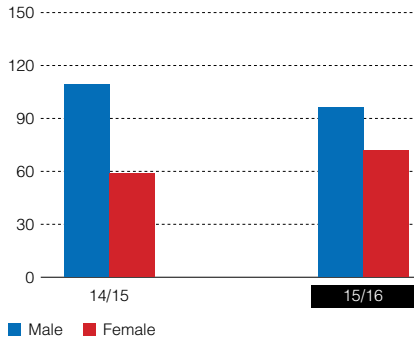
EMPLOYEE TURNOVER

A reasonable level of turnover is healthy in any organisation as it creates opportunities for new talent and career advancement.

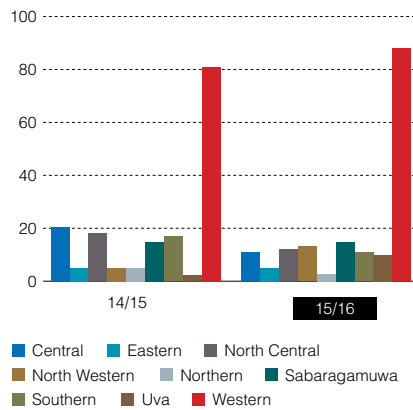
**TOTAL RESIGNED AGE-WISE
(Nos.)**



TOTAL RESIGNED GENDER-WISE
(Nos.)



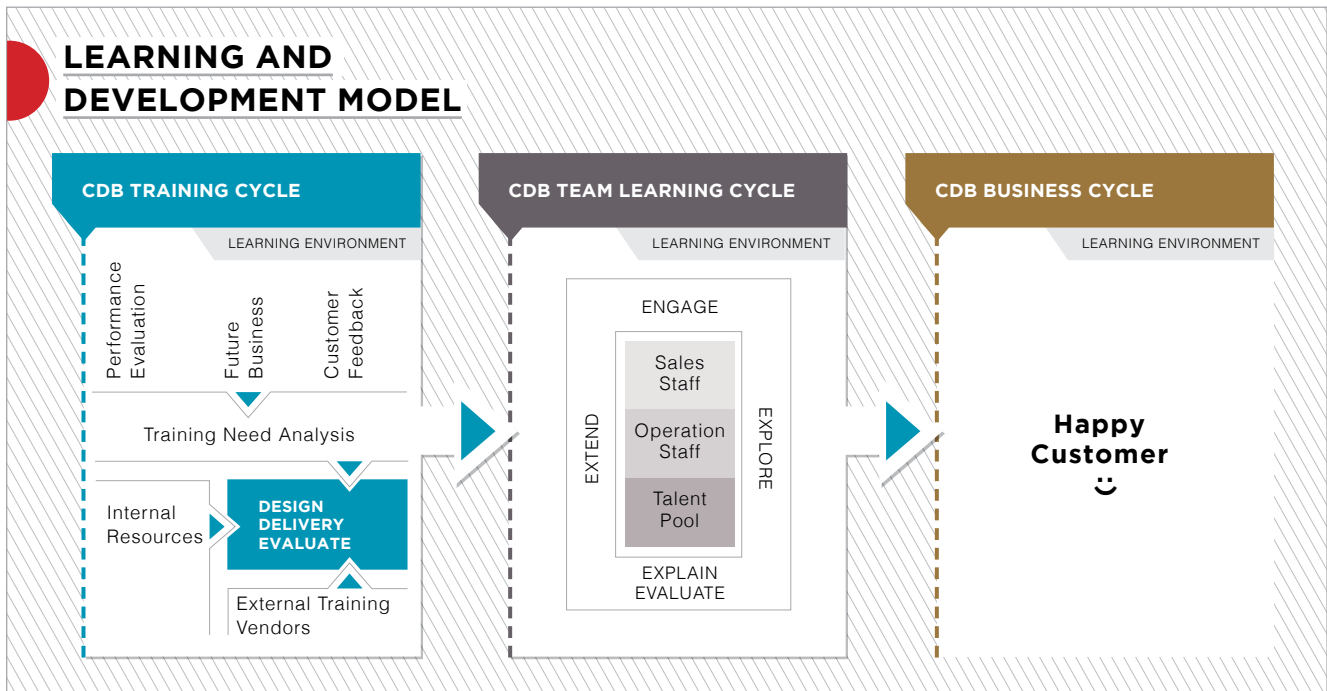
RESIGNED EMPLOYEES PROVINCE-WISE
(Nos.)



LEARNING AND DEVELOPMENT

Comprehensive training and development programmes are offered to employees to enable them to realise their full potential. Apart from tailor-made training programmes, we encourage staff members to identify areas they seek to become more proficient and we provide them with relevant training.

We mainly invest in our people through talent enhancing learning and development programmes. Talent management is done through a performance dialogue programme, which entails monitoring performance against annual goals and setting training and development objectives. The programme also forms the basis for nurturing high-potential employees and identifying candidates for succession programmes. To develop new industry talent, we offer wide range of learning programmes.



TRAINING EVALUATION MODEL

During the year, the Learning and Development Division introduced an application level training evaluation process based on the feedback obtained via the mystery shopper survey carried out in the preceding year.

The Learning and Development Team of CDB plays an important role in instilling the Company values, philosophies and culture in the employees. Leadership training programmes are in place to groom future leaders. The learning objectives are always aligned to the business strategy and market trends.

During the year, a training evaluation system was incorporated to the training model as illustrated below. Evaluation is based on four aspects namely, reaction, learning, behaviour and results.

REACTION

This is measured via feedback forms, verbal reactions and post training surveys, to ascertain if the training was well received by the audience. It helps to effect the needed improvements to training programmes and also identify important areas which need to be incorporated in the future.

LEARNING

This is to measure what the trainees have learned and how much their knowledge has increased as a result. Training sessions are planned with a list of specific learning objectives for measurement purpose. A staff evaluation assessment is conducted annually based on the objectives, and also assessment tests are conducted after operational training programmes.

BEHAVIOUR

We ascertain the behavioural change of trainees based on the training received, by observing the practical application through mystery customer.

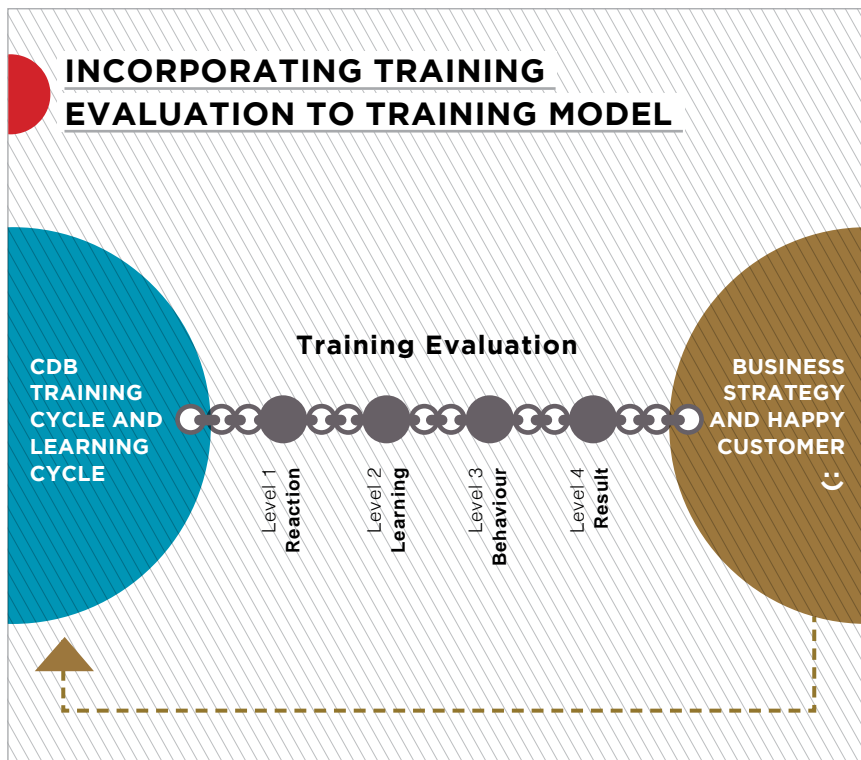
RESULTS

The final results of training are analysed, by ascertaining the favourable impact on business, employees and the bottom line.

STAFF COMMUNICATION

Staff communication is an important aspect to provide regular and relevant information to staff members about the Company and their respective activities. We understand that decisions about the Company have a direct bearing on staff members and that they have a right to pertinent information as well. Therefore, we have in place several methods of communicating with staff members. These include:

- **Kick-off Ceremony:** MD/CEO addresses all team members on the first working day of the financial year and shares the future plans of the Company for the upcoming year.
- **Breakfast Meeting:** Employees from each division have a breakfast meeting with the MD/CEO. This paves the way for employees of different divisions to communicate informally and discuss issues, give suggestions and share their experiences. Staff members have the opportunity to communicate with the MD/CEO as well.
- **Morning Brief:** This is held daily before the commencement of work, to encourage employees to express their ideas, suggestions and feedback on the Company.
- **Intranet:** All team members are provided with intranet facilities and e-learning systems to increase the ease of communication, knowledge sharing and knowledge management.



- **E-Library:** To develop a learning and development culture within the Company, all employees with intranet facilities are given access to the e-Library facility which enables document sharing and viewing among a host of other activities.
- **CEO's Forum:** CDB intranet facilitates all staff members to gain the expert inputs within the Company through the CEO's forum. The top management of the Company share their valuable experiences and knowledge with all staff members.
- **Social Media:** A feed used by Management to post-staff-relevant information.
- **Customer Care Centre:** An email and telephonic contact point which is a source of information on a range of employee-related matters.
- **Whistle Blowing Policy:** This policy encourages employees to raise their concerns or disclose possible fraudulent, unethical or other improper behaviour or workplace misconduct in total confidentiality and anonymity without the fear of retribution.
- **Surveys:** A dedicated practice of assessing staff members on ethics and rating various divisions of the Company.
- **Staff Presentations:** These are designed to keep staff informed and keep individuals appraised about the latest developments in the Company.
- **Annual General Meeting:** Many staff members are shareholders of the Company and they get the opportunity to make their voices heard at the Annual General Meeting.
- **Financial Statements:** Quarterly results of the Company are circulated to all staff members to keep them apprised of the financial and non-financial position of the Company and the Key Performance Indicators.

- **Policies and Procedures:** HR policies are documented and available online. The staff members are made aware at the time of recruitment and promotions.

LEADERSHIP DEVELOPMENT

CDB's leadership development initiatives are aimed at building leadership capabilities that supports a high-performance culture. We have three customised employee development programmes for all staff members. Business units were consulted during the development process to ensure that these programmes are aligned with their expectations.

The leadership initiatives are aligned to define leadership behaviours and are standardised across all the operations of CDB. The programmes are designed to develop the leadership capabilities which are needed for strategy execution, guiding the leaders through change and new levels of complexity, equipping leaders with the skills to establish clear accountability, delivering an excellent employee experience and engaging the employees effectively.

LEADERSHIP DEVELOPMENT PROGRAMME

The programme is targeted for high potential staff members who can meet the challenges of leadership. They need to have a global mindset, the courage to act and an exceptional intellectual foresight. They are exposed to special training and mentoring in addition to the numerous learning opportunities and on-the-job resources given to accelerate their career goals.

SPEECH CRAFT TOASTMASTERS' PROGRAMME

This is a 12-week programme conducted in collaboration with BSI Toastmasters' Club to hone the speaking and leadership skills of the participants in a relaxed atmosphere. The members evaluate each other's speech capabilities. This feedback process is the key for the programme's success. Participants give spontaneous speeches, conduct meetings and develop skills related to timekeeping, grammar and parliamentary procedures. Two such programmes were completed during the year and more than 60 staff members developed their skills through this programme.

SELF MASTERY PROGRAMME

This is a development programme for the front line managers which is also a part of the Succession Plan. The programme is focused on making lasting transformations in people by giving individual attention, career guidance and identifying and utilising their potential through a continuous one year learning process with a pre and post 360 feedback mechanisms.

INVESTING IN OUR PEOPLE

We recognise that every employee possesses unique skills and attributes that collectively contribute to the success of the Company. Through performance management process, they can explore skills and career development opportunities.

CDB's talent management approach aims to strengthen the talent pipeline of the Company to deliver on business

strategy both now and in the future. It helps us to be agile and deploy talent quickly and effectively in line with changing business needs.

Supporting people to optimise their productivity, performance and potential is fundamental to strengthening succession coverage, and offering compelling

career propositions. Investment in people development during the year was Rs. 18 Mn and this investment was allocated according to the business priorities of the Company. This included leadership development, technical development, youth employability and staff development support.

INTERNAL AND EXTERNAL TRAINING PROGRAMMES CONDUCTED DURING THE YEAR (LA-10)

Programme Type	No. of Participants	No. of Days per Programme	No. of Programmes	No. of Training Hrs. per day per Individual	Male	Female	Training Hrs.
Induction programmes for all staff	527	4	12	8	402	125	16,864
Sales orientation: sales staff	415	4	12	8	398	17	13,280
Training programmes for deposit sales staff	52	1	2	8	48	4	416
Training programmes for leasing sales staff	145	2	5	8	145	0	2,320
Technical training programme for cashiers	175	1	3	8	120	55	2,320
Technical training programme for credit officers	110	1	2	8	85	25	880
Customer service training programmes for sales	145	3	3	8	80	65	3,480
Customer service training programmes for operations	145	1	25	8	80	65	1,160
Sales techniques and service training programmes for sales staff	115	1	3	8	108	7	920
Grooming and social etiquette training programme	70	1	2	8	42	28	560
Leadership training programmes	19	12	1	8	16	3	1,824
Leadership training programme for branch heads	60	1	1	8	60	0	480
Executive leadership development programmes	35	12	1	8	28	7	3,360
Management training programme	57	30	3	8	32	25	13,680
Training programmes for entry level operational staff	67	21	12	8	35	32	11,256
Foreign training programmes	14	2	6	8	12	2	224
Other external programmes	54	1	17	8	44	10	432

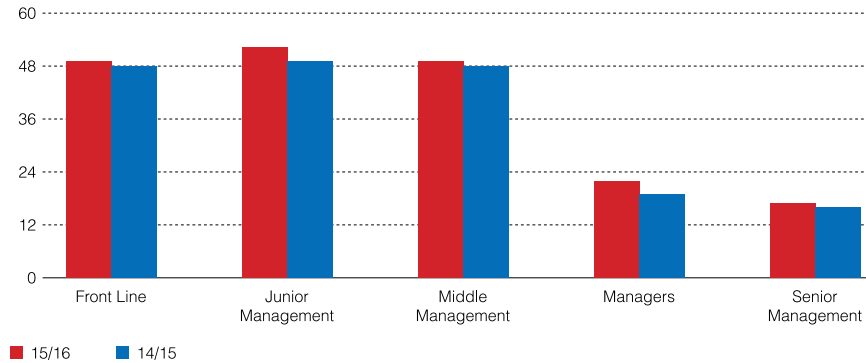
PROGRAMMES FOR SKILLS MANAGEMENT AND LIFELONG LEARNING (LA-10)

Programme Type	No. of Participants	No. of Days per Programme	No. of Training Hrs. per day per Individual	Male	Female	Training Hrs.
Leadership training programmes	19	12	8	16	3	1,824
Leadership training programme for branch heads	60	1	8	60	0	480
Executive leadership development programmes	35	12	8	28	7	3,360

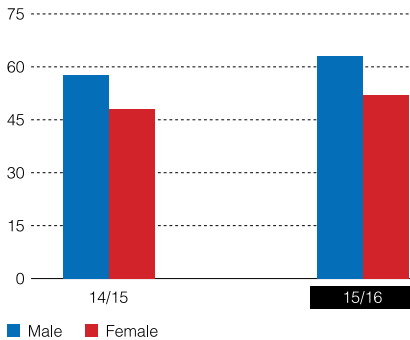
(LA-9)

AVERAGE HOURS OF TRAINING PER YEAR BY EMPLOYEE CATEGORY

(No. of hours)

**AVERAGE HOURS OF TRAINING PER YEAR BY GENDER**

(No. of hours)



Continuous learning and development philosophy plays a critical role in the development of employees assisting the business units to achieve their learning objectives. Such learning objectives are always aligned to the business strategy and market trends.

IT TRAINING CENTRE

CDB is equipped with an IT Training Centre which includes a simulated branch experience. A model branch is used to

provide an on-site branch experience to trainees. This is a fully-equipped branch with system support that offers branch-related working specs in order to train new employees who will be placed in branch operations. They are given system access in a test environment to gain relevant technical skills and exposure. This enhances their familiarisation with the system and given them the opportunity to perform system related functions effectively. The parameters to evaluate trainees are also set by way of evaluation after stimuli branch module. Evaluation is made through a standard evaluation test answered by the trainee followed by a feedback interview with the Head of Training.

DRIVING HIGH PERFORMANCE

The importance of living CDB values is reinforced in performance management approach which places equal emphasis on objectives and behaviours. CDB's remuneration policy takes into consideration a range of internal and external factors, including underlying

risk-adjusted business performance, current and future affordability and the impacting regulatory developments.

KPI BASED PERFORMANCE MANAGEMENT SYSTEM

CDB's employee reward system is based on employee performance which is measured by the Key Performance Indicators through a performance management system. This was designed to support the HR strategy of creating a high performing culture by using pay and rewards as a motivator.

Evaluating the contribution of employees enables us to reward them for exceptional performance whilst identifying and addressing their development needs. Approach to performance management is to ensure that employees have a common understanding of the Company's strategy and its link to business units and individual goals. Performance management is integrated into key development programmes to improve the ability of line managers to have open and transparent performance discussions with their team members, particularly in relation to managing poor performance.

The annual performance evaluation facilitates interaction between the managers and employees, ascertaining and assessing performance on pre-agreed indicators; extending rewards on merit and addressing weaknesses and skills gap. This process includes objective setting and continuous online performance appraisal. It also includes a target oriented performance for the marketing staff apart from structuring training effectively, career mapping and succession planning.

This initiative has facilitated the development of a performance oriented culture in the organisation and directing employees towards organisational objectives.

Success is measured through an automated performance management system, employee feedback and employee satisfaction surveys. All performance related issues are discussed with Senior Officers and remedial actions are agreed upon. This has enhanced the quality of the 'pay for performance' initiative.

A variety of internal and external factors are considered in deciding remuneration, which include underlying risk-adjusted business performance, current and future affordability, local remuneration trends and regulatory developments impacting remuneration.

WE CARE - HEALTH AND WELLNESS

CDB's holistic approach to the wellness enables us to manage the health risks at the workplace and build the resilience of people by optimising their physical health, and the mental and social well-being. This enables employees to remain sustainably engaged and productive.

CDB priority is to provide access to appropriate health and wellness services for all employees. We encourage them to take responsibility for their health and they are supported through the '*Suwa Sampatha*' medical scheme which provides health screenings and medical reimbursement. For the year under review, the medical reimbursements amounted to Rs. 28 Mn This was to ensure a well-balanced working environment.

We provide a host of benefits to staff members in addition to statutory benefits as given below:

- Employee Share Ownership Plan (ESOP)
- Productivity and profit related bonuses
- Staff loan schemes at special interest rates such as vehicle, housing, education loans etc.
- Staff loan schemes for expenses related to children's education, urgent family medical expenses and family bereavements
- Comprehensive medical scheme
- Payment of fees for professional education, training courses and examinations
- Fully furnished staff quarters, travelling and accommodation allowances for staff members attached to outstation branches
- Fully furnished holiday bungalows

ATTRACTIVE REMUNERATION

PAY FOR PERFORMANCE

We encourage consistent performance from all our employees by introducing a 'Pay for Performance Scheme'. Our annual increments are based on performance which is measured by a regular performance evaluation process

PERFORMANCE BONUSES

CDB offers attractive bonuses to its employees every financial year. This bonus is strictly based on performance, as high performing employees receive a higher bonus

VARIABLE COMPENSATION

An incentive structure for marketing staff is based on their monthly target achievement of business volumes. This is a formal incentive structure designed especially for the marketing staff to reward their high performance

MONTHLY/QUARTERLY BUSINESS ACHIEVEMENT AWARDS

Target achievement awards are presented to the marketing staff at the monthly business review meeting to encourage their exceptional performance

MAINTAIN HIGHEST SAFETY STANDARDS

We have maintained a zero accident work environment as a result of the measures taken to provide a safe work environment for staff members. These include:

- Maintaining a hazard free environment
- Business Continuity Plan that addresses potential emergencies
- Co-ordinators at branches and each floor of the corporate office responsible for creating safety awareness
- The services of a dedicated security consultant to ensure that arrangements are discreet and emergency situations are handled with proper care
- Counselling and awareness of Occupational Health & Safety procedures

The facility management and maintenance division of the Company focuses on the quality of work spaces and safety issues, adhering to the best building standards which ensure the physical well-being and safety of employees. The head office has implemented comprehensive safety measures including a fully-computerised Building Management System (BMS) to safeguard employees and infrastructure from fire, system failures and other work hazards.

The branches are also equipped with necessary safety measures including fire extinguishers, purified water, and air etc. Periodically, employees are educated and trained on safety measures. Fire drills are carried out to test the

effectiveness of the fire safety measures and readiness of staff members including the designated fire wardens. Both head office and branches maintain fully-equipped first aid kits to ensure a hazard free environment.

BUILDING MANAGEMENT SYSTEM

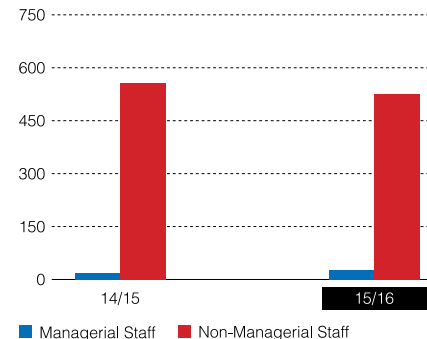
Investigation, security control and facility management division of the Company focuses on the quality of the workspace and safety issues. Both the corporate office and branches have implemented comprehensive safety measures to safeguard employees and infrastructure from fire, system failure and other work hazards. In addition, comprehensive safety measures are carried out to ensure proper functioning of systems and processes.

DISCIPLINARY ACTION, DISPUTES AND GRIEVANCES

CDB's policies and procedures for grievance handling, dispute resolution and disciplinary action are designed to deal with matters in a fair and just manner for both the Company and employees, individually as well as collectively. Procedures are in place for employees to challenge disciplinary sanction or lodge a grievance or complaint, if necessary. The HR Division assists staff members in dispute resolution and initiating formal grievance proceedings. Managers are given formal training on grievance resolution management.

(G4-SO4)

TRAINING ON ANTI CORRUPTION POLICIES (Nos.)



WORK-LIFE BALANCE

We have given the utmost priority to enhance the work-life balance of staff members which is essential to realise the mutual objectives of the Company and the employees. Therefore, we have introduced a holiday allowance to encourage employees to utilise their annual holiday leave. We also encourage them to improve and display their talents in areas such as sports. Outstanding achievers are given support to improve their performance and represent the Company in mercantile and international tournaments.

RUGBY

Semi-finalist at the Mercantile Rugby Sevens tournament under the shield category.

NETBALL

Mercantile Netball Tournament 'A' Division-2nd Runners-up
 Mercantile Netball Tournament 'Knock Out's' 'B' Division Runners up
 Finance House Meet 'Champions'

VOLLEYBALL

Semi-finalists of Finance House Meet

CRICKET

Winner of Mercantile Cricket Tournament
Division "E"

ATHLETICS

Mercantile Athletic Meet

- 1 Gold
- 8 Silver
- 3 Bronze

WELFARE AND RECREATION CLUB

The CDB's Welfare and Recreation Club ensures the well-being of the staff members. A committee appointed, annually plans the welfare agenda of the Company initiating activities for the staff members. On an individual basis, financial assistance is extended to staff members in emergency situations and for sports activities. On a common basis numerous events are organised to improve interaction between staff members and also their families. The activities of the Welfare and Recreational Club are-

- Annual get-together
- Annual sport fiesta
- Vesak festival
- Christmas carol service
- Annual foreign tours
- Annual award ceremonies
- Annual tours
- Dental week
- Blood donation campaigns



SOCIAL AND RELATIONSHIP CAPITAL

“Among others, two clear points-of-difference that set us apart from the competition are our true customer centric approach and our ethical business practices in the interest of all the stakeholders. Going beyond marketing communications, we live by these values. **They are our unique selling propositions. They have helped build habitual loyalty among stakeholders towards our enterprise.**”



–Sasindra Munasinghe
Director/Chief Credit and Marketing Officer

Highlights

1

No. of service outlets – 62

2

Initiated 24 x 7 call centre operation

3

Composition of customer base – Savings 58%
Term Deposits 10%
Lending 32%

Challenges

1

Changing needs of the business partners

2

Technological developments and changing needs of the customers

3

Development of new business lines and mitigation of risks associated

Priorities 2016/17

1

Continuous training and investment towards customers service enhancement

2

Focus on customer value additions with new technological advancements

3

Explore new market opportunities

4

Improve business partnering process in order to improve customer services

5

Improve focus towards community developments

REGULATORY RELATIONSHIP

Compliance with laws and regulations is an important aspect of CDB. Failure to comply would tarnish the reputation and create a negative impact on the Company. Hence, we continually strive to enhance relationships with all relevant regulatory institutions. The compliance

requirements are separately assessed by the CDB risk framework as well.

CDB'S ETHICAL STAND ON REGULATORY COMPLIANCE

Conducting operations in an ethical manner, consistent with stakeholders' interests and demands including regulatory authorities, customers and

professional institutions is essential to safeguard the reputation and the brand image of CDB. Therefore, CDB remains focused on the stewardship responsibility of compliance and maintain continuous communication with such authorities. This helps CDB to be in line with new developments and regulations initiated by the authorities.

(G4-16)

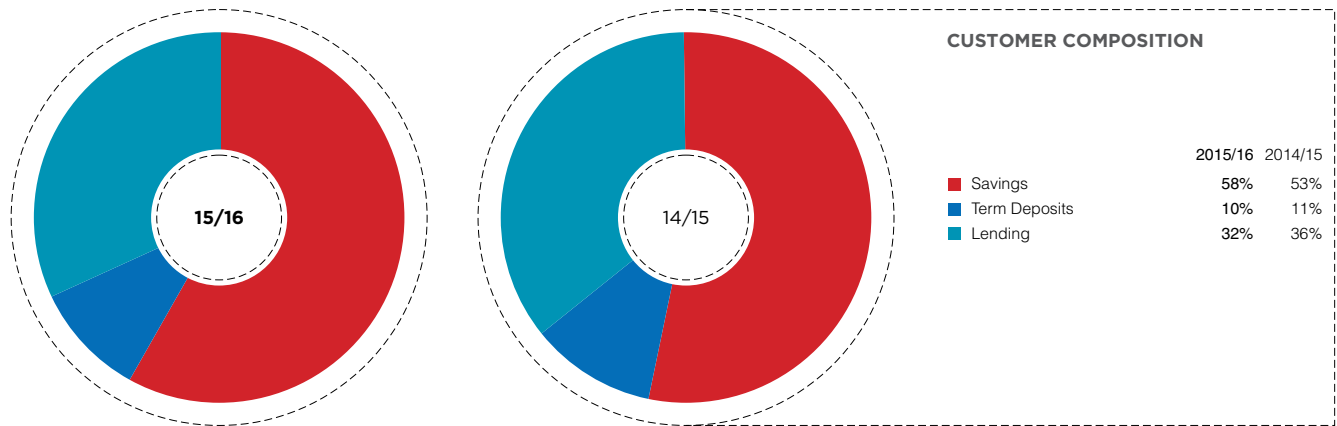
Regulator	Status
Central Bank of Sri Lanka (CBSL)	CBSL acts as the regulator and the supervisory body of all financial institutions in Sri Lanka. We have complied with all statutory requirements of CBSL.
Securities and Exchange Commission of Sri Lanka (SEC)	SEC is the regulator of the Colombo Stock Exchange (CSE) which formulates rules to facilitate orderly and fair trading of securities assuring investor protection. We have ensured compliance with the said regulations during the financial year and submitted all the financial information in a timely manner.
Colombo Stock Exchange (CSE)	The CSE operates as a Self-Regulatory Organisation (SRO) subject to the regulations and supervision of the SEC. CDB has complied with the rules and regulations set out by the SEC and have taken necessary steps to provide timely and accurate financials as required.
Department of Inland Revenue (IRD)	CDB has complied with rules and regulations of the Department of the Inland Revenue and we have discharged all our tax obligations as per the requirements. There is a separate tax department which sets out the controls to assess and monitor taxes.
Other Legal and Regulatory Compliance	Regulatory compliance provides an opportunity to consistently strength CDB through strategic and proactive measures: <ol style="list-style-type: none"> 1. No complaints or legal actions pertaining to anti-competitive behaviour, anti-trust or monopolistic practices were instituted against the Company. Neither has the Company been obliged to pay fines or submit to pay any sanction for non-compliance with the relevant laws and regulations. (SO-7) 2. No complaints or legal actions were instituted against the Company for non-compliance with any environmental or public health laws or regulations nor has the Company been obliged to pay any fines or submit to any sanctions for non-compliance with the relevant laws and regulations. (SO-8, EN-29)

Statutory Requirement	2015/16	2014/15	2013/14	2012/13
Liquidity ('000)				
Minimum requirement of liquid assets	3,403,962	2,977,502	2,570,757	1,737,529
Availability of liquid assets	6,664,230	4,262,267	4,545,811	2,519,142
Minimum requirement of Government Securities	2,068,234	1,679,439	1,184,013	719,566
Availability of Government Securities	5,115,654	2,322,464	1,887,200	1,218,127
Capital adequacy				
Core capital to risk-weighted assets ratio (Minimum 5%)	11.72	12.78	12.61	14.32
Total capital to risk-weighted assets ratio (Minimum 10%)	11.74	15.57	16	14.32
Capital funds to total deposit liabilities ratio (Minimum 10%)	15.65	17.36	18.59	15.69

RELATIONSHIP WITH THE CUSTOMERS

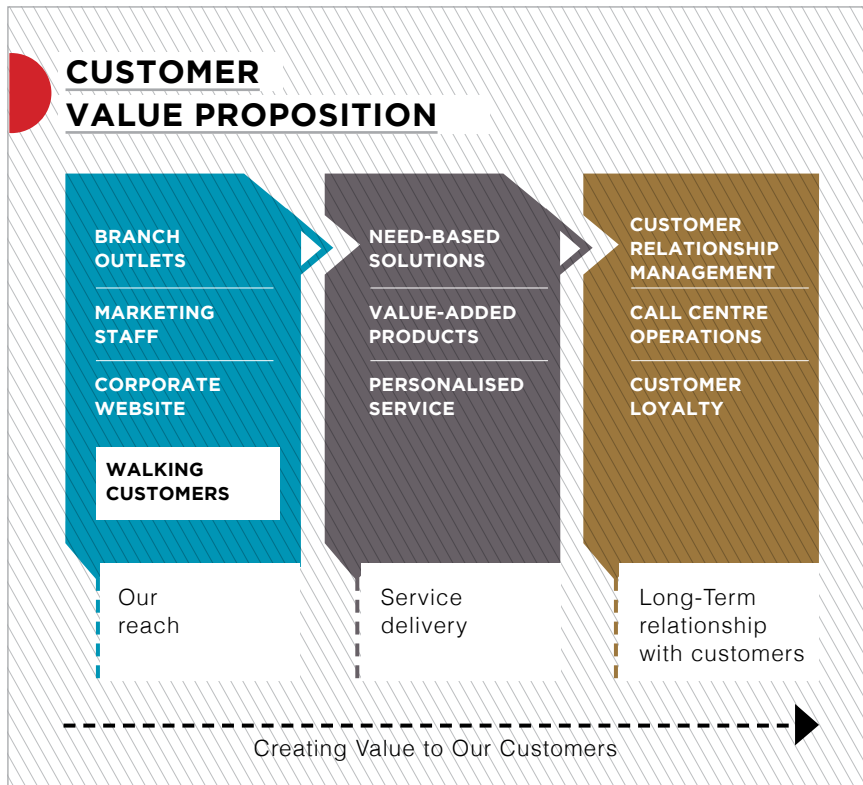
Excellent customer service is in the heart of CDB's business model and we continually focus on creating value for customers. Therefore, we are committed to nurturing long lasting customer-relationships and setting up a customer-centric branch network. Good customer service includes understanding the diverse customer needs, delivering on the promises and maintaining high standards always. We, at CDB continuously develop our services to achieve this.

CDB CUSTOMER BASE



“Being a financial institution, generating positive customer experiences is CDB’s top priority. We are committed to build trust through prudent governance and ethical practices. CDB’s aim is to become a financial powerhouse through the delivery of comprehensive financial solutions. **Hence, we continually develop internal capabilities and service standards to meet the rapidly changing expectations of customers.**”

–Maduranga Heenkenda
Senior Deputy General Manager –
Asset Portfolio Sales and Channel Development



CUSTOMER PRIVACY

CDB's corporate value system upholds the highest level of integrity and ethical standards in daily operations. Efficient systems, operating procedures and controls enable us to deliver optimal results whilst protecting customers from any adverse exposure. We also follow stringent risk management practices and adhere to relevant regulatory requirements to reduce any risk of fraud. Therefore, CDB adheres to a strict secrecy policy to which all staff members are bound through the code of conduct. CDB's information technology platform is maintained in-house and is duly secured against malicious spyware.

There were no complaints pertaining to breach of customer privacy or loss of customer data during the year.

CUSTOMER AND PRODUCT RESPONSIBILITY

Being a financial institution, generating positive customer experiences is CDB's top priority. We are committed to ensure confidentiality and build trust through prudent governance and ethical practices. CDB's aim is to become a financial powerhouse through the delivery of comprehensive financial solutions. Hence, we continually develop internal capabilities and service standards to meet the rapidly changing expectations of customers. In addition, we provide competitive value propositions to optimise customer experience as well.

We continually strive to maintain products and services at the highest standards. We do this through embracing industry

and corporate best practice and complying with all relevant statutory and regulatory requirements in the industry.

We respect the customer's right to know information pertaining to CDB's products and services or any other transaction maintained with us.

We conform to the requirements of the Customer Charter of the Central Bank of Sri Lanka, which includes product labelling and the provision of sufficient information on products, services, rates, tariffs as well as other terms and conditions governing such aspects.

The Customer Charter is made available on our corporate website for transparency and easy access to information on consumer rights. We have also taken possible measures to improve customer service and branch ambiance to reduce any indirect health and safety issues customers may encounter. We do not promote or offer products that are banned in any market or subject to public controversy or friction (PR-6).

During the year, we did not encounter any significant case of non-compliance with such regulations or voluntary codes (PR-7, PR-8, PR-9).

MARKETING AND COMMUNICATIONS

CDB's promotional campaigns and advertisements are conducted responsibly and in an ethical manner. When placing marketing communications, we ensure strict adherence to all applicable laws, business ethics and codes of conduct. Inaccurate or misleading communications could lead to financial loss as well as loss of reputation, public trust and customers too.

CUSTOMER RELATIONSHIP MANAGEMENT UNIT (CRMU)

The Customer Relationship Management Unit (CRMU) was established to strengthen CDB's customer relationships. The valued clientele of CDB have been a key reason for the success of the Company and would continue to be so in the future. CRMU constantly looks at improving internal processes and establishing new working practices to enhance service standards. It also attempts to differentiate CDB based on customer relationship initiatives.



The Customer Charter is made available on our corporate website for transparency and easy access to information on consumer rights.

CDB's distribution network was augmented with the addition of **new branches in strategic locations to cater to different customer segments** across the island.

CUSTOMER LOYALTY PROGRAMME

This programme is aimed at recognising the patronage of our valuable customers who were instrumental in our success. It was also to mark the 20th anniversary, a memorable and rewarding one to our customers and their loved ones. We believe this would enhance customers' positive perception towards CDB and strengthen their relationship with us.

CUSTOMER DOOR STEP SERVICE

This is a value added service extended to customers to obtain our services at their convenience. The objective is to provide customers an extended assistance for their deposit related services of highest convenience at their door step.

INSTRUCTING BRANCHES

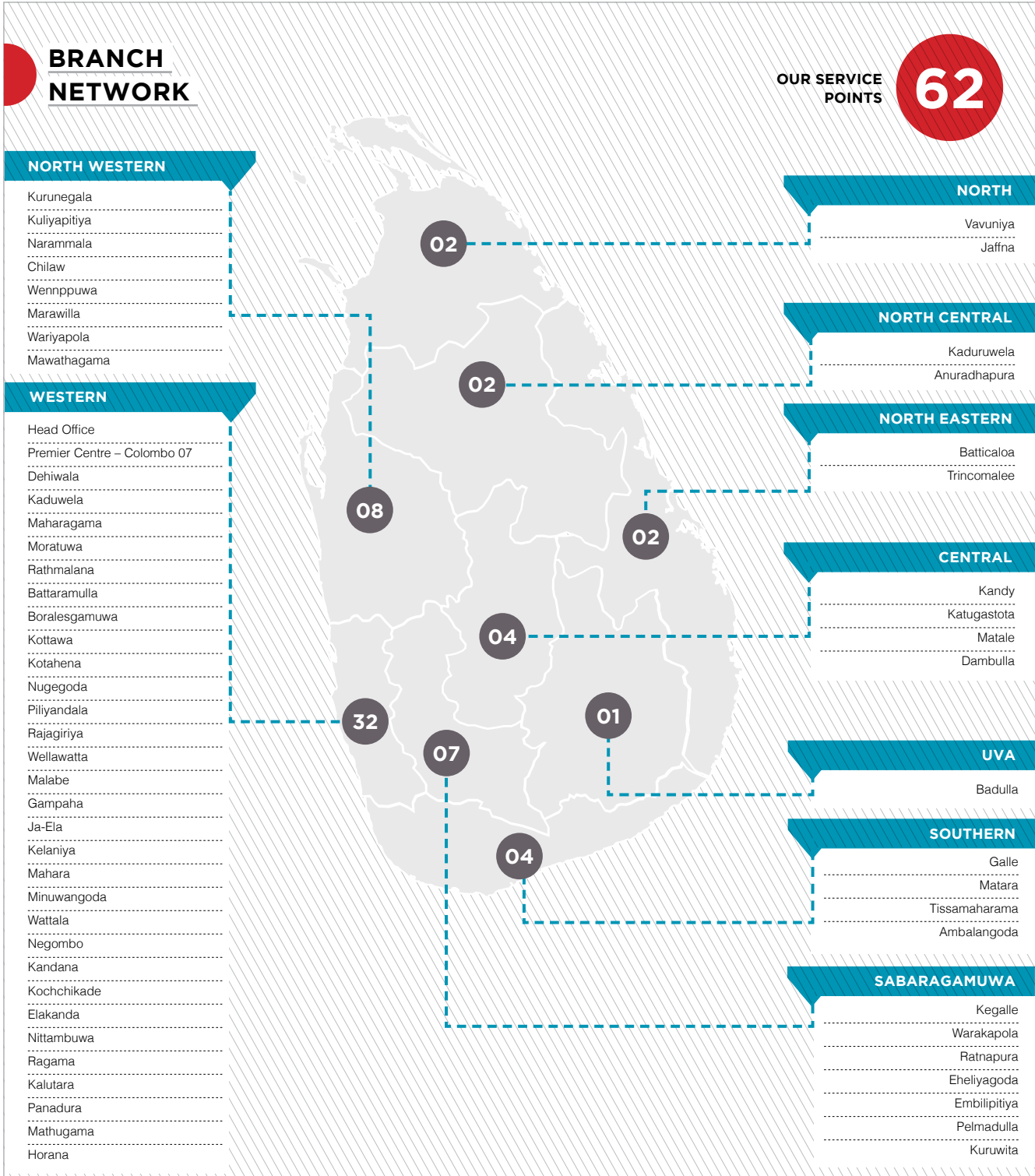
CRMU monitors and instructs branches emphasising customer relationships. Establishing a relationship-driven business process is an expected outcome of this function.

CUSTOMER REACH

CDB has always focused on superior branding, clear market segmentation and a well-defined corporate positioning to achieve business excellence. CDB's consistent success is attributed to the diverse portfolio of value added financial services, superior customer service and our commitment to corporate governance.

We are guided by a people-driven business approach based on the tag line – 'Strategies bet on people to succeed'. Our multi-channel distribution network includes 62 branches connected online, area development officers, *Diriliya* Centres, Mobile Units, dealers, vehicle service units, and a Customer Relationship Management Unit.

CDB's distribution network is augmented with the addition of new branches in strategic locations to cater to different customer segments across the island.



Refer page 294 for the branch index details.



Key Performance Indicators	2015/16 Nos.	2014/15 Nos.	2013/14 Nos.	2012/13 Nos.	2011/12 Nos.	2010/11 Nos.
No. of branches opened	3	0	15	8	4	1
No. of branches relocated	6	2	2	7	8	16
Customer surveys	1	1	1	0	1	0
No. of new products introduced	4	5	4	5	8	0
T & D on customer service	28	4	5	4	7	3



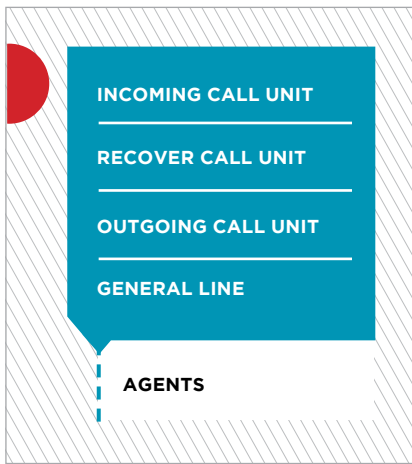
BENCHMARKING SERVICE STANDARDS

When it comes to service benchmarking we always offer a service beyond a mere financial transaction. Most of our branches have been upgraded and relocated to provide greater convenience and a superior service to CDB customers. In addition, automated systems enable us to provide an unparalleled customer service.

CUSTOMER CARE AND QUALITY OF SERVICE

We offer an uncomplicated, consistent and a valuable personal experience to each customer across the channels and touch points. We strive to deliver customer support of the highest quality to keep CDB's customers happy. Accordingly, our customer care division was redesigned with additional features, deploying competent customer care agents to extend an exemplary customer service.

WE STRIVE TO DELIVER CUSTOMER SUPPORT OF THE HIGHEST QUALITY TO KEEP OUR CUSTOMERS HAPPY

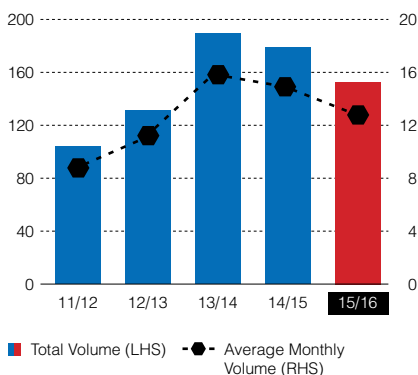


Make and Receive Call	Integrate with Tools	Monitoring and Reporting
Call recording	Contact history	Call monitoring
Call disposition and notes	Contact tags custom fields	Historical reporting
Call queues	Enhanced caller ID	Real time reporting
Unlimited concurrent calls	Compile contact list	
Skills-based routing	Data import and synchronisation	

EFFICIENT COMPLAINT HANDLING

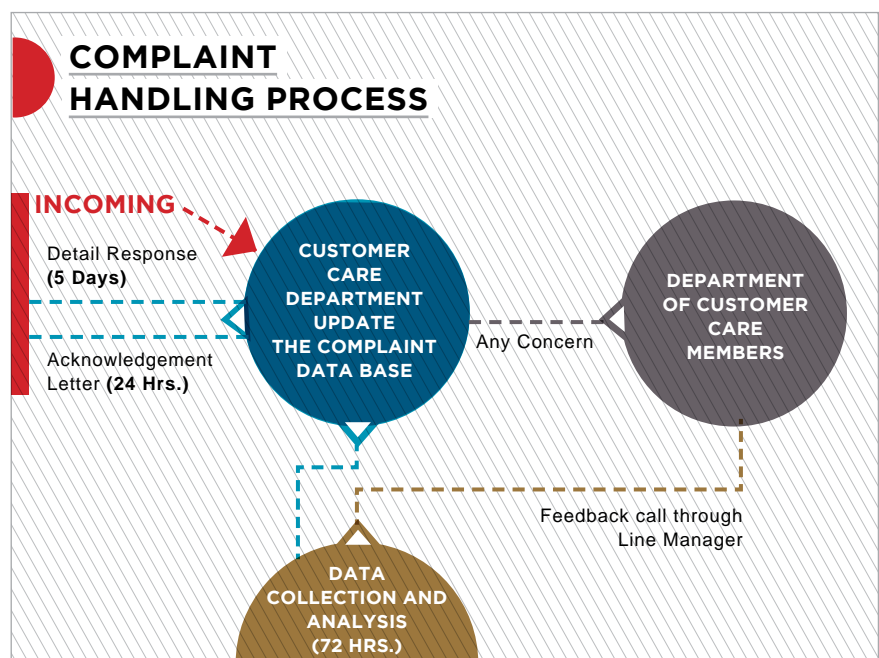
With the dedicated 24-hour hotline, the customer service agents provide instant feedback to all complaints received either through the telephone or the website, in all three languages. The customer care service directly connects the caller to a customer care agent and the relevant complaint or feedback is lodged for immediate redress or is forwarded to the management for their mediation and corrective action. All complaints are handled systematically to ensure that each is addressed satisfactorily.

CALL CENTER TRAFFIC
(No. '000)



CUSTOMER CARE

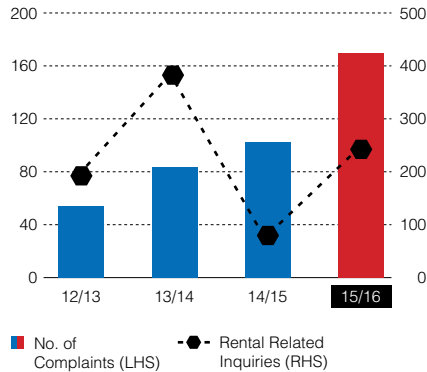
All customer concerns and complaints are updated through the ERP system. The complaints are directed to relevant supervisors to respond in an appropriate manner, speedily.



COMPLAINTS AND INQUIRIES

(Nos.)

(Nos.)

**CUSTOMER FEEDBACK AND SATISFACTION SURVEY**

Over the years, customer care division has been monitoring and reviewing customer feedback and recommendations in order to improve the service standards. Therefore, we measure our progress in different segments through various indicators that represent the customers' view points. Last year, we conducted a 'happy customer session' with the participation of the staff members in branches and operations under the guidance of the senior management to measure service deviations. The outcome was impressive.

Happy Customer Session Status Update

Total number of feedback received	45
Completed number of tasks as at year end	40
Pending tasks	5
Operational improvements	32
Technological improvements	13

RELATIONSHIP WITH BUSINESS PARTNERS

We engage with industry and professional organisations and experts to share knowledge, information, experience and best practices, and also to stay abreast of current and emerging developments, trends and opportunities for our business. We believe that optimal results can be derived from these strategic partnerships when each partner delivers their best. This eventually adds value to the business. The following aspects are taken into consideration, when we enter into a strategic partnership.

OUR APPROACH TOWARDS BUSINESS PARTNERS

(G4-12)

Focus on Outcomes: CDB's key focus is on delivering the end value to the customers. Hence, we consider each partner as an integral part in the value delivery process. Dedicated staff members are deployed to manage the relationships with each business partner.

Commitment: The level of commitment required from each partner is a key consideration as it has a direct bearing in the end customer satisfaction. Therefore, when selecting suppliers, dealers, brokers and other institutional suppliers, we give emphasis to the screening and selecting

process. We have a Purchasing Committee chaired by senior corporate managers.

Collaboration: CDB believes that collaborative partnerships result in successful outcomes. Therefore, instead of merging the partners we form strong alliances.

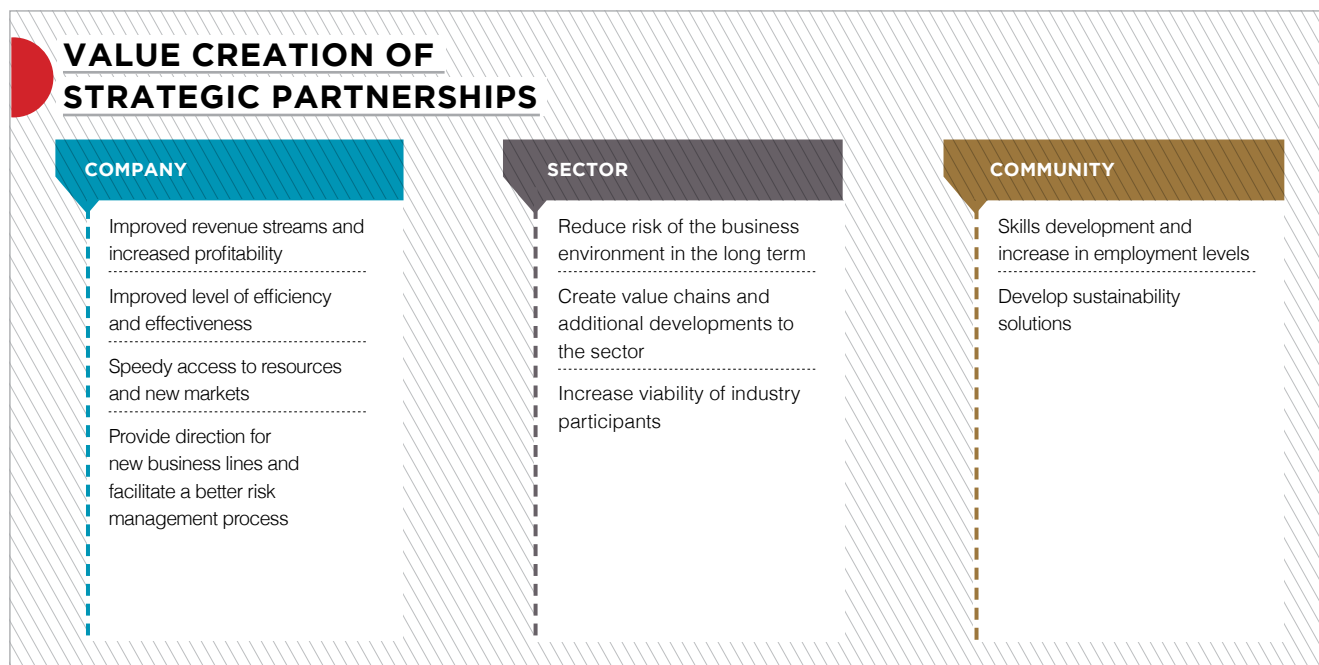
Communication: CDB has recognised that effective communication is essential to eliminate deviations between business partners. Therefore, we trained and deployed staff members to deal with external parties.

Partnering Concerns: The Company engage with the suppliers and business partners through regular visits, joint promotions, product displays and compliance meetings. In addition, the contractual performance is evaluated periodically to derive synergetic rewards.

RELATIONSHIP WITH LICENSED COMMERCIAL BANKS AND PRIMARY DEALERS

CDB has nurtured strong relationships with many licensed commercial banks and registered primary dealers which have generated value additions to our business. We have strong partnerships with all these institutes who finance and refinance our business activities.

	Investment Value	
	As at 31st March 2016	As at 31st March 2015
Fixed Deposits	1,602,179,104	1,933,216,541
Government Securities – T Bills	2,216,980,067	2,052,309,487
Government Securities – T Bonds	224,321,547	179,964,166
Debentures	10,179,549	10,176,374
Standing Depository Facilities	2,967,869,560	301,700,000
Borrowings from licensed commercial banks	7,905,990,769	1,878,335,403
Primary dealers	2,953,813,230	1,168,791,265



SOCIAL RELATIONSHIPS

CDB strives to build and maintain the trust of the communities we empower and operate in. We are enabled to continually contribute to their development building healthy, resilient and sustainable communities.

As a responsible corporate citizen, we have embedded sustainable business practices into our operations. We strive to contribute towards a sustainable society by promoting ethical business practices in CDB's supplier chain, uplifting the communities and embarking on environmentally friendly initiatives.

We create a positive indirect economic impact on the society as most CDB programmes are geared towards education and improving the quality of life in rural areas. These contribute indirectly to economic improvement.

Indicators	2015/16	2014/15	2013/14	2012/13	2011/12
No. of IT labs donated	1	1	1	1	1
No. of CDB <i>Sisudiri</i> scholarships extended	46	58	57	33	40
No. of employees recruited outside the Western Province	304	318	396	349	295
Investment in community development (Rs. Mn)	3.6	3.1	3.3	3.1	4.7
Lending outside the Western Province	17,624	11,080	9,062	8,685	6,126
Lending outside Western Province as a Percentage of total lending portfolio (%)	47.18	48.22	37.78	48.17	49.81

CDB HITHAWATHKAM - ENGAGING EMPLOYEES

This was created to engage our employees in social responsibility activities of the Company (SO-1). CDB's employees volunteered their time and efforts to actively participate in numerous CSR activities during the year.

To drive the sustainability initiatives of the Company, sustainability representatives have been deployed in each of the major geographical areas we operate. These initiatives are aligned to the core values of the Company.

CDB HITHAWATHKAM PROJECTS CONDUCTED DURING 2015/16

Organised Department/Branch	Venue	Address	Project	Date
Zone 1	<i>'Balika Kantha Lama Niwasaya'</i>	<i>'Balika Kantha Lama Niwasaya',</i> No. 228/1 Meegama Watta, Wattegama	Distribution of Necessities	13th March 2016
SSME UNIT	Archdiocese of Colombo	Archbishops House, Colombo	Christmas Charity Project	17th December 2015
Zone 3	<i>Methsarana</i> Rehabilitation Children's Home	<i>Methsarana</i> Rehabilitation Children's Home, 145/c, Wewallagara, Bollatha, Ganemulla.	Provide Educational Needs	20th December 2015
Deposit Operations Division	Sp/ELZ/Egodawela Junior School	Sp/ELZ/Egodawela Junior School, Egodawela, Karadeniya	Provide Educational Needs	20th April 2016
Kottawa Branch	Thusith Elders Home	Thusith Elders Home, Mattegoda	Distribution of Necessities	19th March 2016
Piliyandala Branch	Jayawardena Elders Home	Jayawardena Elders Home, Kesbawa	Distribution of Necessities	28th December 2015
Finance/Internal Audit	Kokilay Sinhala School, Mullaitivu	Kokilay Sinhala School, Mullaitivu	Educational Tour to Colombo and Distribution of Necessities	18th June 2015
Negombo Branch/ Kochchikade Branch	Maris Stella College	Maris Stella College, Negombo	Distribution of Necessities	10th March 2015
Ja Ela Branch	National Council for Child & Youth Welfare	No. 382/C, Weliketiya, Pamunugama	Distribution of Necessities	23rd August 2015
Moratuwa Branch	Sri Chandrasekara Special School	Sri Chandrasekara Special School, Horethuduwa, Moratuwa	Distribution of Necessities	24th October 2015
Scanning Division	P.D. Karunarathna Memorial Balika Madura	P.D. Karunarathna Memorial Balika Madura, Maputugala, Poruwadanda	Distribution of Necessities	31st October 2015
Insurance Division	<i>Maitree</i> Elders Home	<i>Maitree</i> Elders Home, No. 34, Koralaime, Gonapola	Distribution of Necessities	22nd March 2016
Administration Division	Gampanguwa Primary School	Gampanguwa Primary School, Gampanguwa, Wellawaya	Provide Educational Needs	26th March 2016



“CDB strives to build and maintain the trust of the communities we empower and operate in. We are enabled to continually contribute to their development building healthy, resilient and sustainable communities.

As a responsible corporate citizen, we have embedded sustainable business practices into our operations. We strive to contribute towards a sustainable society by promoting ethical business practices in CDB's supplier chain, uplifting the communities and embarking on environmentally friendly initiatives.”

–Nayanthi Kodagoda
Senior Deputy General Manageress – Operations

According to the CDB 'philosophy' – it is not enough to merely exist on this planet... occupying a geographical location. True understanding of the implications of our positioning unfailingly leads to awareness and concern for the community and environment around us and influences how we 'live' and conduct our business. This philosophy actively breeds the empowering experience.... and the sustainability of community and environment!

EMPOWERING EXPERIENCE



EMPOWERING ENTREPRENEURS

We aim to uplift and enrich the lives of people through the provision of financial products and services. We promote economic and social inclusivity and offer an inclusive service to empower rural and underprivileged segments of the society.

Given the high concentration of lending institutions in the Western Province, we have made a conscious decision to empower under-served segments in rural communities. Hence, we offer a range of products and services, favouring rural entrepreneurship with minimal collaterals, convenient instalments etc. During the year, our net lending portfolio outside the Western Province stood at Rs. 9,056 Mn as at the end of the financial year.



Net Lending Outside the Western Province	2015/16 Rs. Mn	2014/15 Rs. Mn	2013/14 Rs. Mn	2012/13 Rs. Mn	2011/12 Rs. Mn
Lending portfolio	17,625	11,080	9,062	8,686	6,126
Deposit portfolio	8,569	6,498	7,356	6,184	3,116
Net lending	9,056	4,582	1,706	2,502	3,011

PROMOTING RURAL YOUTH EMPLOYMENT

CDB's recruitment policy is geared to attract young people from rural areas. Our focus is on localised recruitment, from the communities in which we operate.

The island-wide branch network and core values coupled with our organisational culture are geared to attract, retain and develop rural youth who are dynamic, passionate and committed. This strategy has enabled CDB to contribute to social and economic upliftment of our nation by minimising youth migration to Colombo and other urban centres. This has also helped to avert numerous social problems that could crop up in the country due to migration.

Diriliya Dealer Network Expansion	2015/16
North	1
North Central	15
North Western	36
North Eastern	26
Central	12
Uva	33
Sabaragamuwa	19
Southern	4
Western	76
Total	222

Employee Composition by Region	2015/16	2014/15	2013/14	2012/13	2011/12
Western Province	605	588	592	466	431
Outside Western Province	562	548	517	359	295
Total	1,167	1,136	1,109	825	726

CDB DIRILIYA - WOMEN EMPOWERMENT

Women play a significant role in the well-being of their families and they form the backbone of our nation's rural economy. 'Diriliya' is geared to empower women through the provision of credit facilities on favourable terms to encourage them to take on more important roles in society.

CDB SISUDIRI - SUPPORTING RURAL EDUCATION

CDB *Sisudiri* Foundation rewards high performers of both the Grade Five Scholarship Examination and the G.C.E. Ordinary Level Examination. This is the eighth consecutive year, that we reward the children from low-income families, especially of three-wheeler owners. A transparent and unbiased selection process is followed to select the recipients. An annual cash grant of Rs. 10, 000 is awarded to high performers of the Grade 5 Scholarship Examination until the completion of the Ordinary Level Examination. High flyers of the Ordinary Level Examination are awarded Rs. 15,000 per annum until the completion of the Advance Level Examination. We are pleased to state that a total of 46 scholarships were awarded to the tune of Rs. 2.1 Mn during the financial year.

Examination	Season							
	1	2	3	4	5	6	7	8
Grade 5	26	24	18	30	22	43	32	31
G.C.E Ordinary Level (O/L)	0	7	15	10	11	14	26	15
Total	26	31	33	40	33	57	58	46

CDB PARIGANAKA PIYASA - ENHANCING ICT LITERACY

The project which has been ongoing for the past seven years is geared to promote ICT literacy among rural youth. This would enhance their employability and enable them to compete with urban candidates on a more even basis.

We support underprivileged students in rural schools to adapt to a future shape by technology through the provision of IT access and ICT education. During the year under review, the CDB Technology Centre supported 120 students of the Laginagala Kanishta Vidyalaya.

IT Lab Donation		
Year	Name of the School	No. of Students
2009/10	Nadigamvila Maha Vidyalaya	210
2010/11	Navankuli Maha Vidyalaya	700
2011/12	Ethawatunuwava Vidyalaya	340
2012/13	Swarnapradeepa Maha Vidyalaya	200
2013/14	Kandapola Mahinda Maha Vidyalaya-Nuwara-Eliya	250
2014/15	Kandayamotte Sinhala Vidyalaya	472
2015/16	Laginagala Kanishta Vidyalaya	120

REGULATORY COMPLIANCE

The sustainability agenda of CDB is administered by a robust governance structure. Company's operations are infused with governance principles, accountability, transparency, ethics and values. In addition, to ensure CDB's sensitivity to socially-accepted norms, we have improved the monitoring and control mechanisms that govern these areas. There were no complaints or legal actions pertaining to anti-competitive behaviour, anti-trust or monopolistic practices instituted against CDB during the year. We have neither been obliged to pay any significant fines nor been subjected to non-monetary sanctions for non-compliance with laws and regulations in the year in review.

CDB's recruitment policy is geared to attract young people from rural areas.

Our focus is on localised recruitment, from the communities in which we operate.

ENVIRONMENTAL CAPITAL

“To ensure effective stewardship of the assets under our care, we initiated the process of formulating a comprehensive strategy to address environmental concerns and drive our green policy. **In 2015, we became the first ISO 14064-1 carbon verified financial institution in South Asia and also was certified as a carbon neutral business entity by the Sri Lanka Carbon Fund**”.



–Hasitha Dassanayake
Deputy General Manager –
Finance and Planning

Highlights

1

First ISO 14064-1
Carbon Verified Financial
Institution in South Asia

2

Carbon Neutral
Business Entity

3

Two solar power
backed locations

4

Green lending

Challenges

1

Taking a short term view,
a high investment in
switching to renewable
energy saving modes

2

Setting up accurate,
validated measurements,
tools and techniques in
reporting assessed data

3

Establish a resource
optimisation programme
to reduce or eliminate
waste generation during
operations

4

Putting in place robust and
challenging carbon reduction
targets in an increasingly
demanding energy consumption
environment

Priorities 2016/17

1

Carry out an energy audit
which will identify the
main areas of electricity
consumption

2

Explore new methods towards a
cleaner energy source, energy
efficiency, responsible financing
and environment sustainability

3

Extend recycling
projects throughout
the operational
network

4

Continuous engagement
of employees in
environmental
conservation initiatives

5

Initiate an effective
vehicle emissions
reduction mechanism
amongst customers

We exert a positive influence on stakeholders through the many roles we play in society as a responsible corporate citizen, a reliable financier and a trustworthy employer.

It is pertinent that the green issues have always been penetrative with a view to reducing the Company's carbon footprint. As laid out in the Value Framework, CDB is committed to responsibly manage the short-term and long-term impacts of business on the environment and promote sustainable use of natural resources in the process of offering quality products that meet the needs of customers. CDB's efforts in managing the environmental impacts enable us to meet the expectations of stakeholders, increase the long-term sustainability of the Company, reduce business risks and also minimise operating costs.

'Mihikathata Adaren' the flagship environmental sustainability project of CDB inculcates a sense of responsibility and affinity towards the environment. While we truly walk the talk, CDB promote commitment towards the environment by embracing green practices in business operations.

CDB's commitment to technological innovation has reduced the consumption of natural resources within the Company and among stakeholders. We are encouraged by the progress achieved, which will continue in the future as well.

ENVIRONMENTAL VALUE PROPOSITION

- CARBON NEUTRAL ENTITY
- ISO 14064-1 GHG EMISSION VERIFICATION
- E-WASTE RECYCLING PROJECT
- RAIN WATER HARVESTING SYSTEM
- CARBON NEUTRAL ENTITY
- PAPER RECYCLING PROJECT
- SOLAR POWER HARVESTING SOLUTIONS
- GREEN TIE UP
- AWARENESS CAMPAIGNS
- 'PLANT A TREE - PLANT A LIFE' TREE PLANTING PROJECT



මිහිකතට
ආදරෙන්

CDB හිතවත්කමේ සන්කාරය

ENVIRONMENTAL STRATEGY AND GREEN POLICY

CDB's environment policy and guidelines shape the way we work. The approach to environmental sustainability is focused on minimising the negative impacts by following a stringent green policy. This includes, identifying and measuring outputs, setting targets and forming appropriate structures, developing a comprehensive action plan, educating and creating awareness and securing the commitment from the management and the staff members.

The environmental policy provides a consistent framework to manage environmental initiatives across the Company. We strongly believe that giving due consideration to sustainability not only improves resilience but strengthens the long-term sustainability of the Company.

Hence, we strive to reduce our carbon footprint and encourage stakeholders to operate in a similar manner. Being a service-oriented company, we attempt to reduce consumption of electricity, fuel, water and paper to minimise Company's carbon footprint. Therefore, responsible waste management is prioritised in order to minimise the waste output of business operations.

A comprehensive strategy was formulated to address environmental concerns and drive the Green policy in the Company. Following are some of the initiatives launched in the interest of environmental sustainability:

- Reduce the emission of greenhouse gases (GHG) to an acceptable level
- Invest in renewable energy projects ensuring higher energy efficiency
- Reduce wastage of water, electricity and energy through implementing efficient processes
- Conduct workshops, seminars and awareness programmes to educate the public on environmental concerns
- Ensuring conformance to all relevant environmental rules and regulations
- Disseminate information to team members on environmental aspects and policies and engage them voluntarily in prevention of pollution
- Constant supervision on environmental objectives and targets through internal audits and management reviews



CDB BECOMES THE FIRST ISO 14064-1 CARBON VERIFIED FINANCIAL INSTITUTION IN SOUTH ASIA

Aligned with the Company-wide ethos of reducing its carbon footprint based on pre-determined parameters, CDB became South Asia's first ISO 14064-1 carbon verified financial institution, by Sri Lanka Carbon Fund.

The stringent criteria within the certification process included tracking carbon dioxide emissions

of all Company-owned vehicles, staff transportation, official air travel and energy consumption at the CDB Head Office, which was collated by business operations. Carbon footprint was evaluated at 677 tonnes of CO₂ equivalent, prompting the Company to institute measures that will further mitigate the impact it has on the environment. The Sri Lanka Carbon Fund together with Sri Lanka Accredited Board audited and verified the Carbon Neutral certification process.

Since the global focus on climate change and its effect on the environment have propelled corporations to evaluate the impact of their operations on the environment, the primary aim is to reduce Greenhouse Gases (GHG) emissions to an acceptable level. Additional efforts were taken to lower the overall national GHG emissions and reduce carbon footprints.

Due to the nature of the products and services, we are considered a low contributor to GHG emissions. Nevertheless, we are committed to remain a responsible corporate citizen and minimise the impact on the environment.

Scope	Type of Emission	tCO ₂ e 2015/16
Scope 1	Direct emissions released from sources that are owned or controlled by the Company	76.91
Scope 2	Indirect emissions associated from the generation of imported energy	175.06
Scope 3	All other indirect emission sources that are not released from sources mentioned under Scopes 1 and 2	425.48
	Total	677.45

Scope	Emission Source	Data Quality
Scope 1 – Direct Emission	Refrigerant Gas Loss	Complete
	Emission from Company-owned vehicles – Transportation	Complete
	Emission from Company-owned vehicles – Business purposes	Complete
	Emission from Generators	Complete
Scope 2 – Purchased Energy	Purchased Electricity	Complete
Scope 3 – Indirect Emission	Emissions from water consumption	Complete
	Paper recycling	Complete
	Overseas business travel	Complete
	Employee commuting	Estimated
	Total	677.45

We have initiated programmes to build awareness at the grass roots, promoting green best practices at all levels.

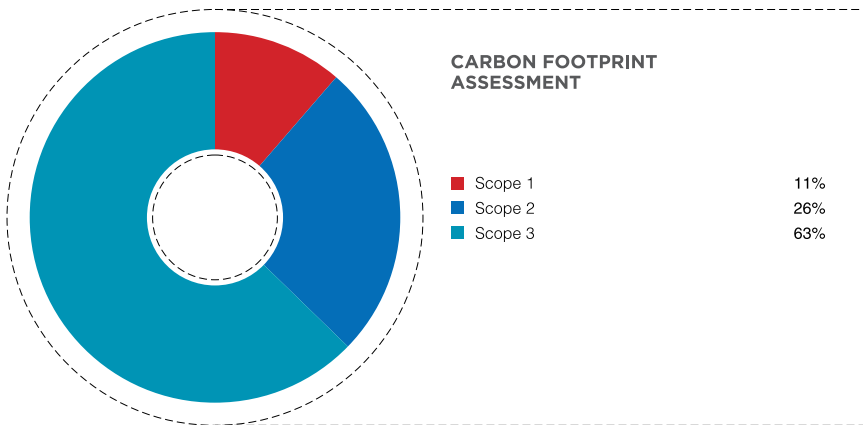
By purchasing carbon credits from Bogo Power (Pvt) Limited which has within its umbrella a mini-hydropower plant at the Kirkoswald Group in Bogowantalawa, CDB is compensated for the emissions, obtaining the requisite approvals from the Sustainable Energy Authority of Sri Lanka and Public Utilities Commission of Sri Lanka. This enables us to technically neutralise the impact the Company has had on the environment through its CO₂ emissions.

SOLAR POWER ENERGY SOLUTIONS

More and more stakeholders, including employees and customers tend to associate with brands giving due consideration to sustainable growth. With the increasing demand for electricity and the growing concern for the environment, we adopted solar energy as a sustainable choice in the Company. We believe this is a prudent investment and a sound financial decision and we expect long-term savings and a speedy payback.

Year 2015/16 marked a green milestone for the Company as we converted the Mahara branch and the Vehicle Sales Unit to solar power, enhancing the renewable power generation capability. It is low in maintenance and has longer term sustainability.

CDB's green concepts extend to the design of the outlets which uses more natural light and energy efficient lighting and equipment. In the future, we expect solar power will result in reduced consumption of fuels, contributing to reducing GHG emissions and pollution. This would reduce operational expenses and position us as a sustainable company.



CARBON NEUTRAL ENTITY

CDB was certified as a 'Carbon Neutral Business Entity' by the Sri Lanka Carbon Fund. This partnership has resulted in knowledge sharing and support to offer customers and the community a unique environmental offering.

Adopting a responsible corporate attitude, CDB's commitment to sustainable business practices are ambitious. The Company is in the process of creating awareness among the employees and valued business partners in a bid to conserve energy.



PLANT A TREE - PLANT A LIFE

We find that tree planting is extremely effective for an individual to generate awareness on environment preservation. 'Plant a Tree – Plant a Life' campaign is carried, under the flagship environmental project of *Mihikathata Adaren*, inspiring the new generation to be more environmental conscious.

For the fourth consecutive year, we carried out the tree planting project in collaboration with the Department of Southern Provincial Council, Central Environmental Authority, Department of Education of the Southern Province, Coastal Conservation Department and the Divisional Secretariat.

The key aim of the project was to empower schoolchildren to conserve, repair and restore the tree coverage in their own school premises and rebuild local economies. The programme was carried out over two days in Elpitiya, Karadeniya with the active participation of over 240 school children.

The Chief Guest at the event was Dr. Sarath Kotagama – Honorary Consultant, Professor of Environmental Science, of the Department of Zoology, University of Colombo. He stressed the importance of tree planting as having

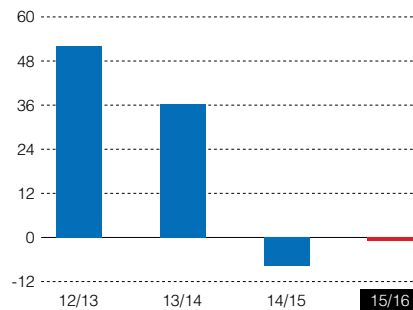
numerous benefits including, raising the bio-diversity index, improving the quality of life, creating awareness of climate change and an effective tool for team building.



GREEN LENDING

As a step towards emission reduction and promoting eco-friendly, fuel saving vehicles, we reduced the three-wheeler concentration in our lending portfolio and advanced the hybrid and electric vehicles segment. The main reason for this decision was the absence of a dedicated lubrication system in three wheelers. The engines therefore do not last long neither do they use fuel efficiently. The burning of lubricating oil and the exhaust of un-burnt fuel makes the three wheelers increase pollution.

THREE-WHEELER DISBURSEMENT GROWTH RATE (%)



E-WASTE RECYCLING

(EN-23)

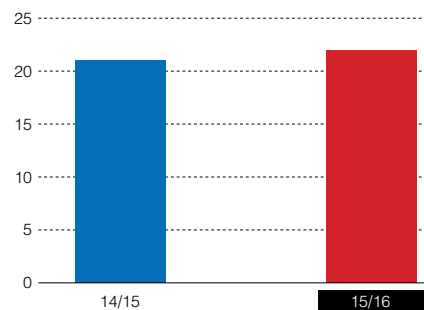
E-waste recycling project was initiated in collaboration with Think Green (Pvt) Limited, during the year to dispose electronic waste in a safe manner causing minimal harm to the environment. This was another project initiated under the *Mihikathata Adaren* flagship environmental conservative programme.

The new green movement – 'e-waste collection week' was initiated with the active participation and great enthusiasm by the Company Directors, corporate management and senior managers.

The active participation of the staff was evident, as they worked individually and collectively practicing the concepts of environment conservation. This would certainly contribute towards preservation of natural resources as well as financial resources of the Company.

As a responsible corporate citizen we always encourage eco-friendly projects that use modern technology, operating on the principles of lean-resource consumption, focused on environmental conservation.

LENDING - ELECTRICAL AND HYBRID VEHICLES (%)





RAINWATER HARVESTING

Rainwater harvesting technology is used by the Company to collect and store rainwater from the corporate office rooftop in seven water tanks. This water is used for watering the garden and also for domestic use. Since the rooftop is the main catchment area, it is cleaned regularly to maintain the quality of the water collected.

PAPERLESS OPERATIONS

For the fifth consecutive year, we conducted a waste paper recycling project at the head office, in collaboration with Neptune Papers (Pvt) Limited. This has not only contributed towards saving trees, but also to reduce energy expended in the paper manufacturing process. The project has paved the way to make use of waste paper more effectively with minimal impact to the environment. (EN-6) Throughout the awareness campaign carried out on saving papers have resulted in paper composition at a large scale.

PAPER RECYCLING EFFORT

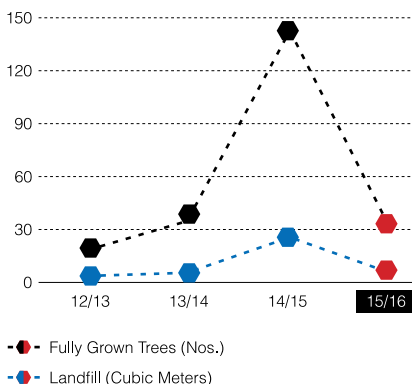
Indicator	Measure	2015/16	2014/15	2013/14	2012/13
Fully-grown trees	Numbers	32	142	34	18
Oil	Litres	3,159	14,691	3,470	1,885
Electricity	kWh	7,200	33,484	7,908	4,296
Water	Litres	57,204	266,030	62,829	34,132
Landfill	Cubic Metre	5	25	6	3
Reduced Green House Gas Emission	Kg	1,826	8,371	1,977	1,074

GREEN TIE-UPS

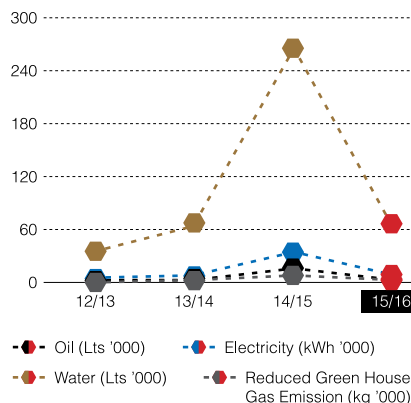
With the aim of adding economic value to biodiversity conservation and integrating the concept to the core business, we tied-up with Sri Lanka Business and Biodiversity Platform, together with the Ceylon Chamber of Commerce, IUCN (International Union for the Conservation of Nature) Sri Lanka and Dilmah Conservation. This provides a tool to foster dialogue on conservation efforts.

We strive to become a knowledge-sharing entity on biodiversity conservation by promoting dialogue and improving the exchange of knowledge, information and methods on biodiversity conservation.

FULLY GROWN TREES/LANDFILL
(Nos./Cubic Meters)



WATER/ELECTRICITY/OIL/REDUCED EMISSIONS
(Lts/kWh/kg '000)



BIODIVERSITY SRI LANKA

GREEN ROUTINES AT WORK

Sustainability was successfully integrated to the CDB corporate culture. This brought forth opportunities for change and improvement in all areas of the business. Green ambassadors were deployed across divisions to promote the sustainability objectives. We were able to initiate knowledge sharing and provide resources to employees, customers, business partners, and local communities.

We have built a strong sustainable business model we are proud of. We have realised cost savings through minimising energy use and gained a competitive edge by providing customers with sustainable products. The environmental performance metrics will be an essential tool in the Company's decision-making process.

ELECTRICITY

CDB employees are continuously encouraged to preserve the purchased energy sources. Unplugging electronic equipment when not in use, switching off unnecessary lights, fixing LED bulbs and replacing obsolete computer monitors with flat screen monitors are some of the initiatives implemented. We also welcome suggestions from employees on reducing wastage and promoting environmental sustainability. The following suggestions were received from the employees during the year:

- Introduce energy-efficient lights
- Introduce energy-efficient signs

- Introduce energy-efficient inverter type air conditioners
- Introduce renewable energy sources such as solar power
- Conduct continuous awareness programmes to reduce energy consumption at branches
- Maintain correct temperature settings for air conditioners installed in the branch network to reduce electricity consumption
- Maintain the correct indoor air quality

WATER

Company's water consumption is mainly limited to drinking and for sanitary purposes. CDB employees are continuously encouraged to preserve this natural resource. Awareness programmes and notices are displayed for this purpose.

MANAGING OUTPUTS

The green philosophy at CDB is to eliminate waste of all forms as it is imperative for the long-term sustainability. Controlling inputs is a key strategy in managing waste through

the concepts of reusing and recycling. Since we have minimal effluents, policies and efforts are centred on management of emissions and waste.

GREEN COMMUNICATION

We regularly communicate the importance of environmental conservation to employees using the intranet and other media. Useful tips on saving energy and paper are shared with the employees to drive sustainability.

ENERGY CONSUMPTION (EN3)

We continued to promote the use of low energy by creating awareness and introducing energy efficient infrastructure and equipment. We also promote minimal water usage by creating awareness among employees.

We have consumed 730,764 litres of water and 19,969 units of electricity during the year. Significant quantities of both resources were saved through process redesign, adopting energy conservation methods and driving energy-conscious behaviour in employees.

Indicator	2015/16	2014/15	2013/14	2012/13	2011/12
Electricity units consumed at HO	730,764	526,256	408,836	337,895	349,035
Drinking water Litres consumed at HO	19,969	19,912	21,977	41,243	42,354
No. of sustainability meetings held	24	6	6	6	3

CDB is blessed to count likeminded people and institutions around us who partner us in the conduct of our enterprise. The symbiosis that exists in ethos and precept amongst us cannot be valued highly enough. The growth of CDB and its partners are inextricably woven together...a true symbiotic experience!

SYMBIOTIC EXPERIENCE



GRI CONTENT INDEX

GRI CONTENT INDEX FOR "IN ACCORDANCE" - CORE (G4-32)

GENERAL STANDARD DISCLOSURES



Description	Page Reference	External Assurance/ Page Reference
Strategy and Analysis		
G4-1 Provide a statement from the most senior decision-maker of the organisation (such as CEO, Chair, or equivalent senior position) about the relevance of sustainability to the organisation and the organisation's strategy for addressing sustainability.	16	Yes 111-112
Organisational Profile		
G4-3 Report the name of the organisation.	23	Yes 111-112
G4-4 Report the primary brands, products and services.	56-59	Yes 111-112
G4-5 Report the location of the organisation's headquarters.	23	Yes 111-112
G4-6 Report the number of countries where the organisation operates, and names of countries where either the organisation has significant operations or that are specifically relevant to the sustainability topics covered in the Report.	23	Yes 111-112
G4-7 Report the nature of ownership and legal form.	297	Yes 111-112
G4-8 Report the markets served (including geographic breakdown, sectors served and types of customers and beneficiaries).	89	Yes 111-112
G4-9 Report the scale of the organisation, including: Total number of employees, Total number of operations, Net sales (for private sector organisations) or Net revenues (for public sector organisations), Total capitalisation broken down in terms of debt and equity (for private sector organisations), Quantity of products or services provided.	56-61, 72, 200-201	Yes 111-112
G4-10 Report the composition of the workforce, including: Report the total number of employees by employment contract and gender. Report the total number of permanent employees by employment type and gender. Report the total workforce by employees and supervised workers and by gender. Report the total workforce by region and gender. Report whether a substantial portion of the organisation's work is performed by workers who are legally recognised as self-employed or by individuals other than employees or supervised workers, including employees and supervised employees of contractors. Report any significant variations in employment numbers (such as seasonal variations in employment in the tourism or agricultural industries).	71	Yes 111-112
G4-11 Report the percentage of total employees covered by collective bargaining.	68	Yes 111-112
G4-12 Describe the organisation's supply chain.	92	Yes 111-112
G4-13 Report any significant changes during the reporting period regarding the organisation's size, structure, ownership or its supply chain, including: changes in the location of or changes in operations, including facility openings, closings and expansions, changes in the share capital structure and other capital formation, maintenance and alteration operations (for private sector organisations), changes in the location of suppliers, the structure of the supply chain or in relationships with suppliers, including selection and termination.	22	Yes 111-112
G4-14 Report whether and how the precautionary approach or principle is addressed by the organisation.	172	Yes 111-112

Description		Page Reference	External Assurance/ Page Reference	
G4-15	List externally developed economic, environmental and social charters, principles or other initiatives to which the organisation subscribes or which it endorses.	30	Yes	111-112
G4-16	List memberships of associations (such as industry associations) and national or international advocacy organisations in which the organisation: holds a position in the governance body, participates in projects or committees, provides substantive funding beyond routine membership dues, views membership as strategic.	85	Yes	111-112
Identified Material Aspects and Boundaries				
G4-17	List all entities covered by the organisation's Consolidated Financial Statements report the entities not covered by the report and Report whether any entity included in the organisation's Consolidated Financial Statements or equivalent documents is not covered by the report.	23	Yes	111-112
G4-18	Explain the process for defining the report content and the Aspect Boundaries and explain how the organisation has implemented the Reporting Principles for Defining Report Content.	32	Yes	111-112
G4-19	List all the material Aspects identified in the process for defining report content.	32-34	Yes	111-112
G4-20	For each material Aspect, report the Aspect Boundary within the organisation, as follows: Report whether the Aspect is material within the organisation If the Aspect is not material for all entities within the organisation (as described in G4-17), select one of the following two approaches and report either: The list of entities or groups of entities included in G4-17 for which the Aspect is not material or The list of entities or groups of entities included in G4-17 for which the Aspects is materials Report any specific limitation regarding the Aspect Boundary within the organisation.	34	Yes	111-112
G4-21	For each material Aspect, report the Aspect Boundary outside the organisation, as follows: Report whether the Aspect is material outside the organisation. If the Aspect is material outside of the organisation, identify the entities, groups of entities or elements for which the Aspect is material. In addition, describe the geographical location where the Aspect is material for the entities identified Report any specific limitation regarding the Aspect Boundary outside the organisation.	34	Yes	111-112
G4-22	Report the effect of any restatements of information provided in previous reports and the reasons for such restatements.	22	Yes	111-112
G4-23	Report significant changes from previous Reporting periods in the Scope and Aspect Boundaries.	22	Yes	111-112
Stakeholder Engagement				
G4-24	Provide a list of stakeholder groups engaged by the organisation.	37	Yes	111-112
G4-25	Report the basis for identification and selection of stakeholders with whom to engage.	39	Yes	111-112
G4-26	Report the organisation's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process.	40	Yes	111-112
G4-27	Report key topics and concerns that have been raised through stakeholder engagement and how the organisation has responded to those key topics and concerns, including through its reporting. Report the stakeholder groups that raised each of the key topics and concerns.	40	Yes	111-112

Description		Page Reference	External Assurance/ Page Reference	
Report Profile				
G4-28	Reporting period (such as fiscal or calendar year) for information provided.	22	Yes	111-112
G4-29	Date of most recent previous report (if any).	22	Yes	111-112
G4-30	Reporting cycle (such as annual, biennial).	23	Yes	111-112
G4-31	Provide the contact point for questions regarding the report or its contents.	23	Yes	111-112
G4-32	"In accordance" option: Report the 'in accordance' option the organisation has chosen. Report the GRI Content Index for the chosen option. Report the reference to the External Assurance Report, if the report has been externally assured. GRI recommends the use of external assurance but it is not a requirement to be 'in accordance' with the Guidelines.	22, 106	Yes	111-112
G4-33	Assurance: Report the organisation's policy and current practice with regard to seeking external assurance for the report. If not included in the assurance report accompanying the sustainability report, report the scope and basis of any external assurance provided, report the relationship between the organisation and the assurance provider, report whether the highest governance body or senior executives are involved in seeking assurance for the organisation's sustainability report.	23	Yes	111-112
Governance				
G4-34	Report the governance structure of the organisation, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental and social impacts.	42	Yes	111-112
Ethics and Integrity				
G4-56	Describe the organisation's values, principles, standards and norms of behaviour such as codes of conduct and codes of ethics.	30	Yes	111-112

SPECIFIC STANDARD DISCLOSURES

Category	Material Aspect	Indicators	Page No.	External Assurance/ Page Reference		
Economic	Economic Performance	DMA	30-32	Yes	111-112	
		EC1	Direct economic value generated and distributed	31	Yes	111-112
Environment	Energy	DMA	98-104	Yes	111-112	
		EN3	Energy consumption within the organisation	104	Yes	111-112
		EN6	Reduction of energy consumption	103	Yes	111-112
	Effluent and Waste	DMA	98-104	Yes	111-112	
		EN23	Total weight of waste by type and disposal method	102	Yes	111-112
Compliance	DMA	98-104	Yes	111-112		
	EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environment laws and regulations	85	Yes	111-112	

Category	Material Aspect	Indicators	Page No.	External Assurance/ Page Reference
Social	Labour Practices and Decent Work			
	Employment	DMA	66-83	Yes 111-112
		LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	73-79 Yes 111-112
	Labour/Management Relations	DMA	66-83	Yes 111-112
		LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	68 Yes 111-112
	Training and Education	DMA	66-83	Yes 111-112
		LA9	Average hours of training per year per employee by gender and by employee category	80 Yes 111-112
		LA10	Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	79 Yes 111-112
		LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	80 Yes 111-112
	Equal Remuneration for Women and Men	DMA	66-83	Yes 111-112
		LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	80 Yes 111-112
	Human Rights			
	Non-Discrimination	DMA	66-83	Yes 111-112
		HR3	Total number of incidents of discrimination and corrective actions taken	68 Yes 111-112
	Child Labour	DMA	66-83	Yes 111-112
		HR5	Operations and suppliers identified as having significant risk for incidents of child labour and measures taken to contribute to the effective abolition of child labour	68 Yes 111-112
	Forced or Compulsory Labour	DMA	66-83	Yes 111-112
		HR6	Operations and suppliers identified as having significant risk for incidents of forced and measures to contribute to the elimination of all forms of forced or compulsory labour and measures to contribute to the elimination of all forms of forced or compulsory labour	68 Yes 111-112

Category	Material Aspect	Indicators	Page No.	External Assurance/ Page Reference
	Society			
	Local Communities	DMA	84-97	Yes 111-112
		SO1	Percentage of operations with implemented local community engagement, impact assessments and development programmes	93 Yes 111-112
	Anti-Corruption	DMA	66-83	Yes 111-112
		SO4	Communication and training on anti-corruption policies and procedures	82 Yes 111-112
	Anti-Competitive behaviour	DMA	84-97	Yes 111-112
		SO7	Total number of legal actions for anti-competitive behaviour, anti-trust and monopoly practices and their outcomes	85 Yes 111-112
	Compliance	DMA	84-97	Yes 111-112
		SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	85 Yes 111-112
	Product Responsibility			
	Marketing Communication	DMA	84-97	Yes 111-112
		PR6	Sale of banned or disputed products	87 Yes 111-112
		PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion and sponsorship, by type of outcomes	87 Yes 111-112
	Customer Privacy	DMA	84-97	Yes 111-112
		PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	87 Yes 111-112
	Compliance	DMA	84-97	Yes 111-112
		PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	87 Yes 111-112

INDEPENDENT ASSURANCE REPORT



KPMG
(Chartered Accountants)
32A, Sir Mohamed Macan Markar Mawatha,
P. O. Box 186,
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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 Assured Sustainability Parameters as identified below for the year ended 31st March 2016. The Assured Sustainability Parameters are included in the Citizens Development Business Finance PLC's Annual Report for the year ended 31st March 2016 (the 'Report').

The Reasonable Assurance Sustainability Parameters covered by our reasonable assurance engagement are:

Assured Sustainability Parameters	Sustainability Report Page
Financial Highlights	10

The Limited Assurance Sustainability Parameters covered by our limited assurance engagement are:

Limited Assurance Sustainability Parameters	Sustainability Report Page
Environmental and Social Highlights	11
Stakeholder Relationships	36 – 43
Information provided on following stakeholder groups:	
• Financial Capital	46 – 61
• Intellectual Capital	62 – 65
• Human Capital	66 – 83
• Social and Relationship Capital	84 – 97
• Environmental Capital	98 – 104

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

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 PARAMETERS

In our opinion, the Reasonable Assurance Sustainability Parameters, as defined above, for the year ended 31st March 2016 are, in all material respects, are prepared and presented in accordance with the Global Reporting Initiative (GRI) G4 Content Index Guidelines.

LIMITED ASSURANCE SUSTAINABILITY PARAMETERS

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 Parameters, as defined above, for the year ended 31st March 2016, have not in all material respects, been prepared and presented in accordance with the GRI G4 Content Index Guidelines.

MANAGEMENT'S RESPONSIBILITY

Management is responsible for the preparation and presentation of the Reasonable Assurance Sustainability Parameters and the Limited Assurance Sustainability Parameters in accordance with the GRI G4 Content Index Guidelines.

These responsibilities include establishing such internal controls as management determines are necessary to enable the preparation of the Reasonable Assurance Sustainability Parameters and the Limited Assurance Sustainability Parameters 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 Parameters and a limited assurance conclusion on the preparation and presentation of the Limited Assurance Sustainability Parameters 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.

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.

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, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

M.R. Mihular FCA
T.J.S. Rajakarier FCA
Ms. S.M.B. Jayasekara ACA
G.A.U. Karunaratne FCA
R.H. Rajan ACA

P.Y.S. Perera FCA
W.W.J.C. Perera FCA
W.K.D.C. Abeyratne FCA
R.M.D.B. Rajapakse FCA

C.P. Jayatilake FCA
Ms. S. Joseph FCA
S.T.D.L. Perera FCA
Ms. B.K.D.T.N. Rodrigo FCA

Principals - S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardena ACA



SLSAE 3000 requires that we plan and perform the engagement to obtain reasonable assurance about whether the Reasonable Assurance Sustainability Parameters are free from material misstatement and limited assurance about whether the Limited Assurance Sustainability Parameters are free from material misstatement.

REASONABLE ASSURANCE OVER REASONABLE ASSURANCE SUSTAINABILITY PARAMETERS

The procedures selected in our reasonable assurance engagement depend on our judgment, including the assessment of the risks of material misstatement of the Reasonable Assurance Sustainability Parameters 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 Parameters 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 Parameters, the suitability of the criteria, being the GRI G4 Content Index Guidelines, used by the Company in preparing and presenting the Reasonable Assurance Sustainability Parameters within the Sustainability 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 Parameters.

LIMITED ASSURANCE ON THE ASSURED SUSTAINABILITY PARAMETERS

Our limited assurance engagement on the Limited Assurance Sustainability Parameters consisted of making enquiries, primarily of

persons responsible for the preparation of the Limited Assurance Sustainability Parameters, 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 Parameters;
- enquiries about the design and implementation of the systems and methods used to collect and report the Limited Assurance Sustainability Parameters, including the aggregation of the reported information;
- comparing the Limited Assurance Sustainability Parameters 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 Parameters 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 has a reasonable assurance engagement been performed.

Accordingly, we do not express a reasonable assurance conclusion on the Limited Assurance Sustainability Parameters.

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 Parameters are prepared and presented in accordance with the GRI G4 Content Index Guidelines 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.



CHARTERED ACCOUNTANTS

Colombo

- 6th June 2016

People who place their trust and valuable resources in CDB are more than 'investors' or 'shareholders' in our business. They make it possible for us to exist and conduct our enterprise...and it's difficult to find a label or description that adequately does justice to their role in our lives! At CDB we consider it a sacred duty to make their lives a lucrative experience...in every sense of the phrase!

LUCRATIVE EXPERIENCE



STEWARDSHIP

116

BOARD OF DIRECTORS

129

CORPORATE GOVERNANCE

120

CORPORATE MANAGEMENT TEAM

148

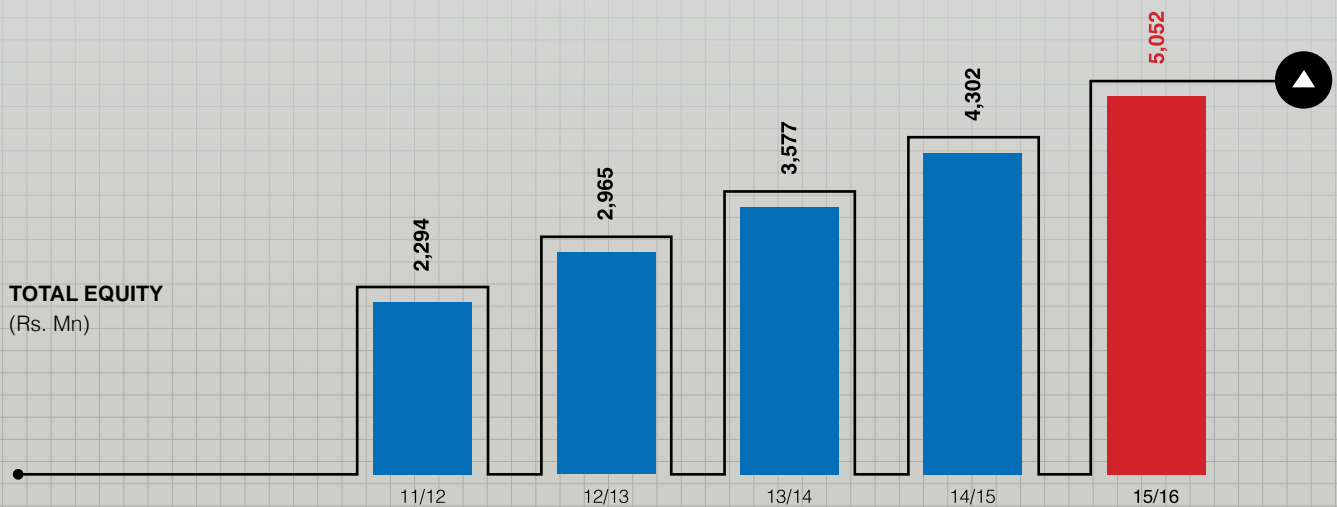
INTEGRATED RISK MANAGEMENT FRAMEWORK

124

MANAGEMENT TEAM

127

ENTERPRISE GOVERNANCE





BOARD OF DIRECTORS





No.	Name & Designation	Remarks
01.	Herschel Gunawardena Chairman	Mr. Gunawardena is a Fellow of the Chartered Institute of Management Accountants, U.K. and a Chartered Global Management Accountant. He has over 42 years experience in various industries including shipping, airline, automobile, mining, export and import trading with over 20 years of General Management experience. Mr. Gunawardena is an Independent Non-Executive Director of Ceylinco Insurance PLC and Ceylinco Life Insurance Limited. He is also a Director of Hunter & Company PLC, Lanka Canneries (Pvt) Limited, Heath & Co. (Ceylon) Limited and Pelwatte Dairy Industries Limited.
02.	Mahesh Nanayakkara Managing Director/Chief Executive Officer	Mr. Nanayakkara was appointed to the Board on 2004. He counts over 25 years experience in the banking and the financial services industry. He holds a B.Sc. in Business Administration from the University of Sri Jayewardenepura and a MBA in Business Administration from the Postgraduate Institute of Management of the University of Sri Jayewardenepura. He is a Fellow of the Chartered Institute of Management Accountants, UK. He spearheaded a dynamic team of young professionals who were instrumental in transforming CDB from a negative net worth Company to a successful enterprise as it is today.
03.	Ranga Abeynayake Non-Executive Director	Mr. Abeynayake was appointed to the Board in January 2012. He counts 18 years experience in accounting, finance, treasury management and strategic planning. He 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. Mr. Abeynayake holds an MBA from the Postgraduate Institute of Management (PIM) in Colombo. He is a Fellow of the Institute of Chartered Accountants of Sri Lanka and the Institute of Certified Management Accountants of Sri Lanka.
04.	Dave De Silva Independent, Non-Executive Director	Mr. De Silva was appointed to the Board on 2012. He counts over 21 years experience in financial services, oil and gas, telecom infrastructure and pharma industries. Mr. De Silva is a Financial Consultant and is the Chairman/ Independent Non-Executive Director of Unisons Capital Leasing Limited. 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.
05.	Prof. Ajantha Dharmasiri Independent, Non-Executive Director	<p>Prof. Dharmasiri was appointed to the Board on 2012. He is the Director and the Chairman of the Board of the Postgraduate Institute of Management, University of Sri Jayewardenepura. He serves as an adjunct professor in International Human Resource Management at the Price College of Business, University of Oklahoma, USA. Prof. Dharmasiri also functions as a certified Peer Reviewer of the South Asian Quality System (SAQS) and an advisor to the Old Royalists' HR Professional Association (ORHRPRA).</p> <p>He has over two decades of experience in both the private and public sector having worked in international conglomerates. He has engaged in consultancies in over fourteen countries. Prof. Dharmasiri serves in the Boards of National Institute of Business Management (NIBM) and the Association of Management Development Institutions of South Asia (AMDISA). He was a member of the governing council of the Institute of Personnel Management (IPM), Sri Lanka.</p> <p>Prof. Dharmasiri is a Commonwealth AMDISA Doctoral Fellow and a Fulbright Postdoctoral Fellow. He holds a Ph.D. and an MBA from the Postgraduate Institute</p>

No.	Name & Designation	Remarks
		<p>of Management, University of Sri Jayawardenepura and a B.Sc. in Electrical Engineering from the University of Moratuwa. He is a Chartered Electrical Engineer and a Member of the Chartered Institute of Management, U.K. He is a Fellow of the Sri Lanka Institute of Training and Development (SLITAD) as well.</p> <p>As an academic scholar, Prof. Dharmasiri has presented research papers at international conferences in more than ten cities. In addition, he has published articles in local and foreign journals and authored six books. He has won many accolades including gold medals for best papers in two international management conferences. In 2010, he won the Platinum Award by the Alumni of the Postgraduate Institute of Management (PIMA) for outstanding academic contribution and was conferred the prestigious IPM Lifetime Gold Award 2014 – the highest honour for an HR professional in Sri Lanka.</p>
06.	<p>Joe Jayawardena Non-Executive Director</p>	<p>Mr. Jayawardena was appointed to the Board on 2011. He is a Fellow Member of Life Underwriter Training Council (USA) and Member of the Chartered Insurance Agency. He joined Ceylinco Insurance PLC in 1994 and serves as General Manager – Business Development.</p>
07.	<p>Razik Mohamed Independent, Non-Executive Director</p>	<p>Mr. Mohamed was appointed to the Board on 2012 . He counts over 40 years experience in finance and management, both in Sri Lanka and overseas. His professional experience spans across agriculture, apparel, construction, packaging, transport and travel. He was the President of the Lions Club of Cinnamon Gardens in 2009-2010 and is currently the Counsellor of The Institute of Chartered Accountants of Sri Lanka Students Gavel Club, affiliated with Toastmasters International.</p> <p>He is a Member of The Institute of Chartered Accountants of Sri Lanka (ICASL) and the CA Foundation of The Institute of Chartered Accountants of Sri Lanka. Mr. Mohamed serves as a nominee of CA Sri Lanka in the interview panel to recruit accountants in Public Institutions. Mr. Mohamed is a keen social worker and has served for three years as Honorary Secretary of the National Council for Child and Youth Welfare.</p>
08.	<p>Sasindra Munasinghe Director/Chief Credit and Marketing Officer</p>	<p>Mr. Munasinghe is an MBA holder from the Federation University - Australia and was appointed to the Board in April 2011. He counts over 23 years of experience in the leasing industry. He was instrumental in setting up leasing operations at CDB, including credit evaluations, recoveries, operations and marketing. He is an Executive Director of Unisons Capital Leasing Limited.</p>
09.	<p>Damith Tennakoon Director/Chief Financial Officer</p>	<p>Mr. Tennakoon was appointed to the Board on 1st April 2011. He counts over 24 years experience in banking, financial services and the insurance industry. He is also a Director of Unisons Capital Leasing Limited. Mr. Tennakoon is a Fellow of the Chartered Institute of Management Accountants, UK. and also a Chartered Global Management Accountant.</p>
10.	<p>Roshan Abeygoonewardena Director/Chief Operations Officer</p>	<p>Mr. Abeygoonewardena was appointed to the Board in 2011. He counts over 22 years experience in the financial services industry and 3 years in the manufacturing industry. He is also a Director of Unisons Capital Leasing Limited. Mr. Abeygoonewardena is a Fellow of Chartered Institute of Management Accountants, UK. and an Associate Member of Institute of Certified Management Accountants of Sri Lanka.</p>

CORPORATE MANAGEMENT TEAM



01

Mahesh Nanayakkara

Managing Director/Chief Executive Officer



02

Damith Tennakoon

Director/Chief Financial Officer



05

Elangovan Karthik

Director/CEO of Unisons Capital Leasing Limited (UCL)



06

Maduranga Heenkenda

Senior Deputy General Manager – Asset Portfolio Sales and Channel Development



09

Hasitha Dassanayake

Deputy General Manager – Finance and Planning



10

Isanka Kotigala

Deputy General Manager – Liability Portfolio Sales

03



Roshan Abeygoonewardena

Director/Chief Operations Officer

04



Sasindra Munasinghe

Director/Chief Credit and Marketing Officer

07



Naguib Imdaad

Senior Deputy General Manager – Information Technology and E-Commerce

08



Nayanthi Kodagoda

Senior Deputy General Manageress – Operations

11



Ranjith Gunasinghe

Deputy General Manager – Operations

12



Sudath Fernando

Deputy General Manager – Credit/Leasing

No.	Name & Designation	Remarks
01.	Mahesh Nanayakkara Managing Director/Chief Executive Officer	(Profile given on page 118)
02.	Damith Tennakoon Director/Chief Financial Officer	(Profile given on page 119)
03.	Roshan Abeygoonewardena Director/Chief Operations Officer	(Profile given on page 119)
04.	Sasindra Munasinghe Director/Chief Credit and Marketing Officer	(Profile given on page 119)
05.	Elangovan Karthik Director/CEO of Unisons Capital Leasing Limited (UCL)	Mr. Karthik is a Chartered Marketer, a member of the Chartered Institute of Marketing of UK and a Practicing Marketer of SLIM. He holds a B.Sc. in Management from the University of Sri Jayewardenepura and an MBA from the Postgraduate Institute of Management. In addition, he holds a National Diploma in Human Resource Management (PIM) and is a Chartered Global Management Accountant (CGMA). He joined CDB as an 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.
06.	Maduranga Heenkenda Senior Deputy General Manager – Asset Portfolio Sales and Channel Development	Mr. Heenkenda holds an MBA from the University of Wales and he is a Practicing Marketer and a member of the Sri Lanka Institute of Marketing (MSLIM). He has received the Certified Professional Marketer Asia Pacific (CPM) status from the Asia Marketing Federation as well. In addition, he holds a Chartered Certificate of Risk in Financial Services from the Chartered Institute of Securities and Investment, UK. Mr. Heenkenda is an Associate Member of Chartered Institute of Securities and Investment (ACIS) and has participated in the Executive Education Programme at the Harvard Business School (Boston). He counts over 17 years experience in the finance business industry and has won the Manager of the Year Award in 2009 at the NASCO Awards organised by the Sri Lanka Institute of Marketing. Mr. Heenkenda has served CDB for 17 years.
07.	Naguib Imdaad Senior Deputy General Manager – Information Technology and E-Commerce	Mr. Imdaad holds a M.Sc. 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 19 years in the finance business industry. He has a vast experience in project management, e-commerce, software engineering, management information systems and payment cards systems.

No.	Name & Designation	Remarks
08.	Nayanthi Kodagoda Senior Deputy General Manageress – Operations	Ms. Kodagoda is an Associate Member of Sri Lanka Institute of Credit Management. She counts over 19 years experience in the finance business industry. She is an expert in the operational aspects of finance, HR, credit administration and branch operations. Ms. Kodagoda has served CDB for 19 years.
09.	Hasitha Dassanayake Deputy General Manager – Finance and Planning	Mr. Dassanayake holds a B.Com (sp) from the University of Colombo and an MBA from the University of Sri Jayewardenepura. He is an Associate Member of the Chartered Institute of Management Accountants, UK and is a Chartered Global Management Accountant as well. He has served CDB for 10 years.
10.	Isanka Kotigala Deputy General Manager – Liability Portfolio Sales	Mr. Kotigala holds an MBA from the University of Wales. He has gained both local and international experience prior to joining CDB. He has served CDB for 9 years. He counts over 10 years experience in well-recognised multinational companies.
11.	Ranjith Gunasinghe Deputy General Manager – Operations	Mr. Gunasinghe holds 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 20 years experience in the finance business industry and has served CDB for 15 years.
12.	Sudath Fernando Deputy General Manager – Credit/Leasing	Mr. Fernando counts 24 years experience in the finance and leasing industry. He has served CDB for 7 years.

MANAGEMENT TEAM





1. **Nadee Silva**
Assistant General Manageress – Business Development

2. **Ravindra Abeysekara**
MCICM (UK), AICM (SL), ACPM
Assistant General Manager – Recoveries

3. **Ruwan Chandrajith**
B.Sc. (Accountancy) Sp. (SJP),
ACA Assistant General Manager – Finance and Planning

4. **Dassana Chandrananda**
Senior Manager – Business Development

5. **Herath Dharmadasa**
BA (Peradeniya) Senior Manager – Business Development

6. **Lushan Perera**
MBA (Sri J.), DipM. (UK), MCIM,
Chartered Marketer MSLIM Senior Manager – Marketing

7. **Prasad Ranasinghe**
B.Com. Sp. (Sri J.) Senior Manager – Business Development

8. **J L Priyantha**
B.Sc. (Agri.) (Peradeniya)
Senior Manager – Business Development

9. **Sanjewa Ranathunga**
AICM (SL), ACPM, AUKAP (UK) Senior Manager – Recoveries

10. **Sarath Kumara**
B.B. Mgt. (Accountancy)
Sp. Kelaniya Senior Manager – Credit Operations

11. **Aruni Panagoda**
AICM (SL) Manageress – Insurance

12. **Ashad Weerabangsa**
AICM (UK), NDTHRD (IPM, SL), AIB (SL),
DCM (IBSL) Manager – Branch Operations

13. **Chirath Dissanayaka**
BBA (Fin.) Sp., ACMA (UK), CGMA Manager – Credit

14. **Dilruk Abeydiwakara**
M.Sc. (IT), B.Sc. (MIS) Manager –
Information Technology Operations

15. **Heshan Bandara**
MBA (SJP), BBA (Hons.) (Col.),
ACMA, CGMA Manager – Risk

16. **Nimal Silva**
ACA, ACMA (SL) Manager – Finance Operations and Taxation

17. **Ravindran Subashkumar**
MSLIM Manager – Business Development

18. **Ruwan Egodage**
B.Sc. (Business Admin.), MBA (PIM), CHRP – Certified Human
Resource Professional, MIPM, Certified Counsellor, Life Skills
Coach Manager – Human Resources

19. **Sampath Kumara**
B.Sc. (Finance) Sp. (SJP), ACA Manager – Internal Audit

20. **T M L Pathmalal**
B.Sc. Mgt. (Pub.) Sp. (SJP),
ACA Manager – Enterprise Risk Management

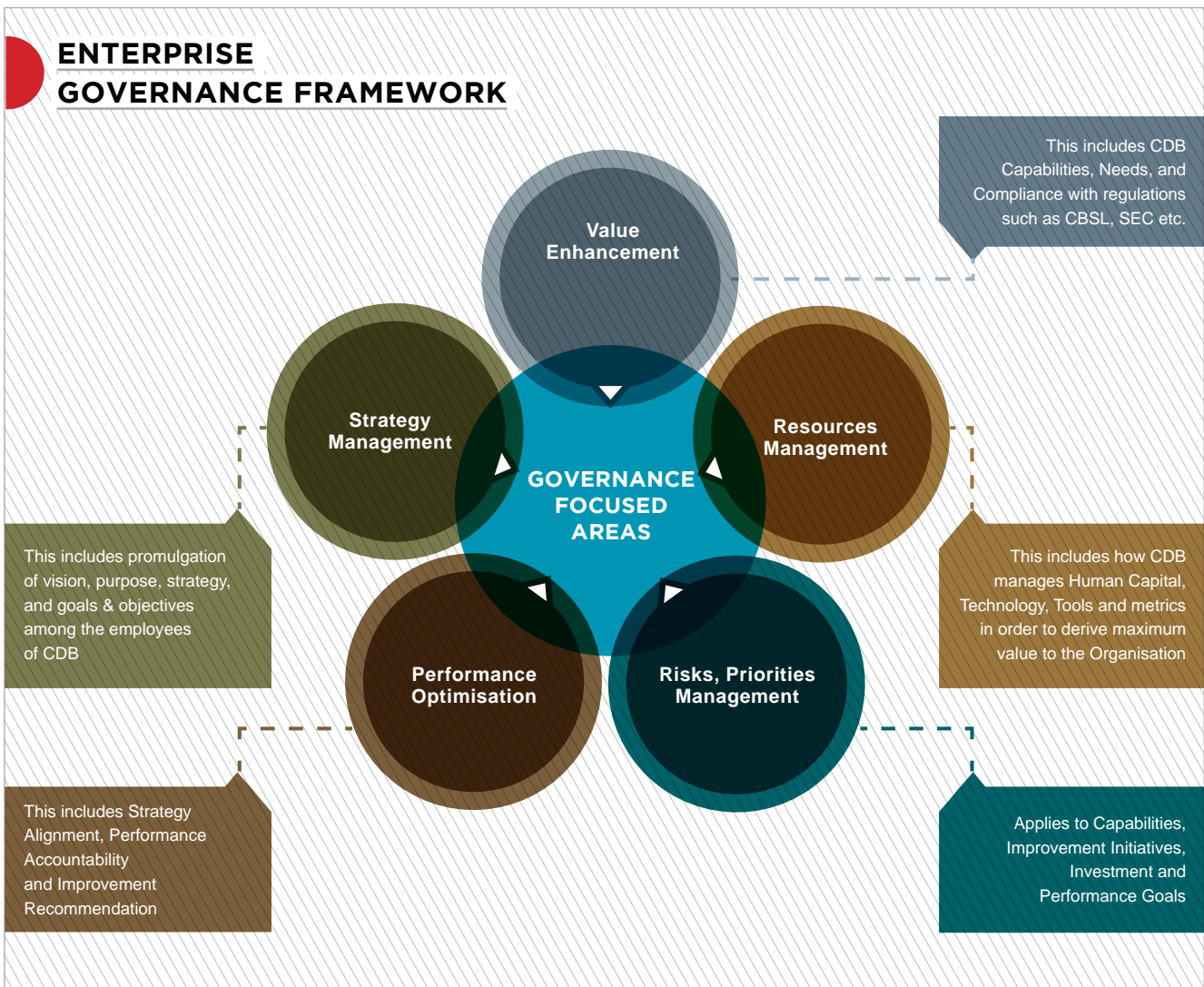
21. **Lalith Peiris**
AMABE (UK) Manager – Business Development

ENTERPRISE GOVERNANCE

Enterprise governance is a broader concept of corporate governance which constitutes the entire accountability framework of an organisation. Accordingly, enterprise governance gives a holistic view about both corporate governance and business governance aspects of an organisation.

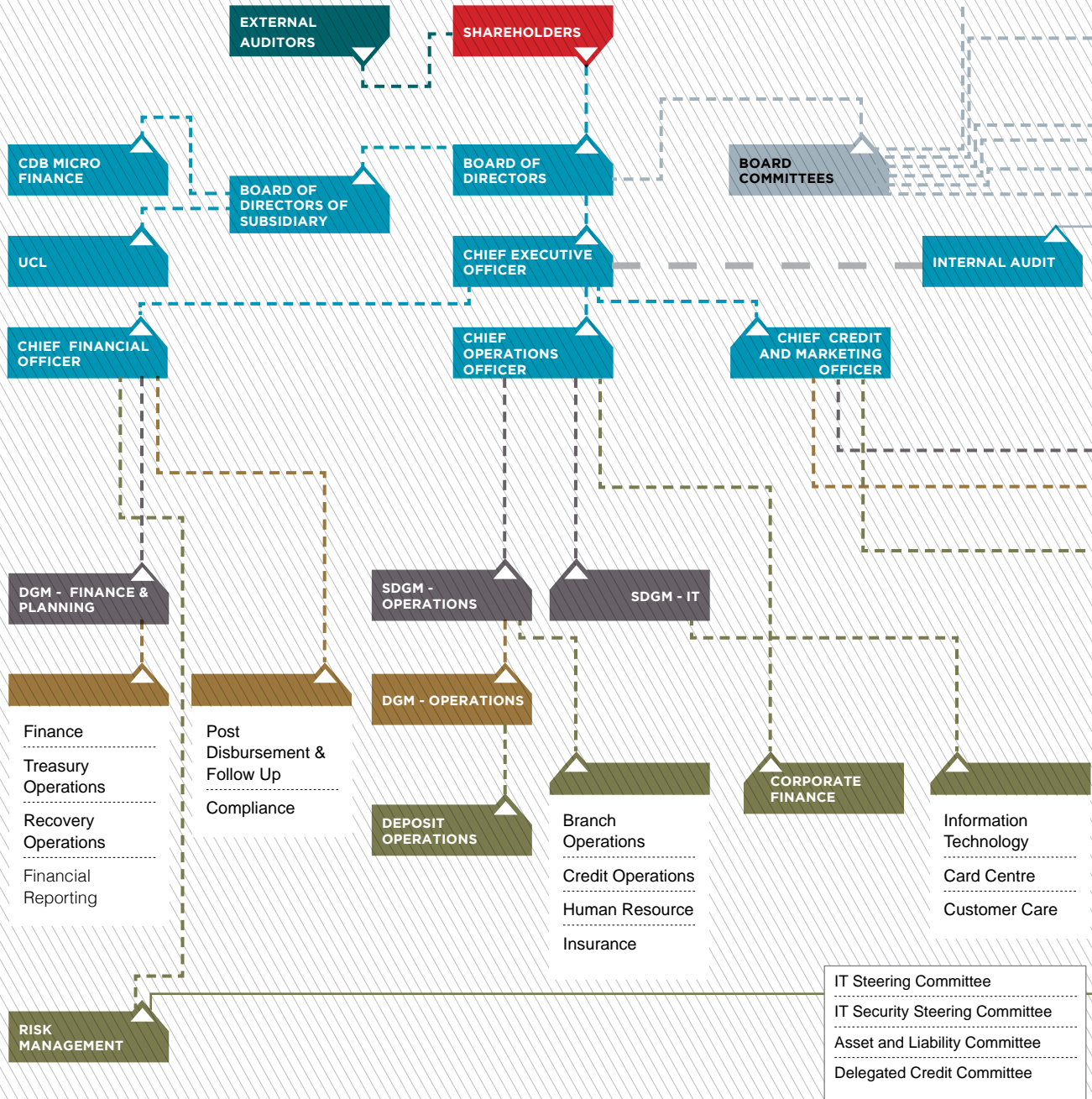
CDB as a responsible corporate citizen ensures that the responsibilities and practices exercised by the Board and Executive Management are in line with the objectives of the Organisation which is mainly focussed on complying with corporate governance (i.e. conformance). CDB always emphasises

the importance of managing risks and the optimal utilisation of resources in delivering maximum value to its stakeholders. This in turn enables good business governance (i.e. performance). In doing so, CDB has vested certain key responsibilities to each department which is illustrated in the diagram found below:

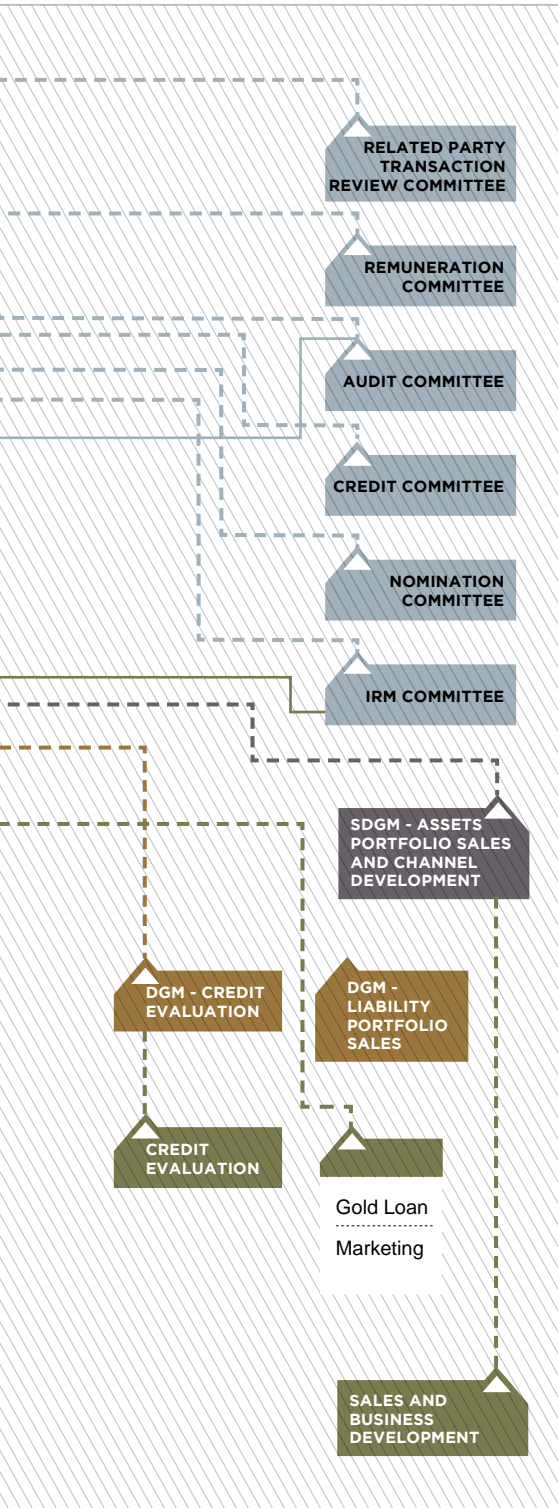


The above framework depicts CDB's highly interconnected approach to resource management, risk management and strategy management which in turn adds value to its various stakeholders whilst also enabling the achievement of overall objectives of the Organisation.

GOVERNANCE STRUCTURE



CORPORATE GOVERNANCE



Corporate governance is of paramount importance to CDB and is almost as important as its primary business plan. When executed effectively, it can prevent corporate scandals, fraud and the civil and criminal liability of the Company. Due to the global recession and collapsing of financial institutions not only globally but also locally has given an added significance to the importance of having a comprehensive corporate governance structure. Hence, CDB has given prominence to the following key areas:

- CDB always strives to make sure that all shareholders are allowed to participate and get a voice at General Meetings.
- Not only shareholders but also non-shareholder stakeholder issues are addressed by CDB, thereby establishing a positive relationship with the community and the press.
- Board responsibilities are clearly outlined to all the shareholders of CDB.
- CDB considers business transparency as one of the key areas in promoting shareholder trust.

All these key aspects enhance CDB's image in the public eye as a self-policing company that is responsible and worthy of shareholder and debt holder capital. It dictates the shared philosophy, practices and culture of CDB and its employees. A corporation without a system of corporate governance is often regarded as a body without a soul or conscience. Hence, CDB gives much priority to corporate governance and always strives to keep CDB an honest, responsible and out of trouble entity in the country.

The CDB's corporate governance structure is based on the 'Code of Best Practice on Corporate Governance' issued jointly by The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and the Securities and Exchange Commission of Sri Lanka (SEC) as well as the Finance Companies (Corporate Governance) Direction No. 03 of 2008 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 ISSUED BY THE SECURITIES AND EXCHANGE COMMISSION OF SRI LANKA AND THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA'.

The disclosure below reflects the CDB's level of conformance with the above Code which comprises seven fundamental principles. They are namely -

- Directors
- Directors' Remuneration
- Relations with Shareholders
- Accountability and Audit
- Institutional Investors
- Other Investors
- Sustainability Reporting

Corporate Governance Principles	SEC and 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.			
<p>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 judgment. 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 aims to satisfy the expectations of all stakeholders.</p>			
Board Meetings	A. 1.1	Compliant	<p>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.</p> <p>Refer number of meetings held and attendance on page 147.</p>
Responsibilities of the Board	A. 1.2	Compliant	<p>The Board is collectively responsible for the success of the Company. The Board formulates the business strategy and ensures that the 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 judgment to bear on the decisions made by the Board.</p> <p>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.</p>
Compliance with laws and access to independent professional advice	A. 1.3	Compliant	<p>The Board collectively as well 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 coordinated through the Board Secretary, as and when it is required. In addition, the Board is assisted by several Board Sub-Committees on various matters.</p>
Advice and Services of the Company Secretary	A. 1.4	Compliant	<p>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.</p>

Corporate Governance Principles	SEC and CA Sri Lanka Code Reference	Compliance Status	CDB's Level of Compliance						
Independent judgment 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 judgment. 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	<p>The Board members dedicate adequate time and effort to fulfil 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 meetings, they have attended Sub-Committee meetings and also have made decisions via circular resolutions, where necessary. The Board Sub-Committees include</p> <ul style="list-style-type: none"> • Assets and Liability Committee • Audit Committee • Integrated Risk Management Committee • Credit Committee • Remuneration Committee • Nomination Committee. <p>Further additional meetings and discussions are held with the management whenever the need arises.</p>						
Training for new and existing directors	A. 1.7	Compliant	<p>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 Sub-Committees by the Company from time to time on industry specific matters and regulatory updates.</p> <p>The Directors have attended a number of meetings with the Corporate Management teams to familiarise themselves with the Company strategy, operations and the system of internal control.</p> <p>To name a few during the year Directors have attended the following training programmes:</p> <table border="1"> <thead> <tr> <th>Programme Name</th> <th>Conducted Institution</th> </tr> </thead> <tbody> <tr> <td>Corporate Governance and Board Leadership</td> <td>Sri Lanka Institute of Directors</td> </tr> <tr> <td>CA Sri Lanka strategy Summit</td> <td>The Institute of Chartered Accountants of Sri Lanka</td> </tr> </tbody> </table>	Programme Name	Conducted Institution	Corporate Governance and Board Leadership	Sri Lanka Institute of Directors	CA Sri Lanka strategy Summit	The Institute of Chartered Accountants of Sri Lanka
Programme Name	Conducted Institution								
Corporate Governance and Board Leadership	Sri Lanka Institute of Directors								
CA Sri Lanka strategy Summit	The Institute of Chartered Accountants of Sri Lanka								

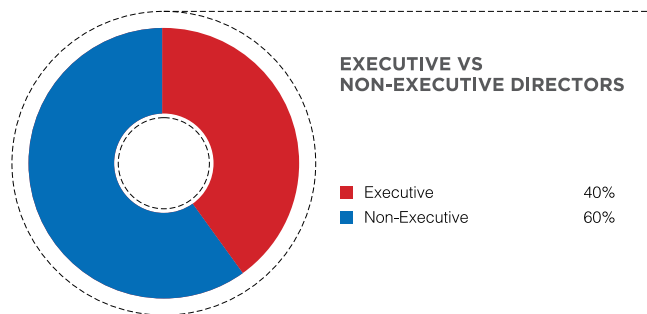
Corporate Governance Principles	SEC and CA Sri Lanka Code Reference	Compliance Status	CDB's Level of Compliance
A.2 Chairman and Chief Executive Officer (CEO)			
<p>There is a clear separation in the duties of the Chairman and the Chief Executive Officer to ensure a balance of power and authority, in such a way that any individual has no unfettered powers of decisions.</p> <p>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.</p>			
Division of responsibilities of the Chairman and the MD/CEO	A. 2.1	Compliant	The role of the Managing Director and 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 authority such that no one possesses unfettered powers of decisions.
A.3 Chairman's Role			
<p>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.</p> <p>The profile of Mr. Herschel Gunawardena is given on page 118.</p>			
Role of the Chairman	A. 3.1	Compliant	<p>The Chairman's main role is to lead and manage the Board and ensuring effectiveness in all aspects of its role. The Chairman of the CDB is a Non-Executive Director. The Chairman's role encompasses that,</p> <ul style="list-style-type: none"> • 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			
<p>The Board should ensure the availability within it of those with sufficient financial acumen and knowledge to offer guidance on matters of finance.</p> <p>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.</p>			
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 three members of the Chartered Institute of Management Accountants of UK. Directors profiles are given on pages 118 to 119.

Corporate Governance Principles	SEC and CA Sri Lanka Code Reference	Compliance Status	CDB's Level of Compliance
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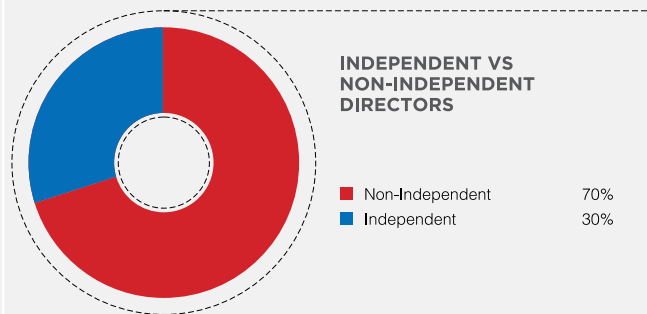
A.5 Balance of the Board

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	Six of the ten Directors are Non-Executive Directors (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.
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Independent Directors	A. 5.2	Compliant	Three out of six Non-Executive Directors are independent as defined by the Code.
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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. Please refer section A 5.5 below.
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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 J of the Code.
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Corporate Governance Principles	SEC and CA Sri Lanka Code Reference	Compliance Status	CDB's Level of Compliance
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: Mr. Razik Mohamed Mr. D A De Silva Prof. A S Dharmasiri
Appointment of Alternate Director	A. 5.6	Compliant	Where the Alternate Director is appointed, requirements of the Code have been compliant.
Senior Independent Director	A. 5.7	N/A	Although the requirement to appoint a Senior Independent Director does not arise under this Code, the Company has designated Mr. Razik Mohamed as the Senior Independent Director, to meet the requirement under 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	N/A	Refer above comment.
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.			
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.
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.			

Corporate Governance Principles	SEC and CA Sri Lanka Code Reference	Compliance Status	CDB's Level of Compliance
Nomination Committee and Assessment of Board composition	A. 7.1 & A. 7.2	Compliant	<p>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.</p> <p>There were no new appointments during 2015/16 financial year.</p> <p>Refer page 196 for details of Nomination Committee and its composition.</p>
Disclosure of details of new Directors to shareholders	A. 7.3	Compliant	<p>When the new Directors were appointed to the Board, a brief résumé of each such Director including the nature of his experience, the names of companies in which the Director holds directorship, membership, in the Board Sub-Committees 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 the information of interested parties. Any changes in the details provided by the Directors are disseminated to the Colombo Stock Exchange without any delay.</p>
A.8 Re-election			
<p>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.</p>			
Appointment of Non-Executive Directors	A. 8.1	Compliant	<p>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.</p>
Re-election by the Shareholders	A. 8.2	Compliant	Refer comment above.
A.9 Appraisal of Board Performance			
<p>The Board periodically appraises its own performance against the preset targets in order to ensure that the Board responsibilities are satisfactorily discharged.</p>			
Annual appraisal of Board performance and that of its Committees	A. 9.1 & A. 9.2	Compliant	<p>The Board annually evaluated its performance against the annual objectives set at the beginning of the year. The performance of Board Sub-Committees was also evaluated against the objectives of the respective Sub-Committees.</p>
Disclosure of Criteria used for the performance Evaluation	A. 9.3	Compliant	Refer page 188 for the 'Report of the Remuneration Committee' in Annual Report for details of the criteria considered for performance evaluation of the Board.
A.10 Disclosure of Information in Respect of Directors			
<p>The Code requires that the details in respect of each Director to be disclosed in the Annual Report for the benefit of the shareholders.</p>			
Details in respect of Directors	A. 10.1	Compliant	<p>Details of Directors are given in this Annual Report. (Refer pages 118 to 119)</p>

Corporate Governance Principles	SEC and CA Sri Lanka Code Reference	Compliance Status	CDB's Level of Compliance
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 & 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 Sub-Committee. External professional advice is sought by the Remuneration Committee, on a need basis through the Board Secretary.

Corporate Governance Principles	SEC and CA Sri Lanka Code Reference	Compliance Status	CDB's Level of Compliance
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.			
Level and make up of remuneration	B.2.1 to B. 2.8	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.2.9	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 the current share option plans of the Company and/or other 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 pages 188 for disclosure on the names of the Remuneration Committee members and the Remuneration Policy of the Company. Also refer the Note 12 to the Financial Statements on page 226 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.			
Use of proxy votes	C.1.1	Compliant	The Company has an effective mechanism to record all proxy votes and proxy votes lodged for each resolution prior to the General Meeting.
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.
Availability of all Board Sub-Committees Chairmen at the AGM	C.1.3	Compliant	Chairman of the Company ensures that Chairmen of all Board appointed Sub-Committees 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.1.4 & 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 an opportunity to all shareholders to attend the AGM for their voting status and obtain clarifications for the matters of interest to them.

Corporate Governance Principles	SEC and CA Sri Lanka Code Reference	Compliance Status	CDB's Level of Compliance
C.2 Communication with Shareholders			
The Board is required to implement effective communication with shareholders.			
Communication with shareholders	C.2.1 to C. 2.7	Compliant	The Company has implemented the relevant communication channels, disclosed the policy and methodology and other requirement of the Code for communication with shareholders.
C.3 Major Transactions			
Directors are required to disclose to shareholders all proposed material transactions which would materially alter the net asset position of the Company.			
Major transactions	C.3.1	Compliant	During the year there were no major transactions as defined by Section 185 of the Companies Act No. 07 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 the Senior Independent Non-Executive Director of CDB.
D. Audit and Accountability			
D.1 Financial Reporting			
The Board is required to present a balanced and understandable assessment of the Company's financial position, performance and prospects.			
Reports to public and, regulatory and statutory reporting	D.1.1	Compliant	CDB has reported a true and fair view of its financial position and performance for the year ended 31st March 2016 and at end of each quarter of 2015/16. 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 Exchange Commission of Sri Lanka.
Directors' Report in the Annual Report	D.1.2	Compliant	The Directors' Report given in this Annual Report covers all areas of this section as required by the direction. Please refer pages 177 to 185 for Directors' Report.
Statement of Directors' and Auditors Responsibility for the Financial Statements, Report/ Statement on Internal Control.	D.1.3	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.1.4	Compliant	The Management Discussion & Analysis Report is given in this Annual Report as required by the direction.
Declaration by the Board that the business is a going concern.	D.1.5	Compliant	This is given in the Annual Report of the Board of Directors on page 184.

Corporate Governance Principles	SEC and CA Sri Lanka Code Reference	Compliance Status	CDB's Level of Compliance
Summoning an EGM to notify serious loss of capital	D.1.6	Compliant	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.1.7	Compliant	Relevant Related Party Transactions are adequately and accurately disclosed in the Annual Report. Further all related party transactions are reviewed by the BRPT Committee.
D.2 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.			
Review of risks facing the Company and evaluation of the internal control system	D.2.1 & D. 2.4	Compliant	<p>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:</p> <ul style="list-style-type: none"> (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. <p>The Company obtained the External Auditors' certification on the effectiveness of the internal control mechanism on financial reporting.</p>
Internal audit function	D.2.2	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.2.3	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	<p>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.</p> <p>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 191 - 192 for Audit Committee Report.</p>

Corporate Governance Principles	SEC and CA Sri Lanka Code Reference	Compliance Status	CDB's Level of Compliance
Duties of Audit Committee - Ensuring the objectivity and independence of External Auditors	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 Annual Report of the Board of Directors 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 the Auditor) and any interest in the Company.
Terms and reference of the Audit Committee	D.3.3	Compliant	Audit Committee is guided by clearly defined Terms of Reference.
Disclosure of the Audit Committee	D.3.4	Compliant	Names of the members of the Audit Committee are given in this Annual Report under the Audit Committee Report.
D.4 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.4.1	Compliant	Company has developed a Code of Business Conduct and Ethics for all employees, which addresses conflict 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.4.2	Compliant	Refer the Chairman's Statement in the Annual Report for details.
D.5 Corporate Governance Disclosure			
The Company should disclose the extent of adoption of best practices in Corporate Governance.			
Disclosure of corporate governance	D.5.1	Compliant	This requirement is met through the presentation of this Report.
E. Institutional Investors			
E.1 Institutional shareholders are required to make considered use of their votes and encouraged to ensure that 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 Corporate Governance Initiations			
Institutional Investors are encouraged to give due weight to all relevant factors in Board structure and composition.			

Corporate Governance Principles	SEC and CA Sri Lanka Code Reference	Compliance Status	CDB's Level of Compliance
F. Other Investors			
F.1 Investing/Divesting Decision			
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. Sustainability Reporting			
G.1 Principles of Sustainability Reporting			
Sustainability is a business approach that creates long-term stakeholder value by embracing opportunities and managing risks derived from economic, environmental and social development and their potential implications and impacts on the business activities of the entity. Sustainability reporting is the practice of recognising, measuring, disclosing and being accountable to internal and external stakeholders for organisational performance towards the goals of sustainable development in the context of the overall business activities and strategy of the entity and be directed to the target stakeholders, usually, shareholders, employees, customers, society and Governments.			
Principles of Sustainability Reporting	G.1.1 to 1.7	Compliant	The Company has adopted the relevant principles and procedures of the Code to develop a sustainable business environment and disclosures are made in the Annual Report.

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 2 of the Finance Business Act No. 42 of 2011 and shall come into operation with effect from 1st January 2009.

Corporate Governance Principles	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 possesses 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.

Corporate Governance Principles	CBSL Rule Reference	Compliance Status	CDB's Level of Compliance
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 SEC and CA Sri Lanka Code compliance table.
4. Conflict of Interests	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 for it.
6. Situation of Insolvency	2. (6)	Compliant	No such situation has arisen during the year.
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 fit 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 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 of 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 an instance had not arisen in the Company.
13. Board Secretary	3. (5)	Compliant	Please refer section A.1.4. of the SEC & CA Sri Lanka Code compliance table.
14. Agenda and Minutes of the Meetings	3. (6) & 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 Directors have access to the Secretary and records of Board meetings.
16. Minutes of Board meetings shall be recorded in sufficient detail.	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.

Corporate Governance Principles	CBSL Rule Reference	Compliance Status	CDB's Level of Compliance
4. The Board's Composition			
17. Number of Directors	4. (1)	Compliant	The Board comprises ten 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 of Executive Director, shall not exceed nine years.	4. (2)	Compliant	The total period of service of all Non-Executive Directors does not exceed the nine year period.
19. Appointment of an employee as a Director	4. (3)	Compliant	The Company has four Executive Directors.
20. Independent Non-Executive Director	4. (4)	Compliant	Three out of ten Directors are Independent Non-Executive Directors.
21. Alternative Director	4. (5)	Compliant	This situation has not arisen.
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.
25. Appointment of new Directors	4. (9)	Compliant	The Board collectively assesses the composition of the Board and makes appointments as necessary.
26. Appointment to fill a casual Vacancy	4. (10)	Compliant	No such event occurred during the financial year 2015/16.
27. Resignation/removal of a Director	4. (11)	Compliant	During the financial year Executive Director Mr. W W K M Weerasuriya resigned from the Board w.e.f. 30th April 2015 and it was duly notified to the Director of the Department of Supervision of Non-Bank Financial Institutions of the CBSL.
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) & 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.

Corporate Governance Principles	CBSL Rule Reference	Compliance Status	CDB's Level of Compliance
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 Mr. Razik Mohamed (Independent Non-Executive Director) as the Senior Director.
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 SEC & CA Sri Lanka Code compliance table.
35. Role of the Chief Executive Officer	7. (11)	Compliant	Please refer section A.2.1 of the SEC & CA Sri Lanka Code of compliance table.
8. Board appointed Committees			
36. Board appointed two Sub-Committees	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 in related party transactions and favourable treatment	9. (2) to 9. (4)	Compliant	Steps have been taken by the Board to avoid any conflict of interests, that may arise, in transacting with related parties as per is the definition of this Direction and Sri Lanka Accounting Standard - LKAS 24 on "Related party Transactions". Further, the Board ensures that there are no related party benefits from favourable treatment. Further, all the related party transactions (if any) are reviewed by the RPT Committee.
10. Disclosures			
38. Financial reporting, statutory and regulatory reporting	10. (1)	Compliant	Financial Statements for the year ended 31st March 2016 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.
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 no.	Disclosure Requirement	Section Reference	Page Reference
7.6 (i)	Name of persons who held the positions of Directors during the financial year	Annual Report of the Board of Directors	177 to 185
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	222 to 279 177 to 185
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 Relations	281 to 288
7.6 (iv)	The public holding percentage	Investor Relations	281 to 288
7.6 (v)	A statement of each Director's and Chief Executive Officer's holdings in shares and the percentage of such shares held	Annual Report of the Board of Directors	177 to 185
7.6 (vi)	Information pertaining to material foreseeable risk factors of the Entity	Risk Management	148 to 173
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	222 to 279
7.6 (ix)	Number of shares representing the Entity's stated capital	Annual Report of the Board of Directors, Investor Relations	177 to 185, 281 to 288
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 Relations	281 to 288
7.6 (xi)	Ratios and market price information: Equity Debt Any changes in credit rating	Investor Relations	281 to 288
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	222 to 279

Rule no.	Disclosure Requirement	Section Reference	Page Reference
7.6 (xiii)	Details of funds raised through Public Issues, Rights and Private Placements during the year.	Investor Relations	281 to 288
7.6 (xiv)	Information in respect of Employee Share Option Schemes and Employee Share Purchase Schemes.	Notes to the Financial Statements	222 to 279
7.6 (xv)	Disclosures 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	127 to 147
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 relations to Related Party Transactions. Further, refer page for compliance with Section 09.	274 to 278

“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 Practices 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 no.	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 Transaction Note in the Financial Statements.	274 to 278
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 Transaction Note in the Financial Statements.	274 to 278
9.3.2 (c)	Annual Report shall contain a report compiled by the RPT Committee including following: <ul style="list-style-type: none"> 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 has met during the financial year Policies and procedures adopted by the RPT Committee 	BRPT Review Committee Report.	193, 274 to 278

Directors Attendance at Board Meeting

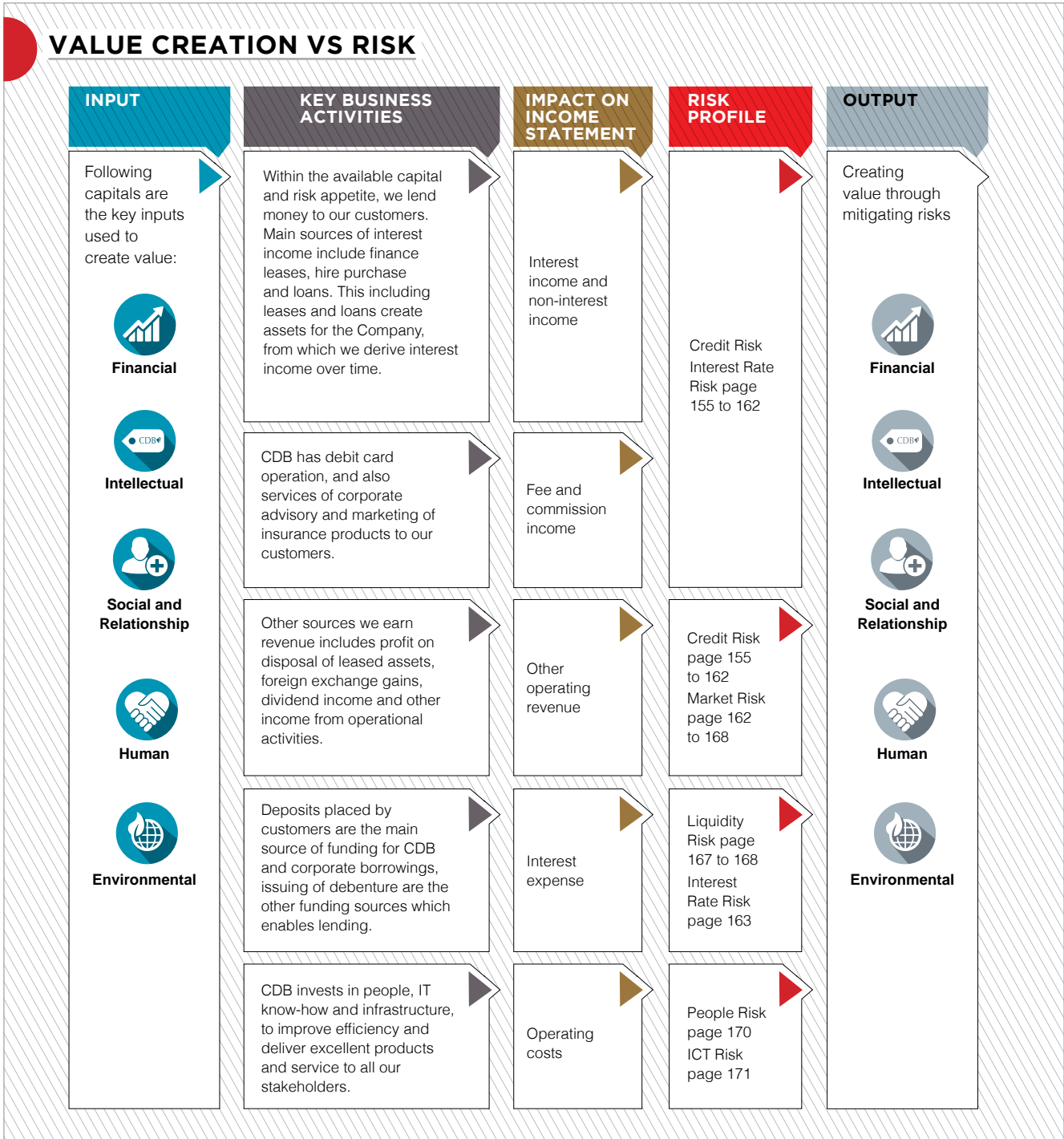
Name of Director	No. of meeting eligible to attend	No. of meeting attended
Mr. D H J Gunawardena	12	12
Mr. C M Nanayakkara	12	12
Mr. R H Abeygoonewardena	12	11
Mr. T M D P Tennakoon	12	12
Mr. W W K M Weerasuriya (Resigned with effect from 30.04.2015)	1	1
Mr. S V Munasinghe	12	12
Mr. P A J Jayawardena	12	12
Mr. S R Abeynayake	12	10
Mr. D A De Silva	12	12
Prof. A Dharmasiri	12	11
Mr. Razik Mohamed	12	12

Attendance of Meetings – Board Sub Committees

Name of Director	Board Audit Committee		Integrated Risk Management Committee	
	No. of Meeting	No. of Meeting Attended	No. of Meeting	No. of Meeting Attended
Mr. D H J Gunawardena	9	9	N/A	N/A
Mr. D A De Silva	9	9	4	4
Mr. Razik Mohamed	9	9	4	4
Mr. Mahesh Nanayakkara	N/A	N/A	4	4
Mr. Roshan Abeygoonewardena	N/A	N/A	4	4
Mr. Sasindra Munasinghe	N/A	N/A	4	4
Mr. Damith Tennakoon	N/A	N/A	4	4

INTEGRATED RISK MANAGEMENT FRAMEWORK

At CDB, risk management focuses on ensuring that sustainable value is created for stakeholders in a responsible manner. Integrated Risk Management (IRM) is used in the setting of strategy across the organisation.



IRM is a structured and disciplined approach to risk management, aligning strategy, processes, people, technology and knowledge with the purpose of evaluating and managing the opportunities, threats and uncertainties that CDB faces.

The primary objectives of the framework are to –

- Ensure earnings stability and optimise the use of capital
- Protect against possible losses which can occur
- Facilitate decision-making through managing risk at all business operations
- Anticipate and mitigate risk events across CDB before they become a reality

RISKS AND UNCERTAINTIES



Risk exposure has increased



No significant change in risk exposure



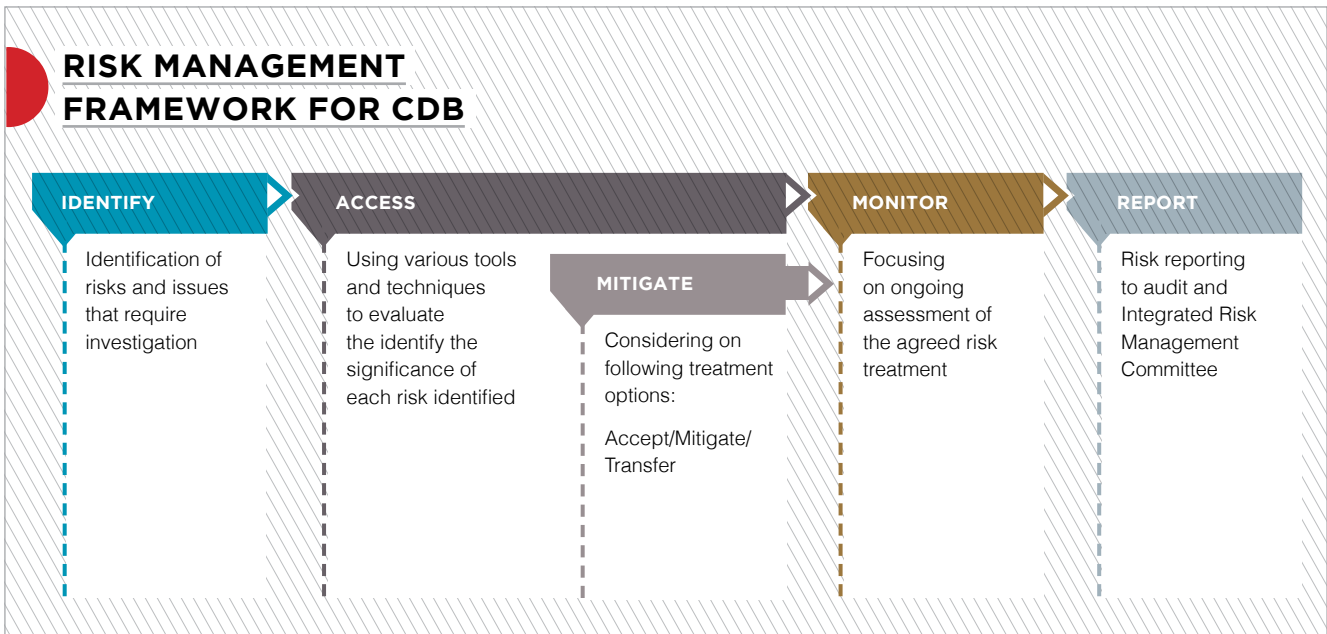
Risk exposure has reduced

Area	Consequences	Risk Exposure	CDB's Response
<p>Maintaining sales volumes and profit margins</p> <p>Maintaining sales volumes is a very challenging as CDB is operating in the Non-Banking Financial Institution (NBFI) sector which comprises many players which are operating homogeneous products. Thus, differentiation is the factor which will facilitate the Company to stay and grab market share in the industry.</p>	<p>Loosing of market share.</p> <p>Not achieving budgeted targets.</p>		<p>CDB came up with innovative ways offering products and focused on moving into personal loans, property backed loans etc. which has immensely facilitated in capturing different market segments and minimising concentration risk which prevailed with regard to vehicle-backed loans.</p>
<p>Maintaining required capital adequacy and liquidity</p> <p>Capital adequacy ratio is the ratio that determines the capacity to meet time liabilities and other risks such as credit risk, operational risk, etc. Liquidity is the ability of a Company to meet the short-term obligations.</p>	<p>Hinder growth/expansion.</p> <p>Inability to meet the day to day obligations.</p>		<p>Capital adequacy and liquidity ratios are closely monitored at the ALCO meeting. Cash flow requirements are forecasted and decisions will be taken at weekly treasury meetings.</p>
<p>Maintaining service quality</p> <p>Service quality plays a vital role when it comes to NBFI sector as it will be a differentiating factor because all players in the industry offer homogeneous products</p>	<p>Loosing of customers.</p> <p>Loss of reputation due to not maintaining required service levels.</p>		<p>Operational and marketing staff are continuously trained by leading professionals in the industry to serve customers where they will be delighted by the service offered by CDB.</p> <p>Also, a Customer Care Division is in operation to deal with customer complaints and to handle those in a systematic way ensuring to provide a superior level of service quality.</p>

Area	Consequences	Risk Exposure	CDB's Response
<p>Maintaining a healthy non-performing ratio (NPL)</p> <p>Loans become non-performing when borrowers stop making payments and the loans enter default status. A healthy non-performing ratio indicates a financial company's asset quality. A low NPL ratio indicates smaller losses for the Company, while a higher NPL ratio can mean larger losses for the Company as it writes-off bad loans.</p>	<p>Reducing profits Increase of overheads incurred on yard management.</p> <p>Negative impact on bringing down the credit rating.</p>		<p>During the financial year, special consideration was given to reduce the yard vehicles which contributed immensely in bringing down the NPL ratio.</p> <p>NPLs were monitored allocating for different baskets based on the age.</p>
<p>Retaining best employees</p> <p>A company's course of actions with regard to its employees' succession planning, welfare, fare remuneration, training and development etc. will result in employee loyalty towards an organisation and thereby reducing the turnover ratio.</p>	<p>Loosing of talented staff.</p> <p>Increasing staff overheads when recruiting new staff.</p>		<p>Employee satisfaction audits are carried out annually and also the annual awards ceremony is organised to recognise the exceptional performers.</p> <p>Recognise and reward the best performing employees.</p> <p>There are many staff events organised by the welfare and Recreation club of CDB like sports day, staff get-together, <i>Vesak Bakthi Gee</i>, Christmas Carols, talent show to ensure the work-life balance.</p>
<p>Maintaining required level of compliance to regulatory authorities</p> <p>Registered finance companies are under the supervision of Central Bank and are listed in the Colombo Stock Exchange (CSE). Thus, it is vital to comply with regulations imposed by these authorities and to ensure good corporate governance.</p>	<p>Regulatory constraints on possible future business development and increased operating costs.</p> <p>Complexity increases risk of non-compliance, with possible financial or reputational consequences .</p>		<p>A dedicated compliance officer is appointed where he is responsible in ensuring that CDB comply with rules and guidelines set by the various regulators.</p> <p>At the monthly held compliance meeting compliance status, new rules and regulations imposed etc. will be presented to the management.</p>
<p>Maintaining a competitive position in the industry</p> <p>Fund mobilisation and lending activities are the two main business operations for a financial institution. NBF1 too will face immense completion from commercial banks specially with regard to offering competitive interest rates. Thus, achieving a competitive position in the industry is very much challenging.</p>	<p>Loosing of market share due to not been a first mover in the industry.</p> <p>Loosing customers as a result of not meeting their requirements.</p>		<p>CDB has introduced products which has met the customer requirements and by delivering the high standard service levels, it has been possible to give a tough completion to other players.</p> <p>CDB was able to implement several things by been the first player in the industry to achieve such milestone which has contribute immensely for been a trendsetter in the industry.</p>

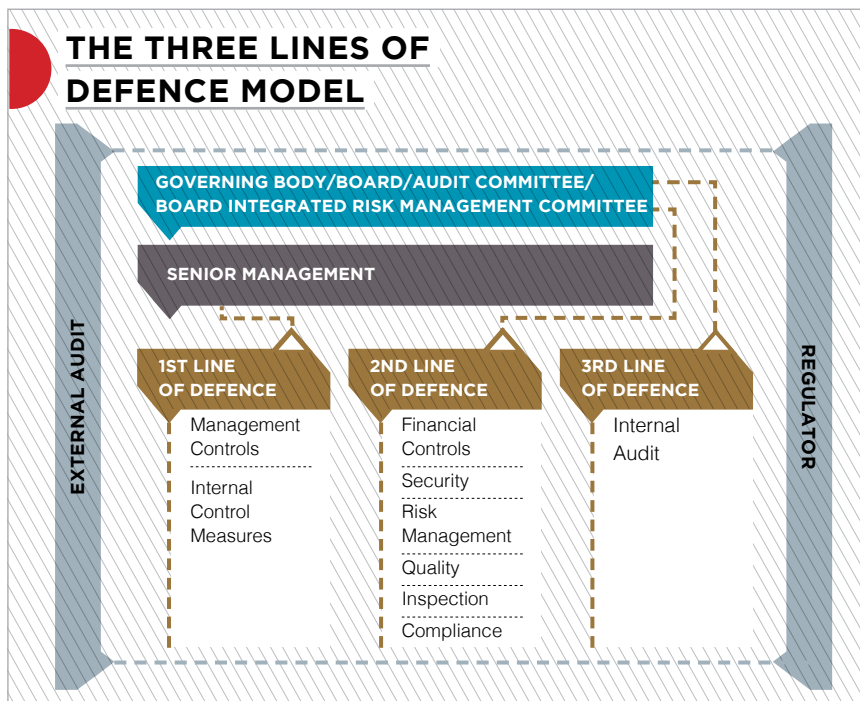
Area	Consequences	Risk Exposure	CDB's Response
<p>Maintaining the cost structure</p> <p>Cost management plays a pivotal role when it comes to achieving set profit targets. There should be a mechanism to control costs across the organisation.</p>	<p>Increase of overheads will hinder profits.</p>		<p>Overheads will be reviewed by conducting variance analysis and presented at Board meetings.</p> <p>Continuous explorations on streamlining the processes and procedures and look for internal process improvements.</p> <p>Regular monitor on value adding activities and applying cost conscious procedures to maintain the cost structure at a low level.</p>
<p>Acquiring new technological proficiency</p> <p>In order to face the fierce competition, it is necessary to achieve differentiation in terms of service offered, products offered etc. For a company to achieve the differentiation, IT provides an essential platform. If an organisation can adhere to new technology, it can surely achieve the differentiation and face the competition.</p>	<p>Reducing efficiency.</p> <p>Losing competitor advantage.</p> <p>Not finding timely ways and means of reducing costs.</p>		<p>CDB is equipped with several IT enabled systems which has facilitated in carrying out day to day business operations efficiently and effectively.</p> <p>Being the first NBF1 to obtain a core bank solution has facilitated CDB in providing customer services at branch level at more speedy level.</p> <p>Also, core bank solution has enabled CDB to operate savings accounts, VISA debit cards, POS transactions etc. enabling CDB to achieve differentiation in terms of products it offers, service it offers etc. over its rivals.</p>

CDB has a risk management framework in place that effectively identifies, assesses, treats and monitors company-wide risks that could affect the business. Diagrammatically, our risk management framework can be depicted as follows:



Area	Update for 2015/16
Risk Identification	<p>Conducted quarterly meetings with the risk owners</p> <p>Introduced the risk identification system to branch staff by doing a presentation at monthly branch operations in charge meeting</p> <p>11 risk areas were reported through risk identification system</p> <p>Recognised the best risk areas reported by CDB staff via risk identification system</p>
Risk Assessment	<p>Staff was educated on assessing the level of risk of the identified risk areas through risk identification system based on likelihood of occurring and impact it can create on CDB</p> <p>Risk areas with high level of risks were dealt in an immediate manner</p>
Risk Treatment	<p>Risk treatment involves working through options to treat identified risks which were given an assessment</p> <p>Method of treatment, people responsible for treatment, costs involved, likelihood of success and ways to measure and assess the success of treatments will be given consideration when employing risk treatment strategies</p> <p>All Risk areas were treated by employing strategies to mitigate the risk</p>
Risk Monitoring	<p>Risk Department will ensure the employed strategies are actually mitigating the risks and whether those are adequate in minimising the risks</p>
Risk Reporting	<p>A summary of the identified risk, assessments, and strategies employed to minimise risks and monitoring mechanism is presented at the quarterly IRMC meetings</p> <p>A detailed discussion will be carried out by the Committee and suggestions are also put into practice through the Risk Department to strengthen the risk management process</p>

CDB's risk philosophy is mainly derived from the three lines of defence.



First line of defence comprise of line managers who are responsible for identifying, managing and reporting risk complying with procedure set. Second line of defence comprise of risk managers who are responsible for independently identifying and assessing all types of risks and ensuring effective and efficient performance of the risk management framework. Finally, the Internal Audit Division which falls into Third line of defence is responsible for independent assurance of the robustness of the different risk management processes, methodologies and ensuring that the proper control mechanisms are in place in mitigating various risks.

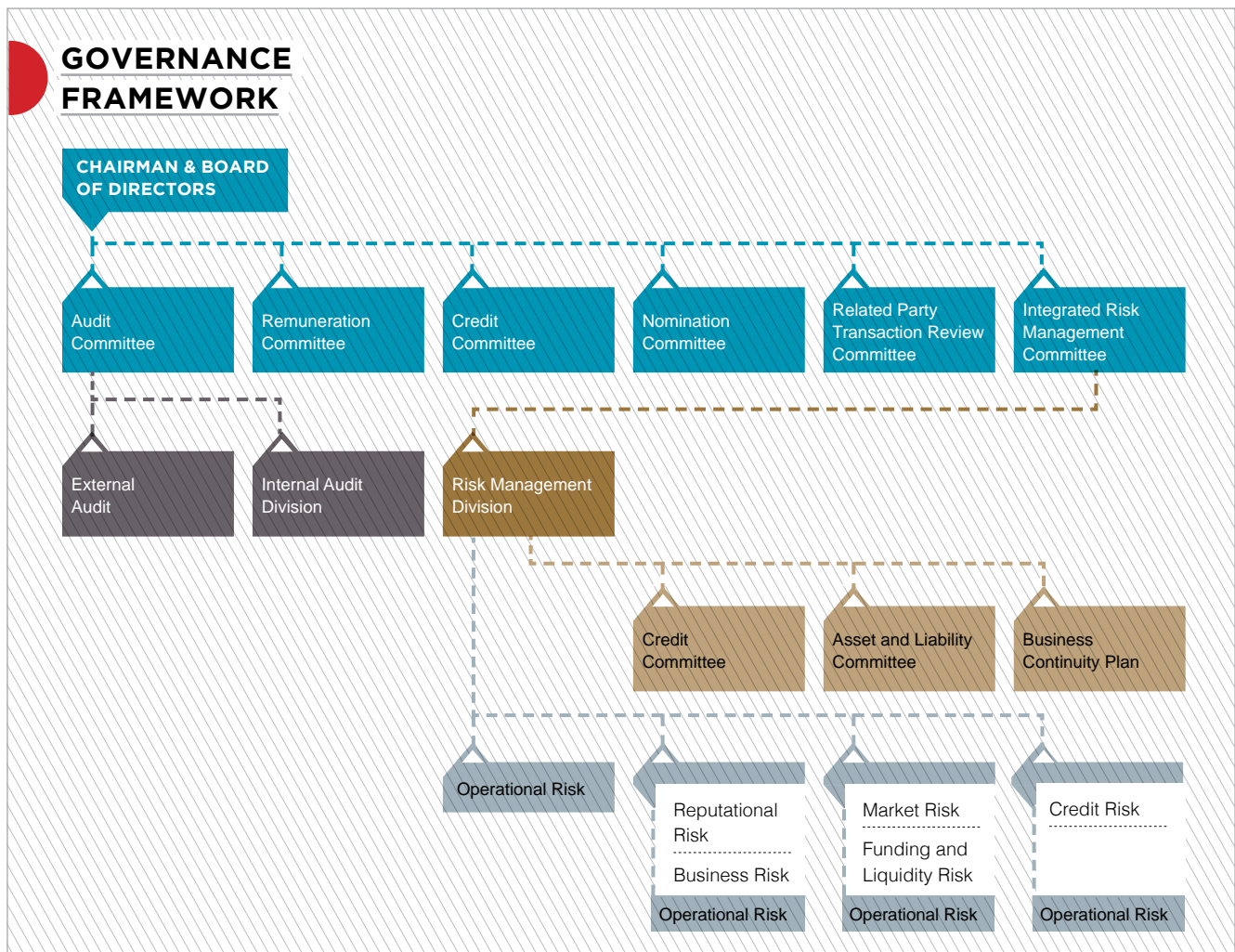
GOVERNANCE

The responsibility for ensuring that risks are adequately identified, measured, managed and monitored and that good governance is maintained remains at the Board level. Policies and frameworks are the avenues where Board supported by Board Committees discharge their duty. With a system of internal controls functioning throughout the entity, Executive Management, together with a number of Sub-Committees, manages the business. This mechanism has helped to

promote an awareness of risk and good governance in every area of the business and imparts a culture of compliance.

IRMC GOVERNANCE STRUCTURE

The IRMC governance structure consists of a number of committees with varying areas of responsibility as detailed in the following diagram:



RISK MANAGEMENT COMMITTEES AND FORUMS

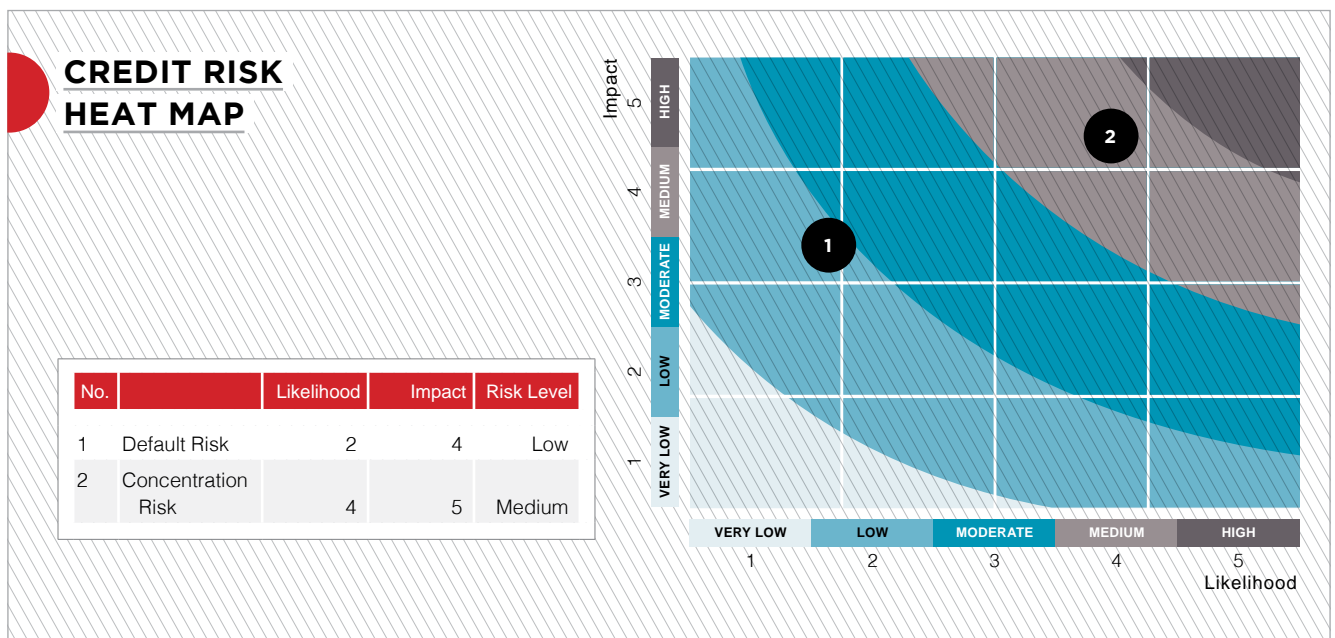
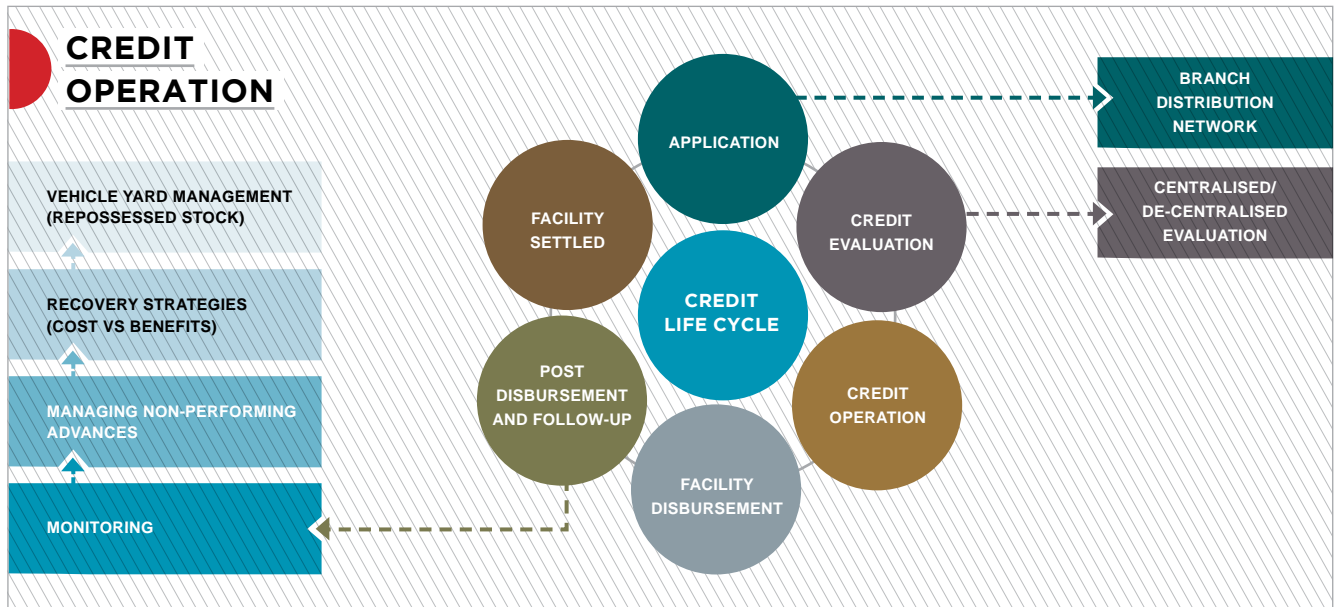
Committee	Priorities	Composition	Update for 2015/16
IRM Committee	Ensuring that a robust-risk management framework is in place	Non-Executive Directors/Executive Directors/Heads of the Departments/ Head of RM	<ul style="list-style-type: none"> Ensured risk management process is in place efficiently and effectively to mitigate risks across CDB Existing trigger points were reviewed and 5 new trigger points were introduced to better monitor various risk categories Reviewed the risk areas identified via risk identification system and assessed the level of adequacy of risk mitigation strategies put into place.
Audit Committee	Ensuring that adequate systems of internal controls are in place	Non-Executive Directors. Internal Audit	<ul style="list-style-type: none"> 9 meetings were held during the period under review. Committee met on two separate occasions with the External Auditors without the presence of the Executive Directors.
Credit Committee	Approving high exposure loans and to mitigate the risk inherent	Executive Directors	<ul style="list-style-type: none"> Ensured effective and efficient strategies are in place to minimise the credit risk Reviewing the credit policy periodically and revising it to better align to revised market conditions, Government rules and regulations etc.
Asset & Liability Committee (ALCO)	To mitigate risk especially with regard to market risk	MD/CEO CFO COO DGM – Finance AGM – Finance Manager – Risk Head of Treasury	<ul style="list-style-type: none"> Addressing maturity mismatches and introducing strategies/contingency plans to employ in an emergency situation Weekly conducting an assessment of the cash flow requirement and planning for future cash flow requirements to ensure adequate liquidity levels Conducting sensitivity analysis based on maturity mismatches and interest rate fluctuations Based on the market changes, indicating the correct interval that we should revise our pricing strategies



AN OVERVIEW OF KEY RISKS

CREDIT RISK

Credit risk arises due to an obligor being either unwilling to perform on an obligation or its ability to perform such obligation is impaired resulting in economic loss to the financial institution.



CREDIT RISK CONTROL DASHBOARD

Risk Category

Strategies in Place to Mitigate Risks

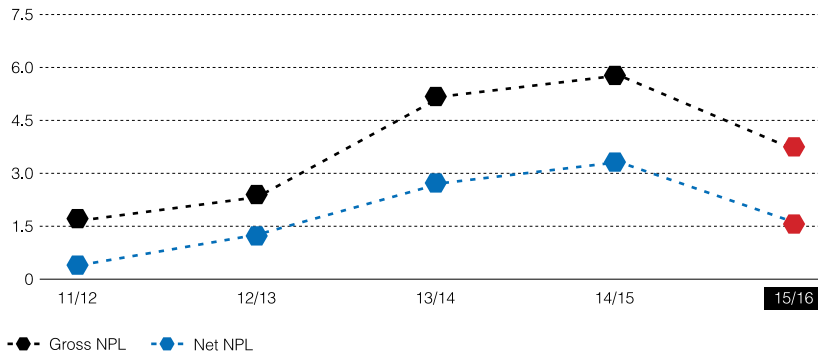
DEFAULT RISK

Default Risk arises due to borrower failing to repay his/her loan obligation in a timely manner.

Through ALCO meeting, market developments and economic conditions were monitored on a monthly basis and amendments were done to credit policies as and when needed to attract a quality loan portfolio

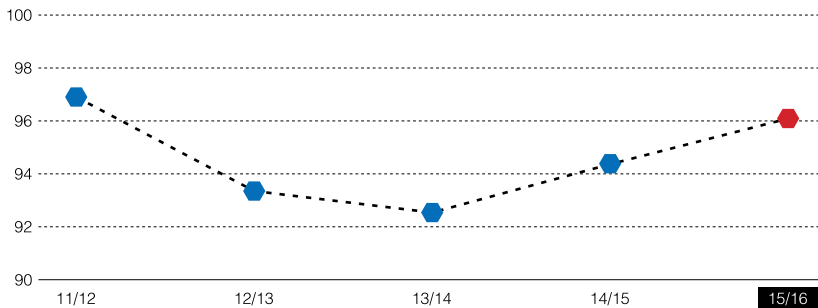
Applied an effective and efficient mechanism when granting advances via branches and head office to ensure we mitigate the default risks

GROSS NPL VS NET NPL (%)



During the year under review, Gross NPL and Net NPL showed an impressive improvement where it got improved from last year's 5.78% to 3.62% main contributor last year for the increasing of NPL was the increase we saw with regard to yard stock which was handled in a wise manner resulting in a decrease of NPLs during the financial year under review.

COLLECTION RATIO (CUMULATIVE) (%)



Cumulative collections ratio indicates a figure of 96.10% during the financial year which showcases a 2% improvement.

Strategies are deployed to improve collection ratio which will be monitored on a daily basis. Collection ratio covering age-wise, branch-wise, area-wise etc. will be calculated and reviewed on monthly meetings

Risk Category	Strategies in Place to Mitigate Risks														
<div style="text-align: center;"> <p>NPAS PRODUCT WISE</p> <table border="0"> <tr> <td>■ Leasing</td> <td style="text-align: right;">79%</td> </tr> <tr> <td>■ Hire Purchases</td> <td style="text-align: right;">17%</td> </tr> <tr> <td>■ Loans</td> <td style="text-align: right;">4%</td> </tr> <tr> <td>■ Pawning</td> <td style="text-align: right;">0.06%</td> </tr> </table> <p style="font-size: 24px; font-weight: bold; margin-top: 10px;">14/15</p> </div>	■ Leasing	79%	■ Hire Purchases	17%	■ Loans	4%	■ Pawning	0.06%	<p>NPL ratio is taken as a trigger point to the risk dashboard and reviewed on a monthly basis and on a quarterly basis at the IRM meeting</p> <p>Provision management teams assigned under the Recoveries Department to closely evaluate and monitor non-performing advances and ensure that facilities are not converted to default states</p>						
■ Leasing	79%														
■ Hire Purchases	17%														
■ Loans	4%														
■ Pawning	0.06%														
<div style="text-align: center;"> <p>NPAS PRODUCT WISE</p> <table border="0"> <tr> <td>■ Leasing</td> <td style="text-align: right;">76%</td> </tr> <tr> <td>■ Hire Purchases</td> <td style="text-align: right;">18%</td> </tr> <tr> <td>■ Loans</td> <td style="text-align: right;">6%</td> </tr> <tr> <td>■ Pawning</td> <td style="text-align: right;">0.02%</td> </tr> </table> <p style="font-size: 24px; font-weight: bold; margin-top: 10px;">15/16</p> </div>	■ Leasing	76%	■ Hire Purchases	18%	■ Loans	6%	■ Pawning	0.02%	<p>NPL ratio is calculated covering branch-wise, product-wise, area-wise etc. to identify which areas require more attention</p> <p>A special and high consideration was given through the monthly meetings by putting timely strategies to manage the repossessed vehicles in each vehicle yard in an efficient and effective way</p>						
■ Leasing	76%														
■ Hire Purchases	18%														
■ Loans	6%														
■ Pawning	0.02%														
<p>When considering product-wise NPLs, leasing accounts for highest NPLs.</p>															
<p>IMPACT ON COMPANY CAR (CAPITAL ADEQUACY RATIO) FROM THE CHANGES OF NPL'S (NON-PERFORMING LOANS)</p> <p>Base Case</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td>Capital Adequacy Ratio (CAR %)</td> <td style="text-align: right;">11.74</td> </tr> <tr> <td>Capital Base (Rs. '000)</td> <td style="text-align: right;">4,845,213</td> </tr> <tr> <td>Total Risk-Weighted Assets (Rs. '000)</td> <td style="text-align: right;">41,288,199</td> </tr> <tr> <td>NPL Ratio (%)</td> <td style="text-align: right;">3.62</td> </tr> <tr> <td>Total Non-Performing Assets (Rs. '000)</td> <td style="text-align: right;">1,412,121</td> </tr> <tr> <td>Total Performing Assets (Rs. '000)</td> <td style="text-align: right;">37,642,623</td> </tr> <tr> <td>Total Loan Assets (Rs. '000)</td> <td style="text-align: right;">39,054,744</td> </tr> </table>		Capital Adequacy Ratio (CAR %)	11.74	Capital Base (Rs. '000)	4,845,213	Total Risk-Weighted Assets (Rs. '000)	41,288,199	NPL Ratio (%)	3.62	Total Non-Performing Assets (Rs. '000)	1,412,121	Total Performing Assets (Rs. '000)	37,642,623	Total Loan Assets (Rs. '000)	39,054,744
Capital Adequacy Ratio (CAR %)	11.74														
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Total Performing Assets (Rs. '000)	37,642,623														
Total Loan Assets (Rs. '000)	39,054,744														

Risk Category

Strategies in Place to Mitigate Risks

	Scenario 1	Scenario 2	Scenario 3
Magnitude of Shock (%)	5	10	15
Total NPAs (Rs. '000)	1,412,121	1,412,131	1,412,121
Increase in NPAs (Rs. '000)	70,606	141,212	211,818
Revised Capital (Rs. '000)	4,774,607	4,704,001	4,633,395
Revised RWA (Rs. '000)	41,288,199	41,288,199	41,288,199
Revised CAR (%)	11.56	11.39	11.22

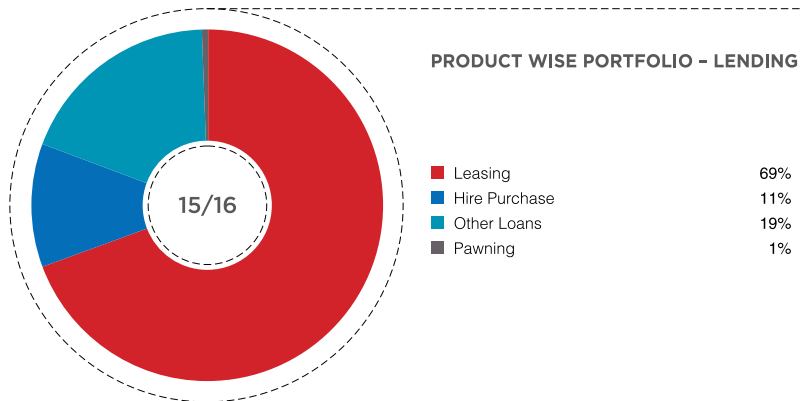
Stress testing on the increase in NPAs is carried out to estimate the impact on capital, profit targets etc.

IMPACT ON COMPANY NPL RATIO FROM THE CHANGES OF NPA'S

	Scenario 1	Scenario 2	Scenario 3
Magnitude of Shock (%)	5	10	15
Total NPAs (Rs. '000)	1,412,121	1,412,131	1,412,121
Increase in NPAs (Rs. '000)	70,606	141,212	211,818
Revised NPAs (Rs. '000)	1,482,727	1,553,333	1,623,939
Total Loan Assets (Rs. '000)	39,054,744	39,054,744	39,054,744
Revised NPL Ratio (%)	3.80	3.98	4.16

CONCENTRATION RISK

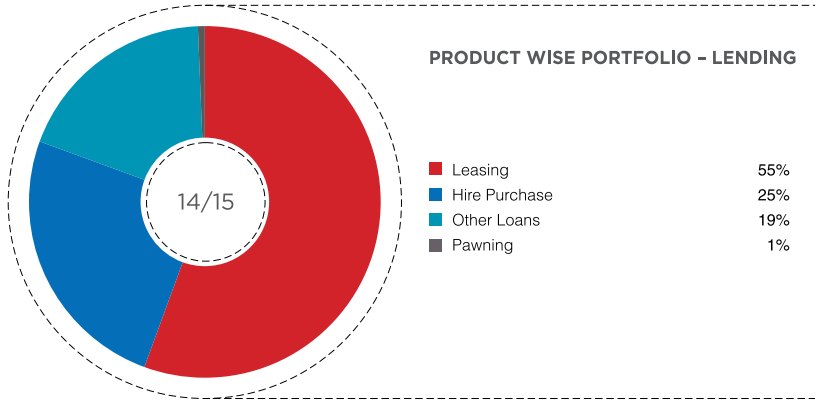
The risk perceived by an organisation due to uneven exposure to a particular product, group or counterparties.



CDB's exposure to three-wheeler segment was reduced and the focus was shifted to hybrid, electric vehicle financing

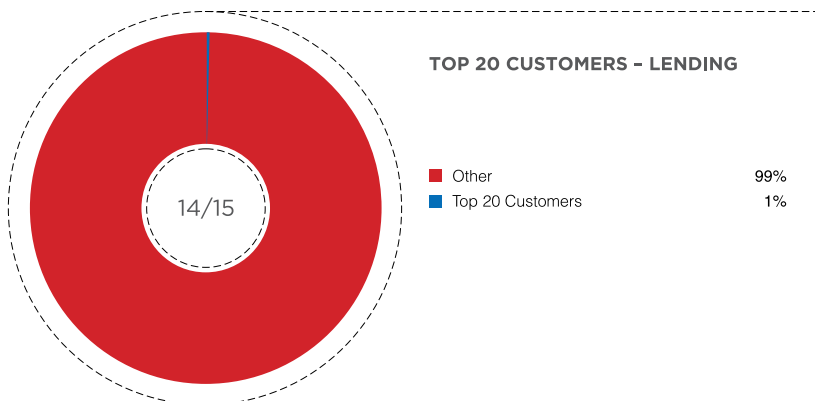
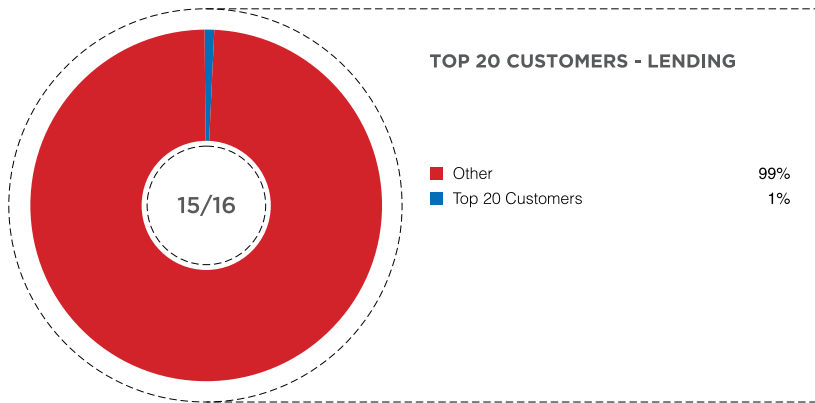
Risk Category

Strategies in Place to Mitigate Risks



Several measures were taken at the beginning of the financial year to reduce the concentration CDB had on vehicle related loans. Accordingly, high emphasis was given promoting personal loans and property backed loans. Concentration is calculated on a monthly basis and submitted for the attention of the IRM meeting

Auto financing has been the main product in the Company's lending portfolio which represents 90% out of the total portfolio. Compared to last financial year, concentration on vehicles has reduced as a result of focusing on personal loans, property backed loans and gold loans.

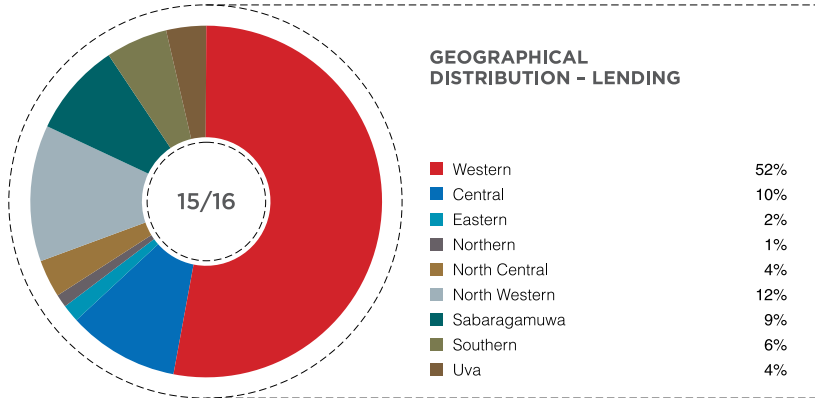


Single borrower limit set by CBSL is closely monitored by the Compliance division and whenever a high exposure loan is approved it will be referred to the Compliance division

There wasn't a change in the percentage of top 20 lending customers when considering both the financial years.

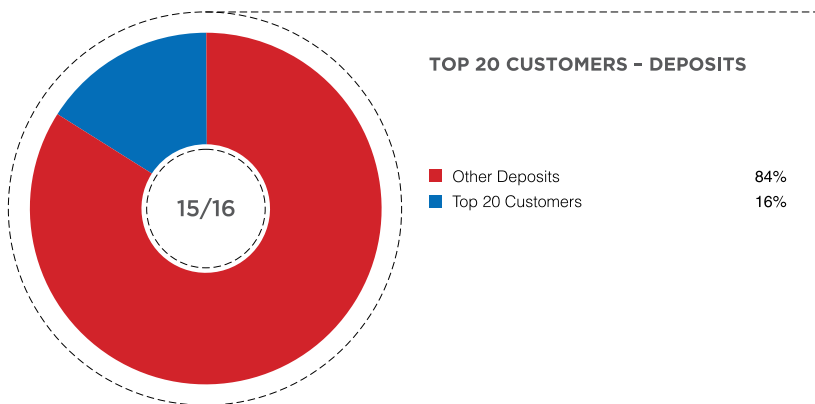
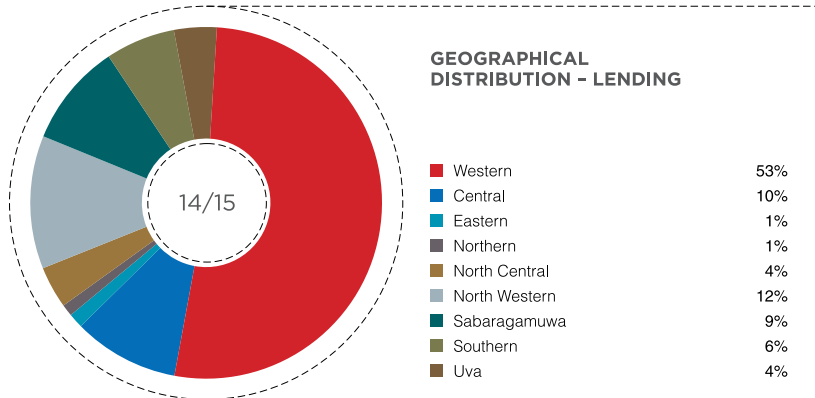
Risk Category

Strategies in Place to Mitigate Risks

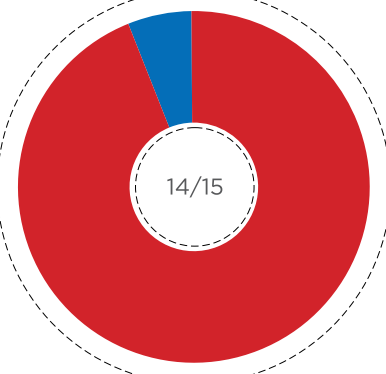
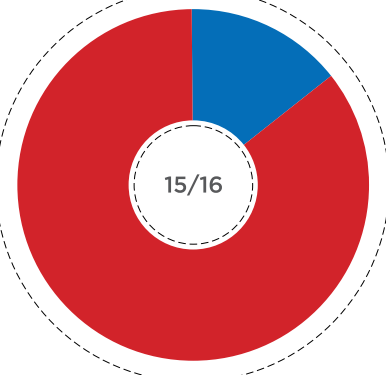
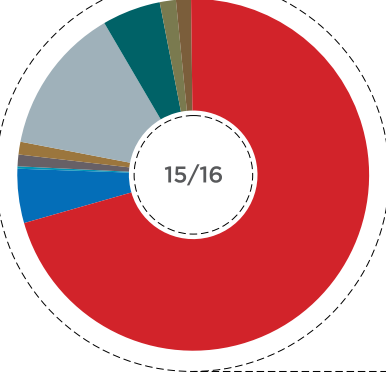


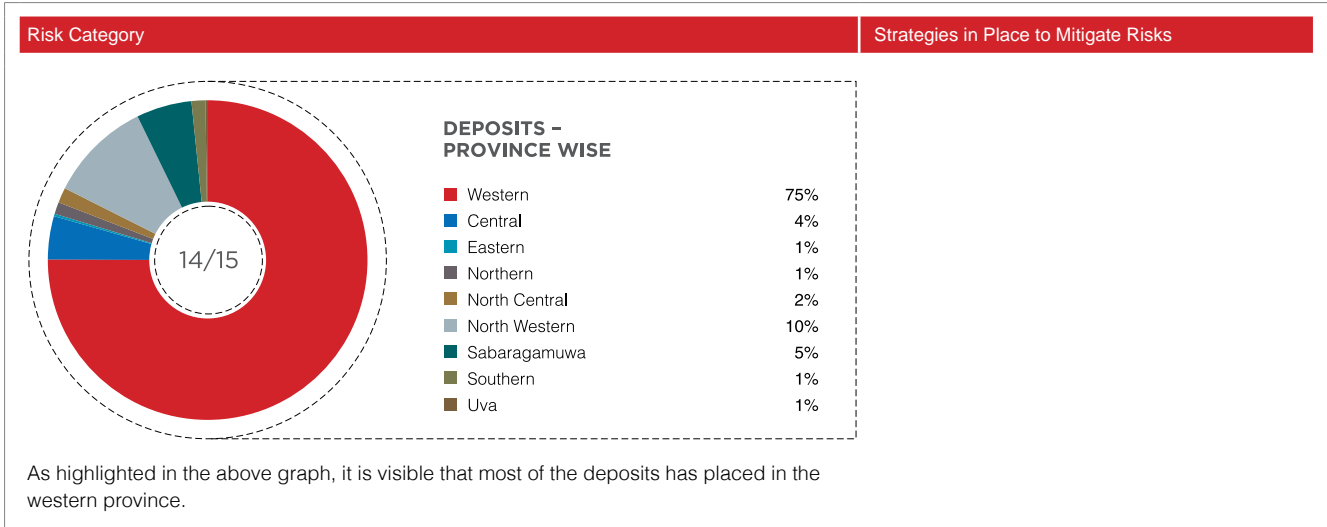
Data with regard to high exposure loans are reviewed on a monthly basis to observe the concentration risk

Western Province dominates the geographical distribution with 52% as a result of high credit demand for auto financing in the Western Province.



Concentration on deposit customers and the concentration prevails over geographical areas are reviewed on a monthly basis by the risk division.

Risk Category	Strategies in Place to Mitigate Risks																		
<p>TOP 20 CUSTOMERS - DEPOSITS</p>  <table border="1" data-bbox="592 570 959 619"> <tr> <td>Other Deposits</td> <td>94%</td> </tr> <tr> <td>Top 20 Customers</td> <td>6%</td> </tr> </table>	Other Deposits	94%	Top 20 Customers	6%	<p>A comprehensive contingency plan is decided and approved at the ALCO meeting which will be implemented if required to deal with high net worth customers</p>														
Other Deposits	94%																		
Top 20 Customers	6%																		
<p>CORPORATE VS INDIVIDUAL - DEPOSITS</p>  <table border="1" data-bbox="592 1027 959 1076"> <tr> <td>Individual Customers</td> <td>86%</td> </tr> <tr> <td>Corporate Customers</td> <td>14%</td> </tr> </table>	Individual Customers	86%	Corporate Customers	14%	<p>When opening new outlets, a special consideration will be given for geographical locations with high deposit and lending volumes</p>														
Individual Customers	86%																		
Corporate Customers	14%																		
<p>DEPOSITS - PROVINCE WISE</p>  <table border="1" data-bbox="592 1471 959 1697"> <tr> <td>Western</td> <td>71%</td> </tr> <tr> <td>Central</td> <td>5%</td> </tr> <tr> <td>Eastern</td> <td>1%</td> </tr> <tr> <td>Northern</td> <td>1%</td> </tr> <tr> <td>North Central</td> <td>1%</td> </tr> <tr> <td>North Western</td> <td>14%</td> </tr> <tr> <td>Sabaragamuwa</td> <td>5%</td> </tr> <tr> <td>Southern</td> <td>2%</td> </tr> <tr> <td>Uva</td> <td>1%</td> </tr> </table>	Western	71%	Central	5%	Eastern	1%	Northern	1%	North Central	1%	North Western	14%	Sabaragamuwa	5%	Southern	2%	Uva	1%	
Western	71%																		
Central	5%																		
Eastern	1%																		
Northern	1%																		
North Central	1%																		
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Sabaragamuwa	5%																		
Southern	2%																		
Uva	1%																		

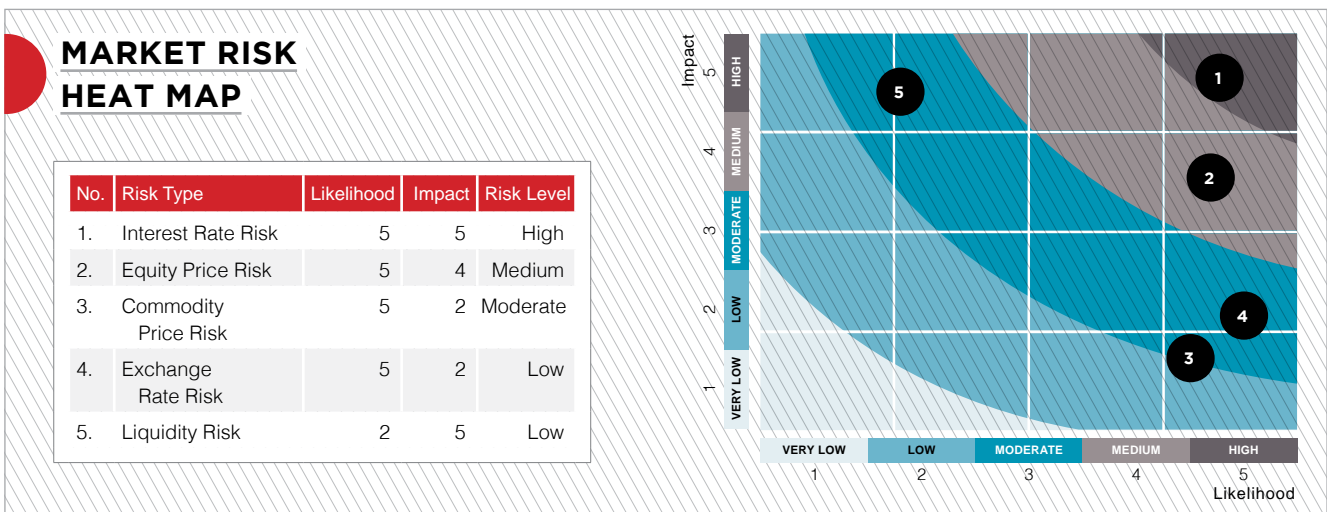


CREDIT RISK TRIGGER POINTS

Criteria	Trigger Point	Current Position (as at 31st March 2016)	Remarks
NPL Ratio	3.5%	3.62%	NPL movement is being monitored on a weekly basis and loan segments with high NPLs are treated by taking decisions either to discontinue or executing strategies to reduce current levels
Cumulative Collection Ratio	94%	96.10%	Provision manager team is responsible in monitoring and taking timely actions to reduce provisions through better collections
Single Borrower Limit	As per the CBSL Guidelines	0.07%	

MARKET RISK

It is the risk perceived by an institution resulting from movements in market prices, such as changes in interest rates, exchange rates, equity prices and commodity prices.



MARKET RISK CONTROL DASHBOARD

Risk Category

Strategies in Place to Mitigate Risks

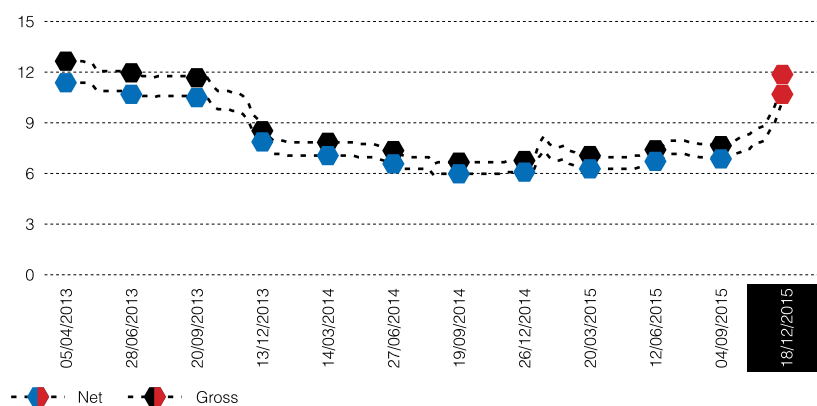
INTEREST RATE RISK

Fluctuations of interest rates in the market may create interest rate risk

Interest rate risk is one of the major risks which will have high impact on business operations if we take an organisation like CDB which engages in deposit mobilisation and lending.

TB RATE MOVEMENT

(%)



In order to mitigate negative impacts arising from risks associated with fluctuations in interest rates, at CDB, we maintain an investment and credit dashboard which provides information pertaining to (Weighted Average Borrowing Rate and Weighted Average Lending Rate) on a daily basis

Interest rate movements are given a special emphasis at the ALCO meeting and forecasts are done based on the movements in the interest rates

Interest Rate Gap Analysis as at 31st March 2016					
Interest Earning Assets/ Interest Bearing Liabilities (Rs. '000)	Maturity Period				
	Up to 1 Month	2 - 3 Months	4 - 6 Months	7-12 Months	Over 12 Months
Interest Earning Assets	6,521,860	3,076,004	4,181,858	7,351,018	24,763,081
Cash and Cash Equivalents	344,357	510,168	235,338	845,688	–
Financial Investments - Held for Trading	100,000	–	–	–	–
Loans & Advances	2,747,632	2,269,082	3,176,459	5,717,166	24,628,580
Financial Investments - Held to Maturity	362,001	296,754	770,061	788,164	134,501
Financial Investments - Loans and receivable	2,967,870	–	–	–	–
Interest Bearing Liabilities	5,808,289	6,248,232	6,861,758	7,740,689	16,574,543
Borrowings	1,369,940	742,959	853,689	1,763,183	7,616,047
Deposits	4,438,349	5,505,273	6,008,069	5,977,506	8,958,496
Net Rate Sensitivity Assets (Liabilities)	713,571	(3,172,228)	(2,679,900)	(389,671)	8,188,538

Gap analysis on rate sensitive liabilities and rate sensitive assets is monitored by ALCO to decide appropriate strategies to mitigate maturity mismatches

Necessary decisions on pricing of assets and liabilities will be taken after proper evaluation of the current interest rates to better meet the margins set by the budget

Risk Category

Strategies in Place to Mitigate Risks

EQUITY PRICE RISK

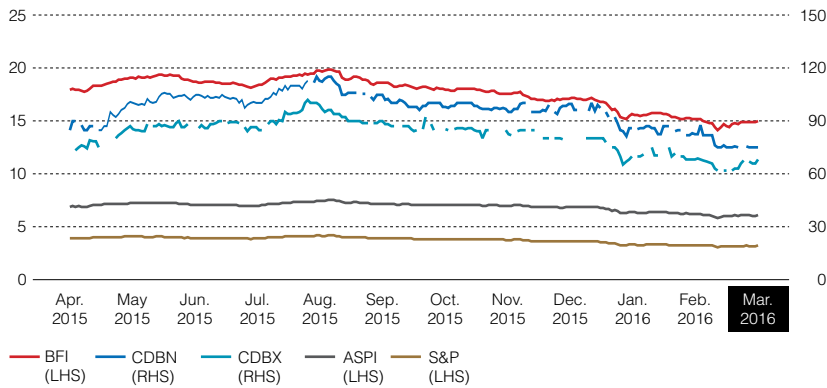
Decreasing of fair value of equities because of changes in the levels of equity indices and the value of individual stocks can be stated as equity price risk.

Stock prices will be monitored on a daily basis by the corporate finance division/finance division and referred to management

STOCK MARKET PERFORMANCE

('000)

(Rs.)

**QUOTED SHARES**

	2015/16			2014/15		
	No. of Shares	Cost	Market Value	No. of Shares	Cost	Market Value
Ceylinco Insurance PLC	607,377	161,266,932	920,594,408	564,000	99,909,075	954,118,800

STRESS TESTING

Shock—Decrease of share price (Rs. '000)

	Decrease	New market value
1% Decrease	9,206	911,388
3% Decrease	27,618	892,976
5% Decrease	46,030	874,565

1% decrease of the share price will reduce the total market value by Rs. 9.2 Mn

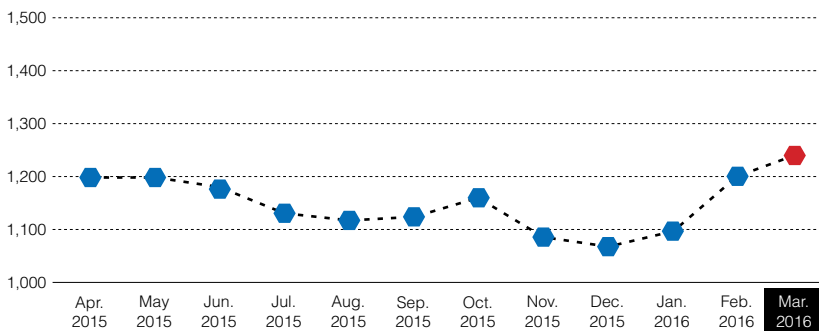
Risk Category

Strategies in Place to Mitigate Risks

COMMODITY PRICE RISK

Risk emerges due to the falling of commodity prices. CDB will face commodity price risk as we disburse gold loans thus fluctuations in gold prices in the markets may impact the article values.

GOLD PRICE MOVEMENT
(US \$ Unit Per Troy Ounce)

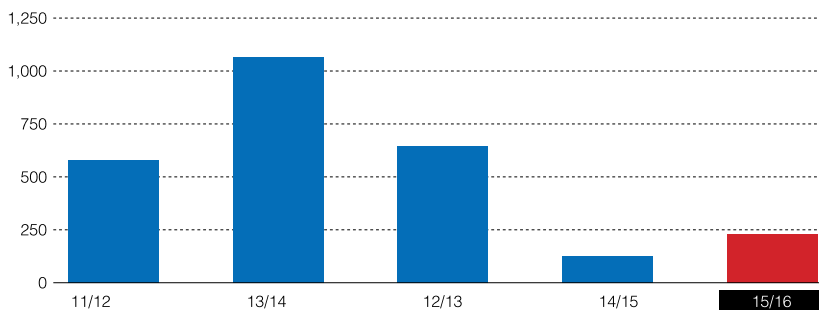


Gold Loan Division at CDB daily monitors the gold prices and exchange rate fluctuations. If there are any major fluctuations for 2-5 days, special meetings are arranged and immediate revision of strategies is put in place.

Whenever, there is a new development, it is referred to the Risk Division to assess the risks associated with the proposal.

Leave space for a paragraph to describe the above graph

GOLD LOAN ADVANCES
(Rs. Mn)



STRESS TESTING

IMPACT ON NPL RATIO DUE TO INCREASE OF PAWNING NPL'S

Base Case

NPL Ratio (%)	3.62
Total Non-Performing Assets (Rs. '000)	1,412,121
Total Performing Assets (Rs. '000)	37,642,623

Stress testing is conducted by risk division to assess the level of losses which can incur by CDB, if gold price get reduced.

Risk Category

Strategies in Place to Mitigate Risks

	Scenario 1	Scenario 2	Scenario 3
Magnitude of Shock (%)	5	10	15
Total NPAs (Rs. '000)	1,412,121	1,412,121	1,412,121
Pawning NPAs (Rs. '000)	272	272	272
Increase in NPAs (Rs. '000)	14	27	41
Revised NPAs (Rs. '000)	1,412,135	1,412,148	1,412,162
Total Loan Portfolio (Rs. '000)	39,054,744	39,054,744	39,054,744
Revised NPL (%)	3.62	3.62	3.62

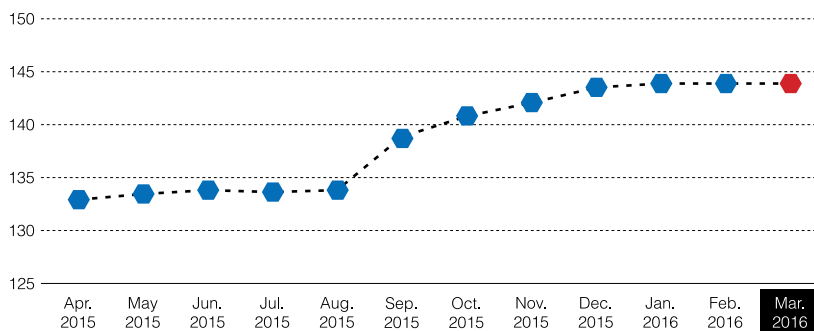
Even a 15% increase in pawning NPAs will not effect the overall NPL ratio.

EXCHANGE RATE RISK

Risk arising due to exchange rate fluctuations of currencies

Exchange rate fluctuations may have an impact and may result in affecting both gold loans portfolio as well as money exchange business. Considering about the pawning portfolio, if the rupee appreciates against the US\$ it may result in gold prices to decrease and thereby the value of gold portfolio to fall.

AVERAGE USD MOVEMENT (Rs. Per USD)



This is monitored on a daily basis and the impact it can create on areas like commodity prices/currency stock is closely monitored

We have set daily transaction limits when performing currency transactions which will be monitored on a daily basis

HIGHEST CURRENCY STOCKS OF CDB

Currency	Amount Rs.	Market Rate	Total Rs.
USD	26,962	143.96	3,881,460
EUR	9,766	159.99	1,562,437

Risk Category

Strategies in Place to Mitigate Risks

SHOCK, STRENGTHENING/WEAKENING OF CURRENCIES

Currency	Shock %	Strengthening Rs.	Weakening Rs.
USD	1	(38,815)	38,815
EUR	1	(15,624)	15,624
USD	3	(116,444)	116,444
EUR	3	(46,873)	46,873
USD	5	(194,073)	194,073
EUR	5	(78,122)	78,122

LIQUIDITY RISK

If a financial institution faces difficulties in meeting short-term financial demands, it is facing a liquidity risk.

CDB has maintained a healthy liquidity position as per the CBSL regulatory requirements.

Liquidity report is prepared on a daily basis and conveyed to Key Management Personnel

Weekly meetings are held to plan the cash flows and to determine the cash requirements

LIQUIDITY STRESS TESTING

Direction	As at 31 March 2016	As at 31 March 2015
Maintain minimum holding of liquid assets based on the outstanding value of the time deposits mobilised by the Company (%)	20.04	14.66
Required minimum amount of liquid assets (Rs. '000)	3,403,962	2,977,502
Available amount of liquid assets (Rs. '000)	6,664,229	4,262,267

Liquidity ratio is monitored on a daily basis by the Treasury Division

Stress testing with regard to liquidity ratio is carried out by setting different shock levels to deposit liabilities

Base Case

Liquid Assets Ratio (%)	20.04
Liquid Assets (Rs. '000)	6,664,229
Deposit Liabilities (Rs. '000)	33,248,607

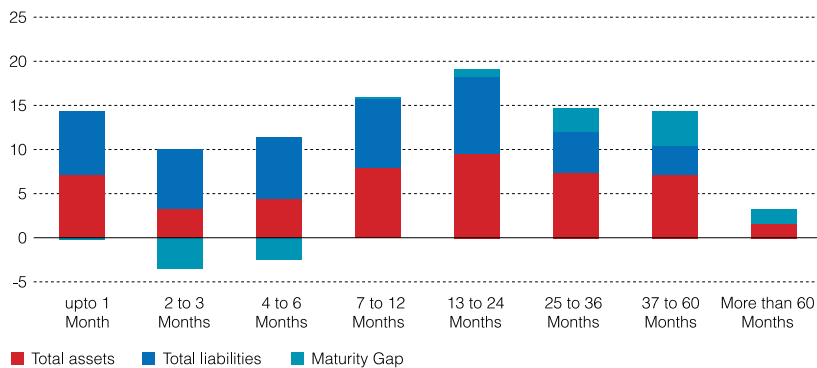
Risk Category

Strategies in Place to Mitigate Risks

	Scenario 1	Scenario 2	Scenario 3
Magnitude of shock (%)	4	8	12
Liquid Assets (Rs. '000)	6,664,229	6,664,229	6,664,229
Liabilities (Rs. '000)	33,248,607	33,248,607	33,248,607
Fall in Liabilities (Rs. '000)	1,329,944	2,659,889	3,989,833
Revised Liabilities (Rs. '000)	31,918,663	30,588,718	29,258,774
Revised Liquid Assets (Rs. '000)	5,334,285	4,004,340	2,674,396
Ratio after shock (%)	16.71	13.09	9.14

MATURITY GAP ANALYSIS

(Rs. Bn)



At the monthly ALCO meeting, maturity gap is reviewed and necessary actions will be put into place to maintain a proper balance in assets and liability maturities.

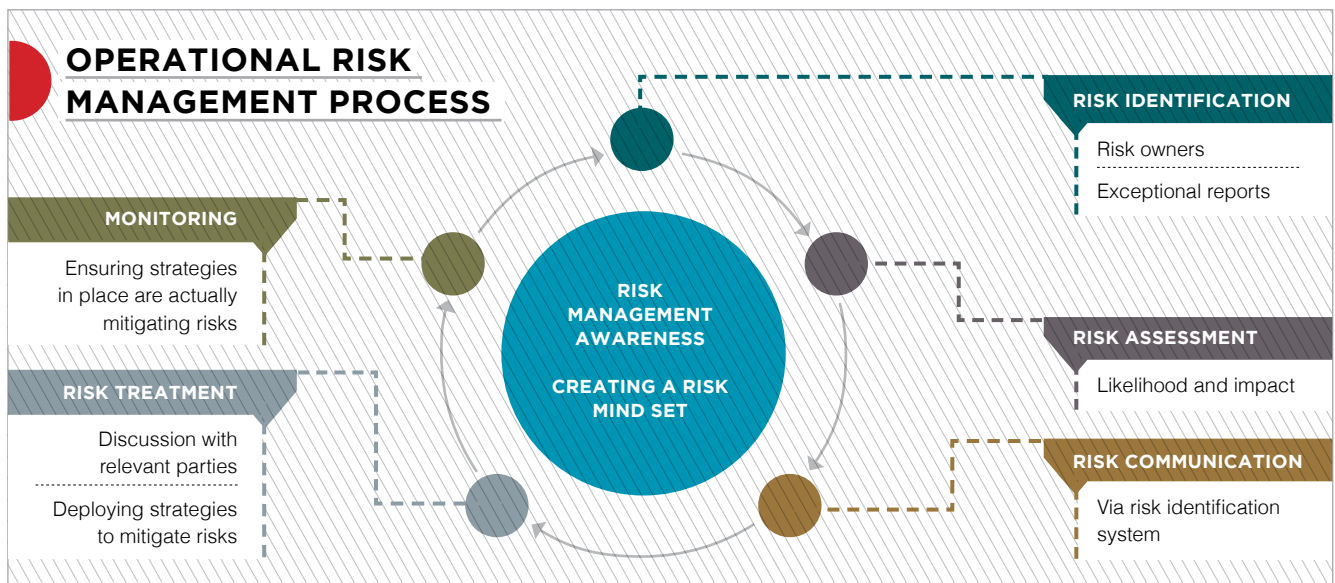
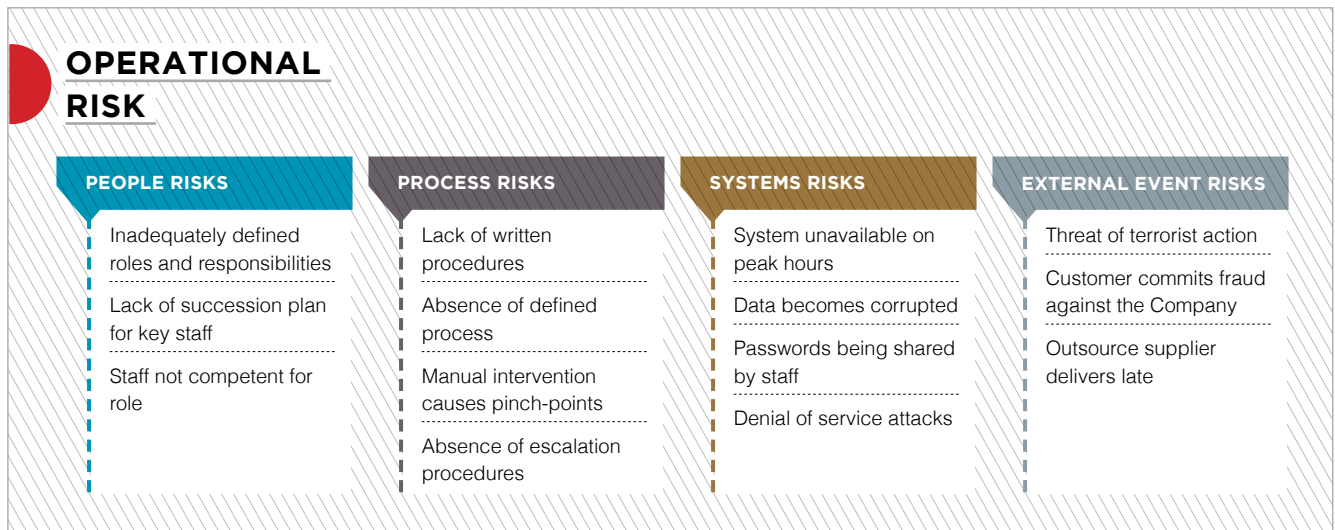
MARKET RISK TRIGGER POINTS

Criteria	Trigger Points	Current Position (as at 31st March 2016)	Remarks
Liquidity Ratio	10%	20.04%	Weekly basis treasury meetings are held and cash flows are reviewed and necessary decisions are made
Maturity Gap of 1 year basket	10%	12%	Maturity mismatches are reviewed in a detailed manner at the ALCO meeting and contingency planning is presented to meet an emergency situation
Gold price – Unit per tray ounce (24KT) in US \$	1,000	1,237	Both local and international gold prices are closely monitored by the Pawning Division/Risk Management Division and appropriate actions are taken with regard to pawning advances offered to customers

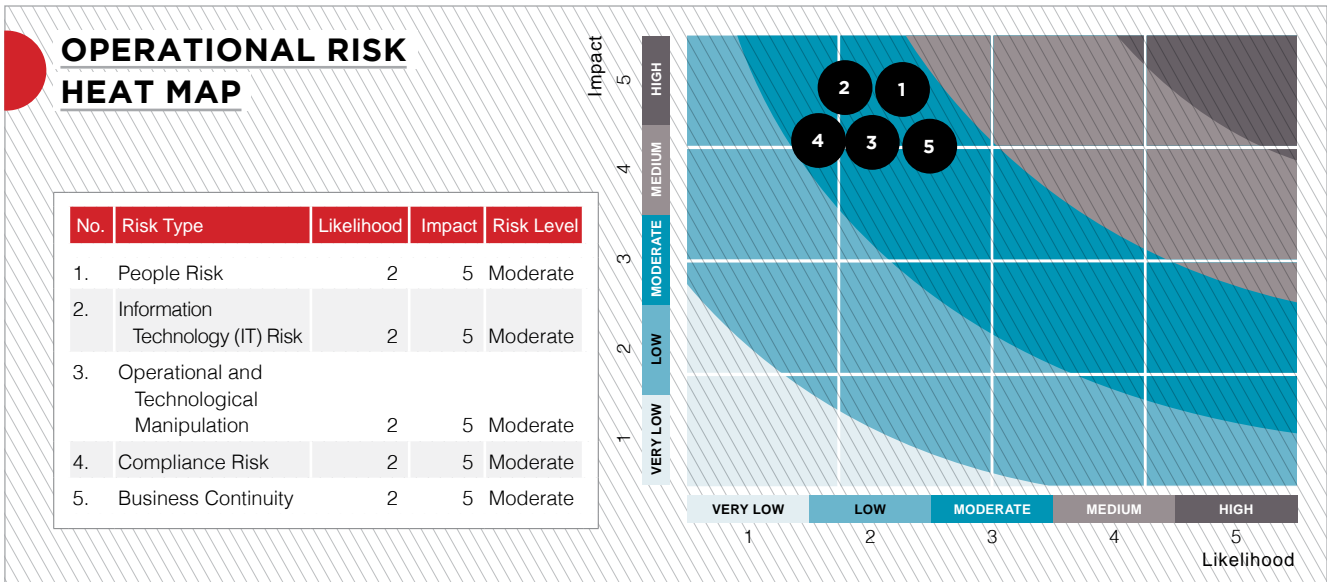
OPERATIONAL RISK

The management of operational risk is intrinsic in the day-to-day accomplishment of duties by management at CDB and it is a central component of the management process. Management is accountable for developing and maintaining control environments to mitigate the operational risks inherent in the business.

Lack of adequate awareness of operational risk indicators or insufficient internal controls may result in facing of various operational risks to an organisation. With the aim of enhancing the internal control environment and to reduce losses within the accepted risk appetite of CDB, we consider risk assessment, loss data collection and the tracking of risk indicators to be the key to mitigate operational risk. Operational risk may be present due to losses stemming from inadequate or failed internal processes, people and systems or from external events as depicted in the following table:



Risk owners at each department and branch are given the access to an internally developed risk identification system and when they encounter a particular risk relating to operations/system, they can communicate it. Quarterly meetings are conducted with the risk owners and the risks identified via this system are reported to the head of the risk management division where he is responsible in employing strategies to mitigate the risk areas reported. A summary of risks reported, strategies employed is then submitted to quarterly held IRMC meetings.



Risk Category	Strategies in Place to Mitigate Risks
<p>People risk</p> <p>People risk arises due to losing the skilled long serving employees, lack of appropriate human resources, not adhering to pre-set guidelines by the employees etc.</p> <p>The long-term success of any organisation largely depends on the quality of the employees that are recruited and the retention of its good performers. CDB strives to be the employer of choice and will continue to build a winning culture.</p>	<p>Proper in-house training, external training and foreign training is provided based on the training needs identified</p> <p>Leadership development programs like speech craft programmes are available within the Company</p> <p>Department meetings and yearly sessions ex: breakfast meeting with the CEO</p> <p>CDB promotes an open door policy when it comes to grievance handling</p> <p>We promote work-life balance through various programmes like sports day, get-togethers etc.</p> <p>We do recognise our exceptional performers by way of organising a gala event and award them with awards, foreign tours etc.</p> <p>In mitigating risks associated with its people, CDB's HR Department closely monitors the employee turnover ratio monthly and presents data to the management. The details of employee resignations, the reasons for leaving etc. gathered through exit interviews are taken into further discussion</p>

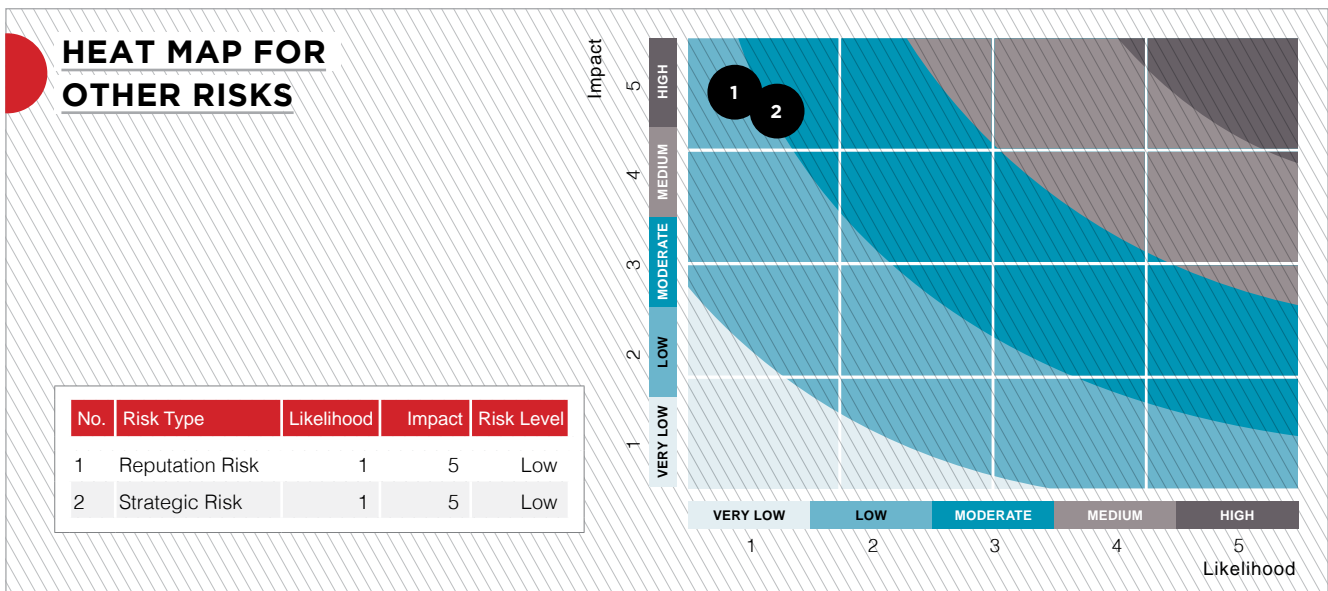
Risk Category	Strategies in Place to Mitigate Risks
<p>Information Technology (IT) Risk</p> <p>Risk emerges when a company is not in a situation to maintain its core functions as a result of inadequate ICT.</p> <p>IT infrastructure plays a critical role in conducting business operation in a NBF1. If its IT platform does not run appropriately even for an hour, whole operation will get disrupted. In order to have a smooth functioning of IT infrastructure, we maintain effectual IT policies and internal control mechanisms.</p>	<p>Penetration test was done to identify the network vulnerabilities</p> <p>Maintaining back up at DR sites to facilitate business continuity planning</p> <p>Monitoring Firewall/proxy logs to capture unauthorised internet activities</p> <p>Maintain two tape backups where one will be sent to a 3rd party location and the other kept at CDB</p> <p>A health check of operating system, hardware, database level alert logs covering both DR and production is conducted on a daily basis</p> <p>Restoring a tape back on a monthly basis in order to verify the functionality of restored tape and the connected application</p> <p>CDB is in the process of preparing policies covering each and every IT aspect to govern IT</p> <p>Backups are in place to ensure that branch and ATM connectivity</p> <p>Clear segregation of duties to facilities information system security</p> <p>We run system audits on a routine basis through IT risk team</p>
<p>Operational and Technological Manipulation</p> <p>Risk arises mainly due to inappropriate operational and system controls and procedures</p> <p>Lack of controls and procedures will lead to various manipulations and will act as a bottleneck within the business premises, which may further lead to fraudulent activities.</p>	<p>Daily monitoring of transactions through exceptional reports</p> <p>Procedure manuals are in place covering all the operations</p> <p>Weekly operational meeting is conducted with the participation of operations divisions</p> <p>Quarterly conducting an analysis of the existing processes to assess the adequacy of the existing controls and if not adequate, take necessary action to strengthen controls by the risk division</p> <p>Set of operational risk/key risk indicators were developed by the risk management division to monitor operational risks covering main operations</p> <p>Random branch visits by internal audit division and the management team members, through spot audits by a third party, random client visits by Audit Department and adopting stringent HR policies and internal controls</p>
<p>Compliance Risk</p> <p>A shift in the regulatory environment will require a NBF1 to adhere to new guidelines set and failure to do so will result in facing compliance risk</p> <p>CDB accepts and adopts a rigorous and proactive approach towards its regulatory responsibilities through the compliance team ensuring that we have the necessary rigor regarding our approach and implementation.</p> <p>Our risks are managed through internal policies and processes, which include risk management, legal, compliance and other technical requirements relevant to the business.</p> <p>CDB also has proactive ongoing engagements with the relevant regulatory and Government authorities to try to understand, ahead of time, what the possible specific interventions could be and to prepare for readiness in order to minimise the effect of additional and amended laws and regulation.</p>	<p>Monthly conducting a compliance meeting with the management and reviewing the compliance status of the current rules and guidelines and communicating about the newly formed rules and guidelines.</p> <p>Submission of weekly, monthly, quarterly and annual (Financial Data) reports to the CBSL</p> <p>Monthly submission of Compliance Board Paper</p> <p>Monitoring transactions and submission of reports to FIU</p> <ul style="list-style-type: none"> • Reporting suspicious transactions if any according to STR Format • Uploading every month above Rs. 1 Mn Cash transaction to FIU System <p>Conducting Anti Money Laundering training programme for new comers.</p> <p>Conducting assignments such as AML related audits with the help of audit firms</p>

Risk Category	Strategies in Place to Mitigate Risks
<p>Business Continuity</p> <p>Risk arises due to various hazards which will affect the functioning of day to day business operations of an organisation</p> <p>CDB has a separate division which is responsible for implementing and functioning of BCP which has enabled the Company to institute appropriate controls to minimise risks and initiate action plans.</p> <p>Most importantly BCP will touch every nook and corner of the business and has benefited the risk management function as a whole.</p>	<p>A disaster recovery plan is in place in relation to BCP which will ensure initiating business operation immediately in an emergency situation</p> <p>Periodically doing presentations to IRMC on the progress of BCP</p> <p>Record keeping incident reports on any issue that hinder the business continuity</p> <p>Organising evacuation drills, functional drills at DR sites</p> <p>Organising trainings for fire fighters, and first aiders</p> <p>Giving awareness on BCP at induction programmes</p> <p>Analysing on emergency response plans of locations, which are having CDB events</p> <p>Conducting BCP audits at regular intervals</p> <p>Revising BCP manual on a timely basis</p>

OPERATIONAL RISK TRIGGER POINTS

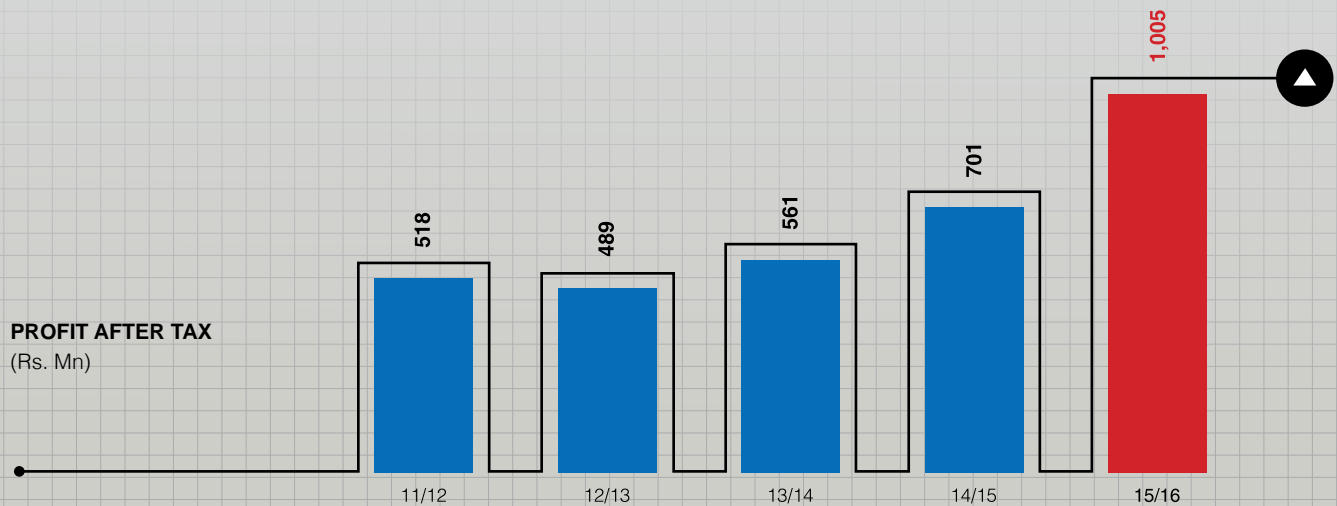
Criteria	Trigger Points	Current Position (as at 31st March 2016)	Remarks
Capital Adequacy – Tier I	5%	11.72%	
Capital adequacy – Tier I & II	10%	11.74%	Capital adequacy levels were closely monitored at Compliance Committee meeting and appropriate decisions were taken
Capital Funds to deposit liabilities	10%	15.69%	

OTHER RISKS



Risk Category	Strategies in Place to Mitigate Risks									
<p>Reputation Risk</p> <p>Risk arises due to negative stakeholder opinion</p> <p>NO. OF COMPLAINTS (Nos.)</p> <table border="1"> <caption>NO. OF COMPLAINTS (Nos.)</caption> <thead> <tr> <th>Year</th> <th>No. of complaints</th> <th>Rental related inquiries</th> </tr> </thead> <tbody> <tr> <td>14/15</td> <td>100</td> <td>75</td> </tr> <tr> <td>15/16</td> <td>170</td> <td>240</td> </tr> </tbody> </table> <p>■ Rental related inquiries ■ No. of complaints</p>	Year	No. of complaints	Rental related inquiries	14/15	100	75	15/16	170	240	<p>This is monitored based on the number of customer complaints received by customer care division</p> <p>Number of customer complaints is taken as a risk indicator on the IRMC dash board and is monitored with regard to a trigger point set and dealt with in a systematic way</p> <p>Other mechanisms involved in getting stakeholder opinion are staff surveys/suggestion scheme, investor feedback at Annual General Meeting etc.</p>
Year	No. of complaints	Rental related inquiries								
14/15	100	75								
15/16	170	240								
<p>Strategic Risk</p> <p>Strategic risk arises as a result of taking inappropriate decisions, poor planning, inability to adapt to change in the environment etc.</p>	<p>There will be a session run bi-annually to review the key performance areas with the budgeted targets set at the beginning of the financial year</p> <p>There are several trigger points to ensure that the Company is moving ahead as to the set targets and any deviations are referred to the Board</p> <p>There are also several 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</p> <p>Monthly meetings with sales staff are held to ensure that the Company achieves the monthly targets set</p>									

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ANNUAL REPORT OF THE BOARD OF DIRECTORS

GENERAL

The Directors of Citizens Development Business Finance PLC (CDB) have pleasure in presenting to the shareholders this report together with the Audited Financial Statements of the Company and the group for the year ended 31st March 2016 together with the Auditors' Report on those Financial Statements, conforming to the requirements of the Companies Act No. 07 of 2007, Finance Business Act No. 42 of 2011 and amendments thereto 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 02nd June 2016.

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 7th 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 is an approved Credit Agency registered under the 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 (SL/BBB) financial institution rating 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 24. 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

The Company has two Subsidiaries as at 31st March 2016. Names of the Subsidiaries and their principal business activities are as tabulated below:

Entity	Principal Business Activities
CDB Micro Finance Limited	CDB Micro Finance Limited is a fully-owned subsidiary of CDB and it was established for the purpose of accommodating micro credit facilities. However, since January 2009, there has not been any business operations. Registration Number PB 3296
Unisons Capital Leasing Limited (Formerly known as Laugfs Capital 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 24th August 1991 under the provisions of the Companies Act No. 17 of 1982 and re-registered under the Companies Act No. 07 of 2007. CDB acquired UCL in 07th October 2014 under the CBSL Finance sector consolidation Framework. Currently 90.38% of issued voting shares of UCL is held by CDB. Registration Number PB 589

CHANGES TO THE GROUP STRUCTURE

CDB subscribed to the right issue of Unisons Capital Leasing Limited and purchased 7,825,932 shares, which increased the holding percentage to 90.38%.

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 12 to 15 the Managing Director's Review on pages 16 to 19 the Management Discussion on pages 44 to 104 and Financial Capital on pages 46 to 61 present an overall appraisal of the business operations, financial performance and the overall financial position of the Company and the Group.

FUTURE DEVELOPMENTS

The Company intends continuing to pursue a strategy of enhancing the product portfolio, having in mind the needs of the public. In order to achieve this and reach out to the public, the Company has focused on opening 10 new branches during the next financial year. Total branch network of the Company is 62 as at 31st March 2016.

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 appear on pages 197 to 279.

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 197 to 279 have been prepared in conformity with the requirements of Sri Lanka Accounting Standards (SLFRS/LKAS) 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 187 forms an integral part of this Report.

AUDITORS' REPORT

The Company's Auditors, Messrs KPMG (Chartered Accountants) performed the audit on the Consolidated Financial Statements for the year ended 31st March 2016 and the Auditors' Report issued thereon is given on page 197 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 31st March 2016 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 206 to 221.

REVIEW OF THE FINANCIAL PERFORMANCE DURING THE YEAR

FINANCIAL RESULTS

INCOME

Interest income represents the Company's main income. The total income for the year 2015/16 and 2014/15 were as follows:

Composition	Company		Group	
	2015/16	(Rs.)	2014/15	(Rs.)
Income	7,486,004,737	6,907,077,362	7,549,279,021	6,940,752,486
Interest income	6,647,024,326	6,251,533,117	6,702,884,036	6,285,172,241
Non-interest income	838,980,411	655,544,245	846,394,985	655,580,245
Operating income	3,498,202,075	2,844,678,500	3,553,304,085	2,872,945,145

Details are given in the Income Statements of the Financial Statements.

PROFIT AND APPROPRIATIONS

The net profit after tax of the Group for 2015/16 was Rs. 1,020 Mn (Rs. 710.42 Mn for 2014/15). Details regarding the profit and appropriations of the Company are given below:

	Company		Group	
	2015/16	(Rs.)	2014/15	(Rs.)
Profit before tax	1,253,943,503	951,420,464	1,278,467,112	968,250,999
Income tax expense	248,790,365	249,686,559	257,692,714	257,828,764
Net profit	1,005,153,138	701,733,905	1,020,774,397	710,422,235
Retained earnings brought forward	1,453,358,036	983,696,718	1,460,464,302	983,495,917
Profit available for appropriation	2,455,905,124	1,668,874,989	2,476,592,718	1,676,459,661
Appropriations				
Statutory reserve fund (SRF)	201,030,628	140,346,781	201,814,191	140,825,187
Investment fund account (IFA)	–	(87,745,449)	–	87,745,449
Final cash dividend paid	190,068,224	162,915,621	190,068,224	162,915,621
Balance carried forward	2,064,806,272	1,453,358,036	2,086,228,841	1,460,464,302
Dividend proposed	190,068,224	–	190,068,224	–

INCOME TAX EXPENSE

The income tax rate applicable to the Company for the financial year 2015/16 is 28% (2014/15 - 28%). The Company is also subject to tax on value added on financial services at the rate of 11%. (2014/15 - 11%).

The information on income tax expenses of the Company and Group is given in Note 13 to the Financial Statements on pages 226 to 228.

DIVIDENDS ON ORDINARY SHARES

The Board of Directors recommends a final cash dividend of three rupees and

fifty cents (Rs. 3.50) per share on both its 46,299,223 voting ordinary shares and 8,005,984 non-voting ordinary shares aggregating to a sum of Rs. 190,068,225 as the first and final dividend for the financial year 2015/16.

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 on the 7th market day of 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 is given below. The information on the composition and movement of reserves is given in the Statement of Changes in Equity on pages 200 to 203.

	Company		Group	
	2015/16	(Rs.)	2014/15	(Rs.)
Revaluation reserve	213,672,991	171,072,991	213,672,991	171,072,991
Statutory reserve fund (SRF)	893,331,772	638,301,144	840,593,741	638,779,550
AFS reserve	749,095,814	854,209,725	749,625,851	854,209,725
Retained earnings	2,064,806,272	1,453,358,036	2,086,228,841	1,460,464,302
Total	3,920,906,849	3,116,941,896	3,890,121,424	3,124,526,568

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 safeguarding 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 269 to 271 of this Annual Report.

CAPITAL EXPENDITURE

The total capital expenditure on acquisition of Property, Plant & Equipment and intangible assets of the Group and the Company amounted to Rs. 328 Mn. and Rs. 328 Mn respectively. (2014/2015 Group: Rs. 522 Mn, Company: Rs. 522 Mn. Details are given in Note 24 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 31st March 2016 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 24 to the Financial Statements.

STATED CAPITAL AND DEBENTURES

The stated capital of the Company as at 31st March 2016 was Rs. 1,185,061,645 consisting of ordinary voting shares of 46,299,223 and ordinary non-voting

shares of 8,005,984 (2015/16 - Rs. 1,185,061,645 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 31st March 2016 was Rs. 1,000,000,000 consisting of 10 million debentures at Rs. 100 (2014/15 – Rs. 1,000,000,000).

ISSUE OF SHARES AND DEBENTURES

There were no shares (voting or non-voting) or debentures, issued during the financial years ended 2015/16 or 2014/15.

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 281 to 288.

SHAREHOLDING

There were registered voting shareholders and non-voting shareholders as at 31st March 2016. The details of top twenty shareholders, public holding, analysis of distribution of shareholders and market information of the shares are given under the Investor Relations Section on pages 281 to 288 of this Annual Report.

Information relating to earnings, dividend, net assets per share, and market value per share are given in Financial Highlights on page 10.

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 31st March 2016, comprised of ten 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 118 to 119 of this Annual Report.

Names of the persons holding office as Directors of the Company as at 31st March 2016 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:

Name	Date of Appointment
Mr. D H J Gunawardena	01st January 2012
Mr. P C M Nanayakkara	01st February 2004
Mr. R H Abeygoonewardena	01st April 2011
Mr. S R Abeynayake	01st January 2012
Prof. Ajantha Dharmasiri	01st February 2012
Mr. D A De Silva	01st January 2012
Mr. P A J Jayawardena	26th October 2011
Mr. Razik Mohamed	01st July 2012
Mr. S V Munasinghe	01st April 2011
Mr. T M D P Tennakoon	01st April 2011

**Mr. W W K M Weerasooriya
(resigned w.e.f. 30th April 2015)*

RE-ELECTION OF DIRECTORS BY ROTATION

In terms of Articles 24 (6) and 24(7) of the Articles of Association of the Company, Messrs R H Abeygoonewardena, S V Munasinghe and P A J Jayawardena, retire by rotation and being eligible, offer themselves for re-election.

The Names of the Directors of the Subsidiary Companies of CDB Micro Finance Company Limited and Unisons Capital Leasing Limited as at 31st March 2016:

Subsidiary	Name	Other Information
CDB Micro Finance Company Limited	Mr. R Renganathan	Non-Executive Director
	Mr. P A Jayawardena	Non-Executive Director
	Mr. E T L Ranasinghe	Non-Executive Director
	Mr. W P C M Nanayakkara	Non-Executive Director
Unisons Capital Leasing Limited	Mr. D A De Silva	Chairman /Non-Executive Director
	Mr. R H Abeygoonewardena	Executive Director
	Mr. T M D P Tennakoon	Executive Director
	Mr. S V Munasinghe	Executive Director
	Ms. Sarojini Mudalige	Non-Executive Director

REGISTER OF DIRECTORS AND SECRETARIES

As required under Section 223 (1) of the Companies Act No. 7 of 2007 the Company maintains a Register of Directors and Secretaries which contains information of each Director and the Secretary.

BOARD SUB-COMMITTEES

The Board of Directors while assuming the overall responsibility and accountability for the management of the Company has also appointed Board Sub-committees 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.

BOARD SUB-COMMITTEE COMPOSITION

Other Information
Chairman Non-Executive Director
Executive Director/Chief Executive Officer/Managing Director
Executive Director/Chief Operating Officer
Non-Executive Director
Non-Executive Independent Director
Non-Executive Independent Director
Non-Executive Director
Non-Executive Independent Director/Senior Director
Executive Director/Chief Marketing and Credit Officer
Executive Director/Chief Financial Officer

Audit Committee	Mr. D H J Gunawardena Chairman Non-Executive Director
	Mr. Razik Mohamed Member Non-Executive Independent Director
	Mr. D A De Silva Member Non-Executive Independent Director
Integrated Risk Management Committee	Mr. D A De Silva Chairman Non-Executive Independent Director
	Mr. Razik Mohamed Member Non-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
Remuneration Committee	Mr. T M D P Tennakoon Member Executive Director
	Mr. S R Abeynayake Chairman Non-Executive Director
	Mr. Razik Mohamed Member Non-Executive Independent Director
Nomination Committee	Prof. Ajantha Dharmasiri Member Non-Executive Independent Director
	Mr. P A J Jayawardena Chairman Non-Executive Director
	Mr. S R Abeynayake Member Non-Executive 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
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 meetings and Board Sub-committee 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 CONTRACT 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 CONTRACT OR PROPOSED CONTRACTS

Directors' interests in contracts or proposed contracts with the Company both direct and indirect are disclosed on pages 274 and 278 under the Related Party Transactions. These interests have

been declared at Directors' meetings. 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 contract or proposed contract 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 Standard - LKAS 24 – 'Related Party Disclosures', which is adopted in preparation of the Financial Statements. This Disclosure is given in Note 40 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	31.03.2016 Voting	31.03.2015 Voting	31.03.2016 Non-Voting	31.03.2015 Non-Voting
Mr. D H J Gunawardena	Nil	Nil	Nil	Nil
Mr. P C M Nanayakkara	1,394,669	139,660	44	44
Mr. R H Abeygoonewardena	722,139	160,349	7,579	7,579
Mr. S R Abeynayake	Nil	Nil	Nil	Nil
Prof. Ajantha Dharmasiri	Nil	Nil	Nil	Nil
Mr. D A De Siva	Nil	Nil	Nil	Nil
Mr. P A J Jayawardena	500	500	Nil	22
Mr. Razik Mohamed	Nil	Nil	Nil	Nil
Mr. S V Munasinghe	850,676	154,976	Nil	9,411
Mr. T M D P Tennakoon	990,773	115,000	7,262	7,262

Directors' shareholdings in ordinary voting shares, ordinary non-voting shares and Directors' interest in debentures have not changed subsequent to the Reporting date, and up to 15th May 2016, the date being two weeks prior to the date of Notice of the Annual General Meeting except for following instance.

Mr. R H Abeygoonewardena has purchased 25,852 shares at a price per share of Rs. 81.50 on 27th April 2016. Accordingly his current shareholding is as follows:

Name	15.05.2016	31.03.2016	15.05.2016	31.03.2016
	Voting	Voting	Non-Voting	Non-Voting
Mr. R H Abeygoonewardena	747,721	722,139	7,579	7,579

DIRECTORS' INTEREST IN DEBENTURES

There were no debentures registered in the name of any Director as at 31st March 2016. However, Mr. D H J Gunawardena and Mr. S R Abeynayake are Directors of Ceylinco Insurance PLC, where Rs. 99.77 Mn debentures are registered under Ceylinco Life Insurance Limited.

DIRECTORS' INTEREST IN SHARES AND DEBENTURES OF SUBSIDIARIES

There were no debentures registered in the name of any Director as at 31st March 2016 or any of 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 31st March 2016 are given in Note 40 to the Financial Statements on pages 274 to 278 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 31st March 2016 was 1167 (1136 - 2015).

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 implemented for Evaluating the contribution of our employees enables us to reward our people for

superior performance and to identify and address their development needs. The Company's 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

Succession planning should be treated as continuous practice whereby Management and Board prepare for transitions at any time at a multiple level throughout the Company. This includes not only the Key Management Personnel but also their direct reports and other critical positions.

ENVIRONMENTAL PROTECTION

The 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.

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 are considered 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 CSR contributions amounting to Rs. 3.6 Mn for its CSR activities in terms of the resolution passed at the last Annual General Meeting.

SUBSIDIARIES

During the year under review, CDB Micro Finance Company 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 3.04% shareholding in Ceylinco Insurance PLC. Details are given in Note 21.2 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 risks. The Directors review this process through the Audit Committee and the Integrated 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 the 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. 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 40 on pages 274 to 278 of this Annual Report.

APPOINTMENT OF AUDITORS

The Financial Statements for the year ended 31st March 2016, 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. 2,050,000 Mn as audit fee for the year ended 31st March 2016, which has been approved by the Board. The Directors recommend their reappointment.

NOTICE OF MEETING

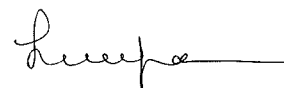
Notice relating to the 20th Annual General Meeting of the Company is enclosed herewith.

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.

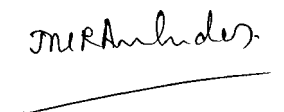
By Order of the Board,



D H J GUNAWARDENA
Chairman



W P C M NANAYAKKARA
Managing Director/ CEO



SSP CORPORATE SERVICES (PVT) LIMITED
Company Secretary

DIRECTORS' STATEMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

RESPONSIBILITY

In line with the Finance Companies Direction, No. 03 of 2008, Section 10 (2) (b), 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 control mechanism in place at Citizens Development Business Finance PLC. ('Company').

The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company and this process includes the system of Internal Control over Financial Reporting. The process is regularly reviewed by the Board.

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 pertaining to Internal Control over Financial Reporting. The management is continuously in the process of enhancing the documentation of the system of Internal Control over Financial Reporting. In assessing the Internal Control System over Financial Reporting, identified officers of the

Company collated all procedures and controls that are connected with significant accounts and disclosures of the Financial Statements of the Company. These in turn are being observed and checked by the Internal Auditors of the Company for suitability of design and effectiveness on an on-going basis.

Consequent to full convergence of Sri Lanka Accounting Standards with International Financial Reporting Standards that became effective from financial year beginning 1st April 2012, the Company implemented a process to make required adjustments to the Financial Statements prepared under previous Accounting Standards. The process for making necessary adjustments was based on excels application. The Board recognises the importance of integrating these requirements to existing accounting system to more effectively comply with the requirements of recognition, measurement, classification and disclosures of financial instruments and the necessary steps in this regard will be taken in the future.

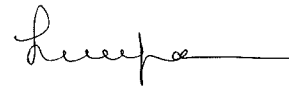
CONFIRMATION

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.

EXTERNAL AUDITORS CERTIFICATION

The External Auditors have submitted a certification on the process adapted by the Directors on the system of Internal Controls over Financial Reporting. The matters addressed by the External Auditors will be considered and appropriate steps would be taken to rectify them in the future.

By order of the Board,



D H J GUNAWARDENA
Audit Committee
Chairman



W P C M NANAYAKKARA
Managing Director/CEO



T M D P TENNAKOON
Director/CFO

- 6th June 2016
Colombo

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 page 197.

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 judgments 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 a 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, 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 the requirements under Section 07 of the continuing Listing Requirements of the Listing Rules of the Colombo Stock Exchange where applicable.

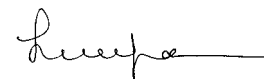
The Board of Directors also wishes to confirm that, as required by Sections 166 (1) and 167 (1) of the Companies Act, they have prepared this Annual Report in time and ensured that a copy thereof is sent to every shareholder of the Company, who have expressed desire to receive a hard copy or to other 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 (Chartered Accountant) 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 Subsidiaries, 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 acquired. There are 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,



D H J GUNAWARDENA
Chairman



W P C M NANAYAKKARA
Managing Director/CEO

REPORT OF THE REMUNERATION COMMITTEE

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 judgments.

COMPANY REMUNERATION POLICY

Company's remuneration policy aims to recruit, retain and motivate high calibre 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 the 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 predetermined 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.

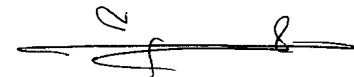
- The employee remuneration scheme was revised based on a study conducted by a renowned human resources and management consultancy service provider. Cost of living, inflation and comparative industry norms were also considered when determining the remuneration packages.
- Evaluate and recommended the individual remuneration packages of Managing Director/CEO, 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, Chief Financial Officer and Chief Operating Officer attend meeting 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

- 6th June 2016
Colombo

REPORT OF THE INTEGRATED RISK MANAGEMENT COMMITTEE

COMPOSITION OF THE BOARD INTEGRATED RISK MANAGEMENT COMMITTEE

The Board appointed Integrated Risk Management Committee (BIRMC) comprising of the following members:

Mr. D A De Silva – Chairman - IRM (Independent Non-Executive Director)

Mr. Razik Mohamed – Senior, (Independent, Non-Executive Director)

Mr. Mahesh Nanayakkara – MD/CEO

Mr. Damith Tennakoon – Director/CFO

Mr. Roshan Abeygoonewardena – Director/COO

Mr. Sasindra Munasinghe – Director/CCMO

The IRMC was established as a committee of the Board in compliance with Finance Business Act Direction No. 03 of 2008 on corporate governance for Licensed Finance Companies issued by the Central Bank of Sri Lanka under the section 12 of the Finance Business Act No. 42 of 2011.

Integrated Risk Management Committee (IRMC) lends a hand to the Board 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.

GOVERNANCE OF IRMC

Governance structure of the IRMC comprises of representatives from Board, IRMC, Risk Management Division, Internal Audit and Compliance Division.

Authority	Key Responsibilities
Board of Directors	<ul style="list-style-type: none"> Setting risk appetite and ensuring the extent to which management has established effective enterprise risk management across the organization Be enlightened on the most significant risks and whether management is responding appropriately in order to mitigate the impacts
IRMC	<ul style="list-style-type: none"> Ensure all departments play a dynamic role in risk reduction and quality improvement Monitoring the effectiveness and the independence of the risk management function within CDB and ensuring that adequate resources are deployed for this purpose. Reviewing the Business Continuity and Disaster Recovery Plans on a periodic basis.
RM Division	<ul style="list-style-type: none"> Ensure a robust risk management framework is in place to identify, assess, mitigate and monitor risks across the organization Promote a risk culture within the organisation
	<ul style="list-style-type: none"> Ensure CDB addresses all risks when going ahead with a new product/process proposal Circulation of risk management information effectively and efficiently to aid in sagacious decision making
Compliance Division	<ul style="list-style-type: none"> Making IRMC aware about the new rules and guidelines imposed by the regulator Acts as an independent reviewer and evaluation body to ensure that compliance Issues/concerns within the organization are being appropriately evaluated, investigated and resolved
Internal Audit	<ul style="list-style-type: none"> Determine internal audit scope and develop annual plans Performing risk assessments on key business activities and using this information to guide what to cover in audits Ensuring adequate internal controls are in place

COMMITTEE MEETINGS & METHODOLOGY

During the financial year under review, four meetings were held. The Committee assessed all key risks such as credit, operational, market, liquidity etc., on a monthly basis through a risk dash board which contains risk indicators covering each of the risk areas mentioned earlier. Risk dashboard together with meeting minutes were referred to the board on a quarterly basis.

COMMITTEE ACTIVITIES DURING THE FINANCIAL YEAR

TRIGGER POINTS

During the financial year, 11 trigger points were reviewed and changed to reflect the prevailing context.

RISK IDENTIFICATION SYSTEM

There were 11 new risk areas reported to the risk identification system which was introduced during 2014/15 financial year. Risk areas were reported to the IRMC committee together with the risk mitigation actions. Best 3 risk areas were selected on a quarterly basis and the staff members were rewarded accordingly.

NEW PRODUCTS/ PROCESSES/PROPOSALS

The new products/processes which initiated during the year was referred to risk division and the same was evaluated from the risk perspective in order to ensure that all risk areas with regard to that particular process/product are addressed.

OPERATIONAL RISK POLICY

An operational risk policy which was developed by risk management division was reviewed and approved by the committee.

OPERATIONAL RISK INDICATORS

Operational risk indicators developed to monitor operational risks are presented on a quarterly basis to IRMC and appropriate risk mitigation actions was proposed to implement in order to mitigate operational risks.

UPDATES FROM COMMITTEES

The committee also reviewed updates from the three management committees which were also involved in risk management namely ALCO, Compliance and Credit committees.

BOARD REPORTING

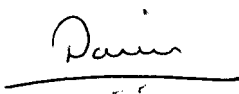
The Committee has regularly updated the Board on the performance of identified risk indicators and prudential limits defined and approved by the Board.

STRESS TESTING

Appropriateness of some trigger points set was derived by conducting stress testing and trigger points were changed to reflect the prevailing context.

COMMITTEE EVALUATION

The committee evaluates its effectiveness annually and concluded its performance was effective for the past year.



D A DE SILVA

*Chairman
Integrated Risk Management
Committee*

- 6th June 2016
Colombo

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 accounting bodies and possess wide ranging financial, commercial and management experience. Two members of the Committee are Independent Non-Executive Directors, one of them being the Senior Director. The biographical details of the members of the Audit Committee, namely, Mr. D H J Gunawardena, Mr. D A De Silva and Mr. Razik Mohamed, are set out in the Directors Profiles section of the Annual Report. Mr. D H J Gunawardena functions as the Chairman of the Audit Committee.

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 among other things –

- (i) to ensure that adequate systems of internal control are in place,
- (ii) to see that sound corporate governance practices are upheld within the Company,
- (iii) to examine any matters relating to the financial affairs of the Company,
- (iv) to review the Company's financial reporting process with the object of ensuring the integrity of the information reported,

- (v) to ensure adherence to statutory and regulatory requirements.
- (vi) to review and monitor the External Auditors' independence and objectivity and the effectiveness of the audit processes in accordance with applicable standards and best practices.

TERMS OF REFERENCE

The scope and responsibilities of the Board Audit Committee emanates from its Terms of Reference. The Committee reviewed and extended the Terms of Reference of the Board Audit Committee during the financial year.

MEETINGS

The Audit Committee meets at least four times a year and on other occasions when the need arises. The quorum for a meeting of the Committee is two members. The Chief Executive Officer, the Chief Financial Officer, the Chief Operations Officer, the Head of Internal Audit and other Executive Directors attend meetings of the Committee by standing invitation. 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. The Committee submits quarterly reports to the Board on relevant matters.

The Board Audit Committee held nine meetings during the period under review which included two meetings with the External Auditors in the absence of the Executive Directors and Management. The attendance of the Committee members at the meetings was as follows:

Name	Eligibility	Attendance
Mr. D H J Gunawardena	9	9
Mr. D A De Silva	9	9
Mr. R. Mohamed	9	9

FINANCIAL STATEMENTS

The Committee reviewed the interim and year-end Financial Statements and obtained the approval of the Board, prior to their publication. The Committee considered reports from the External Auditors, KPMG (Chartered Accountants), 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 related legislation and also to ensure the integrity of the information provided to the Company's stakeholders.

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 Committee reviewed the services provided by the External Auditors, KPMG (Chartered Accountants), to evaluate their independence and objectivity. It also reviewed and approved the scope of non-audit services provided by the External Auditors, to ensure that there was no impairment of their independence.

The Management Letter issued by the External Auditors in respect of the financial year ended 31st March 2015 was discussed with the External Auditors and management 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 scope of the audit.

The meetings of the Committee with the External Auditors, without the presence of the Executive Directors and Management during the year ensured that there was no limitation of scope in relation to the audit and to allow for full disclosure of any incidents which could have a negative impact on the effectiveness of the external audit.

The Audit Committee having considered the independence and performance of the External Auditors, KPMG (Chartered Accountants) recommend that they will be re appointed as the Company's Statutory Auditors for the financial year ending 31st March 2017, subject to the approval of shareholders at the forthcoming Annual General Meeting.

INTERNAL AUDIT

The Committee monitored and reviewed the scope, extent and effectiveness of the activities of the Internal Audit

Department. The Committee engaged in the discussion and review of the internal audit plan for the year, along with its resource requirements. During the 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 on the precautionary measures to be taken on significant audit findings. Internal audit reports were made available to the External Auditors as well.

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.

WHISTLE-BLOWING POLICY

The Committee has engaged a team of professionals to review the existing Whistle-Blowing Policy of the Company in order to strengthen, educate and encourage members of the staff to resort to whistle blowing if they had reasonable grounds to believe that there are wrong doings or other improprieties. All appropriate procedures are in place to conduct independent investigations into incidents reported through this

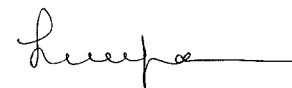
process or if identified through other means. Arrangements have also been made for employees to privately report concerns about any potential violations.

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 to the overall performance of the Company. The process provides the Committee with the opportunity to further improve on its performance.

CONCLUSION

Based on the review of reports submitted by the External and Internal Auditors, the information obtained by the Committee and having examined 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.



D H J GUNAWARDENA
Chairman
Audit Committee

REPORT OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

The Board established the Board-Related Party Transactions Review Committee (BRPTRC) with effect from 26th March 2015 in terms of the Code of Best Practice on Related Party Transactions issued by the Securities and Exchange Commission of Sri Lanka (the 'Code') and Section 09 of the Listing Rules of the Colombo Stock Exchange (the 'Rules'). The establishment of a BRPTRC with effect from 1st January 2016 is mandatory in terms of the Code. The Board-Related Party Transactions Review Committee comprises two Independent Non-Executive Directors and two Executive Directors.

The Committee during the financial year 2015/16 consisted 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/Chief Operating Officer)
- Mr. Tharinda Darshana Amerasinghe (Compliance Officer, functions as the Secretary of the Committee)

The above composition is in compliance with the provisions of the Code regarding the composition of the Board-Related Party Transactions Review Committee.

PURPOSE OF THE COMMITTEE

The purpose of the Committee is to review in advance all proposed related party transactions other than those

transactions explicitly exempted in the Code. Accordingly, except for transactions mentioned under Rule 27 of the Code, all other related party transactions are required to be reviewed by the Committee either prior to the transaction being entered into or, if the transaction is expressed to be conditional on such review, prior to the completion 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 as explain in the Code to follow Senior Management 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 2015/16 the Committee held three meetings. Attendance by the Committee members at each of these meetings is given in the table on page 198 of the Annual Report.

POLICIES AND PROCEDURES

The Company has in place a comprehensive Related Party Transaction (RPT) policy whereby the categories of persons who shall be considered as 'related parties' has been identified. This was further updated in the year 2015/16 to be in full compliant with the rules and regulation applicable to related party transactions as set out in the Finance Companies (Corporate Governance) Direction No. 3 of 2008 (as amended) and the Listing Rules. The Company has developed a mechanism that enables to obtain, monitor and report transactions with identified related parties.

REVIEW OF TRANSACTIONS FOR THE FINANCIAL YEAR 2015/16

During the year 2015/16, 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. However, the related party transactions that had taken place during the said financial year were reviewed by the BRPTRC. Further, all

the related party transactions which occurred during the year are disclosed in the Audited Financial Statements. Please refer pages 274 to 278 for RPTs published in the Note 40 to the Financial Statements.

DECLARATION

A declaration by the Board of Directors in the Annual Report that no related party transaction falling within the ambit of the Listing Rules was entered into by the Company during 2015/16 is given on page 185 of the Annual Report.

The attendance of the members of the Committee was as follows:

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	3	3
Prof. Ajantha Dharmasiri	Independent Non-Executive Director	3	2
Mr. Damith Tennakoon	Director/Chief Financial Officer	3	3
Mr. R H Abeygoonewardena	Director/Chief Operating Officer	3	3
Mr. Tharinda Darshana Amerasinghe	Compliance Officer, functions as the Secretary of the Committee	3	3



RAZIK MOHAMED

Chairman

Board-Related Party Transactions

Review Committee

- 6th June 2016
Colombo

The Board Credit Committee consists of the Following members:

Mr. C M Nanayakkara (Chairman)
Mr. S V Munasinghe
Mr. T M D P Tennakoon
Mr. R H Abeygoonawardena

The Committee assists the Board of Directors in effectively fulfilling its responsibilities relating to the credit direction, credit policy and lending guidelines of the company in order to inculcate sound credit standards and practices.

ROLE AND RESPONSIBILITIES

- Overseeing the Credit management of the company including reviewing of internal credit policies.
- Analysis and review of Credit risk control techniques and external risks associate with credit policies of the company.
- Review and approve credit proposals in line with Board approved credit policies and standards, where required recommend credit requests for Board approval.
- Ensure Compliance by the company for 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 postmortem reviews are performed where necessary.

METHODOLOGY USED BY THE COMMITTEE

- The committee will approve credit proposals base 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 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 quality of the portfolio and recommend new exposure limits for each sectors/ product lines as appropriate.

COMMITTEE MEETINGS

The Committee met twice during the year to review overall credit strategy of the Company. All other meetings were conducted to review and approved credit proposals recommended by the Management.

On behalf of the Board Credit Committee



W P C M NANAYAKKARA
Chairman – Credit Committee

REPORT OF THE NOMINATION COMMITTEE

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 judgments.

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 re appointment 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.

(Sgd.)

P A J JAYAWARDENA

Chairman

Nomination Committee

- 6th June 2016
Colombo

INDEPENDENT AUDITORS' REPORT



KPMG
(Chartered Accountants)
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Internet : www.lk.kpmg.com

TO THE SHAREHOLDERS OF CITIZENS DEVELOPMENT BUSINESS FINANCE PLC

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Citizens Development Business Finance PLC, ('the Company'), and the consolidated financial statements of the Company and its subsidiaries ('Group'), which comprise the statement of financial position as at 31st March 2016, and the statements of profit or loss and other comprehensive income, changes in equity and cash flow for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information set out on pages 198 to 279 of the annual report.

BOARD'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing

Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31st March 2016, and of its financial performance and cash flows for the year

then ended in accordance with Sri Lanka Accounting Standards.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by Section 163 (2) of the Companies Act No. 07 of 2007, we state the following:

- (a) The basis of opinion and scope and limitations of the audit are as stated above
- (b) In our opinion:
- We have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company,
 - The financial statements of the Company give a true and fair view of its financial position as at 31st March 2016, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.
 - The financial statements of the Company, and the Group comply with the requirements of Sections 151 and 153 of the Companies Act No. 07 of 2007.



CHARTERED ACCOUNTANTS

Colombo
6th June 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31st March	Notes	Company		Group			
		2016	(Rs.)	2015	(Rs.)	2016	(Rs.)
Revenue	6	7,486,004,737	6,907,077,362	7,549,279,021	6,940,752,486		
Interest income	7	6,647,024,326	6,251,533,117	6,702,884,036	6,285,172,241		
Interest expense	8	3,588,413,274	3,381,455,430	3,591,419,119	3,389,183,278		
Net interest income		3,058,611,052	2,870,077,687	3,111,464,917	2,895,988,963		
Net fee and commission income	9	210,597,153	171,042,479	215,144,560	171,042,479		
Other operating income	10	628,383,258	484,501,766	631,250,425	484,537,765		
Total operating income		3,897,591,463	3,525,621,932	3,957,859,902	3,551,569,207		
Less: impairment charge on financial assets	11	399,389,388	680,943,423	404,555,817	678,624,063		
Net operating income		3,498,202,075	2,844,678,509	3,553,304,085	2,872,945,144		
Less:							
Personnel expenses		745,240,108	601,721,927	753,839,428	602,916,858		
Premises, equipment and establishment expenses		979,218,342	892,543,376	991,812,457	900,793,282		
Other expenses		350,568,816	306,361,521	356,325,850	306,361,521		
Total operating expenses	12	2,075,027,266	1,800,626,824	2,101,977,735	1,810,071,661		
Operating profit before value added tax on financial services (VAT), Nation Building Tax (NBT) and Corp Insurance Levy (CIL)		1,423,174,809	1,044,051,685	1,451,326,350	1,062,873,483		
Less: Value added tax and other taxes		169,231,306	92,631,221	172,859,238	94,622,484		
Profit before tax		1,253,943,503	951,420,464	1,278,467,112	968,250,999		
Less: Income tax expense	13	248,790,365	249,686,559	257,692,714	257,828,764		
Profit for the year		1,005,153,138	701,733,905	1,020,774,398	710,422,235		
Profit attributable to:							
Equity holders of the Company		1,005,153,138	701,733,905	1,018,620,020	709,451,620		
Non-controlling interests		–	–	2,154,378	970,615		
Profit for the year		1,005,153,138	701,733,905	1,020,774,398	710,422,235		
Other comprehensive income:							
Items that will never be reclassified to profit or loss							
Remeasurements of defined benefit liability/(asset)							
Net actuarial gains/(losses) on defined benefit plan		(14,465,131)	(27,065,583)	(14,338,509)	(26,987,033)		
Expected return on plan assets		11,859,081	10,509,949	11,859,081	10,509,949		
		(2,606,050)	(16,555,634)	(2,479,428)	(16,477,084)		
Items that are or may be reclassified to profit or loss							
Fair value reserve							
Net change in fair value of available-for-sale financial assets		(105,113,911)	164,518,800	(104,527,481)	164,518,800		
Net change in revaluation surplus		42,600,000	38,307,978	42,600,000	38,307,978		
		(62,513,911)	202,826,778	(61,927,481)	202,826,778		
Other comprehensive income net of tax		(65,119,961)	186,271,144	(64,406,909)	186,349,694		
Total comprehensive income		940,033,177	888,005,049	956,367,489	896,771,929		
Total comprehensive income attributable to:							
Equity holders of the Company		940,033,177	888,005,049	954,144,544	895,790,522		
Non-controlling interests		–	–	2,222,945	981,407		
Total comprehensive income		940,033,177	888,005,049	956,367,489	896,771,929		
Earnings per share							
Basic earnings per share	14	18.51	12.92	18.76	13.06		

The Notes to the Financial Statements form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31st March	Notes	Company		Group					
		2016	(Rs.)	2015	(Rs.)	2016	(Rs.)	2015	(Rs.)
Assets									
Cash and cash equivalents	16	722,351,389		313,394,279		729,789,337		334,358,488	
Financial instruments held-for-trading	17	121,963,136		56,220,230		121,963,136		56,220,230	
Loans and receivables to banks	18	2,967,869,560		301,700,000		2,979,124,401		301,700,000	
Deposits with licensed commercial banks	19	1,602,179,104		1,933,216,541		1,610,310,601		1,943,406,672	
Loans and advances to customers	20	38,538,920,189		29,378,799,251		38,753,565,171		29,620,437,218	
Investment securities	21	3,272,075,270		3,140,348,599		3,305,826,584		3,146,426,620	
Investment in subsidiaries	22	509,917,734		427,745,447		–		–	
Investment property	23	20,197,977		20,197,977		20,197,977		20,197,977	
Property, plant and equipment	24	1,606,958,136		1,421,342,866		1,610,637,819		1,426,432,810	
Intangible assets	25	68,319,145		71,159,770		71,364,171		75,792,298	
Goodwill on consolidation	26	–		–		244,179,431		244,179,431	
Other assets	27	1,195,560,588		949,583,620		1,199,128,682		955,914,234	
Total assets		50,626,312,228		38,013,708,580		50,646,087,310		38,125,065,978	
Liabilities									
Deposits from customers	28	30,887,693,800		27,079,133,660		30,803,916,225		27,079,133,660	
Debt securities issued	29	1,044,135,005		1,043,481,193		1,044,135,005		1,043,481,193	
Other interest bearing borrowings	30	11,301,685,401		3,780,763,484		11,309,582,401		3,838,570,678	
Current tax liabilities		109,133,435		111,513,609		111,020,227		117,226,977	
Deferred tax liabilities	31	479,764,584		282,079,149		481,839,851		283,654,115	
Retirement benefit obligation	32	53,036,495		45,298,838		53,036,495		45,425,460	
Other liabilities	33	1,698,895,014		1,369,435,106		1,736,886,058		1,378,202,112	
Total liabilities		45,574,343,734		33,711,705,039		45,540,416,262		33,785,694,195	
Equity									
Stated capital	34	1,185,061,645		1,185,061,645		1,185,061,645		1,185,061,645	
Reserves	35	1,802,100,577		1,663,583,860		1,803,892,583		1,664,062,266	
Retained earnings		2,064,806,272		1,453,358,036		2,086,228,841		1,460,464,302	
Total equity attributable to equity holders of the Company		5,051,968,494		4,302,003,541		5,075,183,069		4,309,588,213	
Non-controlling interests						30,487,979		29,783,570	
Total equity		5,051,968,494		4,302,003,541		5,105,671,048		4,339,371,783	
Total liabilities and equity		50,626,312,228		38,013,708,580		50,646,087,310		38,125,065,978	
Net Assets Value per ordinary share			93.03		79.22		93.46		79.36

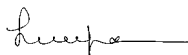
Notes to the Financial Statements form an integral part of these Financial Statements.

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.



T M D P Tennakoon
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

6th June 2016
Colombo



W P C M Nanayakkara
Managing Director/CEO

STATEMENT OF CHANGES IN EQUITY

Company	Stated Capital (Rs.)	
Balance as at 1st April 2014	1,185,061,645	
Profit for the period		
Other comprehensive income for the period		
Remeasurement of defined benefit liability (asset)		
Net actuarial gains/(losses) on defined benefit plan		
Expected return on plan assets		
Fair value reserve (available-for-sale financial assets)		
Net change in fair value		
Surplus on revaluation of lands		
	1,185,061,645	
Transactions with equity holders of the company		
Dividends to equity holders for the year – 2013/14		
Net transfers during the period		
Balance as at 31st March 2015	1,185,061,645	
Balance as at 1st April 2015	1,185,061,645	
Profit for the period		
Other comprehensive income for the period		
Remeasurement of defined benefit liability(asset)		
Net actuarial gains/(losses) on defined benefit plan		
Expected return on plan assets		
Fair value reserve (available-for-sale financial assets)		
Net change in fair value		
Surplus on revaluation of lands		
	1,185,061,645	
Transactions with equity holders of the company		
Dividends to equity holders for the year – 2014/15		
Net transfers during the period		
Balance as at 31st March 2016	1,185,061,645	

	Revaluation Reserve (Rs.)	Available-for-Sale Reserve (Rs.)	Investment Fund Account (Rs.)	Statutory Reserve Fund (Rs.)	Retained Earnings (Rs.)	Total Equity (Rs.)
	132,765,013	689,690,925	87,745,449	497,954,363	983,696,718	3,576,914,113
					701,733,905	701,733,905
					(27,065,583)	(27,065,583)
					10,509,949	10,509,949
		164,518,800				164,518,800
	38,307,978					38,307,978
	171,072,991	854,209,725	87,745,449	497,954,363	1,668,874,989	4,464,919,162
					(162,915,621)	(162,915,621)
			(87,745,449)	140,346,781	(52,601,332)	–
	171,072,991	854,209,725	–	638,301,144	1,453,358,036	4,302,003,541
	171,072,991	854,209,725	–	638,301,144	1,453,358,036	4,302,003,541
					1,005,153,138	1,005,153,138
					(14,465,131)	(14,465,131)
					11,859,081	11,859,081
		(105,113,911)				(105,113,911)
	42,600,000					42,600,000
	213,672,991	749,095,814	–	638,301,144	2,455,905,124	5,242,036,718
					(190,068,224)	(190,068,224)
			–	201,030,628	(201,030,628)	–
	213,672,991	749,095,814	–	839,331,772	2,064,806,272	5,051,968,494

Group	Stated Capital (Rs.)	
Balance as at 1st April 2014	1,185,061,645	
Profit for the period		
Other comprehensive income for the period		
Remeasurement of defined benefit liability(asset)		
Net actuarial gains/(losses) on defined benefit plan		
Expected return on plan assets		
Fair value reserve (available-for-sale financial assets)		
Net change in fair value		
Surplus on revaluation of lands		
	1,185,061,645	
Transactions with equity holders of the company		
Dividends to equity holders for the year – 2013/14		
Acquisition made during the year		
Net transfers during the period		
Balance as at 31st March 2015	1,185,061,645	
Balance as at 1st April 2015	1,185,061,645	
Profit for the Period		
Other comprehensive income for the Period		
Remeasurement of defined benefit liability(asset)		
Net actuarial gains/(losses) on Defined benefit plan		
Expected return on plan assets		
Fair value reserve (available-for-sale financial assets)		
Net change in fair value		
Surplus on Revaluation of lands		
	1,185,061,645	
Transactions with equity holders of the company		
Dividends to equity holders for the year – 2014/15		
Net transfers during the period		
Changes in Non-Controlling Interest		
Balance as at 31st March 2016	1,185,061,645	

	Revaluation Reserve (Rs.)	Available-for-Sale Reserve (Rs.)	Investment Fund Reserve (Rs.)	Statutory Reserve Fund (Rs.)	Retained Earnings (Rs.)	Total (Rs.)	Non-Controlling Interest (Rs.)	Total Equity (Rs.)
	132,765,013	689,690,925	87,745,449	497,954,363	983,495,917	3,576,713,312		3,576,713,312
					709,451,620	709,451,620	970,615	710,422,235
						-		
					(26,997,825)	(26,997,825)	10,792	(26,987,033)
					10,509,949	10,509,949		10,509,949
		164,518,800				164,518,800		164,518,800
	38,307,978					38,307,978		38,307,978
	171,072,991	854,209,725	87,745,449	497,954,363	1,676,459,661	4,472,503,834	981,407	4,473,485,241
					(162,915,621)	(162,915,621)		(162,915,621)
							28,802,163	28,802,163
			(87,745,449)	140,825,187	(53,079,738)			-
	171,072,991	854,209,725	-	638,779,550	1,460,464,302	4,309,588,213	29,783,570	4,339,371,783
	171,072,991	854,209,725	-	638,779,550	1,460,464,302	4,309,588,213	29,783,570	4,339,371,783
					1,018,620,020	1,018,620,020	2,154,378	1,020,774,398
					(14,350,685)	(14,350,685)	12,176	(14,338,509)
					11,859,081	11,859,081		11,859,081
		(104,583,874)				(104,583,874)	56,393	(104,527,481)
	42,600,000					42,600,000		42,600,000
	213,672,991	749,625,851	-	638,779,550	2,476,592,718	5,263,732,755	32,006,517	5,295,739,272
					(190,068,224)	(190,068,224)		(190,068,224)
			-	201,814,191	(201,814,191)			-
					1,518,538	1,518,538	(1,518,538)	-
	213,672,991	749,625,851	-	840,593,741	2,086,228,841	5,075,183,069	30,487,979	5,105,671,048

STATEMENT OF CASH FLOW

	Company				Group			
	2016	(Rs.)	2015	(Rs.)	2016	(Rs.)	2015	(Rs.)
<i>For the period ended 31st March</i>								
Cash flow from operating activities								
Interest receipts	6,611,990,360		6,297,268,127		6,667,797,606		6,329,183,076	
Commission receipts	181,146,278		172,003,223		185,623,075		172,003,223	
Other income receipts	607,313,338		271,976,768		610,096,157		272,012,768	
Interest payments	(2,928,454,670)		(3,363,410,589)		(2,931,641,835)		(3,369,414,261)	
Fee and business promotion expenses	(114,494,976)		(68,182,557)		(115,502,869)		(68,182,557)	
Employee related payments	(675,737,667)		(558,873,852)		(684,465,608)		(559,914,045)	
Supplier payments	(1,622,318,102)		(672,688,627)		(1,629,640,178)		(680,967,139)	
Financial expenses	(18,556,604)		(15,471,148)		(18,620,297)		(15,471,148)	
Operating profit before changes in operating assets	2,040,887,957		2,062,621,345		2,083,646,051		2,079,348,917	
(Increase)/decrease in operating assets								
Investments in licensed commercial banks and other financial institutions	329,548,862		772,955,513		329,548,862		833,830,968	
Investments in Government Securities	(2,794,898,082)		(486,561,195)		(2,802,062,308)		(492,516,516)	
Net funds advanced to customers	(9,559,510,326)		(4,131,429,693)		(9,515,890,195)		(4,035,683,491)	
Changes in other short-term assets	(202,043,240)		4,118,216		(205,476,158)		7,950,250	
Inventories	(14,482,853)		(83,015,976)		(14,482,853)		(83,015,976)	
	(10,200,497,682)		(1,861,311,790)		(10,124,716,601)		(1,690,184,848)	
Increase/(decrease) in operating liabilities								
Borrowings	7,316,946,275		700,875,813		7,241,933,275		540,846,761	
Deposits from customers	3,353,230,990		2,480,778,103		3,268,900,599		2,480,778,103	
	10,670,177,265		3,181,653,916		10,510,833,874		3,021,624,864	
Net cash generated/(used in) from operating activities	469,679,583		1,320,342,126		386,117,273		1,331,440,015	
Gratuity paid/contribution to plan assets	(61,764,784)		(179,784,827)		(61,764,784)		(179,784,827)	
Taxation	(77,985,153)		(43,372,004)		(90,213,779)		(44,364,495)	
	329,929,646		1,097,185,295		234,138,710		1,107,254,694	
Cash flow from investing activities								
Dividend receipts	11,638,818		9,064,000		11,692,818		9,064,000	
Investment in subsidiary	(82,172,287)		(425,000,000)		–		(425,000,000)	
Investment in government securities/quoted shares – Trading	(80,730,305)		–		(80,730,305)		–	
Investment in quoted shares – AFS	(71,589,518)		–		(76,589,518)		–	
Net investment in debentures	–		5,102,199		–		5,102,199	
Purchase of property, plant & equipment	(143,507,978)		(528,218,833)		(144,024,709)		(531,350,523)	
Proceed from sale of property, plant & equipment	27,751,834		122,851		27,751,834		122,851	
Net Cash (used in)/ from investing activities	(338,609,436)		(938,929,783)		(261,899,880)		(942,061,473)	

For the period ended 31st March	Company				Group			
	2016	(Rs.)	2015	(Rs.)	2016	(Rs.)	2015	(Rs.)
Cash flow from financing activities								
Dividend paid	(190,068,225)		(162,915,621)		(190,068,225)		(162,815,621)	
Net change in debentures	–		(128,851,642)		–		(128,851,642)	
Net cash inflows/(out flows) from financing activities	(190,068,225)		(291,767,263)		(190,068,225)		(291,667,263)	
Net increase/(decrease) in cash and cash equivalents	(198,748,015)		(133,511,751)		(217,829,395)		(126,438,042)	
Cash and cash equivalents at the beginning of the year	65,575,108		199,086,859		86,360,031		202,422,385	
Cash and cash equivalents at the end of the year	(133,172,907)		65,575,108		(131,469,364)		75,984,343	
Cash and cash equivalents at the beginning of the year								
Cash at bank and in hand	313,394,279		462,555,296		334,358,488		465,890,822	
Bank overdraft	(247,819,171)		(263,468,437)		(247,998,457)		(263,468,437)	
	65,575,108		199,086,859		86,360,031		202,422,385	
Cash and cash equivalents at the end of the year								
Cash at bank and in hand	722,351,389		313,394,279		729,789,337		321,425,914	
Bank overdraft	(855,524,296)		(247,819,171)		(861,258,701)		(245,441,571)	
	(133,172,907)		65,575,108		(131,469,364)		75,984,343	

The Notes to the Financial Statements 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 limited liability company listed on the main board of the Colombo Stock Exchange, incorporated on 7th 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.

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 31st March 2016 - 1,167 (2015 - 1,136).

1.2 PRINCIPAL ACTIVITIES AND NATURE OF OPERATION

The holding percentages of the subsidiaries are disclosed in Note 22 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 the CDB for the year ended 31st March 2016 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 31st 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 Flow 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

Entity	Principal business activities	Holding Percentage	
		2015/16	2014/15
Company	Company provides a vast range of financial services which includes accepting deposits, leasing, hire purchase and loan facilities, gold loan, foreign exchange, foreign remittances, issuance of international debit cards, Islamic finance products and other financial services.		
Subsidiaries			
CDB Micro Finance Limited	Financial services	100%	100%
Unisons Capital Leasing Limited (formerly known as Laugfs Capital Limited)	Leasing, hire purchase, personal loan, term-loan	90.38%	86.26%

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 includes 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 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 were authorised for issue by the Board of Directors in accordance with the Resolution of the Directors on 04th June 2015.

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 No.	Page reference
Available-for-sale financial assets	Fair value	21	237
Held-to-maturity financial assets	Amortised cost	21	237
Net defined benefit (asset) liability	Fair value of plan assets less the present value of the defined benefit obligation, limited as explained in Note 32	32	248
Freehold land	Fair value	24	241
Financial instrument classified as fair value through profit or loss	Fair value	17	233

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 USE OF ESTIMATE AND JUDGMENT

The preparation of the Financial Statements in conformity with Sri Lanka Accounting Standards (SLFRS/LKAS) requires management to make judgments, 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 judgments in applying accounting policies that have the most significant effect on the amounts recognised in the Financial Statements are described in Notes below:

2.9.1 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 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, judgment is required to establish their fair values. The valuation of financial instruments is described in more detail in Note 36 on pages 249 to 254. The Company measures fair value using the fair value hierarchy that reflects the significance of input used in making measurements.

(C) IMPAIRMENT LOSSES ON LOANS AND ADVANCES

The Company reviews its individually significant loans and advances at each Reporting date to assess whether an impairment loss should be provided for in the Statement of Comprehensive Income. In particular, management's judgment is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance made.

Loans and advances that have been assessed individually if such loans and advances are considered. Individually significant and all other loans and advances are assessed collectively, by categorising them into groups of assets with similar risk characteristics, to determine whether a provision should be made due to incurred loss events for which there is objective evidence, but the effects of which are not yet evident.

The collective assessment takes account of data from the loan portfolio and judgment on the effect of concentrations of risks and economic data.

(D) IMPAIRMENT LOSSES ON AVAILABLE-FOR-SALE INVESTMENT

The Company reviews its available-for-sale investments at the end of each Reporting period to assess whether they are impaired.

The Company determines that there are an impairment charges on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is 'significant' or 'prolonged' requires judgment. In making this judgment, the Company evaluates, among other factors, historical share price movements and duration and extent to which the fair value of an investment is less than its cost.

(E) USEFUL LIFE OF PROPERTY, PLANT & EQUIPMENT

The Group reviews the residual values, useful life and method of depreciation for Property, Plant & Equipment at each Reporting date. Judgment of the management is exercised in the estimation of these values, rate methods and hence subject to uncertainty.

(F) IMPAIRMENT ON OTHER ASSETS

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.

(G) 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 judgments 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.

(H) REVALUATION OF PROPERTY, PLANT & 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 36.

(I) COMMITMENT AND CONTINGENCIES

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.

(J) 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.

3. SIGNIFICANT ACCOUNTING POLICIES

Except for the changes explained in Note 3, the Group has consistently applied the following accounting policies to all periods presented in these Consolidated Financial Statements:

3.1 BASIS OF CONSOLIDATION

The Financial Statements of the Group represent the consolidation of the Financial Statements of the Company and its Subsidiaries CDB Micro Finance Limited and Unisons Capital Leasing Limited.

'Subsidiaries' are investees controlled by the Group. The Group '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 Group 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 Group 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 31st 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.

3.1.1 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.

3.1.2 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.

3.2 FOREIGN CURRENCY

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 Comprehensive Income. 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 Comprehensive Income.

ASSETS AND LIABILITIES AND BASIS OF MEASUREMENT

FINANCIAL ASSETS AND FINANCIAL LIABILITIES

3.3 CASH AND CASH EQUIVALENTS

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 are repayable on demand and form an integral part of the Company's cash resources are included as a component of cash equivalents for the purpose of the Cash Flow Statements.

3.4 FINANCIAL INSTRUMENTS

3.4.1 RECOGNITION AND INITIAL MEASUREMENT

The Group initially recognises all financial assets and liabilities on becoming party to the contractual provisions of the instruments. However, for financial assets/liabilities held at fair value through profit or loss any changes in fair value from the trade date to settlement date is accounted in the Consolidated Statement of Income while for available-for-sale financial assets any changes in fair value from the trade date to settlement date is accounted in the Statement of Other Comprehensive Income.

A financial asset or a financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

All financial assets and liabilities are initially recognise, except for regular way purchase, on the trade date and any regular way transactions are recognise on the settlement date which was established by the regulator or the market conventions.

Day 1 profit or loss when the transaction price differ from the fair value of other observable current market transactions in the same instrument or based on valuation technique whose variables include only data from observable markets the Group recognises the difference between transaction price and fair value in interest income and respective expenses. In case where fair value is determined using data which is not observable, the difference between the transaction price and model value is recognised in the comprehensive income when the input becomes observable or when the instrument is derecognised.

The Day 1 loss arising in the case of loans granted to employees at concessionary rates under uniform applicable schemes is deferred and amortised using effective interest rates over the remaining service period of the employees or tenure of the loan whichever is shorter. The subsequent measurement of financial assets depends on their classification.

3.4.2 CLASSIFICATION AND SUBSEQUENT MEASUREMENT OF FINANCIAL ASSETS

The classification of financial instruments at initial recognition depends on their purpose and characteristics and the management intention in acquiring the same. At inception a financial asset is classified in one of the following categories:

- Loans and Receivables
- Held-to-Maturity Financial Assets
- Available-for-sale Financial Assets
- Financial Assets at fair value through profit or loss

(A) LOANS AND RECEIVABLES TO CUSTOMERS

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Group does not intend to sell immediately or in the near term. Loans and receivables are subsequently carried at amortised cost using the effective interest rate method.

Loans and advances, bills of exchange, commercial papers and lease

receivables are classified as loans and receivables.

When the Company is the lessor in a lease agreement that transfers substantially all of the risk and rewards incidental to ownership of the assets to the lessee, the arrangement is classified as finance lease. Amount receivable under finance lease net of prepaid rentals, unearned lease income and provision for impairment are classified as lease receivable and are presented in the loans and receivable to customers.

After initial recognition loans and receivable to customers are subsequently measured at amortised cost using the effective interest rate less provision for impairment. 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 Comprehensive Income.

(B) LOANS AND RECEIVABLES - FINANCIAL INVESTMENT

This includes sale and repurchase agreements entered into with the banks and financial institutions. After the initial measurement are subsequently measured at amortised cost using the EIR. Amortisation cost is calculated taking into consideration any discounts allowed or premium paid on acquisitions and any fee or cost that are integral part of EIR. The amortisation is included in interest income in the Statement of Profit or Loss and Other Comprehensive Income.

(C) HELD-TO-MATURITY FINANCIAL ASSETS

Held-to-maturity investments are non-derivative assets with fixed or determinable payments and fixed maturity that the Group has the positive intent and ability to hold to maturity. Held-to-maturity investments are carried at amortised cost using the effective interest method. A sale or reclassification of a more than insignificant amount of held-to-maturity investments would result in the reclassification of all held-to-maturity investments as available-for-sale, and would prevent the Group from classifying investment securities as held-to-maturity for the current and the following two financial years. However, sales and reclassifications in any of the following circumstances would not trigger a reclassification:

- Sale or reclassification that are so close to maturity that changes in the market rate of interest would not have a significant effect on that financial assets fair value.
- Sale or reclassification attributable to non-recurring isolated events beyond the Group's control that could not have been reasonably anticipated.

(D) AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale investments are non-derivative investments that were designated as available-for-sale or are not classified as another category of financial assets. Unquoted equity securities whose fair value cannot reliably be measured are carried at cost. All other available-for-sale investments are carried at fair value. Interest income on AFS financial assets is recognised in profit or loss using the effective interest method. Dividend

income is recognised in profit or loss when the Group becomes entitled to the dividend. Foreign exchange gains or losses on available-for-sale debt security investments are recognised in Statement of Comprehensive Income.

Other fair value changes are recognised in other comprehensive income until the investment is sold or impaired, whereupon the cumulative gains and losses previously recognised in other comprehensive income are reclassified to Statement of Comprehensive Income as a reclassification adjustment.

3.4.3 FINANCIAL LIABILITIES

The Group initially recognises all financial liabilities on the date that they are originated and classifies its financial liabilities as measured at amortised cost.

(A) FINANCIAL LIABILITIES AT AMORTISED COST

Financial instruments issued by the Company that are not designated at fair value through profit or loss, are classified as liabilities under 'Due to Banks', 'Due to Customers' or 'Other Debt Securities Issued' as appropriate, where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. After initial recognition, such financial liabilities are subsequently measured at amortised cost using the EIR method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in 'Interest Expenses' in the Statement of Comprehensive Income.

The details of the Companies Financial Liabilities at amortised cost is disclosed in Notes 26 to 29.

(I) DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

These represent borrowings from financial institutions. Subsequent to initial recognition deposits are measured at their amortised cost using the effective interest method. Interest paid/payable on these borrowings is recognised in Comprehensive Income.

(II) DUE TO CUSTOMERS

These include savings deposits and, term deposits. Subsequent to initial recognition deposits are measured at their amortised cost using the effective interest method, except where the Group designates liabilities at fair value through profit or loss. Interest paid/payable on these deposits is recognised in Comprehensive Income.

FINANCIAL LIABILITIES MEASURED AT AMORTISED COST

Financial liabilities not classified as fair value through profit or losses are classified as amortised cost instruments. Deposit liabilities including non-interest-bearing deposits, savings deposits, term deposits, deposits redeemable at call and certificates of deposit and borrowings are classified as financial liabilities measured at amortised cost.

AMORTISED COST MEASUREMENT

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

3.4.4 RECLASSIFICATION

Reclassifications of financial assets, other than as set out below, or of financial liabilities between measurements categories are not permitted subsequent to initial recognition.

Held-for-trading non-derivative financial assets are transferred out of the held-for-trading category in the following circumstances:

- To the available-for-sale category where in rare circumstances, they are no longer held for the purpose of selling or repurchasing in the near future.
- To the loans and receivable category where they are no longer held for the purpose of selling or repurchasing in the near term and they would have met the definition of a loan and receivable at the date of reclassification and the Group has the intent and ability to hold the assets for the foreseeable future or until maturity. Financial assets are transferred out of the available-for-sale category to the loan and receivables category where they would have met the definition of a loan and receivable at the date of reclassification and the Group has the intent and ability to hold the assets for the foreseeable future or until maturity.

Held-to-maturity assets are reclassified to the available-for-sale category if the portfolio becomes tainted following the sale of other than an insignificant amount of held-to-maturity assets prior to their maturity.

Financial assets are reclassified at their fair value on the date of reclassification. For financial assets reclassified out of the available-for-sale category into loans and receivables, any gain or loss on those assets recognised in shareholders' equity prior to the date of reclassification

is amortised to the Statement of Comprehensive Income over the remaining life of the financial asset, using the effective interest method.

3.4.5 DERECOGNITION

The Group derecognises financial asset when –

- The contractual rights to the cash flows from the financial asset expires, or
- When it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset.

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 in the Consolidated Statement of Financial Position.

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 transferred), and consideration received (including any new asset obtained less any new liability assumed) is recognised in Statement of Comprehensive Income. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expired.

3.4.6 OFFSETTING

Financial assets and liabilities are offset and the net amount presented in the Consolidated Statement of Financial Position when, and only when, the Group has a legal right to set off the recognised amounts and it intends either to settle 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 SLFRSs/LKASs, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

3.4.7 IDENTIFICATION, MEASUREMENT AND ASSESSMENT OF IMPAIRMENT

At each Reporting date the Group assesses whether there are objective evidences that financial assets not carried at fair value through profit or loss are impaired. A financial asset or a group of financial assets is impaired when 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) that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include significant financial difficulty of the borrower or issuer default or delinquency by a borrower, restructuring of a loan or advance by the Group on terms that the Group would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the Group, or economic conditions that correlate

with defaults in the Group. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is an objective evidence of impairment.

(A) FINANCIAL ASSETS CARRIED AT AMORTISED COST

The Group considers evidence of impairment for loans and advances and held-to-maturity investment securities at both a specific asset and collective level. All individually significant loans and advances and held-to-maturity investment securities are assessed for specific impairment. The amount of the impairment loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows. The carrying amount of the assets is reduced through the use of a provision amount and the amount of impairment loss is recognised in the Statement of Comprehensive Income. The present value of the estimated future cash flows is discounted at the financial assets original IIR. All individually significant loans and advances and held-to-maturity investment securities found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and advances and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together loans and advances and held-to-maturity investment securities with similar risk characteristics.

If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively

assesses them for impairment. For the purpose of a collective evaluation of impairment financial assets are grouped on the basis of the Companies risk classification, which considers credit risk characteristics such as asset, asset type, industry geographical location, collateral type, past due status etc.

In assessing collective impairment the Group uses of historical trends of the probability of default, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical data. Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses are recognised in Comprehensive Income and reflected in an allowance account against loans and advances. Interest on impaired assets continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through Statement of Comprehensive Income.

The methodology and assumptions used for estimating provision for impairment including assumptions for projecting future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

COLLATERAL VALUATION

Company obtained collateral to mitigate its risk of financial assets. Collateral take the form of gold, deposits with the Company, movable assets such as vehicles and immovables etc. The fair value of collateral is assessed minimum prior to granting of any facility and any subsequent period as management think necessary. All financial assets are valued based on active market data to the extent possible and non-financial assets in general valued by third parties such as independent professional valuers.

(B) AVAILABLE-FOR-SALE FINANCIAL ASSETS

For available-for-sale financial investments the Company assesses at each Reporting date whether there is objective evidence that an investment is impaired.

In the case of debt instruments classified as available-for-sale, Company assesses individually whether there is an objective evidence of impairment based on the same criteria as other financial assets.

(C) LEASES

The determination of whether an arrangement is a lease or it contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Classification of a lease as operating lease or finance lease is done based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor of the lessee.

FINANCE LEASE

A lease that transfer substantially all the risks and rewards incidental to ownership is classified as financial lease.

The amount due after deducting for unearned/future interest is classified under loans and advances to customers.

OPERATING LEASE

A lease that does not transfer substantially all the risk and rewards incidental to ownership is classified as operating lease. Group does not have any operating leases as at the Reporting date.

(D) RESCHEDULED LOANS

Loans whose original terms have been modified including those subject to forbearance strategies are considered rescheduled loans. If the renegotiations are on terms that are not consistent with those readily available on the market, this provides objective evidence of impairment and the loan is assessed accordingly.

3.5 INVENTORIES

Inventories include new vehicles purchased for the purpose of lease out under finance leases and 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.

3.6 INTANGIBLE ASSETS

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.

3.6.1 BASIS OF 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.

3.6.2 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 it's 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 Comprehensive Income 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.

3.6.3 GOODWILL

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.

3.6.4 RETIREMENT AND DISPOSAL

An intangible asset is derecognised on disposal or when no future economic benefits are expected from its use and subsequent disposal.

3.7 INVESTMENT PROPERTIES

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.

3.7.1 BASIS OF RECOGNITION

Investment property is 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.

3.7.2 MEASUREMENT

An investment property is measured initially at its cost. The cost of a purchased investment property

comprises of its purchase price and any directly attributable expenditure. The cost of a self-constructed investment property is its cost at the date when the construction or development is complete. The Group applies the cost model for investment properties in accordance with Sri Lanka Accounting Standard 40 (LKAS 40) – 'Investment Property'. Accordingly, land classified as investment properties are stated at cost less any accumulated impairment losses.

3.7.3 DEPRECIATION

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.

3.7.4 RECLASSIFICATION OF INVESTMENT PROPERTY

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 Comprehensive Income 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 Comprehensive Income.

3.8 PROPERTY, PLANT & EQUIPMENT

Property, Plant & 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.

3.8.1 BASIS OF RECOGNITION

Property, Plant & 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.

3.8.2 MEASUREMENT

An item of Property, Plant & 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 cost incurred subsequently to add to, replace part of, or service it. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to 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.

3.8.3 COST MODEL

The Group applies cost model to Property, Plant & Equipment except for freehold land and records at cost of purchase or construction together with any incidental expenses thereon less accumulated depreciation and any accumulated impairment losses.

3.8.4 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 are 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 Comprehensive Income. 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 Income 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 31st March 2016. Method and significant assumptions including unobservable market inputs employed in estimating fair value is given in Note 38.

3.8.5 SUBSEQUENT COST

The subsequent cost of replacing a component of an item of Property, Plant & 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 costs of day-

to-day servicing of Property, Plant & Equipment are charged to the Statement of Comprehensive Income as incurred. Costs incurred in using or redeploying an item are not included under carrying amount of an item.

3.8.6 DERECOGNITION

The carrying amount of an item of Property, Plant & 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 & Equipment is included in Statement of Comprehensive Income when the item is derecognised. When replacement costs are recognised in the carrying amount of an item of Property, Plant & 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.

3.8.7 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 & 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.

3.8.8 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.

3.9 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.

3.10 IMPAIRMENT OF NON-FINANCIAL 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

Comprehensive Income. 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.

LIABILITIES AND PROVISIONS

3.11 EMPLOYEE RETIREMENT BENEFITS

3.11.1 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 19 – (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 32. Actuarial gains or losses are recognised in the Statement of 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 Comprehensive Income 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 Comprehensive Income.

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

3.11.2 DEFINED CONTRIBUTION PLAN

EMPLOYEES' PROVIDENT FUND

The Company and employees contribute 12% and 8% respectively on the salary of each employee to the approved Employee's Provident Fund while the Group entities and their employees contribute the same percentages to Employees' Provident Fund.

EMPLOYEES' TRUST FUND

The Company/Group contribute 3% of the salary of each employee to the Employees' Trust Fund.

3.12 REVERSE REPURCHASE AGREEMENTS

Securities sold under agreements to repurchase at a specified future date are not derecognised from the Statement of Financial Position as the Company retains substantially all of the risks and rewards of ownership. The corresponding cash received is recognised in the Consolidated Statement of Financial Position as an asset with a corresponding obligation to return it, including accrued interest as a liability under 'securities sold under repurchase agreements', reflecting the transaction's economic substance as a loan to the Company.

3.13 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'.

3.14 OTHER LIABILITIES

Other Liabilities include, fees and expenses and amounts payable to suppliers and other provisions.

These liabilities are recorded at amounts expected to be payable at the Reporting date.

INCOME AND EXPENSE RECOGNITION

3.15 INTEREST

Interest income and expense are recognised in Statement of Comprehensive Income using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate includes all transaction costs and fees 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 liability.

Interest income and expense presented in the Statement of Comprehensive Income include interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis. Interest income on available-for-sale investment securities calculated on an effective interest basis is also included in interest income. Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest

used to discount the future cash flows for the purpose of measuring the impairment loss.

3.16 DIVIDEND INCOME

Dividend income is recognised in the Statement of Comprehensive Income on an accrual basis when the Company's right to receive the dividend is established.

3.17 FEE AND COMMISSION INCOME

Fees and commission income, including commission, service fees are recognised as the related services are performed.

3.18 PROFIT/(LOSS) ON SALE OF INVESTMENT PROPERTY

Any gains or losses on retirement or disposal of investment properties are recognised in the month of retirement or disposal.

3.19 PROFIT/(LOSS) ON SALE OF FIXED ASSETS

Profit/loss from sale of Fixed Assets is recognised in the period in which the sale occurs and is classified as other income/expense.

3.20 EXPENSE RECOGNITION

All the expenditure incurred in the running of the business and in maintaining the Property, Plant & Equipment in a state of efficiency, has been charged to the income in arriving at the profit for the year.

3.20.1 FEE AND COMMISSION EXPENSE

Fee and commission expenses are recognised on an accrual basis.

3.20.2 INCOME TAX EXPENSE

Income tax expense comprises of current and deferred tax. Income tax expense is recognised in the Statement of Comprehensive Income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

(A) 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.

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 and the amendments thereto at the schedule specified in Note 12.

(B) 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.

3.20.3 VALUE ADDED TAX ON FINANCIAL SERVICES

The base for the computation of value added tax on financial services is the accounting profit before income tax adjusted for the economic depreciation and emoluments of employees computed on prescribed rate. The impact of value added tax charged in determining the Profit or Loss for the period.

3.20.4 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.

3.20.5 CROP INSURANCE LEVY

As per the provisions of Section 14 of Finance Act No. 12 of 2013 the Crop Insurance Levy was introduced with

effect from April 1st 2014 and is payable at 1% of the profit after tax.

3.20.6 ECONOMIC SERVICE CHARGE

As per the provisions of the Finance 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.

3.20.7 DEPOSIT INSURANCE SCHEME

As per the Direction No. 01 of 2010, Sri Lanka Deposit Insurance Scheme, which was effected from 1st 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 Ministers, 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. 3 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 Company of Sri Lanka in terms of the relevant directions issued by the Monetary Board.

3.21 EARNINGS PER SHARE

The Group presents Basic Earnings per Share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. The details of the earnings per share are given in Note 14.

3.22 MATURITY ANALYSIS

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.

3.23 SEGMENTAL REPORTING

A segment is a distinguishable component of the Group that is engaged either in providing related products or services (business segment), or in providing products and services within a particular economic environment (geographical segment), which is subject to risks and returns different from those of other business segments.

For the purposes of segmental reporting disclosures, the information is presented in respect of the Group's business segments, which is based on the Group's management and internal reporting structure. The Group comprises the following major business segments; Leasing and Hire Purchase, Loans and Gold related lending. Intersegment pricing is determined on an arm's length basis. Measurement of segment assets, liabilities, segment revenue and results is based on the accounting policies set out above. Segment revenue results, assets and liabilities include items directly

attributable to segments as well as those that can be allocated on a reasonable basis. Details of financial reporting by segment as required by the Sri Lanka Accounting Standard No. 28 Segmental reporting are given in Note 38 to the Financial Statements.

3.24 CASH FLOW STATEMENT

The Cash Flow Statement has been prepared using the 'Direct Method' of preparing cash flows in accordance with the Sri Lanka Accounting Standard (LKAS) 7 – 'Statement of Cash Flows'. 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, placements with banks, money at call and short notice and money market funds.

3.25 EVENTS OCCURRING AFTER THE REPORTING DATE

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.

3.26 COMMITMENTS AND CONTINGENCIES

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be reliably measured. Contingent liabilities are not recognised in the Statement of Financial Position but are disclosed unless its occurrence is remote.

All discernible risks are accounted for in determining the amount of all known liabilities. The Company's share of any contingencies and capital commitments of a Subsidiary for which the Company is also liable severally or otherwise are also included with appropriate disclosures.

3.27 OFFSETTING OF INCOME AND EXPENSES

Income and expenses are not offset unless required or permitted by accounting standards.

3.28 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 set off the recognised amounts and it intends either to settled on a net basis or to realise the asset and settle the liability simultaneously.

3.29 COMPARATIVE INFORMATION

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 when ever necessary to conform with the current year's classification in order to provide better presentation.

4. FINANCIAL RISK MANAGEMENT

Risk is inherent in the financial services activities and it is managed as an ongoing process of identification, measurement,

monitoring and control. The process of risk management is a critical function of the company ranging responsibilities across the each and every individual departments of the company.

The key significant risk faced by the company have been identified as Credit risk, Market risk, Liquidity risk and operational risk and separate risk management division is established in managing the same.

CREDIT RISK

The risk that the company will incur a loss due to its customers and/or counterparties failing to discharge their contractual obligations. Company manages this risk by adhering to strict credit evaluation process while maintaining individual exposure limits and collateral with sufficient liquidity.

MARKET RISK

The risk that the fair value of future cash flows of financial instruments will vary due to changes in the market variables. These variable includes interest rates, foreign exchange rates and equity/ commodity prices. Company manage this risk by continuous monitoring and responsive decision making.

LIQUIDITY RISK

The risk that the company will encounter difficulties in meeting the obligations arising from the financial liabilities that are settled through either cash or another financial asset. Company has arranged a contingent funding arrangements covering core funding arrears of the company In order to manage the risk under both normal and stress condition.

OPERATIONAL RISK

The risk of loss arising from ongoing operation of the company due to human errors, system failures, fraud or external events. Company manage this risk by segregating the impact of external events from the internal process related risk. Controls such as segregating, continuous audit, internal audit are in place to manage the risk arise from operations internally.

5. NEW SLFRS ISSUED BUT NOT YET EFFECTIVE

Number of new accounting standards and amendments to standards which have been issued but not yet effective as at the Reporting date have not been applied in preparing these consolidated Financial Statements. Accordingly following accounting standards have not been applied in preparing these Financial Statements.

SLFRS 9 – ‘FINANCIAL INSTRUMENTS’

SLFRS 9 – ‘Financial Instruments’ replaces the existing guidance in LKAS 39 – ‘Financial Instrument: Recognition and Measurement’. SLFRS 9 includes revised guidance on the classification and measurement of financial instruments including a new expected credit loss model for calculating impairment on financial assets.

SLFRS 9 is effective for annual period beginning on or after 1st January 2018 with early adoption permitted.

The Group is assessing the potential impact on its Financial Statements resulting from application of SLFRS 9. Given the nature of the Group’s operations, this standard is expected to have a pervasive impact.

SLFRS 15 – ‘REVENUE FROM CONTRACTS WITH CUSTOMERS’

SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including LKAS 18 – ‘Revenue’ and LKAS 11 – ‘Construction Contracts’.

SLFRS 15 is effective for Annual Reporting period beginning on or after 1st January 2018.

SLFRS 14 – REGULATORY DEFERRAL ACCOUNTS

This standard specifies the Financial Reporting requirement for regulatory deferral account balances that arise when an entity provides goods or services to customers at a price or rate that is subject to regulation.

This standard is effective for annual reporting periods beginning on or after 1st January 2016.

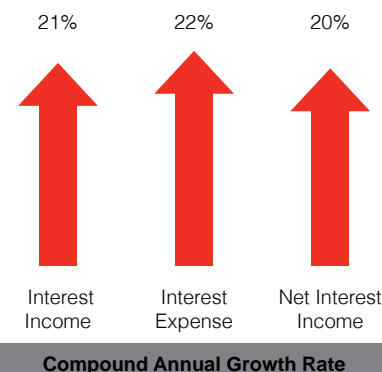
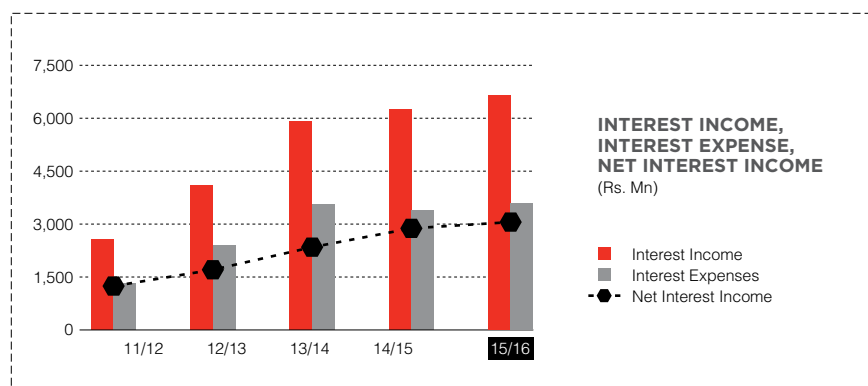
The Group is assessing the potential impact on its Financial Statements.

Disclosure initiative (Amendment to LKAS 1 - presentation of Financial Statements) effective date 1st January 2016.

Accounting for acquisition of interest in joint operation (Amendments to SLFRS 11) effective date 1st January 2016.

For the year ended 31st March

	Company				Group			
	2016	(Rs.)	2015	(Rs.)	2016	(Rs.)	2015	(Rs.)
6. REVENUE								
Revenue (Note 6.1)	7,486,004,737		6,907,077,362		7,549,279,021		6,940,752,486	
6.1 REVENUE								
Interest income (Note 7)	6,647,024,326		6,251,533,117		6,702,884,036		6,285,172,241	
Fee and commission income (Note 9)	210,597,153		171,042,479		215,144,560		171,042,479	
Other operating income (Note 10)	628,383,258		484,501,766		631,250,425		484,537,766	
Total revenue	7,486,004,737		6,907,077,362		7,549,279,021		6,940,752,486	
7. INTEREST INCOME								
Placements with banks	125,909,996		166,911,227		129,081,584		169,725,146	
Held-to-Maturity investment securities	171,594,530		167,789,168		171,594,530		166,273,024	
Loans and receivable to banks	6,215,432		3,985,383		6,215,432		3,985,383	
Loans and receivable to customers (Note 7.1)	6,343,304,368		5,912,847,339		6,395,992,490		5,945,188,688	
Total interest income	6,647,024,326		6,251,533,117		6,702,884,036		6,285,172,241	
7.1 LOANS AND ADVANCES TO CUSTOMERS								
Finance leases	4,200,113,474		3,327,021,682		4,207,985,771		3,329,472,974	
Stock out on hire	1,087,172,501		1,424,147,914		1,097,102,362		1,430,884,499	
Loans and advances	950,193,843		1,136,695,144		985,079,807		1,159,848,616	
Ijarah profit income	51,609,093		9,177,384		51,609,093		9,177,384	
Murabaha profit income	54,215,457		15,805,215		54,215,457		15,805,215	
Total interest income from loans & advances to customers	6,343,304,368		5,912,847,339		6,395,992,490		5,945,188,688	
8. INTEREST EXPENSE								
Term deposits from customers	2,617,321,651		2,741,475,921		2,619,375,834		2,741,475,921	
Savings deposits from customers	96,640,410		78,473,074		96,640,410		78,473,074	
Mudharabah investments from customers	7,970,366		6,006,971		7,970,366		6,006,971	
Debentures	158,859,213		166,072,509		158,859,213		166,072,509	
Foreign borrowings	73,174,517		104,391,176		73,174,517		104,391,176	
Other borrowings	634,447,117		285,035,779		635,398,779		292,763,627	
Total interest expenses	3,588,413,274		3,381,455,430		3,591,419,119		3,389,183,278	
Net interest income	3,058,611,052		2,870,077,687		3,111,464,917		2,895,988,963	



ANALYSIS OF NET INTEREST INCOME

Below analysis shows the yield of each of the 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.

Company

As at 31st March

	2016			2015		
	Interest Income Rs.	Average Assets Rs.	Yield %	Interest Income Rs.	Average Assets Rs.	Yield %
Analysis of interest income by type of assets						
Placements with banks	125,909,996	1,767,697,823	7	166,911,227	2,319,694,298	7
Held-to-maturity investment securities and loans and receivable to Banks	177,809,962	3,903,640,111	5	171,774,551	2,275,310,416	8
Loans and receivables to customers	6,343,304,368	33,960,559,788	19	5,912,847,339	27,551,871,773	21
	6,647,024,326	39,631,897,721	17	6,251,533,117	32,146,876,487	19
	Interest Expenses Rs.	Average Liability Rs.	Cost %	Interest Expenses Rs.	Average Liability Rs.	Cost %
Analysis of Interest Expense by type of Liability						
Term deposits from customers	2,617,321,651	27,414,753,498	10%	2,741,475,921	24,690,670,508	11
Savings deposits from customers	96,640,410	1,485,003,076	7%	78,473,074	1,094,947,374	7
Mudharabah investments from customers	7,970,366	83,657,157	10%	6,006,971	44,545,317	13
Debentures	158,859,213	1,043,808,099	15%	166,072,509	1,107,907,014	15
Foreign borrowings	73,174,517	523,475,853	14%	104,391,176	732,031,744	14
Other borrowings	634,447,117	7,017,748,590	9%	285,035,779	3,002,842,823	9
	3,588,413,274	37,568,446,272	10%	3,381,455,430	30,672,944,780	11

Group

As at 31st March	2016			2015		
	Interest Income Rs.	Average Assets Rs.	Yield %	Interest Income Rs.	Average Assets Rs.	Yield %
Analysis of interest income by type of assets						
Placements with banks	129,081,584	1,777,146,373	7	169,725,146	2,158,241,328	8
Held-to-maturity investment securities and loans and receivable to Banks	177,809,962	2,668,005,279	5	170,258,407	2,278,287,577	7
Loans and receivables to customers	6,395,992,490	34,187,000,194	19	5,945,188,688	27,672,690,757	22
	6,702,884,036	38,631,865,109	17	6,285,172,241	32,464,614,117	20
	Interest Expenses Rs.	Average Liability Rs.	Cost %	Interest Expenses Rs.	Average Liability Rs.	Cost %
Analysis of interest expense by type of liability						
Term deposits from customers	2,679,375,834	27,414,753,498	10	2,741,475,921	24,690,670,508	11
Savings deposits from customers	96,640,410	1,485,003,076	7	78,473,074	1,094,947,374	7
Mudharabah investments from customers	7,970,366	83,657,157	10	6,006,971	44,545,317	13
Debentures	158,859,213	1,043,808,099	15	166,072,509	1,107,907,014	15
Foreign borrowings	73,174,517	523,475,853	14	104,391,176	732,031,744	14
Other borrowings	635,398,779	7,050,600,687	9	292,763,627	2,758,256,420	10
	3,591,419,119	37,601,298,369	10	3,389,183,278	30,803,559,172	11

For the year ended 31st March	Company		Group	
	2016	(Rs.)	2015	(Rs.)

9. FEE AND COMMISSION INCOME

Insurance commission	208,422,079	169,823,685	208,422,079	169,823,685
Guarantee/lending-related commission income	614,800	436,510	5,162,207	436,510
Commission on money remittances	166,242	92,238	166,242	92,238
Commission on debit card transactions	1,394,032	690,046	1,394,032	690,046
Total fee and commission income	210,597,153	171,042,479	215,144,560	171,042,479

10. OTHER OPERATING INCOME

Dividend income	11,638,818	9,064,000	11,692,818	9,100,000
Foreign exchange gain/(loss)	656,510	(637,252)	656,510	(637,252)
Net income from trading portfolio (Note 10.1)	(4,305,558)	(33,485)	(4,305,558)	(33,485)
Profit on sale of fixed assets	24,418,501	92,312	24,418,501	-
Trading income from sale of vehicles	31,978,612	-	31,978,612	-
Other operating income	231,519,141	272,647,505	234,332,308	272,739,816
Income from early settlement of lending facilities	332,477,234	203,368,686	332,477,234	203,368,686
Total other operating income	628,383,258	484,501,766	631,250,425	484,537,765

For the year ended 31st March	Company				Group			
	2016	(Rs.)	2015	(Rs.)	2016	(Rs.)	2015	(Rs.)
10.1 NET INCOME FROM TRADING PORTFOLIO								
Trading income - Treasury bonds	10,681,841		–		10,681,841		–	
Mark to market adjustment								
Treasury bonds	(10,961,300)		(33,485)		(10,961,300)		(33,485)	
Equity securities	(4,026,099)		–		(4,026,099)		–	
	(4,305,558)		(33,485)		(4,305,558)		(33,485)	

11. IMPAIRMENT CHARGES ON LOANS FINANCIAL ASSETS

Net charge against profit on loans and receivables to customers:								
Collective impairment charge/(release):								
Leases	97,247,458		28,630,695		97,247,458		28,630,695	
Hire purchase	14,473,687		4,708,054		14,473,687		4,708,054	
Loans and advances	9,906,292		(54,628,839)		9,906,292		(54,628,839)	
Individual impairment charge/(release):								
Leases	(80,340,238)		99,940,969		(80,340,238)		99,940,969	
Hire purchase	(24,370,317)		47,934,505		(24,370,317)		47,934,505	
Loans and advances	840,259		10,459,848		6,006,688		8,140,489	
Losses from liquidation of pawned articles	–		90,594,363		–		90,594,363	
Impairment changes for disposal deficits	381,632,247		453,303,828		381,632,247		453,303,827	
Impairment charge for the year	399,389,388		680,943,423		404,555,817		678,624,063	

Income from early closure of lending facilities amounting to Rs. 332 Mn (2015 – 203 Mn) have been reclassified under other Operating Income from net impairment charges on loans and advances to reflect more appropriate economic substance based on nature and substance of the transaction.

Impairment charge on repossessed vehicles amounting to Rs. 215 Mn. (2015 - 73 Mn) which is categorised under individual impairment have been reversed due to the sale of such vehicles. The actual deficit of such transactions are reported under impairment charge on disposal deficits.

For the year ended 31st March

Company				Group			
2016	(Rs.)	2015	(Rs.)	2016	(Rs.)	2015	(Rs.)

12. TOTAL OPERATING EXPENSES

Operating expenses, among others, include the following:

Staff related expenditure	639,359,047	450,892,802	645,782,137	451,222,108
Depreciation and amortisation	187,238,915	156,230,373	190,668,006	159,585,375
Legal expense and professional fees	16,231,019	18,420,296	18,487,008	20,475,731
Directors' emoluments	66,578,980	59,738,682	1,400,000	60,088,682
Directors' terminal benefits	7,816,575	–	–	–
Advertising and communication	214,517,690	219,777,508	214,517,690	219,777,508
Contribution to deposit insurance scheme of CBSL	39,487,350	35,658,096	39,487,350	35,658,096
Activities on Corporate Social Responsibility	3,600,000	3,100,000	3,600,000	3,100,000
Auditors' remuneration				
Audit fees and expenses	2,050,000	2,000,000	2,488,000	2,600,000
Audit-related fees and expenses	550,000	500,000	550,000	500,000
Non-audit services	1,250,000	1,170,000	1,250,000	1,170,000

12.1 STAFF RELATED EXPENSE - RETIREMENT BENEFITS

Contribution to Employees' Provident Fund and Trust Fund	56,464,070	48,242,368	57,240,300	48,499,430
Employees' defined benefit plan service expenses	49,416,991	42,848,075	49,416,991	43,106,638

For the year ended 31st March

Company				Group			
2016	(Rs.)	2015	(Rs.)	2016	(Rs.)	2015	(Rs.)

13. INCOME TAX EXPENSE

Current income tax expense	118,267,192	114,147,828	126,802,805	122,290,033
(Over) provision in respect of prior periods	(68,175,727)	(1,157,123)	(68,309,292)	(1,157,123)
Deferred tax expense	198,698,899	136,695,854	199,199,200	136,695,854
Income tax charge for the year	248,790,365	249,686,559	257,692,714	257,828,764

Income tax rate applicable for the Company and its Subsidiaries for the financial years 2015/16 and 2014/15 is 28%.

Tax effect on items categorised under other comprehensive income is Rs. 1 Mn (2015 – Rs. 7 Mn).

	Company				Group			
	2016	(Rs.)	2015	(Rs.)	2016	(Rs.)	2015	(Rs.)
<i>For the year ended 31st March</i>								
Reconciliation between income tax expenses and the accounting profit								
Accounting profit before tax	1,253,943,503		951,420,464		1,278,467,112		968,250,999	
Tax expenses as per accounting profit	351,104,181		266,397,730		357,970,791		271,110,280	
Tax effect of capital portion of lease rentals	1,703,629,111		1,173,699,715		1,703,629,111		1,177,006,810	
Income from non-taxable sources	(40,501,124)		(2,537,920)		(40,501,124)		(2,537,920)	
Tax effect of disallowed expenses	237,453,068		189,042,837		247,395,613		195,285,078	
Tax effect of deductible expenses and tax losses	(2,074,284,447)		(1,488,654,534)		(2,082,557,990)		(1,494,774,215)	
Tax effect on qualifying payments	(59,133,596)		(23,800,000)		(59,133,596)		(23,800,000)	
Tax on business profit	118,267,191		114,147,828		126,802,805		122,290,033	
Tax on dividend	-		-		-		-	
Deferred tax expenses	198,698,899		136,695,854		199,199,200		136,695,854	
Prior period under/(over) provision	(68,175,727)		(1,157,124)		(68,309,291)		(1,157,123)	
Income tax expenses reported in the Statement of Comprehensive Income at the effective tax rate	248,790,365		249,686,559		257,692,714		257,828,764	

	Company			Group		
	Leasing Business	Other Business	Total	Leasing Business	Other Business	Total
<i>For the year ended 31st March</i>						
A reconciliation between Tax Expense and the Accounting Profit based on the statutory tax rate – 2015/16						
Accounting profit before tax	778,435,940	475,507,563	1,253,943,503	782,892,191	495,574,920	1,278,467,111
Adjustments						
Capital portion of leasing rental due	6,084,389,682	-	6,084,389,682	6,097,536,948	-	6,097,536,948
Non-taxable income/losses	(136,803,974)	(7,842,898)	(144,646,872)	(136,817,729)	(7,927,060)	(144,744,789)
Disallowable expenses	573,394,738	274,651,925	848,046,663	574,160,020	287,322,045	861,482,065
Allowable expenses	(7,947,555,272)	(108,742,349)	(8,056,297,623)	(7,974,634,899)	(110,911,336)	(8,085,546,235)
Total statutory income	(648,138,886)	633,574,241	(14,564,645)	(656,863,469)	664,058,569	7,195,100
Qualifying payments	-	(211,191,413)	-	-	(211,191,413)	-
Carried forward tax losses – Set off						
Taxable income	-	422,382,828	-	-	452,867,156	-
Income tax rate (%)		28			28	
Income tax	-	118,267,191	-	-	126,802,805	-
Effective tax rate (%)		25			26	

For the year ended 31st March	Company			Group		
	Leasing Business	Other Business	Total	Leasing Business	Other Business	Total
A reconciliation between tax expense and the Accounting profit based on the statutory tax rates 2014/15						
Accounting profit before tax	434,408,403	517,012,062	951,420,464	435,378,718	532,872,282	968,251,999
Adjustments add						
Capital portion of leasing rental due	4,191,784,698	–	4,191,784,698	4,203,595,751	–	4,203,595,751
Non-taxable income/losses	–	(9,064,000)	(9,064,000)	–	(9,064,000)	(9,064,000)
Disallowable expenses	495,669,776	179,483,214	675,152,990	497,099,275	200,347,437	697,446,708
Allowable expenses	(5,117,944,249)	(89,336,583)	(5,207,280,831)	(5,128,839,550)	(92,880,610)	(5,221,720,159)
Total statutory income	3,918,628	598,094,693	602,013,321	7,234,194	631,275,107	638,509,300
Qualifying payments	–	(85,000,000)	(85,000,000)	–	(85,000,000)	(85,000,000)
Carried forward tax losses – Set off	(3,918,628)	(105,423,877)	(109,342,505)	(3,918,628)	(112,840,553)	(116,759,180)
Taxable income	–	407,670,816	407,670,816	3,315,566	433,434,554	436,750,120
Income tax rate (%)		28		28	28	
Income tax	–	114,147,828	–	928,358	121,361,675	–
Effective tax rate (%)		22			23	

14. EARNINGS PER SHARE

Basic earnings per ordinary share is calculated by dividing the profit attributable to ordinary shareholders of the parent company by the weighted average number of ordinary shares outstanding.

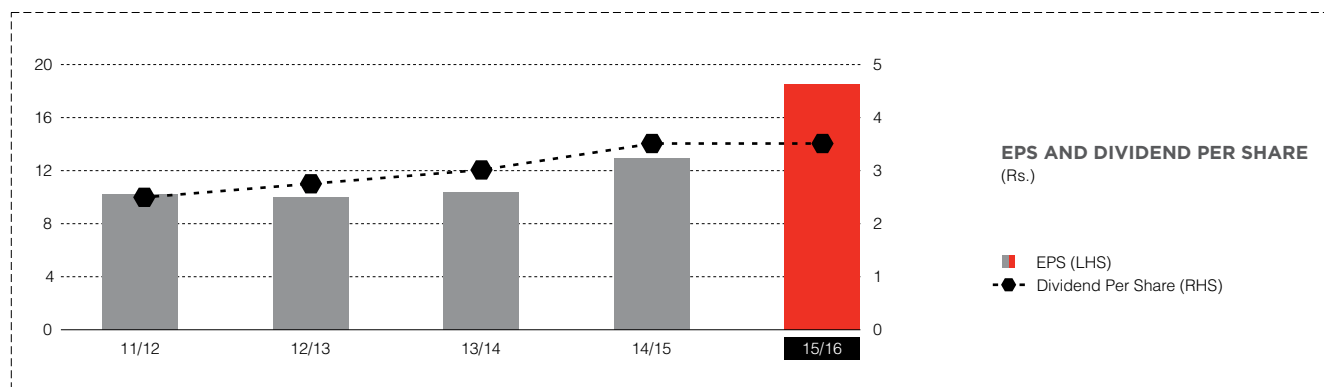
For the year ended 31st March	Company		Group	
	2016	2015	2016	2015
Amount used as numerator				
Net profit attributable to equity holders of parent (Rs.)	1,005,153,138	701,733,905	1,018,620,020	709,451,620
Amount used as denominator				
Weighted average number of ordinary shares (Rs.)	54,305,207	54,305,207	54,305,207	54,305,207
Basic earnings per ordinary shares	18.51	12.92	18.76	13.06

For the year ended 31st March	Company		Group	
	2016	(Rs.)	2015	(Rs.)
15. DIVIDEND PER SHARE				
Net dividend paid/proposed to ordinary shareholders	171,061,402	171,061,402	171,061,402	171,061,402
Withholding tax deducted at source	19,006,823	19,006,823	19,006,823	19,006,823
Gross dividend	190,068,225	190,068,225	190,068,225	190,068,225
Gross dividend per share	3.50	3.50	3.50	3.50
Dividend payout ratio	19%	27%	19%	27%

15. DIVIDEND PER SHARE

Net dividend paid/proposed to ordinary shareholders	171,061,402	171,061,402	171,061,402	171,061,402
Withholding tax deducted at source	19,006,823	19,006,823	19,006,823	19,006,823
Gross dividend	190,068,225	190,068,225	190,068,225	190,068,225
Gross dividend per share	3.50	3.50	3.50	3.50
Dividend payout ratio	19%	27%	19%	27%

The Board has proposed a first and final dividend of Rs. 3.50 per share for its Voting and Non-voting ordinary shares. In accordance with the provisions of the Sri Lanka Accounting Standard No 10 "Event after Reporting period". This proposed dividend has not been recognised as a liability in the Financial Statements for the year ended 31st March 2016.



For the year ended 31st March

Company				Group			
2016	(Rs.)	2015	(Rs.)	2016	(Rs.)	2015	(Rs.)

16. CASH AND CASH EQUIVALENTS

Local currency in hand	236,235,236	161,325,027	236,270,236	161,410,027
Foreign currency in hand/at Bank	6,631,519	2,937,655	6,631,519	2,937,655
Demand/savings deposit balances with financial institutions	479,484,634	149,131,597	486,887,582	170,010,806
Total cash and cash equivalents	722,351,389	313,394,279	729,789,337	334,358,488

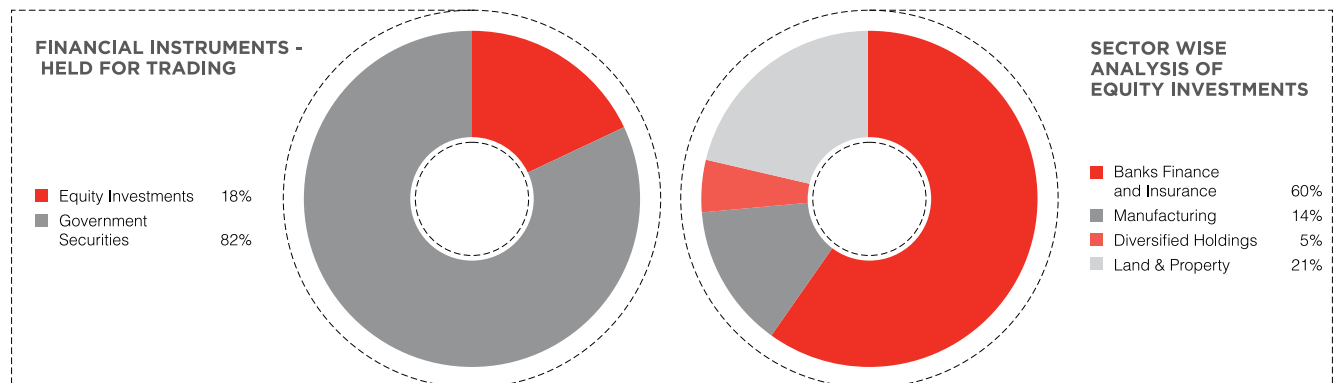
17. FINANCIAL INSTRUMENTS HELD FOR TRADING

Government Securities	100,000,321	56,220,230	100,000,321	56,220,230
Equity Investments	21,962,815	–	21,962,815	–
Total financial instruments held for trading	121,963,136	56,220,230	121,963,136	56,220,230

	Cost	Fair Value	Company		Group					
			2016	(Rs.)	2015	(Rs.)	2016	(Rs.)	2015	(Rs.)
Government Securities										
Treasury Bonds	112,525,850	100,000,321	100,000,321	56,220,230	100,000,321	56,220,230				

Quoted Shares

Investee		No. of shares	Cost (Rs.)	Valuation (Rs.)
Commercial Bank of Ceylon PLC	Voting	71,259	11,468,232	8,943,015
NDB Bank PLC	Voting	17,000	3,803,123	2,869,600
Hatton National Bank PLC	Voting	4,000	858,711	797,200
Hatton National Bank PLC	Non-Voting	3,000	534,217	513,000
John Keells Holdings PLC	Voting	7,500	1,240,086	1,110,000
Chevron Lubricants Lanka PLC	Voting	10,000	3,741,440	3,050,000
Overseas Reality (Ceylon) PLC	Voting	200,000	4,343,105	4,680,000
			25,988,914	21,962,815
Mark to market gain/(Loss) for the year			(4,026,099)	
			21,962,815	



For the year ended 31st March

Company				Group			
2016	(Rs.)	2015	(Rs.)	2016	(Rs.)	2015	(Rs.)

18. LOANS AND RECEIVABLES TO BANKS

Repurchase Agreements - Treasury Bills	2,967,869,560	301,700,000	2,979,124,401	301,700,000
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19. DEPOSITS WITH LICENSED COMMERCIAL BANKS

Term Deposits with Banks	1,602,179,104	1,933,216,541	1,610,310,601	1,943,406,672
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20. LOANS AND ADVANCES TO CUSTOMERS

Product-wise Analysis				
Loans and advances to customers at amortised cost (Note 20.1)	7,547,696,969	6,556,750,473	7,634,238,166	6,702,077,195
Finance lease receivables (Note 20.2)	27,429,490,821	16,447,311,290	27,524,856,229	16,477,298,422
Hiring contracts (Note 20.3)	4,379,150,822	7,174,398,765	4,417,748,957	7,248,718,170
Gross Receivable from customers	39,356,338,612	30,178,460,528	39,576,843,352	30,428,093,787
Allowance for Impairment (Note 20.4)	(817,418,423)	(799,661,277)	(823,278,181)	(807,656,569)
Carrying Amount	38,538,920,189	29,378,799,251	38,753,565,171	29,620,437,218

The maturity analysis of loans and advances to customers is given in Note 39.

Further analysis of the lending portfolio is given in the Note 37.1.

20.1 LOANS AND ADVANCES TO CUSTOMERS AT AMORTISED COST

Short-term loans	1,190,035,883	1,183,115,887	1,190,035,883	1,158,013,081
Term and vehicle loans	5,853,043,899	5,007,831,817	5,939,585,096	5,178,261,345
Staff loans	272,271,329	185,369,335	272,271,329	185,369,335
Gold related lending	232,345,858	125,945,111	232,345,858	125,945,111
Loans given to employee share ownership trust	–	54,488,323	–	54,488,323
Gross loan receivable	7,547,696,969	6,556,750,473	7,634,238,166	6,702,077,195
Allowance for impairment	(53,279,106)	(42,532,549)	(59,138,863)	(48,068,817)
Net loans receivable	7,494,417,863	6,514,217,924	7,575,099,303	6,654,008,378

For the year ended 31st March

Company				Group			
2016	(Rs.)	2015	(Rs.)	2016	(Rs.)	2015	(Rs.)

20.2 FINANCE LEASE RECEIVABLE

Gross investment in finance leases

Receivable within 1 year	11,416,184,548	8,844,849,685	11,467,849,548	8,857,843,833
Receivable after 1 year before 5 years	24,134,912,741	13,304,373,964	24,226,456,410	13,332,109,303
Receivable after 5 years	1,274,443,719	207,691,926	1,274,443,719	207,691,926
	36,825,541,008	22,356,915,575	36,968,749,677	22,397,645,062
Unearned finance income	(9,396,050,187)	(5,909,604,285)	(9,443,893,449)	(5,920,346,640)
Net investment in finance leases	27,429,490,821	16,447,311,290	27,524,856,228	16,477,298,422
Allowance for impairment	(662,499,906)	(645,592,686)	(662,499,906)	(645,592,686)
Net lease receivable	26,766,990,915	15,801,718,604	26,862,356,322	15,831,705,736

20.3 NET INVESTMENT IN HIRING CONTRACTS

Gross investment in hiring contracts	4,379,150,822	7,174,398,765	4,417,748,957	7,248,718,170
Allowance for Impairment	(101,639,412)	(111,536,042)	(101,639,412)	(113,995,066)
Net investment in hiring contracts	4,277,511,410	7,062,862,723	4,316,109,545	7,134,723,104

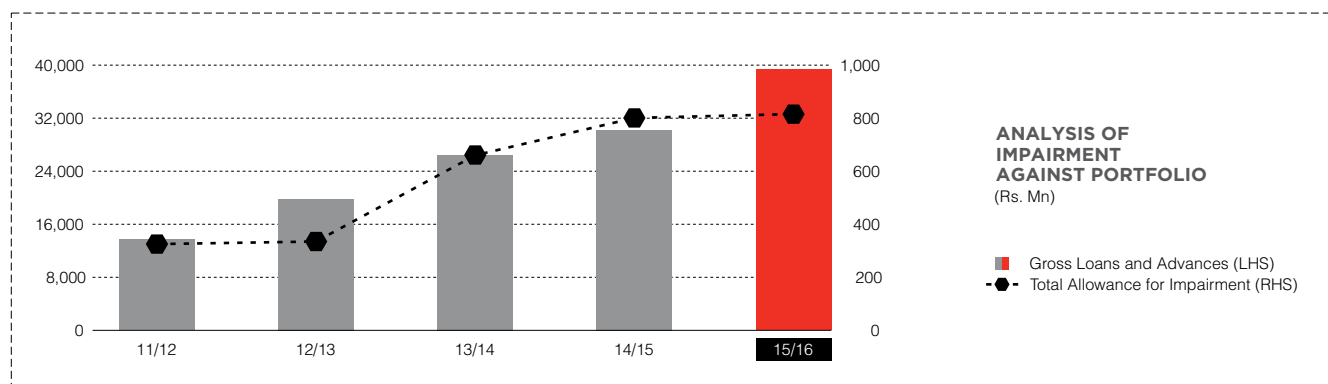
20.4 ALLOWANCE FOR IMPAIRMENT

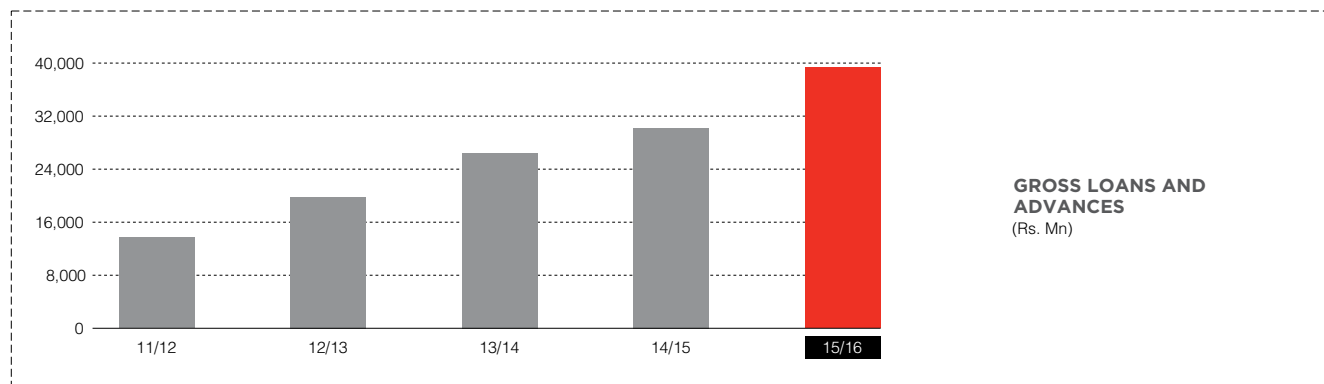
Individually assessed allowances

Balance as at the beginning of the year	337,322,102	229,430,107	337,322,102	229,430,107
Charge for the year	(103,870,291)	107,891,995	(103,870,291)	107,891,995
Balance as at end of the year	233,451,811	337,322,102	233,451,811	337,322,102

Collectively assessed allowances

Balance as at the beginning of the year	462,339,175	429,531,404	470,334,467	429,531,404
Charge for the year	121,627,437	32,807,771	119,491,903	40,803,063
Balance as at end of the year	583,966,612	462,339,175	589,826,370	470,334,467
Total allowance for impairment	817,418,423	799,661,277	823,278,181	807,656,569





21. INVESTMENT SECURITIES

As at 31st March	Company		Group	
	2016	(Rs.)	2015	(Rs.)
Held-to-maturity (Note 21.1)	2,351,480,862	2,186,229,799	2,356,886,156	2,192,184,120
Available-for-sale (Note 21.2)	920,594,408	954,118,800	948,940,428	954,242,500
	3,272,075,270	3,140,348,599	3,305,826,584	3,146,426,620
Equity investments	920,594,408	954,118,800	948,940,428	954,242,500
Debt securities	2,351,480,862	2,186,229,799	2,356,886,156	2,192,184,120
	3,272,075,270	3,140,348,599	3,305,826,584	3,146,426,620

21.1 HELD-TO-MATURITY INVESTMENTS

Government bills	2,216,980,067	2,052,309,487	2,216,980,067	2,052,309,487
Government bonds	124,321,246	123,743,936	124,321,246	129,698,257
Corporate bonds	10,179,549	10,176,376	15,584,843	10,176,376
	2,351,480,862	2,186,229,799	2,356,886,156	2,192,184,120

21.2 AVAILABLE-FOR-SALE INVESTMENT SECURITIES

As at 31st March	Company		Group	
	2016	(Rs.)	2015	(Rs.)
Quoted Equity investments measured at fair value	920,594,408	954,118,800	948,816,728	954,118,800
Unquoted equity investments measured at cost	24,664,550	24,664,550	24,788,250	24,788,250
	945,258,958	978,783,350	973,604,978	978,907,050
Less: Impairment loss on available-for-sale investment	(24,664,550)	(24,664,550)	(24,664,550)	(24,664,550)
	920,594,408	954,118,800	948,940,428	954,242,500

(A) Company

As at 31st March	2016			2015		
	No. of Shares	Cost at Acquisition (Rs.)	Carrying Amount (Rs.)	No. of Shares	Cost at Acquisition (Rs.)	Carrying Amount (Rs.)
Quoted shares	607,377	161,266,932	920,594,408	564,000	99,909,075	954,118,800
Ceylinco Insurance PLC – Ordinary shares						
Unquoted shares						
Middleway Limited – Ordinary shares	416,455	4,164,550	4,164,550	416,455	4,164,550	4,164,550
Middleway Limited – Preference shares	2,050,000	20,500,000	20,500,000	2,050,000	20,500,000	20,500,000
Less: provision for impairment		(24,664,550)	(24,664,550)		(24,664,550)	(24,664,550)
		161,266,932	920,594,408		99,909,075	954,118,800

(B) Group

As at 31st March	2016			2015		
	No. of Shares	Cost at Acquisition (Rs.)	Carrying Amount (Rs.)	No. of Shares	Cost at Acquisition (Rs.)	Carrying Amount (Rs.)
Quoted shares						
Ceylinco Insurance PLC – Ordinary shares	626,217	188,902,821	948,816,728	564,000	99,909,075	954,118,800
Unquoted shares						
Middleway Limited – Ordinary shares	416,455	4,164,550	4,164,550	416,455	4,164,550	4,164,550
Middleway Limited – Preference shares	2,050,000	20,500,000	20,500,000	2,050,000	20,500,000	20,500,000
Credit Information Bureau of Sri Lanka (CRIB)	100	123,700	123,700	100	123,700	123,700
Less: provision for impairment		(24,664,550)	(24,664,550)		(24,664,550)	(24,664,550)
		189,026,521	948,940,428		100,032,775	954,242,500

22. INVESTMENTS IN SUBSIDIARIES**22.1 GROUP COMPANIES**

As at 31st March	Company			
	2016		2015	
	Cost (Rs.)	Cost (Rs.)	Cost (Rs.)	Cost (Rs.)
Balance as at the beginning of the year	430,000,000	5,000,000		
Acquisitions made during the year	82,172,287	425,000,000		
Disposals made during the year	–	–		
	512,172,287	430,000,000		
Less : Provision for impairment	(2,254,553)	(2,254,553)		
	509,917,734	427,745,447		

<i>As at 31st March 2016</i>	Holding %	Carrying Value	Share Class
CDB Micro Finance Limited	100	2,745,447	Ordinary Shares
Unisons Capital Leasing Limited	90.38	507,172,287	Ordinary Shares

Unisons Capital Leasing Limited Subsidiary of CDB issued 7,825,932 shares to a total sum of Rs. 82,172,286/- by way of a rights issue. Consequently number of shares outstanding as at 31st March 2016 is 26,086,440.

The group does not have any 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.

22.2 NON-CONTROLLING INTEREST

Summarised financial information with subsidiary with significant non-controlling interest Unisons Capital Leasing Limited

<i>As at 31st March</i>	Cost	
	2016	2015
NCI percentage	9.62%	13.74%
Interest Income	56,041,029	87,296,463
Net profit after tax	15,671,259	8,931,960
Total comprehensive income for the year	16,384,311	9,010,510
Profit attributable to NCI	2,154,378	970,615
Loans and Advances	214,644,982	266,740,773
Total assets	369,962,260	316,690,694
Total liabilities	52,916,049	98,201,080
Net assets	317,046,213	218,489,615
Carrying amount of NCI	30,487,979	29,783,570
Cash flows from operating activities	19,269,711	11,396,019
Cash flows from investing activities	(108,256,831)	(3,326,721)
Cash flows from financing activities	82,172,286	-
Net increase in cash and cash equivalents	(6,814,834)	8,069,298

Company subscribed to the rights issue of its subsidiary company Unisons Capital Leasing Limited and purchased 7,825,932 shares, increasing the holding percentage to 90.38%. (2015 – 86.26%)

23. INVESTMENT PROPERTY

As at 31st March	Company				Group			
	2016	(Rs.)	2015	(Rs.)	2016	(Rs.)	2015	(Rs.)
Balance as at the beginning of the year	20,197,977		20,197,977		20,197,977		20,197,977	
Acquisitions	–				–			
Disposals	–				–			
Balance as at 31st March	20,197,977		20,197,977		20,197,977		20,197,977	

Investment property comprises land acquired by the Company and held for capital appreciation purpose.

The Company carries its investment property at cost and no depreciation is recognised as land has an unlimited useful life.

Location	Type	Extent (perches)	Company				Group			
			2016	(Rs.)	2015	(Rs.)	2016	(Rs.)	2015	(Rs.)
Biyagama	Land	120	42,000,000		42,000,000		42,000,000		42,000,000	

MEASUREMENT OF FAIR VALUE

The fair values of investment properties were determined by external, independent property valuer, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued. The independent valuer provide the fair values of the Company's investment property at the year end.

The fair value measurements for investment property has been categorised as Level 3 fair value measurements.

VALUATION TECHNIQUES AND SIGNIFICANT UNOBSERVABLE INPUTS

Valuation of the above property has been arrived at with reference to prevailing land sales in the area adjusted for the specific conditions of the above property.

The reference range of value for the properties in the area range from Rs. 350,000/- to Rs. 400,000/- per perch.

24. PROPERTY, PLANT & EQUIPMENT

Company	Land (Rs.)	Building (Rs.)	Furniture and Fittings (Rs.)	Computer Equipment (Rs.)	Office Equipment (Rs.)	Motor Vehicles (Rs.)	Total (Rs.)
Cost/Valuation							
Balance as at 1st April 2015	412,429,000	583,470,227	361,808,450	240,573,461	190,631,522	90,881,948	1,879,794,608
Additions during the period		55,492,784	91,357,753	43,684,095	8,076,443	121,652,975	320,264,049
Revaluation surplus	42,600,000	–	–	–	–	–	42,600,000
Disposal during the period	–	–	–	–	–	(50,000,000)	(50,000,000)
Balance as at 31st March 2016	455,029,000	638,963,011	453,166,203	284,257,556	198,707,965	162,534,923	2,192,658,658
Accumulated Depreciation							
Balance as at 1st April 2015	–	6,341,845	171,500,846	140,881,949	74,864,354	64,862,748	458,451,742
Charged during the period	–	15,601,265	66,691,224	35,988,519	31,696,093	23,938,346	173,915,447
Disposal during the period	–	–	–	–	–	(46,666,667)	(46,666,667)
Balance as at 31st March 2016	–	21,943,110	238,192,070	176,870,468	106,560,447	42,134,427	585,700,522
Carrying Value							
Balance as at 31st March 2016	455,029,000	617,019,901	214,974,133	107,387,088	92,147,518	120,400,496	1,606,958,136
Balance as at 31st March 2015	412,429,000	577,128,382	190,307,604	99,691,512	115,767,168	26,019,200	1,421,342,866
Balance as at 01st April 2014	374,121,022	5,720,790	153,352,723	74,323,719	47,822,371	36,333,754	691,674,379

Carrying amount of Property, Plant & Equipment as at 1st April 2014, inclusive of capital work-in-progress of Rs. 312 Mn, was Rs. 1,004,470,809/-.

Group	Land (Rs.)	Building (Rs.)	Furniture and Fittings (Rs.)	Computer Equipment (Rs.)	Office Equipment (Rs.)	Motor Vehicles (Rs.)	Total (Rs.)
Cost/Valuation							
Balance as at 1st April 2015	412,429,000	583,470,227	361,952,705	246,901,408	191,854,851	91,535,224	1,888,143,415
Additions during the period		55,492,784	91,357,753	43,684,095	8,593,174	121,652,975	320,780,780
Revaluation surplus	42,600,000	–	–	–	–	–	42,484,500
Disposal during the period	–	–	–	–	(115,500)	(50,000,000)	(50,000,000)
Balance as at 31st March 2016	455,029,000	638,963,011	453,310,458	290,585,503	200,332,525	163,188,199	2,201,408,696
Accumulated Depreciation							
Balance as at 1st April 2015	–	6,341,845	171,521,173	143,755,230	75,076,017	65,016,340	461,710,605
Charged during the period	–	15,601,265	66,713,277	37,570,505	31,835,651	24,036,338	175,757,035
Disposal during the period	–	–	–	–	(30,097)	(46,666,667)	(46,696,764)
Balance as at 31st March 2016	–	21,943,110	238,234,450	181,325,735	106,881,571	42,386,011	590,770,877
Carrying Value							
Balance as at 31st March 2016	455,029,000	617,019,901	215,076,008	109,259,768	93,450,954	120,802,188	1,610,637,819
Balance as at 31st March 2015	412,429,000	577,128,382	190,431,532	103,146,178	116,778,834	26,518,884	1,426,432,810
Balance as at 01st April 2014	374,121,022	5,420,789	153,352,723	74,323,718	47,822,371	36,333,757	691,374,380

No borrowing cost were capitalised related to the acquisition of property, plant & equipment during the year. (2014/15 - 28.5 Mn)

Carrying amount of property, plant & equipment as at 1st April 2014, inclusive of capital work-in-progress of Rs. 312 Mn, was Rs. 1,004,470,809/-.

Capital work-in progress amounting to Rs. 312 Mn which is included in the carrying amount as at 1st April 2014 was not shown separately in the above.

The Company has revalued its lands on 31st March 2016, by Mr. D S N Perera (Graduate member of the Institute of Valuers of Sri Lanka) who is an independent valuer having appropriate, recognised professional qualifications and recent experience in the location and category of property being valued.

Details of the properties and underline assumptions of the valuation is as follows.

Location	Extent (perch)	31st March 2016	31st March 2015	Method of Valuation	Valuation Inputs
No. 123, Orabipasha Mawatha, Colombo 10.	85.20	340,800,000	298,200,000	Market comparable method	Rs. 4,000,000 to Rs. 5,000,000
No. 377/2, Kandy Road, Mahara, Kadawatha.	39.00	68,250,000	68,250,000	Market comparable method	Rs. 1,750,000 to Rs. 2,250,000
No. 79, Mihindu Mawatha, Mahara, Kadawatha.	76.00	39,900,000	39,900,000	Market comparable method	Rs. 525,000 to Rs. 575,000
Madapatha, Piliyandala.	35.00	6,079,000	6,079,000	Market comparable method	Rs. 160,000 to Rs. 200,000

The carrying amount of Group's revalued assets that would have been included in the Financial Statements had the asset been carried at cost less depreciation and amortisation is 214 Mn.

There were no restrictions excised on the title of the Property, Plant & Equipment of the Group as at the Reporting date.

25. INTANGIBLE ASSETS

As at 31st March	Company		Group	
	2016	(Rs.)	2015	(Rs.)
Cost				
Balance as at 1st April 2015	100,146,455	94,414,051	106,496,455	94,414,051
Additions during the period	10,482,840	5,732,404	10,482,840	5,732,404
Acquisition on business combination	-	-	-	6,350,000
Disposal during the period	-	-	-	-
Balance as at 31st March 2016	110,629,295	100,146,455	116,979,295	106,496,455
Accumulated amortisation				
Balance as at 1st April 2015	28,986,684	16,630,290	30,704,156	16,630,290
Charged during the period	13,323,466	12,356,395	14,910,968	12,356,395
Assumed on business combination	-	-	-	1,717,472
Disposals during the period	-	-	-	-
Balance as at 31st March 2016	42,310,150	28,986,685	45,615,124	30,704,157
Carrying Value				
Balance as at 31st March	68,319,145	71,159,770	71,364,171	75,792,298

Intangible assets comprise software and licenses acquired by the Company to be used in its operations.

There is no restrictions on the title of the intangible assets of the Group as at the Reporting date.

26. GOODWILL ON CONSOLIDATION

<i>As at 31st March</i>	2016	2015
Balance as at 1st April 2015	244,179,431	–
Additions during the period	–	244,179,431
Disposal during the period	–	–
Balance as at 31 March 2016	244,179,431	244,179,431

26.1 IMPAIRMENT TESTING

Goodwill acquired through business combination is tested for impairment on 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 is determined based on its value in use. The value in use is calculated by the discounting management's cash flow projections for the CGU. The discount rate used is based on the cost of capital of CDB. The long-term growth rate is used to extrapolate the cash flows in perpetuity because of the long-term perspective within the group of the business units making up the CGUs. No impairment charge was recognised during 2015/16 as value in use of the CGU is higher than the carrying value.

Key assumptions used in the calculation is as follows:

Discount rate	10.5%
Growth in terminal value	7%
Growth in cash flow	20%

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 before taxes, depreciation and amortisation was based on expectations of future outcomes taking into account past experience, adjusted for the anticipated revenue growth, 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 CGU to decline below the carrying amount.

The following changes to the key assumptions in the value in use calculation would be necessary in order to reduce headroom to nil:

Key Assumption	
Discount rate	Increased by 3.46%
Growth in terminal value	Decreased by 4.83%
Growth in cash flow	Decreased by 20.56%

The following table illustrates the effect on VIU of reasonably possible changes to key assumptions. This reflects the sensitivity of VIU to each key assumption on its own and it is possible that more than one favourable change will occur at the same time.

Based on headroom of 104% VIU above the carrying value of the investment under above assumptions the impact of the sensitivity analysis is as follows:

Variable	Impact to VIU
1% increase in	
Discount Rate	(23%)
Growth in terminal value	35%
Growth in cash flow	3%
1% decrease in	
Discount Rate	41%
Growth in terminal value	(20%)
Growth in cash flow	(3%)

27. OTHER ASSETS

As at 31st March	Company		Group	
	2016	(Rs.)	2015	(Rs.)
Tax recoverable	64,971,061	135,659,855	64,971,061	139,467,174
Insurance premium receivable	587,370,728	431,077,707	587,370,728	431,077,707
Insurance commission receivable	41,483,319	12,032,444	41,483,319	12,032,444
Unamortised cost on staff loan	86,205,354	73,746,852	86,205,354	73,746,852
Vehicle stock	116,892,141	118,389,101	116,892,141	118,389,101
Gift stock	14,712,835	2,379,241	14,712,835	2,379,241
Other stock	4,668,622	1,022,401	4,668,622	1,022,401
Other receivables and advances	279,256,528	175,276,019	282,824,622	177,799,314
	1,195,560,588	949,583,620	1,199,128,682	955,914,234

28. DEPOSITS FROM CUSTOMERS

As at 31st March	Company				Group			
	2016	(Rs.)	2015	(Rs.)	2016	(Rs.)	2015	(Rs.)
Term deposits	29,219,053,386		25,610,453,609		29,136,287,515		25,610,453,609	
Savings deposits	1,568,696,350		1,401,309,802		1,567,684,646		1,401,309,802	
Mudharabah	99,944,064		67,370,249		99,944,064		67,370,249	
Total deposits from customers	30,887,693,800		27,079,133,660		30,803,916,225		27,079,133,660	

29. DEBT SECURITIES ISSUED

DEBENTURES

As at 31st March	Face Value Rs.	Term	Issue Date	Maturity Date	Company				Group						
					2016	(Rs.)	2015	(Rs.)	2016	(Rs.)	2015	(Rs.)			
Year of Issue															
2013	1,000,000,000	5 Years	19.12.2013	19.12.2018	1,044,135,005		1,043,481,193		1,044,135,005		1,043,481,193		1,044,135,005		1,043,481,193
					1,044,135,005		1,043,481,193		1,044,135,005		1,043,481,193		1,044,135,005		1,043,481,193
Due within one year															
Due after one year					1,044,135,005		1,043,481,193		1,044,135,005		1,043,481,193		1,044,135,005		1,043,481,193

The above Liability would in the event of the winding up of the issuer, be subordinated to the claims of depositors and all other creditors of the issuer.

The Group has not had any defaults of principal or interest or other breaches with respect to its subordinated liability during the years ended 31st March 2016 and 2015.

30. OTHER INTEREST-BEARING BORROWINGS

As at 31st March	Company				Group			
	2016	(Rs.)	2015	(Rs.)	2016	(Rs.)	2015	(Rs.)
Due to banks (Note 30.1)	7,035,953,931		1,539,213,196		7,035,953,931		1,572,510,390	
Due to foreign institutional lenders (Note 30.2)	419,196,281		627,755,424		419,196,281		627,755,424	
Securitisation (Note 30.3)	3,823,850,068		1,507,913,472		3,823,850,068		1,507,913,472	
Commercial papers	18,140,765		100,082,806		18,140,765		100,082,806	
Other borrowings	4,544,356		5,798,586		12,441,356		30,308,586	
	11,301,685,401		3,780,763,484		11,309,582,401		3,838,570,678	

30.1 DUE TO BANKS

Lender	Loan Obtained Rs. Mn	Company		Group	
		2016 (Rs.)	2015 (Rs.)	2016 (Rs.)	2015 (Rs.)
<i>As at 31st March</i>					
Seylan Bank PLC – Term Loan 1	100,000,000	70,489,712	79,466,215	70,489,712	79,466,251
Seylan Bank PLC – Term Loan 2	300,000,000	–	114,638,992	–	114,638,958
Seylan Bank PLC – Term Loan 3	200,000,000	146,380,724	170,839,760	146,380,724	170,839,760
Seylan Bank PLC – Term Loan (Revolving)	350,000,000	–	350,000,000	–	350,000,000
Seylan Bank PLC – Term Loan 4	1,000,000,000	920,017,922	–	920,017,922	–
Seylan Bank PLC – Term Loan 5	2,000,000,000	2,001,740,879	–	2,001,740,879	–
Seylan Bank PLC – Term Loan (Revolving)	500,000,000	503,709,726	–	503,709,726	–
Pan Asia Banking Corporation PLC	200,000,000	20,106,452	80,425,807	20,106,452	80,425,807
Sampath Bank PLC 1	1,010,000,000	928,905,959	–	928,905,959	–
Sampath Bank PLC 2	500,000,000	281,316,016	393,842,422	281,316,016	427,139,614
Nations Trust Bank PLC 1	350,000,000	–	350,000,000	–	350,000,000
Nations Trust Bank PLC 2	100,000,000	100,000,000	–	100,000,000	–
Hatton National Bank PLC 1	1,000,000,000	835,916,735	–	835,916,735	–
Hatton National Bank PLC 2	750,000,000	625,891,587	–	625,891,587	–
Hatton National Bank PLC (Revolving)	500,000,000	501,478,219	–	501,478,219	–
Habib Bank Limited	100,000,000	100,000,000	–	100,000,000	–
		7,035,953,931	1,539,213,196	7,035,953,931	1,572,510,390

30.2 DUE TO FOREIGN INSTITUTIONAL LENDERS

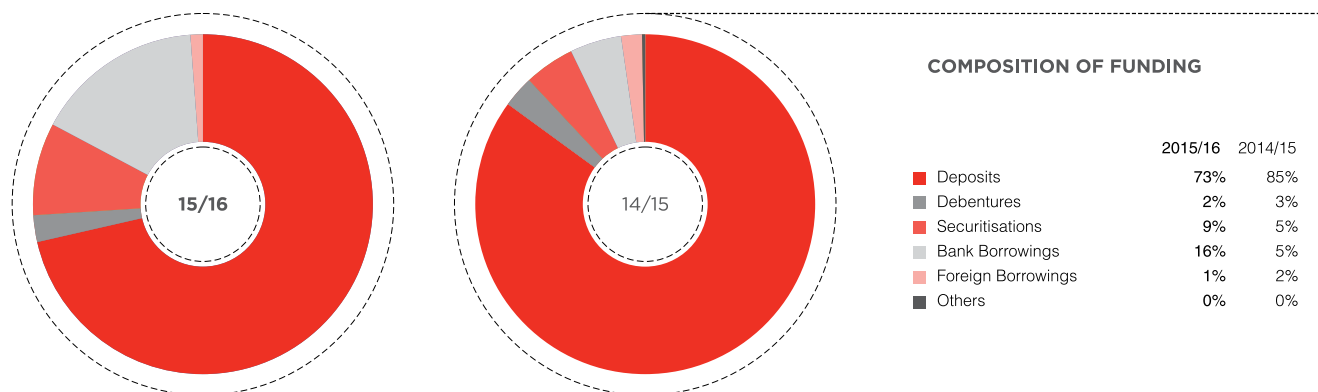
Belgian investment company for developing countries	419,196,281	627,755,424	419,196,281	627,755,424
	419,196,281	627,755,424	419,196,281	627,755,424

30.3 SECURITISATION

Securitisation arrangements	3,823,850,068	1,507,913,472	3,823,850,068	1,507,913,472
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Details of the securitisation outstanding as at 31st March 2015 are as follows:

Issue No.	Face Value (Rs. Mn)	Maximum Period Months	Trustee	Balances at 31st March 2016 (Rs.)	Security
D10	400	36	Deutsche Bank AG	57,867,565	Mortgage over lease and hire purchase receivables
D11	400	36	Deutsche Bank AG	77,810,708	Mortgage over lease receivables
D12	1,000	48	Deutsche Bank AG	781,723,418	Mortgage over lease and hire purchase receivables
D13	9,00.4	48	Deutsche Bank AG	792,226,130	Mortgage over lease and hire purchase receivables
D14	1,500	33	Deutsche Bank AG	1,189,016,623	Mortgage over lease and hire purchase receivables
D15	1,000	60	Deutsche Bank AG	925,205,624	Mortgage over lease and hire purchase receivables
				3,823,850,068	



31. DEFERRED TAX LIABILITIES

As at 31st March

	2016		2015	
	Temporary Difference (Rs.)	Tax Effect (Rs.)	Temporary Difference (Rs.)	Tax Effect (Rs.)
Company				
Deferred tax liabilities on:				
Accelerated depreciation for –				
Tax purpose – own assets	280,940,701	78,663,396	75,972,730	21,272,364
Accelerated depreciation for –				
Tax purpose – lease assets	3,622,579,684	1,014,322,312	2,686,061,998	752,097,359
Unutilised tax losses	(2,013,139,963)	(563,679,190)	(1,369,310,357)	(383,406,900)
Qualifying investments	(131,715,548)	(36,880,354)	(340,000,000)	(95,200,000)
Defined benefit plan	(45,219,929)	(12,661,580)	(45,298,837)	(12,683,674)
	1,713,444,945	479,764,584	1,007,425,534	282,079,149

As at 31st March	2016		2015	
	Temporary Difference (Rs.)	Tax Effect (Rs.)	Temporary Difference (Rs.)	Tax Effect (Rs.)
Group				
Deferred Tax liabilities on:				
Accelerated depreciation for –				
Tax purpose – own assets	285,541,363	79,951,582	81,830,372	22,912,504
Accelerated depreciation for –				
Tax purpose – lease assets	3,635,089,162	1,017,824,965	2,685,955,858	752,067,640
Unutilised tax losses	(2,022,838,437)	(566,394,762)	(1,369,310,356)	(383,406,900)
Qualifying investments	(131,715,548)	(36,880,354)	(340,000,000)	(95,200,000)
Defined benefit plans	(45,219,929)	(12,661,580)	(45,425,460)	(12,719,129)
	1,720,856,611	481,839,851	1,013,050,414	283,654,115

32. RETIREMENT BENEFIT OBLIGATION

Movement in net defined benefit obligation

As at 31st March	2016			2015		
	Defined Benefit Obligations (Rs.)	Fair Value of Plan Assets (Rs.)	Net Defined Benefit Liability Asset (Rs.)	Defined Benefit Obligations (Rs.)	Fair Value of Plan Assets (Rs.)	Net Defined Benefit Liability Asset (Rs.)
Company						
Balance as at the beginning of the year	218,677,217	173,378,379	45,298,838	159,241,654	–	159,241,654
Contribution made during the year	–	45,293,838	(45,293,838)	–	179,424,384	(179,424,384)
Recognised in profit or loss						
Current service cost	28,637,645	–	28,637,645	26,923,910	–	26,923,910
Interest cost	20,779,336	–	20,774,336	15,924,165	–	15,924,165
	49,416,981		49,411,981	42,848,075		42,848,075
Included in other comprehensive income						
Actuarial gain/loss	(13,937,015)	(34,027,475)	20,090,460	17,587,086	(20,004,002)	37,591,088
Return on plan assets excluding interest income	–	16,470,946	(16,470,946)	–	14,597,152	(14,597,152)
	(13,937,015)	(17,556,529)	3,619,514	17,587,086	(5,406,850)	22,993,936
Other						
Benefits paid	(7,816,575)	(7,816,575)	–	(999,598)	(639,155)	(360,443)
	246,335,608	193,299,113	53,036,495	218,677,217	173,378,379	45,298,838

As at 31st March	2016			2015		
	Defined Benefit Obligations (Rs.)	Fair Value of Plan Assets (Rs.)	Net Defined Benefit Liability Asset (Rs.)	Defined Benefit Obligations (Rs.)	Fair Value of Plan Assets (Rs.)	Net Defined Benefit Liability Asset (Rs.)
Group						
Balance as at the beginning of the year	218,803,839	173,378,379	45,425,460	159,369,457	0	159,369,457
Contribution made during the year	–	45,293,838	(45,293,838)	–	179,424,384	(179,424,384)
Recognised in profit or loss	–	–	–	–	–	–
Current service cost	28,637,645		28,637,645	26,987,221		26,987,221
Interest cost	20,779,336	–	20,774,336	15,938,223	–	15,938,223
	49,411,981		49,411,981	42,925,444		42,925,444
Included in other comprehensive Income						
Actuarial gain/loss	(14,063,637)	(34,027,475)	19,963,838	17,508,536	(20,004,002)	37,512,538
Return on plan assets excluding interest income		16,470,946	(16,470,946)		14,597,152	(14,597,152)
	(14,063,637)	(17,556,529)	3,492,892	17,508,536	(5,406,850)	22,915,386
Other						
Benefits paid	(7,816,575)	(7,816,575)	–	(999,598)	(639,155)	(360,443)
Balance at 31st March	246,335,608	193,299,113	53,036,495	218,803,839	173,378,379	45,425,460
Plan asset						
Plan asset comprise followings:						
Cash and cash equivalents	1,770,969					
Equity securities	128,161,200					
Term deposits	63,366,944					
	193,299,113					

All equity investments have quoted prices in an active market.

ACTUARIAL ASSUMPTIONS

The following are the principal actuarial assumptions as at the Reporting date:

Mortality	A 1967/70 Mortality Table
Discount rate	10%
Future salary growth	10%
Normal retirement age	55 Years

Assumptions regarding future mortality have been based on published statistics and mortality tables.

SENSITIVITY ANALYSIS

Reasonably possible changes at the Reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.:

Assumption		Present Value of Defined Benefit Obligation (Rs.)	Effect on Present Value of the Obligation (Rs.)
Salary Increment Rate	1% increase	274,861,377	28,525,769
	1% decrease	221,492,615	(24,842,993)
Discount Rate	1% increase	222,687,185	23,648,423
	1% decrease	273,907,673	(27,572,065)

33. OTHER LIABILITIES

As at 31st March	Company		Group	
	2016	(Rs.)	2015	(Rs.)
Accrued expenses	43,547,075	29,616,070	75,752,912	36,445,704
Supplier payable	243,563,178	465,536,571	243,563,179	465,536,571
Insurance premium payable	301,255,087	279,728,058	301,255,087	279,728,058
Bank overdrafts	855,524,296	247,819,171	861,258,701	247,998,457
Rental received in advance of loans and advances to customers	222,354,900	201,169,089	222,354,900	201,169,089
Deferred transaction cost	8,112,069	13,213,610	8,112,069	13,213,610
Retention on building construction	13,302,447	26,137,373	13,302,447	26,137,373
Other liabilities	11,235,962	106,215,164	11,286,763	107,973,250
	1,698,895,014	1,369,435,106	1,736,886,058	1,378,202,112

34. STATED CAPITAL

ORDINARY SHARES

As at 31st March	Company				Group			
	2016		2015		2016		2015	
	No. of Shares	Value (Rs.)	No. of Shares (Rs.)	Value (Rs.)	No. of Shares	Value (Rs.)	No. of Shares (Rs.)	Value (Rs.)
Ordinary Shares								
Balance as at the beginning of the year	54,305,207	1,185,061,645	54,305,207	1,185,061,645	54,305,207	1,185,061,645	54,305,207	1,185,061,645
Issued during the year								
Voting		–		–		–		–
Non-Voting		–		–		–		–
	54,305,207	1,185,061,645	54,305,207	1,185,061,645	54,305,207	1,185,061,645	54,305,207	1,185,061,645
Composition of No. of shares								
Voting	46,299,223	859,842,730	46,299,223	859,842,730	46,299,223	859,842,730	46,299,223	859,842,730
Non-Voting	8,005,984	325,218,915	8,005,984	325,218,915	8,005,984	325,218,915	8,005,984	325,218,915
	54,305,207	1,185,061,645	54,305,207	1,185,061,645	54,305,207	1,185,061,645	54,305,207	1,185,061,645

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.

35. RESERVES

As at 31st March	Company		Group	
	2016	(Rs.)	2015	(Rs.)
Statutory reserve fund (Note 35.1)	839,331,772	638,301,144	840,593,741	638,779,550
Revaluation reserve (Note 35.2)	213,672,991	171,072,991	213,672,991	171,072,991
Available-for-sale reserve (Note 35.3)	749,095,814	854,209,725	749,625,851	854,209,725
	1,802,100,577	1,663,583,860	1,803,892,583	1,664,062,266

35.1 STATUTORY RESERVE FUND

Balance as at the beginning of the year	638,301,144	497,954,363	638,779,550	497,954,363
Transfer During the year	201,030,628	140,346,781	201,814,191	140,825,187
Balance as at 31st March	839,331,772	638,301,144	840,593,741	638,779,550

The Reserve Fund is maintained in compliance with Direction No. 1 of 2003 of Central Bank of Sri Lanka (Capital Funds) issued to Finance Companies.

As per the said Direction, every licenced 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 10%	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.

As at 31st March	Company				Group			
	2016	(Rs.)	2015	(Rs.)	2016	(Rs.)	2015	(Rs.)

35.2 REVALUATION RESERVE

	2016	(Rs.)	2015	(Rs.)	2016	(Rs.)	2015	(Rs.)
Balance as at 1st April	171,072,991		132,765,013		171,072,991		132,765,013	
Transfer during the year	42,600,000		38,307,978		42,600,000		38,307,978	
Balance as at 31st March	213,672,991		171,072,991		213,672,991		171,072,991	

The Company has revalued its land on 31st March 2016 by Mr. D S N Perera (Graduate Member of the Institute of Valuers of Sri Lanka) who is an independent valuer. The fair value was arrived by referring to the market value of the lands situated in the respective area.

As at 31st March	Company				Group			
	2016	(Rs.)	2015	(Rs.)	2016	(Rs.)	2015	(Rs.)

35.3 AVAILABLE-FOR-SALE RESERVE

	2016	(Rs.)	2015	(Rs.)	2016	(Rs.)	2015	(Rs.)
Balance as at 1st April	854,209,725		689,690,925		854,209,725		689,690,925	
Transfer during the year	(105,113,911)		164,518,800		(104,583,874)		164,518,800	
Balance as at 31st March	749,095,814		854,209,725		749,625,851		854,209,725	

The available-for-sale reserve comprise the cumulative net change in fair value of financial investment available-for-sale until such investment is derecognised.

As at 31st March	Company				Group			
	2016	(Rs.)	2015	(Rs.)	2016	(Rs.)	2015	(Rs.)

35.4 INVESTMENT FUND ACCOUNT

	2016	(Rs.)	2015	(Rs.)	2016	(Rs.)	2015	(Rs.)
Balance as at 1st April	–		87,745,449		–		87,745,449	
Transfer from retained earnings	–		16,074,397		–		16,074,397	
Transfer to retained earnings	–		(103,819,846)		–		(103,819,846)	
Balance as at 31st March	–		–		–		–	

INVESTMENT FUND ACCOUNT

The operations of Investment Fund Account has been ceased with effect from 1st October 2014 and the relevant amounts in the reserve has been transferred to retained earnings.

36. FAIR VALUE MEASUREMENT AND CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial instruments are measured on an ongoing basis either at fair value or at amortised cost. The summary of Significant Accounting Policies describes how each category of financial instruments is measured and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the carrying amounts of the financial instruments by category as defined in Sri Lanka Accounting Standard – LKAS 39 ‘Financial Instruments: Recognition and Measurement’ under headings of the Statement of Financial Position:

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 premia 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 judgment 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 judgment to select the most appropriate point in the range.

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 asset 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.

Company	Assets at Fair Value		Assets at Amortised Cost		
	Fair Value Through Profit or Loss (Rs.)	Available-for-Sale (Rs.)	Loans and Receivable (Rs.)	Held-to-Maturity (Rs.)	Total (Rs.)
As at 31st March 2016					
Cash and cash equivalents	–	–	722,351,389	–	722,351,389
Trading assets	121,963,136	–	–	–	121,963,136
Deposits in commercial banks	–	–	–	1,602,179,104	1,602,179,104
Loans and receivables to customers	–	–	38,538,920,188	–	38,538,920,188
Investment in equity shares/debentures	–	920,594,408	–	10,179,549	930,773,957
Investment in Government Securities	–	–	2,967,869,560	2,341,301,313	5,309,170,873
Other financial assets	–	–	–	509,917,734	509,917,734
Total financial assets	121,963,136	920,594,408	42,229,141,137	4,463,577,700	47,735,276,381
Other non-financial assets	–	–	–	–	2,891,035,847
Total assets	121,963,136	920,594,408	42,229,141,137	4,463,577,700	50,626,312,228
As at 31st March 2015					
Cash and cash equivalents	–	–	313,394,279	–	313,394,279
Trading assets	56,220,230	–	–	–	56,220,230
Deposits in commercial banks	–	–	–	1,933,216,541	1,933,216,541
Loans and receivables to customers	–	–	29,378,799,251	–	29,378,799,251
Investment in equity shares/debentures	–	954,118,800	–	10,176,376	964,295,176
Investment in Government Securities	–	–	301,700,000	2,176,053,423	2,477,753,423
Other financial assets	–	–	–	–	427,745,447
Total financial assets	56,220,230	954,118,800	29,993,893,530	4,119,446,340	35,551,424,347
Other non-financial assets	–	–	–	–	2,462,284,233
Total assets	56,220,230	954,118,800	29,993,893,530	4,119,446,340	38,013,708,580

Company	Fair value Through Profit or Loss (Rs.)	Liabilities at Amortised Cost (Rs.)	Total (Rs.)
As at 31st March 2016			
Deposits from customers	–	30,887,693,800	30,887,693,800
Debentures	–	1,044,135,005	1,044,135,005
Other borrowings	–	11,301,685,401	11,301,685,401
Other financial liabilities	–	2,332,717,459	2,332,717,459
Total financial liabilities	–	45,566,231,666	45,566,231,665
Other non-financial liabilities	–	–	8,112,069
	–	45,566,231,666	45,574,343,734

As at 31st March 2015			
Deposits from customers	–	27,079,133,660	27,079,133,660
Debentures	–	1,043,481,193	1,043,481,193
Other borrowings	–	3,780,763,484	3,780,763,484
Other financial liabilities	–	1,795,113,092	1,795,113,092
Total financial liabilities	–	33,698,491,429	33,698,491,429
Other non-financial liabilities	–	–	13,213,610
	–	33,698,491,429	33,711,705,039

Group	Assets at Fair Value		Assets at Amortised Cost		
	Fair Value Through Profit or Loss (Rs.)	Available-for-Sale (Rs.)	Loans and Receivable (Rs.)	Held-to-Maturity (Rs.)	Total (Rs.)
As at 31st March 2016					
Cash and cash equivalents	–	–	729,789,337	–	729,789,337
Pledged trading assets	121,963,136	–	–	–	121,963,136
Deposits in commercial banks	–	–	–	1,610,310,601	1,610,310,601
Loans and receivables to customers	–	–	38,753,565,171	–	38,753,565,171
Investment in equity shares/debentures	–	948,940,428	–	15,584,843	964,525,271
Investment in Government Securities	–	–	2,979,124,401	2,341,301,313	5,320,425,714
Other financial assets	–	–	–	–	–
Total financial assets	121,963,136	948,940,428	42,462,478,909	3,967,196,757	47,500,579,280
Other non-financial assets	–	–	–	–	3,145,508,080
Total assets	121,963,136	948,940,428	42,462,478,909	3,967,196,757	50,646,087,310

Group	Assets at Fair Value		Assets at Amortised Cost		
	Fair Value Through Profit or Loss (Rs.)	Available-for-Sale (Rs.)	Loans and Receivable (Rs.)	Held-to-Maturity (Rs.)	Total (Rs.)
As at 31st March 2015					
Cash and cash equivalents	–	–	334,358,488	–	334,358,488
Trading assets	56,220,230	–	–	–	56,220,230
Deposits in commercial banks	–	–	–	1,943,406,672	1,943,406,672
Loans and receivables to customers	–	–	29,620,437,218	–	29,620,437,218
Investment in equity shares/debentures	–	954,242,500	–	10,176,376	964,418,876
Investment in Government Securities	–	–	301,700,000	2,182,007,744	2,483,707,744
Other financial assets	–	–	–	–	–
Total financial assets	56,220,230	954,242,500	30,256,495,706	4,135,590,792	35,402,549,228
Other non-financial assets	–	–	–	–	2,722,516,750
Total assets	56,220,230	95,424,500	30,256,495,706	4,135,590,792	38,125,065,978

Group	Fair Value Through Profit or Loss (Rs.)	Liabilities at Amortised Cost (Rs.)	Total (Rs.)
As at 31st March 2016			
Deposits from customers	–	30,803,916,225	30,803,916,225
Debentures	–	1,044,135,005	1,044,135,005
Other borrowings	–	11,309,582,401	11,309,582,401
Other financial liabilities	–	2,374,670,562	2,374,670,562
Total financial liabilities	–	45,532,304,193	45,532,304,193
Other non-financial liabilities	–	–	8,112,069
		45,532,304,193	45,540,416,262
As at 31st March 2015			
Deposits from customers	–	27,079,133,660	27,079,133,660
Debentures	–	1,043,481,193	1,043,481,193
Other borrowings	–	3,838,570,678	3,838,570,678
Other financial liabilities	–	1,811,295,054	1,811,295,054
Total financial liabilities	–	33,772,480,585	33,772,480,585
Other non-financial liabilities	–	–	13,213,610
		33,772,480,585	33,785,694,195

FAIR VALUE OF THE FINANCIAL ASSETS NOT CARRIED AT FAIR VALUE

The following table summarises the carrying amounts and fair values of those financial assets and liabilities not presented on the Group's Balance Sheet at fair value. The fair values in the table below are stated as at 31st March and may be different from the actual amount that will be received/paid on the settlement or maturity of the financial instrument:

	Level 1 (Rs.)	Level 2 (Rs.)	Level 3 (Rs.)	Carrying amount (Rs.)	Fair value (Rs.)
Assets					
Cash and cash equivalents	722,351,389	–	–	722,351,389	722,351,389
Deposits in commercial banks	–	–	1,602,179,104	1,602,179,104	1,591,903,637
Loans and receivables to customers	–	–	38,538,920,188	38,538,920,188	38,687,315,664
Investment in Government Securities	–	–	5,309,170,873	5,309,170,873	5,288,369,612
Other financial assets	121,963,136	–	520,097,283	520,097,283	1,145,282,821
Total financial assets	735,314,525	–	45,970,367,448	46,692,718,837	47,435,223,123
Liabilities					
Deposits from customers	–	–	30,887,693,800	30,887,693,800	31,987,649,553
Debentures	–	–	1,044,135,005	1,044,135,005	1,334,933,096
Other borrowings	–	–	11,301,685,401	11,301,685,401	9,734,548,588
Other financial liabilities	–	–	2,332,717,460	2,332,717,460	2,332,717,460
Total financial liabilities	–	–	45,566,231,666	45,566,231,666	45,389,848,697

ASSETS AND LIABILITIES MEASURED AT FAIR VALUE AND FAIR VALUE HIERARCHY

	Company			Group		
	Level 1 (Rs.)	Level 2 (Rs.)	Level 3 (Rs.)	Level 1 (Rs.)	Level 2 (Rs.)	Level 3 (Rs.)
As at 31 March 2016						
Property, plant & equipment freehold land	–	–	455,029,000	–	–	455,029,000
Financial instruments held-for-trading	–	–	–	–	–	–
Government Securities	–	100,000,321	–	–	100,000,321	–
Equity shares	21,962,815	–	–	21,962,815	–	–
Financial instruments available-for-sale	–	–	–	–	–	–
Equity shares	920,594,408	–	–	948,940,428	–	–
Total assets at fair value	942,557,223	100,000,321	455,029,000	970,903,243	100,000,321	455,029,000
As at 31st March 2015						
Property, plant & equipment freehold land	–	–	412,429,000	–	–	412,429,000
Financial instruments held-for-trading	–	–	–	–	–	–
Government Securities	–	56,220,230	–	–	56,220,230	–
Financial instruments available-for-sale	–	–	–	–	–	–
Equity shares	954,118,800	–	–	954,118,800	–	–
Total assets at fair value	954,118,800	–	412,429,000	954,118,800	–	412,429,000

There were no transfers in to and out from the hierarchy levels during 2015 and 2016.

GROUP DOES NOT HAVE ANY LIABILITY CARRIED AT FAIR VALUE.

Description of the Valuation technique used to fair value the land is as follows:

Valuation Technique	Significantly Unobservable valuation input	Sensitivity of the fair value measurement to input	
Market Comparable Method	Price per perch of land	Increase in price per perch	Increase in fair value
<p>This method 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.</p>			
Impact on revalued amount (Rs.)		1% Increase 3,408,000	1% Decrease 3,408,000

CASH AND CASH EQUIVALENTS AND SHORT-TERM INVESTMENT SECURITIES

Charring 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 ADVANCES TO CUSTOMERS

As there is no observable market, fair value is determined using valuation techniques. These techniques include discounted cash flow models, which incorporate assumptions regarding an appropriate credit spread for the loan, derived from other market instruments issued by the same or comparable entities.

PRIVATE EQUITY INCLUDING STRATEGIC INVESTMENTS

In absence of an active market, an investment's fair value is estimated on the basis of an analysis of the investee's financial position and results, risk profile, prospects and other factors, incorporated valuation model as well as by reference to market valuations for similar entities quoted in an active market.

INVESTMENT SECURITIES AND DEBT INSTRUMENT ISSUED

Discounted cash flow techniques are used to arrive at the value of these instruments by using observable market rates as valuation inputs.

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 judgment to select the most appropriate point in the range.

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 those securities 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.

37. FINANCIAL RISK MANAGEMENT

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board of Directors has established the Group Integrated Risk Management Committee (IRM), which is responsible for developing and monitoring Group's risk management policies.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, 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 Group's activities. The Group, 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 Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group 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 Group Audit Committee.

37.1 CREDIT RISK

'Credit risk' is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's loans and advances to customers and other banks, and investment debt securities. For risk management reporting purposes, the Group considers and consolidates all elements of credit risk exposure (such as individual obligor default risk and sector risk).

37.1.1 MANAGEMENT OF CREDIT RISK

The Board of Directors has delegated responsibility for the oversight of credit risk to its Group Delegated Credit Committee (DCC). A separate credit evaluation department, reporting to the Group Credit Committee, is responsible for managing the Group'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 Group Credit, the Head of Group Credit, the Group Credit Committee or the Board of Directors as appropriate.
- Reviewing and assessing credit risk: Group 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 advances, financial guarantees and similar exposures), and by issuer, credit rating band, and market liquidity (for investment securities).

- Reviewing compliance of business units with agreed exposure limits, including those for selected industries and product types. Regular reports on the credit quality of local portfolios are provided to Group 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 Group in the management of credit risk.

Companies in the Group is required to implement Group credit policies and procedures, with credit approval authorities delegated from the Group Credit Committee. Each business unit has a Chief Credit Risk Officer who reports on all credit-related matters to local management and the Group 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.

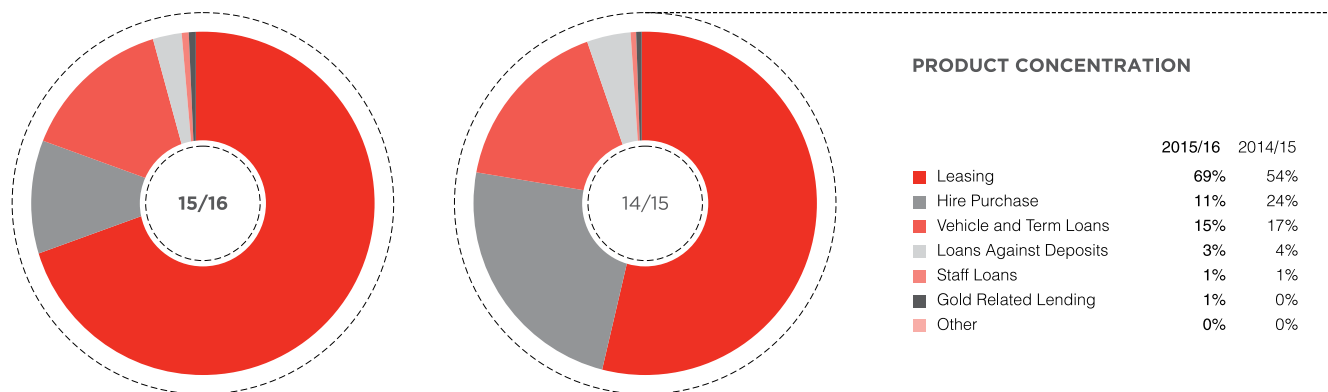
Regular audits of business units and Group credit processes are undertaken by internal audit.

37.1.2 CREDIT CONCENTRATION RISK

Group review 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 on optimising the diversification. The Business development team of the Group is advised on the strategic decisions taken in diversification of the portfolio to align their product development activities accordingly.

(A) PRODUCT CONCENTRATION

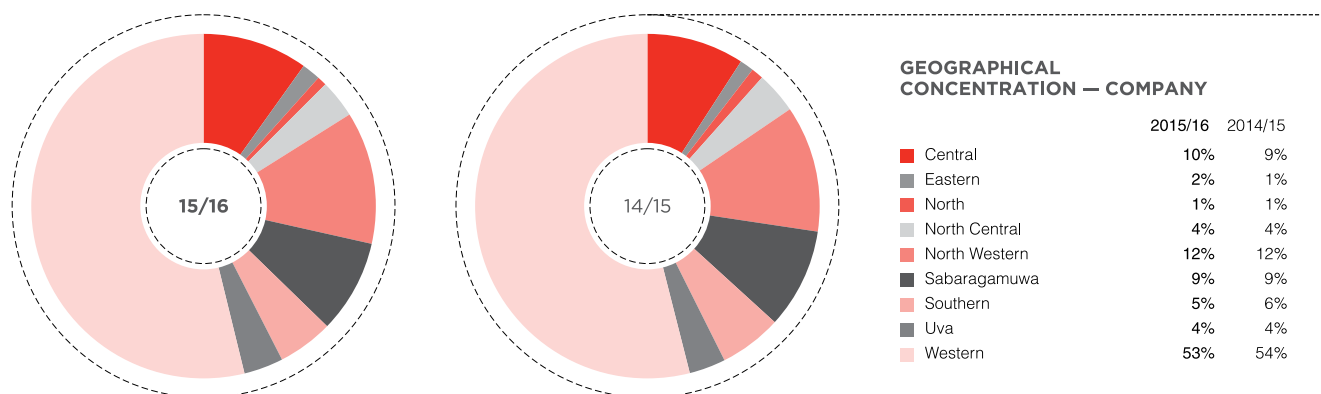
	Company				Group			
	2016		2015		2016		2015	
	(Rs.)	%	(Rs.)	%	(Rs.)	%	(Rs.)	%
Leasing	26,766,990,915	69	15,801,718,604	55	26,862,356,322	69	15,831,705,736	54
Hire purchase	4,277,511,410	11	7,062,862,723	24	4,316,109,544	11	7,134,720,104	24
Vehicle and term loans	5,816,821,537	15	4,956,661,178	17	5,888,026,645	15	5,121,554,438	17
Loans against deposits	1,149,804,930	3	1,166,243,751	4	1,159,281,263	3	1,141,140,945	4
Staff loans	272,271,329	1	185,369,335	1	272,271,329	1	185,369,335	1
Gold related lending	224,765,448	1	125,945,111	0	224,765,448	1	125,945,111	0
Other	30,754,620	0	79,998,549	0	30,754,620	0	79,998,549	0
Net loans and receivable	38,538,920,189		29,378,799,251		38,753,565,170		29,620,437,218	

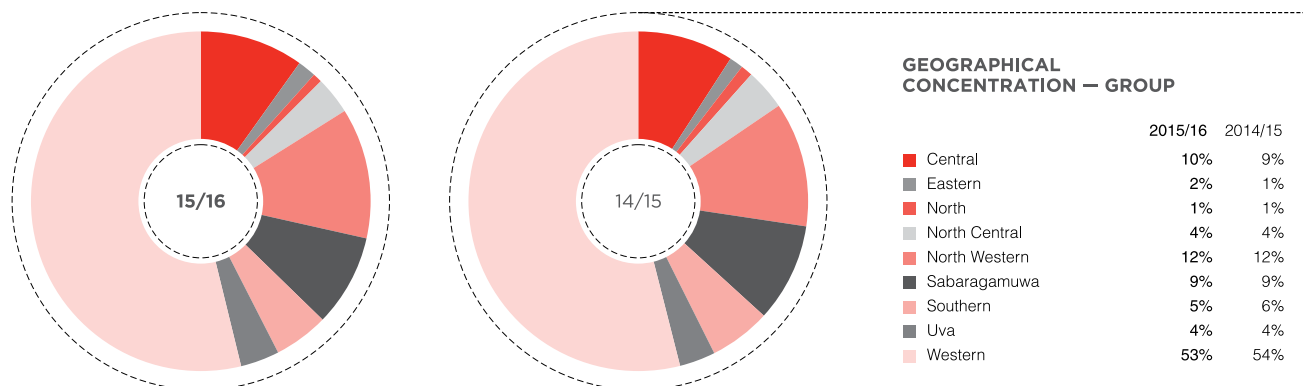


(B) GEOGRAPHICAL CONCENTRATION

Group reviews its geographical diversification on regular basis at the ALCO and set long-term target in achieving a geographical well-diversified credit portfolio. Groups strategy on geographical diversification was executed through the establishment of distribution network of the Group. The geographical concentration is consider when selecting prospective location 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.

	Company				Group			
	2016		2015		2016		2015	
	(Rs.)	%	(Rs.)	%	(Rs.)	%	(Rs.)	%
Central	3,888,174,782	10	2,764,783,998	9	3,908,241,010	10	2,774,922,731	9
Eastern	696,217,808	2	439,200,420	1	699,456,230	2	440,781,130	1
North	395,425,195	1	293,945,715	1	400,276,243	1	302,161,366	1
North Central	1,438,162,716	3	1,162,051,737	4	1,444,249,369	3	1,167,950,180	4
North Western	4,839,725,729	12	3,657,955,971	12	4,842,242,660	12	3,658,035,888	12
Sabaragamuwa	3,355,528,802	9	2,716,764,780	9	3,365,732,650	9	2,723,010,078	9
Southern	2,102,257,358	5	1,756,359,350	6	2,121,957,901	5	1,775,718,285	6
Uva	1,413,814,855	4	1,103,813,202	4	1,413,814,855	4	1,108,676,799	4
Western	21,227,031,367	54	16,283,585,354	54	21,380,872,434	54	16,476,837,330	54
Gross loans and receivables	39,356,338,612	100	30,178,460,527		39,576,843,352	100	30,428,093,787	





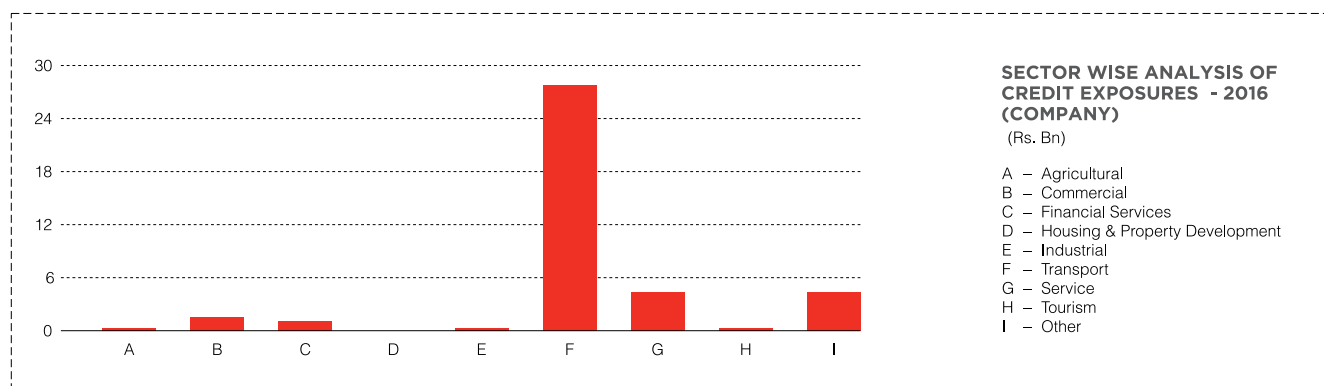
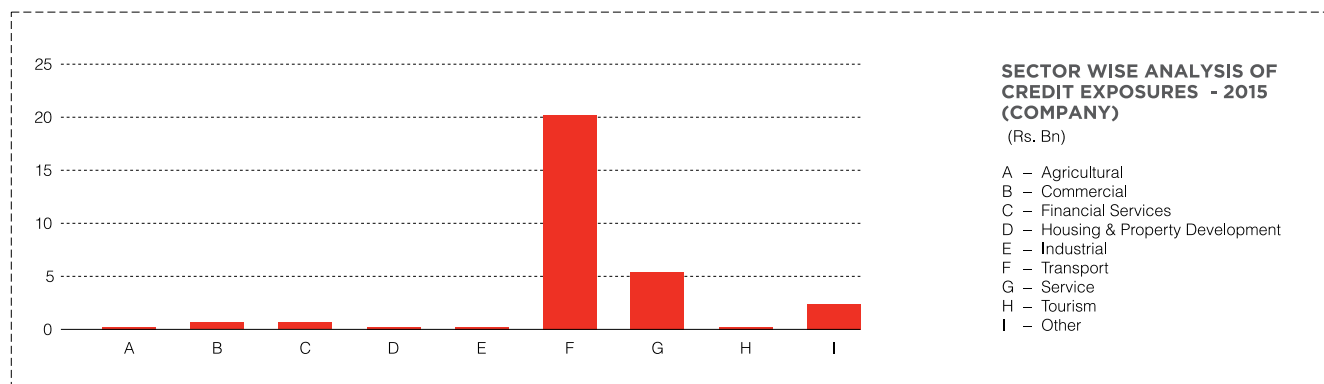
(C) SECTOR-WISE ANALYSIS OF CREDIT EXPOSURES

Group 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.

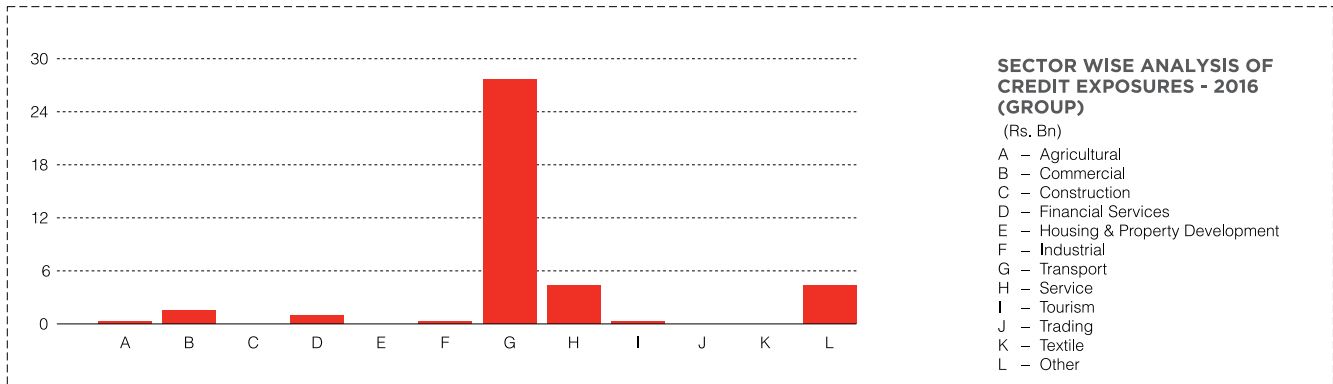
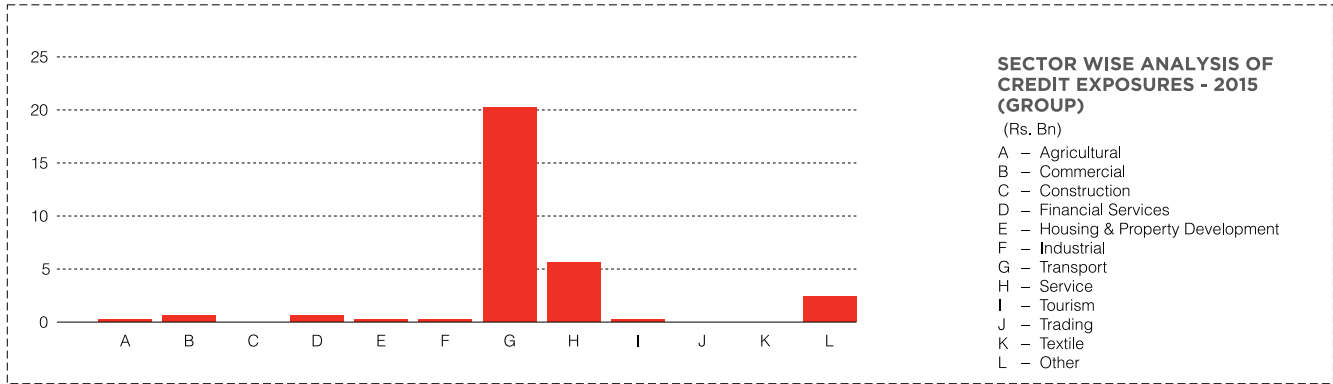
Company has set targets to bring down the exposures to each industry to a level accepted by the Group based on its risk appetite.

COMPANY

	2016		2015	
	(Rs.)	%	(Rs.)	%
Agricultural	179,008,491	0	168,498,713	1
Commercial	1,400,457,001	4	698,292,885	2
Financial services	920,136,097	2	741,257,636	2
Housing and property development	87,528,094	0	184,772,103	1
Industrial	136,957,223	0	173,642,295	1
Transport	27,812,638,890	71	20,232,338,259	67
Service	4,266,799,625	11	5,473,947,888	18
Tourism	174,543,276	0	193,486,355	1
Other	4,378,269,915	11	2,312,224,393	8
Gross loans and receivables	39,356,338,612	100	30,178,460,527	

**GROUP**

	2016		2015	
	(Rs.)	%	(Rs.)	%
Agricultural	180,313,702	1	169,216,702	1
Commercial	1,400,457,001	4	698,292,885	2
Construction	21,440,343	0	40,896,259	0
Financial services	920,136,097	2	716,154,830	2
Housing and property development	87,528,094	0	184,772,103	1
Industrial	167,474,397	0	231,606,873	1
Transport	27,813,034,217	70	20,233,010,651	66
Service	4,390,558,418	11	5,570,940,085	18
Tourism	174,821,653	1	193,888,996	1
Trading	43,884,512	0	74,941,878	0
Textile	467,081	0	1,448,133	0
Other	4,376,727,837	11	2,312,924,392	8
Gross loans and receivables	39,576,843,352	100	30,428,093,787	



CREDIT QUALITY ANALYSIS

37.1.3 ALLOWANCE FOR IMPAIRMENT

The Company established an allowance for impairment losses on assets carried at amortised cost/available-for-sale that represents its estimate of incurred losses in its loan and investment debt/equity security portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures and for assets measured at amortised cost. A collective loan loss allowance established for groups of homogeneous assets as well as for individually significant exposures that were subject to individual assessment of impairment but not found to be individually impaired. Assets carried at fair value through profit or loss is not subject to impairment testing as the measure of fair value reflects the credit quality of each asset. In developing the incurred loss model Company has used historical data of the Company adjusted for the changes in the economic conditions as appropriate.

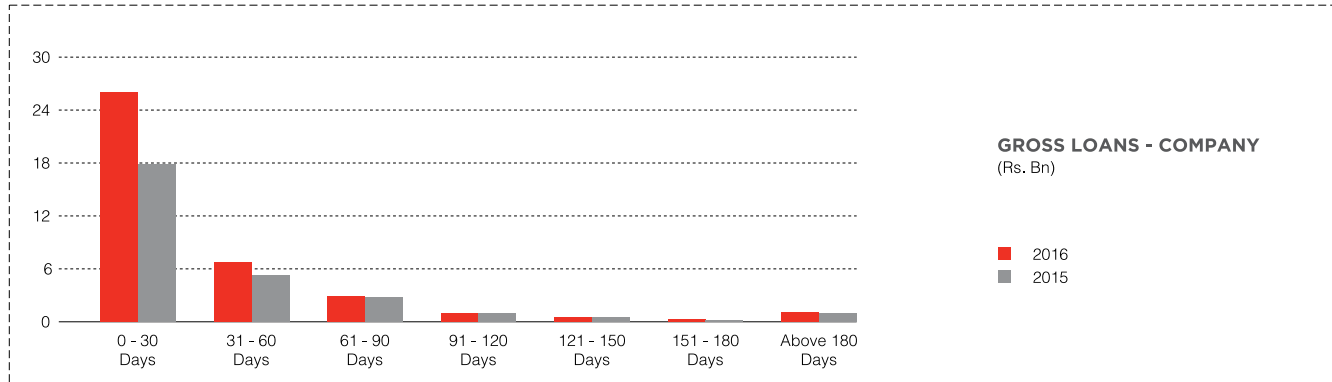
Analysis of the impairment for loans and receivables to customers is as follows:

As at 31st March	Company				Group			
	2016	(Rs.)	2015	(Rs.)	2016	(Rs.)	2015	(Rs.)
Carrying amounts at amortised cost								
Individually significant loans and receivable to customers – impaired	985,193,405		1,635,272,711		985,193,405		1,635,272,712	
Not individually significant customers and individually significant unimpaired customers	38,371,145,207		28,543,187,816		38,591,649,945		28,792,821,075	
Total gross receivable from customers	39,356,338,612		30,178,460,528		39,576,843,351		30,428,093,787	
Individually significant – impaired								
Gross receivable	985,193,405		1,635,272,711		985,193,405		1,635,272,710	
Less: allowance for impairment	233,451,811		337,322,102		233,451,811		337,322,102	
	751,741,594		1,297,950,609		751,741,594		1,297,950,608	
Not individually significant customers and individually significant unimpaired customers								
Gross receivable	38,371,145,207		28,543,187,817		38,591,649,945		28,792,821,075	
Less: allowance for impairment	571,898,730		462,339,175		589,826,368		470,334,467	
	37,799,246,477		28,080,848,642		38,001,823,577		28,322,486,608	

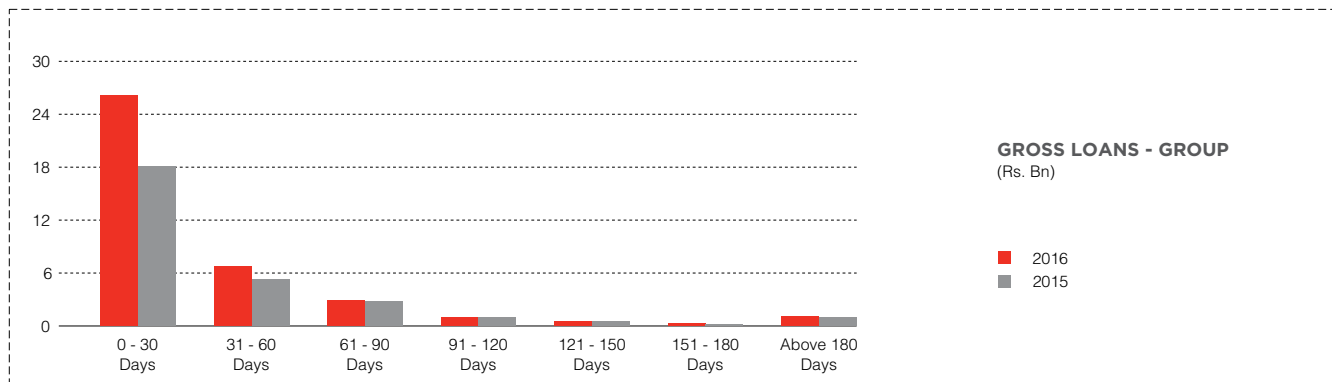
NEITHER PAST DUE NOR IMPAIRED

COMPANY

	2016			2015		
	Gross Loans (Rs.)	Impairment (Rs.)	%	Gross Loans (Rs.)	Impairment (Rs.)	%
0 - 30 Days	25,933,808,254	56,500,672	67	17,915,445,960	40,782,439	63
31 - 60 Days	6,754,668,086	48,927,799	18	5,334,065,547	37,365,617	19
61 - 90 Days	2,921,092,369	41,696,811	8	2,775,475,382	38,645,525	10
91 - 120 Days	993,332,641	35,852,016	3	896,423,882	29,473,942	3
121 - 150 Days	432,082,25	36,896,301	1	407,080,173	26,775,652	1
151 - 180 Days	272,594,150	38,876,028	1	238,335,937	28,921,620	1
Above 180 Days	1,063,567,457	325,216,925	2	976,360,936	260,374,379	3
	38,371,145,207	583,966,612	100	28,543,187,817	462,339,175	100
Net loans		37,787,178,595			28,080,848,642	

**GROUP**

	2016		2015	
	Gross Loans (Rs.)	Impairment (Rs.)	Gross Loans (Rs.)	Impairment (Rs.)
0 - 30 Days	26,104,980,737	56,500,672	18,102,970,407	46,275,451
31 - 60 Days	6,773,775,328	49,070,838	5,377,086,193	38,633,688
61 - 90 Days	2,939,839,774	42,058,231	2,786,271,133	38,974,784
91 - 120 Days	995,508,245	36,101,541	900,915,311	29,627,046
121 - 150 Days	433,438,495	37,217,802	408,680,624	26,836,896
151 - 180 Days	273,836,849	39,238,812	239,047,996	28,955,550
Above 180 Days	1,070,270,518	329,638,473	977,849,411	261,031,053
	38,591,649,946	589,826,369	28,792,821,075	470,334,468
Net Loans		38,001,823,577		28,322,486,607



37.1.4 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 loan or 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. The Company generally does not use the non-cash collateral for its own operations.

37.1.5 FINANCIAL INVESTMENTS

Tables below shows analysis of exposure to Banks and other institution based on their credit rating.

(A) DEPOSITS IN COMMERCIAL BANKS

As at 31st March	Company				Group			
	2016	(Rs.)	2015	(Rs.)	2016	(Rs.)	2015	(Rs.)
Rating								
AA+	53,718,091		233,002,637		53,718,091		233,002,637	
AA	26,711,590		25,358,501		34,843,087		35,548,632	
A	607,868,419		112,474,535		607,868,419		112,474,535	
AA-	257,862,637		510,376,895		257,862,637		510,376,895	
A-	337,655,316		589,741,265		337,655,316		589,741,265	
BBB	318,363,051		462,262,708		318,363,051		462,262,708	
	1,602,179,104		1,933,216,541		1,610,310,600		1,943,406,672	

(B) INVESTMENT IN SECURITIES UNDER REPURCHASE AGREEMENTS

As at 31st March	Company				Group			
	2016	(Rs.)	2015	(Rs.)	2016	(Rs.)	2015	(Rs.)
Rating								
AA+	–		95,000,000		–		95,000,000	
AA	275,095,137		40,000,000		286,349,978		40,000,000	
A	450,113,014		40,000,000		450,113,014		40,000,000	
AA-	120,024,822		60,000,000		120,024,822		60,000,000	
A-	1,851,006,644		65,000,000		1,851,006,644		65,000,000	
BBB	271,629,943		1,700,000		271,629,943		1,700,000	
	2,967,869,560		301,700,000		2,979,124,401		301,700,000	

(C) INVESTMENT IN EQUITY SHARES

As at 31st March	Company				Group			
	2016	(Rs.)	2015	(Rs.)	2016	(Rs.)	2015	(Rs.)
AA+	1,110,000		–		1,110,000		–	
AA	8,943,015		–		8,943,015		–	
AA-	4,179,800		–		4,179,800		–	
Unrated	928,324,408		954,118,800		948,940,428		954,242,500	
	942,557,223		954,118,800		963,173,243		954,242,500	

INVESTMENT IN DEBT SECURITIES AT AMORTISED COST

As at 31st March	Company				Group			
	2016	(Rs.)	2015	(Rs.)	2016	(Rs.)	2015	(Rs.)
AA+	5,101,250		5,100,137		5,101,250		5,100,137	
A-	5,078,297		5,076,236		5,078,297		5,076,236	
	10,179,547		10,176,374		10,179,547		10,176,374	

37.2 LIQUIDITY RISK

'Liquidity risk' is the risk that the Group will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

37.2.1 MANAGEMENT OF LIQUIDITY RISK

The Group's Board of Directors sets the Group's strategy for managing liquidity risk and delegates responsibility for oversight of the implementation of this policy to ALCO. ALCO approves the Group's liquidity policies and procedures. Treasury manages the Group's liquidity position on a day-to-day basis and reviews daily reports covering the liquidity position of both the Group and operating subsidiaries and foreign branches. A summary report, including any exceptions and remedial action taken, is submitted regularly to ALCO.

The Group'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 Group's reputation.

Key elements of the Group'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 Group's financial assets and financial liabilities, and the extent to which the Group's assets are encumbered and so not available as potential collateral for obtaining funding.
- Carrying out stress testing of the Group'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 to ensure that sufficient liquidity is maintained within the Group 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.

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 Group 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).

Carrying amounts of non-derivative financial assets and financial liabilities expected to be recovered or settled more than 12 months after the Reporting date.

<i>As at 31st March</i>	2016	(Rs.)	2015	(Rs.)
Financial assets				
Loans and advances to customers	24,628,580,725		18,040,307,782	
Investment securities	1,055,095,203		954,118,800	
	25,683,677,945		18,994,426,582	
Financial liabilities				
Deposits from customers	8,958,495,775		10,042,266,498	
Debt securities issued	1,044,135,005		1,043,481,193	
Subordinated liabilities	6,571,912,167		1,787,086,217	
	16,574,542,947		12,872,833,908	

The table below sets out the components of the Group's liquidity reserves,

<i>As at 31st March</i>	Company		Group	
	2016	(Rs.)	2015	(Rs.)
Liquidity reserves				
Cash and balances with other banks	722,351,389		313,394,279	729,789,337
Other cash and cash equivalents	4,570,048,664		2,234,916,541	334,358,488
Investments in Government Securities	2,351,480,862		2,232,273,653	4,589,435,002
Total liquidity reserves	7,643,880,915		4,780,584,473	2,238,227,974

Financial assets available to support future funding is as follows:

	Encumbered		Unencumbered	
	Pledged as Collateral (Rs.)	Other (Rs.)	Available as Collateral (Rs.)	Other* (Rs.)
Cash and cash equivalents		–	486,116,153	236,235,236
Trading assets	–	–	121,963,136	–
Loans and advances	5,526,285,118	–	19,614,494,253	14,215,559,241
Investment securities	–	–	1,794,452,649	4,445,492,181
Deposits with banks	–	–	1,602,179,104	–
Non-financial assets	1,072,048,901	–	555,107,212	–

* Represents assets that are not pledged but that the Company believes it is restricted from using to secure funding, for legal or other reasons or 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.

37.3 OPERATIONAL RISK

'Operational risk' is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group'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 Group's operations.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and innovation. In all cases, Group policy requires compliance with all applicable legal and regulatory requirements.

The Board of Directors has delegated responsibility for operational risk to its Group 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 Group 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 Group standards is supported by a programme of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the Group Risk Committee, with summaries submitted to the Audit Committee and Senior Management of the Group.

37.4 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 Group's income or the value of its holdings of financial instruments. The objective of the Group's market risk management is to manage and control market risk exposures with unacceptable parameters to ensure the Group's solvency while optimising the return on risk.

37.4.1 MANAGEMENT OF MARKET RISKS

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 Group's 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.

The principal risk to which non-trading 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 reprising 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 Group Market Risk, but is not currently significant in relation to the overall results and financial position of the Group. In respect of foreign currency, the Group 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 Group entities.

37.4.2 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 re-price products based thereon.

The following table exhibits the gap between the interest bearing financial assets and interest bearing financial liabilities of the Company.

	0-12 months (Rs.)	1-2 years (Rs.)	2-5 years (Rs.)	More than 5 Years (Rs.)	Non-Rate Sensitive (Rs.)	Total (Rs.)
Asset or liability						
Interest earning assets						
Cash and cash equivalents	722,351,389	–	–	–	722,351,389	722,351,389
Bank balances and placements	1,602,179,104	–	–	–	–	1,602,179,104
Financial investments – held-for-trading	121,963,136	–	–	–	–	121,963,136
Financial investments – held-to-maturity	2,216,980,067	5,078,298	25,819,994	108,680,802	–	2,247,878,359
Financial investments – loans and receivables	2,967,869,560	–	–	–	–	2,967,869,560
Loans and advances	13,910,339,464	9,512,379,437	14,498,298,191	617,903,098	–	38,538,920,189
Non-Rate sensitive	21,541,682,720	9,517,457,735	14,524,118,184	617,903,098	4,425,150,492	50,626,312,228

	0-12 months (Rs.)	1-2 years (Rs.)	2-5 years (Rs.)	More than 5 Years (Rs.)	Non-Rate Sensitive (Rs.)	Total (Rs.)
Interest-bearing liabilities						
Deposits	21,929,198,025	5,517,919,443	3,440,576,332	–	–	30,887,693,800
Borrowings	4,773,908,239	3,129,026,565	4,432,386,586	10,499,016	–	12,345,820,406
Net rate sensitive	26,703,106,264	8,646,946,008	7,872,962,918	10,499,016	7,392,798,022	7,392,798,022
Net rate sensitive assets (liabilities) as at 31st March 2016	(5,161,423,544)	870,511,727	6,651,155,266	607,404,082	2,967,647,530	50,626,312,228
Net rate sensitive assets (liabilities) as at 31st March 2015	(3,356,169,560)	(8,581,097)	4,831,206,408	486,331,735	313,394,279	2,118,757,276

37.4.3 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 dominated in a foreign currency. Intention of managing currency risk is to curtail the currency losses incurred due to foreign currency transactions. CDB over sees 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.

Currency	Amount	Rate (Rs.)	Value (Rs.)
USD	26,962	143.90	3,879,859
NOK	50	17.31	866
SGD	1,467	106.55	156,257
KWD	40	476.49	19,060
BHD	6	381.68	2,290
MYR	9	36.74	331
GBP	1,647	206.57	340,217
EUR	9,769	162.95	1,591,792
CAD	2,653	110.79	293,947
AUD	2,885	110.15	317,757
JOD	70	203.49	14,244
CHF	100	149.00	14,900
			6,631,519

SUBSEQUENT SENSITIVITY ANALYSIS SHOWS STRENGTH OF THE SRI LANKA RUPEE, AGAINST THE UNITED STATES DOLLAR AND EURO AS AT 31ST MARCH WHICH WOULD HAVE INCREASED/(DECREASED) PROFIT OR LOSS AMOUNTS

Currency	Shock %	Strengthening (Rs.)	Weakening (Rs.)
USD	1	(38,799)	38,799
EUR	1	(15,918)	15,918
USD	3	(116,396)	116,396
EUR	3	(47,754)	47,754
USD	5	(193,993)	193,993
EUR	5	(79,590)	79,590

37.5 CAPITAL MANAGEMENT

37.5.1 CAPITAL ADEQUACY

Capital adequacy is a measure of financial institutions financial strength and stability of a company. This widely accepted concept tries to specify the limit up to which a business can expand in terms of its risk-weighted assets. Finance companies in pursuit of business expansion, could engage themselves in activities that regularly change their risk profile. In light of this, regulatory capital requirements have been established to avoid undue expansion beyond specified limits keeping a hold on companies' exposure to risk. Capital serves as a comfort to absorb unexpected losses, providing a degree of security to depositors and other key stakeholders.

This measure has been introduced by the Central Bank of Sri Lanka to protect the interest of the various stakeholders of the Company while ensuring the maintenance of confidence and stability of the financial system.

The capital adequacy ratio is calculated as a percentage of companies capital to its risk-weighted assets as specified by the Direction No. 02 of 2006, Finance Companies (Risk-Weighted Capital Adequacy Ratio) and there are two measures to define the capital adequacy of the Company namely core capital to risk-weighted asset ratio and total capital to risk-weighted assets ratio.

The minimum requirement for core capital adequacy ratio and total capital adequacy ratio are 5% and 10% respectively.

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 include in addition to the core capital the revaluation reserves, general provisions and other hybrid capital instruments 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.

Details of the computation and the resulting ratios are given below:

	Balance		Risk Weight Factor %	Risk-Weighted Balance	
	2016 (Rs. '000)	2015 (Rs. '000)		2016 (Rs. '000)	2015 (Rs. '000)
<i>As at 31st March</i>					
Total risk-weighted assets computation					
Assets					
Cash and bank balances	722,351	313,394	–	–	–
Investment in Government Securities	5,409,171	2,533,972	–	–	–
Bank deposits	1,602,179	1,933,216	20	320,436	386,643
Loans against fixed deposits	1,159,281	1,183,116	–	–	–
Loans against gold and jewellery	232,346	125,945	–	–	–
Loans against real estate	–	–	50	–	–
Loans and advances	37,147,293	28,069,738	100	37,147,293	28,069,738
Finance lease receivable	–	–	100	–	–
Hire purchase receivable	–	–	100	–	–
Other investment	929,434	1,392,040	100	929,434	1,392,040
Inventories	–	–	100	–	–
Other assets	1,195,561	949,587	100	1,195,561.00	949,587.00
Fixed assets	1,695,475	1,512,700	100	1,695,475.00	1,512,700.00
Total risk-weighted assets	50,093,091	38,013,708		41,288,199	32,310,708

	Risk-Weighted Balance	
	2016 (Rs. '000)	2015 (Rs. '000)
Total capital base computation		
Stated capital	1,185,062	1,185,062
Reserve fund	839,332	638,301
General and other free reserves	749,096	854,210
Published retained earnings	2,064,806	1,453,358
Total core capital	4,838,296	4,130,931
Supplementary capital		
Eligible approved unsecured subordinated term debts	540,138	900,230
General provisions	–	–
Total supplementary capital	540,138	900,230
Total capital	5,378,434	5,031,161
Deductions:		
Equity investments in unconsolidated financial and banking subsidiaries	(509,918)	–
Investments in capital of other financial associates/banks	(23,303)	–
Capital base	4,845,213	5,031,161

CAPITAL ADEQUACY RATIO

<i>As at 31st March</i>		2016	(%)	2015	(%)
Core capital ratio	$\frac{\text{Core capital}}{\text{Risk-weighted assets}} \times 100$	11.72		12.79	
Total capital ratio	$\frac{\text{Capital base}}{\text{Risk-weighted assets}} \times 100$	11.74		15.57	

38. SEGMENTAL ANALYSIS

COMPANY

	Lease and Stock out on Hire		Loans and Advances		Others		Total	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Interest	5,339,932,963	4,760,346,980	876,074,166	1,152,500,359	431,017,197	338,685,778	6,647,024,326	6,251,533,117
Non-Interest Income					838,980,411	655,544,245	838,980,411	655,544,245
Segmental Revenue	5,339,932,963	4,760,346,980	876,074,166	1,152,500,359	1,269,997,608	994,230,023	7,486,004,737	6,907,077,362
Interest cost	2,525,693,746	2,287,295,701	552,475,949	651,854,007	510,243,579	442,305,721	3,588,413,274	3,381,455,429
Impairment Charges	388,642,837	634,518,051	10,746,551	46,425,372	–	–	399,389,388	680,943,423
Segment Contribution	2,425,596,380	1,838,533,228	312,851,666	454,220,980	759,754,029	551,924,302	3,498,202,075	2,844,678,510
Unlocated Expenses							2,075,027,266	1,800,626,824
VAT on financial service and other taxes							169,231,306	92,631,221
Income Tax expenses							248,790,365	249,686,559
Segmental result	2,425,596,380	1,838,533,228	312,851,666	454,220,980	759,754,029	551,924,302	1,005,153,138	701,733,905
Segment Assets	34,261,408,779	22,863,075,343	7,494,417,863	6,515,723,908	6,921,529,526	4,421,146,340	48,677,356,168	33,799,945,591
Unlocated Assets							1,948,956,060	4,213,762,989
Total Assets	34,261,408,779	22,863,075,343	7,494,417,863	6,515,723,908	6,921,529,526	4,421,146,340	50,626,312,228	38,013,708,580

GROUP

	Lease and Stock out on Hire		Loans and Advances		Others		Total	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Interest	5,357,735,121	4,769,534,857	911,141,449	1,175,653,831	434,007,466	339,983,553	6,702,884,036	6,285,172,241
Non-Interest Income					846,394,985	655,580,245	846,394,985	655,580,245
Segmental Revenue	5,357,735,121	4,769,534,857	911,141,449	1,175,653,831	1,280,402,451	995,563,798	7,549,279,021	6,940,752,486
Interest Cost	2,616,098,728	2,226,131,086	538,274,823	642,996,896	437,045,567	520,055,297	3,591,419,119	3,389,183,278
Impairment Charges	388,642,837	634,518,050	15,912,980	44,106,013	–	–	404,555,817	678,624,063
Segment contribution	2,352,993,556	1,908,885,721	356,953,645	488,550,922	843,356,884	475,508,501	3,553,304,085	2,872,945,145
Unlocated Expenses							2,101,977,736	1,810,071,661
VAT on financial service and other taxes							172,859,238	94,622,484
Income Tax expenses							257,692,714	257,828,764
Segmental result	2,352,993,556	1,908,885,721	356,953,645	488,550,922	843,356,884	475,508,501	1,020,774,397	710,422,235
Segment Assets	31,181,866,002	22,864,581,327	6,415,818,041	6,604,217,924	5,209,243,891	5,341,485,370	42,806,927,934	34,810,284,621
Unlocated Assets							7,839,159,375	3,314,781,357
Total Assets	31,181,866,002	22,864,581,327	6,415,818,041	6,604,217,924	5,209,243,891	5,341,485,370	50,646,087,309	38,125,065,978

39. MATURITY ANALYSIS

Assets/Liabilities	Up to 1 Month	Maturity Period			
		2 - 3 Months	4 - 6 Months	7-12 Months	
Assets					
Cash and Cash Equivalents	722,351,389				
Financial Investments – Held for Trading	121,963,136				
Loans and Receivables to banks	2,967,869,560				
Deposits with Licensed commercial banks	10,985,030	510,167,817	235,338,492	845,687,766	
Loans & Advances to customers	2,747,632,171	2,269,081,831	3,176,459,436	5,717,166,026	
Investment Securities	362,001,112	296,753,621	770,061,336	788,163,998	
Investment in Subsidiaries					
Investment Properties					
Property, Plant and Equipment					
Intangible Assets					
Other Assets	99,630,049.00	199,260,097.99	298,890,146.99	597,780,293.97	
Total Assets	7,032,432,446	3,275,263,367	4,480,749,411	7,948,798,084	
% of total Assets	13.89%	6.47%	8.85%	15.70%	
Cumulative %	13.89%	20.36%	29.21%	44.91%	
Liabilities					
Deposits From Customers	4,438,349,207	5,505,272,886	6,008,069,477	5,977,506,454	
Debt Securities Issued			44,135,005		
Other Interest bearing borrowings	1,369,940,847	742,959,313	853,689,689	1,763,183,385	
Current Tax Liabilities		109,133,435			
Deferred Tax Liabilities	34,143,720.85	24,006,714.55	35,090,421.12	65,924,350.83	
Retirement Benefit obligations		53,036,504			
Other Liabilities	1,386,403,964	312,491,040			
Equity					
Stated Capital					
Reserves					
Retained earnings					
Total liabilities and Equity	7,228,837,739	6,746,899,892	6,940,984,592	7,806,614,190	
% of Total liabilities	14.28%	13.33%	13.71%	15.42%	
Cumulative %	14.28%	27.61%	41.32%	56.74%	
Maturity Gap	(196,405,293)	(3,471,636,526)	(2,460,235,181)	142,183,893	
Cumulative Gap	(196,405,293)	(3,668,041,819)	(6,128,277,000)	(5,986,093,107)	
Assets/Liability Gap - Cumulative %	(0.39%)	(7.25%)	(12.10%)	(11.82%)	

	Maturity Period					(Rs.)
	13-24 Months	25-36 Months	37-60 Months	More than 60 months	Unclassified	Total
						722,351,389
						121,963,136
						2,967,869,560
						1,602,179,104
	9,512,379,437	7,300,664,251	7,197,633,940	617,903,098	–	38,538,920,189
	5,078,298	15,640,445	5,101,251	1,029,275,210	–	3,272,075,270
				–	509,917,734	509,917,734
					20,197,977	20,197,977
					1,606,958,136	1,606,958,136
		–	–	–	68,319,145	68,319,145
	–	–	–	–	–	1,195,560,588
	9,517,457,735	7,316,304,695	7,202,735,191	1,647,178,308	2,205,392,992	50,626,312,228
	18.80%	14.45%	14.23%	3.25%	4.36%	
	63.71%	78.16%	92.39%	95.64%	100.00%	
	5,517,919,443	1,811,929,607	1,628,646,725	–		30,887,693,800
		1,000,000,000				1,044,135,005
	3,129,026,565	1,922,317,225	1,510,069,361	10,499,016	–	11,301,685,401
						109,133,435
	116,146,203.75	94,068,933.26	102,934,193.62	7,450,046.50		479,764,584
						53,036,504
						1,698,895,004
						–
						–
					1,185,061,645	1,185,061,645
					1,802,100,577	1,802,100,577
					2,064,806,272	2,064,806,272
	8,763,092,212	4,828,315,766	3,241,650,279	17,949,063	5,051,968,494	50,626,312,228
	17.31%	9.54%	6.40%	0.04%	9.98%	
	74.05%	83.58%	89.99%	90.02%	100.00%	
	754,365,523	2,487,988,929	3,961,084,912	1,629,229,245	(2,846,575,502)	
	(5,231,727,584)	(2,743,738,654)	1,217,346,257	2,846,575,502		
	(10.33%)	(5.42%)	2.40%	5.62%	0.00%	

40. RELATED PARTY DISCLOSURES

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 Sri Lanka Accounting Standard – LKAS 24 – 'Related Party Disclosures'.

PARENT AND ULTIMATE CONTROLLING PARTY

The Company (CDB) does not have an identifiable parent of its own.

(A) 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 (Table 1). 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) is 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. CDB Micro Finance Limited
2. Unisons Capital Leasing Limited

TRANSACTIONS WITH KMP

COMPENSATION OF KMP – COMPANY

<i>For the Year ended 31st March</i>	2016	(Rs.)	2015	(Rs.)
Short-term employment benefits	66,578,980		59,738,682	
Terminal benefits	7,816,575		–	
Post-employment benefits	–		–	
Total	74,395,555		59,738,682	

(*Payment made to former Director Mr. W W K M Weerasuriya who was resigned on 30th April 2015)

COMPENSATION OF KMP - GROUP

<i>For the Year ended 31st March</i>	2016	(Rs.)	2015	(Rs.)
Short-term employment benefits	66,578,980		59,738,682	
Terminal benefits	7,816,575		-	
Post-employment benefits		-		-
Total	74,395,555		59,738,682	

(*Payment made to former Director Mr. W W K M Weerasuriya who was resigned on 30th April 2015).

(B) 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 KMP domestic partner and dependents of the KMP domestic partner. CFM are related party to the Group/Company.

<i>For the Year ended 31st March</i>	Year-end Balance			
	2016	(Rs.)	2015	(Rs.)
Assets				
Loans and advances		-		-
Credit facilities		-		-
Any other commitments/contingencies/undrawn facilities		-		-
Total		-		-
Liabilities				
Deposits placed by KMP and CFM	39,656,668		32,077,482	
Credit facilities		-		-
Any other commitments/contingencies		-		-
Total	39,656,668		32,077,482	

SHARE BASED BENEFITS TO KMP AND CFM

<i>For the Year ended 31st March</i>	2016	(Rs.)	2015	(Rs.)
Number of ordinary shares (voting) held	3,958,757		570,485	
Number of ordinary shares (non-voting) held	14,907		24,318	
Cash dividends paid (in Rs.)	2,081,811		896,961	
Scrip dividends		-		-

(C) TRANSACTIONS WITH GROUP ENTITIES

The Group entities include the two subsidiaries mentioned in the above table 1 (Note 22)

**(I) CDB MICRO FINANCE LIMITED
STATEMENT OF FINANCIAL POSITION**

<i>As at 31st March</i>	2016	(Rs.)	2015	(Rs.)
Receivable for expenses incurred by CDB	485,002		385,002	

**(II) UNISONS CAPITAL LEASING LIMITED (UCL)
SUMMARY OF TRANSACTIONS**

<i>For the Year ended 31st March</i>	2016	(Rs.)	2015	(Rs.)
Short-term loan – amount granted	–		54,000,000	
Further investment in shares (rights issue)	82,172,287			
Settlement of interest receivable	1,284,125		621,370	
Deposits into savings account	294,028,754			
Withdrawal from savings account	(293,173,796)			
Interest credited to savings accounts	156,746			

(Credit facility was granted for the period of 12 months at the rate of 12% p.a. basis on clean basis to meet short-term working capital requirements)

STATEMENT OF FINANCIAL POSITION

<i>As at 31st March</i>	2016	(Rs.)	2015	(Rs.)
Further investment in shares (right issue)	82,172,287		–	
Controlling stake at the year end (%)	90.38%		86.26%	
Investments made by UCL to parent (at the year end balance) fixed deposits and savings	83,777,575		–	
Short-term loans	–		25,102,806	
Reimbursement of expenses of UCL	3,521,825		–	

STATEMENT OF PROFIT OR LOSS

<i>For the year ended 31st March</i>	2016	(Rs.)	2015	(Rs.)
Interest income recognised for loans	181,319		1,724,176	
Interest expense recognised on terms and savings deposits	480,331		–	
Dividend income received for equity investments	–		–	

COMMITMENTS AND CONTINGENCIES

<i>As at 31st March</i>	2016	(Rs.)	2015	(Rs.)
Undrawn facilities		-		-
Other commitments		-		-

(D) 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.

Name of the Entity	Shareholding as at 31.03.2016	Common Directors
Ceylinco Life Insurance Limited	35%	Mr. D H J Gunawardena
		Mr. S R Abenayake

<i>For the Year ended 31st March</i>	Year-end Balance	
	2016	(Rs.)
	2015	(Rs.)
Assets		
Loans and advances	-	-
Credit facilities	-	-
Any other commitments/contingencies/undrawn facilities	-	-
Total		
Liabilities		
Deposits	250,000,000	
Debentures	99,770,000	99,770,000
Total	349,770,000	99,770,000
Interest paid/accrued	20,500,400	14,965,500
Group life cover – premium payment	4,091,157	3,957,898
	24,591,557	18,923,398

Name of the Entity	Shareholding as at 31.03.2016	Common Directors
CDB ESOP Trust Fund (Pvt) Limited	0%	Mr. T M D P Tennakoon Mr. S V Munasinghe Mr. Namal Gomes (Through UCL)

For the Year ended 31 March	Year-end Balance			
	2016	(Rs.)	2015	(Rs.)
Assets				
Loans and advances		–	54,488,323	
Credit facilities		–	–	
Any other commitments/contingencies/undrawn facilities		–	–	
Total		–	54,488,323	
Liabilities				
Deposits		–	–	
Debentures		–	–	
Total		–	–	

(12,500,000 ordinary voting shares of the Company (CDB) held under CDB ESOP Trust Fund (Pvt) Limited has been transferred to respective beneficiaries (Entitle Employees) in compliance with applicable listing rules and as per the terms and conditions in the Indenture of Trust on 2nd March 2016.)

41. CAPITAL COMMITMENTS AND CONTINGENCIES

CAPITAL COMMITMENTS

The Group has commitments for acquisition of Property, Plant & Equipment and intangible assets incidental to the ordinary course of business which have been approved by the Board of Director, the details of which are as follows,

	Company				Group			
	2016	(Rs.)	2015	(Rs.)	2016	(Rs.)	2015	(Rs.)
Approved and contracted for	26.20		4.60		26.20		4.60	
Approved but not contracted for	115.80		120.00		118.30		120.00	
Total	142.00		4.60		143.50		4.60	

LITIGATION AGAINST THE COMPANY

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 judgment. When matters are at an early stage, accounting judgments 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 have been filed 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 defendants. The case was fixed for 10th June 2016 for 1st defendants answers.
- (B) Court action have been filed by a customer in Anuradhapura District Court bearing No. 27176/M for the recovery of Rs. 200,000 and interest thereon citing CDB as the defendant. The case was fixed for trial on 20th October 2016.
- (C) Court action have been filed by a customer in Commercial High Court bearing No. CHC505/15MR for the recovery of Rs. 6,000,000 and interest thereon citing CDB as the defendant. The case was fixed for answers on 04th July 2016.
- (D) Court action have been filed 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 notice returnable on 18th July 2016.
- (E) Court action have been filed 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 notice returnable on 29th June 2016.
- (F) Court action have been filed 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 notice returnable on 08th August 2016.
- (G) Court action have been filed 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 into its original position. The case will be called to fix for trial on 15th June 2016.
- (H) There were five pending cases bearing Nos. DSP37/13, DSP 513/15, MR552, DMR1620/15, DMR1621/15 related to lending facilities claiming a total sum of Rs. 3.26 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.

42. EVENTS THAT OCCURRED AFTER THE REPORTING DATE

The Board of Directors has recommended a dividend of three Rupees and fifty Cents (Rs. 3.50) per share on both its 46,299,223 voting ordinary shares and 8,005,984 non-voting ordinary shares aggregating to a sum of Rupees hundred and ninety million sixty eight thousand two hundred and twenty-five as the first and final dividend for the financial year ended 31st March 2016.

There are no other events except the above occurring after the Reporting date which require disclosure in/adjustments to the Financial Statements.

ANNEXES



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NOTICE OF
MEETING

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 2015/16 have been submitted to the Colombo Stock Exchange within the stated 45 day 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.

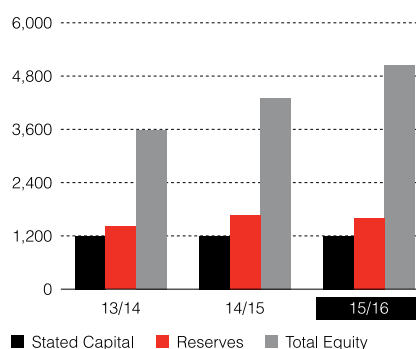
OVERALL SHARE MARKET

As at 31st March 2016 the Colombo Stock Exchange (CSE) accommodated 294 companies with a market capitalisation of Rs. 2,586 Bn which shows a drop of 11.8% compared to previous year of Rs. 2,891 Bn.

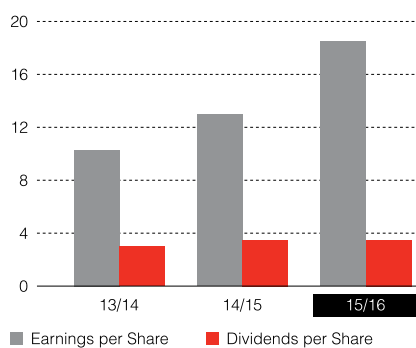
Item	31.03.2016
All Share Price Index (ASPI)	6,071.88
S&P Sri Lanka 20 Index (S&P SL 20)	3,204.44
Market Capitalisation (Rs. Bn)	2,586

FINANCIAL INFORMATION

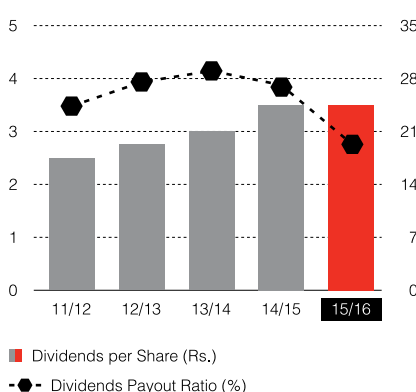
MOVEMENT IN STATED CAPITAL, RESERVES AND TOTAL EQUITY (Rs. Mn)



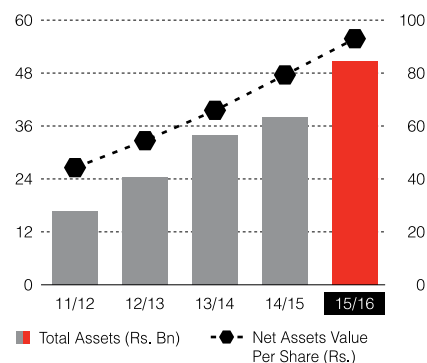
MOVEMENT IN EPS AND DPS (Rs.)



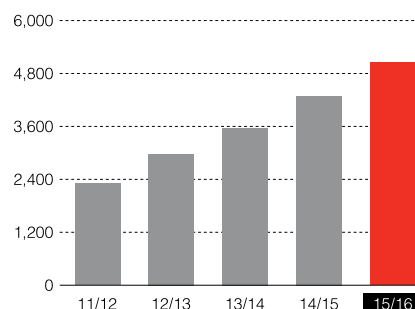
DIVIDENDS PER SHARE & DIVIDENDS PAYOUT RATIO (Rs.) (%)



TOTAL ASSETS AND NET ASSETS VALUE PER SHARE (Rs. Bn)



SHAREHOLDERS' FUNDS (Rs. Mn)



DIVIDENDS

For the financial year ended 31st March 2016, CDB declared a cash dividend Rs. 3.50 for both voting and non-voting shares of 46,299,223 and 8,005,984 respectively which was aggregated to a sum of Rs. 190,068,225.

CASH AND SCRIP DIVIDENDS

	2015/16	(Rs.)	2014/15	(Rs.)	2013/14	(Rs.)	2012/13	(Rs.)
Final-Cash Dividend	3.50*		3.50		3.00		2.75	
Scrip Dividend	–		–		–		–	
Total Dividend	3.50		3.50		3.00		2.75	

*Proposed dividend for this year would be a cash dividend of Rs. 3.50 per share which needs to be approved by the shareholders at the AGM.

CDB SHARE

SHARE PRICE INFORMATION

Price	Voting		Non-Voting					
	2015/16	(Rs.)	2014/15	(Rs.)	2015/16	(Rs.)	2014/15	(Rs.)
High	116.80		104.90		102.50		88.00	
Low	72.00		46.00		61.00		37.50	
Last Traded	75.00		85.00		68.00		73.90	

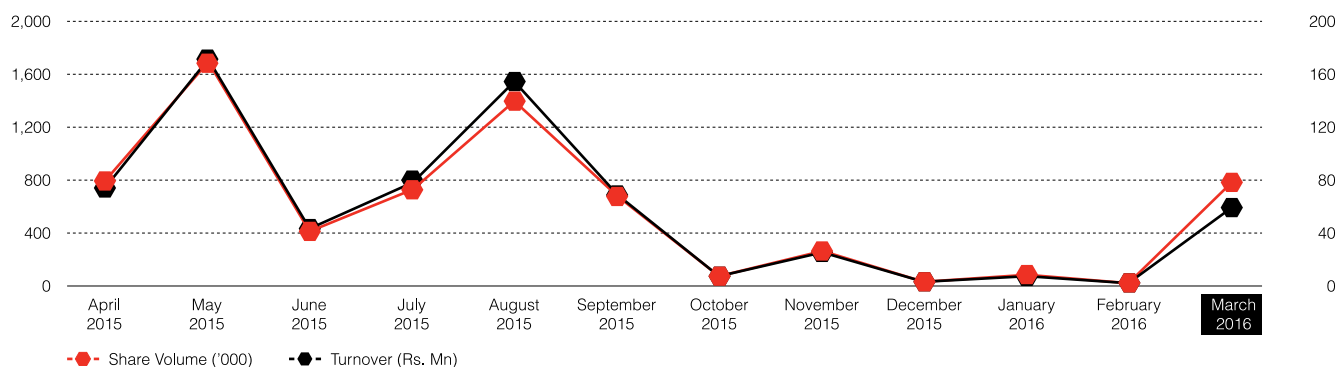
RATIOS

	2015/16
Debt/Equity Ratio (%)	152
Quick Asset Ratio (Times)	0.78
Interest Cover (Times)	1.35

CDB SHARE PERFORMANCE DURING THE YEAR

VOTING SHARE PERFORMANCE (‘000)

(Rs. Mn)

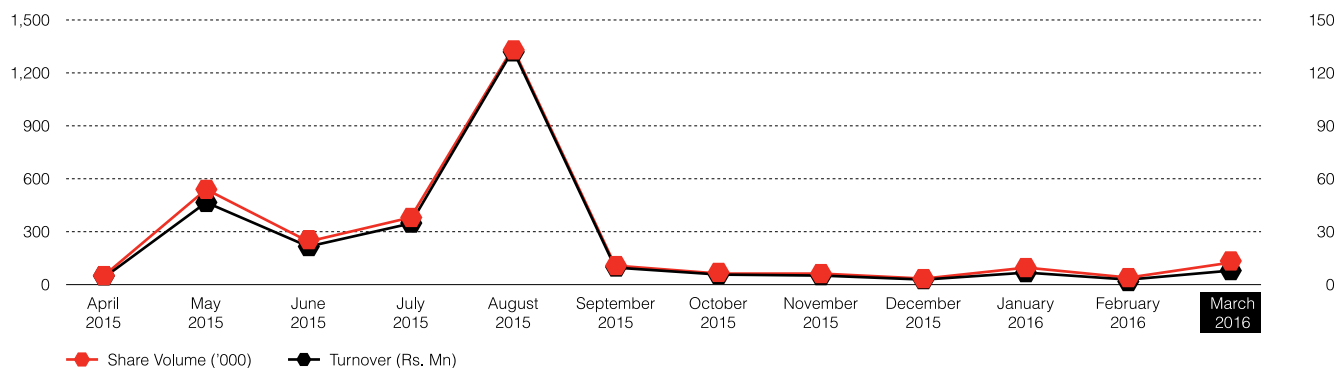


During the financial year 6.9 million shares were traded through 2,696 transactions and recorded an average daily turnover of Rs. 2.9 Mn.

NON-VOTING SHARE PERFORMANCE

('000)

(Rs. Mn)



During the financial year three million shares were traded through 1,846 transactions and recorded an average daily turnover of Rs. 1.2 Mn.

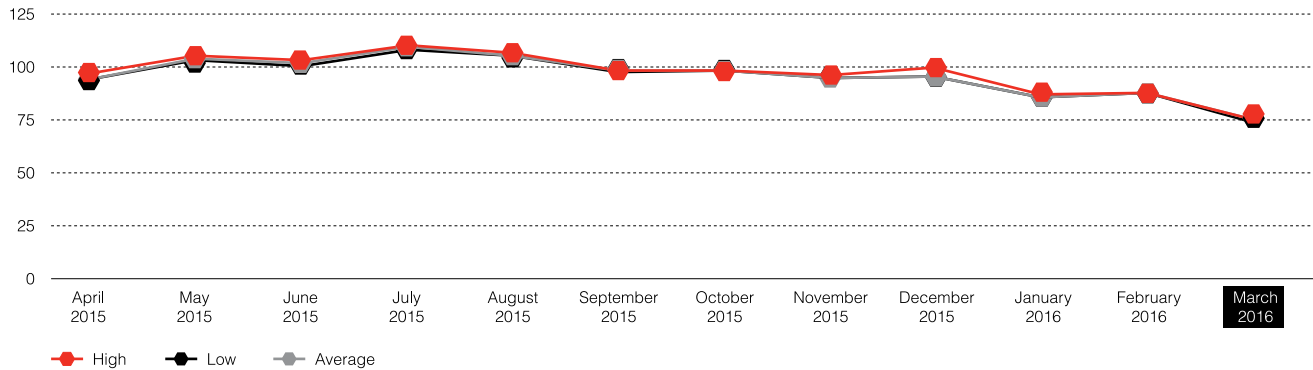
SHARE TRADING INFORMATION

Annual Transaction Information	Ordinary Voting Share				
	2015/16	2014/15	2013/14	2012/13	2011/12
No. of Transactions	2,696	5,264	2,233	2,571	8,270
No. of Shares Traded	6,958,625	14,705,064	2,522,678	2,497,811	12,303,772
Value of Shares Traded (Rs.)	695,635,543	1,262,908,176	113,669,908	98,920,592	983,554,597

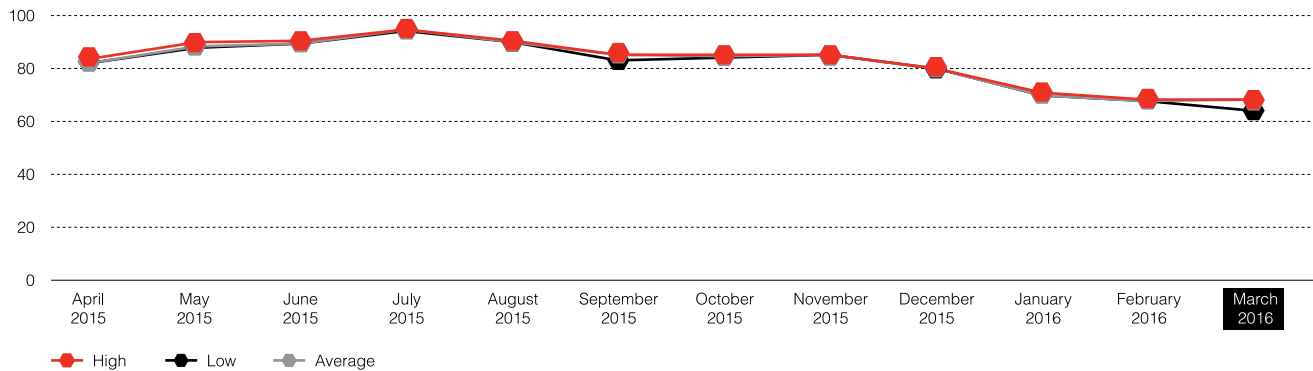
Annual Transaction Information	Ordinary Non-Voting Share				
	2015/16	2014/15	2013/14	2012/13	2011/12
No. of Transactions	1,846	4,038	1,595	2,139	1,685
No. of Share Traded	3,081,158	4,491,996	2,164,520	3,577,448	4,048,206
Value of Shares Traded (Rs.)	280,559,777	296,610,356	77,314,979	109,994,947	221,117,475

SHARE PRICE MOVEMENT

SHARE PRICE MOVEMENT - ORDINARY VOTING (Rs.)



SHARE PRICE MOVEMENT - ORDINARY NON-VOTING (Rs.)



QUARTERLY SUMMARY

Period - Voting	High (Rs.)	Low (Rs.)	Close (Rs.)	Trade Volume	Share Volume	Turnover (Rs.)	Days Traded
2015/16 - Q4	99.00	72.00	75.00	418	890,274	68,511,913	51
2015/16 - Q3	103.90	94.00	100.00	404	374,766	36,482,852	56
2015/16 - Q2	116.80	97.50	97.90	848	2,794,166	301,743,255	60
2015/16 - Q1	108.50	84.60	102.20	1,026	2,899,419	288,897,523	57
Year	116.80	72.00	75.00	2,696	6,958,625	695,635,543	224

Period – Non-Voting	High (Rs.)	Low (Rs.)	Close (Rs.)	Trade Volume	Share Volume	Turnover (Rs.)	Days Traded
2015/16 – Q4	80.00	61.00	68.00	324	258,067	17,701,748	48
2015/16 – Q3	92.50	78.60	80.00	243	159,238	13,417,899	42
2015/16 – Q2	102.50	83.20	85.00	725	1,827,110	177,296,041	58
2015/16 – Q1	91.60	72.60	89.50	554	836,743	72,144,089	51
Year	102.50	61.00	68.00	1,846	3,081,158	280,559,777	199

MARKET CAPITALISATION

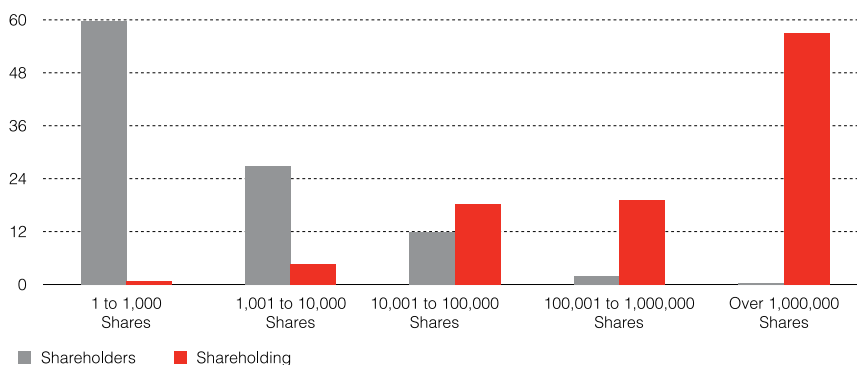
As at 31st March	No. of Shares	MPS	2015/16	2014/15
Voting	46,299,223	75.00	3,472,441,725	3,935,433,955
Non-Voting	8,005,984	68.00	544,406,912	591,642,218
Total			4,016,848,637	4,527,076,173

SHAREHOLDER ANALYSIS

ORDINARY VOTING - COMPOSITION ACCORDING TO SHAREHOLDING

Shareholding	Resident			Non-Resident			Total			
	Number of Shareholders	No. of Shares	Percentage (%)	Number of Shareholders	No. of Shares	Percentage (%)	Number of Shareholders	Percentage (%)	No. of Shares	Percentage (%)
1 to 1,000 Shares	1,171	395,377	0.85	4	1,305	–	1,175	59.77	396,682	0.85
1,001 to 10,000 Shares	521	2,131,321	4.60	5	29,600	0.06	526	26.75	2,160,921	4.66
10,001 to 100,000 Shares	231	8,379,808	18.10	4	72,338	0.16	235	11.95	8,452,146	18.26
100,001 to 1,000,000 Shares	36	8,851,678	19.12	–	–	–	36	1.83	8,851,678	19.12
Over 1,000,000 Shares	7	26,437,796	57.11	–	–	–	7	0.36	26,437,796	57.11
	1,966	46,195,980	99.78	13	103,243	0.22	1,979		46,299,223	100.00

RESPECTIVE SHAREHOLDING VS
NO. OF SHAREHOLDERS - ORDINARY VOTING
(%)



COMPOSITION OF SHAREHOLDERS

Categories of Shareholders	2015/16			2014/15		
	Number of Shareholders	No. of Shares	Holding %	Number of Shareholders	No. of Shares	Holding %
Individual	1,878	15,929,201	34.40	1,851	7,235,239	15.63
Institutional	101	30,370,022	65.60	86	39,063,984	84.37
	1,979	46,299,223	100.00	1,937	46,299,223	100.00

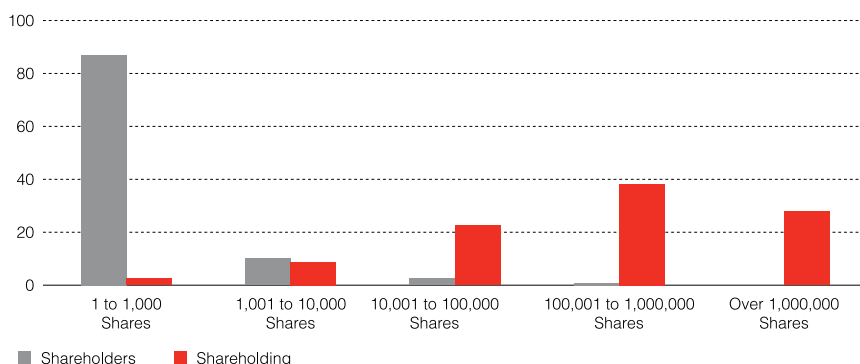
SHAREHOLDER ANALYSIS

ORDINARY NON-VOTING - COMPOSITION ACCORDING TO SHAREHOLDING

Shareholding	Resident			Non-Resident			Total			
	Number of Shareholders	No. of Shares	Percentage (%)	Number of Shareholders	No. of Shares	Percentage (%)	Number of Shareholders	Percentage (%)	No. of Shares	Percentage (%)
1 to 1,000 Shares	1,576	202,506	2.54	7	2,313	0.03	1,583	87	204,819	2.57
1,001 to 10,000 Shares	184	698,150	8.72	–	–	0	184	10	698,150	8.72
10,001 to 100,000 Shares	44	1,711,077	21.37	1	95,398	1.19	45	2	1,806,475	22.56
100,001 to 1,000,000 Shares	12	2,554,730	31.91	4	518,286	6.47	16	1	3,073,016	38.38
Over 1,000,000 Shares	2	2,223,524	27.77	–	–	0	2	0	2,223,524	27.77
	1,818	7,389,987	92.31	12	615,997	7.69	1,830		8,005,984	100.00

RESPECTIVE SHAREHOLDING VS NO. OF SHAREHOLDERS - ORDINARY NON-VOTING

(%)



COMPOSITION OF SHAREHOLDERS

Categories of Shareholders	2015/16			2014/15		
	Number of Shareholders	No. of Shares	Holding %	Number of Shareholders	No. of Shares	Holding %
Individual	1,745	3,274,577	40.90	1,839	2,815,791	35.17
Institutional	85	4,731,407	59.10	75	5,190,193	64.83
	1,830	8,005,984	100.00	1,914	8,005,984	100.00

INFORMATION ON SHARE CAPITAL MOVEMENT

Year	Details	Share Type	Basis	No. of Shares Issued	No. of Voting Shares (After Issue)	No. of Non-Voting Shares (After Issue)	New Capital Raised (Rs.)
	Prior to Introduction	Voting Shares			39,685,048		
2010	Introduction				39,685,048		
2011	Rights Issue	Voting Shares @ Rs. 70.00	1 for every 6 voting shares	6,614,175	46,299,223		462,992,250
	Rights Issue	Non-Voting Shares @ Rs. 45.00	1 for every 7 voting shares	5,669,293	46,299,223	5,669,293	255,118,185
2012	Scrp Issue	Non-Voting Shares	1 for every 22.222224 Voting Shares and Non-Voting Shares	2,336,691	46,299,223	8,005,984	

LIST OF 20 MAJOR SHAREHOLDERS BASED ON THEIR SHAREHOLDINGS AS AT 31ST MARCH 2016

ORDINARY VOTING SHARES

No.	Name	Shareholding	Percentage (%)
1.	Ceylinco Life Insurance Limited	15,529,116	33.54
2.	Janashakthi General Insurance Limited	2,387,947	5.16
3.	Janashakthi Insurance PLC (Policy Holders)	2,314,961	5.00
4.	Ceylinco Insurance PLC A/C No. 2 (General Fund)	1,853,287	4.00
5.	Citizens Development Business Finance PLC A/C No. 02 (CDB Employee Gratuity Fund)	1,708,816	3.69
6.	People's Leasing & Finance PLC/Mr. W P C M Nanayakkara	1,393,669	3.01
7.	The Finance Company PLC A/C No. 01	1,250,000	2.70
8.	Mr. T M D P Tennakoon	858,258	1.85
9.	People's Leasing & Finance PLC/Mr. S V Munasinghe	850,676	1.84
10.	Mr. R H Abeygoonewardena/Ms. V F Abeygoonewardena	722,139	1.56
11.	Asia Management Consultancy (Private) Limited	706,622	1.53
12.	Mr. W W K M Weerasooriya	482,803	1.04
13.	Mr. H M L M B Heenkenda	452,260	0.98
14.	Mr. E Karthik	428,817	0.93
15.	Mr. H K Dassanayake	265,653	0.57
16.	Mr. I M Kotigala	241,224	0.52
17.	Mrs. N D Kodagoda	217,364	0.47
18.	Mr. K A D R Gunasinghe	216,167	0.47
19.	Mr. P V R S Abeysekera	215,833	0.47
20.	Mr. A A S Kumara	206,167	0.45
	Sub Total of Top 20 Shareholders	32,301,779	69.77
	Others	13,997,444	30.23
	Total	46,299,223	100.00

The percentage of shares held by the public as at 31st March 2016 is 50.22 (with 1,969 public shareholders).

ORDINARY NON-VOTING SHARES

No.	Name	Shareholding	Percentage (%)
1.	Deutsche Bank AG as Trustee for JB Vantage Value Equity Fund	1,182,093	14.77
2.	J B Cocoshell (Pvt) Limited	1,041,431	13.01
3.	Mr. A M Weerasinghe	614,454	7.67
4.	Deutsche Bank AG as Trustee to Candor Growth Fund	310,671	3.88
5.	Askold (Pvt) Limited	240,000	3.00
6.	Mr. M J Fernando	208,999	2.61
7.	Mr. H R Esufally	208,999	2.61
8.	E W Balasuriya & Co. (Pvt) Limited	204,413	2.55
9.	Mr. M A H Esufally	160,000	2.00
10.	Mr. G H I Jafferjee	156,749	1.96
11.	National Industries Group (Holdings) (S.A.K.)	154,789	1.93
12.	Mr. I M Dabah	154,499	1.93
13.	Pan Asia Banking Corporation PLC/S R Fernando	128,953	1.61
14.	Waldock Mackenzie Limited/Mr. H M S Abdulhussein	115,028	1.44
15.	Jafferjees Investments (Pvt) Limited	104,499	1.31
15.	Gold Investment Limited	104,499	1.31
15.	Mr. M A Valabhji	104,499	1.31
18.	Commercial Bank of Ceylon PLC A/C No. 04	101,965	1.27
19.	Lakdhanavi Limited	100,000	1.25
20.	Eagle Proprietary Investments Limited	95,398	1.19
	Sub Total of Top 20 Shareholders	5,491,938	68.60
	Others	2,514,046	31.40
	Total	8,005,984	100.00

The percentage of shares held by the public as at 31st March 2016 is 86.78% (with 1,824 public shareholders).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31st March	Company				Group			
	2015/16	US \$	2014/15	US \$	2015/16	US \$	2014/15	US \$
Assets								
Cash and cash equivalents	16	4,981,734	2,374,199		5,033,030	2,533,019		
Financial instruments held for trading	17	841,125	425,911		841,125	425,911		
Loans and receivables to banks	18	20,468,066	2,285,606		20,545,686	2,285,606		
Deposits with licensed commercial banks	19	11,049,511	14,645,580		11,105,590	14,722,778		
Loans and advances to customers	20	265,785,656	222,566,661		267,265,967	224,397,252		
Investment securities	21	22,566,036	23,790,520		22,798,804	23,836,565		
Investment in subsidiary	22	3,516,674	3,240,496		–	–		
Investment property	23	139,296	153,015		139,296	153,015		
Property and equipment	24	11,082,470	10,767,749		11,107,847	10,806,309		
Intangible assets	26	471,167	539,089		492,167	574,184		
Goodwill on consolidation	25	–	–		1,683,996	1,849,844		
Other assets	27	8,245,245	7,193,815		8,269,853	7,241,775		
Total assets		349,146,981	287,982,641		349,283,361	288,826,257		
Liabilities								
Deposits from customers	28	213,018,578	205,144,952		212,440,802	205,144,952		
Debt securities issued	29	7,200,931	7,905,161		7,200,931	7,905,161		
Other Interest bearing borrowings	30	77,942,658	28,642,148		77,997,120	29,080,081		
Current tax liabilities		752,644	844,800		765,657	888,083		
Deferred tax liabilities	31	3,308,721	2,136,963		3,323,033	2,148,895		
Retirement benefit obligation	32	365,769	343,173		365,769	344,132		
Other liabilities	33	11,716,517	10,374,508		11,978,524	10,440,925		
Total liabilities		314,305,819	255,391,705		314,071,836	255,952,229		
Equity								
Share capital and share premium	34	8,172,839	8,977,740		8,172,839	8,977,740		
Reserves	35	12,433,684	12,602,908		12,446,042	12,606,532		
Retained earnings		14,234,639	11,010,288		14,382,381	11,064,124		
Total equity attributable to equity holders of the Bank		34,841,162	32,590,936		35,001,263	32,648,396		
Non-controlling interests					210,262	225,633		
Total equity		34,841,162	32,590,936		35,211,524	32,874,029		
Total liabilities and equity		349,146,981	287,982,641		349,283,361	288,826,257		
Net assets value per share		0.64	0.60		0.64	0.60		

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

As at 31st March	Note	Company		Group	
		2015/16	US\$	2014/15	US\$
Revenue	6	51,627,619	52,326,344	52,063,993	52,581,458
Interest income	7	45,841,547	47,360,099	46,226,786	47,614,941
Interest expense	8	24,747,678	25,617,087	24,768,408	25,675,631
Net interest income		21,093,869	21,743,013	21,458,379	21,939,310
Net fee and commission income	9	1,452,394	1,295,776	1,483,756	1,295,776
Other income	10	4,333,678	3,670,468	4,353,451	3,670,741
		26,879,941	26,709,257	27,295,586	26,905,827
Impairment loss on financial assets	11	2,754,410	5,158,662	2,790,040	5,141,091
		24,125,532	21,550,595	24,505,545	21,764,736
Personnel expenses		5,139,587	4,558,499	5,198,893	4,567,552
Premises, equipment and establishment expenses		6,753,230	6,761,692	6,840,086	6,824,192
Other expenses		2,417,716	2,320,921	2,457,420	2,320,921
	12	14,310,533	13,641,112	14,496,398	13,712,664
Operating profit before value added tax		9,814,999	7,909,482	10,009,147	8,052,072
Less: value added tax and other taxes		1,167,112	701,752	1,192,133	716,837
Profit before tax		8,647,886	7,207,731	8,817,015	7,335,235
Income tax expense	13	1,715,796	1,891,565	1,777,191	1,953,248
Profit for the year		6,932,091	5,316,166	7,039,823	5,381,987
Profit attributable to:					
Equity holders of the Company		6,932,091	5,316,166	7,024,966	5,374,633
Non-controlling interests		–	–	14,858	7,353
Other comprehensive income		6,932,091	5,316,166	7,039,823	5,381,987
Remeasurements of defined benefit liability (asset)					
Net actuarial gains/(losses) on defined benefit plan		(99,760)	(205,042)	(98,886)	(204,447)
Expected return on plan asset		81,787	79,621	81,787	79,621
		(17,973)	(125,421)	(17,100)	(124,826)
Fair value reserve (available-for-sale financial assets):					
Net change in fair value		(724,924)	1,246,355	(720,879)	1,246,355
Net change in revaluation surplus		293,793	290,212	293,793	290,212
		(431,130)	1,536,567	(427,086)	1,536,567
Other comprehensive income, net of tax		(449,103)	1,411,145	(444,186)	1,411,740
Total comprehensive income		6,482,987	6,727,311	6,595,638	6,793,727
Total comprehensive income attributable to:					
Equity holders of the Company		6,482,987	6,727,311	6,580,307	6,786,292
Non-controlling interests		–	–	15,331	7,435
Total comprehensive income		6,482,987	6,727,311	6,595,638	6,793,727
Earnings per share		0.13	0.10	0.13	0.10

Exchange Rate of 1 US \$ was Rs. 145.00 as at 31st March 2016. (Rs. 132.00 as at 31st March 2015).

	2016.03.31	2015.12.31	2015.09.30	2015.06.30	2015.03.31	2014.12.31	2014.09.30	2014.06.30
Total assets	50,626,312	47,397,308	43,388,438	40,307,649	38,013,709	36,608,685	35,161,418	33,702,031
Lease, hire purchase and lease	38,538,920	38,221,616	34,790,012	31,361,949	29,378,799	27,905,539	26,998,415	26,174,185
Deposit and borrowings	43,233,514	40,053,136	36,431,232	33,728,445	31,903,378	31,293,558	30,298,757	28,841,206
Shareholders' funds	5,051,968	4,620,751	4,350,011	4,253,928	4,302,004	3,858,614	3,687,032	3,541,663
Income statement data								
Revenue	1,983,273	1,886,266	1,718,107	1,673,220	1,703,106	1,641,804	1,676,034	1,682,763
Net interest income	813,277	753,459	757,567	734,308	748,346	703,405	725,150	693,177
Other income	220,364	182,331	102,845	108,302	162,778	99,244	100,826	89,328
Net income	942,365	948,633	808,472	61,384	799,180	707,773	696,224	641,502
Provision for loan losses	(91,275)	(12,843)	(51,939)	(43,878)	(111,944)	(94,876)	(129,751)	(141,003)
Non-interest expense	(578,521)	(598,344)	(538,688)	(978,173)	(490,803)	(499,794)	(459,679)	(442,982)
Income tax expenses	(39,978)	(82,100)	(68,475)	(58,237)	(71,608)	(73,863)	(63,229)	(40,987)
Net profit after tax	323,866	268,188	201,310	211,789	236,769	134,117	173,315	157,533
Financial measures								
Net assets value per ordinary share (Rs.)	93.03	85.09	80.10	78.33	79.22	71.05	67.89	65.22
Profitability								
Return on average shareholders' equity (annualised) (%)	21.50	20.40	19.10	19.57	17.81	16.68	18.22	17.70
Productivity								
Non-interest expenses total revenue (%)	29.17	31.72	31.35	58.46	28.82	30.44	27.43	26.32
Asset quality								
Non-performing loans ratio - Net (%) (Net of interest in suspense and impairment provision)	1.60	2.05	2.70	3.19	3.19	3.38	3.30	3.70

2015/16

For the 3 months ended 30th June 2015

23rd July 2015

For the 6 months ended 30th September 2015

28th October 2015

For the 9 months ended 31st December 2015

12th February 2016

For the 12 months ended 31st March 2016

30th May 2016

TEN YEAR STATISTICAL SUMMARY

<i>As at 31st March</i>	2006	2007	2008
Operating results			
Income	638,279,950	1,054,206,933	1,638,454,558
Interest income	598,470,528	989,218,343	1,496,219,576
Interest expenses	386,690,976	670,401,052	1,092,348,424
Non-interest income	39,809,422	64,988,590	142,234,982
Operating expenses (Incl. VAT)	207,541,225	334,320,975	474,868,960
Profit/(Loss) before income tax expense	44,047,749	49,484,906	71,237,174
Income tax expense	–	157,484	5,947,671
Profit/loss after taxation	44,047,749	49,327,422	65,289,503
Liabilities and shareholders' funds			
Customer deposits	–	–	–
Borrowings	3,627,849,488	4,918,339,725	5,684,698,562
Other liabilities	368,175,209	342,921,093	676,793,306
Deferred taxation	–	–	–
Shareholders' funds	82,311,709	131,639,131	433,638,437
Total liabilities and shareholders' funds	4,078,336,406	5,392,899,949	6,795,130,305
Assets			
Loans and receivables (Net)	3,569,997,246	4,584,431,013	5,634,300,195
Cash and short-term funds	239,501,315	529,368,994	529,209,486
Property, plant & equipment	104,432,755	129,852,708	198,647,455
Other assets	164,405,090	149,247,234	432,973,169
Total assets	4,078,336,406	5,392,899,949	6,795,130,305
Ratios			
Growth in income (%)	75	65	55
Growth in interest expenses (%)	89	73	63
Growth in other expenses (%)	73	61	42
Growth in profit after tax (%)	12	12	32
Growth in total assets (%)	58	32	26
Earnings per share (Rs.)	3	3.03	2.51
Return on average assets (%)	1.32	1.04	1.07
Dividend per share (Rs.)	–	–	–

* 15 Month period

** Proposed Dividend

Highlighted information is based on LKASs/SLFRSs.

	2009/10*	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
	1,898,899,386	2,226,022,713	2,833,115,188	4,311,850,070	6,267,603,700	6,907,077,362	7,486,004,737
	1,794,819,119	1,731,159,166	2,555,433,093	4,087,387,160	5,895,603,537	6,251,533,117	6,647,024,326
	1,190,634,646	912,786,452	1,311,936,117	2,386,570,259	3,553,402,757	3,381,455,430	3,588,413,274
	104,080,267	494,863,547	277,682,095	224,462,910	372,000,163	452,175,559	838,980,411
	619,525,039	751,965,680	988,872,265	1,300,997,266	1,984,232,894	2,370,832,782	2,244,258,572
	88,739,701	561,270,581	532,306,806	624,282,545	729,968,049	951,420,464	1,253,943,503
	9,163,093	29,460,581	13,839,677	135,118,484	168,755,278	249,686,559	248,790,365
	79,576,608	531,810,000	518,467,129	489,164,061	561,212,771	701,733,905	1,005,153,138
	4,837,875,995	7,770,659,215	11,699,662,914	17,771,172,664	24,518,192,737	27,079,133,660	30,887,693,800
	828,926,204	1,027,654,377	2,155,693,964	2,763,082,891	4,314,338,485	4,824,244,677	12,345,820,406
	495,786,661	493,578,084	456,069,116	922,665,325	1,213,713,656	1,526,247,552	1,861,064,944
	-	-	-	31,912,358	145,383,295	282,079,149	479,764,584
	513,215,045	1,098,701,563	2,302,502,632	2,965,098,202	3,576,914,112	4,302,003,541	5,051,968,494
	6,675,803,905	10,390,593,239	16,613,928,626	24,453,931,440	33,768,542,285	38,013,708,580	50,626,312,228
	5,035,083,744	8,081,942,079	13,469,076,072	19,450,586,882	25,724,944,295	29,378,799,251	38,538,920,189
	851,277,622	320,138,908	626,231,439	1,540,598,041	3,168,727,350	4,734,540,619	7,765,844,051
	200,669,868	237,821,921	470,979,957	657,717,807	1,004,470,809	1,421,342,866	1,606,958,136
	588,772,671	1,750,690,331	2,047,641,158	2,805,028,710	3,870,399,831	2,479,025,843	2,714,589,852
	6,675,803,905	10,390,593,239	16,613,928,626	24,453,931,440	33,768,542,285	38,013,708,580	50,626,312,228
	16	17	27	52	42	7	8
	9	-23	44	82	49	-5	6
	30	21	32	32	42	19	14
	22	568	-3	-6	15	25	43
	-2	56	60	47	38	13	33
	1.6	12.75	10.28	9.99	10.33	12.92	18.51
	1.18	6.23	3.84	2.38	1.93	1.96	2.27
	0.5	2.00	2.50	2.75	3.00	3.50	3.50**

BRANCH NETWORK

Branch	Branch Locations	Head of Branch	Contact No.	Branch Operations In Charge	Contact No.
Ambalangoda	No. 61, New Road, Ambalangoda	K H Dissanayaka	0772364981	T W H A Wijayahewa	0774880448
Anuradhapura	No. 552/D, Maithripala Senanayake Mawatha, Anuradhapura	A A R N Wijayasiri	0772443569	R D C Rajathilakage	0772445342
Badulla	No. 22, Bank Road, Badulla	K A A N Perera	0773815834	E G S Kumara	0777393128
Battaramulla	No. 97/1, Main Street, Battaramulla	S M D S T Suraweera	0777562821	D D K Liyanage	0772369378
Batticaloa	No. 601/D, Trincomalee Road, Batticaloa	L Ramees	0768400267	T Chandrasegaram	0777393229
Boralesgamuwa	No. 28 A, Maharagama Road, Boralesgamuwa	K A J Silva	0772440094	U I Jayasundara	0777220818
Chilaw	No. 25/1, Colombo Road, Chilaw	S M D P Senanayake	0773979490	P C Silva Pulle	0777724886
Colombo	No.123, Orabipasha Mawatha, Colombo 10				
Dambulla	No. 687, Anuradhapura Road, Dambulla	M P M S Gunathilaka	0773608915	H M S K Abeyrathne	0773645765
Dehiwala	No. 103, Galle Road, Dehiwala	P M S Fernando	0772379152	K G M Rukshan	0774298729
Eheliyagoda	No. 114, Main Road, Eheliyagoda	K B A P I Pushpakumara	0777001393	W M D S Mayadunne	0777001459
Elakanda	No. 37/DE, Hendala Road, Elakanda	D S Gunasekara	0773470033	M G D L Dhanapala	0777220761
Embilipitiya	No. 21, Main Street, Embilipitiya	H K C Nilantha	0772980112	B M R K S Abeyrathne	0777001458
Galle	No. 99, Sea Street, Galle	K G T I Kumara	0765363975	P K T D Jayasingha	0777393145
Gampaha	No. 114, Colombo Road, Gampaha	K P Y R Pragnarathna	0777224526	S A N Chathuranga	0779155850
Horana	No. 119/A, Panadura Road, Horana	P K Jayasinghe	0772962382	L T Prasad	0772368031
Ja-Ela	No.195/A, Negombo Road, Ja-Ela	W S L K Fernando	0773822809	K A D H Kalugampitiya	0773975920
Jaffna	No. 208, Stanley Road, Jaffna	R Prahash	0772361568	S Sutharsan	0777393213
Kaduruwela	No. 660, Main Street, Kaduruwela	M N S Ahamed	0777867269	A W M C M Wijesundara	0777393167
Kaduwela	No. 102, Colombo Road, Kaduwela	H K Suddasinghalege	0777562820	M T S Karunathilaka	0777702799
Kalutara	No. 296, Main Street, Kalutara	D T Modarage	0777266175	P H T S De Silva	0777393145
Kandana	No. 37/1, Negombo Road, Kandana	S G Samarawickrama	0777266205	A B C R Ariyadasa	0777001438
Kandy	No. 110, Yatinuwara Veediya, Kandy	C M P P T A Perera	0773979491	D M H S Nawarathna	0777266380
Katugastota	No. 468, Katugastota Road, Katugastota	C G Reith	0773733452	D M E R Senevirathna	0772363834
Kegalle	No. 227, Kandy Road, Kegalle	K R S K Senavirathna	0772016097	R C Ferdinand	0777321520
Kelaniya	No. 159, Kandy Road, Kiribathgoda	A I N Ellepola	0773296971	J M A A H Perera	0773811623
Kochchikade	No. 176, Chilaw Road, Kochchikade	N J Vethanayagam	0773572532	A M S I Adikari	0772367462
Kotahena	No. 30, Sri Ramanadan Mawatha, Kotahena	N Sasigar	0773746957	K S H Perera	0773477919
Kottawa	No. 35/1, High Level Road, Kottawa	M H B R K Bandara	0772364541	H K G Kumara	0772372087
Kuliyapitiya	No. 259, Madampe Road, Kuliyapitiya	R M A A Algama	0777393260	F D P Chathuranga	0774560159
Kurunegala	No. 54, Colombo Road, Kurunegala	B M S K Godamunna	0772932347	R P D C M D Wijesingha	0777393170
Kuruwita	No. 85, Colombo Road, Kuruwita	E A H J Piyadasa	0773863096	U P C M Aberathna	0773375316

Branch	Branch Locations	Head of Branch	Contact No.	Branch Operations In Charge	Contact No.
Mahara	No. 337/2, Mahara, Kadawatha	L D R B Kumara	0773457523	W G N Perera	0777266437
Maharagama	No. 249, High Level Road, Maharagama	D P C R Fernando	0774560568	M N Maheshika	0777271766
Malabe	No. 838/04/1, New Kandy Road, Malabe	M D S A Perera	0777864594	M R Anuradha	0778624699
Marawila	No. 63, Chilaw Road, Marawila	K A S M C Rodrigo	0773710637	R P K Buddhipriya	0777001547
Matale	No. 115/117, Trincomalee Road, Matale	P R D Makewita	0773645664	A H I Pushpa Kumara	0772367190
Matara	No. 6, Station Road, Matara	S Ekanayake	0772980135	G G C T Ariyamal	0777393174
Mathugama	No. 190, Aluthgama Road, Mathugama	M D H Senarathna	0772016098	S D T Dhananjaya	0772367168
Mawathagama	No. 29, Kurunegala Road, Mawathagama	A M S Adikari	0773237815	W P S A Vidyaratna	0774380427
Minuwangoda	No. 18/A, Siriwardena Mawatha, Minuwangoda	B L C Tharanga	0777702597	M A M Dilshan	0777267208
Moratuwa	No. 760, Galle Road, Moratuwa	S H V E Silva	0773215394	M S Asma	0773428310
Narammala	No. 95, Kurunegala Road, Narammala	S W Rathnasiri	0777867278	A A D S U Alahakoon	0772362663
Negombo	No. 129, St. Joseph's Street, Negombo	P D A C Wijeratne	0773721969	A R G De Silva	0772367462
Nittambuwa	No. 2/1, Colombo Road, Nittambuwa	N A K S N Ariyaratna	0772016096	J A P G Jayasinghe	0773975920
Nugegoda	No. 143/C, Highlevel Road, Nugegoda	H M P P Mallikarachchi	0772929020	K T Munasinghe	0773268199
Pelmadulla	No. 11, Main Street, Palmadulla	W S C Amarasinghe	0772016124	J R Madusanka	0772369993
Panadura	No. 383, Galle Road, Panadura	D L K Fernando	0777001463	Y A Chathuranga	0774560892
Piliyandala	No. 77/1, Moratuwa Road, Piliyandala	U P Hettiarachchi	0773645879	E I P C D Dharmasiri	0771554743
Premier Centre	No. 101, Dharmapala Mawatha, Colombo 07			H M S D Seneviratne	0772369822
Ragama	No. 26/05 & 26/06, Kadawatha Road, Ragama	E C T Silva	0772070710	S S B M P Bandaranayaka	0774560912
Rajagiriya	No. 1,424, Kotte Road, Rajagiriya	T A D R S Thalangama	0777702613	R S Batagalla	0773470032
Ratmalana	No. 304, Galle Road, Ratmalana	P M W D U Perera	0774560339	R A R U De Livera	0777001542
Ratnapura	No. 89, Bandaranayake Mawatha, Ratnapura	M G T K Wickramasinghe	0774885973	D G L De Silva	0777393195
Thissamaharama	No. 47, Hambanthota Road, Thissamaharama	K M P Kumara	0777001493	H V R Madhushika	0777751836
Trincomalee	No. 266, 268, Central Road, Trincomalee	Manoj Kumar	0774560590	J Mayuran	0774880572
Vavuniya	No. 11, Horowpathana Road, Vavuniya	V C Suthagar	0777847384	K Leyoshan	0777393213
Warakapola	No. 09, Main Street, Warakapola	A M A Chandrasiri	0777393408	P U Samanmali	0774378914
Wariyapola	No. 77, Puttalam Road, Wariyapola	B D P N Wijerathna	0772932511	K G M D Karunarathne	0768401678
Wattala	No. 237, Negombo Road, Wattala	S K C Karunathileka	0773457521	R P M M Rajapaksha	0777224259
Wellawatta	No. 416, Galle Road, Colombo - 06	T Sarathbabu	0773688870	S M Bokumbura	0772274856
Wennappuwa	Sterline Building, Chilaw Road, Wennappuwa	D N U Premakumara	0773856661	D D P A De Alwis	0773237801

GLOSSARY

ACCRUAL BASIS

Recognising the effects of transactions and other events when they occur without waiting for receipt or payment of cash or cash equivalent.

CAPITAL ADEQUACY RATIO

The percentage of risk-adjusted assets supported by capital as defined by the Central Bank of Sri Lanka.

CAPITAL RESERVE

Capital reserves consist of revaluation reserves arising from revaluation of properties owned by the Company and reserve fund set aside for specific purposes defined under the Finance Companies Act No. 78 of 1988.

CASH EQUIVALENTS

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subjected to an insignificant risk of changes in value.

CONTINGENT LIABILITIES

Conditions or situations at the Balance Sheet date, the financial effect of which are to be determined by the future events which may or may not occur.

COST INCOME RATIO

Operating expenses as a percentage of net income.

DEFERRED TAX

Sum set aside in the Financial Statements for taxation that may become payable in a financial year other than the current financial year.

EARNINGS PER SHARE

Profit attributable to ordinary shareholders, divided by the number of ordinary shares in issue.

FAIR VALUE

Fair value is the amount for which an asset could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction.

GENERAL PROVISIONS

General provisions are established for leasing transactions, housing loans, pawning advances and others for anticipated losses on aggregate exposures where credit losses cannot yet be determined on an individual facility basis.

IMPAIRMENT

This occurs when recoverable amount of an asset is less than its carrying amount.

INTANGIBLE ASSET

An identifiable non-monetary asset without physical substance held for use in the production/supply of goods/ services or for rental to others or for administrative purposes.

IIS

Interest in Suspense.

INTEREST MARGIN

Net interest income as a percentage of average interest earning assets.

INTEREST SPREAD

This represents the difference between the average interest rate earned and the average interest rate paid on funds.

KEY MANAGEMENT PERSONNEL

Key Management Personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly.

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.

MARKET RATES

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.

NET ASSETS VALUE PER SHARE

Shareholders' funds divided by the number of ordinary shares in issue.

NET INTEREST INCOME

The difference between what Company earns on assets such as loans and securities and what it pays on liabilities such as deposits and borrowings.

NON-PERFORMING LOANS

All loans are classified as non-performing when a payment is 6 months in arrears.

NON-PERFORMING LOANS COVER (NPL COVER)

Cumulative loan provision as a percentage of total non-performing advances (net of interest in suspense).

NPL RATIO

Total non-performing advances (net of interest in suspense) divided by total advances portfolio (net of interest in suspense).

OPERATIONAL RISK

This refers to the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events.

PROVISION FOR BAD AND DOUBTFUL DEBTS

A charge to income which is added to the allowance for loan losses. Specific provisions are established to reduce the book value of specific assets (primarily loans) to estimated realisable values.

RETURN ON AVERAGE ASSETS (ROA)

Net income expressed as a percentage of average total assets, used along with ROE, as a measure of profitability and as a basis of intra-industry performance comparison.

RETURN ON AVERAGE EQUITY

Net income expressed as a percentage of average ordinary shareholders' equity.

REVENUE RESERVE

Reserves set aside for future distribution and investment.

RISK ADJUSTED ASSETS

Used in the calculation of risk-based capital ratios. The face amount of lower risk assets is discounted using risk weighting factors in order to reflect a comparable risk per Rupee among all types of assets. The risk inherent in Off-Balance sheet instruments is also recognised, first by adjusting notional values to Balance Sheet (or credit) equivalents and then by applying appropriate risk weighting factors.

SHAREHOLDERS' FUNDS

Shareholders' funds consist of stated capital plus capital and revenue reserves.

SUBSIDIARY

A subsidiary is an entity that is controlled by another entity (known as the Parent).

TIER I CAPITAL

Consists of the sum total of paid-up ordinary shares, non-cumulative, non-redeemable preference shares, share premium, statutory reserve fund, published retained profits, general and other reserves, less goodwill.

TIER II CAPITAL

Consists of the sum total of revaluation reserves, general provisions, hybrid capital instruments and approved subordinated debentures.

TOTAL CAPITAL

Total capital is the sum of Tier I capital and Tier II capital.

VALUE ADDED

Value added is the wealth created by providing banking services less the cost of providing such services. The value added is allocated among the employees, the providers of capital, to Government by way of taxes and retained for expansion and growth.

MARK-TO-MARKET ADJUSTMENT

Mark-to-Market adjustment is the difference between the market value of a quoted security and the cost.

STAFF TURNOVER RATIO

Staff turnover ratio is computed as the number of employees who resigned during the financial period under review divided by the average number of employees in that particular reference period.

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 reregistered 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 Consumer Credit Act No. 29 of 1982.

DATE OF INCORPORATION

7th September 1995

REGISTRATION NUMBER

PB 232 PQ

FINANCIAL YEAR END

31st March

BOARD OF DIRECTORS

D H J Gunawardena
FCMA (UK), CGMA
Chairman/Non-Executive Director

W P C M Nanayakkara
B.Sc. (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/Chief Operating Officer

S R Abeynayake
MBA (Sri J.), FCA, FCMA
Non-Executive Director

Prof. Ajantha Dharmasiri
B Sc. Eng., MBA (Sri J.), PhD (Sri J), MCMI (UK)
Independent Non-Executive Director

D A De Silva
BSc.(Hons.), ACMA, CGMA
Independent Non-Executive Director

P A J Jayawardena
LUTCF (USA), CIAM, CMFA
Non-Executive Director

Razik Mohamed
ACA
*Independent Non-Executive Director
(Senior Independent Director)*

S V Munasinghe
MBA
Executive Director/Chief Credit & Marketing Officer

T M D P Tennakoon
FCMA (UK), CGMA
Executive Director/Chief Financial Officer

REGISTERED ADDRESS OF HEAD OFFICE

No. 123, Orabipasha Mawatha,
Colombo 10, Sri Lanka

Tel.: +94117388388

Fax: +94112429888

Email: cdb@cdb.lk

Web: www.cdb.lk

COMPANY SECRETARY

S S P Corporate Services (Pvt) Limited
No. 101, Inner Flower Road,
Colombo 03, Sri Lanka
Tel.: +94112573894, +94112576871
Fax: +94112573609
Email: sspsec@slt.net.lk

EXTERNAL AUDITOR

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

CREDIT RATING

[SL]BBB

BANKERS

Bank of Ceylon
Commercial Bank of Ceylon PLC
Deutsche Bank
Habib Bank Limited
Hatton National Bank PLC
National Development Bank PLC
Nations Trust Bank PLC
Pan Asia Banking Corporation PLC
People's Bank
Sampath Bank PLC
Seylan Bank PLC

NOTICE OF MEETING

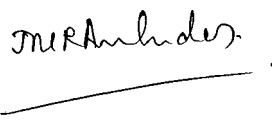
CITIZENS DEVELOPMENT BUSINESS FINANCE PLC - PB 232 PQ

Notice is hereby given that the Twentieth Annual General Meeting of Citizens Development Business Finance PLC will be held on 30th June 2016 at Liberty ball room of Hotel Ramada Colombo, No. 30, Sir Mohamed Macan Markar Mawatha, Colombo 03 at 10.00 a.m.

AGENDA

1. To receive, consider and adopt the Annual Report of the Board of Directors on the affairs of the Company and the Financial Statements for the year ended 31st March 2016 with the Report of the Auditors thereon.
2. To declare a first and final dividend of Rs. 3.50 per share on both its voting ordinary shares, and non-voting ordinary shares as recommended by the Board of Directors for the financial year ended 31st March 2016.
3. To re-elect Mr. R.H. Abeygoonewardena, who in terms of Articles 24 (6) and 24 (7) of the Articles of Association of the Company, retires by rotation at the Annual General Meeting as a Director.
4. To re-elect Mr. S.V. Munasinghe, who in terms of Articles 24 (6) and 24 (7) of the Articles of Association of the Company, retires by rotation at the Annual General Meeting as a Director.
5. To re-elect Mr. P.A.J. Jayawardena, who in terms of Articles 24 (6) and 24 (7) of the Articles of Association of the Company, retires by rotation at the Annual General Meeting as a Director.
6. To authorise the Directors to determine Contributions to Charities and other donations for the ensuing year.
7. To reappoint Messrs KPMG, Chartered Accountants as Auditors and authorise the Directors to determine their remuneration.

By Order of The Board of Directors of
**Citizens Development Business
 Finance PLC**
 S S P CORPORATE SERVICES
 (PRIVATE) LIMITED



Secretaries

6th June 2016

Note:

A member is entitled to appoint a proxy to attend and vote instead of himself/herself and a proxy need not be a member of the Company. A Form of proxy is enclosed for this purpose. The instrument appointing a proxy must be deposited at the Registered Office of the Secretaries, No. 101, Inner Flower Road, Colombo 03, not less than 48 hours before the time fixed for the holding of the AGM.

Security Check:

The shareholders/proxyholders are kindly requested to bring their National Identity Card/Passport/Driving License or any other accepted form of identification and produce same at the time of registration.

FORM OF PROXY - VOTING SHAREHOLDERS

CITIZENS DEVELOPMENT BUSINESS FINANCE PLC - PB 232 PQ

I/We, (NIC No.) of
 being a member/members of
 Citizens Development Business Finance PLC hereby appoint Mr./Mrs./Ms.
 (NIC No.) of whom failing,

Mr. Don Herschel Jayaprithi Gunawardana	whom failing
Mr. Weligama Palliyaguruge Claud Mahesh Nanayakkara	whom failing
Mr. Tennakoon Mudiyansele Damith Prasanna Tennakoon	whom failing
Mr. Roshan Hasantha Abeygoonewardena	whom failing
Mr. Sasindra Virajith Munasinghe	whom failing
Mr. Prasad Asanka Joseph Jayawardena	whom failing
Mr. Sri Ranga Abeynayake	whom failing
Mr. Dave Anthony De Silva	whom failing
Prof. Ajantha Dharmasiri	whom failing
Mr. Razik Mohamed	whom failing

as my/our proxy to represent me/us and vote for me/us on my/our behalf at the Twentieth Annual General Meeting of the Company to be held on the 30th day of June 2016 and at any adjournment thereof.

	For	Against
1. To receive consider and adopt the Annual Report of the Board of Directors on the affairs of the Company and the Financial Statements for the year ended 31st March 2016 with the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. To declare a first and final dividend of Rs. 3.50 per share on both its voting ordinary shares and non-voting ordinary shares as recommended by the Board of Directors for the financial year ended 31st March 2016.	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-elect Mr. R.H. Abeygoonewardena, who in terms of Articles 24 (6) and 24 (7) of the Articles of Association of the Company retires by rotation at the Annual General Meeting as a Director.	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-elect Mr. S.V. Munasinghe, who in terms of Articles 24 (6) and 24 (7) of the Articles of Association of the Company retires by rotation at the Annual General Meeting as a Director.	<input type="checkbox"/>	<input type="checkbox"/>
5. To re-elect Mr. P.A.J. Jayawardena, who in terms of Articles 24 (6) and 24 (7) of the Articles of Association of the Company retires by rotation at the Annual General Meeting as a Director.	<input type="checkbox"/>	<input type="checkbox"/>
6. To authorise the Directors to determine Contributions to Charities and other donations for the ensuing year.	<input type="checkbox"/>	<input type="checkbox"/>
7. To reappoint Messrs KPMG, Chartered Accountants as Auditors and authorise the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>

Signed this day of Two Thousand and Sixteen.

.....
 Signature/s of Shareholder/s

Notes
 (i) Instructions as to completion of this Form of Proxy are given overleaf.
 (ii) Please delete the inappropriate words.

INSTRUCTIONS AS TO COMPLETION

1. The full name, address and the NIC No. of the proxyholder and the shareholder appointing the proxyholder should be entered legibly in the Form of Proxy.
2. Please indicate with a 'X' in the cages provided how your proxy is to vote on the Resolutions. If no indication is given, the proxy in his/her discretion may vote as he/she thinks fit.
3. Every alteration or addition to the Proxy Form must be duly authenticated by the full signature of the shareholder signing the Proxy. Such signature should as far as possible be placed in proximity to the alteration or addition intended to be authenticated.
4. The completed Form of Proxy should be deposited at the Registered Office of the Secretaries, No. 101, Inner Flower Road, Colombo 03 not less than 48 hours before the time fixed for the holding of the AGM.
5. If the Form of Proxy is signed by an Attorney, the respective Power of Attorney (POA) should accompany the completed Form of Proxy for registration, in the event such POA has not already been registered with the Company.
6. If the shareholder is a Company or a corporate body, the Form of Proxy should be executed under its common seal (if any), or signed by its Attorney or by an officer on behalf of the Company/corporate body in accordance with its Articles of Association/statute.

**FORM OF PROXY -
NON-VOTING SHAREHOLDERS**

CITIZENS DEVELOPMENT BUSINESS FINANCE PLC - PB 232 PQ

I/We, (NIC No.)
of being a member/members of
Citizens Development Business Finance PLC hereby appoint Mr./Mrs./Ms.
(NIC No.) of whom failing,

Mr. Don Herschel Jayapriithi Gunawardana	whom failing
Mr. Weligama Palliyaguruge Claud Mahesh Nanayakkara	whom failing
Mr. Tennakoon Mudiyanseelage Damith Prasanna Tennakoon	whom failing
Mr. Roshan Hasantha Abeygoonewardena	whom failing
Mr. Sasindra Virajith Munasinghe	whom failing
Mr. Prasad Asanka Joseph Jayawardena	whom failing
Mr. Sri Ranga Abeynayake	whom failing
Mr. Dave Anthony De Silva	whom failing
Prof. Ajantha Dharmasiri	whom failing
Mr. Razik Mohamed	

as my/our proxy to represent me/us and speak at the Twentieth Annual General Meeting of the Company to be held on the 30th day of June 2016 and at any adjournment thereof.

Signed this day of Two Thousand and Sixteen.

.....
Signature/s of Shareholder/s

Notes

- (i) Instructions as to completion of this Form of Proxy are given overleaf.*
- (ii) Please delete the inappropriate words.*
- (iii) Shareholders of non-voting shares are entitled only to attend and speak at the meeting.*

INSTRUCTIONS AS TO COMPLETION

1. The full name, address and the NIC No. of the proxyholder and the shareholder appointing the proxyholder should be entered legibly in the Form of Proxy.
2. Every alteration or addition to the Proxy Form must be duly authenticated by the full signature of the shareholder signing the Proxy. Such signature should as far as possible be placed in proximity to the alteration or addition intended to be authenticated.
3. The completed Form of Proxy should be deposited at the Registered Office of the Secretaries, No. 101, Inner Flower Road, Colombo 03, not less than 48 hours before the time fixed for the holding of the AGM.
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This is an Integrated Annual Report

This Citizens Development Business Finance PLC annual report has been prepared using the Smart Integrated Reporting Methodology™ of Smart Media The Annual Report Company.



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Citizens Development Business Finance PLC
No. 123, Orabipasha Mawatha, Colombo 10, Sri Lanka.

www.cdb.lk