THE NAME OF THE GAME

CITIZENS DEVELOMENT BUSINESS FINANCE PLC

ANNUAL REPORT 2014/15

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CDB gratefully acknowledges its employees who so generously volunteered for photography for this Annual Report.

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This year, the 'name of the game' for CDB has been to enact our 'game plan' and achieve the progress and goals we set ourselves. Along the way, we have analysed and duly recognised several defining factors of success and character that make CDB what it is today.

The affinity and mutually beneficial relationship we enjoy with shareholders, customers, employees, regulators, business partners and the society & environment is the product of our unique culture, the way we present and conduct ourselves and the level of professionalism we possess across all areas of operation.


CDB

CDB AT A GLANCE

CDB's business model continues to evolve and remains strategically crafted to encompass multiple dynamics that complement each other.

A financial entity that has always worked on the solid ethos of enriching people's lives through enabling access to financial services and thereby, ensuring empowerment, once again proved its mettle by recording impressive financial performance for 2014/15. Citizens Development Business Finance PLC (CDB) posted a noteworthy 25% growth in Profit After Tax to notch Rs. 701 Mn as profit.

The upward trajectory in performance continues, as CDB's Balance Sheet showcases growth of 13% standing at Rs. 38 Bn, the Loan Book detailing an incline of 14%, displayed at Rs. 29 Bn and the Deposits & Savings portfolio growing by 10% to be notched at Rs. 27 Bn. Net Assets surpassed Rs. 4 Bn, reflecting a growth of 20%. Revenue recorded a growth of 7%, a commendable achievement, given the low interest backdrop experienced, while Net Interest Income also moved upwards by 23% to stand at Rs. 2.87 Bn.

Profit Before VAT on Financial Services, Crop Insurance Levy, Nation Building Tax and Income Tax surpassed a milestone of Rs. 1 Bn, reflecting a growth of 33%. Despite an increase of 48% in Income Tax, the Company showcased an impressive Rs. 701 Mn in Profit After Tax.

Earnings Per Share recorded a figure of Rs. 12.92, while Net Asset Value Per Share is detailed at Rs. 79.22. Having always been a Company that has remained well above par in its compliance culture, Capital Adequacy Ratios for both Tier I and Tier I & II remained well above the regulatory requirement of 5% and 10% respectively. Tier I is now at 10.14%, while Tier I & II is at 12.61%. Liquidity Ratio is posted at 14.66%, compared to the required 10%, which once again is above the regulatory directive. The liquidity position has been further strengthened by CDB's regular cash flow and income generating assets including the asset backed loan book representing 90% of balance sheet assets. Non-Performing Loans (NPL) stood at 5.78% and 3.19% on gross and net basis respectively.

CDB's business model continues to evolve and remains strategically crafted to encompass multiple dynamics that complement each other. With financial inclusion being a priority, given its status as a net lender to the rural economy, urban funding and rural lending, adding access to finance for the base of pyramid markets has enabled CDB to play a vital role in rural economic development. However, competing with well established banking leaders in deposit and savings mobilisation and lending to focused market segments to augment its value proposition, strongly positions CDB to continue performing consistently. Having constructed a solid foundation of stability and strength, CDB is undoubtedly poised to contribute effectively towards national development.

HIGHLIGHTS

Financial

Key Performance Indicators	2014/15	2013/14	% Change
Results for the Year (Rs. Mn)			
Gross Income	6,704	6,267	9
Net Interest Income	2,870	2,342	23
Net Operating Income	2,845	2,233	27
Profit Before Tax	951	730	30
Income Tax Expense	250	169	48
Profit After Tax	701	561	25
Position at the Year End (Rs. Mn)			
Shareholders' Funds	4,302	3,577	20
Deposits from Customers	27,079	24,518	10
Loans & Advances	29,379	25,724	14
Total Assets	38,014	33,769	13
Financial Ratios			
Net Assets Value Per Share (Rs.)	79.22	65.87	
Earnings Per Share (Rs.)	12.92	10.33	
Return on Average Assets (%)	1.95	1.93	
Return on Equity (%)	17.81	17.16	
Non-Performing Advances Ratio			
Gross %	5.78	5.19	
Net %	3.19	2.73	
Statutory Ratios			
Capital Adequacy (%):			
Tier I (Minimum Requirement - 5%)	10.14	12.61	
Tier I & II (Minimum Requirement - 10%)	12.92	16.00	
Liquidity Ratio (%)	14.66	17.44	

Non-Financial – 2014/15

8,371 kg
Reduction in Greenhouse gas emissions compared to 1,977 kg last year

42
Business Partner Products were Promoted by CDB during the year

04
ATMs

58
'*Sisudiri*' Scholarships Granted

05
New Products were Introduced

142
Trees Saved via Paper Recycling

1,136
of Total Staff Strength

545
New Recruitments

16,001
Incurred cost on Training and Development (Rs. '000)

55
Training Hours per Employee

3.1
Total Investment on CSR (Rs. Mn)

59
No. of Outlets

AWARDS AND ACCOLADES

HRM Awards 2014

Overall Silver Award winner at the HRM Awards 2014 organized by the Association of Human Resource Professionals (HRP) in conjunction with Society for Human Resource Management (SHRM)

CA Sri Lanka Annual Report Awards 2014

Silver Award for overall excellence in integrated reporting at the CA Sri Lanka Annual Report Awards 2014

SLITAD People Development Awards 2014

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

SLIM Brand Excellence Awards 2014

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

National Business Excellence Awards 2014

Merit Award at the National Business Excellence Awards 2014 conducted by the National Chamber of Commerce of Sri Lanka (NCCSL)

2013 VISION Awards

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.

Being among the pioneers in triple bottom line reporting in our industry, we went even further last year in producing our first Integrated Annual Report for financial year 2013/14. It was well received by our stakeholders. **(GRI 28-29)**

Integrated Reporting

This is our second Integrated Report, Annual Report 2014/15. It is one which communicates coherently how our strategy, governance, performance and prospects, in the context of our external environment, lead to the creation of value over time.

We regard value creation as a two-way process. It is one which recognises that the ability of CDB to create and derive value for itself is equally dependent on the value it creates and delivers to its stakeholders. Aspects of value creation and capital formation (both internal and external) are discussed under Business Model, beginning on page 22.

Report Framework

Report Boundary (G4-17)

The overall boundary of this Report comprises CDB and its subsidiaries CDB Micro Finance Limited and Laugfs Capital Limited (together referred to as 'Group'). Consistent with the framework adopted in the previous year, key financial aspects are discussed in the context of CDB ('Company') as well as the Group. However, non-financial aspects are discussed primarily in the context of CDB unless otherwise noted. Also excluded are non-core outsourced services.

There are no significant restatements of information provided in previous report and changes with regard to the scope, boundary or measurement techniques in comparison with our previous Annual Report 2013/14. **(G4-22,23)**

During the year under review CDB moved to its state of the art corporate office located at No. 123, Orabipasha Mawatha, Colombo 10, and the Company successfully acquired 86.26% of stake of Laugfs Capital Limited. **(G4-13)**

Materiality

We regard an aspect to be important or material if it substantively affects CDB's ability to remain commercially viable and socially relevant to the communities in which we operate. Relevance and significance thus determine materiality, with significance taking account of both the magnitude of the impact as well as its probability of occurrence.

Compliance (G4-30)

CDB's Annual Report 2014/15 covers the 12-month period 1st April 2014 to 31 March 2015, and is consistent with our usual annual reporting cycle, for both financial reporting and sustainability reporting. The information contained in this Report, as in the past, is in compliance with all applicable laws, regulations and standards, in particular:

- Companies Act No. 07 of 2007
- Finance Business Act No. 42 of 2011
- Corporate Governance Direction No. 03 of 2008
- Sri Lanka Accounting Standards (SLFRS)
- Sri Lanka Accounting and Auditing Standard Monetary Act No. 15 of 1995.

In preparing this Report we have also adopted voluntary disclosures drawn on concepts, principles and guidance from the Global Reporting Initiative (GRI) G4, 'In Accordance - Core' option, the International Integrated Reporting Framework and the Smart Integrated Reporting Methodology.™ **(G4-32)**

External Assurance (G4-33)

CDB, including its Board of Directors and Senior Management, does not have any relationship with KPMG despite the latter's engagement as an External Auditor of the Company. The Managing Director, who is an Executive Director and member of the corporate management team responsible for sustainable practices and disclosures reviewed in this Report, interacted with the external assurance provider in the Report content. See pages 126 to 127 for the External Assurance Statement.

Queries (G4-31)

For any clarifications on this Report we invite you to contact us as follows:

Heshan Bandara
Manager - Risk
(heshan.ranga@cdb.lk)
No. 123, Orabipasha Mawatha,
Colombo 10, Sri Lanka.

You may also contact us through our web: *www.cdb.lk*

We have made **sound progress on a number of strategic fronts** that has laid the foundation for future growth in revenue, profitability and shareholder value.

Total Assets and Revenue

Dear Shareholders,

On behalf of the Board of Directors, it is my privilege to present to you the Annual Report of CDB for the year ended 31st March 2015.

We have made sound progress on a number of strategic fronts that has laid the foundation for future growth in revenue, profitability and shareholder value. Despite being a relatively young organisation in the Financial Services Industry, CDB has successfully withstood trying times, reaffirming its prudent and dynamic qualities. It is this balance of prudence and dynamism that has defined CDB's commercial success over the years.

The rapid growth of your Company is attributed to the vibrant team which continues to deliver a high level of performance with its commitment, passion and hard work. We continually strive to create a supportive, motivating workplace with the right culture and work ethic. The shared values of a united CDB team, provides the foundation for instilling a high-performance culture needed for the successful implementation of our business plan.

The rapid growth of your Company is attributed to the **vibrant team which continues to deliver a high level of performance** with its commitment, passion and hard work.

Overview of the Operating Environment

The global economy continued to expand at a moderate and uneven pace of 3.4% during 2014, resulting from an improved growth in advanced economies and a slowdown in emerging market and developing economies compared to 2013. Going forward, global growth is expected to increase to 3.5% in 2015 and around 3.8% in 2016 through the gradual recovery in advanced economies and a decline in oil prices.

Since the end of the civil war in 2009, reconstruction and infrastructure development in Sri Lanka have raised annual Gross Domestic Product (GDP) growth to average around 7.5% by 2014. Growth was supported by robust export earnings, increased workers' remittances and improved earnings from tourism. The unemployment rate remained low whilst inflation remained at a single digit level for six consecutive years. The external sector improved its resilience with a narrowing of external sector imbalance and a surplus in the overall Balance of Payments (BOP). However, higher inflows to the private sector in the form of foreign borrowings, issuances of International Sovereign Bonds and the international debt securities increased the external debt position of the country.

For the first time in the post-conflict period, the overall fiscal deficit as a percentage of GDP increased during the year. However, monetary expansion was in line with expectations, enabling the continuation of the relatively relaxed monetary policy stance. Coupled with the high excess liquidity in the market, interest rates declined to historically low levels during the year. As a result, the deposit interest rates declined at a faster pace in 2014.

The country's financial system remained stable during the year, and measures were taken to strengthen the financial sector further. The asset growth of the Non-Bank Financial Institutions (NBFI) moderated due to lower demand for credit, particularly during the early part of the year. The pick-up of credit demand in the second half of the year, coupled with the lower interest rate scenario saw an improvement in credit growth and maintenance of non-performing loans at manageable levels.

Commendable Performance

Amid the challenging operating environment, we achieved commendable financial results that reinforce confidence in our Game Plan. CDB recorded a Profit After Tax of Rs. 701 Mn, an increase of 25% year on year. The asset base of the Company reached Rs. 38 Bn, recording an increase of 13% whilst capital funds increased by Rs. 725 Mn (20%) during the year under review.

Beyond the numbers, we also made considerable progress in strengthening the foundational pillars of this Company; its governance, transparency and processes.

With a view to achieving a higher level of excellence, we continued to strengthen our good governance initiatives and adopt best practices, details of which have been stated elsewhere in this Report.

During the year under review, your Company received several awards of excellence which have also been reported elsewhere in this Report.

Moving into our new corporate office which was completed within the anticipated time frame, was a momentous occasion for CDB, enabling us to further strengthen the brand value and image of your Company.

As mentioned in my last Report, CDB responded positively to Central Bank's restructuring plan to reduce the number of NBFIs operating in Sri Lanka, through mergers and acquisitions. Consequently CDB acquired a 86.26% stake in Laugfs Capital Limited which best suited our business model, at a purchase price of Rs. 425 Mn. The Company has since taken over the management of Laugfs Capital and its financial results in the post-acquisition period have been included in the CDB Group results.

Rewarding Our Shareholders

We continue to create significant value for our shareholders through the steady enhancement of our image as reflected in the increased share price of Rs. 85 as at year-end (an 85% increase year on year). I am extremely pleased that your Board recommends a dividend of Rs. 3.50 per ordinary share reflecting an increase of 16.7% over the previous year. We remain equally committed to build the core capital of our Company to ensure sustainable growth in the future.

Future Direction

Although economic growth in 2015 may be affected by the impacts of political transition and revised priorities, the Government of Sri Lanka will be pursuing inclusive economic development, whilst maintaining macroeconomic stability in a more equitable environment. In such an economic milieu, driving sustainable and profitable revenue growth will continue to be a top priority for us. Going forward, we will also focus on product innovation, business consolidation and continue to pursue excellence in all our endeavours. We perceive that a strong governance structure is one of the principal supports for the delivery of our business strategy. This, along with our shared values will form the roadmap for long-term success.

Appreciation

Reflecting on the all-encompassing changes we have introduced in the recent past, we are confident that CDB is positioned as a more efficient, effective and dynamic organisation to execute the Game Plan.

I am indebted to my colleagues on the Board for their hard work, wisdom and remarkable commitment. Their wealth of experience in varied disciplines has been instrumental in guiding CDB to yet another commendable performance. I commend Mr. Mahesh Nanayakkara, our Managing Director and CEO, for his sterling leadership and resourcefulness during the year.

Mr. Malcom Wijesuriya will be stepping down from the Board this year. On behalf of the Board I wish to thank him for his valuable contribution as a Board Member over the last 4 years.

I extend my appreciation to the management team and all employees of CDB for contributing to the excellent results in the year under review, through their passion, dedication and hard work.

I greatly appreciate the valuable advice and guidance extended by the senior officials of the Central Bank of Sri Lanka and other regulatory and statutory institutions. I wish to thank our Auditors, KPMG for their valuable advice and timely completion of the audit. I am extremely grateful to our shareholders and customers for their continued trust and confidence in us.

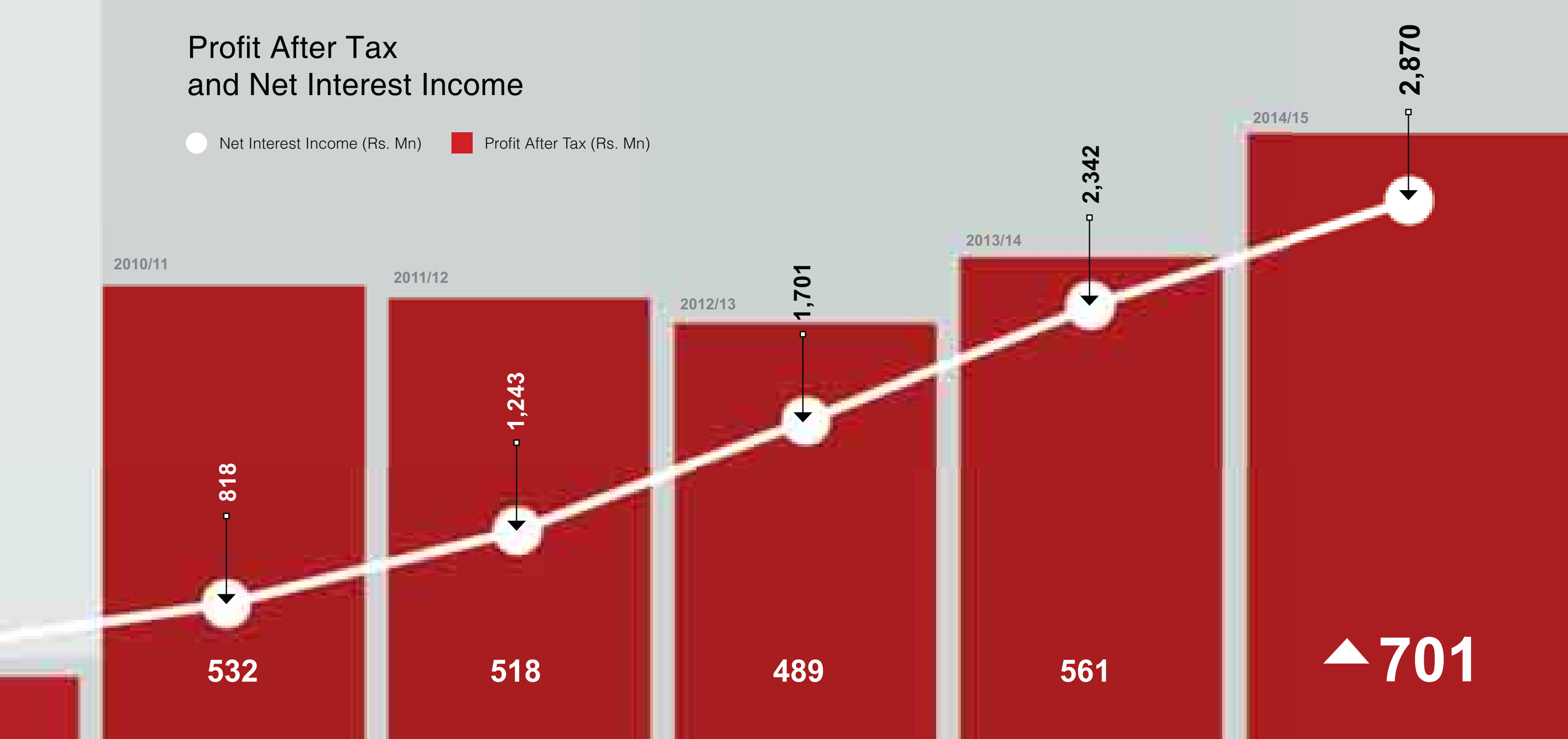
D H J Gunawardena
Chairman

4th June 2015

MANAGING DIRECTOR'S REVIEW

During the period under review, CDB worked in a milieu that did have its challenges, but also brought with it **opportunities and an outlook for change.**

Profit After Tax
and Net Interest Income



We are now able to compete competitively with banks given that **we have strategically developed our deposit and savings mobilisation onto a strong platform** and added lending to focused segments, based on a strategy enabling value proposition platform.

Overview of the Sri Lankan Economy

Sri Lanka maintained its pace of economic growth in 2014 increasing to 7.4% from 7.2% reported in 2013. A sharp fall in global oil prices and improved domestic food supply saw headline inflation decline to 2.1% by end 2014 from mid-single digit levels recorded during several months of 2013. This enabled the Central Bank of Sri Lanka to continue its relaxed monetary policy. Private sector credit growth picked up significantly towards the end of 2014 with the last five months of the year growing Rs. 276 Bn in absolute terms after contracting in the first seven months. The Balance of Payments (BOP) improved in 2014 recording a surplus of US$ 1.4 Bn while Gross Official reserves stood at US$ 8.2 Bn by end 2014.

The Sri Lankan Rupee was stable against the US Dollar during the year despite significant volatility in international foreign exchange markets. Earnings from tourism and Foreign Direct Investment inflows grew at a healthy pace of 42% and 17% respectively in 2014. The Government of Sri Lanka was not able to maintain its path of fiscal consolidation and meet its estimates as the budget deficit edged upwards in 2014 to 6% of GDP from the 5.9% recorded in 2013. In the first quarter of the year, inflation continued to be muted with headline inflation declining to an all-time low in March 2015.

Private sector credit continued its positive growth momentum increasing Rs. 86.9 Bn in absolute terms during the first three months of the year. Despite Sri Lanka delaying its proposed US Dollar sovereign debt issue, it has been able to meet its foreign debt servicing commitments successfully in the first quarter of 2015 through local borrowings.

During the period under review, CDB worked in a milieu that did have its challenges, but also brought with it opportunities and an outlook for change. Our strategic repositioning of the business, in risk return perspective which we commenced last year, was firmly integrated into the operations of our business in this financial year. This strategic outlook saw us discontinue some of our non-productive market segments and reach out to newer segments that have potential. We also reactivated some markets segments that had experienced a downturn prior but were showing better prospects. A case in point is the financing of used three-wheeler vehicles, and entry into the stable fixed income earning market through our new product, Salary Plus. Personal Loans and Pawning are good examples of the strategies implemented to realign our business respectively falling into three categories of decisions previously mentioned.

Well-Defined Strategy

This realignment strategy enables us to work on two dimensions within our business. Firstly, we can continue to augment our 'rural lending, urban funding, net lender to the rural economy' feature in our overall ethos, while adding our 'access to finance to the base of the pyramid markets' philosophy representing the dimension of financial inclusion which is an imperative value in our business. We are now able to compete competitively with banks given that we have strategically developed our deposit and savings mobilisation onto a strong platform and added lending to focused segments, based on a strategy enabling value proposition platform.

One of our most historic chapters was inked this year when we made our first acquisition in our 19-year history. Acquiring a stake of 86.26% in Laugfs Capital Limited, under the Financial Sector Consolidation Plan mooted by the Central Bank of Sri Lanka. CDB considered that acquiring a smaller B Category company for a smaller purchase consideration a more astute option in the current scenario.

Key Landmark

Another milestone was etched this year as CDB moved to our state-of-the-art corporate office, well complimenting our corporate image as a leader in the financial services industry. The 50,000 square feet office encompassing seven floors in total, a semi-basement, rooftop and parking facility for fifty vehicles, has the added advantage of seeing a significant advancement on the initial investment. Located on 86 perches purchased at Rs. 187 Mn in 2011, the entire building was constructed at an investment of Rs. 650 Mn. This move signals an augmentation of our repositioning strategy, which will be reflected across all our branches which are also being relocated and repositioned to echo our new progressive business and branding strategy.

Our Performance

From a performance perspective, CDB has had an exceptional year. Our Balance Sheet grew by Rs. 4.3 Bn, which is a 13% growth year on year (YoY), amid the adoption of a low cost fund mobilisation focus. The deposit base inclined by 10%, which is Rs. 2.56 Bn to reach Rs 27.08 Bn by the financial year end. Our savings base too showed impressive growth of Rs. 612 Mn to be posted at Rs. 1.4 Bn, which we believe will be a progressive avenue of volume growth in the future. This hence will see us aggressively strengthening our savings mobilisation efforts, adding new initiatives to create a more progressive pathway of development. Debt funding remained almost flat increasing only by Rs. 500 Mn in the backdrop of lackluster focus, culminating as a result of excess liquidity throughout the year. We intend to change the interest-bearing funding mix of deposits/savings to debt, from the present ratio of 85% deposit/savings to 15% debt to 70% deposits/savings and 30% debt, aimed at further narrowing our maturity gap.

CDB's Loan Book grew by 14% which is Rs. 3.65 Bn, to be reported at Rs. 29.37 Bn with disbursements recorded at Rs. 15.24 Bn reflecting a growth of 12% compared to the corresponding previous year. Despite the disbursement figure during the year being Rs. 15.24 Bn, the net increase in the Loan Book recorded only Rs. 3.65 Bn due to our Loan Book consisting of monthly equated repayment structures, where both interest and capital is repaid monthly. This resulted in Rs. 7.2 Bn being capital maturities from the total rental maturities during the year. Coupled with pre-closures amounting to Rs. 2.6 Bn, this resulted in the relatively low net loan book growth compared with the disbursement figure during the same period. This hence gives us a liquid Balance Sheet and a hedge against the asset liability maturity gap from a risk management perspective whilst on the other hand resulting a challenging scenario for Loan Book growth.

The low interest scenario remained constant throughout the year, resulting in our Weighted-Average Lending Rate (WALR) as well as borrowing rates being low. This pushed interest income to grow by 6%, to a figure of Rs. 6.25 Bn, despite Loan Book growth standing at 14%, while interest cost recorded a reduction of 5%, even though interest-bearing liabilities increased by 10.65%. Reduction in cost of funds was also positively impacted due to the focused strategy adopted in mobilising low cost funding. The strategic realignment that we infused into our business did have a negative impact on the WALR during the period under review.

Negating all these diverse impacts, net interest income grew by 23% to stand at Rs. 2.87 Bn, while Net interest margin remained stagnant in comparison to the corresponding period, reflecting a marginal decline to 8% from 8.05%. Non-Performing Loan (NPL) ratios both gross and net basis reflected slightly increased figures of 5.78% from 5.19% and 3.19% from 2.73% respectively. The absolute increase in the NPL quantum excluding yard inventory increased by Rs. 38.68 Mn, whilst the revolving yard inventory increased by Rs. 339.34 Mn. These ratios are inclusive of revolving yard stocks and excluding yard stocks, the year end ratios on gross and net basis stood at 3.12% and 0.36% respectively. The NPL

CDB's operating profit before value added tax created yet another signature milestone this year by surpassing the **Rs. 1 Bn mark for the first time in our 19-year history**.

position is expected to improve due to enhanced asset quality and more prudent control and monitoring features being infused through the realignment process now in progress.

Capital funds grew by 20% and stands recorded at Rs. 4.30 Bn as at the balance sheet date. Tier I and Tier I & II Capital Ratios are now 10.14% and 12.92% respectively, well above the regulatory requirement of 5% and 10% respectively.

Liquidity position remains sound, with the liquidity ratio positioned at 14.66%, once again in excess of the regulatory required level of 10%. We continued to maintain 90% of balance sheet assets in regular income and cash flow generating assets to further strengthen our strong liquidity position.

Impairment of Rs. 690 Mn for the current year excluding preclosure rebate income reflects 32% increase over the last year, although on the face of the Income Statement, a reduction of 3.9 Mn is reflected. Future impairment charges will prompt neutrality in offsetting loan book growth against the enhanced expected loan book quality, as a result of the change being instituted in the loan book mix.

Overheads recorded an increase of 24%, primarily attributed to Premises, Equipment and Administration. Cost to income ratio, one of our key focus areas, increased to 56.99% from 55.37% and will be focused upon to be reported below 50% in the near future.

Asset liability maturity management targets improved considerably, where CDB achieved the target of narrowing the one year maturity basket to less than 10%. This figure recorded at 9.5% of the end of the financial year will be closely monitored to encourage further improvement.

Net operating income reflected an increase of 27%, detailed at Rs. 2.84 Bn. CDB's operating profit before value added tax created yet another signature milestone this year by surpassing the Rs. 1 Bn mark for the first time in our 19-year history. Posted at Rs. 1.04 Bn, this figure is prior to VAT on Financial Services, Crop Insurance Levy, NBT and Income Tax, reflecting a growth of 33%. Profit after tax recorded a figure of Rs. 701 Mn reflecting a growth of 25% amidst the income tax figure increasing by 48%.

Heralding good news for our shareholders, Earnings per Share (EPS) is recorded at an increased Rs. 12.92 this year, compared to Rs. 10.33 of last year. Net assets value per share (NAV) increased to Rs. 79.22 as at the balance sheet date from Rs. 65.87 at the beginning of the year. Return on equity is posted at 17.81%. The Board of Directors recommended and proposed a dividend of Rs. 3.50 per share as the first and final dividend pending approval of the shareholders. With the payment of this dividend, we are indeed proud to have rewarded our shareholders with a YoY improved dividend for six consecutive years, while maintaining a dividend payout ratio of 25% to 30%, a track record we intend maintaining steadfastly.

Sustainability Initiatives

Given our stance that inclusivity and empowerment are unequivocally the drivers for social change, we continued our social responsibility initiatives aimed at empowering the younger generation based on the platforms of IT literacy, education and environmental awareness. Continuing our permeating programme of presenting IT laboratories to schools functioning in difficult areas, this year too we gifted PCs, printers, hardware, software, furniture and other ancillary peripherals infusing an investment of Rs. 1.2 Mn to the Kadaya Motte Sinhala Vidyalaya in Puttalam. 58 *Sisudiri* Scholarships were also awarded to high achievers in the Grade Five Scholarship and GCE Ordinary Level Examinations to a value of Rs. 2.26 Mn.

Under the banner of CDB *Hithawathkam*, employee volunteerism and contribution was brought to the fore when Rs. 1 Mn worth of essential items were presented to victims of the Koslande landslide. We also conducted many other projects under departments and branches with the involvement of our staff. *Mihikathata Adaren*, which aims to inculcate a sense of responsibility and affinity for the environment among young children had a field visit organised for students from seven schools in Galle District to the Kanneliya Rain Forest to augment appreciation of the environment and the importance of conservation.

Our emphasis on constructing and nurturing a sustainable organisation that believes strongly in the ethos of compliance, governance, transparency, accountability and ethics has been well evidenced when CDB gained a number of kudos both locally and internationally during the year. We were very proud to have received the Platinum Award at the Vision Awards, organised by the League of American Communication Professionals for the Best In-House Annual Report in the Asia Pacific Region. We were also endowed with the status of being placed 42nd among the top 100 Annual Reports Worldwide and 17th among the top 80 in the Asia Pacific Region.

In addition, CDB's Annual Report was conferred a coveted Silver Award for integrated reporting at the CA Annual Report Awards organised by The Institute of Chartered Accountants of Sri Lanka. SLITAD presented us with a Silver at the People's Development Awards 2014, while we also won a Silver at the HRM Awards 2014, signifying the progressive initiatives we infuse into our HR practices to create a winning team. We gained a Bronze Award as the Service Brand of the Year at the 13th SLIM Brand Awards.

It has indeed been an year where CDB has broken many records and etched many a milestone. None of this would have been possible however if not for the unwavering confidence placed in me and the guidance extended to me by the Chairman and Board of Directors to whom I am extremely grateful. Similarly, my senior management and team have been the wind beneath my wings and have enabled me to give them leadership in achieving these extraordinary feats. My appreciation also to our stakeholders, particularly our shareholders for their trust and continual support and to our customers and business partners, who have remained a loyal reinforcement for us to continue our ambitious journey.

I look forward to this amazing combination of stakeholders being the founding platform that continues to take us to greater heights and being the truss upon which CDB achieves its ambitious vision to uncompromisingly attain its goals.

The milestones we have etched this year are just the beginning of an ambitious journey we are planning for ourselves. As we near two decades in operation, we also know that we must embrace an unwavering responsibility to ensure that the people of Sri Lanka become empowered, independent and contribute towards national development. We are proud to have forged and nurtured a Company that can be a vital conduit in national development because our vision is inbuilt into ensuring that financial inclusivity makes for sustainable futures. The next few years will see our plans come into fruition, enabling us to play a more vibrant and robust role in empowering the citizens of Sri Lanka, while being a responsible corporate steward that sets the pace for inclusive development.

Mahesh Nanayakkara
Managing Director/Chief Executive Officer

4th June 2015

We bring long-term sustainability of economic performance to the table...and we offer these ‘**fruits**’ among others, to the investor community. And It’s at this table that ‘**assured mutual gain**’ sits comfortably with ‘long-term value’.

The Profitable Proposition

Operating Environment

The Global Economy

World output grew by 3.4% in 2014, same as the growth achieved in 2013. Although six years have passed since the global financial crisis was triggered, the effects of a prolonged recovery process are yet visible, with GDP growth for a majority of the world economies still below pre-crisis levels.

The main developments affecting the global economy during the year under review were:

- The unexpected 50% decline in oil prices during the second half of 2014, mainly caused by diminished demand in some of the major economies including China, increased production in the US supported by shale oil, and a more positive view on geopolitical risk in the context of supply disruptions.
- Stronger than expected recovery in the US and an appreciation of the US Dollar.
- Weak economic performance in most other major economies, notably Japan, and a depreciation of the Euro and the Yen along with many emerging market currencies, particularly those of commodity exporters.
- Weaker activity in Russia and the Commonwealth of Independent States, arising from a decline in investment and large capital outflows following the intensification of tensions with Ukraine and its spillovers.

The IMF projects global growth in 2015 and 2016 at 3.5% and 3.7% respectively (World Economic Outlook Update, IMF, Jan. 2015).

Advanced economies are projected to grow by 2.4% in both 2015 and 2016, although there is increasing divergence between the US on the one hand, and the Euro area and Japan on the other. The US is projected to grow by 3.6% in 2015, largely due to robust private domestic demand. Cheaper oil is boosting real incomes and consumer sentiment, and there is continued support from accommodative monetary policy, despite the projected gradual rise in interest rates. In contrast, with weaker investment prospects in the Euro area, growth in 2015 is projected at 1.2%, with growth in Japan projected at 0.6%.

	2012 %	2013 %	2014 %	2015* %
Global Economy	3.4	3.4	3.4	**3.5**
Advanced Economies	1.2	1.4	1.8	**2.4**
Emerging Markets and Developing Economies	5.1	5.0	4.6	**4.3**

Source: Central Bank of Sri Lanka. ** Projected*

In emerging market and developing economies, growth is projected to remain broadly stable at 4.3% in 2015 and to increase to 4.7% in 2016. In China, where investment growth has slowed and is expected to moderate further, growth is expected to be below 7%. Russia's economic outlook is much weaker, with growth forecast downgraded to a minus 3.0% for 2015 following the impact of sharply lower oil/gas prices and increased regional tensions. Further, for many oil importers, the windfall gains arising from lower oil prices will largely accrue to governments, typically in the form of lower energy subsidies.

The Sri Lankan Economy

Growth

Sri Lanka's GDP growth remained healthy in 2014: real GDP grew by 7.4% in 2014 compared to 7.2% in 2013. This growth was primarily driven by the Industry sector, which grew by 11.4% during 2014 with continued high performance in construction, mining and quarrying and apparels and textiles sub sectors. In parallel the Services sector grew by 6.5% supported by growth in wholesale and retail trade, transport and communications and hotels & restaurants sub sectors. The Agriculture sector recorded a growth of 0.3% during the year supported mainly by fishing, coconut and other food crops sub sectors, in the midst of unfavourable weather conditions which adversely affected the paddy production.

Inflation

Year on year (YoY) inflation measured by the Colombo Consumer Price Index remained below 5% throughout the year, while indicating an overall downward trend.

Unemployment

The overall unemployment rate remained at 4.3% during the year. The total number of employed persons in Sri Lanka is estimated at about 8.4 Mn of which about 46% are engaged in the Services sector, followed by Agriculture and Industries sectors in roughly equal proportions.

Foreign Direct Investments

Foreign direct investment (FDI) flows to Sri Lanka in the first half of 2014, reached US$ 817 Mn up 51% and the full year was expected to bring in US$ 2.5 Bn. The top sectors that attracted these investments were tourism, mixed development projects and manufacturing.

Future Outlook

Sri Lanka seeks to achieve US$ 4,000 per capita GDP by 2016, up from US$ 3,280 in 2013, while facing key macroeconomic challenges, particularly:

- Fostering private sector development and greater private investment;
- Increasing exports to generate jobs and managing the current account deficit; and
- Further addressing fiscal imbalances and reversing the declining trend in revenue collection.

Such growth would need to be driven by a high investment rate of above 40% of GDP, which seems ambitious given the country's level of investment of 29.6% of GDP in 2013.

Sri Lanka will also need to improve its investment environment with clear rules of the game applied equally. It also means good governance and combating the unprecedented levels of corruption that have become endemic in the recent past.

This is further underscored by the country's limited domestic savings rate, given its demographic trends. It is estimated that by 2036 more than 22% of the population will be over 60, and there will be 61 dependents per 100 adults. Increases in the labour force, employment rates and productivity will be central to growth.

Sri Lanka's growth and competitiveness are constrained by a skills gap that has emerged with the changing labour market conditions. The economy is no longer dominated by the Agriculture sector but rather by services, followed by industry/manufacturing. Employment patterns have followed suit. Labour productivity levels need to rise. There is also a mismatch between graduates and private sector needs particularly with regard to 'soft skills'. Improving the quality of human capital through effective education and skills development is central to Sri Lanka's economic growth and competitiveness.

Financial Sector Performance

Sector Consolidation

The consolidation programme announced in early 2014 aims to further strengthen the domestic financial system through enhanced stability, dynamism and competitiveness through mergers and acquisitions. This in turn will enable the financial sector to meet the growing financing needs of the domestic economy and support future economic growth.

Overall Performance

The Banking sector remained sound and resilient supported by the timely policy initiatives as well as the regulatory and supervisory measures in place. Growth in credit and hence total assets moderated during the first three quarters of 2014 but picked up during the last quarter, with the total assets of the Banking sector reaching Rs. 7 Tn, a 17.3% YoY increase.

Liquidity position of banks remained healthy. Statutory Liquid Asset Ratios (SLAR) for Domestic Banking Units and Off-Shore Banking Units as at December 2014 stood at 39.5% and 33.6%, respectively, which were well above the minimum statutory requirement of 20%. Further, as at end 2014, liquid assets to total assets ratio increased by 24 basis points. Total liquid assets stood at Rs. 2,242 Bn during the year with a notable increase in Treasury Bonds.

Profits of the Banking sector increased, but profitability decreased marginally. During the year 2014, the Banking sector recorded a profit after tax of Rs. 88 Bn compared to Rs. 74.6 Bn recorded during the corresponding period in 2013. During the first nine months there was a marginal increase of net interest income by 12.8%. This is due to lower yields resulting from changes in the asset structure and the downward adjustment of interest rates which offset to some extent the decline in the cost of deposits.

Following the decline in pawning advances and the passive performance of the Agriculture sector, credit granted to the Private sector by licensed banks and finance companies slowed while their investments increased. The overall non-performing loan (NPL) level of financial institutions increased mainly due to the rise in NPLs in respect of pawning advances during the first half of 2014, although there has been a moderation in NPLs thereafter, as interest rates declined and financial institutions adopted appropriate measures to improve their asset quality.

Going forward, credit growth gradually picked up in the prevailing conducive macroeconomic environment, during the latter part of the year with increased lending to State-Owned-Enterprises sector by recording an increase of 13.7% in 2014 compared to 8.8 in 2013. Market interest rates adjusted downwards in view of the easing of the monetary policy stance and the enhanced level of market liquidity.

The stock market showed significant improvement as a result of improved macroeconomic fundamentals, strengthening of Corporate sector performance, and increased domestic and foreign investor participation. Consequently, the market capitalisation of the Colombo Stock Exchange surpassed Rs. 3 Tn by September 2014.

The corporate debt securities market continued its improving trend following the tax incentive provided by the Government, and becoming an alternative source for corporates to raise funds.

In the domestic foreign exchange market, the Sri Lanka Rupee appreciated against the US Dollar and several other major currencies whilst depreciating against the Indian Rupee during the year.

The payment and settlement system, which operated with a high degree of availability and safety, supported the smooth functioning of domestic financial markets.

Non-Bank Financial Sector

The sector comprises 48 Licensed Finance Companies (LFC) and eight Specialised Leasing Companies (SLC), with a total of 1,132 branches. They account for 7% of assets of the Sri Lanka's financial system.

Performance of the Non-Bank Financial sector remained moderate, with total assets of the sector expanding by 18.9% to Rs. 853 Bn compared to the growth of 20.3% in the corresponding period of 2013. The main contributory factor for the expansion of the asset base was the growth in the accommodations portfolio and liquid assets.

The sector non-performing loans continued to show an increasing trend during 2014, while profits showed moderate increase.

The proposed consolidation process noted earlier is expected to contribute positively in building a more resilient LFC and SLC sector. The capital and asset base would increase as a result of this process, enabling LFCs and SLCs to mobilise low cost, long-term funds.

Deposits continued to be the major source of funding for LFCs. Deposits grew by 22.7% to Rs. 414 Bn compared with the growth of 32.7% in the corresponding period of 2013. The total borrowings in the sector reached Rs. 217 Bn, an increase of 12.9% as at end 2014 compared to the growth rate of 9.3% recorded in 2013.

The deceleration in credit growth continued to hamper the sector's performance. Credit provided by the LFCs and SLCs increased by a moderate 16% to Rs. 641 Bn in 2014 compared to the growth of 17.3% in the corresponding period of 2013. The core businesses of the sector, namely, finance leases hire purchase and secured advances accounted for 43%, 27% and 19% respectively.

High lending interest rate scenario that prevailed during 2013 and Gold price fluctuations that affected the business of pawning resulted in asset quality deteriorating. The gross NPL ratio increased to 6.9% as at end of 2014 from 6.7% as at end 2013.

The overall liquidity position of the LFC and SLC sector improved amidst lower credit growth. The liquid assets to total assets ratio increased to 9.6% in 2014 from 8.0% in 2013. This is directly attributed to the steady growth in sector deposits relatively to the moderate credit growth of the sector.

Profit of the sector was Rs. 13.9 Bn the 2014 compared to a profit of Rs. 7.7 Bn in the corresponding period of 2013. Accordingly, the profitability indicators of the sector, i.e ROA and ROE ratios increased to 3% and 13.1% respectively in 2014, compared to 2.1% and 8.2% for 2013.

Future Outlook

The financial system is expected to remain stable and resilient while the performance of financial institutions as well as markets is expected to improve, given the favourable outlook for macroeconomic performance. The declining trend in interest rates, low inflation, stability of the Rupee exchange rate, improved external sector performance and the projected higher economic growth would facilitate an expansion of Financial sector activity.

Capital levels of major financial institutions would increase in the ensuing period given the enhanced minimum capital requirements.

Credit extended by financial institutions is expected to gradually pick up. The easing of monetary policy, the rebounding of pawning business of banks and finance companies with the introduction of the credit guarantee scheme and the stabilising of global prices of Gold, the expected increase in investments and the improvement in external sector performance with the gradual recovery of global economic activity would support a pick-up in credit.

While investor risk appetite is expected to improve alongside these developments, domestic financial markets are expected to remain liquid whilst posting increased activity levels. The payment and settlement system will continue to operate with a high degree of reliability and safety.

External Factors and Our Responses

Our operating environment consists of the set of internal and external factors that have the potential to affect what we do and the results we achieve. We give below a brief analysis of the external factors and our response to them, while we also recognise that many of them are interconnected.

Factor	Indicators	Our Response
Political	Taxation Policy Rural development imperatives	• Strategies that will continue to capture market share and achieve lending targets • Continue to develop rural markets • Being a net leader to the rural community
Economic	Interest rate movements Inflation rate Exchange rate fluctuations Monetary policy changes	• Obtain the best and most timely economic information • Responsive pricing decisions • Modify existing products and features, develop new ones in order to make the most of prevailing conditions
Social	Access to finance Product diversification Encouraging thrift Financial literacy	• Develop distribution network with a focus on underserved areas and emphasis easy access to the network • Featured products and services • Develop the savings habit among the young, particularly children and students • Promoting ICT literacy among school children through donation of ICT labs and scholarships
Technological	Take advantage of new technological developments	• Longstanding partnership with Commercial Bank which merges our ATM network with theirs • In-house IT development to improve operational efficiency • ERP solutions implemented for non-core areas of operations • Setting up of new division for e-commerce business
Environmental	Regulations on environmental protection Energy and cost saving measures	• Promote energy saving and resource conservation measures within CDB and among customers • Initial attempts at measuring CDB's carbon footprint • Implement/improve internal energy and resource conservation measures
Legal	Regulatory changes Fiscal measures	• Follow Central Bank directives for NBFIs with respect to capital requirements, audit processes, reporting, etc. • Pursue IFRS compliance to be in line with international regulatory standards

Risks and Uncertainties

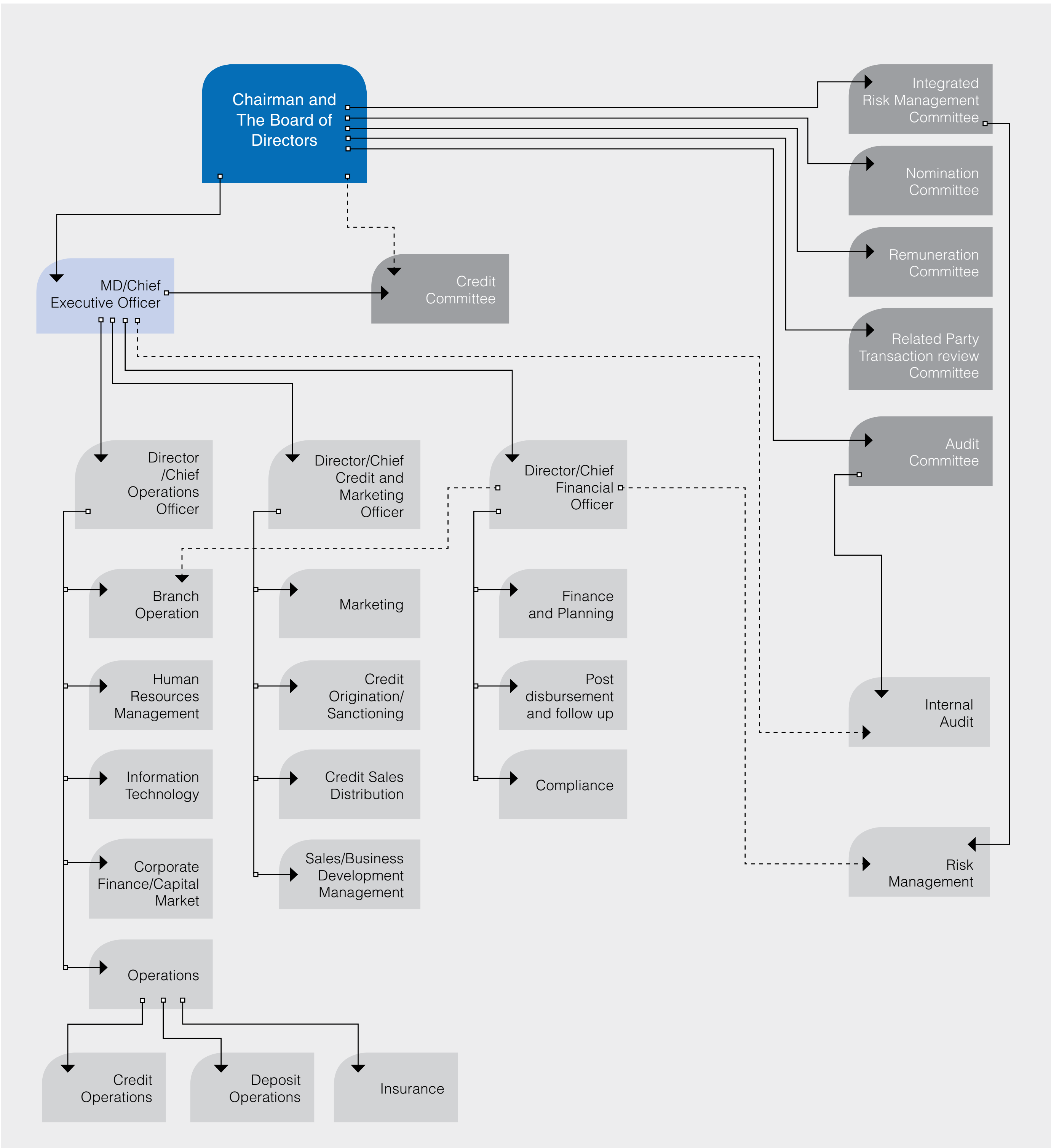
Area	CDB's Response
Maintaining Sales Volumes and Profit Margins Registered Finance Institutes Industry comprises of 48 companies and a severe competition prevails in this industry. Companies are providing homogeneous products and differentiation is considered as a survival mechanism in the market. As a result the Company is under pressure to come up with new and varied products in order to achieve increased sales volumes and thereby obtain greater profit margins.	During the financial year under review, CDB strived in diversifying its product portfolio by including new products according to the customised requirements by the customers and thereby to increase the market share and to enhance sales and profit margins.
Maintaining Required Capital Adequacy and Liquidity 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.	Capital adequacy ratio and liquidity ratio are closely monitored by the Compliance Committee and Asset and Liability Committee meetings. Company is operating well above the required level of capital adequacy and liquidity ratios.
Maintaining Service Quality As mentioned previously, the registered financial institutions industry has severe competition. To ensure longevity, companies have to offer diverse products or should differentiate them by providing quality services. In this sector, service is the main criterion to retain customers. Thus the companies should focus on providing value added services continuously and exceed customer expectations.	Marketing staff is continuously trained by leading professionals in the industry to serve customers efficiently and effectively. 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.
Maintaining a Healthy Non-Performing Ratio (NPL) NPLs are loans that no longer produce income for a finance company that owns them. Loans become non-performing when borrowers stop making payments and the loans enter default. Finance companies often report their ratio of non-performing loans to total loans as a measure of the quality of their outstanding loans. A smaller NPL ratio indicates smaller losses for the Company, while a larger (or increasing) NPL ratio can mean larger losses for the Company as it writes-off bad loans. A healthy non-performing ratio indicates a financial company's asset quality.	Company has adopted stringent monitoring and recovery procedures while closely monitoring NPL ratio and collection ratio.
Retaining Best Employees In order to provide quality customer service and to provide it efficiently, it is necessary to have a good capable team. Employees should be provided with sufficient training and failing to do so will result in Company loosing capable employees.	Our Human Resources division annually conducts Employee Satisfaction Audits and also the Annual Awards Ceremony to recognise and reward the best performing employees. We engage with staff through Employee Suggestion Scheme to get their invaluable ideas for organisational improvement.
Maintaining Required Level of Compliance to Regulatory Authorities Registered finance companies are under the supervision of Central Bank and are listed in the Colombo Stock Exchange (CSE), which is governed by CSE and Securities and Exchange Commission (SEC). Thus, it is vital to conform to regulations imposed by these authorities and to ensure good corporate governance.	Our Compliance Division continuously reviews business matters and ensures that the Company is always adhering to rules and regulations. Compliance meetings are held monthly to discuss the matters pertaining to compliance and communicate the new developments to the relevant parties.
Maintaining a Competitive Position in the Industry Intense rivalry in the NBFI sector as companies provide similar products: leasing, hire purchase, deposits etc. The companies need to offer these products, while focusing on diversification in order to gain a larger market share.	CDB has focused on providing total financial solutions by introducing CDB debit card, initiating SLIP transfers, implementing core bank solutions, pos transactions etc. Continuously carrying out competitor analysis and capitalise on opportunities whenever they arise. Providing exceptional service with the aid of new core banking solution.

Area	CDB's Response
Maintaining the Cost Structure Company will be at a pressurise level maintaining the cost structure in the middle of the intense rivalry and with the increasing operating costs levels.	Continuous explorations on streamlining the processes and procedures and look for internal process improvements. Regular monitor on value adding activities and applying cost conscious procedures to maintain the cost structure at a low level.
Acquiring New Technological Proficiency Technology plays a pivotal role in business activities. It contributes to a significant savings of time and money, more importantly; it provides an advantageous boost over rivals.	Keeping the core banking system is in place, we have connected all branches ensuring smooth functioning and we have decentralised the business activities to branch level to provide more efficient service to customers. Another innovation geared was to improve the non-financial operations by implementing an Enterprise Resource Planning (ERP).

Key Business Lines vs Risks

Input		Key Business Lines	Impact on Income Statement	Risk Profile
We create wealth through various business activities, using the stocks of capital available • Financial • Institutional • Investor • Customer • Business Partner • Employee • Society and Environmental	Income After Impairment Charges	We lend money to our customers within the constraints of available capital and within our risk appetite and the prescribed regulatory environment. Main sources of interest income include finance leases and loans. This including leases and loans create assets for the Company, from which we derive interest income over time.	Interest income and non-interest income	Credit Risk; Interest Rate Risk; Operational Risk, including compliance, environmental and social risk
		We provide transactional financial facilities such as ATM, debit card and also services of corporate advisory and marketing of insurance products to our customers.	Fee and commission income	Interest Rate Risk; Operational Risk, including compliance, environmental and social risk
		We earn revenue from other sources linked to our core business, including profit on disposal leased assets, foreign exchange gains, dividend income and other income for operational activities.	Other operating revenue	Credit Risk; Market Risk; Operational Risk, including compliance, environmental and social risk
	Expenses	We source funding from deposits placed by customers and other funders to enable lending. These sources are in accordance with banking regulations and best practices creating liabilities, which generate future expenses.	Interest expense	Liquidity Risk; Operational Risk, including compliance, environmental and social risk
		We invest in our operations, which includes information technology systems and infrastructure, to improve efficiency and deliver excellent products and service to all our stakeholders.	Operating costs	ICT Risk; Operational Risk, including compliance, environmental and social risk

Organisational Structure



Our Stand for Sustainability

Developing Sustainable Senses through Business Lenses (G4-15)

We are a values-based company with a philosophy to create components for people to live long and healthy lives. Carrying out our corporate values is possible with a healthy planet and thriving company, we are taking steps to reduce our footprint across all areas of our business while also creating a positive, lasting impact toward community.

Our sustainability philosophy is elevated by the sustainability strategies and priorities to greatness by embracing social, environmental and economic health in every part of our organisation and in all our work practices. We strive to be a model for community-led sustainability by inspiring their quality of life, sharing knowledge and enabling growth opportunities to act as leaders. We ensure a balanced business model supporting a strong financial strength of addition economic value. By supporting our people inside and out, creating capacity for action and inspiring possibility, we hope to not only help create healthier communities but also to foster personal growth, connection and innovation. CDB conversely is committed and considering social, environmental and economic initiatives, celebrating solutions that speak to all three.

Profit	People	Planet
Economic Value Generation	Quality of Life	Co2 Emission Reduction
Economic Value Distribution	Knowledge Sharing	Conservation Efforts
Economic Value Retention	People Development	Green Routines
Economic Viability	Economic Viability	Economic Viability

CDB Corporate Values

Sustainability Priorities

Cater towards developmental activities by contributing to promote, establish, enlarge and renovate the industrial, agricultural and commercial sectors.	Deliver sustainable solutions in terms of products and services by reaching beyond stakeholders' expectations stressing the need for safe and responsible living	Maintain consistent and high quality operating standards throughout the entire outlets proving a positive outcome

Sustainability Strategies

Focus on meeting economic, environmental and social sustainability dimensions in accordance with the triple bottom-line approach	Expand into the challenging markets of leasing and deposit mobilisation

Sustainability Philosophy

Stakeholder engagement for business strategy formulation by shaping sustainability responses and communicating responses and strategies

Economic Value Addition (G4-EC1)

The capitals are stores of value that become inputs to CDB's value creating business model. CDB contributed value to the local economy and created wealth for its stakeholders for the current and previous reporting periods as reflected below.

Our shared assets are not sacrificed for short-term profit. Pursuing sustainability has grown from the work of a few idealists to being a mainstream concept. We mainly concern on economic value addition where it enables local economic development, poverty alleviation, social and economic transformation, environmental stewardship and infrastructure development.

CDB's approach to economic sustainability has been to stick to comprehensive corporate policies and procedures that are guided by the board members. The monthly Board meetings will ensure 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. The ongoing monitoring process and the proper internal controls, policies and procedure will ensure the Company progress by detailed financial accounts statements preparing monthly, quarterly, biannually and yearly where the Board discussed on material variances and other standards.

Each division will maintain healthy relationships with one another in discussing their own goals and resource allocations towards target achievements will be done accordingly. We ensure economic sustainability in every single aspect and throughout the report in corporate governance section, risk management section and operational highlights will highlight the fact in essence.

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

	2014/15 Rs. Mn	2013/14 Rs. Mn
Economic Value Generated	6,704	6,268
Economic Value Distributed		
Operating Costs	1,229	937
Employee Wages and Benefits	567	498
Payment to Providers of Capital	3,546	3,715
Payment to Government	342	227
Community Investment	3	3
Economic Value Retained	1,017	888

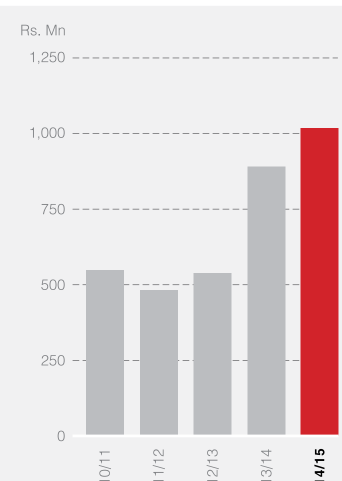
Economic Value Addition

The Company was able to increase and sustain its economic profit by 15% during the year.

2014/15
1,017 Mn

2013/14
888 Mn

Change
15% ▲



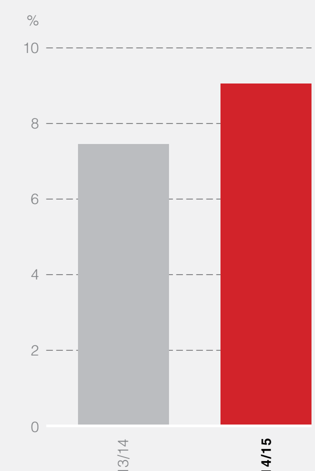
Economic Value Distribution

We are aware that, as a Company providing financial solutions to the real economy, we are a part of and facilitate at a fundamental level the economic growth and social development of the economies we serve.

We create value through our business activities using the stocks of capital available to us. Understanding our 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 our business activities are in our contribution to socioeconomic development, which we can only achieve through remaining profitable and staying relevant to the societies we serve and we are well positioned to continue lending responsibly into the future.

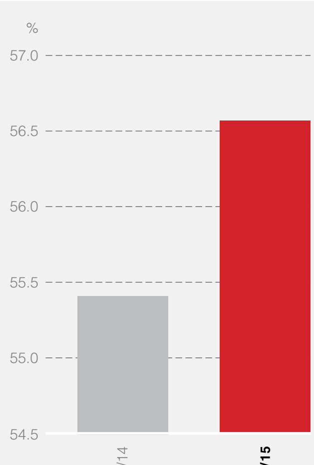
Employee Wages and Benefits

We were able to increase employee financial and non-financial benefits compared to 2013/14.



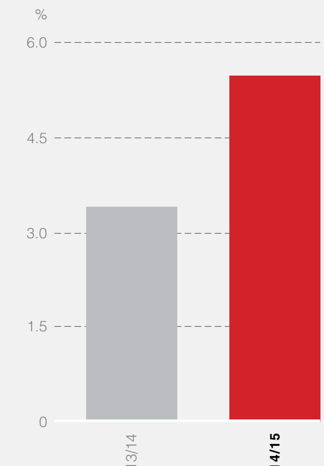
Payment to Providers of Capital

We strive to seek consistency in appreciating the value of investments of capital providers.



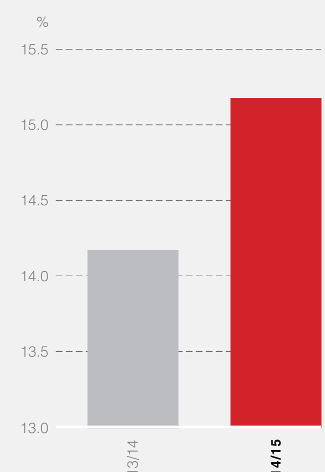
Payment to Government

Our contribution towards building a stronger economy has increased compared to the previous year.



Economic Value Retained

Economic value retained increase to Rs. 1,017 Mn during the year from Rs. 888 Mn in last year.



We aim to be the employer of choice for talented people who can provide the insight we need to achieve our strategy. Our value proposition includes competitive remuneration and opportunities for development and growth.

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

We contribute to build the Government of Sri Lanka through the taxes we pay. With that we also contribute to building stronger economies.

Our most important contribution to sustainable development is to have a positive influence towards the communities which wer are in.

Our Strategic Focus

Building a financial powerhouse by our people, customers, investors, community, regulators and environment continues to be supported by its long-term goals and shared values.

Our Vision

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

Our Goal

To be the financial powerhouse

Our main goal is to build not only a sustainable, trusted business, but a business providing win-win solutions for customers' questions.

Focus on doing business in the right way, putting customers firmly in the centre of all that we do.

Our Purpose

Enriching people's life through extension of financial services

We exist for our stakeholders for the purpose of helping them achieve their interests.

Sustainability Strategies

Customer Centric	Creating Shared Value	Green Call	Risk Enabler	Cross Selling	Unique Culture

Sustainability Strategies

Economic Viability	**Social Accountability**	**Environment Responsibility**

Stakeholders

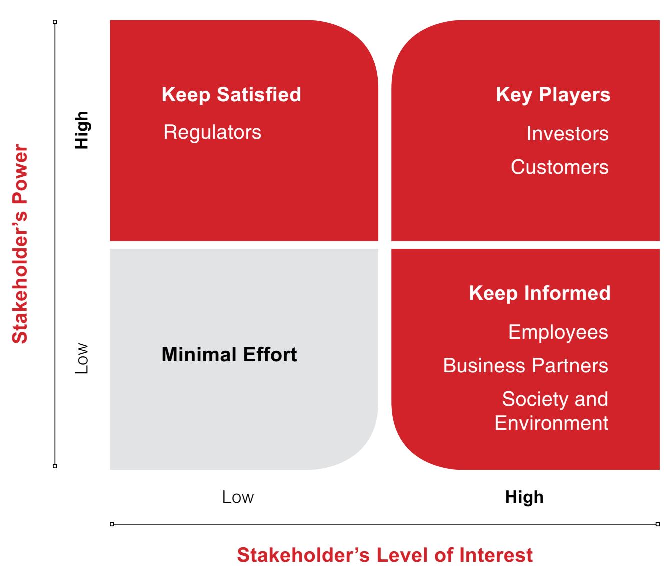
We regard stakeholders as those who can be significantly affected by CDB's activities, products, and services; and whose actions can affect the ability of CDB to successfully implement its strategies and achieve its objectives.

Accordingly, CDB's principal stakeholder groups are our investors (and potential investors) of equity and debt capital, loan as well as deposit customers, business partners, employees, regulators (including related parties such as the tax authority, stock exchange, analysts, rating agencies and advocacy groups) and the society and environment in which we operate.

Stakeholder Mapping (G4-25)

We balance and prioritise the diverse and sometimes conflicting expectations of such a wide stakeholder group through a mapping process. The process involves making assessments on two key issues, namely, (i) how interested is the stakeholder to impress its expectations on CDB's business, and (ii) to what extent does the stakeholder have power to impose its wants. This leads us to the construction of a 'power-interest grid' or Mendelow's Matrix as depicted below:

Power-Interest Grid



Notwithstanding limitations arising from the generality of the above analysis, the grid does provide insights on prioritising the stakeholder engagement process. Our response, as discussed below, would thus be largely determined by the location of a stakeholder group within one of the quadrants depicted in the grid.

Key Players: These stakeholders have the biggest influence over our business. Their needs and expectations drive the goals and strategies of CDB. The key is to maintain proactive two-way communication at all times and establish a strong bond.

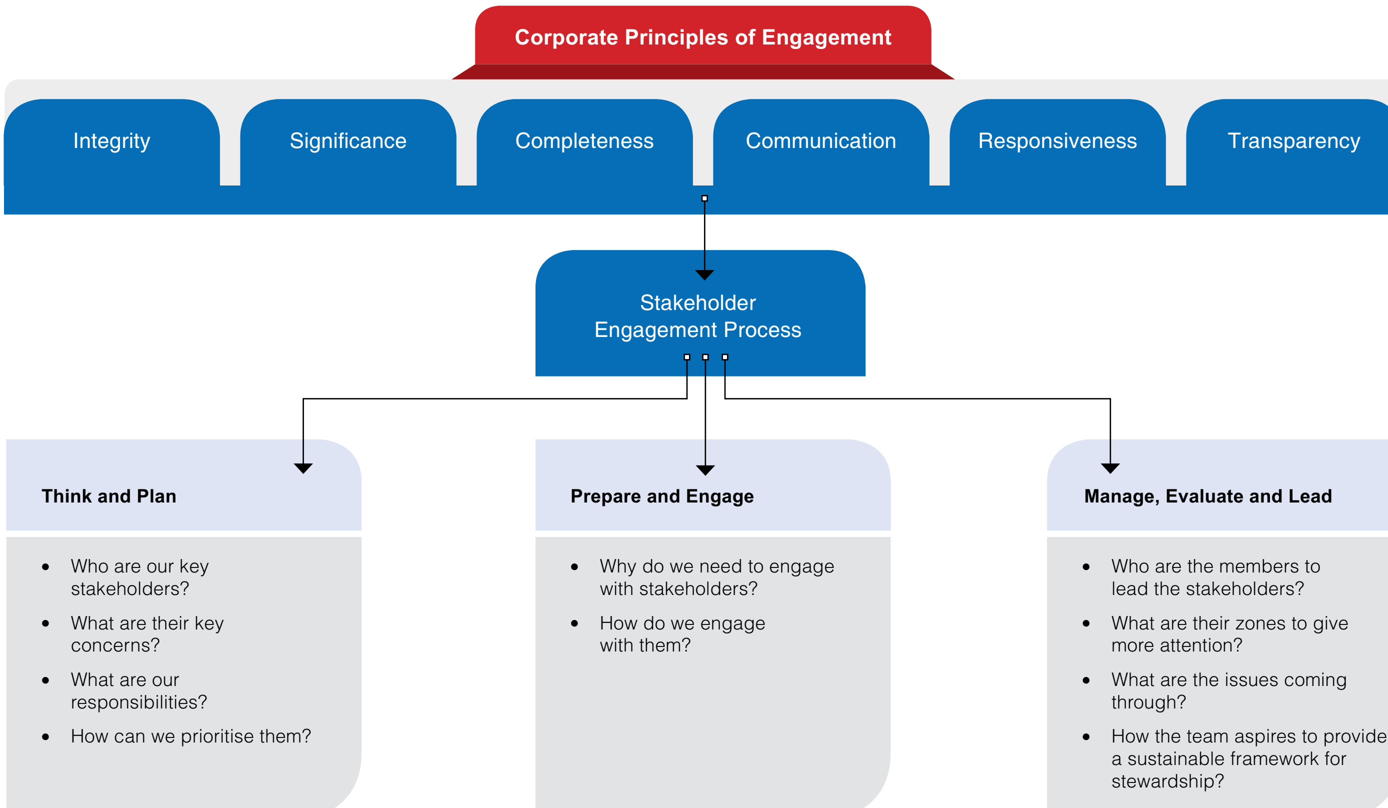
Keep Informed: Though interested in the business these stakeholders lack the power to do much individually. The purpose of engagement is to keep them informed of the activities, listen to feedback and build relationships that build positive energy and strong support.

Keep Satisfied: Primarily in the role of watchdogs, these stakeholders need to be kept satisfied that the business meets all compliance requirements and is a responsible corporate citizen. This involves timely submissions of reports, consultations and responses well before problems surface.

Minimum Effort: Their lack of interest and power make these stakeholders open to influence. They are more likely than others to accept what they are told. Engagement with such stakeholders would typically be generic, and on a case by case basis when situations so warrant.

Stakeholder Engagement

Our stakeholder engagement process comprises three phases, namely, (i) Think and Plan, (ii) Prepare and Engage, and (iii) Manage, Evaluate and Lead. Underpinning these steps are our corporate principles of engagement that are founded on integrity, significance, completeness, communications, responsiveness and transparency.



The tables that follow analyse our engagement process along the three phases noted above.

(i) Think and Plan

This is an analytical step undertaken to understand stakeholder expectations and concerns and in turn how CDB should respond in meeting those aspects.

Stakeholder Expectations (G4-24)

Stakeholder Groups						
Investors	Customers	Business Partners	Employees	Regulators	Society	Environment
Stakeholder Key Concerns						
Dividends Share value Overall performance Integrity of Board and management Goodwill of the Company Safeguard assets quality	Positive experience Accurate and reliable real time information Privacy assurance Keeping promises Product innovation Technology driven financial solution	Sustainability of supply chain Functionality of the supply chain Opportunity to grow	Security Remuneration rewards and benefit schemes Career development Health and safety Well-being and work-life balance	Good corporate governance Fair and transparent framework and work practices Ethically driven business models Legal compliance Promote voluntary compliance code	Living standards Social investment Community development Education and literacy Ethical sourcing	Energy conservation Environmental protection Reducing carbon footprint Resource efficiency
Fulfilling Stakeholder Concerns						
Balance short-term profitability with long-term sustainable growth Superior returns on investment in the short, medium and long-term Reinvest earnings for sustainable growth Sound risk management Maintain ethics and integrity in all dealings as per Company Code of Conduct Effective public relations	Protect customer data and ensure high confidentiality Avoid irrelevant communications and intrusive surveillance Ensure trust and integrity in all dealings Provide positive customer experience Carry ethical lending Practices Speedy compliant resolution	Address issues related to supplier chain Ensure healthy and lasting partnership	Develop employee productivity, quality and leadership Safeguard human rights Provide a safe and enriching work experience Promote and maintain harmonious relationships Mould future leaders through succession planning Recognise exceptional performers Ensure work-life balance	Develop and communicate a framework which promotes good governance and ethical behaviour at all levels Ensure compliance at all times Provide timely and accurate information and responses to queries	Contribute to improving the quality of life Promote financial inclusion Lend a hand to entrepreneurs Find solutions to empower rural youth Support the economic empowerment of women Encourage thrift and saving	Social investment fund to develop products and services that benefit society Engage with environmentally friendly green events Reduce energy and paper consumption Recycle and reuse material where practical Minimise waste and GHG emissions

(ii) Prepare and Engage (G4-26)

We believe that effective stakeholder engagement is underscored by a genuine commitment to communicate openly and honestly. For example, obtaining feedback on the potential impact of a proposed change would avoid conflict later on while also ensuring its effective implementation. The frequency of engagement varies according to the stakeholder group and the particular aspect, while individual business units undertake stakeholder engagement activities appropriate to their particular areas.

Stakeholder Engagement (G4-27)

Why	How	Mode and Frequency
Investors: Providers of Equity and Debt Capital		
To gain an insight in allocating resources to generate expected returns. To reduce the likelihood of unexpected consequences that can affect long-term operational strategies.	Variety of open dialogue channels to clarify and update with information Discuss and review business performance against targets, projections and industry benchmarks Identify performance drivers, industry trends, opportunities, threats and align business plans Provide assurance on all regulatory and statutory compliance requirements	Annual Reports Annual General Meeting Quarterly Interim Financial Statements Corporate Website Announcements to Colombo Stock Exchange Investor Forum Media Releases
Customers: Principal Source of Earnings		
To understand their financial services needs and their perceptions, behaviour, attitudes and values To respond with appropriate solutions based on identified needs To ensure that expected service standards are met To verify the accuracy of personal information supplied	Product design, advertising and marketing Face-to-face interactions at CDB offices and branches Regular correspondence with account and facility holders Annual customer surveys Access to ATM with VISA debit card Customer care and complaints handing services Good governance and robust control framework for controls	Corporate Relationship Regional marketing force Dealer Network Media Advertisments Corporate Website Product Launches
Business Partners: Critical Element of the Value Chain with Complementary Goals		
To maintain and enhance healthy working relationships To involve them in future planning To build more diverse product portfolio through sound partnerships	Joint promotional campaigns Conduct people development programmes collaboratively Extended dealer network and marketing channels	Supplier and Business partner relationships Joint promotional campaigns Supplier product displays at CDB branches

(G4-27)

Why	How	Mode and Frequency
Employees: The Key Resource for Competitive Advantage and Sustainable Growth		
To ensure alignment with the corporate strategic Direction and Code of Conduct To receive feedback on matters of concern To provide feedback on performance and enhance productivity To remain as an employer of choice	Regular updates on Company performance Encourage career development through lifelong learning programmes and internal/external training Integrated HR system for performance measurement and to enhance productivity Annual social event to encourage networking and work life balance Open door policy	Weekly Managers' Meeting Monthly Branch Meetings Annual Regional Review Meeting Annual CDB social events Internal announcements HR space integrated system Performance evaluation and reward mechanism
Regulator: Umpire who Maintains a Level Playing Field and Stability of the Financial System		
To ensure compliance with legal and regulatory requirements To seek clarifications, if any, on new regulations or issues To voice concerns on matters that affect the industry or CDB	Educate relevant staff on compliance and conduct meetings to review performance Discussions by the Corporate Management and Board members with external officials on regulatory matters Immediate response on queries raised by regulators Timely and accurate disclosures	Directives and circulars Quarterly Compliance Forum Press releases Review new rules and regulations
Community and Environment: Networks that Support Corporate Social and Environmental Responsibility		
To understand the local community's perceptions and expectations regarding our business and how we conduct it To create awareness of our integrated sustainability commitment and initiatives	Establishment of school savings units, computer centre to enhance IT literacy Community development through investments Green policies and practices such as GHG emissions reduction programme, paperless operations and recycling, use of energy saving lighting and equipment	Financial inclusion through lending for rural economic development Access through outlets and web Annual scholarships, lab donations and community development projects Annual internal environmental assessment

(iii) Manage, Evaluate and Lead

The Stakeholder Relations Forum, comprising business unit managers and executives, meets every month. The members are responsible for facilitating a co-ordinated approach to stakeholder engagement activities across the Group, thus ensuring that we communicate a consistent message based on our Code of Ethics, values and strategy.

CDB has identified key staff members to lead the engagement process with each stakeholder group. The sustainability teams in turn support and promote the overall direction of this process.

Stakeholder Relations

Aspect	Concerns	Led by
Investors		
Superior total shareholder return	To deliver consistent sustainable and superior shareholder return in short and medium-term to long-term	Chief Financial Officer
Customers		
Combined content standards and privacy	To deliver value of right price and place for the customers that eventually create value for the Company	Senior Deputy General Manager - IT
Customer promise		Senior Deputy General Manager - Marketing
Employees		
Health, safety and wellbeing	Ensure that we properly safeguard those who work for us and those who may be affected by our operations	Chief Operations Officer
Government Authorities 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 to address sustainability issues in the supply chain	Chief Credit and Marketing Officer
Society		
Social investment	Contribute to enhancing the standard of living of local communities	Senior Deputy General Manager - Marketing
Environment		
Environmental protection	Oversee the social investment fund to develop products and services that benefit society	Chief Operations Officer
Energy	Reduce energy consumption and pollution	Chief Operations Officer

Materiality

Materiality Determination

In formulating our strategy and determining our strategic priorities, we consider the full range of issues that influence the sustainability of our business in the context of the social, economic and physical environments in which we operate.

A topic is material or important if it impacts our ability to remain commercially viable and socially relevant to the societies in which we operate. Relevance and significance thus determine materiality, with significance taking account of both the magnitude of the impact as well as its probability of occurrence.

Our approach to materiality determination is depicted in the diagram below: (G4-18)

Material Matters and Sustainnability

Define the Scope and Objectives	Identify Material Matters	Categorising	Identify Materiality Drivers	Prioritising
Identify objectives of the materiality assessment and internal and external matters related to stakeholders.	Create and compile material topics affecting stakeholders and the Company with the help of sustainability team	Consider how material topics are connected and overlap to influence each other by segregating into main topics	Assess the strategic importance of each topic to the business, internal and external stakeholders	Prioritise based on influence on stakeholder assessment and decisions and significance of economic, environmental and social impacts

Identifying and Categorising Material Topics (G4-19)

Material Topics

Economic

- Improving the ease and convenience of financing
- Raising our level of service
- Efficient and timely complaints resolution
- Increasing access to financial solutions
- Reducing the cost of services
- Increasing financial inclusion
- Planning for an uncertain economic recovery
- Comply with governance and ethics
- Effective risk management
- Integrity of Information Technology (IT) systems

Social

- Ensuring a consistent community investment strategy and funding
- Commitment
- Socioeconomic development
- Responsible access to finance sources
- Enhance financial literacy
- Lending towards social wellbeing and uplift of community
- Economic empowerment

Environmental

- Environmental and social impacts of lending, investments and products
- Resource and energy consumption
- Energy saved due to conservation and efficiency improvement
- Compliance with environmental laws and regulations

Cultural

- Embedding ethical transformation throughout the Company
- Improving employee engagement
- Putting our Values into practice
- Communicating consistently across the most resonant platforms
- Embedding talent management

Identifying Materiality Drivers

Materiality Drivers			
Economic	**Social**	**Environmental**	**Cultural**
• Variety of products and services • Ease of accessibility • Quality of our IT infrastructure • Service excellence • Trust and safety • Optimised strategic intent	• Building social capital • Developing new markets, revenue streams and customer bases • Contribute to strengthen social welfare	• Ensuring compliance with existing and developing environmental regulations • Contributing to behaviour change for a more sustainable future • Reducing environmental impact	• Maintaining high ethical standards • Responsible lending • Treating customers fairly • Adapting to regulatory change • Building an innovative culture • Developing high performing and competent people

Prioritising Material Topics (G4 20-21)

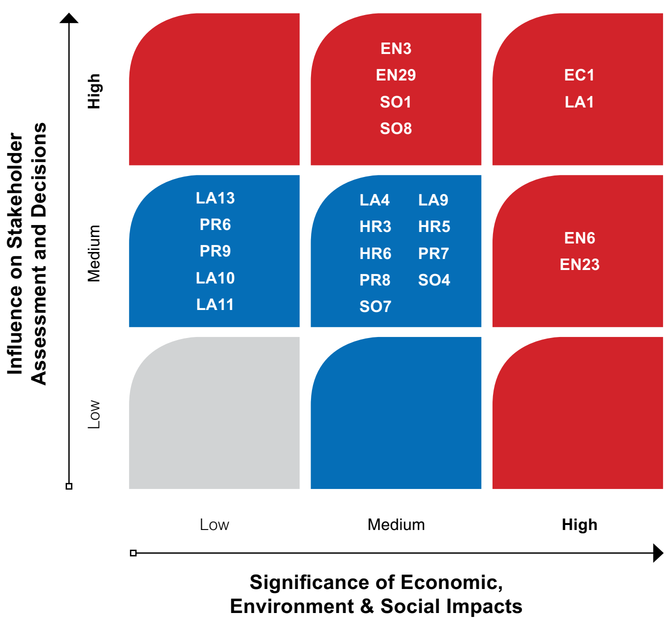
Category			Economic	Environmental		Social: Labour Practices and Decent Work				Social: Human Rights		Social: Society				Social: Product Responsibility		
Aspect			Economic Performance	Energy	Effluents and Waste	Employment	Labour/ Management Relations	Training and Education	Equal remuneration for Women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

Notes: (i) A topic or issue is referred to as an 'aspect' in GRI G4 terminology. (ii) H = high; M = Medium.

Materiality Matrix

The information given in the table that prioritises material topics or aspects may be depicted through a two-dimensional graphs, known as a materiality matrix. Each aspect is rated high, medium or low and mapped in the context of Influence on stakeholder assessment and decisions and significance of economic environment and social impact.

The resulting materiality matrix given below identifies and classifies the material aspects using the GRI G4-based Indicators that are defined under the categories Economic, Environmental and Social.



A Warm Welcome

From the ‘spatial’ experience of our purpose-architectured Head Office, to the ‘**we’ll come to you**’ personal interaction our staff extend, we want every customer to experience...a Warm Welcome.

Value Creation Process

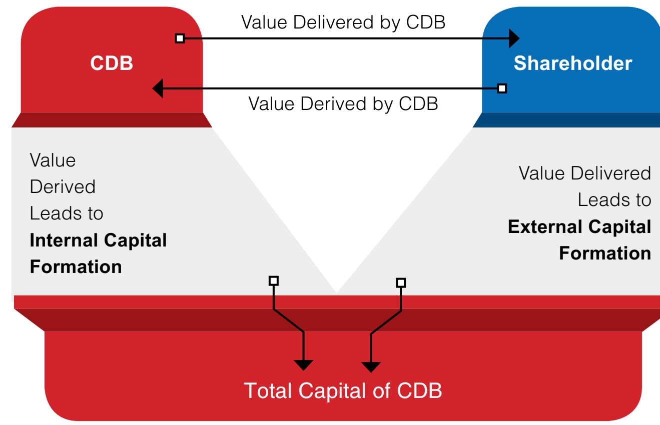
Value Creation and Capital Formation

Our reporting reflects the confluence of financial, economic, social and environmental impacts of our enterprise in creating sustainable value.

Value creation is a two-way process, which recognises that the ability of CDB to create and derive value for itself is equally dependent on the value it creates and delivers to its stakeholders. It is a dynamic process with flows, taking place between the various forms of capital, both internal and external.

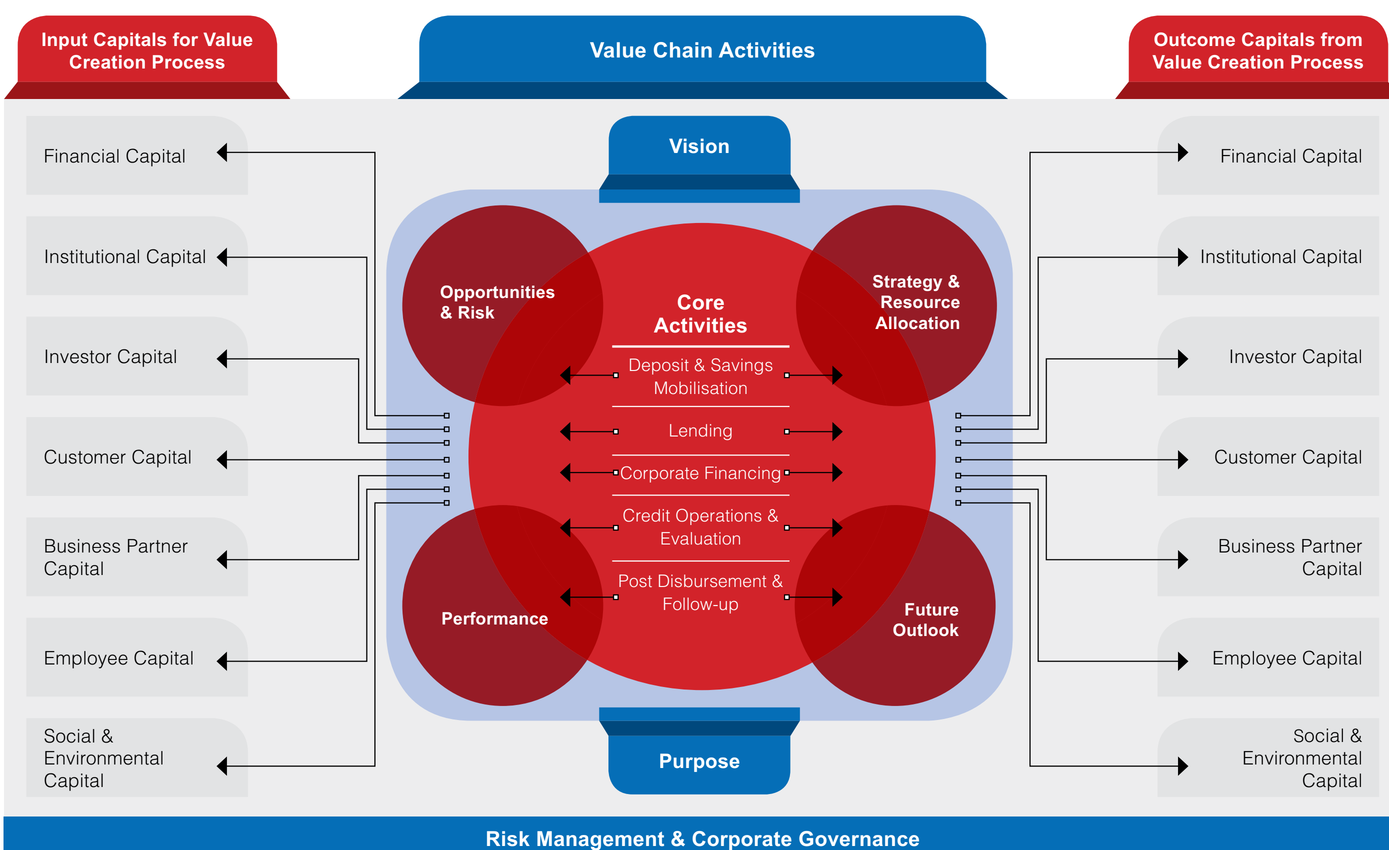
The value so derived leads to internal capital formation, which we categorise as financial capital and institutional capital.

The value delivered to stakeholders leads to external capital formation, which we categorise as investor capital, customer capital, business partner capital, employee capital, regulatory capital and social & environmental capital.



CDB has access to and makes use of all forms of capital - both internal and external - in driving future earnings, based on its business model and activities undertaken.

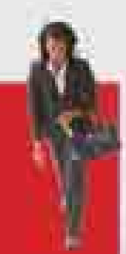
Ownership is irrelevant here. CDB does not 'own' any of its external forms of capital, but has access to and uses or affects them – along with its own internal forms of capital – in creating value for itself (deriving value) and for its stakeholders (delivering value).



Adopted from the International Integrated Reporting Framework of the International Integraged Reporting Council (IIRC)

Deriving Value

The value deriving leads to **internal capital formation**, which is categorised as **financial capital and institutional capital**



Our **ability to create financial value** for ourselves over the short, medium and long-term **is the single most purpose of our existence**.

Internal Capital Formation

The value created by CDB for itself through its activities, relationships and resources leads to internal capital formation. The most visible and quantifiable form of internal capital is financial capital, whilst this also includes our institutional capital which is intangible.

Financial Capital

Financial sector performance showed a strengthened risk management outlook with the regulator issuing a number of directives. Non-Banking Financial Services sector companies illustrated further improving performance through the continuous business and financial recovery process that started in the recent years.

CDB completed yet another solid financial year, the first after acquiring the Laughfs Capital Limited. It is noteworthy that the Financial Statements of the Company for the year are to comply with the current presentation which accounts for the amalgamation of the Company with Laughfs Capital Limited.

Sector Comparison

During the year under review, CDB has remarkably improved its position with high-end indicators in the sector. The asset growth moderated during 2014/15 due to lower demand for credit, particularly during the early part of the year. However, the demand for credit picked up during the second half of 2014/15. The lower interest rate scenario helped to improve credit demand and to maintain the rising non-performing loans at a manageable level. Further, in line with the developments in the sector, several measures were adopted by the Company to strengthen risk management and build the capacity of the Company to facilitate better absorption of risks.

	CDB		Industry as at 31st March 2015
	2014/15	2013/14	
Key Performance Indicators	%	%	%
Return			
ROE	17.81	17.16	13.1
ROA	1.95	1.93	3.0
NIM	8.00	8.05	8.0
Assets Quality			
Gross NPL	5.78	5.19	6.9
Net NPL	3.19	2.73	2.3
Capital Adequacy			
Tier I (Minimum 5%)	10.14	12.61	13.0
Tier I & II (Minimum 10%)	12.92	16.00	13.5
Capital Funds to Total Deposits (Minimum 10%)	15.42	17.36	22.9

Profitability

Company continued with its growth momentum and recorded a pre-tax and post-tax profit of Rs. 951 Mn and Rs. 701 Mn respectively, for the financial year ended 31st March 2015. This reflects 30% and 25% increase respectively, against the results of the preceding financial year.This growth was led by satisfactory interest income and fee based income growth reflecting growth in revenue-generating capacity of the Company. The low interest rate regime that prevailed during the year resulted in low cost funding due to a lag in adjusting of borrowing rates. This healthy profitability performance demonstrates the Company's prudent management policies in managing the external vagaries. The Company has performed consistently over the last five years despite the volatility in the market and interest rates along with the credit demand.

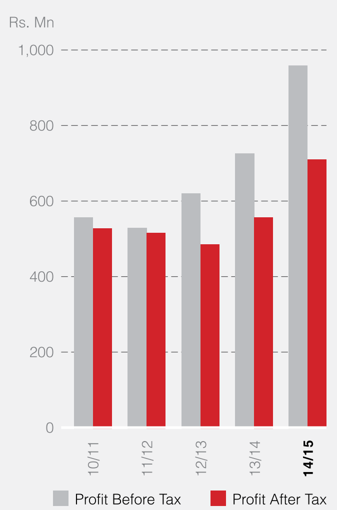
Profitability

Profitability was led by 6% growth in interest income and 7% growth in fee and commission income.

2014/15
701 Mn

2013/14
561 Mn

Change
25% ▲



Profit	For the Year Ended		YoY Growth	
	2014/15	2013/14		
	Rs. Mn	Rs. Mn	Rs. Mn	%
PBT	951	730	221	30.27
PAT	701	561	140	24.96

Interest Income

The total interest income in 2014/15 revealed a growth of 6% to Rs. 6,251 Mn from Rs. 5,896 Mn in 2013/14. The interest income from hire purchase amplified by 35% to Rs. 1,424 Mn mainly due to the increased granting levels, despite the pessimism prevalent within the leasing industry following the change in import vehicle duties for hybride vehicles.

Interest income from loans and advances depicts a slight increase of 6% against the recorded interest income from loans and advances in the previous year given the increase in the loan portfolio.

Income from Islamic finance Lending Portfolio reflected significant increase of 422% against 2013/14 to record Rs. 24.98 Mn in 2014/15.

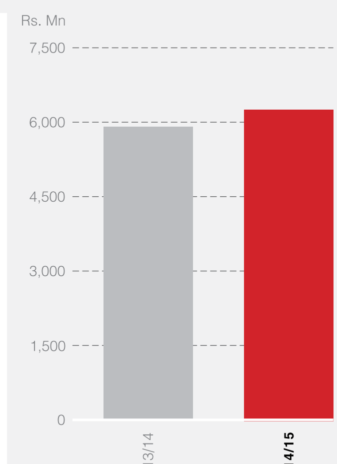
Interest Income

The interest income from hire purchase improved by 35% to Rs. 1,424 Mn mainly due to the increased granting levels.

2014/15
6,251 Mn

2013/14
5,896 Mn

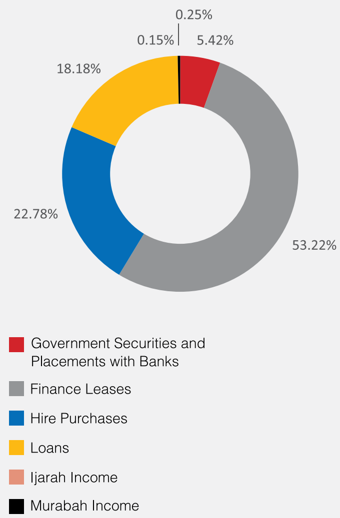
Change
6% ▲



	2014/15	2013/14
	Rs. Mn	Rs. Mn
Interest Income	6,251	5,896

Interest Income Composition

The interest income from finance lease reached Rs. 3,327 Mn, accounting for 53% of the total interest income.



Interest Income Composition	Composition %
Hire Purchases	22.8
Loans and Advances	18.2
Finance Leases	53.2
Ijarah Income	0.1
Murabah Income	0.3
Government Securities and Placements with Banks	5.4

Interest Expense

Interest expense of the Company indicates a decrease of 5% compared to 2013/14, led by the downward movement in interest bearing-liabilities utilised to finance the increased levels of disbursements.

The interest rates in borrowings and deposits indicated a downward trend with the market performance, whilst the final quarter has increased the volatility in rates.

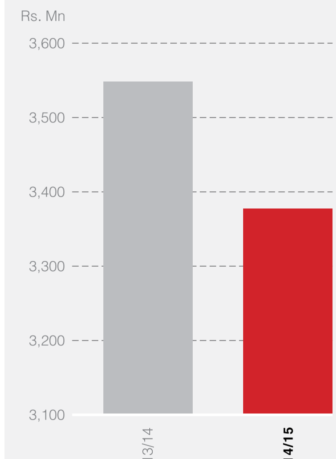
Interest Expense

The downward trend in market rates was reflected in the decline of interest expense for CDB.

2014/15
3,381 Mn

2013/14
3,553 Mn

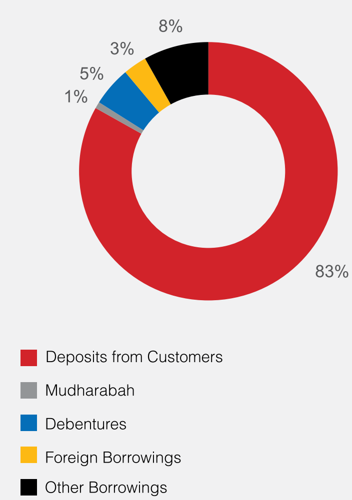
Change
5% ▼



	2014/15 Rs. Mn	2013/14 Rs. Mn
Interest Expense	3,381	3,553

Interest Expense Composition

Interest expense on deposits reached Rs. 2,820 Mn, accounting for 83% of the total interest expenses.



Item	Composition %
Deposits from Customers	83
Mudharabah	1
Debentures	5
Foreign Borrowings	3
Other Borrowings	8

Net Interest Income

Aligned with the growth in the average interest earning assets, the Company saw a 23% upsurge in net interest income to reach Rs. 2,870 Mn as against the previous year's Rs. 2,342 Mn. Given the decline in market rates, both borrowing and lending rates witnessed a decline; however, the astute management policies enabled the Company to uphold a good balance between the lending and borrowing rates resulting in growth at net interest income and recorded Net Interest Margin (NIM) of 8%.

Other Income

Other income comprising fees and commission and other operating income was Rs. 452 Mn depicting an increase of 22% over Rs. 372 Mn in 2013/14.

Impairment Charges

Impairment charges for loans and value difference in hiring contracts in the financial year 2014/15 decreased by 1% to Rs. 477 Mn as against Rs. 481 Mn charge in 2013/14.

Net disposal loss depicts a significant increase due to the strategy followed by the Company to dispose repossessed vehicles even at a loss to prevent deterioration and prior to arrears becoming an encumber. The recovered funds from disposals were used for new disbursements.

Operating Expenses

The operating expenses comprise personnel expenses, administration and marketing expenses, whereas administration has caused the key contribution to the increase whilst personnel and marketing expenses contributed equally.

CDB has moved to its state-of-the-art new head office premises which has enhanced the service level to the customers, the depreciation of the investment has contributed towards the increase in cost of premises whilst the other administration expenses also being contributed to the increase.

As a regulatory requirement, the Company paid a monthly premium to Sri Lanka Deposit Insurance and Liquidity Support Scheme which is accounted under administration expenses. The Company's contribution to this scheme during the year amounted to Rs. 35.66 Mn.

The Company continued to invest in both staff and infrastructure which resulted in an increase in operating expenses. Personnel expenses were up 15% driven largely by the increased head count in the latter part of the previous financial year with the increase of 15 outlets.

Further, the Company continuously invested in the brand which has shown results as CDB has been recognised as the Best Service Brand in the Bronze Category whilst the Brand ranking has improved to 46th place from the previous 52nd amongst the top 50 most valuable brands in the country.

Owing to above factors, the total operating expenses were up by 24% for the year and cost to income ratio ended the year at 56.99%, marginally higher than the prior year.

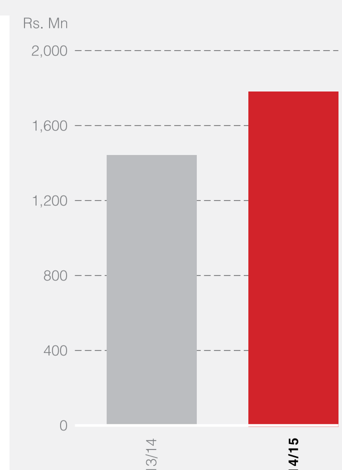
Operating Expenses

This comprises personnel, administration and marketing expenses which shows a 24% increase as a whole.

2014/15
1,801 Mn

2013/14
1,450 Mn

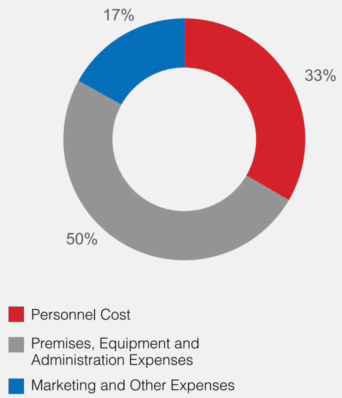
Change
24% ▲



	2014/15 Rs. Mn	2013/14 Rs. Mn
Operating Expenses	1,801	1,450

Operating Expenses Composition

Premises, equipment and establishment expenses was a key contributor in increasing total operating cost.



	Composition %
Personnel Cost	33
Premises, Equipment and Administration Expenses	50
Marketing and Other Expenses	17

Taxation

According to the applicable tax rule, the Company's profit is taxed at 28%. The income tax expense of the Company for the year ended 31st March 2015 amounted Rs. 250 Mn compared to Rs. 169 Mn in the last year. The effective tax rate remained same in comparison to the previous financial year.

Cash and Cash Equivalents

Cash and cash equivalents mainly comprise of current accounts with banks and cash in hand.

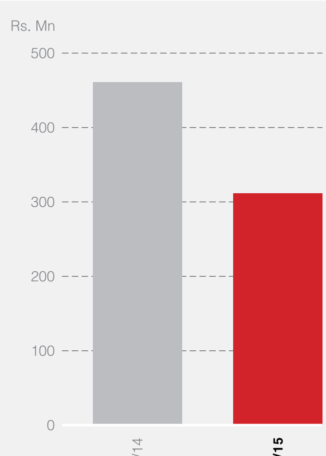
Cash and Cash Equivalents

Cash and cash equivalents mainly comprise of current accounts with banks and cash in hand.

2014/15
313 Mn

2013/14
463 Mn

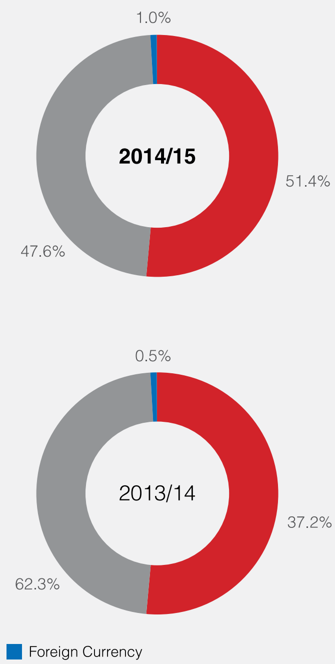
Change
32% ▼



	2014/15 Rs. Mn	2013/14 Rs. Mn
Cash and Cash Equivalents	313	463

Cash and Cash Equivalents Composition

Cash in hand of Rs. 161 Mn constitute a major proportion out of the total Cash and Cash Equivalents.



Deposits with Licensed Commercial Banks

Deposits with licensed commercial banks comprise investment in fixed deposits. The balance decreased by Rs. 773 Mn to reach Rs. 1,933 Mn as at 31st March 2015 over the position of Rs. 2,706 Mn reported as at 31st March 2014, mainly due to lending requirement.

Financial Investments Held-for-Trading

Financial investments held-for-trading amounted to Rs. 56 Mn comprise of the Government Treasury Bonds, where the Company has focused in developing a trading portfolio.

Loans and Receivables

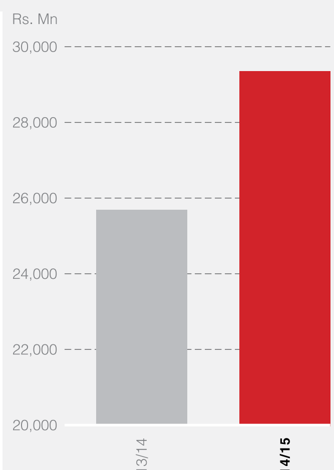
Loans and receivables that represent 77.3% of the total reported assets grew by Rs. 3,654 Mn year-on-year to Rs. 29,379 Mn. The loan book has indicated a growth of 14.2% whereas net investments in leases and net investments in hiring controls has contributed largely to the increase.

The overall disbursements for the financial year 2014/15 recorded at Rs. 15,249 Mn, however the loan book growth is recorded at 3,659 Mn mainly due to the fact that CDB's loan book consist of monthly equated repayment structures where interest and capital repaid monthly. This resulted in Rs. 7,200 Mn capital maturities and 2,600 Mn early settlements curtailing the loan book growth of Rs. 3,659 Mn.

Loans and Receivables

Leasing and hire purchase contributed largely to the increase indicated in the loan book.

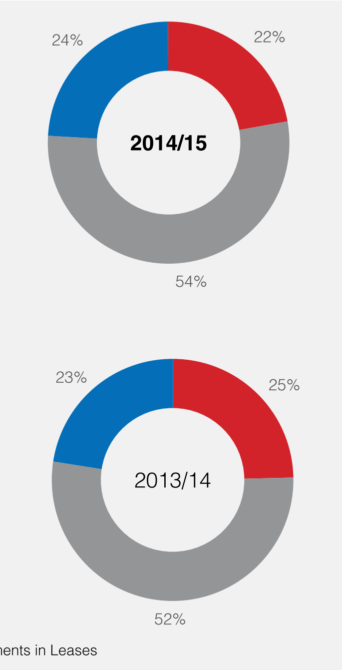
2014/15
29,379 Mn
2013/14
25,725 Mn
Change
14%



	2014/15	2013/14
	Rs. Mn	Rs. Mn
Loans and Receivables	29,379	25,725

Loans and Receivables Composition

Incline by 22% of net investments in hiring contracts shows a 24% in the total loans receivables composition.



The finance lease portfolio grew by 17% to 15,800 Mn, over the position of Rs. 13,528 Mn as at 31st March 2014. Hire purchase portfolio demonstrating an incline of 22% reached to Rs. 7,063 Mn as at 31st March 2015 compared to Rs. 5,807 Mn as at 31st March 2014.

However, loans portfolio revealed a slight growth of 2% as against the total loans portfolio of Rs. 6,390 Mn as at 31st March 2014.

Financial Investments – Available-for-Sale

Financial investments - available-for-sale comprises the Company's investments in equity securities of Ceylinco Insurance PLC. The balance as at 31st March 2015 depicts an increase of 18% over the balance stood at 31st March 2014 mainly due to the increase in market value of the shares.

Financial Investments – Held-to-Maturity

Financial investments - held-to-maturity comprising Treasury Bills, Treasury Bonds and corporate bonds increased to Rs. 2,186 Mn, during the year compared to Rs. 1,838 Mn as at 31st March 2014.

Financial Investments – Loans and Receivables

The financial investments – loans and receivables comprises of the short-term investments made by the Company. The balance as at 31 March 2014 recorded as Rs. 302 Mn an increase of 32% against the corresponding Rs. 227 Mn.

Investment in Subsidiaries

The Company's investment in its two subsidiaries of CDB Micro Finance and Laugfs Capital Limited accounted to Rs. 427 Mn with a 100% stake and 86.26% as at 31st March 2015. Adding value to the parent's investments, all subsidiaries posted a sound performance during the year under review.

Subsidiary	CDB Micro Finance	Laugfs Capital Limited
Holding (%)	100	86.26
No. of Shares	500,000	15,751,514
Investment (Rs. Mn)	2.7	425

Intangible Assets

The Company's intangible assets comprise software and other intangibles to a value of Rs. 71 Mn. The balance presented on the statement of Financial Position indicates a decline of 9% compared to 78 Mn in 2013/14.

Property, Plant & Equipment

The Company invested in property, plant & equipment to enable the booming expansion. Thus, total property, plant & equipment rose to Rs. 1,421 Mn compared to the balance of Rs. 1,004 Mn as at 31st March 2014.

Goodwill on Consolidation

The goodwill on consolidation represent the goodwill on Laugfs Capital. The value recorded is Rs. 244 Mn in the Group Financial Position.

Investment Property

Investment property comprised the Biyagama Land amounting to Rs. 20 Mn.

Other Assets

Other assets reflect a slight increase of 4% and reached to Rs. 949 Mn as against the balance stood at 31st March 2014 which comprised Rs. 754 Mn and Rs. 195 Mn of other financial assets and non-financial assets respectively. Vehicle stock was the major component of non-financial assets which accounted for 61%.

Due to Banks

Due to banks mainly comprise of short and long-term loan facilities obtained from banks. The proceeds were utilised to fund the loans and receivables and also funds will be used to settle higher-rated short-term obligations of the Company. Thus, the obligations inclined to Rs. 1,539 Mn as at 31st March 2015 from the position of Rs. 636 Mn as at 31st March 2014. This substantially supported to improve the Company's financial position.

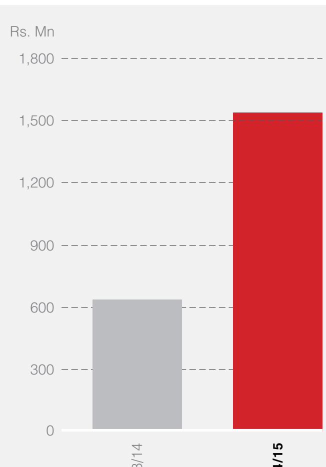
Due to Banks

Mainly comprises short and long-term loan facilities obtained from banks which were utilised to fund the loans and receivables.

2014/15
1,539 Mn

2013/14
636 Mn

Change **142%** ▲



	2014/15	2013/14
	Rs. Mn	Rs. Mn
Due to Banks	1,539	636

Deposits from Customers

As at 31st March 2015, total deposit base stood at Rs. 27,079 Mn as against the Rs. 24,518 Mn as at 31st March 2014. Fixed deposits accounted for Rs. 25,610 Mn of the total liabilities as at 31st March 2015 with a composition of 85% to 15% deposit/savings to debt during the financial year.

The savings portfolio has recorded at Rs. 1,401 Mn an increase of 78.17% against the year 2013/14 figure of Rs. 788 Mn CDB has continuously focused in enhancing the savings portfolio with value added products and services. Further CDB intends to record a 70% to 30% deposit/savings to debt in the forthcoming year.

Debentures and Other Borrowings

The debentures recorded a balance of Rs. 1,043 Mn which was issued in 2013 December and there were no fresh issues in 2014/15.

Other borrowings, mainly represent asset backed securities, a sustainable funding sources for the last few years. Other borrowings stood at Rs. 2,241 Mn against Rs. 2,506 Mn as at 31st March 2014 which is a drop of 11%.

Current Tax Liability and Deferred Tax Liability

Current Tax liability stood at Rs. 250 Mn and Differed tax liability as at 31st March 2015 stood at Rs. 145 Mn.

Other Liabilities

Other financial liabilities amounting to Rs. 1,369 Mn as at 31st March 2015 comprised accrued expenses and other payables. This recorded an incline of 36% against its corresponding Rs. 1,006 Mn.

Issued Capital

The issued capital of Rs. 1,185 Mn as at 31st March 2015 comprised 54,305,207 number of ordinary shares. The Company did not carry out any share issues during the year under review.

Statutory Reserve Funds

As per the Finance Companies (Capital Funds) Direction No. 01 of 2003, companies with capital funds with 10% of their total deposit liabilities shall transfer 20% of profit after tax to the statutory reserve fund. In compliance, the Company has transferred Rs. 140 Mn to the statutory reserve fund during the year under review.

Revaluation Reserves and Available for Sale Reserves

Revaluation reserve statutory reserve and available-for-sale reserves amounting to a balance of Rs. 1,663 Mn as at 31st March 2015. Revaluation reserves and available-for-sale reserves stood at Rs. 171 Mn and Rs. 854 Mn respectively during the year under review.

Cash Flow

As at 31st March 2015 favourable cash and cash equivalent balance of the Company stood at Rs. 313 Mn compared to Rs. 462 Mn as at 31st March 2014. Operating activities contributed by Rs. 1,197 Mn for the favourable balance whilst net cash outflow in investing and finance activities accounted to Rs. 944 Mn and Rs. 163 Mn respectively.

Asset Quality

The Company has recorded a collection ratio of 94.39% despite the challenges in quarter one of the financial year. The absolute increase in the NPL quantum excluding yard inventory increased by Rs. 38.68 Mn whilst the revolving yard inventory increased by Rs. 339.34 Mn. These ratios are inclusive of revolving yard stocks and excluding yard stocks, the year end ratios on gross and net basis stood at 3.12% and 0.36% respectively. The NPL position is expected to improve due to enhanced asset quality and more prudent control and monitoring features being infused through the realigning process now in progress.

Dividend Policy

The Board and Directors recommended and proposed a dividend of Rs. 3.50 per share as first, final dividend pending approval a shareholders for this period under review. With the payment of this dividend, we are indeed proud to have rewarded all shareholder for six consecutive years, while maintaining a dividend payout ratio of 25% - 30%a track record we intend maintaining steadily.

Share Price and Market Capitalisation

The share price recorded a high of Rs. 104.90 and a low of Rs. 46 during the financial year. The closing price at the year-end was Rs. 85.00 and market capitalisation was Rs. 4,527 Mn. The Company's closing share price posted an increase of 85% as against the previous year end price of Rs. 46.00.

Ratio Analysis

Debt to Equity Ratio

The Company for the year 2014/15, has reported a debt-to-equity ratio of 66% against the 75% reported in the previous year.

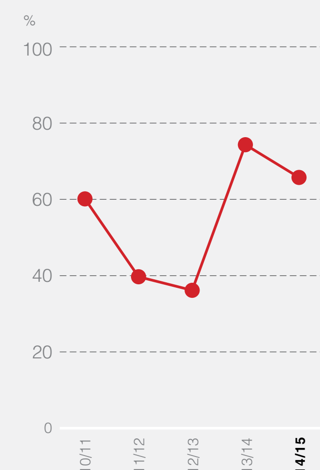
Debt to Equity

Debt to equity recorded at 66% against the previous year's 75%.

2014/15
66%

2013/14
75%

Change
9%pt ▼



	2014/15	2013/14	2012/13	2011/12	2010/11
	%	%	%	%	%
Debt to Equity	65.80	74.54	36.29	39.62	60.25

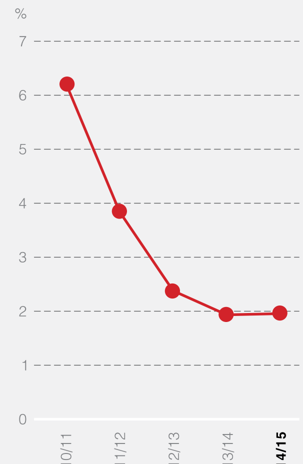
Return on Assets (ROA) and Return on Equity (ROE)

For the year ended 31st March 2015, the Company recorded a ROA and ROE of 1.95% and 17.81% against 1.93% and 17.16% in 2013/14 respectively. It is noteworthy that the Company is performing above the industry in terms of ROE, that stood at 13.1% respectively.

ROA

The Company's profitability relative to its total assets base positively indicates an increase at 1.95% compared to previous year.

2014/15
1.95%
2013/14
1.93%
Change **0.02%pt** ▲

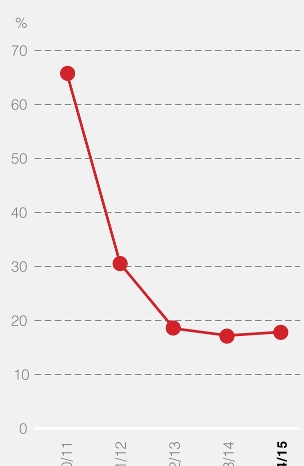


	2014/15 %	2013/14 %	2012/13 %	2011/12 %	2010/11 %
ROA	1.95	1.93	2.38	3.84	6.23

ROE

The Company is performing well above the industry in terms of ROE, which stood at 13.1%.

2014/15
17.81%
2013/14
17.16%
Change **0.65%pt** ▲



	2014/15 %	2013/14 %	2012/13 %	2011/12 %	2010/11 %
ROE	17.81	17.16	18.57	30.49	65.98

Capital Adequacy Ratio

The Company successfully maintained core capital and total risk-weighted capital ratio of 10.14% and 12.91% respectively as at 31st March 2015, ratios well above the minimum requirements of 5% and 10% respectively.

Funding

Funding remains highly influenced by the regulatory environment and in this equation, the CDB business strategy strives to create an optimum funding mix which infuses the required volume of funds to support our lending strategy. There is also unwavering focus on pricing, maturity and differentiation of product categories.

Industry Performance

The share of deposits among the funding sources of the sector increased to 22.7% in 2014 from 22.7% recorded in 2013, while the share of borrowings decreased to 25.4% in 2014 from 26.8% in 2013 indicating the significant changes in funding structures. The deposits grew by 22.7% to Rs. 414 Bn as at the end of 2014, compared to a 32.7% growth in 2013. This was mainly on account of relatively higher deposit rates offered by finance companies compared to banks in the current lower interest rate regime. The deposit mobilisation was mainly through time deposits accounting for 95% of the total deposits. The total borrowings in the sector reached Rs. 217 Bn, an increase of 12.9% as at end 2014 compared to the growth rate of 9.3% recorded in 2013. The capital elements of the sector increased by 20.3% to Rs. 117 Bn as at end 2014, compared to a marginal increase of 2.6 % in 2013 mainly on account of profits made during 2014.

	2013 (a)		2014 (b)		Change	
		Share		Share	2013	2014
	Rs. Bn	%	Rs. Bn	%	%	%
Total Deposits	337.3	47	414	48.5	32.7	22.7
Total Borrowings	192.3	26.8	217.1	25.4	9.3	12.9
Capital Elements	97.4	13.6	117.2	13.7	2.6	20.3
Total Funding	627	87.4	748.3	87.7	19.4	19.3

Source: Central Bank of Sri Lanka. *(a) Revised* *(b) Provisional*

Company Performance

In the current context, CDB's funding strategy revolves on the two pronged segments of retail deposits and corporate borrowings, which targets are detailed in the annual budget and becomes the blueprint for the action plan.

Structured Implementation of Funding Strategy

Step 1
- Funding strategy (Public and corporate funding)

Step 2
- Overall target based on the strategic plan

Step 3
- Further drilled down to annual target

Step 4
- Setting up the branch target

Step 5
- Sales officer target (branch wise)

Operational Focus for the Year

As per the impact of low market interest rate scenario which was gradually unfolding throughout the year, the savings and deposits markets viewed as much less attractive as an investment option. It signaled a much lower industry wide Average Weighted Deposit Rate (AWDR) as at 31st March 2015.

As the industry continued in such a way for its part, CDB paved concerted effort on driving of a savings centered clientele where to easy away from costly deposits.

Category	Brand	Product Details	Highlights
Fixed Deposit	CDB Dhana Surekum	"Dhanasurekum" is the general fixed deposit with a higher comparative interest rate	Fixed Deposit portfolio grew by 10% to Rs. 27 Bn during 2014/15 Interest Expenses declined by 5% to Rs. 3.3 Bn
	CDB Aee	"Aee" is a specialized deposit scheme which focuses on the female community.	
	CDB Dheegayu	"Deeghayu" Fixed Deposits focus on the senior citizens of the country with 1% additional interest and many more benefits	
	Mudharabah Deposit	Under the Sharia compliant financing customers can deposit their money as investors in CDB which will share a return on a monthly basis	

Strategic Goals and Performance for the Year

Goal: To achieve a Deposit portfolio of Rs. 28 Bn

CDB offers wide three variety of fixed deposit products as "Dhanasurekum", the regular deposit, "Deeghayu", for senior citizens and "Aee" specifically for women. As expected, deposit volumes track the interest rate cycle and have shown a recent decline. The decreasing trend in deposit rates has the potential to drive capital away from deposits and towards alternative high-yielding sources of investments.

During the course of the year, to reach our targeted asset base of Rs. 100 Bn by the end of the financial year 2020, CDB set a deposit portfolio target of Rs. 28 Bn, of which, we envisaged raising Rs. 27 Bn from deposits with net corporate borrowings bringing in the balance.

Deposit – Industry		Deposit Industry – Change	
2013 (a)	2014 (b)	2013	2014
Rs. Bn	Rs. Bn	%	%
337.3	414	32.7	22.7

Source: Central Bank of Sri Lanka. *(a) Revised* *(b) Provisional*

Deposit – CDB		Deposit CDB – Change	
2013	2014	2013	2014
Rs. Bn	Rs. Bn	%	%
24.5	27	37	10

While CDB did achieve Rs. 27 Bn against the set target of Rs. 28 Bn despite intense competition and downward interest rates, the increase seen is reflective of the increase seen in the NBFI sector, where deposits increased to Rs. 414 Bn, an incline of 22.7% over the previous year. What was significant in the landscape were the fiercely competitive rates prevalent in the market, presented by both NBFIs and banks. Hence, it is remarkable that CDB did increase its deposit base by more than 6%, clearly indicating increasing customer confidence in our Company.

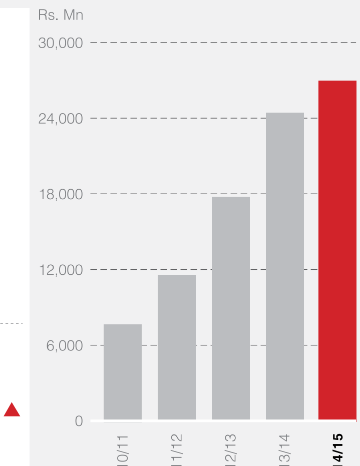
FD Portfolio

Despite of a low interest rate scenario and fiercely competitive market, we were able to increase our FD Portfolio by 10%.

2014/15
27,079 Mn

2013/14
24,518 Mn

Change
10% ▲



	2010/11	2011/12	2012/13	2013/14	2014/15
	Rs. Mn	Rs. Mn	Rs. Mn	Rs. Mn	Rs. Mn
FD Portfolio	7,770	11,699	17,799	24,518	27,079

Goal: To achieve Net Savings Portfolio of Rs. 1.5 Bn

In our equation of eventually becoming a total financial solutions provider, we launched a new savings product to the savings family named, CDB Salary Plus which harness a bundle of benefits to the targeted professionals. CDB was the first to launch in the sector keeping a competitive edge in line with the commercial banks. The main objective was that the conventional savings products attract low cost funds since interest rates are relatively low. At present CDB offers three savings accounts of CDB Real Savings, a general savings and CDB Ranketi, a savings for young children.

Category	Brand	Product Details	Highlights
Savings	CDB Savings	'CDB Savings' is the general savings account at CDB which offers our customers the highest interest rate for any savings account.	Savings portfolio grew by 78% to Rs 1.4 Bn during 2014/15 Interest Expenses increased by 41% to Rs. 78 Mn
	*CDB Salary Plus (New product)	'CDB Salary Plus' will enable to do more above and beyond the limits of savers monthly remuneration. • Can apply for a personal loan of 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.	
	CDB Ranketi	CDB "Rankati" is a minor savings account which ensure a rich future for children with offering amaing array of gifts and benefits through different savings plans to suit your needs	
	Mudharabah Savings	The Mudharabah (Investment) is a contract, with one party providing 100% of the capital and the other part providing their specialist knowledge and expertise to invest the capital and manage the investment project.	

In order to grow the savings portfolio, Rs. 1.5 Bn was set at the beginning of the financial year for 2014/15 as an avenue of raising low cost funds, despite the challenging market conditions CDB achieved a significant 78% growth in savings portfolio.

Savings – Industry		Savings Industry – Change	
2013 (a)	2014 (b)	2013	2014
Rs. Mn	Rs. Mn	%	%
8,571	16,993	31	98

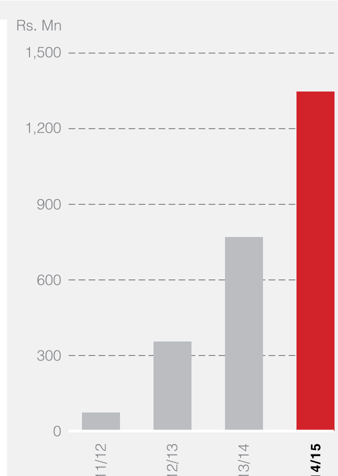
Source: Central Bank of Sri Lanka. *(a) Revised (b) Provisional*

Savings – CDB		Savings CDB – Change	
2013/14	2014/15	2013/14	2014/15
Rs. Mn	Rs. Mn	%	%
789	1,401	53	78

Savings Portfolio

With employment of new strategies through new savings products we were able to increase our savings portfolio by a commendable 78%.

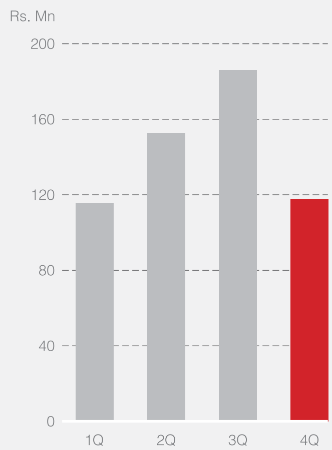
2014/15
1,401 Mn
2013/14
789 Mn
Change
78% ▲



	2011/12	2012/13	2013/14	2014/15
	Rs. Mn	Rs. Mn	Rs. Mn	Rs. Mn
Savings Portfolio	76	356	789	1,401

Quarterly Savings Mobilisation

Rs. 186 Mn was attracted through CDB savings accounts, the highest out of the four quarters.



	Q1 Rs. Mn	Q2 Rs. Mn	Q3 Rs. Mn	Q4 Rs. Mn
Quarterly Savings Mobilisation	116	153	186	118

Goal: To increase Borrowing Portfolio to Rs. 5 Bn

Out of the funding targets, Rs 1.2 Bn was envisaged to come from borrowings. CDB was mainly concentrated on corporate borrowings during the lower interest rate scenario in order to attract longer tenor, low cost funds which will be able to help better in addressing maturity gap.

In comparison, borrowings in the NBFI sector increased to Rs. 217 Bn, which is a 12.9% growth over the previous year, signifying the volatility and instability seen in the interest rate milieu, which prompted funding providers to demand higher rates. Changes in the previous financial year showcase that borrowings have inclined by 12% to Rs. 4.8 Bn in the Company.

Borrowings – Industry		Borrowings Industry – Change	
2013 (a)	2014 (b)	2013	2014
Rs. Bn	Rs. Bn	%	%
192.3	217	9.3	12.9

Source: Central Bank of Sri Lanka. *(a) Revised (b) Provisional*

Borrowings – CDB		Borrowings CDB – Change	
2013/14	2014/15	2013/14	2014/15
Rs. Bn	Rs. Bn	%	%
4.3	4.8	24	12

Priorities for 2015/16

In an intense rivalry situation, the banking sector which is offering interest rates par with non banking sector, CDB was able to achieve a deposit portfolio of Rs. 27 Bn. CDB took measures to realign the deposit mix by shifting towards in favor of flexible low cost funds. We look for means and ways to further attract long term borrowings/ foreign borrowings and in additionally to reduce the concentration we have on deposits.

More over we took a new paradigm shift within the year by building a savings centered clientele enabling to head on the road in expanding our product lines, client base and to address more growing potentials. The Company will strike a balance by weighing more on corporate funding which has a longer tenure.

From a longer term perspective as well as for the immediate future perspective CDB looks to attract walk in customers through the enhancing our brand name which carries a promise in two fold of building sustainable brand franchise and to elevate the brand with its promise delivery. Further we look forward to improve client service standards and convenience through CDB visa debit card and connected ATM network. It is essential to have a growth in our product portfolio to serve diverse preferences of our customers ensuring that they are at a highly satisfied point.

Lending

A well defined pragmatic structure encompasses CDB's lending strategy, clearly charting the opportunities and risks associated with each of the three key market segments of leasing, hire purchase and loans.

Industry Performance

Total accommodations in the sector recorded a modest growth of 16% to Rs. 641 Bn as at end 2014, compared to a growth rate of 17.3% during 2013. Finance leases, hire purchases and secured advances were the major sources of accommodation accounting for 43%, 27% and 19%, respectively. Among the accommodation products, secured loans and finance leases recorded growth rates of 46% and 11%, respectively. The pawning business exposure as a percentage of the total loan portfolio of LFC and SLC sector has reduced to 3.5% (Rs. 22.6 Bn) in 2014 from 4.8% in 2013. The investment portfolio of the sector, which comprised of equity and debt investments, recorded a notable increase of 39.6% during 2014 to Rs. 42 Bn albeit a lower base on account of increased performance at the Colombo Stock Exchange (CSE) during 2014. Other assets mainly comprised of liquid assets, trading stocks and fixed assets showed a steady growth mainly on account of increased liquid assets in the form of Treasury bills.

Company Performance

The lending strategy at the company takes into account the adjustments necessitated by market conditions, while allowing management the flexibility to operate in full or part in any of the market segments at any given time.

> A well defined pragmatic structure encompasses CDB's lending strategy, clearly **charting the opportunities and risks associated with each of the three key market segments of leasing, hire purchase and loans.**

Structured Implementation of Lending strategy

Step 1	Step 2	Step 3	Step 4	Step 5
• Lending strategy (top, middle and small ticket lease)	• Overall target based on the strategic plan	• Further drilled down to annual & monthly targets	• Setting up the branch target	• Sales officer target (branch wise)

The top segment represents large facilities with low returns where default risk is minimal; the middle level a moderate level of return and risk on facilities, while the bottom, which comprises small tickets, represents small facilities with higher return but involves considerable risk. CDB has defined targets pertaining to each of these segments, adjusted according to market capacity; the continuous emphasis on evaluating the appetite and capacity of each segment has ensured that CDB's strategy remains extremely astute. The other dynamic that adds to this strategy is CDB's diverse product offerings in Leasing, Hire Purchase and Loans.

Product Category	Brand	Product Details	Highlights
Lease	CDB Hybrid Lease/ Permit Holders	An attractive leasing package with special leasing rates for car enthusiasts to invest in Hybrid vehicles. The objective of this leasing product is to keep the momentum of introducing a multitude of leasing facilities to make customers life easier	Leasing portfolio up by 17% to Rs. 15,802 Mn Interest Income Declined by 2% to Rs. 3,327 Mn
	Small Car Lease	CDB Small car leasing is a brand which facilitate in lending for small cars which are below 1000cc	
	CDB 3W Raja Selakili	This brand will focus on attracting three-wheelers	
	*Flex Leasing (New product)	An easy leasing package with a special feature of having flexible installments according to the income earning nature of the customer.	
	*Ladies Leasing (New product)	A unique vehicle leasing facilities provided to any female who wishes to drive her dream vehicle.	
	*Big Ticket Leasing (New product)	Another leasing facility for high priced machineries and high tech equipments	
	*Aspire Leasing (New product)	A leasing facility especially target on professionals and business bodies	
	CDB Diesel Mini Truck Lease	These to brands will focus on providing lending to small truck segment	
	CDB Diesel Batta Lease		
	Ijarah	Ijarah scheme is unique, being specially designed and tailor-made to address customer's vehicle leasing needs. We will purchase the motor vehicle of customer's choice and style, and let use it over a mutually agreed lease period and gift it to customer at the end of the lease period, upon successful completion of lease. Only thing that customer have to do is pay the rental on time. We will insure and bear the cost of all major repairs, leaving customer with only the small hassle of routine maintenance. In this way, we take a major part of their risk away, giving them the freedom to enjoy the benefits of Ijarah.	
Hire Purchase	CDB Hire Purchase facility for registered vehicles	Hire purchase category deals with providing lending to registered vehicles	Hire purchase portfolio up by 22% to Rs 7,062 Mn Interest Income up by 35% to Rs. 1,424 Mn
Loan	CDB Gold Loans Personnel Loans Housing Loans Vehcile Loans	CDB Loan Segment comprises business loans, housing loans, vehicle loans and cash backed loans CDB 'Ran Nidahasa' is the brand which focuses on conducting pawning facility at CDB	Loan portfolio up by 2% to Rs. 6,514 Mn Interest Income increased by 6% to Rs. 1,136 Mn

Product Category	Brand	Product Details	Highlights
	"CDB Privilege" Personal Loan	CDB Personal Loan schemes will help to meet the demands of life practically and efficiently. It serves for four categories as Non-Executive, Executive, Doctor and Professional (Accountants and Engineers) with a low interest rates and convenient application process by making the easiest way to have the lifestyle the customers always wanted.	
	Murabaha	Murabaha is the most popular and most common lending mode of Islamic financing. A contract of sale between the company and the customer for the sale of goods at a price plus an agreed profit margin for the company. The contract involves the purchase of goods by us which then sells them to the customer at an agreed mark-up where repayment is usually on installments basis.	

Operational Focus of the Year

From an industry perspective, as low market interest rates became the new norm in the preceding year. With the private sector credit growth remaining obstinately resistant, despite the low interest rates, widespread re-pricing was deployed across the industry, as players mixed up to engage the limited market possibilities. As a result the loan book continued to be burdened with diminishing NIMs throughout the year. Our focus for the year in essence increased towards personal loan schemes where we strive to attract professional customers and attentive on high quality loans and advances. The focal objective was to diversity in to other loan products to reduce the concentration on vehicle backed loans.

The re-pricing strategy was put in place to encourage customers to make use of the current low interest borrowing environment. In adding up CDB focused on deriving sound lending mix by striking a balance between short and long-term offerings and as a result several promotional campaigns were initiated to stimulate customer demand and to grow lending volumes.

Strategic Goals and Performance of the year

Goal: To achieve a lending disbursement of Rs. 18 Bn by Growing the Overall Loan Book

Having to contend with numerous challenges throughout the year, CDB has used differentiation to gain a competitive edge. With a target set for Rs. 18 Bn at the beginning of the year in the lending arena, anticipating a gathering of pace in lending, CDB took on the mantle of enhancing customer service, personalising interaction with our customers and customising tailor-made solutions. This was further augmented with distribution engaged island wide, which became the foundation for unleashing the reasons to our accomplishments during this challenging year. Hence, during the year under review, our disbursements amounted to Rs. 15 Bn against our target of Rs. 18 Bn, which we believe is very noteworthy given the intense competition, interest rate reduction scenario.

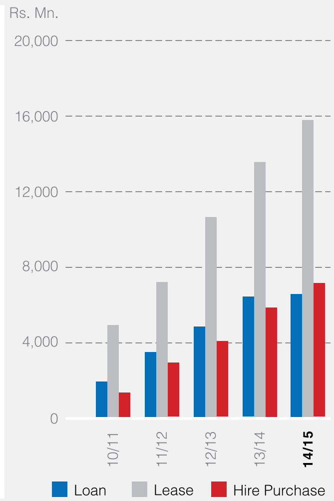
Lending – Industry		Lending Industry – Change	
2013 (a)	2014 (b)	2013	2014
Rs. Bn	Rs. Bn	%	%
553.1	641.4	17.3	16

Source: Central Bank of Sri Lanka. *(a) Revised (b) Provisional*

Lending – CDB		Lending CDB – Change	
2013/14	2014/15	2013/14	2014/15
Rs. Bn	Rs. Bn	%	%
25.7	29.3	32	14

Loan Book Mix

Finance leases accounts for the highest amount which represents 54%.



Loan Book Mix	2010/11 Rs. Mn	2011/12 Rs. Mn	2012/13 Rs. Mn	2013/14 Rs. Mn	2014/15 Rs. Mn
Loans	1,870	3,414	4,829	6,390	**6,514**
Lease	4,903	7,193	10,637	13,528	**15,802**
Hire Purchase	1,309	2,862	3,985	5,807	**7,062**

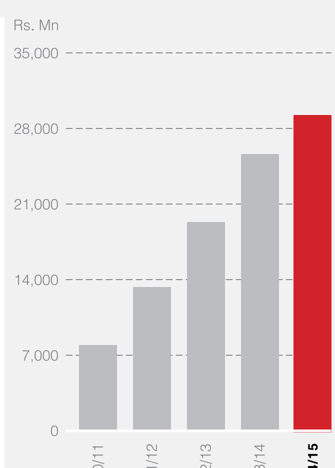
Loan Portfolio

Loan Book showcases an increase of Rs. 3.65 Bn which indicates an impressive growth of 14%.

2014/15
29,379 Mn

2013/14
25,724 Mn

Change
14% ▲



	2010/11 Rs. Mn	2011/12 Rs. Mn	2012/13 Rs. Mn	2013/14 Rs. Mn	2014/15 Rs. Mn
Loan Portfolio	8,082	13,469	19,450	25,724	**29,379**

From a sectorial perspective, accommodations granted in the NBFI sector increased to Rs. 641.4 Bn by end December 2014, which is a growth of 16% and in comparison, CDB did exceptionally well, increasing the total accommodations portfolio by 29.3%. CDB has also had to contend with SLCs dominating the market, with banks and other financial institutions becoming aggressive in their marketing and competitive stance.

The total loan book grew by 14% during the year under review. Despite the stiff market competition the re-pricing strategies taken by the management were ended up with successful outcome. The lending facilities were granted comparatively at low interest rates, continued to compromise Net Interest Margins throughout the year while ensuing enhancement of assets quality. Even though there was a stagnant credit growth the company's 80% of the loan book with monthly repayment has ensured a strong balance sheet.

Assets Quality

Goal: To maintain a Healthy Collection Ratio

CDB has identified key below performance indicators for assets quality of its portfolio, which are collection ratio and NPL.

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 creditable 94.39% in its Collection Ratio during the financial year under review. 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 action if needed.

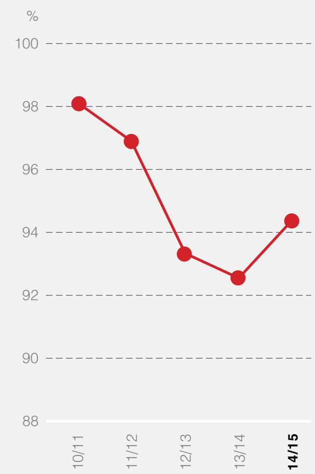
Cumulative Collection Ratio

We were able to improve our collection ratio due to employing prudent strategies in managing post disbursement follow-up.

2014/15
94.39%

2013/14
92.54%

Change
1.85%pt ▲



	2010/11	2011/12	2012/13	2013/14	2014/15
	%	%	%	%	%
Average Yearly Collection Ratio	98.10	96.92	93.33	92.54	**94.39**

Goal: To increase the Assets Quality by Maintaining NPL Ratio below 3.5%

Assets quality is a fundamental criterion for the success of any Financial Institutions. Monitoring and evaluation of the quality of Assets portfolio is targeted by the CDB with several measures.

- Proper evaluation and strict procedures on grating facilities exist in order to prevent possible payment lagging in the future.
- Continuous monitoring of the facilities granted in order to avoid future risk of defaulting payments and to strengthen Post Disbursement Follow-up Division.
- Continuingly linking the responsibilities of the credit and leasing facilities granted within organisation of facilities at individuals officer and branch approval level.

The Gross NPL ratio by end of the financial year stood at 5.78%, well below industry average of 6.9%, although higher than 5.19% shown during the previous year.

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 NPLs into different segments, dealing with each as an individual case. Furthermore two special teams have deployed to manage different client segments based on the age of the loan facilities.

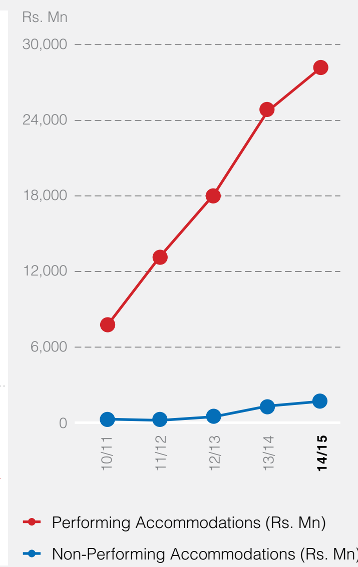
NPL Ratio

The Company's NPL ratio increased slightly compared to the previous financial year, but stayed well below the industry figure of 6.9%.

2014/15
5.78%

2013/14
5.19%

Change
0.59%pt ▲



	2010/11	2011/12	2012/13	2013/14	2014/15
	Rs. Mn	Rs. Mn	Rs. Mn	Rs. Mn	**Rs. Mn**
Performing Accommodations	7,685	13,243	18,120	24,672	**28,182**
Non-Performing Accommodations	290	225	431	1,349	**1,727**

Non-Performing Loans – Industry		Non-Performing Loans Industry – Change	
2013 (a)	2014 (b)	2013	2014
Rs. Bn	Rs. Bn	%	%
36.9	44.3	57	20

Source: Central Bank of Sri Lanka. *(a) Revised* *(b) Provisional*

Non-Performing Loans – CDB		Non-Performing Loans-CDB – Change	
2013/14	2014/15	2013/14	2014/15
Rs. Mn	Rs. Mn	%	%
1,349	1,727	213	28

Pawning Portfolio

As a whole industry experienced an increase in non-performing loans due to decline of gold prices as well as deteriorated economic conditions of the country during 2013/14. The company has efficiently managed the negative impact on gold portfolio due to decline of gold prices. CDB has re-initiated the business with refocused strategy, risk appetite has been reassessed.

Priorities for 2015/16

Given the economic conditions the company will penetrate more in the existing market segments that the company is currently operating. More over our focus on reducing the concentration on vehicle related credit will continue in future years as well. Increase the market share in new lending products such as personal loan schemes by attracting more professional customer segments will enhance the customer base while ensuring the quality of assets. We will further preferred in penetrating to margin trading enhancing value added services. On top of everything our key focus for the immediate future will be to maintain a healthy assets portfolio ensuring less provisioning and high profitability.

Other Products: MoneyGram and Money Exchange

Company Performance

This year too, inward workers' remittances echoed similar paradigms to last year and CDB's two products in this sphere, Money Exchange and Moneygram continued to build on the positives we observed. This year, we worked on foreign exchange remittances of Rs. 179,078 through both these products. Aligning ourselves to become a total financial services provider, we are also honing capacities to cross sell and mix and match our product portfolio, so customers can make informed choice.

Product Category	Brand
Value Added Services	CDB VISA Debit Card
	CDB Money Exchange
	MoneyGram
	Margin Trading

Operational Focus of the Year

CDB displayed the confidence we have instilled in the regulator and authoritative bodies, our entire branch network is authorised to deal in foreign currency and this year, we achieved an exchange gain of Rs. 86,841.

Operational Objectives and Performance of the year

Goal: To enable all CDB outlets to Conduct MoneyGram and Money Exchange

Totaling our reach in money exchange and MoneyGram expanded to total number of 59 outlets. The major challenge faced was to ensuring that the team members are well equipped and trained in the field of foreign exchange high expenditure incurred in obtaining relevant equipment.

	2014/15 Rs. Mn
Outlets authorised for Money Exchange	59
Outlets authorised for MoneyGram	49

	Product Details
	CDB offers the VISA debit card to make purchases quick and easy for our customers.
	CDB Money Exchange facilitates customers in exchanging accepted foreign currency into Sri Lankan Rupees
	In partnership with MoneyGram International, a leading global payments services company operating money transfer services worldwide as well as bill payment services in the US through a global network of more than 203,000 agent locations, CDB is a sub agent for Hatton National Bank
	A trading service targeting the middle income earners who are not overly risk averse and promoting capital market investment by rural high net worth individuals

Recruiting team members who are competent and equipped with the apt knowledge proved to be challenging as no dedicated training facility or course of study is available specifically for foreign exchange services. This was assuaged somewhat through our internal HR initiatives, gaining the assistance from external resource personnel and continuing training and development programmes being introduced. Equipment to operate foreign exchange services, including foreign money counters, also remains a considerably large investment.

Goal: To Cross-Sell Our Core Products

Initiating and developing new service segments is a definite means of enhancing our fee based income and in cross selling our main products to customers who use our foreign exchange service facilities, we can achieve this goal.

Commission on Money Remittances

Through Moneygram facility CDB could be a total financial services provider.

2014/15 (Rs. '000)

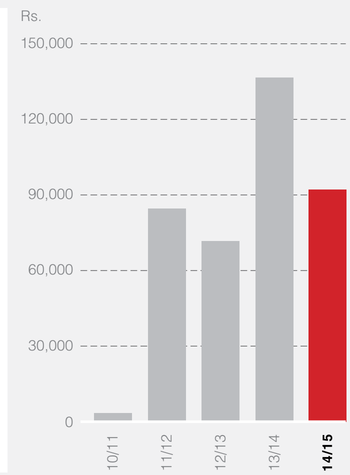
92,237

Change

32% ▼

2013/14

136,291



	2010/11	2011/12	2012/13	2013/14	2014/15
	Rs.	Rs.	Rs.	Rs.	Rs.
Commission on Money Remittances	3,733	84,678	71,510	136,291	**92,237**

Exchange Gain On Money Exchange

	2010/11	2011/12	2012/13	2013/14	2014/15
	Rs.	Rs.	Rs.	Rs.	Rs.
Exchange Gain on Money Exchange	38,821	18,411	54,791	684,263	**86,841**

Priorities for 2015/16

We will continue to explore market opportunities and in increasing our presence in all parts of the country, will add further strategies that will complement our entire product and service portfolio. More over we make plans to enhance services through introduction of new remittance platform.

Channel Development: Branding and Distribution Network

The CDB brand values encompass a continually improving curve in ensuring our stakeholders remain a strong and stable partner in our journey ahead. This means that we must have a competitive strategy that will differentiate us from others in the market, especially with regard to making an impression and then retaining our customers. To do this, we began by aligning our branches to our core brand identity, re-launching them to reflect enhanced service standards and service excellence.

Industry Performance

During the year 2014 business growth of the industry, which is comprised with License Finance Companies Specialised Leasing Companies the outreach has been expanded by 72 to 1,132 out of which 47 were opened out of western province.

Company Performance

Operational Focus of the year

Having considerably increased the operational footprint in the past recent years growth in the distribution network did continue in this year at a moderate pace. CDB was shifted away from branch expansion during the year under review and concerned more on completing the constructions of a fully fledged head office and more pragmatic branch models that would make a robust contribution to the company in terms of financial bottom line in the longer term.

Developing an operational platform is deemed imperative to ensure branch functions are optimized and will enable in delivering the customer value proposition. Our focus was mainly on the customer convenience ensuring easy access to the branches and service centres. Where we do not operate physically, we have Area Development Officers (ADO) and a large Dealer network available to serve the customers around the island.

CDB was much more concerned on effective cost management strategies and ongoing processes with much efficiency ensuring branch profitability.

Strategic Goals and Performance of the Year

Goal: To enhance Brand Image

Intense competition has made the company to being constantly innovative in differentiating products and services. It also challenged in penetrating the brand into areas with less presence and penetrating around the country lesser than major industry players. Accessibility and penetration are two facets that CDB has been focusing on in its distribution strategy. The multi channel distribution is developed therefore on a strategic base, where business approach is cited in our business model and branch expansion is worked on to maximize advantages. Currently, with a total of 59 outlets, our distribution strategy has surely been astute given that we are among the most valuable brands in the country.

Our initiatives have proved successful as evident in our brand ranking remained at 46th in the Most Valuable Brands in Sri Lanka by LMD and were the bronze award winner for the service brand of the year at 13th SLIM Excellence Awards . Positioning ourselves as a financial entity that will become a total financial services provider adds a competitive advantage, in this milieu which is extremely competitive and continues to be so.

The sustainability projects we have embarked upon including CDB *Sisudiri* to present scholarships, the IT laboratories to underprivileged schools and the environmental initiatives under the banner of *Mihikathata Adaren* are also designed to strategically enhance to our brand image.

Being a relatively young player in the market competing against entities who account for multiple decades in business and thus, have forged confidence and loyalty among stakeholders over that time, CDB has done significantly well in ensuring top of the mind recall among our stakeholders including the general public.

Goal: To augment Business Drive

Our product development strategy is driven by extensive market analysis, feasibility studies and comparative analysis. In product formulation and thereon, we remain very emphatic on ensuring that ethics, transparency and integrity are maintained. CDB does not compromise on these. We are committed to ensuring that our product promise is true to its word and that the communication is never misleading and therefore, endanger the public's perception of our brand image. We are committed to being honest and accountable and will not resort to any bad or negative business practices.

Profitability at all cost is not the overriding factor in our business operations because for us brand image and perception remains strong qualitative factors in enhancing our business drive. We believe in creating a sustainable positive image for CDB. Hence, with the apt foundations in place, we also intend to continue adhering to all the monitoring, controls and dictums that govern us as are directed by the CBSL, while also cultivating a culture of going beyond compliance to ensure that we remain above Board at all times.

We identified that marketing solely cannot be able to build a competitive edge as it requires a robust risk management framework to have proactive approaches. As per this reason, our risk management operations sprinted on thorough scrutinizing process before launching any new product the product proposals will be perusal by the risk division in order to provide an independent assurance.

Goal: Relocate Branches Ensuring Customer Accessibility

Based on our plan of ensuring accessibility through strategic locations, our outlet network has now reached a total of 59, with 47 branches and 12 service centres. With this physical presence and added to with our alternative access channels, our presence is now prevalent island wide. Branch exteriors and interiors have also been fashioned to maintain uniformity and thereby, ensure consistency in brand identification.

This objective led CDB to work on a three pronged strategy:

- To ensure that our entire branch network reflects our core brand identity which has led us to re-launch all our existing branches with better service standards and more decentralisation
- To relocate some of our existing branches to locales that would have better accessibility, visibility and presence
- To refurbish all branches to reflect uniformity in both exteriors and interiors for enhanced brand recall.

During the financial period under review, 2 branches of Negombo and Kaduwela were relocated to more prominent locations that supports on additional parking and better accessibility.

Priorities for 2015/16

Our key business enablers are built on a pyramid of strategic marketing and communications and an expanding island-wide distribution network, with a vision to position ourselves at the zenith of the NBFI sector. We are on an aggressive path in pursuing this and with the investment and network expansion we have planned, together with the IT drivers being augmented, we believe that our path is clear cut and workable. Our marketing strategies will ensure our differentiation from competition, making it easy for customers to reach out to our high quality reliable services. Our customer service will be the base upon which we will grow the germane facets of product innovation, value addition and accessibility, on a brand that will always denote promise of delivery, timely solutions and continued partnership.

Information Technology

Enabling all-encompassing IT Platform leads to a strategic business enabler that has impacted business growth as well as differentiation of our product and service offering in the industry.

Strategic Focus of the Year

Our sophisticated IT Infrastructure that has covey the CDB strategies into modernizes our products and widens our reach, empowering us to leverage on unconventional systems and processes to connect with our customers. We are in the process of building a powerful and overarching IT infrastructure capability that will buoy our entire business operation on a platform that provides online real-time connectivity, speed and capacity. Investments in IT as well as germane training and development remain ongoing and are considered an investment which continues to gain a substantial progress.

Strategic Goals and Performance of the Year

Goal: IT Initiatives for Automation

A number of IT initiatives were launched during the period under review enabling automation of a number of processes and imbuing speed and efficiency into the company's operations.

- Network infrastructure and Data Centre were fully revamped with the inaugural of our new corporate office.
- Mobile remittance services have been initiated offering payments through mobile cash and ATM's, without restricting customers to branch operating hours.
- CDB became the first Non-Banking Financial Institution to join the VISA ATM network.
- Implemented an Enterprise Resource Planning for day to day non-financial operation. Another innovation geared to improve the efficiency of the day to day operations, by eliminating the process delay and significant cost savings through utilization of IT Infrastructure.
- Branchless Banking was introduced to allow customers to deposit money through our branchless banking platform, which accommodate further enhancement in our process streamline.
- CDB Salary Manager Android and iOS application was initiated to facilitate the Salary Plus product which facilitates our customers to manage their receipts and payment on their own without visiting our branches.
- Green IT initiatives were taken to replacing old equipment with more energy- efficient solution, as part of this CDB introduces a paperless environment to carry out day to day operations.

Goal: To implement an IT Security and Governance Framework

We have implemented an Information Security Framework and Governance Model that is designed to protect information and information systems from unauthorised access, use, disclosure, disruption, modification or destruction.

Chaired by the Chief Executive Officer, our Information Security Steering Committee, a sub-committee of the management executives, provides oversight and governance for our information security, governance and risk management activities. In addition, the committee is responsible for establishing cyber risk tolerances and in managing cyber crisis preparedness.

We assess our cyber risk across three categories of 'threat actors' that we currently believe pose the greatest risk, namely cyber criminals, determined insiders and 'hacktivists' or social objectors. Our Information Security Framework and Governance Model use an approach that looks at different phases of security to prepare, prevent, detect, respond and recover from cyber security attacks.

Our Privacy Framework and Operating Model follow a similar structure. It is led by Head of IT Security and Governance and is integrated with Compliance and Enterprise Risk Management leaders. Our IT Security Steering Committee provides oversight and governance over the collection, notice, use, sharing, transfer, confidentiality and retention of sensitive data.

Goal: To enhance Business Intelligence for MIS

Oracle BI solution is now integrated with our core banking system via Data Warehouse to monitor day to day business operation in all aspects for various departments and branches. Business Intelligence and Dashboard provides varies kind of reports, snapshots, performance indicators and reports for varies management reporting purposes.

Priorities for 2015/16

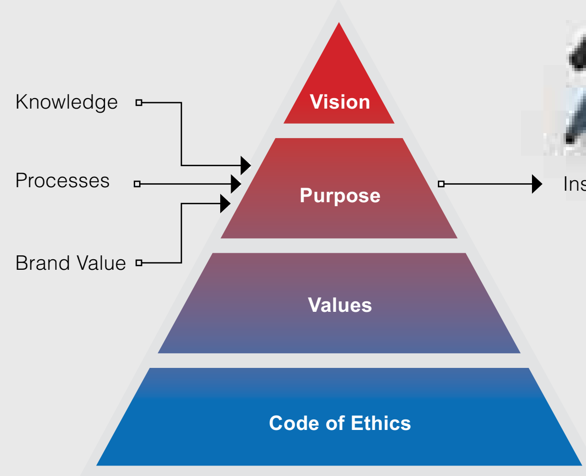
We intend to continue the leverage of Information Technology advancement across all channels, products and services, creating improvements to the banking experience that we welcomed by our customers. Future initiative to launch a virtualisation data centres.

Obtaining ISO 27001 certification is also envisaged as we believe strongly that maintaining and augmenting standards to internationally required quality parameters is of utmost importance.

An alignment between components such as **intellectual property, knowledge, brand value, corporate culture, business ethics and integrity**; facilitate our sustainable value creation process.

Institutional Capital

The sustained growth of our Company depends largely on our ability to develop and manage our institutional capital. This includes non-financial components such as intellectual property, organisational knowledge, brand value, corporate culture, business ethics and integrity. It also includes systems, processes and structures that ensure consistency and facilitate organisational development.



Institutional Capital

Perfectly Aligned Model

The perfect alignment between diverse components of our Company, facilitate the creation of sustainable value for all our stakeholders. Accordingly, there is complete unison between the vision, purpose and values of our Company with the business ethics we follow. Other components such as knowledge, processes and brand value also constitute key aspects of institutional capital.

Knowledge Enhancement

We are committed to expanding the knowledge base of our employees and unlocking their full potential. At the same time we promote accountability, teamwork and proactive decision-making. Institutional learning is entrenched into our corporate culture to empower our people to offer superior value propositions and service standards. At the same time, we are fortunate to have some of the best employees in the industry in our organisation.

Robust Systems and Processes

We are a technology-driven financial institution and the pioneer in the industry to implement a Core Bank Solution and the SLIPS transfer system. We make significant investments on process and system development to support sustainable value creation.

The CDB ERP system which is an integrated, real-time, cross-functional enterprise application, supports all internal business processes of our Company. This includes all core business processes such as administration, courier management, document management and control.

During the year we further enhanced our IT infrastructure through the implementation of process modules on functions such as Administration, Courier Management, CDB Leisure and Help Desk. Our collections were strengthened with the array of transaction modes such as 'eZ Cash' and 'mCash' facilitated through a mobile phone. We successfully implemented the Microsoft Dynamics NAV solution in collaboration with Jinasena Infotech (Pvt) Limited, on our non-core areas. Investments were also made on a customised HR platform named 'HR Space' which would completely integrate and automate HR functions of CDB.

Two apps were launched to enhance convenience namely, CDB Salary Manager to manage one's personal income and expenses and BoardPac to elevate concerns and relevant approvals to the Board. Our corporate website was redesigned to facilitate seamless accessibility to Facebook, Google+, Twitter and Youtube to ensure an excellent customer experience.

A Young Brand

The values we uphold, the relationships we nurture with our stakeholders, our unique organisational culture and our service standards are reflected in our brand identity. We believe that brand value is determined by customers, through the interactions they maintain with the organisation. Hence, we strive to maintain 'happy customers' by delivering beyond their expectations. This, we believe has positioned us today as a forerunner in the financial industry, maintaining our position as a preferred financial solution provider and a preferred employer.

The coveted Bronze Award for the service brand of the year is a fine testament of our positive corporate image and strong brand value.

Priorities for 2015/16

Our priorities for the ensuing year entail, expansion of our mobile-based transaction platform, and implementing knowledge enhancing work practices. We also aim to achieve a paperless office with enhanced information flexibility and a smooth workflow.

Delivering Value

As **investor, customer, business partner, employee, regulatory and social and environmental capitals**, the external capital of CDB is formed with the value delivered to stakeholders.

Investors are of value to the Company. Through the interaction with various forms of financial and non-financial capital, **we drive future earnings to derive value for ourselves and deliver value to our stakeholders.**

External Capital Formation

External capital formation is led by the value created by CDB for stakeholders through relationships and activities. They exist within our stakeholders, but the Company has access to and makes use of these and its own internal capital in steering the business. Our discussion will now focus on the Company's external capital formation representing mainly, investor capital, customer capital, business partner capital, employee capital, regulatory capital and social & environmental capital.

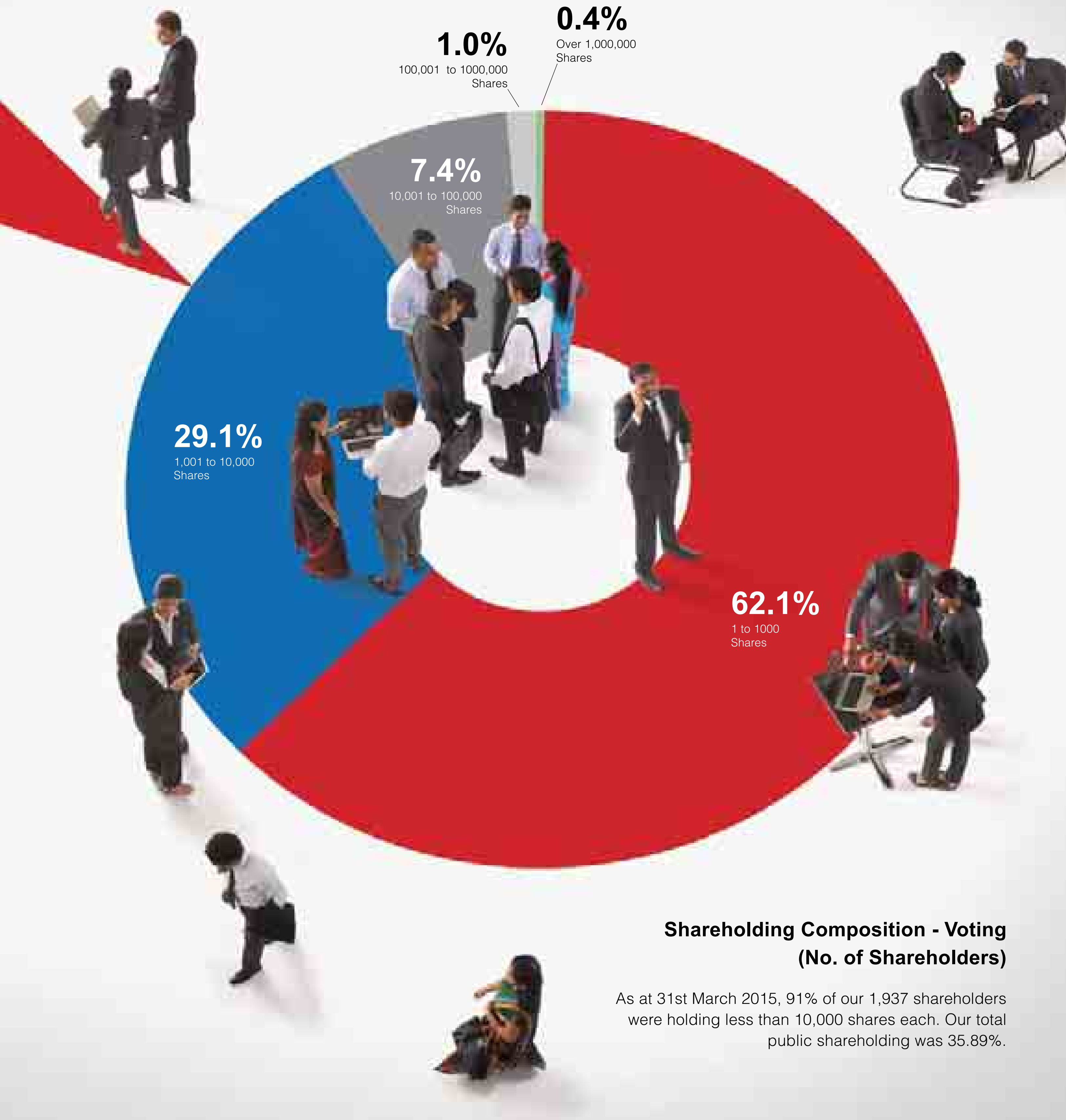
Investor Capital

Both institutional and individual investors, provide financial capital with the expectation of a return. The capital which is in the form of either equity or debt, generates returns which are short, medium or long-term. The investors are of value to the Company, and through the interaction with various forms of financial and non-financial capital we drive future earnings to derive value for ourselves and deliver value to our stakeholders.

Key Performance Indicators	2010/11	2011/12	2012/13	2013/14	2014/15
EPS (Rs.)	12.76	10.28	9.01	10.33	**12.92**
NAV Per Share (Rs.)	25.83	44.31	54.60	65.87	**79.22**
Return on Equity (%)	65.98	30.49	18.57	17.16	**17.81**
Dividend Per Share (Rs.)	2.00	2.50	2.75	3.00	**3.50**
Dividend Payout Ratio (%)	15.67	24.32	30.52	29.04	**27.08**
Credit Rating (LRA)	BBB-/P3	BBB/P2	BBB/P2	BBB/P2	**BBB/P2**

Investor Value Creation Model – Du Pont Analysis

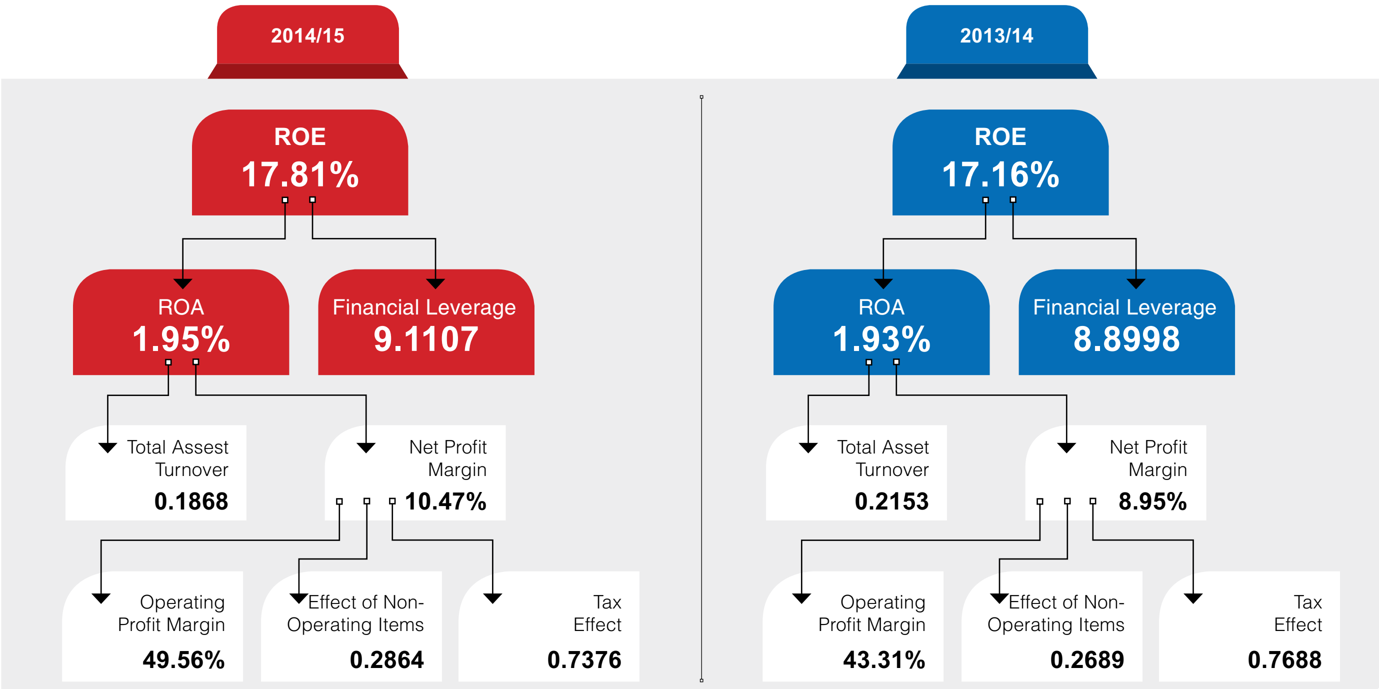
Being a solid and stable financial institution, we have enhanced shareholder value by growing our capital base over the years. This is reflected in our financial ratios, ROE in particular which has increased by 3.79% year on year to 17.81% in the year in review. In addition to growing our asset base and net income we have increased our net profit margin by 16.98% compared to the previous year. The 2.43% growth in financial leverage indicates an enhancement in the asset to equity ratio of the Company.



Shareholding Composition - Voting (No. of Shareholders)

As at 31st March 2015, 91% of our 1,937 shareholders were holding less than 10,000 shares each. Our total public shareholding was 35.89%.

Investor Value Creation Model - Du Pont Analysis



We are a public quoted company governed by the regulations of the Securities and Exchange Commission (SEC) and the Colombo Stock Exchange (CSE). Whilst adhering to the above regulation, we focus on maximising shareholder returns. Prudent management of risk and adhering to good governance practices are also important to us. We are mindful of our obligation towards our investors to listen to their ideas and provide timely and accurate information on the affairs of the Company. We facilitate effective communication between investors, analysts, media and regulatory authorities to enable investors to make informed decisions which is imperative for the functioning of an efficient financial market.

Our excellence in both financial and non-financial performance enabled us to win several awards and accolades during the year. The financial stability of our Company has been acknowledged by Lanka Rating Agency Limited as reflected in the reaffirmation of long and short-term ratings at BBB and P2 with a stable outlook. We frequently conduct investor forums, publish interim financial statements and distribute annual reports to communicate our past and current performance.

The manner in which we engage with our investors is detailed under investor relations on pages 282 to 291 of this Annual Report.

Dividend Policy

We strive to provide shareholders with consistently high returns through increased profits. The dividend policy recommends that gradual increased dividends should be given in tandem with the growth in profits and inflation. For the financial year ended 31st March 2015, CDB proposed a dividend of Rs. 3.50 per share on both ordinary voting shares and non-voting shares totaling Rs. 190 Mn.

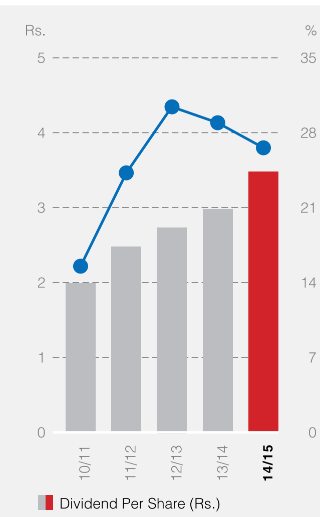
Dividend Per Share and Dividend Payout Ratio

We rewarded our investors with a YoY improved dividend for 6 consecutive years.

2014/15
Rs. 3.50

Change
17% ▲

2013/14
Rs. 3.00



Earnings per Share

The Earnings Per Share (EPS) which is the portion of a Company's profit allocated to each issued ordinary share stood at Rs. 12.92 for the year 2014/15, reflecting a growth of 24.98% compared to Rs. 10.33 the previous year.

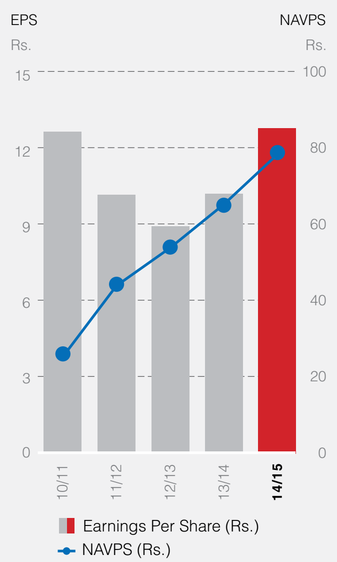
Earnings per Share and NAVPS

The portion of the Company's profit allocated to each outstanding share exhibits an incline of 25% comparatively.

2014/15
Rs. 12.92

2013/14
Rs. 10.33

Change
25% ▲



Shareholders' Funds

We steadily increased the shareholders' funds and total assets of our Company to Rs. 4,302 Mn, and Rs. 38,314 Mn respectively.

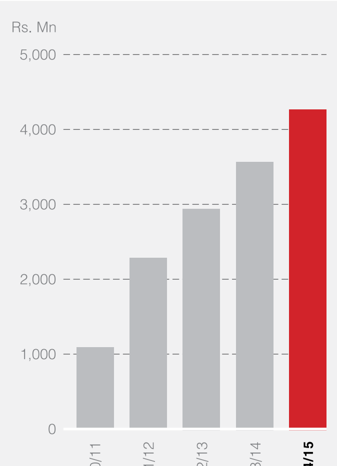
Total Shareholders' Funds

Total shareholders' funds increased by 20% during the year, with the significant increase in retained earnings.

2014/15
4,302 Mn

2013/14
3,577 Mn

Change
20% ▲



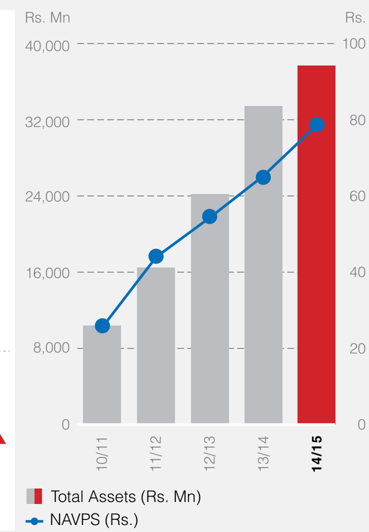
Total Assets and Net Assets Value Per Share

Total assets increased by 13% during the year due to the amplification of Loan Book.

2014/15
38,014 Mn

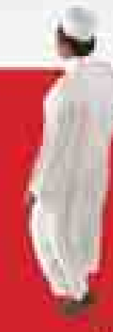
2013/14
33,768 Mn

Change
13% ▲



Priorities for 2015/16

- *To deliver consistent, sustainable, superior shareholder returns in short and medium term to long-term*
- *To create solid value to shareholders through sustainable strategies based on a clear business model responsive to rapidly changing external variables and evolvements.*
- *As a public deposit taking institution and a leading NBFI in the country to ensure shareholder value is protected through business and economic cycles being mindful of balance sheet funding being in the proportion of 10:1 in deposits to shareholders' funds.*
- *To ensure as a leading listed public deposit taking institution to conduct our business adhering to highest standards of corporate governance and to act as a socially and an environmentally responsible corporate citizen contributing to inclusive economic development and well-being of our citizens and thereby ensuring creating sustainable long term shareholder value.*
- *To build an enduring great company that would be a benchmark corporate nurturing people, delivering superior customer experience and value; ensuring long term super value creation to our shareholders.*



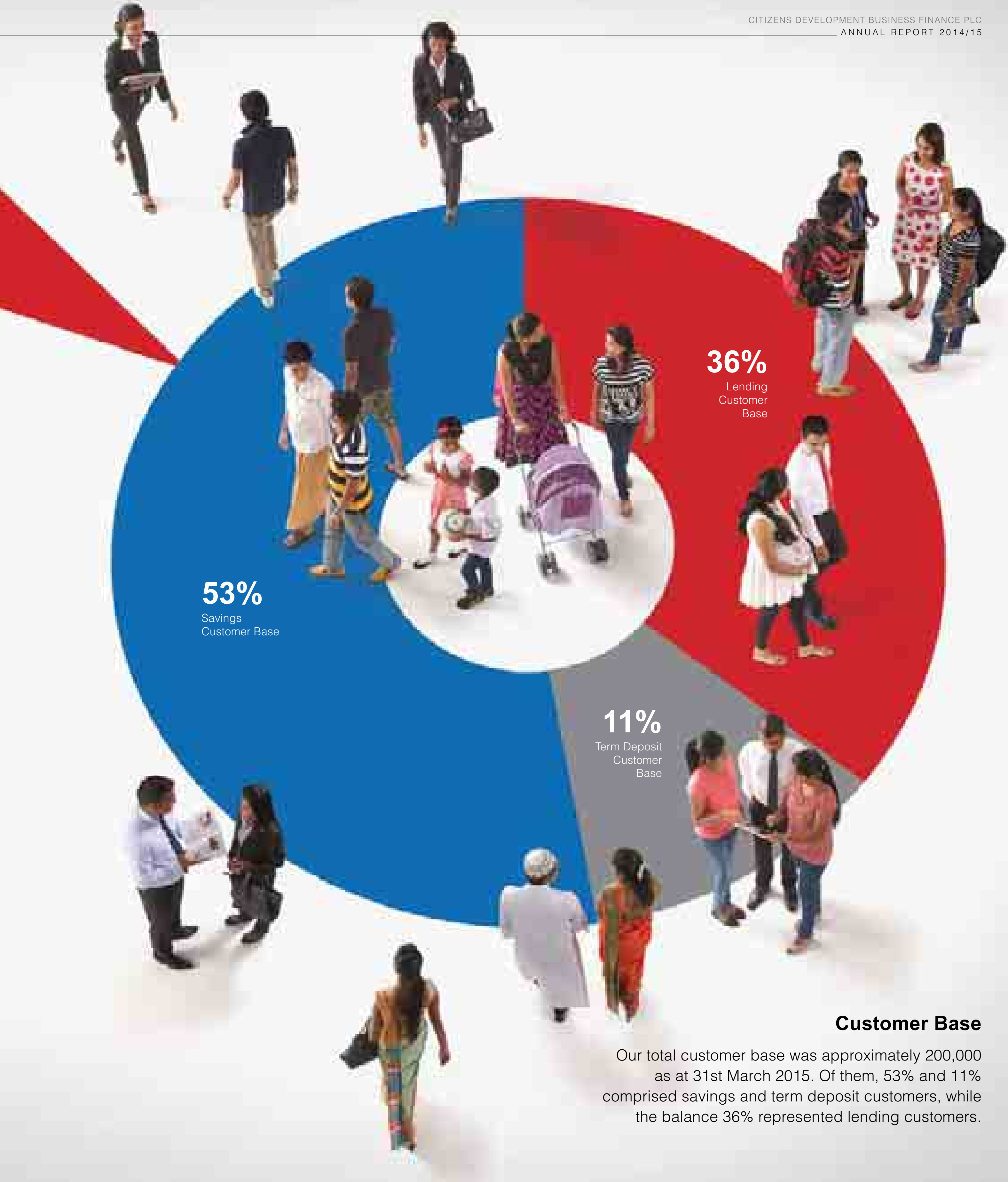
We are committed to nurturing long lasting customer relationships; establishing a more customer-focused branch network; improving our processes and procedures to deliver efficient service; being ethical and transparent in our operation and **nurturing a culture with a sense of responsibility towards customers.**

Customer Capital

Being a customer centric organisation, we prioritise enhancing our position as a value-added partner to our customers for the supply of innovative solutions, excellent services and products of the highest quality at cost effective prices. Therefore, we are committed to nurturing long lasting customer relationships; establishing a more customer-focused branch network; improving our processes and procedures to deliver efficient service; being ethical and transparent in our operation and nurturing a culture with a sense of responsibility towards customers.

All these initiatives have enabled us to maintain an unblemished corporate image and earn the trust of customers and all other stakeholders as well.

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



Customer Base

Our total customer base was approximately 200,000 as at 31st March 2015. Of them, 53% and 11% comprised savings and term deposit customers, while the balance 36% represented lending customers.

Customer Responsibility

Generating positive customer experiences is our top priority. As a financial institution we are committed to ensure confidentiality and build trust through prudent governance and ethical practices.

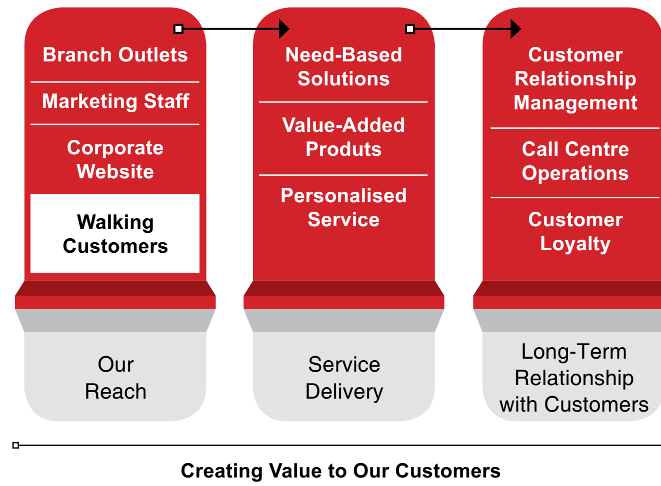
Our aim is to become a financial powerhouse through the delivery of comprehensive financial solutions. Hence, we continually develop our internal capabilities and service standards to meet the rapidly changing expectations of customers. In addition, we provide competitive value propositions to optimise customer experience as well.

Product Responsibility

We continually strive to maintain products and services at the highest standards. We do this through embracing industry and corporate best practice and compliance with all relevant statutory and regulatory requirements in the industry.

In addition, we respect the customer's right to know information pertaining to our products and services or any other transaction maintained with us. Hence, 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. Further, 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 (PR6). During the year, we have not encountered any significant case of non-compliance with such regulations or voluntary codes (PR7, PR8, PR9).

Customer Value Proposition



The customer centric value proposition of our Company is built on four pillars; customer value, service delivery, customer relationship management and delivery channels. We strive to optimise customer value through enhanced service standards, nurturing strong customer relationships and widening our distribution network to increase customer convenience and accessibility.

Customer Privacy

We have in place a corporate value system that upholds the highest level of integrity and ethical standards in our daily operations. In addition, our 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 with relevant regulatory requirements to reduce any risk of fraud. Accordingly, CDB adheres to a strict secrecy policy to which all staff members are bound through the Code of Conduct. Our 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.

We strive to create a customer friendly ambience and a conducive work environment for our employees in all outlets.

Marketing and Communications

All our advertisements and promotional campaigns are conducted responsibly and in an ethical manner. We have in place marketing communications guidelines to ensure that all applicable laws, business ethics and codes of conduct are strictly adhered to. Inaccurate or misleading communications could lead to financial loss as well as loss of reputation, public trust and customers too.

Responsible Lending

We strive to nurture close relationships with customers by understanding their financial needs and extending assistance to uplift their financial status. Our employees are trained on various aspects of product and service deliverables, product features and operational procedures to deliver a professional service at all times. Accordingly, we hone their communication skills and professionally groom our employees deploying eminent personnel in these fields.

Our Brand is Our Promise (G4-56)

Our brand value is built through various initiatives both internal and external to reinforce our position in the financial services industry. We have strengthened our brand value through the offer of affordable products and services of the highest quality that match customers' specific needs.

Our IT Infrastructure

We are a technologically-driven company. Hence we understand the importance of IT as a strategy enabler in the offer of superior tailor-made financial solutions to our customers. During the year, our main focus was to align the technology infrastructure with the strategic business initiatives of our Company. Apart from launching innovative technology based solutions, we have improved the resilience of our core banking IT platform. We have also adopted apt policies and procedures to maintain high IT standards throughout the organisation.

New Facet Outlets

We continually strive to create a customer friendly ambiance and a conducive work environment for our employees in all our branches. During the year, through relocation and renovations, we focused on aligning our branches with our core brand identity of CDB. This was to reflect our enhanced service standards and service excellence. Accordingly, branches in Badulla and Vavuniya were renovated during the year, to maintain uniformity and consistency in brand identification.

Total Financial Services Provider

We provide a comprehensive range of products and services to meet diverse needs of customers. Our product portfolio consists of credit solutions such as leasing and hire purchase facilities, fixed deposits, savings products, fund transfer facilities and much more.

We have deployed specialised customer service representatives to engage with customers in areas including investment management, lending and transaction processing. In the upcoming year, we aim to deploy more specialised representatives in our service centres and outlets to deliver a great customer service. Apart from providing convenience in transaction processing, we extend financial advice and total solutions to match the distinct financial requirements of customers as well. We have streamlined our processes and decentralised our branch operations to offer a speedy and convenient service. Our Core Banking System facilitates this process.

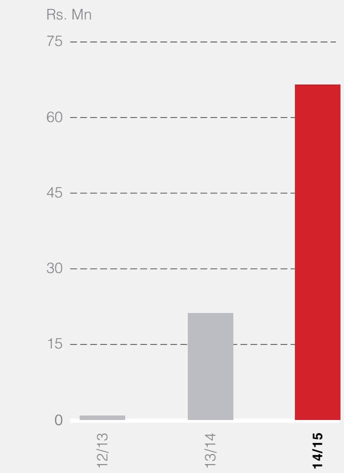
Islamic Finance Deposit Portfolio

Mudarabha deposits portfolio increased by 93% showing a significant fund mobilisation under the Islamic finance deposit portfolio.

2014/15
66 Mn

2013/14
21 Mn

Change
217% ▲



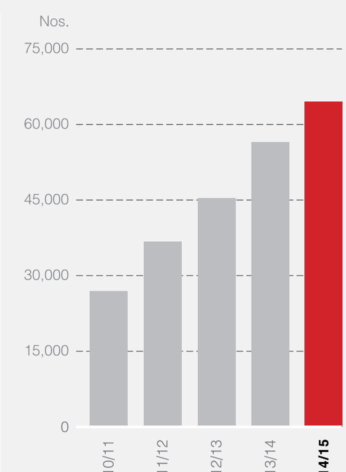
Lending Customer Base

The Company was able to grow the lending customer base by 14% compared to the previous year.

2014/15
64,000

2013/14
56,000

Change
14% ▲



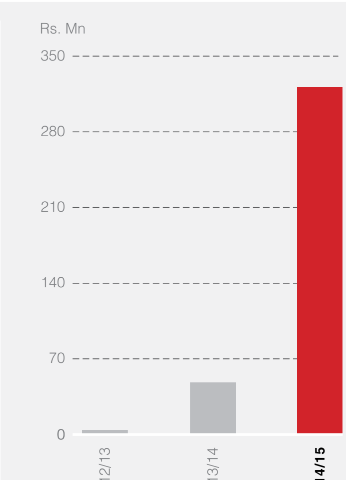
Islamic Finance Lending Portfolio

Noteworthy increase of the Islamic finance lending portfolio rewarded a growth of 574% compared to 2013/14.

2014/15
321 Mn

2013/14
47 Mn

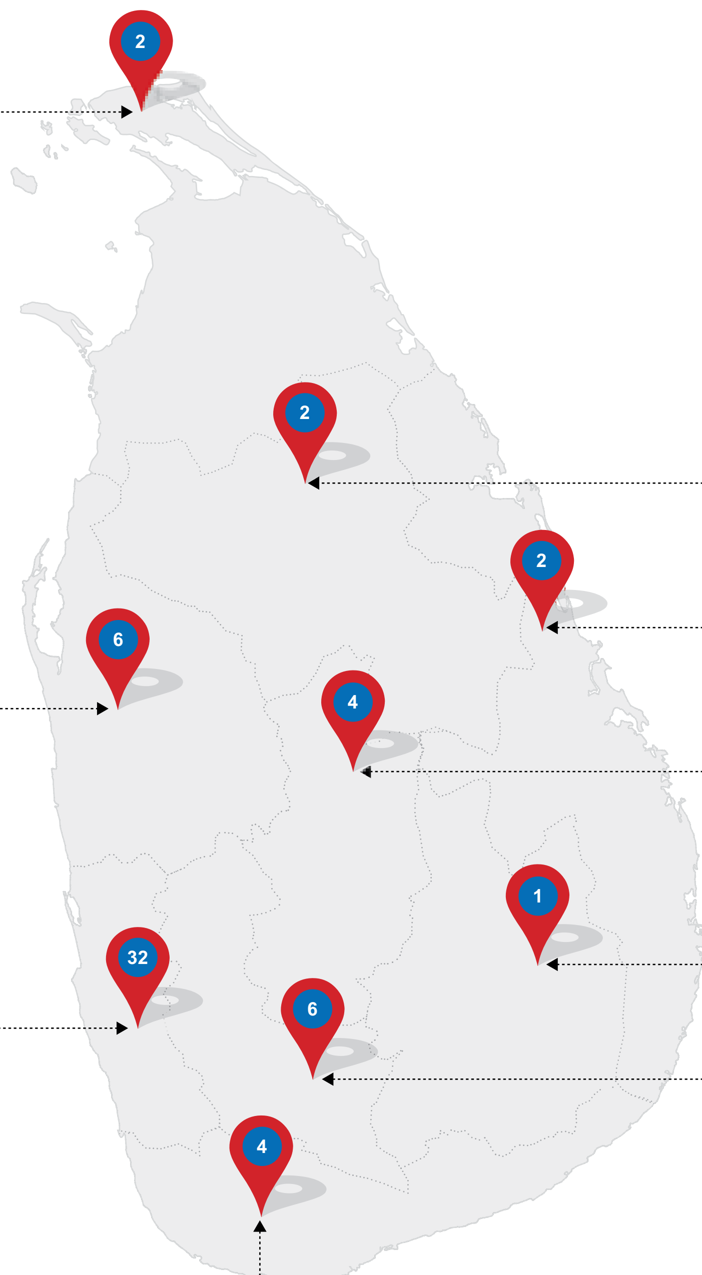
Change
574% ▲



Operational Footprint (G4-8)

CDB

59
Branches



North
- Vavuniya
- Jaffna

North Western
- Kurunegala
- Kuliyapitiya
- Narammala
- Chilaw
- Wennppuwa
- Marawilla

Western
- Head Office
- Premier Centre - Colombo 07
- Dehiwala
- Kaduwela
- Maharagama
- Morattuwa
- Rathmalana
- Battaramulla
- Boralesgamuwa
- Kottawa
- Kotahena
- Nugegoda
- Piliyandala
- Rajagiriya
- Wellawatta
- Malabe
- Gampaha
- Ja-Ela
- Kelaniya
- Mahara
- Minuwangoda
- Wattala
- Negombo
- Kandana
- Kochchikade
- Ela Kanda
- Nittambuwa
- Ragama
- Kalutara
- Panadura
- Mathugama
- Horana

North Central
- Kaduruwela
- Anuradhapura

Eastern
- Baticaloa
- Trincomalee

Central
- Kandy
- Katugastota
- Datale
- Dambulla

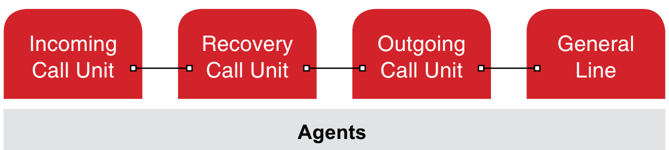
Uva
- Badulla

Sabaragamuwa
- Kegalle
- Warakapola
- Ratnapura
- Eheliyagoda
- Embilipitiya
- Pelmadulla

Southern
- Galle
- Matara
- Tissamaharama
- Ambalagoda

Customer Care and Quality Service

CDB Customer Care is designed to offer a simple, consistent, personal and valuable experience to each customer across all channels and touch points. We strive to deliver customer support of the highest quality to keep our customers happy. Accordingly, our customer care division was redesigned with additional features and deploying competent customer care agents to provide an exemplary customer service.



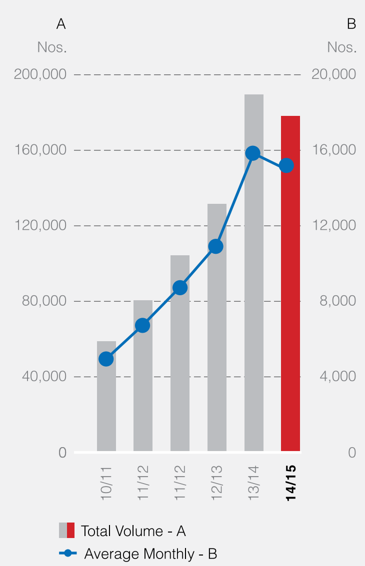
Call Centre Traffic

Average monthly call volumes reached 14,854 during the year under review.

2014/15
14,854 Nos.

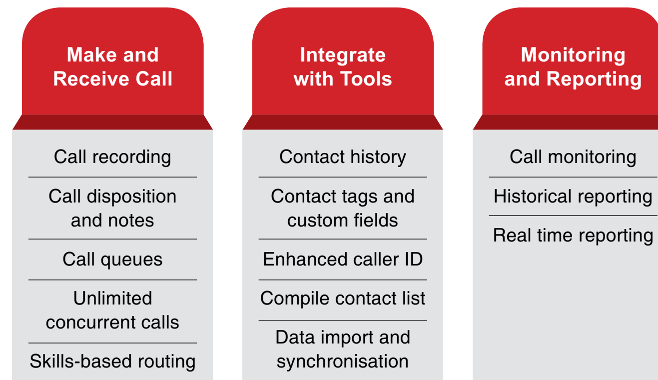
2013/14
15,801 Nos.

Change
6% ▼



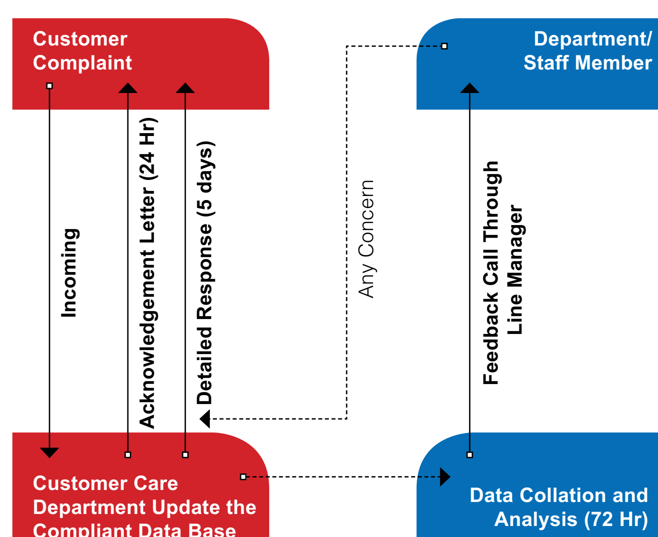
Customer Care

Our call centre operates a well-maintained corporate website with versatile and user-friendly features. This has further strengthened our efforts towards customer orientation.



Efficient Complaint Handling

With the dedicated 24-hour hot-line, the customer care 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.



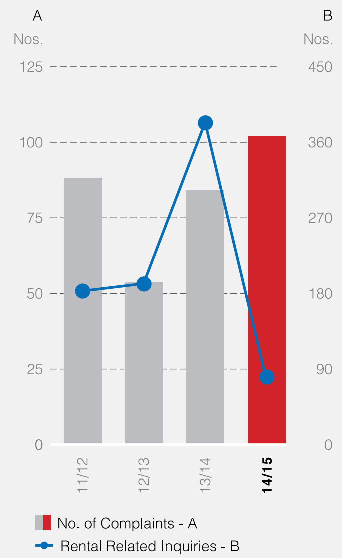
Complaints and Inquiries

Reduction in rental-related inquiries shows the proactive measures taken prior to any rental discrepancies.

2014/15
75 Nos.

Change
80% ▼

2013/14
384 Nos.



Customer Feedback and Satisfaction Survey

Customer service is a key focal point of our strategy and is critical in acquiring new customers, and also in retaining existing customers. We measure our progress in different segments through various indicators that represent the customer's view point. Reviewing such feedback regularly, enables to improve our operations and to offer a more effective customer service.

Last year, our Net Promoter Score was 39.69%. Going forward, we wish to keep our loyal enthusiasts who will refer our brands to other, fuelling growth.

Mystery Shopper

The mystery shopper survey was conducted to obtain feedback on our service standards and also our products and services. In addition, we have set up a customer feedback portal on our website to obtain customer comments and suggestions. All feedback can be forwarded to us on *customerfeedback@cdb.lk*

Also, our management staff, including branch managers conducted a survey to identify customer preferences. Based on the outcome, certain changes were effected to routine operations and processes to offer a more efficient and effective customer service leading to 'happy customer' base at CDB.

Greeting Messages for Customers

A personal touch of a greeting message on their birthdays will make it an ideal medium for connecting with our customers on an emotional level, boosting customer loyalty.

Flow Walkers

To respond to customers in a speedy manner, flow walkers were assigned to greet and direct customers to relevant officers without any waste of their valuable time. Front officers will rotate on a daily basis and play the role of the flow walker ensuring zero customer waiting time and provide prompt service to get their work done.

To respond more effectively to shortcomings in our service standards, we evaluated and streamlined our internal processes and empowered our people. The effectiveness of this strategy was evident in the improvement in customer complaint resolutions during the year.

Staff Grooming Training and Communication Skills Enhancement

We are in the process of providing the necessary training for our employees by creating a positive attitude and motivating them to treat customers professionally. In this regard, we organised a programme with Mrs. Nayana Karunaratne a well-known Sri Lankan beautician and the owner of Image Consultants offering various aspects of positive thinking, and Mr. Dhananjaya Hettiarachchi who is among the top 100 speakers in the world.

Priorities for 2015/16

Our customer centric priorities for the upcoming year are as follows:

- *Investing in the Customer Relationship Management System.*
- *Training and development for the customer care agents to provide high level real-time, financial solutions.*
- *Strengthening the internal controls to protect customer data privacy.*
- *Promoting the CDB VISA debit card through penetrative campaigns and improving debit card usage by growing our deposit base.*
- *Continuing to infuse further value additions and customisations to our products and services.*
- *Explore more market opportunities and increase our presence in the North and East.*
- *Adopt measures to improve work processes by implementing innovative ideas and building apt IT infrastructure.*

We maintain mutually beneficial partnerships and develop best practices within our Company to create sustainable value for our business partners and ourselves.

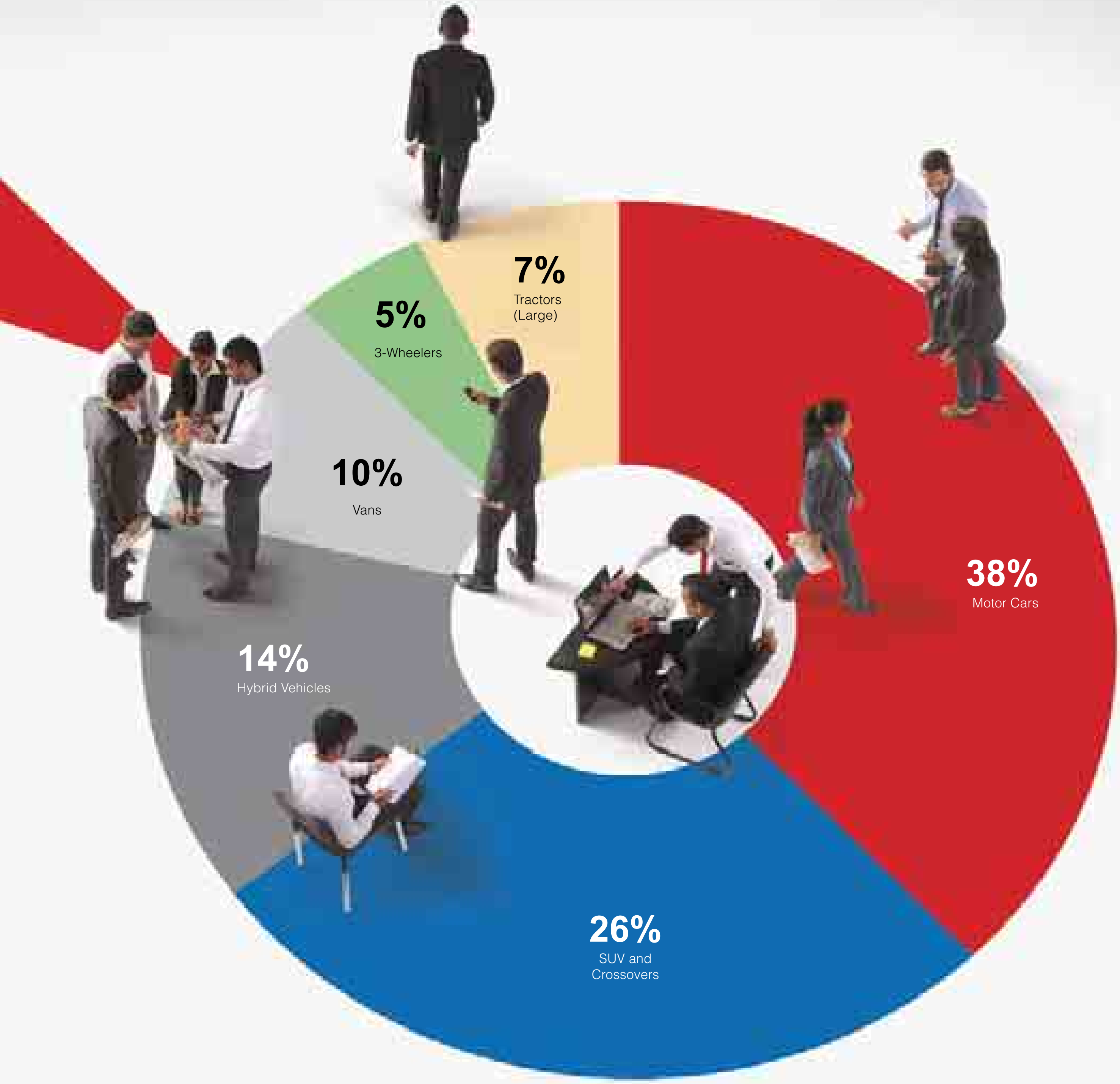
Business Partner Capital

Our business partners are integral to our organisation and are an important cog in the value creation process of CDB. Therefore, we maintain mutually beneficial partnerships and develop best practices within our Company to create sustainable value for our business partners and ourselves.

	2010/11 Nos.	2011/12 Nos.	2012/13 Nos.	2013/14 Nos.	2014/15 Nos.
Business partner products promoted by CDB	9	9	9	12	**42**

Our Approach towards Business Partners (G4-12)

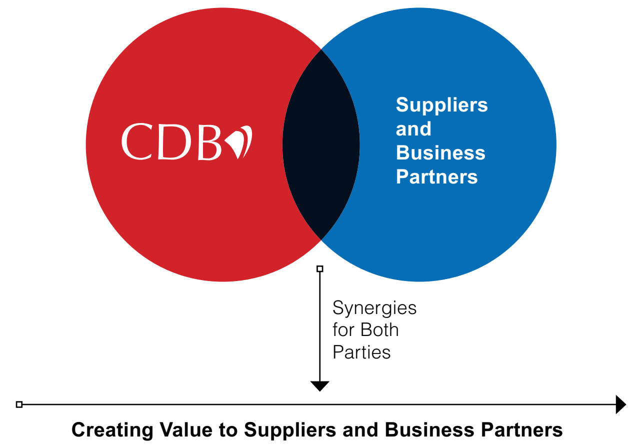
Maintaining healthy relationships with our business partners, suppliers and service providers are vital to ensure sustainability of our operations whilst effectively managing costs. New partners are selected according to our business strategy and policies, and we encourage our suppliers to follow good governance practices and ethical codes.



Business Partner Products Promoted by CDB

Vehicle importers and suppliers are our main business partners. Both motor cars and SUV/crossovers constitute 64% of the products we promoted, whilst hybrids, vans, three-wheelers and tractors constitute 14%, 10%, 5% and 7% respectively.

We remain much focused on our service providers, suppliers and **business partners who are truly one of the vital aspects to our business** and have, since our inception, been the force that has driven our success.



We have the financial acumen to influence our business partners, suppliers and service providers to conduct their operations ethically. A comprehensive due diligence is carried out on compliance with statutory and regulatory obligations prior to entering into agreements and contracts with business partners. In addition, we strive to drive best practices among our partners as it contributes to the well being of the communities and all related parties as well. We engage with suppliers and business partners through regular visits, joint promotions, product displays and attending compliance meetings.

Creating Value to Business Partnership

Our linkage has made substantial gains toward our business partners, in view of our exceptional financial performance during the year.

Our aggressive plans to expand our lending portfolio in the upcoming year will open up more opportunities for our business partners.

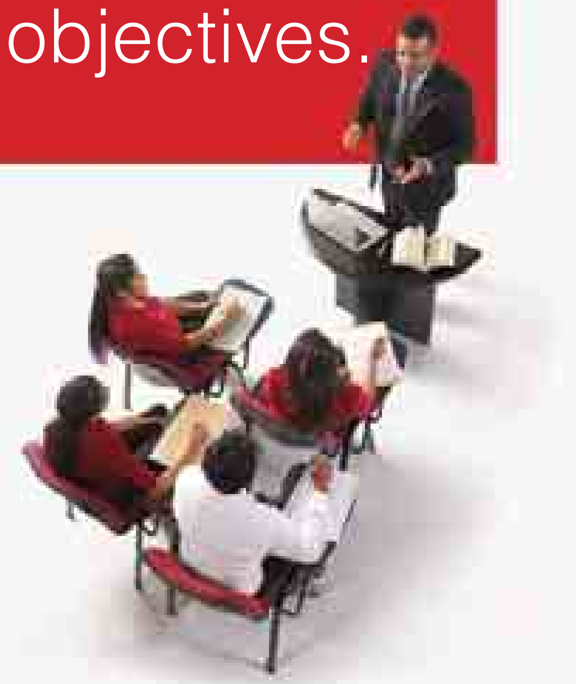
Partnering Concerns

We adopt regular visits, joint promotions, product displays and compliance meetings in suppliers and business partner engagements. More often we evaluate the contractual performance where it brings synergetic rewards for both the parties. Through it all, we remain much focused on our service providers, suppliers and business partners who are truly one of the vital aspects to our business and have, since our inception, been the force that has driven our success. We have conducted joint promotional campaigns, customer awareness campaigns and small activity based programmes in order to acquire customers, which has resulted in many synergetic benefits for us as well as for our business partners. Our corporate vehicle providers have been such strength in gaining win-win solutions.

Priorities for 2015/16

- *Continue to formulate new partnerships to reach new customers and new markets*
- *Facilitate acquiring of knowledge and skills for our employees through partnerships*
- *Gain mutual benefits through existing partnerships*

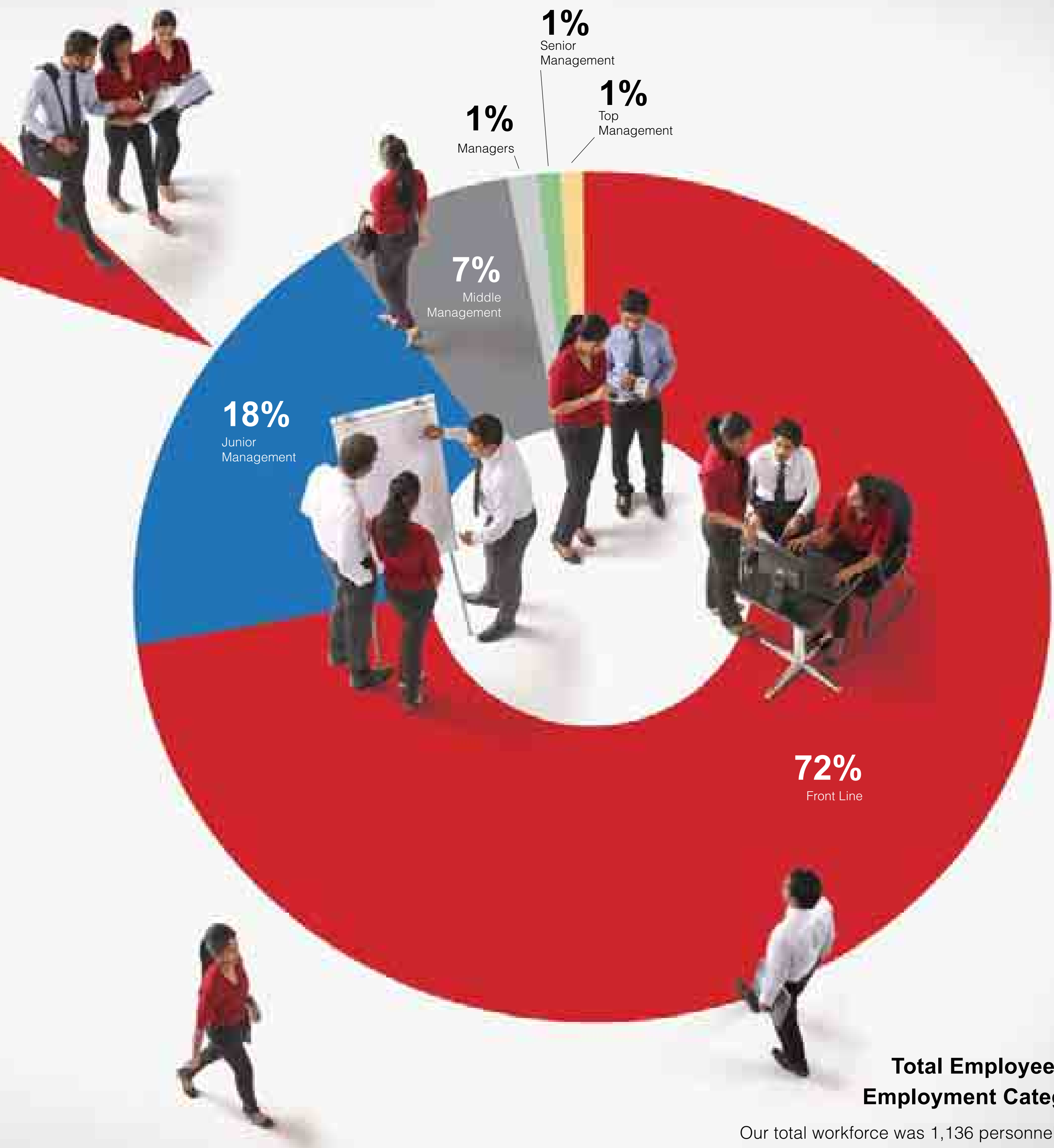
We aspire to be an **employer of choice**, we strive to create a culture where all employees can contribute to their full potential in pursuit of the Company's mission and objectives.



Employee Capital

The Human Resource (HR) goal of our Company is to optimise our human capital whilst paving the way for our employees to achieve their personal and professional goals. As we aspire to be an employer of choice, we strive to create a culture where all employees can contribute to their full potential in pursuit of the Company's mission and objectives. To ensure a good employee-job fit, we recruit employees whose professional capacity, aspirations and values are aligned to the core values and business priorities of our Company.

	Key Performance Indicators	2010/11 Nos.	2011/12 Nos.	2012/13 Nos.	2013/14 Nos.	2014/15 Nos.
Employee Strength	Total No. of employees	578	726	825	1,109	**1,136**
	New recruitments	155	422	557	733	**545**
Employee Distribution	Western Province	394	431	466	592	**588**
	Outside Western Province	194	295	359	517	**548**
Performance Enhancement	Sales meetings	12	12	12	12	**12**
	Branch Operations Incharge meetings	12	12	12	12	**12**
	Performance reviews	1	2	2	2	**2**



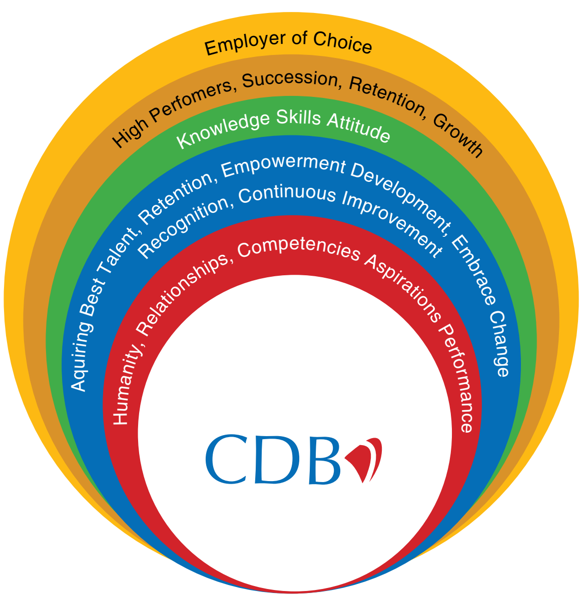
Total Employees by Employment Category

Our total workforce was 1,136 personnel as at 31st March 2015. Of them, Front Line and Junior Management staff accounted for 90%.

Human Capital Strategy

CDB's human capital strategy is rooted in our passion to deliver extended financial services to enrich people's lives. We believe that this could only be achieved if employees reach their goals. Hence, we provide opportunities for our people to develop and live well-balanced lives. We strive to nurture a performance based culture based on our core human values identified as HRCAP (Humanity, Relationships, Competencies, Aspirations, Performance). These strategic steering points ensure that our employees are equipped with the right skills to support company direction, whilst ensuring their professional and personal development.

HR Model



Our Approach Towards Building Human Capital

In order to foster a conducive work environment where everyone can flourish, we are committed to promoting teamwork, diversity, personal development and trust. We always strive to be an employer of choice and emphasise on good employer principles. In order to facilitate this, our strategic corporate plan provides the roadmap to assess, plan and respond to HR requirements and challenges proactively and also to nurture ethical principles internally. Accordingly, we have in place effective HR policies and practices for succession planning, training and development, performance appraisal and rewards and retention.

HR Policy

Recognising employees as our most valuable asset, we aim to attract, retain and develop staff members of the highest calibre. Accordingly, our HR Policy is geared to:

- Provide direction and clarity on day-to-day administration of Human Resources and facilitate continuity and consistency in the application of HR Policies
- Enhance internal and external communication and elevate customer service standards
- Strengthen employee orientation and provide a standard reference on employee rights and responsibilities

Our policies and procedures are subject to the applicable laws and regulations of Sri Lanka and are applicable to all employees of the organisation.

Touch Points

As we continually strive to maintain our reputation as an employer of choice, we recruit, retain and develop our employees to realise their personal and professional goals. Performance targets are created in collaboration with the employees, and our rewards and recognitions are solely based on performance without any bias towards gender or any other decisive factor. In addition, we provide a safe, healthy and stimulating work environment which facilitates innovation and allows every employee to contribute to his or her full potential.

We are an equal opportunity employer and we treats all our employees with due respect, irrespective of gender, race, religion or social background. We do not condone child labour and forced labour and we do not conduct business in any form with any partner, customer, outsourcing agency or other stakeholder who may engage in such practices. (HR3, HR5, HR6)

We abide by the Labour Regulations of Sri Lanka and comply with all norms set out by the International Labour Organisation. No incidents of discrimination were recorded in the year under review.

The minimum notice period given to employees for operational changes is 4 to 12 weeks. (LA4) There are no collective bargaining agreements in our Company. (G4-11)

Building Human Capital

Key Initiatives During the Year

1. Implementing an Employee Succession Plan (ESP)

The ESP was implemented to effectively manage the succession lines of our Company to ensure a steady flow of talents committed to meeting the Company's future business targets.

As a result of the rapid development of our Company, there are numerous vacancies that open up, especially in key positions. In order to fill up such vacancies, with minimal impact to our business operations, we have set up the 'CDB Succession Plan' policy. This enables us to develop a strong leadership base and necessary talents within the organisation. It also motivates selected employees to take up additional responsibilities and enhance their performance levels.

Our succession policy is focused on the following:

- The long-term vision and mission of the Company
- Analysis of future requirements for products and services
- Identification of key job roles in each divisions/branch
- Identification of core competencies and technical skills
- Determining the current supply and future demand
- Identifying talent with critical competencies
- Analysing external sources of talent
- Determining development/learning strategies
- Tracking selections from talent pools
- Implementing acquiring strategies
- Identifying retention strategies
- Assessing response to changing requirements and needs

Support to Business Growth

- Organisational leadership capabilities and response times have been significantly enhanced as a result of strengthened middle and first levels of management and honing the leadership competencies of employees.
- Recognition has inspired and motivated employees to improve their performance and take-up more responsibilities beyond their normal work realm. It has also created highly engaged teams leading to increased business growth.
- Enabled identified employees to accept positive changes, expand their capabilities and to keep abreast with industry changes. This has set a trend for other employees to develop their capabilities and embrace change as well.

Success Measures/Impact

- The efficiency and effectiveness of the leadership ability of the respective employees are ascertained through mid-year and annual performance evaluations and employee feedback.
- Progress of the smaller teams, mentored and guided by individuals who are identified as successors.
- Linking the direct financial impact of the business to the performance of the employees.

2. Automation of Key HR Functions

Some of the key HR functions including Recruitment, Training and Development, Absence Management, Employee Attendance, Talent Management, Succession Planning and Off-Boarding were integrated and automated with the implementation of a customised HR platform at CDB. The implementation was carried out by a team from HR in collaboration with a services partner.

Support to Business Growth

Automation has enhanced the functional effectiveness of the processes and facilitated increased focus on direct business activities. This is consequent to the reduction of time consuming administrative tasks from both the business lines as well as Human Resources. It has also increased the effectiveness of management information systems and facilitated convenient analysis of reports which support business decision-making at all levels.

Success Measures/Impact

- The direct impact on HR service delivery; in particular improvements in functional tasks such as attendance and punctuality.
- User acceptance tests carried out by HR personnel in order to ensure that specified modules are effectively functioning.
- Based on the success of the automation, a multinational service provider has nominated the HR team of CDB to their advisory team on HR automation.

3. Performance Based Pay and Rewards

Moving away from the conventional method of rewarding employees based on supervisor's recommendations, we implemented a performance management system at CDB. This is a transparent and equitable method of rewarding employees based performance which leads to greater motivation and performance of employees.

Support to Business Growth

This initiative has helped to develop a performance oriented culture in our organisation where individuals are motivated to achieve the set targets during a financial year. It has also enabled to direct employees towards organisational objectives in a performance driven culture.

Success Measures/Impact

Success is measured through the automated performance management system, employee feedback and the recent employee satisfaction survey.

Employee feedback sessions have been established to discuss performance issues where senior officers representing branches and divisions discuses and agree on remedial actions. This has enhanced the quality of 'pay for performance' initiative of our organisation.

Employee Composition

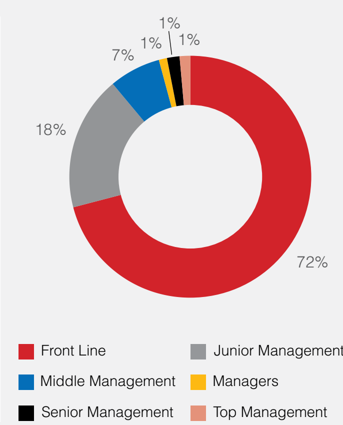
CDB comprise of a diverse group of employees totalling 1,136 as at end of the financial year. This is a 2.4% growth compared to the preceding year.

Total Employees by Employment Category

Category	2014/15 Nos.	2013/14 Nos.
Front Line	817	866
Junior Management	210	149
Middle Management	78	65
Managers	13	12
Senior Management	9	8
Top Management	9	9
Total	1,136	1,109

Total Employees by Employment Category

70% out of the total employees represent the front line employment category.



Total Employees by Employment Type (G4-10)

Category	2014/15 Nos.	2013/14 Nos.
Permanent	549	465
Contract	587	644
Total	1,136	1,109

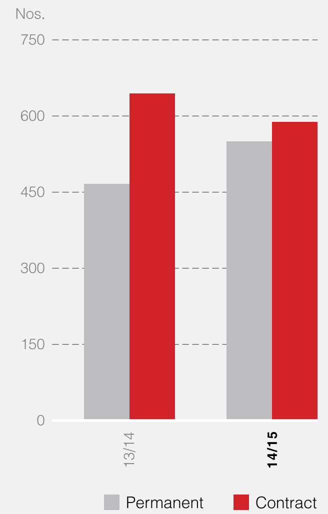
Total Employees by Employment Type

84 employees have been taken in to permanent cadre compared to the previous year.

2014/15
549 Nos.

2013/14
465 Nos.

Change
18% ▲



Permanent Employees by Employment Type (G4-10)

Category	2014/15 Nos.	2013/14 Nos.
Front Line	234	234
Junior Management	209	141
Middle Management	75	61
Managers	13	12
Senior Management	9	8
Top Management	9	9
Total	549	465

Gender Diversity

We continue to attract a diverse pool of talent, providing equal opportunities for all employees. There is a relatively higher percentage of men in management positions in our organisation.

Total Employees by Gender (G4-10)

Category	2014/15 Nos.	2013/14 Nos.
Male	856	815
Female	280	294
Total	1,136	1,109

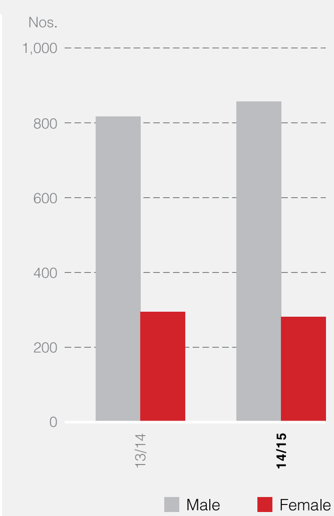
Total Employees by Gender

Males accounted for 75% of the staff as at 31st March 2015.

2014/15
856 Nos.

2013/14
815 Nos.

Change
5% ▲



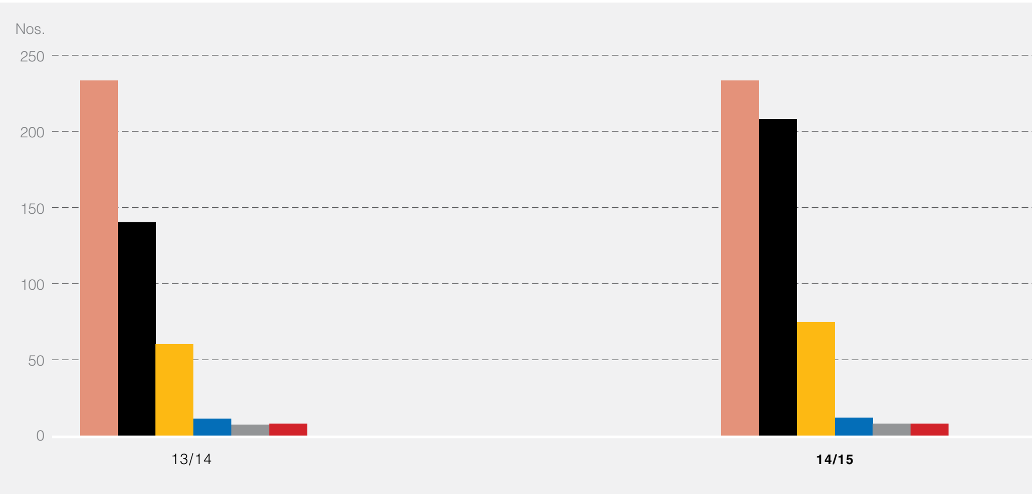
Permanent Employees by Employment Type

48% increase can be seen in the permanent employees under the junior management category.

2014/15
209 Nos.

2013/14
141 Nos.

Change
48% ▲



Total Employees by Employment Category and by Gender (G4-10)

Category	2014/15		2013/14	
	Male Nos.	Female Nos.	Male Nos.	Female Nos.
Front Line	598	219	606	260
Junior Management	162	48	125	24
Middle Management	68	10	58	7
Managers	12	1	11	1
Senior Management	8	1	7	1
Top Management	8	1	8	1
Total	856	280	815	294

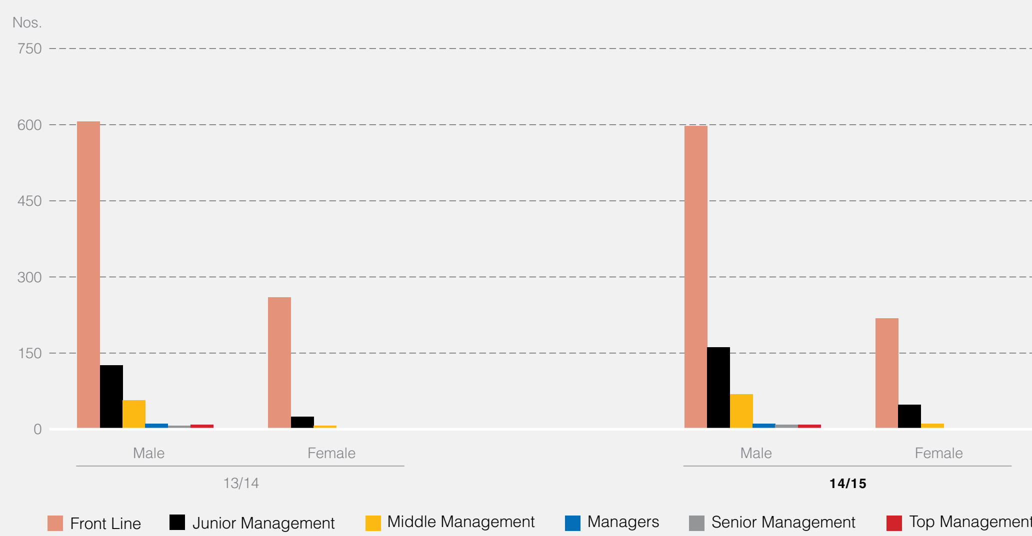
Total Employees by Employment Category and by Gender

Male to female composition of front line staff as at 31st March 2015 was 73% and 27% respectively.

2014/15
598 Nos.

2013/14
606 Nos.

Change
1% ▼



Permanent Employees Gender-Wise Breakdown (G4-10)

Category	2014/15	2013/14
	Nos.	Nos.
Male	419	361
Female	130	104
Total	549	465

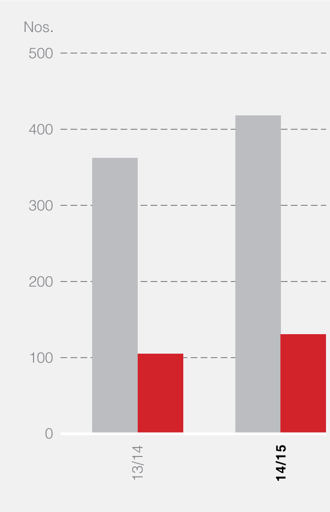
Permanent Employees Gender Wise Breakdown

Male employees who are under permanent cadre has been increased by 58 compared to 2013/14.

2014/15
419 Nos.

2013/14
361 Nos.

Change
16% ▲



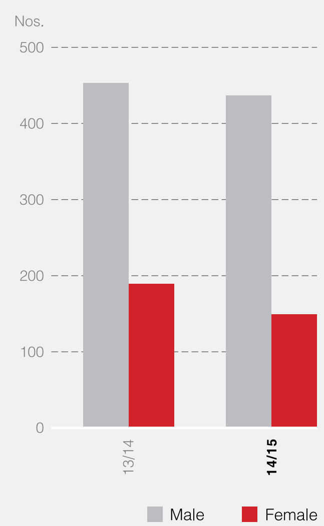
Contract Employees Gender-Wise Breakdown

Category	2014/15 Nos.	2013/14 Nos.
Male	437	454
Female	150	190
Total	587	644

Contract Employees Gender Wise Breakdown

Female employees, under contract employment category have declined by 40 compared to 2013/14.

2014/15
150 Nos.
2013/14
190 Nos.
Change **21%** ▼



Employee Distribution

Our employees are deployed island-wide through our branch network. The largest concentration of employees amounting to 51.76% was from the Western Province, followed by 10.65% and 10.03% in the Central Province and Sabaragamuwa Province respectively.

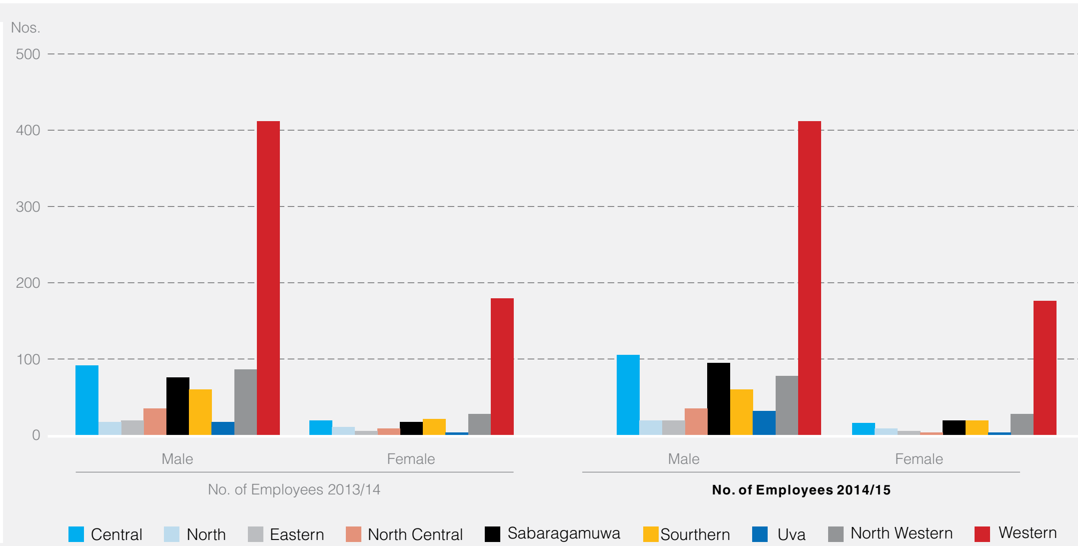
Total Workforce Broken Down by Region and Gender Based on the Scale of the Organisation's Operations (G4-10)

Province	Employees 2014/15 Female Nos.	Employees 2014/15 Male Nos.	Employees 2013/14 Female Nos.	Employees 2013/14 Male Nos.
Central	15	106	19	92
North	8	19	10	17
Eastern	5	20	6	19
North-Central	4	36	9	35
Sabaragamuwa	19	95	18	75
Southern	20	59	21	60
Uva	4	31	3	18
North Western	29	78	28	87
Western	176	412	180	412
Total	280	856	294	815

Total Employees by Gender and Province

Total employees under each gender shows a significant increase from the Sabaragamuwa province.

2014/15
114 Nos.
2013/14
93 Nos.
Change **22%** ▲



Attracting and Retaining Talent

Deploying the right people with the right skills for the right job is vital to generate attractive shareholder returns and execute our business strategy within a competitive market. Therefore, it is imperative to expand and enrich our talent pool to ensure that we are adequately staffed at all levels. Accordingly, we recruited 545 employees during the year, while management level vacancies were filled internally.

Being a relatively young organisation, we strongly believe in empowering young employees. Hence, our recruitment strategy is based on recruiting motivated and dynamic young people, especially school leavers, who will adapt to our unique culture and thrive in it. During the year, our intake of young recruits was higher than the previous years. Their unfettered spirit, dynamism and innovative thinking has enabled us to embark on winning initiatives that have truly made us pioneers in some disciplines of our business.

Recruitment Policy

Our recruitment policy specifies the minimum qualifications and other criterion applicable to different categories of recruits. Most management vacancies of our Company are filled internally, whilst we have a transparent mechanism for staff recruits. We give emphasis to localised recruitment from rural areas. Our proactive approach and our recruitment policy are geared to facilitate a continuous workflow without any interruptions and delays, especially during resignation of employees.

We have linked with leading universities and professional institutes to recruit management trainees and internship trainees to our organisation. We also participate in career fairs to promote CDB as a prospective employer. Internship training is extended to university undergraduates with comprehensive hands on experience. The trainees are given the opportunity to join our Company after their graduation.

The placement of business promotion officers are done through referrals from higher educational institutes. This is exclusively for full time students who wish to earn an income to support their education. Suitable candidates are screened and selected as business promotion officers to promote our services and introduce new customers. An attractive incentive is offered based on the monthly volume of business generated.

Total Recruitments Age-Wise (LA1)

	2014/15		2013/14	
Age Group Years	Employees Nos.	Rate %	Employees Nos.	Rate %
Below 20	46	4	108	11
20-25	349	31	476	49
25-30	101	9	122	13
30-35	15	1	16	2
35-40	4	0	9	1
40-45	30	3	2	0
Total	545	49	733	76

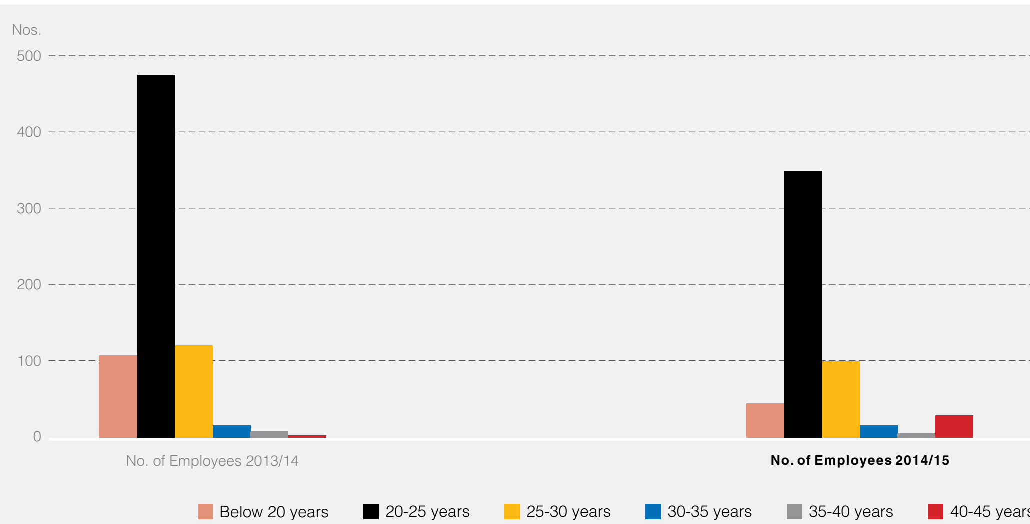
Total Recruitments Age Wise

As we linked with leading universities and professional institutes, freshers aged 20-25 shows highest among the others.

2014/15
349 Nos.

2013/14
476 Nos.

Change
31% ▼



Total Recruitments Gender-Wise (LA1)

Age Group	2014/15 Employees Nos.	2014/15 Rate* %	2013/14 Employees Nos.	2013/14 Rate* %
Male	444	40	155	60
Female	101	9	578	16
Total	545	49	733	76

Total Recruitments Province-Wise (LA1)

Province	2014/15 Employees Recruited Nos.	2014/15 Rate* %	2013/14 Employees Recruited Nos.	2013/14 Rate* %
Central	57	5	85	9
Eastern	18	2	28	3
North-Central	32	3	19	2
North-Western	35	3	75	8
North	18	2	20	2
Sabaragamuwa	82	7	69	7
Southern	52	5	78	8
Uwa	24	2	22	2
Western	227	20	337	35
Grand Total	545	49	733	76

** New recruits as a percentage of average employees during the year.*

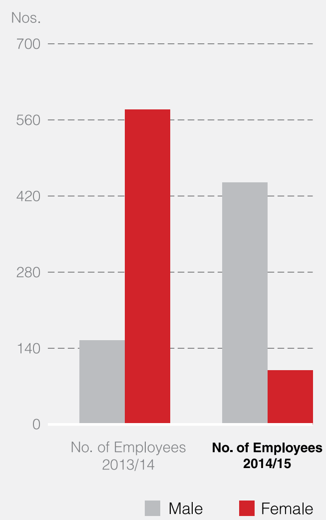
Total Recruitments Gender Wise

Total recruitments indicate a higher proportion for male candidates in contrast to the previous year.

2014/15
444 Nos.

2013/14
155 Nos.

Change
40% ▲



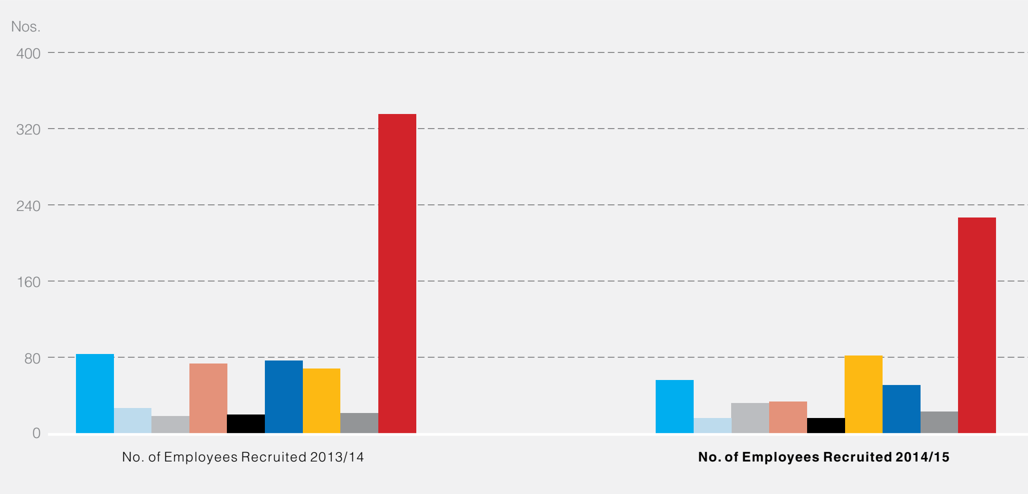
Total Recruitments Province Wise

Total recruitments have decreased from the Western Province comparatively, giving more opportunities for other provinces including Sabaragamuwa.

2014/15
82 Nos.

2013/14
69 Nos.

Change
7% ▲



Total Resigned Age-Wise (LA1)

	2014/15		2013/14	
Age Group Years	Employees Nos.	Rate %	Employees Nos.	Rate %
Below 25	57	5	78	8
25-30	66	6	50	5
30-35	25	2	16	2
35-40	7	1	6	1
40-45	2	0.2	1	0.1
45-50	1	0.1	0	0
Above 50	10	1	3	0.3
Total	168	15	154	16

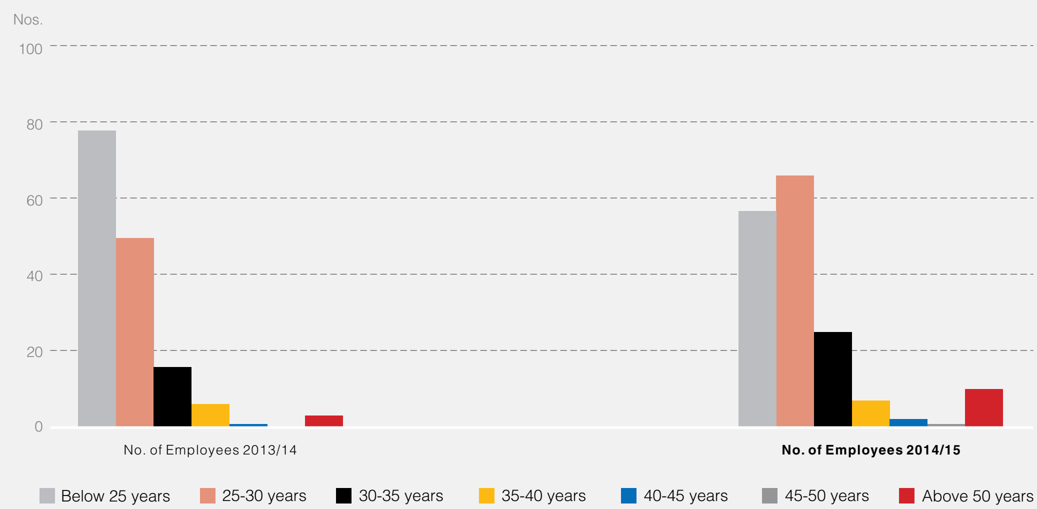
Total Resigned Age Wise

Resignation of age group of below 25 has reduced by 5%.

2014/15
57 Nos.

2013/14
78 Nos.

Change
5% ▼



Resigned Details Gender-Wise (LA1)

	2014/15		2013/14	
Age Group	Nos.	%	Nos.	%
Male	109	10	96	10
Female	59	5	58	6
Total	168	15	154	16

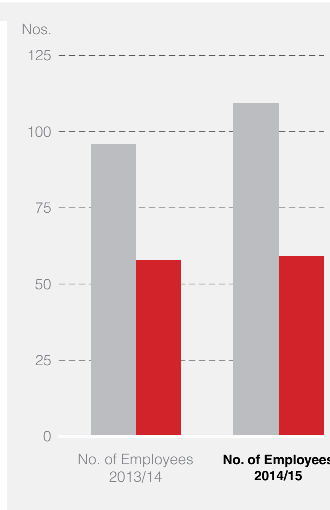
Resigned Details Gender Wise

Slight incline can be seen in the female attrition rate compared to the preceding year.

2014/15
59 Nos.

2013/14
58 Nos.

Change
2% ▲



Resigned Details Province-Wise (LA1)

Province	2014/15 Employees Nos.	2014/15 Rate %	2013/14 Employees Nos.	2013/14 Rate %
Central	20	2	7	1
Eastern	5	0.4	11	1
North-Central	18	2	15	2
North-Western	5	0.4	7	1
North	5	0.4	6	1
Sabaragamuwa	15	1	11	1
Southern	17	2	25	3
Uva	2	0.2	3	0.31
Western	81	7	69	7
Total	168	15	154	16

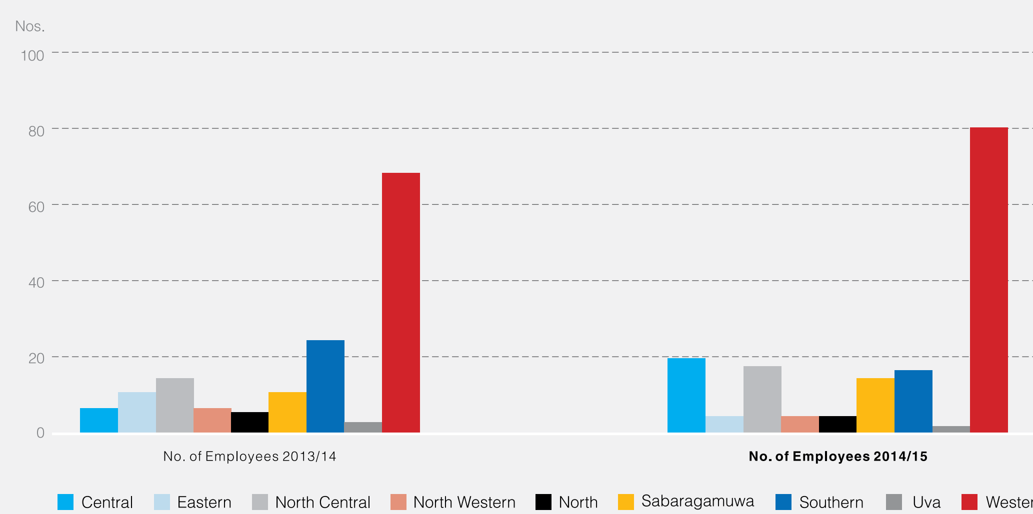
Details of Resigned Employees – Province Wise

Western province exhibits high resignations compared to other provinces during the year.

2014/15
81 Nos.

2013/14
69 Nos.

Change
7% ▲



Performance and Rewards (LA11)

We are committed to motivating and encouraging our employees to continually enhance their performance by driving the right behaviour patterns. This is reflected in our performance management approach, which was successfully piloted and embedded across all division of our Company.

High performers are rewarded through a well-structured and transparent process. The annual performance evaluation process encourages open interaction between managers and employees to assess performance, based on pre-agreed indicators. Rewards are extended purely on merit for skills and achievement of targets and it also addresses weaknesses and any skills gaps of employees. The process facilitates the formulation of the training calendar, career mapping and succession planning as well.

Our remuneration policy takes into consideration, both internal and external factors, including underlying risk-adjusted business performance, current and future affordability, local remuneration trends and regulatory developments impacting remuneration. Some of the reward schemes are given below.

- Pay for Performance

This performance scheme was introduced to encourage consistent performance from all employees. The annual increments are based on target achievement.

The day where the exceptional performance of CDB was recognised at a gala event.

- Performance bonuses

We offer attractive bonuses for our employees during each financial year based on performance. High performers receive higher bonuses.

- Annual achievement awards

The annual awards criteria are published each year based on the organisational objectives. All employees are evaluated and the winners are felicitated at an award ceremony at the conclusion of the financial year. Non-monetary rewards such as cruise tours and foreign trips are awarded to the winners.

- Variable compensation

An attractive variable compensation structure is in place for sales personnel based on their monthly achievement of business volumes.

- Monthly and quarterly business achievement awards

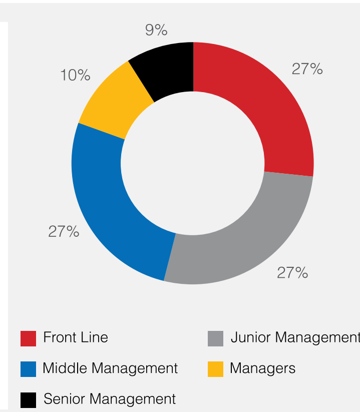
A target achievement awards was introduced each month and financial quarter to encourage sales staff to enhance their performance. Monetary rewards were awarded in appreciation of outstanding performance at the monthly business review meetings.

Basic Salary – Women to Men (LA-13)

Category	2014/15	2013/14
Front line	01:02:00	01:00.9
Junior management	01:02:09	01:00.7
Middle management	01:04:03	01:00.6
Managers	01:0.99	01:10.0
Senior management	01:0.88	01:08.9

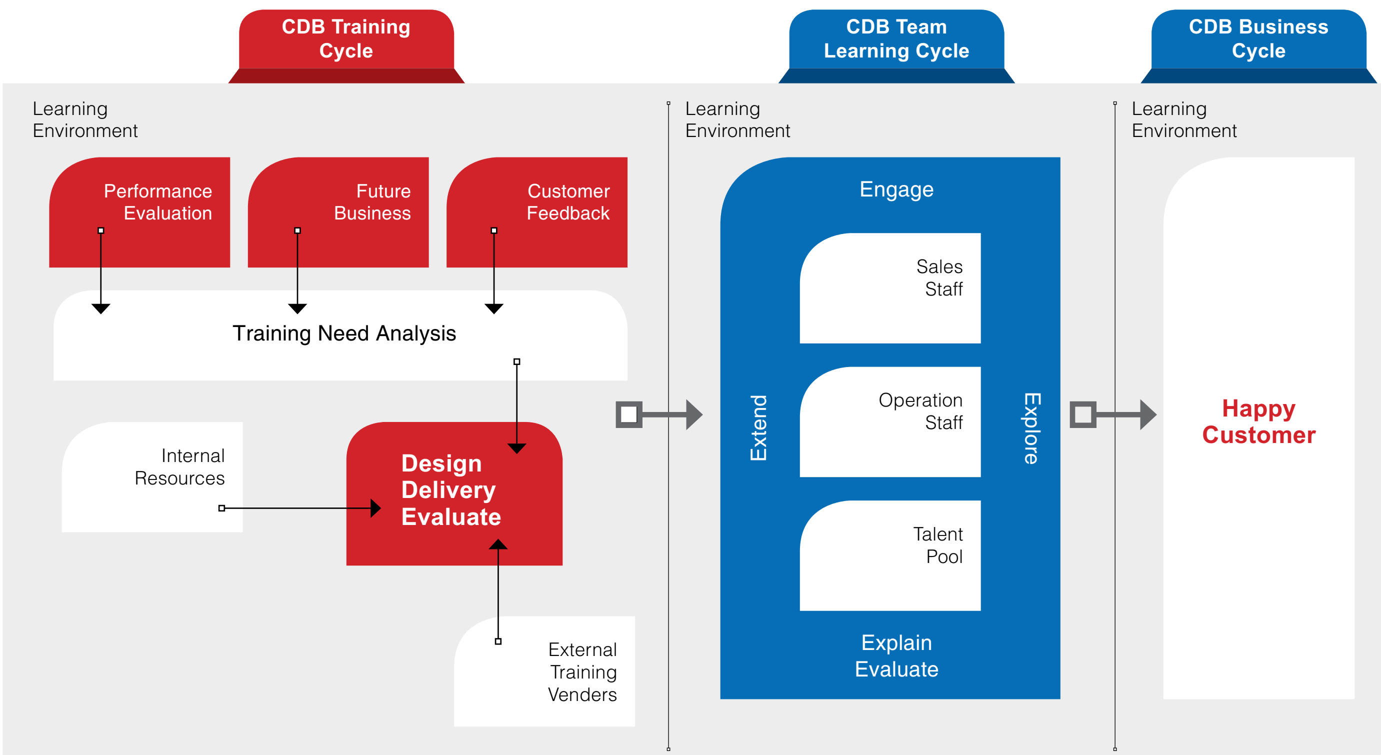
Basic Salary – Women to Men

A well structured and transparent remuneration process is employed by the Company.



Talent Development

We are in the process of implementing a new talent management mechanism at CDB. This complements our commitment to creating a diverse and a highly skilled workforce capable of meeting customer demands. Therefore, we facilitate a stimulating environment of continuous learning whilst fostering diversity and open dialogue via innovation tools.



Our development team plays a crucial role in facilitating understanding and driving our values, business philosophy and culture within the organisation. We invest significantly to attract, retain and motivate the right calibre of employees who can perform exceptionally. Hence, we provide leadership training to develop the current and future leaders of the Company.

Our continuous learning and development programmes are geared to develop employees and assist the business segments to achieve their learning objectives. These learning objectives are always aligned to the corporate strategy and market trends. Our training centre conducts group-wide activities such as induction programs for new recruits, extending learning advice to individual employees and facilitating the development of generic programme in the fields of IT, credit, teller, etc.

Investing in Our People

Through training and development, we support our people to optimise their potential whilst supporting the business and strategic objectives of the Company. We expended Rs. 16 Mn on training and development during the year which was allocated according to the business priorities of the Company. The key areas of importance were 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 training Hrs. per day per Individual	Male	Female	Training Hrs.
Induction Programmes for all staff	557	4	8	456	101	17,824
Training Programmes for Deposit Sales staff	169	1	8	152	17	1,352
Training Programmes for Leasing Sales staff	223	1	8	223	0	1,784
Technical Training Programme for Cashiers	63	3	8	38	22	1,512
Technical Training Programme for Credit Officers	60	5	8	48	12	2,400
Technical Training Programmes for Customer Service Officers	60	2	8	0	60	960
Customer Service Training Programmes for Operations	200	1	8	138	62	1,600
Sales Techniques and Service Training Programmes for Sales Staff	210	1	8	198	12	1,680
Grooming and Social Etiquettes Training Programme	200	1	8	145	55	1,600
Leadership training Programmes	75	2	8	70	5	1,200
Leadership training Programme for Branch Heads	60	2	8	59	1	960
Speechcraft Programme	25	12	3	21	4	900
Executive Leadership Development Programmes	35	12	8	23	12	3,360
Management Training Programme	78	21	8	42	36	13,104
Training Programmes for Entry Level Staff	62	14	8	35	27	6,944
Foreign Training Programmes	14	28	8	13	1	3,136
Other External Programmes	35	8	8	28	7	2,240

Programme for skills management and lifelong learning

Programme Type	No. of Participants	No. of Days per Programme	No. of training Hrs. per Day per Individual	Male	Female	Training Hrs.
Grooming and Social Etiquettes Training Programme	200	1	8	145	55	1,600
Leadership Training Programmes						
Leadership Training Programme for Branch Heads	75	2	8	70	5	1,200
Speechcraft Programme	25	12	3	21	4	900
Executive Leadership Development Programmes	21	15	8	19	2	2,520

Our continuous learning and development programmes are **geared to develop employees** and assist the business segments to achieve their learning objectives.

Average Hours of Training Per Year by Employee category (LA-09)

Category	2014/15 Nos.	2013/14 Nos.
Front Line	48	39
Junior Management	49	29
Middle Management	48	28
Managers	19	17
Senior Management	16	14
Total	180	127

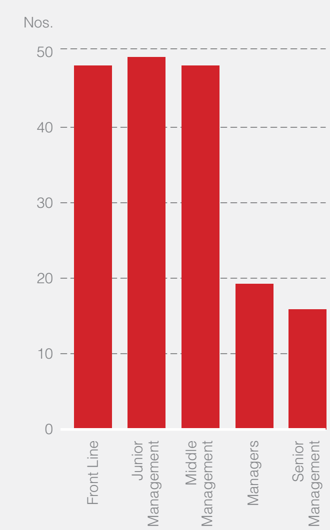
Average Hours of Training Per Year by Employee Category

We provide leadership training to develop current and future leaders of the Company.

2014/15
180 Nos.

2013/14
127 Nos.

Change
42% ▲



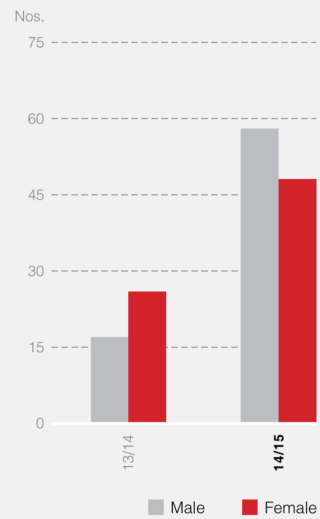
Average Hours of Training Per Year by Gender (LA-09)

Category	2014/15 Nos.	2013/14 Nos.
Female	48	26
Male	58	17
Total	106	43

Average Hours of Training Per Year by Gender

Equal concentration for training has been given to each gender considering their level of knowledge, skills and attitudes.

2014/15
106 Nos. Change **146%** ▲
2013/14
43 Nos.



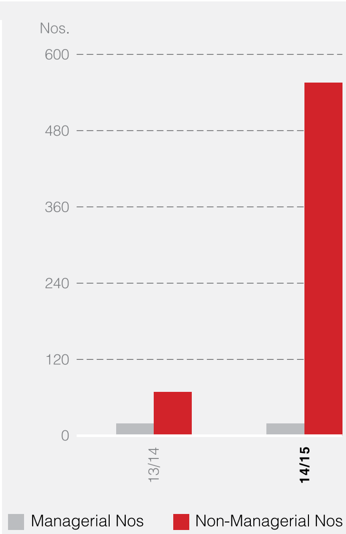
Training on Anti-Corruption Policies (SO-4)

Category	2014/15 Nos.	2013/14 Nos.
Managerial	20	20
Non-Managerial	557	68

Training on Anti-Corruption Policies

Training on good governance has increased significantly on non-managerial levels counting more on 489 employees.

2014/15
557 Nos. Change **719%** ▲
2013/14
68 Nos.



CDB IT Training Centre

Our IT training Centre is equipped with an onsite branch simulation, enabling trainees to get a hands-on experience in branch operations. Trainees are evaluated by way of aptitude tests and feedback interviews with the Head of Training.

Induction Programme

An intensive induction training program was extended to 557 new recruits, covering 17,824 hours including 12 programs. This was focused on providing an insight into our corporate culture, values, strategies, goals, code of ethics, Group structure and operations. The programme was conducted by the Head of Training and other key personnel of the Company. This also includes a general orientation and exposure to all departments of CDB.

Speech Craft Programme

This is a 12 week program conducted in collaboration with BSI Toastmasters' Club to hone the communication and leadership skills of employees in an informal atmosphere. We have already completed two programmes, developing the communication skills of over 60 staff members in our Company. Participants are trained to give impromptu speeches, conduct meetings, keep time and enhance their language skills.

Self-Mastery Programme

This programme is a part of the succession plan of CDB which includes the development programme for front line managers. It is focused on personal development of individuals through specialised programmes, mentoring and follow up.

Big Seiri Day

The 5S concept is geared to improve the work environment by methodically organising the workplace and working practices. Implementation of the 5S concept has effected a significant positive impact in the organisation, increasing the productivity and efficiency of staff members. The concept was implemented in the entire organisation with the assistance of local as well as foreign trainers.

CDB Talent Show - '*Sulanga*'

A Talent Show names 'Sulanga' was organised to showcase the talents of our staff members. It carried a variety of contests for the employees and the winners were honoured with special awards.

'Citizens Rumble' – CDB Annual Sport Day held at Bloomfield grounds.

Career Progression

We have an effective recruitment and development plan for our employees. Many of our staff members have moved up the organisation hierarchy through the career development opportunities offered by us.

Rank	Branch Officer-in-Charge	Head of Branch	Divisional Head	Senior Management	Corporate Management
Trainee Operations Assistant	31	2	5	1	2
Junior Operation Assistant	5				
Management Trainee	18			1	
Trainee Marketing Executive		31		1	
Operations Assistant			1		
Executives			1	3	
Branch Manager					1
Assistant Manager				1	2

Wellness of Employees

Health Measures

We are very mindful about the work life balance of our employees, and we strive to create a positive balance for each employee. This in turn leads to reduction of work-related stress, improved commitment, loyalty and productivity in employees. We ensure the well-being of our employees through the offer of medical reimbursements, vehicle loans and other loans, professional membership and examination fee refunds, CDB 100 Mn RRT, CDB holiday bungalow and a lot more.

Safety Measures

Prudent measures have been adopted to ensure health and safety of employees at the workplace. Apart from the medical and insurance facilities, we strive to safeguard our employees from any work-related illnesses and accidents. Our faculty management and maintenance Department focuses on creating a conducive work environment, adhering to the relevant safety regulations and building standards. A fully computerised Building Management System (BMS) has been installed at the head office to safeguard employees and infrastructure from fire, system failures and other work hazards.

Welfare Measures Taken During the Year

Industrial Disputes	None
Grievance Relating to Human Rights Violation	None
Number of Grievances	None

The branches are also equipped with the necessary safety measures including fire extinguishers, purified water, air conditioners etc. Periodically, employees are educated and trained on safety measures. Fire drills are carried out frequently to test the effectiveness of the fire safety measures and readiness of staff including the designated fire wardens. In addition, both the head office and branches maintain fully-equipped first aid kits to ensure a hazard-free environment.

Building Management System at the Head Office

Investigation, security control and facility management division of the Company focus on the physical well-being and safety of our employees. Hence they look into areas such as the quality of the work space, safety standards and ensures conformance to the applicable building standards. The corporate office has in place comprehensive safety measures including a fully-computerised building management system as mentioned earlier. We also ensure proper functioning of our systems and processes to avoid any operational delays.

Welfare and Recreation Club

CDB Welfare and Recreation Club was formed to promote and enhance the well-being of the staff members. The Club which is run by a committee appointed annually by the members promotes group and individual welfare activities. Financial assistance is also extended to staff members facing personal difficulties whilst events are organised annually to engage family members of employees as well.

Some of the events organised by the Club include:

- The Annual Get Together
- Annual Sports Fiesta
- Vesak Festival
- Christmas Carol Service
- Dental Week
- CDB Talent Show
- Blood Donation Campaign
- Eye Care Campaign

Sports at CDB

2014 CDB Sports Achievements

Rugby	44th Mercantile Rugby Sevens Tournament 2015 Finance House Association Tournament	Runners-Up
Volley ball	Finance House Association Tournament	Champions
Net ball	Mercantile Netball Tournament Finance House Association Following staff member were selected to represent the National Net ball Team which toured Brunei in 2015 • Aloka Buddhini • Ashani Fernando • Virnija Paramalingam • Diani Chathurika Wijeweera	B Division – Runners-Up
Athletics	Mercantile Athletic Meet	3 Gold Medals 5 Silver Medals 5 Bronze Medals
Cricket	Mercantile Cricket Tournament Finance House Association – 6 A Side Governor's Trophy (Organised by CRIB)	Division F – Quarter-Finals Semi-Finalist Semi-Finalist

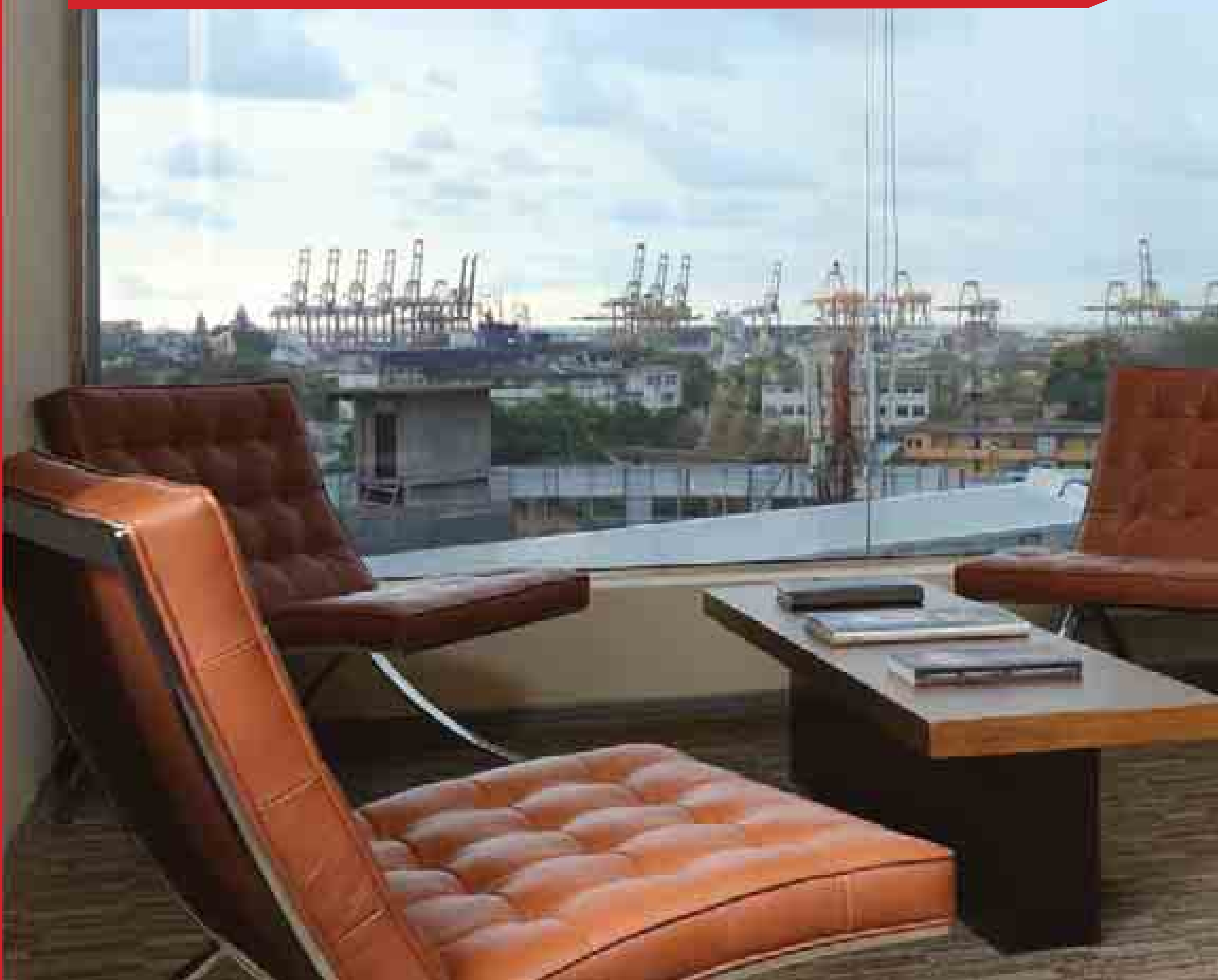
The runners up of the 44th Mercantile Rugby Sevens Tournament.

Priorities for 2015/16

Our employee centric priorities for the upcoming year are as follows:

- *Providing a succession plan to meet the required skills within the organization and uplift staff to have a better business impact.*
- *Provide soft skills and technical training to staff to deliver a better service to the customers.*
- *Supporting employees on work life balance and providing assistance on grievance handling and career guidance.*

It's our ideal '**room with a view**'. Mutual co-operation and shared success in pursuit of long-term value creation is the '**view**' we want to share...with every one of our business partners.



Broadening Horizons

We continuously strive to follow **best practices in governance** and conducted our operations in an ethical manner displaying professionalism, transparency and accountability.

Regulatory Capital

We continuously strive to follow best practices in governance and conducted our operations in an ethical manner displaying professionalism, transparency and accountability. In addition to our Values, there are laws, regulations and codes which further define expectations in terms of how we conduct our business. There are a number of current and forthcoming regulations which continue to drive consumer protection and ethical behaviour in the financial services industry which we believe supports our aim to act with integrity in everything we do.

Our Approach to Good Governance and Ethical Behaviour

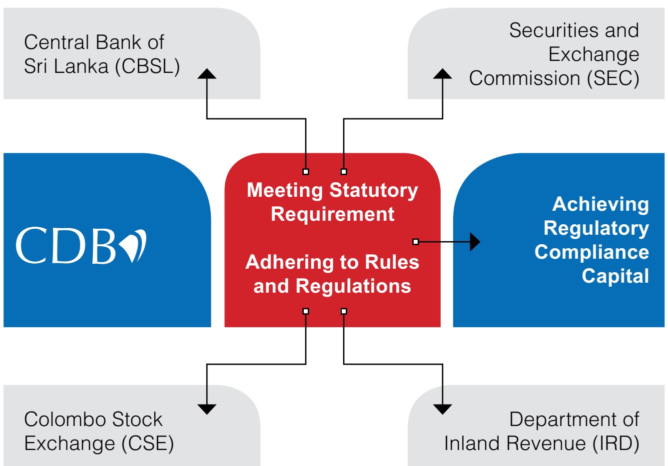
Our Compliance Division continuously reviews operations of the Company and ensures adherence to relevant rules and regulations. Compliance meetings are held monthly to discuss matters pertaining to compliance and also new developments pertaining to rules and regulations imposed by relevant authorities.

We maintain cordial relationships and engage with external organisations to ensure conformance to relevant regulations and codes of conduct. Some of the key regulatory bodies that we

Compliance with CBSL Requirements

Statutory Requirement	2014/15	2013/14
Liquidity (Rs. 000)		
Minimum liquid asset requirement	**2,977,502**	2,570,757
Available liquid assets	**4,262,267**	4,545,811
Minimum Government Securities requirement	**1,679,439**	1,184,013
Available Government Securities	**2,322,464**	1,887,200
Capital Adequacy		
Core capital to risk-weighted assets ratio (Minimum 5%)	**10.14%**	12.61%
Total capital to risk-weighted assets ratio (Minimum 10%)	**12.92%**	16.00%
Capital funds to total deposit liabilities ratio (minimum 10%)	**15.42%**	17.36%

maintain close relations include the Central Bank of Sri Lanka, Securities and Exchange Commission, the Colombo Stock Exchange and the Department of Inland Revenue. **(G4-16)**



Central Bank of Sri Lanka (CBSL)

Central Bank of Sri Lanka acts as the regulator and the governing body of all financial institutions in Sri Lanka. We have complied with all statutory requirements of CBSL.

Security Exchange Commission (SEC)

SEC as the regulator of the Colombo Stock Exchange (CSE) formulates rules from time to time to facilitate orderly and fair trading of securities for the investor protection. We have ensured compliance with the said regulations during the year and also submitted timely financial information to the regulator.

Colombo Stock Exchange (CSE)

The CSE operates as a Self-Regulatory Organization (SRO) subject to the regulation and supervision of the SEC. CSE has the responsibility to carry out operations of the stock exchange and ensure smooth operation of stock trading activities. CDB has complied with the rules and regulations set out by the CSE and have taken necessary steps to provide timely and accurate Financial Statements as required.

Department of Inland Revenue (IRD)

We have ensured compliance with the Rules and Regulations of the Department of Inland Revenue and have discharged all our tax obligations as per the requirements. In addition, we have set up a special committee to respond to queries from the Department and keep abreast with the changes on operational and accounting standards.

Other Legal and Regulatory Compliance

We recognised that regulatory compliance provides an opportunity to consistently strengthen our Company through strategic and proactive measures.

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 any fines or submit to any sanctions for non-compliance with the relevant laws and regulations. **SO7**
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. **SO8, EN29**

Priorities for 2015/16

- *Enhance the risk assessment and the risk profile of the Company.*
- *Continuously update on the latest regulations which affect the Company and its operations.*
- *Enhance the image and reputation of the Company through compliance.*

We strive to contribute towards a sustainable society by **promoting ethical business practices** in our supplier chain, uplifting the communities and embarking on environmentally friendly initiatives.

Social and Environmental Capital

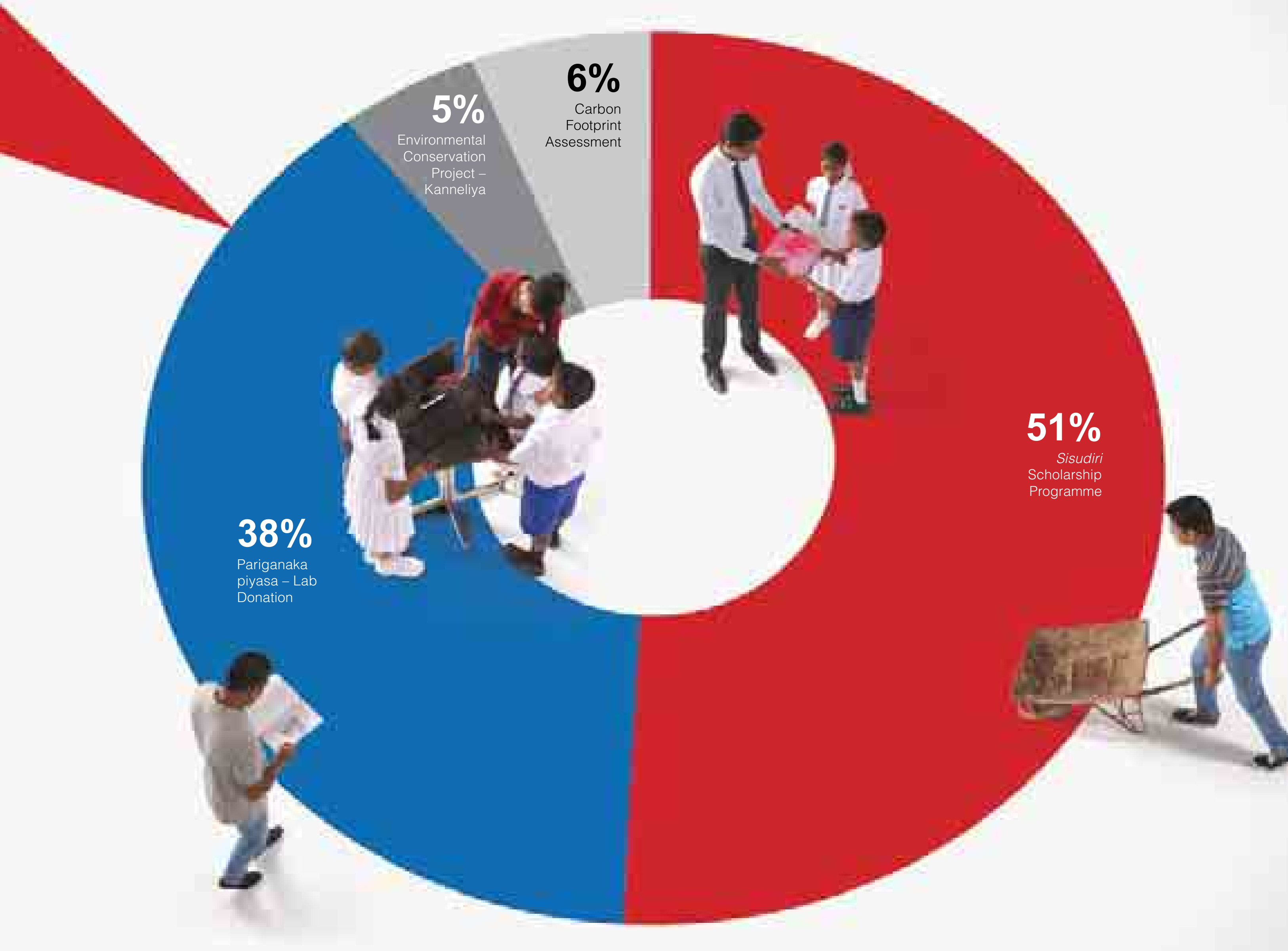
As a responsible corporate citizen, we have embedded sustainable business practices into our operations. We strive to contribute towards a sustainable society by promoting ethical business practices in our supplier chain, uplifting the communities and embarking on environmentally friendly initiatives.

Indicator	2011/12	2012/13	2013/14	2014/15
No. of IT labs donated (Nos.)	1	1	1	**1**
No. of scholarships extended by 'CDB *Sisudiri*' (Nos.)	40	33	57	**58**
No. of employees Recruited Outside the Western Province (Nos.)	295	349	396	**318**
Investment in Community Development (Rs. Mn)	4.7	3.1	3.3	**3.1**
Lending Outside the Western Province (Rs. Mn)	6,126	8,685	9,062	**11,080**
Lending Outside Western Province as a % of total Lending Portfolio (%)	49.81	48.17	37.78	**40.16**

Our Approach Towards Building Social Capital

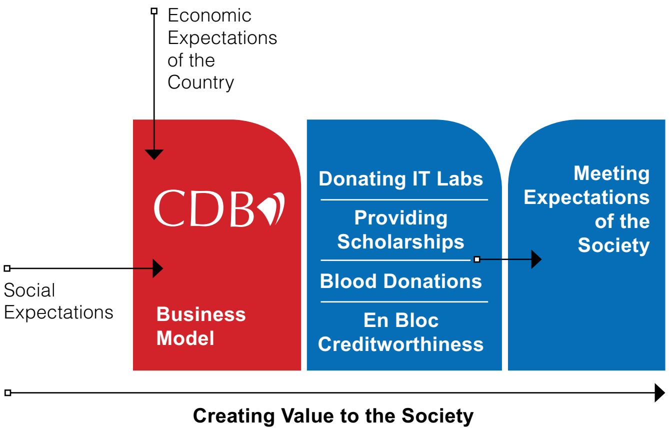
We are strongly committed to the economic upliftment of the communities where we do business. Hence, our responsibility extends beyond engaging in CSR projects to supporting entrepreneurship, enhancing financial security of individuals, financing infrastructure projects, creating jobs and facilitating economic growth by providing access to credit through the "urban funding and rural lending", concept .

We believe that education provides the strongest foundation for lasting social and economic progress. Hence, we have expanded our efforts through a variety of education-focused initiatives in the local community where our operations are based. We also strive to contribute towards environmental sustainability through minimising the negative impacts on the environment through our operations.



Investments

Investments in CSR related activities amounted to Rs. 3.1 Mn. Of this, 51% was allocated for our '*Sisudiri*' scholarship programme, under which selected high achievers of both the Grade Five Scholarship Examination and the GCE Ordinary Level Examination, were presented with annual cash grants.



Some of the initiatives we have embarked on are detailed below:

CDB Hithwathkam – Engaging Employees

This was created to engage our employees in social responsibility activities of our Company (SO1). Our employees volunteered their efforts to actively participate in numerous CSR activities during the year.

We have also deployed sustainability representatives in each of the major geographical areas we operate, to drive our sustainability initiatives which are aligned to the core values of our Company.

Empowering Entrepreneurs

We aim to uplift and enrich the lives of people through the provision of financial products and services. We encourage 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 underserved segments in rural communities. Hence, we offer a range of products and services, favouring rural entrepreneurship with minimal collaterals, convenient instalments etc. As at 31st March 2015, our lending portfolio outside Western Province was Rs. 11,080 Mn while the outside Western Province deposit portfolio was Rs. 6,498. This resulted a net leading outside Western Province at Rs. 4,582 Mn as at the financial year end.

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

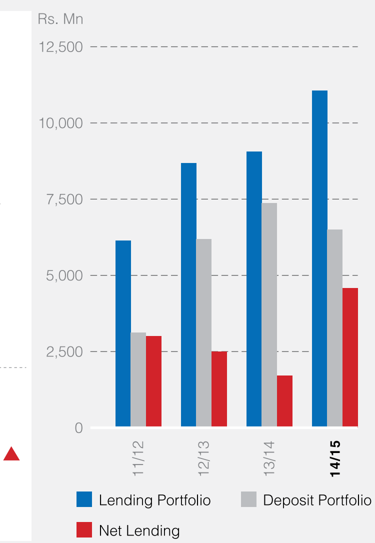
Net Lending Outside Western Province

Emphasising our slogan of urban funding and rural lending we were able to cater outside the Western Province through net lending.

2014/15
4,582 Mn

2013/14
1,706 Mn

Change
168% ▲



Promoting Rural Youth Employment

Our recruitment policy is geared to attract young people from rural areas. We focus on localised recruitment, from communities in which we operate. Our island wide branch network, our core values coupled with our organisational culture is geared to attract, retain and develop rural youth who are dynamic, passionate and committed. This strategy has enabled us to contribute to social and economic upliftment of Sri Lanka through reducing 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.

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

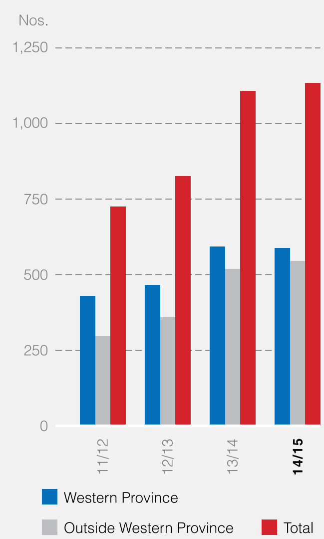
Employee Composition by Region

We have given prominence to youth employment outside the Western Province consecutively over the years.

2014/15
548 Nos.

2013/14
517 Nos.

Change
6% ▲



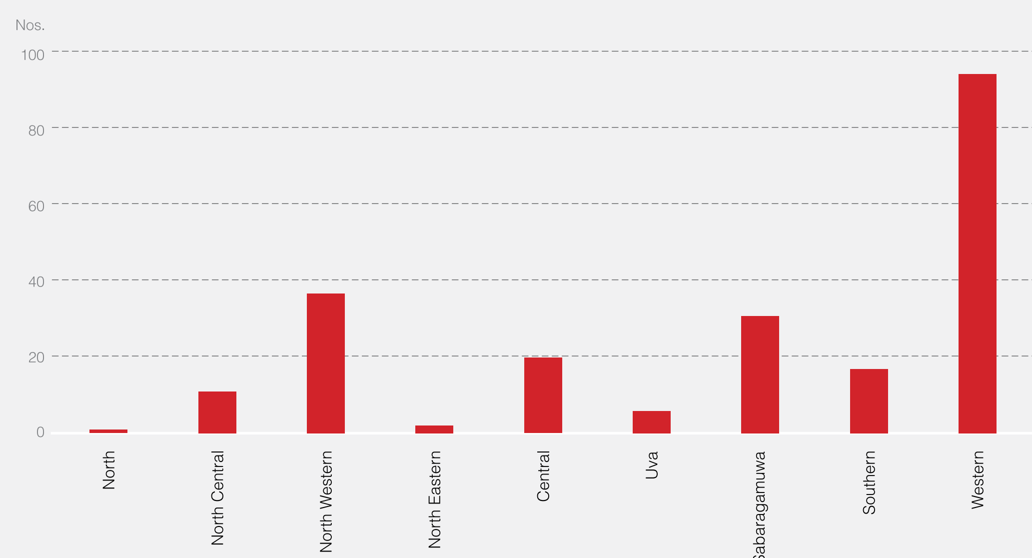
CDB *Diriliya* – Women Empowerment (SO1)

Women form the backbone of our nation's rural economy, as they play a significant role in the well-being of their families. '*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.

Diriliya Dealer Network Expansion	2014/15 Nos.
North	1
North-Central	11
North-Western	37
North-Eastern	2
Central	20
Uva	6
Sabaragamuwa	31
Southern	17
Western	95
Total	220

Diriliya Dealer Network

Extending island-wide presence, Company expanded the dealer network to each province considering under served clients.



CDB *Sisudiri* – Supporting Rural Education (SO1)

CDB *Sisudiri* foundation which is in its seventh consecutive year, rewards high performers of both the Grade Five Scholarship Examination and the GCE Ordinary Level Examination. Recipients of these scholarships are children from low-income families, especially of three-wheeler owners. The selection process is transparent and unbiased. 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 exam. High flyers of the O/L 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 58 scholarships were awarded to the tune of Rs. 3.1 Mn during the financial year.

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

CDB *Pariganaka Piyasa* – Enhancing ICT Literacy (SO1)

This project has been ongoing for the past six years as a part of our CSR initiative. We strive to promote ICT literacy among rural youth, to enhance their employability and enable them to compete with urban candidates on a more even basis.

We provide IT access and ICT education to under privileged students in rural schools and facilitate them to adjust into a future shaped by technology. During the year 2014/15, the CDB Technology Centre helped the of students studying at Kadaya Motte Sinhala Vidyalaya.

CDB Management team with the 58 Scholarship holders during 2014/15.

Eighth State-of-the-Art IT lab to nurture IT literacy in Kadaya Motte Sinhala Vidiyalaya under CDB Pariganaka Piyasa Programme.

IT Lab Donation

Year	Name of the School	No. of Students	Students Attending ICT as Compulsory Subject	% of Students who Attend ICT
2009/10	Nadigamvila Maha Vidyalaya	210	50	24%
2010/11	Navankuli Maha Vidyalaya	700	40	6%
2011/12	Ethawatunuwava Vidyalaya	340	137	40%
2012/13	Swarnapradeepa Maha Vidyalaya	200	100	50%
2013/14	Kandapola Mahinda Maha Vidyalaya- Nuwara Eliya	250	42	17%

Student Savings Unit

We opened 7 new Student Savings Units in seven different schools island-wide to promote the savings habit among schoolchildren.

The seven schools we reached include Biyagama Madya Maha Vidyalaya, Ananda Vidyalaya in Boralesgamuwa, Periyakomarasankulam Vidyalaya, Madukanda Vidyalaya, Pamunugama Maha Vidyalaya, Don Bosco College and BD/ Kahataruppawa Maha Vidyalaya.

Student Savings Units	2014/15	2013/14
Student Savings Units Opened (Nos.)	7	18

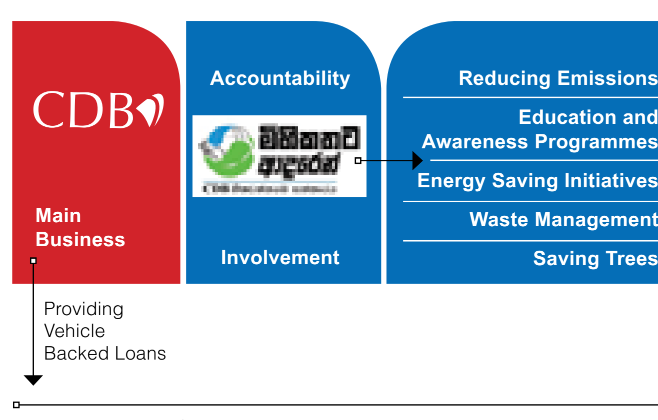
Compliance to Regulations

A robust governance structure is in place to oversee the sustainability agenda of our Company. We have infused governance principles, accountability, transparency, ethics and values into our operations. We have also continued to improve the monitoring and control mechanisms that govern these areas to ensure our sensitivity to socially accepted norms. There were no complaints or legal actions pertaining to anti-competitive behaviour, anti-trust or monopolistic practices instituted against our Company. **(G4–S07)** We have neither been obliged to pay any significant fines nor been subjected to non-monetary sanctions for non-compliance with laws and regulations during the year. **(G4–S08)**

Our Approach towards Environment Capital

We are firmly committed to reducing the environmental impact of our operations and promoting the sustainable use of the natural resources on which we depend, while providing quality products that meet the needs of our customers. Our efforts in managing our environment impacts also help us meet the expectations of our stakeholders, increase the long-term sustainability of our Company, reduce business risks and often reduce operating costs.

Indicator	2014/15	2013/14	2012/13	2011/12
No. of electricity units consumed at HO	526,256	408,836	337,895	349,035
No. of drinking water litres consumed at HO	19,912	21,977	41,243	42,354
No. of CSR meetings held	6	6	6	3



CDB receives Carbon Footprint Certification from Sri Lanka Carbon Fund by becoming a carbon conscious entity.

Green Policy

Our environmental policy provides a consistent framework to manage environmental initiatives across the Company. We remain committed to managing our environmental impacts as guided by our green standards. We believe that giving due consideration to sustainability not only improves our resilience but strengthens the long-term sustainability of the Company.

We strive to reduce our carbon footprint and encourage our stakeholders to operate in a similar manner as well. Being a service oriented organisation, we attempt to reduce consumption of electricity, water and paper to minimise our carbon footprint. Hence, responsible waste management has become a priority as we work to minimise the waste output of our operations.

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

- 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.

Carbon Footprint Assessment

We understand our responsibility towards reducing our carbon footprint. The growing public awareness and concern over climate change have highlighted the need for both individuals and organisations to reduce their Green House Gas (GHG) emissions. This has led us to take apt measures to calculate our carbon footprint based on our operations. Therefore, during the year, we carried out a detailed carbon footprint analysis along with Sri Lanka Carbon Fund (SLCF) under the Ministry of Environmental and Renewable Energy. SLCF has awarded us with 'carbon conscious' status based on the findings of the analysis.

Green Routines at Work

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

Initiatives such as unplugging electronic equipment when not in use, switching off unnecessary lights, fixing CFL bulbs and replacing obsolete computer monitors with flat screen monitor are some of the initiatives implemented. We also welcome suggestions from employees on reducing wastage and promoting environmental sustainability.

We also monitor, manage and report the progress of our initiatives including energy, emissions, water, electricity, paper and resource efficiency.

Emission Reduction

Over 80% of our lending consists of vehicle leasing facilities. Therefore, we remain responsible to reduce vehicle emissions by creating awareness on responsible vehicle management among our customers. Accordingly, we have conducted several awareness programs for our leasing customers and also offered eco-friendly advice on fuel saving etc.

Paperless Operations and Waste Management

We conducted a waste paper recycling project at the head office for the second consecutive year in collaboration with Neptune Papers (Pvt) Limited. This has not only contributed to saving trees, but also to reduce energy expended in the paper manufacturing process. This has paved the way to make use of waste paper more effectively with minimum impact to the environment. **(EN6)**

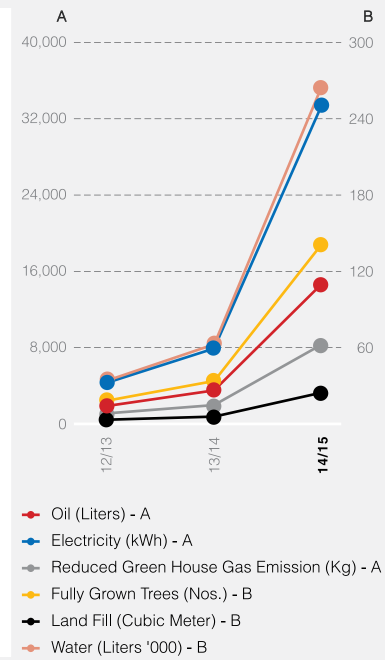
Paper Recycling conservation Effort

Savings through our Paper Recycling Effort.

Indicator	Measure	2014/15	2013/14	2012/13
Fully-grown trees	Nos.	142	34	18
Oil	litres	14,691	3,470	1,885
Electricity	kWh	33,484	7,908	4,296
Water	litres	266,030	62,829	34,132
Land-fill	Cubic Meter	25	6	3
Reduced Green House Gas Emission	Kg	8,371	1,977	1,074

Paper Recycling Effort

Our paper recycling efforts indicate higher carbon consciousness of the Company towards the environment which we operate in.



Electronics and Bulb Recycling (EN23)

This is another green initiative where we collect obsolete mobile phones and old CFL bulbs for recycling. Approximately, 90% of the materials used in these devices are reusable. Hence, these items are dispatched to a leading telecommunication company and a consumer goods manufacturing company to be recycled. This has enabled us to contribute to environmental conservation.

Energy Consumption (EN3)

We have consumed 19,912 litres of water and 526,256 units of electricity during the year. Significant quantities of both resources were saved through process redesign, conversion to energy efficient lighting and driving energy conscious behaviour in employees.

To commemorate World Forest Day we conducted a forest conservation project at the Kanneliya Forest Reserve.

Energy Consumption for 2 years

Consumption

Indicator	Measure	2014/15	2013/14
Electricity Consumed at HO	CEB Units	526,256	408,836
Drinking Water	Litres	19,912	21,977

Celebrating World Forest Day – Kanneliya Forest Reserve

To commemorate World Forest Day, we conducted a forest conservation project at the Kanneliya Forest Reserve in the Galle District for the first time. This was conducted in collaboration with the Department of Southern Provincial Council, Central Environment Authority, Department of Education of the Southern Province and the Divisional Secretariat.

Kanneliya, Nakiyadeniya and Dadiyagala are famous low land rain forests in Sri Lanka with the highest biological diversity in the world. The bio-diversity of Kanneliya is considered to be much richer, than the world heritage rain forest 'Sinharaja'. Our aim is to conserve the ecological balance of this rain forest by increasing the coverage of trees. We also created awareness about the rain forests in schoolchildren by conducting competitions and organising field studies.

The project details are as follows:

Item	2014/15
No. of Trees Planted	70
No. of School Children Participated	70
No. of Schools Participated	7

Priorities for 2015/16

- *Contribute to the socioeconomic development of our country, consistent with the nature of our operations.*
- *Provide financial services and products, responsibly, giving due consideration to the needs of the community.*
- *Continue to maintain healthy social relationships by designing and delivering programmes to youth from challenging backgrounds to uplift their lives.*
- *Make positive social impacts in the communities we operate, through partnerships, local initiatives and charitable efforts of our employees.*
- *Foster the right conditions for people to nurture their entrepreneurial spirit by empowering youth, women and the society.*
- *Invest in schoolchildren to improve their well-being and their families and also to enable them to become future leaders in society.*
- *Contribute to the macroeconomic development of our country.*
- *Explore new methods to have a cleaner energy source, promote energy efficiency, responsible financing and environment sustainability.*
- *Incorporate environmental considerations to our routine business activities.*
- *Extend our recycling project to branches as well.*
- *Continuously engage our employees in environmental conservation initiatives.*
- *Promote environment conservation projects among school children.*
- *Initiate an effective vehicle emissions reduction mechanism among customers.*
- *Continue with the 5S cleaning day of our head office and throughout the branch network.*

Future Outlook

Investors	Strike a balance between short-term profitability and long-term sustainability ensuring consistent return on investment
Customers	To deliver value at the right price and place for the customers that will eventually create value for the Company
Employees	Foster a diverse talent pool of dynamic employees while ensuring well-being and comfort
Society	Create sustainable self-sufficient communities by uplifting schoolchildren, entrepreneurs, women and other social groups
Environment	Build the CDB as a carbon conscious entity with energy conservation initiatives
Business Partner	Focus on mutually beneficial ethical relationships that are built on trust, transparency and accountability

GRI content index for “in accordance” - Core (G4-32)

General Standard Disclosures

	Description	Page Ref.	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.	14-19	Yes	126-127
Organisational Profile				
G4-3	Report the name of the organisation.	5	Yes	126-127
G4-4	Report the primary brands, products and services.	56,57,60,61	Yes	126-127
G4-5	Report the location of the organisation’s headquarters.	8,9	Yes	126-127
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.	5	Yes	126-127
G4-7	Report the nature of ownership and legal form.	276	Yes	126-127
G4-8	Report the markets served (including geographic breakdown, sectors served and types of customers and beneficiaries).	81	Yes	126-127
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	5,94	Yes	126-127
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).	94-97	Yes	126-127
G4-11	Report the percentage of total employees covered by collective bargaining	92	Yes	126-127
G4-12	Describe the organisation’s supply chain.	86	Yes	126-127
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 inrelationships with suppliers, including selection and termination	8,9	Yes	126-127
G4-14	Report whether and how the precautionary approach or principle is addressed by the organisation.	162,163	Yes	126-127
G4-15	List externally developed economic, environmental and social charters, principles or other initiatives to which the organisation subscribes or which it endorses.	29	Yes	126-127
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	113	Yes	126-127

Description		Page Ref.	External Assurance/ Page Reference	
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.	8	Yes	126-127
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.	39	Yes	126-127
G4-19	List all the material Aspects identified in the process for defining report content.	39	Yes	126-127
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 material Report any specific limitation regarding the Aspect Boundary within the organization	40	Yes	126-127
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	40	Yes	126-127
G4-22	Report the effect of any restatements of information provided in previous reports and the reasons for such restatements.	8	Yes	126-127
G4-23	Report significant changes from previous reporting periods in the Scope and Aspect Boundaries.	8	Yes	126-127
Stakeholder Engagement				
G4-24	Provide a list of stakeholder groups engaged by the organisation.	35	Yes	126-127
G4-25	Report the basis for identification and selection of stakeholders with whom to engage.	33	Yes	126-127
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.	36	Yes	126-127
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.	36,37	Yes	126-127
Report Profile				
G4-28	Reporting period (such as fiscal or calendar year) for information provided.	8,9	Yes	126-127
G4-29	Date of most recent previous report (if any).	8,9	Yes	126-127
G4-30	Reporting cycle (such as annual, biennial).	8,9	Yes	126-127
G4-31	Provide the contact point for questions regarding the report or its contents.	8,9	Yes	126-127
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.	8,9	Yes	126-127
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.	8,9	Yes	126-127

Description		Page Ref.	External Assurance/ Page Reference	
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.	28	Yes	126-127
Ethics and Integrity				
G4-56	Describe the organisation's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics.	78,79	Yes	126-127

Specific Standard Disclosures

Category	Material Aspect	Indicators		Page No.	External Assurance/ Page Reference	
Economic	Economic Performance	DMA		30	Yes	126-127
		EC1	Direct economic value generated and distributed	30	Yes	126-127
Environment	Energy	DMA		119	Yes	126-127
		EN3	Energy consumption within the organisation	120,121	Yes	126-127
		EN6	Reduction of energy consumption	120	Yes	126-127
	Effluent and Waste	DMA		119	Yes	126-127
		EN23	Total weight of waste by type and disposal method	120	Yes	126-127
	Compliance	DMA		119	Yes	126-127
		EN29	Monetary value of significant fines and total number of non monetary sanctions for non compliance with environment laws and regulations	113	Yes	126-127
Social	**Labour Practices and Decent Work**					
	Employment	DMA		90,92	Yes	126-127
		LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	98-101	Yes	126-127
	Labour/Management Relations	DMA		90,92	Yes	126-127
		LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	92	Yes	126-127
	Training and Education	DMA		90,92,102	Yes	126-127
		LA9	Average hours of training per year per employee by gender and by employee category	105	Yes	126-127
		LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	104	Yes	126-127
		LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	102	Yes	126-127
	Equal Remuneration for Women and Men	DMA		90,92	Yes	126-127
		LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	102	Yes	126-127

Category	Material Aspect		Indicators	Page No.	External Assurance/ Page Reference	
	Human Rights					
	Non-Discrimination	DMA		90,92	Yes	126-127
		HR3	Total number of incidents of discrimination and corrective actions taken	92	Yes	126-127
	Child Labour	DMA		90,92	Yes	126-127
		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	92	Yes	126-127
	Forced or Compulsory Labour	DMA		90,92	Yes	126-127
		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	92	Yes	126-127
	Society					
	Local Communities	DMA		114,116	Yes	126-127
		SO1	Percentage of operations with implemented local community engagement, impact assessments and development programs	116-118	Yes	126-127
	Anti-Corruption	DMA		90,92	Yes	126-127
		SO4	Communication and training on anti-corruption policies and procedures	105	Yes	126-127
	Anti-Competitive behaviour	DMA		114,116	Yes	126-127
		SO7	Total number of legal actions for anti-competitive behavior, anti-trust and monopoly practices and their outcomes	113	Yes	126-127
	Compliance	DMA		114,116	Yes	126-127
		SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	113	Yes	126-127
	Product Responsibility					
	Marketing Communication	DMA		76,78	Yes	126-127
		PR6	Sale of banned or disputed products	78	Yes	126-127
		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	78	Yes	126-127
	Customer Privacy	DMA		76,78	Yes	126-127
		PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	78	Yes	126-127
	Compliance	DMA		76,78	Yes	126-127
		PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	78	Yes	126-127

Independent Assurance Report

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

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

Independent Assurance Report to Citizens Development Business Finance PLC

On the elements of Sustainability Reporting in the Integrated Annual Report for the year ended 31st Mach 2015

Introduction

We were engaged by the Board of Directors of Citizens Development Business Finance PLC ("Company") to provide assurance on the following elements of the Sustainability Reporting in the Integrated Annual Report for the year ended 31st March 2015 of Citizens Development Business Finance PLC ("Report").

- Reasonable assurance on the data on Financial Performance, as reported on page 6 of this Report.
- Limited assurance on the Non-Financial Highlights specified on page 7 and the information provided on the following stakeholder groups as detailed below:

Stakeholder Disclosures	Integrated Report Page
Investors	72 to 75
Customers	76 to 83
Business Partners	84 to 87
Employees	88 to 107
Regulator	110 to 111
Social and Environment	112 to 121

Our Conclusions

(a) Data on financial performance:

In our opinion, the data on financial performance, as reported on page 6 of the Integrated Annual Report 2015 are properly derived from the financial statements of the Company for the year ended 31st March 2015.

(b) Sustainability performance indicators and stakeholder disclosures:

Based on the limited assurance procedures performed, as described below, nothing has come to our attention that causes us to believe that the Non-Financial Highlights specified on page 7 and the information provided on the stakeholder groups as described in the pages set out above, have not in all material respects, been prepared and presented in accordance with the Sustainability Reporting Guidelines as described on page 9 of this Report.

Managements' Responsibility

Management is responsible for the preparation and presentation of the Report in accordance with the Global Reporting Initiative (GRI) G4 Principles for Defining Report Content and Quality.

These responsibilities includes the identification of stakeholders and material aspects and for establishing such internal controls as management determines are necessary to enable the preparation of the reported performance information and other information in the report that are free from material misstatement whether due to fraud or error.

Our Responsibilities and Compliance with SLSAE 3000

Our responsibility is to carry out a reasonable and limited assurance engagement and to express a conclusion based on the work performed. We conducted our engagement in accordance with Sri Lanka Standard on Assurance Engagements SLSAE 3000: Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the Institute of Chartered Accountants of Sri Lanka.

That Standard requires that we comply with applicable ethical requirements, including independence requirements, and plan and perform the engagement to obtain reasonable and limited assurance about whether the Report is free from material misstatement.

Summary of Work Performed

Financial Data

A reasonable assurance engagement on Financial Performance reported on page 6 of this report involves verification that they were properly derived from Audited Financial Statements of the Company for the year ended 31st March 2015.

Sustainability Performance Indicators

Our limited assurance engagement on the sustainability performance indicators included in the Report consisted of making enquiries, primarily of persons responsible for the management, monitoring and preparation of the sustainability indicators presented in the Report, and applying analytical and other evidence gathering 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 Company's processes for determining material issues for Company's key stakeholder groups;
- Enquiries of relevant staff at corporate level responsible for the preparation of the Report;
- Enquiries about the design and implementation of the systems and methods used to collect and report the information, including the aggregation of the reported information;
- Comparing the information presented in the Report to relevant underlying sources on a sample basis to determine whether all the relevant information has been appropriately included in the Report;
- Reading the Sustainability Performance Indicators presented within the Report to determine whether they are in line with our overall knowledge of, and experience with, the sustainability performance of Company;
- Reading the remainder of the sections relation to sustainability included in 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.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement or an audit conducted in accordance with Sri Lanka Standards on Auditing and Assurance Engagements, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit or a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance conclusion on the sustainability performance indicators.

Use of this Report

Our assurance report is made solely to Citizens Development Business Finance PLC in accordance with the terms of our engagement. Our work has been undertaken so that we might state to Citizens Development Business Finance PLC those matters we have been engaged to state in this assurance report and for no other purpose. We do not accept or assume responsibility to anyone other than Citizens Development Business Finance PLC for our work, for this assurance report, or for the conclusions we have reached.

CHARTERED ACCOUNTANTS
Colombo

4th June 2015

An Invaluable Asset

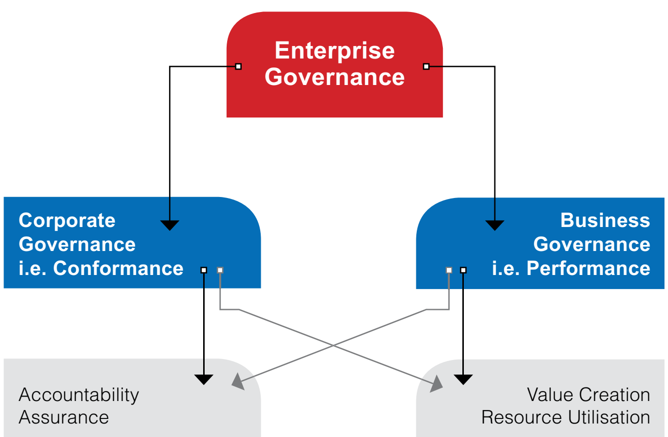
Our people...nothing really works without them. It's why we are committed to hiring the best...nurturing and developing them to be even better...helping them to impart the '**CDB ethos**' to every stakeholder.

Enterprise Governance

Introduction

Enterprise Governance provides an integrated framework to focus on both the value-creating drivers that move the business forward, and the need to ensure adequate control and oversight which constitutes the entire accountability framework of an organisation. There are two dimensions of Enterprise Governance where one dimension is conformance and other one is performance that both need to be in balance to achieve best chance of business.

Enterprise Governance Framework

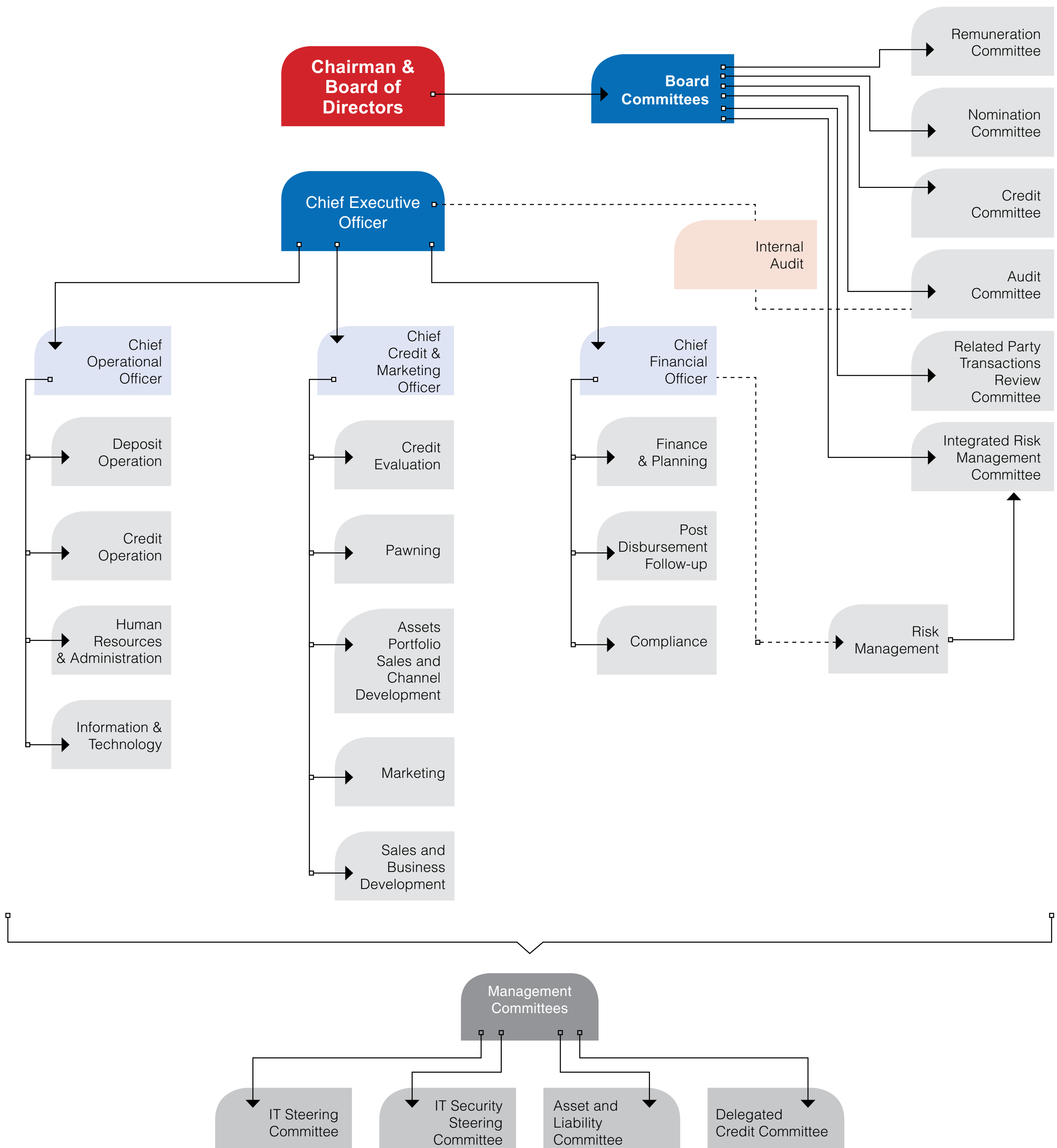


The performance element focuses on strategy and value creation and it will facilitate the Board to make strategic decisions; recognise its appetite for risk and its key drivers of performance, and identify its key points of decision-making. On the other hand, conformance dimension is also called "Corporate Governance" which covers issues such as Board structures, roles and executive remuneration.

CDB Approach

CDB has identified the significance of Enterprise Governance framework, which is a holistic approach to Corporate Governance and Business Governance. It determines the allocation of authority and responsibilities by which the business and affairs are carried out by its Board and senior management. A specific structure has been formulated by the Key Management Personnel in order to proceed with the framework and stay committed to the highest standards of Enterprise Governance.

Governance Structure



Enterprise Governance must start at the top in order to be effective and overall responsibility rests with the Board. It is the duty of senior management to convert strategic direction set by Board in the shape of policies and procedures and establish an effective hierarchy to perform and implement those policies. Board will be responsible in deciding on the risk appetite and the corporate management headed by CEO will formulate the strategies. The formulated strategies will then pass to the Board where the appraisal and challenges arise based on the evaluation and then approval is granted accordingly. The approved strategies will then be implemented and executed by the senior management which will communicate down the line and provide essential monitoring measures to consider the progress of the strategies.

Conformance dimension is dealt by the Board-appointed committees, which includes Credit Committee, Audit Committee, Integrated Risk Management Committee, Remuneration Committee and Nomination Committee. The performance dimension is centralised with the CEO, senior management and the CDB team whom will be responsible for strategy formulation, execution and evaluation. Asset Liability Committee, Delegated Credit Committee, Enterprise Risk Management Committee, IT Steering Committee and IT Security Steering Committee will function in order to ensure effective resource utilisation and value creation.

Board Sub-Committees

Audit Committee

Committee is accountable for directing the preparation, presentation and adequacy of disclosures in the Financial Statements of the Company and overlooking effectiveness of the company's internal control system. During the financial year, Audit Committee has evaluated and recommended the enhanced disclosures for Financial Statements and addressed further improvements of internal controls.

Integrated Risk Management Committee

The purpose of the Integrated Risk Management Committee is to standardise and smoothened the risk management process of the company and it can be considered as the heart of company’s risk management function. The Committee continuously assesses and monitors the effectiveness of the risk management framework and unveils strategies to mitigate the risk exposure for identified risk categories within permissible level. In the period under review IRM Committee has further strengthened the Dash Board which is in place for monitoring all the trigger points based on the identified risk categories. The meetings are held quarterly and minutes are forwarded to the Board consideration.

Credit Committee

The Credit Committee is responsible for oversight on credit management and setting the strategic direction for credit management. CEO and Executive Directors are function as the members of the Committee. During the year the Committee has evaluated the market dimensions and taken essential decisions to appraise the credit policies.

Remuneration Committee

Purpose of the Remuneration Committee is to recommend the remuneration for Executive Directors where the Board has the sole authority to take final determination of such recommendations and it is headed by a Non-Executive Director.

Nomination Committee

The Nomination Committee is responsible for making recommendations on Board appointments, and on maintaining a balance of skills and experience on the Board and its committees. During the Financial year under review there were no new appointments to the Board.

Related Party Transaction Review Committee

The RPTRC is headed by an Independent Non-Executive Director. The Committee was set up to assist the Board in reviewing all related party transactions carried out by the CDB by early adopting of the Code of Best Practice on Related Party Transactions as issued by the Securities and Exchange Commission of Sri Lanka (SEC).

Management Committees

IT Steering Committee

The Board of Directors of CDB has the ultimate accountability for the IT risk and related control environment and is primarily responsible for exercising oversight over effective management of all the IT-related risk. Thereby IT Steering Committee plays a major role in CDB by developing overall IT policies and strategies that will ensure the cost effective application and management of IT systems and resources throughout the institution.

IT Security Steering Committee

A Steering Committee of executives formed with formal terms of reference and the Head of IT Security and Governance is the member secretary of the Committee. The Committee includes the Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, Chief Information Officer and IT Auditors.

The IT Security Steering Committee of CDB serves as an effective communication channel for management's aims and directions and provides an ongoing basis for ensuring alignment of the security programme with organisational objectives. It is also instrumental in achieving behavioural change towards a culture that promotes good security practices and compliance with policies.

Asset and Liability Committee

Chief Financial Officer is heading the Committee and comprises of five members from finance, Credit and Deposit operations. The Committee is responsible in monitoring and evaluating the internal performance of liquidity, investments, pricing and asset liability maturities during the year. The Committee is complying with regulatory requirements whilst achieving the strategic objectives of CDB.

Delegated Credit Committee

The Committee is responsible in formulating and executing strategies and policies during the year for the entire credit management function of the Company. The committee comprises of revenue and non-revenue driven managers who carry an equal responsibility for credit risk and ensure the segregation of business development and credit administration functions.

Corporate Governance

Corporate Governance is the system by which CDB is directed and controlled by management. Good Corporate Governance provides the framework within which a company operates, sustained on principles of corporate accountability and transparency. From a broader perspective, it involves the relationship which exists between stakeholders of a company including the community at large and its directorate. The existence of formal and stringent mechanisms within a company for facilitating good Corporate Governance practices. This is reflected in the corporate behaviour, which is committed to achieving goals set for the benefit of all corporate stakeholders. The global recession and the failure of financial institutions in the recent past, clearly demonstrate the pivotal role played by good Corporate Governance practices in sustaining corporate growth and performance. CDB has continuously endeavoured to abide by best practices in governance; and conducted operations in a legal and ethical manner displaying professionalism, transparency and accountability.

The CDB's Corporate Governance structure is based on the 'Code of Best Practice on Corporate Governance' issued jointly by the ICASL 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 & THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA'.

The disclosure below reflect the CDB's level of conformance with the above code which comprises of seven fundamental principles. There are namely -

A. Directors
B. Directors' Remuneration
C. Relations with Shareholders
D. Accountability and Audit
E. Institutional Investors
F. Other Investors
G. Sustainability Reporting

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

A. Directors

A.1 The Board

The Company should be headed by a Board, which should direct, lead and control the Company

The Board consists of professionals in Finance, Accounting, Management, Information Technology, Marketing, Human Resources and Business Leaders. All Directors possess the skills and experience and knowledge complemented with a high sense of integrity and independent 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.

Corporate Governance Principles	SEC & CA Sri Lanka Code Reference	Compliance Status	CDB's Level of Compliance
Board Meetings	A.1.1	Compliant	Board meeting 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. See Number of meeting held and attendance on page 149.
Responsibilities of the Board	A.1.2	Compliant	The Board collectively responsible for the success of the Company. The Board formulate the business strategy and ensure that MD/CEO and management team posses 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 decisions make by the Board. The Board is satisfied with the integrity of financial information and the robustness of the financial controls and system of risk management of the Company.
Compliance with laws and access to Independent professional Advice	A.1.3	Compliant	The Board collectively as well the Directors individually, recognised their duty to comply with laws of country which are applicable to the Company. The Board of Directors ensures that procedures and processes are in place to ensure that the Company complies with all applicable laws and regulations. A procedure has been put in place for Directors to seek independent professional advice, in furtherance of their duties, at the Company's expense. This will be co-ordinated through the Board Secretary, as and when it is required. In addition, the Board is assisted by several Board Sub-committees on various matters.
Advice and services of the Company Secretary	A.1.4	Compliant	All secretarial matters for which clarification is needed by the board are referred to the Company Secretary who having required qualifications as set out in the Company Act. Company Secretary provides all information after obtaining necessary professional advice, whenever required to do so. All Board members have access to the Company secretary to ensure that proper Board procedures are followed and that all applicable rules and regulations are complied with. Consent of all Board members is required for the removal of the Company Secretary.
Independent 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.

Corporate Governance Principles	SEC & CA Sri Lanka Code Reference	Compliance Status	CDB's Level of Compliance
Dedication of adequate time and effort for matters of the Board	A.1.6	Compliant	The Board members dedicate adequate time and effort to fulfil their duties as Directors of the Company (both before and after the board meeting) to ensure that the duties and responsibilities owned to the Company are discharged accordingly. In addition to attending Board meeting, they have attended Sub-committee meeting and also have made decisions via circular resolution where necessary. The Board Sub-committees include Assets and Liability Committee, Audit Committee, Integrated Risk Management Committee, Credit Committee, Remuneration Committee, Nomination Committee. Further additional meetings and discussions are held with the management whenever the need arises.
Training for new and existing Directors	A.1.7	Compliant	Both new and existing Directors of the Company are provided guidelines on general aspects of directorship and industry specific matters. In this regards, 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-committee by the Company from time to time on industry specific matters and regulatory updates. The Directors have attended a number of meetings with the Corporate management teams to familiarise themselves with the Company strategy, operation and internal control. The Directors have attended the 'Directors Symposium' conducted by CBSL during the year.
A.2 Chairman and Chief Executive Officer (CEO)			
There is a clear separation in the duties of the Chairman and the Chief Executive Officer to ensure a balance of power and authority, in such a way that any individual has no unfettered powers of decisions.			
The role of the Chairman and MD/Chief Executive Officer is functioning separately at Company. The Chairman is responsible for the lead, direct and manage the work of the Board to ensure that it operates effectively and fully discharge its legal and regulatory responsibilities. The MD/CEO's role is primarily to conduct the business operation of the Company with help of the corporate management.			
Division of responsibilities of the Chairman and 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.

Corporate Governance Principles	SEC & CA Sri Lanka Code Reference	Compliance Status	CDB's Level of Compliance
A.3 Chairman's Role			
The Chairman's main role is to lead and manage the Board, ensuring that it discharges its legal and regulatory responsibilities effectively and fully. He preserves order and facilitates the effective discharge of the Board function. The profile of the Chairman is given on page 152.			
Role of the Chairman	A.3.1	Compliant	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, • 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 obligation to all shareholders and other stakeholders. • All Directors are encouraged to make an effective contribution, within their respective capabilities, for the benefit of the Company. • A balance of power between Executive and Non-Executive Directors is maintained. • Representing the views of the Board to the public.
A.4 Financial Acumen			
The Board should ensure the availability within it of those with sufficient financial acumen and knowledge to offer guidance on matters of finance. There are a sufficient number of Board members who possess finance qualifications and experience in the Financial Services industry and provide significant input in matters concerning this area.			
Availability of sufficient financial acumen and knowledge	A.4	Compliant	The Chairman is a fellow member of the Chartered Institute of Management Accounting of UK MD/CEO is a member of the Chartered Institute of Management Accounting 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 from 152 to 153.
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-Executives (NED) which is well above the minimum prescribed by this code which is two NEDs or NEDs equivalent to one-third of the total number of Directors, whichever is higher. This ensures that the views of NEDs carry a significant weight in the decisions made by the Board.
Independent Directors	A.5.2	Compliant	Three out of six Non-Executive Directors are Independent as defined by the Code.
Independence evaluation review	A.5.3	Compliant	All three Independent Directors are independent of management and free of any business or other relationship that could impair his independence.
Signed Declaration of Independence	A.5.4	Compliant	All Non-Executive Directors of the Company have made written submissions as their independence against the specified criteria set out by the Company, which is in line with the requirements of Schedule J of the Code.

Corporate Governance Principles	SEC & 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 Dr. A S Dharmasiri
Appointment of Alternative Director	A.5.6	Compliant	Where the Alternative Director is appointed, a requirement of the code has 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 Senor Independent Director, to meet the requirement under 7 (2) of the Finance Companies (Corporate Governance) Direction No. 03 of 2008 issued by CBSL.
Confidential discussion with the Senior Independent Director	A.5.8	N/A	Please 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 and of quality appropriate to enable the Board to discharge its duties. Financial and non-financial information are 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 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.

Corporate Governance Principles	SEC & CA Sri Lanka Code Reference	Compliance Status	CDB's Level of Compliance
A.7 Appointments to the Board			
In terms of the Company's Articles of Association the majority shareholder is entitled from time to time, by writing under the hand of its Chairman, to make appointments of new Directors. The said appointments are notified to the Board of Directors immediately. In identifying suitable candidates for appointment as Executive and Non-Executive Directors, professional qualifications, business experience and personal qualities are taken into consideration.			
Nomination Committee and Assessment of Board composition	A.7.1 & A.7.2	Compliant	Board as a whole annually assess 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.
Disclosure of details of new directors to shareholders	A.7.3	Compliant	When the new Directors were appointed to the Board, a brief résumé of each such Director including the nature of his experience, the names of companies in which the Director holds directorship, membership, in the Board Sub-Committee etc., are informed to the Central Bank of Sri Lanka and 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 interest parties. Any changes in the details provided by the Directors are disseminated to the Colombo Stock Exchange without any delay.
A.8 Re-election			
The Code requires all Directors to submit themselves for re-election at regular intervals and at least once in every three years. It also requires that all Non-Executive Directors to be appointed for a specific terms and subject to re-election.			
Appointment of Non-Executive Directors	A.8.1	Compliant	Association of the Company requires, each Director to retire by rotation once in every three years and is required to stand for re-election by the shareholders at the Annual General Meeting. The proposed re-election of Directors are subject to prior review by the full Board.
Re-election by the shareholders	A.8.2	Compliant	Refer comment above.
A.9 Appraisal of Board Performance			
The Board periodically appraises its own performance against the preset targets in order to ensure that the Board responsibilities are satisfactorily discharged.			
Annual appraisal of Board performance and that of its Committees	A.9.1 & A.9.2	Compliant	The Board annually evaluated its performances against the annual objectives set at the beginning of the year. The performances of Board committees evaluated against the objectives of respective committees.
Disclosure of criteria used for the performance evaluation	A.9.3	Compliant	See '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			
The Code requires that the details in respect of each Director to be disclosed in the Annual Report for the benefit of the shareholders.			
Details in respect of Directors	A.10.1	Compliant	Details of Directors are given on this Annual Report.

Corporate Governance Principles	SEC & 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 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 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 policy 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 participate 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 - Chairman Mr. Razik Mohamed Dr. 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	Input of the Chairman is 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 & 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 CEO is designed to create and enhance value for all CDB's stakeholders and to ensure there is strong alignment between the short-term and long-term interest 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 194 and 195 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 Statement on page 230 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 regards, all shareholders of the Company receive the Notice of Meeting within the statutory 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-committee Chairman	C.1.3	Compliant	Chairman of the Company ensures that Chairman of all Board appointed Sub-committees are present at the AGM to answer the question 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 copy of the Annual Report are dispatched to all shareholders together with the Notice of Meeting detailing the summary of procure as per legal requirements giving adequate notice to shareholders. This provides opportunity to all shareholders to attend the AGM for their voting status and obtain clarifications for the matters of interest to them.
C.2 Communication with Shareholders			
The Board is required to implement effective communication with shareholders.			
Communication with shareholders	C.2.1 to C.2.7	Compliant	The Company has implemented the relevant communication channel, disclosed the policy and methodology and other requirement of the Code for communication with shareholders.

Corporate Governance Principles	SEC & CA Sri Lanka Code Reference	Compliance Status	CDB's Level of Compliance
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. Transaction, if any, which materially affect the net assets of the Company, will be disclosed in the quarterly/annual Financial Statements.
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 position and performance for the year ended 31st March 2015 and at end of each Quarter of 2014/15. 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 and 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 Central Bank of Sri Lanka, the Colombo Stock Exchange, the Securities and the Exchange Commission.
Directors Report in the Annual Report	D.1.2	Compliant	The Directors' Report given on this Annual Report covers all areas of this Section as required by the direction.
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 on this Annual Report as required by the direction and Auditors reporting responsibility is given in their Audit Report on the Financial Statement in this Annual Report.
Management Discussion and analysis	D.1.4	Compliant	The Management Discussion and Analysis Report is given in this Annual Report as required by the direction.
Declaration by the Board that the business is a going concern	D.1.5	Compliant	This is given in the Directors' Report.
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.

Corporate Governance Principles	SEC & CA Sri Lanka Code Reference	Compliance Status	CDB's Level of Compliance
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	The Company has established a comprehensive framework of policies and procedures for risk management and internal controls, which are regularly reviewed and updated. The Company's Audit Committee ensures that there is an effective internal control and financial reporting system by adopting the following measures: (i) Audits are conducted by the Internal Audit Department, in areas involving high risks as identified in the annual internal audit plan. (ii) A structured process is in place for loss reporting, control exception reporting and compliance breach reporting. (iii) A comprehensive checklist is used for follow-up on the status of implementation of all audit recommendations. (iv) Periodic branch audits are performed on the Company's branch operations. The Company obtained the External Auditor's certification on the effectiveness of the internal control mechanism financial reporting.
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 carry out reviews of the process and effectiveness of risk management, internal controls and document to the Board on regular basis.
D.3 Audit Committee			
The Code requires the Board to have formal and transparent arrangements in selecting and applying the accountings policies, financial reporting and internal control principles and maintaining an appropriate relationship with the Company's External Auditor.			
Composition of the Audit Committee	D.3.1	Compliant	The Company's Audit Committee consists of three members all of whom are Non-Executive Directors. The committee operates within clearly defined terms of reference. Details of the members, invitees and the Secretary of the Committee are found on Audit Committee Report in this Annual Report.
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 payment to External Auditors for audit and non-audit services are disclosed in the Directors' Report of this Annual Report. In addition, the Company has an established an internal audit function which operates independently and has direct access to the Audit Committee. The External Auditors do not have any relationship (Other than that of Auditor) and any interest in the Company.
Terms and reference of the Audit Committee	D.3.3	Compliant	Audit Committee is guided by clearly define terms and references.
Disclosure of the Audit Committee	D.3.4	Compliant	Names of the members of Audit Committee are given in this Annual Report under Audit Committee Report.

Corporate Governance Principles	SEC & CA Sri Lanka Code Reference	Compliance Status	CDB's Level of Compliance
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 to 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 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 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.			
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 G.1.7	Compliant	The Company has adopted the relevant principles and procedure 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 formulate the business strategy and ensure that CEO and management team posses the skills experience and knowledge to implement the strategy. It also ensures that effective systems are in place to secure integrity of the information, Internal controls and risk management and compliance with all applicable laws and regulations.
2. Chairman and CEO	2. (2)	Compliant	The Chairman is a Non-Executive Director. The Chief Executive Officer is in charge of the overall management of the Company.
3. Independent professional advice Board Meetings	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 do 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 have a formal schedule of matters reserved to it.
6. Situation of Insolvency	2. (6)	Compliant	No such situation has been 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 for the financial year under review and have ensured that the performance of the Company for the financial year under review has been duly assessed at those meeting.
10. Inclusion of proposals by all Directors in the agenda	3. (2)	Compliant	The Company Secretary facilitates any requires made by the Directors at the meeting or otherwise and ensure that the said matters and proposals are included in the agenda for the next meeting for discussion.
11. Notice of Meetings	3. (3)	Compliant	Directors are given adequate time and at least 7 days of notice for regular Board meetings. For all other meetings a reasonable notice period is given.
12. Non-attendance of Directors	3. (4)	Compliant	Such an instance had not arisen in the Company.
13. Board Secretary	3. (5)	Compliant	Please refer Section A.1.4. of the SEC and 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 keep the minutes of meetings.

Corporate Governance Principles	CBSL Rule Reference	Compliance Status	CDB's Level of Compliance
15. Access to secretary by Directors	3. (7)	Compliant	All the Directors have access to Secretary and records of Board meetings.
16. Minutes of Board meetings shall be recorded in sufficient details	3. (9)	Compliant	Minutes of all meetings are duly recorded in sufficient detail and retained by the Company Secretary under the supervision of the Chairman.
4. The Board's Composition			
17. Number of Directors	4. (1)	Compliant	The Board comprise of 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	
19. Appointment of an employee as a Director	4. (3)	Compliant	The Company have 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 meeting held.
24. Details of Directors	4. (8)	Compliant	Details of Directors included in this Annual Report.
25. Appointment of new Directors	4. (9)	Compliant	The Board collectively asses the composition of the Board and make appointment as necessary.
26. Appointment to fill a casual vacancy	4. (10)	Compliant	
27. Resignation/removal of a Director	4. (11)	Compliant	
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 in office in more than 20 companies	5. (2)	Compliant	No Director hold 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.
7. The Chairman and Chief Executive Officer			
31. Division of Responsibilities of the Chairman and MD/CEO	7. (1)	Compliant	The role of Chairman and Chief Executive Officer separated.

Corporate Governance Principles	CBSL Rule Reference	Compliance Status	CDB's Level of Compliance
32. Chairman shall be an 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 shall be disclosed in the Finance Company's Annual Report.	7. (2)	Compliant	Chairman is a Non-Executive Director. The Board was designated Mr. Razik Mohamed (Independent Non-Executive Director) as Senior Director.
33. Relationship between Chairman and CEO and other Directors	7. (3)	Compliant	There are no material relationships between the Chairman/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 and 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 and CA Sri Lanka Code compliance table.
8. Board Appointed Committees			
36. Board appointed two Sub-committees	8.	Compliant	Audit Committee and Integrated Risk Management Committee are functions as per the requirements of this Direction accordingly.
9. Related Party Transactions			
37. Avoiding conflict of interest in related party transaction and favourable treatment	9. (2) to 9. (4)	Compliant	Compliant Steps have been taken by the Board to avoid any conflict of interests, that may arise, in transacting with related parties as per the definition of this Direction and Sri Lanka Accounting Standard - LKAS 24 on 'Related Party Transactions'. Further, the Board ensures that the no related party benefits from favourable treatment.
10. Disclosures			
38. Financial reporting, statutory and regulatory reporting	10. (1)	Compliant	Financial Statements for the year ended 31st March 2015 are in conformity with all rules and regulatory requirements and for the quarters then ended have been published 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 in 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 Company through requiring it to publish accurate information on a timely basis to evaluate a company and to take wise decision on investing. These rules also depict governance rules which should be adhered by listed companies. Level of compliance on such rules is highlighted in 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	
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	
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	
7.6 (iv)	The public holding percentage	Investor Relations	
7.6 (v)	A statement of each Director's holding in shares and Chief Executive Officer's holding in shares and the percentage of such shares held	Annual Report of the Board of Directors	
7.6 (vi)	Information pertaining to material foreseeable risk factors of the Entity	Risk Management	
7.6 (vii)	Details of material issues pertaining to employees and industrial relations of the Entity		
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	
7.6 (ix)	Number of shares representing the Entity's stated capital	Annual Report of the Board of Directors Investor Relations	
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	
7.6 (xi)	Ratios and market price information: Equity Debt Any changes in credit rating	 Investor Relations Investor Relations Investor Relations	
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	
7.6 (xiii)	Details of funds raised through Public Issues, Rights and Private Placements during the year	Investor Relations	
7.6 (xiv)	Information on respect of Employee Share Option Schemes and Employee Share Purchase Schemes	Notes to the Financial Statements	
7.6 (xv)	Disclosure pertained 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	
7.6 (xvi)	Disclosure on Related Party Transactions exceeding 10% of the Entity or 5% of the total assets of the Entity as per Audited Financial Statements, whichever is lower	N/A	

Directors Attendance at Board Meeting

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

Attendance of Meetings – Board Sub Committees

	Board Audit Committee		Integrated Risk Management Committee	
Name of Director	No. of Meeting	No. of Meeting Attended	No. of Meeting	No. of Meeting Attended
Mr. D H J Gunawardena	8	8	N/A	N/A
Mr. D A De Silva	8	8	4	4
Mr. Razik Mohamed	8	8	4	4
Mr. Mahesh Nanayakkara			4	4
Mr. Roshan Abeygoonewardena			4	3
Mr. Sasindra Munasinghe			4	3
Mr. Damith Tennakoon			4	3

BOARD OF DIRECTORS

Roshan Abeygoonewardena
Director/Chief Operations Officer
3

Dave De Silva
Independent,
Non-Executive Director
5

Joe Jayawardena
Non-Executive Director
7

6
Dr. Ajantha Dharmasiri
Independent, Non-Executive Director

2
Mahesh Nanayakkara
Managing Director/
Chief Executive Officer


Sasindra Munasinghe
Director/Chief Credit and
Marketing Officer
9
Damith Tennakoon
Director
/Chief Financial Officer
10
4
Ranga Abeynayake
Non-Executive Director
1
Herschel Gunawardena
Chairman
8
Razik Mohamed
Independent,
Non-Executive Director

1. Herschel Gunawardena

Chairman

He is a Fellow of the Chartered Institute of Management Accountants, U.K. and a Chartered Global Management Accountant. He has over 42 years of 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 Ltd.

2. Mahesh Nanayakkara

Managing Director/Chief Executive Officer

With a Bachelor of Science degree in Business Administration from the University of Sri Jayawardenapura and a Master's degree in Business Administration from the Postgraduate Institute of Management of the University of Sri Jayawardenapura, he counts over 25 years experience in the banking and financial services industry. A Fellow of the Chartered Institute of Management Accountants (UK), his career began at one of Sri Lanka's leading merchant banks, prior to joining CDB in early 2001. In 2004, he was appointed Chief Executive Officer and a year later, gained a position on its Board of Directors. He was the spearhead of a dynamic team of young professionals who were instrumental in transforming CDB from a negative net worth company to the successful enterprise it is today.

3. Roshan Abeygoonewardena

Director/Chief Operations Officer

He is a Fellow Member of The Chartered Institute of Management Accountants (UK) and an Associate Member of Institute of Certified Management Accountants of Sri Lanka. He is also a member of Institute of Certified Professional Managers. He joined CDB in June 2005 and has over 20 years of experience in Finance covering the financial services industry and manufacturing sector. He was appointed to the Board of Directors in April 2011.

4. Ranga Abeynayake

Non-Executive Director

He is an Executive Director of Ceylinco Insurance PLC and serves as its Deputy Chief Financial Officer, since 2011. He brings over 16 years of experience in accounting, finance, treasury operations and strategic planning. He is a fellow of the Institute of Chartered Accountants of Sri Lanka and Institute of Certified Management Accountants of Sri Lanka. Ranga holds an MBA from the Postgraduate Institute of Management (PIM), University of Sri Jayewardenepura. He was appointed to the Board of Citizens Development Business Finance PLC from 1st January 2012.

5. Dave De Silva

Independent, Non-Executive Director

He holds a Bachelor of Science (B.Sc.) Degree in Business Administration from the University of Sri Jayawardenapura and an Associate Membership from the Chartered Institute of Management Accountants (UK). He counts over 15 years of Corporate Accounting experience in the Financial Services, Oil and Gas, Construction and Telecom industries. He is presently a Financial Consultant.

6. Dr. Ajantha Dharmasiri

Independent, Non-Executive Director

He is the acting director and the chairman of the board of management of the Postgraduate Institute of Management, University of Sri Jayewardenepura. He also serves as an Adjunct Professor at the Price College of Business, University of Oklahoma, USA. He has over two decades of both private and public sector working experience including Unilever and Nestle. He has engaged in consultancies in more than fifteen countries in Africa, Asia and the Middle East. He is a Commonwealth AMDISA Doctoral Fellow, Fulbright Postdoctoral Fellow and Commonwealth Postdoctoral Fellow. He holds a Ph.D. and an MBA from the Postgraduate Institute of Management, University of Sri Jayewardenepura and a B.Sc. in Electrical Engineering from the University of Moratuwa. He is a Chartered Electrical Engineer, a Member of the Chartered Institute of Management, UK and an independent director of a development bank. As an academic scholar, he has won many accolades including gold medals for best papers in two international management conferences, and in 2010, the platinum award by the Alumni of the Postgraduate Institute of Management (PIMA) for outstanding academic contribution. He recently won the prestigious IPM Lifetime Gold Award 2014, the highest honour for an HR professional in Sri Lanka. Dr. Dharmasiri likes to identify himself as one who transitioned from being an 'Engineer of Electrical" to an 'Engineer of Hearts and Minds.'

7. Joe Jayawardena

Non-Executive Director

He is a Fellow Member of Life Underwriter Training Council (USA), Member of the Chartered insurance Agency, Manager and Chartered Marketing Financial Advisor. He joined Ceylinco Insurance PLC in 1994 and serves as Senior Deputy General Manager - Business Development.

8. Razik Mohamed

Independent, Non-Executive Director

He holds over 40 years of professional experience in finance and management, in Sri Lanka and overseas. His professional experience spans over the agriculture, apparel, construction, packaging, transport and travel industries. He is a Member of The Institute of Chartered Accountants of Sri Lanka (ICASL). 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. He is also a Member of the CA Foundation of The Institute of Chartered Accountants of Sri Lanka which oversees the Scholarship Awarding Scheme of the Institute. 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, a semi-Governmental organisation which runs seven orphanages and homes for Differently Abled Children across the Island.

9. Sasindra Munasinghe

Director/Chief Credit and Marketing Officer

He has been with CDB since 2001. He has over 21 years of experience in leasing industry including credit evaluation, recoveries, operations, system implementation and marketing. He was instrumental in setting up leasing operations at CDB and was responsible for the implementation of the integrated software solution of the Company. He was appointed to the Board of Directors in April 2011.

10. Damith Tennakoon

Director/Chief Financial Officer

He is a Fellow Member of The Chartered Institute of Management Accountants (UK) and a Chartered Global Management Accountant. He counts over 20 years of experience in banking, financial services and insurance industry. He Joined CDB in year 2003 as a Financial Accountant and was appointed to the Board in April 2011 as a Chief Financial Officer.

CORPORATE MANAGEMENT TEAM

He is an ICT professional with over 17 years of experience in the banking and finance industry. He has vast knowledge in project management, software development, management information systems, payment cards systems, virtualisation and computer networks. A member of British Computer Society. He holds a Master's Degree in Business Information Systems (M.Sc.) from Sri Lanka Institute of Information Technology (SLIIT).

Naguib Imdaad

Senior Deputy General Manager – Information Technology

7

He is a 'Practicing Marketer' and a member of the Sri Lanka Institute of Marketing (MSLIM). He holds an MBA from the University of Wales - United Kingdom and the Certified Professional Marketer Asia Pacific (CPM) status completing the exam conducted by Asia Marketing Federation. He was awarded The Territory Manager of the year in 2009 at the NASCO awards organised by Sri Lanka Institute of Marketing. He joined CDB in February 2000, He has over 16 years of experience in the field of sales and marketing with an extensive progress in Leasing and Retail Lending Sales Strategy.

Maduranga Heenkenda

Senior Deputy General Manger – Asset Portfolio Sales and Channel Development

6

4

Damith Tennakoon

Director/Chief Financial Officer

2

Roshan Abeygoonewardena

Director/Chief Operations Officer

Profiles of Mahesh Nanayakkara, Roshan Abeygoonewardena, Sasindra Munasinghe and Damith Tennakoon are given on pages 152 to 153.

He is a Chartered Marketer, a member of the Chartered Institute of Marketing of the United Kingdom and Practicing Marketer (SLIM). He holds B.Sc.(Mgt.) Degree from the University of Sri Jayawardenapura and an MBA from the Postgraduate Institute of Management. He holds a National Diploma in Human Resource Management (PIM). He joined CDB in July 2004 and is responsible for the development of the CDB Brand.

Elangovan Karthik

Senior Deputy General Manager – Marketing

8

She has been associated with CDB since 1996. She has over 18 years experience with CDB including finance, human resources, and more than 10 years experience in credit operations. She is an Associate Member of Sri Lanka Institute of Credit Management.

Nayanthi Kodagoda

Senior Deputy General Manger – Operations

9

1

Mahesh Nanayakkara

Managing Director/ Chief Executive Officer

3

Sasindra Munasinghe

Director/Chief Credit and Marketing Officer

MANAGEMENT TEAM

Lushan Perera
MBA (Sri J.),
DipM. (UK), MCIM, MSLIM
Senior Manager – Brands
11

Sampath Kumara
BSc (Finance) Sp. (SJP), ACA
Manager – Internal Audit
18

Dassana Chandrananda
Senior Manager –
Business Development
8

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

J L Priyantha
BSc (Agri) (Peradeniya)
Senior Manager – Business
Development
10

9
Herath Dharmadasa
BA (Peradeniya)
Senior Manager –
Business Development

6
Ravindra Abeysekara
MCICM (UK), AICM (SL), ACPM
Assistant General Manager – Recoveries

1
Hasitha Dassanayake
B.Com. Sp. (Col.), MBA (Sri J.),
ACMA (UK), CGMA
Deputy General Manager –
Finance and Planning

12
Prasad Ranasinghe
B.com. Sp. (Sri J.)
Senior Manager –
Business Development

Not in the Picture

19. T M L Pathmalal
BSc Mgt. (Pub) Sp. (SJP), ACA
Manager – Enterprise Risk Management

20. Ashad Weerabangsa
AICM (UK), NDTHRD (IPM, SL)
Manager – Branch Operations

21. Dilruk Abeydiwakara
MSc (IT), BSc (MIS)
Manager – Information
Technology Operations

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

Sarath Kumara

B.B. Mgt. (Accountancy) Sp. (Kelaniya)

Senior Manager – Credit Operations

14

Sanjeewa Ranathunga

AICM (SL), ACPM, AUKAP (UK)

Senior Manager – Recoveries

13

Aruni Panagoda

AICM (SL)

Manager – Insurance

15

Ravindran Subashkumar

MSLIM

Manager – Business Development

17

5

Nadee Silva

Assistant General Manager – Business Development

7

Ruwan Chandrajith

BSc (Accountancy) Sp. (SJP), ACA

Assistant General Manager – Finance

4

Sudath Fernando

Deputy General Manager – Credit/Leasing

2

Isanka Kotigala

MBA - Wales (UK)

Deputy General Manager – Liability Portfolio Sales

4

Ranjith Gunasinghe

MBA-USQ (Australia), PG DipM. (SL), PG Dip. Bus. and Fin. Admin. (ICASL), CPM (Asia Marketing Fedaration)

Deputy General Manager – Deposit Operations

23. Chirath Dissanayaka

BBA (Fin) Sp., ACMA (UK), CGMA

Manager – Credit

CDB Risk Management Overview

- Interest rates/commodity prices/exchange rates were closely monitored
- Liquidity levels were maintained well above statutory levels throughout the financial year
- 1 year cumulative maturity gap was brought down below 10%

- Loan segments were closely monitored and steps were taken to discontinue segments with high NPAs
- Measures were taken to reduce the exposure to vehicle related loans
- Exposure to gold loans gradually reduced

- New rules and regulations introduced were embedded to the business operations on a timely manner.
- Capital adequacy ratios were maintained well above the statutory levels

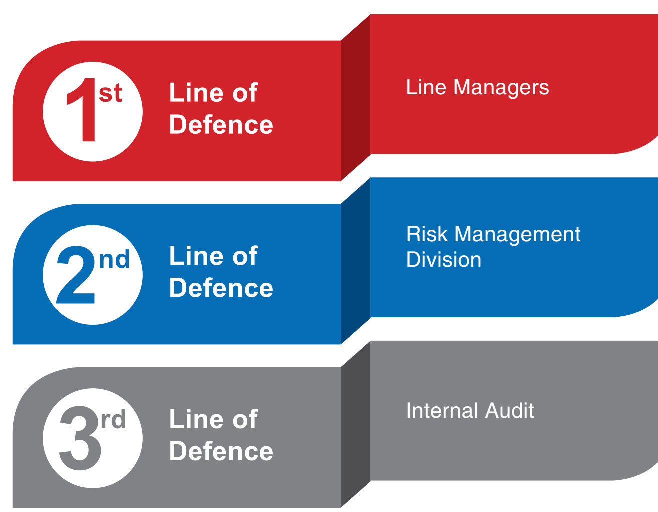
- Strategic Risk: Credit rating - BBB P2 by Lanka Rating Agency
- Reputation Risk: Ranked 46th out of 100 valuable brands in Sri Lanka (2013/14 – 52nd)

  Bronze Award for Service brand of the year at SLIM Brand Excellence Awards - 2014

  Continuation of Reputational Risk

Being in the financial services industry, risk management is an integral part of our operations. We understand that sustainability of our operations and provision of superior returns to our stakeholders depends heavily upon the effective management of risks that we face. Hence, we have adopted a company-wide risk management framework that helps identification, management and reporting of all the risks likely to impact our operations.

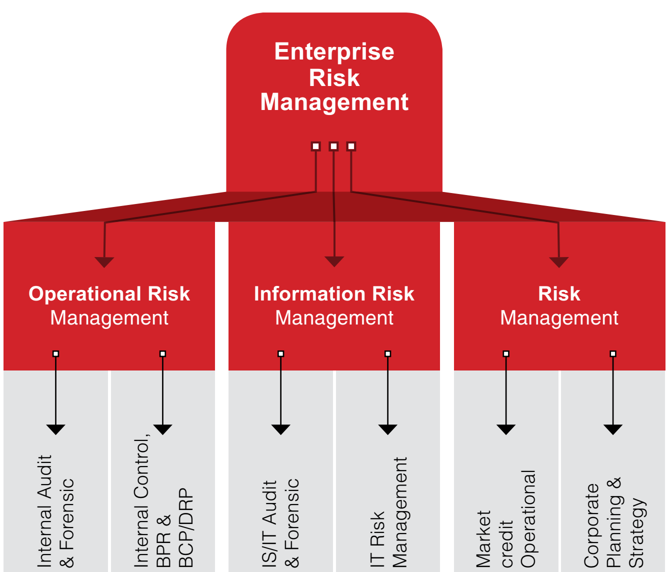
CDB's risk philosophy is mainly derived from the three lines of defence where 1st line of defence comprises line managers who are responsible for identifying, managing and reporting risk complying with procedure set. 2nd line of defence comprises risk managers who are responsible for independently identifying 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 3rd 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.



Enterprise Risk Management

The evolving challenges faced by today's corporate world have prompted them to move from conventional risk management approach to more robust and organisation-wide risk approach. Thereby CDB has positioned its internal audit, information system audit and risk management under the Enterprise Risk Management Framework by considering the synergetic effects of these three closely related functions.

The Enterprise Risk Management Framework provides the necessary foundations and organisational arrangements for managing risk across the organisation. Further, following structure has been developed based on the COSO model and other industry best practices to align the CDB risk management operations to globally accepted industry standards. We categorise risks under three separate sections as highlighted in the below diagram.



Operational Risk Management

CDB's internal audit function is responsible for independent and objective assurance on internal control mechanism, in order to evaluate systematically and propose improvements for more effective internal control processes and governance on the Company's operational management aspects.

Business Continuity Plan (BCP) (G4-14)

BCP at CDB is creation of a strategy through the recognition of threats and risks facing the Company, with an eye to ensure that personnel and assets are protected and able to function in the event of a disaster. It encompasses business impact analyses, recovery strategies and business continuity plans, a governance programme covering a testing program, training and awareness programme, communication and crisis management programme. More over it complies with the Central Bank Guidelines, Guidelines of Disaster Recovery Institute International (USA) as well as ISO 22301 international standards.

During the financial year under review, we have:

- Conducted "train the trainer" programme to BCP functional coordinators and awareness created to managers
- Conducted Induction training to create the awareness of what is CDB's BCP and why it exists to new recruits
- Started the desktop drills/BCP all staff awareness campaign
- Distributed fire fighters kit and training
- Trained first aiders
- Identified building floor wise fire fighters, first aiders and evacuation wardens.
- Started reporting critical incidents within the Company
- Form the CDB announcing team to address whole staff in an emergency
- Prepared CDB Disaster Recovery sites
- Documented CDB BCP manual

Business Process Management (BPM)

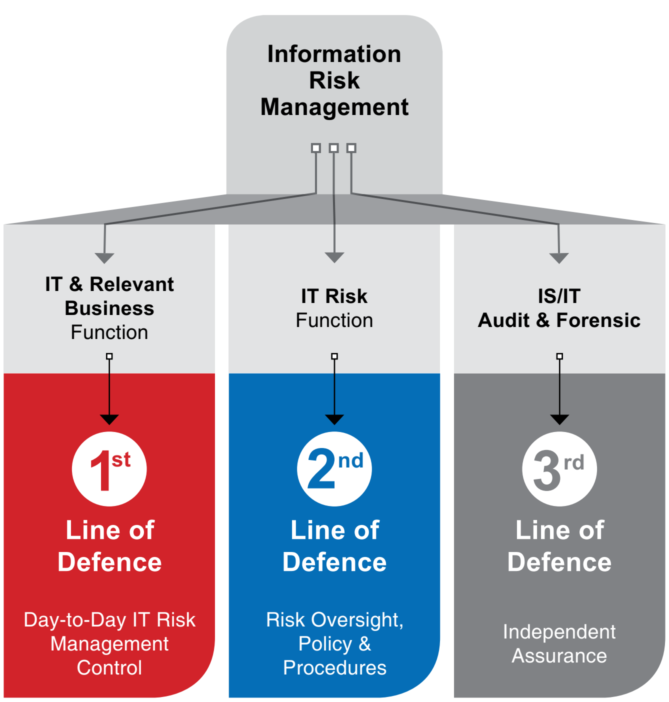
BPM at CDB is a methodology which is used to enhance end-to-end business processes. With the principles of Business Process Re-engineering (BPR), CDB strives to emphasise the achievement of maximum control over processes while eradicating waste and redundant resources.

Since CDB has a necessity for many types of process automation, particularly with regard to automating processes with an enterprise-wide deployment, it will dramatically improve efficiency while simultaneously boosting capacity, improving compliance and reducing risk.

During the financial year, we initiated BPM and started working with 5S at head office and monitoring branch performance as per the transaction volumes and measure their performance in quarterly. HR department considers on staff allocation based on the branch transaction performance.

Information Risk Management

CDB considers Information Risk Management (IRM) as an important area in today's risk management function and thereby CDB has given a higher weightage on IRM aspects. IRM of CDB consists of three basic components of IS/IT (Information System/Information Technology) Audit and Forensic and the IT Risk Management Functions. In order to monitor them effectively, CDB has further divided the IRM function into three lines of defences namely IT & Relevant Business Function, IT Risk Function and IS/IT Audit and Forensic which are depicted in the diagram below;



IT & Relevant Business Function

First line of defence is developed to cater to day-to-day IT & Business Functions and is entrusted with risk identification, assessment, mitigation, management and compliance with standards and policies.

IT Risk Function

IT Risk Management Function as the second line of defence facilitates independent oversight of the IT risk management activities of the first line of defence, which provides independent assurance and challenges across all business functions in respect of integrity and effectiveness of the IT Risk Management Framework.

IS/IT Audit and Forensic

The critical business operations in financial institutions are highly dependent on integrated information systems. Hence, main objective of the CDB's Information system auditing is to evaluate and ensure IT systems and related processes are in line with the predefined system of internal controls and industry best practices. This also consists a review of systems and processes and to review adequacy of controls to mitigate related risk. The audit would also focus on identifying gaps/weaknesses in the systems, processes, functionality and controls of the application, including access/ security controls and IT Governance.

Philosophy and Approach to Risk Management

Dynamic changes in the business environment always create challenges to businesses forcing them to rethink and reinvent their risk strategies and policies in order for them to be competitive in the evolving market.

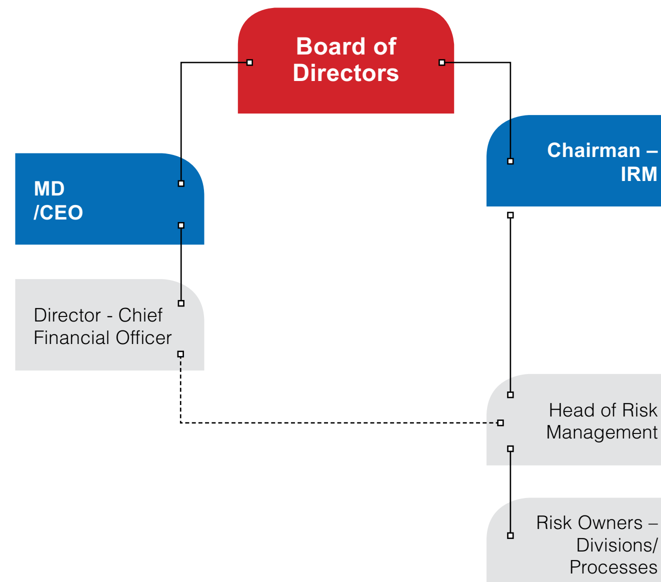
CDB is always cognisant of the fact that risk-taking is inevitable if an organisation is to achieve its objectives. Further, CDB believes that the best risk management practice is to empower all the process owners (i.e. employees) as risk managers and to make the risk management processes more stringent. Effective management of risks will not only eliminate potential threats but also help the Company benefit from potential opportunities providing it them with a competitive advantage.

While CDB remains committed to maximising shareholder value by growing its business in line with a Board determined risk appetite, we are mindful of achieving this objective in the best interest of all stakeholders. Company risk management strategy always strives to achieve a sound balance between risk and return to the business, whilst maintaining strong liquidity and adequate capital positions at all times combined with a robust asset quality.

CDB's effective risk management process is likely to improve performance against objectives by contributing to:

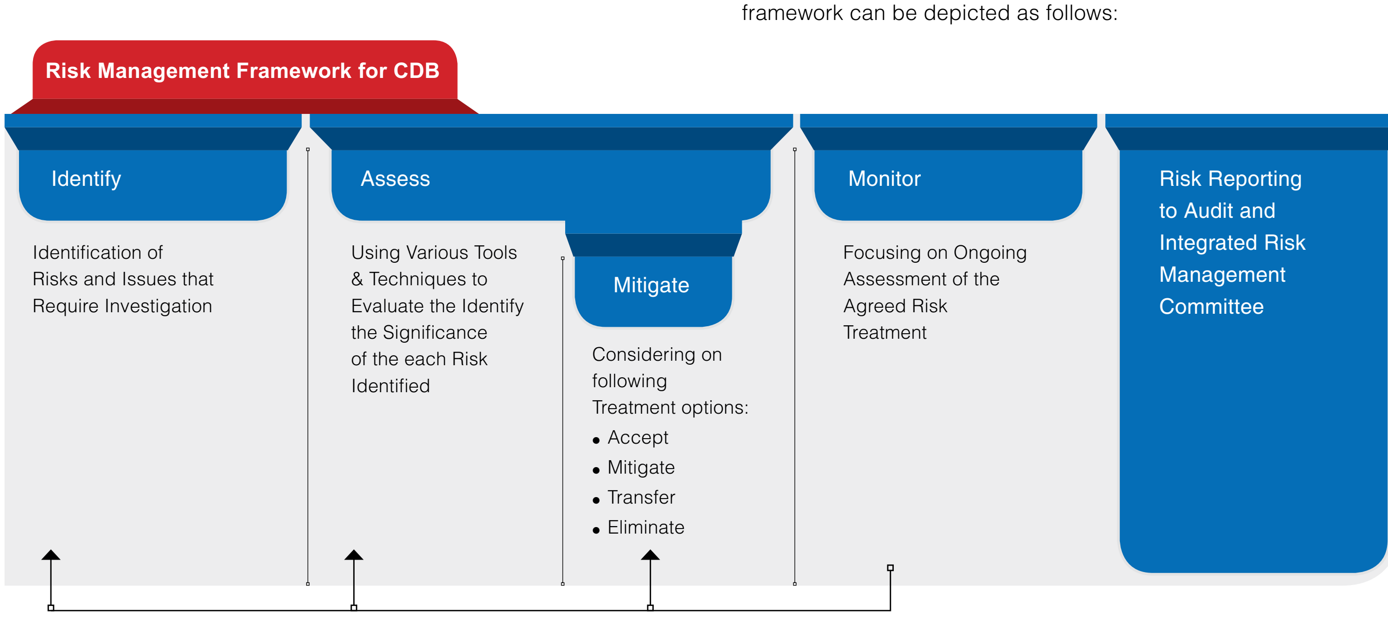
- More efficient ways of managing resources
- Reducing Frauds - Implementation of CDB whistle blowing policy, Carrying out awareness sessions on money laundering and computer crimes acts for newly recruited staff etc.
- Improve innovation - Implementation of comprehensive risk management system.
- Better service delivery – Having a state-of-the-art customer service centre.

As a premier Non-Banking Finance Institute (NBFI) in the country, CDB has embedded a strong risk culture within the organisation. A separate Risk Management Division is in place. Which is headed by Head of Risk Management, who is responsible in ensuring proper functioning of the risk management framework. Designated person is directly reporting to the IRM Committee where he is expected to work independently to ensure that a effective and efficient risk mitigation framework is in place.



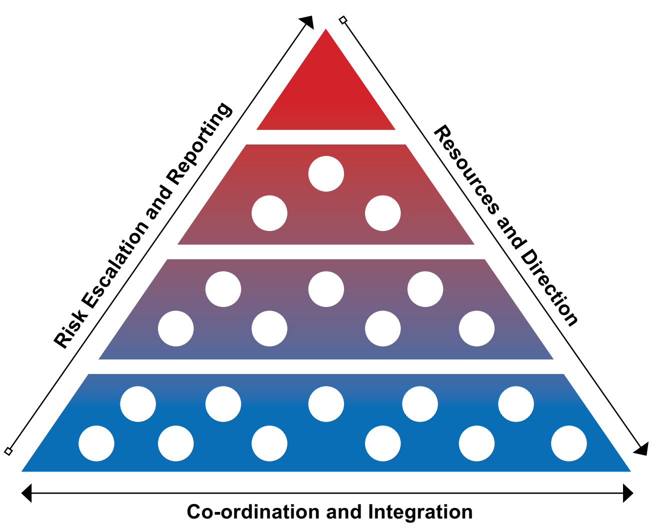
Risk Management Framework

We have 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:



Risk Identification

Risk identification happens at the operational level. Thus risk escalation and reporting happens from bottom to up while resource allocation and direction flow from top down. Since risk identification is the first and foremost step in the risk management framework, a risk identification system was introduced during the financial year under review with the newly established online system. Risk owners will be able to log on to the system and report any kind of risks which they face with regard to their day-to-day operations or any kind of risk which they perceive as a risk to the Company as a whole.



Risk Assessment

Identified risks will be assessed using the likelihood and impact of those risks and giving a weight thereby. The risks which are high risk weighted will be given immediate attention and mitigation strategies will be put in place immediately.

Consequences

Likelihood	1	2	3	4	5	
1	1	2	3	4	5	Low Risk
2	2	4	6	8	10	
3	3	6	9	12	15	Medium Risk
4	4	8	12	16	20	
5	5	10	15	20	25	High Risk

Risk Treatment

Risk treatment involves working through options to treat identified risks which were given an assessment. When searching for options we consider the method of treatment, people responsible for treatment, costs involved, likelihood of success and ways to measure and assess the success of treatments.

Risk Monitoring

Risk monitoring involves ongoing assessment of the agreed risk treatment. This is ensuring that the strategies put into practice for risk treatment are actually mitigating the risks identified.

Risk Reporting

This is reporting the identified risks to Audit Department and IRM Committee for their oversight and guidance. Even the risk management function should get audited by the Audit Department.

Risk Management Committees

Committee	Priorities	Composition	Update for 2014/15
IRM committee	Ensuring that a robust risk management framework is in place.	Non-Executive Directors/ Executive Directors/Heads of the departments/Head of RM	• Reviewed risks against set risk trigger points • Evaluated business proposals on new products/processes • Initiated a risk identification system and necessary controls were put in place to mitigate the impact of identified risks • Ensured effective an efficient risk management process is in place to identify, measure, mitigate and monitor risks across the organisation
Audit Committee	Ensuring that adequate systems of internal controls are in place	Non-Executive Directors. Internal Audit	• Eight 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. • Reviewed operational risk aspects at CDB • Reviewed Company's financial reporting process • Ensured a sound corporate governance practices
Credit Committee	Approving high exposure loans and to mitigate the risk inherent.	Executive Directors	• Approving of high exposure loans • Deciding of strategies to enhance the credit quality
Asset & Liability Committee (ALCO)	To mitigates risk especially with regard to market risk	MD/CEO, CFO, COO DGM - Finance Head of Treasury Head of Risk Management	• Initiating contingency plans to face an emergency situation • Monthly cash flow planning to mitigate liquidity risks • Conducting sensitivity analysis based on maturity mismatches, interest rate fluctuations • Cuming up with timely pricing strategies to address market changes

We Truly Care

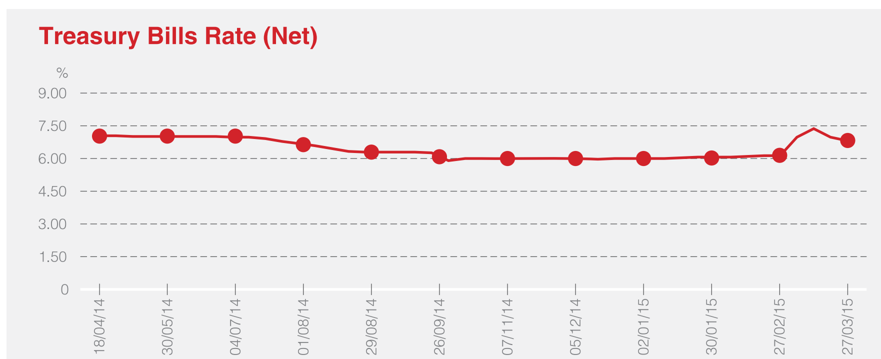
In marrying our sustainability with that of society and the environment, we're building a better world whilst empowering more people – from the rural entrepreneur to the corporate and everyone in between.

An Overview of Key Risks

Market Risk

Market risk refers to the risk to an institution resulting from movements in market prices, in particular, changes in interest rates, foreign exchange rates, and equity and commodity prices.

Type of Risk	Impact	How do we manage it?	Likelihood
Interest Rate Risk			
Risk arises due to fluctuations of interest rates in the market	High	As a financial institution, interest rate risk is one of the major risks which will have high impact on business operations. Also, the likelihood associated with interest rate fluctuations is high and the Company does not have much control over interest rate predictions.	High



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. This information is viewed daily and reported on a monthly basis at the ALCO meetings. Interest rate fluctuations are also viewed on a weekly basis and presented at the ALCO meetings to investigate any trends. Based on the current rates there will be predictions derived and asset re pricing will be done. Interest rate stress testing will also be conducted and presented at the ALCO meetings.

Interest Rate Gap Analysis

Following table indicates the gap of interest earnings assets and interest bearing liabilities with regard to each basket.

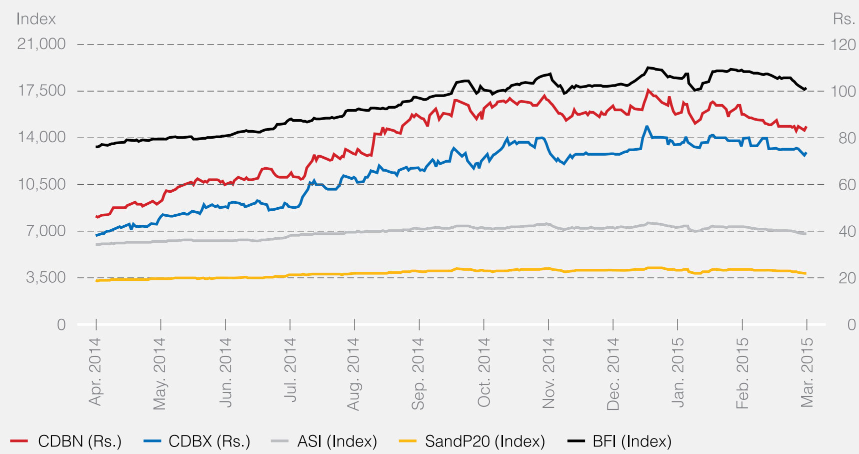
Asset or Liability	0 to 1 Month Rs.	2 to 3 Months Rs.	4 to 6 Months Rs.	6 to 12 Months Rs.	Over 12 Months Rs.
Interest Earning Assets	**3,771,595,669**	**2,626,634,784**	**4,525,175,428**	**5,064,363,266**	**18,181,790,954**
Bank Balances and Placements	1,081,672,341	541,093,545	283,185,206	340,659,728	
Financial Investments – Held-for-Trading	56,220,230				
Financial Investments – Held-to-Maturity	49,918,745	262,097,882	1,691,885,524	48,407,336	133,920,313
Financial Investments - Loans and Receivable	301,700,000				
Loans and Advances	2,282,084,353	1,823,443,357	2,550,104,699	4,675,296,202	18,047,870,641
Interest-Bearing Liabilities	**5,358,543,297**	**4,738,778,925**	**4,083,521,432**	**4,849,700,774**	**12,872,833,908**
Deposits	4,461,682,604	4,465,385,454	3,845,716,348	4,264,082,757	10,042,266,498
Borrowings	896,860,693	273,393,471	237,805,085	585,618,017	2,830,567,410
Net Rate Sensitivity Assets (Liabilities)	**(1,586,947,629)**	**(2,112,144,140)**	**441,653,996**	**214,662,492**	**5,308,957,045**

Type of Risk	Impact	How do we manage it?	Likelihood

Equity Price Risk

Type of Risk	Impact	How do we manage it?	Likelihood
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.	Low	Corporate Advisory Division continuously monitors the stocks CDB has invested in and monitoring and analysing stock market indices while carrying out equity price stress testing.	High

Stock Market Performance



During the year 2014, Colombo Stock Exchange (CSE) showed positive performance where the S&P SL20 crossed the 4,000 mark for the first time since its launch. Market capitalisation reached Rs. 3 Tn closing the year on Rs. 3,104.9 Mn and the All Share Price Index (ASPI) crossed the 7,500 mark and closed the year on 7,298.95. The daily average turnover increased by 71% over the previous year from Rs. 828 Mn in 2013 to Rs. 1.415 Bn in 2014. One of the key aspects was that foreign purchases have been the highest in history, a record Rs. 105,812.5 Mn as at 31st December.

Quoted Shares

	2014/15			2013/14		
	No. of Shares	Cost Rs.	Market Value Rs.	No. of Shares	Cost Rs.	Market Value Rs.
Ceylinco Insurance PLC	564,000	99,909,075	954,118,800	564,000	99,909,075	789,600,000

Shock – Decrease of Share Price

	Decrease Rs.	New Market Value Rs.
1% Decrease	9,541,188	944,577,612
3% Decrease	28,623,564	925,495,236
5% Decrease	47,705,940	906,412,860

1% decrease of the share price will reduce the total market value by Rs. 9.5 Mn

Type of Risk	Impact	How do we manage it?	Likelihood
Liquidity Risk			
Risk arising from our inability to meet short-term financial demands	High	CDB has maintained healthy liquidity positions as per the CBSL regulatory requirements.	Low

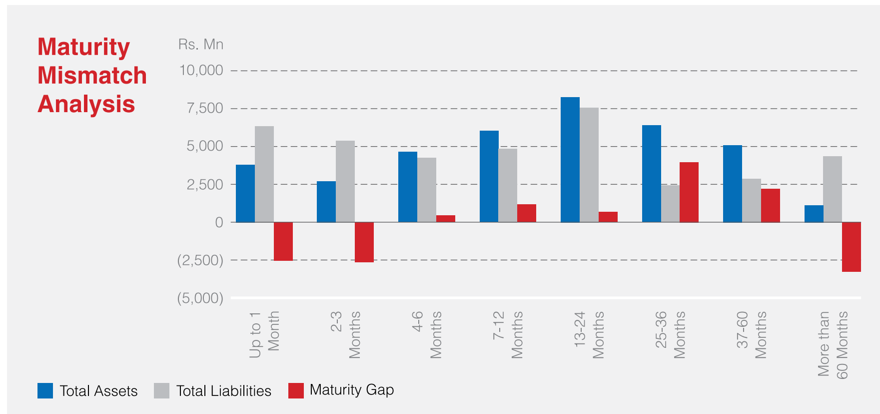
Direction	As at 31.03.2015	As at 31.03.2014
Maintain minimum holding of liquid assets based on the outstanding value of the time deposits mobilised by the Company (%)	14.66	17.44
Required minimum amount of liquid assets (Rs. '000)	2,977,502	2,570,757
Available amount of liquid assets (Rs. '000)	4,262,267	4,545,811

Liquidity Stress Testing

Base Case

	Rs. '000
Liquid Assets Ratio (%)	14.66
Liquid Assets (Rs. '000)	4,262,267
Deposit Liabilities (Rs. '000)	29,069,879

	Scenario 1	Scenario 2	Scenario 3
Magnitude of Shock (%)	4	8	12
Liquid Assets (Rs. '000)	4,262,267	4,262,267	4,262,267
Deposit Liabilities (Rs. '000)	29,069,879	29,069,879	29,069,879
Fall in Deposit Liabilities (Rs. '000)	1,162,795	2,325,590	3,488,385
Revised Liabilities (Rs. '000)	27,907,084	26,744,289	25,581,494
Revised Liquid Assets (Rs. '000)	3,099,472	1,936,677	773,882
Ratio After Shock (%)	11.11	7.24	3.03

Type of Risk	Impact	How do we manage it?	Likelihood
		 We set a target for 1 year maturity gap to be below 10% and during the financial year under review we could achieve this target where 1 year maturity gap was 9.5%. At the monthly ALCO meeting, maturity gap is reviewed and necessary actions put in place to have a proper balance in assets and liability maturities via strong diversification of investment portfolio.	
Commodity Price Risk			
Risk emerges due to the falling of gold prices.	High	Fall in gold prices caused heavy losses to many of the financial institutions in the country during the last year. CDB also had to suffer losses and had to write it off against the profits during last financial year. Since then the Company decided not to involve competitively thus reducing the exposure.  If we consider about the above cycle, sudden drops in prices of gold within a few days (October 2014) can be observed. We saw gold decreasing from $ 1,900 to $ 1,140 per ounce since 2011 and now show an increasing trend. As there are expectations of both bullish and bearish markets for gold for coming months, important thing about these predictions is that it will not go below 1,100 which minimise the risk associated with granting pawning advances in a way that it will not run into loss making scenarios like in the last financial year. As for the experts' sentiments, main reason for gold prices to be around an average price of $ 1,175 in 2015 is the interest rate increase expected in FED which is "the top driver" for gold-price direction.	Low

Type of Risk	Impact	How do we manage it?	Likelihood

CDB's Pawning Division daily monitors the gold prices, exchange rate fluctuations and 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, a special memo is prepared and it is referred to the Risk Division to assess the risks associated with the proposal.

Base Case

NPL Ratio (%)	5.78
Total Non-Performing Assets (Rs. '000)	1,727,617
Total Performing Assets (Rs. '000)	28,181,605

	Scenario 1	Scenario 2	Scenario 3
Magnitude of Shock (%)	5	10	15
Total NPAs (Rs. '000)	1,727,617	1,727,617	1,727,617
Pawning NPA (Rs. '000)	1,067	1,067	1,067
Increase in NPA (Rs. '000)	53	107	160
Revised NPAs (Rs. '000)	1,727,670	1,727,724	1,727,777
Total Loan Portfolio (Rs. '000)	29,909,222	29,909,222	29,909,222
Revised NPL (%)	5.78	5.78	5.78

Even a 15% increase in NPLs with regard to pawning advances will account for a negligible increase in overall NPL ratio.

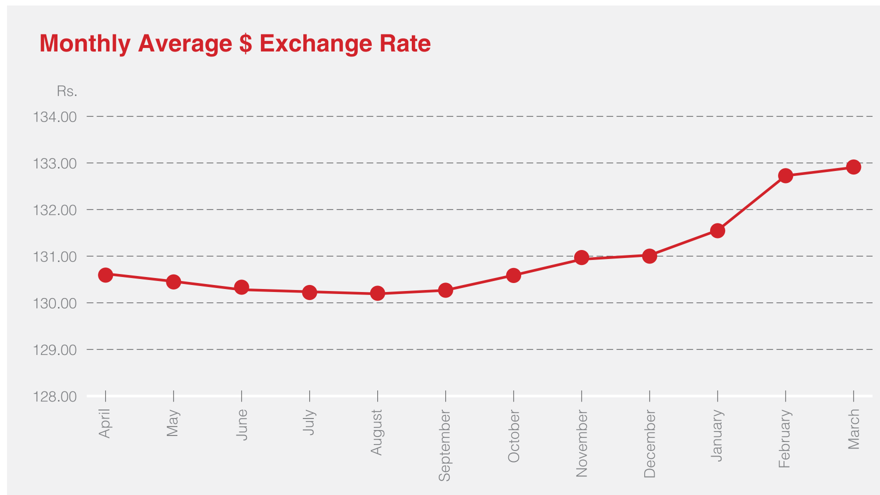
Type of Risk	Impact	How do we manage it?	Likelihood

Exchange Rate Risk

Risk arising due to exchange rate fluctuations

Low

High



Exchange rate fluctuations may have high impact and may result in high risk scenario for CDB. Especially with regard to its pawning portfolio, if the rupee appreciates against the US dollar it may result in gold prices to decrease and thereby the value of gold portfolio to fall. During the recent past Government could maintain the exchange rate on an average rate of Rs. 131 per US dollar, but during the latter part of the financial year we could experience an upward movement in the $ exchange rate.

Highest Currency Stocks of CDB

Currency	Amount	Market Rate*	Total
USD	13,032	132.90	1,732,002
EUR	3,810	143.96	548,527

Shock – Strengthening/Weakening of Currencies

Currency	Shock %	Strengthening	Weakening
USD	1	(17,320)	17,320
EUR	1	(5,485)	5,485
USD	3	(51,960)	51,960
EUR	3	(16,456)	16,456
USD	5	(86,600)	86,600
EUR	5	(27,426)	27,426

Market Risk Dashboard

Criteria	Target Level	Current Position (As at 31.03.2015)	Remarks
Liquidity Ratio	10%	14.66%	Liquidity report is been prepared daily by the Treasury Department and send to Key Management Members. Treasury meeting will be held on a weekly basis and cash flows are reviewed and necessary decisions will be taken.
Net Advances to Deposit	100%	108%	Loan book accounts for nearly 80% of total assets
Maturity Gap of 1 year basket 3 months cumulative gap to capital funds	Below 10% <125%	9.5% 106%	Maturity miss matches are reviewed in a detailed manner at the ALCO meeting and contingency planning is been presented to meet an emergency situation.
Gold price - Unit per troy ounce (24 KT) in $	1,000	1,187	Both local and international gold prices are closely monitored by the pawning division and appropriate actions are taken.

Operational Risk

We have recognised that lack of adequate awareness, operational risk indicators or insufficient internal controls may result in facing of various operational risks to an organisation. Operational risk may be present due to losses stemming from inadequate or failed internal processes, people and systems or from external events. The management of operational risk is inherent in the day-to-day execution of duties by the management at CDB and it is a central element of the management process. Management is responsible for developing and maintaining control environments to mitigate the operational risks inherent in the business. Risk assessment, loss data collection and the tracking of risk indicators are utilised to raise awareness of operational risk and to enhance the internal control environment with the ultimate aim of reducing losses within the accepted risk appetite of CDB.

Type of Risk	Impact	How do we manage it?	Likelihood
People Risk			
People risk arises due to losing the skilled long serving employees, lack of appropriate human resources, not adhering to preset guidelines by the employees etc.	High	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. 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 gathered through exit interviews etc. are taken into further discussion. Staff meetings are carried out at department level and there is an employee suggestion scheme available which will facilitate raising employee concerns. Leadership development through mechanisms such as Speech craft programmes, providing training and development through matching job requirements are the main ways of developing appropriate people at CDB.	Low

Type of Risk	Impact	How do we manage it?	Likelihood
Information Technology (IT) Risk			
Risk emerges when a company is not in a situation to maintain its core functions as a result of inadequate ICT	High	IT infrastructure plays a critical role in conducting business operation in a NBFI. 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. A disaster recovery plan is in place in relation to BCP which will ensure initiating business operation immediately in an emergency situation. We run system audits on a routine basis through the recently formed IT risk team.	Low
Operational and Technological Manipulation			
Risk arises mainly due to inappropriate operational and system controls and procedures	High	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. In order to mitigate risks that arise due to operational and technological manipulations, exceptional reports are taken via the system and are investigated in a detailed manner. Also, key risk indicators have been developed in order to assess the risk of different business operations and will be monitored monthly/daily by Risk Management Division. 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 are other ways and means by which CDB mitigates risks associated with Operational and Technological Manipulation.	Low
Compliance Risk			
A shift in the regulatory environment will require a NBFI to adhere to new guidelines set and failure to do so will result in facing compliance risk	High	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. Our risks are managed through internal policies and processes, which include risk management, legal, compliance and other technical requirements relevant to the business. 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 regulations.	Low
Business Continuity			
Risk arises due to various hazards which will affect the functioning of day-to-day business operations	High	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. Most importantly BCP will touch every nook and corner of the business and has benefited the risk management function as a whole.	Low

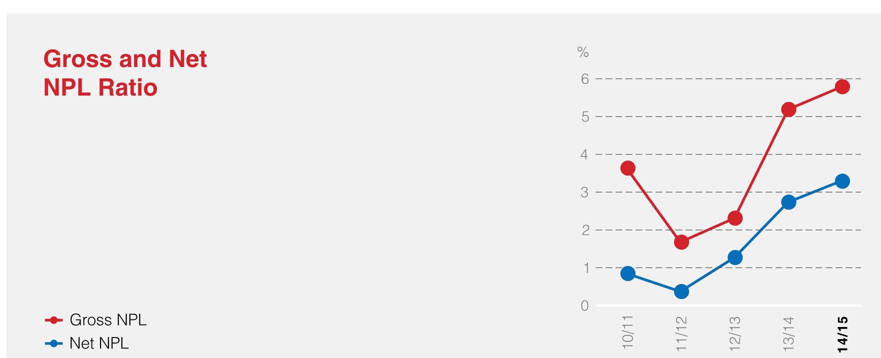
Operational Risk Dash Board

Criteria	Target Level %	Current Position (As at 31.03.2015) %	Remarks
Employee Turnover Ratio	Below 15	14.97	Staff were allocated to both local and foreign training programmes and also focused on conducting leadership development programmes
Capital Adequacy – Tier I	5	10.14	Capital adequacy levels were closely monitored at Compliance Committee meeting and appropriate decisions were taken.
Capital Adequacy – Tier I & II	10	12.92	
Capital Funds to Deposit Liabilities	10	15.42	

Credit Risk

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

Type of Risk	Impact	How do we manage it?	Likelihood
Default Risk			
Risk arises due to borrower failing to repay principal and interest in a timely manner.	High	See below	Low



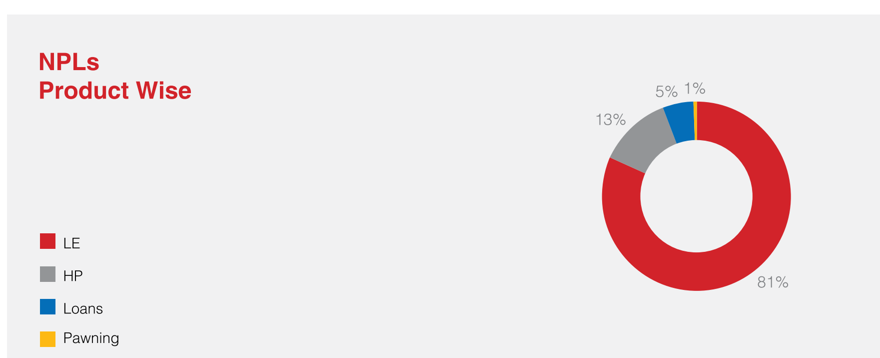
During the year under review, Gross NPL and Net NPL showed a slight increase where it got increased from last year's 5.19% to 5.78% main contributor last year for the increasing of NPL was the increase we saw with regard to yard stock which was handled in a wise manner.

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. We have applied an effective and efficient mechanism when granting advances via branches and head office to ensure we mitigate the default risks. Provision management teams assigned under the Recoveries Department do also closely evaluate and monitor non-performing advances and ensure that facilities are not converted to default states.

Type of Risk	Impact	How do we manage it?	Likelihood

Cumulative collections ratio indicates a figure of 94.38% during the financial year which showcases a 2% increase compared to last year.

CDB dashboards provide a key data summary of collection amount/due amounts on a daily manner enabling the Key Management Personnel to monitor and take real time decisions whenever they see drops in branch-wise, area-wise, product-wise etc., in collection ratios. NPL ratios are also calculated branch-wise, areas-wise, product-wise etc., and out of which those with high NPL ratios are given special attention and appropriate action taken if NPLs continue to grow in these segments.



When considering product wise NPLs, Leasing accounts for highest NPL segment.

Type of Risk	Impact	How do we manage it?	Likelihood

Stress Testing

Base Case

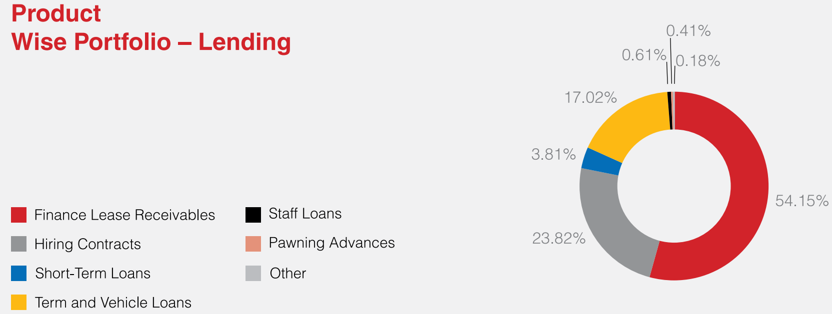
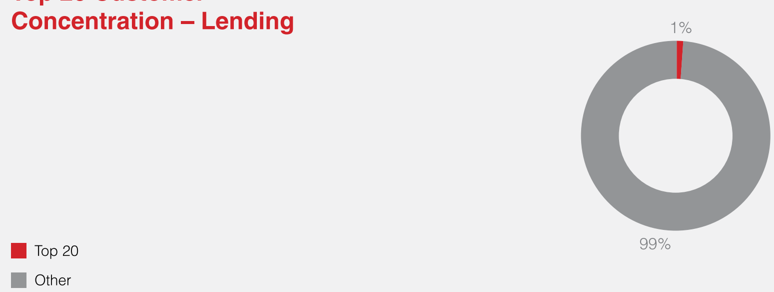
Capital Adequacy Ratio (CAR %)	10.14
Capital Base (Rs. '000)	3,276,721
Total Risk-Weighted Assets (Rs. '000)	32,317,402
NPL Ratio (%)	5.78
Total Non-Performing Assets (Rs. '000)	1,727,617
Total Performing Assets (Rs. '000)	28,181,605

Impact on Company CAR (Capital Adequacy Ratio) from the changes of NPL's (Non-Performing Loans)

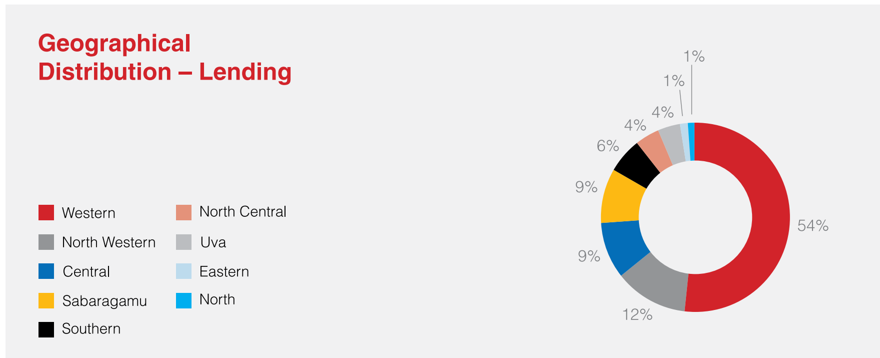
	Scenario 1	Scenario 2	Scenario 3
Magnitude of Shock (%)	5	10	15
Total NPL's (Rs. '000)	1,727,617	1,727,617	1,727,617
Increase in NPL (Rs. '000)	86,381	172,762	259,143
Revised Capital (Rs. '000)	3,190,340	3,103,959	3,017,578
RWA (Rs. '000)	32,317,402	32,317,402	32,317,402
Revised CAR (%)	9.87	9.60	9.34

Impact on Company NPL from the changes of NPAs

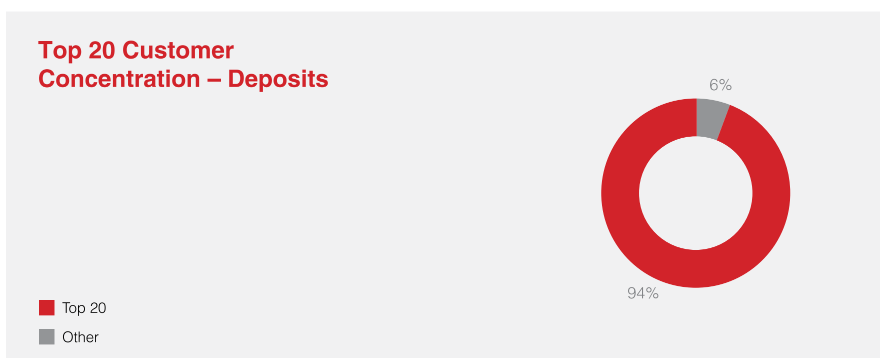
	Scenario 1	Scenario 2	Scenario 3
Magnitude of Shock (%)	5	10	15
Total NPAs (Rs. '000)	1,727,617	1,727,617	1,727,617
Increase in NPAs (Rs. '000)	86,381	172,762	259,143
Revised NPAs (Rs. '000)	1,813,998	1,900,379	1,986,760
Total Loan Assets (Rs. '000)	29,909,222	29,909,222	29,909,222
Revised NPL (%)	6.07	6.35	6.64

Type of Risk	Impact	How do we manage it?	Likelihood
Concentration Risk (Group) Probability of loss arising from heavily lopsided exposure to a particular product group or counterparties	High	**Product Wise Portfolio – Lending**  Auto financing has been the main product in the Company's lending portfolio which represents over 90% out of the total portfolio. **Top 20 Customer Concentration – Lending**  Only 1% represents the Top 20 Customers which will reduce the concentration risk with regard to lending customer concentration.	Medium

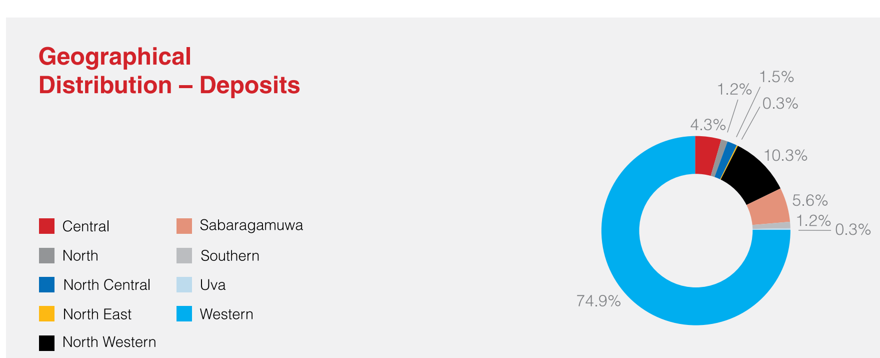
Type of Risk	Impact	How do we manage it?	Likelihood



Western Province accounts for major portion of the lending portfolio which represents 54%.



On the other hand, with only 6% representing Top 20 Deposit Customers CDB has been able to mitigate the risk resulting from high concentration on deposits.



Western Province dominates the geographical distribution of deposits with 75%.

Credit Risk Dashboard

Criteria	Target Level	Current Position (As at 31.03.2015)	Remarks
NPL Ratio	Below 3.5%	5.78%	NPL movement is been 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%	94.39%	CDB has a provision team which is responsible in monitoring and taking timely actions to reduce provisions through better collections.
Single Borrower Limit	As per CBSL guidelines	1%	The limit set by CBSL is prevailing at 5% of capital funds and as to the present context it is well below the set guidelines.

Other Risks

Type of Risk	Impact	How do we manage it?	Likelihood
Reputation Risk Impact an organisation has due to negative stakeholder opinion	High	The main indicator to monitor reputation risks involve customer complaints received by post and through our call centre, staff surveys/suggestion scheme, investor feedback at Annual General Meeting etc. customer complaints are handled in a systematic way and monitor taking a trigger point at the IRM Committee meeting as well. 	Low
Strategic Risk Risk arises due to taking in-appropriate decisions, poor planning, inability to adapt to change in the environment etc.	High	At CDB, strategic risks are reviewed by how well the Company has met the strategic goals set and how well it has been able to achieve the budgeted targets. There are several trigger pints to ensure that the Company is moving ahead as to the set targets and any deviations will be referred to the board. There are also several dashboards are in place to monitor the performance on a daily, weekly and monthly basis and various sensitivity analysis, financial analysis are carried out at ALCO, finance committee etc meetings. All proposals with regard to new products are referred to risk division to have a risk analysis to ensure that risks are identified and mitigation actions are put in place to ensure that decisions taken are efficient and effective.	Low

Financial Reports

General

The Directors of Citizens Development Business Finance PLC have pleasure in presenting to the shareholders this report together with the Audited Financial Statements and Audited Group Financial Statements for the year ended 31st March 2015 of the Company and the Group together with the Auditors' Report on those Financial Statements, confirming to the requirements of the Companies Act No. 07 of 2007, Finance Business Act No. 42 of 2011 and amendments thereto and the Directions issued on the same.

The details set out herein provide pertinent 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 04th June 2015.

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 also registered under the Finance Leasing 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. Lanka Rating Agency Limited has assigned BBB and P2 long-term and short-term financial institution ratings respectively to the Company.

The registered office of the Company is at No.123, Orabipasha Mawatha, Colombo 10, at which the Company's Head Office is also situated.

Vision, Purpose and Corporate Conduct

The Company's Vision and Purpose are given on page 32 In achieving its vision and purpose, all Directors 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

CDB Finance PLC has two Subsidiaries as at 31st March 2015. Names of the Subsidiaries and their principal business activities are as tabulated bellow:

Entity	Principal Business Activities
CDB Micro Finance Limited	CDB Micro Finance Limited is established for the purpose of accommodating micro credit facilities. However, since January 2009, there has not been any business operations other than the collections of instalment repayments of the loans granted prior to January 2009.
Laughs Capital Limited	Laughs Capital Limited is registered under the Finance Leasing Act No. 56 of 2000 and was incorporated as a public limited liability company on 24 August 1991 under the provisions of the Companies Act No. 17 of 1982 and re-registered under the Companies Act No. 07 of 2007 under the Company Registration Number PQ 589. CDB has acquired 86.26% of the issued and fully-paid share capital of Laughs Capital Limited on 7th October 2014 and complies with the consolidation road map of the Central Bank of Sri Lanka.

Changes to the Group Structure

CDB has acquired 86.26% of the issued and fully-paid share capital of Laughs Capital Limited on 7th October 2014. The Company has taken over the management of Laugfs Capital Limited and it's financial results in the post-acquisition at a purchase price of Rs. 4.55 Mn period have been included in the CDB Group results.

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 9 to 13 the Managing Director's Review on pages 14 to 19 the Management Discussion on pages 45 to 125 and Financial Review on pages 45 to 75 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 to continue 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 to 15 new branches in Sri Lanka. Total branch network of the Company is 59 as at 31st March 2015. According to the current level of capital adequacy Company would be able to expand its Branch Network from the current level of 59 to 100 branches subject to the prior approval of the Central Bank of Sri Lanka.

Financial Statements of the Company and the Group

The Financial Statements of the Company and the Group, which are duly certified by the Chief Financial Officer and approved by the Audit Committee and the Board of Directors and signed by the Chairman and the Managing Director as per the requirements of the Companies Act No. 07 of 2007 and appear on pages 181 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 181 to 279 have been prepared in conformity with the requirements of Sri Lanka Accounting Standards (SLAs) as issued under the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, the Companies Act No. 07 of 2007 and the Finance Business Act No. 42 of 2011 and amendments thereto.

The Statement of Directors' Responsibility for Financial Reporting appearing on page 193 forms an integral part of this Report.

Auditors' Report

The Company's Auditors, Messrs KPMG performed the audit on the Consolidated Financial Statements for the year ended 31st March 2015, and the Auditors' Report issued thereon is given on page 200 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 2015 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 209 to 227.

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 2014/15 and 2013/14 were as follows:

Composition	Company 2014/15 Rs.	Company 2013/14 Rs.	Group 2014/15 Rs.	Group 2013/14 Rs.
Income	6,703,708,676	6,267,603,750	6,737,383,800	6,125,161,547
Interest Income	6,251,533,117	5,895,603,537	6,285,172,241	5,895,603,537
Non-Interest Income	452,175,559	397,961,269	452,211,559	397,961,269
Operating Income	2,844,678,500	2,232,771,815	2,872,945,145	2,232,771,815

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

Profit and Appropriations

The net profit after tax of the Group for 2014/15 was Rs. 710.42 Mn (Rs. 561.1 Mn for 2013/14) while profit before tax for the Company and the Group were up by 30% and 33% respectively.

Details regarding the profit and appropriations of the Company are given below:

	2014/15 Rs.	2013/14 Rs.
Profit before Tax	951,420,464	729,968,049
Provision for Taxation	249,686,559	168,755,278
Net Profit	701,733,905	561,212,771
Retained Earnings brought Forward	983,696,717	746,592,020
Profit Available for Appropriation	1,668,874,989	1,282,090,849
Appropriations		
Statutory Reserve Fund (SRF)	140,346,781	112,242,554
Investment Fund Account (IFA)	(87,745,449)	36,812,258
Transfer from (out) Revaluation Reserve		
Final Cash Dividend Paid	162,915,621	(149,339,319)
Balance Carried Forward	1,453,358,036	983,696,718
Dividend Proposed 2014/15	190,068,225	162,915,621

Income Tax Expense

The income tax rate applicable to the Company for the year 2014/15 is 28% (2013/14 - 28%). The Company is also subject to tax on value added on financial services at the rate of 11%. (2013/14 - 12%). (01st April 2014 - 31st December 2014 - 12%)

The information on income tax expenses of the Company and Group is given in Note 13 to the Financial Statements on page 231.

Dividends on Ordinary Shares

The Board of Directors recommends a final cash dividend of Rupees three 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 190,068,224/50 as the first and final dividend for the financial year 2014/15.

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 204 to 207.

	Company		Group	
	2014/15 Rs.	2013/14 Rs.	2014/15 Rs.	2013/14 Rs.
Revaluation Reserve	171,072,991	132,765,013	171,072,991	132,765,013
Investment Fund Account (IFA)	Nil	87,745,449		87,745,449
Statutory Reserve Fund (SRF)	854,209,725	497,954,363	–	497,954,363
AFS Reserve	854,209,725	689,690,925	854,209,725	689,690,925
Retained Profit	1,453,358,036	983,696,717	–	983,574,469
Total		2,391,852,467		2,391,651,667

Minimum Capital Requirement

The Company ensures that it maintains the statutory requirement on minimum capital, to mitigate the liquidity risk and safeguard the depositors, thus ensuring the sustainability of the Company and the industry as a whole. The information on Minimum Capital Requirement is given on page 20 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. 522 and Rs. 522 Mn respectively. (2013/2014 Group: Rs. 469 Mn Company: Rs. 4,721 Mn Details are given in Notes 24 to the Financial Statements.

Property, Plant & Equipment

The Total Capital Expenditure on acquisition of property, plant, computer applications, software & equipment, of the Company amounted to Rs. 528.16 Mn (Rs. 450 Mn 2013/14). The detailed note on acquisition of property, plant & equipment is given under Note 24 of the Financial Statements in the page 24.

Market Value of Freehold Property

All freehold land of the Company were revalued by a professionally qualified independent valuer as at 31st March 2015, 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 2015 was Rs. 1,185,061,645 consisting of ordinary voting shares of 46,299,223 and ordinary non-voting shares of 8,005,984 (2013/14 - 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 2015 was Rs. 1 Bn consisting of 10 Mn debentures at Rs. 100 (2013/14 – Rs. 1,125,000,000/-).

Issue of Shares and Debentures

Details of the ordinary shares and debentures issued by the Company are given in the table below:

	Company		Group	
	2014/15	2013/14	2014/15	2013/14
	Rs.	Rs.	Rs.	Rs.
Ordinary Shares				
Rights Issue of Ordinary Voting Shares				
No. of Shares	Nil	Nil	Nil	Nil
Consideration Received	Nil	Nil	Nil	Nil
Rights Issue of Ordinary Non-Voting Shares	Nil	Nil	Nil	Nil
No. of Shares	Nil	Nil	Nil	Nil
By Way of Scrip Dividend	Nil	Nil	Nil	Nil
Ordinary Voting Shares Issued	Nil	Nil	Nil	Nil
Consideration Received	Nil	Nil	Nil	Nil
Ordinary Non-Voting Shares Issued	Nil	Nil	Nil	Nil
Consideration – Transfers from Retained Profit to Stated Capital	Nil	Nil	Nil	Nil
Debentures				
No. of Debentures Issued	–	10,000,000	–	10,000,000
Consideration Received	–	1,000,000,000	–	1,000,000,000

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 280 to 289.

Shareholding

There were 1,937 registered voting shareholders and 1,914 non-voting shareholders as at 31st March 2015. 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 280 to 289 of this Annual Report.

Information relating to Earnings, Dividend, Net Assets per Share, Market Value per Share are given in the Investor Relations section from pages 282 to 291.

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 2015 comprised of 11 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 150 to 153 of this Annual Report.

Names of the persons holding office as Directors of the Company as at 31st March 2015 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	Other Information
Mr. D H J Gunawardena	01.01.2012	Chairman Non-Executive Director
Mr. P C M Nanayakkara	01.02.2004	Executive Director/Chief Executive Officer/Managing Director
Mr. R H Abeygoonewardena	01.04.2011	Executive Director/Chief Operating Officer
Mr. S R Abeynayake	01.01.2012	Non-Executive Director
Dr. Ajantha Dharmasiri	01.02.2012	Non-Executive Independent Director
Mr. D A De Silva	01.01.2012	Non-Executive Independent Director
Mr. P A J Jayawardena	26.10.2011	Non-Executive Director
Mr. Razik Mohamed	01.07.2012	Non-Executive Independent Director/Senior Director
Mr. S V Munasinghe	01.04.2011	Executive Director/Chief Credit Officer
Mr. T M D P Tennakoon	01.04.2011	Executive Director/Chief Financial Officer
Mr. W W K M Weerasooriya	01.04.2011	Executive Director/Chief Marketing Officer (Resigned with effect from 30.04.2015)

Re-election of Directors by Rotation

In terms of Articles 24 (6) and 24(7) of the Articles of Association of the Company, Dr. A Dharmasiri, Messrs W P C M Nanayakkara, T M D P Tennakoon and Razik Mohamed 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 Laugh Capital Limited as at 31st March 2015:

Subsidiary	Name	Other Information
CDB Micro Finance Company Limited	Mr. 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
Laughs Capital Limited	Mr. R H Abeygoonewardena	Chairman
	Mr. T M D P Tennakoon	Non-Executive Director
	Mr. Mayurasiri Fernando	Executive Director (Resigned with effect from 30.04.2015)
	Mr. Sudath Jayawardhana	Executive Director
	Mr. S V Munasinghe	Non-Executive Director
	Ms. Sarojini Maudalige	Non-Executive Director
	Mr. W W K M Weerasooriya	Non-Executive Director (Resigned with effect from 30.04.2015)

Register of Directors and Secretaries

As required under Section 223 (1) of the Companies Act, the Company maintains a Register of Directors and Secretaries which contains information of each Director and the Secretary.

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		
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
	Mr. T M D P Tennakoon	Member	Executive Director
	Mr. W W K M Weerasooriya	Member	Executive Director *(Resigned w.e.f. 30th April 2015)*
Remuneration Committee	Mr. S R Abeynayake	Chairman	Non-Executive Director
	Mr. Razik Mohamed	Member	Non-Executive Independent Director
	Dr. Ajantha Dharmasiri	Member	Non-Executive Independent Director
Nomination Committee	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
	Dr. Ajantha Dharmasiri	Member	Non-Executive Independent Director
	Mr. R H Abeygoonewardena	Member	Executive Director
	Mr. T M D P Tennakoon	Member	Executive Director

Directors Meetings

The details of Directors meetings which comprise Board meeting and Board 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 252 and 254. These interests have been declared at Directors' meeting. As a practice, Directors have refrained from voting on matters in which they have an interest. Directors have no direct or indirect interest in any other 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 Standards - LKAS 24 'Related Party Disclosures' which is adopted in preparation of the Financial Statements. This Disclosure is given in Note 37 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	31-03-2015 Voting	31-03-2014 Voting	31-03-2014 Non-Voting	31-03-2014 Non-Voting
Mr. D H J Gunawardena	Nil	Nil	Nil	Nil
Mr. P C M Nanayakkara	139,660	29,660	44	28,941
Mr. R H Abeygoonewardena	160,349	34,103	7,579	5,447
Mr. S R Abeynayake	Nil	Nil	Nil	Nil
Dr. Ajantha Dharmasiri	Nil	Nil	Nil	Nil
Mr. D A De Siva	Nil	Nil	Nil	Nil
Mr. P A J Jayawardena	500	500	22	22
Mr. Razik Mohamed	Nil	Nil	Nil	Nil
Mr. S V Munasinghe	154,976	40,500	9,411	9,411
Mr. T M D P Tennakoon	115,000	42,000	7,262	7,262
Mr. W W K M Weerasuriya	66,600	7,000	1,209	1,209

Directors' Interest in Debentures

There were no debentures registered in the name of any Director as at 31st March 2015. However, Mr. D H J Gunawardena and Mr. S R Abeynayake are Directors of Ceylinco Insurance PLC, where Rs. 224,77 Mn debentures are registered under Ceylinco Insurance PLC.

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 2015 the date being two weeks prior to the date of Notice of the Annual General Meeting.

Directors Interest in Shares and Debentures of Subsidiaries

There were no debentures registered in the name or any Director as at 31st March 2015 or any or its subsidiaries.

Remuneration and Other Benefits of Directors

Remuneration and other benefits of Directors in respect of the Company and the Group for the financial year ended 31st March 2015 are given in Note 37 to the Financial Statements on page 252 to 254 as required by the Section 168 (1) (f) of the Companies Act No. 07 of 2007.

Employment

Group employment policies are based on recruiting the best people, providing them training to enhance their skills, recognition of innate 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 2015 was 1,136.

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.

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 donations amounting to Rs. 3.1 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 Laugh Capital 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 2.83% shareholding in Ceylinco Insurance PLC. Details are given in the Note 21 to the Financial Statements.

Risk Management and Internal Control

Risk Management

The Directors have established a comprehensive risk management framework which identifies the risks faced by the Company, evaluates the impact of the risks and mitigates the risks. The Directors review this process through the Audit Committee and the Risk Management Committee.

Internal Control

The Board of Directors has established an effective internal control which ensures that the assets of the Company are safeguarded and appropriate systems are in place to minimise and detect fraud, errors and other irregularities. The system ensures that Company adopts procedures which results in financial and operational effectiveness and efficiency.

Corporate Governance

The Board of Directors are dedicated in maintaining an effective corporate governance framework, which ensures that the Company complies with the Code of Best Practices on Corporate Governance, issued by The Institute of Chartered Accountants of Sri Lanka, the Central Bank of Sri Lanka and the Securities and Exchange Commission of Sri Lanka.

The Directors declare that –

(a) the Company complied with all applicable laws and regulations in conducting its business,

(b) The Directors have declared all material interests in contracts involving the Company and refrained from voting on matters in which they were materially interested,

(c) The Company has made all endeavours to ensure the equitable treatment of shareholders,

(d) The business is a going concern with supporting assumptions or qualifications as necessary, and that the Board of Directors have reviewed the business plans and are satisfied that the Company has adequate resources to continue its operations in the near future, and

(e) Have conducted a review of internal controls covering financial, operational and compliance controls and risk management and have obtained a reasonable assurance of their effectiveness and successful adherence herewith.

Compliance with Laws and Regulations

The Company and the Group have not engaged in any activity contravening the relevant laws and regulations. The Compliance Manager is responsible for ensuring compliance with the provisions in various laws and regulations and confirms such compliance to the Board on a monthly basis.

Appointment of Auditors

The Financial Statements for the year ended 31st March 2015 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 Mn as audit fee for the year ended 31st March 2015 which has been approved by the Board.

The Directors recommend their reappointment.

Notice of the Meeting

Notice relating to 19th 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

SSP Corporate Services (Pvt) Limited
Company Secretary

04th June 2015
Colombo

THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

With the voluntary adoption of the Code of Best Practices on related party transactions – since January 2014 ('the Code') issued by the Securities and Exchange Commission of Sri Lanka, the Related Party Transactions Review Committee was established by 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.

Composition of the Committee

The Committee, as at the end of the financial year 2014/15 consisted of the following members:

- Mr. Razik Mohamed (Committee Chairman/Independent Non-Executive Director)
- Dr. Ajantha Dharmasiri (Independent Non-Executive Director)
- Mr. Damith Tennakoon (Director/Chief Financial Officer)
- Mr. Roshan Abeygoonewardena (Director/Chief Operating Officer)
- Mr. Tharinda Darshana Amerasinghe (Head of compliance, Functions as the Secretary of the 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 for senior management as explain in the code, to follow in its ongoing dealings with the relevant related party.
- Ensuring that no Director of the Company shall participate in any discussion of a proposed related party transaction, for which he or she is a related party, unless such Director is requested to do so by the Committee, for the express purpose of providing information concerning the related party transaction to the Committee.
- If there is any potential conflict in any related party transaction, the Committee may recommend the creation of a special committee (including Independent Consultant if necessary) to review and approve the proposed related party transaction.
- Ensuring that immediate market disclosures and disclosures in the Annual Report, as required by the code, are made in a timely and detailed manner.

Review of Transactions

Since the Committee was established only during the last quarter of the financial year 2014/15, the related party transactions that have taken place during the said financial year were reviewed at the Board level. Further, all the related party transactions which occurred during the year, are disclosed in the audited financial statements. The Committee however, intends to formulate and implement a mechanism for periodical review of related party transactions from the year 2015/16 onwards.

Policies and Procedures

The Board has adopted a Related Party Transaction (RPT) Policy whereby the categories of persons who shall be considered as 'related parties' have been identified.

The Company has initiated steps to develop a mechanism that enables the Company's Senior Management to monitor and report transactions with identified related parties and obtain and share data throughout the Company's branch network.

(Sgd.)
Razik Mohamed
Chairman

4th June 2015
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 200.

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 (SLFRA/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 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 requirements under the Section 07 of the continuing Listing Requirements of the Listing Rules of the Colombo Stock Exchange where applicable.

The Board of Directors also wishes to confirm that, as required by the Sections 166 (1) and 167 (1) of the Companies Act, they have prepared this Annual Report in time and ensured that a copy thereof is sent to every shareholder of the Company, who have expressed desire to receive a hard copy or to other shareholders a soft copy each in a CD containing the Annual Report within the stipulated period of time as required by the Rule No. 7.5 (a) and (b) on Continuing Listing Requirements of the Listing Rules of the Colombo Stock Exchange. The Directors also wish to confirm that all shareholders in each category have been treated equitably in accordance with the original terms of issue.

The Company's External Auditors Messers KPMG were reappointed, in terms of the Companies Act No. 07 of 2007 and in accordance with a resolution passed at the last Annual General Meeting.
They carried out reviews, and sample checks on the system of internal controls as they considered required and appropriate and necessary for expressing an opinion on the Financial Statements and internal controls. They were provided with every opportunity to undertake the inspections they considered appropriate.

The Directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the Company and its Subsidiary, all contributions, levies and taxes payable on behalf of and in respect of the employees of the Company and its Subsidiary, and all other known statutory dues as were due and payable by the Company and its Subsidiaries as at the Reporting date have been paid or where relevant, provided.

The Directors further confirm that after considering the financial position, operating conditions, regulatory and other factors, reasonable expectation that the Company and its Subsidiarie 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,

(sgd.)	*(sgd.)*
D H J Gunawardena	W P C M Nanayakkara
Chairman	*Managing Director*

04th June 2015
Colombo

REMUNERATION COMMITTEE REPORT

Composition

The Board-Appointed Remuneration Committee comprises following members. The Chairman of the Committee is a Non-Executive Director and the others are Non-Executive Independent Directors:

Mr. S R Abeynayake - Chairman *(Non-Executive Director)*
Mr. Razik Mohemed *(Non-Executive Independent Director)*
Dr. Ajantha Dharmasiri *(Non-Executive Independent Director)*

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 CDB as well as to align the inspiration of the executives with the short and long-term interests of the Company. In designing competitive compensation packages, the policy is to appreciate and reward high performers while consciously balancing the short-term performance with medium to long-term commitment to the Company.

Purpose

Remuneration Committee recommends adoption of a market-oriented remuneration policy for its staff and ensure the selection of the best talent and create incentives for staff for their performance and loyalty. The Committee also reviews the recruitment, evaluation of employee performance, incentive schemes, bonus policy of the Company, rewarding and promotions policy of the Senior Management and Executive Officers of the Company. The succession plan policy in place and its effectiveness is critically evaluated by the Committee. The Committee evaluates the performance of the CEO and Key Management Personnel against pre-determined set targets and goals to determine the basis for recommending the basis for rewarding, increments and other benefits.

It considers such other matters relating to remuneration policies or practices as the Board, may from time to time bring to its attention of the Committee.

Further the Committee consciously evaluates the appropriateness of the current remuneration policy adopted by the Company for its suitability and appropriateness.

Meetings

The Committee met once during the year ended 31st March 2015. The Chief Executive Officer, Chief Operating Officer and Chief Financial Officer attend meetings by invitation and assist in their discussions by providing relevant information, except when their own compensation packages or other matters relating to them reviewed.

(Sgd.)
S R Abeynayake
Chairman
Remuneration Committee

04th June 2015
Colombo

INTEGRATED RISK MANAGEMENT COMMITTEE

Integrated Risk Management Committee (IRMC) lends a hand to the Board in fulfilling their oversight responsibilities with respect to decide risk appetite and make sure that significant risks are competently managed. It clearly sets out the membership, source of authority, duties and responsibilities.

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 with the following objectives:

1. Circulation of risk management information effectively and efficiently.
2. A faster implementation of action plans in response to accidents.
3. To ensure all departments play an dynamic role in risk reduction and quality improvement.

Governance of IRMC

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

Authority	Representative/Designation	Key Responsibilities
Board of Directors (BOD)	All members of the board	• Setting of risk appetite • Ensuring that risk management function running efficiently and effectively • Been responsive to the organisation's external and internal context including its mandate, priorities, organisational risk culture, risk management capacity and stakeholder interests
IRMC	Mr. D A De Silva – Chairman – IRMC Independent, Non-Executive Director Mr. Razik Mohamed – Independent, Non-Executive Director Mr. Mahesh Nanayakkara – MD/CEO Mr. Damith Tennakoon – Director/CFO Mr. Roshan Abeygoonewardena – Director/COO Mr. Sasindra Munasinghe – Director/CCMO	• Promoting a risk culture within the organisation • Communicating and recommending strategies to mitigate risks identified in relevant areas • Adopt strategies which appropriately respond to threats while not being overly restrictive, and to consider opportunities • Making recommendation to the Board on risk management concerns
RM Division	Mr. Heshan Bandara – Head of Risk Management	• Communicate about the efficiency and effectiveness of the risk management function in place and continuously add value by evaluating and introducing new mechanisms to identify, measure, treat and monitor various risks across the organisation • Identification of risk information throughout the organisation that can be used to support organisation-wide decision-making, and should also be flexible enough to evolve with changing business priorities

Authority	Representative/Designation	Key Responsibilities
Compliance Division	Mr. Tharinda Darshana – Head of Compliance	• Communicating to IRMC about new rules and regulations imposed • Overseeing the compliance of the operation with relevant laws, regulations and standards to ensure conformance to all relevant rules and regulations.
Internal Audit	Mr. Mahesh Pathmalal – Head of ERM	• Ensuring present internal controls in place are adequate • Achieving a balance between the level of risk responses and established controls and support for flexibility and innovation to improve performance and outcomes

Committee Meetings

Four meetings were held during the financial year under review on a quarterly basis. The discussions and conclusions reached at the meetings are recorded in minutes and circulated to the Board of Directors for information and advice on quarterly basis. The Committee assesses all key risks such as Credit, Operational, Market, Liquidity etc., on a monthly basis through a set of risk indicators. The Committee continued to work very closely with the Key Management Personnel and the Board of Directors in fulfilling its statutory, fiduciary and regulatory responsibilities for risk management.

Committee Activities

Risk Identification System

During the financial year under review, a risk identification system was introduced with the appointing of risk owners covering each department/process and risks reported via this system was discussed in a detailed manner taking appropriate risk mitigation actions.

New Products/Processes/Proposals

The proposals of new products/processes which were introduced during the financial year were evaluated with regard to different risk areas before approving the implementation.

Risk Indicators

Committee reviewed monthly reports on key risk indicators and management actions taken with regard to maintaining various risks within Company's risk appetite.

Updates from Committees

The Committee also reviewed updates from the three management committees which are 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

Analysis were carried out to assess the worthiness of the trigger points set and trigger points were changed to reflect the market changes.

Committee Evaluation

The Committee evaluates its effectiveness annually and concluded its performance was effective.

(sgd.)
D A De Silva
Chairman
Integrated Risk Management Committee

04th June 2015
Colombo

REPORT OF THE BOARD AUDIT COMMITTEE

Membership and Appointment

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 Mohmmed, 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 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.

The Terms of Reference of the Audit Committee are defined in the Audit Charter. During the year under review, the Audit Charter was reviewed and amended to include additional meetings with External Auditors without the Executive Directors being present and submission of quarterly Audit Committee Review Reports to the Board.

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, Chief Financial Officer, 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 Chairman reports regularly to the Board on relevant matters.

Eight meetings were held during the period under review. Further, the Committee met on two separate occasions with the External Auditors without the presence of the Executive Directors.

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, on the scope of the annual audit and later, with regards 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 the internal controls, significant frauds and any fraud that involved employees of the Company and take corrective action in this regard. The Committee continues to strengthen the internal controls at the Company where necessary.

External Audit

The Committee reviewed the services provided by the External Auditors, KPMG, 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 independence.

The Management Letter issued by the external auditors in respect of the financial year ended 31st March 2014, was considered by the Committee and corrective action is being pursued wherever such action is warranted.

Prior to commencement of the annual audit, the Committee discussed with the External Auditors, their audit plan, audit approach and matters relating to the scope of the audit.

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 to take precautionary measures on significant audit findings. Internal Audit reports were made available to the External Auditors 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

Whistle blowing policy was put in place and steps were taken to educate and encourage members of the staff to restore to whistle blowing if they had reasonable grounds to believe that there were wrong doings or other improprieties. All appropriate procedures are in place to conduct fair and 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.

Evaluation at the Committee

An evaluation of the effectiveness of the Committee was carried out by members of the Committee and other the members of the Board. The process provides the Committee with opportunity to further 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.

The Audit Committee, having considered the independence and performance of the External Auditors KPMG (Chartered Accountants) recommend that they be reappointed as the Company's statutory Auditors for the financial year ending 31st March 2016, subjected to the approval of shareholders at the forthcoming Annual General Meeting.

(Sgd.)
D H J Gunawardena
Chairman
Audit Committee

04th June 2015
Colombo

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,

(Sgd.)
D H J Gunawardena
Audit Committee
Chairman

(Sgd.)
C M Nanayakkara
Managing Director

(Sgd.)
Damith Tennakoon
Director/CFO

04th June 2015

INDEPENDENT AUDITORS' REPORT

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

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

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 ("the Group"), which comprise the statement of financial position as at 31st March 2015, 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 201 to 280 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 2015, 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 2015, 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
04th June 2015

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31st March	Notes	Company 2015 Rs.	Company 2014 Rs.	Group 2015 Rs.	Group 2014 Rs.
Revenue	6	**6,703,708,676**	6,267,603,700	**6,737,383,800**	6,267,603,700
Interest income	7	**6,251,533,117**	5,895,603,537	**6,285,172,241**	5,895,603,537
Interest expense	8	**3,381,455,430**	3,553,402,757	**3,389,183,278**	3,553,402,757
Net interest income		**2,870,077,687**	2,342,200,780	**2,895,988,963**	2,342,200,780
Net fee and commission income	9	**171,042,479**	159,708,801	**171,042,479**	159,708,801
Other operating income	10	**281,133,080**	212,291,362	**281,169,080**	212,291,362
		3,322,253,246	2,714,200,943	**3,348,200,522**	2,714,200,943
Less: Net impairment loss on financial assets	11	**477,574,737**	481,429,128	**475,255,378**	481,429,128
		2,844,678,509	2,232,771,815	**2,872,945,144**	2,232,771,815
Less:					
Personnel expenses		**601,721,927**	522,946,764	**602,916,858**	522,946,764
Premises, equipment and establishment expenses		**892,543,376**	642,418,529	**900,793,282**	642,518,529
Other expenses		**306,361,521**	284,777,597	**306,361,521**	284,777,597
Total operating expenses	12	**1,800,626,824**	1,450,142,890	**1,810,071,661**	1,450,242,890
Operating profit before value added tax (VAT) on financial service, Nation Building Tax (NBT) and Crop Insurance Levy (CIL)		**1,044,051,685**	782,628,925	**1,062,873,483**	782,528,925
Less: VAT, NBT and CIL		**92,631,221**	52,660,876	**94,622,484**	52,660,876
Profit before tax		**951,420,464**	729,968,049	**968,250,999**	729,868,049
Income tax expense	13	**249,686,559**	168,755,278	**257,828,764**	168,755,278
Profit for the year		**701,733,905**	561,212,771	**710,422,235**	561,112,771
Profit attributable to-					
Equity holders of the Company		**701,733,905**	561,212,771	**709,451,620**	561,112,771
Non-controlling interests		**–**	–	**970,615**	–
		701,733,905	561,212,771	**710,422,235**	561,112,771
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		**(27,065,583)**	(25,713,942)	**(26,987,033)**	(25,713,942)
Expected return on plan asset		**10,509,949**	–	**10,509,949**	–
		(16,555,634)	(25,713,942)	**(16,477,084)**	(25,713,942)
Items that are or may be reclassified to profit or loss					
Net change in fair value of available for sale financial assets		**164,518,800**	225,656,400	**164,518,800**	225,656,400
Surplus on revaluation of lands		**38,307,978**	–	**38,307,978**	–
		202,826,778	225,656,400	**202,826,778**	22,565,400
Other comprehensive income net of tax		**186,271,144**	199,942,458	**186,349,694**	199,942,458
Total comprehensive income		**888,005,049**	761,155,229	**896,771,929**	761,055,229
Total comprehensive income attributable to-					
Equity holders of the Company		**888,005,049**	761,155,229	**895,790,522**	761,055,229
Non-controlling interests		**–**	–	**981,407**	–
Total comprehensive income		**888,005,049**	761,155,229	**896,771,929**	761,055,229
Earnings per share					
Basic earnings per share	14	**12.92**	10.33	**13.06**	10.33

The Notes to the Financial Statements form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

STATEMENT OF FINANCIAL POSITION

As at 31st March	Notes	Company 2015 Rs.	Company 2014 Rs.	Group 2015 Rs.	Group 2014 Rs.
Assets					
Cash and cash equivalents	16	313,394,279	462,555,296	334,358,488	465,890,822
Financial instruments held for trading	17	56,220,230	–	56,220,230	–
Loans and receivables to banks	18	301,700,000	227,999,991	301,700,000	227,999,991
Deposits with licensed commercial banks	19	1,933,216,541	2,706,172,054	1,943,406,672	2,706,172,054
Loans and advances to customers	20	29,378,799,251	25,724,944,295	29,620,437,218	25,724,944,295
Investment securities	21	3,140,348,599	2,624,291,042	3,146,426,620	2,624,291,042
Investment in subsidiaries	22	427,745,447	2,745,447	–	–
Investment property	23	20,197,977	20,197,977	20,197,977	20,197,977
Property, plant and equipment	24	1,421,342,866	1,004,470,809	1,426,432,810	1,004,470,809
Intangible assets	25	71,159,770	77,783,761	75,792,298	77,783,761
Goodwill on consolidation	26	–	–	244,179,431	–
Other assets	27	949,583,620	917,381,613	955,914,234	917,380,813
Total assets		38,013,708,580	33,768,542,285	38,125,065,978	33,769,131,564
Liabilities					
Deposits from customers	28	27,079,133,660	24,518,192,737	27,079,133,660	24,518,192,737
Debt securities issued	29	1,043,481,193	1,172,332,835	1,043,481,193	1,172,332,835
Other Interest-bearing borrowings	30	3,780,763,484	3,142,005,650	3,838,570,678	3,142,005,650
Current tax Liabilities		111,513,609	48,333,210	117,226,977	48,738,286
Deferred tax liabilities	31	282,079,149	145,383,295	283,654,115	145,383,295
Retirement benefit obligation	32	45,298,838	159,241,654	45,425,460	159,241,654
Other liabilities	33	1,369,435,106	1,006,138,792	1,378,202,112	1,006,523,795
Total liabilities		33,711,705,039	30,191,628,173	33,785,694,195	30,192,418,252
Equity					
Stated Capital	34	1,185,061,645	1,185,061,645	1,185,061,645	1,185,061,645
Reserves	35	1,663,583,860	1,408,155,750	1,664,062,266	1,408,155,750
Retained earnings		1,453,358,036	983,696,717	1,460,464,302	983,495,917
Total equity attributable to equity holders of the company		4,302,003,541	3,576,914,112	4,309,588,213	3,576,713,312
Non-controlling interests		–	–	29,783,570	–
Total equity		4,302,003,541	3,576,914,112	4,339,371,783	3,576,713,312
Total liabilities and equity		38,013,708,580	33,768,542,285	38,125,065,978	33,769,131,564
Net asset value per ordinary share		79.22	65.87	79.91	65.87

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.

Damith 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

W P C M Nanayakkara
Managing Director/CEO

04th June 2015

Colombo

STATEMENT OF CHANGES IN EQUITY

Company

	Stated Capital
	Rs.
Balance at 1st April 2013	1,185,061,645
Profit for the year	
	1,185,061,645
Other comprehensive income, net of tax	
Re measurements of defined benefit liability (asset)	
Net Actuarial gains/(losses) on defined benefit plan	
Net change in fair value of available-for-sale financial assets	
	1,185,061,645
Transactions with Equity holders of the Company	
Contributions and distributions	
Dividends to equity holders	
Transfers during the period	
Balance as at 31st March 2014	1,185,061,645
Balance as at 1st April 2014	1,185,061,645
Profit for the year	
Other comprehensive income	
Remeasurements of defined benefit liability (asset)	
Net Actuarial gains/(losses) on Defined benefit plan	
Expected return in plan asset	
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	
Net transfers during the period	
Balance at 31 March 2015	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	464,034,525	50,933,191	385,711,809	746,592,020	2,965,098,202
				561,212,771	561,212,771
132,765,013	464,034,525	50,933,191	385,711,809	1,307,804,791	3,526,310,973
				(25,713,942)	(25,713,942)
	225,656,400				225,656,400
132,765,013	689,690,925	50,933,191	385,711,809	1,282,090,849	3,726,253,431
				(149,339,319)	(149,339,319)
		36,812,258	112,242,554	(149,054,812)	–
132,765,013	689,690,925	87,745,449	497,954,363	983,696,716	3,576,914,112
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

Group

	Stated Capital
	Rs.
Balance at 1st April 2013	1,185,061,645
Profit for the year	
	1,185,061,645
Other comprehensive income, net of tax	
Remeasurements of defined benefit liability (asset)	
Net Actuarial gains/(losses) on Defined benefit plan	
Fair value reserve (available-for-sale financial assets):	
Net change in fair value	
	1,185,061,645
Transactions with equity holders of the Company	
Contributions and distributions	
Dividends to equity holders	
Transfers during the period	
Balance at 31st March 2014	1,185,061,645
Balance at 1st April 2014	1,185,061,645
Profit for the year	
Other comprehensive income	
Remeasurements of defined benefit liability (asset)	
Net Actuarial gains/(losses) on Defined benefit plan	
Expected return in plan asset	
Fair value reserve (available-for-sale financial assets):	
Net change in fair value	
Revaluation surplus	
	1,185,061,645
Transactions with equity holders of the Company Contributions and distributions	
Dividends to equity holders	
Acqusition made during the year	
Net transfers during the period	
Balance at 31st March 2015	1,185,061,645

Attributable to Equity Holders of the Company							
Revaluation Reserve	Available-for-Sale Reserve	Investment Fund Reserve	Statutory Reserve Fund	Retained Earnings	Total	Non-Controlling Interest	Total Equity
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
132,765,013	464,034,525	50,933,191	385,711,809	746,491,219	2,964,997,402		2,964,997,402
				561,112,771	561,112,771		561,112,771
132,765,013	464,034,525	50,933,191	385,711,809	1,307,603,990	3,526,110,173		3,526,110,173
				(25,713,942)	(25,713,942)		(25,713,942)
	225,656,400				225,656,400		225,656,400
132,765,013	689,690,925	50,933,191	385,711,809	1,281,890,048	3,726,052,631		3,726,052,631
				(149,339,319)	(149,339,319)		(149,339,319)
		36,812,258	112,242,554	(149,054,812)	–		–
132,765,013	689,690,925	87,745,449	497,954,363	983,495,917	3,576,713,312		3,576,713,312
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	1,460,470,302	4,309,588,213	29,783,570	4,339,371,783

STATEMENT OF CASH FLOW

For the year ended 31st March	Company 2015 Rs.	Company 2014 Rs.	Group 2015 Rs.	Group 2014 Rs.
Cash flow from operating activities				
Interest receipts	6,297,268,127	5,786,355,711	6,329,183,076	5,786,355,711
Commission receipts	172,003,223	165,333,038	172,003,223	165,333,038
Other income receipts	271,976,768	59,600,783	272,012,768	59,600,783
Interest payments	(3,363,410,589)	(3,251,950,602)	(3,369,414,261)	(3,251,950,602)
Fee and business promotion expenses	(68,182,557)	(64,973,151)	(68,182,557)	(64,973,151)
Employee-related payments	(558,873,852)	(491,755,275)	(559,914,045)	(491,755,275)
Supplier payments	(672,688,627)	(616,951,912)	(680,868,140)	(616,951,912)
Financial expenses	(15,471,148)	(24,560,204)	(15,471,148)	(24,560,204)
Operating profit before changes in operating assets	2,062,621,345	1,561,098,388	2,079,348,916	1,561,098,388
(Increase)/decrease in operating assets				
Investments in licensed commercial banks	772,955,513	(1,261,652,466)	833,830,968	(1,261,652,466)
Investments in Government Securities	(486,561,195)	(771,936,768)	(492,516,516)	(771,936,768)
Net funds advanced to customers	(4,131,429,693)	(6,613,344,388)	(4,035,683,491)	(6,613,344,388)
Changes in other short-term assets	4,118,216	(192,953,232)	7,950,250	(192,953,232)
Inventories	(83,015,976)	27,240,730	(83,015,976)	27,240,730
	(1,861,311,790)	(7,251,547,736)	(1,690,085,849)	(7,251,547,736)
Increase/(decrease) in operating liabilities				
Borrowings	700,875,813	638,301,070	540,846,761	638,301,070
Deposits from customers	2,480,778,103	6,445,567,918	2,480,778,103	6,445,567,918
	3,181,653,916	7,083,868,988	3,021,624,864	7,083,868,988
Net cash generated/(used in) operating activities	1,320,342,126	(167,678,748)	1,331,539,015	(167,678,748)
Gratuity paid/contribution to plan assets	(179,784,827)	(827,877)	(179,784,827)	(827,877)
Taxation	(43,372,004)	1,062,256	(44,364,495)	1,062,256
	1,097,185,295	(167,444,369)	1,107,254,693	(167,444,369)
Cash flow from investing activities				
Dividend receipts	9,064,000	7,068,000	9,064,000	7,068,000
Investment in subsidiary	(425,000,000)	–	(425,000,000)	–
Net investment in debentures	5,102,199	–	5,102,199	–
Purchase of property, plant & equipment	(528,218,833)	(469,608,957)	(531,350,523)	(469,608,957)
Proceeds from sale of property, plant & equipment	122,851	4,531,250	122,851	4,531,250
Net cash (used in)/from investing activities	(938,929,783)	(458,009,707)	(942,025,413)	(458,009,707)

	Company		Group	
For the year ended 31st March	**2015**	2014	**2015**	2014
	Rs.	Rs.	Rs.	Rs.
Cash flow from financing activities				
Dividend paid	**(162,915,621)**	(149,339,319)	**(162,815,621)**	(149,339,319)
Net change in debentures	**(128,851,642)**	912,954,524	**(128,851,642)**	912,954,524
Net cash inflows/(out flows) from financing activities	**(291,767,263)**	763,615,205	**(291,667,263)**	763,615,205
Net increase/(decrease) in cash and cash equivalents	**(133,511,751)**	138,161,129	**(126,438,042)**	138,161,129
Cash and cash equivalents at the beginning of the year	**199,086,859**	60,925,730	**202,422,385**	64,261,256
Cash and cash equivalents at the end of the year	**65,575,108**	199,086,859	**75,984,343**	202,422,385
Cash and cash equivalents at the beginning of the year				
Cash at bank and in hand	**462,555,296**	205,326,279	**465,890,822**	208,661,805
Bank overdraft	**(263,468,437)**	(144,400,549)	**(263,468,437)**	(144,400,549)
	199,086,859	60,925,730	**202,422,385**	64,261,256
Cash and cash equivalents at the end of the year				
Cash at bank and in hand	**313,394,279**	462,555,296	**321,425,914**	465,890,822
Bank overdraft	**(247,819,171)**	(263,468,437)	**(245,441,571)**	(263,468,437)
	65,575,108	199,086,859	**75,984,343**	202,422,385

Notes to the Financial Statements form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

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 Monetory 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 31 March 2015 - 1,136 (2014 - 1,109)

1.2 Principal Activities and Nature of Operation

Entity	Principal Business Activities	Ownership Percentage 2014/15	Ownership Percentage 2013/14
Company	Company provide a vast range of Financial Services which includes accepting deposits, leasing, hire purchase and loan facilities, pawn brokering, 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%
Laugfs Capital Limited	Leasing, Hire Purchase, Personal Loan, Term Loan	86.26%	Nil

The holding percentages of the subsidiaries are disclosed in Note 36 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 2015 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 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	38	255
Held-to-maturity financial assets	Amortised cost	38	255
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	245
Freehold land	Fair Value	38	255
Financial instrument classified as fair value through profit or loss.	Fair Value	38	255

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 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 (LKAS/ SLFRS) 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 38 on page 255

The Company measures fair value using the fair value hierarchy that reflects the significance of input used in making measurements, as described in Note 38 on page 255.

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 is 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 and 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 engage independent professional valuer to assess fair value of land. The key assumptions used to determine fair value is provided in Note 38.

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.

There were Five cases filed against the Company as at the Balance sheet date. 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 acturial 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. Changes in Accounting Policies

Except for the changes below, the Group has consistently applied the accounting policies as set out in Note 4 to all periods presented in these Consolidated Financial Statements.

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1st April 2014.

a. SLFRS 10 - 'Consolidated Financial Statements'
b. SLFRS 12 - 'Disclosure of Interests in Other Entities'
c. SLFRS 13 - 'Fair Value Measurement'
d. Disclosures - Offsetting Financial Assets and Financial Liabilities (Amendments to SLFRS 7).
e. Presentation of Items of Other Comprehensive Income (Amendments to LKAS 1).

The nature and the effects of the changes are explained below:

(a) Subsidiaries, Including Structured Entities

As a result of SLFRS 10, the Group has changed its accounting policy for determining whether it has control over and consequently whether it consolidates other entities. SLFRS 10 introduces a new control model that focuses on whether the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect those returns.

In accordance with the transitional provisions of SLFRS 10, the Group reassessed its control conclusions as of 1st April 2014. However, the reassessment did not have an impact on the Group's Financial Statements.

(b) Interests in Other Entities

As a result of SLFRS 12, the Group has expanded disclosures about its interests in subsidiaries.

(c) Fair Value Measurement

In accordance with the transitional provisions of SLFRS 13, the Group has applied the new definition of fair value, as set out in Note 4.5.4 prospectively. The change had no significant impact on the measurements of the Group's assets and liabilities, but the Group has included new disclosures in the Financial Statements, which are required under SLFRS 13. These new disclosure requirements are not included in the comparative information. However, to the extent that disclosures were required by other standards before the effective date of SLFRS 13, the Group has provided the relevant comparative disclosures under those standards.

(d) Offsetting Financial Assets and Financial Liabilities

As a result of the amendments to SLFRS 7, the Group has expanded disclosures about offsetting financial assets and financial liabilities.

(e) Presentation of Items of OCI

As a result of the amendments to LKAS 1, the Group has modified the presentation of items of OCI in its Statement of Profit or Loss and OCI, to present items that would be reclassified to profit or loss in the future separately from those that would never be. Comparative information has been represented on the same basis.

4. 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:

4.1 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 Laugfs Capital 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.

4.1.1 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.

4.1.2 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.

4.2 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

4.3 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.

4.4 Financial Instruments

4.4.1 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 observarable current market transactions in the same instrument or based on valuation technique whose variables include only data from observarable 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 observarable, the difference between the transaction price and model value is recognised in the comprehensive income when the input becomes observarable 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.

4.4.2 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 classify 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 Receivable - Financial Investment

This include 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 after the Group has collated all the assets original principle.
- 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-ale 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.

4.4.3 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 amortization using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

4.4.4 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.

4.4.5 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 expire.

4.4.6 Fair Value Measurement

Policy Applicable from 1st April 2014

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price - i.e. the fair value of the consideration given or received. If the Company determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Company measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Company on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The Company recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

Policy Applicable before 1st April 2014

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date. When available, the Group measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active, then the Group establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models.

The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Group, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments.

Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument. The Group calibrates valuation techniques and tests them for validity using prices from observable current market transactions in the same instrument or based on other available observable market data.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e. the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument, i.e. without modification or repackaging, or based on a valuation technique whose variables include only data from observable markets. When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognised in Statement of Comprehensive Income on an appropriate basis over the life of the instrument but not later than when the valuation is supported wholly by observable market data or the transaction is closed out. Any difference between the fair value at initial recognition and the amount that would be determined at that date using a valuation technique in a situation in which the valuation is dependent on unobservable parameters is not recognised in profit or loss immediately but is recognised over the life of the instrument on an appropriate basis or when the instrument is redeemed, transferred or sold, or the fair value becomes observable.

Assets and long positions are measured at a bid price; liabilities and short positions are measured at an asking price. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and the counterparty where appropriate. Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties, to the extent that the Group believes a third-party market participant would take them into account in pricing a transaction.

4.4.7 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 LKASs/SLFRSs, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

4.4.8 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 recognized 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 recognized 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 assess individually whether there is an objective evidence of impairment based on the same criteria as other financial assets.

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 fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement coveys a right to use the asset.

Classification of a lease as operating lease or finance lease is done 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.

c) 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.

4.5 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.

4.6 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.

4.6.1 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.

4.6.2 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 8 years. Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

4.6.3 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.

4.6.4 Retirement and Disposal

An intangible asset is derecognised on disposal or when no future economic benefits are expected from its use and subsequent disposal.

4.7 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.

4.7.1 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.

4.7.2 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.

4.7.3 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 no-depreciated.

4.7.4 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.

4.8 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.

4.8.1 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.

4.8.2 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.

4.8.3 Cost Model

The Group applies cost model to property, plant and equipment except for freehold land and records at cost of purchase or construction together with any incidental expenses thereon less accumulated depreciation and any accumulated impairment losses.

4.8.4 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 2015. Method and significant assumptions including unobservarable market inputs employed in estimating fair value is given in Note 38.

4.8.5 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.

4.8.6 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.

4.8.7 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.

4.8.8 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.

4.9 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.

4.10 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

4.11 Employee Retirement Benefits

4.11.1 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 ‘Employee Benefits’ (LKAS 19) 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 31 (b). 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

4.11.2 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 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.

4.12 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.

4.13 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 - (LKAS 10) 'Events after the Reporting Period'.

4.14 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

4.15 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.

4.16 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.

4.17 Fee and Commission Income

Fees and commission income, including commission, service fees are recognised as the related services are performed.

4.18 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.

4.19 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.

4.20 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.

4.20.1 Fee and Commission Expense

Fee and commission expenses are recognised on an accrual basis.

4.20.2 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 No. 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.

4.20.3 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.

4.20.4 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.

4.20.5 Crop Insurance Levy

As per the provisions of the Section 14 of Finance Act No. 12 of 2014 The Crop Insurance Levy was introduced with effect from April 1st 2014 and is payable at 1% of the profit after tax.

4.20.6 Economic Service Charge

As per the provisions of the Finance Act No. 13 of 2006 and amendments thereto. Currently, ESC is payable at 0.25% 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.

4.20.7 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.

4.21 Investment Fund Account

As proposed in the budget proposals of 2011, every person or partnership who is in the business of Companying or financial services is required to establish and operate an Investment Fund Account. As and when taxes are paid after 1st January 2011 Licensed Financial Companies are required to transfer the following funds to the Investment Fund Account and build a permanent fund in the Company.

- 8% of the value calculated for the payment of Value Added Tax Financial Services on dates as specified in the VAT Act
- 5% of the profit before tax calculated for the payment of income tax purposes on dates specified in the Inland Revenue Act

Licensed Financial Companies shall utilise the funds in the Investment Fund Account in the following manner. Invest in long-term government securities and/or bonds with maturities not less than seven years - Lend on maturities not less than five years at interest rates not exceeding 5 year treasury bond rates plus 2% - Lend only for the following purposes:

i. Long term loans for cultivation of plantation crops/agriculture crops including fruits, vegetables, cocoa and spices and for livestock and fisheries
ii. Factory/mills modernisation/establishment/expansion
iii. Small and medium enterprises Loans up to Rs. 30 Mn or over 10 Mn to enterprises with annual turnover less than Rs. 300 Mn
iv. Information technology related activities and business process outsourcing
v. Infrastructure development
vi. Education - vocational training and tertiary education
vii. Housing up to Rs. 2 Mn per customer for construction of a house for residential purposes
viii. Restructuring of loans extended for the above purposes

4.22 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 No. 13.

4.23 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.

4.24 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 Pawning. Intersegment pricing is determined on an arms 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 the Note No. 42 to the Financial Statement.

4.25 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 equivalent include cash in hand, balances with banks, placements with banks, money at call and short notice and money market funds.

4.26 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.

4.27 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.

4.28 Offsetting of Income and Expenses

Income and expenses are not offset unless required or permitted by accounting standards.

4.29 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:

4.30 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.

5. New SLFRS Issued but Not Effective

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 2017, with early adoption permitted.

The Group is assessing the potential impact on its Financial Statements.

For the year ended 31st March	Company 2015 Rs.	Company 2014 Rs.	Group 2015 Rs.	Group 2014 Rs.

6. Revenue

	6,703,708,676	6,267,603,700	6,737,383,800	6,267,603,700

6.1 Revenue

Interest Income (7)	6,251,533,117	5,895,603,537	6,285,172,241	5,895,603,537
Net fee and commission income (9)	171,042,479	159,708,801	171,042,479	159,708,801
Other operating income (10)	281,133,080	212,291,362	281,169,080	212,291,362
	6,703,708,676	6,267,603,700	6,737,383,800	6,267,603,700

7. Interest Income

Government securities and placements with banks	338,685,778	355,277,011	339,983,553	355,277,011
Loans and receivables to customers				
Finance leases	3,327,021,682	3,408,315,277	3,329,472,974	3,408,315,277
Hire purchases	1,424,147,914	1,054,513,091	1,430,884,499	1,054,513,091
Loans	1,136,695,144	1,072,719,758	1,159,848,616	1,072,719,758
Ijara income	9,177,384	3,015,678	9,177,384	3,015,678
Murabaha	15,805,215	1,762,722	15,805,215	1,762,722
Total interest income	6,251,533,117	5,895,603,537	6,285,172,241	5,895,603,537

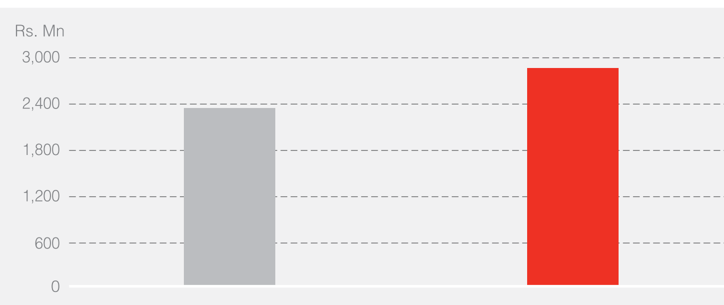
8. Interest Expense

Deposit from customers	2,819,948,995	3,000,468,150	2,819,948,995	3,000,468,150
Mudharabah	6,006,971	1,085,054	6,006,971	1,085,054
Debentures	166,072,509	68,507,299	166,072,509	68,507,299
Foreign borrowings	104,391,176	89,568,206	104,391,176	89,568,206
Other borrowings	285,035,779	393,774,048	292,763,627	393,774,048
Total interest expense	3,381,455,430	3,553,402,757	3,389,183,278	3,553,402,757
Net Interest Income	2,870,077,687	2,342,200,780	2,895,988,963	2,342,200,780

Net Interest Income

Growth

23% ▲



	Company		Group	
For the year ended 31st March	**2015**	2014	**2015**	2014
	Rs.	Rs.	**Rs.**	Rs.

9. Net Fee and Commission Income

	Company 2015 Rs.	Company 2014 Rs.	Group 2015 Rs.	Group 2014 Rs.
Fee and commission income (9.1)	171,042,479	159,708,801	171,042,479	159,708,801
Fee and commission expenses	–	–	–	–
	171,042,479	159,708,801	171,042,479	159,708,801

9.1 Fee and Commission Income

	Company 2015 Rs.	Company 2014 Rs.	Group 2015 Rs.	Group 2014 Rs.
Insurance commission	169,823,685	158,323,649	169,823,685	158,323,649
Guarantee commission income	436,510	934,917	436,510	934,917
Commission on money remittances	92,238	136,292	92,238	136,292
Commission on debit card transactions	690,046	313,943	690,046	313,943
	171,042,479	159,708,801	171,042,479	159,708,801

10. Other Operating Income

	Company 2015 Rs.	Company 2014 Rs.	Group 2015 Rs.	Group 2014 Rs.
Dividend income	9,064,000	7,068,000	9,100,000	7,068,000
Foreign exchange gains/(losses)	(637,252)	(384,936)	(637,252)	(384,936)
Other operating income	272,739,817	205,608,298	272,739,817	205,608,298
Change in fair value of trading assets	(33,485)	–	(33,485)	–
	281,133,080	212,291,362	281,169,080	212,291,362

Other operating income includes charges recognised on cash basis from loans and receivables to customers.

11. Impairment Charges for Loans and Advances and Other Losses

	Company 2015 Rs.	Company 2014 Rs.	Group 2015 Rs.	Group 2014 Rs.
Net charge against profit on loans and receivables to customers:				
Collective impairment charge/(release):				
Leases	28,630,695	172,135,527	28,630,695	172,135,527
Hire purchases	4,708,054	13,088,367	4,708,054	13,088,367
Loans and advances	(54,628,839)	3,595,655	(54,628,839)	3,595,655
Individual impairment charge:			–	
Leases	99,940,969	69,029,218	99,940,969	69,029,218
Hire purchases	47,934,505	12,323,091	47,934,505	12,323,091
Loans and advances	10,459,848	54,468,277	10,459,848	54,468,277
Losses from liquidation of pawned articles	90,594,363	168,403,259	90,594,363	168,403,259
Provision for fall in value of gold stock	–	14,346,840	–	14,346,840
Net losses/(profit) from disposal/closure of leased assets	249,935,142	(25,961,106)	247,615,783	(25,961,106)
	477,574,737	481,429,128	475,255,378	481,429,128

	Company		Group	
For the year ended 31st March	2015	2014	2015	2014
	Rs.	Rs.	Rs.	Rs.

12. Other Operating Expense

Operating expenses, among others, include the following:

Depreciation of property, plant & equipment and amortisation of intangible assets	156,230,373	112,836,749	159,585,375	112,836,749
Legal expenses and professional fees	18,420,296	9,125,313	20,475,731	9,125,313
Staff-related expenses	450,892,802	409,841,905	451,222,108	409,841,905
Directors' emoluments	59,738,682	45,166,020	60,088,682	45,166,020
Auditors' remuneration (12 a)	3,670,000	3,909,075	4,270,010	3,909,075
Advertising and communication	219,777,508	195,244,242	219,777,508	195,244,242
Contribution to deposit insurance scheme of CBSL	35,658,096	27,353,124	35,658,096	27,353,124
Activities on corporate social responsibility	3,100,000	3,258,422	3,100,000	3,258,422
Employees' provident fund and trust fund expenses	48,242,368	41,645,570	48,499,430	41,645,570
Employees' defined benefit plan service expenses	42,848,075	31,191,489	43,106,638	31,191,489

12 a. Auditors Remuneration

Audit fees and expenses	2,000,000	1,575,000	2,600,000	1,675,000
Audit-related fee and expenses	500,000	560,100	500,000	560,100
Non- audit services	1,170,000	1,773,975	1,170,000	1,773,975

	Company		Group	
For the year ended 31st March	2015	2014	2015	2014
	Rs.	Rs.	Rs.	Rs.

13. Income Tax Expense

	Company 2015 Rs.	Company 2014 Rs.	Group 2015 Rs.	Group 2014 Rs.
Current income tax expense	114,147,828	79,924,706	122,290,033	79,924,706
Under/(over) provision for previous year	(1,157,123)	(24,640,365)	(1,157,123)	(24,640,365)
Deferred tax expense	136,695,854	113,470,937	136,695,854	113,470,937
Income tax charge for the year	249,686,559	168,755,278	257,828,764	168,755,278
Reconciliation between income tax expenses and the accounting profit.				
Accounting profit before tax	951,420,464	729,968,049	968,250,999	729,868,049
Tax expenses as per accounting profit	266,397,730	204,391,054	271,110,280	204,391,054
Tax effect of capital portion of lease rentals	1,173,699,715	918,883,559	1,177,006,810	918,883,559
Income from non-taxable sources	(2,537,920)	6,616,570	(2,537,920)	6,616,570
Tax effect of disallowed expenses	189,042,837	99,765,336	195,285,078	99,765,336
Tax effect of deductible expenses and tax losses	(1,488,654,534)	(1,149,731,813)	(1,494,774,215)	(1,149,731,813)
Tax effect on qualifying payments	(23,800,000)	–	(23,800,000)	–
Tax on business profit	114,147,828	79,924,706	122,290,033	79,924,706
Tax on dividend	–	–		–
Deferred tax expenses	136,695,854	113,470,937	136,695,854	113,470,937
Prior period under/(over) provision	(1,157,123)	(24,640,365)	(1,157,123)	(24,640,365)
Income tax expenses reported in the Statement of Comprehensive Income at the effective tax rate	249,686,559	168,755,278	257,828,764	168,755,278

	Company			Group		
	Leasing Business Rs.	Other Business Rs.	Total Rs.	Leasing Business Rs.	Other Business Rs.	Total Rs.
A reconciliation between Tax Expense and the Accounting Profit based on the Statutory Tax Rate 2014/15						
Accounting profit before tax	434,408,403	517,012,062	951,420,464	435,378,718	532,872,282	968,250,999
Adjustments						
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	200,347,435	697,446,709
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	

	Company			Group		
	Leasing Business Rs.	Other Business Rs.	Total Rs.	Leasing Business Rs.	Other Business Rs.	Total Rs.
A reconciliation between Tax Expense and the Accounting Profit based on the Statutory Tax Rate 2013/14						
Accounting profit before tax	395,176,805	334,791,244	729,968,049	395,176,805	334,791,244	729,968,049
Adjustments						
Capital portion of leasing rental due	3,281,726,997	–	3,281,726,997	3,281,726,997	–	3,281,726,997
Non-taxable income/losses	29,335,342	(5,704,737)	23,630,606	29,335,342	(5,704,737)	23,630,606
Disallowable expenses	196,985,092	160,770,365	357,755,456	196,985,092	160,770,365	357,755,456
Allowable expenses	(3,765,978,677)	(50,710,136)	(3,816,688,813)	(3,765,978,677)	(50,710,136)	(3,816,688,813)
Total statutory income	137,245,559	439,146,736	576,392,295	137,245,559	439,146,736	576,392,295
Carried forward tax losses - set off	(137,245,559)	(153,701,358)	(290,946,917)	(137,245,559)	(153,701,358)	(290,946,917)
Taxable income	–	285,445,378	285,445,378	–	285,445,378	285,445,378
Income tax rate (%)		28			28	
Income tax		79,924,706			79,924,706	
Effective tax rate (%)		24			24	

14. Earnings Per Share

Basic earnings per share is calculated by dividing the profit for the period attributable for the ordinary shareholders by the weighted average number of ordinary shares outstanding during the year and calculated as follows:

	Company		Group	
For the year ended 31st March	**2015**	2014	**2015**	2014
Amount used as numerator				
Net profit attributable to equity holders of Parent (Rs.)	**701,733,905**	561,212,771	**709,451,620**	561,112,771
Amount used as denominator				
Weighted average number of ordinary shares	**54,305,207**	54,305,207	**54,305,207**	54,305,207
Basic earnings per ordinary share (Rs.)	**12.92**	10.33	**13.06**	10.33

15. Dividend Per Share

For the year ended 31st March	**2014/15** Rs.	2013/14 Rs.	**2014/15** Rs.	2013/14 Rs.
Net dividend paid to ordinary shareholders	**171,061,402**	146,624,059	**171,061,402**	146,624,059
Withholding tax deducted at source	**19,006,822**	16,291,562	**19,006,822**	16,291,562
Gross dividend	**190,068,225**	162,915,621	**190,068,225**	162,915,621
Gross dividend per share	**3.50**	3.00	**3.50**	3.00
Dividend payout ratio	**27%**	29%	**27%**	29%

The Board has proposed a first and final dividend of Rs. 3.50 per share. In accordance with the provisions of the Sri Lanka Accounting Standard No. 10 - 'Events after Reporting Period' this proposed dividend has not been recognised as a liability in the Financial Statements for the year ended 31st March 2015.

As at 31st March	Company 2015 Rs.	Company 2014 Rs.	Group 2015 Rs.	Group 2014 Rs.
16. Cash and Cash Equivalents				
Local currency in hand	161,325,027	172,471,772	161,410,027	172,471,772
Foreign currency in hand	2,937,655	2,109,959	2,937,655	2,109,959
Demand deposit balances with licensed commercial banks	149,131,597	287,973,565	170,010,806	291,309,091
	313,394,279	462,555,296	334,358,488	465,890,822
17. Financial Instruments Held for Trading				
Government bonds	56,220,230	–	56,220,230	–
18. Loans and Receivables to banks				
Reverse sale and repurchase agreements	301,700,000	227,999,991	301,700,000	227,999,991
19. Deposits with Licensed Commercial Banks				
Fixed deposits with banks	1,933,216,541	2,706,172,054	1,943,406,672	2,706,172,054
20. Loans and Advances to Customers				
Gross loans and receivable to customers	30,178,460,528	26,383,905,806	30,428,093,787	26,383,905,806
Less: Individual Impairment	337,322,102	229,430,107	337,322,102	229,430,107
Collective Impairment	462,339,175	429,531,404	470,334,467	429,531,404
	29,378,799,251	25,724,944,295	29,620,437,218	25,724,944,295
20.1 Product Wise Analysis				
Loans and advances to customers at amortised cost (a)	6,556,750,473	6,474,514,819	6,702,077,195	6,474,514,819
Finance lease receivables (b)	16,447,311,290	14,055,564,984	16,477,298,422	14,055,564,984
Hiring contracts (c)	7,174,398,765	5,853,826,003	7,248,718,170	5,853,826,003
	30,178,460,528	26,383,905,806	30,428,093,787	26,383,905,806
Allowance for impairment	799,661,277	658,961,511	807,656,569	658,961,511
Carrying amount	29,378,799,251	25,724,944,295	29,620,437,218	25,724,944,295

	Company		Group	
As at 31st March	2015	2014	2015	2014
	Rs.	Rs.	Rs.	Rs.
20.2 Loans and advances to customers at amortised cost				
Short-term loans	1,183,115,887	1,856,389,487	1,158,013,081	1,856,389,487
Term and vehicle loans	5,007,831,817	3,673,626,439	5,178,261,345	3,673,626,439
Staff loans	185,369,335	219,952,491	185,369,335	219,952,491
Pawning advances	125,945,111	645,558,079	125,945,111	645,558,079
Loans given to employee share ownership trust	54,488,323	78,988,323	54,488,323	78,988,323
	6,556,750,473	6,474,514,819	6,702,077,195	6,474,514,819
Less: impairment allowance	42,532,549	86,701,539	48,068,817	86,701,539
	6,514,217,924	6,387,813,280	6,654,008,378	6,387,813,280
20.3 Finance Lease Receivables				
Gross investment in finance leases, receivable:				
Less than one year	8,844,849,685	8,106,635,369	8,857,843,833	8,106,635,369
Between one and five years	13,304,373,964	12,087,523,647	13,332,109,303	12,087,523,647
More than five years	207,691,926	61,235,186	207,691,926	61,235,186
	22,356,915,575	20,255,394,202	22,397,645,062	20,255,394,202
Unearned finance income	(5,909,604,285)	(6,199,829,218)	(5,920,346,640)	(6,199,829,218)
Net investment in finance leases	16,447,311,290	14,055,564,984	16,477,298,422	14,055,564,984
Less: impairment allowance	645,592,686	513,366,488	645,592,686	513,366,488
	15,801,718,604	13,542,198,496	15,831,705,736	13,542,198,496
20.4 Net Investment in Hiring Contracts				
Gross investment in hiring contracts	7,174,398,765	5,853,826,003	7,248,718,170	5,853,826,003
Less: impairment allowance	111,536,042	58,893,483	113,995,066	58,893,483
	7,062,862,723	5,794,932,520	7,134,723,104	5,794,932,520
20.5 Allowance for Impairment				
Individual allowance for impairment				
Balance as at the beginning of the year	229,430,107	93,609,521	229,430,107	93,609,521
Charge for the year	107,891,995	135,820,586	107,891,995	135,820,586
Balance at 31st March	337,322,102	229,430,107	337,322,102	229,430,107
Collective allowance for impairment				
Balance as at the beginning of the year	429,531,404	240,711,855	429,531,404	240,711,855
Charge for the year	32,807,771	188,819,549	40,803,063	188,819,549
Balance at 31st March	462,339,175	429,531,404	470,334,467	429,531,404
Total allowance for impairment	799,661,277	658,961,511	807,656,569	658,961,511

21. Investment Securities

	Company		Group	
As at 31st March	**2015**	2014	**2015**	2014
	Rs.	Rs.	Rs.	Rs.
Held-to-maturity	**2,186,229,799**	1,834,691,042	**2,192,184,120**	1,834,691,042
Available-for-sale	**954,118,800**	789,600,000	**954,242,500**	789,600,000
	3,140,348,599	2,624,291,042	**3,146,426,620**	2,624,291,042

21.1 Held-to-Maturity Investment Securities

	Company 2015	Company 2014	Group 2015	Group 2014
Government bills	**2,052,309,487**	1,739,979,228	**2,052,309,487**	1,739,979,228
Government bonds	**123,743,936**	92,637,637	**129,698,257**	92,637,637
Corporate bonds	**10,176,376**	5,074,177	**10,176,376**	5,074,177
Less: individual allowance for impairment	**–**	–	**–**	–
	2,186,229,799	1,837,691,042	**2,192,184,120**	1,837,691,042

21.2 Available-for-Sale Investment Securities

	Company		Group	
As at 31st March	**2015**	2014	**2015**	2014
	Rs.	Rs.	Rs.	Rs.
Equity securities measured at fair value	**954,118,800**	789,600,000	**954,118,800**	789,600,000
Unquoted equity securities measured at cost	**24,664,550**	24,664,550	**24,788,250**	24,664,550
	978,783,350	814,264,550	**978,907,050**	814,264,550
Less: Impairment loss on available-for-sale investment securities	**24,664,550**	24,664,550	**24,664,550**	24,664,550
	954,118,800	789,600,000	**954,242,500**	789,600,000
Impairment loss on available-for-sale investment securities				
Balance as at the beginning of the year	**24,664,550**	24,664,550	**24,664,550**	24,664,550
Charge for the year	**–**	–	**–**	–
Balance at 31st March	**24,664,550**	24,664,550	**24,664,550**	24,664,550

21.3 Company

	2015			2014		
	No. of Shares	Cost at Acquisition Rs.	Carrying Amount Rs.	No. of Shares	Cost at Acquisition Rs.	Carrying Amount Rs.
Quoted Shares						
Ordinary shares of Ceylinco Insurance PLC	564,000	99,909,075	954,118,800	564,000	99,909,075	789,600,000
Unquoted Shares						
Ordinary shares Middleway Limited	416,455	4,164,550	4,164,550	416,455	4,164,550	4,164,550
Preference shares of Middleway Limited	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)
		99,909,075	954,118,800		99,909,075	789,600,000

21.4 Group

	2015			2014		
	No of Shares	Cost at Acquisition Rs.	Carrying Amount Rs.	No of Shares	Cost at Acquisition Rs.	Carrying Amount Rs.
Quoted Shares						
Ordinary shares of Ceylinco Insurance PLC	564,000	99,909,075	954,118,800	564,000	99,909,075	789,600,000
Unquoted Shares						
Ordinary Shares of Middleway Limited	416,455	4,164,550	4,164,550	416,455	4,164,550	4,164,550
Preference Shares of Middleway Limited	2,050,000	20,500,000	20,500,000	2,050,000	20,500,000	20,500,000
Ordinary Shares of Credit Information Bureau of Sri Lanka	100	123,700	123,700		–	–
Less: Provision for Impairment		(24,664,550)	(24,664,550)		(24,664,550)	(24,664,550)
		100,032,775	954,242,500		99,909,075	789,600,000

22. Investment in Subsidiaries

		Company	
		2015	2014
	Holding (%)	Cost Rs.	Cost Rs.
Balance as at the beginning of the year		5,000,000	5,000,000
Acquisition made during the year		425,000,000	–
Disposals made during the year		–	–
		430,000,000	5,000,000
Less : Provision for impairment		2,254,553	2,254,553
Net investment in subsidiaries		427,745,447	2,745,447
CDB Micro Finance Limited	100		
Cost at acquisition		5,000,000	5,000,000
Less : Provision for impairment		2,254,553	2,254,553
		2,745,447	2,745,447
Laugfs Capital Limited	86.26		
Cost at acquisition		425,000,000	–
Less : Provision for impairment		–	–
		425,000,000	–

23. Investment Property

	Company		Group	
As at 31st March	2015 Rs.	2014 Rs.	2015 Rs.	2014 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
Market value of the property	42,000,000	36,000,000	42,000,000	36,000,000

Company carries its investment property at cost and no depreciation is recognised as land has an unlimited useful life.

The fair value of the investment property is based on a valuation carried out by Mr. D S N Perera on 31st March 2015, a graduate member of the Institute of Valuers of Sri lanka who is an independent valuer.

Information on the investment property

			Company		Group	
			2015	2014	**2015**	2014
Location	Type	Extent (perches)	Rs.	Rs.	Rs.	Rs.
Biyagama	Land	120	**20,197,977**	20,197,977	**20,197,977**	20,197,977

24. Property, Plant & Equipment

Company

	Land Rs.	Building Rs.	Furniture and Fittings Rs.	Computer Equipment Rs.	Office Equipment Rs.	Motor Vehicles Rs.	Capital Work-in-Progress Rs.	Total Rs.
Cost/Valuation								
Balance as at 1st April 2014	374,121,022	5,961,989	255,704,414	180,847,091	103,778,340	86,255,673	312,796,429	1,319,464,958
Additions during the period	–	–	53,835,275	17,088,823	2,304,973	5,073,200	444,166,326	522,468,597
Revaluation surplus	38,307,978	–	–	–	–	–	–	38,307,978
Transfer during the period	–	577,508,238	52,268,761	42,637,547	84,548,209	–	756,962,755	–
Disposal during the period	–	–	–	–	–	(446,925)	–	(446,925)
Balance as at 31st March 2015	412,429,000	583,470,227	361,808,450	240,573,461	190,631,522	90,881,948	–	1,879,794,608
Accumulated Depreciation								
Balance as at 1st April 2014	–	241,199	102,351,691	106,523,372	55,955,968	49,921,919	–	314,994,149
Charged during the period	–	6,100,646	69,149,155	34,358,577	18,908,386	15,357,214	–	143,873,978
Disposal during the period	–	–	–	–	–	(416,385)	–	(416,385)
Balance as at 31st March 2015	–	6,341,845	171,500,846	140,881,949	74,864,354	64,862,748	–	458,451,742
Written down value 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
Written down value as at 31st March 2014	374,121,022	5,720,790	153,352,723	74,323,719	47,822,371	36,333,754	312,796,429	1,004,470,809

Group

	Land Rs.	Building Rs.	Furniture and Fittings Rs.	Computer Equipment Rs.	Office Equipment Rs.	Motor Vehicles Rs.	Capital Work-in-Progress Rs.	Total 2015 Rs.
Cost/Valuation								
Balance as at 1st April 2014	374,121,022	5,961,989	255,704,414	180,847,091	103,778,339	86,255,673	312,796,429	1,319,583,012
Additions during the period	–	–	53,835,275	17,088,823	2,304,973	5,073,200	444,166,326	522,468,597
Acquired on business combination	–	–	144,255	6,327,947	1,223,329	653,276	–	8,348,807
Revaluation surplus	38,307,978	–	–	–	–	–	–	38,307,978
Transfer during the period	–	577,508,238	52,268,761	42,637,547	84,548,209	–	756,962,755	–
Disposal during the period	–	–	–	–	–	(446,925)	–	446,925
Balance as at 31st March 2015	412,429,000	583,470,227	361,952,705	246,901,408	191,854,851	91,535,224	–	1,888,143,415
Accumulated Depreciation								
Balance as at 1st April 2014	–	241,199	102,351,691	106,523,372	55,955,968	49,921,919	–	314,994,149
Charged during the period	–	6,100,646	69,149,155	34,358,577	18,908,386	15,357,214	–	143,873,978
Assumed on business combination	–	–	20,327	2,873,281	211,663	153,592	–	3,258,863
Disposal during the period	–	–	–	–	–	(416,385)	–	(416,385)
Balance as at 31st March 2015	–	6,341,845	171,521,173	143,755,230	75,076,017	65,016,340	–	461,710,605
Written down value 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
Written down value as at 31st March 2014	374,121,022	5,720,789	153,352,723	74,323,718	47,822,371	36,333,757	312,796,429	1,004,470,809

Borrowing cost capitalised on the term loan obtained for the purpose of construction of building is Rs. 28,503,018/-.

Capital work in progress comprises construction cost of the new corporate office of the company. The building was available for its intended use in November 2014. Hence, capitalisation of the cost in to appropriate category of assets was made on that day.

Company ceased the capitalisation of the interest on loans obtained for the purpose of construction of assets once it was available for its intended use.

The Company has revalued its land on 31st March 2015, 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.

Location	Extent Perches	Revalued Amount Rs.	Net Book Value Rs.	Method of Valuation	Estimate for unobservable Valuation Inputs (p.p.)
No. 123, Orabipasha Mawatha, Colombo 10.	85.20	298,200,000	298,200,000	Market comparable method	Rs. 3,400,000 to Rs.4,000,000
No. 377/2, Kandy Road, Mahara, Kadawatha.	39.00	68,250,000	68,250,000	Market comparable method	Rs. 1,750,000 to Rs.2,225,000
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

25. Intangible Assets

	Company		Group	
As at 31st March	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.
Cost				
Balance as at the beginning of the year	94,414,051	75,288,486	94,414,051	75,288,486
Additions during the year	5,732,404	19,125,565	7,532,404	19,125,565
Acquired on business combination			6,350,000	
Disposal during the year	–		–	
Balance as at 31st March	100,146,455	94,414,051	106,496,455	94,414,051
Accumulated Amortisation				
Balance as at the beginning of the year	16,630,290	6,173,107	16,630,290	6,173,107
Charged during the year	12,356,395	10,457,183	12,356,395	10,457,183
Assumed on business combination			1,717,472	
Disposal during the year	–		–	
Balance as at 31st March	28,986,685	16,630,290	30,704,157	16,630,290
Net Book Value	71,159,770	77,783,761	75,792,298	77,783,761

Intangible assets comprise softwares and licenses acquired by the Company to be used in its operations.

There were no restrictions on the title of the intangible assets of the Group as at the reporting date.

26. Goodwill on Consolidation

As at 31st March	2015 Rs.	2014 Rs.
Balance as at the beginning of the year	–	–
Additions during the year	244,179,431	–
Disposal during the year	–	–
Balance as at 31 March	244,179,431	–

Acquisition of Subsidiary

Company completed the acquisition of Laugfs Capital Limited on 24th October 2014 under the financial sector consolidation programme of the Central Bank of Sri Lanka.

Company acquired 86.26% of equity rights in Laugfs Capital Limited, a leasing company licensed by the Central Bank of Sri Lanka for a total purchase consideration of Rs. 425 Mn.

Goodwill arising from the acquisition has been recognised as the excess of the consideration transfered over the net identifiable assets acquired and liabilities assumed.

For the purpose of impairment testing the investment was considered as a separate cash-generating unit (CGU) and the recoverable amounts of the cash-generating unit is determined based on its value in use. No impairment charge was recognised during 2014/15 as the recoverable amount of the cash-generating unit was higher than its carrying value.

Key assumptions used in the calculation is as follows:

Discount rate	10%
Terminal value growth rate	7%
Budgeted profit before taxes, depreciation and amortisation growth rate	20%

The key assumptions described above may change as economic and market conditions change.

The Group estimates that reasonably possible changes in these assumptions would not cause the recoverable amount of either CGU to decline below the carrying amount.

27. Other Assets

	Company		Group	
As at 31st March	2015	2014	2015	2014
	Rs.	Rs.	Rs.	Rs.
Tax Recoverable	135,659,855	106,086,367	139,467,174	106,086,367
Insurance premium receivable	431,077,707	349,746,398	431,077,707	349,746,398
Insurance commission receivable	12,032,444	12,993,188	12,032,444	12,993,188
Unamortised cost on staff loan	73,746,852	73,883,386	73,746,852	73,883,386
Vehicle stock	118,389,101	126,061,321	118,389,101	126,061,321
Gift stock	2,379,241	3,258,153	2,379,241	3,258,153
Gold stock	–	73,410,222	–	73,410,222
Other stock	1,022,401	2,077,024	1,022,401	2,077,024
Other receivable and advances	175,276,019	169,865,554	177,799,314	169,864,754
	949,583,620	917,381,613	955,914,234	917,380,813

28. Deposits from Customers

	Company		Group	
As at 31st March	2015	2014	2015	2014
	Rs.	Rs.	Rs.	Rs.
Term deposits	25,610,453,609	23,707,887,406	25,610,453,609	23,707,887,406
Savings deposits	1,401,309,802	788,584,946	1,401,309,802	788,584,946
Mudharabah	67,370,249	21,720,385	67,370,249	21,720,385
	27,079,133,660	24,518,192,737	27,079,133,660	24,518,192,737

29. Debt Securities Issued

Debentures

As at 31st March					Company		Group	
Year of Issue	Face Value Rs.	Term	Issue Date	Maturity Date	**2015** Rs.	2014 Rs.	**2015** Rs.	2014 Rs.
2010	62,500,000	3-5 Years	30.12.2010	30.06.2013	–	64,474,588	–	64,474,588
	62,500,000	4 Years	30.12.2010	30.12.2013	–	64,474,588	–	64,474,588
2013	24,280,000	5 Years	19.12.2013	19.12.2018	24,371,022	24,407,602	24,371,022	24,407,602
	310,360,000	5 Years	19.12.2013	19.12.2018	323,203,235	323,454,845	323,203,235	323,454,845
	665,360,000	5 Years	19.12.2013	19.12.2018	695,906,936	695,521,212	695,906,936	695,521,212
					1,043,481,193	1,172,332,835	1,043,481,193	1,172,332,835
Due within one year					–	128,949,176	–	128,949,176
Due after one year					1,043,481,193	1,043,383,659	–	1,043,383,659

30. Other Interest-Bearing Borrowings

	Company		Group	
	31st March 2015 Rs.	31st March 2014 Rs.	**31st March 2015** Rs.	31st March 2014 Rs.
Due to banks (Note 30.1)	1,539,213,196	635,645,195	1,572,510,390	635,645,195
Due to foreign institutional lenders (Note 30.2)	627,755,424	836,308,064	627,755,424	836,308,064
Securitisation (Note 30.3)	1,507,913,472	1,229,874,118	1,507,913,472	1,229,874,118
Commercial papers	100,082,806	303,624,521	100,082,806	303,624,521
Other borrowings	5,798,586	136,553,752	30,308,586	136,553,752
	3,780,763,484	3,142,005,650	3,838,570,678	3,142,005,650

30.1 Due to Banks

		Company		Group	
Lender	Loan Obtained Rs. Mn.	31st March 2015 Rs.	31st March 2014 Rs.	31st March 2015 Rs.	31st March 2014 Rs.
Seylan Bank PLC – Term Loan 1	100,000,000	79,466,215	87,106,716	79,466,251	87,106,716
Seylan Bank PLC– Term Loan 2	300,000,000	114,638,992	216,119,346	114,638,992	216,119,346
Seylan Bank PLC– Term Loan 3	200,000,000	170,839,760	191,673,970	170,839,760	191,673,970
Seylan Bank PLC	350,000,000	350,000,000	–	350,000,000	–
Pan Asia Banking Corporation PLC	200,000,000	80,425,807	140,745,163	80,425,807	140,745,163
Sampath Bank PLC	500,000,000	393,842,422	–	427,139,614	–
Nations Trust Bank PLC	350,000,000	350,000,000	–	350,000,000	–
		1,539,213,196	635,645,195	1,572,510,390	635,645,195

30.2 Due to foreign institutional lenders

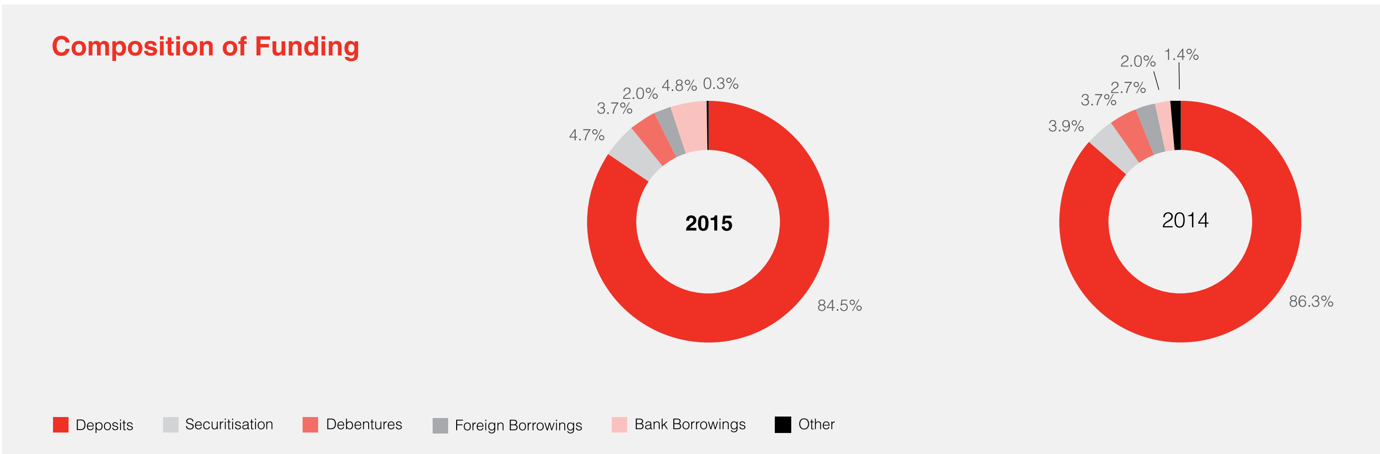
	Company		Group	
As at 31st March	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.
Belgian Investment Company for developing countries	627,755,424	836,308,064	627,755,424	836,308,064

30.3 Securitisation

	Company		Group	
As at 31st March	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.
Securitisation Arrangements	1,507,913,472	1,229,874,118	1,507,913,472	1,229,874,118

Details of the securitisation outstanding as at 31st March 2015 are as follows:

Issue No.	Face Value Rs. Mn	Maximum Period Months	Trustee	As at 31st March 2015 Rs.	Security
D7	400	36	Deustsche Bank AG	22,175,515	Mortgage over Lease Receivables
D9	300	36	Deustsche Bank AG	110,923,014	Mortgage over Lease and Hire purchase Receivables
D10	400	36	Deustsche Bank AG	156,235,037	Mortgage over Lease and Hire purchase Receivables
D11	400	36	Deustsche Bank AG	206,023,678	Mortgage over Lease Receivables
D12	1000	48	Deustsche Bank AG	1,012,556,228	Mortgage over Lease and Hire purchase Receivables
				1,507,913,472	



31. Deferred Tax Liabilities

As at 31st March	2015 Temporary Difference Rs.	2015 Tax Effect Rs.	2014 Temporary Difference Rs.	2014 Tax Effect Rs.
Company				
Deferred Tax liabilities on:				
Accelerated depreciation for –				
Tax purpose – Own assets	75,972,730	21,272,364	109,322,477	30,610,293
Accelerated depreciation for –				
Tax purpose – Leased assets	2,686,061,998	752,097,359	1,657,666,114	464,146,512
Unutilised tax losses	(1,369,310,356)	(383,406,900)	(1,088,520,883)	(304,785,847)
Qualifying Investments	(340,000,000)	(95,200,000)		
Defined benefit obligation	(45,298,838)	(12,683,674)	(159,241,654)	(44,587,663)
	1,007,425,534	282,079,149	519,226,054	145,383,295

As at 31st March	2015 Temporary Difference Rs.	2015 Tax Effect Rs.	2014 Temporary Difference Rs.	2014 Tax Effect Rs.
Group				
Deferred Tax liabilities on:				
Accelerated depreciation for -				
Tax purpose – Own assets	81,830,372	22,912,504	109,322,477	30,610,293
Accelerated depreciation for -				
Tax purpose – Leased assets	2,685,955,858	752,067,640	1,657,666,114	464,146,512
Unutilised tax losses	(1,369,310,356)	(383,406,900)	(1,088,520,883)	(304,785,847)
Qualifying Investments	(340,000,000)	(95,200,000)		
Defined benefit obligation	(45,425,460)	(12,719,129)	(159,241,654)	(44,587,663)
	1,013,050,414	283,654,115	519,226,054	145,383,295

32. Retirement Benefit Obligation

As at 31st March	2015			2014		
	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	159,241,654	–	159,241,654	103,164,100		103,164,100
Investment made during the year	–	179,424,384	(179,424,384)	–		–
Add: Recognised in profit or loss						
Current service cost	26,923,910		26,923,910	20,875,079		20,875,079
Interest cost	15,924,165		15,924,165	10,316,410		10,316,410
	42,848,075	–	42,848,075	31,191,489		31,191,489
Included in other comprehensive income						
Add: Remeasurements loss (gain):						
Actuarial gain/loss	17,587,086	(20,004,002)	37,591,088	25,713,942		25,713,942
Return on plan assets excluding interest income	–	14,597,152	(14,597,152)	–		–
	17,587,086	(5,406,850)	22,993,936	25,713,942		25,713,942
Less: Other						
Contributions paid by the employer						
Benefits paid	(999,598)	(639,155)	(360,443)	(827,877)		(827,877)
Balance at 31 March	218,677,217	173,378,379	45,298,838	159,241,654		159,241,654

As at 31st March	2015			2014		
	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	159,369,457	–	159,369,457	103,164,100		103,164,100
Investment during the year	–	179,424,384	(179,424,384)	–		–
Add: Recognised in profit or loss						
Current service cost	26,987,221	–	26,987,221	20,875,079		20,875,079
Interest cost	15,938,223	–	15,938,223	10,316,410		10,316,410
	42,925,444	–	42,925,444	31,191,489		31,191,489
Included in other comprehensive Income						
Add: Remeasurements loss/(gain):						
Actuarial gain/loss	17,508,536	(20,004,002)	37,512,538	25,713,942		25,713,942
Return on plan assets excluding interest income	–	14,597,152	(14,597,152)	–		–
	17,508,536	(5,406,850)	22,915,386	25,713,942		25,713,942
Less: Other						
Contributions paid by the employer						
Benefits paid	(999,598)	(639,155)	(360,443)	(827,877)		(827,877)
Balance at 31st March	218,803,839	173,378,379	45,425,460	159,241,654		159,241,654
Plan Asset						
Plan asset comprise followings:						
Cash and Cash Equivalents	1,757,500					
Equity securities	110,500,000					
Term Deposits	61,120,879					
	173,378,379					

Actuarial Assumptions	Company	Subsidiary
Mortality	A 1967/70 Mortality Table	A 1967/70 Mortality Table
Discount rate	9.5%	9%
Future salary growth	10%	10%
Normal Retirement Age	55 Years	55 Years

Assumptions regarding future mortality have been based on published statistics and mortality tables. The current longevities underlying the values of the defined benefit obligation at the reporting date are as follows:

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 of the Group by the amounts shown below:

Assumption		Present Value of Defined Benefit Obligation Rs.	Impact on Comprehensive Income Increase/(Decrease) Rs.
Salary Increment Rate	1% increase	246,379,051	(27,701,834)
	1% decrease	194,756,280	24,047,559
Discount Rate	1% increase	195,738,739	23,065,100
	1% decrease	245,665,888	(26,862,049)

33. Other Liabilities

	Company		Group	
As at 31st March	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.
Accrued expenses	**29,616,070**	36,522,088	**36,445,704**	36,807,090
Supplier payable	**465,536,571**	180,192,815	**465,536,571**	180,192,815
Insurance premium payable	**279,728,058**	246,655,413	**279,728,058**	246,655,413
Bank overdrafts	**247,819,171**	263,468,437	**247,998,457**	263,468,437
Rental received in advance of loans and advances to customers	**201,169,089**	165,259,184	**201,169,089**	165,259,184
Deferred Transaction cost	**13,213,610**	15,512,774	**13,213,610**	15,512,774
Retention on building construction	**26,137,373**	19,603,443	**26,137,373**	19,603,443
Other liabilities	**106,215,164**	78,924,638	**107,973,250**	79,024,639
	1,369,435,106	1,006,138,792	**1,378,202,112**	1,006,523,795

34. Stated Capital

Ordinary Shares

As at 31st March 2014	Company				Group			
	2015		2014		2015		2014	
	No. of Shares	Value Rs.	No. of Shares	Value Rs.	No. of Shares	Value Rs.	No. of Shares	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		46,299,223		46,299,223		46,299,223	
Non-voting	8,005,984		8,005,984		8,005,984		8,005,984	
	54,305,207		54,305,207		54,305,207		54,305,207	

35. Reserves

As at 31st March	Company		Group	
	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.
Statutory reserve fund	638,301,144	497,954,363	638,779,550	497,954,363
Revaluation reserve	171,072,991	132,765,013	171,072,991	132,765,013
Available-for-sale reserve	854,209,725	689,690,925	854,209,725	689,690,925
Investment fund account	–	87,745,449	–	87,745,449
	1,663,583,860	1,408,155,750	1,664,062,266	1,408,155,750

Statutory Reserve Fund

	Company 2015 Rs.	Company 2014 Rs.	Group 2015 Rs.	Group 2014 Rs.
Balance as at the beginning of the year	497,954,363	385,711,809	497,954,363	385,711,809
Transfer During the year	140,346,781	112,242,554	140,825,187	112,242,554
Balance as at 31st March	638,301,144	497,954,363	638,779,550	497,954,363

	Company		Group	
As at 31st March	2015	2014	2015	2014
	Rs.	Rs.	Rs.	Rs.
Revaluation Reserve				
Balance as at the beginning of the year	132,765,013	132,765,013	132,765,013	132,765,013
Transfer During the year	38,307,978	–	38,307,978	–
Balance as at 31st March	171,072,991	132,765,013	171,072,991	132,765,013
Available for sale Reserve				
Balance as at the beginning of the year	689,690,925	464,034,525	689,690,925	464,034,525
Transfer During the year	164,518,800	225,656,400	164,518,800	225,656,400
Balance as at 31st March	854,209,725	689,690,925	854,209,725	689,690,925
Investment Fund Account				
Balance as at the beginning of the year	87,745,449	50,933,191	87,745,449	50,933,191
Transfer from retained earnings	16,074,397	36,812,258	16,074,397	36,812,258
Transfer to retained earnings	(103,819,846)	–	(103,819,846)	–
Balance as at 31st March	–	87,745,449	–	87,745,449

Nature and Purpose of the Reserves

Statutory Reserve Fund

The reserve fund is maintained in compliance with Direction No. 1 of 2003 Central Bank of Sri Lanka (Capital Funds) issued to finance companies.

As per the said Direction, every licensed finance company shall maintain a reserve fund and transfer to such reserve fund out of the net profits of each year after due provisions have been made for taxation and bad and doubtful debts, on the 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.

Revaluation Reserve

The Company has revalued its land on 31st March 2015 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.

Available for Sale Reserve

The available for sale reserve comprises the cumulative net change in fair value of financial investment available for sale until such investment is derecognised.

Investment Fund Account

As per the guidelines issued by the Central Bank of Sri Lanka the Company shall transfer following to build a reserve.

A. 8% of the profits calculated for the payment of VAT on financial services as specified in VAT Act.
B. 5% of the profit before tax calculated for the payment of income tax

The operation of Investment Fund Account has been ceased with effect from 01st October 2014 and the relevant amounts in the reserve has been transfered to retained earnings.

36. Group Subsidiaries

Subsidiaries belonging to the Group are as follows,

	Ownership Interest	
	2015	2014
	%	%
Laugfs Capital Limited	86.26	–
CDB Micro Finance Limited	100	100

The Group does not have significant restrictions on its ability to access or use its assets and settle its liabilities other than those resulting from the supervisory frameworks within which financial services subsidiaries operate. The supervisory frameworks require Leasing companies to keep certain levels of regulatory capital and liquid assets, as prudential requirements.

36.1 Non-Controlling Interest (NCI) in Subsidiary

	(Rs.)
NCI (%)	13.74
Loans and advances	32,964,155
Other assets	6,863,119
Liabilities	(10,043,704)
Net assets	29,783,570
Carrying amount of Non Controlling Interest (NCI)	29,783,570
Revenue	3,328,254
Profit	970,615
Other Comprehensive Income	10,792
Profit allocated to NCI	970,615

Acquisition of Subsidiary

Company completed the acquisition of Laugfs Capital Limited on 24th October 2014 under the Financial Sector Consolidation programme of the Central Bank of Sri Lanka.

The Company acquired 86.26% of equity rights in Laugfs Capital Limited, a leasing company licensed by the Central Bank of Sri Lanka for a total purchase consideration of Rs. 425 Mn.

The recognised amount of assets acquired and liabilities assumed of Laugfs Capital Limited as at the acquisition date are as follows,

	(Rs.)
Assets	
Cash and Cash Equivalents	12,932,574
Investment Securities	71,065,586
Loans and Receivables to customers	335,064,810
Property, Plant & Equipment	10,999,699
Other Assets	10,163,448
	440,226,117
Liabilities	
Due to Banks	58,494,755
Due to customers	162,077,663
Current and Deferred Tax liabilities	597,330
Other Liabilities	9,433,636
	230,603,384
Fair value of the identifiable net assets at the acquisition date	209,622,733

Goodwill

Goodwill arising from the acquisition has been recognised as the excess of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed.

	(Rs.)
Fair value of the consideration transferred	425,000,000
Fair value of the non-controlling interest	28,802,163
	453,802,163
Fair value of the net assets acquired	209,622,733
Goodwill	244,179,430
Cost of acquisition of the Company, net of cash acquired	
Fair value of the consideration transferred	425,000,000
Cash balances	(12,932,574)
Cost of acquisition of the Company, net of cash acquired	412,067,426

37. Transactions with Related Parties

A Transactions with Related Parties

The Company (CDB) carries out transactions in the ordinary course of business with the parties who are defined as realted parties in the Sri Lanka Accounting Standard - LKAS 24 'Related Party Disclosures', the details of which are disclosed below.

A.1 Terms and Conditions

The pricing applicable to such transactions is based on the assessment of risk and pricing model of the Company and is comparable with what is applied to transactions between the Company and its unrelated customers.

A.2 Parent and Ultimate Controling Party

The Company (CDB) does not have an identifiable parent of its own.

A.3 Transactions with Key Management Personnel (KMP)

According to the Sri Lanka Accounting Standard - LKAS 24 (Related Party Disclosures), key management personnel (KMP) are those having authority and responsibility for planning, directing and controlling the activities of the entity. According to the above definition a person cannot be considered as a KMP unless such person has both the authority and responsibility to carry out all of the three activities of planning , directing and controlling the activities of the Company.

KMP of the Company

According to the LKAS 24 - 'Related Party Disclosures' Key Management Personnel are those having responsibility for planning, directing, and controlling the activities of the entity. Accordingly, the Board of Directors (Including Non-Executive and Executive Directors) has been classified as Key Management Personnel (KMP). Close members of the family of an individual are those family members who may be expected to influence, or be influenced by that individual in their dealings with the Company. They may include -

The individual's domestic partner and children;

Children of the Individual's domestic partner and dependants of the individual or the individual's domestic partner;

KMP of the Group

KMP of the Group include the Board of Directors of the Company (including Executive Directors and Non-Executive Directors), Key Employees of the Company who are holding Directorships in subsidiary companies and their CFMs as defined.

The comparative figures have been restated in line with the Current year definition.

A.3.1 Transactions with KMP

	Company		Group	
For the year ended 31st March	2015 Rs.	2014 RS.	2015 Rs.	2014 Rs.
Short-Term employee benefit	54,938,682	40,366,020	54,938,682	40,366,020
Terminal benefits	–	–	–	–
Post-employment benefits	–	–	–	–
Directors' fees and Expenses	4,800,000	4,800,000	4,800,000	4,800,000
Total	59,738,682	45,166,020	59,738,682	45,166,020

In addition to the above, the Company has also paid non-cash benefits such as fuel and medical benefits to KMP who are employees of the Company in line with the approved benefit plans of the Company.

Other Transactions involving KMP and their CFMs

	Company		Group	
For the year ended 31st March	2015 Rs.	2014 RS.	2015 Rs.	2014 Rs.
Loans and receivables	Nil	Nil	Nil	Nil
Deposits and investments	32,077,482	18,124,212	32,077,482	18,124,212
Cash dividend	896,961	206,033	896,961	206,033
Script dividend	–	–	–	–

Transactions with Related Parties

Name of the Company	Names of the Directors/Trustee	Nature of Transaction	Amount Rs.	Balance as at 31st March 2015 Receivable/(Payable) Rs.
Laugfs Capital Limited	Mr. R H Abegoonewardena	Term loan	54,000,000	24,000,000
	Mr. S V Munasinghe	Interest on Term loan	1,724,176	1,102,806
	Mr. T M D P Tennakoon			
Ceylinco Insurance PLC	Mr. D H J Gunawardena	Insurance premium paid/payable	345,452,513	(93,135,032)
	Mr. S R Abenayake	Insurance commission received/receivable	32,832,559	7,096,551
CDB ESOP Trust Fund (Pvt) Limited	Mr. P A Jayawardana (Trustee)	Loans given	–	54,488,323
	Mr. R Renganathan (Trustee)			
	Mr. E T L Ranasinghe (Trustee)			

Terms and conditions of the loan given to CDB ESOP Trust Fund (Pvt) Limited (ESOP) are;

ESOP should utilise 70% of the dividend paid to it by Citizens Development Business Finance PLC (CDB) towards repayment of the capital sum of the loan due to CDB. Share Certificate has been pledged against the loan as a security to the facility until the loan has been settled in full.

38. 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 judgement and estimation and also reduces the uncertainty associated with determining fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

	Assets at fair value		Assets at amortised cost		
Company	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			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	1,908,237,600	29,993,893,530	4,119,446,340	38,013,708,580
As at 31st March 2014					
Cash and cash equivalents			462,555,296		462,555,296
Deposits in commercial banks				2,706,172,054	2,706,172,054
Loans and receivables to customers			25,724,944,295		25,724,944,295
Investment in equity shares/debentures		789,600,000		5,074,177	794,674,177
Investment in Government securities			227,999,991	1,829,616,865	2,057,616,856
Other financial assets				362,739,586	362,739,586
Total financial assets	–	789,600,000	26,415,499,582	4,903,602,682	32,108,702,264
Other non-financial assets					1,659,840,021
Total assets	–	789,600,000	26,415,499,582	4,903,602,682	33,768,542,285

Company	Fair value through profit or loss Rs.	Liabilities at amortised cost Rs.	Total Rs.
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
As at 31st March 2014			
Deposits from customers	–	24,518,192,737	24,518,192,737
Debentures	–	1,172,332,835	1,172,332,835
Other borrowings	–	3,142,005,650	3,142,005,650
Other financial liabilities	–	1,055,262,081	1,055,262,081
Total financial liabilities	–	29,887,793,303	29,887,793,303
Other non-financial liabilities	–		304,624,949
	–	29,887,793,303	30,192,418,252

	Assets at fair value		Assets at amortised cost		
Group	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					443,110,151
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	954,242,500	30,256,495,706	4,135,590,792	38,125,065,978

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 2014					
Cash and cash equivalents			465,890,822		465,890,822
Trading assets					
Deposits in commercial banks			2,706,172,054		2,706,172,054
Loans and receivables to customers			25,724,944,295		25,724,944,295
Investment in equity shares/debentures		789,600,000		5,074,177	794,674,177
Investment in Government securities			227,999,991	1,829,616,865	2,057,616,856
Other financial assets					468,825,953
Total financial assets	–	789,600,000	29,125,007,162	1,834,691,042	32,218,124,157
Other non-financial assets					1,551,007,407
Total assets	–	1,579,200,000	57,784,123,502	3,669,382,084	33,769,131,564

Group	Fair value through profit or loss Rs.	Liabilities at amortised cost Rs.	Total Rs.
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	–	1,811,194,252	1,811,194,252
Total financial liabilities	–	33,772,379,783	33,772,379,783
Other non-financial liabilities	–	13,213,610	13,213,610
	–	33,785,593,393	33,785,694,195
As at 31st March 2014			
Deposits from customers	–	24,518,192,737	24,518,192,737
Debentures	–	1,172,332,835	1,172,332,835
Other borrowings	–	3,142,005,650	3,142,005,650
Other financial liabilities	–	1,055,262,081	1,055,262,081
Total financial liabilities	–	29,887,793,303	29,887,793,303
Other non-financial liabilities	–		304,624,949
	–	29,887,793,303	30,192,418,252

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 Statement of Financial Position 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		313,394,279	–	313,394,279	313,394,279
Deposits in commercial banks		–	1,933,216,541	1,933,216,541	1,933,216,541
Loans and receivables to customers		–	30,533,581,434	30,533,581,434	29,378,799,251
Investment in Government Securities		301,700,000	1,874,353,423	2,176,053,423	2,176,053,423
Other financial assets		–	437,921,823	437,921,823	437,921,823
Total financial assets	–	615,094,279	34,779,073,221	35,394,167,500	34,239,385,317
Liabilities					
Deposits from customers			27,597,095,319	27,597,095,319	27,079,133,660
Debentures			1,068,999,525	1,068,999,525	1,043,481,193
Other borrowings			3,783,535,963	3,783,535,963	3,780,763,484
Other financial liabilities			1,795,113,092	1,795,113,092	1,795,113,092
Total financial liabilities	–	–	34,244,743,899	34,244,743,899	33,698,491,429

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 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		123700
Total Assets at Fair Value	1,010,339,030	–	412,429,000	1,010,339,030	–	412,552,700
As at 31st March 2014						
Property, Plant & Equipment Freehold land			374,121,022			374,121,022
Financial Instruments held-for-Trading						
Government Securities	–			–		
Financial Instruments available-for-sale						
Equity Shares	789,600,000			789,600,000		
Total Assets at Fair Value	789,600,000	–	374,121,022	789,600,000	–	374,121,022

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 Unobserverable valuation input	Sensitivity of the fair value measurement to input	
Market Comparable Method 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.	Price per perch of land	Increase in price per perch	increase in Fair value
		1% Increase	1% Decrease
Impact on revalued amount (Rs.)		4,124,290	(4,124,290)

Model inputs and values are calibrated against historical data and published forecasts and, where possible, against current or recent observed transactions in different instruments and against broker quotes. This calibration process is inherently subjective and it yields ranges of possible inputs and estimates of fair value, and management uses judgement to select the most appropriate point in the range.

The Group's methodology for valuing these asset-backed securities uses a discounted cash flow technique that takes into account the probability of default and loss severity by considering the original underwriting criteria, vintage borrower attributes, LTV ratios, expected house price movements and expected prepayment rates. These features are used to estimate expected cash flows, which are then allocated using the 'waterfall' applicable to the security and discounted at a risk-adjusted rate. The discounted cash flow technique is often used by market participants to price asset-backed securities. However, this technique is subject to inherent limitations, such as estimation of the appropriate risk-adjusted discount rate, and different assumptions and inputs would yield different results.

39. 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 Asset and Liability Management Committee (ALCO), which is responsible for developing and monitoring Group 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.

39.1 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, country and sector risk).

39.1.1 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, market liquidity and country (for investment securities).

Reviewing compliance of business units with agreed exposure limits, including those for selected industries, country risk and product types. Regular reports on the credit quality of local portfolios are provided to 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 are 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.

39.1.2 Credit Concentration Risk

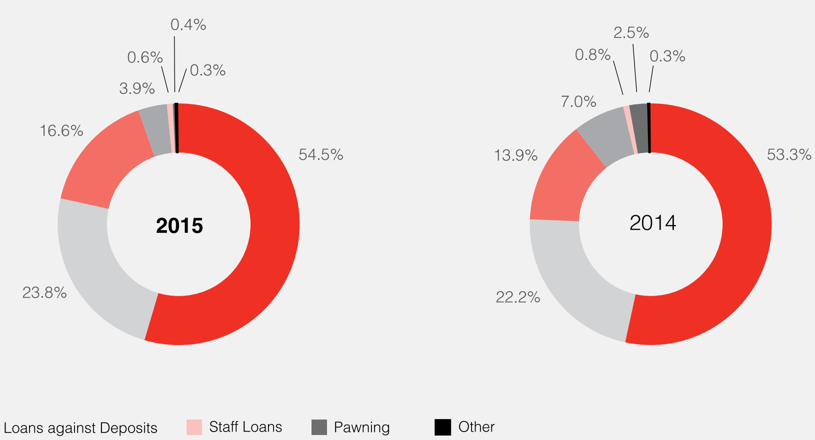
(a) Product Concentration

Group reviews on a 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 product development team of the Group is advised on the strategic decisions taken in diversification of the portfolio to align their product development activities accordingly.

Product Concentration

	Company				Group			
	2015		2014		2015		2014	
	Rs.	%	Rs.	%	Rs.	%	Rs.	%
Leasing	16,447,311,290	55	14,055,564,984	53	16,477,298,422	54	14,055,564,984	53
Hire purchase	7,174,398,765	24	5,853,826,003	22	7,248,718,170	24	5,853,826,003	22
Vehicle and term loans	5,007,831,817	17	3,673,626,439	14	5,178,261,345	17	3,673,626,439	14
Loans against deposits	1,183,115,887	4	1,856,389,487	7	1,158,013,081	4	1,856,389,487	7
Staff loans	185,369,335	1	219,952,491	1	185,369,335	1	219,952,491	1
Pawning	125,945,111	0	645,558,079	2	125,945,111	0	645,558,079	2
Other	54,488,323	0	78,988,323	0	79,998,549	0	78,988,323	0
	30,178,460,528		26,383,905,806		30,428,093,787		26,387,905,806	

Product Concentration

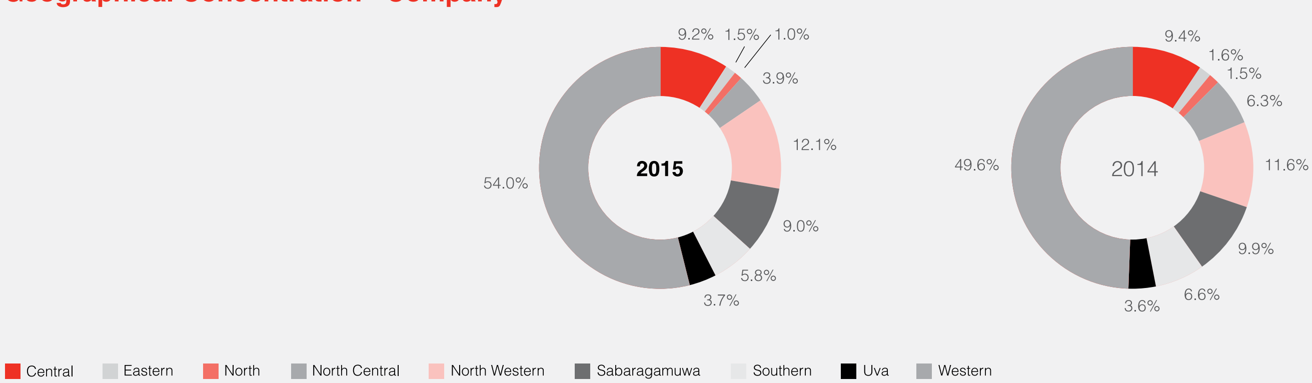


b) Geographical Concentration

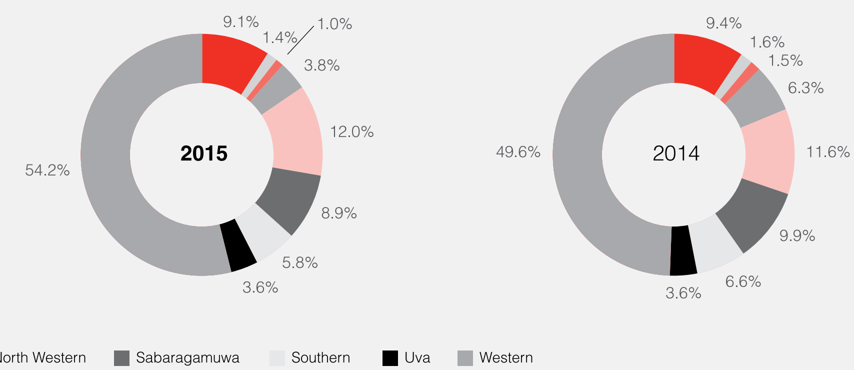
Group reviews its geographical diversification on a regular basis at the ALCO and sets long-term target in achieving a geographically well diversified credit portfolio. Group's strategy on geographical diversification was executed through the establishment of distribution network of the Group. The geographical concentration is considered 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			
	2015		2014		2015		2014	
	Rs.	%	Rs.	%	Rs.	%	Rs.	%
Central	2,764,783,998	9	2,474,515,689	9	2,774,922,731	9	2,474,515,689	9
Eastern	439,200,420	1	431,969,519	2	440,781,130	1	431,969,519	2
North	293,945,715	1	386,826,260	1	302,161,366	1	386,826,260	1
North Central	1,162,051,737	4	1,661,142,400	6	1,167,950,180	4	1,661,142,400	6
North Western	3,657,955,972	12	3,065,962,635	12	3,658,035,888	12	3,065,962,635	12
Sabaragamuwa	2,716,764,780	9	2,620,920,327	10	2,723,010,078	9	2,620,920,327	10
Southern	1,756,359,350	6	1,729,015,651	7	1,775,718,285	6	1,729,015,651	7
Uva	1,103,813,202	4	938,488,342	4	1,108,676,798	4	938,488,342	4
Western	16,283,585,354	54	13,075,064,983	50	16,476,837,330	54	13,075,064,983	50
Gross loans and receivables	30,178,460,528		26,383,905,806		30,428,093,787		26,383,905,806	

Geographical Concentration - Company



Geographical Concentration - Group



c) Sector wise analysis of credit exposures

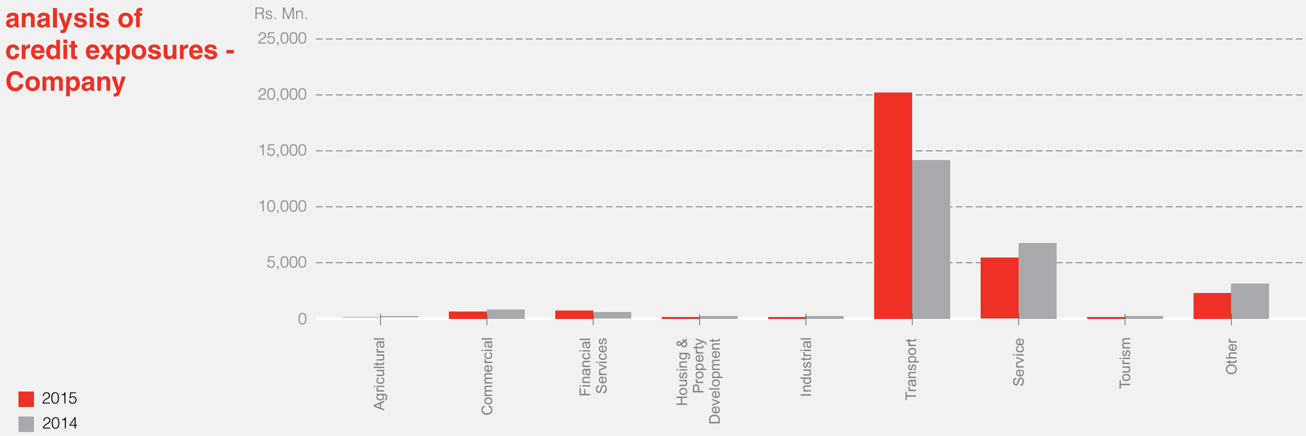
Group manages its credit exposure to a single industry by regularly reviewing the portfolio. As there is more concentration on vehicle related financing of the Company, there is an inherent concentration on the transport sector.

Company has set targets to bring down the exposures to each industry to a level accepted by the Group based on its risk appetite.

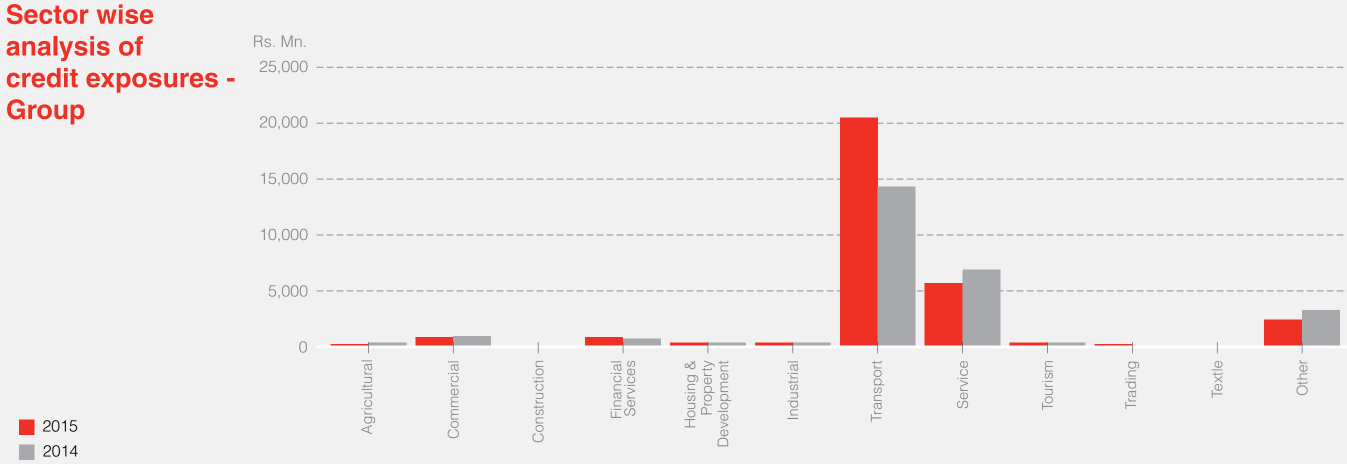
Company

	2015		2014	
	Rs.	%	Rs.	%
Agricultural	168,498,713	1	207,666,012	1
Commercial	698,292,885	2	815,622,167	3
Financial services	741,257,636	2	585,128,388	2
Housing & property development	184,772,103	1	244,518,643	1
Industrial	173,642,295	1	222,609,715	1
Transport	20,232,338,259	67	14,179,143,088	54
Service	5,473,947,888	18	6,793,763,430	26
Tourism	193,486,355	1	206,460,338	1
Other	2,312,224,394	8	3,128,994,025	12
Gross loans and receivables	30,178,460,528		26,383,905,806	

Sector wise analysis of credit exposures - Company



Sector wise analysis of credit exposures - Group



Group

	2015		2014	
	Rs.	%	Rs.	%
Agricultural	169,216,702	1	207,666,012	1
Commercial	698,292,885	2	815,622,167	3
Construction	40,896,259	0	–	0
Financial Services	716,154,830	2	585,128,388	2
Housing & property development	184,772,103	1	244,518,643	1
Industrial	231,606,873	1	222,609,715	1
Transport	20,233,010,651	66	14,179,143,088	54
Service	5,570,940,085	18	6,793,763,430	26
Tourism	193,888,996	1	206,460,338	1
Trading	74,941,878	0	–	0
Textile	1,448,133	0	–	0
Other	2,063,291,133	8	3,128,994,025	12
Gross loans and receivables	30,178,460,528		26,383,905,806	

39.1.3 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.

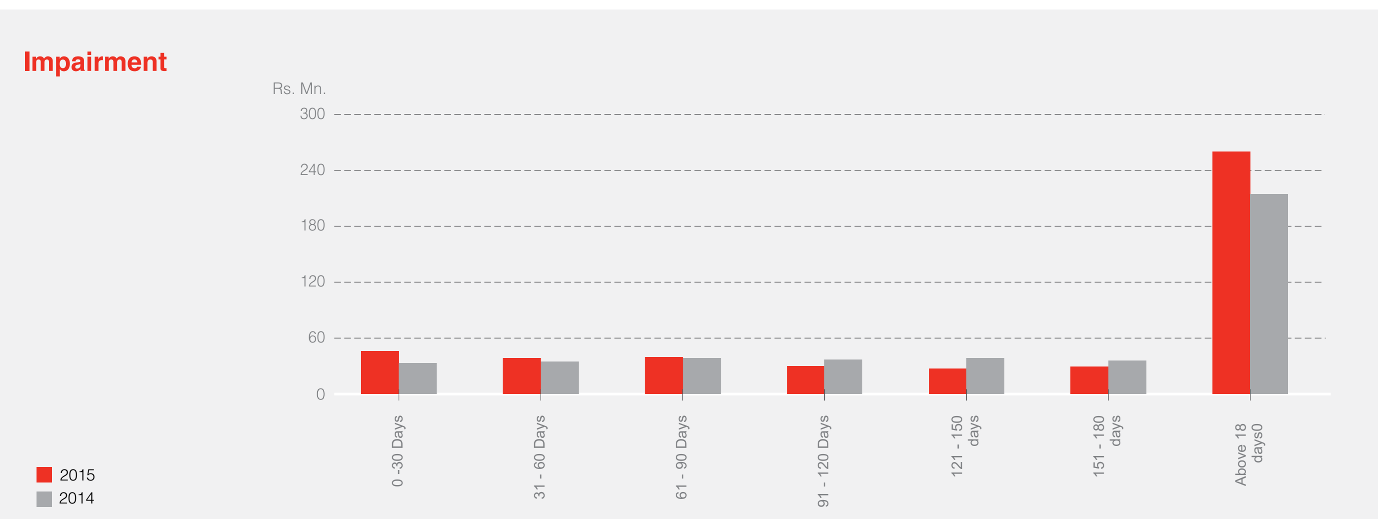
Analysis of the impairment for loans and receivables to customers is as follows:

	Company		Group	
As at 31st March	**2015**	2014	**2015**	2014
	Rs.	Rs.	Rs.	Rs.
Carrying amounts at amortised cost				
Individually Significant Loans and Receivable to Customers - Impaired	**1,635,272,712**	1,056,973,814	**1,635,272,712**	1,056,973,814
Not Individually Significant Customers and Individually significant Unimpaired Customers	**28,543,187,816**	25,326,931,992	**28,792,821,075**	25,326,931,992
Total Gross Receivable from Customers	**30,178,460,528**	26,383,905,806	**30,428,093,787**	25,724,944,295
Individually Significant - Impaired				
Gross Receivable	**1,635,272,711**	1,056,973,814	**1,635,272,710**	1,056,973,814
Less: Allowance for Impairment	**337,322,102**	229,430,107	**337,322,102**	229,430,107
	1,297,950,609	827,543,707	**1,297,950,609**	827,543,707
Not Individually Significant Customers and Individually significant Unimpaired Customers				
Gross Receivable	**28,543,187,817**	25,326,931,992	**28,792,821,075**	25,326,931,992
Less: Allowance for Impairment	**462,339,175**	429,531,404	**470,334,467**	429,531,404
	28,080,848,642	24,897,400,588	**28,322,486,608**	24,897,400,588

Neither past due nor impaired

Company

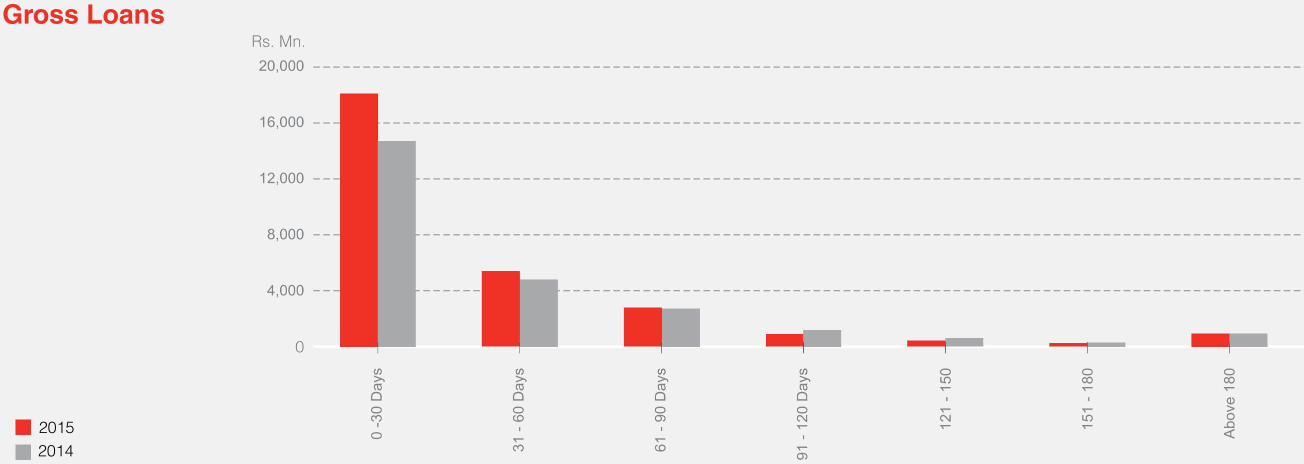
	2015			2014		
	Gross Loans Rs.	Impairment Rs.	%	Gross Loans Rs.	Impairment Rs.	%
0 - 30 Days	17,915,445,960	40,782,439	63	14,731,232,726	32,550,477	58
31 - 60 Days	5,334,065,547	37,365,617	19	4,835,592,565	34,300,713	19
61 - 90 Days	2,775,475,382	38,645,525	10	2,703,488,829	37,993,645	11
91 - 120 Days	896,423,882	29,473,942	3	1,167,779,583	36,119,009	5
121 - 150 Days	407,080,173	26,775,652	1	595,283,662	38,176,078	2
151 - 180 Days	238,335,937	28,921,620	1	321,763,392	35,637,862	1
Above 180 Days	976,360,936	260,374,379	3	971,791,236	214,753,621	4
	28,543,187,817	462,339,175		25,326,931,993	429,531,405	
Net Loans	28,080,848,642			24,897,400,588		



Group

	2015		2014	
	Gross Loans Rs.	Impairment Rs.	Gross Loans Rs.	Impairment Rs.
0 -30 Days	18,102,970,407	46,275,451	14,731,232,726	32,550,477
31 - 60 Days	5,377,086,193	38,633,688	4,835,592,565	34,300,713
61 - 90 Days	2,786,271,133	38,974,784	2,703,488,829	37,993,645
91 - 120 Days	900,915,311	29,627,046	1,167,779,583	36,119,009
121 - 150 Days	408,680,624	26,836,896	595,283,662	38,176,078
151 - 180 Days	239,047,996	28,955,550	321,763,392	35,637,862
Above 180 Days	977,849,411	261,031,052	971,791,236	214,753,620
	28,792,821,075	470,334,467	25,326,931,992	429,531,404
Net Loans	28,322,486,608		24,897,400,588	

Gross Loans



39.1.4 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 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.

39.1.5 Financial Investments

a) Deposits in Commercial Banks

	Company		Group	
As at 31st March	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.
Rating				
AA+	233,002,637	377,954,315	233,002,637	377,954,315
AA	25,358,501	23,963,977	35,548,632	23,963,977
A	112,474,535	208,886,764	112,474,535	208,886,764
AA-	510,376,895	786,003,384	510,376,895	786,003,384
A-	589,741,265	1,059,363,614	589,741,265	1,059,363,614
BBB	462,262,708	250,000,000	462,262,707	250,000,000
	1,933,216,541	2,706,172,054	1,943,406,672	2,706,172,054

b) Investment in Securities under Repurchase Agreements

	Company		Group	
As at 31st March	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.
Rating				
AA+	95,000,000	123,000,000	95,000,000	123,000,000
AA	40,000,000	70,000,000	40,000,000	70,000,000
A	40,000,000	–	40,000,000	–
AA-	60,000,000	34,999,991	60,000,000	34,999,991
A-	65,000,000	–	65,000,000	–
BBB	1,700,000	–	1,700,000	–
	301,700,000	227,999,991	301,700,000	227,999,991

c) Investment in Equity Shares

As at 31st March	Company		Group	
	2015	2014	**2015**	2014
	Rs.	Rs.	Rs.	Rs.
Unrated	**954,118,800**	789,600,000	**954,242,500**	789,600,000

Investment in Debt Securities at Amortised Cost

As at 31st March	Company		Group	
	2015	2014	**2015**	2014
	Rs.	Rs.	Rs.	Rs.
AA-	**5,100,137**		**5,100,137**	
A-	**5,076,236**	5,074,177	**5,076,236**	5,074,177
	10,176,374	5,074,177	**10,176,374**	5,074,177

39.2 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.

39.2.1 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. 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 and other inter-bank facilities, 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.

As at 31st March	2015 Rs.	2014 Rs.
Financial assets		
Loans and advances to customers	**18,040,307,782**	15,523,102,571
Investment securities	**954,118,800**	866,529,902
	18,994,426,582	16,389,632,473
Financial liabilities		
Deposits from customers	**10,042,266,498**	6,779,609,941
Debt securities issued	**1,043,481,193**	1,042,073,631
Subordinated liabilities	**1,787,086,217**	1,624,094,548
	12,872,833,908	9,445,778,120

The table below sets out the components of the Group's liquidity reserves.

	Company		Group	
As at 31st March	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.
Liquidity reserves				
Cash and balances with other banks	**313,394,279**	462,555,296	**334,358,488**	462,555,296
Other cash and cash equivalents	**2,234,916,541**	2,934,172,045	**2,245,106,672**	2,934,172,045
Investments in Government Securities	**2,232,273,653**	1,829,616,865	**2,238,227,974**	1,829,616,865
Total liquidity reserves	**4,780,584,473**	5,226,344,206	**4,817,693,134**	5,226,344,206

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	–	–	173,033,461	161,325,027
Trading assets	–	–	56,220,230	–
Loans and advances	2,803,747,626	–	20,922,268,966	6,702,077,195
Investment securities	–	–	512,744,820	1,679,439,300
Deposits with Banks			936,854,091	1,298,062,450
Non-financial assets	977,985,371	–	38,111,833	–

** 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.*

39.3 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 Operational Risk Committee, with summaries submitted to the Audit Committee and senior management of the Group.

39.4 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 within acceptable parameters to ensure the Group's solvency while optimising the return on risk.

39.4.1 Management of market risks

Overall authority for market risk is vested in ALCO. ALCO sets up limits for each type of risk in aggregate and for portfolios, with market liquidity being a primary factor in determining the level of limits set for trading portfolios. The Group 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 repricing bands. ALCO is the monitoring body for compliance with these limits and is assisted by Central Treasury in its day-to-day monitoring activities. Equity price risk is subject to regular monitoring by 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.

39.4.2 Exposure to Interest Rate Risk

Interest rate risk exists in interest-earning assets and interest-bearing liabilities, due to the possibility of a change in the asset's or the liability'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 reprice products based thereon.

The following table exhibits the gap between the interest earning 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					313,394,279	313,394,279
Bank Balances and Placements	1,933,216,541	–				1,933,216,541
Financial Investments - Held-for-Trading	56,220,230					56,220,230
Financial Investments - Held-to-Maturity	2,052,309,487	–	25,576,540	108,343,772	–	2,186,229,800
Financial Investments - Loans and receivables	301,700,000					301,700,000
Loans and Advances	11,330,928,610	7,545,507,029	10,098,412,398	403,951,214	–	29,378,799,251
	15,674,374,868	7,545,507,029	10,123,988,938	512,294,987	313,394,279	34,169,560,101
Interest-Bearing Liabilities						
Deposits	17,036,867,162	6,735,014,139	3,307,252,359	–	–	27,079,133,660
Borrowings	1,993,677,266	819,073,988	1,985,530,171	25,963,251	–	4,824,244,677
	19,030,544,428	7,554,088,126	5,292,782,531	25,963,251	–	31,903,378,337
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	2,266,181,764
Net Rate Sensitive Assets (Liabilities) as at 31st March 2014	(4,508,726,138)	2,370,082,308	3,363,981,427	430,864,386	462,555,286	2,118,757,276

39.4.3 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 oversees the exposure by co-ordinating and being in-line with the rates of forex dealing unit. We take initiatives to control the currency stocks in different currencies by exchanging and converting them in the best and a more profitable manner to compose a gain. Future Forex market movements and trends are considered when deciding rates to offer the customers and always intend to maintain in sequence with the Central Bank rate predictions to make the business more competitive.

Currency	Amount	Rate Rs.	Value Rs.
USD	13,032	132.90	1,732,015
AED	490	36.20	17,738
NOK	50	16.60	830
OMR	19	345.20	6,559
SGD	777	96.60	75,030
KWD	35	442.30	15,481
BHD	60	352.50	21,150
SAR	1,509	35.40	53,419
MYR	9	35.80	322
GBP	300	196.60	59,053
JPY	20,000	1.10	22,000
EUR	3,810	143.90	548,295
QAR	600	36.50	21,900
CAD	1,882	104.70	197,039
AUD	1,642	101.60	166,824
			2,937,655

Subsequent sensitivity analysis shows strength of the LKR, against the US$ and EUR as at 31st March which would have increased/(decreased) profit or loss amounts.

Currency	Shock %	Strengthening Rs.	Weakening Rs.
USD	1	(17,320)	17,320
EUR	1	(5,485)	5,485
USD	3	(51,960)	51,960
EUR	3	(16,456)	16,456
USD	5	(86,600)	86,600
EUR	5	(27,426)	27,426

39.5 Capital Management

39.5.1 Capital Adequacy

Capital adequacy is a measure of financial institutions financial strength and stability. 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 company's 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-Weighted Balance	
As at 31 March	**2015** Rs. '000	2014 Rs. '000	Risk-Weight Factor %	**2015** Rs. '000	2014 Rs. '000
Total Risk-Weighted Assets Computation					
Assets					
Cash and bank balances	**313,394**	462,555	0	**–**	–
Investment in Government Securities	**2,533,972**	2,057,617	0	**–**	–
Bank deposits	**1,933,216**	2,706,172	20	**386,643**	541,234
Loans against fixed deposits	**1,183,116**	1,831,134	0	**–**	–
Loans against gold and jewellery	**125,945**	645,558	0	**–**	–
Loans against Real Estate	**–**	–	50	**–**	–
Loans and advances	**28,069,738**	23,248,252	100	**28,069,738**	23,248,252
Finance lease receivable			100	**–**	–
Hire purchase receivable			100	**–**	–
Other investment	**1,392,040**	797,419	100	**1,392,040**	797,419

	Balance			Risk-Weighted Balance	
As at 31 March	2015	2014	Risk-Weight Factor	2015	2014
	Rs. '000	Rs. '000	%	Rs. '000	Rs. '000
Inventories			100	–	–
Other assets	949,587	917,382	100	949,587	917,382
Fixed assets	1,512,700	1,102,452	100	1,512,700	1,102,452
Total Risk - Weighted Assets	38,013,708	33,768,541		32,310,708	26,606,739
Total Capital Base Computation					
Capital Base					
Core Capital					
Stated Capital				1,185,062	1,185,062
Reserve Fund				638,301	497,954
General & other free Reserves				854,210	689,690
Published Retained Earnings				1,453,358	983,697
Total Core Capital				4,130,931	3,356,403
Supplementary Capital					
Eligible approved unsecured subordinated term debts				900,230	900,230
General Provisions					
Total Supplementary Capital				900,230	900,230
Capital Base				5,031,161	4,256,633

Capital Adequacy ratio

As at 31st March		2015	2014
		%	%
Core Capital Ratio	Core Capital / Risk-Weighted Assets	12.79*	12.61
Total Capital Ratio	Capital Base / Risk-Weighted Assets	15.57*	16.00

*Capital adequacy is computed including the Available-for-Sale reserve and ratios excluding available for sale reserve are 10.14% and 12.92% respectively for core capital and total capital ratios.

40. Segmental Analysis

As per the SLFRS 8 'Operating Segments', Company is required to disclose information to enable users of its Financial Statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates. Accordingly, below information gives the segmental information on performance of the Company's main business lines.

Information related to each reportable segment is set out below. Segment profit, as included in internal management reports reviewed by the Group's Management Committee, is used to measure performance because management believes that this information is the most relevant in evaluating the results of the respective segments relative to other entities that operate within the same industries.

	Lease & Stock out on Hire		Loans		Others		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Company								
Interest	4,760,346,980	4,469,367,374	1,152,500,359	800,983,634	338,685,778	625,252,529	6,251,533,117	5,895,603,537
Non-Interest Income					452,175,559	372,000,163	452,175,559	372,000,163
Segment Revenue	4,760,346,980	4,469,367,374	1,152,500,359	800,983,634	790,861,337	997,252,692	6,703,708,676	6,267,603,700
Interest Cost	1,997,743,752	2,253,093,627	598,035,156	528,598,892	785,676,521	771,710,237	3,381,455,430	3,553,402,756
Impairment Charges	506,385,567	240,615,097	(28,810,830)	226,467,191	–	14,346,840	477,574,737	481,429,128
Segment Contribution	2,256,217,660	1,975,658,650	583,276,033	45,917,551	5,184,816	211,195,615	2,844,678,509	2,232,771,816
Unallocated Expense							1,800,626,824	1,450,142,890
VAT on Financial Services and Other Taxes							92,631,221	52,660,876
Income tax expenses							249,686,559	168,755,278
Segmental result	2,256,217,660	1,975,658,650	583,276,033	45,917,551	5,184,816	211,195,615	701,733,905	561,212,772
Segment Assets	22,864,581,327	19,335,101,529	6,514,217,924	4,536,213,290	5,744,879,649	6,622,492,563	35,123,678,900	30,493,807,382
Unallocated Assets							2,890,029,680	3,274,734,903
Total Assets	22,864,581,327	19,335,101,529	6,514,217,924	4,536,213,290	5,744,879,649	6,622,492,563	38,013,708,580	33,768,542,285
Group								
Interest	4,769,534,857	4,469,367,374	1,175,653,831	800,983,634	339,983,553	625,252,529	6,285,172,241	5,895,603,537
Non-Interest Income					452,211,559	372,000,163	452,211,559	372,000,163
Segment Revenue	4,769,534,857	4,469,367,374	1,175,653,831	800,983,634	792,195,112	997,252,692	6,737,383,800	6,267,603,700
Interest Cost	2,003,925,453	2,253,093,627	605,125,736	528,598,892	780,132,090	771,710,237	3,389,183,278	3,553,402,756
Impairment Charges	506,385,567	240,615,097	(31,130,189)	226,467,191	-	14,346,840	475,255,378	481,429,128
Segment Contribution	2,259,223,837	1,975,658,650	601,658,284	45,917,551	12,063,022	211,195,615	2,872,945,144	2,232,771,816
Unallocated Expense							1,810,071,661	1,450,142,890
VAT on Financial Services and other Taxes							94,622,484	52,660,876
Income tax expenses							257,828,764	168,755,278
Segmental result	2,259,223,837	1,975,658,650	601,658,284	45,917,551	12,063,022	211,195,615	710,422,235	561,212,772
Segment Assets	22,864,581,327	19,335,101,529	429,531,404	4,536,213,290	5,431,485,370	6,622,492,563	34,810,284,621	30,493,807,382
Unallocated Assets							3,314,781,357	3,274,734,903
Total Assets	22,864,581,327	19,335,101,529	429,531,404	4,536,213,290	5,431,485,370	6,622,492,563	38,125,065,078	33,768,542,285

41. Statement of Maturity Analysis of Assets and Liabilities

As at 31st March 2015	Maturity Period					
	Up to 1 Month Rs.	2 - 3 Months Rs.	3 - 12 Months Rs.	12 - 60 Months Rs.	More than 60 Months Rs.	Total Rs.
Asset						
Cash and Cash Equivalents	313,394,279	–	–	–	–	313,394,279
Financial Investments - Held-for-Trading	56,220,230	–	–	–	–	56,220,230
Deposits in Commercial Banks	768,278,062	541,093,545	623,844,934	–	–	1,933,216,541
Loans and Receivables to Customers	2,282,084,353	1,823,443,357	7,225,400,901	17,643,919,428	403,951,214	29,378,799,252
Financial Investments - Available-for-Sale	–	–	–	–	954,118,800	954,118,800
Financial Investments - Held-to-Maturity	49,918,745	262,097,882	1,740,292,859	25,576,540	108,343,772	2,186,229,800
Financial Investments - Loans and Receivable	301,700,000	–	–	–	–	301,700,000
Investment in Subsidiaries	–	–	–	–	427,745,447	427,745,447
Investment Properties	–	–	–	–	20,197,977	20,197,977
Property, Plant & Equipment	–	–	–	1,279,208,579	142,134,287	1,421,342,866
Intangible Assets	–	–	–	64,043,793	7,115,977	71,159,770
Other Assets	30,272,061	91,052,393	136,126,144	692,133,020	–	949,583,618
Total assets	3,801,867,730	2,717,687,177	9,725,664,838	19,704,881,361	2,063,607,474	38,013,708,580
Percentage of Total Assets	10%	7%	26%	52%	5%	
Cumulative Percentage	10%	17%	43%	95%	100%	
Liabilities						
Deposits from Customers	4,461,682,604	4,465,385,454	8,109,799,105	10,042,266,498	–	27,079,133,661
Debentures	–	–	–	1,043,481,193	–	1,043,481,193
Other Interest-Bearing Borrowings	896,860,693	273,393,471	823,423,102	1,761,122,966	25,963,251	3,780,763,484
Retirement Benefit Obligations	–	–	–	–	45,298,837	45,298,837
Other Liabilities	983,491,884	634,152,685	145,383,295	–	–	1,763,027,864
Shareholders' Funds						
Stated Capital	–	–	–	–	1,185,061,645	1,185,061,645
Reserve Fund	–	–	–	–	497,954,363	497,954,363
Revaluation Reserve	–	–	–	–	171,072,991	171,072,991
Available-for-Sale Reserve	–	–	–	–	854,209,725	854,209,725
Accumulated Profit	–	–	–	–	1,593,704,817	1,593,704,817
Total Liabilities	6,342,035,181	5,372,931,610	9,078,605,502	12,846,870,657	4,373,265,630	38,013,708,580
Percentage of total Liabilities	17%	14%	24%	33%	12%	
Cumulative Percentage	17%	31%	55%	88%	100%	
Maturity Gap	(2,540,167,451)	(2,655,244,432)	647,059,336	6,858,010,704	(2,309,658,155)	–
Cumulative Gap	(2,540,167,451)	(5,195,411,884)	(4,548,352,548)	2,309,658,156	–	–

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 2015.

There are no other events except the above occurring after the reporting date which require disclosure in/adjustments to the Financial Statements.

43. Capital Commitments and Contingencies

Contingent Liabilities

CDB jointly with Seylan Bank PLC has agreed to promote Seylan/ CDB Visa international credit cards to CDB customers.

The Company has undertaken to guarantee each card issued under this scheme and the total combined credit limits assigned to all cards issued under this scheme will not exceed Rs. 10 Mn at any given time. The Company has given guarantees on behalf of its customers against the placement of investments with CDB by such customer. The maximum limit of the guarantee does not exceed the investment value of the customers.

There were five cases filed against the Company as at the reporting date. However, based on the available information and the available legal advice, the Company does not expect the outcome of any action to have any material effect on the financial position of the Company.

Other than the matters disclosed above there were no material contingent liabilities that require adjustment to or disclosure in the Financial Statements as at the reporting date.

Capital Commitments

The Company has issued a purchasing order to purchase point of sale (POS) solution amounting to Rs. 4.6 Mn.

There were no material capital commitments other than above as at the reporting date.

Annexes

Stock Exchange Listing

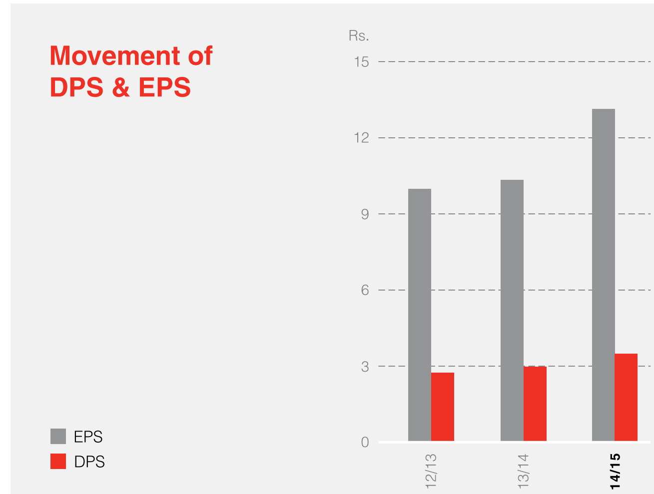
The issued ordinary shares of the Citizens Development Business Finance PLC are listed on the main board of the Colombo Stock Exchange.

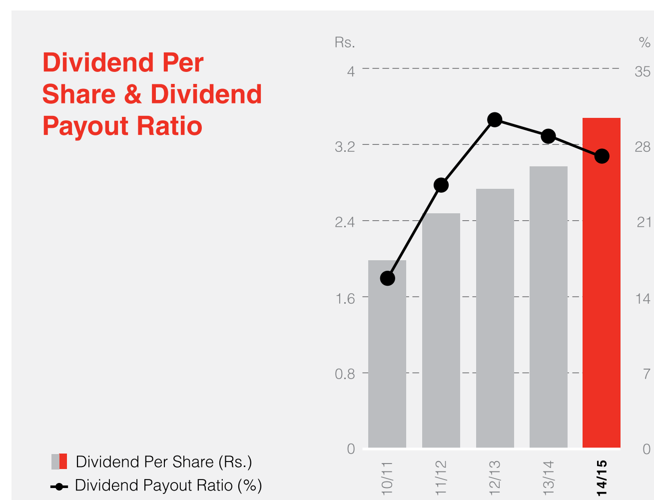
The unaudited Interim Financial Statements for the three quarters in the financial year 2014/15 have been submitted to the Colombo Stock Exchange within the stated 45 days period. The unaudited Interim Financial Statements for the final quarter was submitted to the Colombo Stock Exchange within the stated 60 days period.

Overall Share Market

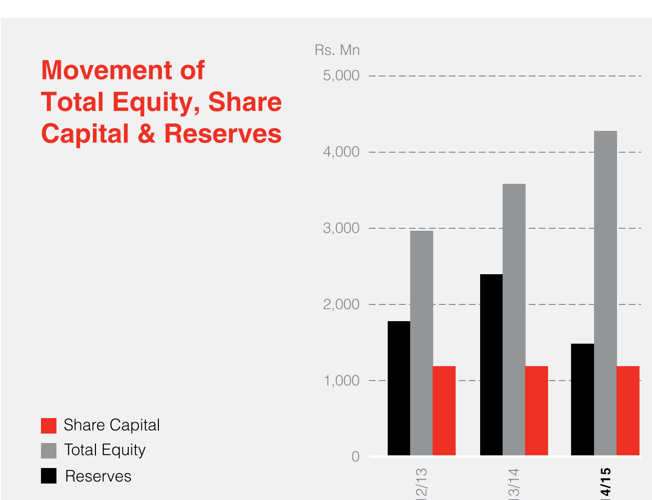
At year end March 2015, the Colombo Stock Exchange (CSE) accommodated 295 companies representing 20 business sectors, with a Market Capitalisation of Rs. 2,891 Bn compared to the previous year's Rs. 2,498 Bn. Market capitalisation as a whole, witnessed a positive and steady growth during the year ended 31st March 2015 reflecting an increase of over 16% compared to the last year.

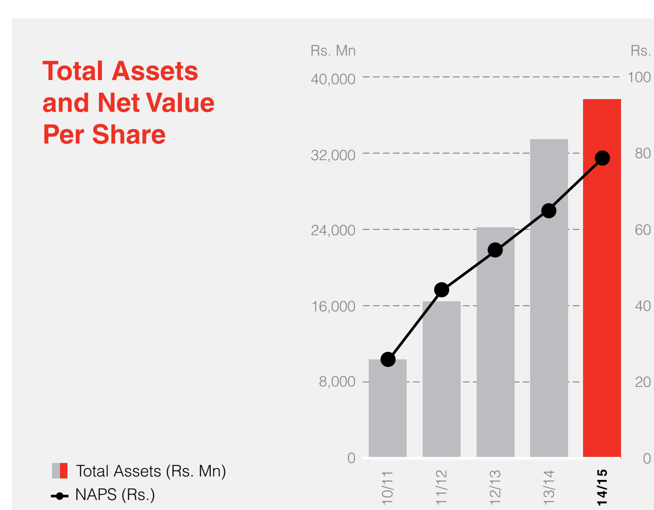
	31.03.2015
All Share Price Index (1985 = 100) (ASPI)	6,820.34
S & P Sri Lanka 20 Index (S & P SL20)	3,852.43
Market Capitalisation (Rs. Bn.)	2,891

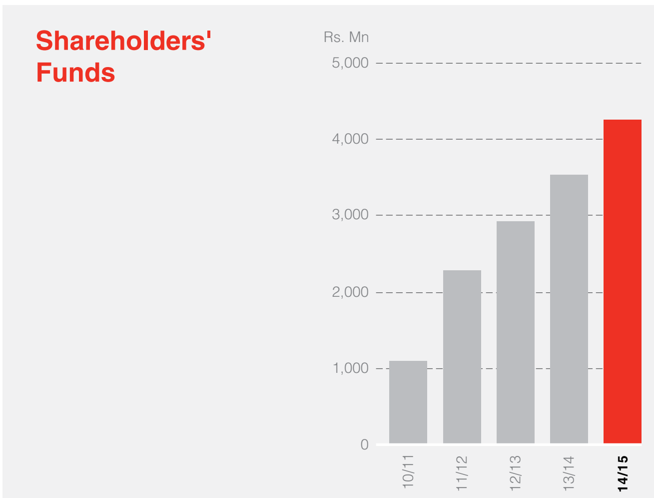


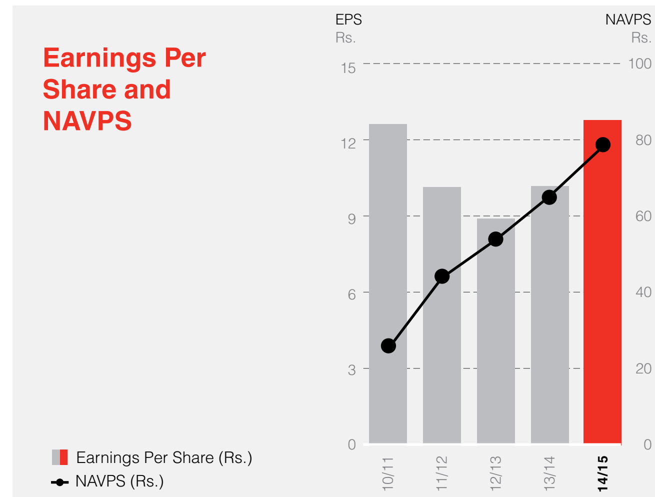


Financial Information









Dividends

For the financial year ended 31st March 2014, CDB paid a cash dividend of Rupees Three (Rs.3.00) per share on both its 46,299,223 ordinary voting shares and 8,005,984 ordinary non-voting shares aggregating to a sum of Rupees 162,915,621 as the first and final dividend.

Cash and Scrip Dividend

	2014/15	2013/14	2012/13	2011/12
	Rs.	Rs.	Rs.	Rs.
Final-Cash Dividend	**3.50***	3.00	2.75	1.00
Scrip Dividend	–	–	–	1.50
Total Dividend	**3.50***	3.00	2.75	2.50

** 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

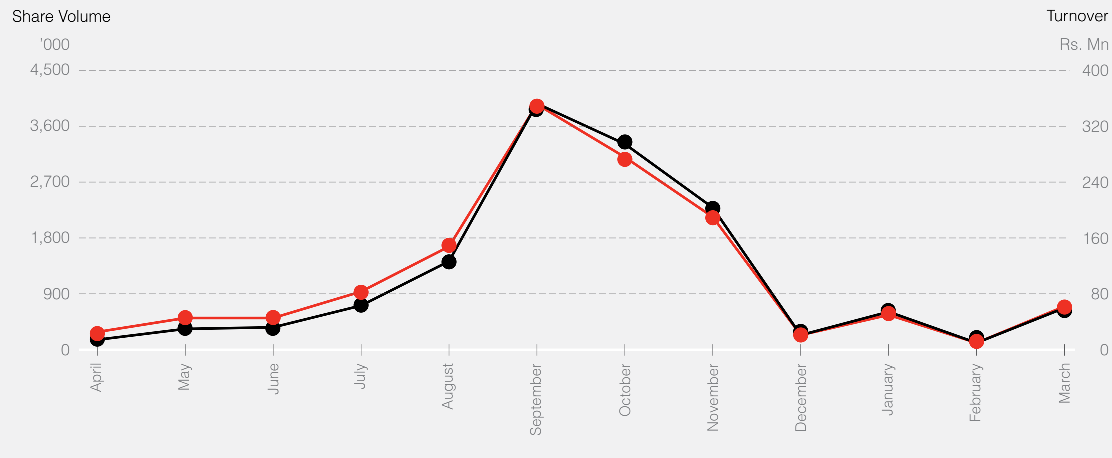
Prices	Voting		Non-Voting	
	2014/15	2013/14	2014/15	2013/14
	Rs.	Rs.	Rs.	Rs.
High	**104.90**	54.90	**88.00**	44.80
Low	**46.00**	38.00	**37.50**	28.00
Last Traded	**85.00**	46.00	**73.90**	37.50

Ratios

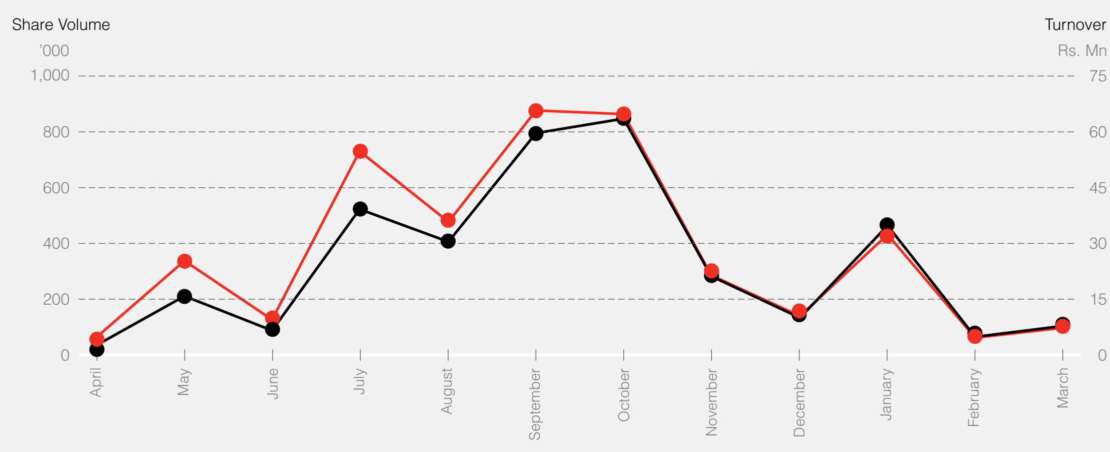
	2014/15
Debt/Equity Ratio	**66%**
Quick Asset Ratio (Times)	**0.82**
Interest Cover (Times)	**1.39**

CDB Share Performance During the Year

Voting Share Performance



Non-Voting Share Performance

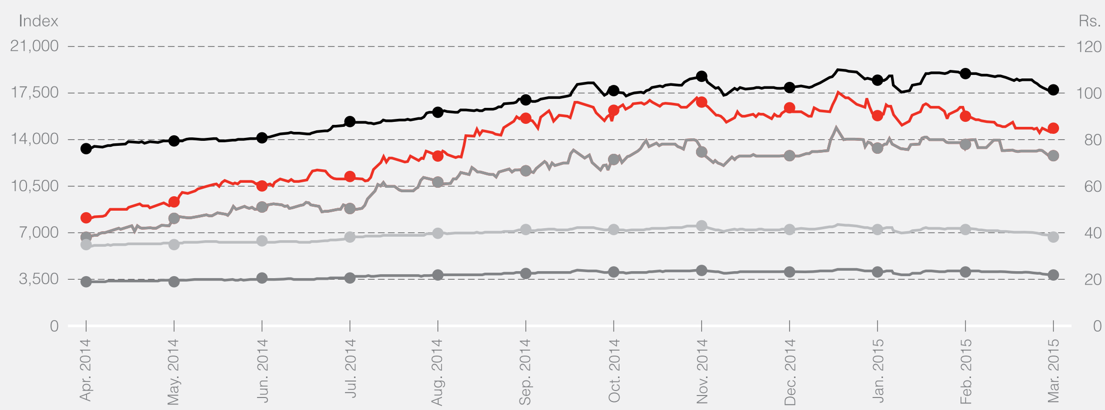


Share Trading Information

Annual Transaction Information	Ordinary Voting Shares				
	2014/15	2013/14	2012/13	2011/12	2010/11
No. of Transactions	5,264	2,233	2,571	8,270	12,181
No. of Shares Traded	14,705,064	2,522,678	2,497,811	12,303,772	12,318,200
Value of Shares Traded (Rs.)	1,262,908,176	113,669,908	98,920,592	983,554,597	934,191,580

Annual Transaction Information	Ordinary Non-Voting Shares				
	2014/15	2013/14	2012/13	2011/12	2010/11
No. of Transactions	4,038	1,595	2,139	1,685	–
No. of Shares Traded	4,491,996	2,164,520	3,577,448	4,048,206	–
Value of Shares Traded (Rs.)	296,610,356	77,314,979	109,944,947	221,117,475	–

Share Price Movement



Quarterly Summary

Period – Voting	High (Rs.)	Low (Rs.)	Close (Rs.)	Trade Volume	Share Volume	Turnover (Rs.)	Days Traded
2014/15 - Q4	104.90	81.10	85.00	564	1,377,090	124,817,094	51
2014/15 - Q3	98.50	85.10	93.70	1,324	5,472,428	518,097,506	61
2014/15 - Q2	94.00	60.60	89.40	2,462	6,538,861	542,875,110	64
2014/15 - Q1	67.00	46.00	66.50	914	1,316,685	77,118,466	58
Year	104.90	46.00	85.00	5,264	14,705,064	1,262,908,176	234

Period – Non-Voting	High (Rs.)	Low (Rs.)	Close (Rs.)	Trade Volume	Share Volume	Turnover (Rs.)	Days Traded
2014/15 - Q4	88.00	72.50	73.90	450	590,984	47,397,119	45
2014/15 - Q3	82.00	66.50	74.00	1,033	1,285,266	94,696,619	54
2014/15 - Q2	72.00	48.20	69.90	1,714	2,086,540	129,423,535	64
2014/15 - Q1	53.00	37.50	51.40	841	529,206	25,093,083	56
Year	88.00	37.50	73.90	4,038	4,491,996	296,610,356	219

Market Capitalisation

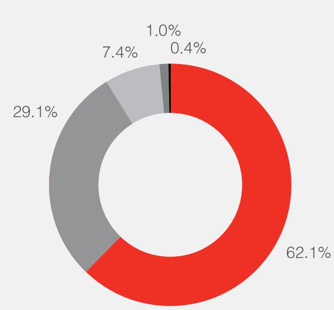
As at 31st March	No. of Shares	MPS	2014/15	2013/14
Voting	46,299,223	85.00	**3,935,433,955**	2,129,764,258
Non-Voting	8,005,984	73.90	**591,642,218**	300,224,400
Total			**4,527,076,173**	2,429,988,658

Shareholder Analysis

Ordinary Voting Shares – Composition According to Shareholding

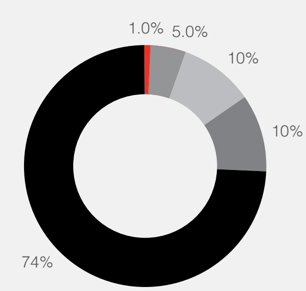
Shareholding Composition Voting	Resident			Non-Resident			Total		
Shareholdings	Number of Shareholders	No. of Shares	(%)	Number of Shareholders	No. of Shares	(%)	Number of Shareholders	No. of Shares	(%)
1 to 1,000 Shares	1,199	418,108	0.90	4	1,800	–	1,203	419,908	0.90
1,001 to 10,000 Shares	557	2,083,811	4.50	7	45,500	0.10	564	2,129,311	4.60
10,001 to 100,000 Shares	136	4,323,964	9.34	7	281,175	0.61	143	4,605,139	9.95
100,001 to 1,000,000 Shares	20	4,852,217	10.48	0	–	–	20	4,852,217	10.48
Over 1,000,000 Shares	7	34,292,648	74.07	0	–	–	7	34,292,648	74.07
	1,919	45,970,748	99.29	18	328,475	0.71	1,937	46,299,223	100.00

Number of Shareholders Ordinary Voting Shares



1 to 1,000 shares   1,001 to 10,000 shares   10,001 to 100,000 shares
100,001 to 1000,000 shares   Over 1,000,000 shares

Number of Shares Ordinary Voting Shares

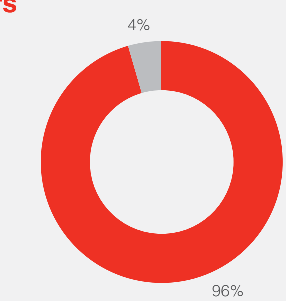


1 to 1,000 shares   1,001 to 10,000 shares   10,001 to 100,000 shares
100,001 to 1,000,000 shares   Over 1,000,000 shares

Ordinary Voting

Category of Shareholders	No. of Shareholders	No. of Shares
Individual	1,851	7,235,239
Institutional	86	39,063,984
Total	1,937	46,299,223

Type of Shareholders Voting

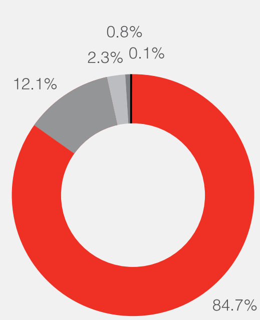


Types of Shareholders

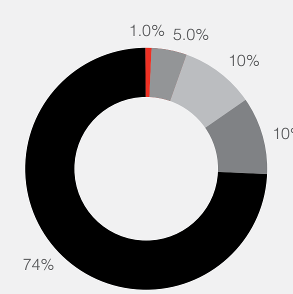
Ordinary Non-Voting Shares - Composition According to Shareholding

Shareholding Composition Non-Voting	Resident			Non-Resident			Total		
Shareholdings	Number of Shareholders	No. of Shares	(%)	Number of Shareholders	No. of Shares	(%)	Number of Shareholders	No. of Shares	(%)
1 to 1,000 Shares	1,613	203,722	2.54	7	1,413	0.02	1,620	205,135	2.56
1001 to 10,000 Shares	228	811,678	10.14	4	11,000	0.14	232	822,678	10.28
10,001 to 100,000 Shares	39	1,484,913	18.55	5	179,182	2.23	44	1,664,095	20.78
100,001 to 1,000,000 Shares	12	2,387,346	29.82	4	682,606	8.53	16	3,069,952	38.35
Over 1,000,000 Shares	2	2,244,124	28.03	–	–	–	2	2,244,124	28.03
	1,894	7,131,783	89.08	20	874,201	10.92	1,914	8,005,984	100.00

Number of Shareholders Ordinary Non-Voting Shares



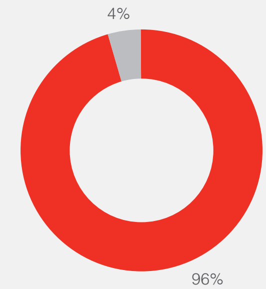
Number of Shares Ordinary Voting Shares



Ordinary Non-Voting

Category of Shareholders	No. of Shareholders	No. of Shares
Individual	1,839	2,815,791
Institutional	75	5,190,193
Total	1,914	8,005,984

Type of Shareholders Ordinary Non-Voting Shares



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	Scrip Issue	Non-Voting Shares	1 for Every 22.222224 Voting Shares & Non-Voting Shares	2,336,691	46,299,223	8,005,984	

Major Shareholders

List of 20 Major Shareholders Based on Their Shareholdings as at 31st March 2015

Ordinary Voting Shares

No.	Name	Shareholding	Percentage (%)
1.	Ceylinco Insurance PLC A/C No. 1 (Life Fund)	14,642,163	31.63
2.	CDB ESOP Trust Fund (Pvt) Limited	12,500,000	27.00
3.	Ceylinco Insurance PLC A/C No. 2 (General Fund)	1,853,287	4.00
4.	Janashakthi General Insurance Limited	1,727,947	3.73
5.	Citizens Development Business Finance PLC A/C No. 02 (CDB Employee Gratuity Fund)	1,300,000	2.81
6.	The Finance Company PLC A/C No. 1	1,250,000	2.70
7.	Janashakthi PLC Account No. 1	1,019,251	2.20
8.	Janashakthi Insurance PLC (Policy Holders)	883,166	1.91
9.	Asia Management Consultancy (Private) Limited	706,622	1.53
10.	E W Balasuriya & Co. (Pvt) Limited	535,103	1.16
11.	Life Insurance Corporation (Lanka) Limited	364,461	0.79
12.	Little Smile Organic (Pvt) Limited	266,500	0.58
13.	Deutsche Bank Ag As Trustee To Candor Growth Fund	201,549	0.44
14.	Mr. H A Pieris	181,005	0.39
15.	Mr. U G Madanayake	175,000	0.38
16.	Mr. R H Abeygoonawardena/Mrs. V S Abeygoonawardena	160,349	0.35
17.	Mr. S V Munasinghe	154,976	0.33
18.	East India Holding (Pvt) Limited	150,833	0.33
19.	People's Leasing & Finance PLC/Mr. W P C M Nanayakkara	138,660	0.30
20.	Dr. C Gunasekara	131,700	0.28
	Sub Total of Top 20 Shareholders	38,342,572	82.81
	Others	7,956,651	17.19
	Total	46,299,223	100.00

The percentage of shares held by the public as at 31st March 2015 was 35.89% (with 1,924 public shareholders).

Ordinary Non-Voting Shares

No.	Name	Shareholding	Percentage (%)
1.	Deutsche Bank Ag As Trustee For JB Vantage Value Equity Fund	1,192,833	14.90
2.	J B Cocoshell (Pvt) Limited	1,051,291	13.13
3.	CDB ESOP Trust Fund (Private) Limited	562,499	7.03
4.	Eagle Proprietary Investments Limited	319,109	3.99
5.	Askold (Private) Limited	247,224	3.09
6.	Mr. H N Esufally	208,999	2.61
7.	Mr. M J Fernando	208,999	2.61
8.	E W Balasuriya & Co. (Pvt) Limited	204,413	2.55
9.	Deutsche Bank Ag As Trustee To Candor Growth Fund	179,108	2.24
10.	Mr. M A H Esufally	160,000	2.00
11.	Mr. G H I Jafferjee	156,749	1.96
12.	Mr. I M Dabah	154,499	1.93
13.	Commercial Bank of Ceylon PLC/S R Fernando	128,953	1.61
14.	East India Holding (Pvt) Limited	123,938	1.55
15.	Gold Investment Limited	104,499	1.31
16.	Mr. M A Valabji	104,499	1.31
17.	Jafferjees Investments (Pvt) Limited	104,499	1.31
18.	Commercial Bank of Ceylon PLC A/C No. 04	101,965	1.27
19.	Trading Partners (Pvt) Limited	100,000	1.25
20.	Life Insurance Corporation (Lanka) Limited	95,000	1.19
	Sub Total of Top 20 Shareholders	5,509,076	68.81
	Others	2,496,908	31.19
	Total	8,005,984	100.00

The percentage of shares held by the public as at 31st March 2015 was 79.50% (with 1,905 public shareholders).

Listed Debentures

Listing	Debenture Description	Type	Interest Payment Frequency	Tenor (Years)	Issued Quantity as at 31.03.2015	Interest Rates: Coupon Rate (per annum) (%)	Interest Rates: Annual Effective Rate (%)	Comparable Government Security Yield
Listed Debentures (Rs. 100)	Subordinated Listed Rated Unsecured Redeemable	A	Annually	5	6,653,600	16.00	16.00	9.07
	Debentures	B	Semi-Annually	5	3,103,600	15.50	16.10	9.07
	December 2013 - December 2018	C	Quarterly	5	242,800	15.00	15.87	9.07

Current Yield & Yield to Maturity

Debenture Type	Current Yield %	Yield to Maturity %
Type A	Not Traded	Not Traded
Type B	Not Traded	Not Traded
Type C	14.07	13.60

Statement of Financial Position

As at 31st March	Company 2014/15 US$	Company 2013/14 US$
Assets		
Cash and cash equivalents	2,374,199	3,530,956
Financial Investments - Held-for-Trading	425,911	–
Deposits with commercial banks	14,645,580	20,657,802
Loans and receivables to customers		
Loans & Advances	49,361,545	48,777,426
Net Investments in Leases	119,697,823	103,267,518
Net Investments in Hiring Contracts	53,507,293	44,328,677
Financial investments - available-for-sale	7,228,173	6,027,481
Financial investments - held-to-maturity	16,562,347	14,005,275
Financial investments - loans and receivables	2,285,606	1,740,458
Investment in subsidiaries	3,240,496	20,958
Investment properties	153,015	154,183
Property, Plant & Equipment	10,767,749	7,667,716
Intangible assets	539,089	593,769
Trade and Other Receivables	6,271,158	5,439,503
Inventories	922,657	1,563,410
Total assets	287,982,641	257,775,132
Liabilities		
Due to banks	16,416,429	11,236,284
Deposit from customers	205,144,952	187,161,777
Debentures	7,905,161	8,949,106
Other borrowings	12,225,719	12,748,492
Current tax liabilities	844,800	368,956
Deferred tax liabilities	2,136,963	1,109,796
Retirement benefit obligations	343,173	1,215,585
Other liabilities	10,374,508	7,680,449
Total liabilities	255,391,705	230,470,444
Equity		
Stated capital	8,977,740	9,046,272
Reserve fund	4,835,615	3,801,178
Revaluation reserve	1,296,008	1,013,473
Investment fund reserve	–	669,813
Available-for-sale reserve	6,471,286	5,264,816
Retained earnings	11,010,288	7,509,135
Shareholders' Funds	32,590,936	27,304,688
Total liabilities & Shareholders' Funds & Minority Interest	287,982,641	257,775,132
NBVPS	0.60	0.50

Exchange Rate of 1 US$ was Rs. 132.00 as at 31st March 2015 (Rs. 131.00 as at 31st March 2014).

Statement of Comprehensive Income

For the year ended 31st March	2014/15 US$	2013/14 US$
Income	50,785,672	47,844,303
Interest income	47,360,099	45,004,607
Less: Interest expenses	25,617,087	27,125,212
Net interest income	21,743,013	17,879,395
Fees and commission income	1,295,776	1,219,151
Net fee and commission income	1,295,776	1,219,151
Net Interest, fees and commission income	23,038,789	19,098,546
Other operating income	2,129,796	1,620,545
Total operating income	25,168,585	20,719,091
Impairment Charges/(Reversals) for Loan Losses	3,617,990	3,675,032
Net operating income	21,550,595	17,044,060
Less: Operating expenses		
Personnel Expenses	4,558,499	3,991,960
Premises, Equipment and Administration Expenses	6,761,692	4,903,958
Marketing and Business Promotion Expenses	1,687,180	1,490,414
Finance Charges	117,206	187,482
Incentives	516,535	495,978
	13,641,112	11,069,793
Operating profit before value added tax	7,909,482	5,974,267
Value added tax on financial services	512,879	341,830
Crop insurance levy	188,873	60,161
Profit before Inome Tax	7,207,731	5,572,275
Income tax expenses	1,891,565	1,288,208
Profit for the period	5,316,166	4,284,067
Other comprehensive income net of income tax		
Net gain from Change in fair value of Available-for-sale investments	1,246,355	1,722,568
Net acturial gain/(Loss) on Defined Benefit Plan	(205,042)	(196,290)
Return on Plan Asset	79,621	
Changes in Revaluation Surplus	290,212	
Total Comprehensive income for the period	6,727,311	5,810,345
Earnings per Share (EPS)	0.10	0.08

Exchange Rate of 1 US$ was Rs. 132.00 as at 31st March 2015. (Rs.131.00 as at 31st March 2014)

QUARTERLY STATISTICS

For the quarter ended	2014/2015				2013/2014			
	March 31st	December 31st	September 30th	June 30th	March 31st	December 31st	September 30th	June 30th
(Rs. '000)								
Balance Sheet								
Total assets	38,013,709	36,608,685	35,161,418	33,702,031	33,768,542	31,649,258	29,097,589	26,559,707
Lease, hire purchase and loans	29,378,799	27,905,539	26,998,415	26,174,185	25,724,944	24,369,282	23,204,062	21,250,036
Deposits and borrowings	31,903,378	31,293,558	30,298,757	28,841,206	28,832,532	27,219,852	24,691,508	22,448,010
Shareholders' funds	4,302,004	3,858,614	3,687,032	3,541,663	3,576,914	3,475,319	3,269,176	3,074,343
Income Statement Data								
Revenue	1,703,106	1,641,804	1,676,034	1,682,763	1,570,048	1,647,281	1,666,591	1,383,684
Net interest income	748,346	703,405	725,150	693,177	656,177	590,929	553,649	541,446
Other income	162,778	99,244	100,826	89,328	130,642	125,004	70,350	46,004
Net income	799,180	707,773	696,224	641,502	560,524	571,977	572,008	528,263
Provision for loan losses	(111,944)	(94,876)	(129,751)	(141,003)	(226,295)	(143,956)	(51,991)	(59,187)
Non-interest expenses	(490,803)	(499,794)	(459,679)	(442,982)	(371,805)	(385,743)	(386,465)	(358,792)
Income tax expenses	(71,608)	(73,863)	(63,229)	(40,987)	(56,343)	(28,369)	(49,592)	(34,451)
Net profit after tax	236,769	134,117	173,315	157,533	132,376	157,865	135,951	135,020
Financial Measures								
Net assets value per ordinary share (Rs.)	79.22	71.05	67.89	65.22	65.87	64.00	60.20	56.61
Profitability								
Return on average shareholders' equity (annualised) (%)	17.81	16.68	18.22	17.70	17.16	17.65	17.28	20.92
Productivity								
Non-interest expenses to total revenue (%)	28.82	30.44	27.43	26.32	23.68	23.42	25.46	25.93
Asset quality								
Non-performing loans ratio – Net (%)	3.19	3.38	3.30	3.70	2.73	2.78	2.54	2.59

Submission of the Interim Financial Statements (Unaudited) in terms of Listing Rule No. 7.4 of the Colombo Stock Exchange.

	2014/15
For the 3 Months ended 30th June 2014	23rd July 2014
For the 3 Months and 6 Months ended 30th September 2014	29th October 2014
For the 3 Months and 9 Months ended 31st December 2014	29th January 2015
For the 3 Months and 12 Months ended 31st March 2015	28th May 2015

VALUE ADDED STATEMENT

For the year	2014/15 Rs.	2014/15 %	2013/14 Rs.	2013/14 %
Net interest income earned by providing financial services	2,870,077,687		2,342,200,780	
Cost of services	1,291,536,118		979,857,002	
	1,578,541,569		1,362,343,778	
Non-financial income	452,175,559		372,000,163	
Provision for bad debts	477,574,737		481,429,128	
Value added	1,553,142,391		1,252,914,813	
Distribution of value added				
To employees				
Salaries, wages and other benefits	601,721,927	39	522,946,764	41
To providers of capital				
Dividends paid/proposed	190,068,224	12	162,915,621	14
To Government				
Value added tax, crop insurance levy and NBT	92,631,221	6	52,660,876	4
Income tax	249,686,559	16	168,755,278	13
To expansion and growth				
Retained as reserves	262,804,087	17	232,799,525	20
Retained as depreciation	156,230,373	10	112,836,749	8
	1,553,142,391		1,252,914,813	

TEN YEAR STATISTICAL SUMMARY

	2005	2006	2007
Operating Results			
Income	363,776,409	638,279,950	1,054,206,933
Interest Income	337,853,081	598,470,528	989,218,343
Interest Expenses	204,505,522	386,690,976	670,401,052
Non-Interest Income	25,923,328	39,809,422	64,988,590
Operating Expenses (Incl. VAT)	119,789,473	207,541,225	334,320,975
Profit/(Loss) Before Income Tax	39,481,414	44,047,749	49,484,906
Income Tax on Profit	–	–	157,484
Profit/Loss After Taxation	39,481,414	44,047,749	49,327,422
Liabilities & Shareholders' Funds			
Customer Deposits	–	–	–
Borrowings	2,382,991,283	3,627,849,488	4,918,339,725
Other Liabilities	192,987,250	368,175,209	342,921,093
Deferred Taxation	–	–	–
Shareholders' Funds	256,036	82,311,709	131,639,131
Total Liabilities & Shareholders' Funds	2,576,234,569	4,078,336,406	5,392,899,949
Assets			
Loans and Receivables (Net)	2,270,687,014	3,569,997,246	4,584,431,013
Cash and Short Term Funds	53,066,134	239,501,315	529,368,994
Property, Plant & Equipment	52,896,687	104,432,755	129,852,708
Other Assets	199,584,734	164,405,090	149,247,234
Total Assets	2,576,234,569	4,078,336,406	5,392,899,949
Ratios			
Growth in Income (%)	67	75	65
Growth in Interest Expenses (%)	49	89	73
Growth in Other Expenses (%)	72	73	61
Growth in Profit After Tax (%)	262	12	12
Growth in Total Assets (%)	74	58	32
Earnings Per Share (Rs.)	3.09	3.00	3.03
Return on Average Assets (%)	1.95	1.32	1.04
Dividend Per Share (Rs.)	–	–	–

** 15 Month period*
*** Proposed Dividend*
Highlighted information is based on LKASs/SLFRSs.

2008	2009/10*	2010/11	2011/12	2012/13	2013/14	2014/15
1,638,454,558	1,898,899,386	2,226,022,713	2,833,115,188	4,311,850,070	6,267,603,700	6,703,708,676
1,496,219,576	1,794,819,119	1,731,159,166	2,555,433,093	4,087,387,160	5,895,603,537	6,251,533,117
1,092,348,424	1,190,634,646	912,786,452	1,311,936,117	2,386,570,259	3,553,402,757	3,381,455,430
142,234,982	104,080,267	494,863,547	277,682,095	224,462,910	372,000,163	452,175,559
474,868,960	619,525,039	751,965,680	988,872,265	1,300,997,266	1,984,232,894	2,370,832,782
71,237,174	88,739,701	561,270,581	532,306,806	624,282,545	729,968,049	951,420,464
5,947,671	9,163,093	29,460,581	13,839,677	135,118,484	168,755,278	249,686,559
65,289,503	79,576,608	531,810,000	518,467,129	489,164,061	561,212,771	701,733,905
–	4,837,875,995	7,770,659,215	11,699,662,914	17,771,172,664	24,518,192,737	27,079,133,660
5,684,698,562	828,926,204	1,027,654,377	2,155,693,964	2,763,082,891	4,314,338,485	4,824,244,677
676,793,306	495,786,661	493,578,084	456,069,116	922,665,325	1,213,713,656	1,526,247,552
–	–	–	–	31,912,358	145,383,295	282,079,149
433,638,437	513,215,045	1,098,701,563	2,302,502,632	2,965,098,202	3,576,914,112	4,302,003,541
6,795,130,305	6,675,803,905	10,390,593,239	16,613,928,626	24,453,931,440	33,768,542,285	38,013,708,580
5,634,300,195	5,035,083,744	8,081,942,079	13,469,076,072	19,450,586,882	25,724,944,295	29,378,799,251
529,209,486	851,277,622	320,138,908	626,231,439	1,540,598,041	3,168,727,350	4,734,540,619
198,647,455	200,669,868	237,821,921	470,979,957	657,717,807	1,004,470,809	1,421,342,866
432,973,169	588,772,671	1,750,690,331	2,047,641,158	2,805,028,710	3,870,399,831	2,479,025,843
6,795,130,305	6,675,803,905	10,390,593,239	16,613,928,626	24,453,931,440	33,768,542,285	38,013,708,580
55	16	17	27	52	42	7
63	9	(23)	44	82	49	(5)
42	30	21	32	32	42	19
32	22	568	(3)	(6)	15	25
26	(2)	56	60	47	38	13
2.51	1.60	12.75	10.28	9.99	10.33	12.92
1.07	1.18	6.23	3.84	2.38	1.93	1.96
–	0.50	2.00	2.50	2.75	3.00	3.50**

BRANCH NETWORK

Branch	Branch Address	Telephone	Head of Branch	Contact No.	Branch Operations in charge	Contact No.
Ambalangoda	No. 61 New Road, Amabalangoda	091-2254271	Hirantha Dissanayaka	077-2364981	Tharindu Dhananjaya	077-2367168
Anuradhapura	No. 522/D, Maithripala Senenayake Mawatha, Anuradapura.	025-2234000	Rasika Wijayasiri	077-2443569	Sathya Anuradhi Vidyarathna	077-4380427
Badulla	No. 20, Bank Road, Badulla	055-2225533	Anushaka Perera	077-3815834	Kumaravel Sri Vickram	077-7393128
Battaramulla	No. 97/1, Main Street, Battaramulla	011-2869944/ 011-2869949	Athula Ellepola	077-3296971	Dananjaya Liyanage	077-2369378
Batticaloa	No. 601/D, Trincomalee Road, Batticaloa	065-2228490		077-2361419	C.Tharshiyalini	0777-393229
Boralesgamuwa	No. 18/A, Maharagama Road, Boralesgamuwa	011-2509306	Ashan Silva	077-2440094	Udara Wijesundara	0777-220818
Chilaw	No. 25/1, Colombo Road, Chilaw	032-2220646	Dinesh Senanayake	077-3747812	Pradeep Chathuranga	077-7724886
Dambulla	No. 671/2, Anuradapura Road, Dambulla	066-2284088/ 066-2284188	M.P.M.S. Gunathilake	077-3608915	Sajith Kavinda	077-3645765
Dehiwala	No. 103, Galle Road, Dehiwala	011-2761443/ 011-2761442	Malith Fernando	077-2379152	Ruvini Anuradha	077-4298729
Eheilyagoda	No. 114, Main Street, Eheilyagoda	036-2259951	K.P.B.I. Presad Indika	0777-001393	Dilum Mayadunne	0777-001459
Elakanda	No. 37,D/E, Hendala Road, Elakanda	011-2930986	Sarath Gunasekara	077-3470033	Dinesh Lakmal Dhanapala	0777-220761
Embilipitiya	No. 21, Main Street, Embilipitiya	047-2261961/ 047-2261962	Neel Prasana	077-7379608	Rasika Abeyrathne	077-7001458
Galle	No. 126, Colombo Road, Kaluvella	091-2227501/ 091-2227502	Thilak Kumara	076-5363975	Thilanga De Silva	0777-393145
Gampaha	No. 114, Colombo Road, Gampaha	033-2233774	Asenth Wijerathna	077-3721969	Nalin Chathuranga	077-9155850
Head Office	No. 123, Orabipasha Mawatha, Colombo 10	011-2429800/ 0117388388	–	–	Uthpala Tennakon	077-4560661
Horana	No. 119/A, Panadura Road, Horana	034-2266188/ 034-2266177	Harshana Senarathne	077-2016098	Prasad Tiroshan	077-2368031
Ja-Ela	No. 195/A, Negombo Road, Ja-Ela	011-2228228	Rangana Pragnarathna	077-7224526	Shellika Sudarshani Perera	077-7001438
Jaffna	No. 208, Stanly Road, Jaffna	021-2221585/ 021-2221586	Ramalingam Prahash	0777-584634	Kamaleshwaran Leyoshan	0777-393213
Kaduruwela	No. 660, Main Street, Kaduruwela	027-2226710/ 027-2226720	Keneth Hettige	077-2932350	Chathurika Wijesundara	0777-393167
Kaduwela	No. 102, Colombo Road, Kaduwela	011-2538888	Hemantha Suddasinghalage	0777-562820	Sahan Karunathilaka	077-7702799
Kalutara	No. 296, Galle Road, Kaluthara	034-2224400	Deepika Modarage	0777-266175	Shamila Manori Bokumbura	077-7751284
Kandana	No. 37A, Negombo Road, Kadana	011-2237645	Shanaka Gayan	0777-266205	Bevan Ariyadasa	
Kandy	No. 110,Yatinuwaravidiya,Kandy.	081-2204600/ 081-2204246	Aravinda Perera	077-3979491	Hansika Nawarathna	077-266380
Katugasthota	No. 468, Katugasthota Road, Kandy	081-2212517	Garry Reith	0773-733452	Erandi Senevirathna	0772-363834
Kegalle	No. 227, Kandy Road, Kegalle	035-2222442/ 035-2222599	Susantha Senevirathne	077-2016097	Chinthaka Jayaruwan	077-7321520
Kelaniya	No. 159, Kandy Road, Kiribathgoda	011-2910202	Tharanga Suraweera	0777-562821	Gaythri Perera	077-3811623
Kochchikade	No. 176, Chilaw Road, Kochchikade	031-2278695	Neel Vedanayagam	077-3572532	Gayathri De Silva	077-2367462
Kotahena	No. 30, Sri Ramanandhan Mawatha, Colombo 13	011-2422465/ 011-2422466	Sarath Babu	077-3688870	Hasitha Eranga	077-3477919
Kottawa	No. 35/1, High Level Road, Kottawa, Pannipitiya	011-2782706	Rohan Bandara	077-2364541	Gayan Kumara	077-2372087
Kuliyapitiya	No. 259, Madampy Road, Kuliyapitiya	037-2281825	Anurudda Algama	0777-393260	Praneeth Chathuranga	077-4560159

Branch	Branch Address	Telephone	Head of Branch	Contact No.	Branch Operations in charge	Contact No.
Kurunegala	No. 54, Colombo Road, Kurunegala	037-2234444/ 037-2221625	Sanjeewa Godamunna	077-2932347	Chalaka Wijesingha	077-7393170
Mahara	No. 377/2, Kandy Road, Mahara Handiya, Kadawatha	011-2925000	Bandula Kumara	077-3457523	Thilantha Tissera	077-7266437
Maharagama	No. 249, High Level Road, Maharagama.	011-2845945	Rukshan Fernando	077-4560568	Maheshika Maddumage	077-7271766
Malabe	No. 838/04, New Kandy Road, Malabe	011-2078651/ 011-2078652	Amila Perera	0777-864594	Chathura Indika Alwis	077-8624699
Maravilla	No. 63, Samagi Building Complex, Chilaw Road, Marawilla	032-2250930	Nishan Umyanga	077-3856661	Kawindu Buddhipiya	077-7001547
Mathale	No. 115/117, Trincomalee Road, Matale	066-2226545	Ranjan Macavita	077-3645664	Iroshan Pushpakumara	077-2367190
Mathara	No. 29, Anagarika Daramapala Mawatha, Matara	041-2226655/ 041-2229955	Sugath Ekanayaka	077-2980135	Chanaka Ariyamal	077-7393174
Mathugama	No. 190, Aluththgama Road, Mathugama	034-2248888	Pushpakumara Jayasinghe	077-2962382	Hansanee Wijehewa	077-4880448
Minuwangoda	No. 18/A, Siriwardena Mawatha, Minuwangoda	011-2298864	Chamdimal Tharanga	077-7702597	Malith Dilshan	077-7267208
Moratuwa	No. 764, Galle Road, Moratuwa	011-2642309/ 011-2642310	Donal Prasad	077-3215394	Samsudeen Asma	077-3428310
Narammala	No. 95, Kurunegala Road, Narammala	037-2249525	Wasantha Rathnasiri	077-7867278	Shihani Alahakoon	077-2362663
Negombo	No. 129, St. Joseph Street, Negombo	031-2231391/ 031-2224040	Lalith Peris	077-3470031	Krishanthi Thilakarathne	077-7262216
Nittambuwa	No. 2/1, Kandy Road, Nittamuwa	033-2296969	N.A.K.S.N. Ariyarathna	077-2016096	Harshani Kalugampitiya	077-3975920
Nugegoda	No. 143c, High Level Road, Nugegoda	0112-828312	Pubudu Mallikarachchi	077-2929020	Kasun Munasinghe	077-3268199
Panadura	No. 383, Galle Road, Panadura	038-2237327	Lasantha Fernando	0777-001463	Hasara Jayaweera	077-4560892
Pelmadulla	No. 11, Main Street, Pelmadulla	045-2274429	Thilak Wickramasinghe	077-4885974	Roshan Madusanka	077-2369994
Piliyandala	No. 77/1, Moratuwa Road, Piliyandala	011-2614425	Udesh Hettiarachchi	077-3645879	Janaka Manjula	077-2360417
Premier Centre	No. 101 Dharmapala Mawatha, Colombo 3	011-2332180	Ms. Yvonne Dedigamuwa	077-6174503	Devdu Senivirathne	077-2369822
Ragama	No. 164, Bank Pedesa, Kadawatha, Ragama	011-2952492	E.C.T. Silva	077-2070710	Prabath Bandaranayake	077-4560912
Rajagiriya	No. 1424, Kotte Road, Rajagiriya	011-2078218/ 011-2078216	Sivalingam Jayaseelan		Sanjeewa Batagalla	077-3470032
Ratmalana	No. 444D, Galle Road, Ratmalana	011-2710056	Pisiri Kumara	0777-379596	Aroshi De Livera	077-7001542
Ratnapura	No. 89, Bandaranayaka Mawatha, Rathnapura	045-2226636	Sayuru Amarasinghe	077-2016124	Lasantha De Silva	077-7393195
Thissamaharama	No. 47, Hambantota Road, Tissamaharama	047-2239655	Chamil Nilantha	077-2980112	Roshini Madhushika	077-7751836
Trincomalee	No. 266, Central Road, Trincomalee	026-2226945/ 026-2226946	Charith Asanka	077-4560590	Sivanoo Kamaleshwary	077-4880572
Vavuniya	No. 11, Horowpathana Road, Vavuniya	024-2225862	Velappan Suthagar	077-7847384	Mohamed Feros	077-7393243
Warakapola	No. 09, Main Street, Warakapola	035-2268281	Mahesh Chandrasiri	077-7393408	Upekha Samanmali	077-4378914
Wattala	No. 180, Negombo Road, Wattala	011-2981133	Keerthi Karunathilake	077-7224259	Madawa Rajapaksha	077-3457521
Wellawatte	No. 416, Galle Road, Wallawatte	011-2364699	Sasigar	077-3746957	Raveen Kanishka Alwis	077-2274856
Wennappuwa	No. 313, Colombo Road, Wennappuwa	031-2245245	Sarath Rodrigo	077-3710637	Achini Alwis	077-3237801

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.

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 realizable 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.

CORPORATE INFORMATION

Name of the Company

Citizens Development Business Finance PLC

Legal Form

A public quoted company incorporated in Sri Lanka under the provisions of the Companies Act No. 17 of 1982 and re-registered under the Companies Act No. 07 of 2007. The Company is licensed under the Finance Business Act No. 42 of 2011. The Company is registered under the Finance Leasing Act No. 56 of 2000.

Date of Incorporation

7th September 1995

Registration Number

PB 232 PQ

Accounting Year

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

Dr. Ajantha Dharmasri
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
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: 0094117388388
Fax: 0094112429888
Email: cdb@cdb.lk
Web: www.cdb.lk

Company Secretary

S S P Corporate Services (Pvt) Limited
101, Inner Flower Road,
Colombo 03, Sri Lanka
Tel: 0094112573894, 0094112576871
Fax: 00942573609
Email: sspsec@sltnet.lk

External Auditor

KPMG
Chartered Accountants
32 A, Sir Mohamed Macan Marker Mawatha,
Colombo 03, Sri Lanka
Tel: 0094115426426

Lawyer

Nithya Partners
No. 97 A, Galle Road,
Colombo 03, Sri Lanka

Credit Rating

BBB/P2 (RAM)

Bankers

Bank of Ceylon
Commercial Bank of Ceylon PLC
Hatton National Bank PLC
Nations Trust Bank PLC
Sampath Bank PLC
Seylan Bank PLC
People's Bank

NOTICE OF MEETING

CITIZENS DEVELOPMENT BUSINESS FINANCE PLC - PB 232 PQ

Notice is hereby given that the Nineteenth Annual General Meeting of Citizens Development Business Finance PLC will be held on 30th June 2015 at the Liberty Ballroom of Hotel Ramada Colombo, No. 30, Sir Mohamed Macar Markan 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 2015 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 2015.
3. To re-elect Dr. A Dharmasiri, 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. W P C M Nanayakkara, 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. T M D P Tennakoon, 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 re-elect Mr. Razik Mohamed, 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.
7. To authorise the Directors to determine Contributions to Charities and other donations for the ensuing year.
8. 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

04th June 2015

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 Mudiyanselage 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
Dr. Ajantha Dharmasiri	whom failing
Mr. Razik Mohamed	

as my/our proxy to represent me/us and vote for me/us on my/our behalf at the Nineteenth Annual General Meeting of the Company to be held on the 30th day of June 2015 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 2015 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 2015.		
3. To re-elect Dr. A Dharmasiri, 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. W P C M Nanayakkara, 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. T M D P Tennakoon, 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 re-elect Mr. Razik Mohamed, 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.		
7. To authorise the Directors to determine Contributions to Charities and other donations for the ensuing year.		
8. To reappoint Messrs KPMG, Chartered Accountants as Auditors and authorise the Directors to determine their remuneration.		

Signed this ………………………….. day of ……………………… Two Thousand and Fifteen.

……………………………
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 Jayaprithi Gunawardana	whom failing
Mr. Weligama Palliyaguruge Claud Mahesh Nanayakkara	whom failing
Mr. Tennakoon Mudiyanselage 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
Dr. Ajantha Dharmasiri	whom failing
Mr. Razik Mohamed	

as my/our proxy to represent me/us and speak at the Nineteenth Annual General Meeting of the Company to be held on the 30th day of June 2015 and at any adjournment thereof.

Signed this ………………………….. day of ……………………… Two Thousand and Fifteen.

…………………………………………
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.
4. 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.
5. 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.

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This is an Integrated Annual Report

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Citizens Development Business Finance PLC

123, Orabipasha Mawatha, Colombo 10, Sri Lanka.

T: +94 11 **7 388 388** F: +94 11 **2 429 888** E: **cdb@cdb.lk** W: **www.cdb.lk**