

Ability to  
Adopt and  
Change, an  
Enormous  
Strategic  
Strength

In the history of evolution, the creatures that survived are the ones that had the ability to change and adapt and not the ones that were strong, fast and large.

At CDB we equal our organization to that of goods that need to be carried to a specific destination. We consider that destination as specific future goals and targets that fall into timeframes of short, medium and long term. We consider all other factors such as organization structures, operating models, products and services, regulatory structures, distribution channels and market segments as the vehicle that carries the goods (organization) to the desired destination (future targets and goals). The destination will remain unchanged but the vehicle will keep on changing depending on the external environment and market conditions.

This is the framework we work with and this allows us to quickly adapt and change no matter to what degree or how radical these changes are as long as we keep on moving towards the desired destination in a consistent manner.



## Our Vision

To be the Financial Power House 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 Purpose

Enriching people's life through extension of financial services

## Our Philosophy

### o Customers

To provide a courteous, efficient and speedy service and to meet the requirement of each and every customer.

### o Team Spirit

To create an environment that motivates our team to grow with us, encourages individual goals of integrity and professionalism, and enhances productivity to maximize profitability.

### o Other Stakeholders

To improve shareholder value and meet the diverse needs of other stakeholders.

### o Environment

To contribute social dividends towards the sustainable development of the environment and society.

### o Organisational Excellence

To be the premier Financial Institution in Sri Lanka.

## Our Core Values

Economics viability, environmental responsibility and social accountability.

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## Financial Highlights

**Rs. 1.6 Billion**

Turnover

**Rs. 65 Million**

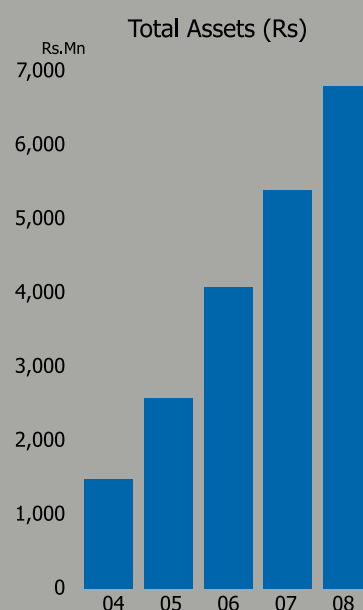
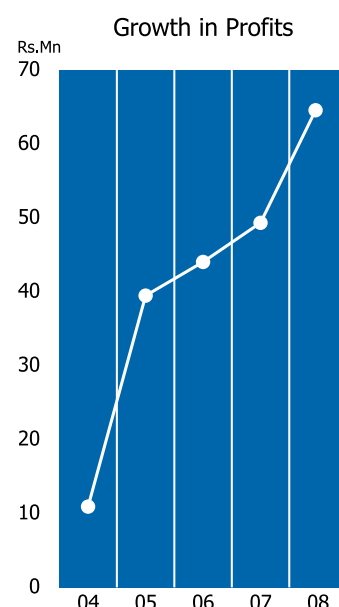
Profit After Tax

**Rs. 6.8 Billion**

Total Assets

**Rs. 5.6 Billion**

Loan, Lease, HP Portfolio



	2007 (Rs.Mn)	Change	2008 (Rs.Mn)
<b>Results for the Year</b>			
Income	989	51%	1,496
Net Interest Income	319	27%	404
Net Profit after Taxation	49	33%	65
<b>At the Year End</b>			
Shareholder's Funds	131	229%	430
Debentures	479	(92%)	249
Borrowings	4,439	22%	5,436
Loan, Lease, Hire Purchase Portfolio	4,577	23%	5,637
Total Assets	5,393	26%	6,800
<b>Ratio</b>			
Earnings per Share	3.03		2.51
Net Assets per share	8.08		10.86
Return on Average Assets (%)	1.04		1.07



Creating Wealth  
through  
Entrepreneurship

CDB small business loans and micro-lending schemes have given many people a start in life and helped improve their living standards and that of their families. It has also fostered a culture of entrepreneurship and innovation.

**15,000** Small and Medium enterprises.

**Rs. 3,800mn**

SME Lending Portfolio

# Chairman's Review



“  
Despite the difficulties we operated under, CDB recorded healthy financial results for the year 2008.  
”

## Delivering Consistent Results

This has been a good year for Citizens Development Business Finance Limited (CDB), with the Company posting record growth in revenue and profits, despite the challenging environment we operated in. CDB responded and adapted quickly to changes that took place in the external market. The Company underwent a name change, obtained registration under the Finance Companies Act, reconstituted its Board of Directors, strengthened its capital base and improved productivity.

## Company Performance

Despite the difficulties we operated under, CDB recorded healthy financial results for the year 2008. Total assets recorded a figure of Rs. 6,800 Mn as at 31st December 2008, which is a 26% growth compared to the same period of 2007. Revenue grew 55% to Rs. 1,638 Mn, and net interest

income grew by 27% over 2007 recording a figure of Rs. 404 Mn. This was achieved with careful management of interest margins and adequate balance sheet growth during the period under review. Other income recorded a figure of Rs. 142 Mn reflecting a growth of 119% compared to the previous year.

The Company's overheads to revenue ratio dropped to 25.6% in 2008 from 27.9% in 2007. The non-performing loan ratio stood at 5.57% as at end 2008. During the year, CDB also strengthened its balance sheet and capital base.

## 2009 and the Future

It is expected that the global economic crisis will get worse in 2009 before it gets better, which poses a challenge for the local economy and in particular the export sector. However, the expected end of the war may possibly balance out this


## Chairman's Review Contd

negative scenario, with an upturn in the tourist industry and the integration of the north and east economies into the main stream national economy, which in turn could result in significant overall development.

In the past, CDB has proven its ability to overcome challenges, to adapt in difficult environments and deliver consistent results. CDB intends to position itself as an independent institution consolidating on its financial performance and as an emerging key player within the markets in which it operates.

The commitment and dedication of every employee has made it possible for CDB to record these financial results. My deep appreciation is due to the entire staff for their outstanding efforts. I would also like to take this opportunity to thank my colleagues on the Board for their support and guidance during the year.

CDB has come a long way since 1995 and we are poised to capitalise on future opportunities and build on the strong foundation laid.



**R. Renganathan**

Chairman

15 May 2009



## CEO's Review



### Dear Shareholder,

The strong financial performance of Citizens Development Business Finance Limited in the year under review, in the face of numerous challenges, was the result of sound planning. We adopted an early strategy anticipating a high interest rate scenario and made appropriate changes to the lending strategy to maintain margins whilst improving the quality of the Credit/Leasing portfolio.

An onsite examination carried out by the officers of the Department of Non Bank Supervision of the Central Bank of Sri Lanka' in early 2008, helped us to take many corrective measures based on the comprehensive report submitted to the Board of Directors on their observations. CDB is now ranked within the top four largest institutions within the specialized leasing institutions category regulated by the Central Bank of Sri Lanka, which consists of 22 players.

CDB embarked on a comprehensive reorganising strategy in response to events that unfolded in the external environment in the last few days of 2008 and has continued to date.

In 2008 we aggressively executed a high volume, small facility approach as the key strategy to maintain margins. To further facilitate this approach, rural market penetration was enhanced through different distribution channels. This strategy helped CDB to manage margins and resulted in recording an interest expense to interest income ratio of

“

In 2008 we aggressively executed a high volume, small facility approach as the key strategy to maintain margins.

”

73%, which was as anticipated, higher than the figure of 68% in 2007.

Despite the negative impact on margins, due mainly to increases in market interest rates and asset and liability portfolio maturity gaps, CDB was able to record a growth of 27% in net interest income to Rs. 404 Mn.

We added 6 new outlets to our online network of outlets, which now totals 30, of which 15 outlets are located outside the western province. We further strengthened our distribution channels during the year and will continue in our efforts to develop a low cost, flexible, multi channelled distribution network.

Our team has been the driving force of our success and they have directly benefited from their efforts. We will continue to invest in the growth and future of our people to ensure a winning combination.

Customer convenience is a key area that we have continuously focused on and improved. During the year a dedicated customer care unit was set up. This unit consists of a call centre with a client feedback option. This is available round the clock via a recorded follow-up response option, after office hours and on holidays. We also have a doorstep express service facility and a comprehensive client complaint handling procedure.

Our finance division arranged a facility for our customers to make their loan and lease payments via the Peoples Bank branch network with over 600 points islandwide. This has helped our customers in areas where we do not operate branches, to make their repayments in a convenient and timely manner.

Our key CSR projects during the year included the launch of the only dedicated scholarship scheme for the children of the three wheeler community in Sri Lanka. We began this with the award of 30 scholarships worth Rs. 900,000. for children who obtained the highest marks from grade 5 scholarship of each district. We hope to extend this to Ordinary Level students from the three wheeler community, in the future.

We also launched a CDB technology centre. We intend to donate at least one information technology lab to a less privileged school with the assistance of the Ministry of Education who will assist in the selection of the school. As the first project under this programme, CDB donated a complete CDB Technology Centre to Sangamiththa Balika Vidyalaya in Kirindiwela in the Gampaha District at a cost of Rs. 1,000,000.

We also donated and more importantly, our staff members spent time with charity organisations that support the less privileged in society. These organisations included a home for the elders, a charity that provides facilities to slow growing mind children and a home for orphans.

The new debt instrument direction that came into effect during the year was a positive move by the Central Bank of Sri Lanka for all institutions registered under the Finance Leasing Act within the Category of Specialised Leasing Institutions (SLI). As non deposit taking institutions, these companies now have the option of mobilising funds from the public through corporate debt instruments such as promissory notes and debentures, subject to the guidelines and approval of the Director of Non Bank Supervision of the Central Bank of Sri Lanka under two categories, namely public and private placement basis. This has to an extent, relaxed the funding limitations of Specialised Leasing Companies.

At the time of writing this report CDB has obtained registration under the Finance Companies Act. As a deposit taking institution, the funding options for CDB have been opened to a wide market.

### Future Outlook

CDB has weathered the most stressful conditions and displayed its ability to adapt and emerge as a strong player that is well positioned to exploit future opportunities. Economies all over the world, including our country and in particular the banking and finance industry, experienced extremely adverse conditions in the recent past. However, it

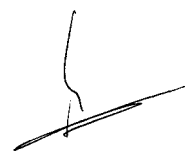
“ Our balance sheet, Loans and Advances, lease receivables and hire purchase portfolios increased by Rs.

1,059 Mn to  
Rs. 5,637Mn. ”

is expected that the global economy will begin to recover in the latter part of 2009. With the prolonged war in our country also coming to an end, there is already unparalleled optimism and hope in our country that has not been witnessed for a long time. This positive mindset together with the recovery in the global economy will open up a whole world of new opportunities for Sri Lanka. CDB is well poised to take advantage of new opportunities and in turn contribute to the economic development process of the country with a special focus on rural and low income segment lending.

### Acknowledgements

I appreciate the assistance and corporation of the Governor and the Officers of all levels of the Central Bank of Sri Lanka. I wish to thank Mess. KPMG Ford Rhodes Thornton & Co (Chartered Accountants) for the professional approach in conducting the external audit.



**C.M. Nanayakkara**  
Chief Executive Officer

15 May 2009

# Board of Directors

## **Mr. R Renganathan**

### **Chairman**

#### **Non Executive Director**

Mr. R Renganathan, a Fellow member of the Institute of Chartered Accountants of Sri Lanka and a fellow member of the Institute of Certified Management Accountants of Sri Lanka. He is also the Joint Deputy Chairman of Ceylinco Insurance PLC. He is a recipient of CMA award for excellence in Business Management in 2008.

## **Mr. E T L Ranasinghe**

### **Non Executive Director**

Mr. E.T.L. Ranasinghe has over 22 years experience in the mercantile sector in sales, marketing, strategic planning and brand management. He holds a MBA from the Postgraduate Institute of Management, University of Sri Jayawardenepura, and is a Chartered Marketer and Fellow of the Chartered Institute of Marketing, UK.

## **Mr. P A Jayawardena**

### **Non Executive Director**

Mr. P.A. Jayawardena a Fellow Member of the Institute of Chartered Accountants of Sri Lanka and a Fellow member of the Institute of Certified Management Accountants of Sri Lanka. He possesses over 20 years of experience in Finance and Corporate Planning.

## **Dr. T. Senthilvel**

### **Non Executive Director**

Dr. T. Senthilvel was appointed to the Board of Directors of CDB in 2004. He presently holds a number of other directorships.

## **Mr. H P G V Gunawardena**

### **Independent Non Executive Director**

Mr. H P G V Gunawardena was appointed to the Board of Directors on April 2009. He is at present the Managing Director of HARMON SOLUTIONS (Pvt) Ltd, a Management Consultancy & Process Re-engineering company. He brings with him a wealth of management experience gained over the past 20 years, having held senior management and board level positions in large local and international companies. He has also broadened his management experience through his work experience in Japan, UK and Jamaica. Mr. Gunawardena holds a B.Sc. (Hons) degree from the University of Peradeniya, and a Masters in Information Engineering (M.Eng) from the University of Nagoya, Japan. He is a Member of the British Computer Society [MBCS], Computer Society of Sri Lanka, Institute of Management Sri Lanka and a Member of the Chartered Institute of Management Accountants (UK).

## **Mr. P N C Gomes**

### **Independent Non Executive Director**

Mr. Namal Chrisantha Gomes was appointed to the Board of Directors in March 2009. He is the Founder and President Partner of Gomes & Company (Chartered Accountants). His wealth of experience covers the areas of Internal Auditing, Statutory Auditing, Tax Planning, Corporate Planning, Financial Management, Company Secretarial practice and General Administration in different industries. He holds a Bachelors Degree in Accountancy from the University of Sri Jayawardenepura and a MBA from the Postgraduate Institute of Management, University of Sri Jayawardenepura. He is an Associate Member of the Institute of Chartered Accountants of Sri Lanka and the Institute of Certified Management Accounts of Sri Lanka.

## **Mr. C M Nanayakkara**

### **Director**

Mr. C.M. Nanayakkara was appointed the General Manager/ Chief Executive Officer of the CDB in April 2004 and appointed to the Board in March 2005. He joined CDB in March 2001 as Assistant General Manager-Credit. He obtained his degree in Business Administration from the University of Sri Jayawardenepura. He is also an Associate of the Chartered Institute of Management Accountants (UK) and holds a MBA from the Postgraduate Institute of Management, University of Sri Jayawardenepura

# Senior Management

## **Mr. Mahesh Nanayakkara**

(Director / General Manager / Chief Executive Officer)

Mr. Nanayakkara is 40 years of age and is a B.Sc. Graduate in Business Administration and an Associate Member of the Chartered Institute of Management Accountants (UK). He also holds a MBA from the University of Sri Jayawardenepura. Prior to joining CDB in March 2001 as Assistant General Manager Credit, he was attached to a leading Merchant Bank in the country. Mr. Nanayakkara was appointed General Manager/Chief Executive Officer of the Company in April 2004 and subsequently appointed to the Board in March 2005. His 20 years of experience in the financial sector include finance, corporate planning & budgeting, system implementation, credit and leasing.

## **Mr. Malcolm Weerasooriya**

(Senior Manager Business Development)

Mr. Weerasooriya, 44 years of age, holds a B.Com (Sp Hons) Degree from the University of Colombo and Postgraduate Diploma (Mgt). He joined CDB in August 2000 and counts over 20 years of experience in marketing and sales in the financial services industry.

## **Mr Sasindra Munasinghe**

(Senior Manager - Credit/ Leasing)

Mr Munasinghe, 38 years of age, has been with CDB since 2001. He has over 15 years of experience in the leasing industry including credit evaluations, recoveries, operations, system implementation & 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.

## **Mr. Damith Tennakoon**

(Senior Manager -Finance)

Mr. Tennakoon, 41 years of age, joined CDB in September 2003. Mr. Tennakoon began his career at Ceylinco Insurance (Life) as an accountant in 1992. He gained extensive experience in finance, investment, internal audit, and the implementation of accounting packages during his stint at Ceylinco Life.

## **Mr. Roshan Abeygoonewardena**

(Senior Manager - Operations)

Mr. Abeygoonewardena, 39 years of age, is an Associate Members of the Chartered Institute of Management Accountants (UK) and Institute of Certified Management Accountants of Sri Lanka. He is also a member of the Institute of Certified Professional Managers. He joined CDB in June 2005. He has 19 years of experience in finance including over 15 years of experience in the financial services industry and 3 years of experience in the manufacturing sector.

## **Mrs. Nayanthi Kodagoda**

(Manager –Auto Financing & Credit Operations)

Mrs. Kodagoda, 32 years of age, has been associated with CDB since 1996. She has over 10 years of experience with CDB, including finance, human resources and credit operations.

## **Mr. Maduranga Heenkenda**

(Manager – Channel Development & Sales Strategy)

Mr. Heenkenda, 29 years of age, joined CDB in February 2000. He has extensive experience in the areas of corporate and retail lending and leasing.

## **Mr. Elangovan Karthik**

(Marketing Manager)

Mr. Karthik, 28 years of age, Chartered Marketer, a member of the Chartered Institute of Marketing of the United Kingdom. He holds BSC (Mgt) Degree from the University of Sri-Jayawardanapura and he is reading for a MBA at the Postgraduate Institute of Management. He gained experience in marketing during at M/s STG International (Partnered with Bam Information Technology Ltd). He has been involved in the IT industry for many years. He has over seven years of experience in the field of marketing with extensive progress in branding of products. He joined CDB in July 2004.

**Mr. Nagib Imdaad**

(Manager Information Technology)

Mr. Imdaad is 32 years of age. He is a Software Engineer by profession with almost 10 years of experience in designing, implementing and maintaining software in commercial banks, merchant banks and finance companies. He is a member of the British Computer Society and is currently reading for his Masters in Business Information Systems at the Sri Lanka Institute of Information Technology. He joined CDB in December 2006.

**Mr. Isanka Kotigala**

(Manager Business Development)

Mr. Kotigala is 32 years of age with almost 10 years of experience in sales & marketing in the lubricant & alcoholic beverage industries. Along with work experience & training in leading multinational organisations he has experience as a Sales & Marketing Manager on overseas assignments. He joined CDB in January 2007.

**Mr. Sunil Kandambi**

(Manager – Post Disbursement Follow Up)

Mr. Kandambi, 62 years of age, has 37 years of experience in the Police Department. At the time of retirement he held the rank of Senior Superintendent of Police. He joined CDB in October 2006.

**Mr. Sudath Fernando**

(Manager - Credit/ Leasing)

Mr Fernando, 40 years of age, joined CDB in October 2008. He has over 15 years of experience in the leasing industry including credit evaluation, recoveries, operations, system implementation & marketing. Prior to CDB, he was attached to Merchant Bank of Sri Lanka, Ceylinco Savings Bank and Asset Line Leasing Company Ltd.

# Economic Outlook

The year 2008 was characterised by the global economic downturn, which began with the financial crisis in the United States and Europe. Many countries reported a negative economic performance, increased unemployment, an increase in prices, decreases in external trade and shortages in food supply.

Sri Lanka's economic growth slowed to 6.0% in 2008 from 6.8% a year ago, largely due to the negative performance of the external trade sector, which was impacted by the global recession. In 2008 industry grew by 5.9%, services by 5.6% and agriculture by 7.5%. Per capita Gross Domestic Product (GDP), which is total output per person, rose to US\$ 2,014 from US\$1634 the year before. The services sector expanded at a slower rate of 5.6% as against 7.1% in 2007, accounting for 56.6% percent of GDP growth in 2008, as against 59.5% the year before. Banking and insurance expansion slowed to 6.6% against 8.7%. Sri Lanka is also fighting to end a 3-decade war and increased defence and related expenditure has been a drain on the country's resources. Accordingly, the economic performance of the country must be reviewed with this in mind.

Sri Lanka's growth prospects for the coming year however are expected to pick up, with the ongoing war in its last stages and 2009, the Central Bank predicts, is to be one with new hope and opportunities.

## Financial Markets

The financial system in Sri Lanka continued to be resilient in the face of challenges such as the global financial crisis and economic downturn, higher domestic interest rates and the impact of the failure of some unauthorised finance businesses.

The financial services industry grew at a more moderate pace during the year. On the domestic front, the failure of unauthorised finance businesses had a negative effect on some regulated financial institutions. Larger finance companies were reasonably well capitalised, profitable and resilient in an environment marked by high domestic market interest rates and slower growth. Financial markets were relatively stable in the first three quarters of 2008, but became more volatile in the fourth quarter, primarily due to adverse developments in global markets.

## Snapshot of Sri Lankan Economy

	2008	2007
Mid year population (Mn.)	20.217	20.01
Unemployment	5.2%	6.0%
GDP Current market price(Rs.Bn.)	4,411	3,579
GDP Growth Rate	6.00%	6.80%
Exchange rate Rs./US \$ (annual Average)	108.33	110.62
(Year End)	113.14	108.72
Total Debt as a % of GDP	43.70%	51%
Rate of Inflation (point to point) end period	14.40%	18.80%
National Savings	18.20%	23.80%
<b>Interest Rates</b>		
AWPR	18.5%	17.95%
Treasury Bills 12 Months	19.12%	19.96%
AWDR	11.63%	10.31%
AWFDR	20.25%	20%
Repo	10.50%	10.50%
Reverse Repo	12%	12%
All Share Price Index (ASP)(1985=100)	1503	2541
MKT Capitalisation (Rs.Bn)	488.8	820.7

# Financial Review

Given the challenging macro-economic situation in Sri Lanka and the highly volatile nature of the financial markets in 2008, it is noteworthy that CDB recorded another successful year in the period under review.

The company posted a turnover of Rs. 1,638mn for the year, which is an increase of Rs. 584mn or 55% compared to 2007. The profit of the company stood at Rs. 65mn which is an increase of 33% compared to the previous year.

Considering growth in income, a major contribution was from interest income, which grew by Rs.507mn or 51%. The interest bearing assets showed an increase of Rs. 1,059mn or 23% and lease assets grew by Rs. 952mn or 37% compared to last year. This indicates CDB's intention to penetrate the leasing market and the numbers demonstrate that it has been successful in working towards this goal.

The company has recorded a 63% increase in interest cost of Rs. 421mn. The cost of borrowings increased tremendously over the last 24 months. Although the top line of the Company showed a strong growth, the bottom line of the Company reflects a moderate growth due to the increased borrowing cost arose from high interest rates.

Net interest income at Rs. 404mn was an increase of Rs. 85mn or 27% compared to the year 2007. Also, the interest income to interest expenses ratio was up to 73% in 2008, compared to the 68% in 2007.

The company's borrowing portfolio stood at Rs. 5,436mn as at the end of 2008, which was a Rs. 1,992mn or 43% increase compared to the year before. This supported CDB's aggressive expansion in the market.

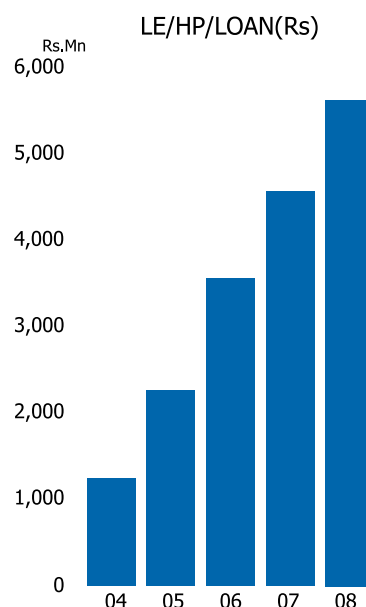
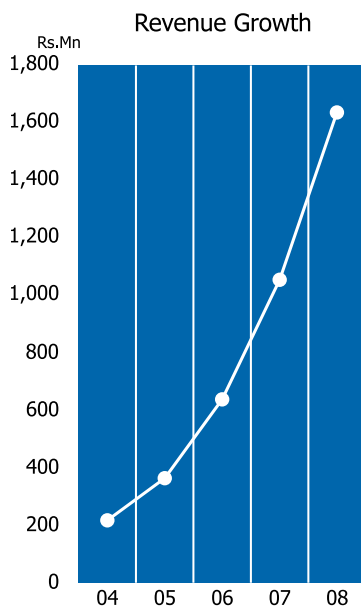
Due to the skyrocketing interest rates, CDB has diverted its attention towards increasing non-interest income, which has been generated through bank assurance and financial consultancy. It has recorded a figure of Rs 142mn which is an increase of Rs. 82mn or 119%. The company intends to improve other income to generate a greater impact on the turnover.

Operational expenses recorded a figure of Rs. 419mn, which is an increase of 42% of Rs. 124 mn. This reflects CDB's aggressive expansion policy, having opened new branches throughout the year 2008.

Overheads to revenue ratio stood at 25% in 2008, which was at 28% in the previous year. The Company is committed to improving operational efficiencies by reducing it to 20% by 2009.

The loan loss provision stood at Rs. 56mn, which reflects an increase of Rs. 28mn compared to the previous year. Due to the prevalent weak macro economic conditions, CDB is focusing on maintaining a healthy collection ratio.

The company has introduced a new approach through managing different slabs by the relevant specialists. Introducing a call center and two teams of specialised people has had a positive impact on managing the collection ratios, with regard to the collection ratio and the Non-Performing Loans (NPL). Strict controls on credit coupled with strong post-disbursement follow up effort, has also enabled CDB to keep collections well above the industry average.





Better Living  
with  
CDB

Vehicle loans and Hire Purchase facilities are popular among CDB's customers, giving people the opportunity to own and use a vehicle either for themselves or for their business, at affordable rates.

**14%** Hire Purchase  
Portfolio



# Management Discussion

## Our Strategic Plan and Business Success Wheel

Our plans are not rigid but rather are flexible, attuned to numerous challenges and the volatility which appears to be the norm of the corporate sector. The plan empowers us to operate with a focused strategy while keeping in mind emerging challenges, yet appropriating these opportunities at the same time. Even though the plans are not inflexible CDB places great emphasis and focus on its financial performance to achieve sustainability in the business. Our strategic planning acts as the roadmap of CDB's operations cycle where both short and long term targets are driven to achieve the milestones we are aiming for.



## Operations Management

Financial services to CDB hinges on the larger dimension of proactive participation between the Company's core activities. These include the Back Operational Office, Information and Communication Technology (ICT), Human Resources (HR), Marketing and Communications where individual talents and skills are synergised towards our core objectives. These synergies are crucial to leveraging an effective and efficient organisation, where each activity is streamlined and linked to each other. This ensures that the cohesiveness and seamlessness of the above components are maintained to achieve operational goals.

## Back Office Operations

Despite external challenges however, the committed back office operations staff work towards achieving the competitive edge in its daily business. Although the modern business

community focuses more on non-financial performance indicators, CDB is very keen on the quality of its back office operations. This is implemented through a sound training mechanism which is adapted according to external environmental changes. We have identified that the strength of the Company's corporate values, its reputation and ability to achieve its objectives are influenced by the effectiveness of the Company's approach to maintain adequate back office governance. It is the above that we deliberately work towards as our target. Accurately communicated Company procedures designed in compliance with regulators are the driving force of the Company operations. It is here where Company values, concerns, and the cultural background act as the main drivers of the back office operations of CDB.

The overall operations cycle, which includes lending and borrowing, all documents, data entry, client evaluations, delivery orders and supply agreements etc. are handled by the back office operations staff. Each staff member is aware that all these procedures are interrelated and finally contribute towards building up a loyal customer of CDB.

## Information and Communication Technology Management

CDB has been proactive in delivering IT solutions to enrich the financial industry. The Company's IT strategy has always been in the direction of evaluating service quality within the financial industry and to enhance the value of our business process. Information and Communication Technology management has been a vital role in the Company's developmental success. This is undertaken in a manner in which we create more value through innovation and new business processes daily. Our systems have added significant value to our Company throughout the years with large investments infused into the Customer Relationship and Data Warehousing projects. The aim of this input is not solely to improve customer service but to also generate business intelligence and strategies to meet challenging future trends.

## Innovation

Innovation is the key to competing effectively in the business environment. Like many successful organisations, CDB has reinvented itself to meet market needs. This has been carried out by producing diversified ranges of investment and lending products, while others continually strive to create new markets. We have realised that continuous improvement is vital and new technology as well as new approaches in the area of decision making will assist the organisation in achieving long-term success.

**Facing Our Challenges**

Risk	Impact	Action	Performance
<p><b>Market performance.</b> The market CDB operates in is very competitive and several innovative products have been introduced to meet varied financial needs.</p>	<p>The long term survival of the Company and achievement of a competitive advantage in the market place.</p>	<p>CDB concentrates on meeting customer expectations. Diversified product ranges for customers have been introduced that are in line with local regulations.</p>	<p>Within a short period of time, CDB has become the fourth largest leasing institution in the country - a phenomenal achievement by an emerging establishment.</p>
<p><b>Meeting Customer Expectations</b> Key factors in building a loyal customer: quality of service, timely delivery, suitability of products for customers and pricing etc. If any of these factors are compromised, it may lead to loss of competitive edge.</p>	<p>A clear focus in each of these areas will assist in spreading the Company's services across the country.</p>	<p>It was identified that more value is delivered when customers are understood. Therefore, the marketing and operational staff were given appropriate training to identify customer concerns. Unique products were then designed based on market requirements.</p>	<p>CDB enjoys a leading position in the market, led by its high standards of operational excellence during the past 13 years.  During the past year the client base increased by 40%.</p>
<p><b>Operational and Technological Advancement</b> Shareholder value is secured through daily operational excellence.  Operational and innovative technological advances are pivotal in achieving the following: Economy, Efficiency and Effectiveness (3E's). Failure to address these may impact shareholder value.</p>	<p>May have a negative effect on shareholder value.</p>	<p>The Company is focused on creating a low-cost working environment by formulating cost management teams and implementing new technological developments.</p>	<p>The CDB's branch network increased with newly established branches in Thissamaharama, Kaduruwela, Galle, Kotahena, Dambulla and Mahara - all of them with advanced facilities.</p>



CDB branch opening in Kaduruwela.



CDB branch opening in Galle.

<b>Risk</b>	<b>Impact</b>	<b>Action</b>	<b>Performance</b>
<p><b>Volatility in the Financial Market</b></p> <p>Macro economical conditions may influence the regular operating cycle of the industry resulting in the creation of trigger points.</p>	<p>Volatility in the financial market could have an impact on short and long term liquidity, which in turn may lead to a reduction in asset quality.</p>	<p>Established adequate procedures on mitigating liquidity risk and identifying maturity mismatches. Maintained receivables by using quality management tools.</p>	<p>CDB used far sighted and fully integrated treasury management methodologies, resulting in achievement of an annual collection ratio of 93%.</p>
<p><b>Loss of Skilled Staff</b></p> <p>The pool of highly skilled people from which we might recruit continues to fall due to the higher employee turnover.</p>	<p>This could result in a decline in the knowledge base of the Company.</p>	<p>There is increased concern for employees both individually and collectively; Measures such as competitive beneficiary packages were introduced.</p>	<p>CDB maintained staff retention ratio of 72% during the past year.</p> <p>Professional development programs were conducted during the year which increased employee morale.</p>
<p><b>Loss of Operators and Technical Support Staff</b></p> <p>Ability to meet customer expectations and maximise margins is largely dependent on the ability to attract and retain operations and technical support staff.</p>	<p>It has been estimated that a fall in retention may considerably impact operating margins.</p>	<p>Each employee underwent an integrated training program to gain a deeper understanding of the Company.</p> <p>Employees were given the freedom to choose their own (work) rotation, in order to increase efficiency.</p>	<p>CDB is working towards achieving a qualitative human resource policy in the industry.</p> <p>The Company has already designed and implemented a qualitative procedure manual which was designed and implemented with the aid of qualified professionals.</p>



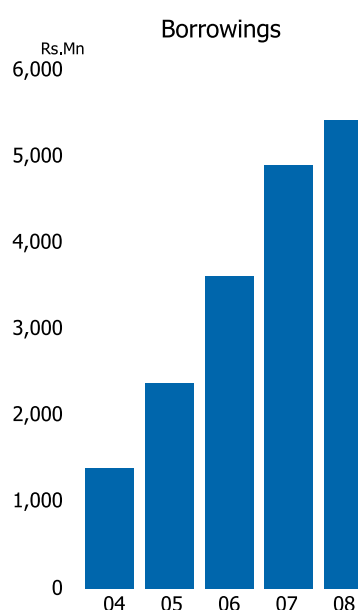
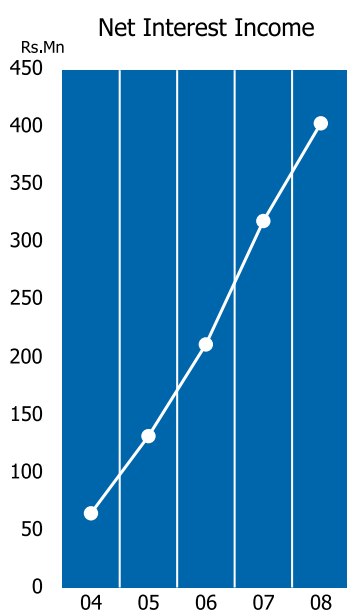
CDB branch opening in Dambulla



Monthly Performance Review Session

**Right Resources and Our Relationships**

Resource/relationship	Requirement	Action in 2008
<b>Our Customers</b>	Customers expect innovation, quality and reliability at competitive prices.	<ul style="list-style-type: none"> <li>• Introduction of investment products as per suitability for different segments.</li> <li>• Initiation of loyalty programs for faithful customers.</li> </ul>
<b>Our Suppliers</b>	The need for quality services, components and reliable delivery at competitive prices.	<ul style="list-style-type: none"> <li>• An integrated logistic management system was established in order to mitigate the delay in supplies.</li> <li>• Carefully implemented payment procedures to avoid supplier complaints.</li> </ul>
<b>Our Employees</b>	The necessity for well trained and motivated staff in order to increase operational efficiency.	<ul style="list-style-type: none"> <li>• Personality development training programs were conducted in the Beliulloya area.</li> <li>• Staff are continuously sent for training programs conducted by various professional institutions.</li> </ul>
<b>Our Service Process</b>	Continuous improvement in service.	<ul style="list-style-type: none"> <li>• Establishment of a call centre to continuously monitor progress in all operations.</li> </ul>
<b>Research and Development</b>	Identifying new market segments around the country to promote entrepreneurial development.	<ul style="list-style-type: none"> <li>• Establishment of a Business Promotional Agent (BPO) unit to target operations in areas those are difficult to reach.</li> </ul>



## Credit and Leasing

Credit and leasing comprises the leading instruments for CDB, while leasing itself remains the main contributor towards the asset growth. According to our financial statements there is a 37% increase in the leasing portfolio. The total portfolio as of 31st December 2008 is Rs. 3.6 Bn. When considering the current business environment and the competition from other financial institutions, it created a great deal of pressure for CDB. However we faced these challenges successfully to become the fourth largest leasing institution in the country. The contribution of the hire-purchase sector remains unchanged at Rs. 791mn. This is a huge achievement given the unstable conditions CDB operated in.

Credit is mainly represented through loans and advances comprising instruments such as housing, business and vehicle loans. Our credit portfolio stood at Rs. 1.3 Bn by the end of 2008, an increase of Rs. 105mn or 9% over last year. Although CDB operates in the context of an exceedingly competitive market, we consistently strive towards enhancing our credibility through a range of diverse and innovative products.

## Asset and Liability Management

The main objective of asset and liability management is to mitigate the liquidity risk of the Company during the current financial market turmoil. Total assets as at 31st December is Rs. 6.8 Bn which is a Rs. 1.4 Bn or a 26% increase over the previous year.

## Funding and Liquidity

As a registered finance leasing institution under the finance leasing act of No.56 of 2000, CDB raises its funds through debt instruments. However from year 2009 onwards CDB has planned to advance its regulatory framework to a Finance Company, which enables it to accept public deposits, which in turn will enhance the funding capabilities of the Company.

CDB's ability to obtain funding as needed to generate receivables is an essential part of our operating model. Some of the key factors which consider funding and liquidity are: meeting essential cash needs, asset liquidity of the company in terms of quality and turnover, and the mix of our funding sources for short and long term needs.

There is a significant increase of 22% in Company borrowings. Fund composition of the Company was affected due to the volatility of the economic conditions in the country.

In a situation of a high interest rate scenario creating immense pressure on the debt security market, meeting the funding requirements of the Company was a commendable achievement. New originations to replenish the run-offs of a portfolio of receivables and roll over of maturing debts.

Fast turning and high quality receivables or finance assets lead to improve liquidity coming from the normal operating cycle in day to day operations of CDB. To meet unforeseen liquidity calls, the company always maintains sufficient excess internal cash flow in conjunction with back-up lines to withstand a temporary crisis, which is natural in the present economic environment. Since CDB is open to the debt market, the funding structure is determined by the history and frequency of issuances, the terms of issuances and the rate carried on the debt and we have identified the importance and the quality of these arrangements in terms of the presence of standards or stringent conditions attached to the financial institutions.

## Asset Quality

Asset quality is a fundamental criteria for the success of any financial institution. Monitoring and evaluation of the quality of the asset portfolio is targeted by the company with several measures:

- Proper evaluation and strict procedures on granting loan facilities exist in order to prevent possible payments lagging in the future
- There is close and continuous monitoring of the facilities granted in order to avoid future risk of defaulting payments and to strengthen the post disbursement follow up division.
- Continuously linking the responsibility of credit and leasing facilities granted within origination of the facilities at individual, officer and branch approval level.

CDB has maintained an accumulative collection ratio of 93% during the year 2008 which shows a nearly 8% increase as opposed to last year. The Non Performing loan ratio (NPL) indicates the facilities that are not performing when compared to the total loan portfolio. CDB has maintained a NPL ratio of 5.5% during the year 2008.

# Marketing and Branding

The communication strategy for 2008 was developed to maintain the ideal mix of corporate image and brand building. This proved to be a winning combination in maximising our communication objectives. Value delivery beyond the promotional dimension was an important focus area, with each campaign launched in a timely manner. It was done to give maximum mileage to top of the mind recall of the corporate brand and the key sub brands.

## Corporate Communication

CDB takes a holistic approach to brand management. This is implemented by linking service quality enhancement and product communication with advertising expenses to deliver a consistent message to customers. An umbrella branding strategy was conceptualised to bring each sub brand under and in the context of the corporate brand.

Within the framework of corporate brand communication more focus was given to getting our customers to interact with our brand. This was achieved in two ways: by further emphasising on interactive media over the traditional and by conducting more event based activities for corporate and brand communication. The use of publicity and PR was heightened to communicate the CDB's CSR initiatives conducted during the year.

# Assessing Customer Satisfaction

Assessing Customer Satisfaction is a thankless task within the service industry which CDB operates in. The customer satisfaction survey is often regarded as the most accurate barometer for predicting and evaluating the accomplishments of a company. In addition, this activity ensures that information on the company's performance as viewed by the public is accumulated. Research indicates that it is five times more profitable to sell to an existing customer than to locate a new one. With this in mind, CDB implemented a customer satisfaction survey in 2008.

It was undertaken in the form of randomly visiting selected customers whilst an external agency conducted a research to rate the customer satisfaction scale point. Questions were structured on service satisfaction and communication in relation to other organisations involved in similar business. The CDB team consisting approximately of 4 - 5 staff directly visited customers and questioned them on key success criteria that a recognised financial institution should possess in order for people to conduct business. Moreover, selected

customers provided invaluable and insightful information which granted CDB an avenue to gain a competitive edge in the market. These enabled CDB to measure and analyse key data with additional precision and consistency. The response received from the survey pointed towards areas where transformation may be executed to enhance customer satisfaction, culminating in overall success.

Covering approximately all the districts where CDB customers are situated, the Assessing Customer Satisfaction concept foregrounded the following: quality and speed of service, pricing and complaints or issues and tracking CDB's position in the minds of the clients.

# Corporate Governance

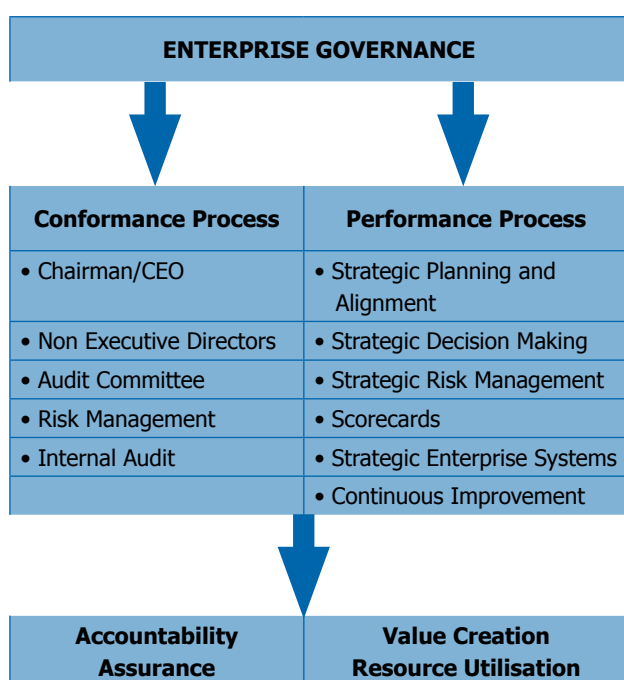
## Enterprise Governance

Enterprise governance is an emerging term which describes a framework covering both the corporate governance and the business governance aspects of an organisation. Achieving good corporate governance that is linked strategically with performance management will enable companies to focus on the key drivers that move their business forward. This is both a challenge and an opportunity.

Enterprise governance is defined as “the set of responsibilities and practices exercised by the board and executive management with the goal of providing strategic direction for the company, ensuring that objectives are achieved, ascertaining that risks are managed appropriately and verifying that the organisation’s resources are used responsibly”.

This holistic definition has several benefits.

- It reflects the dual role of the board of directors in both monitoring and in developing strategy, and acknowledges the inherent short and long term tensions between governance and value creation.
- It emphasises the role of the executive management team.
- It covers the internal workings of the organisation as well as the external aspects.
- It demonstrates the differences in the roles of Chairman and Chief Executive Officer (CEO) and hence the need to keep these roles separate.



CDB has continued to stay committed to maintaining the highest standards of corporate governance in order to ensure integrity, accountability and transparency in all transactions and at the same time ensuring equal importance is given to the performance related aspects to ensure value creation.

## Compliance

The Company is guided by the 'Code of Best Practice on Corporate Governance' laid down by the Institute of Chartered Accounts of Sri Lanka (ICASL). In addition, the requirements of the Companies Act No.7 of 2007 have also been complied with wherever applicable. Details of the extent of compliance with the relevant regulations and best practices are outlined below.

The Board of Directors set the strategic direction of the Company and provides the senior management with the guidance required for creating value through performance. The responsibility of executing the strategies is delegated to the senior management team of the Company. There is a clearly defined organisational structure and lines of authority as well as cross functional teams are formed when required. The progress on strategies is critically reviewed at each Board meeting. Details of performance is covered in detail in the Management Discussion & Analysis on pages 15 to 19.

## Corporate Governance Principles and Level of Compliance

### Board of Directors and Board Committees

#### Composition

The Board of Directors of CDB comprises of 7 Directors of whom 6, including the Chairman, hold office in a Non-Executive capacity.

#### Policy on appointment of directors

The policy on appointment of directors to the Board is defined in the Articles of Association of the Company.

#### Frequency of Board Meetings

The Board meets at least once every month on an agreed date as per the Board Calendar. Additional meetings are convened when deemed necessary. Decisions are also approved and resolutions adopted by circular.

#### Availability of a formal schedule of matters for Board discussion

Board meetings are conducted based on a formal agenda as per the applicable Terms of Reference of the Board and the Articles of Association of the Company, which cover the main functions and responsibilities of the Directors, as set out below:

- (i) Lay down the strategic direction of the company, formulate strategies, and establish goals for the management as well as responsibility for the approval of the Company's business plan.
- (ii) Approval of certain business policies and any material amendments thereto as determined by the Board from time to time.
- (iii) Monitor performance against goals periodically.
- (iv) Approval of the Company's quarterly, interim and final results, interim reports, the annual report, accounts to shareholders and public announcements relating thereto.
- (v) Approval of any significant changes to the Company's accounting policies and practices.
- (vi) Ensure that adequate internal control measures are in place and the highest ethical standards are maintained.
- (vii) Ensure that all key business risks are identified and appropriate control, monitoring and reporting mechanisms are in place

### **Approval of the vision, mission and company plan by the Board**

Company's strategic plan encompassing the vision and Mission of the Company and the strategic and financial plans are duly reviewed and approved by the Board of Directors on an annual basis.

### **Obtaining independent professional advice**

The Board members are permitted to obtain independent professional advice from a third party including the Company's external auditors and lawyers, at the expense of the Company, whenever it is deemed necessary.

### **Company Secretary**

The Company Secretary attends Board meetings, records the minutes of all Board decisions and liaises with the directors on all matters in relation to the Board. The secretary ensures that all Board procedures as per the Board Terms of Reference are followed and applicable rules and regulations are adhered to. She possesses the required qualifications as set out in the Companies Act. Consent of all Board members is required for the removal of the Company Secretary.

### **Independent judgment**

None of the Directors have held executive responsibilities in their capacity as Non- Executive Directors. The Non-Executive

Directors do not have any business interests that could materially interfere with the exercise of their independent judgment. Directors are required to disclose all transactions with the Company, including those of their close family members as required by the relevant Sri Lanka Accounting Standards and the Companies Act, and these requirements have been complied with.

### **Dedication of adequate time and effort for matters of the Board**

The Board members dedicate adequate time for the affairs of the Company by attending Board meetings, Board sub-committee meetings, making decisions and adopting resolutions via circular. Additional meetings and discussions are held with the management whenever the need arises.

### **Training for new directors**

Adequate knowledge sharing opportunities are provided to new and existing members of the Board on Company and industry related matters, on a continuous basis.

### **Chairman and CEO**

#### **Division of responsibilities**

There is a clear separation in the duties of the Chairman and CEO. The Chairman is responsible for the leadership of the Board, the management of Board Meetings and the business undertaken. It is also the duty of the Chairman, together with the Company Secretary, to ensure that all relevant issues are on the Board agenda, that Directors receive all appropriate and timely documentation, are enabled and encouraged to play their full part in relevant discussions and debate. The CEO is responsible for the day-to-day functioning of the Company's operations in accordance with the policies and objectives laid down by the Board. He is also accountable for the achievement of the financial and non – financial objectives agreed annually by the Board and contained within the Company's Business Plan. This ensures the balance of power in strategic and operational decisions.

#### **Financial Acumen**

Availability of sufficient financial acumen and knowledge  
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.



### **Balance of the Board/ Independence of Directors**

All members of the Board possess a considerable depth of knowledge and experience in a variety of commercial and financial services sectors. They provide guidance and practical insights based on their experience and expertise.

### **Supply of Information**

#### **Provision of timely and quality information**

The Directors receive a comprehensive report of all Board papers and any other additional information requested by the members of the Board, well in advance of the meeting. The Chairman ensures that all Directors are properly briefed on issues arising at Board meetings.

### **Appointments to the Board**

#### **Availability of a formal and transparent procedure for new appointments**

In terms of the Company's Articles of Association the directors are appointed by the Shareholders at the Annual General Meeting. The board is entitled to fill the Casual vacancies. In identifying suitable candidates for appointment as Non-Executive Directors, professional qualifications, business experience and personal qualities are taken into consideration.

#### **Disclosure of details of new directors**

The details of new Directors are disclosed to the Board and the relevant regulatory authorities at the time of appointment. New Directors appointed during the year and any other changes are disclosed in the Directors Report in the Annual Report of that year.

### **Re - election of Directors**

At every Annual General Meeting, one-fourth of the Directors retire from office in conformity with the Company's Articles of Association. A retiring Director is eligible for re-appointment by the shareholders.

### **Appraisal of Board performance**

The Board effectively monitors the company's achievements on a quarterly basis in terms of the Company's strategic and financial plans. The matters referred to the Board are those which are consistent with the Board's objectives.

### **Appraisal of CEO**

At the beginning of each year the Board, in consultation with the CEO, sets financial and non-financial targets in line with the Company's objectives, which are to be met by the CEO

during the year. The performance of the CEO is evaluated by the Chairman at the end of each year in order to ascertain whether the agreed targets have been achieved.

### **Directors' remuneration**

#### **Remuneration Policy Procedure**

The remuneration of the directors shall be such a sum as the board shall determine, and such remuneration shall be divided among the directors in such manner as they shall from time to time determine.

### **Relationship with shareholders**

#### **Annual General Meetings**

The Board of Directors of the Company always encourages its shareholders to attend and actively participate in the Annual General Meetings (AGM) of the company. External auditors and lawyers are available at the AGM to answer any queries by shareholders. The Company proposes separate resolutions on each significant issue.

#### **Circulation of Notice of the AGM & the Annual Report**

As required by the Companies Act and the Articles of Association, the Company circulates the Notice of the AGM, summary of the procedures governing voting at the AGM and the Annual Report to the shareholders, 15 working days prior to the AGM.

#### **Disclosure of major transactions / material information**

All material information relating to major transactions and commitments that the company proposes entering into are disclosed in the interim and annual financial statements of the Company in accordance with Sri Lanka Accounting Standards.

### **Accountability and Audit - Financial Reporting Statutory & regulatory reporting**

The annual financial statements, which is the principal tool of communication with shareholders, consists of the Company's financial position and the operating results with comprehensive details far in excess of the statutory & regulatory requirements. This is published & circulated to shareholders within the required time period. The statutory accounts comply with the requirements of the Sri Lanka Accounting Standards and the requirements of the Companies Act.

### **Other reporting**

A copy of the Annual Report is available on our website for the benefit of all stakeholders.

### **Inclusion of a Directors' Report in the Annual Report**

The Directors' Report is given on pages 40 to 42.

### **Inclusion of a statement by Directors on their responsibility in the preparation and presentation of financial statements.**

This statement is included in the Statement of Directors' Responsibility on page 43

### **Inclusion of a Management Discussion and Analysis report in the Annual Report**

The Management Discussion & Analysis Report is given on pages 15 to 19.

### **Declaration by the Board that the business is a going concern.**

This is included in the Directors' Report on page 42

### **Calling of a Board meeting/ EGM if the net assets of the Company are less than half of its Stated Capital and Duty of Directors on Insolvency**

This is a remote risk to the Company.

### **Internal Controls**

#### **Maintaining a sound system of internal controls**

The Company has established a comprehensive framework of policies and procedures, which are regularly reviewed and updated. The Company's Audit and Compliance 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 whistle blowing policy is in place as a measure of managing risks of fraud
- (iv) All major IT systems implemented in the Company are subject to a post-implementation Review (PIR).
- (v) A comprehensive checklist is used for follow up on the status of implementation of all audit recommendations.
- (vi) Periodic Branch Audits are performed on the company's Branch operations.

### **Periodic review and reporting to shareholders on the effectiveness of the internal control systems**

The overall internal control system is subject to regular monitoring by the Company's internal audit function. The number of Audit and Compliance Committee meetings held during the year and the attendance of the members are given in the Directors Report. The Audit and Compliance Committee constantly monitors the standards of internal controls, the quality of the internal audit, corporate risk management and level of compliance.

### **Audit and Auditors**

#### **Availability of an Audit Committee with written terms of reference comprising of at least three Non-Executive Directors**

The Company's Audit & Compliance Committee consists of four members all of whom are Non-Executive Directors. The Committee operates within clearly defined terms of reference. The details of the composition and the duties of the Committee are given on page 25.

#### **Audit Committee Report**

The Audit and Compliance Committee Report is given on page 44.

#### **Ensuring the objectivity and independence of external auditors**

The Company maintains an appropriate relationship with the External Auditors, KPMG Ford Rhodes Thornton & Co., to ensure their objectivity and independence. The payment to External Auditors for Audit and Non Audit services are disclosed in the Directors' Report on page 42 In addition, the Company has an established an internal audit function which operates independently and has direct access to the Audit and Compliance Committee. The External Auditors do not have any relationship (other than that of Auditor) and any interest in the Company or any of its subsidiaries. This function also coordinates activities of the external auditors.

### **Corporate Governance**

#### **Disclosure on adherence to Corporate Governance principles**

The Company is in compliance with most of the provisions of the Code of Best Practice on Corporate Governance laid down by the Institute of Chartered Accountants of Sri Lanka.

### **Compliance**

#### **Regulatory Compliance**

The Company has implemented an effective framework of compliance to ensure all business activities are conducted in accordance with applicable laws, regulations and other statutory requirements.

## **Self-governance initiatives by the Company**

### **Ethical standards**

The Company requires all directors, managers and employees to maintain the highest standards of integrity and honesty in performing their duties. Following are the key measures adopted by the Company to create a strong ethical culture:

- (i) Application of a code of ethics and professional conduct for employees. The key elements of the Code are:
  - fairness, honesty and loyalty
  - awareness and adherence to the relevant laws
  - individual and collective contribution to the well-being of all stakeholders
  - avoiding conduct that is likely to reflect adversely on the Company's image
  - Openness and public disclosure
- (ii) Obtaining sign-off from employees on the Company's Standing Instructions at the time of recruitment

- Review the quality of internal and external audits and ensure the timely implementation of audit recommendations.
- Determine remuneration of external auditors and make recommendations to the Board on the appointment and resignation of the Auditors.
- Review the value of the non-audit services of the external auditors and any matters which may impair their objectivity and independence.
- Assess the effectiveness of the risk management process.
- Review the scope of the audit and the cost effectiveness.

### **Customer feedback management**

As a measure of protecting customers' interests, the Company has a call centre based feedback management system in place, where complaints can be taken up to the level of the CEO.

### **IT Governance**

The Company has implemented adequate controls to ensure that the key information technology risks are covered. Some of these controls include the IT security policy, business continuity plan, IT security sign off, firewalls and use of licensed software. Further the IT risks are periodically reviewed as part of the Business Risk Profile.

### **Board Committees**

Audit & Compliance Committee

Mr. E.T.L. Ranasinghe

Mr. P.A. Jayawardena

Mr. P.N.C. Gomes

Dr. T. Senthilvel

Mrs. A.K. Seneviratne - resigned with effect from 1st April 2009

### **Objectives of the Committee**

- Review and make a recommendations to the Board on the approval of the Annual Report and Accounts for the Company, including summary and interim financial statements and associated press releases.
- Review the standards of internal controls to safeguard Company assets.

# Risk Management

For financial service providers, taking on risk entails assuming a particular responsibility and CDB's core business consists of consciously taking on risk in the context of return driven targets. CDB provides efficient, customized support for its customers by leveraging its expertise in the area of professional risk return management, from advising them on all risk related issues to its wide range of credit and leasing products.

## Risk Management Principals

Risk management is a fixed component in all business processes at CDB. Risk must be identified early, measured in line with best practices and managed and monitored in line with our risk appetite using effective tools. This creates the preconditions under which CDB can achieve highly profitable growth and sustained success.

## The Risk Management Cycle

CDB's risk management cycle comprises the following procedures: risk identification, risk analysis and assessment, executive decision-making and risk management, as well as risk monitoring and communication.

## Risk Identification

Risk identification aims to recognize newly emerging risk or changes to existing risks, at an early stage. For example, CDB appropriately identifies risks associated with the penetration of new markets and new product launches and integrates them into existing business plans.

## Risk Analysis and Assessment

All risks identified are continuously quantified, analysed and assessed using suitable methods and on the basis of systematic data collection and successive updates. The risk capital requirements, which are established for all quantifiable loss exposures and are used to cover unexpected losses, are the core elements here. Both the methodology used and the risk position taken are regularly verified and tested for plausibility using sensitive analysis and other methods. CDB's risk standards ensure a consistent approach to risk modeling, performance measurement and the use of relevant risk parameters in the calculations.

## Executive Decision Making and Risk Management

CDB's risk management functions lay down suitable strategies and concepts that track both conscious assumption of risk and implementation of management measures designed to ensure the minimisation and diversification of all risks that have been identified and analysed. Risk limitation ensures that the risk actually taken on is compatible at all times with CDB's risk strategy and risk-bearing capacity.

## Risk Monitoring and Communication

The actual limit utilization is established by comparing the risks taken on with the specified limits, and is continuously monitored. Regular portfolio analysis is performed to ensure early identification of overarching trends. The outcome of the risk monitoring process and the actions recommended as a result are reported to senior management continuously, in a full and in timely manner. This enables decision-makers to manage risk proactively. External risk communication takes into account the interest of the CDB's shareholder, its stakeholders and regulatory authorities.

## Risk Principals

CDB's risk management and risk controls have been based on the following key risk principals: The Board of Directors and Senior Management lay down the risk strategy for CDB and is responsible for its implementation. The risk limitation process, which is based on a comprehensive study of appropriate risk capture and evaluation, covers quantifiable risks across all business units and ensures that they are monitored continuously. In the process, we avoid risk concentrations and limit potential losses.

Unquantifiable risks are managed using qualitative specifications. Risk associated with new business units and new products are examined using specific risk processes.

The risk limitation process is closely linked to CDB-wide management processes such as strategic planning and performance measurement. It is the starting point for the limitation and allocation of risk capital to the divisions and the business units within them. Risks are reported to the responsible senior management levels in a comprehensive, unrestricted and timely manner.

Appropriate and effective controls exist for all key processes that entail risks. The organisational risk structure and the functions and powers of the employees, committees and departments involved in the risk process are clearly and unambiguously defined and cover the risk taken on. Risk management and monitoring is supported by information systems that supply comprehensive, timely and consistent risk information.

All units ensure timely business continuity even in emergencies using tested, documented plans. These key principals are laid down in the CDB risk guidelines. The guidelines cover the implementation of internal and other legal requirements and lays down the risk management practices within CDB. It is supplemented by specific guidelines for measuring and monitoring individual risk types. All principals and guidelines are reviewed regularly and

updated in line with internal and external developments. The guidelines are made available to all employees on CDB 's intranet.

## **Risk Categorisation**

### **Credit Risk**

The Company has realised the importance of a credit risk management framework since it has a direct impact upon the sound growth of the company and on increasing profitability in order to satisfy the stakeholders of the Company. The credit risk management framework is defined by the top management and the values and concerns of the Company's vision is being continuously defined by the credit management policies and principals.

Qualitative decisions on mitigating credit risk are made by considering industrial behavior patterns and new market developments, in order to have proactive and transformational credit management policies and procedures that help achieve organisational sustainability. The compliance and monitoring processes of the framework are key factors in the effectiveness of the process. The Company's credit portfolio is regularly reviewed to enhance value, which leads to quality decision making. Delegated authority limits, credit committee reviews, system controls, group exposure limits, sartorial exposure and segregation of duties are the key credit control mechanisms, which strengthen the framework.

Different business units and departments of the Company play a major role in managing the overall framework with delegated responsibilities which are continuously directed and monitored by the top management. The reason for this is that the Company believes each unit has a responsibility towards managing this risk category. By categorisation of the credit facilities, there is individual attention in this area and the more focused approach helps avoid riskier operations being undertaken in the future. Proper evaluations are carried out before disbursements are made and the repayment ability of customers is monitored under clear-cut authoritative procedure. This process is also concerned with security based lending every time and ensures that all major business credit decisions are in order to prevent future risks of defaulting.

The Company places great emphasis on continuous follow up with regards to the credit base of the company. We also identified the importance of the post disbursement follow-up department, which is staffed with committed officers throughout the branch network. The Company believes in giving our customers individual attention which is also important in controlling future risks. All the operational

procedures of the Company are under the direct review of the CEO. Credit risk policy and management is executed through the CEO who has dedicated areas within the overview of the risk management framework and is assessed by the internal audit division of the Company.

### **Liquidity risk**

Liquidity risk is defined as cash outflow exceeding cash inflows in a given period and under certain conditions. The treasury function is identified as the key operation in managing liquidity risk. This is where Company always maintains sufficient funds in order to meet present and future fund requirements without any delays.

Maintaining the proper balance between assets and liabilities, proper governance of portfolio maturity management systems with continuous follow up and better cash flow modeling are very important factors in managing liquidity risks. Both a short term and long term economic crisis could impact upon liquidity risks. We carried out a continuous review of assets and a maturity analysis was done in order to secure stakeholder interest.

### **Operational risk**

Each business unit has its own operational procedures and are individually responsible for identification, analysis, assessment and treatment of operational risks on a day-to-day basis with proper hierarchical reporting to the managers and headed by CEO. Significant issues are reported to the Board for further references. There is much emphasis on pro-active controls in order to reduce frauds, forgery, breakdown in the availability or integrity of the Company's services, breakdowns in system operations, failure to comply with regulatory procedures, human errors, natural disasters, fraud and other malicious acts.

Continuous operation of the Company is of utmost importance and has been recognised as the objective of the Operational Risk Management Framework and in this regard, the whole branch network is continuously monitored. The Company's risk management committee provides the policy framework, measurement, monitoring and reporting as well as leadership in areas such as technology risk and payment risk. The Board and risk management committee conduct effective monitoring and oversight.

### **Interest rate risks**

With the aim of generating net interest income over time, the Company uses simulation models to quantify the potential impact of interest rate changes on earnings and the value of the balance sheet. Interest rate risk management focuses on two principal sources of risk: mismatches between the

## Risk Management Contd.

reprising dates of interest bearing assets and liabilities and the investment of capital and other non-interest bearing liabilities in interest bearing assets.

### **Market Risks**

The financial market that CDB operates in is ever changing and volatile. Different types of limits on business operations are being introduced in order to prevent future market risks. Also, different types of product ranges were introduced in order to go ahead with the market changes.

### **Compliance**

For the continuity of the business given the current economic conditions of the country and to meet both internal and external requirements, comprehensive regulatory compliances are necessary. In addition, compliance is considered a discrete function within risk management and the Business Unit Compliance team works in conjunction with other risk management areas to provide compliance infrastructure and a framework that facilitates planning, reporting and management of new and changing business obligations and processes.

CDB is concerned with maintaining its reputation as a continuously growing and developing company. As a financial institution, CDB's obligations towards its stakeholders are directly governed by the Central Bank of Sri Lanka.

The Company's Risk management Division provides the policy framework, measurement, monitoring and reporting, as well as leadership in areas such as anti- money laundering procedures and matters of prudential compliance. The Company's Risk Management committee together with the CEO manages this area assisted by the internal audit function.

“

As a financial institution, CDB's obligations towards its stakeholders are directly governed by the Central Bank of Sri Lanka.

”

# Corporate Social Responsibility Review

## OUR APPROACH TO CSR

At Citizens Development Business Finance Ltd (CDB), corporate social responsibility (CSR) is not a mere philanthropic gesture or add-on to our business. It is an integral part of our core business. Our CSR management reflects the way we manage our business and how we look after our valuable stakeholders.

Our approach to CSR is to:

Engage with stakeholders to understand their expectations

Respond to stakeholders with our evolving CSR targets and programs

Keep our stakeholders informed of our progress

### Understanding our stakeholders and their priorities

We recognise that as our business evolves, new CSR challenges emerge. Through extensive stakeholder engagement, we identify the issues most material to our business and shape our strategy accordingly.

### Responding to stakeholders' expectations

By listening to stakeholders and responding to their concerns, we have made significant progress in our CSR program.

### Reporting our progress back to stakeholders

#### Our values

Our values describe the way employees of CDB are expected to behave within the business and the qualities CDB upholds:

**Passion for customers:** Our customers have chosen to trust us. In return, we must strive to anticipate and understand their needs and delight them with our service.

**Passion for our people:** Outstanding people working together make CDB exceptionally successful.

**Passion for results:** We are action-oriented and driven by a desire to be the best.

**Passion for people around us:** We will help the people of the country to lead fuller lives – both through the services we provide and through the impact we have on the people around us.



CDB corporate social responsibility (CSR) is not a mere philanthropic gesture or add-on to our business. It is an integral part of our core business.



## OUR CSR STRATEGY

Our business strategy and our CSR strategy are inseparable. Meeting society's needs creates enormous opportunities to grow our business.

Expanding our business in challenging markets such as leasing, funding as well as micro finance is based on collecting the excess liquidity from the urban sector and investing those funds in rural areas.

Our vision for 2012 is to be one of the most trusted Companies in the markets where we operate. Our five year CSR strategy – developed in 2007 and continually evolving – is designed to help us realise this vision.

It has established clear priorities to:

Promote, establish, expand or modernise the industrial, agricultural and commercial sectors and contribute to other development activities of Sri Lanka.

Deliver progress against stakeholder expectations on the key areas of a safe and responsible life experience and sustainable products and services.

Ensure our operating standards are of a consistent and appropriate level across the whole branch network.

## Corporate Social Responsibility Review Contd.

This strategy is based on our assessment of the key CSR-related opportunities and risks for our business. These are prioritised through our issues management and risk assessment processes.

### Identifying key sustainability issues

The managers and divisional heads meet on a weekly basis and considerable time is allocated to discuss sustainability issues. The results are reported to the senior management through various mechanisms, for example through monthly presentation to the Board. By formalising this process, we can better understand global and local social trends and anticipate emerging issues as far as possible.

Our internal audit control questionnaire includes a range of CSR questions. It is completed by all our branches once a year and signed off by branch managers. The questionnaire is part of our formal risk identification procedure. The results are reported to the CDB Board of Directors.

### Managing opportunities and risks

The main objective and focus of our CSR programme is regularly reviewed to reflect the changing business climate and CSR agenda, and to ensure we continue to address the issues that are material to our business.

Monitoring emerging CSR issues helps us identify future risks and opportunities for our business. We track CSR issues in media and engage with stakeholders in society through a variety of formal and informal ways.

### Creating a culture of social responsibility

CDB employs approximately 450 staff. Our challenge is to ensure every one of our people understands and subscribes to our corporate values to ensure consistent implementation of our CSR strategy. Internal communication and awareness is vital to achieve this goal.

We believe that CSR issues are most effectively managed as part of our core business processes rather than as a separate 'add-on'. CSR is therefore managed within the mainstream management systems and responsibility is allocated to operational line managers wherever possible.

### Internal communication & awareness

Our CSR performance depends on our employees understanding the issues so that they can take responsibility for implementing CSR policies. It is also important that employees can communicate CSR issues to customers and other stakeholders effectively.

Maintaining awareness of CSR requires regular communications activity. We intend to make sure that everyone, everywhere, receives CSR messages and has access to CSR information that is relevant and appropriate.

Our key CSR communication activities include:

Special features in each issue of our monthly email newsletter, online updates via the intranet on issues such as: energy efficiency, regular contributions towards environmental and social events.

Issue	Opportunities	Risks
Extending access to financial services	Extending access to financial services offers enormous opportunities to expand our business in emerging markets. Our increased product portfolio is designed specifically for people who had little or no access to financial facilities previously. Increasing accessibility for people who have little knowledge about financial services also provides an opportunity to increase our customer base.	Awareness of potential new challenges is essential when entering new markets and developing new services, to avoid reputational risk.  Extending access to facilitate financial access in emerging markets also raises issues of how to achieve this in a sustainable way.
Responsibility to our customers	Responsibility to our customers is essential to maintain their trust and for the long-term success of our business. We match customers' needs with our wide range of products and this gives us a competitive edge.	Responsible marketing and the protection of customer privacy are essential to avoid risks to our reputation.
Ethics in our business and our supply chain	Strong business principles and effective management of ethical issues in our supply chain enhance our reputation.	Any unethical conduct by our employees or within our supply chain poses a serious risk to the reputation of our business.



## Group Committees and teams focusing on key CSR issues

Topic	Function	Chaired by:
Combined Content Standards & Privacy	Protect the privacy of our customers including data protection, confidentiality, preventing unsolicited communication and intrusive surveillance	Imdaad Naguib – Manager – IT, Damith Thennakoon – Senior Manager-Finance
Health Safety and Wellbeing	Ensure that we properly safeguard those who work for us and those who may be affected by our operations	Roshan Abeygoonewardene - Senior Manager – Operation
Social Investment Committee	Oversee the social investment fund to develop products and services that benefit society	Karthik Ilangavan – Marketing Manager, Ranganath Abeykoon-Head of Internal Audit
Business ethics	Develop and communicate a framework that promotes ethical behaviour at all levels	Roshan Abeygoonewardene - Senior Manager – Operation/HR
Customer Promise	Provide a positive customer experience by protecting our customers	Maduranga Heenkenda- Manager Sales Strategy & Channel Development
Energy	Reduce energy consumption and pollution	Maresh Nanayakkara – GM/CEO
CSR in our Supply Chain	Work with suppliers to address CSR issues in the supply chain	Sasindra Munasinghe– Senior Manager, leasing/credit, Sudath Fernando – Manager, leasing / credit.

### Our Business Policies and CSR

Our policies help to ensure that our business principles in relation to social responsibility are put into practice in our day-to-day business activities. Here we provide a list of our policies and a brief summary of each one.

#### Social investment policy

CDB's commitment to the community flows from our core values and principles. To us, social investment is not an add-on to business activities; it is at the heart of how we engage with the communities in which our customers, employees, investors and suppliers live.

#### More than just financial contributions

Our social investment will be targeted at creative research and programmes that can help to provide replicable solutions to some of the most pressing problems in the society around us. We will use the full range of resources available to us, including the skills of our people, our technology and our services, to ensure that our social investments have the greatest possible impact.

### Based on our areas of expertise

CDB will seek to complement the work of governments and other bodies in the various areas in which we do business. We believe that our contributions will have the most effect when they are focused on areas directly related to the impact of our business on society.

#### Promoting sustainable business practices and environmental protection

We want to help protect the natural environment in which we operate and will support programmes that use technology to help solve environmental problems.

#### Supporting the personal efforts of our employees

We believe that our employees are our strongest link and we wish to support their voluntary efforts to improve their lives.

### **Dedicated to continuous improvement**

We are committed to accurate measurement and reporting of the value of social investment, the benefits it generates for communities and the company and its longer-term effectiveness in meeting community needs. We will consult our stakeholders and community partners on how we can improve our social investment performance. CDB will encourage suppliers to develop appropriate programmes for social investment. We will regularly rethink and adapt our approach as we aspire to be at the leading edge of corporate social investment.

### **Equal opportunities policy**

CDB does not condone unfair treatment of any kind and employees are required to act honestly, with integrity and with respect for their colleagues and customers.

Diversity within the workforce is an asset. Each employee has a unique and individual contribution to make to the success of the business and each division will put in place policies and procedures to ensure that all decisions about the appointment, treatment and advancement of employees are based on merit.

The Company will implement procedures so that employees, who believe they have suffered unfair treatment at work, will have their concerns investigated promptly and objectively.

### **Fraud management policy**

It is the policy of CDB to ensure that appropriate controls are in place to prevent, detect and report fraud in a proper way. CDB maintains a zero tolerance policy towards fraud and we require our customers, employees and suppliers to report any instances of fraud they may discover.

The Head – Risk Management Division is responsible for implementing and maintaining appropriate formal procedures to properly manage fraud.

### **Duty to report policy**

It is the policy of CDB to ensure that all CDB employees, including contracted staff and suppliers, act with honesty, integrity and fairness. It is the obligation of all employees, including contracted staff and suppliers, to disclose any activity or suspected activity which is in breach of this, in accordance with the disclosure procedures set out in this policy and associated guidance procedures.

The HR Manager is responsible for the implementation of this policy and associated guidance procedures.

### **Legal advice and reporting policy**

It is the policy of the Board of CDB to ensure that the Company and its subsidiaries comply with the relevant laws, are properly protected from potential legal liabilities and that legal advice is obtained in an efficient and cost-effective fashion. There is clear guidance for areas where the knowledge and experience of the Legal Department must be used as well as the procedure to be used for this. This responsibility rests with the Legal department of CDB.



Children Receiving Gifts from CDB Santa (Sri Dhammadassi Lama Niwasaya - Meerigama)



Well being of the CDB Staff - CDB Sports Day

### Anti Money-laundering policy

It is the policy of the Board of CDB to ensure that appropriate controls are in place to detect any form of money laundering relating to the proceeds of any crime and the financing of terrorism. All reference to anti money laundering includes counter-terrorist funding.

### Corporate hospitality policy

It is the policy of the Board of CDB to set clear boundaries for accepting as well as providing gifts, entertainment or any other form of reward in relation to third parties. Company functions should have a process in place for recording attendance at events. This process should be documented and visible.

### Investors

We meet with investors regularly through group conferences and one-to-one meetings. These meetings allow us to understand the concerns of investors about CSR risks and help us identify potential future issues. We also learn what information investors want and have the opportunity to explain our strategy for managing CSR.

### Guidelines for compliance reporting

#### We measure the number of enforcement notices upheld

The number of enforcement notices upheld are measured against each operating business function by the regulatory body. An enforcement notice is a document which, by force of law, requires the operating business function to undertake an action to address a particular legal/tax/compliance matter. We record the level of any fines imposed and incidents which are being appealed against, or have been postponed.

### Independent Assurance

We believe that independent assurance of our CSR reporting helps to improve credibility externally and make our reporting systems more robust internally.

Assurance has enabled us to develop a more structured way of identifying and managing the priority issues and responding to stakeholders appropriately. The need for objective criteria has helped us to be more rigorous in selecting the issues to report on, how we report progress against our own targets and how claims are made.

### Taxation

We believe it is important to state clearly and precisely our views on taxation in the context of corporate responsibility. We believe our obligation is to pay the amount of tax legally due and to observe all applicable rules and regulations in all of the provinces in which we operate. Within this agreed obligation, we have a responsibility to our shareholders to legally minimise and control our tax costs. We accept that some may not share this view and believe that transparency regarding our position on this point is the best policy.

### Code of conduct

CDB is committed to acting with integrity and transparency in all tax matters. We operate within a clearly defined Tax Code of Conduct which sets out the principles, responsibilities, conduct and approach to working relationships of all tax professionals working in (and with) CDB. We expect our employees and advisors to behave with integrity and maintain the highest professional and ethical standards in line with our Code of Conduct. CDB does not condone tax evasion (using illegal means to reduce taxes payable) in any circumstances.



"Sisudiri" Scholarship Winners



CDB Technology Center - Sangamitha Balika Vidyalaya - Gampaha

**Cash value added**

We contribute indirectly to economies in less developed areas through provision of financial assistance to individual entrepreneurs.

**Our Social Impact**

We want to improve the quality of life in communities around the country, particularly in the areas where we operate. We focus our contributions in areas directly related to the impact of our business on society.

Our Social Investment Policy identifies the following priorities:

Reaching the excluded with the benefits of financial assistance to start/develop SME's.

Promoting sustainable business practices.

Supporting the personal involvement of our employees in their local communities.

“  
Total CSR Projects  
include  
- CDB Technology  
Center  
- CDB “Sisudiri”  
scholarships  
”



Children Dancing at "Ape Lamai" Lama Niwasaya - Meerigama



Children's Day at "Sri Dammadassi Lama Niwasaya" - Ambepussa

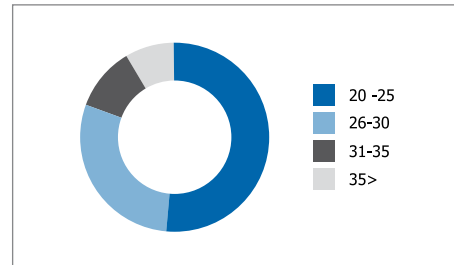
# Human Resources

The approach of CDB in developing its human resources is to create a dynamic and innovative workforce. The company's dynamic and youthful team of employees is the key to its continued success in adapting to the rapidly changing and competitive environment. CDB is an equal opportunity employer and has endeavoured to foster employee diversity at all levels of the work place. CDB follows an 'Internal First' approach in providing career progression and development opportunities to its staff.

We believe that the employees within the organisation have bought into our vision and values and therefore fully comprehend the responsibilities and obligations of what it is to be a CDB member, aligned to our ambitious plans and aware of their contribution to fulfilling that journey.

CDB implements an efficient recruitment and selection process to ensure that people with the right skills, knowledge and attitude are recruited. New trainee operation assistants hired, will undergo a three month training period, which includes class room, on the job and computer based learning. At the end of the training period, all new employees face a test and an interview with the respective division heads in order to assess the technical knowledge gained.

During the year, staff strength grew by 35% with most of the new additions in the areas of sales, with 59% of the staff having joined in the past two years. Staff retention stood at 72% and the average age of employees in 2008 was 26 years. In December 2007, a brainstorming session



Age Analysis for the year 2009

was carried out to develop a plan and set targets for the company's human resource development. The plan was themed 'Together we can do anything' and was promoted among staff internally with a launch event.

Every staff member was given targets expected from them for the year 2008 and these targets were evaluated on a monthly basis and strategic decisions taken to address any negative variations. In December 2008 an annual performance evaluation was carried out for each employee and rewards and recognition determined. These appraisals also served to identify development and training needs.

## Training and Development

CDB invests continuously in its people with a view to enhancing their capacity and capability to grow with the business. Staff at all levels are given the opportunity to participate in training programmes, both local and foreign. An outdoor training program was formulated with the Academy of Adventure, which was the biggest training event of the

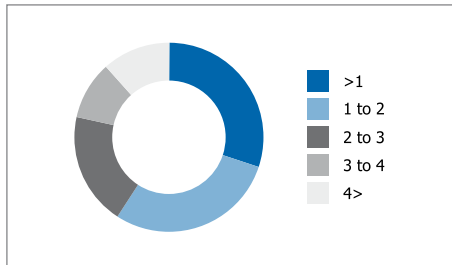


2008 Them Launch "Together We Can Do Anything"



Team CDB at OBT Training - Academy of Adventure - Belehuloya

## Human Resources Contd.



Service Analysis as at Dec 2009

year. The entire staff participated in batches of six. Total of 40 internal and external programmes were conducted during the year under review, with an average training of 52 man days per employees conducted this year. Based on developmental and business requirements, internal programmes included functional and technical training programmes, while external programmes were selected to enhance further skills and were provided by premier training institutions.

### Career Guidance & Counselling

During the year a career guidance session was designed and implemented by an HR consultant. Employees were selected for the session by the Management or on the recommendation of the respective division or branch head. One on one discussions are held with the employee and progress is monitored periodically. In this process confidentiality is strictly maintained by the resource person.

### HRIS Solution

CDB invested in an automated Human Resource Information System (HRIS) in the year under review to meet the growth of the company. This enabled the maintenance of employee personal profiles, which will handle speedy employment letter generation, updating of records and an employee self service module. Further HRIS includes attendance capturing via a bio matrix finger scanner, a leave administration module and a payroll module. Another main module of the HRIS is the Performance Management System (PMS), which includes target setting, a competency assessment, and employee development plans. The PMS is integrated into other HR processes with a view to establishing a process that holds the heads of each division and the branches accountable for the achievement of business outcomes. CDB hopes to develop its Performance Management System in the coming year.

### Code of Ethics

The standards of ethical conduct that CDB expects from its employees are set out in CDB's Corporate Values. We believe that the corporate values address the standards necessary to comprise a code of ethics.

The corporate values are applicable to all our employees, including the Chief Executive Officer and other senior officers. All employees are accountable for their adherence to the corporate values and suspected violations of code may be reported in accordance with CDB's employee whistle-blowing policy. This policy provides employees with clear and accessible channels for reporting suspected malpractice, including a direct channel to the Internal Audit.



CDB Annual Awards day



CDB Annual Awards day

Every staff member is given the employee hand book and a book on the Code of Ethics and Professional Conduct, which helps staff obtain general information of the company and as a guide to its terms, conditions and code of conduct of employment, welfare services and other regulations that may affect employee. Employees were also comprehensively briefed on these guidelines and standards at their respective induction programs.

### Rewards and Recognition

CDB improved on its high standards of compliance in human resources management and development. The CDB's working conditions, rewards and remuneration are on par or above local industry norms. In addition to the regular remuneration and benefits, CDB provides a significant annual bonus, a comprehensive health and medical scheme, staff loans, life insurance cover, reimbursement of examination fees and professional membership fees and duty leave for examinations.

“  
The plan was theme  
'Together we can do  
anything' and was  
promoted among  
staff internally with  
a launch event.  
”



CDB Year end Get-together at Pegasus Reef Hotel - Wattala



CDB year end Get-together



Management Report – CDB services are available across the island through 30 branches, 5 mobile units and a call centre with well trained staff, enhancing customer convenience and accessibility.

30

Branches

05

Mobile Units



# Financial Statements



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# Report of the Directors

The details set out herein provide the information required by the Companies Act No.7 of 2007, and are guided by recommended best accounting practices.

## General

The Directors have pleasure in presenting to the members their report together with the audited Financial Statements for the year ended December 31, 2008 of Ceylinco Development Bank Limited (Now known as Citizens Development Business Finance Limited); a public limited liability company incorporated in Sri Lanka on 7th September 1995, a registered finance company under the Finance Companies Act No. 78 of 1988, registered under Finance Leasing Act No. 56 of 2000.

## Change of Name and Registered Office

The name of the company was changed to Citizens Development Business Finance Ltd and the registered office of the Company was changed to No 18, Sri Sangaraja Mawatha, Colombo 10.

## Principal Activities

The principal activities of the company comprised of leasing, hire purchase, loans, operating leases, pawn broking investment and other financial services.

## Financial Statements

The Financial Statements of the Group and the Company are given on pages 46 to 63 of the Annual Report.

## Auditors' Report

The Auditors' Report on the Financial Statements given on page 45 of the Annual Report.

## Significant Accounting Policies

Significant Accounting Policies adopted in the preparation of Financial Statements are given on pages 50 to 52 of the Annual Report.

## Interests Register

The Interests Register is maintained by the Company, as per the Companies Act No.07 of 2007. All Directors have made declarations as provided for in Section 192 (2) of the Companies Act No.07 of 2007. The related entries were made in the Interests Register during the year under review. The share ownership of Directors is indicated on page 42 of this report.

## Transaction with related parties

The Directors of the Company have made the general disclosures provided for in Section 192(2) of the Companies Act No.07 of 2007. Note 27 to the Financial Statements dealing with related party disclosures includes the details of their interests in transactions.

## Directors' Remuneration

Directors' remuneration of the Company for the financial year ended March 31, 2008 is given in Note 6 to the financial statements.

## Corporate Donations

During the year, the Company made donations amounting to Rs.2.3 Million (2007 Rs. 0.3 Million).

## Internal Controls

The Board has instituted an effective and comprehensive system of Internal Controls covering financial operations, compliance control and risk management required to carry on the business of the Company in an orderly manner, safeguard its assets and secure as far as possible the accuracy and reliability of the records.

## Corporate Governance

The extent to which the Company has complied with the Corporate Governance requirements is given on pages 21 to 25 of the Annual Report.

## Directors' Responsibility for Financial Reporting

Directors' responsibility for financial reporting is detailed on page 43.

## Board Sub Committees

The Board of Directors of the Company has formed the following sub committees;

### Audit Committee

Mr. E.T.L.Ranasinghe (Chairman)

Mr. P.A. Jayawardene

Mrs. A.K.Senevirathne resigned with effect from 1st April 2009.

Mr. P. N. C. Gomes

Dr. T Senthilverl

Mr P N C Gomes and Dr T Senthilverl was appointed to the Audit Committee on 30th April 2009 and Mr P N C Gomes was appointed as Chairman of the Audit Committee with effect from the said date.

The report of the Audit Committee is given on page 44 of the Annual Report.

## Review of Business

A review of the Company's operations during the year, with comments on the financial results and future developments is contained in the Chief Executive Officer's Report on pages 7 to 8 and the Management Discussion and Analysis on pages 15 to 19 of the Annual Report, which form an integral part of the Directors' Report.

## Income

The income of the company during the year was Rs. 1638 Mn (2007 - Rs. 1,054 Mn), an analysis of which is given in Note 3 & 4 to the Financial Statements.

## Profit

	2008 Rs.'000	2007 Rs.'000
Profit for the year before income tax	71,237	49,484
Provision for taxation	(5,948)	(157)
Profit after taxation	65,289	49,327
Profit/(loss) brought forward from previous year	(46,084)	(95,678)
Profit available for appropriation	19,205	(46,351)
Appropriations		
Transfer to reserve fund	(4,000)	(2,500)
Inappropriate profit to be carried forward	15,205	(48,851)

## Property, Plant and Equipment

Capital expenditure on property, plant and equipment amounted to Rs. 87 Million (2007 - Rs. 40 Million) details of which are given in Note 18 to the Financial Statements.

## Reserve Fund

The total Reserves as at 31st December 2008 amounted to Rs. 6.5 Million (31st December 2007 - Rs. 2.5 Million) details of which are given in Notes 24 of the Financial Statements.

## Stated Capital

In compliance with the Companies Act No.07 of 2007, the Financial Statements reflects the stated capital of the Company. The stated capital of the Company consisting of 39,685,048 ordinary shares amounts to Rs. 396.85 Million.

## Major Shareholders

The twenty largest shareholders of the Company as at 31st December 2008 are given on page 63.

The Company issued 23,394,300 Ordinary Shares during the year under review.

## Debentures

The Company has issued Unquoted Unsecured Subordinated 2 year Debentures of Rs. 100/- for the purpose of raising medium term funds to expand the Company's Credit and leasing portfolios. Summarised details of the issue are as follows.

## Date of Issue

## No of Debentures

7th January 2008	119,320
21st January 2008	218,487
7th February 2008	438,790

## Directorate

### List of Directors

The Board of Ceylinco Development Bank Limited (Now Know as Citizens Development Business Finance Limited) consists of Seven Directors with wide financial and commercial knowledge and experience. The qualifications and experience of the Directors are given on pages 9 of the Annual Report. The following were the Directors of the Company as at the end of the year:

Mr. R. Renganathen (Chairman)  
Mr. E.T.L.Ranasinghe  
Mrs. A.K. Senevirathne  
Dr. T. Senthilverl  
Mr. P.A. Jayawardena  
Mr. C.M.Nanayakkara  
Mr A D Jegasothe  
Ms M Sabaratnam  
Mr K A S Jayatissa  
Mrs P K Karunanayake

## Resignations/New Appointments

The following Directors resigned from the Board of Directors of the Company

	Effective date
Desh Dr J L B Kotelawala	- 18th December 2008
Mrs S P C Kotelawala	- 31st October 2008
Mr A D Jegasothe	- 2nd January 2009
Mrs P K Karunanayake	- 26th January 2009
Mr K A S Jayatissa	- 6th February 2009
Ms M Sabaratnam	- 3rd March 2009
Mrs A K Seneviratne	- 1st April 2009

The following directors were appointed to the Board as Independent Directors.

	Effective date
Mr P N C Gomes	- 19th March 2009
Mr H P G V Gunawardena	- 17th April 2009

Mr R Renganathan was appointed the Chairman of the Company with effect from 18th December 2008.

## Report of the Directors Contd.

### Retirements of Directors By Rotation

In terms of regulation 86(a) of the Company's Articles of Association, Mr P N C Gomes and Mr H P G V Gunewardena retires at the forthcoming Annual General Meeting and being eligible offers themselves for re-election.

In terms of Regulation 94(a) of the Company's Articles of Association Mr E T L Ranasinghe retires by rotation and being eligible offers himself for re-election.

### Directors' Interests in Shares

The shareholdings of the Directors together with their spouses at the beginning and at the end of the year were as follows:

	<b>31st December 2008</b>	<b>31st December 2007</b>
Mr. R. Renganathan	Nil	Nil
Mr. E.T.L.Ranasinghe	1,000	1,000
Dr. T. Senthilvel	500,000	500,000
Mr. P.A. Jayawardena	10,000	Nil
Mr. C.M.Nanayakkara	1,000	1,000
Mr P N C Gomes	Nil	Nil
Mr H P G V Gunawardena	Nil	Nil

### Spouses

Mrs J. M. A. M. N. Nanayakkara	50,000	Nil
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Directors' shareholdings have not changed subsequent to the date of the balance sheet date up to 15th May, which is one month prior to the date of Notice of Meeting.

### Transactions with related Parties

The Directors have no direct or indirect interest in contracts other than those disclosed under the Note 27 to the Financial Statements

### Directors' Responsibility for Financial Reporting

The Directors are responsible for the preparation of Financial Statements of the Company to reflect a true and fair view of the state of its affairs. The Directors are of the view that these Financial Statements have been prepared in conformity with the requirements of the Sri Lanka Accounting Standards and Companies Act No.07 of 2007, Finance Companies Act No. 78 of 1988, Finance Leasing Act No. 56 of 2000, Sri Lanka Accounting and Auditing Standards Act No.15 of 1995, Inland Revenue Act No. 10 of 2006 and amendments thereto.

### Compliance with Laws and Regulations

The Company has not engaged in any activities contravening the laws and regulations. All officers are responsible for ensuring compliance with the provisions of various laws and regulations.

### Statutory Payments

The Directors, to the best of their knowledge and belief are satisfied that all statutory payments due to the Government and in relation to the employees have been made in full and on time.

### Post Balance Sheet Events

Post Balance Sheet events are disclosed in Note 26. No events have taken place which require any adjustments or disclosures other than those mentioned therein.

### Going Concern

The Board of Directors is satisfied that the Company has adequate resources to continue its operations in the foreseeable future. Accordingly, the Financial Statements are prepared based on the going concern concept.

### Auditors

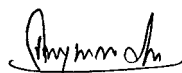
The Financial Statements for the year have been audited by M/S KPMG Ford Rhodes Thornton & Co. Chartered Accountants who offer themselves for re appointment.

The retiring Auditors, KPMG Ford Rhodes Thornton & Co., Chartered Accountants have signified their willingness to continue in office, and a resolution relating to their re-appointment and authorising the Directors to fix their remuneration as recommended by the board will be proposed at the Annual General Meeting.

The auditors have been paid a fee of Rs. 375,000 as audit fee for the financial year ended 31 December 2008 which has been approved by the board.

The directors recommend their re-appointment.

By order of the Board.



**P.A. Jayawardana**  
Director



**C.M. Nanayakkara**  
Director / CEO  
General Manager



**Miss. P.S. Watson**  
Company Secretary

15 May 2009

# Statement of Directors Responsibility

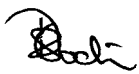
The responsibilities of the Directors in relation to the financial statements of the company differ from the responsibilities of the Auditors, which are set out in their report appearing on page 31.

The Companies Act No.7 of 2007 requires the Directors to prepare financial statements for each financial year giving a true and fair view of the state of affairs of the company as at end of the financial year and of the profit or loss of the company for the financial year. In preparing the financial statements, appropriate accounting policies have been selected and applied consistently, reasonable prudent judgments and estimates have been made and applicable accounting standards have been followed.

The directors are responsible for ensuring that the Company keeps sufficient accounting records to disclose with reasonable accuracy of the financial position of the Company and for ensuring that the financial statements have been prepared and presented in accordance with the Sri Lanka Accounting Standards and provide the information required by the Companies Act No. 7 of 2007. They are also responsible for taking reasonable measures to safeguard the assets of the Company and in that context, to have a proper regard to the establishment of appropriate systems of internal controls with a view to preventing and detecting of frauds and other irregularities.

In preparing accounts, the Directors continue to adopt the going concern basis. The Directors after reviewing the Company's budget and borrowing facilities consider that the Company has adequate resources to continue in operation.

By order of the Board



**Miss P.S.Watson**  
Company Secretary

15 May 2009

# Audit Committee Report

## Membership and Appointment

The Audit Committee comprises three Non Executive Directors and the members bring wide-ranging financial, commercial and management experience to the work of the Audit Committee. Their biographical details are set out in the Directors Profiles section.

CDB formed the audit committee in September 2008.

Mr. E.T.L.Ranasinghe who is Chartered Marketer (MBA), was elected as the chairman of the committee during the year.

The Directors of the Audit Committee during the year were:

Mr. P.A.Jayawardena

Mrs. A.K.Senevirathna

Mr P N C Gomes Bsc.(Acct), MBA (Sri.J), ACA, ASCMA and Dr T Senthilvel was appointed to the Audit Committee on 30th April 2009 and Mr P N C Gomes was appointed as Chairman of the Audit Committee with effect from the said date.

## Meetings

The Audit Committee meets at least four times a year and on other occasions when circumstances require. The quorum for a meeting of the Committee is two members. The Senior Manager Finance and representatives from the external auditor and the internal auditor attend meetings under a standing invitation. The Chairman of the Board, the Chief Executive Officer and other Directors are able to attend meetings of the Committee under the practice that any Director may attend any meeting of a Board Committee provided that they have no conflict of interest in respect of business to be discussed. It is usual practice for the Chief Executive Officer to attend meetings of the Audit Committee under a standing invitation. Other finance and business risk executives attend meetings as required and the Company Secretary is Secretary to the Committee. The Committee Chairman reports regularly to the Board on its activities. Two meetings were held during the year.

## Financial statements

The Committee considered reports from the Senior Manager - Finance on the quarter, half-year and annual financial statements. It also considered reports from the external auditors, KPMG Ford Rhodes Thornton & Co, on the scope and outcome of the quarter and half-year review and annual audit. The review is based on the compliance with the Sri Lanka Accounting Standards and the other related legislations. Matters of special interest in the current environment and the processes that support certifications of the financial statements by the company's GM/CEO and Senior Manager Finance were also brought up for discussion.

The financial statements were reviewed in the light of these reports and the results of that review reported to the Board.

## 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 Audit Department's reports on the effectiveness of internal controls, significant frauds and any fraud that involved management or employees with a significant role in internal controls.

The Committee also reviewed arrangements by which staff could, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. This was achieved through using existing reporting procedures.

## External Auditors

The Committee reviewed the letter from KPMG Ford Rhodes Thornton & Co, confirming their independence and objectivity. It also reviewed and approved the scope of non-audit services provided by KPMG Ford Rhodes Thornton & Co, to ensure that there was no impairment of independence.

The Committee approved the scope and fees for audit services provided by KPMG Ford Rhodes Thornton & Co, and confirmed the wording of the recommendations put by the Board to the shareholders on the appointment and retention of the external auditors.

Private meetings were held with KPMG Ford Rhodes Thornton & Co, to ensure that there were no restrictions on the scope of their audit and to discuss any items the auditors did not wish to raise with management present.

## Regulatory Compliance

The committee reviewed the procedures established by management for compliance with the requirements of the regulatory bodies. Compliance Officer submitted to the Audit Committee on a quarterly basis, a report on the extent to which the CDB was in compliance with mandatory statutory requirements.

## Internal audit

The Committee engaged in discussion and review of the Audit Department's audit plan for the year, together with its resource requirements. Private meetings were held with the Chief Internal Auditor.

## Audit Committee effectiveness

The Audit Committee conducts a review of its effectiveness annually and concluded this year that it was effective and able to fulfill its objectives.



**P.N.C. Gomes**  
Chairman - Audit Committee

15 May 2009

# Independent Auditor's Report



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

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## INDEPENDENT AUDITOR'S REPORT

### TO THE SHAREHOLDERS OF CEYLINCO DEVELOPMENT BANK LIMITED (NOW KNOWN AS CITIZENS DEVELOPMENT BUSINESS FINANCE LIMITED)

#### Report on the Financial Statements

We have audited the accompanying financial statements of Ceylinco Development Bank Limited which comprise the balance sheet as at December 31, 2008, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

#### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### Scope of Audit and Basis of Opinion

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 plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. We therefore believe that our audit provides a reasonable basis for our opinion.

#### Opinion - Company

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended December 31, 2008 and the financial statements give a true and fair view of the Company's state of affairs as at December 31, 2008 and its profit and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Without qualifying our opinion we draw attention to note 26 to the financial statements which describes that subsequent to the year end the company is facing a material drop in business volumes and significant call on repayment of its borrowings and in an effort to improve business volumes and liquidity the Company is in the process of restructuring as discussed in the note under reference.

#### Opinion - Group

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs as at December 31, 2008 and the profit and cash flows for the year then ended, in accordance with Sri Lanka Accounting Standards, of the Company and its subsidiaries dealt with thereby, so far as concerns the members of the Company.

Without qualifying our opinion we draw attention to note 26 to the financial statements which describes that subsequent to the year end the Company is facing a material drop in business volumes and significant call on repayment of its borrowings and in an effort to improve business volumes and liquidity the Company is in the process of restructuring as discussed in the note under reference.

#### Report on Other Legal and Regulatory Requirements

These financial statements also comply with the requirements of Sections 153(2) to 153(7) of the Companies Act No. 07 of 2007.

#### CHARTERED ACCOUNTANTS

15 May 2009  
Colombo

# Statement of Income

FOR THE YEAR ENDED 31ST DECEMBER				
	Notes	Company 2008 Rs.	Company 2007 Rs.	Group 2008 Rs.
<b>Income</b>				
Interest Income	3	1,496,219,576	989,218,343	1,496,726,731
Non Interest Income	4	142,234,982	64,988,590	142,246,382
		1,638,454,558	1,054,206,933	1,638,973,113
Less: Interest Expense	5	1,092,348,424	670,401,052	1,092,348,424
		546,106,134	383,805,881	546,624,689
<b>Less: Operating Expenses</b>				
Personnel Cost	6	121,024,590	84,797,365	121,024,590
Administration Expenses		159,818,765	101,398,283	159,948,017
Marketing Expenses		113,948,015	80,626,758	113,987,866
Value added tax on Financial Services		12,436,285	9,743,493	12,436,285
Finance Cost		11,718,259	17,682,603	11,727,259
Profit before Loan Loss Provision		127,160,220	89,557,379	127,500,672
Less:				
Provision for Bad and Doubtful Debts-Specific		55,923,046	27,740,197	55,923,046
Provision for Diminution in value of Investments		-	12,332,276	-
Profit/(Loss) before taxation		71,237,174	49,484,906	71,577,626
Less: Taxation	7	5,947,671	157,484	6,068,332
Profit after Taxation		65,289,503	49,327,422	65,509,294
Attributable to minority interest		-	-	-
Net profit attributable to shareholders of the parent Company		-	-	65,509,294
Earnings Per Share (EPS)	8	2.51	3.03	2.51

The accounting policies and notes to the Financial Statements form an integral part of these Financial Statement.



# Balance Sheet

AS AT 31ST DECEMBER		Company 2008 Rs.	Company 2007 Rs.	Group 2008 Rs.
<b>Assets</b>				
Cash and Cash Equivalents	9	10,617,132	61,985,045	10,619,530
Placement with Licensed Commercial Banks & Financial Institutions	10	518,592,354	467,383,949	518,592,354
Non Interest Bearing Loans & Advances	11	1,541,626	6,760,197	-
Loans & Advances	12	1,285,880,114	1,181,446,815	1,292,914,188
Finance Lease Receivables	13	3,559,988,180	2,602,280,712	3,559,988,180
Hire Purchase Receivables	14	791,322,113	793,943,289	791,322,113
Investment Securities	15	130,909,075	26,000,000	125,909,075
Accounts Receivables	16	130,019,550	108,210,394	130,019,550
Inventories	17	80,883,570	15,036,840	80,883,570
Repossessed Stock		91,160,974	-	91,160,974
Property, Plant and Equipment	18	198,647,455	129,852,708	198,647,455
<b>Total Assets</b>		<b>6,799,562,143</b>	<b>5,392,899,949</b>	<b>6,800,056,989</b>
<b>Liabilities</b>				
Borrowings	19	5,435,743,862	4,439,131,225	5,435,743,862
Debentures	20	248,954,700	479,208,500	248,954,700
Retirement benefit obligation	21	6,482,049	6,582,994	6,482,049
Other Liabilities	22	674,743,095	336,338,099	675,018,150
<b>Total Liabilities</b>		<b>6,365,923,706</b>	<b>5,261,260,818</b>	<b>6,366,198,761</b>
<b>Shareholders' Funds</b>				
Stated Capital	23	396,850,480	162,907,480	396,850,480
Reserve Fund	24	6,500,000	2,500,000	6,500,000
Revaluation Reserve		15,082,857	15,082,857	15,082,857
Accumulated Profit/(Loss)		15,205,100	(48,851,206)	15,424,891
Minority Interest		-	-	-
<b>Shareholders' Funds</b>		<b>433,638,437</b>	<b>131,639,131</b>	<b>433,858,228</b>
<b>Total Liabilities &amp; Shareholder's Funds</b>		<b>6,799,562,143</b>	<b>5,392,899,949</b>	<b>6,800,056,989</b>

The accounting policies and notes to the Financial Statements form an integral part of these Financial Statement.

I certify that these Financial Statements have been prepared in compliance with the requirements of the companies Act No 7 of 2007.



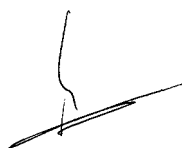
**Damith Tennakoon**  
Senior Manager Finance

The Accounting Policies and notes to the accounts form an integral part of these financial statements. The Board of Directors is responsible for the preparation and presentation of these Financial Statements.

Signed for and on behalf of the Board.



**R. Renganathan**  
Chairman



**C. M. Nanayakkara**  
Director/ General Manager / CEO

# Statement of Changes in Equity

FOR THE YEAR ENDED 31ST DECEMBER 2008	Stated Capital Rs	Revaluation Reserve Rs.	Accumulated Profit/(Losses) Rs	Reserve Fund Rs	Total Rs
<b>Company</b>					
Balance as at January 1, 2007	162,907,480	15,082,857	(95,678,628)	-	82,311,709
Net Profit/ ( Loss) For the Year	-	-	49,327,422	-	49,327,422
Transfer into/(out) from reserve	-	-	(2,500,000)	2,500,000	-
Balance as at December 31, 2007	162,907,480	15,082,857	(48,851,206)	2,500,000	131,639,131
Balance as at January 1, 2008	162,907,480	15,082,857	(48,851,206)	2,500,000	131,639,131
Effect of changes in accounting policy due to adoption of SLAS 16 ( revised 2006)	-	-	2,766,803	-	2,766,803
Revised Balance as at January 1, 2008	162,907,480	15,082,857	(46,084,403)	2,500,000	134,405,934
Shares Issued During the Year	233,943,000	-	-	-	233,943,000
Net Profit/ ( Loss) For the Period	-	-	65,289,503	-	65,289,503
Transfer into/(out) from reserve	-	-	(4,000,000)	4,000,000	-
Balance as at December 31, 2008	396,850,480	15,082,857	15,205,100	6,500,000	433,638,437

FOR THE YEAR ENDED 31ST DECEMBER 2008	Stated Capital Rs	Revaluation Reserve Rs.	Accumulated Profit/(Losses) Rs	Reserve Fund Rs	Total Rs	Minority Interest	Total Equity
<b>Group</b>							
Balance as at January 1, 2008	162,907,480	15,082,857	(46,084,403)	2,500,000	134,405,934	-	134,405,934
Shares Issued During the Year	233,943,000	-	-	-	233,943,000	-	233,943,000
Net Profit/ ( Loss) For the Period	-	-	65,509,294	-	65,509,294	-	65,509,294
Transfer into/(out) from reserve	-	-	(4,000,000)	4,000,000	-	-	-
Balance as at December 31, 2008	396,850,480	15,082,857	15,424,891	6,500,000	433,858,228	-	433,858,228

The accounting policies and notes to the Financial Statements form an integral part of these Financial Statement.

# Cash Flow Statement

FOR THE YEAR ENDED 31ST DECEMBER	Company 2008 Rs.	Company 2007 Rs.	Group 2008 Rs.
<b>Cash Flow from Operating Activities</b>			
Interest Receipts	1,489,966,081	976,365,080	1,490,473,236
Commission Receipts	40,707,438	19,798,541	40,796,836
Other Income	89,175,722	41,093,197	89,186,322
Interest Payments	(1,065,304,342)	(584,660,093)	(1,065,304,342)
Fees and Commission Expenses	(64,141,955)	(50,608,474)	(64,141,955)
Employees Related Payments	(118,870,743)	(80,865,228)	(118,870,743)
Suppliers Payment	(190,025,832)	(123,823,296)	(190,129,134)
Financial Expenses	(11,718,259)	(17,682,603)	(11,727,259)
Operating Profit/ (Loss) Before Changes in Operating Assets	169,788,110	179,617,124	170,282,961
<b>(Increase)/ Decrease in Operating Assets</b>			
Investments	(51,208,405)	(278,880,456)	(51,208,405)
Net Funds Advance to Customers	(1,105,792,228)	(1,043,137,414)	(1,111,284,676)
Repossessed Stock	(91,160,971)	-	(91,160,971)
Other Short Term Assets	11,459,686	58,707,441	11,459,686
Inventories	(65,846,730)	(12,365,340)	(65,846,730)
	(1,132,760,538)	(1,096,058,645)	(1,137,758,135)
<b>Increase / (Decrease) in Operating Liabilities</b>			
Borrowings	996,612,637	2,506,252,893	996,612,637
	996,612,637	2,506,252,893	996,612,637
Cash (used in)/generated from Operations	(136,147,901)	1,410,194,248	(141,145,498)
Gratuity paid	(488,438)	(377,323)	(488,438)
Gratuity Transferred from other Companies	-	486,067	-
Economic Service Charge	(23,071,998)	(16,493,785)	(23,071,998)
Net Cash flow from Operating Activities	(159,708,337)	1,393,809,207	(164,705,934)
<b>Cash Flow from Investing Activities</b>			
Investment in Unquoted Shares	(5,000,000)	-	-
Investment in Quoted Shares	(99,909,075)	-	(99,909,075)
Investment in Debentures	-	(1,000,000)	-
Purchase of Property, Plant & Equipment	(87,452,607)	(40,217,852)	(87,452,607)
Proceeds from Sale of Property, Plant & Equipment	3,392,501	5,625,000	3,392,501
Net Cash Inflows/(Outflows) from Investing Activities	(188,969,181)	(35,592,852)	(183,969,181)
<b>Cash Flow from Financing Activities</b>			
Issue of Shares	233,943,000	-	233,943,000
Unallotted Share Collection	(13,414,451)	13,414,451	(13,414,451)
Issue of Debentures	-	459,518,600	-
Redemption of Debentures	(230,253,800)	(1,677,658,157)	(230,253,800)
Net Cash Inflows (Outflows) from Financing Activities	(9,725,251)	(1,204,725,106)	(9,725,251)
Net Increase/(Decrease) In Cash & Cash Equivalents	(358,402,769)	153,491,248	(358,400,366)
Cash & Cash Equivalents at the beginning of the Year	13,218,835	(140,272,413)	13,218,836
Cash & Cash Equivalents at the end of the Year	(345,183,931)	13,218,835	(345,181,531)
<b>Cash and Cash Equivalents at the beginning of the year</b>			
Cash at Bank and In Hand	61,985,045	25,997,823	61,985,045
Bank Overdraft	(48,766,209)	(166,270,236)	(48,766,209)
	13,218,836	(140,272,413)	13,218,836
<b>Cash and Cash Equivalents at the end of the year</b>			
Cash at Bank and In Hand	10,617,132	61,985,045	10,619,532
Bank Overdraft	(355,801,063)	(48,766,209)	(355,801,063)
	(345,183,931)	13,218,836	(345,181,531)

# Notes to the Financial Statements

## 1. CORPORATE INFORMATION

### 1.1 General

Ceylinco Development Bank Limited (now known as Citizens Development Business Finance Limited) is a limited liability Company incorporated on 7th September, 1995 and domiciled in Sri Lanka. Its registered office is at No. 18, Sri Sangaraja Mawatha, Colombo 10.

The Company is registered under the Finance Companies Act No 78 of 1988 (with effect from 11 May 2009), and also registered under the Finance Leasing Act No 56 of 2000.

The consolidated Financial Statement of the Company for the year ended 31st December 2008 comprise the Company (Parent Company) and its subsidiary (together referred to as the "Group")

The Financial Statements for the year ended December 31, 2008 were authorised for issue on 15 May 2009.

### 1.2 Principal Activities and Nature of Operations. Company

The principal activities of the Company comprised of leasing, hire purchase, loans, operating leases, pawn broking investment and other financial services.

#### Subsidiary

The principle activity of the Company's fully owned subsidiary CDB Micro Finance Company Ltd is lending to SME Sectors.

### 1.3 Directors' Responsibility Statement

The Board of Directors takes the responsibility for the preparation and presentation of these Financial Statements.

## 2. ACCOUNTING POLICIES

### 2.1 Statement of Compliance

The Financial Statements of the Company are presented in Sri Lankan Rupees. The Balance Sheet, Income Statement, Statement of Cash Flows and the Statement of Changes in equity are prepared in conformity with the Sri Lanka Accounting Standards laid down by the Institute of Chartered Accountants of Sri Lanka.

The preparation and presentation of the financial statements are in compliance with the requirement of the Companies Act No. 7 of 2007.

### 2.2 Accounting Convention

The Financial Statements are presented in Sri Lankan Rupees unless otherwise stated. Where appropriate the significant Accounting Policies are disclosed in the succeeding notes. The Financial Statements are prepared on the historical cost basis and no adjustment has been made for inflationary factors affecting the Financial Statements except for the following.

- Land and buildings are measured at cost at the time of acquisition and subsequently at revalued amounts, which are the fair values at the date of revaluation less accumulated depreciation and impairment losses, if any.

### 2.3 Basis of Consolidation

#### i) Subsidiaries

The Financial Statements of the Group represent the consolidation of the Financial Statements of the Company and its subsidiary CDB Micro Finance Company Limited. Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operation policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. Subsidiaries are consolidated from the date the parent Company obtains control until such time as control ceases.

The total profit / loss of the subsidiaries are included in the Consolidated Income Statement, and the proportion of the Profit or Loss after taxation applicable to outside shareholders is shown under the heading "Minority Interest". All assets and liabilities of the company and its subsidiaries are included in the Group Balance Sheet. The interest of the outside shareholders in the net assets of the group is stated separately in the consolidated Balance Sheet within Equity under the heading "Minority Interest".

#### ii) Transactions eliminated on consolidation.

Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in fully preparing the Consolidated Financial Statements.

### 2.4 Assets and Bases of their Valuation

#### i) Cash and Cash Equivalents

Cash and Cash Equivalents comprise of cash in hand and cash at banks. Bank overdrafts that are repayable on demand and form an integral part of the Group cash management are included as a component of Cash and Cash Equivalents for the purpose of the statement of cash flows.

#### ii) Rentals Receivable on Leased Assets, Mortgage Loans, Hire Purchases

Rentals receivable on leased assets are accounted for as finance leases and reflected in the Balance Sheet at balance cost recoverable after eliminating unearned income and deducting pre-paid rentals, rental collections and provision for doubtful debts.

#### iii) Loans and Advances to Customers

Loans and Advances to Customers with fixed installments are stated in the Balance Sheet net of possible loan losses and net of interest, which is not accrued to revenue.

#### iv) Provision for Doubtful Debts

The Company computes its provisioning for bad and doubtful debts according to the Finance leasing direction No 2 of 2006 of central Bank of Sri Lanka. The specific provisions for doubtful debts are arrived at using the following bases;

Lease, hire purchase and loan receivables

- Twenty percent (20%) of all lease, hire purchase and loan receivables (net of unearned income) which are in arrears for a period of 6 to 12 months.
- Fifty percent (50%) of all lease, hire purchases and loan receivables (net of unearned income) which are in arrears for a period of 12 to 18 months.

- One hundred percent (100%) of all lease, hire purchases and loan receivables (net of unearned income) which are in arrears for a period of 18 months and more.

With additional specific provisions on a case by case basis.

#### v) Short Term Investments

Short term investment comprises of call deposits, interest earning demand deposits with banks and securities purchased under repurchase agreements (REPOs). Call deposits and deposits with banks are stated at the amounts to be realised and REPOs are stated at purchase value plus interest accrued on a time proportionate basis.

#### vi) Investments in Subsidiary Companies

In the Parent Company's Financial Statements, the investments in the Subsidiary Companies are reflected at cost of acquisition, net of any provision for diminution in value other than temporary.

#### vii) Investment Securities

These are acquired and held for yield or capital growth in the medium / long term. Such securities are recorded at cost. Changes in market values of these securities are not taken into account unless there is a permanent diminution in value.

#### viii) Other Receivables

Other receivable balances are stated at estimated amounts receivable after providing for doubtful receivables.

#### ix) Property, Plant and Equipment

##### (a) Recognition and measurement

Items of property, plant and equipment are measured at cost/ revaluation less accumulated depreciation/impairment losses. Costs include expenditure that is directly attributable to the acquisition of the asset. 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. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other income" in profit or loss. When revalued assets are sold, the amounts included in the revaluation surplus reserve are transferred to retained earnings.

##### (b) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the company and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are charged to the income statement.

##### (c) Depreciation

Property plant and equipment are stated in the Balance Sheet, at cost/revaluation less accumulated depreciation together with any incidental expenses thereon. The cost includes expenditure that is directly attributable to the acquisition of the asset and any other costs incurred in bringing the asset to the working condition. Depreciation is provided from the date the asset is available for use up to the date it derecognised. The company and its subsidiaries provide depreciation for the following assets on the reducing balance basis at the percentages stated below. Land is not depreciated.

Motor Vehicle	20%
Furniture and Fittings	10%
Computer Equipment	10%
Office Equipment	10%

##### (X) Inventories

Inventories include new vehicles purchased for the purpose of lease out under finance leases. Those vehicles are valued at cost and net realizable value whichever is lower. The cost of inventories is the purchase price. Net realisable value is the estimated realisable value less estimated cost necessary to make the sale

##### (Xi) Repossessed Stock

Repossessed stock include assets of facilities which were in default and are now closed. Repossessed stocks are valued at outstanding facility balance at the time of closing the facility and net realisable value of the asset whichever is lower. Net realisable value is the estimated selling price less the estimated cost necessary to make the sale

## 2.5 Liabilities and Provisions

Liabilities are recognised in the Balance Sheet when there is a present obligation as a result of a past event, the settlement of which is expected to result in an outflow of resources embodying economic benefits. Obligations payable at the demand of the creditor or within one year of the Balance Sheet date are treated as current liabilities in the Balance Sheet. Liabilities payable after one year from the Balance Sheet date are treated as non-current liabilities in the Balance Sheet.

#### i) Income Tax

Provision for taxation is made on the basis of the profit for the year as adjusted for the taxation purposes in accordance with provision of the Inland Revenue Act No.10 of 2006 and amendments thereto.

#### ii) Deferred Taxation

Deferred tax is provided using the balance sheet liability method providing for temporary difference between the carrying amounts of the & liabilities for financing reporting purposes and the amount used for taxation purposes.

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 reduced to the extent that it is no longer probable that the related tax benefits will be realised.

## Notes to the Financial Statements Contd.

### iii) VAT on Financial Services

The basis for computation of VAT of financial services is the accounting profit before income tax adjusted for the emoluments of employees and economic depreciation computed on prescribed rated.

### iv) Retirement Benefits

The Company measures the present value of the defined benefit obligation every year using projected unit credit method defined by the Actuary.

The following assumptions and data were used in evaluating the defined benefit obligation by the Actuarial Valuer.

1. Interest Rate	10%
2. Rate of Increase in Salary	8.5%
3. Retirement Age	55

### v) Defined Contribution Plan - EPF & ETF

All employees of the Company are members of the Employees' Provident Fund (EPF) and Employees' Trust Fund (ETF), to which the Company contributes 12% and 3% of employee salaries respectively and charged against the profits.

## 2.6 Income Statement

### i) Revenue Recognition

#### a) Interest Income

Interest Income is recognised on an accrual basis. Recognition of interest income ceases when the rentals fall into arrears for more than 6 months. In such case, interest income is recognised on cash basis.

Interest on non performing debts is credited to the 'Interest in Suspense' account which is netted in the Balance Sheet against the relevant balance.

#### b) Earned Income on Leases

Assets leased out to customers under agreements that transfer substantially all the risks and rewards associated with the ownership other than legal title, are classified as finance leases. The excess of the aggregate lease contract receivable over the cost of leased assets constitutes the total unearned income at the commencement of the lease contract. Income is recognised as earned over the term of the lease commencing from the month the contract is executed in proportion to the reducing investment in the lease.

However, no accrued interest income is recognised where any portion of capital or interest is in arrears for more than 6 months. In such cases interest income is recognised on cash basis.

#### c) Hire Purchase Income

The excess of aggregate Hire Purchased receivable over the cost of Hire Purchased assets constitutes the total unrealised financial charges at the commencement of the Hire Purchase agreement.

Income is recognized as financial charges over the term of Hire Purchases commencing from the month the agreement is executed in proportion to the reducing investment in the hire purchase.

However, no accrued interest income is recognised where any portion of capital or interest is in arrears for more than 6 months. In such cases interest income is recognised on cash basis.

#### d) Insurance agency commissions.

Insurance agency commissions received or receivable which do not require render further service are recognised as revenue on the effective commencement or renewal dates of the related policies.

#### e) Other Income

Other Income is accounted on an accrual basis.

### ii) Interest and Other Expenses

Interest payable is recognized on an accrual basis. Other expenses have been recognized in the accounts as they are incurred in the period to which they relate.

## 2.7 Segment Reporting

A segment is a distinguishable component of the group that is engaged in providing services within a particular economic environment which is subject to risk and rewards that are different from those of other segments.

Since there are no distinguishable segments identified the need to present segment information does not arise

## 2.8 Events after the Balance Sheet Date

All material events occurring after the Balance Sheet Date have been considered and where necessary adjustments have been made to the financial statements.

## 2.9 Impairment of Property Plant and Equipment

Carrying amounts of the assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such indications exists, and where the carrying amount exceeds the estimated recoverable amount, the assets are written down to their recoverable amount. Impairment losses are recognised in the income statement.

For the year ended 31 December	Company 2008 Rs.	Company 2007 Rs.	Group 2008 Rs.
<b>3. INTEREST INCOME</b>			
Income on short term investment	3,787,960	2,209,636	3,787,960
Interest Income on Investments	129,938,786	45,410,343	129,938,786
Interest Income on Cash Back Advances	80,180,641	53,799,859	80,180,641
Interest Income on Hire Purchase	193,437,063	151,088,222	193,437,063
Interest Income on Loans and Advances	154,937,690	141,143,888	154,937,690
Interest Income on Finance Leases	797,933,420	515,953,792	797,933,420
Default Interest Charges	136,004,016	79,612,603	136,004,016
Interest Income from Micro Finance	-	-	507,155
	<b>1,496,219,576</b>	<b>989,218,343</b>	<b>1,496,726,731</b>
<b>4 NON-INTEREST INCOME</b>			
Processing Charges	75,399,205	32,501,806	75,399,205
Insurance Commission	51,600,053	21,643,044	51,600,053
Profit on disposal of Leased Assets	13,093,326	7,349,384	13,093,326
Bank Guarantee Income	683,190	705,007	683,190
Disposal Profit	1,459,208	2,252,349	1,459,208
Income on Suntel	-	537,000	-
Other Income from Micro Finance	-	-	11,400
	<b>142,234,982</b>	<b>64,988,590</b>	<b>142,246,382</b>
<b>5 INTEREST EXPENSES</b>			
Borrowings	896,332,863	489,024,549	896,332,863
Securitisation	132,141,588	28,819,308	132,141,588
Debentures	63,873,973	152,557,195	63,873,973
	<b>1,092,348,424</b>	<b>670,401,052</b>	<b>1,092,348,424</b>
<b>6. OPERATING EXPENSES</b>			
Operating Expenses include the following:			
Directors Emoluments	4,674,960	2,797,000	4,674,960
Employees Provident Fund and Trust Fund Contribution	10,439,721	7,456,388	10,439,721
Employment Gratuity	3,154,296	3,215,000	3,154,296
Auditors Remuneration - Audit Fee	375,000	799,250	440,000
- Audit Related			
- Non Audit			
Depreciation	16,724,566	11,425,250	16,724,566
Legal Charges	3,841,890	2,885,906	3,841,890
Donations & CSR Activity	2,310,472	341,100	2,310,472

## Notes to the Financial Statements Contd.

For the year ended 31 December	Company 2008 Rs.	Company 2007 Rs.	Group 2008 Rs.
<b>7. TAXATION</b>			
Income Tax Expenses	5,947,671	157,484	6,068,332
Deferred tax Expenses	-	-	-
	<b>5,947,671</b>	<b>157,484</b>	<b>6,068,332</b>

### Note 7.1 Income Tax Expenses

#### Reconciliation of Accounting Profit and the Income tax expenses :

	Company 2008 Leasing Business	Company 2008 Other Business	Company 2008 Total	Company 2007	Group 2008
Operating Profit Before Taxation	56,445,936	14,791,239	71,237,175	49,484,906	71,577,626
Aggregated expenses disallowed for Tax	(128,088,054)	21,010,969	(107,077,085)	(41,414,524)	(107,077,085)
Aggregated income not liable for tax	(13,093,326)	(1,459,208)	(14,552,534)	(18,568,845)	(14,552,534)
capital portion of lease rental	963,631,493	-	963,631,493	714,917,324	963,631,493
capital allowances on own & leased assets	(1,060,149,901)	-	(1,060,149,901)	(753,506,561)	(1,060,149,901)
Ajusted Taxable profit (loss) for the year	(181,253,852)	34,343,000	(146,910,852)	(49,087,700)	(146,910,852)
Attributable Taxable Profit for the period	25,757,250	25,757,250	26,096,903	-	-
Losses set off	-	(9,015,037)	(9,015,037)	-	(9,015,037)
Taxable Income /(Loss) for the Year	(181,253,852)	16,742,213	16,742,213	(49,087,700)	17,081,866
Income tax liability	-	-	5,859,774	-	5,978,652
under Provision in respect of previous years	-	-	-	155,925	-
SRL on Tax liability	-	-	87,897	1,559	89,680
			<b>5,947,671</b>	<b>157,484</b>	<b>6,068,332</b>



## 7.2 Deferred Taxation

Deductible temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profits will be available against which the company can utilise the benefit there from. Deferred tax amounting to Rs. 244,574,054 has not been recognised in Financial Statements. No Deferred tax asset or liability have been recognised in the Financial Statements of CDB Micro Finance Ltd

	2008 Company Temporary Difference	2008 Company Tax Effect	2007 Company Temporary Difference	2007 Company Tax Effect	2008 Group Tax Effect
As at the Beginning of the Year	(44,767,277)	(15,666,447)	(2,021,549)	(707,542)	(15,666,447)
Tax Effect on Deferred Tax Assets on C/F Tax Losses	(694,553,938)	(243,093,878)	(49,087,700)	(17,180,695)	(243,093,878)
Temporary Difference on PPE	47,014,252	16,454,988	12,930,966	4,525,838	16,454,988
Defined Benefit obligation	(6,482,049)	(2,268,717)	(6,582,994)	(2,304,048)	(2,268,717)
As at the end of year	(698,789,012)	(244,574,054)	(44,761,277)	(15,666,447)	(244,574,054)

## 8. EARNINGS PER SHARE

The earnings per share is calculated by dividing the net profit/ (loss) for the year attributable to ordinary shareholders by the weighted average number of shares in issue during the year.

for the year ended 31 December	Company 2008 Rs.	Company 2007 Rs.	Group 2008 Rs.
<b>Amount used as the Numerator</b>			
Profit/ (Loss) attributable to Ordinary Shareholders	65,289,503	49,327,422	65,509,394
<b>Amount used as the Denominator No. of shares in Issue</b>	26,053,615	16,290,748	26,053,615

As at 31 December	Company 2008 Rs.	Company 2007 Rs.	Group 2008 Rs.
<b>9. CASH AND CASH EQUIVALENTS</b>			
Cash in hand	310,000	227,500	310,000
Cash at banks	10,307,132	61,757,545	10,309,530
	10,617,132	61,985,045	10,619,530

## 10. PLACEMENT WITH OTHER BANKS & FINANCIAL INSTITUTIONS

Investments in Fixed Deposits	518,592,354	467,383,949	518,592,354
	518,592,354	467,383,949	518,592,354

## Notes to the Financial Statements Contd.

As at 31 December	Company 2008 Rs.	Company 2007 Rs.	Group 2008 Rs.
<b>11. NON INTEREST BEARING LOANS &amp; ADVANCES</b>			
Group Loans	3,218,050	3,218,050	3,218,050
Venture Capital Co Ltd	-	3,542,147	-
CDB Micro Finance Co Ltd	1,541,626	-	-
	4,759,676	6,760,197	3,218,050
Provision for Loan Losses	(3,218,050)	-	(3,218,050)
	1,541,626	6,760,197	-
<b>12. LOANS &amp; ADVANCES</b>			
Short Term Loans	-	-	-
Bill Discounting	9,954,327	13,174,311	9,954,327
Cash Back Advances	398,192,475	332,960,014	398,192,475
Term Loan	614,013,712	694,573,270	614,013,712
Business Loan	45,475,783	17,524,180	45,475,783
Sausiri Loan	17,634,091	11,302,447	17,634,091
Housing Loan	60,099,704	37,374,557	60,099,704
Personal Loan	11,786,058	-	11,786,058
Loans given to ESOP Trust - Receivable after one year	125,006,000	75,000,000	125,006,000
Loans Project of Micro Finance	-	-	6,916,601
Loan Debtor on Micro Finance	-	-	117,473
Non Performing Term Loan	-	-	-
Staff Loans	11,262,644	4,618,557	11,262,644
	1,293,424,794	1,186,527,336	1,300,458,868
Less Loan Loss Provision ( Note 12.1)	(7,544,680)	(5,080,521)	(7,544,680)
	1,285,880,114	1,181,446,815	1,292,914,188
<b>12.1 MOVEMENTS IN PROVISION FOR BAD AND DOUBTFUL DEBTS</b>			
Balance at the beginning of the year	5,080,521	3,683,981	5,080,521
Add. Provision for the year	2,464,159	1,396,540	2,464,159
Balance at the end of the year	7,544,680	5,080,521	7,544,680
<b>13. FINANCE LEASE RECEIVABLES</b>			
Lease Rental Receivables within one year	1,999,381,595	1,350,460,581	1,999,381,595
Lease Rental Receivables after one year	3,518,527,691	2,400,716,579	3,518,527,691
	5,517,909,286	3,751,177,160	5,517,909,286
Lease Rental Received in Advance	(76,142,060)	(38,518,065)	(76,142,060)
Unearned Interest Income	(1,797,428,579)	(1,061,123,302)	(1,797,428,579)
	3,644,338,647	2,651,535,793	3,644,338,647
Provision for Bad Debts (Note 13.1)	(84,350,467)	(49,255,081)	(84,350,467)
Net Investment in Finance Leases	3,559,988,180	2,602,280,712	3,559,988,180
<b>13.1 MOVEMENTS IN PROVISION FOR BAD AND DOUBTFUL DEBTS</b>			
Balance at the beginning of the year	49,255,081	31,113,154	49,255,081
Add. Provision for the year	35,095,386	18,141,927	35,095,386
Balance at the end of the year	84,350,467	49,255,081	84,350,467

As at 31 December	Company 2008 Rs.	Company 2007 Rs.	Group 2008 Rs.	
<b>14. HIRE PURCHASE RECEIVABLES</b>				
Hire Purchase Receivables within one year	440,797,494	388,205,623	440,797,494	
Hire Purchase Receivables after one year	717,870,787	780,159,112	717,870,787	
	1,158,668,281	1,168,364,735	1,158,668,281	
Unearned Interest Income	(340,541,171)	(362,761,899)	(340,541,171)	
	818,127,110	805,602,836	818,127,110	
Provision for Bad Debts ( Note 14.1)	(26,804,997)	(11,659,546)	(26,804,997)	
Net Investment in Hire Purchase	791,322,113	793,943,289	791,322,113	
<b>14.1 MOVEMENTS IN PROVISION FOR BAD AND DOUBTFUL DEBTS</b>				
Balance at the beginning of the year	11,659,546	3,457,817	11,659,546	
Provision for the year	15,145,451	8,201,729	15,145,451	
Balance at the end of the year	26,804,997	11,659,546	26,804,997	
<b>15 INVESTMENT SECURITIES</b>				
Unquoted Shares (Note 15.1)	4,164,550	4,164,550	4,164,550	
Unquoted Preference Shares (Note 15.2)	20,500,000	20,500,000	20,500,000	
Investment in Debentures - Seylan Bank (M /00385)	26,000,000	26,000,000	26,000,000	
Investment in CDB Micro Finance	5,000,000	-	-	
Investment in Ceylinco Insurance PLC	99,909,075	-	99,909,075	
	155,573,625	50,664,550	150,573,625	
Provision for diminution in value	(24,664,550)	(24,664,550)	(24,664,550)	
	130,909,075	26,000,000	125,909,075	
	<b>No of Shares</b>	<b>Cost 2008</b>	<b>Cost 2007</b>	<b>Cost 2008</b>
<b>15.1 Unquoted Shares</b>				
Middle way Limited	416,455	4,164,550	4,164,550	4,164,550
		-	-	
		4,164,550	4,164,550	4,164,550
<b>15.2 Unquoted Preference Shares</b>				
Middle way Limited	2,050,000	20,500,000	20,500,000	20,500,000
		20,500,000	20,500,000	20,500,000
		<b>Company 2008 Rs.</b>	<b>Company 2007 Rs.</b>	<b>Group 2008 Rs.</b>
<b>16. ACCOUNTS RECEIVABLES</b>				
Commissioner General of Inland Revenue-VAT	-	21,458,746	-	
Commissioner General of Inland Revenue-ESC	51,241,225	33,157,924	51,241,225	
Other Receivables	78,778,325	53,593,722	78,778,325	
	130,019,550	108,210,393	130,019,550	

## Notes to the Financial Statements Contd.

As at 31 December	Company 2008 Rs.	Company 2007 Rs.	Group 2008 Rs.
<b>17. INVENTORIES</b>			
Vehicle Stock - Three Wheelers	80,883,570	15,036,840	80,883,570
	80,883,570	15,036,840	80,883,570

## 18. PROPERTY & EQUIPMENT

Cost	Land Rs	Furniture & Fittings Rs	Computer Equipment Rs	Office Equipment Rs	Motor Vehicles Rs	Total Rs
Balance at the beginning of the year	34,125,000	32,397,028	40,384,840	17,815,558	24,769,172	149,491,598
Additions during the year	29,399,745	10,135,247	18,985,012	7,073,051	21,859,551	87,452,606
Disposal during the year.	-	-	-	-	(4,025,948)	(4,025,948)
Balance at the end of the Year	63,524,745	42,532,275	59,369,852	24,888,609	42,602,775	232,918,256
<b>Depreciation</b>						
Balance at the beginning of the year	-	5,005,284	5,248,954	5,498,378	3,886,274	19,638,890
Charge for the year	-	3,173,848	4,698,779	1,609,795	7,242,144	16,724,566
Disposal during the year.	-	-	-	-	(2,092,655)	(2,092,655)
Balance at the end of the Year	-	8,179,132	9,947,733	7,108,173	9,035,763	34,270,801
W.D.V as at 31 December 2008	63,524,745	34,353,143	49,422,119	17,780,436	33,567,012	198,647,455
W.D.V as at 31 December 2007	34,125,000	27,391,744	35,135,886	12,317,180	20,882,898	129,852,708

The Company has revalued its Land situated in Kadawatha by a Professionally qualified and an independent valuer Mr. D.S.N Perera incorporated valuer in Sri Deerakkanda Mw, Pohaddaramulla, Wadduwa for Rs. 34,125,000 on 31st December 2006

As at 31 December	Company 2008 Rs.	Company 2007 Rs.	Group 2008 Rs.
<b>19. BORROWINGS</b>			
Borrowings	4,687,537,458	3,566,258,220	4,687,537,458
Securitization	748,206,404	365,615,317	748,206,404
Other Borrowings	-	109,305,317	-
Unallotted Securitization	-	397,952,371	-
	5,435,743,862	4,439,131,225	5,435,743,862
<b>20. DEBENTURES</b>			
Debentures	248,954,700	464,616,500	248,954,700
Unallotted Debentures	-	14,592,000	-
	248,954,700	479,208,500	248,954,700

As at 31 December	Company 2008 Rs.	Company 2007 Rs.	Group 2008 Rs.
<b>21. RETIREMENT BENEFIT OBLIGATION</b>			
Balance as at 1 January	6,582,994	3,259,250	-
Effects of change in accounting policy	2,766,803	-	(3,816,191)
Revised balance as at 1 January	3,816,191	3,259,250	3,816,191
Current Service Cost	1,146,811	-	1,146,811
Interest Cost	381,619	-	381,619
Provision Made During the year	-	3,215,000	-
Amount received from CIC	-	486,067	-
Actuarial (Gain) / Loss	1,625,866	-	1,625,866
Payments Made	(488,438)	(377,323)	(488,438)
Balance as at 31 December	6,482,049	6,582,994	6,482,049
<b>21 a Amount Recognised in the Income Statement</b>			
Current Service Cost	1,146,811	-	1,146,811
Interest Cost	381,619	-	381,619
Actuarial (Gain) / Loss	1,625,866	-	1,625,866
	3,154,296		3,154,296

The company could not carry out an actuarial valuation of retirement benefit obligations for periods prior to 1 January 2008. Therefore the Company was unable to apply the change in accounting policy retrospectively for the earliest period presented which is 1 January 2007. Due to the limitations of the retrospective application the Company determined the cumulative effect of the change in accounting policy, and accordingly applied the change to carrying amount of the liability as at the beginning of the current period and made the corresponding adjustment to the opening balance of retained earnings.

As at 31 December 2008 the gratuity liability was actuarially valued under the projected unit credit method by Mrs. Amali Senevirathne (ASA). The company does not fund the gratuity liability in a separate fund.

As at 31 December	Company 2008 Rs.	Company 2007 Rs.	Group 2008 Rs.
<b>22. OTHER LIABILITIES</b>			
Interest Payable	276,283,893	249,239,811	276,283,893
Unallotted Share Collection	-	13,414,451	-
Ceylinco Venture Capital	4,328,329	-	4,328,329
Government Taxes Payable	24,394,484	9,028,403	24,515,145
Accrued Expenses	13,935,324	15,889,225	14,089,718
Bank Overdraft	355,801,065	48,766,209	355,801,065
	674,743,095	336,338,099	675,018,150

## Notes to the Financial Statements Contd.

As at 31 December	Company 2008 Rs.	Company 2007 Rs.	Group 2008 Rs.
<b>23. STATED CAPITAL</b>			
<b>Ordinary Shares</b>			
39,685,048 Ordinary Shares	396,850,480	162,907,480	396,850,480

### 24. RESERVE FUND

The reserve fund is maintained in compliance with Central Bank of Sri Lanka Direction No 5 of 2006 issued to specialised leasing Companies. As per the said Directive, every registered Finance Lease Establishment shall maintain a reserve fund out of the net profit each year after the payment of tax each year and before any dividend is declared, a sum of equivalent to not less than 5 percent of such profit until the amount of reserve fund is equal to 50 percent of issued and paid up ordinary share capital of the relevant establishment; and a further sum equivalent to not less than 2 percent of annual profit until the amounts of the reserve fund is equal the issued and paid up ordinary share capital of the relevant establishment.

	Company 2008 Rs.	Company 2007 Rs.	Group 2008 Rs.
Balance at the beginning of the year	2,500,000	-	2,500,000
Transfers during the year	4,000,000	2,500,000	4,000,000
Balance at the end of the year	6,500,000	2,500,000	6,500,000

### 25. CAPITAL COMMITMENT AND CONTINGENCIES

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.100Mn at any given time. The Company has given guarantees on behalf of it's customers against the placement of investments with CDB by such customers. The maximum limit of the guarantee does not exceed the investment value of the customer.

### 26. EVENTS AFTER THE BALANCE SHEET

Since the balance sheet date a material drop in business volumes and material call for repayment of borrowings have been observed from the month of January 2009 to March 2009 due to external market conditions mainly attributable to certain issues faced by Ceylinco related companies. However the renewal rates have substantially improved subsequently and reflect an improving trend since April 2009.

The Board of Directors of Ceylinco Development bank Ltd (Now known as Citizens Development Business Finance Ltd) has initiated following measures with the key objective of positioning CDB as an independent institution regulated and supervised by Central Bank of Sri Lanka, and is confident of substantial turnaround of improving business volumes and the liquidity with these measures.

1. Reconstitution of the Board of Directors including appointment of independent directors.
2. Name of the company has been changed to Citizens Development Business Finance Ltd
3. A new logo has been unveiled with the rebranding of the organization.
4. Change of regulatory status. Monetary Board of Central Bank of Sri Lanka has registered CDB under the Finance Companies Act No 78 of 1988. This will enable CDB to become a deposit taking institution which would be an advantage to the fund mobilization area of business.
5. Relocation of head office of CDB. Head office of CDB has been relocated at No.18, Sri Sangaraja Mawatha, Colombo 10.

## 27. Transactions with related parties

The company following financial dealings during the year 2008 with Companies which are considered related parties. The parties given below are considered related mainly due to significant influence arising as a result of common Directorship and through shareholdings. These Companies, names of Directors and the nature of transaction enters into are listed below.

Company	Name of Director	Relationship	Nature of transaction
Ceylinco Insurance PLC	Mr.R.Renganathan Mr.P.A.Jayawardena Mr.E.T.L.Ranasinghe	Joint Deputy Chairman Director Director	1. Ceylinco Insurance has invested LKR 50 Million in corporate debt securities of CDB. 2. CDB has paid insurance premium of LKR 353 Million on behalf of the lease, hire purchase and vehicle loan customers during the year. 3. Ceylinco Insurance has paid LKR 38.3 Million as Insurance commission to above item (2). 4. CDB has paid LKR 2,891,542 as rent expenses of the premises used by the CDB OF Ceylinco Insurance PLC as branch officers and the part of the head office. 5. Amount due from Ceylinco Insurance as insurance commission as at 31 12 2008 was Rs 15.2 Mn.
Ceylinco Venture Capital Ltd.	Mr.R.Renganathan	Director	1. CVC payable balance with CDB as at 31st Dec 2008 was LKR 4.3 Million.
Seylan Merchant Bank PLC.	Mr.R.Renganathan Mr.P.A.Jayawardena Mr.E.T.L.Ranasinghe	Director	1. CDB has invested LKR 158,028 under Corporate Debt Securities.
Sarana International (Pvt) Ltd	Mr.R.Renganathan	Director	Donation of LKR.100,000 has been made to Sarana International (Pvt) Ltd.
Ceylinco Consultancy and Allied Services Ltd.	Mr.R.Renganathan	Director	CCAS provided legal services to CDB & has paid a fee of LKR 2,581,956.24
Ceylinco Group Library	Mr.R.Renganathan	Director	CDB has paid LKR 156,925 being use of the library by the Employees.
Ceylinco Limited	Mr.R.Renganathan	Director	CDB has paid LKR11.1 Million as rent expenses, Electricity and other service of the premises used.
CDB Micro Finance Limited	Mr.R.Renganathan Mr.P.A.Jayawardena Mr.E.T.L.Ranasinghe	Fully own subsidiary of CDB.	CDB has invested LKR 5 Million Ordinary shares of CDB Micro Finance and grant a short term advance outstanding balance of LKR 1,541,626
CDB ESOP Trust Fund (Pvt) Ltd	Mr.R.Renganathan Mr.P.A.Jayawardena Mr.E.T.L.Ranasinghe	Director	CDB ESOP Owns 32% of shares of CDB and CDB has granted LKR 50 Million loan to purchase of shares on behalf of employee share trust and outstanding as at 31 <sup>st</sup> Dec 2008 was 125 Million
Seylan Bank PLC	Mr.R. Renganathan	Director	Banking Facilities The Company has obtained overdraft facility of Rs.125 Million against fixed deposits placed with the Bank. The Company's investment balance as at 31 <sup>st</sup> December 2008 is Rs.316.77 Million which invested in short term Fixed Deposits of Seylan Bank PLC. The Debenture Investment balance with Seylan Bank PLC as at 31 <sup>st</sup> Dec 2008 is Rs.26 Million.

## Notes to the Financial Statements Contd.

### 27.1 Transaction with Key Management Personnel

According to Sri Lanka accounting standard 30 "Related party Disclosers" Key Management personnel are those having and responsibility for planning, directing and controlling the activities of the entity. Accordingly the Board of Directors (Including Executive and Non Executive Directors) have been classified as Key Management Personnel of the Bank. However In addition to the disclosure of Directors fees and emoluments, this note will disclose other Senior Managers employment income for information.

#### Directors Fees and emoluments paid by the company

Name of Director	Position	Directors' Fees and Emoluments (LKR)
Mr.R.Renganathan	Chairman	400,000
Mr.P.A.Jayawardena	Director	300,000
Mr.J.L.B.Kotelawala	Former Chairman	500,000
Mrs. A.K. Senaviratne	Former Director	100,000
Mrs S.P.C Kotelawala	Former Director	220,437

#### Emoluments paid to Senior Management personnel

Name of Senior Management Personnel	Position	Salaries and other Emoluments Including Annual Bonus (LKR)
Mr.C.M.Nanayakkara	Director/General Manager /Chief Executive Officer	4,674,960/-
Mr.Malcom Weerasuriya	Senior Manager – Business Development	2,000,000/-
Mr.Roshan Abeygoonewardena	Senior Manager – Operation	2,000,000/-
Mr.Damith Tennakoon	Senior Manager – Finance	2,400,000/-
Mr. Sasindra Munasinghe	Senior Manager – Leasing/Credit	2,000,000/-

#### Credit Facilities / Staff Advances given to Directors and Senior Management Staff

Name of Director or Key Management Personnel	Position	Details of Credit Facilities / Staff Advances
Mr.C.M.Nanayakkara	Director/General Manager /Chief Executive Officer	There was no credit facility given to Key Management Personnel during the year 2008, however outstanding staff loan balance as at year end is LKR 478,471.
Mr.Malcom Weerasuriya	Senior Manager – Business Development	There was no credit facility given to Key Management Personnel during the year 2008, however outstanding staff loan balance as at year end is LKR 120,865.
Mr.Roshan Abeygoonewardena	Senior Manager – Operation	There was no credit facility given to Key Management Personnel during the year 2008, however outstanding staff loan balance as at year end is LKR 546,785.
Mr.Damith Tennakoon	Senior Manager –Finance	There was no credit facility given to Key Management Personnel during the year 2008, however outstanding staff loan balance as at year end is LKR 681,250.
Mr. Sasindra Munasinghe	Senior Manager – Credit/ Auto Finance	There was no credit facility given to Key Management Personnel during the year 2008, however outstanding staff loan balance as at year end is LKR 345,833.



# 20 Major Shareholders

## Citizens Development Business Finance Limited 20 Major Shareholders

Name	Shareholding	percentage
CDB ESOP Trust Fund (Pvt) Ltd	12,500,000	31.50%
Ceylinco Insurance PLC	14,138,958	35.63%
The Finance Property Fund Ltd	1,250,000	3.15%
TFC Homes (Private) Limited	1,250,000	3.15%
Seylan Bank Asset Management Ltd	775,000	1.95%
Mr T Senthilverl	500,000	1.26%
Ceylinco Finance PLC	230,833	0.58%
Mrs H M N Fonseka	200,000	0.50%
Mr K A N De Silva	150,000	0.38%
S M P L Jayaratne	125,000	0.31%
Mrs W M N Dabarera	118,000	0.30%
Mrs W S N Kurera	105,100	0.26%
Mr A M Subramaniam	105,000	0.26%
Mr S Elilventhan	100,000	0.25%
Mr M P N Fernando	100,000	0.25%
Mr S C D Martino	100,000	0.25%
Rev J N Fernando	100,000	0.25%
J Ukwatta	100,000	0.25%
A M Ananda	100,000	0.25%
Dr C Gunasekera	100,000	0.25%
Total	32,047,891	80.76%
No. of Shares (Issued Capital)	39,685,048	

## Statement of Maturity Analysis

Assets/Liabilities	Maturity period						
	Less than 1 Month	1 - 3 Months	3-12 Months	12-36 Months	36-60 Months	More than 60 months	Total
<b>(a). Interest earning assets</b>							
Investments in Govt securities		518,592,354					518,592,354
Fixed deposits and savings deposits with banks/finance companies							
<b>(b). Loans &amp; Advances</b>	202,596,781	381,949,248	1,592,358,678	2,744,078,158	644,010,475	73,738,693	5,638,732,033
<b>(c). Non-interest earning assets</b>							
Cash and bank balances	10,617,132						10,617,132
<b>(d). Investments in</b>							
Dealing securities ( Investment securities)					130,909,075		130,909,075
<b>(e). Fixed Assets</b>							
					198,647,455		198,647,455
<b>(f). Other Assets</b>							
Inventories	80,883,570						80,883,570
Repossessed stock		91,160,974					91,160,974
Accounts Receivables			130,019,550				130,019,550
<b>Total assets</b>	294,097,483	991,702,576	1,722,378,228	2,744,078,158	973,567,005	73,738,693	6,799,562,143
<b>(a). Interest bearing liabilities</b>							
Bank overdrafts	355,801,065						355,801,065
Retirement Benefit Obligation						6,482,049	6,482,049
Debentures	820,000	4,734,000	87,835,620	155,565,080			248,954,700
Other borrowings	1,148,676,673	1,229,878,836	2,709,972,267	209,380,781	137,805,305		5,435,743,862
Other Liabilities			318,942,030				318,942,030
<b>(c). Shareholders funds</b>							
						433,638,437	433,638,437
<b>Total liabilities</b>	1,505,297,738	1,234,612,836	3,116,749,917	364,945,861	137,835,305	440,120,486	6,799,562,143

# Eight Year Summary

	2001	2002	2003	2004	2005	2006	2007	2008
<b>Income</b>								
<b>Total Income</b>	25,177,887	41,464,304	122,903,720	217,652,771	363,776,408	638,279,950	1,054,206,933	1,638,454,558
Interest Income	24,527,673	38,769,809	116,655,458	201,720,370	337,853,081	598,470,528	989,218,343	1,496,219,576
Interest Expenses	42,166,533	57,937,796	104,485,863	137,273,470	206,205,522	387,165,977	670,401,052	1,092,348,424
Net Interest Income	(17,638,860)	(19,167,987)	12,169,595	64,446,900	131,647,559	211,304,551	318,817,291	403,871,152
Other Income	650,214	2,684,495	6,248,262	15,932,401	25,923,328	39,809,422	64,988,590	142,234,982
Net Income	(16,988,646)	(16,483,492)	18,417,857	80,379,301	157,570,887	251,113,973	383,805,881	546,106,134
Operating Expenses	19,895,718	27,244,499	44,813,986	59,029,714	110,389,472	177,131,697	294,248,502	418,945,913
Personnel Cost	8,553,407	10,501,811	12,925,852	18,775,501	31,863,071	56,734,625	84,797,365	121,024,590
Other Administration & General Expenses	11,342,311	16,742,688	31,888,134	40,254,213	78,614,505	120,397,072	209,451,137	297,921,323
Provision for Bad and Doubtful Debts- General	600,000	1,754,310	17,375,484	10,448,280	7,700,000	-	-	-
Provision for Bad and Doubtful Debts- Specific	-	-	-	-	-	17,602,253	27,740,197	55,923,046
Provision for Diminution in value of Investments	-	-	-	-	-	12,332,275	12,332,276	-
Profit / (Loss) Before Taxation	(37,484,364)	(45,482,301)	(43,771,613)	10,901,307	39,481,414	44,047,748	49,484,906	71,237,175
Taxation	-	-	-	-	-	-	157,484	5,947,671
<b>Profit (Loss) After Taxation</b>	(37,484,364)	(45,482,301)	(43,771,613)	10,901,307	39,481,414	44,047,748	49,327,422	65,289,504
Revenue / To Personnel Cost (Percentage)	33.97%	25.33%	10.52%	8.63%	8.76%	8.89%	8.04%	7.43%
Revenue / To Operation Expenses (Percentage)	79.02%	65.71%	36.46%	27.12%	30.35%	27.75%	27.91%	25.57%
<b>Assets</b>								
Cash and Short Term Funds	393,579	24,340,079	8,729,265	18,755,942	30,911,397	27,157,566	61,985,045	10,617,132
Investments	66,226,147	25,235,658	60,443,468	55,389,940	46,819,287	224,676,024	493,383,949	649,501,429
Lease Rentals & Receivables	9,377,464	229,834,461	623,311,164	1,035,077,727	1,534,071,433	2,121,209,635	2,602,280,712	3,559,988,180
HP Rental & Receivables	-	-	-	-	234,684,103	581,412,209	793,943,289	791,322,113
Loan Assets	88,667,694	87,659,436	63,838,757	215,249,042	501,931,479	867,375,402	1,181,446,815	1,285,880,114
Property Plant and Equipment	5,738,770	9,118,187	12,616,058	24,173,669	52,896,686	104,432,757	129,852,708	198,647,455
Other Assets	105,469,393	144,967,661	122,073,776	56,379,826	174,920,184	152,072,813	130,007,432	303,605,720
<b>Total Assets</b>	275,873,047	512,037,295	891,012,488	1,477,897,292	2,576,234,569	4,078,336,406	5,392,899,949	6,799,562,143
<b>Liabilities</b>								
Borrowings	258,487,338	530,686,365	910,763,547	1,400,539,942	2,382,991,283	3,627,849,488	4,918,339,725	5,684,698,562
Other Payables	34,483,594	43,931,118	85,880,861	127,413,674	192,987,250	368,175,209	474,560,224	1,114,863,581
Total Liabilities	292,970,932	574,617,483	996,644,408	1,527,953,616	2,575,978,533	3,996,024,697	5,392,899,949	6,799,562,143
<b>Shareholders Fund</b>								
Stated Capital	79,538,750	79,538,750	80,258,630	124,932,920	135,682,920	162,907,480	162,907,480	396,850,480
Unallotted Share Advance	-	-	-	-	80,946	-	-	-
Revaluation Reserve	-	15,082,857	15,082,857	15,082,857	-	-	-	-
Reserves	(96,636,635)	(142,118,938)	(185,890,550)	(174,989,244)	(135,507,830)	(95,678,628)	(48,851,206)	15,205,100
Reserve Fund	-	-	-	-	-	-	2,500,000	6,500,000
Share Holders funds	(17,097,885)	(62,580,188)	(105,631,920)	(50,056,324)	256,036	82,311,709	131,639,131	433,638,437
<b>Total Liabilities &amp; Shareholders Fund</b>	275,873,047	512,037,295	891,012,488	1,477,897,292	2,576,234,569	4,078,336,406	5,392,899,949	6,799,562,143
<b>RATIOS</b>								
<b>Growth in Income (%)</b>	8%	65%	196%	77%	67%	75%	65%	55%
<b>Growth in Interest Expenses (%)</b>	22%	37%	80%	31%	50%	88%	73%	63%
<b>Growth in Other Expenses (%)</b>	1%	37%	64%	32%	87%	60%	66%	42%
<b>Growth in Profit after Tax (%)</b>	-	-	-	75%	262%	12%	12%	32%
<b>Growth in Total Assets (%)</b>	6%	86%	74%	66%	74%	58%	32%	26%
<b>Interest Cover (times)</b>	0.11	0.21	0.58	1.08	1.19	1.11	1.07	1.06
<b>Earning per Share</b>	-4.71	-5.72	-5.45	0.87	3.09	3.00	3.03	2.51
<b>Return on Assets (%)</b>	-14%	-9%	-5%	1%	1.95%	1.32%	1.04%	1.07%
<b>Growth Of Lease Receivables</b>	22.65%	96.13%	73.44%	53.31%	68.59%	55.13%	34.96%	36.80%

# Glossary

## **CDB**

Citizens Development Business Finance Limited formerly Known as Ceylinco Development Bank Limited

## **Assets**

Economic resources owned by the business

## **Capital Employed**

Total Assets less liabilities as at the balance sheet date.

## **Corporate Governance**

The process by which corporate entities are governed .It is concerned with the way in which power is exercised over the management and direction of entity.The supervision of executive action and accountability to owners and other shareholders.

## **Depreciation**

The measure of wearing out, consumption or other loss of value of a fixed asset whether arising from use ,defluxion of time or obsolescence through technology and market values.

## **Deferred Interest**

Interest not due at particular date ,but which will be due later.

## **Earning per Share**

Profit attributes to ordinary shareholders divided by the weighted average number of ordinary share during the year.

## **General Provisions**

There are established for leasing/credit transactions and other security based advances foe anticipated losses on aggregate exposure where credit loss cannot yet be determined on an individual facility basis.

## **Finance Lease**

A lease that transfer substantially all the risks and rewards incidental to ownership of an asset to the lessee. Title may or may not eventually be transferred.

## **Investments**

Any Application of funds which is intended to provide a return by way of interest, dividend or capital appreciation.

## **Interest in suspense**

Interest income of non –performing loans and advances; these are accrued but not considered as profit.

## **Interest Margin**

Net interest income as a percentage of average interest earning assets.

## **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 treasury bills.

## **Net Assets value per share**

Shareholders fund divided by the number of ordinary share in issue.

## **Non-Performing Advances**

All loans are classifies as non-performing when a payment is 180 days in arrears.

## **Doubtful Debts**

A charge to income .which is added to the allowances for loan losses.

## **Shareholders Funds**

Shareholders funds consist of issued and fully paid ordinary share capital plus revenue reserves.

## **Unearned Finance Income**

The difference between the lessor's gross investment in lease and it's present value.

# Our Reach

## Anuradhapura

Ceylinco Building,  
1st Floor, No 54,  
Dharmapala Mawatha,  
Anuradhapura  
Email - anuradhapura@cdb.lk  
T.P - 0252234000

## Badulla

33-1/1 -33-1/6, 1st Floor,  
Modern Complex, No 158,  
lower Street, Badulla  
Email - badulla@cddb.lk  
T.P - 0552225533

## Battaramulla

No.150, Main Street, Battaramulla  
Email - battaramulla@cdb.lk  
T.P - 0112869944  
0112869949

## Chilaw

No 25/1, Colombo Road, Chilaw  
Email - chilaw@cdb.lk  
T.P - 0322220646

## Dambulla

No 633/1, Anuradhapura Road,  
Dambulla.  
Email - dambulla@cdb.lk  
T.P - 0662284088

## Embilipitiya

Rasika Building  
1st Floor, Rasika Building, Pallegama,  
Embilipitiya  
Email - embilipitiya@cdb.lk  
T.P - 0472261961  
0472261962

## Galle

Ceylinco Building, 1st floor, No 60,  
Colombo road, kaluwella,  
Galle.  
Email - galle@cdb.lk  
T.P - 0912227501  
0912227502

## Gampaha

1st Floor, No 64,  
Mary Biso Mawatha, Gampaha  
Email - gampaha@cdb.lk  
T.P - 0332233774

## Ja-Ela

No. 112, Colombo road,  
Ja-ela (adjoining Abans Automation)  
Email - jaela@cdb.lk  
T.P - 0112228228  
0112231133

## Kaduruwela

No 426, 28 Mile Post, Kaduruwela,  
Polonnaruwa.  
Email - kaduruwela@cdb.lk  
T.P - 0272226710

## Kaduwela

No 482/3, Colombo Road,  
Kaduwela (Opposite HNB)  
Email - kaduwela@cdb.lk  
T.P - 0112538888  
0112538889

## Kaluthara

1st Floor No.83, Main Street,  
Kaluthara South, Kaluthara  
Email - kaluthara@cdb.lk  
T.P - 0342224400

## Kandy

No 100/1, Yatinuwara Veediya, Kandy  
Email - kandy@cdb.lk  
T.P - 0812204246  
0812204600

## Kegalle

1st Floor, No.198, Main Street, Kegalle  
Email - kegalle@cdb.lk  
T.P - 0352222442  
0352222599

## Kelaniya

Modern Air Building  
No 792/A, Kandy Road, Wedamulla,  
Kelaniya  
Email - kelaniya@cdb.lk  
T.P - 0112910202  
0112919592

## Kollupitiya

No 36, Abdul Kafur Mawatha,  
Colombo-03  
Email - city@cdb.lk  
T.P - 0112301302  
0112301303

## Kotahena

No 30, Sri Ramanadhan Mawatha,  
Colombo 13.  
Email - kotahena@cdb.lk  
T.P - 0112422465/6

## Kurunegala

No 134/2, Nawinna Buliding,  
Colombo Road, Kurunegala  
Email - kurunegala@cdb.lk  
T.P - 0372221625  
0372234444

## Mahara

No.377/2, Mahara, Kadawatha.  
Email - mahara@cdb.lk  
T.P - 0112921432  
0112925000

## Maharagama

No.201, High Level Road, Wattegedara,  
Maharagama  
Email - maharagama@cdb.lk  
T.P - 0112845945

## Mathara

No.161-1/1A, 1st Floor,  
Dharmapala Mawatha,  
Mathara  
Email - mathara@cdb.lk  
T.P - 0412229955  
0412226655

## Mathugama

No 138, Aluthgama road, Mathugama  
Email - mathugama@cdb.lk  
T.P - 0342248888

## Moratuwa

No 303A, Galle road, Idama, Moratuwa  
Email - moratuwa@cdb.lk  
T.P - 0112642309  
0112642310

## Negombo

No 1, St. Jude Place, Negombo  
Email - negombo@cdb.lk  
T.P - 0312231391  
0312224040

## Nittambuwa

N0.589/2, Colombo Road, Nittambuwa  
Email - nittambuwa@cdb.lk  
T.P - 0332296969

## Rathnapura

1st Floor, 98-1/1,  
Bandaranayake Mawatha, Rathnapura  
Email - rathnapura@cdb.lk  
T.P - 0452226636

## Thissamaharama

Ceylinco Life Building, No.223,  
Hambanthota Road, Kachcherigama,  
Thissamaharama.  
Email - thissamaharama@cdb.lk  
T.P - 0472239655  
0472239656

## Wattala

192, Negombo-Road, Wattala  
Email - wattala@cdb.lk  
T.P - 0112981133

## Wennappuwa

No 390, Chillw road, Wennappuwa  
Email - wennappuwa@cdb.lk  
T.P - 0312245245

# Branch Network

● Branches







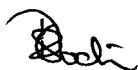
# Notice of Meeting

NOTICE IS HEREBY GIVEN THAT the Thirteenth Annual General Meeting of the shareholders of Citizens Development Business Finance Limited will be held at 30th day of June 2009 at Liberty Ball Room, Holiday Inn, No 30, Sir Mohoamed macan Markar Mawatha, Colombo 3, at 10.30 a.m.

## Agenda

1. To receive and adopt the report of the Directors and the Statement of Accounts for the year ended 31st December 2008 and to receive the report of the auditors thereon.
2. To re-elect Mr P N C Gomes who retires in terms of regulation 86 (a) of the Company's Articles of Association.
3. To re-elect Mr H P G V Gunawardena who retires in terms of regulation 86 (a) of the Company's Articles of Association.
4. To re-elect Mr E T L Ranasinghe who retires by rotation in terms of regulation 94 (a) of the Company's Articles of Association.
5. To re-appoint the retiring Auditors M/s KPMG Ford Rhodes Thornton & Co. Chartered Accountants and to authorise the Directors to determine their remuneration.
6. To authorise the Directors to determine contributions to charities and other donations for the year 2009.
7. To transact any other business of which due notice is given.

By Order of the Board



**Miss P S Watson**  
Company Secretary

15 May 2009

## Notes

- A member entitled to appoint a proxy to attend and vote for him/her.
- A proxy need not be a member of the Company.
- A form of proxy is enclosed for this purpose.
- The instrument appointing a proxy should be deposited at the Company Secretary's office at No 55, Lauries Place R A De Mel Mawatha Colombo 4 not less than 24 hours before holding of the meeting.
- Shareholders appointing a proxy (Other than Directors of the Company) to attend the meeting are requested to indicate the number of the National Identity Card of the proxy holder on the form of proxy. Only registered proxy holders will be permitted to attend the meeting.
- Shareholders/Proxy holders attending the Annual General Meeting are kindly requested to bring with them their National Identity Card or any other valid form of identification.



# Form of Proxy

I/We .....

of .....

being a member/members of Citizens Development Business Finance Limited do hereby appoint:

Mr/Mrs/Miss .....

of .....(NIC NO .....) whom failing,

1. Mr Rajkumar Renganathan of Colombo 5 ,whom failing,
2. Mr Weligama Palliyaguruge Claud Mahesh Nanayakkara of Colombo 5, whom failing,
3. Mr Palitha Abeysekera Jayawardena of Colombo 5, whom failing,
4. Mr Elmo Thushara Llindra Ranasinghe of Kohuwela, whom failing,
5. Dr Thirugnanasambandar Senthilverl of Colombo 5 , whom failing,
6. Mr Pattiyage Namal Chrishantha Gomes of Moratuwa, whom failing,
7. Mr Harindranath Priyantha Gerard Vas Gunawardena of Nugegoda.

as my/our proxy to represent me/us and to vote on my/our behalf at the 13th Annual General Meeting of the Company to be

held on the 30th day of June 2009 at Liberty Ball Room, Holiday Inn, No 30, Sir Mohoamed macan Markar Mawatha, Colombo 3,at 10.30 am and at any adjournment thereof.

Signed this ..... day of ..... Two Thousand and Nine

.....  
NIC NO./P.P. NO./CO. REG. NO.

.....  
SIGNATURE

INSTRUCTIONS AS TO THE COMPLETION ARE NOTED ON THE REVERSE HEREOF

### **Instructions As To Completion**

1. Kindly perfect the form of proxy, after filling in legibly your full name and address, by signing in the space provided and filling in the date of signature.
2. If the proxy is signed by an Attorney, the relative power of Attorney should also accompany the proxy form for registration if such Power of Attorney has not already been registered with the Company.
3. The Completed form of proxy should be deposited at the Secretaries Office at No 55, Lauries Place R A De Mel Mawatha Colombo 4, not later than 24 hours before the holding of the Meeting.
4. In the case of a Company/Corporation the proxy must be under its Common Seal which should be affixed and attested in the manner prescribed by its Articles of Association or Constitution

# Corporate Information

## Name of the Company

Citizens Development Business Finance Limited.  
(Formerly known as Ceylinco Development Bank Limited)

## Legal Form

A Public Limited Liability Company incorporated in Sri Lanka under the provisions of the Companies Act No 17 of 1982 and re-registered under the Companies Act No 7 of 2007.

The company is registered under the Finance Companies Act no 78 of 1988.

The company is registered under the Finance Leasing Act No 56 of 2000.

## Date of Incorporation

7th September 1995

## Registration Number

PB 232

## Board of Directors

### **Mr. R. Renganathan**

FCA, FSCMA, FCIC(SL)

(Chairman)

### **Mr. P.A. Jayawardena**

FCA, FSCMA

### **Mr. E.T.L. Ranasinghe**

Chartered Marketer(UK) Dip. M

MCIM(UK), MBA(Sri.J)

### **Mr H.P.G.V. Gunawardena**

BSc(Hons),(M.Eng), MBCS, ACMA (UK)

### **Mr. P.N.C. Gomes**

BSc(Acct), MBA(Sri.J), ACA, ASCMA

### **Mr C.M. Nanayakkara**

BSc(Mgt), ACMA(UK), MBA(Sri.J)

### **Dr T. Senthiverl**

## Registered Head Office

No 18, Sri Sangaraja Mawatha,  
Colombo 10.

Tel - 0117 388388

Fax - 0112 429888

E-mail - [cdb@cdb.lk](mailto:cdb@cdb.lk)

Web - [www.cdb.lk](http://www.cdb.lk)

## Company Secretary

Miss. P. S. Watson FCIS

No 18, Sri Sangaraja Mawatha,  
Colombo 10.

Tel - 4712678

## Auditor

KPMG Ford Rhodes, Thornton & Co,

Chartered Accountants,

32A, Sir Mohamed Macan Marker Mawatha,

Colombo 03.

Tel - 2426426

## Lawyer

Nithya Partners.

No 51, Gregory's Road,

Colombo 07.

## Bankers

Seylan Bank PLC

People's Bank

Hatton National Bank PLC

Bank of Ceylon

Commercial Bank of Ceylon PLC

Sampath Bank PLC

