

2014-15

Annual Report



CENTRAL FINANCE COMPANY PLC

VISION

Central Finance shall be the first choice for progressive customers in delivering innovative financial solutions.

MISSION

To be the leader in our industry, conducting business with responsibility, using our expertise in helping customers grow and prosper whilst creating lasting value for our shareholders.

CORPORATE VALUES

- **Customer Centered** – We aim to build long term relationships with our customers, We believe in providing consistently high standards of service and integrity
- **Unyielding Integrity** – We have a hard earned reputation of integrity and reliability which we shall safeguard at all times. Therefore trust, confidence, prudence and fairness in dealing with our customers, members of the public will be absolute and will form an integral part of our business philosophy
- **Superior Service** – We believe in providing fast, quality service that earn customer satisfaction which results in customer retention
- **Exceptional Performance** – We set ambitious goals, yet we understand accountability to achieve these goals. We are committed to perform exceptionally well on behalf of our stakeholders
- **Our People are our company** – The ability and commitment of our people are central to the success of the company. Therefore, we help them enhance their skills, recognise and reward accomplishment, treat them with fairness and consideration. In return we expect every individual to take responsibility for his/her actions

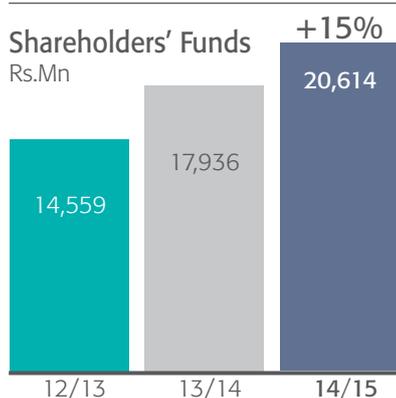
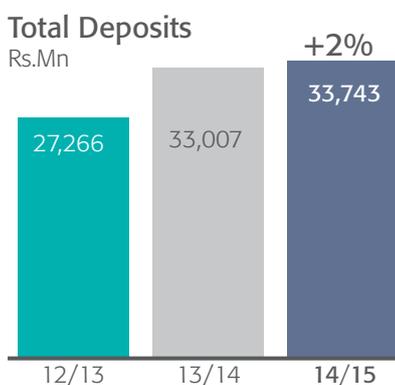
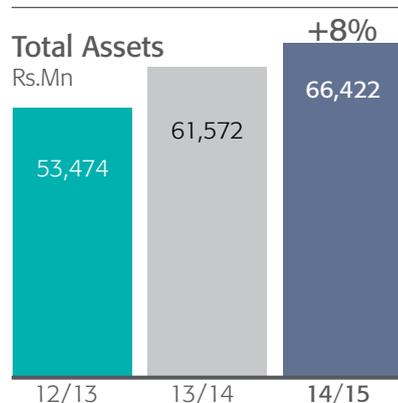


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Financial Highlights



	Group		Company	
	2014/15	2013/14	2014/15	2013/14
	Rs.Mn.	Rs.Mn.	Rs.Mn.	Rs.Mn.
Financial performance				
Income	14,222	13,411	13,508	12,840
Profit before income tax	5,123	4,587	4,006	3,708
Income tax	1,388	1,232	1,003	932
Profit after income tax	3,735	3,354	3,003	2,776
Net profit attributable to ordinary shareholders	3,633	3,291	3,003	2,776
Gross dividends	-	-	367	336

Financial position

Total assets	71,204	65,430	66,422	61,572
Gross loans and advances to customers	53,464	48,342	53,577	48,521
Deposits	33,448	32,673	33,743	33,007
Shareholders' funds	24,319	20,986	20,614	17,936

Information per ordinary share

Earnings Rs.	34.64	31.38	-	-
Dividends Rs.	3.50	3.20	3.50	3.20
Market value Rs. (31st March)	-	-	250.10	181.00
Net assets Rs. (31st March)	231.86	200.09	196.55	171.01

Ratios

Dividend cover (times)	-	-	8.18	8.27
Dividend pay out (%)	-	-	12.22	12.09
Liquid assets (%)	-	-	13.31	12.64
Shareholders' funds to deposits	-	-	61.09	54.34
Core capital ratio % (Tier 1)	-	-	28.80	25.45
Total risk weighted capital ratio % (Tier 1 & 11)	-	-	29.08	26.38

Non-financial highlights

Employees

1,624

13/14: 1,557 12/13: 1,450

Branches

92

13/14: 86 12/13: 75

Customers

123,987

13/14: 102,548 12/13: 88,834

Chairman's Statement

The fourth quarter offered some respite as market sentiments improved following the Presidential Election of January 2015. A combination of factors including the upbeat consumer and investor confidence brought the long awaited pick-up in the demand for private sector credit in the months of February and March 2015.

On behalf of the Board of Directors, it is my pleasure to present the Annual Report and the Financial Statements of your company for the year ended 31st March 2015 and review the key highlights of the year.

Macro-economic overview

The year 2014 proved to be a turning point for the global economy, as the revival of world-wide economic conditions signalled an end to the woes of many developed nations, with most recording better than anticipated growth rates. Meanwhile, the performance of many emerging economies was yet again dampened by weaker output levels and growing inflationary pressures, leading to lower than expected results for the year.

In contrast, the Sri Lankan economy was able to maintain a fairly consistent performance, ending the year at a moderate 7.4% growth. Annual average inflation too ended at 3.3% as at end December 2014. Moreover, the Rupee remained stable demonstrating very little movement against the US Dollar throughout the year.

Although these indicators appear to clarify the health of the local economy, in reality low aggregate demand typically affected spending patterns in the Country. To boost the level of economic activity in the Country, the Government continued to endorse the low-interest regime that was brought in as a part of the economic stimulus package of December 2012. However, the seemingly attractive interest rates yet again failed to bolster investor confidence and private sector demand for credit was decidedly slack for much of the year. Consequently, a severe liquidity influx in the market continued for the second consecutive year.

Nevertheless, the fourth quarter offered some respite as market sentiments improved following the Presidential Election of January 2015. A combination of factors including the upbeat consumer and investor confidence brought the long awaited pick-up in the demand for private sector credit in the months of February and March 2015.

Sector Update

In 2014, the Licenced Finance Companies and Specialised Leasing Companies sector registered a moderate asset growth of 18.9%, slightly lower than what it achieved in 2013. Meanwhile, despite the low interest rates, demand for credit remained sluggish for most of the year, forcing the industry to look for alternative investment avenues, leading to a 39% growth in the industry-wide investment portfolio. Notably however, a pick-up in the demand for credit was observed in the final months of the 2014 calendar year.

The loan book of the sector grew by 16% for the same period, with finance lease and hire purchase agreements accounting for the bulk of this growth. The funding mix of the industry remained more or less the same, with deposits accounting for 48.5% of the funding base.

Meanwhile, maintaining the asset quality continued to be a challenge even in 2014, leading to a marginal increase in the overall industry-wide Non-Performing Advances ratio from 6.7% in the previous year to 6.9% for the current year.

Implementation of the "Central Bank Financial Sector Consolidation Programme" also got into gear in 2014. In supporting this CBSL led initiative, your company concluded the acquisition of Isuru Leasing Company Ltd., in December 2014.

Our performance

Looking back over the past year, I am indeed gratified to note that your company, Central Finance Company PLC (CF) managed to negotiate the ebb and flow in the business environment and reaffirmed its position as one of the key players in Sri Lanka's NBF sector.

Surrounded by an ambiguous business environment for much of the year, our priority was to strengthen core fundamentals in a manner that would translate into better business value. The crux of our strategy was to leverage on CF's core competencies and consolidate activities to fuel growth.

Chairman's Statement

Underpinned by our goal to deliver the CF brand promise to the masses, we cautiously expanded the number of touch points across the Country, while refining our branch model so as to fully exploit the branch value proposition.

Meanwhile, to benefit from changes in the underlying market dynamics, we also introduced a series of well-timed initiatives aimed at diversifying the portfolio and bolstering the prospects for the year. Of particular note are the measures taken to promote both mainstream and niche offerings following the visible turnaround in credit demand seen in the fourth quarter of the financial year.

I am happy to note that these measures paid off, with the final three months accounting for a substantial part of the company's growth for the year.

Meanwhile in yet another move to protect the bottom line, we rationalised our portfolio to help secure asset quality and control NPLs.

Financial Highlights

The company recorded a profit after tax of Rs. 3 Billion, an increase of 8% from the Rs. 2.78 Billion reported in 2013/14. This is indeed a commendable achievement, given high impairment provisions resulting from the pressure on credit quality.

Total assets grew by 7.9% to reach Rs. 66.4 Billion by the end of the year, with the loan book accounting for more than 80% of the total assets as at 31st March 2015. Meanwhile, the liabilities saw only a moderate growth owing to lower demand for credit. Equity attributable to shareholders touched the Rs. 20 Billion mark in 2014/15.

Performance of Subsidiaries and Associate Companies

The year saw some of the group companies performing exceptionally well, making healthy contributions to the group bottom line.

Central Industries PLC recorded a profit after tax of Rs. 130.33 Million, a very satisfying increase of 72% YoY, which was the result of an increase in infrastructure investments, both by the Government as well as the Private Sector.

CF insurance Brokers (Pvt) Ltd., the insurance broking arm of the group, also performed well to record the highest ever profit after tax of Rs. 112.90 Million, while Nations Trust Bank PLC continued to perform extremely well, reporting a profit after tax of Rs. 2.54 Billion for 2014, compared to the Rs. 2.14 Billion reported in 2013. The Managing Director's review captured on pages 5 to 8 of this annual report, gives the detailed review of the group companies.

Dividend

In keeping with its tradition, the company paid two interim dividends during the year, both being 85 cents per share paid in December 2014 and April 2015.

It has been proposed that a final dividend of Rs. 1.80 for a share be paid, bringing the total dividend paid and declared for the financial year 2014/15, to Rs. 3.50 per share. This is an increase of 9% over 2013/14.

Future outlook

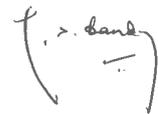
Having established a track record for consistent economic performance notwithstanding severe macro-economic challenges, Sri Lanka's economic indicators have been better than many regional peers. With the Country now lying at the cusp of the next big growth phase of the post-war era, I believe the only way to move forward is to create a robust growth-conducive environment that would underpin the development of all key aspects of the economy. Stepping up to the challenge, the Country's financial sector would undoubtedly be called upon to play an even greater role in facilitating the required framework for growth.

As a key player at the forefront of the local NBFIs sector, CF is ideally poised to provide the impetus needed for widespread growth across all sectors of the economy. In doing so, we would likely need to review our business model and impose tighter controls to ensure asset quality and lower NPLs. To achieve this end, it is proposed that we employ suitable business intelligence techniques that would help enhance our evaluation processes and streamline control capabilities.

Moreover, to ensure that the desired level of development reaches all market segments across the Country, we would need to expand our island-wide reach, vis-à-vis our micro-branch model. Meanwhile, by enriching our portfolio of offerings in tandem with the evolving needs of the customer, we propose to deliver sustainable value to all stakeholders of our business.

Appreciations

As I conclude my review, I wish to express my appreciation to the officials at the Department of Supervision of Non-bank Financial Institutions of the Central Bank of Sri Lanka, for their support at all times. I would also like to thank my colleagues on the Board for their guidance and wise counsel. A special word of thanks to the Managing Director, the Management and Employees at all levels for their dedication and commitment in driving the company forward. Finally, I wish to thank the shareholders and all other stakeholders of Central Finance Company PLC, for the trust and confidence placed in us. I request your invaluable support in the years ahead.



J.D. Bandaranayake
Chairman

Colombo
27th May 2015

Managing Director's Report

Having reached what is most likely, an all-time low, the demand for credit finally showed signs of revival in January 2015, followed by a further pickup registered in February and March 2015. Despite being at the early stages, this turnaround is seen as the critical stimuli needed to trigger an upswing in the private sector credit demand in the coming months.

For Central Finance Company PLC, 2014/15 was a watershed year that truly tested the resilience of our business model and I am indeed very pleased with the manner in which we have responded to overcome challenges. The counter measures and strategies that we adopted during the year contributed to the stable performance recorded for the year ended 31st March 2015.

Macro-economic Overview 2014

Even though the economic activities in the Country slowed down, Sri Lanka's GDP grew by 7.4 % in 2014. This too, was mainly due to the Government infrastructure development projects. Moreover, for the second consecutive year, the appetite for private sector credit remained doggedly slow, perhaps even more so than the previous year.

Starting the year with a sizable rate cut, the Central Bank of Sri Lanka (CBSL) intensified its efforts to kick start the hitherto inactive demand for private sector credit. However, although the low policy rates remained intact for much of the year, the private sector continued to be wary of investing with many opting for a "wait and see" approach and only a handful of investors making use of the opportunity for low cost borrowings. While investor confidence remained low, renewed efforts to stimulate market sentiments did not spark the desired credit momentum. As such, the industry-wide loan book failed to grow as expected during the year, igniting fresh worries of excess liquidity in the market.

Meanwhile, NPLs shot up across the industry as many businesses found themselves stymied by the inactive economic climate, which continued to suppress their cash flows. A culmination of these factors led to a rapid increase in impairment charges among industry participants.

However, having reached what is most likely an all-time low, the demand for credit finally showed signs of revival in January 2015, followed by a further pickup registered in February and March 2015. Despite being at the early stages, this turnaround is seen as the critical stimuli needed to trigger an upswing in the private sector credit demand in the coming months.

The Financial Sector Consolidation Programme also got off the ground in 2014, with ten mergers completed as at 31st December 2014. CF acquired Isuru Leasing Company Ltd., (ILCL) a specialised leasing company operating in Kandy and the acquisition was completed by end-December 2014. We are currently in the process of merging the operations of ILCL with CF. However, the CBSL led programme was put on hold pending the review of the findings of the newly appointed consolidation review committee appointed by the Government. This also brought to a halt, the 22 potential mergers that were in the negotiation process as at the end of the year.

Managing Challenges

Branch Network

With the persistently dull credit demand, in 2014, we adopted a guarded approach towards expanding our regional coverage across the Country. Revisiting our fundamental branch model, we looked into the possibility of moderating our expansion plans for the year and felt it is best to transition into a more resilient branch blueprint, to help us gear for a more sustainable platform for growth in the years ahead. Easing away from the main branch model of the past, we then focused on refining the Micro-branch concept launched in 2010. In doing so we hope to derive a more versatile branch template that would better serve customers, while laying the foundation for a leaner operational structure that would boost future performance.

Managing Director's Report

Deposit Mobilisation

Despite the low market interest rates, the company continued to attract a high volume of term deposits, mainly from existing customers. This pushed up CF's liquidity level, which prompted us to rethink the mobilisation strategy. The decision proved to be a timely one, particularly with the Government Budget proposal, that introduced a guaranteed interest rate of 15% for senior citizen bank deposits with effect from January 2015.

We did however continue to encourage short term deposits and in fact stepped up efforts to increase savings. To achieve the desired targets, we reviewed our existing savings proposition and developed a suitable pricing strategy to help bolster volumes.

Credit Disbursements

Undeterred by the lackluster demand for credit, we made a determined effort to mop up excess liquidity by offering our customers a vibrant portfolio of low-cost borrowing opportunities. Taking a series of proactive steps, we developed our offerings in a manner that would fulfill both customer expectations and make a more effective contribution to our bottom line.

Rationalising our portfolio along these lines, we sought to capitalise on the growing demand for big-ticket vehicles by the middle-income market segments in the Country. To derive an ideal marketing mix, we placed a great deal of emphasis on exploring the potential market for cars and trucks, while the focus on the small ticket items was not as pronounced as that of the previous year.

Timely repositioning of the marketing mix in this manner, also helped CF to leverage on the uptick in credit demand seen in the final quarter of the year under review.

Asset Quality and Non-Performing Loans (NPLs)

Maintaining asset quality amidst rising NPLs yet again proved to be a considerable challenge. Having dealt with similar conditions the year before, we already had in place a deliberate strategy aimed at curbing the volume of NPLs. To prevent the escalation of the NPL ratio, ongoing efforts to reinforce the recoveries unit continued throughout the year. Meanwhile, to ensure the quality of the portfolio, we focused on developing a suitable early warning system to identify potential problem loans which appeared likely to migrate into the NPL category.

These timely measures have helped us maintain an NPL ratio of 4.53% as at 31st March 2015. Although this is above our previous year's figure of 3.28%, it is nevertheless well below the industry average of 6.9% as at 31st December 2014. Going forward, I believe the focus on big-ticket utility based vehicles would be instrumental in reducing NPLs.

Performance Review

The top line grew marginally to Rs. 13.51 Billion in 2014/15 from Rs. 12.84 Billion recorded in 2013/14. Operating expenses increased to Rs. 3.33 Billion in 2014/15, an increase of 12.60% over the previous year. The lingering stress on the asset quality was evident in the impairment charge for the year, which increased to Rs. 1.83 Billion in the current year from Rs. 1.22 Billion recorded in 2013/14. Encouragingly however, both profit before income tax and profit after income tax saw an increase of 8% over the previous year to reach Rs. 4 Billion and Rs. 3 Billion, respectively during 2014/15. In terms of our balance sheet, the lending portfolio stood at Rs. 53.58 Billion as at the end of 2014/15, a year-on-year growth of 10.4%. Similar growth was seen in the

total assets as well. The deposits portfolio saw a marginal increase of 2% over last year, following the decision taken to grow deposits on a measured basis. Equity attributable to the shareholders crossed the Rs. 20 Billion milestone this year.

Credit Rating

I am happy to note that Fitch Ratings Lanka reaffirmed CF's National Long Term Rating at A+ (lka) for the 9th consecutive year. As in the past, I believe it is the strength of our balance sheet and stable deposit franchise that are the key drivers of the ratings assigned for the year.

Dividend

The Board of Directors recommended a final dividend of Rs. 1.80 per share in addition to the two interim dividends declared during the year, amounting to Rs. 1.70 per share. Therefore, the total annual dividend per share paid and proposed for 2014/15, is Rs. 3.50, an increase of 9% over the previous year.

Performance of subsidiaries

Central Industries PLC (CIL)

Central Industries PLC recorded its best ever performance during the year under review. Revenue increased by an impressive 28% to Rs. 2.08 Billion compared to Rs. 1.63 Billion in the previous year. Profit before tax nearly doubled from Rs. 94.32 Million in the previous year to Rs. 170.74 Million in the current year, while profit after tax also grew similarly to reach Rs. 130.33 Million in 2014/15, up 72% from the Rs. 75.58 Million reported in the previous year. The robust performance registered by the company is mainly due to a considerable increase in the number of retail projects, mainly from the Electrical Products segment, which continued to show strong growth in volumes. Supplies made to State

institutions and Government infrastructure development projects also contributed steadily towards the performance of the company. The Board has recommended a first and final dividend of Rs. 4.50 per share for the year ended 31st March 2015, an increase of 50% compared to Rs.3.00 per share paid in the previous year.

Mark Marine Services (Pvt) Ltd. (MMSL)

In spite of the drop in electricity tariffs, the company's revenue for 2014/15 increased by 6% due to high capacity utilisation. Meanwhile, bolstered by favourable weather conditions and uninterrupted plant operations throughout the year, power generation during 2014/15 improved by 86% over the previous financial year. The company recorded a profit before tax of Rs. 78.85 Million for the year ended 31st March 2015, a 61% growth over the previous year. A corresponding increase of 62% in the company's profit after tax translated as Rs. 68.44 Million for the year under review, compared to Rs. 42.69 Million reported in 2013/14. Further, a dividend of Rs. 5.00 per share was paid during the financial year ended 31st March 2015.

CF Insurance Brokers (Pvt) Ltd. (CFIB)

The company recorded a gross premium turnover of Rs. 2.06 Billion compared to Rs. 1.93 Billion reported in the previous year, an increase of 6.74%. Commission income increased by 4.37% from Rs. 210.41 Million in 2013 to Rs. 219.60 Million in 2014. Expenditure declined by 6.10% from the previous year owing to the efficiency improvement initiatives taken throughout 2014. Pre-tax profits for the year recorded an increase of 43.7% from Rs. 101.75 Million to Rs. 146.20 as at 31st December 2014. Meanwhile, in line with the growth in profits, the provision

for Income tax increased by Rs. 11 Million to Rs. 33.3 Million compared to Rs. 22.3 Million in the previous year. Profit after tax also improved to Rs. 112.9 Million from Rs. 79.5 Million recorded in the previous year, reflecting a growth of 42.10%. A dividend of Rs. 1.00 per share has been declared for the year ended 31st December 2014.

Dehigama Hotels Company Ltd. (DHCL)

The company owns the Dehigama Building located at No. 84, King's Street, Kandy, that houses the Registered Office of Central Finance Company PLC. The company's revenue of Rs. 29.64 Million consists entirely of rental income derived from the long term tenancy agreement with CF. Profits before tax dropped slightly from Rs. 26.357 Million in 2013/14 to Rs. 26.353 Million for the year under review. Profit after tax remained more or less the same at Rs. 18.96 Million for the current year, compared to Rs. 18.86 Million reported in the previous year.

The tenancy agreement with Central Finance Company PLC was renewed in March 2015 for a further five year period with a 10% increase in rental income.

Kandy Private Hospitals Ltd. (KPHL)

Turnover for the year under review was Rs. 99.92 Million, up marginally by 7.2% from Rs. 93.19 Million in 2013/14. Nevertheless, profit before tax grew by 31.02%, year on year. However, due mainly to a Rs. 3.52 Million increase in income tax expenses, profit after tax did not match up, improving only marginally by 5.2% from Rs. 12.05 Million reported in the previous year to Rs. 12.68 Million for the current year. This may not however be an accurate comparison, as the previous year's tax charge includes a reversal of deferred tax liabilities amounting to Rs. 3.17 Million compared to a provision of Rs. 0.93 Million during the year under review.

Performance of Associates

Nations Trust Bank PLC (NTB)

The NTB group reported a post tax profit of Rs. 2.54 Billion during the year ended 31st December 2014, compared to Rs. 2.14 Billion reported during the previous year. Pre-tax profit grew also by 21.59% to Rs. 3.83 Billion compared to Rs. 3.15 Billion recorded in the previous year, while net interest income improved by 17% from Rs. 7.67 Billion to Rs. 8.94 Billion. This performance is seen as a commendable achievement, given that it was a particularly challenging year for the banking industry. From an operational perspective, the entire banking sector was forced to re-price their asset book, given the low interest rate environment that continued for the second consecutive year. Despite these challenges, NTB was able to record a Net Interest Margin of 5.9% in 2014. Meanwhile, despite the rapid network expansion and the migration to a new core banking system, operating expenses were kept at a minimum, increasing by only 10.54% during the current year compared to 23.01% increase in 2013. This helped to improve the cost to income ratio, from 58.3 % in 2013 to 52.7% in 2014.

However, impairment charges increased notably from Rs. 450.61 Million in 2013 to Rs. 1,157.41 Million in 2014 mainly due to re-calibration of impairment methodology used for the leasing portfolio. This resulted in booking an additional Rs. 125 Million as a one-off charge during 2014. Moreover, the year also saw an impairment charge of Rs. 172 Million on the corporate portfolio as against a net reversal in impairment of Rs. 289 Million in 2013.

The bank's deposits portfolio grew by 15.96% to reach Rs. 111 Billion as at 31st December 2014. Meanwhile, the Loans and advance portfolios grew by 19.5% to reach Rs. 98.35 Billion at the year-end, indicative of the diversity and stability of the business. Commendably, NTB has

Managing Director's Report

now reached the number one position in leasing assets among the commercial banks. NPL ratio stood at 4.1% at the year-end marginally better than the industry average of 4.2 % as at 31st December 2014, but failed to match up to the 3.5% recorded in the previous year. A first and final dividend of Rs. 2.10 per share was paid for the year ended 31st December 2014.

Tea Smallholder Factories PLC (TSFL)

The company operates a network of 8 factories, mainly located in the southern province with an annual capacity of processing 7.6 Million Kilogrammes of green leaf, with a smallholder base of 22,077 leaf suppliers. During the year under review, tea prices recorded a sharp decline, particularly in the second half of the year, as global demand weakened on the back of political and economic uncertainties in some of the key tea buying countries. Lower oil prices impacted the purchasing power of two of the largest tea importers, namely the Middle East and Russia, with Russia being further impacted by economic sanctions and the devaluation of its currency. The political turmoil in Ukraine and Syria further aggravated the situation. As a result, the average sales price for low grown teas declined approximately 4% in the year under review. During the period under review, the company was able to produce only 5.3 Million Kilogrammes of made tea, compared to 5.6 Million Kilogrammes produced in the previous year. This was mainly due to extreme weather patterns that impacted tea producing regions in the Country. The low grown average prices in the current financial year decreased by Rs. 20.49 compared with the previous

year and reached the lowest level in February 2015. Amidst these unfavourable conditions, the company's revenue for the year marginally declined to Rs. 2,518 Million from Rs. 2,676 Million recorded in the previous year. Profit after tax for the year under review was Rs. 36 Million compared to Rs. 81.48 Million recorded in the preceding year. The company declared a dividend of Rs. 1.00 per share for the year ended 31st March 2015.

Appreciations

I wish to express my sincere thanks to the Chairman and colleagues on the Board of Directors for their valued guidance and wise counsel. I also extend a special thank you to the management and staff for their unquestionable loyalty and steadfast commitment which has helped us through these trying times.

My thanks are due to the officials of the Central Bank of Sri Lanka for their advice and support, to SJMS Associates, our external auditor and Consultants for their valuable input.

I convey my appreciation to our shareholders, depositors, customers, bankers and other stakeholders of CF for their long standing confidence and support. I look forward to their continued patronage in the years ahead.



E. Wijenaik
Managing Director

Colombo
27th May 2015

Board of Directors

Jayampathi Divale Bandaranayake

Chairman/Non-Executive Director

Jayampathi Bandaranayake, Graduate in Law, Fellow of the Institute of Personnel Management, Sri Lanka, Fellow of the Institute of Chartered Secretaries of Sri Lanka and Fellow of the Institute of Certified Chartered Professional Managers, was appointed Chairman of Central Finance Company PLC on 01st January 2012. He also serves on the Boards of Finlays Colombo PLC and Ceylon Biscuits Ltd. He has held office as Chairman of Ceylon Tobacco Company PLC, the Ceylon Chamber of Commerce and the Employers' Federation of Ceylon and also functioned as the Chairman/Director General of the Board of Investment (BOI) of Sri Lanka.

Eranjith Harendra Wijenaik

Executive Director

Eranjith Wijenaik is the Managing Director of Central Finance Company PLC and has been a member of the Board since 1st April 1983. He is a Director of several companies within and outside the group including Tea Smallholder Factories PLC, Trans Asia Hotels PLC, Equity One PLC and Central Industries PLC. He served as a founder Director of Nations Trust Bank PLC for a period of 12 years and retired in December 2011. He has over 31 years of experience and holds a Bachelor's Degree in Commerce and a Postgraduate Diploma in Finance and Management. He is a Member of the Chartered Institute of Management (UK).

Gerard Shamil Niranjan Peiris

Executive Director

Shamil Peiris is the Director (Finance) of Central Finance Company PLC and has been a member of the Board since 1st April 1983. He serves on the Boards of many companies within and outside the group. He possesses over 37 years of post-qualification experience. He is a Fellow of the Institute of Chartered Accountants of Sri Lanka, Institute of Credit Management & Society of Certified Management Accountants – Sri Lanka, Chartered Institute of Management Accountants, British Institute of Management and Association of Corporate Treasurers – UK. He is also a Chartered Global Management Accountant.

Ravindra Erle Rambukwelle

Executive Director

Ravi Rambukwelle is the Director (Marketing and Operations) of Central Finance Company PLC and has been a member of the Board since 20th February 2002. He possesses over 36 years of management experience, both locally and internationally. He holds a Bachelor's Degree in Economics and Political Science from the University of Peradeniya, a Diploma in Marketing from the Chartered Institute of Marketing UK and a Diploma in Commerce from the Institute of Commerce UK. He serves as a Director in several group companies including Tea Smallholder Factories PLC and Central Industries PLC.

Arjuna Kapila Gunaratne

Executive Director

Arjuna Gunaratne, Director (Group Coordination) of the company, has been a member of the Board since 20th February 2002. He oversees the functions of Strategic Planning and Risk Management of the company. He is a Fellow of the Institute of Chartered Accountants of Sri Lanka and the Chartered Institute of Management Accountants of UK. He is also a Chartered Global Management Accountant. He also serves on the Board of Central Industries PLC.

Dhammika Prasanna de Silva

Executive Director

Prasanna de Silva is the Director (Credit) of Central Finance Company PLC and has been a member of the Board since 01st July 2011. He served as the Chairman of the Leasing Association of Sri Lanka from 2007 – 2009. He also serves as a director of Nations Trust Bank PLC. He is a Fellow of the Chartered Institute of Management Accountants (UK) and has completed all examinations of Chartered Financial Analyst (CFA) programme.

Board of Directors

Chandima Lalith Kumar Perera Jayasuriya

Non-Executive Director

Kumar Jayasuriya, Non-Executive Chairman of Finlays Colombo PLC has been a member of the Board of Central Finance Company PLC since 01st July 2011. He is a Fellow member of the Chartered Institute of Management Accountants, UK (FCMA), a Chartered Global Management Accountant (CGMA), and a Fellow Member of the Association of Chartered Certified Accountants, UK (FCCA).

He is a Trustee and a former Chairman of the Employers' Federation of Ceylon and also a director of several other public listed and non-listed companies incorporated in Sri Lanka including Nations Trust Bank PLC, Lanka Aluminium Industries PLC and Acme Printing & Packaging PLC.

Sunil Chandra Sillapana Wickramasinghe

Independent Non-Executive Director

Sunil Wickramasinghe, the immediate past Chairman of Milco (Pvt) Limited has been a member of the Board of Central Finance Company PLC since 01st July 2011. He possesses 30 years of experience at Nestlé, holding various positions in the fields of Technical, Sales, Marketing and General Management in Sri Lanka and abroad. He served as an Executive Director at Nestlé Sri Lanka, prior to leaving for Australia in 2005 to take up appointment as Sales Director for Nestlé Pacific Islands and later on as General Manager – Nestlé Papua New Guinea. He has wide exposure to sales and marketing especially in emerging markets such as India, Sri Lanka, Maldives and Malaysia.

Faiz Mohideen

Independent Non-Executive Director

Faiz Mohideen was appointed to the Board of Central Finance Company PLC on 01st January 2012. He was a former Deputy Secretary to the Treasury and Director General External Resources Department, Ministry of Finance and Planning. He served on the Boards of Bank of Ceylon and the Securities and Exchange Commission of Sri Lanka. He currently serves on the Boards of Carsons Cumberbatch PLC, Dipped Products PLC and Kelani Valley Plantations PLC. He holds an MSc in Econometrics from the London School of Economics and a B.Sc. in Mathematics from the University of London.

Anthony Nirmal Fernando

Independent Non-Executive Director

Nirmal Fernando was appointed to the Board on 03rd January 2013. He was the Senior Partner of KPMG Sri Lanka from 2008 to 2012 and served as a Council Member of the Employers' Federation of Ceylon. He currently serves on the Board of Watawala Plantations PLC. Nirmal Fernando holds an MBA from IMD Business School, Switzerland and is a Fellow of the Institute of Chartered Accountants of Sri Lanka.

Corporate Management Team

1. **U. B. Elangasinha**
FCA
General Manager – Finance
2. **I. M. J. B. Ilangakoon**
AICM (SL)
General Manager – Branches
3. **M.B.C. Fernando**
BA (Econ), MA (International Relations) (University of Colombo)
General Manager – Human Resources and Development
4. **B.A.C.K. Jayawardena**
MBA (Open University – Malaysia)
General Manager – Recoveries
5. **S. Ragunathan**
MBA (Sikkim Manipal University, India)
General Manager – Internal Audit
6. **C.K. Hettiarachchi**
MBA (University of Wales), ACMA (UK), CGMA
General Manager - Marketing and Product Development
7. **C.S. Hettiarachchi**
MBA (University of Sri Jayewardenepura),
L.L.B (University of Colombo),
Attorney-at-Law
General Manager – Legal
8. **A. F. Goonetillake**
Dip. in Marketing (UK), MCIM (UK),
Dip. in IDPM (UK)
Senior Assistant General Manager – Marketing Services
9. **S. Ekanayake**
Senior Assistant General Manager – Fleet Management
10. **S. Tennekoon**
Senior Assistant General Manager – Sales
11. **A.P.B. Rajanayake**
Senior Assistant General Manager – Deposits
12. **G.A.R. De Zoysa**
MBA - University of Sri Jayewardenepura, BSc (Hons) University of Manchester Metropolitan (UK), Dip.in Computer System Design – NIBM
Senior Assistant General Manager – IT
13. **G.A. Bandaranayake**
Senior Assistant General Manager – Credit
14. **K. Kandeepan**
FCA, ACMA (UK), CGMA
Senior Assistant General Manager – Finance
15. **C.A. Goonawardene**
BSc (University of Peradeniya), AICM (SL), BMS (Open University of Sri Lanka)
Senior Regional Manager – Region 1
16. **H.G. Wijeratne**
Senior Regional Manager – Region 4
17. **D.M. Warnakulasuriya**
Assistant General Manager – Recoveries
18. **M.A.M. Farook**
BSc (Hons) University of London Guildhall (UK), Dip. in Computer System Design - NIBM
Assistant General Manager – IT
19. **R.E.S. Naranpanawa**
AICM (SL)
Senior Regional Manager – Region 2

Management Discussion and Analysis

Performance of the Non-bank financial Sector (NBFI)

Representing approximately 7% of the country's financial sectors, Sri Lanka's NBFI sector was made up of 48 Licensed Finance Companies (LFC) and 8 Specialised Leasing companies (SLC), as at 31st December 2014.

The sector-wise outreach expanded at a slightly slower pace than what was seen in the previous year, with only 72 branches added to the total network in 2014, compared to the 88 opened in 2013. More importantly however, as in the past few years, the sector appeared to be focusing on expanding the island-wide footprint, with more than 65% of the new branches opened during the year being outside the Western Province.

The sector continued to display its resilience, continuing to play an active role in the Country's financial system and recording a satisfactory performance for the year.

Assets:

The low credit demand in the first nine months of the year triggered a mid-year reduction in the market interest rates, which in turn sparked a notable increase in the demand for credit at the end of 2014. This also helped even out the performance of the sector-wise asset book, which reached Rs. 853 Billion as at the end of the year, a moderate growth of 18.9% compared to 2013.

Non-performing Loans (NPLs) Ratio:

In terms of total value, sector-wise NPL reached Rs. 44.3 Billion, up 20% from the Rs. 36.9 Billion recorded in 2013, although relative to the total loans outstanding, NPA remained more or less the same as last year, standing at 6.9% as at 31st December 2014.

Liabilities:

Deposit mobilisation and borrowings continued to be the primary funding sources for the NBFI sector and hence account for the key liabilities as well. Deposits, the single largest source of funds for the NBFI sector, accounting for nearly 48.5% of total liabilities in 2014, up from the 47% registered in 2013. Meanwhile, the share of borrowings slightly decreased to 25% in 2014 from 27% in 2013, indicating the growing reliance on low-cost short term deposits as a key funding source for the NBFI sector.

Liquidity:

The steady increase in deposits and the relatively restrained credit demand led to high liquidity levels throughout the year. As such, the industry experienced a liquidity surplus of Rs. 29.5 Billion more than the stipulated minimum of Rs. 52.8 Billion for the year. Accordingly, the ratio of liquid assets to total assets also increased from 8% in the previous year to 9.6% for the current year.

Net Interest Income (NII) and Profitability:

The NII reached Rs. 62.2 Billion in 2014, up 41% from Rs. 44.1 Billion recorded in the previous year. This helped boost sector-wise profitability, despite the increases in both operational costs and impairment expenses. Consequently, the NBFI sector recorded a profit after tax of Rs. 13.9 Billion for the year.

Capital Adequacy

Boosted by the increase in profits, capital funds in the industry increased by an impressive 21% to Rs. 114 Billion as at 31st December 2014, compared to only a 10% increase registered at the end of 2013. As a result, the sector was able to maintain a healthy capital adequacy ratio, well above the stipulated minimum level for the year.

Deposit Mobilisation

Deposits continued to grow amidst low interest rates, while CF was once again faced with high liquidity levels, in the first half of the year. The conventional deposit model was subject to yet another challenge, towards the latter part of the year following the Government Budget proposals in January that allowed banks to offer a 15% floor rate for senior citizen deposits. While this did cause a spate of withdrawals in the immediate aftermath of the announcement, it was not foreseen as a serious threat to the company's long term deposit mix, given that the floor price was conditional for deposits of up to a maximum of Rs 1 Million only. Moreover, as much of the initial hype appeared to have eased by March 2015, CF's senior citizen's portfolio experienced little change as at the end of the year.

Nevertheless, to counteract the diminishing prospects in the term deposit segment, the company took steps to selectively attract short term depositors, causing a slight movement in the customary deposit mix as at 31st March 2015.

The Savings strategy for the year was led by an aggressive sales pitch to boost the savings of small investors and high net-worth individuals alike.

Notably, the "Optima" savings product performed exceptionally well during the year in strengthening the provincial and rural savings base. Meanwhile, a series of special promotions were launched during this year as well, to inculcate CF's savings proposition across a broader island-wide populace, with the key focus for the year being to stimulate the minor savings offering.

In the high net-worth category, the "Excel" savings product held firm as a popular choice, leading to a considerable increase in the portfolio as at the year end.

Meanwhile, cognizant to the challenging market environment, the company sought to augment product related value additions vis-à-vis the introduction of a new Savings System aimed at improving the functionality of the savings module. The ensuing changes are expected to be introduced in two phases and is likely to result in a vastly enhanced financial offering. The first phase, covering the initial ground work for the project, has already been completed. The next phase is due to be rolled out in the early part of the next financial year and would provide customers with a fully-fledged Visa Debit Card capable of accessing the global ATM network while also functioning as a POS payment tool.

On-going efforts to streamline processes and improve accounting and manage reporting parameters, led to the centralization of all back office functions of the deposit module

Branch Network Expansion

Cognizant to the rebranding exercise initiated in the previous year, CF continued to increase the number of micro-branches in the network. In tandem with the company's prudent growth strategy, six new branches were opened in strategic locations. Accordingly, 6 micro-branches were opened in Godakawela, Digana, Pilimathalawa, Narammala, Aluthgama and Kirindiwela. Meanwhile, in order to maximise the island-wide branch coverage as much as possible, three existing branches were relocated to areas that offer a greater strategic advantage. The branch count as at 31st March 2015 stands at 92.

Efforts were also deployed during the year to strengthen core branch competencies and migrate to a more economical branch prototype. With this initiative, the company expects to benefit from greater cost efficiencies while at the same time

deriving a more efficient customer service platform. As part of the on-going efforts to improve functional efficiencies at all levels of the branch operation, the branch recovery function came under scrutiny. This was seen as critical, particularly given the dull market environment which saw a significantly higher number of defaulters. Consequently, the scope of the branch recovery officers was also increased to allow them greater control over the recovery process. Meanwhile, the field force was strengthened to improve the competencies of the recovery staff and a series of rigorous training programmes were conducted throughout both by internal and external trainers. To streamline the customer service platform, a multi-layered feedback mechanism was introduced in order to increase the number of customer feedback options.

Citing the positive response received from customers the micro branch concept has been a success in terms of promoting CF's core business to a wider nation-wide audience in 2014/15. Another significant event in this year is that thirty five Branch Managers underwent the Management Development Programme over a period of ten weeks at the Post Graduate Institute of Management.

Credit & Lending

The first half of the year saw subdued credit growth despite a low interest rate regime. Hence, the company sought to rationalize the lending portfolio and initiated a concerted effort to tap into new market segments.

The second half of the year witnessed a positive credit growth primarily through pick up in the demand for hybrid vehicles following the depreciation of the Japanese Yen in October 2014. Also the company launched nationwide promotions which

also yielded positive results in terms of credit growth. Meanwhile, in keeping with the steps taken in the previous year, CF focussed on developing the SME segment as well. In this regard, a dedicated unit was set up during the year with a greater emphasis on loan products that cater to the needs of established SME clients.

Marketing Focus for the year

The marketing agenda for the year was designed primarily to grow volumes by leveraging on the underlying market dynamics. With this motive in mind, CF re-examined the product proposition for each customer segment, with the intention of strengthening core customer segments as the basis for a more sustainable growth model. A gradual shift was then initiated in the second half of the year, which saw the company moving away from the previous year's micro-led growth model in favour of larger ticket items. Moves to realign the product mix in this manner proved to be a step in the right direction as evidenced by the steady volume growth attributable to each segment.

To complement the realignment of the marketing mix, a series of high intensity promotional campaigns were also launched to capture a larger cross section of the island-wide market, particularly for utility vehicles. Triggered by the general uptick in the demand for vehicles seen since January 2015, CF initiated a focused campaign to stimulate the demand for hybrid vehicles, spearheaded by the "Leasing Masaya" promotion launched in January 2015. Rolled out together with a series of ground level activities conducted by branches, the "Leasing Masaya" programme was aimed at growing volumes across a broader island-wide demography. Moreover, as a strategic branding endeavour, the campaign also sought to improve CF's visibility and nation-wide

Management Discussion and Analysis

presence. Notably, the growth spurt seen in the portfolio within the final quarter of the year, can be largely attributable to the “Leasing Masaya” campaign.

While the predominant focus for the year was to develop big ticket items, on-going efforts to secure the micro offering saw the company strengthen existing tie ups with unregistered vehicle dealers and other stakeholders.

Meanwhile, volumes in the registered vehicles category continued to increase at a steady pace throughout the year. This was due in large part to CF’s highly competitive pricing proposition and accompanying range of value additions that are designed to provide a comprehensive offering to the customer.

Having addressed the needs of retail customers in this manner, the company investigated the possibility of regenerating the corporate marketing model. As a first step, in April 2014, a dedicated marketing unit was set up at the head office to service the needs of the corporate clientele. This initiative was well received by the corporate segment, leading to a sizable growth in the corporate sales for the year. Plans are now underway to set up two more units at key locations in order to strengthen the corporate sales segment. Meanwhile, another unit is expected to be set up in the forthcoming year, to present the company’s micro segment offering to the urban and metro regions.

As part of the marketing efforts to improve the customer service proposition, a focussed group study was initiated to identify customer perceptions on the company’s service levels. A progressive study which seeks to map the customer service levels at each service point, the

exercise intends to engage a sizable sample of CF’s core customer base at any given time. The feedback received in this manner would then be used to benchmark an acceptable status-quo for each service point.

Vehicle Hire

Characterised by a number of ambiguities in the import duty structure, the 2014 vehicle market failed to register a stable pricing mechanism which undermined the market trends for the year. As such market sentiments also remained decidedly hesitant, with many adopting a wait-and-see approach. Underscored by this cautious stance CF’s vehicle hiring business experienced a year of slow growth. To tide over this slow growth period, the vehicle hire unit focused primarily on strengthening existing offerings and securing established market segments. Among the notable achievements for the year, the hybrid fleet management scheme launched in the previous year, continued to gather momentum among the corporate segment, recording a steady pace of volume growth on par with the previous year.

In keeping with the company’s commitment to augment the existing operational framework, steps were taken to expand the island-wide franchise network, which stands at 122 as at the end of the year. Moreover, to better manage the fleet of budget vehicles and the daily hire offerings, a series of control tools were also introduced during the year.

Recoveries

With no visible improvement seen in market conditions during the year, the mandate for the recoveries unit remained more or less unchanged from the previous year. Pressurized by the previous year’s high NPLs, CF began to feel the brunt of

the impact in the first half of the year under review. Yet again, the need for a more robust recovery model that would help shrink the non-performing loan category was thrown into sharp focus. Having determined key ailing sectors, a series of well-planned measures were put in place with effect from July 2014, to arrest any further escalation of NPLs in the latter half of the year. Consequently, much of the recovery focus for the year was on the agriculture and dairy-based rural market segments. Hit by severe adverse weather in the first few months of 2014, these sectors were further crippled by severe liquidity constraints that hampered their repayment capacity. In addition, the company pursued efforts to improve NPLs in the troubled construction sector. Meanwhile to ensure target NPL levels were accomplished, the call centre operation was re-engineered with a view to improving the early warning mechanism that would spotlight potential defaulters.

Having adopted these proactive measures, CF was able to secure a satisfactory NPL level, ahead of the industry average of 6.9%

Information Technology (IT)

CF’s IT department continued to provide critical business support to ensure the smooth integration of all business operations that contributed to the overall operational efficiency of the company.

Having laid the groundwork for the introduction of a new state-of-the-art Enterprise Content Management (ECM) module in the previous year, the department kicked off the pilot phase of the project in December 2014, with the involvement of a limited number of branches. A fully-fledged roll out covering the entire branch network is scheduled to take place in the forthcoming year.

Work on the Core Savings module was also completed on schedule and was successfully commissioned as intended, by end 2014. Currently offering customers a range of value additions, including access to the global ATM network, the new Core solution has been designed to accommodate future add-ons as well. In this regard, the mechanics of the POS facility are currently being tested and is scheduled to be launched in June 2015, as part of the next phase of the Core solution.

Further, the IT department initiated a new project aimed at improving the effectiveness of the current management reporting framework. The initial groundwork for the proposed new Oracle Business Intelligence and Data Warehousing System commenced during the year. While moving away from conventional management reporting, the new system is geared to provide more resourceful management information which would serve as an effective decision making tool at a management level. The new interactive, user-friendly platform is also expected to encourage a greater degree of proactive decision making on the part of the senior unit managers.

Meanwhile, to accommodate these expansions, new hardware was commissioned with the latest Oracle Exadata high performance database servers and IBM PureFlex application servers in a virtualized environment. These new servers were sized to accommodate the data volume increase for the next 5 years with the anticipated business growth. Also the servers would cater to the new delivery channels that would be bought in as a key initiative of the IT Strategic plan. This exercise also served to identify gaps in the current hardware infrastructure and helped to strengthen the IT Disaster Recovery Systems as well.

Financial Review

Overview of the Industry

The low interest rate regime that continued from the latter part of 2013/14 failed to stimulate the much needed private sector credit in the first three quarters of the year 2014/15. Notably however, a pickup in private sector credit was observed in the final quarter of 2014/15, as changes in the political climate boosted investor confidence and helped stimulate demand.

The deterioration in asset quality was evident once again in 2014/15 as well, as borrower repayments remained slow. This was particularly noticeable in the agricultural sector, where businesses were impacted by extreme adverse weather conditions throughout the year.

Industry wide asset growth was moderate at 18.9% in 2014 compared to the growth of 20.3% seen in 2013. The growth in accommodations was even lower, recording only 16% for 2014 compared to the 17.3% tabled in the year 2013.

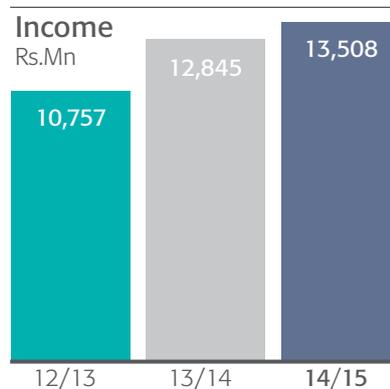
Despite the low market interest rates, the demand for traditional deposits picked up, accounting for more than 48.5% of the funding base of the industry at the year end. Meanwhile, the hype for listed debenture decreased during the year, amidst growing worries about excess liquidity. Notably, industry-wide liquidity levels in 2014, surpassed the minimum requirement by Rs. 29.5 Billion.

Company Performance

Income

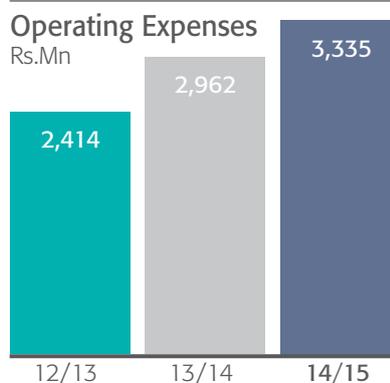
Income growth was moderate at 5.20% in 2014/15 owing to the low interest rate regime that prevailed in the last two years coupled with the low growth in credit seen in the same period. Growth in interest income also mirrored this trend, expanding by 4.38% in 2014/15. In contrast, interest

expenses decreased at a faster pace of 13.32% for the same period. This helped to boost the net interest income growth to 16.13% in 2014/15 compared to the previous year, despite the challenges resulting from lower credit growth and deterioration in asset quality.



Operating Expenses

Operating expenses for the year under review, grew by 12.60%, well below the increase of 23% noted in the last year. The salary cost also increased in tandem with the increase in overall operating expenses.



Impairment Charges and Asset Quality

Overall asset quality continued to deteriorate across all sectors, as impairment charges reached Rs. 1.83 Billion for the year under review, up from the Rs. 1.22 Billion recorded at the end of the previous financial year.

Notably, the repayment capacity of the agriculture sector appeared to have been more severely affected than others, due mainly to the inclement weather conditions that prevailed during the year.

The Non-Performing Loans ratio stood at 4.53% as at 31.03.2015 compared to the 3.28% reported as at 31.03.2014. However, the ratio is still well below the industry average of 6.9% as at 31.12.2014.

Cost to Income

The cost to income ratio continued to improve, standing at 35.58% in 2014/15 as compared to the 36.71% reported in 2013/14. This is mainly due to the cost management initiatives taken during the year. It is expected that, the implementation of the enterprise content management system and the business intelligence system, would lead to further improvements in the cost to income ratio.

Lease, Loans and Advances

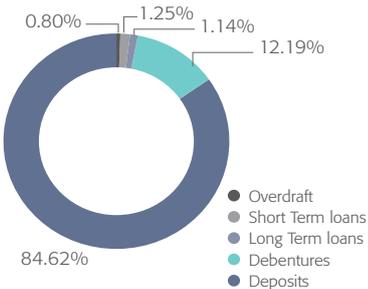
Despite 2014/15 being a challenging year, interest earning advances grew by a commendable 10.42%, YoY to reach Rs. 53.58 Billion (net of impairment provisions) as at the end of 2014/15 financial year. Comparatively Rs. 48.52 Billion was reported at the end of 2013/14. Finance leases and Hire purchase form majority of this.

Funding

CF was faced with excess liquidity for most part of the financial year 2014/15, which meant the company did not pursue any longer term funding by way of public issues. Consequently, the funding mix saw very little change and public deposits as a percentage of total funding remained on par with the 84% reported in the previous financial year, once again surpassing the industry average of 48.5% as at end 2014. This stands as a testament to the public confidence in the CF brand.

Investor preference moved to short term deposits from the longer tenors owing to the low interest rates that prevailed throughout the year. However, by capitalising on these market conditions, the company was able to grow the savings portfolio by an impressive 39.32 % to reach Rs. 1.28 Billion at the end of 2014/15.

Funding Mix 2014/15

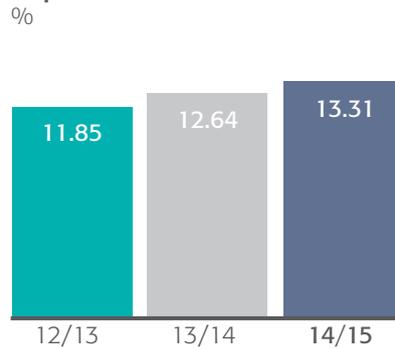


Liquidity

The entire financial system witnessed excess liquidity throughout the year and CF was no exception. The liquid assets of Rs. 3.36 Billion reported at the end of the financial year well surpassed the minimum required under the CBSL direction. The ratio of liquid assets as a percentage of total deposits and unsecured borrowings

stood at 13.31% as at 31.03.2015. The company's liquidity position was also well supported by the unutilised bank facilities to the value of Rs. 5 Billion at the year end.

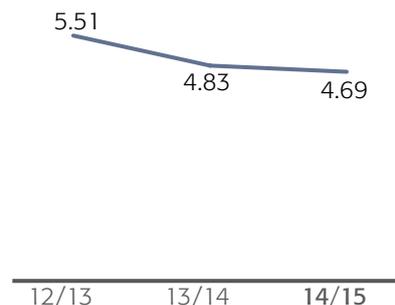
Liquid Assets



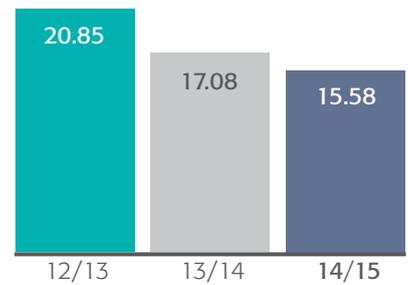
Return on Assets and Equity

Moderate growth in interest income due to low market rates coupled with increased impairment charges impacted the Return on Assets (RoA). RoA was 4.69% as at 31.03.2015 compared to the 4.83% tabled last year, a drop of 2.77% over the course of twelve months. On the other hand the Return on Equity (RoE) dropped by 8.81% and stands at 15.58% as at 31.03.2015. The higher decrease was mainly due to the company's high retention policy.

RoA (%)



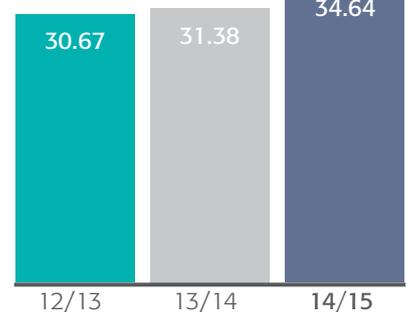
RoE (%)



Shareholders' Funds and Market Capitalisation

CF's shareholders' fund crossed the Rs. 20 Billion milestone while the Group's shareholders' fund touched the Rs. 25 Billion mark. The bullish sentiment which prevailed on the Colombo Stock Exchange at the year-end helped the share price to increase to Rs. 250.10, which in turn bolstered CF's market capitalisation to Rs. 26.23 Billion from the Rs. 18.98 Billion recorded at end of the previous financial year.

EPS (%)



Earnings & Dividend per Share

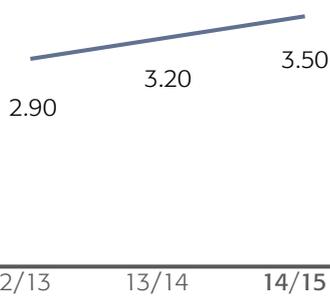
Earnings attributable to the ordinary shareholders increased by 10.39%, in line with the growth in profit after tax. In keeping with the long term dividend policy, the company paid two interim dividends and declared the final dividend for the

Financial Review

approval of the shareholders grossing up to Rs. 3.50 per share for the year. The total dividend payout for the year is Rs. 367 Million, an increase of 9% over the last year's dividend paid and declared.

DPS

Rs.



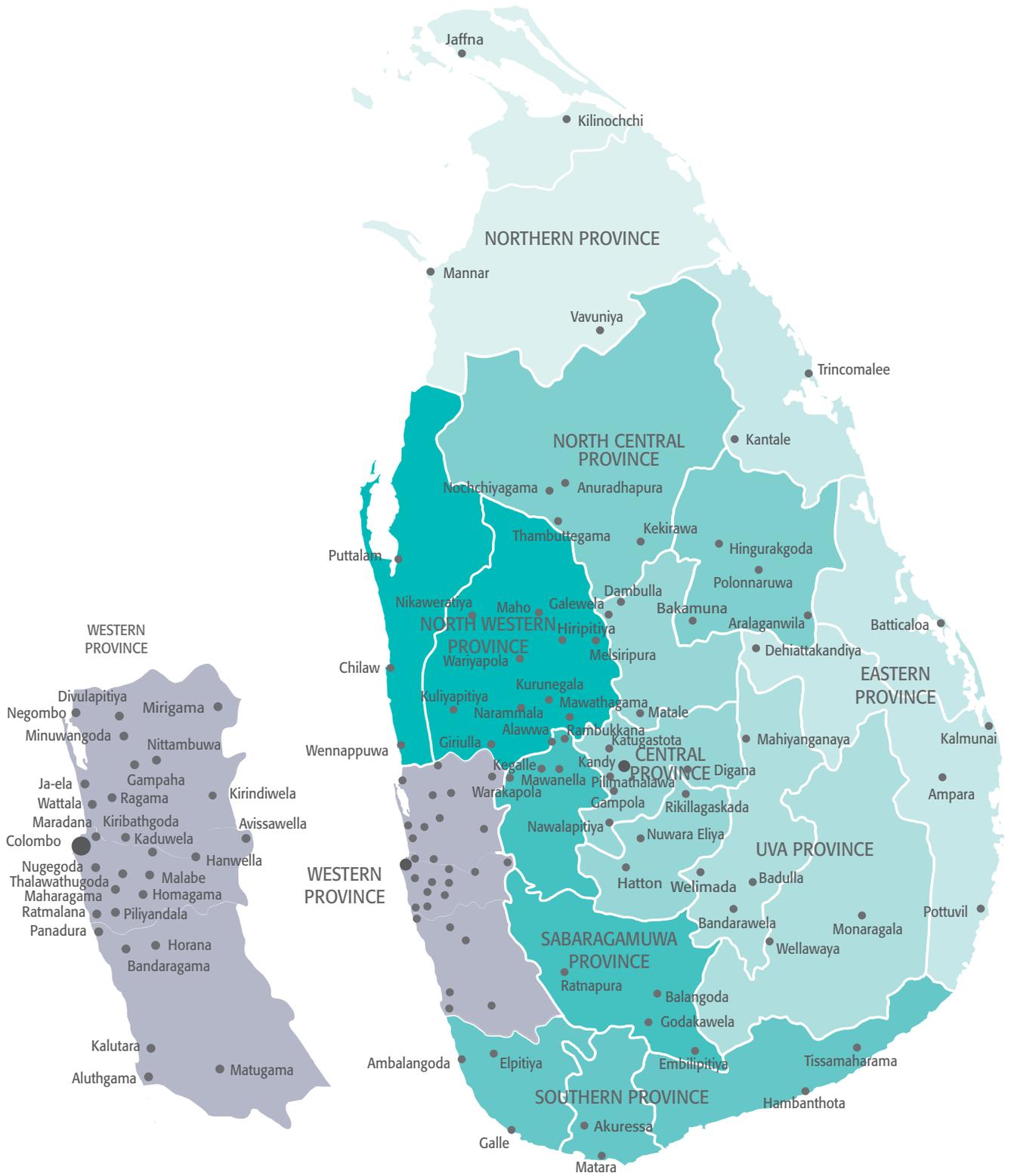
Capital Adequacy

As one of the largest capitalised non-bank financial institutions, CF's Core Capital Ratio further improved from 25.45% to 28.80% by the end of the financial year. Meanwhile the Total Risk weighted Capital Ratio stands at 29.08% compared to the last year's ratio of 26.38% largely due to the retention policy of the company. Both these indicators have substantially surpassed the regulatory minimum of 5% and 10% and the industry averages of 13% and 13.50% respectively.

Future Outlook

The latter part of 2014/15 saw shift in policy and improved investor confidence for growth and much needed credit expansion. While this momentum is expected to continue, the persistently low interest rates are also likely to fuel credit growth in the forthcoming year. We at CF expect to align our strategies to capitalise the market opportunities. Moreover, the expansion of our branch network has given us impetus to fulfill the Country's financial infrastructure goals, by delivering credit to the rural and semi-urban markets in a sustainable manner. On the funding front the company has planned to seize the opportunity to diversify its funding base by capitalising the low interest rate environment expected to continue during 2015/16.

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 Tel: 94-81-2234309, 94-81-2234234-5
 Fax: 94-81-2228468

Branch Network

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036-2232950

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033-4944247

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No.129, Ja-ela Road, Gampaha
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033-2225289, 033-4670442

HANWELLA

No.131/1/B, Pahala Hanwella, Hanwella
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036-4925821

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Homagama
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HORANA

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034-4944128

JA - ELA

No.171, Negombo Road, Ja-Ela
Tel : 011-2229180, 011-
2229181, 011-4335408

KADUWELA

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Kaduwela
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KALUTARA

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034-4940067

KIRIBATHGODA

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Dalugama, Kelaniya
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011-4821442, 011-4821441

KIRINDIWELA

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Tel: 033-4944327
033-4944328

MAHARAGAMA

No.132, High Level Road, Maharagama
Tel : 011-4319961, 011-2845855

MALABE

No.418, Athurugiriya Road, Malabe
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MARADANA

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034-4942101

MINUWANGODA

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Tel : 033-4944198, 033-4944199

NEGOMBO

No.367, Main Street, Negombo
Tel : 031-2222579, 031-4871200,
031-2233456, 031-2235111

NITTAMBUWA

No.43, Kandy Road, Nittambuwa
Tel : 033-2296615, 033-4927106

NUGEGODA

No. 312, High Level Road, Colombo 06
Tel : 011-2815800, 011-2815801,
011-2815803, 011-2815804

PANADURA

No. 292, Galle Road, Panadura
Tel : 038-4281010, 038-2241533

PILIYANDALA

No. 329/4, Colombo Road, Piliyandala
Tel : 011-2609000, 011-2609001
011-4888305

RAGAMA

No. 63, Mahabage Road, Ragama
Tel : 011-4387742, 011- 4387743

RATMALANA

No. 259/1/1, Galle Road, Ratmalana
Tel : 011-2715617, 011-4323098

THALAWATUGODA

No. 688/A, 688/A/1, Madiwela Road,
Thalawatugoda
Tel : 011-4387538, 011-4387539

WATTALA

No. 628, Negombo Road, Mabola, Wattala
Tel : 011-4345520, 011-2949890,
011-4345521

EASTERN PROVINCE - 7

AMPARA

No. 09, 5th Avenue, Ampara
Tel : 063-4890117, 063-4976000
063-4922678

BATTICALOA

No. 52, 56A, 56B, Covington Road, Batticaloa
Tel : 065-2227823, 065-2227824

DEHIATTAKANDIYA

No. 18E, New Town Complex, Dehiattakandiya
Tel : 027-2250189, 027-4923577
027-2250067

KALMUNAI

No. 263, Batticaloa Road, Kalmunai
Tel : 067-2226132, 067-2226133

KANTALE

No. 63/2, Trincomalee Road, Kantale
Tel : 026-2234574, 026-2234447,
026-4924295

POTTUVIL

No. 230, Arugambay Road, Pottuvil
Tel : 063-2248080, 063-2248084

TRINCOMALEE

No. 272, 4th Mile Post, Kandy
Road, Trincomalee
Tel : 026-2242422, 026-4976001
026-2242423

NORTHERN PROVINCE - 4

JAFFNA

No. 364, Main Street, Jaffna
Tel : 021-2221608, 021-2221942

KILLINOCHCHI

No. KN/23/475, A9 Road, Killinochchi
Tel : 021-2280133, 021-2280134, 021-4923870

MANNAR

No. 45, Thalvupadu Road, Mannar
Tel : 023-4920727, 023-4920728

VAVUNIYA

No. 166, Station Road, Vavuniya
Tel : 024-2225813, 024- 2225814,
024-2227192

SOUTHERN PROVINCE - 7

AKURESSA

No. 129 A, Deniyaya Road, Akuressa
Tel : 041-4938107, 041-4938108

AMBALANGODA

No. 21B, Wickramasooriya Road, Ambalangoda
Tel : 091-2255802, 091-2255799
091-4977333

ELPITIYA

No. 109, Ambalangoda Road, Igala, Elpitiya
Tel : 091-4943533, 091-4943534

GALLE

No. 151A, Matara Road, Galle
Tel : 091-2223315, 091-4385676, 0914381184

HAMBANTOTA

No. 1/3, New Tangalle Road, Hambantota
Tel : 047-2222651, 047-2222652,
047-4929743

MATARA

No. 78, Kumaratunga Mawatha, Matara
Tel : 041-2227314, 041-4390477,
041-2222914

TISSAMAHARAMA

No. 173, Hambantota Road, Kachcheriyagama,
Tissamaharama
Tel : 047-2239145, 047-2239593,
047-4932444

NORTH WESTERN PROVINCE - 13

CHILAW

No. 54, Kurunegala Road, Chilaw
Tel : 032-2220636, 032-2221660,
032-4925592

GIRIULLA

No. 119, Negambo Road, Giriulla
Tel : 037-2289512, 037-2289513

HIRIPITIYA

No. 51, Wariyapola Road, Hiripitiya,
Nikadalupotha
Tel : 037-4945128, 037-4945129

KULIYAPITIYA

No. 107, Kurunegala Road, Kuliypitiya
Tel : 037-2284553, 037-2283725

KURUNEGALA

No. 38, Mihindu Mawatha, Kurunegala
Tel: 037-2232313, 037-2222200,
037-2228020

MAHO

No. 163, Moonamalegama, Maho
Tel : 037-4944951, 037-4944952

MAWATHAGAMA

7th Mile Post, Kandy Road, Mawatagama
Tel : 037-4947258, 037-4947259

MELSIRIPURA

No. 227, Dambulla Road, Melsiripura
Tel : 037-2250014, 037-4935300,
037-4935066

NARAMMALA

No.40, Kuliypitiya Road, Narammala
Tel: 037-4947689,
037-4947688

NIKAWERATIYA

No. 200, Puttalam Road, Nikaweratiya
Tel : 037-2260871, 037-2260872,
037-4935067, 037-4940152

PUTTALAM

No. 628, Colombo Road, Puttalam
Tel : 032-4976004, 032-4976003,
032-2269328

WARIYAPOLA

No. 200 "Awasa Watta", Horombuwa
Wariyapola
Tel : 037-4947240, 037-4947241

WENNAPPUWA

No. 262/A, Chilaw Road, Dummaladeniya East,
Wennappuwa
Tel : 031-2245260, 031-4929846,
031-4976001, 031-2255261

NORTH CENTRAL PROVINCE - 8

ANURADHAPURA

No. 62, Maithreepala Senanayake Mawatha,
Anuradhapura
Tel : 025-2223560, 025-4930501,
025-4928402, 025-4976000

ARALAGANWILA

No. 14/36, Kolongas Junction, Aralaganwila
Tel : 027-4924815, 027-4924816

BAKAMUNA

No. 11, Elehera Road, Bakamuna
Tel : 066-2256000, 066-2256001, 066-4929030

HINGURAKGODA

No. 20, Airport Road, Hingurakgoda
Tel : 027-2247214, 027- 2245224, 027-4923574,
027- 4976001

KEKIRAWA

No. 33, Yakalla Road, Kekirawa
Tel : 025-4976002, 025-4928868

NOCHCHIYAGAMA

No. 25C, Puttalam Road, Nochchiyagama
Tel : 025-4929053, 025-4929054

POLONNARUWA

No. 13, Hospital Junction, Polonnaruwa
Tel : 027-4599210, 027-2225176,
027-4976002, 027-4599210

THAMPUTTEGAMA

No. 146B, Anuradhapura Road, Tambuttegama
Tel : 025-2275151, 025-2276978, 025-4976001,
025-4930460

Branch Network

CENTRAL PROVINCE - 10

DAMBULLA

No. 21, Kurunegala Road, Dambulla
Tel : 066-2283021, 066-4925374,
066-2284093

DIGANA

No 40, Pallekele Bazaar, Kengalla
Tel: 081-4951144, 081-4951155

GALEWELA

No. 334/B, Dambulla Road, Galewela
Tel : 066-4929890, 066-4929891

GAMPOLA

No. 6B, Nidahas Mawatha, Gampola
Tel : 081-4945114, 081-4945115

HATTON

No. 66, Dunbar Road, Hatton
Tel : 051-2222760, 051- 4924250

MATALE

No. 622, Trincomalee Street, Matale
Tel : 066-2231225, 066-2223005,
066-4927739

NAWALAPITIYA

No. 125, Ambagamuwa Road, Nawalapitiya
Tel : 054-4922792, 054-4976001

NUWARA ELIYA

No. 169, Badulla Road, Nuwaraeliya
Tel : 052-2235422, 052-2235433,
052-2235951

PILIMATHALAWA

No 202/ B, Colombo Road , Pilimathalawa
Tel: 081-4951313, 081-4951717

RIKILLAGASKADA

No. 21, Rathmetiya Road, Rikillagaskada
Tel : 081-4945112, 081-4945113

SABARAGAMUWA PROVINCE - 9

ALAWWA

No. 27, Colombo Road, Wariyagoda, Alawwa
Tel : 037-4940886, 037- 4940887

BALANGODA

No. 149E, Barnes Ratwatta Road, Balangoda
Tel : 045-4928326, 045-4928327,
045-2289232

EMBILIPITIYA

Rasika, Pallegama, Embilipitiya
Tel : 047-2261923, 047-4379332

GODAKAWELA

No.65 A, Main Street, Godakawela
Tel :045-4935105
045-4935106

KEGALLE

No. 311G, Colombo Road, Ranwala,
Kegalle
Tel : 035-2221083, 035-2232956,
035-4927502

MAWANELLA

No. 292, Kandy Road, Mawanella
Tel : 035-4930047, 035-4930048

RAMBUKKANA

No. 73, Kurunegala Road, Rambukkana
Tel : 035-4935008, 035-4935009

RATNAPURA

No. 143, Colombo Road, Moragahayata,
Ratnapura
Tel : 045-2231409, 045- 2222028,
045-4360447

WARAKAPOLA

No.211 E & 211 F, Colombo Road, Warakapola
Tel : 035-2267010, 035-2268941,
035-4976001

UVA PROVINCE - 6

BADULLA

No. 04, Udayarajah Mawatha, Badulla
Tel : 055-2230541, 055- 2229701,
055-4499643, 055-2224666

BANDARAWELA

No. 03, Thanthiriya,
Badulla Road, Bandarawela
Tel : 057-2233241, 057- 2233240,
057-4929004

MAHIYANGANAYA

No. 112, Girandurukotte Road, Mahiyanganaya
Tel : 055-2258335, 055-2258100,
055-4927631

MONERAGALA

No. 150A, Wellawaya Road, Moneragala
Tel : 055-2277374, 055-4927689,
055-2277346

WELIMADA

No. 8/1/A & 8/1/B, Wattegedara, Divithotawela,
Welimada
Tel : 057-4926923, 057-4926922

WELLAWAYA

No. 208, Monaragala Road, Wellawaya
Tel : 055-4929301, 055-4929302

Integrated Risk Management at CF

The management of risk plays a central role in the execution of our strategies. The level of risk across our businesses and portfolio and uncertainties we face are key areas of focus for the Board. Financial strength and resilience are at the heart of our strategic intent. We are committed to achieving the highest standards of corporate governance in every aspect of the business, including risk management. In discharging the governance responsibility, the Board of Central Finance is conscious of the need to manage risk within the preset parameters, which ensures that risk oversight is a critical focus for our Board. The overall adequacy and effectiveness of the risk management framework is managed through the Integrated Risk Management Committee (IRMC), the Board Audit Committee (BAC), which comprises solely of Non-executive Directors and the Assets and Liabilities Management Committee (ALCO) which comprises of the Executive Directors and senior level staff members in charge of key related functions. Acting within authority delegated by the Board, these committees review specific risk areas and receive regular reports on internal controls, risk management, portfolio trends, policies, limits and standards.

We focus on setting clear risk parameters and embedding a strong culture of risk management and control designed to ensure the proactive identification of risks which in turn will enable the company to be resilient and respond effectively to any unforeseen shocks. We continue to build on the company's culture of risk management discipline. Our risk management framework is designed for the continuous monitoring of the environment and an integrated evaluation of risks and their impacts to CF.

A formal governance structure, with a clear, well designed framework of risk ownership, standards and policies is in place. Our balance sheet is dominated by credit to customers through our lending operations. Beyond credit risk, we are also exposed to a range of other risk types such as liquidity risk, market risk which includes interest rate risk, operational, strategic and other risks which are inherent in our business strategy, product range and geographical coverage. In 2014/15, we continued to strengthen our approach to risk management amidst a challenging and ever changing external environment.

Our Risk Governance Structure

Committee	Board Audit Committee	Integrated Risk Management Committee	Assets and Liabilities Committee
Role	The Audit Committee reviews the accounting policies and practices, controls and procedures established by management for compliance with regulatory and financial reporting requirements. It operates under delegated authority from the Board.	The Integrated Risk Management Committee operates primarily as an oversight committee monitoring risk types, concentrating particularly on Credit, Market, Operational, Strategic and Reputational risks and related issues.	The Assets and Liabilities Management Committee (ALCO) is responsible for identifying, managing and controlling balance sheet risks in executing the business strategy of CF.
Membership	Solely comprised of Non-executive Directors, the majority of them being Independent. Details of the members are given in the Audit Committee Report on pages 67 to 68.	Comprised of Non-executive and Executive Directors and senior level staff, who are in charge of related functions. The committee is chaired by an Independent Non-executive Director. Details of the members are given in the Integrated Risk Management Committee Report on page 66.	Comprised of Executive Directors and senior level staff who are in charge of Finance, Branch Network Management, Recoveries and Treasury.

Risk management framework

Having a strong three lines of defence model is important for a robust control environment. Our risk management framework which is set out in the grid below encompasses structures that are strategically linked with performance management, enabling us to focus on the areas that drive our risk strategy.

Integrated Risk Management at CF



Credit risk

The risk of suffering financial loss should our clients or market counterparties fail to fulfill their contractual obligations. Credit risk is managed through a framework that sets out policies and procedures covering the measurement and management of credit risk. A well-defined delegated approval hierarchy supported by high ethical standards, well established policies and procedures provide a robust framework for the organisation and management of credit risk. There is a clear segregation of duties between transaction originators in the business units and approvers in the credit function. All credit exposure limits are approved within a delegated credit approval authority framework. Risk indicators are also set by the credit division and monitored through the IRMC, BoM and ALCO on a monthly and quarterly basis.

Credit policies

Company-wide credit policies and procedures are considered and approved by the BoM, with inputs from Credit and Recoveries Departments. The BoM also oversees the delegation of credit approval and the loan impairment assessment processes through regular reviews of operations. These policies are adequate to reflect the different risk environments and portfolio characteristics of the company. The Board receives on a yearly basis the changes effected to the credit operations and approves such changes as considered necessary.

Credit approval

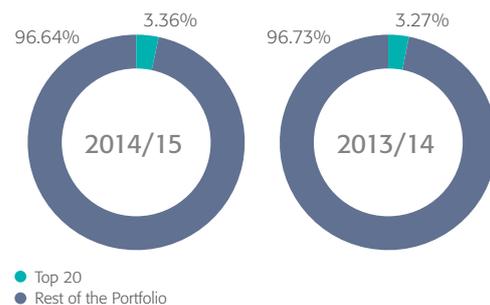
Major credit exposures to individual counterparties, groups of counterparties and product categories are reviewed and approved by the designated officers under the delegated approving limits set by the BoM, with oversight by the Board. The credit approving limits in place are structured based on the need of delegation required to manage the network of branches, without compromising the risk appetite of the company.

Credit concentration

The risk of loss due to the concentration of credit risk to a specific product, asset class, sector or counterparty. Credit concentration risk is managed within limits set by counterparty or groups of connected counterparties, asset type, industry sectors etc. Credit concentrations are monitored by IRMC and ALCO in each of the product type categories and such limits as material to the company are reviewed accordingly. Diversification is an important aspect of our management of risk to ensure that we are not overly dependent upon a particular region or asset type. The IRMC also reviews the top 20 lending exposures at its' quarterly meetings. Performance of large lending exposures too is reviewed periodically.

	Amount as at 31.03.2015 (Rs.'000)	%	Amount as at 31.03.2014 (Rs.'000)	%
Top 20	1,802,278	3.36%	1,588,422	3.27%
Balance Portfolio	51,774,422	96.64%	46,932,196	96.73%
Total portfolio	53,576,700	100%	48,520,618	100%

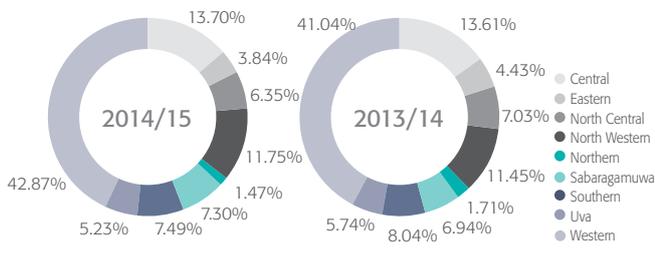
Top 20 Concentration



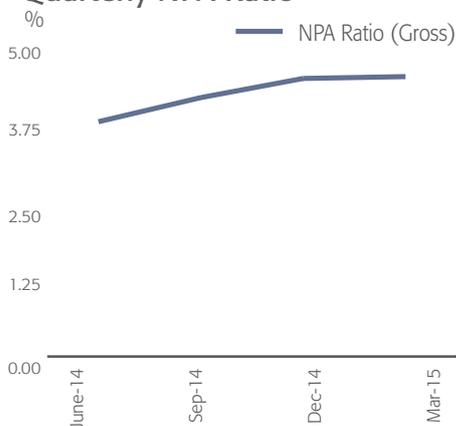
Geographical Analysis of the portfolio

Province	2014/15 (Rs.'000)	%	2013/14 (Rs.'000)	%
Central	7,337,747	13.70%	6,602,209	13.61%
Eastern	2,058,317	3.84%	2,147,300	4.43%
North Central	3,402,274	6.35%	3,413,062	7.03%
North Western	6,296,583	11.75%	5,555,596	11.45%
Northern	789,624	1.47%	831,867	1.71%
Sabaragamuwa	3,911,625	7.30%	3,365,670	6.94%
Southern	4,012,748	7.49%	3,902,263	8.04%
Uva	2,801,532	5.23%	2,787,387	5.74%
Western	22,966,248	42.87%	19,915,264	41.04%
Total	53,576,700	100%	48,520,618	100%

Province-wise analysis



Quarterly NPA Ratio



Sector wise concentration of advances

Sector	2014/15 (Rs. '000)	%	2013/14 (Rs. '000)	%
Agriculture	1,476,709	3%	2,166,815	4%
Construction	1,516,502	3%	1,381,308	3%
Industry	1,550,629	3%	1,715,499	4%
Services	7,085,422	13%	7,464,457	15%
Tourism	232,180	1%	213,074	0%
Trading	2,717,965	5%	3,162,664	7%
Transport	36,656,457	68%	31,485,651	65%
Others	2,340,836	4%	931,150	2%
Total Portfolio	53,576,700	100%	48,520,618	100%

Credit monitoring and measurement

We regularly monitor credit exposures, portfolio performance and external trends which may impact risk management outcomes. Internal management reports are presented to various committees, containing information on key industry and economic trends. Portfolio delinquency and loan impairments as well as portfolio quality are constantly monitored by the Recoveries Department. The principle objective of credit risk measurement is to produce the most accurate possible quantitative assessment of credit risk to which CF is exposed, from the level of individual facilities up to the total portfolio. Integral to this is the use of a model. The model we use comprises of three core elements;

- Probability of default (PD) – the likelihood of a borrower not being able to honour his obligations.
- Exposure at default (EAD) – the exposure to a borrower who is unable to honour his obligations, at the point of default.
- Loss given default (LGD) – the historical loss associated with a delinquent loan or defaulted borrower.

The methodology adopted was used at each reporting date. An increase in overall impairment was noted in line with the portfolio growth and market conditions. The impairment based on the incurred loss model computed for individually significant loans and individually not significant loans for identified risk categories is given in note no 34 to the financial statements on page 104.

The total interest income on impaired financial assets accrued for the year 2014/15 amounts to Rs. 25,939,624 (2013/14- Rs. 22,841,394). The carrying amount of loans that would otherwise be past due or impaired whose terms have been renegotiated

Integrated Risk Management at CF

amounts to Rs. 475,100,427 (2013/14 - Rs. 404,204,202). The company categorised the individually significant loans into two broad categories and the following factors were considered in determining the impairment of those assets;

- loan servicing history of the borrower
- financial standing of the borrower
- borrowers compliance with Legal and Regulatory requirements
- other general economic conditions affecting the borrowers' repayment ability

Collaterals

Most of our lending activities are secured by tangible assets with the majority being motor vehicles and equipment. Hence, the company has a fall back in the event of default.

Credit portfolio

Maximum exposure to credit risk

The table below represents the company's maximum exposure to credit risk for its recognised and contingent financial instruments as at 31st March 2015, before taking into account any collateral held or other credit risk mitigation. For recognised instruments, the maximum exposure to credit risk is the carrying amount reported on the Statement of Financial Position. For contingent instruments, the maximum exposure to credit risk generally represents the contractual notional amounts.

Recognised exposure – collateral wise

Collateral Type	As at 31st March 2015 (Rs. '000)	As at 31st March 2014 (Rs. '000)
Cash backed	734,572	639,129
Equipment	971,495	890,314
Equity	184,766	186,609
Others	596,721	233,343
Properties	293,815	152,092
Vehicles	50,795,332	46,419,131
Clean (Trade & other receivables)	288,894	218,181
Total on-balance sheet exposure	53,865,595	48,738,799

Contingent & commitments related exposure – Collateral wise

Collateral Type	Instrument	As at 31st March 2015 (Rs.'000)	As at 31st March 2014 (Rs.'000)
Un-secured	Letters of Credit	49,141	74,142
Cash backed	Guarantees	83,615	20,815
Equipment	Commitments	-	51,191
Total off-balance sheet exposure		132,756	146,148

Portfolio grading	As at 31st March 2015 (Rs. '000)	As at 31st March 2014 (Rs. '000)
Neither past due nor individually impaired loans and leases	22,700,448	17,489,357
Past due but not individually impaired loans		
- Up to 30 days past due	11,920,128	12,016,039
- 31-60 days past due	8,203,343	8,971,241
- 61-90 days past due	4,616,821	4,721,480
- 91-120 days past due	2,297,301	2,271,630
- Over 120 days	4,389,177	3,305,622
Individually impaired loans	265,608	259,551
Individually significant impairment	(198,849)	(174,913)
Individually not significant impairment	(617,277)	(319,389)
Total loans and advances & leases	53,576,700	48,520,618
Of which held at fair value through profit or loss amounts to	None	None

Credit quality analysis

The table above sets out an analysis of the lease and loan portfolio between those that are neither past due nor impaired, those that are past due but not individually impaired and those that are individually impaired.

Market risk

The risk arising from fluctuations in interest rates, foreign currency, credit spreads, equity prices, commodity prices and risk related factors such as market volatilities. The objective of our market risk

management is to obtain the best balance of risk and return whilst meeting customers’ requirements.

The primary categories of market risk for CF are;

- interest rate risk: arising from changes in yield curves and credit spreads.
- equity price risk: arising from changes in the prices of equities and equity indices.

Market risk arising from interest rate volatility is managed with direction from the IRMC and ALCO which continuously monitor the cost of funds of the company and initiate necessary action to ensure that required margins are maintained by the company. The carrying value of all financial assets and liabilities are in Sri Lankan Rupees and the company did not have any foreign currency denominated assets and liabilities as at 31st March 2015 and 2014.

Financial Assets/ (Liabilities) Carried at FVtPL	Amount (Rs. '000)	Likelihood of change in fair value or future cash flows due to change in market interest rate
Financial Assets		
FVtPL financial assets	49,600	None
Equity investments classified as AFS investments	260,530	None
Financial Liabilities		
Derivative financial instruments	6,927	Yes

Organisation and structure

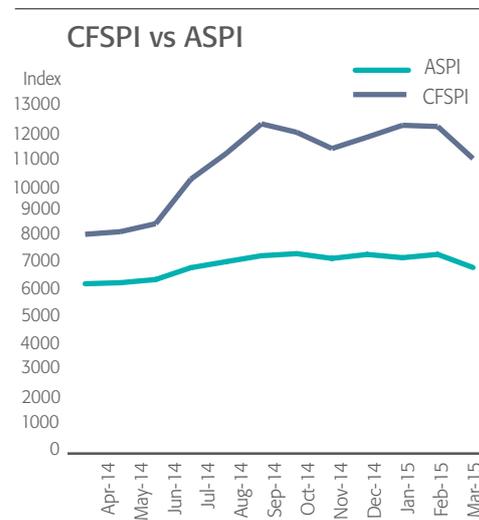
The Board approves the appetite for market risks. The Board sets a framework of limits within the context of the approved market risk appetite. The company has a strong control environment facilitated by a well structured organisation which has enabled it to strengthen segregation of duties in respect of critical functions.

Interest rate derivatives

An interest rate SWAP is an agreement between two parties to exchange fixed and floating rates of interest by means of periodic payments based upon a notional principal amount at interest rates specified in the contract. Interest rate SWAPs are one of the mechanisms used to manage the interest rate volatility due to maturity mismatches, typically associated with Licensed Finance

Companies. SWAPs are valued using valuation techniques with market observable inputs. The applied valuation technique includes estimating forward interest rates. The forward interest rate computation was made based on the observable market rate of interest. The valuation technique considered was used for the whole instrument. A change in one or more of those assumptions will not materially change the fair value of the Interest rate SWAP.

Equity Price Risk



Central Finance is exposed to market movements in equity price fluctuations through the quoted available for sale securities portfolio and FVtPL financial assets. The IRMC and ALCO continually review the relevant exposure limits. A comprehensive evaluation process is also carried out prior to investment decisions. Regular monitoring of price levels is done through the Investment function to mitigate adverse movements in the stock market. The policy related to AFS equity securities is given under accounting policies on pages 78 to 92.

Sensitivity analysis

Sensitivity analysis measures the sensitivity of the current portfolio of positions to defined market risk factor movements. The table below gives the sensitivity analysis of the market risks, the company is exposed to.

Integrated Risk Management at CF

Interest Rate

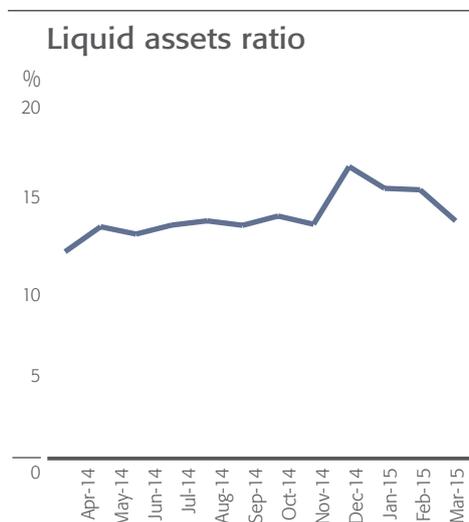
Assumption	Impact to Profit and Equity Rs, 000
Increase/ decrease in Interest margin by 1%	690,294
Increase/ decrease in Interest margin by 2%	1,380,588

Equity price

Assumption	Impact to Profit and Equity Rs, 000
Increase/ decrease in equity price by 10%	29,824
Increase/ decrease in equity price by 20%	59,648

Operational risk

The risk of direct or indirect impacts resulting from human factors, inadequate or failed internal processes and systems or external events. We seek to minimise exposure to operational risk, subject to cost trade-offs. Operational risk exposures are managed through a consistent set of management processes that drive risk identification, assessment, control and monitoring. The Board appointed Board Audit and Integrated Risk Management Committees oversee the management of operational risks across the network and at the centre, with the support of the independent internal audit department which is separate from the business functions. In addition, the BAC also receives and reviews the management letter of the external auditor. This formal structure of governance provides the Board with confidence that operational risks are being proactively identified and effectively managed. All business units are responsible for setting and maintaining standards for operational risk management. Possible losses to company's assets due to unforeseen events have been covered with comprehensive insurance policies.



Liquidity risk

Policy, framework and governance

The company has in place a robust and comprehensive set of policies and procedures for assessing, measuring and controlling the liquidity risk. This ensures that the company always maintains sufficient eligible and appropriate financial resources to meet its future financial commitments as they fall due. Liquidity risk is the risk that the company is unable to meet its financial obligations, including financing wholesale maturities or customer deposit withdrawals, as and when they fall due. Our Statement of Financial Position and liquidity have remained strong and we surpass the regulatory liquidity thresholds comfortably. It is our policy to maintain adequate liquidity at all times and be in a position to meet all obligations as they fall due. Diversification of the company's funding base is central to our balance sheet management strategy. Customer deposits provide large pools of stable funding to support the majority of lending. We access a diversified funding base by way of debt issuances on an unsecured and secured basis. These sources of funding are complementary to the company's customer deposit gathering activities. We have a substantial portfolio of liquid assets that can be realised if liquidity stress occurs. We also have a contingency funding plan by way of undrawn approved bank lines. Contractual maturity analysis of the remaining financial liabilities is given in note no 60 to the financial statements on pages 132 and 133.

Liquidity measurement and monitoring

Liquidity risk is measured and assessed on a daily basis at the centre. The company uses a set of internal and regulatory metrics and analysis to assess liquidity risk. We manage liquidity risk taking both short and medium-term requirements into consideration. In the short-term, our focus is on ensuring that the cash flow demands can be met through asset maturities, customer deposits and bank funding where required. In the medium-term, the focus is on ensuring a structurally sound balance sheet. ALCO is the responsible monitoring body that oversees our liquidity management policies. The Treasury Department receives direction from ALCO and is responsible for managing liquidity limits. Liquidity risk is a standing agenda item at our monthly ALCO meetings. The pricing of deposit maturities are done in a way to curb the maturity mismatches between our lending and borrowing portfolios.

Liquid asset ratio (LAR)

This is the ratio of liquid assets to total deposits and certain debt instruments. The significant level of holdings of liquidity buffer in the Statement of Financial Position reflects the application of our liquidity policies and practices.

Strategic risk

The company continuously follows developments taking place in the business environment and formulates its strategies to optimise the opportunities available whilst attempting to manage risks associated with such strategies. Business strategies are adopted after evaluating the overall risks associated with such strategies. A comprehensive strategic plan for the next three years is currently being developed with quantitative targets. Risks in achieving such targets have also been mapped and are monitored continuously.

Capital risk

Our approach to capital management is driven by our strategic and organisational requirements, taking into account the regulatory, economic and commercial environment in which we operate. We aim to maintain a strong capital base to support the risks inherent in our business. For regulatory purposes, our capital base is divided into two main categories, namely Core (Tier 1) Capital and Total Risk Weighted Capital. The composition of capital under the current regulatory requirement for 31st March 2015 is provided in the table below. The figures reported here may differ from the figures reported in the financial statements as the above are based on the prudential regulatory requirements. It is the regulatory Statement of Financial Position, and not the financial accounting Statement of Financial Position, which forms the basis for the calculation of regulatory capital requirements.

Constituents of Capital	Amount
Tier 1 : Core Capital	16,823,652
Issued and Paid-up Ordinary Shares/ Common Stock	568,400
Share Premium	20
Statutory Reserve Fund	1,229,000
Published Retained Profits/(Accumulated Losses)	4,625
General and Other Reserves	15,021,607
Tier 2 : Supplementary Capital	941,117
Eligible Revaluation Reserves	941,117
Eligible Tier 2 Capital	941,117
Total Capital	17,764,769
Deductions	780,339
Investments in capital of other banks/ financial associates	780,339
CAPITAL BASE	16,984,430
Core Capital Ratio (Minimum 5%)	28.80
Total Risk Weighted Capital Ratio (Minimum 10%)	29.08

Reputational risk

Reputational risk is the potential damage to the company, resulting in loss of earnings or adverse impact on market capitalisation as a result of stakeholders taking a negative view of the company or its actions. Reputational risk could arise from the failure of the company to effectively mitigate the risks in its businesses including credit, liquidity, market, regulatory, legal or other operational risks. Damage to the company's reputation could cause existing clients to reduce or cease to do business with the company and prospective clients to be reluctant to do business with the company. All employees are responsible for day-to-day identification and management of reputational risk. Reputational risk may also arise from a failure to comply with environmental and social standards. Our primary social impacts arise through our relationship with our clients and customers and the financing decisions we take. We have mechanisms in our origination and credit processes to identify and assess social risks. We have also consciously left out certain business lines to avoid social risks. A comprehensive list of legal and regulatory compliance is tabled at monthly board meetings. Compliance to rules and regulations by the subsidiary companies are obtained on a monthly basis and tabled to manage reputational risk, which could arise from the activities of other group companies.

Corporate Governance

“ Corporate governance is the framework of rules, regulations and practices by which the Board of Directors ensures accountability, fairness and transparency in the company’s relationship with its stakeholders and encompasses procedures for proper supervision, control and information flows to serve as a system of checks and balances. ”

Central Finance has a well-structured Corporate Governance Framework which plays a vital role in maintaining and enhancing sustainable shareholder value. We believe in building an exemplary Corporate Governance model which will enable the company to create value and provide accountability and control systems commensurate with risks involved. Strong emphasis is placed on Corporate Governance to align business practices in the best interest of all our stakeholders with maximum transparency and timely disclosure of information together with proper financial reporting.

The Corporate Governance Framework guides the company in formulating, communicating and achieving its corporate strategies and objectives. The Board of Directors is responsible for the governance of the company and developing an effective governance framework in reviewing and developing systems and controls to provide transparency and accountability and, in ensuring adoption of best practices focusing on its stakeholders in creating shareholder value.

As part of this endeavor we at CF have embraced all aspects of strengthened requirements from the Code of Best Practice on Corporate Governance 2013, issued jointly by the Institute

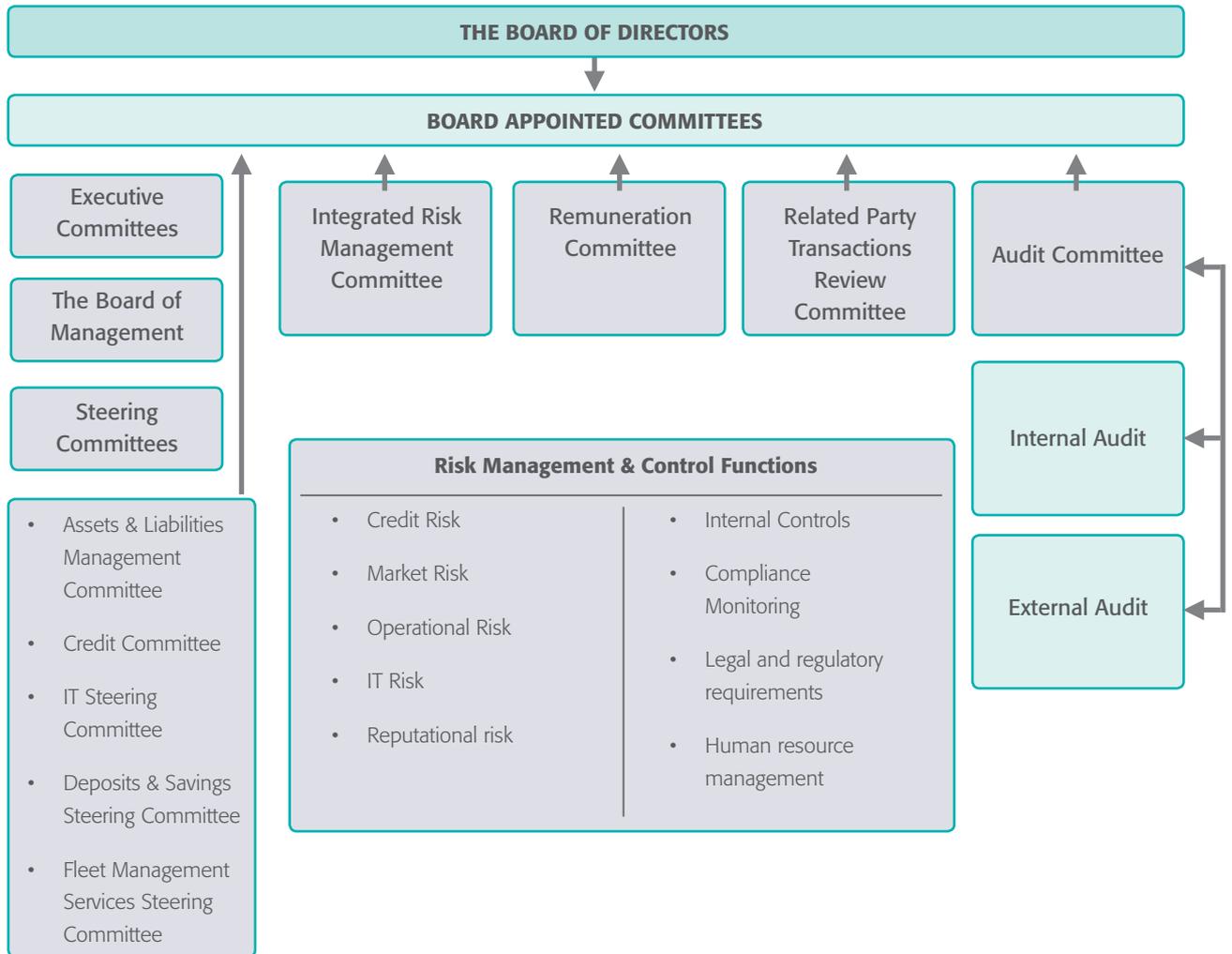
of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka. The company has also complied with Direction No. 03 of 2008 of the Finance Business Act No. 42 of 2011 and amendments thereto on Corporate Governance for Licensed Finance Companies issued by the Central Bank of Sri Lanka and the Listing Rules of Colombo Stock Exchange.

We recognise that our strategy to be a consistent, stable and a strong financial service provider relies on a foundation of good Corporate Governance as we endeavor to be at the forefront of the non-bank financial service sector.

In this year’s report, we outline the ways in which our Corporate Governance framework operates, including the role and responsibilities of the Board and four of its Committees. The key highlight in this financial year is the formation of a new Board Sub Committee, Related Party Transactions Review Committee, to establish effective and comprehensive internal controls for related party transactions. The level of adoption and conformity with the rules and best practices embraced by your company are disclosed in this report.

CORPORATE GOVERNANCE FRAMEWORK

The diagram below illustrates our approach to Corporate Governance. It depicts the interactive nature of the elements we view as being fundamental in embracing the spirit of best practice Corporate Governance principles.



As in the previous years, this year too we report our Governance practices and initiatives in three sections.

SECTION ONE covers the level of adoption of the Code of Best Practice on Corporate Governance -2013, issued jointly by the Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka.

SECTION TWO covers the level of compliance with Direction No. 03 of 2008 of the Finance Business Act No. 42 of 2011 and subsequent amendments thereto on Corporate Governance for Licensed Finance Companies issued by the Central Bank of Sri Lanka.

SECTION THREE covers the level of conformity with the Continuing Listing Rules - Section 7.10 on Corporate Governance for Listed Companies issued by the Colombo Stock Exchange.

SECTION ONE

CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE ISSUED BY THE SECURITIES AND EXCHANGE COMMISSION OF SRI LANKA & THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA.

Statement of Compliance

The disclosures below reflect the level of adoption of the above voluntary Code which comprises of seven fundamental principles. These are namely;

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

Corporate Governance

Corporate Governance Principles	ICASL/SEC Code Reference/ Adoption status	Extent of Adoption by CF
A. DIRECTORS		
A. 1 The Board		
<p>Central Finance is headed by a Board of Directors with local & multinational experience drawn from different backgrounds inter alia banking, accounting, management, marketing, econometrics & human resources. All Directors possess the skills, experience and knowledge complemented with a high sense of integrity and independent judgment. They provide leadership in setting strategic direction and a sound control framework to achieve the company's objectives.</p>		
Board Meetings	A 1.1 Adopted	<p>The Board meets at monthly intervals, but meets more frequently whenever it is necessary.</p> <p>During the year the Board met 12 times, at approximately monthly intervals. Details of the meetings and individual attendance are given on page 53.</p>
Board Responsibilities	A 1.2 Adopted	<p>The Board of Directors is responsible for providing sound business strategy, ensuring the execution of strategies, monitoring performance and providing oversight for Central Finance.</p> <p>The Board has put in place a Corporate Management team led by the CEO/MD with the required skills, experience and knowledge to implement the business strategy of the company. The Non-Executive Directors possess experience from a number of industries and business sectors, including the leadership of large multinational enterprises.</p> <p>The Board takes necessary steps towards safeguarding the depositors, securing integrity of information, prudent management of risks, implementing an effective internal control system, ensuring good governance and compliance with rules and regulations. The Board also ensures succession planning for the CEO/MD, Executive Directors & Key Management Personnel.</p> <p>The Board is also responsible to ensure that the interest of all stakeholders is taken into consideration in the corporate decision making process and that the company's values and standards are set with emphasis on adopting appropriate accounting policies & complying with financial regulations.</p>
Compliance with laws of the Country and access to independent professional advice	A 1.3 Adopted	<p>The Board of Directors ensures that procedures and processes are in place to ensure compliance with all applicable laws and regulations of the country. A procedure is in place for Directors to seek independent and collective professional advice, in furtherance of their duties, at the Company's expense, as and when it is necessary.</p>
Company Secretary	A 1.4 Adopted	<p>Access to the Company Secretary's service is available for all Board Members as and when required. The Company Secretary provides support and advice to the Chairman and the Board on all Corporate Governance matters, Board procedures and compliance with applicable laws and regulations. Removal of the Company Secretary, if it arises, would be a matter that would be considered by the Board as a whole.</p>
Independent judgment of Directors	A 1.5 Adopted	<p>Directors including Non-Executive Directors bring to bear independent judgment and scrutiny on decisions taken by the Board on issues of strategy, performance, resources, risk management, internal controls and standards of business conduct.</p>

Corporate Governance Principles	ICASL/SEC Code Reference/ Adoption status	Extent of Adoption by CF
Dedication of adequate time and effort by Directors	A 1.6 Adopted	All Directors dedicate adequate time for the fulfillment of their duties as Directors of the company. In addition to attending Board Meetings, they attend Sub-Committee Meetings and contribute to decisions made. Board papers are made available to the Directors providing sufficient time for review and to request additional information and clarification for effective participation. Any approvals obtained through circulation of resolutions are ratified at the subsequent Board Meeting.
Training for Directors	A 1.7 Adopted	All Directors have undergone necessary training, both in the general aspects of directorship and matters specific to the financial services industry, including the CBSL Symposium for Directors of Licensed Finance Companies.
A. 2 Chairman & Chief Executive Officer (CEO/MD)		
CF has established a clear division of responsibilities between the Chairman & CEO/MD to ensure the balance of power and authority, in such a way that no individual has unfettered powers of decision. The Chairman is responsible for leading the Board effectively and CEO/MD is responsible for management of the company's business operation.		
Division of responsibilities of Chairman & CEO/MD	A 2.1 Adopted	The roles of the Chairman and CEO/MD are separated to ensure that no individual has unfettered powers of decision making.
A. 3. Chairman's Role		
The Chairman is responsible for providing effective leadership to the Board in preserving sound Corporate Governance and facilitating effective discharge of Board functions.		
Role of the Chairman	A 3.1 Adopted	<p>The Non-Executive Chairman ensures the effective conduct of Board proceedings and his role includes but is not limited to;</p> <ul style="list-style-type: none"> • Approving the Agenda prepared by the Company Secretary and conducting Board Meetings; • Ensuring that Board Members receive accurate, timely and clear information, in particular about the company's performance to enable the Board to take sound decisions for the success of the company; • Securing effective participation by both Executive & Non-Executive Directors in decision making and maintaining a balance of power between Executive & Non-Executive Directors. • Encouraging effective contributions by all Board Members and seeking consensus when making decisions; • Instituting the process of appraising Board Members individually and the board as a whole; • Ensuring regular meetings, the minutes of which are accurately recorded and where appropriate include the individual and collective views of the Directors; • Maintaining effective communication with shareholders and conveying their views to the Board.

Corporate Governance

Corporate Governance Principles	ICASL/SEC Code Reference/ Adoption status	Extent of Adoption by CF
A.4 Financial Acumen Board should ensure the availability of members with sufficient financial acumen and knowledge to offer guidance on matters of finance. CF's Board is equipped with members having sufficient financial acumen and knowledge.		
Availability of sufficient financial acumen and knowledge	A 4 Adopted	The Board includes three Fellow Members of the Institute of Chartered Accountants of Sri Lanka and two of them are also Fellow Members of the Chartered Institute of Management Accountants of UK. In addition the Board also includes two Members who are Fellow Members of the Chartered Institute of Management Accountants of UK and one of them is also a Fellow Member of the Association of Chartered Certified Accountants of UK. These Members of the Board have the ability to offer guidance on matters of finance to the Board. The details of their qualifications and experience have been set out in pages 9 to 10.
A.5 Board Balance Maintaining a balanced Board between Executive Directors and Non-Executive Directors is required as per the Code to ensure that no individual or small group of individuals can dominate the Board's decision making. Half the CF Board members are Non-Executive Directors and each of them bring wide experience to the Board and ability to exercise independent judgment when taking informed decisions.		
Presence of a strong independent element on the Board	A 5.1 Adopted	The Board includes a strong presence of both Executive and Non-Executive Directors and no individual or small group can dominate its decision making. Half the Board Members are Non-Executive Directors and majority of them are independent. The roles of the Chairman and CEO/MD are not vested in one person.
Independent Directors	A 5.2 Adopted	More than half of the Non-Executive Directors are Independent which is above the minimum requirements prescribed by this Code.
Evaluation of independence of Non-Executive Directors	A 5.3 Adopted	The Board considers Non-Executive Directors' independence on the basis, that an independent Director is independent of management and hence free of any business or other relationship that could materially interfere with the exercise of unfettered and independent judgment. The Board has reviewed the independence of each Non-Executive Director.
Annual declaration of the Non-Executive Directors	A 5.4 Adopted	Non-Executive Directors have made written submissions annually as to their independence or non-independence against the specified criteria.
Determination of Independence of the Directors by the Board	A 5.5 Adopted	The Board has determined that the submission of declaration by the Non-Executive Directors, as to their independence is a fair representation and will continue to evaluate this annually. The names of the Independent Non-Executive Directors are given on page 53.
Alternate Director	A 5.6 Adopted	The requirement of this code has been complied with, in appointing Alternate Directors during 2014/15. In the case of appointing Alternate Independent Directors the criteria of independence and the minimum requirement of Independent Directors has been satisfied.

Corporate Governance Principles	ICASL/SEC Code Reference/ Adoption status	Extent of Adoption by CF
Requirement of Senior Independent Director	A 5.7 & A 5.8 Not Applicable	The requirement to appoint a Senior Independent Director does not arise as the roles of Chairman and CEO/MD are separate.
Meetings with Non-Executive Directors	A 5.9 Adopted	The Chairman meets with the Non-Executive Directors without the presence of the Executive Directors as and when it is necessary but at least once a year.
Recording of concerns in Board minutes	A 5.10 Not Applicable	Circumstances have not arisen where Directors have had concerns on matters that were not unanimously resolved for such instances to be recorded in the minutes. All matters taken up for discussion were resolved through consensus at Board Meetings.
A.6 Supply of Information		
The Board should be provided appropriate timely information in a form and of a quality appropriate to enable them to discharge their duties effectively. Financial and non-financial information are analysed and presented to the Board for accurate and effective decisions.		
Information to the Board by the Management	A 6.1 Adopted	The Management provides timely and appropriate information to the Board by way of Board Papers and Proposals. The Board seeks additional information as and when necessary. Presentations have been made to the Directors on important matters relating to strategy, risk management, recoveries, audit and new legal developments. The Chairman ensures that all Directors are briefed on issues arising at Board Meetings.
Adequate time for Board Meetings	A 6.2 Adopted	The Board Papers are sent to the Directors well in advance to the respective Board Meetings, giving adequate time for Directors to study the related papers and prepare for a meaningful discussion at Board Meetings.
A.7 Appointment to the Board		
A formal and transparent procedure is in place for the appointment of new Directors to the Board as required by this code.		
Nomination Committee	A 7.1 Not adopted	The Board as a whole decides on the selection of new Directors. The Board believes that this process is more meaningful and transparent for this purpose.
Assessment of Board composition	A 7.2 Adopted	The Board carries out continuous reviews of the Board composition, to ascertain whether the combined knowledge and experience of the Board matches the strategic demands faced by the company. Findings of the assessment of the Board are considered for new appointments & re-election of Directors.
Disclosure of details of new Directors to shareholders	A 7.3 Adopted	Appointment of new Directors are disclosed to the Shareholders, with a brief resume of each such Director including nature of expertise and names of companies in which the Director holds directorships, by way of public announcements as well as in the Annual Report. Notice on appointment of new Directors is given to the CBSL and CSE.

Corporate Governance

Corporate Governance Principles	ICASL/SEC Code Reference/ Adoption status	Extent of Adoption by CF
A.8 Re-election		
Code requires all Directors to submit themselves for re-election at regular intervals of at least once in three years.		
Appointment of Non-Executive Directors	A 8.1 Adopted	The company's Articles of Association provides that at every Annual General Meeting of the company, one-third of the Non-Executive Directors shall retire from office. Period of service of Non-Executive Directors shall not exceed nine years. Directors retire from the Board prior to reaching the age of 70 years.
Election of Directors by the shareholders	A 8.2 Adopted	Re-appointment of all Directors including the Chairman of the Board is subject to election by shareholders at the Annual General Meeting. Re-election of Directors is at three year intervals and details as per code A 7.3 are submitted for shareholders to make informed decisions on their election. Proposed re-election is subject to prior review by the Board.
A.9 Appraisal of Board Performance		
Board should appraise its own performance periodically to ensure that its responsibilities are satisfactorily discharged. The Board has periodically reviewed its performance against the pre-set criteria ensuring adherence to the code.		
Appraisal of Board Performance and annual self evaluation of the Board and its Committees	A 9.1 & A 9.2 Adopted	The performance of the Board is evaluated by the Chairman. The Sub-committees carry out an assessment process annually, in accordance with the pre-set criteria, to ensure that they function effectively and efficiently with the objective of facilitating continuous improvement individually and collectively in the performance of the Board. Formal evaluation of the individual performance of each Director is undertaken annually by the Chairman using the findings of the self-assessment process undertaken by the Board Members.
Method of Board and Sub-committee performance appraisal	A 9.3 Adopted	Refer comments given for Section A 9.1 & A 9.2
A.10 Disclosure of information in respect of Directors		
Details of all Directors should be disclosed in the Annual Report for Shareholder's information		
Details in respect of Directors	A 10.1 Adopted	Details of the Directors are given on pages 9 to 10. Attendance at Board Meetings and Sub-committee Meetings by respective Directors is given on page 53.
A.11 Appraisal of the CEO/MD		
The Code requires the Board to assess the performance of MD/CEO at least annually to ascertain the achievement of pre-set Financial & Non-Financial targets.		
Financial & non-financial targets for MD/CEO	A 11.1 Adopted	At the commencement of the financial year, reasonable financial and non-financial targets for MD/CEO are set by the Board in consultation with MD in line with the short, medium & long term objectives of the company.
Evaluation of the Performance of the MD/CEO	A 11.2 Adopted	There is an ongoing process to evaluate the performance of MD/CEO to assess whether the financial and non-financial targets set by the Board have been achieved.

Corporate Governance Principles	ICASL/SEC Code Reference/ Adoption status	Extent of Adoption by CF
B. DIRECTORS' REMUNERATION		
B.1 Remuneration Procedure		
The code requires that the company has a well-established, formal & transparent procedure for developing an effective policy on executive remuneration & remuneration packages for individual Directors where no Director is involved in deciding his/her own remuneration.		
Remuneration Committee	B 1.1 Adopted	The Remuneration Committee is responsible for assisting the Board with regard to the remuneration policy for the Executive Directors and other senior level staff members. It also reviews strategic HR issues that can impact the business and recommend appropriate measures. The Committee determines and agrees with the Board, the broad policy framework for the remuneration of the Executive Directors. The Executive Directors participate at meetings by invitation in deciding the remuneration of the senior level staff members in order to recruit, retain and motivate staff.
Composition of the Remuneration Committee	B 1.2 & B 1.3 Adopted	All members of the Remuneration Committee are Non-Executive Directors the majority of whom are independent. The Chairman of the Committee is appointed by the Board. Please refer the Remuneration Committee Report given on page 65 for details.
Remuneration of the Non-Executive Directors	B1.4 Adopted	The Board as a whole decides on the remuneration of the Non-Executive Directors. The Non-Executive Directors receive a fee for serving on the Board and its Sub-Committees.
Consultation of the Chairman or MD/CEO and access to professional advice	B1.5 Adopted	Chairman of the Board is also the Chairman of the Remuneration Committee. External professional advice is obtained where necessary in determining the remuneration of the Executive Directors and senior level staff members. MD/CEO's input is obtained in determining the remuneration of other Executive Directors and senior level staff members.
B.2 Level and makeup of the Remuneration		
The Code requires the Board to establish the levels of remunerations for both Executive & Non-Executive Directors which should be sufficient to attract & retain the Directors needed to run the company successfully. A proportion of the Executive Directors remuneration should be structured to link rewards to corporate & individual performance.		
Level and make-up of the remuneration of Executive Directors	B 2.1 Adopted	The Board is mindful of the fact that remuneration of Executive Directors should reflect the market expectations and is sufficient to attract & retain the eminence of Directors needed to achieve the company's objectives. The remuneration framework of the Executive Directors is designed to create and enhance value for all stakeholders and to ensure that there is strong alignment between them for the long term success of the company.
Comparison of remuneration with other companies	B 2.2 Adopted	The Remuneration Committee in deciding the remuneration of the Directors takes into consideration the level of remuneration paid by other comparable companies and is also mindful of the performance and risk factors entailed.

Corporate Governance

Corporate Governance Principles	ICASL/SEC Code Reference/ Adoption status	Extent of Adoption by CF
Comparison of remuneration with other companies in the group	B 2.3 Not Adopted	The size and scale of Central Finance is not comparable with other companies in the group.
Performance related payment to Executive Directors	B 2.4 Adopted	Please refer code B 2.1 on page 37.
Executive share options	B 2.5 Not Applicable	There are no share option plans available for executives.
Designing the Executive Directors remuneration	B 2.6 Adopted	The Remuneration Committee considered Schedule E to this code in deciding performance-related remuneration schemes of the Executive Directors.
Early termination of Directors	B 2.7 Adopted	Executive Directors are employees of the company and their terms of reference are governed by the contract of employment. The Remuneration Committee has considered the compensation commitments given in the contracts of employment of Executive Directors, if any.
Early termination not included in the initial contract	B 2.8 Adopted	Please refer Code B 2.7 above.
Remuneration of the Non-Executive Directors	B 2.9 Adopted	Non-Executive Directors receive fees in line with market practices.
B.3 Disclosure of Remuneration		
The company should disclose the remuneration policy and the details of remuneration of the Board as a whole in the Annual Report.		
Disclosure of remuneration	B 3.1 Adopted	The Remuneration Committee's Report setting out the policy of the Committee is given on page 65. The remuneration paid to the Board of Directors is disclosed in aggregate in note no. 17 to the financial statements on page 94.
C. RELATIONS WITH SHAREHOLDERS		
C.1 Constructive use of the Annual General Meeting and Conduct of General Meetings.		
The Code requires the Board to use the Annual General Meeting to communicate with Shareholders and encourage their active participation.		
Use of proxy votes	C 1.1 Adopted	The company has an effective mechanism to record all proxy votes and proxy votes lodged on each resolution.
Separate resolution for all separate issues	C 1.2 Adopted	The company proposes a separate resolution for all substantially separate issues to provide shareholders with the opportunity to vote on each issue separately.
Availability of all Board Sub-Committee Chairmen at the AGM	C 1.3 Adopted	The Chairman of the Board ensures that Chairmen of all Sub-Committees namely, Audit Committee, Remuneration Committee, Integrated Risk Management Committee and Related Party Transactions Review Committee are present at the Annual General Meeting (AGM) to respond to any questions of shareholders.

Corporate Governance Principles	ICASL/SEC Code Reference/ Adoption status	Extent of Adoption by CF
Adequate notice of the AGM	C 1.4 Adopted	All shareholders irrespective of their voting status are encouraged to attend the AGM. Notice of the meeting is given as per the requirements of the Companies Act No. 7 of 2007. The Annual Report including financial statements and the Notice of the Meeting is sent to shareholders at least 15 working days prior to the date of the AGM.
Procedure of voting at General Meetings	C 1.5 Adopted	Notice of the Annual General Meetings, a summary of procedures governing the voting at AGM and business to be transacted at General Meetings are circulated to the shareholders along with the Annual Report.
C.2 Communication with Shareholders		
The Code requires the Board to establish effective communication with shareholders.		
Channel to reach all shareholders of the company	C 2.1 Adopted	The primary modes of communication are the Annual Report and AGM. Information provided to the shareholders prior to the AGM to give them an opportunity to raise any issues relating to the business of the Company. CF also publishes Annual Reports, interim reports, Stock Exchange announcement, etc. in the CF web-site to enable effective communication with the stakeholders.
Policy and Methodology for communication with Shareholders	C 2.2 Adopted	The Company focuses on open communication and fair disclosure, with emphasis on the integrity, timeliness and relevance of information provided.
Implementation of the Policy and Methodology for communication with Shareholders	C 2.3 Adopted	The company adopts open communication with shareholders. Chairman, CEO and the Secretary are contactable at short notice.
Contact person in relation to Shareholders matters	C 2.4 Adopted & C 2.6 Adopted	Shareholders may, at any time, direct questions, request for publicly available information and provide comments and suggestions to Directors or senior management of the company. Such questions, requests & comments shall be addressed to the Company Secretary.
Process to make all Directors aware of major issues and concerns of shareholders	C 2.5 Adopted	The Company Secretary maintains all correspondence received and will deliver as soon as practicable such correspondence to the Board or individual Director/s as applicable.
The process for responding to shareholder matters	C 2.7 Adopted	The Board / or individual Director/s, as applicable, will provide an appropriate response to all validly received shareholder correspondence and will direct the Company Secretary to send immediate responses to the particular shareholder.
C.3 Major and Material Transactions		
Directors should disclose to shareholders all proposed material transactions which would materially alter/ vary the net assets position of the Company/Group, if entered into.		
Major transactions	C 3.1 Adopted	There were no major transactions during the year.

Corporate Governance

Corporate Governance Principles	ICASL/SEC Code Reference/ Adoption status	Extent of Adoption by CF
D. ACCOUNTABILITY AND AUDIT		
D. 1 Financial Reporting		
The Code requires the Board to present a balanced and understandable assessment of the Company's financial position, performance and prospects.		
Statutory and Regulatory reporting	D 1.1 Adopted	In the preparation of quarterly and annual financial statements, Central Finance has complied with the requirements of the Companies Act No. 07 of 2007, the Finance Business Act No. 42 of 2011, and presented in conformity with Sri Lanka Financial Reporting Standards and comply with the reporting requirements prescribed by the Regulatory Authorities such as the Central Bank of Sri Lanka and Colombo Stock Exchange.
Directors' report in the Annual Report	D 1.2 Adopted	The Directors have made all declarations in the "Annual Report of the Board of Directors" as given on pages 58 to 63.
Statement of Directors', and Auditors responsibility for financial statements and report on Internal Controls	D 1.3 Adopted	The Statement of "Directors' Responsibility for Financial Reporting" is given on page 64 of the Annual Report. Auditor's reporting responsibility is given in their report on the financial statements on page 71. The Directors' Statement on Internal Controls is given on page 69 and Auditor's report on The Directors' Statement on Internal Controls is given on page 70.
Management Discussions and Analysis	D 1.4 Adopted	The Management Discussion and Analysis is given on pages 12 to 15.
Declaration by the Board that the business is a going concern	D 1.5 Adopted	The Board declaration that the business is a Going Concern is given in the "Annual Report of the Board of Directors" on page 59.
Summoning an EGM to notify serious loss of capital	D 1.6 Not Applicable	Likelihood of such occurrence is remote. However, should the situation arise, an EGM will be called for and shareholders will be notified.
Disclosure of Related Party Transactions	D 1.7 Adopted	The Board has established an effective and comprehensive system of Internal Controls for identifying, recording and disclosing of Related Party Transactions. Steps have been taken by the Board to avoid any conflicts of interest that may arise, in transacting with related parties. The Board ensures that any financial transaction is on terms that are reasonable if the Company and the related party were dealing at arm's length in the ordinary course of business. All Related Party Transactions as defined in Sri Lanka Accounting Standard -24 and Securities and Exchange Commission on "Related Party Transactions" are disclosed in note 58 to the Financial Statements on pages 129 to 131.

Corporate Governance Principles	ICASL/SEC Code Reference/ Adoption status	Extent of Adoption by CF
D.2 Internal Control The Board should have a process of risk management and a sound system of internal controls to safeguard shareholders' investments and Company's assets.		
Annual evaluation of risks and the effectiveness of the internal control system	D 2.1 Adopted	The Board is responsible for establishing a sound framework of risk management & internal controls and monitoring its' effectiveness on a continuous basis. Through such an effective framework, CF manages business risks & ensures that the Company's assets are safeguarded. The Directors Statement on internal controls is given on page 69. The auditor's report on same is given on page 70.
Internal audit function	D 2.2 Adopted	The Internal Audit function is carried out by the Internal Audit Department of the company.
Review of process and effectiveness of internal controls	D 2.3 Adopted	CF Internal Audit Division carries out regular reviews on the internal control system including internal control over financial reporting. The Audit Committee monitors, reviews and evaluates the Internal Control System of the company. The Board was satisfied with the effectiveness of the internal control system as referred to in the "Directors' Statement on Internal Control" on page 69. The external auditor has independently reviewed the report as indicated on page 70 of the Annual Report.
Responsibilities of Directors in maintaining a sound internal control system	D 2.4 Adopted	The Directors responsibilities for maintaining a sound system of internal control is given in the "Directors' Statement on Internal Controls" on page 69.
D. 3 Audit Committee The Code requires the Board to have a formal and transparent arrangement in selecting and applying Accounting policies, financial reporting and internal control principles and maintaining an appropriate relationship with the Company's Auditor.		
Composition of the Audit Committee	D 3.1 Adopted	The Audit Committee comprises of three Non-executive Directors, two of whom are Independent. The said Committee met 7 times during the year. The General Manager (Internal Audit) functions as the Secretary to the Audit Committee. Chairman, Managing Director, Director (Finance), Director (Group Co-ordination), GM (Finance) and the External Auditor attend meetings by invitation. The Chairman of the Audit Committee is an Independent Non-Executive Director.
Review of objectivity of the External Auditor	D 3.2 Adopted	Audit Committee monitors and reviews the External Auditor's scope and results of the audits and independence, objectivity and effectiveness of the audit process considering relevant professional and regulatory requirements. The Committee has set out the policy for the engagement of the External Auditor for non-audit services taking in to account: Regulatory requirements and guidelines issued by Central Bank of Sri Lanka with regard to the engagement of the External Auditor for non-audit services. The nature and extent of non-audit services and ensuring balanced objectivity, independence and value for money. The Audit Committee reviewed and approved the policy for engagement of the external Auditor to provide non-audit services during 2014/15.

Corporate Governance

Corporate Governance Principles	ICASL/SEC Code Reference/ Adoption status	Extent of Adoption by CF
Terms of reference of the Audit Committee	D 3.3 Adopted	<p>The Audit Committee is guided by the Committee Charter which sets out authority and responsibility of the Audit Committee. The Charter was reviewed in 2014/15 in line with the Code of Best Practices on Audit Committees of CA Sri Lanka.</p> <p>The Duties and Responsibilities of the Committee include inter alia</p> <ul style="list-style-type: none"> • Making recommendations to the Board on the appointment, re-appointment or removal of the External Auditor. • Assisting the Board in preparation and presentation of Financial Statements • Assess the compliance of regulatory requirements and Company's ability to continue as a going concern • Monitoring and reviewing the effectiveness of the Internal Audit function. • Ensuring that a sound internal control system is in place. • Monitoring the compliance of applicable regulations. • Reporting regularly to the Board of Directors.
Disclosures of the Audit Committee	D 3.4 Adopted	<p>The names of the Members of the Audit Committee are given in the Audit Committee Report on pages 67 to 68.</p> <p>The Audit Committee has satisfied itself with the independence of the External Auditor as disclosed in the Audit Committee report.</p>

D.4 Code of business conduct & ethics

The Company should develop a Code of Business Conduct and Ethics to be adhered to by all Directors and Key Management Personnel.

Code of business conduct and ethics	D 4.1 Adopted	<p>Central Finance has developed a Code of Business Conduct for all Staff Members, which addresses conflict of interest, receiving gifts or any other benefit, accurate accounting and record keeping, corporate opportunities, confidentiality of information, fair dealing, protection and proper use of the Company's assets and compliance with applicable laws and regulations including insider trading laws and, encouraging the reporting of any illegal or unethical behavior.</p> <p>The code of business conduct and ethics has been adhered to in all respects by the Directors and Key Management Personnel.</p>
Affirmation of the code of conduct & ethics	D 4.2 Adopted	<p>The Chairman confirms that he is not aware of any material violations of the Code of Conduct.</p>

D.5 Corporate Governance Disclosures

The Company should disclose the extent of adoption of best practices in Corporate Governance.

Corporate Governance Report	D 5.1 Adopted	This report satisfies the requirement of this code.
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E. INSTITUTIONAL INVESTORS

E.1 Shareholder voting

The Code requires the institutional shareholders to make considered use of their votes and encourage to ensure that their voting intentions are translated into practice.

Corporate Governance Principles	ICASL/SEC Code Reference/ Adoption status	Extent of Adoption by CF
Communication with Institutional shareholders	E 1.1 Adopted	The Annual General Meeting is used for effective dialogue with the shareholders on matters which are relevant and of concern to the general membership. The Chairman communicates the views and queries of the shareholders to the Board and Senior Management.
E.2 Evaluation of Governance Disclosures		
The Company should encourage institutional investors to give due weightage to all relevant factors drawn to their attention when evaluating the Governance arrangements of the Company.		
Evaluation of the Corporate Governance initiatives	E 2 Adopted	When evaluating the Company's Corporate Governance arrangements, institutional investors are encouraged to give due weightage to all relevant factors particularly in the Board structure and composition.
F. OTHER INVESTORS		
F.1 Investing/Divesting Decisions		
The Code requires individual shareholders to carry out adequate analysis or obtain independent advice in investing and divesting decisions.		
Other investors	F 1 Adopted	Individual shareholders are encouraged to carry out adequate analysis or seek independent advice on investing or divesting decisions.
F.2 Shareholder Voting		
Individual shareholders should be encouraged to participate and exercise their voting rights in General Meetings.		
Individual shareholders voting	F 2 Adopted	Individual shareholders are encouraged to participate at General Meetings and exercise their voting rights. The Company adequately communicates with all shareholders by ensuring that they are duly informed by dispatching necessary Notices.
G. SUSTAINABILITY REPORTING		
G.1 Principles of Sustainability Reporting		
Sustainability is a business approach that creates long-term stakeholder value by embracing opportunities managing risks derived from economic, environmental and social developments and their potential implications and impacts on the business activities of the entity. Sustainability reporting is the practice of recognising, measuring, disclosing and being accountable to all stakeholders for organisational performance towards the goals of sustainable development in the context of the overall business activities and strategy of the entity. Hence the Code requires to maintain Policies and Procedures to develop a sustainable business environment and make adequate disclosures on sustainability.		
Economic Sustainability	G 1.1 Adopted	Please refer the "Sustainability Report" on page 54 to 56 for details.
The Environment	G 1.2 Adopted	
Labour Practice	G 1.3 Adopted	
Society	G 1.4 Adopted	
Product Responsibility	G 1.5 Adopted	
Shareholder identification, engagement & effective communication	G 1.6 Adopted	
Sustainability reporting and disclosures	G 1.7 Adopted	

Corporate Governance

SECTION TWO

FINANCE COMPANIES DIRECTION NO 03 OF 2008 (AND SUBSEQUENT AMENDMENTS THERETO) ON CORPORATE GOVERNANCE FOR LICENCED FINANCE COMPANIES IN SRI LANKA

The Central Bank of Sri Lanka issued the Direction on Corporate Governance (Finance Companies Direction No 03 of 2008 and subsequent amendments thereto), in order to improve and sustain the Corporate Governance processes and practices of the Licensed Finance Companies in Sri Lanka.

The above Direction comprises of ten fundamental principles, namely

1. The responsibilities of the Board
2. Meetings of the Board
3. Composition of the Board
4. Criteria to assess the fitness and propriety of Directors
5. Management functions delegated by the Board
6. The Chairman and the Chief Executive Officer
7. Board appointed Committees
8. Related party transactions
9. Disclosures
10. Transitional Provisions

The structures in place and the conformity with the requirements are tabulated below under the said ten fundamental principles.

Corporate Governance Principles	CBSL Rule	Compliance status / Level of Compliance
2. The responsibilities of the Board of Directors		
2 (1) Strengthening the safety and soundness of the Company	2.1(a) Strategic objectives & corporate values / communication	Complied with Strategic objectives, corporate values, overall business strategy and policies of the Company set by the Board are regularly overseen by the Board and are communicated to all levels of the Company. Subsequent Strategic plans address action plans and goals that support these objectives while reinforcing the core values.
	2.1 (b) Overall business strategy	Complied with Overall risk parameters have been set up with regular reviews in place through Board of Management (BoM), Assets and Liabilities Committee (ALCO) and Integrated Risk management Committee (IRMC). The Board has provided direction in development of short, medium and long term strategy of the Company with the objective of promoting sustainability and profitable growth of the Company. The Company developed a Strategic Plan for three years covering the periods 2012/13 to 2014/15. The Company is in the process of preparing the Strategic Plan taking into account the objectives and targets to be achieved for the financial years covering 2015/16 to 2017/18 which will be submitted for the approval of the Board in July -15.

Corporate Governance Principles	CBSL Rule	Compliance status / Level of Compliance
	2.1 (c) Risk Management	Complied with Assets and Liability Management Committee (ALCO), Board of Management (BOM) and Integrated Risk Management Committee (IRMC) review risks and systems that have been developed to manage and mitigate risks. ALCO and BOM review performance monthly. The IRMC meets every quarter or earlier if required. Minutes of all three committees are tabled at monthly Board Meetings for their review and further actions, if required.
	2.1 (d) Communication with stakeholders	Complied with The Board is responsible for ensuring effective communication with all stakeholders including depositors, creditors, shareholders and borrowers. A Board approved communication policy is in place and reviewed, as and when required. The Annual General Meeting is used to have an effective dialogue with the shareholders on matters which are relevant and of concern to the general membership.
	2.1 (e) Company's internal control systems and management information systems	Complied with Continuous and ongoing reviews are effected on the adequacy and integrity of the Internal Control and Management Information Systems. Periodic External Reviews are also commissioned on specific areas by Specialists. Company's internal control systems over financial reporting and management information systems are reviewed by the Board.
	2.1 (f) Key Management Personnel	Complied with Identification and designation of Key Management Personnel (KMP) is in place and periodically reviewed and updated by the Board and BoM.
	2.1 (g) Authority and key responsibilities of Board and Key Management Personnel	Complied with The Board has defined the areas of authority and key responsibilities of the Board Members. In addition, Non-Executive Directors have specific areas of responsibility through the various Sub Committees of the Board. Similarly, Key Management Personnel have specific areas of responsibility assigned to them through their employment contracts and exigencies of evolving business needs. The delegated authority limits for KMPs have been reviewed and approved by the Board during 2014/15.
	2.1 (h) Oversight of the affairs of the finance company by Key Management Personnel	Complied with The Board of Management at its detailed monthly review ensures that there is appropriate oversight of the Company's affairs by Key Management Personnel which are consistent with its strategic objectives.
	2.1 (i) Effectiveness of Board's governance practices	Complied with The Board ensures that effectiveness of governance practices are periodically assessed. A Board approved transparent procedure is in place for selection, nomination and election of Directors and Key Management Personnel. Directors make declaration on areas of interests at the time of applying to the Company's Board and subsequently as and when it is needed. Conflicts of interest are managed through a balanced Board of Directors and a Board approved Related Party Transaction Policy.

Corporate Governance

Corporate Governance Principles	CBSL Rule	Compliance status / Level of Compliance
	2.1 (j) Succession plan for Key Management Personnel	Complied with A documented Succession Plan is in place for all Key Management positions and training programmes are being continuously reviewed and formulated to ensure that there is adequate succession capacity at all levels.
	2.1 (k) Regularly meeting with the Key Management Personnel	Complied with The Board meets with Key Management Personnel in reviewing policies, monitoring progress towards corporate objectives and ensuring lines of communication. In addition, KMPs make presentations to the Board as a whole or to individual Directors on matters of interest. Further, Board of Management (BOM), a committee comprising Executive Directors and Key Management Personnel, review policies and monitor progress towards corporate objectives at their monthly meetings
	2.1 (l) Regulatory environment	Complied with Compliance Officer and Company Secretary update the Board Members on changes to the regulatory environment. Regular discussions, training and seminars are arranged for Directors and Key Management Personnel to facilitate understanding the regulatory environment.
	2.1 (m) Due diligence in hiring and oversight of External Auditors	Complied with The Board appointed Audit Committee reviews and makes recommendations to the Board on the appointment, re-appointment or removal of the External Auditor in-line with professional standards and regulatory requirements. The Audit Committee sets out the policy for the engagement of the External Auditor to provide non-audit services. The Audit Committee reviewed and approved the policy during 2014/15.
Chairman & Chief Executive Officer / Managing Director	2.2	Complied with The Board has appointed the Chairman and Chief Executive Officer (CEO/MD) and has defined and approved the functions and responsibilities of the Chairman and the CEO /MD in line with rule 7 of the CBSL direction. Please refer Section A.2 and A.3 of CA Sri Lanka & SEC Code table on page 33 and rule 7 of CBSL direction on page 49 for details
Independent advice	2.3	Complied with The Company has put in place a procedure for Directors to seek independent professional advice at the Company's expense. Please refer section A 1.3 of the CA Sri Lanka & SEC Code table on page 32 for details.
Conflict of interest	2.4	Complied with The Board is mindful of its obligation to ensure that Directors avoid conflicts of interest. Procedure is in place to ensure that conflicts and potential conflicts of interests are properly disclosed to the Board. Procedure is in place for Directors to abstain from voting on any Board Resolution when the Director or any of his relatives or a concern, in which he has substantial interest, is interested. No Director shall participate in any discussion on a Related Party Transaction for which he or she or any of his or her immediate family members are associated with and is required to provide all material information concerning the Related Party Transaction to the Board.

Corporate Governance Principles	CBSL Rule	Compliance status / Level of Compliance
Formal schedule of matters to the Board	2.5	Complied with The Board has a formal schedule of matters specifically reserved for it.
Situation of insolvency	2.6	This situation has not arisen during the year.
Corporate Governance Report	2.7	Complied with This report addresses the requirement of this rule.
Self-assessment by Directors	2.8	Complied with Each Director performs an annual self-assessment based on the predefined criteria set by the Board and maintains records of such assessments. Please refer Section A.9.1 of CA Sri Lanka & SEC Code table on page 36 for details
3. Meetings of the Board		
Board Meetings	3.1	Complied with The Board usually meets at monthly intervals, but meets more frequently whenever it is necessary. Approvals obtained through the circulation of resolutions are subsequently ratified at the next Board Meeting. Please refer section A 1.1 of the CA Sri Lanka & SEC code table on page 32 for details.
Inclusion of proposals by all Directors in the agenda	3.2	Complied with Proposals from all Directors on promotion of business and management of risk and other areas relevant to the progress of the Company are included in the agenda for regular meetings as and when they arise.
Notice of meetings	3.3	Complied with Directors are given adequate time and at least 7 days of notice for Board Meetings and a reasonable time period for other meetings to study the relevant papers and proposals for meaningful discussions.
Non-attendance of Directors	3.4	Complied with All Directors have attended at least two-thirds of the meetings held during the year. No Director has been absent from three consecutive regular meetings held in 2014/15
Board Secretary	3.5	Complied with The Board has appointed Corporate Services (Pvt) Ltd., to handle the secretarial services to the Board and to carry out other functions required by Statutes. Please refer section A 1.4 of the CA Sri Lanka & SEC code table on page 32 for details.
Agenda for Board Meetings	3.6	Complied with The Board Secretary prepares the Agenda, which has been delegated by the Chairman.
Access to the Board Secretary	3.7	Complied with Service of the Board Secretary is available for all Directors in discharging their duties to the Company. The Board Secretary has provided the Board with support and advice relating to corporate governance matters, Board procedures and applicable rules and regulations during the year. Please refer section A 1.4 of the CA Sri Lanka & SEC code table on page 32 for details.
Minutes of the Meetings	3.8	Complied with The Company Secretary records the minutes of the Board Meetings and Directors have full access to the Minutes of the Board Meetings.
Details of Minutes	3.9	Complied with Minutes of the Board Meetings are maintained in sufficient detail by the Board Secretary.

Corporate Governance

Corporate Governance Principles	CBSL Rule	Compliance status / Level of Compliance
4. Composition of the Board		
Number of Directors	4.1	Complied with The Board comprised of ten (10) Directors during the year.
Period of service of Non-Executive Directors	4.2	Complied with Non-Executive Directors serving on the Board have not served on the Board for more than nine years.
Appointment of an employee as a Director	4.3	This situation has not arisen during the year.
Independent Non-Executive Directors	4.4	Complied with The Board includes three (3) Independent Non-Executive Directors as per the definition of this direction, which is in excess of one fourth of the total number of Directors. The Board reviews the independence of Non-Executive Directors on annual basis, based on the self-declaration and as a part of each Director's self-assessment.
Alternate Director	4.5	Complied with When Independent Directors appoint alternate Directors they ensure that the alternate Directors appointed are also independent Directors.
Credibility, skills & experience of Non-Executive Directors	4.6	Complied with The Non-Executive Directors possess experience from a number of industries and business sectors, including the leadership of large multinational enterprises. Biographic details of the Directors are given on pages 9 to 10.
Meetings of Board without Non-Executive Directors	4.7	Complied with As per the Articles of Association of the Company, the quorum to constitute a Meeting of the Board is two Directors of which one Director should be a Non-Executive Director. As per the attendance of the Board Meetings during the year ended 31.03.2015, the required quorum has been maintained at all Board Meetings.
Details of Directors	4.8	Complied with Please refer pages 9 to 10 for the biographic details of the Directors and the categories.
Appointment of new Directors	4.9	Complied with The Board has a formal and transparent procedure in place when appointing Directors to the Board. Please refer section A 7.3 of the CA Sri Lanka & SEC code table on page 35 for details.
Appointment to fill a casual vacancy	4.10	Complied with As per the Articles of Association of the Company, a Director who was appointed during the year to fill a casual vacancy will stand for re-election by shareholders at the very next Annual General Meeting. This situation has not arisen during the year.
Resignation/removal of a Director	4.11	Complied with Notifications of resignation of Directors of the Company are given to the shareholders by way of the Annual Report, Quarterly Financial Statements and Newspaper announcements and to the Director - DSNBFI of the CBSL. This situation has however not arisen during the year.

Corporate Governance Principles	CBSL Rule	Compliance status / Level of Compliance
5. Criteria to assess the Fitness and Propriety of Directors		
Directors over 70 Years of age	5.1	Complied with Directors serving on the Board have not reached the age of seventy (70) years.
Holding of office in more than 20 entities	5.2	Complied with As at 31.03.2015, none of the Directors on the Board hold Directorships in more than 20 companies including the subsidiary and associates companies of Central Finance Company PLC.
6. Management function delegated by the Board		
Delegation of work to the management	6.1	Complied with Article 127 of the Articles of Association of the Company empowers the Board to delegate its powers and the Board has established a formal procedure for delegation of powers, retaining the ability to discharge its functions as required. The Board of Central Finance evaluates the delegated authority process to ensure that the delegation of work does not materially affect the ability of the Board as a whole in discharging its functions.
Evaluation of the delegated process	6.2	Complied with Refer comments given for CBSL rule 6.1 above.
7. The Chairman and the Chief Executive Officer		
Division of Responsibilities of the Chairman & the CEO/ MD	7.1	Complied with The roles of the Chairman and the Chief Executive Officer / Managing Director are separate.
Chairman Preferably be an Independent Director and if not appoint a Senior Director	7.2	Complied with The Chairman is not considered as independent as per the definition set out in the Direction on Corporate Governance. The Board has appointed Mr. F. Mohideen, an Independent Non-Executive Director, as the Senior Director, as required by this Rule, with suitable terms of reference to serve as an intermediary for the Non-Executive Directors, when necessary.
Relationship between Chairman and CEO/MD & other Directors	7.3	Complied with As declared by the Directors, there are no material relationships between the Chairman and CEO/MD and other Members of the Board which will impair their respective roles.
Role of the Chairman	7.4 to 7.10	Complied with The Chairman is responsible to lead, direct and manage the Board to ensure that it operates effectively. Detailed information of the role of the Non-executive Chairman is given in the CA Sri Lanka & SEC Code table section A 2 & A 3 on page 33.
Role of the CEO/MD	7.11	Complied with The CEO/MD performs as apex Executive-in-Charge of the day-to-day management of Central Finance operations and business.

Corporate Governance

Corporate Governance Principles	CBSL Rule	Compliance status / Level of Compliance
8. Board appointed committees		
Board appointed Sub-Committees	8.1	<p>Complied with</p> <p>There are four Board appointed Sub-committees namely Audit Committee, Remuneration Committee, Integrated Risk Management Committee and Related Party Transactions Review Committee.</p> <p>Minutes of the Sub Committee Meetings and matters arising from the minutes as well as reports that require Board's attention and/ or decisions were circulated to the Board by respective Secretaries of the Committees.</p>
Audit Committee	8.2 (a) to 8.2 (q)	<p>Complied with</p> <p>The Audit Committee comprises of three Non-executive Directors, two of whom are Independent.</p> <p>Please refer the Audit Committee Report given on pages 67 to 68 and section D 3 of the CA Sri Lanka & SEC code table on page 41 for details.</p>
Integrated Risk Management Committee	8.3 (a) to 8.3 (h)	<p>Complied with</p> <p>The discussions and conclusions reached at such meetings are circulated to the Board of Directors at the very next monthly Board Meeting. The Board is kept informed of any specific issue considered high priority and of magnitude within seven days from the date of the IRMC meetings.</p> <p>General Manager (Finance) acts as the Compliance Officer for CBSL Directions, Rules, and Regulations issued under the Finance Business Act. A Compliance Statement covering Directions, Rules and Regulations issued under the Finance Business Act, Rules and Regulations of the Securities and Exchange Commission of Sri Lanka and Colombo Stock Exchange, Provisions contained in the Companies Act No.07 of 2007 ,Inland Revenue Act No.10 of 2006 and other various statutory requirements is submitted to the Board monthly.</p> <p>Please refer the Integrated Risk Management Committee Report given on page 66 for details.</p>
9. Related Party Transactions		
Avoiding conflict of interest in related party transactions and favourable treatment	9.2 to 9.4	<p>Complied with</p> <p>A Board approved Related Party Transaction Policy and a Related Party Transaction Review Committee are in place, the objectives of which are to:</p> <ul style="list-style-type: none"> • Encourage transparency with a view to facilitating informed decisions • Conform to disclosure requirements and exercise good governance on related party transactions, and • Ensure that any financial transaction / benefit is on terms that are reasonable in the circumstances if the entity and the related party were dealing at arm's length. <p>Each Director and KMP will notify the Board of Directors and the Company Secretary of any interests that such person or an immediate family member of such person has or may have in a Related Party Transaction and shall include a description of the transaction and the amount.</p> <p>Please refer section D 1.7 of the CA Sri Lanka & SEC code table on page 40 for details.</p>
10. Disclosures		
Financial reporting, Statutory and Regulatory reporting	10.1	<p>Complied with</p> <p>The financial statements for the year ended 31st March 2015 and the bi-annual financial statements are in conformity with all rules and regulatory requirements and applicable accounting standards and have been published in all three languages in the newspapers.</p>

Corporate Governance Principles	CBSL Rule	Compliance status / Level of Compliance												
Minimum disclosure in the Annual Report	10 (2)	<p>Complied with</p> <p>a. A statement to the effect that the annual audited financial statements have been prepared in line with applicable accounting standards and regulatory requirements has been given in the Directors' Responsibility Statement for Financial Reporting on page 64.</p> <p>b. Directors' Report on effectiveness of the internal control system over financial reporting is given under the "Directors' Statement on Internal Control" on page 69.</p> <p>c. Independent Assurance Report is issued by the External Auditor on effectiveness of Internal Controls over Financial Reporting based on "SLSAE 3050 - Assurance Report for Banks on Directors' Statement on Internal Controls" issued by CA Sri Lanka. Please refer External Auditor's Assurance Report on the Directors' Statement on Internal Control on page 70.</p> <p>d. Details of the Directors are given on pages 9 to 10. Directors' remuneration is disclosed on page 94 Deposits made by the Directors is given in note no. 45 of the financial statements on page 123.</p> <p>e. Fees and Remuneration paid to the Directors in total is given in note no. 17 of the financial statements on page 94.</p> <p>f. The net accommodation outstanding from the related parties is given below as a percentage of capital funds.</p> <table border="1" data-bbox="678 1261 1436 1444"> <thead> <tr> <th data-bbox="678 1261 949 1290">Related Party Category</th> <th data-bbox="949 1261 1129 1290">Amount (Rs. Mn.)</th> <th data-bbox="1129 1261 1436 1321">As a % of Capital Funds</th> </tr> </thead> <tbody> <tr> <td data-bbox="678 1352 794 1382">Subsidiaries</td> <td data-bbox="1050 1352 1129 1382">185.40</td> <td data-bbox="1385 1352 1436 1382">1.10</td> </tr> <tr> <td data-bbox="678 1384 783 1413">Associates</td> <td data-bbox="1059 1384 1129 1413">64.85</td> <td data-bbox="1385 1384 1436 1413">0.39</td> </tr> <tr> <td data-bbox="678 1415 954 1444">Key Management Personnel</td> <td data-bbox="1114 1415 1129 1444">-</td> <td data-bbox="1423 1415 1436 1444">-</td> </tr> </tbody> </table> <p>g. Transactions with Key Management Personnel such as remuneration paid, accommodation granted, deposits made are given in note no. 58 of the financial statements on pages 129 to 131. Investment made by the KMPs in the company amounts to 24,244,007 ordinary shares.</p> <p>h. There were no instances of non-compliance to prudential requirements, regulations and laws. There was no material non-compliance with internal controls.</p> <p>i. There were no supervisory concerns on lapses in risk management, non-compliance with the Act and rules and directions that have been pointed out by the Director SNBFI and requested by the Monetary Board to be disclosed to the public.</p> <p>j. The External Auditor has issued an Assurance Report with their certification on Compliance with Corporate Governance Directions in the Annual Corporate Governance Report.</p>	Related Party Category	Amount (Rs. Mn.)	As a % of Capital Funds	Subsidiaries	185.40	1.10	Associates	64.85	0.39	Key Management Personnel	-	-
Related Party Category	Amount (Rs. Mn.)	As a % of Capital Funds												
Subsidiaries	185.40	1.10												
Associates	64.85	0.39												
Key Management Personnel	-	-												
11. Transitional Provisions														
Transitional Provisions for the Directors	11 (1) to (6)	<p>Complied with</p> <p>Central Finance has complied with the transitional and other general provisions in the Direction.</p>												

Corporate Governance

SECTION THREE

CONTINUING LISTING RULES SECTION 7.10 ON CORPORATE GOVERNANCE OF THE COLOMBO STOCK EXCHANGE

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

Non-Executive Directors,

Independent Directors,

Disclosures relating to Directors,

Remuneration Committee,

Audit Committee.

Corporate Governance Principles	CSE Rule Reference	Compliant status	Level of Compliance
Non-Executive Directors	7.10.1 (a)	Compliant	Half the Board Members are Non-Executives, which is more than the requirement of the rule.
	7.10.2 (a)	Compliant	Half the Board Members are Non-Executives and more than one third of them are independent.
	7.10.2 (b)	Compliant	All Non-Executive Directors have submitted their independence declaration as per the requirements.
Disclosures relating to Directors	7.10.3 (a)	Compliant	Declarations of Independence by the Directors were assessed by the full Board. The Directors who are independent are disclosed on page 53.
	7.10.3 (b)	Compliant	Circumstances did not arise for the Board to decide a Director as Independent beyond the criteria set by this rule.
	7.10.3 (c)	Compliant	Please refer pages 9 to 10 for the brief biography of each Director.
	7.10.3 (d)	Compliant	Information relating to new appointments to the Board is disclosed to the Colombo Stock Exchange, when appointments are made.
Remuneration Committee	7.10.5 (a) Composition	Compliant	The Remuneration Committee solely comprises of Non-Executive Directors and a majority of the Members are independent.
	7.10.5 (b) Function	Compliant	Please refer to the Remuneration Committee report on page 65 for details of the functions of the Committee.
	7.10.5 (c) Disclosure in the annual report	Compliant	The report of the Remuneration Committee is given on page 65 and the remuneration paid to Directors is given in note no. 17 to the financial statements on page 94.
Audit Committee	7.10.6 (a) Composition	Compliant	The Audit Committee comprises of three Non-Executive Directors, two of whom are independent.
	7.10.6 (b) Function	Compliant	Functions of the Audit Committee are given in detail in the Audit Committee Report on pages 67 to 68.
	7.10.6 (c) Disclosures in the annual report	Compliant	The names of the Directors comprising the Audit Committee and the basis of determination of independence of the Auditor are given in the Audit Committee report on pages 67 to 68

MEETINGS

In 2014/15, twelve Board Meetings were held and individual attendance by Directors at these meetings is shown in the following table.

Name	Directorship Status	Board	Audit Committee	Integrated Risk Management Committee	Remuneration Committee	Related Party Transactions Review Committee
Number of meetings held		12	7 ^a	4	1	1
J. D. Bandaranayake	Non-Executive Chairman	12		3	1 ^b	1
E.H. Wijenaikē	Managing Director	12		3		1
G.S.N. Peiris	Director (Finance)	12		4		
R.E. Rambukwelle	Director (Marketing and Operations)	12		4		
A.K. Gunaratne	Director (Group Co-ordination)	12		4		1
D.P. de Silva	Director (Credit)	11		3		
C.L.K.P. Jayasuriya	Non-Executive Director	11	4	1 ^c		
S.C.S. Wickramasinghe	Independent Non-Executive Director	10			1 ^d	
F. Mohideen	Independent Non-Executive Director (Senior Director)	12	7	4		1 ^b
A. N. Fernando	Independent Non-Executive Director	12	7 ^b	4 ^b	1	1

^a Two meetings were held to review the distribution of profits to the shareholders.

^b Chairman of the Committee

^c Appointed to the Integrated Risk Management Committee in August 2014.

^d Represented by his alternate Independent Non-Executive Director.

Corporate Social Responsibility

Human Capital Development

CF has a dynamic learning culture that is symbolic of the company's progressive attitude towards human capital development. Executed via a comprehensive training and development plan that covers employees at all levels, the highly focused approach ensures that each learning activity is geared to produce continuous professional development. Accordingly, CF's training culture is underpinned by the key fundamentals of knowledge sharing, mentoring and succession planning for all employees.

Training requirements are established based on employee performance reviews. These are however continuously assessed and re-oriented cognizant with obvious changes in technical and personal development goals.



Management Development Programme at PIM

Training of Branch Managers with PIM

CF in collaborating with the Post Graduate Institute of Management (PIM) has implemented a class room based training module using various management development tools. The programme is designed to provide dynamic and innovative solutions that will groom branch managers to make strategic business decisions. The sessions aim to empower managers with the necessary knowledge and skills to allow them to fulfill the diverse aspirations of their clientele, while at the same time meeting the objectives of the company. In doing so participants are trained to work in Groups and learn to manage time, strengthen leadership qualities, and develop project management skills.



Scholarship Awarding Ceremony at Head Office

Overseas training

As part of the ongoing training effort, CF provides overseas training for its staff whenever the situation demands. Thereby creating a platform for key decision-makers to reflect upon how new concepts and "out-of-the-box" strategic thinking could be used to realise corporate ambitions.

During the year, two senior members of CF Team were trained at the Indian Institute of Management, Vastrapur, Ahmedabad, India on Leadership and Change Management. The "Organisational Leadership for 21st century" workshop focused on exploring the leadership role required in context of change. Further, participants were provided an insight into how new concepts and management tools should be deployed in order to address the behavioural aspects of change.

Special Staff benefits

The well-being of employees is considered to be of paramount importance under the CF human resource policy. As such the company has introduced a range of special benefit schemes that offer support for employees and their family members.

CF has introduced several employee benefit initiatives including scholarships offered for children of staff members were awarded Scholarships to 53 students who had received admission to Grade 1, 5 students who obtained highest marks at the grade 5 scholarship examination, 11 students who excelled at the 2014 G.C.E Ordinary Level examination and 3 students who gained highest marks and entered to universities following the 2014 G.C.E Advanced Level examination.

Having realised the importance of continuous professional development CF has set up scheme to encourage staff members to further their education. Accordingly, an education grant is made available for employees who wish to undertake higher education such as membership from a recognised professional body or to obtain Masters Qualification from either local or foreign universities. In the year under review 31 employees made use of this facility.

Meanwhile, the CF "Chairman's Fund" provides assistance to employees who seek financial assistance in the event of critical illnesses or surgeries. Over the years, the fund has assisted many CF employees and their family members to counter their illnesses with minimum financial burden.

Employee health and well-being

During the year, the company organised two health camps for the benefit of CF staff members and their families. The programmes which were held in Kandy with the support of a fully qualified medical team from Hemas Hospital-Kandy that benefited nearly 300 people. In addition to providing basic medical check-ups including eye tests, blood pressure, weight etc., the programme also had a session on the importance of making healthy lifestyle choices.



Long Service Award Recipients - 2015

Long Service Awards

Appreciating the service of employees who have served the company for 25 years has become an important, much looked forward-to event in CF's calendar. The event has always been

colourful and demonstrates the character and pride of CF with the top management felicitating the staff members with honour and gratitude.

CSR activities

Humanitarian Relief for Koslanda land slide victims

CF has always encouraged staff members to participate in the company's CSR activities. The main activity undertaken by CF during the year was the aid initiative to provide relief to the victims of Koslanda Land slide. The disaster, which struck on 29th October 2014 completely devastated Meeriyabadda area in Kotabathma Grama Niladhari Division in the Haldumulla division of Badulla district claiming many lives and causing untold damage to property and infrastructure in the area.

CF was among the first to respond to the situation as the Asia Pacific Alliance for Disaster Management (A-PAD) Sri Lanka lead by Consortium of Humanitarian Agencies (CHA) and the Ceylon Chambers of Commerce (CCC) appealed for relief assistance. The company stepped in to provide immediate financial assistance together with relief materials including dry rations, cloths, household materials, mattresses, blankets etc.

CF in liaison with the CHA and the Disaster Management Centre closely monitored the relief operations at the two welfare centers and provided the relief aids. Relief packs were delivered in consultation with authorities ensuring that essential beneficiaries receive in person.



Assistance Given to Koslanda Land slide Victims through CHA

Corporate Social Responsibility

Assisting flood victims in Mannar

CF also responded to yet another request for aid, this time via Asia Pacific Alliance for Disaster Management in Sri Lanka (APADM) in assisting 114 students of Thambanaikulam Government Tamil Mixed School in Mannar District. The primary school consisting of school children between the ages of 5 to 10 years had been severely affected by flooding, where many children were forced to drop out from school. APADM in liaison with Disaster Management Centre and Ministry of Disaster Management assessed the needs and shared priority needs with its members. CF promptly responded to the request in assisting all school children of the worst affected schools including Thambanaikulam Government Tamil Mixed School, Murunkan in Mannar. The efforts saw the distribution of 2913 exercise books and 114 pairs of shoes (custom sized) among the school children. Each student was provided with school aids including shoes and school books.



Assistance Given to School Children in Mannar

Annual Report of the Board of Directors

The Directors have pleasure in presenting to the members their report together with the audited financial statements of Central Finance Company PLC, and the audited consolidated financial statements of the group for the year ended 31st March 2015.

Central Finance Company PLC is a public limited liability company incorporated in Sri Lanka on 5th December 1957, quoted on the Colombo Stock Exchange in 1969, registered as a finance company under the Finance Business Act No. 42 of 2011, registered under the Finance Leasing Act No. 56 of 2000, and the Companies Act No. 07 of 2007.

The ordinary shares of the Company, the Rated Unsecured Redeemable Debentures issued in June 2013, and the Rated Secured Redeemable Debentures issued in December 2013 are listed on the Colombo Stock Exchange.

The Board of Directors approved these financial statements on 27th May 2015.

PRINCIPAL BUSINESS ACTIVITIES AND REVIEW OF OPERATIONS

Company

The principal business activities of the company during the year continued to be leasing, hire purchase financing, vehicle hire, Deposit mobilisation, vehicle trading and provision of other financial services.

SUBSIDIARIES

Name of the company	Principal business activities
Central Industries PLC	Manufacture and distribution of PVC pipes and fittings
Central Mineral Industries (Pvt) Ltd.	Manufacture of mineral products
Central Construction and Development (Pvt) Ltd.	Investment company
Expanded Plastic Products Ltd.	Investment company
Central Homes (Pvt) Ltd.	Property development and sale of real estate
Mark Marine Services (Pvt) Ltd.	Hydro power generation
Central Developments Ltd.	Investment company
CF Insurance Brokers (Pvt) Ltd.	Insurance broking
Central Transport and Travels Ltd.	Hiring of vehicles
Hedges Court Residencies (Pvt) Ltd.	Construction and sale of apartments
Dehigama Hotels Company Ltd.	Renting of commercial property
CF Growth Fund Ltd.	Investment company
Kandy Private Hospitals Ltd.	Provision of healthcare services
Isuru Leasing Company Ltd.	Leasing, hire purchase financing, granting of term loans and real estate development.

CHANGES TO THE GROUP STRUCTURE

The company acquired 90.107% of the issued ordinary shares in Isuru Leasing Company Ltd (ILCL) on 12th November 2014. This acquisition was carried out under the Finance Sector Consolidation Programme - 2014 of the Central Bank of Sri Lanka and on 24th December 2014 the company completed the acquisition of 100% of the issued ordinary shares of ILCL.

ASSOCIATES

Name of company	Principal business activities
Nations Trust Bank PLC	Licensed commercial bank
Tea Smallholder Factories PLC	Manufacture and sale of black tea
Capital Suisse Asia Ltd.	Investment company

There were no significant changes in the nature of the principal business activities of the company and the group during the financial year under review.

REVIEW OF BUSINESS

A review of the company and group operations during the year, with comments on the financial results and future developments is contained in the Managing Director's report on pages 5 to 8 and the Management Discussion and analysis on pages 12 to 15 of the Annual Report, which form an integral part of the Directors' report.

FINANCIAL STATEMENTS

The financial statements of the group and the company are given on pages 72 to 135 of the Annual Report.

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, Companies Act No. 07 of 2007, Finance Business Act No. 42 of 2011, Inland Revenue Act No.10 of 2006 and amendments thereto and the Listing Rules of the Colombo Stock Exchange.

The detailed report is given on page 64 of the Annual Report.

A detailed description of the results and appropriations are given below:

	2014/15 Rs.'000	2013/14 Rs.'000
Group profit for the year before income tax after payment of all expenses, provision for depreciation, VAT on financial services and loan losses	5,122,735	4,586,632
Provision for taxation	(1,387,715)	(1,232,266)
Group profit after taxation	3,735,020	3,354,366
Other comprehensive income net of income tax		
Revaluation surplus on property, plant and equipment	-	1,255,604
Net gains and losses on re-measurement of available for sale financial assets	59,872	13,778
Actuarial gains/(losses) on defined benefit plans	(53,161)	(90,134)
Share of other comprehensive income/(losses) of associates	29,490	(1,008)
Total comprehensive income for the year	3,771,221	4,532,606
Non-controlling interest	(100,717)	(133,019)
Attributable to equity holders of the company	3,670,504	4,399,587
Other comprehensive income net of tax relating to :		
Available for sale reserve	(75,834)	(13,778)
Capital reserves	(15,018)	(1,185,841)
	3,579,652	3,199,968
Un-appropriated profit brought forward from previous year	2,468,783	1,961,381

AUDITOR'S REPORT

The auditor's report on the financial statements is given on page 71 of the Annual Report.

SIGNIFICANT ACCOUNTING POLICIES

The group and the company prepare the financial statements in accordance with Sri Lanka Accounting Standards (LKAS/SLFRS). Significant accounting policies adopted in the preparation of the financial statements are given on pages 78 to 92 of the Annual Report.

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.

INCOME

Income of the group excluding associates during the year was Rs. 14,221.87 Million (2013/14 - Rs. 13,410.77 Million), an analysis of which is given in Note 12 to the financial statements.

RESULTS AND APPROPRIATIONS

Total comprehensive income of the company was Rs. 3,014.11 Million (2013/14 - Rs. 3,681.06 Million) whilst the group comprehensive income attributable to equity holders of the parent was Rs. 3,670.50 Million (2013/14 - Rs. 4,399.58 Million).

Annual Report of the Board of Directors

	2014/15 Rs.'000	2013/14 Rs.'000
Transfer from revaluation reserve	5,233	5,454
Balance available for appropriation	6,053,668	5,166,803
Appropriations		
Transfer to reserve fund	(151,000)	(139,000)
Transfer to general reserve	(3,205,000)	(2,001,000)
Transfer to/(from) investment fund account	732,716	(253,859)
Dividends distributed during the year	(335,626)	(304,161)
Transfer of non-controlling interest of acquired subsidiary with the 100% acquisition	(1,955)	-
Un-appropriated profit to be carried forward	3,092,803	2,468,783

RESERVES

The total group reserves as at 31st March 2015 amounted to Rs. 23,750.17 Million (31st March 2014 - Rs. 20,417.25 Million) details of which are given in Notes 50 to 53 to the financial statements.

CORPORATE DONATIONS

During the year, the company made donations amounting to Rs. 1.41 Million (2013/14 Rs. 5.89 Million) in terms of the resolution passed at the last Annual General Meeting. This includes donations of Rs. 0.34 Million (2013/14 Rs. 5.01 Million) made to Government approved charities. Total donations of the group during the year amounted to Rs. 1.49 Million (2013/14 - Rs. 5.95 Million) of which Rs. 0.34 Million (2013/14 - Rs. 5.01 Million) were made to Government approved charities.

STATUTORY PAYMENTS

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

DIVIDENDS

The Directors recommend the payment of a final dividend of Rs. 1.80 per share for the year ended 31st March 2015 (2013/14 - Rs. 1.50 per share) subject to approval by the shareholders at the forthcoming Annual General Meeting. This dividend, together with the two interim dividends of Rs. 0.85 each per share paid on 19th December 2014 and 21st April 2015 respectively, amount to a total dividend pay-out of Rs. 367.09 Million for the year (2013/14 - Rs. 335.63 Million). The first interim dividend represented a redistribution of dividends received by the company and therefore was not subject to the 10% withholding tax. A major portion of the second interim dividend was paid out of taxable profits of the company and the balance out of dividends received. The component of dividends paid out of profits was subject to 10% withholding tax.

The final dividend proposed will be paid entirely out of taxable profits and therefore will be subject to the 10% withholding tax.

The Directors have confirmed that the company satisfies the solvency test requirement under Section 56 of the Companies Act No. 07 of 2007 for both interim dividends paid in December 2014 and April 2015 and the final dividend proposed. Solvency certificates were obtained from the auditor in respect of interim dividends paid and the proposed final dividend of Rs. 1.80 per share.

Finance Companies are required to obtain prior approval of the Central Bank of Sri Lanka for the payment of dividends. The Directors confirm that they have obtained prior approval of the Central Bank of Sri Lanka prior to recommending the interim dividends and the final dividend of Rs. 1.80 per share for the year.

PROPERTY, PLANT AND EQUIPMENT

The total capital expenditure in regard to property, plant and equipment, intangible assets and capital work-in-progress of the company and the group amounted to Rs. 758.03 Million and Rs. 827.57 Million respectively (2013/14 - company Rs. 622.20 Million and group Rs. 662.90 Million). Details of which are given in notes 40 and 41 to the financial statements. Value of capital expenditure approved and contracted for as at year end is disclosed in note 55 to the financial statements.

MARKET VALUE OF FREEHOLD PROPERTIES

The value of freehold properties owned by the group as at 31st March 2015 is included in the accounts at Rs. 3,752.62 Million (31st March 2014 - Rs. 3,576.44 Million) based on valuations undertaken by Chartered Valuers /Licensed Surveyors in March 2014. The Directors are of the opinion that this value is not in excess of the current market value. Details are provided in note 40 to the financial statements.

EVENTS AFTER THE REPORTING DATE

No events of a material nature have occurred subsequent to the date of the statement of financial position requiring adjustments to the financial statements, other than those disclosed in note 57 to the financial statements.

STATED CAPITAL AND DEBENTURES

The stated capital of the company as at 31st March 2015, consisting of 104,883,333 ordinary shares, amounts to Rs. 568.42 Million. No ordinary shares were issued during the year under review.

The company had Rs. 1,000/- par valued 2,000,000 Rated, Unsecured, Redeemable Debentures to the value of Rs. 2 Billion (31st March 2014 - Rs. 2 Billion) and Rs. 100/- par valued 20,000,000 Rated, Secured, Redeemable Debentures to the value of Rs. 2 Billion as at 31st March 2015 (31st March 2014 - Rs. 2 Billion). Both these debentures are listed on the Colombo Stock Exchange. Details of the debentures are given in the note 47 on page 124 of the Annual Report.

SHAREHOLDINGS

As at 31st March 2015, there were 2,615 registered shareholders and the distribution of shareholding is indicated on page 142.

INFORMATION ON SHARES AND DEBENTURES

Information relating to earnings, dividends, net assets and market value per share is given under financial highlights on page 2. Information pertaining to trading in the company's shares and debentures is given on pages 143 to 145 of the Annual Report.

MAJOR SHAREHOLDERS

The twenty largest shareholders of the company as at 31st March 2015 together with an analysis of the share holdings are given on page 143.

THE BOARD OF DIRECTORS

LIST OF DIRECTORS

The Board of Central Finance Company PLC consists of ten Directors with wide financial and commercial knowledge and experience. The qualifications and experience of the Directors are given on pages 9 and 10 of the Annual Report.

The following were the Directors of the company as at the end of the financial year:

- J. D. Bandaranayake (Non-Executive Chairman)
- E. H. Wijenaik (Managing Director)
- G. S. N. Peiris (Executive Director)
- R. E. Rambukwelle (Executive Director)
- A. K. Gunaratne (Executive Director)
- D. P. de Silva (Executive Director)
- C. L. K. P. Jayasuriya (Non-Executive Director)
- S. C. S. Wickramasinghe (Independent Non-Executive Director)
- F. Mohideen (Independent Non-Executive Director)
- A. N. Fernando (Independent Non-Executive Director)

RETIREMENTS / NEW APPOINTMENTS OF DIRECTORS

There was no change in the composition of the Board during the year under review.

RETIREMENT BY ROTATION AND RECOMMENDATIONS FOR RE-ELECTION

S. C. S. Wickramasinghe and A. N. Fernando retire by rotation in terms of article 111 of the Articles of Association and being eligible have offered themselves for re-election at the forthcoming Annual General Meeting.

The company has obtained the approval of the Monetary Board of the Central Bank of Sri Lanka for the above mentioned Directors nominated for re-appointment in terms of the provisions of the Finance Business Act No. 42 of 2011.

LIST OF DIRECTORATES OF SUBSIDIARIES AND ASSOCIATES

Details of the Directors of the Subsidiaries and Associates of the company are given on pages 137 to 139 of the Annual Report.

BOARD SUB-COMMITTEES

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

AUDIT COMMITTEE

- A. N. Fernando (Chairman) - Independent Non-Executive Director
- C. L. K. P. Jayasuriya - Non-Executive Director
- F. Mohideen - Independent Non-Executive Director

The report of the Audit Committee is given on pages 67 to 68 of the Annual Report.

REMUNERATION COMMITTEE

- J. D. Bandaranayake (Chairman) - Non-Executive Director
- A. N. Fernando - Independent Non-Executive Director
- S. C. S. Wickramasinghe - Independent Non-Executive Director

The report of the Remuneration Committee is given on page 65 of the Annual Report.

INTEGRATED RISK MANAGEMENT COMMITTEE COMPOSITION OF THE COMMITTEE

- A. N. Fernando - Chairman/Independent Non-Executive Director
- F. Mohideen - Independent Non-Executive Director
- J. D. Bandaranayake - Non-Executive Director
- C. L. K. P. Jayasuriya - Non-Executive Director
- E. H. Wijenaik - Managing Director
- G. S. N. Peiris - Executive Director
- A. K. Gunaratne - Executive Director
- R. E. Rambukwelle - Executive Director
- D. P. de Silva - Executive Director

The report of the Integrated Risk Management Committee is given on page 66 of the Annual Report.

Annual Report of the Board of Directors

INTERESTS REGISTER

The interests register is maintained by the company, as required under 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.

DIRECTORS' INTERESTS IN SHARES

Directors of the company and its subsidiaries who have relevant interest in the shares of the respective companies have disclosed their shareholdings and any acquisitions/disposals to their respective Boards in compliance with Section 200 of the Companies Act. The shareholdings of the Directors and their spouses who own shares of the company at the beginning and at the end of the year were as follows:

	31st March 2015	31st March 2014
J. D. Bandaranayake	Nil	Nil
E. H. Wijenaikē	16,164,123	16,164,123
G. S. N. Peiris	1,828,168	1,828,168
R. E. Rambukwelle	984,906	984,906
A. K. Gunaratne	835,274	835,274
D. P. de Silva	103,850	103,850
C. L. K. P. Jayasuriya	Nil	Nil
S. C. S. Wickramasinghe	Nil	Nil
F. Mohideen	Nil	Nil
A. N. Fernando	Nil	Nil
Spouses		
A. J. Wijenaikē	3,271,357	3,271,357
I. R. Peiris	445,330	445,330

Given below are the Directors' shareholdings in Group companies as at 31st March 2015.

Central Industries PLC

J. D. Bandaranayake	75,500	(31.03.2014 - 55,500)
E. H. Wijenaikē	18,006	(31.03.2014 - 18,006)
G. S. N. Peiris	03	(31.03.2014 - 03)

Nations Trust Bank PLC

J. D. Bandaranayake	254,625	(31.03.2014 - 364,625)
E. H. Wijenaikē	10,598	(31.03.2014 - 10,598)
A. K. Gunaratne	19,432	(31.03.2014 - 19,432)
A. N. Fernando	21,100	(31.03.2014 - 21,100)

Tea Smallholder Factories PLC

E. H. Wijenaikē	10,000	(31.03.2014 - 10,000)
R. E. Rambukwelle	4,600	(31.03.2014 - 4,600)

Kandy Private Hospitals Ltd.

E. H. Wijenaikē	7,000	(31.03.2014 - 7,000)
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RELATED PARTY TRANSACTIONS

The Directors have disclosed such transactions in terms of Sri Lanka Accounting Standard 24, Related Party Disclosures, and details of the transactions are given in Note 58 to the financial statements forming part of the Annual Report of the Board of Directors. The Board of Directors confirms that there were no Related Party Transactions exceeding 10% of the equity or 5% of the total assets of the company as per audited financial statements, whichever is lower.

TRANSFER PRICING REGULATIONS

It is certified that the company has complied with the Transfer Pricing Regulations issued under Section 104 of the Inland Revenue Act No. 10 of 2006. The information pursuant to these Regulations is given under certificate produced under Section 107 (2) (a) of the said Act. We believe that the transactions entered into with related parties during the period 01.04.2014 to 31.03.2015 are at arm's length and not prejudicial to the interests of the company. The transactions are entered into on the basis of a transfer pricing policy adopted by the company. All transactions have been submitted to the independent auditor for audit and no adverse remarks have been made in their report on the audit of such transactions.

DIRECTORS' REMUNERATION

Directors' remuneration in respect of the group and the company for the financial year ended March 31, 2015 is given in Note 17 to the financial statements.

APPRAISAL OF BOARD PERFORMANCE

The company has established an annual self-assessment scheme for the appraisal of the Board of Directors. Responses to the self-assessment questionnaire are evaluated by the Chairman and recommendations or concerns are discussed with the Board and actions taken where deemed appropriate accordingly.

DIRECTORS' INTERESTS IN TRANSACTIONS

Directors of the company have made the general disclosures provided for in Section 192 (2) of the Companies Act No. 07 of 2007. Particulars of those transactions are set out on page 136 of the Annual Report.

INSURANCE AND INDEMNITY

The company has a Directors' and Officers' Liability Insurance Policy from Union Assurance General Limited up to a limit of Rs. 350 Million.

CORPORATE GOVERNANCE

The Directors place great emphasis on instituting and maintaining effective corporate governance practices and principles in respect of the management and operations of the company. Accordingly, systems and structures have been introduced and improved from time to time to enhance risk management measures and to improve accountability and transparency. The corporate governance report is given on pages 30 to 53 of the Annual Report.

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.

DIRECTORS' STATEMENT ON INTERNAL CONTROL

The Board of Directors has issued a report on the internal control mechanism of the company as per Section 10 of the Direction No. 03 of 2008 issued by the Central Bank of Sri Lanka on Corporate Governance. The Board has confirmed that the financial reporting system has been designed to provide a reasonable assurance regarding the reliability of financial reporting, and that the preparation of financial statements has been done in accordance with relevant accounting principles and regulatory requirements.

The above report is given on page 69 of the Annual Report. The Board has also obtained an assurance report from the external auditor on Directors' Statement on Internal Control which is given on page 70 of the Annual Report.

ENVIRONMENT

The company has not engaged in any activities detrimental to the environment. The company has used its best efforts to comply with the environmental laws and regulations.

HUMAN RESOURCES

Employment policies of the company are based on recruiting the best available people, training them to enhance their skills and offering equal career opportunities regardless of gender, race or religion. There were no material issues pertaining to employees and industrial relations pertaining to the company that occurred during the year under review which needs to be disclosed.

COMPLIANCE WITH LAWS AND REGULATIONS

The company has not engaged in any activities contravening laws and regulations. All officers responsible for ensuring compliance with the provisions of various laws and regulations confirm their compliance to the Board on a monthly basis.

AUDITOR

The Audit Committee of the company has recommended the re-appointment of SJMS Associates, Chartered Accountants as auditor of the company and a resolution relating to their re-appointment and authorising the Directors to fix their remuneration as recommended by the Audit Committee will be proposed at the Annual General Meeting.

The Audit Committee reviews the appointment of the auditor, their effectiveness, independence and relationship with the group.

The auditor, SJMS Associates was paid Rs. 2.16 Million (2013/14 Rs. 1.92 Million) as audit fees. In addition, they were paid Rs. 0.28 Million (2013/14 - Rs. 0.19 Million) for permitted non-audit related services.

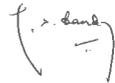
Audits of the group companies are handled by SJMS Associates, Ernst & Young and KPMG Ford, Rhodes, Thornton & Co. Total fees paid to them during the year for audit and permitted non-audit related services amount to Rs. 1.69 Million (2013/14 - Rs. 1.59 Million) and Rs. 0.25 Million (2013/14 - Rs. 0.84 Million) respectively.

The auditors have confirmed that they do not have any relationships with or interests in the company or subsidiaries other than with regard to audit and permitted non-audit services.

ANNUAL GENERAL MEETING

The Fifty Seventh Annual General Meeting of the company will be held at Queens Hotel, Kandy on 17th July 2015. The relevant notice of meeting is given on page 155.

For and on behalf of the Board



J. D. Bandaranayake

Chairman



G. S. N. Peiris

Director



Corporate Services (Pvt) Ltd.

Company Secretary

27th May 2015

Directors' Responsibility for Financial Reporting

The Directors of the company are responsible for the preparation and presentation of the financial statements to the shareholders in accordance with the relevant provisions of the Companies Act No. 07 of 2007, Finance Business Act No. 42 of 2011 and other statutes which are applicable in the preparation of financial statements. The financial statements comprise of the Statement of Financial Position as at 31.03.2015, the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended together with Notes thereto.

The Directors confirm that the financial statements of the company and the group give a true and fair view of:

- the state of affairs of the company as at 31st March 2015 and
- the profit or loss of the company and its subsidiaries for the financial year then ended.

The financial statements of the company and its Subsidiaries for the year ended 31st March 2015 incorporated in this report have been prepared in accordance with the Companies Act No. 07 of 2007, Finance Business Act No. 42 of 2011, Sri Lanka Accounting Standards (SLFRS/LKAS) and the Listing Rules of the Colombo Stock Exchange and certified by the Chief Financial Officer of the company and signed by two Directors as required by the Companies Act No. 7 of 2007.

The Directors consider that, in preparing the financial statements exhibited on pages 72 to 135, they have adopted appropriate accounting policies on a consistent basis, supported by reasonable and prudent judgments and estimates.

The Directors are responsible for ensuring that the company keeps sufficient accounting records, which disclose the financial position of the company with reasonable accuracy and enable them to ensure that the financial statements have been prepared and presented as aforesaid. They are also responsible for taking measures to safeguard the assets of the company and to prevent and detect frauds and other irregularities. In this regard, the Directors have instituted an effective and comprehensive system of internal controls comprising of internal checks, internal audit and financial and other controls required to carry on the company's business in an orderly manner and to safeguard its assets and ensure as far as practicable the accuracy and reliability of the records.

The Directors are of the view that the company and its Subsidiaries have adequate resources to continue operations in the foreseeable future and have applied the going concern basis in the preparation of these financial statements.

To the best of the knowledge and belief of the Directors, the company's auditor SJMS Associates has carried out reviews and sample checks on the effectiveness of the system of internal

controls, as they consider appropriate and necessary in providing their opinion on the financial statements. SJMS Associates has examined the financial statements made available together with all other financial records, minutes of shareholders' and Directors' meetings and related information, and have expressed their opinion which appears on page 71 of the Annual Report.

The Board of Directors also wishes to confirm that as required by Section 29 of the Finance Business Act No. 42 of 2011, financial statements have been transmitted to the Director, Department of Supervision of Non-bank Financial Institutions of the Central Bank of Sri Lanka, within three months from the closure of the financial year and audited statement of income, audited statement of financial position together with the report of the auditor have also been published in all three languages within three months from the closure of the financial year.

The Directors have provided the auditor with every opportunity to carry out any reviews and tests that they consider appropriate and necessary for the discharge of their responsibilities.

Further, as per the provisions of the Guideline No. 01 of 2013 issued by the Central Bank of Sri Lanka, the company has obtained the approval of the Director, Department of Supervision of Non-bank Financial Institutions prior to distribution of dividends to the shareholders during the year. The Board of Directors confirms that they have authorised distribution of dividends upon being satisfied that the company satisfies the solvency test immediately after such distributions are made in accordance with Section 57 of the Companies Act No. 07 of 2007, and as required by Section 56(2) of the said Companies Act, have obtained solvency certificates from the auditor, prior to authorising interim dividends and recommending a final dividend of Rs. 1.80 per share for this year which is to be approved by the shareholders at the Annual General Meeting to be held on 17th July 2015.

The Directors confirm that, to the best of their knowledge all taxes, levies and financial obligations of the group have been either paid or adequately provided for in the financial statements.

The Directors are of the view that they have discharged their responsibilities as set out in this statement.



By Order of the Board
Corporate Services (Pvt) Limited
 Company Secretary

Colombo.
 27th May 2015

Remuneration Committee Report

The Committee is responsible for setting the company's policy on compensation and benefits and overseeing its implementation. It is also mandated to review significant Human Resources policies that influence company performance. The committee specifically reviews performance and makes recommendations to the Board in respect of the remuneration of the Chief Executive Officer, Executive Directors and Senior Members of the executive management as it is designated to consider. The Remuneration Committee, appointed by the Board of Directors comprises of three Non-executive Directors of whom two are Independent.

COMMITTEE MEETINGS

The committee met in March 2015 at which progress on decisions on succession planning made previously as well as proposed approach to salary changes to be effective April 2015 were reviewed. The decisions of the committee based on the policy and scope outlined were ratified by the Board of Directors. Individual attendance at the meetings is given on page 53.

COMPOSITION

J.D. Bandaranayake (Chairman) / (Non-Executive Director)

S.C.S. Wickramasinghe (Independent Non-Executive Director)

A. N. Fernando (Independent Non-Executive Director)

POLICY

The policies on compensation and benefits are formulated to ensure that members of the executive management of the company are provided with appropriate compensation to encourage enhanced performance. The policy is designed to recognise and reward individual contributions based on its impact on the performance of the company and to ensure that the whole basis of rewards is fair and equitable. The policy aims to attract, motivate and retain talent with the appropriate professional, managerial and operational expertise necessary to achieve the objectives of the

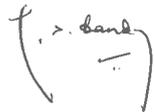
company over the foreseeable future. The company remuneration framework for the Executive Directors and the senior management team is designed to ensure alignment of the long term interests of the company and thereby create and enhance value for all stakeholders of the company.

SCOPE

The Committee reviews all significant and strategic policies and initiatives relating to human resources. The Committee deliberates and recommends to the Board of Directors annual increments, bonuses and incentives of Executive Directors and the senior management team based on individual and corporate performance. The Committee also reviews salary structures and terms and conditions of service to ensure compatibility with the market. The Managing Director (Chief Executive Officer) who is responsible for the overall management of the company attends meetings by invitation and participates in the deliberations except when his own interest, performance and compensation are discussed. The Committee commissioned a market survey to obtain up-to-date information on remuneration benefits in comparable companies to help fulfill its obligations to determine salary levels of Directors and other senior management.

FEES

All Non-Executive Directors receive a fee for attendance at Board meetings and serving on Sub-committees.



J.D. Bandaranayake

Chairman

Remuneration Committee

Colombo

27th May 2015

Integrated Risk Management Committee Report

The Integrated Risk Management Committee is a sub-committee of the Board of Directors established to oversee the risk management aspects of the company. The committee as at the end of the financial year comprised of the following members:

A.N. Fernando - Chairman/Independent Non-Executive Director
 F. Mohideen - Independent Non-Executive Director
 J.D. Bandaranayake - Non-Executive Director
 C.L.K.P. Jayasuriya - Non-Executive Director (Appointed in August 2014)

Management representatives:

E.H. Wijenaikie - Managing Director
 G.S.N. Peiris - Director (Finance)
 R.E. Rambukwelle - Director (Marketing and Operations)
 A.K. Gunaratne - Director (Group Co-ordination)
 D.P. de Silva - Director (Credit)
 U.B. Elangasinha - General Manager (Finance)
 I.M.J.B. Illangakoon - General Manager (Branches)
 S. Ragunathan - General Manager (Internal Audit)
 B.A.C.K. Jayawardena - General Manager (Recoveries)
 K. Kandeepan - Senior Assistant General Manager (Finance)

Brief profiles of the Directors representing the committee are given on pages 9 to 10 of the Annual Report.

TERMS OF REFERENCE

The Terms of Reference set out by the Board of Directors, include the following:

- the primary responsibility of the Committee is to assist the Board of Directors in understanding and exercising regular oversight on risk identification and management adopted by the management in operating the company's business
- to ensure that the company has a comprehensive risk management framework, appropriate compliance policies and systems in place
- to assess all risk types, including but not limited to credit, market, liquidity, operational and strategic risks of the company through appropriate risk indicators and management information
- to ensure decisions are taken in accordance with established delegated authorities and corrective action is taken to mitigate risks taken beyond the tolerance levels set by the committee, on the basis of company's policies and regulatory and supervisory requirements
- to monitor and assess the effectiveness of the company's risk management system and the robustness of the risk management function
- to periodically assess performance against internally defined risk appetite

The Committee determines the adequacy and effectiveness of measures taken by the management in order to ensure that the overall risk of the company conforms to parameters approved by the Board.

MEETINGS

The committee meets at least on a quarterly basis and the attendance of the Directors at the meetings is given on page 53 of the Annual Report. Only the Non-Executive Directors carry voting rights. The discussions and conclusions reached at the meetings are recorded in minutes and circulated to the Board of Directors for information and advice.



A. N. Fernando
 Chairman
 Integrated Risk Management Committee
 Colombo

27th May 2015

Audit Committee Report

COMMITTEE COMPOSITION

The Audit Committee is comprised of three Non Executive Directors of whom two are Independent Directors. The Committee is chaired by A.N. Fernando, a Fellow Member of the Institute of Chartered Accountants of Sri Lanka with considerable experience in the field of Auditing and Finance.

The members of the Board appointed Audit Committee are:

A. N. Fernando Chairman (IND/NED)

C.L.K.P. Jayasuriya (NED)

F. Mohideen (IND/NED)

(IND-Independent Director, NED-Non-Executive Director)

Brief Profiles of the members are given on pages 9 to 10 of the Annual Report.

The General Manager (Internal Audit) functions as Secretary to the Audit Committee.

COMMITTEE MEETINGS

The Audit Committee met 7 times during the year out of which 2 meetings were held to review the distribution of profits to shareholders. The attendance of the members at Audit Committee Meetings is as follows:

Formal Audit Committee Meetings

Member	Status	No. of Meetings
A.N. Fernando	IND/NED	5
C.L.K.P. Jayasuriya	NED	3
F. Mohideen	IND/NED	5

Audit Committee Meetings to review the distribution of profits to shareholders

Member	Status	No. of Meetings
A.N. Fernando	IND/NED	2
C.L.K.P. Jayasuriya	NED	1
F. Mohideen	IND/NED	2

The Chairman, Managing Director, Director (Finance), Director (Group Co-ordination), GM (Finance) and other senior management team members also attended these meetings by invitation. On the invitation of the Audit Committee, Company's External Auditor, SJMS Associates attended 3 Committee meetings during the year. Proceedings of the Audit Committee meetings are reported regularly to the Board of Directors.

Role of the Audit Committee:

The Audit Committee assists the Board of Directors in fulfilling effectively its responsibilities relating to financial and other related affairs of the company. The Committee has been empowered to:

- Examine internally any matter relating to the financial and other related affairs of the Company
- Monitor and follow-up the Internal and External Audit programmes and plans, review the Internal Audit and External Audit reports and follow up on findings and recommendations.
- Analyse and review risk management measures and examine the adequacy, efficiency and effectiveness of the Internal Control System and procedures in place to avoid or mitigate risks.
- Ensure that efficient and sound financial reporting systems are in place to provide accurate, appropriate and timely information to the Board and other stakeholders.
- Review the quality and appropriateness of Accounting Policies, emerging accounting issues and disclosures according to Sri Lanka Accounting Standards (LKAS) / Sri Lanka Financial Reporting Standards (SLFRS).
- Review the compliance of financial reporting obligations under Colombo Stock Exchange (CSE) listing rules, rules and regulations of Securities and Exchange Commission (SEC), Companies Act No.7 of 2007, Finance Business Act No.42 of 2011 and other reporting requirements under Central Bank of Sri Lanka (CBSL) regulations.
- Review and recommend Interim and Annual Financial Statements prepared for approval of the Board and submission to shareholders.
- Review the policy on the engagement of an external auditor to provide non-audit services that are permitted under the relevant statutes, regulations, requirements and guidelines.

FINANCIAL REPORTING

The committee assists the Board of Directors to discharge their responsibility for the preparation of the quarterly and annual Financial Statements that portray a true and fair view of the affairs of the company in accordance with the company's accounting records and in conformity with the Sri Lanka Accounting Standards, the Sri Lanka Financial Reporting Standards, the Companies Act No.7 of 2007, Finance Business Act no 42 of 2011, rules and regulations of CSE and SEC and CBSL Directions.

The Committee reviewed the company's interim and annual financial statements prior to submission to the Board and recommended their issue to shareholders.

The Audit Committee reviewed and certified the profit reconciliation based on SLAS/CBSL directions and LKAS/SLFRS and impact to the prudential ratios with regard to dividend declarations, in compliance with relevant regulations.

Audit Committee Report

The Audit Committee reviewed the financial reporting system in place to ensure the reliability and integrity of information provided. The review included the extent of compliance with LKAS/SLFRS and applicable laws & regulations, review of critical accounting policies and practices and any changes thereto, alternative accounting treatments, major judgmental areas and material audit judgments.

EXTERNAL AUDIT

The Audit Committee is empowered to recommend the appointment of the External Auditor in compliance with the relevant statutes, the service period, Audit fee and any resignation or dismissal of the auditor. The committee is satisfied that there is no conflict of interests between the Company and the Auditor, other than for the payment of the Auditor's fees. The Committee is thus satisfied that there is no cause to compromise on the independence and objectivity of the Auditor. The committee reviewed the effectiveness of the audit processes in accordance with applicable standards and best practices. The Audit Committee will ensure that the engagement of an audit partner shall not exceed five years and that the audit partner is not re-engaged for the audit before the expiry of 3 years from the date of the completion of the previous term as per section 8 (2) c) of Direction No. 3 of 2008 issued under the Finance Business Act no 42 of 2011.

The annual financial statements 2014/15 was reviewed and recommended for the approval of the Board. The External Auditor's Engagement and Management Letter and Management's responses thereto were also reviewed. The Committee also met with the External Auditor at 2 meetings without the presence of MD and other Executive Directors to discuss whether there have been any improprieties, constraints, reservations or any other unsatisfactory matters arising from the audit which the auditor wished to discuss with the Audit Committee.

The Committee assists the Board of Directors in engaging the External Auditor for non-audit services in compliance with the statutes and ensures that engagement in non-audit services does not impair the external auditor's independence and objectivity.

RISKS AND INTERNAL CONTROLS

Audit Committee reviewed the company operations and monitored the effectiveness of internal controls and procedures and is of the view that adequate controls and procedures are in place to provide reasonable assurance to the Board that the assets of the company are safeguarded and the financial position is monitored according to information made available.

Additionally, the Committee assessed the effectiveness of the company's internal controls over financial reporting as at 31/03/2015, as required by Finance Companies (Corporate Governance) Direction 03 of 2008, based on the "Guidance for Directors of Banks on the Directors' Statement on Internal Controls" issued by CA Sri Lanka. The

result of the assessment is given on page 69, "Directors' Statement on Internal Control" in the Annual Report.

The External Auditor has issued an Independent Assurance Report on the Director's Statement on Internal Control.

INTERNAL AUDIT

The committee ensures that the internal audit function is independent of the activities it audits and that it is performed with impartiality, proficiency and due professional care. During the year, the Audit Committee reviewed the adequacy of the scope, functions and resources of the internal audit division, the results of the internal audit process and their evaluation of the company's internal control system. The Audit Committee also reviewed and approved the adequacy of coverage of the internal audit programme.

The Audit Committee, with the concurrence of the Board enlisted the services of a leading firm of Chartered Accountants to supplement the internal audit division in carrying out branch audits.

REGULATORY COMPLIANCE

The Audit Committee closely scrutinises the compliance of mandatory statutory requirements and systems and procedures in place to ensure the compliance of such requirements.

Audit Committee reviewed the information requirement of Companies Act No 07 of 2007, Finance Business Act No.42 of 2011 and other reporting requirements under SEC, CSE and CBSL regulations

AUDIT COMMITTEE CHARTER

The Audit Committee Charter was last reviewed and revised in February 2015 with the concurrence of the Board of Directors. The terms of reference of the committee are clearly defined in the Audit Committee charter and this process ensures that new developments and concerns are adequately addressed.

COMMITTEE EVALUATION

An annual evaluation of the Committee is carried out by the Board with contributions from individual Committee Members.



A.N. Fernando
Chairman
Audit Committee

Colombo
27th May 2015

Directors' Statement on Internal Control

RESPONSIBILITY

The Board of Directors presents this Statement of Internal Control in compliance with paragraph 10 (2) (b) of Direction No. 03 of 2008 issued by the Central Bank of Sri Lanka under the Finance Business Act No. 42 of 2011. The Board of Directors ("Board") is responsible for the adequacy and effectiveness of Central Finance Company PLC's ("the company") System of Internal Controls. Such a system is designed to manage the company's key areas of risk within an acceptable risk profile in achieving the policies and business objectives of the company, rather than eliminating the risk of failure. Accordingly, the System of Internal Controls can only provide reasonable, but not absolute assurance against material misstatement of management and financial information and records or against financial losses or fraud. The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the company and this process includes enhancing the System of Internal Controls as and when there are changes to the business environment or regulatory guidelines. The process is regularly reviewed by the Board. The Management assists the Board in the implementation of the Board's policies and procedures on risk and control by identifying and assessing the risks faced by the company and in the design, operation and monitoring of suitable Internal Controls to mitigate and control these risks. The Board is of the view that the System of Internal Controls in place is sound and adequate to provide reasonable assurance regarding the reliability of financial reporting and that the preparation of financial statements for external purposes is in accordance with relevant accounting principles and regulatory requirements.

KEY FEATURES OF THE PROCESS ADOPTED IN REVIEWING THE DESIGN AND EFFECTIVENESS OF THE INTERNAL CONTROL SYSTEM

The key processes that have been established in reviewing the adequacy and integrity of the System of Internal Controls in regard to financial reporting include the following:

- sub-committees are established to assist the Board in ensuring the effectiveness of the company's daily operations in accordance with the corporate objectives, strategies and the annual budget as well as the policies and business directions that have been approved by the Board
- the Internal Audit Division of the company checks for compliance with policies and procedures and the effectiveness of the Internal Control System on an ongoing basis using samples and rotational procedures and highlight significant findings in respect of any non-compliance. Audits are carried out on all units and branches, the frequency of which is determined by the level of risk assessed, to provide an independent and objective report. The annual audit plan is reviewed and approved by the Audit Committee. Findings of the Internal Audit Division are submitted to the Audit Committee for review at their periodic meetings
- the Audit Committee of the company reviews Internal Control issues identified by the Internal Audit Division, Regulatory Authorities and Management and evaluates the adequacy and effectiveness of the Internal Control System. They also review the Internal Audit function with particular emphasis on the quality of audits performed. The minutes of the Audit Committee Meetings are tabled for the information of the Board on a periodic basis
- in assessing the Internal Control System, identified officers of the company collated all procedures and controls that are connected with significant accounts and disclosures in the financial statements. The Internal Audit division checks for suitability of design and effectiveness of these procedures and controls on an ongoing basis during their audit process.

CONFIRMATION

Based on the above processes, the Board confirms that the financial reporting system of the company has been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes has been done in accordance with Sri Lanka Accounting Standards and regulatory requirements of the Central Bank of Sri Lanka.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITOR

The External Auditor has reviewed the above Directors' Statement on Internal Control included in the Annual Report of the company for the year ended 31st March 2015 and reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in the review of the design and effectiveness of the Internal Control System of the company.

For and on behalf of the Board



J.D. Bandaranayake
Chairman



A.N. Fernando
Chairman - Audit Committee



E. H. Wijenaik
Managing Director / Chief Executive Officer

Colombo
27th May 2015

Independent Assurance Report

.SJMS.

A S S O C I A T E S
Independent Correspondent Firm to
Deloitte Touche Tohmatsu

SJMS Associates
Chartered Accountants
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Restructure & Corporate Recovery
Tel: 5364293, 5444420 Fax: 5364295

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Website: www.sjmsassociates.lk

TO THE BOARD OF DIRECTORS OF CENTRAL FINANCE COMPANY PLC

INTRODUCTION

We were engaged by the Board of Directors of Central Finance Company PLC ("the Company") to provide assurance on the Directors' Statement on Internal Control over Financial Reporting ("the Statement") included in the annual report for the year ended 31st March 2015.

MANAGEMENT'S RESPONSIBILITY FOR THE STATEMENT ON INTERNAL CONTROL

Management is responsible for the sufficiency and reliability of internal controls in place at the company as specified in the Finance Companies (Corporate Governance) Direction No. 03 of 2008 and subsequent amendments thereto ("direction"), and to prepare and present the Statement as required by section 10 (2) (b) in accordance with the direction.

OUR RESPONSIBILITIES AND COMPLIANCE WITH SLSAE 3050

Our responsibility is to issue a report to the Board on the Statement based on the work performed. We conducted our engagement in accordance with Sri Lanka Standard on Assurance Engagements (SLSAE) 3050 – Assurance Report for Banks on Directors' Statement on Internal Control issued by the Institute of Chartered Accountants of Sri Lanka.

SUMMARY OF WORK PERFORMED

We conducted our engagement to assess whether the Statement is supported by the documentation prepared by or for Directors; and appropriately reflected the process the Directors have adopted in reviewing the system of internal control over financial reporting of the Company.

The procedures performed were limited primarily to inquiries of Company personnel and the existence of documentation on a sample basis that supported the process adopted by the Board of Directors.

SLSAE 3050 does not require us to consider whether the Statement covers all risks and controls or to form an opinion on the effectiveness of the Company's risk and control procedures. SLSAE 3050 also does not require us to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

OUR CONCLUSION

Based on the procedures performed, nothing has come to our attention that causes us to believe that the Statement included in the annual report is inconsistent with our understanding of the process the Board of Directors has adopted in the review of the design and effectiveness of internal control over financial reporting of the Company.



SJMS ASSOCIATES
Chartered Accountants
Colombo

27th May 2015

P. E. A. Jayewickreme, M. B. Ismail, Ms. A. M. J. Patrick, Ms. S. L. Jayasuriya, D. S. W. Andradi,
G. J. David, Ms. F. M. Marikkar, Ms. M. S. J. Henry, Ms. A. U. M. Keppetipola, R. H. M. Minfaz, Ms. S. Y. Kodagoda

Independent Auditor's Report

.SJMS.

A S S O C I A T E S
Independent Correspondent Firm to
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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF CENTRAL FINANCE COMPANY PLC

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Central Finance Company PLC ("the Company"), and the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the statement of financial position as at 31st March 2015, and the statements of income and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

BOARD'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Board of Directors ("Board") is responsible for the preparation of these financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting

estimates made by Board, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the group as at 31st March 2015 and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on other legal and regulatory requirements.

As required by section 163(2) of the Companies Act No. 07 of 2007, we state the following:

- a) The basis of opinion and scope and limitations of the audit are as stated above.
- b) In our opinion:
 - We have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.
 - The financial statements of the Company give a true and fair view of its financial position as at 31st March 2015, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.
 - The financial statements of the Company and the Group comply with the requirements of sections 151 and 153 of the Companies Act.



SJMS ASSOCIATES
Chartered Accountants
Colombo
27th May 2015

P. E. A. Jayewickreme, M. B. Ismail, Ms. A. M. J. Patrick, Ms. S. L. Jayasuriya, D. S. W. Andradi,
G. J. David, Ms. F. M. Marikkar, Ms. M. S. J. Henry, Ms. A. U. M. Keppetipola, R. H. M. Minfaz, Ms. S. Y. Kodagoda

Consolidated Income Statement

For the year ended 31st March	Notes	Group		Company	
		2015 Rs.'000	2014 Rs.'000	2015 Rs.'000	2014 Rs.'000
Income	12	14,221,868	13,410,771	13,507,931	12,840,359
Interest income	13	12,463,439	11,916,505	12,474,631	11,951,652
Less: Interest expenses	14	4,104,146	4,730,379	4,135,882	4,771,294
Net interest income		8,359,293	7,186,126	8,338,749	7,180,358
Other operating income	15	1,117,951	1,034,981	334,506	345,770
Other income	16	640,478	459,285	698,794	542,937
		10,117,722	8,680,392	9,372,049	8,069,065
Less: Operating expenses	17				
Personnel expenses		1,410,568	1,291,405	1,205,644	1,074,514
Premises, equipment and establishment expenses		1,476,154	1,355,061	1,384,068	1,245,084
Employee retirement benefit expenses	18	149,630	137,301	130,277	118,597
Other expenses		714,857	610,388	614,865	523,621
		3,751,209	3,394,155	3,334,854	2,961,816
Profit before impairment on loans and other credit losses		6,366,513	5,286,237	6,037,195	5,107,249
Less: Impairment on loans and other credit losses	19	1,834,150	1,216,365	1,826,731	1,216,705
		4,532,363	4,069,872	4,210,464	3,890,544
Share of profit of associates	20	794,608	699,351	-	-
Profit before VAT on financial services and income tax		5,326,971	4,769,223	4,210,464	3,890,544
Less: VAT on financial services		204,236	182,591	204,236	182,591
Profit before income tax	21	5,122,735	4,586,632	4,006,228	3,707,953
Less: Income tax expense	22	1,387,715	1,232,266	1,003,314	932,101
Profit after income tax		3,735,020	3,354,366	3,002,914	2,775,852
Attributable to equity holders of the parent		3,633,279	3,291,239	3,002,914	2,775,852
Attributable to non-controlling interest		101,741	63,127	-	-
Net profit for the year		3,735,020	3,354,366	3,002,914	2,775,852
Basic and diluted earnings per share - Rs.	23	34.64	31.38		
Dividend per share - Rs.	24				
Paid		1.70	1.70		
Proposed		1.80	1.50		

The accounting policies and notes from pages 78 to 135 form an integral part of these financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31st March	Group		Company	
	2015 Rs.'000	2014 Rs.'000	2015 Rs.'000	2014 Rs.'000
Profit for the year	3,735,020	3,354,366	3,002,914	2,775,852
Other Comprehensive income to be reclassified to income statement				
Fair value changes in AFS financial assets				
- Sri Lanka government securities	-	2,207	-	2,207
- Equity securities - quoted	59,872	11,571	59,872	11,571
	59,872	13,778	59,872	13,778
Add/(less): share of other comprehensive income/(losses) of associates	22,169	-	-	-
Income tax effect	(6,207)	-	-	-
	15,962	-	-	-
Total other comprehensive income to be reclassified to income statement	75,834	13,778	59,872	13,778
Other Comprehensive income not to be reclassified to income statement				
Actuarial losses on defined benefit plans	(73,815)	(95,267)	(67,610)	(84,162)
Deferred tax effect on actuarial losses on defined benefit plans	20,654	5,133	18,931	1,936
	(53,161)	(90,134)	(48,679)	(82,226)
Revaluation surplus on property, plant and equipment	-	1,280,495	-	988,290
Deferred tax effect on revaluation surplus	-	(24,891)	-	(14,638)
	-	1,255,604	-	973,652
Add/(less): share of other comprehensive income/(losses) of associates	18,271	(1,008)	-	-
Income tax effect	(4,743)	-	-	-
	13,528	(1,008)		
Total other comprehensive income not to be reclassified to income statement	(39,633)	1,164,462	(48,679)	891,426
Other comprehensive income for the year (net of tax)	36,201	1,178,240	11,193	905,204
Total comprehensive income for the year	3,771,221	4,532,606	3,014,107	3,681,056
Attributable to equity holders of the parent	3,670,504	4,399,587	3,014,107	3,681,056
Attributable to non-controlling interest	100,717	133,019	-	-
Total comprehensive income for the year	3,771,221	4,532,606	3,014,107	3,681,056

The accounting policies and notes from pages 78 to 135 form an integral part of these financial statements.

Consolidated Statement of Financial Position

As at	Notes	Group		Company	
		31.03.2015 Rs.'000	31.03.2014 Rs.'000	31.03.2015 Rs.'000	31.03.2014 Rs.'000
ASSETS					
Cash in hand and at banks	25	443,174	570,731	410,005	543,151
FVtPL financial assets	26	218,080	536,737	49,600	536,596
Tax receivables		637	5,593	-	-
Trade and other receivables	27	1,141,357	855,697	288,894	218,181
Equity investments classified as AFS investments	28	267,024	206,981	260,530	200,651
Inventories and other stocks	29	1,611,520	1,919,768	1,248,495	1,639,352
Reverse repurchase agreements	30	2,772,798	2,676,778	2,772,798	2,676,778
Loans and receivables from banks	31	1,703,947	1,332,842	1,699,040	1,328,165
Loans and receivables from others		331,097	686,225	331,097	686,225
Loans and receivables from customers	32	3,289,460	3,138,896	3,444,563	3,317,579
Net investment in leases and hire purchase	33	50,174,875	45,203,039	50,132,137	45,203,039
Investments in real estate	35	41,084	65,542	34,397	65,542
Investment property	36	41,250	-	-	-
Investments in associates	37	3,167,824	2,719,082	523,458	523,458
Investments in subsidiaries	38	-	-	640,964	306,456
Deferred tax asset	39	12,869	16,437	-	-
Property, plant and equipment	40	5,801,116	5,467,305	4,417,404	4,300,639
Intangible assets	41	169,678	27,907	168,215	26,595
Goodwill	38	15,925	-	-	-
Total assets		71,203,715	65,429,560	66,421,597	61,572,407
LIABILITIES					
Bank overdrafts		334,848	292,618	318,320	286,948
Tax payables		338,344	158,669	286,315	137,782
Commercial paper		-	32,740	-	32,740
Trade and other payables	42	2,404,069	1,460,899	2,091,272	1,195,494
Amounts due to subsidiaries		-	-	146,280	142,189
Derivative financial instruments	43	6,927	2,537	6,927	2,537
Short term borrowings	44	668,422	85,800	500,322	-
Deposits	45	33,448,265	32,673,095	33,742,583	33,007,049
Long term borrowings	46	452,809	1,157,550	452,809	1,157,550
Debentures	47	4,859,219	4,840,383	4,859,219	4,840,383
Employee benefit obligations	48	917,363	764,379	812,875	654,996
Deferred tax liability	39	2,658,874	2,243,506	2,590,299	2,178,844
Total liabilities		46,089,140	43,712,176	45,807,221	43,636,512
SHAREHOLDERS' FUNDS					
Stated capital	49	568,420	568,420	568,420	568,420
Capital reserves	50	2,527,454	2,517,669	1,934,604	1,938,557
Reserve fund	51	1,229,000	1,078,000	1,229,000	1,078,000
Available for sale reserve	52	102,499	26,665	86,537	26,665
Investment fund		-	732,716	-	732,716
Revenue reserves	53	19,891,223	16,062,203	16,795,815	13,591,537
Funds attributable to equity holders of the parent		24,318,596	20,985,673	20,614,376	17,935,895
Non-controlling interest		795,979	731,711	-	-
		25,114,575	21,717,384	20,614,376	17,935,895
Total liabilities, shareholders' funds and non-controlling interest		71,203,715	65,429,560	66,421,597	61,572,407
Net asset value per share - Rs.		231.86	200.09	196.55	171.01

The accounting policies and notes from pages 78 to 135 form an integral part of these financial statements. I certify that the financial statements comply with the requirements of the Companies Act No. 07 of 2007.


U. B. Elangasinha
 Chief Financial Officer

The Board of Directors is responsible for the preparation and presentation of these financial statements. Approved and signed for and on behalf of the Board.


E.H. Wijenaik
 Managing Director


G.S.N. Peiris
 Director (Finance)

Statement of Changes in Equity

Group equity statement for the year ended 31st March 2015	Attributable to Equity Holders of the company									
	Stated Capital	Capital Revaluation Reserve	Capital Reserves Other Capital Reserves	Reserve Fund	Available for sale Reserve	Investment Fund	General Reserves	Retained Earnings	Non-controlling interest	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 1st April 2013	568,420	1,319,383	17,899	939,000	12,887	478,857	11,592,420	1,961,381	630,839	17,521,086
Net profit for the year ended 31st March 2014	-	-	-	-	-	-	-	3,291,239	63,127	3,354,366
Other comprehensive income	-	1,185,841	-	-	13,778	-	-	(91,271)	69,892	1,178,240
Total comprehensive income for the year ended 31st March 2014	-	1,185,841	-	-	13,778	-	-	3,199,968	133,019	4,532,606
Depreciation on revaluation surplus	-	(5,454)	-	-	-	-	-	5,454	-	-
Transfers during the year	-	-	-	139,000	-	253,859	2,001,000	(2,393,859)	-	-
Dividends for the year ended 31st March 2013	-	-	-	-	-	-	-	(215,010)	(32,147)	(247,157)
Dividends for the year ended 31st March 2014	-	-	-	-	-	-	-	(89,151)	-	(89,151)
Balance as at 31st March 2014	568,420	2,499,770	17,899	1,078,000	26,665	732,716	13,593,420	2,468,783	731,711	21,717,384
Net profit for the year ended 31st March 2015	-	-	-	-	-	-	-	3,633,279	101,741	3,735,020
Other comprehensive income	-	15,018	-	-	75,834	-	-	(53,627)	(1,024)	36,201
Total comprehensive income for the year ended 31st March 2015	-	15,018	-	-	75,834	-	-	3,579,652	100,717	3,771,221
Depreciation on revaluation surplus	-	(5,233)	-	-	-	-	-	5,233	-	-
Transfers during the year	-	-	-	151,000	-	(732,716)	3,205,000	(2,623,284)	-	-
Reserves attributable to non-controlling interest	-	-	-	-	-	-	-	-	31,345	31,345
Consideration paid for acquisition of non-controlling interest	-	-	-	-	-	-	-	-	(33,092)	(33,092)
Transaction with acquired subsidiary	-	-	-	-	-	-	-	(1,955)	1,955	-
Dividends for the year ended 31st March 2014	-	-	-	-	-	-	-	(246,475)	(36,657)	(283,132)
Dividends for the year ended 31st March 2015	-	-	-	-	-	-	-	(89,151)	-	(89,151)
Balance as at 31st March 2015	568,420	2,509,555	17,899	1,229,000	102,499	-	16,798,420	3,092,803	795,979	25,114,575

Figures in brackets indicate deductions

The accounting policies and notes from pages 78 to 135 form an integral part of these financial statements

Statement of Changes in Equity

Company equity statement for the year ended 31st March 2015		Stated Capital	Revaluation Reserve	Reserve Fund	Available for Sale Reserve	Investment Fund	General Reserve	Retained Earnings	Total
		Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 1st April 2013		568,420	968,758	939,000	12,887	478,857	11,581,239	9,839	14,559,000
Net profit for the year ended 31st March 2014		-	-	-	-	-	-	2,775,852	2,775,852
Other comprehensive income		-	973,652	13,778	-	-	-	(82,226)	905,204
Total comprehensive income for the year ended 31st March 2014		-	973,652	13,778	-	-	-	2,693,626	3,681,056
Depreciation on revaluation surplus		-	(3,853)	-	-	-	-	3,853	-
Transfers during the year		-	-	139,000	-	253,859	2,001,000	(2,393,859)	-
Dividends for the year ended 31st March 2013		-	-	-	-	-	-	(215,010)	(215,010)
Dividends for the year ended 31st March 2014		-	-	-	-	-	-	(89,151)	(89,151)
Balance as at 31st March 2014		568,420	1,938,557	1,078,000	26,665	732,716	13,582,239	9,298	17,935,895
Net profit for the year ended 31st March 2015		-	-	-	-	-	-	3,002,914	3,002,914
Other comprehensive income		-	-	-	59,872	-	-	(48,679)	1,193
Total comprehensive income for the year ended 31st March 2015		-	-	-	59,872	-	-	2,954,235	3,014,107
Depreciation on revaluation surplus		-	(3,953)	-	-	-	-	3,953	-
Transfers during the year		-	-	151,000	-	(732,716)	3,205,000	(2,623,284)	-
Dividends for the year ended 31st March 2014		-	-	-	-	-	-	(246,475)	(246,475)
Dividends for the year ended 31st March 2015		-	-	-	-	-	-	(89,151)	(89,151)
Balance as at 31st March 2015		568,420	1,934,604	1,229,000	86,537	-	16,787,239	8,576	20,614,376

Figures in brackets indicate deductions

The accounting policies and notes from pages 78 to 135 form an integral part of these financial statements

Cash Flow Statement

For the year ended 31st March	Group		Company	
	2015 Rs.'000	2014 Rs.'000	2015 Rs.'000	2014 Rs.'000
Cash flows from operating activities				
Interest receipts	10,685,861	9,864,466	10,698,872	9,902,214
Interest payments	(2,392,974)	(2,028,271)	(2,413,722)	(2,058,468)
Recoveries on bad debts previously written off	74,947	53,852	74,944	53,852
Receipts from other operating activities	5,698,903	4,981,922	1,143,420	1,068,680
Cash payments to employees and suppliers	(7,520,915)	(6,492,061)	(3,159,790)	(2,732,490)
Operating profit before changes in operating assets	6,545,822	6,379,908	6,343,724	6,233,788
(Increase) / decrease in operating assets:				
Investments / (divestments) in government securities and receivables from banks maturing after 90 days	565,071	(583,083)	565,071	(583,083)
Funds advanced to customers	(26,686,024)	(24,318,880)	(26,719,024)	(24,323,324)
Capital component of recoveries from customers	22,121,024	19,878,559	22,132,190	19,963,098
Others	506,054	(1,522,325)	511,151	(1,505,910)
Increase/ (decrease) in operating liabilities:				
Deposits	(309,768)	4,420,388	(341,834)	4,442,266
Net cash from operating activities before income tax	2,742,179	4,254,567	2,491,278	4,226,835
Income tax paid	(456,295)	(779,471)	(387,253)	(709,618)
Net cash inflow from operating activities	2,285,884	3,475,096	2,104,025	3,517,217
Cash flows from investing activities				
Dividends received from subsidiaries and associates	106,997	113,676	85,506	96,620
Dividends received from other companies	20,406	9,979	16,457	8,359
Acquisition of a subsidiary (net of cash acquired)	(331,136)	-	(334,507)	-
Investments in unit trusts	(176,600)	-	-	-
Proceeds on divestment of unit trusts	17,345	-	-	-
Purchase of property, plant and equipment	(446,772)	(443,063)	(395,726)	(406,696)
Proceeds from disposal of property, plant and equipment	123,270	86,500	122,484	80,665
Net cash outflow from investing activities	(686,490)	(232,908)	(505,786)	(221,052)
Cash flows from financing activities				
Borrowings	1,445,242	9,623,400	500,000	9,047,600
Repayment of borrowings	(1,653,203)	(10,508,418)	(738,194)	(9,965,218)
Dividends paid to equity holders of the parent	(333,829)	(300,750)	(333,829)	(300,750)
Dividends paid to non-controlling interest	(36,657)	(32,147)	-	-
Net cash outflow from financing activities	(578,447)	(1,217,915)	(572,023)	(1,218,368)
Net increase in cash and cash equivalents	1,020,947	2,024,273	1,026,216	2,077,797
Cash and cash equivalents at the beginning of the period	2,990,610	966,337	2,968,700	890,903
Cash and cash equivalents at the end of the period	4,011,557	2,990,610	3,994,916	2,968,700
Analysis of cash and cash equivalents				
Cash in hand and at banks	443,174	570,731	410,005	543,151
Investments in government securities maturing within 90 days	2,772,798	1,547,322	2,772,798	1,547,322
Receivables from banks maturing within 90 days	1,130,433	1,165,175	1,130,433	1,165,175
Bank overdrafts	(334,848)	(292,618)	(318,320)	(286,948)
Cash and cash equivalents at the end of the period	4,011,557	2,990,610	3,994,916	2,968,700

Figures in brackets indicate outflows.

The accounting policies and notes from pages 78 to 135 form an integral part of these financial statements.

Accounting Policies

1. GENERAL INFORMATION

1.1 Reporting entity

Central Finance Company PLC is a public limited liability company incorporated on 5th December 1957 and domiciled in Sri Lanka. Its registered office and principal place of business is at 84, Raja Veediya, Kandy. The ordinary shares of the company, the rated unsecured redeemable debentures issued in June 2013 and the rated secured redeemable debentures issued in December 2013 are listed on the Colombo Stock Exchange.

The staff strength of the company as at 31st March 2015 was 1,624 (1,557 as at 31st March 2014).

1.2 Consolidated financial statements

The consolidated financial statements of Central Finance Company PLC as at and for the year ended 31st March 2015 comprise of the company (parent company), its subsidiaries (together referred to as the "group") and the group's interests in associates. The consolidated financial statements of all companies in the group other than CF Insurance Brokers (Pvt) Ltd, Nations Trust Bank PLC, and Capital Suisse Asia Ltd are prepared for a common financial year, which ends on 31st March. The three companies referred to above have a common financial year ending 31st December.

1.3 Parent enterprise

Central Finance Company PLC does not have a parent of its own.

1.4 Principal business activities and nature of operations

1.5 Company

The principal business activities of the company are leasing, hire purchase financing, vehicle hire, deposit mobilisation, vehicle trading, and provision of other financial services.

1.5.1 Subsidiaries

Name of the company	Principal business activities
Central Industries PLC	Manufacture and distribution of PVC pipes and fittings.
Central Mineral Industries (Pvt) Ltd.	Manufacture of mineral products
Central Construction and Development (Pvt) Ltd.	Investment company
Expanded Plastic Products Ltd.	Investment company
Central Homes (Pvt) Ltd.	Property development and sale of real estate
Mark Marine Services (Pvt) Ltd.	Hydro power generation
Central Developments Ltd.	Investment company
CF Insurance Brokers (Pvt) Ltd.	Insurance broking
Central Transport and Travels Ltd.	Hiring of vehicles

Name of the company	Principal business activities
Hedges Court Residencies (Pvt) Ltd.	Construction and sale of apartments
Dehigama Hotels Company Ltd.	Renting of commercial property
CF Growth Fund Ltd.	Investment company
Kandy Private Hospitals Ltd.	Provision of healthcare services
Isuru Leasing Company Ltd.	Leasing, hire purchase financing, granting of term loans and real estate development.

The company acquired 90.107% of the issued ordinary shares in Isuru Leasing Company Ltd. (ILCL) on 12th November 2014 and on 24th December 2014 completed the 100% acquisition of the issued ordinary shares. This acquisition was carried out under the Finance Sector Consolidation Programme - 2014 of the Central Bank of Sri Lanka.

1.5.2 Associates

Name of the company	Principal business activities
Nations Trust Bank PLC	Licensed commercial bank
Tea Smallholder Factories PLC	Manufacture and sale of black tea
Capital Suisse Asia Ltd.	Investment company

There were no significant changes in the nature of the principal business activities of the company and the group during the financial year under review.

2 BASIS OF PREPARATION

2.1 Statement of compliance

The consolidated financial statement of the group (Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Equity, Cash Flow Statement together with Accounting Policies and Notes) as at 31st March 2015 and the year then ended are prepared in accordance with Sri Lanka Accounting Standards (LKASs and SLFRSs) as issued by the Institute of Chartered Accountants of Sri Lanka and in compliance with the requirements of the Companies Act No.07 of 2007 and amendments thereto and the Finance Business Act No.42 of 2011; and provide appropriate disclosures as required by the Listing Rules of the Colombo Stock Exchange.

2.2 Approval of the consolidated financial statements by the Board of Directors

The consolidated financial statements as at and for the year ended 31st March 2015 were authorised for issue by the Board of Directors on 27th May 2015.

2.3 Basis of measurement

The consolidated financial statements have been prepared on the historical cost convention except in respect of the following, which are treated as shown below:

- Land and buildings are measured at cost at the time of acquisition and subsequently at revalued amounts.
- Investment properties are measured at fair value
- Quoted investments classified as available for sale securities and held for trading are recognised at their fair value.
- Derivative financial instruments (fair value hedges) are recognised at their fair value.
- Liability for defined benefit obligations is recognised as the present value of the defined benefit obligation less the fair value of the plan assets.

2.4 Functional and presentation currency

The consolidated financial statements are presented in Sri Lankan Rupees (Rs), which is the currency of the primary economic environment in which group operates (group's functional currency). All financial information presented in Sri Lankan Rupees has been given to the nearest thousand, unless otherwise stated, as permitted by LKAS 01 – Presentation of Financial Statements.

The information presented in US Dollars on pages 148 and 149 does not form part of the financial statements and is solely for the information of stakeholders.

2.5 Presentation of financial statements

The assets and liabilities of the group and the company presented in the Statement of Financial Position are grouped by their nature and listed in an order that reflects their relative liquidity and maturity pattern.

2.6 Comparative information

The accounting policies have been consistently applied by the company and the group with those of the previous financial year in accordance with LKAS 01 - Presentation of Financial Statements and the comparative information is reclassified wherever necessary to comply with the current year's presentation.

2.7 Materiality and aggregation

In accordance with LKAS 01 - Presentation of Financial Statements, each material class of similar items is presented separately in the financial statements. Items of dissimilar nature or functions are presented separately, where material.

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position, only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to

realise the assets and settle the liability simultaneously. Income and expenses are not offset in the income statement unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES, AND ASSUMPTIONS

The preparation of consolidated financial statements in conformity with Sri Lanka Accounting Standards (SLFRS) requires management to make judgments, estimates, and assumptions that influence the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Judgments and estimates are based on historical experience and other factors, including expectations that are believed to be reasonable under the circumstances and assumptions based on such knowledge and expectation of future events. Hence, actual experience and results may differ from these judgments and estimates. The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods as well, if the revision affects both current and future periods. Information about significant areas of estimates and uncertainty that have the most significant effect on the amounts recognised in the consolidated financial statements are as follows.

3.1 Going concern

In preparing the consolidated financial statements, the Directors have made an assessment of the ability of the constituents of the group to continue as going concern in the foreseeable future, and they do not foresee a need for liquidation or cessation of trading, taking into account all available information about the future. Therefore, the financial statements continue to be prepared on the going concern basis.

3.2 Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and tax credits to the extent it is probable that taxable profits will be available against which these credits/losses can be utilised. Significant management judgments are required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits together with future tax planning strategies.

3.3 Impairment losses on leases, hire purchase, loans and advances

The group assesses at each reporting date or more frequently, to determine whether there is any objective evidence of an impairment loss that should be recorded in the income statement. Impairment losses are assessed individually for financial assets that are individually significant and collectively for assets that are

Accounting Policies

not individually significant. Management judgment is required in the estimation of impairment losses. Estimation methodologies are based on assumptions concerning a number of factors though actual results may differ, resulting in future changes to the impairment losses so made.

Loans and advances that have been assessed individually as significant and found to be not impaired and all individually insignificant loans and advances are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether an impairment provision should be made due to incurred loss events for which there is objective evidence, but the effects of which are not yet evident. The collective assessment takes into account of data from the loan portfolio, and judgments on the effect of concentrations of risks.

3.4 Impairment losses on available for sale financial investments

The company reviews its debt securities classified as available for sale securities at each reporting date to assess whether they are impaired. This requires similar judgment as applied on the individual assessment of leases, hire purchases and loans.

The company and the group record impairment charges on available for sale equity investments when there is a significant or prolonged decline in fair value below their cost. The company evaluates historical share price movements, duration, and extent to which the fair value of an investment has fallen against its cost in determining the impairment losses to be charged.

3.5 Fair value of property, plant and equipment and investment properties

The fair value of land and buildings are determined based on the valuations carried out by independent valuers. When current market prices of assets of similar nature are available, such evidence is taken into account in determining the fair values of such assets.

3.6 Useful lives of property, plant and equipment, investment properties and intangible assets

The useful lives, residual values and methods of depreciation/amortisation of property, plant and equipment, investment properties and intangible assets are reviewed at each reporting date. Judgment of the management is exercised in the estimation of these values, rates and methods and therefore they are subject to uncertainty.

3.7 Impairment losses on property, plant and equipment and intangible assets

The group assesses at each reporting date whether there is an indication of objective evidence of impairment of assets. If any such indication exists, the group makes an estimate of the asset's recoverable amount. This requires the estimation of the value in use of such individual assets. Estimating the value in use requires

management to make an estimate of the expected future cash flows from the asset or the cash-generating unit, which requires management judgment on expected future cash flows, and discount rates to be used in determining the value in use.

3.8 Classification of investment properties

Management judgment is required in determining whether a property qualifies as an investment property. Properties that are held to earn rentals or for capital appreciation or both are accounted for as investment properties. Similarly, a property that is used for operations or for administrative purposes is accounted for as property, plant and equipment. The group carries out annual assessment to determine the accounting classification of its properties taking into account the current use of such properties.

3.9 Defined benefit plans

The cost of defined benefit plans and other post-employment benefit plans are determined using actuarial valuations. Actuarial valuation involves making various assumptions, determining discount rates, expected rates of return on assets, future salary increases and mortality rates. Due to the complexity of the valuation, the underlying assumptions and their long-term nature, such estimates are subject to significant uncertainty. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, the management considers the interest rates of Sri Lanka Government Bonds. The mortality rate is based on publicly available mortality tables. Future salary increases and pension increases are based on expected future inflation rates and expected future salary increase rate of the Company.

3.10 Derivative financial instruments

Where the fair value of the interest rate SWAP arrangements recorded on the statement of financial position cannot be derived from active markets, they are determined using a valuation technique that includes the use of a mathematical model. The inputs to this model is derived from observable market data where possible, but where observable market data are not available, judgment is required to establish the fair values. The interest rate SWAP reported in the statement of financial position is valued using a mathematical model using Average Prime Lending Rate.

3.11 Impairment of goodwill

The group estimates the value in use of the cash generating units to which goodwill has been allocated in determining whether goodwill has been impaired. The calculation of value in use requires the entity to estimate the future cash flows expected from the cash generating units and a suitable discount rate.

3.12 Commitments and Contingencies

All discernible risks are accounted for in determining the amount of all known liabilities.

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be reliably measured. Contingent liabilities are not recognised in the statement of financial position but are disclosed.

4. ADOPTION OF NEW SRI LANKA ACCOUNTING STANDARDS

The Institute of Chartered Accountants of Sri Lanka has issued the following new Accounting Standards which are effective from the financial years beginning on or after 01st January 2014.

Sri Lanka Accounting Standard (SLFRS 10) - Consolidated Financial Statements

As per SLFRS 10, investor has control over an investee when:

- it has power over the investee
- it is exposed, or has rights to variable returns from its involvement with the investee
- it has the ability to use its power to affect its returns.

All three criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has also been included in SLFRS 10 to explain when an investor has control over an investee. In accordance with this guidance, an investor has to make an assessment to determine whether it has control over an investee, specifically, if the investor owns less than 50% of the voting rights of an investee.

Sri Lanka Accounting Standard (SLFRS 11) - Joint Arrangements

SLFRS 11 precludes the option to account for jointly controlled entities using proportionate consolidation method. Instead, jointly controlled entities that meet the definition of a joint venture must be accounted for using the equity method.

The new standard did not have any effect on the consolidated financial statements of the group as at the reporting date.

Sri Lanka Accounting Standard (SLFRS 12) - Disclosure of Interests in Other Entities

SLFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and or unconsolidated structured entities. In general, the application of SLFRS 12 has resulted in more extensive disclosures in consolidated financial statements.

Sri Lanka Accounting Standard (SLFRS 13) - Fair Value Measurement

SLFRS 13 establishes a single source of guidance for fair value measurements and disclosures in regard to fair value

measurements. The scope of SLFRS 13 is broad and includes extensive disclosure requirements. The fair value measurement requirements of SLFRS 13 apply to both financial and non-financial instrument items for which other SLFRS's require or permit fair value measurements, and disclosures on fair value measurements except for share based payment transactions that are within the scope of SLFRS 2 Share Based Payments, leasing transactions that are within the scope of SLFRS 17 Leases, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for purposes of measuring inventories or value in use for impairment assessment purposes). SLFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under SLFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique.

5 BASIS OF CONSOLIDATION

The group financial statements comprise consolidation of the financial statements of the company, its subsidiaries in terms of the Sri Lanka Accounting Standard (SLFRS 10) - Consolidated Financial Statements and its interests in associates accounted for in terms of the Sri Lanka Accounting Standard (LKAS 28) - Investments in Associates and Joint Ventures.

5.1 Business combinations and goodwill

Acquisitions of businesses are accounted for using the acquisition method as per the requirements of the Sri Lanka Accounting Standard (SLFRS 3) - Business Combinations. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of the assets transferred by the acquirer, liabilities incurred by the acquirer to former owners of the acquiree and the equity interests issued by the acquirer. Acquisition related costs are generally recognised in the income statement. At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair values.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed. Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses.

5.2 Subsidiaries

Subsidiaries included in the consolidated financial statements are those companies controlled by the group. Control is achieved when the group is exposed, or has rights, to variable returns from

Accounting Policies

its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the group controls an investee if, and only if, the group has:

- Power over the investee
- Exposure or rights to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

The group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control indicated above. Generally, there is a presumption that a majority of voting rights results in control. When the group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally.

The group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control indicated above. Generally, there is a presumption that a majority of voting rights results in control. When the group has less than a majority of the voting rights of an investee, the group considers all relevant facts and circumstances in assessing whether it has power over an investee, including the contractual arrangement with the other vote holders of the investee and the rights arising from other contractual arrangements.

Central Industries PLC, a quoted public company listed on the Colombo Stock Exchange, is consolidated as a subsidiary company with a group equity investment of 49.98% taking into account the fact that the group possesses power over the investee and is able to decide the variable return of the investee.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which the control commences until the control ceases. The profit or loss and net assets of a subsidiary attributable to equity interests that are not owned by the parent, directly or indirectly, are disclosed separately as "Non-controlling Interest".

Profit or loss and each component of other comprehensive income attributable to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit.

The consolidated financial statements are prepared to a common financial year ending 31st March. All subsidiaries in the group

other than CF Insurance Brokers (Pvt) Ltd., have a common financial year ending 31st March. The financial year end for CF Insurance Brokers (Pvt) Ltd., is 31st December; and hence, adjustments are made based on financial statements drawn up to 31st March.

There are no significant restrictions on the ability of the subsidiaries to transfer funds to the other entities within the group in the form of cash dividends or repayment of loans and advances. All subsidiaries of the group as at the reporting date have been incorporated in Sri Lanka. A list of subsidiaries is given in note 38 to the financial statements and the details of non-controlling interests are given in note 38.6 to the financial statements.

5.3 Associates

Associates are those enterprises in which the group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but no control or joint control over those policies. Investments in associates are accounted for using the equity method and are initially recognised at cost. The consolidated financial statements include the group's share of gains and losses accounted under the equity method from the date that significant influence commences until the date that significant influence ceases. When the group's share of losses exceeds its investment in an equity accounted investee, the carrying amount of that interest is derecognised and the recognition of further losses is discontinued except to the extent that the group has an obligation or has made payments on behalf of the investee. The audited consolidated financial statements of Nations Trust Bank PLC and Capital Suisse Asia Ltd. are drawn up to 31st December; and hence, adjustments are made based on financial statements drawn up to 31st March.

All associate companies of the group are incorporated in Sri Lanka and there are no significant restrictions on the ability of the associates to transfer funds to the group in the form of cash dividends or repayment of loans and advances. A list of associates is given in note 37 to the financial statements.

5.4 Transactions eliminated on consolidation

Intra-group transactions and balances, income, expenses and any unrealised gains arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates are eliminated to the extent of the group's interest in the associates against the investment in the associate. Unrealised losses are eliminated in the same way as unrealised gains except that they are eliminated only to the extent that there is no evidence of impairment.

6 ASSETS AND LIABILITIES, AND BASES OF THEIR VALUATION

6.1 Financial instruments - Initial recognition and measurement

6.1.1 Recognition

All financial assets and liabilities are initially recognised on the trade date, the date that the company becomes a party to the contractual provisions of the instrument.

6.1.2 Initial measurement of financial instruments

All financial instruments are initially measured at fair value plus transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss. Transaction costs in relation to financial assets and financial liabilities at fair value through profit or loss are dealt with through the Statement of Comprehensive Income.

6.1.3 Classification and subsequent measurement of financial assets

On initial recognition, financial assets are classified into held to maturity investments, financial assets at fair value through profit or loss, loans and receivables, and available for sale financial assets.

6.1.3.1 Held to maturity financial assets

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity when the company has the positive intention and ability to hold such investments to maturity. Held to maturity instruments are initially measured at fair value plus directly related transaction costs and subsequently measured at amortised cost using effective interest method less any impairment losses.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate (EIR). The amortisation is included in 'Interest income' in the income statement. The losses arising from impairment of such investments are recognised in the income statement. If more than an insignificant amount of held to maturity investments is sold or reclassified before maturity (other than in certain specific circumstances), the entire category of such instruments is reclassified as available-for-sale. Furthermore, any financial asset of such nature will not be classified as held to maturity during the subsequent two-year period from the reclassification date.

6.1.3.2 Financial assets at fair value through profit or loss

A financial asset is classified as fair value through profit or loss if it is held for trading or is designated at fair value through profit or loss at the initial recognition.

6.1.3.2.1 Financial assets held for trading

Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets held for trading are recorded in the statement of financial position at fair value. Changes in fair value are recognised in other income in the income statement. Dividend income is recorded in other income according to the terms of the contract, or when the right to receive the payment has been established.

Quoted shares and investments in unquoted unit trusts that have been acquired principally for the purpose of selling in the near term are classified under held for trading investments.

6.1.3.2.2 Financial Assets Designated at Fair Value through Profit or Loss

The group has not designated any financial assets upon initial recognition at fair value through profit or loss as at the reporting date.

6.1.3.3 Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are initially recognised at fair value plus directly related transaction costs, and subsequently measured at amortised cost using the effective interest rate method (EIR) less any impairment losses. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

6.1.3.4 Available for sale financial assets

Available-for-sale investments are non-derivative investments that are designated as available-for-sale or are not classified as another category of financial assets. Equity investments classified as available for sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are intended to be held for an indefinite period and may be sold in response to needs for liquidity or in response to changes in the market conditions.

According to this classification, equity investments in quoted and unquoted shares that are not subsidiaries, equity accounted investees (associates or joint ventures) or that have been acquired principally for the purpose of selling in the near term and debt securities (investments in treasury bills and treasury bonds) are classified under available for sale financial investments.

6.1.3.4.1 Quoted equities

Quoted shares designated as available for sale financial assets are measured at fair value and any gain or loss on account of subsequent measurement is recognised directly in equity statement through other comprehensive income (OCI) in the

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available for sale reserve. When the asset is disposed of, gains previously recognised in equity (through OCI) are taken back to the income statement.

6.1.3.4.2 Unquoted securities

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are accounted for at cost less any impairment losses.

6.2 Classification and subsequent measurement of financial liabilities

On initial recognition, financial liabilities are classified into financial liabilities at fair value through profit or loss (held for trading or designated at fair value through profit or loss - FVtPL) and other financial liabilities at amortised cost.

All financial liabilities are recognised initially on the trade date at fair value, and in the case of loans and borrowings, plus directly attributable transaction costs.

The subsequent measurement of financial liabilities at FVtPL is based on fair value and other financial liabilities at amortised cost.

6.2.1 Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include liabilities classified as held for trading and derivative liabilities and financial liabilities designated upon initial recognition as fair value through profit or loss.

Gains and losses due to changes in fair value are recognised in the income statement.

The group has no financial liabilities recognised at fair value through profit or loss as at the reporting date.

6.2.2 Financial liabilities at amortised cost

Financial liabilities not classified as fair value through profit or loss, are classified as amortised cost instruments. These financial liabilities include short term and long term borrowings, deposits from customers, commercial paper and debentures.

6.3 Derivative financial instruments

The company uses interest rate SWAP arrangements to mitigate its interest rate risks. These derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried in the statement of financial position as assets or liabilities depending on the fair value of the instrument at the reporting date. Changes in the fair value of the derivative assets/liabilities are recorded in the income statement.

6.4 Reclassification of financial instruments

As per Sri Lanka Accounting Standard (LKAS 39 - Financial Instruments: Recognition and Measurement), the group is permitted to reclassify financial instruments out of held for trading category into the available for sale, loans and advances or held to maturity categories.

Reclassifications are recorded at fair value at the date of reclassification, which becomes the new amortised cost.

For a financial asset with a fixed maturity reclassified out of the available for sale category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the EIR. In the case of a financial asset, that does not have a fixed maturity, the gain or loss is recognised in the profit or loss when such financial asset is sold or disposed of. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reversed to the income statement.

The company may reclassify a non-derivative trading asset out of the held for trading category into the loans and receivables category if it meets the definition of loans and receivables and if the company has the intention and ability to hold the financial asset for the foreseeable future or until maturity. If a financial asset is reclassified, and if the company subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognised as an adjustment to the EIR from the date of the change in estimate.

Reclassification is at the discretion of management, and is determined on an instrument by instrument basis. The company does not reclassify any financial instrument into the fair value through profit or loss category after initial recognition. Further the company does not reclassify any financial instrument out of the fair value through profit or loss category if upon initial recognition it was designated as fair value through profit or loss.

6.5 Derecognition of financial assets and financial liabilities

6.5.1 Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the right to receive cash flows from the asset has expired.
- the company has transferred its right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:

- the company has transferred substantially all the risks and rewards of the asset, or
- the company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred) and consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in the income statement.

When the company has transferred its right to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the company's continuing involvement in the asset. In that case, the company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the company has retained.

6.5.2 Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in the income statement.

6.6 Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

6.7 Impairment of financial assets

The company assesses at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets classified as held to maturity, available for sale or loans and receivables is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an 'incurred

loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include: indications that the borrower or a group of borrowers is experiencing significant financial difficulty; the probability that they will enter bankruptcy or other financial reorganisation; default or delinquency in interest or principal payments; and where observable data indicates that there is a measurable decrease in the estimated future cash flows such as changes in arrears or economic conditions that co-relate with defaults.

6.7.1 Financial assets carried at amortised cost

For financial assets carried at amortised cost (such as loans and advances to customers as well as held to maturity investments), the company first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the company determines that no objective evidence of impairment exists for an individually assessed financial asset, that will be included in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is recognised or continues to be recognised, are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced with an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for measuring the impairment loss.

The interest income is recorded as part of interest income. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a debt written-off is subsequently recovered, the proceeds are shown under recovery of bad debts.

The present value of the estimated future cash flows is discounted at the financial asset's original EIR. The calculation of the present value of the estimated future cash flows of a collateralised financial

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asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

6.7.2 Available for sale financial investments

The company assesses at each reporting date whether there is objective evidence that an investment in available for sale securities is impaired. The amount of impairment on unquoted securities is measured as the difference between the carrying amount of the investment and the present value of estimated future cash flows from the investment. Fair value of quoted securities is determined by reference to quoted market prices.

Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of comprehensive income is recognised in the income statement. Impairment losses on equity investments are not reversed through the income statement; increases in the fair value after impairment are recognised in other comprehensive income.

In the case of debt instruments classified as available for sale, the company assesses individually whether there is objective evidence of impairment. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value less any impairment loss on that investment previously recognised in the statement of comprehensive income. If in a subsequent period the fair value of a debt instrument increases and the increase can be objectively related to a credit event occurring after the impairment loss was recognised in the statement of comprehensive income, the impairment loss is reversed through the statement of comprehensive income.

6.7.3 Cash and cash equivalents

Cash and cash equivalents comprise cash, bank balances, treasury bills, and deposits placed with banks, maturing within three months. Bank overdrafts that are repayable on demand are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

6.7.4 Lease and hire purchase receivables

6.7.4.1 Leases

Assets leased to customers where all the risks and rewards incidental to the ownership other than the legal title are transferred substantially are accounted for as finance leases in accordance with Sri Lanka Accounting Standard (LKAS 17) - Leases, and are reflected in the statement of financial position after deduction of initial rentals received, unearned interest income, and allowances for impairment losses.

6.7.4.2 Hire purchase

Assets hired to customers under hire purchase agreements, which transfer all the risks and rewards incidental to ownership as well as the legal title at the end of such contractual period, are classified as hire purchase receivables. Such assets are accounted for in a manner similar to finance leases.

6.7.4.3 Investments in subsidiaries and associates

Investments in subsidiaries and associates are accounted for at cost less accumulated impairment losses in the financial statements of the company. In the consolidated financial statements, investments in associate companies are accounted under equity method reduced by accumulated impairment losses, if any, and the carrying amount is adjusted for post-acquisition changes in the group's share of net assets of the associates.

Provision for impairment is made, where the decline in value is other than temporary, and such impairment is made for investments individually.

6.8 Inventories and other stocks

Inventories are valued at the lower of cost and net realisable value. The cost of raw materials is determined at purchase price including all expenses incurred in sourcing. The cost of work-in-progress is the value of raw material transferred to production. The cost of finished goods includes raw material cost and all direct and indirect expenses incurred in production. Vehicles, spare parts and other stocks are valued at cost or net realisable value whichever is lower. Net realisable value is the estimated selling price less estimated cost of completion and the estimated cost necessary to make the sale. Inventories are regularly assessed for impairment and provisions are made accordingly.

6.9 Investments in real estate

Investments in real estate are valued at cost and net realisable value whichever is lower. Net realisable value is the estimated selling price less estimated cost of completion and the estimated cost necessary to make the sale.

6.10 Intangible assets

An intangible asset is recognised if it is probable that future economic benefits that are attributable to the asset will flow to the company and the cost of the asset can be measured reliably in accordance with Sri Lanka Accounting Standard 38 - Intangible Assets. Accordingly, these assets are stated in the statement of financial position at cost less accumulated amortisation and impairment losses, if any. Subsequent expenditure on acquisition and improvement of intangible assets is capitalised only when it increases the standard of performance of these assets, and where future economic benefits embodied in these assets will flow to the company. Intangible assets with finite lives are amortised over their useful lives, and are assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at the end of the financial year. Computer software, which do not form an integral part of hardware are recognised as intangible assets and are stated at cost less accumulated amortisation and any accumulated impairment loss. Amortisation is charged over a period of five years on a straight-line basis.

6.11 Property, plant and equipment

6.11.1 Basis of recognition

Property, plant, & equipment are recognised if it is probable that future economic benefits associated with the asset will flow to the company and cost of the asset can be reliably measured.

6.11.2 Basis of measurement

An item of property, plant, and equipment that qualifies for recognition as an asset is initially measured at cost. Cost includes expenditure directly attributable to acquisition of the asset and subsequent costs excluding the costs of day-to-day servicing. The cost of self-constructed assets includes the cost of materials, 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 and capitalised borrowing costs.

6.11.3 Cost model

The group applies the cost model to all property, plant and equipment except freehold land and freehold buildings and records them at cost of purchase together with any incidental expenses thereon less accumulated depreciation and any accumulated impairment losses.

6.11.4 Revaluation model

The group applies the revaluation model for the entire class of freehold land and freehold buildings for measurement after initial recognition. Such properties are carried at revalued amounts, less any subsequent accumulated depreciation on buildings and any accumulated impairment losses charged subsequent to the date of revaluation.

When an asset is revalued, any increase in the carrying value is recognised in other comprehensive income and accumulated in equity under revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the income statement, in which case the increase is recognised in the income statement to the extent of the decrease previously expensed. A decrease in the carrying value arising on the revaluation is recognised in the income statement and any decrease that offsets a previous surplus on the same asset is recognised in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset and any excess is recognised as an expense in the income statement. The difference in depreciation based on the revalued carrying amount and cost is transferred from revaluation reserve to retained earnings through equity statement. The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no further economic benefits are expected from its use and the revaluation surplus included in equity in respect of the derecognised item is transferred directly to retained earnings.

When group companies occupy a significant portion of the investment property of a subsidiary, such investment properties are treated as property, plant and equipment in the consolidated financial statements and accounted for as per Sri Lanka Accounting Standard (LKAS 16 - Property, Plant and Equipment).

6.11.5 Subsequent cost

Subsequent expenditure incurred for the purpose of acquiring, extending, or improving assets of a permanent nature by means of which to carry on the business or to increase the earning capacity of the business is treated as capital expenditure and such expenses are recognised in the carrying amount of an asset. The costs associated with day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

6.11.6 Derecognition

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no further economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset is recognised in the income statement in the year in which the asset is derecognised.

6.11.7 Depreciation

Provision for depreciation is calculated using straight-line method on the cost or other amount substituted for cost of all property, plant and equipment other than freehold land in order to allocate depreciable amounts over the estimated useful lives of such assets. The estimated useful lives of assets are as follows:

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Assets Category	Years
Freehold buildings	12-40
Furniture & office equipment	10
Motor vehicles and lifts	05
Plant, machinery & other equipment	08
Air conditioners & computer servers	08
Generators	15
Computers	05
Other assets	10

Depreciation of an asset begins when it is available for use and ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognised.

6.11.8 Operating lease assets

Operating lease assets are classified under property, plant and equipment at cost less accumulated depreciation and impairment losses, if any. Cost of the asset net of residual value is depreciated over the estimated useful life. Residual value is the estimated net amount that the company would currently obtain from disposal of the asset at the end of its estimated useful life.

6.11.9 Determination of fair value

Some of the group's assets and liabilities are measured at fair value for financial reporting purposes. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

All assets and liabilities which are measured or disclosed at fair value in the financial statements are categorised within the fair value hierarchy given below based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurements.

- Level 1 - quoted market prices in active markets for identical assets or liabilities
- Level 2 - valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

Level 1

When available, the group measures the fair value of an instrument using quoted market prices in an active market for that instrument. A market is considered as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis. Quoted equities and unit trust investments are valued under Level 1.

Level 2

If a market for a financial instrument is not active, the group establishes fair value using valuation techniques. These include discounted cash flow analysis, effective interest rate calculations, forecasted future cash flow calculations using recent arm's length transactions between knowledgeable, willing parties. These valuation techniques makes maximum use of market inputs, incorporates all factors that market participants would consider in setting a price and are consistent with accepted economic methodologies for pricing financial instruments. Interest rate SWAPs is valued under Level 2.

Level 3

Certain financial instruments are recorded at fair value using valuation techniques in which current market transactions or observable market data are not available. Fair value of such instruments are determined using a valuation model that has been tested against prices or inputs to actual market transactions and best estimates of the most appropriate model assumptions.

There have been no transfers between these levels.

6.11.10 Impairment of non-financial assets

The group assesses at each reporting date whether there is an indication of objective evidence of impairment of assets. If any such indication exists, the group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is reduced to its recoverable amount. Impairment losses are recognised in the income statement in those expense categories consistent with the function of the impaired asset, except for property previously revalued, where the revaluation was taken to equity. In this case, the impairment is recognised against the revaluation reserve to the extent that it reverses a previous revaluation surplus. An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. Previously recognised impairment losses, other than in respect of goodwill, are reversed only if there has been an increase in the recoverable amount of such asset. Such increased carrying amount of an asset attributable

to reversal of an impairment loss is recognised only up to the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

Impairment losses relating to goodwill are not reversed in future periods.

6.12 Liabilities and provisions

6.12.1 Deposits from customers

Deposits include term deposits accepted under various tenors ranging from one month to five years and savings deposits. They are accounted for at amortised cost using the effective interest rate method.

6.12.2 Income tax

Income tax for the year comprises current tax and deferred tax. Income tax is recognised in the statement of income except to the extent that it relates to items directly recognised in equity or other comprehensive income.

The liability for current taxation has been computed on the basis of the profit for the year as adjusted for taxation purposes in accordance with the provisions of the Inland Revenue Act No.10 of 2006 and amendments thereto.

6.12.3 Deferred tax

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to apply for the temporary differences when they reverse, based on the tax laws that have been enacted or substantively enacted as at the reporting date. A deferred tax asset is recognised for all deductible temporary differences, carry forward unused tax credits and unused tax losses, only to the extent that it is probable that future taxable profits will be available against which the /asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity and the same taxation authority. Deferred tax arising on items recognised in other comprehensive income and equity is dealt with through other comprehensive income and equity statement respectively.

6.12.4 Employee Benefits

6.12.4.1 Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The estimation of this liability,

determined by an independent, qualified actuary necessarily involves long-term assumptions, which have been disclosed in Note 48. The defined benefit obligation is calculated annually using the projected unit credit method. The services of a qualified actuary is obtained once in every 3 years to determine the valuation of the defined benefit obligation for the company as well as those subsidiary companies within the group that adopted the actuarial valuation method in computing the provision required in accordance with Sri Lanka Accounting Standard (LKAS 19) – Employee Benefits. This standard also provides actuarial techniques, which approximates the actuarial valuation, which has been adopted by the other companies within the group that have not adopted the actuarial valuation method. The projected unit credit method projects the current data using the actuarial assumptions and calculates projected benefits at the participants' assumed retirement date. The key assumptions used in determining the defined benefit obligations are given in note 48.

The defined benefit obligation recognised in the statement of financial position represents the present value of the defined benefit obligation as reduced by the fair value of plan assets. Actuarial gains and losses are recognised as income or expenses in the statement of comprehensive income during the financial year in which they arise. The gratuity liability of the parent company is externally funded in part by a gratuity fund established in 1987, with the investments of the fund being mainly in fixed deposits with approved banks. Gratuity liabilities of the other companies in the group are not externally funded. Provision is made for defined benefit plan liability for all employees from the first year of service in conformity with LKAS 19- Employee Benefits. This liability of the parent Company is computed on the following basis:

Length of service (years)	No of months' salary for each completed year
Up to 15	1/2
15 up to 30	1
30 up to 35	1 1/2
35 up to 40	2
Over 40	2 1/2

However, under the Payment of Gratuity Act No.12 of 1983, the liability to an employee arises only on completion of five years of continued service. Liabilities for the other companies in the group are computed on the basis of half a month's salary for each year of completed service.

6.12.4.2 Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to the Employees' Provident Fund and Employees' Trust Fund covering all employees are recognised as expenses in the income statement as incurred.

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6.13 Provisions

In accordance with Sri Lanka Accounting Standard (LKAS 37) - Provisions, Contingent Liabilities and Contingent Assets, recognition of a provision in the statement of financial position is made when the company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of economic benefits will be required to settle the obligation.

6.14 Commitments and contingencies

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be reliably measured. Contingent liabilities are not recognised in the statement of financial position but are disclosed. Capital commitments and contingent liabilities as at the date of the statement of financial position are disclosed in the respective notes to the consolidated financial statements. Contingent assets are disclosed where an inflow of economic benefit is probable.

6.15 Foreign currency transactions

Transactions in foreign currencies are translated to Sri Lankan Rupees at the exchange rates that prevailed at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies as at the date of statement of financial position are translated to Sri Lankan Rupees using the closing rates that prevailed at the date of the statement of financial position. Foreign exchange differences arising on translation are recognised in the statement of other comprehensive income.

6.16 Earnings per share

The group presents basic and diluted earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

6.17 Segmental reporting

A segment is a distinguishable component of the group that is engaged in providing an individual product or service (business segment) or in providing services within a particular economic environment (geographical segment) which is subject to risks and rewards that are different from those of other segments. In accordance with Sri Lanka Accounting Standard (SLFRS 8) - Operating Segments, segmental information is presented for identifiable operative units of the group, classified into seven segments according to the nature of products or services rendered. These business segments comprise of leasing, hire purchase and advances, medical services, power generation, manufacturing, insurance broking, investments and real estate. Performance and operating results of the above business segments are regularly

reviewed by the management to make decisions on resource allocation. Segment results, assets, and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

6.18 Events after the reporting period

All material events after the statement of financial position date have been considered and where appropriate adjustments to or disclosures are made in the consolidated financial statements.

7 RECOGNITION OF INCOME AND EXPENSES

Revenue is recognised to the extent that it is probable that economic benefits will flow to the company and the revenue and associated costs incurred or to be incurred can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable net of trade discounts and sales taxes. The following specific criteria are used for the purpose of recognition of revenue.

7.1 Interest and similar income and expense

For all financial instruments measured at amortised cost, interest bearing financial assets classified as available for sale, and financial instruments designated at fair value through profit or loss, interest income or expense is recorded using the Effective Interest Rate (EIR). EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses. Interest expenses of the group other than the parent company and subsidiary company, Isuru Leasing Company Limited are recognised under other expenses.

The carrying amount of the financial asset or financial liability is adjusted if the group revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original EIR and the change in carrying amount is recorded as 'interest and similar income' for financial assets and 'interest and similar expense' for financial liabilities.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

7.2 Fees and commission income and expenses

Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Fees and commission income are recognised as the related services are performed.

Other fees and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received. Fee and commission expenses are recognised on an accrual basis.

7.3 Income from leases

7.3.1 Finance leases

In accordance with Sri Lanka Accounting Standard (LKAS 17) - Leases, finance income on leases is recognised based on a pattern reflecting a constant periodic rate of return on capital outstanding. The excess of aggregate lease rentals receivable over the cost of the leased asset constitutes the total unearned interest income at the commencement of the contract. The unearned interest income is taken into revenue on an accrual basis over the term of the lease commencing from the month in which the first rental is due, in proportion to the reducing capital outstanding balance. Lease receivables are regularly reviewed for impairment and, if impaired, income allocation is revised and the reduction in respect of amounts accrued is recognised immediately.

7.3.2 Operating leases

Lease income from operating leases is recognised on a straight-line basis over the lease term.

7.4 Hire purchase

Recognition of interest income from hire purchase facilities is similar to that of leases; where interest income is recognised based on a pattern reflecting a constant periodic rate of return on the capital outstanding. Interest income is taken into revenue on an accrual basis over the term of the contract commencing from the month in which the first rental is due, in proportion to the capital outstanding. Hire purchase receivables are regularly reviewed for impairment and, if impaired, income allocation is revised and the reduction in respect of amounts accrued is recognised immediately.

7.5 Interest income on loans and advances

Interest on loans and advances is determined using the effective interest rate method and recognised on accrual basis. Loans and advances are regularly reviewed for impairment and, if impaired, income allocation is revised and the reduction in respect of amounts accrued is recognised immediately.

7.6 Overdue interest

Overdue interest on lease, hire purchase, loans, and other advances is recognised on a cash basis.

7.7 Interest income on investments in government securities

Interest is computed using effective interest rate method and taken to the income statement on an accrual basis, based on a pattern reflecting a constant periodic rate of return. Interest on government securities is grossed up with the notional tax credit available under the Inland Revenue Act No. 10 of 2006 and amendments thereto as disclosed in note 13.

7.8 Interest income on deposits with banks

Interest is computed using effective interest rate method and taken to the income statement on an accrual basis.

7.9 Dividend income

Dividend income is recognised in the income statement on the date the Group's right to receive payment is established.

7.10 Income on housing projects and real estate income

Income on housing projects and real estate income is recognised on an accrual basis.

7.11 Interest income on rent-purchase facilities for real estate

Rental income on rent-purchase facilities provided on sale of real estate is recognised on an accrual basis.

7.12 Profit or loss on sale of securities

Profit or loss arising from the sale of marketable securities classified into fair value through profit or loss (FVTPL) category is accounted for in the income statement on the date of the transaction.

7.13 Profit/loss from sale of property, plant, and equipment

Profit/loss from sale of property, plant, and equipment is recognised in the period in which the sale occurs.

7.14 Expenditure recognition

Expenses are recognised in the income statement on the basis of a direct association between the cost incurred and the earnings of specific items of income. All expenses incurred in the running of the business and in maintaining property, plant and equipment in a state of efficiency are charged to the income statement while interest and other expenses payable are recognised on an accrual basis in accordance with Sri Lanka Accounting Standard (LKAS 23) - Borrowing Costs.

Accounting Policies

7.15 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred, except to the extent that they are directly attributable to the acquisition, construction, or production of a qualifying asset, in which case they are capitalised as part of the cost of that asset, in accordance with Sri Lanka Accounting Standard (LKAS 23) - Borrowing Costs.

8 SIGNIFICANT ACCOUNTING POLICIES SPECIFIC TO THE BUSINESS OF THE SUBSIDIARIES

8.1 Sale of services

Revenue from energy supplied is recognised upon delivery of energy to Ceylon Electricity Board and delivery of electrical energy is completed when electrical energy meeting the specifications as set out in the Power Purchase Agreement is received at the metering point.

8.2 Insurance broking

The commission income of the company is recognised on an accrual basis and matched with related costs and expenses.

8.3 Recovery of bad debts

Bad debts recovered are recognised as and when the debts are recovered.

8.4 Investment properties

Investment properties are properties held either to earn rental income or for capital appreciation or both, but not for sale in the ordinary course of business, used in the production or supply of goods or services or for administrative purposes. Investment properties are initially measured at cost and the fair value model is used for subsequent measurement in accordance with Sri Lanka Accounting Standard (LKAS 40) - Investment Properties. The cost of the investment property comprises of its purchase price and any directly attributable expenditure.

9 STATEMENT OF CASH FLOW

The statement of cash flow has been prepared using the direct method in accordance with Sri Lanka Accounting Standard (LKAS 7) - Statement of Cash Flows. Cash and cash equivalents comprise short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. The cash and cash equivalent include cash in hand, balances with banks, placements with banks maturing within 90 days, and investments in government securities maturing within 90 days.

10 NEW ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

The Institute of Chartered Accountants of Sri Lanka has issued the following new Accounting Standards that have an effective date in the future and have not yet been applied in preparing the financial statements for the year ended 31st March 2015.

Sri Lanka Accounting Standard (SLFRS 9) – Financial Instruments: Classification and Measurement

This standard applies to classification and measurement of financial assets and liabilities as defined in LKAS 39. This standard was issued in 2012 and is effective for financial periods beginning from 01st January 2018.

Sri Lanka Accounting Standard (SLFRS 14) - Regulatory Deferral Accounts

The scope of this standard is limited to first time adopters of SLFRS that already recognise regulatory deferral account balances in their financial statements. This standard is effective for the annual periods beginning on or after 01st January 2016.

Sri Lanka Accounting Standard (SLFRS 15) - Revenue from Contracts with Customers

SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including Sri Lanka Accounting Standard (LKAS 18) - Revenue, Sri Lanka Accounting Standard (LKAS 11) - Construction Contracts and IFRIC 13 - Customer Loyalty Programmes. This standard is effective for the annual periods beginning on or after 01st January 2017.

Financial impact of the above standards has not yet been assessed.

11 FINANCIAL RISK MANAGEMENT

The company manages its exposure to the risks integral to its activities through a process of risk identification, analysis, measurement and continuous monitoring. The company is exposed to credit, liquidity, market and operational risks arising out of its activities.

The company's exposure to each of above risk categories and policies processes and measures taken to manage such risks are given in the Integrated Risk Management Report given on pages 23 to 29.

Notes to the Financial Statements

	Group		Company	
	2014/15 Rs.'000	2013/14 Rs.'000	2014/15 Rs.'000	2013/14 Rs.'000
12 INCOME				
Interest income (note 13)	12,463,439	11,916,505	12,474,631	11,951,652
Other operating income (note 15)	1,117,951	1,034,981	334,506	345,770
Other income (note 16)	640,478	459,285	698,794	542,937
	14,221,868	13,410,771	13,507,931	12,840,359

13 INTEREST INCOME

Leases	7,483,392	6,481,955	7,478,978	6,481,955
Hire purchase	3,170,175	3,737,862	3,166,652	3,737,862
Loans and others	1,370,991	1,208,316	1,391,857	1,246,043
Repurchase agreements and receivables from banks	335,964	357,257	335,610	356,763
Held to maturity investments in commercial papers and deposits	40,240	51,561	38,857	49,475
Income on treasury bonds classified as AFS investments	-	13,620	-	13,620
Interest on facilities granted under Investment Fund Account (IFA)	62,677	54,180	62,677	54,180
Interest on government securities under IFA scheme	-	11,754	-	11,754
	12,463,439	11,916,505	12,474,631	11,951,652

Total interest income is derived only from financial instruments held at amortised cost.

Notional credit for withholding tax on government securities on secondary market transactions

The Inland Revenue Act No. 10 of 2006 (as amended), provides that a company which derives interest income from secondary market transactions in government securities would be entitled to a notional tax credit (being one ninth of the interest income), provided such interest income forms part of the statutory income of the company for that year of assessment.

Accordingly, interest income from secondary market transactions in government securities for the year has been grossed up in the financial statements with the value of such notional credit which amounts to Rs. 27.61 Million (2013/14 - Rs. 24.14 Million) for the company and the group.

	Group		Company	
	2014/15 Rs.'000	2013/14 Rs.'000	2014/15 Rs.'000	2013/14 Rs.'000
14 INTEREST EXPENSES				
Deposits	3,345,777	3,873,030	3,377,595	3,913,945
Loans and overdrafts	90,615	395,145	90,612	395,145
Fair value changes in SWAPs	11,525	20,738	11,525	20,738
Interest on other debt securities	656,229	441,466	656,150	441,466
	4,104,146	4,730,379	4,135,882	4,771,294

Interest expenses of the group other than the parent and subsidiary company, Isuru Leasing Company Limited are categorised under other expenses.

Notes to the Financial Statements

	Group		Company	
	2014/15 Rs.'000	2013/14 Rs.'000	2014/15 Rs.'000	2013/14 Rs.'000
15 OTHER OPERATING INCOME				
Vehicle hiring income	334,506	345,746	334,506	345,770
Manufacturing and trading income	411,690	313,751	-	-
Insurance broking	224,072	237,281	-	-
Medical services	61,805	57,491	-	-
Power generation	85,878	80,712	-	-
	1,117,951	1,034,981	334,506	345,770
16 OTHER INCOME				
Commissions	1,053	359	963	359
Service charges	200,306	190,773	200,064	190,773
Profit on sale of vehicles	300	411	280	321
Recovery of bad debts written off	91,914	51,906	91,519	51,894
Profit on sale of property, plant and equipment	102,431	51,496	93,634	46,130
Dividend income from available for sale securities	20,414	9,980	16,465	8,359
Dividend income from subsidiaries	-	-	44,900	39,088
Dividend income from associates	-	-	50,741	59,046
Profit on real estate operations	7,212	7,685	7,212	7,685
Profit on maintenance of vehicles	8,486	11,324	8,486	11,324
Fair value changes in FVtPL Investments	16,056	3,636	13,880	3,596
Gain on investments in unit trusts	65,528	5,878	61,832	5,878
Others	126,778	125,837	108,818	118,484
	640,478	459,285	698,794	542,937
17 OPERATING EXPENSES				
Operating expenses include the following:				
Directors' emoluments	128,619	129,085	114,500	104,692
Legal expenses	8,789	6,374	7,579	6,374
Depreciation	383,823	393,487	330,058	332,191
Amortisation of intangible assets	28,064	14,978	26,988	14,293
Audit fees and expenses	3,858	3,513	2,166	1,918
Non audit fees and expenses	545	1,033	287	196
Donations	1,497	5,958	1,407	5,895
Impairment charges - investment property	3,750	-	-	-
Employees' Provident Fund contributions	122,675	113,183	101,700	92,487
Employees' Trust Fund contributions	29,260	26,860	24,043	21,698
18 EMPLOYEE RETIREMENT BENEFIT EXPENSES				
18.1 Amount recognised in the income statement				
Current service cost	66,029	61,211	57,186	52,703
Interest cost	100,795	94,050	90,285	83,854
Expected return on assets	(17,194)	(17,960)	(17,194)	(17,960)
	149,630	137,301	130,277	118,597

	Group		Company	
	2014/15 Rs.'000	2013/14 Rs.'000	2014/15 Rs.'000	2013/14 Rs.'000
18.2 Amount recognised in other comprehensive income				
Unrecognised actuarial losses in respect of previous years	-	(89,051)	-	(77,247)
Actuarial losses recognised during the year	(73,815)	(6,216)	(67,610)	(6,915)
	(73,815)	(95,267)	(67,610)	(84,162)
19 IMPAIRMENT CHARGES ON LOANS AND OTHER CREDIT LOSSES				
Charge/(reversal) to the income statement on individually significant loans (note 34)	30,353	(143,426)	23,937	(143,426)
Charge to the income statement on individually not significant loans (note 34)	295,742	157,481	297,658	157,481
	326,095	14,055	321,595	14,055
Other credit losses	46,700	1,202	46,700	1,202
Bad debts written off	45,200	312,150	44,152	312,150
Charge/(reversal) on trade and other receivables	(1,956)	317	(2,904)	657
Losses on repossessed vehicles	1,418,111	888,641	1,417,188	888,641
Total impairment charges and other credit losses	1,834,150	1,216,365	1,826,731	1,216,705
20 SHARE OF PROFIT OF ASSOCIATES				
			Group	
			2014/15 Rs.'000	2013/14 Rs.'000
Nations Trust Bank PLC			753,992	643,588
Tea Smallholder Factories PLC			8,617	32,887
Capital Suisse Asia Ltd.			31,999	22,876
			794,608	699,351
21 GROUP PROFIT/(LOSS) BEFORE INCOME TAX				
Central Finance Company PLC			4,006,228	3,707,953
Central Industries PLC			170,746	94,326
Central Developments Ltd.			9,549	10,957
Dehigama Hotels Company Ltd.			26,353	26,357
Central Transport & Travels Ltd.			15,695	12,628
Central Construction & Development (Pvt) Ltd.			81	(52)
Central Homes (Pvt) Ltd.			2,727	3,502
CF Growth Fund Ltd.			14,765	6,113
Expanded Plastic Products (Pvt) Ltd.			1,282	1,267
Central Mineral Industries (Pvt) Ltd.			2,369	658
Kandy Private Hospitals Ltd.			16,213	12,368
Mark Marine Services (Pvt) Ltd.			78,845	49,070
Hedges Court Residencies (Pvt) Ltd.			(271)	2,904
CF Insurance Brokers (Pvt) Ltd.			159,717	128,898
Isuru Leasing Company Ltd.			(13,102)	-
			4,491,197	4,056,949
Inter-group adjustments			(163,070)	(169,668)
Share of profit of associates			794,608	699,351
			5,122,735	4,586,632

Notes to the Financial Statements

22 INCOME TAX EXPENSE

The provision for the year is made up as follows:

	Group		Company	
	2014/15 Rs.'000	2013/14 Rs.'000	2014/15 Rs.'000	2013/14 Rs.'000
Current tax charge	671,684	744,233	572,928	672,149
Under-provision of current tax relating to previous years	1,841	58	-	-
Over-provision of current tax relating to previous years	(258)	(22,722)	-	(19,815)
Deemed dividend tax	-	163	-	-
10% Withholding tax on inter-company dividends	16,090	13,111	-	-
Increase in deferred tax liabilities (note 39)	432,368	281,476	430,386	279,767
(Increase) / decrease in deferred tax assets (note 39)	4,509	(2,535)	-	-
Current /deferred tax share of associates	261,481	218,482	-	-
	1,387,715	1,232,266	1,003,314	932,101

22.1 Income tax on profit of the company has been computed at the rate of 28% (2013/14 - 28%) on the taxable income. Group companies other than Kandy Private Hospitals Ltd. and Mark Marine Services (Pvt) Ltd., have computed taxation at 28% for the financial year 2014/15 as per the provisions of Inland Revenue (Amendment) Act No.22 of 2011 (2013/2014 - 28%). Operating income of Kandy Private Hospitals Ltd. and Mark Marine Services (Pvt) Ltd., are taxed at 12% during 2014/15 (2013/14 -12%) while other income is liable at 28%.

22.2 A reconciliation between tax expense and the product of accounting profit multiplied by the statutory tax rate is as follows:

	Group		Company	
	2014/15 Rs.' 000	2013/14 Rs.' 000	2014/15 Rs.' 000	2013/14 Rs.' 000
Profit/(loss) before tax	5,122,735	4,586,632	4,006,228	3,707,953
Losses before tax	13,373	52	-	-
Share of results of associates	(794,608)	(699,351)	-	-
Other consolidation adjustments	163,070	169,668	-	-
Accounting profit chargeable for income tax	4,504,570	4,057,001	4,006,228	3,707,953
Tax effect on chargeable profits at 28% and 12% (2013/14 - 28% & 12%)	1,249,741	1,129,449	1,121,744	1,038,227
Tax effect on allowable credits	(1,256,964)	(475,551)	(1,217,587)	(444,162)
Tax effect on exempt profits	(93,906)	(67,876)	(71,988)	(47,396)
Tax effect on non - deductible expenses	263,042	242,376	231,199	209,451
Tax effect on gains / (losses) on disposals	509,560	(83,971)	509,560	(83,971)
Tax effect on adjustments	340	(21)	-	-
Tax effect on losses claimed	(129)	(173)	-	-
Charged to income statement	671,684	744,233	572,928	672,149
Under provision for previous years	1,841	58	-	-
Over provision for previous years	(258)	(22,722)	-	(19,815)
Deemed dividend tax	-	163	-	-
Increase in deferred tax liabilities (note 39)	432,368	281,476	430,386	279,767
(Increase) / decrease in deferred tax assets (note 39)	4,509	(2,535)	-	-
10% WHT on inter-company dividends	16,090	13,111	-	-
Current/deferred tax share of associates	261,481	218,482	-	-
	1,387,715	1,232,266	1,003,314	932,101
Effective tax rate (Excluding deferred taxation)	14.91	18.34	14.30	18.13

23 EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the net profit for the year attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding during the year.

	Group	
	2014/15	2013/14
Profit attributable to equity holders of the parent (Rs.000)	3,633,279	3,291,239
Number of shares used as denominator ('000)	104,883	104,883
Basic and diluted Earnings per Share (Rs.)	34.64	31.38

24 DIVIDENDS

	Company	
	2014/15 Rs.'000	2013/14 Rs.'000
Paid:		
First interim Rs. 0.85 (2013/14: Rs. 0.85)	89,151	89,151
Second interim Rs. 0.85 (2013/14: Rs. 0.85)	89,151	89,151
Proposed:		
Final Rs. 1.80 (2013/14: Rs. 1.50)	188,790	157,325
	367,092	335,627
Dividend per share (Rs.) - Paid and proposed	3.50	3.20

25 CASH IN HAND AND AT BANKS

	Group		Company	
	31.03.2015 Rs.' 000	31.03.2014 Rs.' 000	31.03.2015 Rs.'000	31.03.2014 Rs.'000
Cash in hand	292,971	400,249	290,732	399,300
Cash at bank	150,203	170,482	119,273	143,851
	443,174	570,731	410,005	543,151

26 FVtPL FINANCIAL ASSETS

	Group		Company	
	31.03.2015 Rs.'000	31.03.2014 Rs.'000	31.03.2015 Rs.'000	31.03.2014 Rs.'000
Quoted securities 26.a	49,876	35,861	49,600	35,720
Units 26.b	168,204	500,876	-	500,876
	218,080	536,737	49,600	536,596

Notes to the Financial Statements

26.a Investments in quoted securities

	No. of Shares	Cost 31.03.2015 Rs.'000	Market Value 31.03.2015 Rs.'000	Group		
				No. of Shares	Cost 31.03.2014 Rs.'000	Market Value 31.03.2014 Rs.'000
Banks, Finance & Insurance						
National Development Bank PLC	200,000	26,000	49,600	200,000	26,000	35,720
Diversified holdings						
Hemas Holdings PLC	3,750	30	276	3,750	30	141

26.b Investments in units

	No. of Units	Cost 31.03.2015 Rs.'000	Market Value 31.03.2015 Rs.'000	Group		
				No. of Units	Cost 31.03.2014 Rs.'000	Market Value 31.03.2014 Rs.'000
Unit Trust						
Eagle Money Plus Fund	12,477,365.31	166,163	168,204	40,015,686	500,000	500,876

27 TRADE & OTHER RECEIVABLES

	Group		Company	
	31.03.2015 Rs.'000	31.03.2014 Rs.'000	31.03.2015 Rs.'000	31.03.2014 Rs.'000
Trade & other receivables	1,203,029	919,325	314,030	246,221
Provision for impairment	(61,672)	(63,628)	(25,136)	(28,040)
	1,141,357	855,697	288,894	218,181

No. of Shares	Company		No. of Shares	Company	
	Cost	Market Value		Cost	Market Value
	31.03.2015 Rs.'000	31.03.2015 Rs.'000		31.03.2014 Rs.'000	31.03.2014 Rs.'000
200,000	26,000	49,600	20,000	26,000	35,720
-	-	-	-	-	-

No. of Units	Company		No. of Units	Company	
	Cost	Market Value		Cost	Market Value
	31.03.2015 Rs.'000	31.03.2015 Rs.'000		31.03.2014 Rs.'000	31.03.2014 Rs.'000
-	-	-	40,015,686	500,000	500,876

Notes to the Financial Statements

28 EQUITY INVESTMENTS CLASSIFIED AS AFS INVESTMENTS

	Group		Company	
	31.03.2015 Rs.'000	31.03.2014 Rs.'000	31.03.2015 Rs.'000	31.03.2014 Rs.'000
Quoted equities 28.a	248,642	188,263	248,642	188,263
Unquoted equities 28.b	18,382	18,718	11,888	12,388
	267,024	206,981	260,530	200,651

	No. of Shares	Cost 31.03.2015 Rs.'000	Group & Company			
			Market Value		Cost	
			31.03.2015 Rs.'000	31.03.2014 Rs.'000	No. of Shares	31.03.2014 Rs.'000

28.a Quoted equities

Banks, Finance & Insurance

Commercial Bank of Ceylon PLC	4,226	22	699	4,161	15	512
Sinhaputhra Finance PLC (Preference shares)	20,000	500	902	-	-	-
		522	1,601		15	512

Closed End Funds

Namal Acuity Value Fund	2,744,900	161,583	247,041	2,744,900	161,583	187,751
		162,105	248,642		161,598	188,263

	No. of Shares	Cost 31.03.2015 Rs.'000	Group			
			Directors' Valuation		Cost	
			31.03.2015 Rs.'000	31.03.2014 Rs.'000	No. of Shares	31.03.2014 Rs.'000

28.b Unquoted equities

Credit Information Bureau of Sri Lanka. (Rs.100/-)	4,727	637	637	4,727	473	473
Fitch Ratings Lanka Ltd.	62,500	625	625	62,500	625	625
Finance Houses Consortium (Pvt) Ltd.	20,000	200	200	20,000	200	200
Rajawella Holdings (Pvt) Ltd.	54,600	546	-	54,600	546	-
Telshan Network (Pvt) Ltd.	972,000	9,720	-	972,000	9,720	-
Zyrex Power Co Ltd.	1,796,323	16,920	16,920	1,796,323	16,920	16,920
Sinhaputhra Finance PLC (Preference Shares)	-	-	-	20,000	500	500
		28,648	18,382		28,984	18,718

Fair value of the above unquoted investments can not be reliably measured as these investments are not being traded in a stock market. Hence, these investments are measured at cost less impairment.

No. of Shares	Company		No. of Shares	Cost 31.03.2014 Rs.'000	Directors' Valuation 31.03.2014 Rs.'000
	Cost 31.03.2015 Rs.'000	Directors' Valuation 31.03.2015 Rs.'000			
4,727	473	473	4,727	473	473
62,500	625	625	62,500	625	625
20,000	200	200	20,000	200	200
-	-	-	-	-	-
972,000	9,720	9,720	972,000	9,720	-
-	10,590	10,590	1,058,992	10,590	10,590
1,058,992	-	-	20,000	500	500
	21,608	11,888		22,108	12,388

Notes to the Financial Statements

	Group		Company	
	31.03.2015 Rs.'000	31.03.2014 Rs.'000	31.03.2015 Rs.'000	31.03.2014 Rs.'000
29 INVENTORIES AND OTHER STOCKS				
Vehicles	1,304,437	1,698,828	1,295,340	1,698,848
Raw materials	209,379	127,476	-	-
Work-in-progress	10,390	6,744	-	-
Finished goods	117,201	125,452	-	-
Machinery & vehicle spare parts	28,692	40,541	10,024	16,813
Others	13,917	12,449	5,891	6,506
Goods-in-transit	3,098	2,466	-	-
	1,687,114	2,013,956	1,311,255	1,722,167
Specific provision for stock obsolescence	(75,594)	(94,188)	(62,760)	(82,815)
Net carrying amount	1,611,520	1,919,768	1,248,495	1,639,352

Inventories recognised as an expense during the year amounted to Rs. 111.64 Million for the company and Rs. 1,440.05 Million for the group (Rs. 132.51 Million for company and Rs. 1,160.74 Million for the group in 2013/14).

There were no write down of inventories recognised as an expenses during the financial year 2014/15 for the company and the group (2013/14 - Rs. 0.67 Million for the company and the group).

Value of the inventories pledged as security for banking facilities amounted to Rs. 0.69 Million and Rs. 0.35 Million respectively for financial years 2014/15 and 2013/14.

Inventories carried at net realisable value as at 31st March 2015 amounted to Rs. 3.97 Million for the group and the company (as at 31.03.2014 Rs. 3.12 Million for the group and the company).

	Group		Company	
	31.03.2015 Rs.'000	31.03.2014 Rs.'000	31.03.2015 Rs.'000	31.03.2014 Rs.'000
30 REVERSE REPURCHASE AGREEMENTS				
At amortised cost	2,772,798	2,676,778	2,772,798	2,676,778
	2,772,798	2,676,778	2,772,798	2,676,778

The above investments have maturities within one year.

	Group		Company	
	31.03.2015 Rs.'000	31.03.2014 Rs.'000	31.03.2015 Rs.'000	31.03.2014 Rs.'000
31 LOANS AND RECEIVABLES FROM BANKS				
Deposits with banks at amortised cost	1,677,635	1,256,275	1,672,728	1,251,598
Saving deposits	26,312	76,567	26,312	76,567
	1,703,947	1,332,842	1,699,040	1,328,165

The above investments have maturities within one year.

	Group		Company	
	31.03.2015 Rs.'000	31.03.2014 Rs.'000	31.03.2015 Rs.'000	31.03.2014 Rs.'000
32 LOANS AND RECEIVABLES FROM CUSTOMERS				
Term loans	2,542,334	2,483,061	2,699,678	2,669,670
Loans against fixed deposits	734,572	638,129	734,572	639,129
Housing and land receivables	18,527	18,995	18,527	18,995
Loans to employees (note 32.1)	66,440	67,136	56,968	58,210
	3,361,873	3,207,321	3,509,745	3,386,004
Impairment for individually significant loans	(50,108)	(47,687)	(42,887)	(47,687)
Impairment for individually not significant loans	(5,884)	(4,548)	(5,874)	(4,548)
Other credit losses	(16,421)	(16,190)	(16,421)	(16,190)
	3,289,460	3,138,896	3,444,563	3,317,579
Receivable within one year	1,666,679	1,221,297	1,668,745	1,404,597
Receivable after one year	1,695,194	1,986,024	1,841,000	1,981,407
	3,361,873	3,207,321	3,509,745	3,386,004

32.1 Loans to employees

Movement of loans to employees is given below:

At the beginning of the year	78,557	90,217	68,508	79,008
Loans granted during the year	43,881	75,284	34,186	63,508
Loans recovered during the year	(46,112)	(86,944)	(36,964)	(74,008)
	76,326	78,557	65,730	68,508
Pre-paid compensation	(9,886)	(11,421)	(8,762)	(10,298)
At the end of the year	66,440	67,136	56,968	58,210
Receivable within one year	24,051	28,462	19,445	23,030
Receivable after one year	52,275	50,095	46,285	45,478
	76,326	78,557	65,730	68,508

33 NET INVESTMENT IN LEASES & HIRE PURCHASE

Lease receivables (note 33a)	38,437,407	29,512,170	38,406,843	29,512,170
Hire purchase receivables (note 33b)	12,498,137	16,116,745	12,476,239	16,116,745
	50,935,544	45,628,915	50,883,082	45,628,915
Impairment for individually significant loans	(164,920)	(127,226)	(155,963)	(127,226)
Impairment for individually not significant loans	(595,749)	(298,650)	(594,982)	(298,650)
	50,174,875	45,203,039	50,132,137	45,203,039

33.a Lease receivables

Gross rental receivables	54,122,174	43,739,912	54,085,547	43,739,912
Unearned interest income	(13,868,700)	(11,807,648)	(13,862,597)	(11,807,648)
	40,253,474	31,932,264	40,222,950	31,932,264
Debtors	2,700,012	2,153,545	2,698,099	2,153,545
Pre-paid rentals	(4,516,079)	(4,573,639)	(4,514,206)	(4,573,639)
	38,437,407	29,512,170	38,406,843	29,512,170

Notes to the Financial Statements

	Group		Company	
	31.03.2015 Rs.'000	31.03.2014 Rs.'000	31.03.2015 Rs.'000	31.03.2014 Rs.'000
33.b Hire purchase receivables				
Gross rental receivable	15,715,596	21,805,893	15,689,919	21,805,893
Unearned interest income	(3,544,183)	(5,688,699)	(3,539,699)	(5,688,699)
	12,171,413	16,117,194	12,150,220	16,117,194
Debtors	1,186,697	1,153,182	1,185,639	1,153,182
Pre-paid rentals	(859,973)	(1,153,631)	(859,620)	(1,153,631)
	12,498,137	16,116,745	12,476,239	16,116,745
Rentals receivable on lease and hire purchase assets				
Not later than one year				
Gross rentals receivable	28,670,306	26,314,808	28,635,016	26,314,808
Unearned interest income	(8,525,010)	(8,569,729)	(8,517,004)	(8,569,729)
Pre-paid rentals	(604,151)	(382,858)	(602,960)	(382,858)
	19,541,145	17,362,221	19,515,052	17,362,221
Later than one year and not later than five years				
Gross rentals receivable	44,456,073	41,881,390	44,426,087	41,881,390
Unearned interest income	(8,860,918)	(8,925,320)	(8,858,337)	(8,925,320)
Pre-paid rentals	(4,415,118)	(4,698,905)	(4,414,083)	(4,698,905)
	31,180,037	28,257,165	31,153,667	28,257,165
Later than five years				
Gross rentals receivable	598,101	656,335	598,101	656,335
Unearned interest income	(26,955)	(1,298)	(26,955)	(1,298)
Pre-paid rentals	(356,784)	(645,508)	(356,783)	(645,508)
	214,362	9,529	214,363	9,529
Total receivables on leases and hire purchase	50,935,544	45,628,915	50,883,082	45,628,915
34 MOVEMENT IN IMPAIRMENT FOR LOANS AND OTHER CREDIT LOSSES				
Movement in provision for individually significant loans				
Balance at the beginning of the year	174,913	318,339	174,913	318,339
Impairment assumed on acquisition of a subsidiary	9,762	-	-	-
Charge/ (reversal) to the income statement	30,353	(143,426)	23,937	(143,426)
Balance at the end of the year	215,028	174,913	198,850	174,913
Movement in provision for individually not significant loans				
Balance at the beginning of the year	303,198	145,717	303,198	145,717
Impairment assumed on acquisition of a subsidiary	2,694	-	-	-
Charge to the income statement	295,742	157,481	297,658	157,481
Balance at the end of the year	601,634	303,198	600,856	303,198
	816,662	478,111	799,706	478,111
Trade debtors	61,672	63,628	25,136	28,040
Real estate	49,015	2,545	49,015	2,545
Others	16,420	16,190	16,420	16,190
Total impairment	943,769	560,474	890,277	524,886

	Group		Company	
	31.03.2015 Rs.'000	31.03.2014 Rs.'000	31.03.2015 Rs.'000	31.03.2014 Rs.'000
35 INVESTMENTS IN REAL ESTATE				
(a) Investments in land				
Balance at the beginning of the year	61,071	62,137	61,071	62,137
Additions/transfers during the year	15,877	68	15,877	68
Assets acquired on acquisition of a subsidiary	6,697	-	-	-
Disposals/transfers during the year	(562)	(1,134)	(552)	(1,134)
	83,083	61,071	76,396	61,071
Provision for impairment	(47,770)	(1,300)	(47,770)	(1,300)
Balance at the end of the year	35,313	59,771	28,626	59,771
(b) Investment in housing projects				
Balance at the beginning of the year	7,016	7,016	7,016	7,016
	7,016	7,016	7,016	7,016
Provision for impairment	(1,245)	(1,245)	(1,245)	(1,245)
Balance at the end of the year	5,771	5,771	5,771	5,771
	41,084	65,542	34,397	65,542

No borrowing costs were capitalised during the above financial years.

36 INVESTMENT PROPERTY

	Group		Company	
	31.03.2015 Rs.'000	31.03.2014 Rs.'000	31.03.2015 Rs.'000	31.03.2014 Rs.'000
Asset acquired on acquisition of a subsidiary	45,000	-	-	-
Provision for impairment	(3,750)	-	-	-
Balance at the end of the year	41,250	-	-	-

Investment properties are carried at fair value in the statement of financial position. The investment property was acquired through the acquisition of subsidiary, Isuru Leasing Company Limited and was Rs. 45 Million as per the valuation carried out at the time of acquisition.

This investment property situated at Harischandra Mawatha, Anuradhapura containing 138.97 perches in extent with no buildings was revalued as at 31st March 2015 on comparison method by Mr. W.M.H.G. Heenbanda, Incorporated Valuer, who carried out the initial valuation at the time of acquisition of subsidiary. This revised valuation indicates a decline in value of Rs. 3.75 Million in market value of the property which is provided for in accounts for the year ended 31st March 2015.

There were no maintenance cost in respect of investment property.

Notes to the Financial Statements

37 COMPANY'S/GROUP'S INVESTMENT IN ASSOCIATES

Investor	Investee	% Holding	
		31.03.2015	31.03.2014
	Quoted investments		
Central Finance Company PLC 239,918	Tea Smallholder Factories PLC	22.85%	22.85%
	Nations Trust Bank PLC	8.98%	8.98%
	Unquoted investments		
Central Finance Company PLC Company investment in associates	Capital Suisse Asia Ltd.	16.29%	16.29%
	Quoted investments		
CF Growth Fund Ltd.	Tea Smallholder Factories PLC	6.45%	6.45%
	Nations Trust Bank PLC	6.42%	6.42%
	Unquoted investments		
	Capital Suisse Asia Ltd.	8.29%	8.29%
	Quoted investments		
CF Insurance Brokers (Pvt) Ltd. Group's investment in associates	Nations Trust Bank PLC	4.60%	4.60%
Group share of associate companies' retained assets			
Tea Smallholder Factories PLC			
Nations Trust Bank PLC			
Capital Suisse Asia Ltd.			
Group's investment in associates (equity basis)			
		Nations Trust Bank PLC	
		31.03.2015	31.03.2014
		Rs.000	Rs.000
Group's investment in associates (at cost)		1,011,053	1,011,053
Group share of associate companies' retained earnings at beginning of the year		1,349,660	1,011,533
For the year ended			
Share of profit of associates (net of tax)		495,927	436,827
Share of other comprehensive income (net of tax)		14,394	(1,845)
Dividends received		(96,855)	(96,855)
		2,774,179	2,360,713

No. of shares		Cost		Market Value/Directors' Valuation	
31.03.2015	31.03.2014	31.03.2015 Rs.'000	31.03.2014 Rs.'000	31.03.2015 Rs.'000	31.03.2014 Rs.'000
6,854,814	6,854,814	99,337	99,337	270,765	
20,715,400	20,715,400	394,631	394,631	2,073,612	1,344,429
2,949,000	2,949,000	29,490	29,490	29,490	29,490
523,458	523,458	2,373,867	1,613,837		
1,933,678	1,933,678	30,361	30,361	76,380	67,679
14,813,273	14,813,273	347,615	347,615	1,482,809	961,381
1,500,000	1,500,000	15,000	15,000	15,000	15,000
10,592,857	10,592,857	268,807	268,807	1,060,345	687,476
		1,185,241	1,185,241	5,008,401	3,345,373
		168,133	151,194		
		1,763,126	1,349,660		
		51,324	32,987		
		3,167,824	2,719,082		
Tea Smallholder Factories PLC		Capital Suisse Asia Ltd.		Total	
31.03.2015	31.03.2014	31.03.2015	31.03.2014	31.03.2015	31.03.2014
Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
129,698	129,698	44,490	44,490	1,185,241	1,185,241
151,194	135,272	32,987	32,883	1,533,841	1,179,688
10,547	23,873	26,652	20,169	533,126	480,869
15,180	837	(84)	-	29,490	(1,008)
(8,788)	(8,788)	(8,231)	(20,065)	(113,874)	(125,708)
297,831	280,892	95,814	77,477	3,167,824	2,719,082

Notes to the Financial Statements

37.1 SUMMARISED FINANCIAL INFORMATION OF ASSOCIATES

As at	Nations Trust Bank PLC	
	31.03.2015 Rs.000	31.03.2014 Rs.000
Assets	152,961,412	143,948,528
Liabilities	139,090,530	132,144,973
Non-controlling interest	-	-
Equity	13,870,882	11,803,555
For the year ended		
Revenue	20,590,020	20,556,660
Profit after tax	2,479,633	2,184,135
Other comprehensive income	71,969	(9,223)
Total comprehensive income	2,551,602	2,174,912
Total comprehensive income attributable to equity holders of the company	2,551,602	2,174,912
Total comprehensive income attributable to non-controlling interest	-	-

38 GROUP'S/COMPANY'S INVESTMENT IN SUBSIDIARIES

	Principal business activities	Principal place of business	% Holding Group	
			31.03.2015	31.03.2014
Quoted investments				
Central Industries PLC	Manufacture and distribution of PVC pipes and fittings	Sri Lanka	49.98%	49.98%
Unquoted investments				
Central Developments Ltd.	Investment company	Sri Lanka	99.99%	99.99%
Dehigama Hotels Company Ltd.	Renting of commercial property	Sri Lanka	79.69%	79.69%
Expanded Plastic Products (Pvt) Ltd.	Investment company	Sri Lanka	99.99%	99.99%
Central Mineral Industries (Pvt) Ltd.	Manufacture of mineral products	Sri Lanka	99.99%	99.99%
Central Transport & Travels Ltd.	Hiring of vehicles	Sri Lanka	99.99%	99.99%
Central Construction & Development (Pvt) Ltd.	Investment company	Sri Lanka	99.90%	99.90%
CF Growth Fund Ltd.	Investment company	Sri Lanka	99.99%	99.99%
Kandy Private Hospitals Ltd.	Provision of healthcare services	Sri Lanka	66.58%	66.58%
CF Insurance Brokers (Pvt) Ltd.	Insurance broking	Sri Lanka	99.99%	99.99%
Central Homes (Pvt) Ltd.	Property development and sale of real estate	Sri Lanka	99.99%	99.99%
Mark Marine Services (Pvt) Ltd.	Hydro power generation	Sri Lanka	58.12%	58.12%
Hedges Court Residencies (Pvt) Ltd.	Construction and sale of apartments	Sri Lanka	100.00%	100.00%
Isuru Leasing Company Ltd.	Hire purchase financing, granting of term loans and real estate development.	Sri Lanka	100.00%	-

Provision for impairment in investments in subsidiaries

Net investment in subsidiary companies

Tea Smallholder Factories PLC		Capital Suisse Asia Ltd.		Total	
31.03.2015	31.03.2014	31.03.2015	31.03.2014	31.03.2015	31.03.2014
Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
1,251,203	1,271,928	604,929	499,880	154,817,544	145,720,336
333,117	411,649	29,053	22,188	139,452,700	132,578,810
-	-	189,022	162,487	189,022	162,487
918,086	860,279	386,854	315,205	15,175,822	12,979,039
2,517,818	2,675,751	290,191	214,191	23,398,029	23,446,602
35,999	81,478	197,087	142,703	2,712,719	2,408,316
51,808	2,855	(623)	-	123,154	(6,368)
87,807	84,333	196,464	142,703	2,835,873	2,401,948
87,807	84,333	108,090	82,056	2,747,499	2,341,301
-	-	88,374	60,647	88,374	60,647

% Holding Company		No. of Shares Company		Cost Company		Market Value/ Directors' Valuation	
31.03.2015	31.03.2014	31.03.2015	31.03.2014	31.03.2015	31.03.2014	31.03.2015	31.03.2014
				Rs.'000	Rs.'000	Rs.'000	Rs.'000
44.06%	44.06%	4,354,500	4,354,500	42,905	42,905	369,697	248,207
39.79%	39.79%	5,289,972	5,289,972	52,900	52,900	52,900	52,900
79.69%	79.69%	659,854	659,854	7,443	7,443	7,443	7,443
40.00%	40.00%	2,559,967	2,559,967	25,600	25,600	19,368	19,368
39.99%	39.99%	139,979	139,979	1,400	1,400	1,400	1,400
39.64%	39.64%	1,169,000	1,169,000	11,690	11,690	11,690	11,690
0.10%	0.10%	5	5	-	-	-	-
39.87%	39.87%	6,500,000	6,500,000	65,000	65,000	65,000	65,000
37.00%	37.00%	203,700	203,700	2,363	2,363	2,363	2,363
40.00%	40.00%	4,949,997	4,949,997	49,500	49,500	49,500	49,500
38.48%	38.48%	1,315,000	1,315,000	13,151	13,151	5,261	5,261
40.00%	40.00%	3,424,477	3,424,477	55,158	55,158	48,626	48,626
40.00%	40.00%	2,000,000	2,000,000	20,000	20,000	-	-
100.00%	-	25,870,676	-	334,508	-	302,153	-
				681,618	347,110	935,401	511,758
				(40,654)	(40,654)		
				640,964	306,456		

Notes to the Financial Statements

38.1 Acquisition of a subsidiary

The company acquired 90.107% of the issued ordinary shares in Isuru Leasing Company Limited ('ILCL') on 12th November 2014 at a purchase consideration of Rs. 301.415 Million in furtherance of the Financial Sector Consolidation Programme - 2014 of the Central Bank of Sri Lanka. The principal business activities of Isuru Leasing Company Ltd. are leasing, hire purchase financing, granting of term loans and real estate development. The company obtained all relevant regulatory approvals prior to acquisition of Isuru Leasing Company Ltd. This acquisition was carried out based on the un-audited financial statements of ILCL as at 31.10.2014 and the investment has been accounted for using the acquisition method.

Assets acquired and liabilities assumed

The identifiable assets and liabilities of ILCL as at 31.10.2014 were:

	Rs.'000
Assets	
Cash in hand and at banks	10,507
Inventories and other stocks	719
FVtPL - Equity Investments	2,879
Trade and other receivables	15,201
Net investment in leases and hire purchase	67,522
Loans and advances	31,047
Investments in real estate	6,697
Investment property	45,000
Property, plant and equipment	204,658
Intangible assets	1,032
	385,262
Liabilities	
Bank overdrafts	7,136
Short term borrowings	54,772
Trade and other payables	2,031
Employee retirement benefit obligations	1,775
Deferred tax	2,713
	68,427
Total identifiable net assets	316,835

Fair values of the land and buildings were obtained using the valuations carried out by an independent professional valuer.

38.2 Goodwill arising on acquisition

	Rs.'000
Total identifiable net assets	316,835
Non-controlling interest	(31,345)
	285,490
Purchase consideration transferred	301,415
Goodwill arising on acquisition	15,925

Acquisition of non-controlling interest

On 24th December 2014, the company completed the acquisition of 100% of the issued ordinary shares of ILCL at a total purchase consideration of Rs. 334.507 Million and ILCL became a wholly owned subsidiary of the company.

The company elected to measure the non-controlling interest in the acquiree at the proportionate share of its interest in the acquiree's identifiable net assets.

	Rs.'000
Acquisition of balance issued share capital	
Consideration paid	33,092
Non-controlling interest at initial acquisition	31,345
Post acquisition retained earnings	(208)
<u>Total non-controlling interest</u>	<u>31,137</u>
<u>Transfer to group retained earnings</u>	<u>1,955</u>

38.3 Consideration transferred

Total purchase consideration stated above at the initial and subsequent acquisition of non-controlling interest was paid by cash.

38.4 Cost of acquisition of the subsidiary, net of cash acquired

	Rs.'000
Purchase consideration transferred	301,415
Cash and cash equivalents acquired on business combination	(3,371)
Acquisition of non-controlling interest	33,092
<u>Cost of acquisition of the subsidiary, net of cash acquired</u>	<u>331,136</u>

The aforesaid acquisition of shares in ILCL does not constitute a major transaction as defined in Section 185 of the Companies Act No 7 of 2007.

The company carried out an impairment testing as at 31.03.2015 on the goodwill recognised on acquisition of Isuru Leasing Company Ltd. and concluded that there is no impairment based on the future cash projections.

Notes to the Financial Statements

38.5 Summarised financial information of Subsidiaries

All figures in Rs.'000 As at	Assets		Liabilities	
	31.03.2015	31.03.2014	31.03.2015	31.03.2014
Central Industries PLC	1,531,997	1,285,317	418,887	270,901
Central Developments Ltd.	207,326	200,304	216	453
Dehigama Hotels Company Ltd.	342,707	343,820	17,149	18,594
Expanded Plastic Products (Pvt) Ltd.	61,008	59,799	34	50
Central Mineral Industries (Pvt) Ltd.	88,543	83,461	12,799	9,342
Central Transport & Travels Ltd.	72,734	62,453	1,924	2,384
Central Construction & Development (Pvt) Ltd.	-	-	36	102
CF Growth Fund Ltd.	1,629,865	1,103,333	168,739	186,871
Kandy Private Hospitals Ltd.	353,334	333,459	29,767	22,241
CF Insurance Brokers (Pvt) Ltd.	1,583,254	1,074,068	226,872	222,540
Central Homes (Pvt) Ltd.	30,194	28,268	234	243
Mark Marine Services (Pvt) Ltd.	165,266	139,012	10,182	9,488
Hedges Court Residencies (Pvt) Ltd.	30,355	30,780	184,263	184,362
Isuru Leasing Company Ltd.	326,051	N/A	23,896	N/A

Revenue

Total revenue earned from principal business activity/activities of subsidiaries are given above, whereas the revenue given in the business segment information for manufacturing and medical services refer to net revenue (net of cost of sales) earned from principal business activities.

38.6 Non-controlling interest (NCI) in Subsidiaries

	% of ownership held by NCI as at		% of voting rights held by NCI as at		Share of income of NCI for the year ended	
	31.03.2015	31.03.2014	31.03.2015	31.03.2014	31.03.2015	31.03.2014
				Rs.'000	Rs.'000	Rs.'000
Central Industries PLC	50.02	50.02	50.02	50.02	65,192	37,808
Mark Marine Services (Pvt) Ltd.	41.88	41.88	41.88	41.88	28,664	17,459
Dehigama Hotels Company Ltd.	20.31	20.31	20.31	20.31	3,852	3,830
Kandy Private Hospitals Ltd.	33.42	33.42	33.42	33.42	4,241	4,030
					101,949	63,127

Equity		Revenue		Profit after tax		Total comprehensive income	
31.03.2015	31.03.2014	31.03.2015	31.03.2014	31.03.2015	31.03.2014	31.03.2015	31.03.2014
1,113,110	1,014,416	2,086,241	1,636,160	130,331	75,584	128,347	101,606
207,110	199,851	9,638	11,042	8,323	9,547	8,323	9,547
325,558	325,226	29,638	29,638	18,964	18,860	18,964	154,828
60,974	59,749	1,333	1,326	1,134	1,122	1,224	1,105
75,744	74,119	28,718	26,838	1,663	284	7,193	33,151
70,810	60,069	2,375	4,037	11,655	9,118	11,655	9,118
(36)	(102)	-	-	66	(52)	66	(52)
1,461,126	916,462	37,574	41,055	14,685	6,554	545,316	44,890
323,567	311,218	99,917	93,193	12,689	12,059	12,689	99,004
1,356,382	851,528	260,807	269,570	123,254	100,430	512,896	140,768
29,960	28,025	900	900	1,937	2,525	1,937	2,525
155,084	129,524	85,878	80,712	68,444	41,688	68,367	42,175
(153,908)	(153,582)	-	-	(326)	2,703	(326)	2,703
302,155	N/A	11,528	N/A	(14,680)	N/A	(14,680)	N/A

Share of other comprehensive income of NCI for the year ended		Share of total comprehensive income for the year ended		Non-controlling interest(NCI) as at		Dividends paid to NCI Year ended	
31.03.2015	31.03.2014	31.03.2015	31.03.2014	31.03.2015	31.03.2014	31.03.2015	31.03.2014
Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
(992)	13,016	64,200	50,824	556,776	507,409	14,832	14,832
(32)	204	28,632	17,663	64,948	54,243	17,927	14,341
-	27,615	3,852	31,445	66,120	66,051	3,784	2,860
-	29,057	4,241	33,087	108,135	104,008	114	114
(1,024)	69,892	100,925	133,019	795,979	731,711	36,657	32,147

Notes to the Financial Statements

39 DEFERRED TAX ASSETS AND LIABILITIES

	Group		Company	
	31.03.2015 Rs. '000	31.03.2014 Rs. '000	31.03.2015 Rs. '000	31.03.2014 Rs. '000
Deferred tax liability				
At the beginning of the year	2,243,506	1,939,075	2,178,844	1,886,375
Liability assumed on acquisition of a subsidiary	2,713	-	-	-
Transfer from income statement	432,368	281,476	430,386	279,767
Transfer from/(to) statement of other comprehensive income	(19,713)	22,955	(18,931)	12,702
At the end of the year	2,658,874	2,243,506	2,590,299	2,178,844
Deferred tax assets				
At the beginning of the year	16,437	10,705	-	-
Transfer to/(from) income statement	(4,509)	2,535	-	-
Transfer to statement of other comprehensive income	941	3,197	-	-
At the end of the year	12,869	16,437	-	-

39.1 Group

	Statement of financial position		Income Statement		Other comprehensive income	
	31.03.2015 Rs. '000	31.03.2014 Rs. '000	2014/15 Rs. '000	2013/14 Rs. '000	2014/15 Rs. '000	2013/14 Rs. '000
Deferred tax assets, liabilities and income tax relate to the following:						
Deferred tax liability						
Capital allowances for tax purposes	2,723,342	2,261,294				
Effect due to liability assumed on acquisition of a subsidiary	(2,713)	-				
	2,720,629	2,261,294	(459,335)	(289,645)	-	(24,891)
Effect due to change in basis of impairment provisions with the adoption of SLFRS/LKAS	176,873	176,873	-	-	-	-
	2,900,215	2,438,167	(459,335)	(289,645)		(24,891)
Deferred tax assets						
Defined benefit plans	(241,341)	(194,661)	26,967	24,617	19,713	1,936
Derivative financial instruments	-	-	-	(16,448)	-	-
	(241,341)	(194,661)	26,967	8,169	-	-
Deferred tax income/(expense)			(432,368)	(281,476)	19,713	(22,955)
Net deferred tax liability	2,658,874	2,243,506				

	Statement of financial position		Income Statement		Other comprehensive income	
	31.03.2015 Rs. '000	31.03.2014 Rs. '000	2014/15 Rs. '000	2013/14 Rs. '000	2014/15 Rs. '000	2013/14 Rs. '000
Deferred tax assets						
Defined benefit plans	12,869	16,414	(4,486)	2,594	941	3,197
Carried forward tax losses	-	23	(23)	(59)	-	-
	12,869	16,437	(4,509)	2,535	941	3,197
Deferred tax income/(expense)			(4,509)	2,535	941	3,197
Total charged to income statement/ statement of other comprehensive income			(436,877)	(278,941)	20,654	(19,758)

39.2 Company

	Statement of financial position		Income Statement		Other Comprehensive Income	
	31.03.2015 Rs. '000	31.03.2014 Rs. '000	2014/15 Rs. '000	2013/14 Rs. '000	2014/15 Rs. '000	2013/14 Rs. '000
Deferred tax assets, liabilities and income tax relate to the following:						
Deferred tax liability						
Capital allowances for tax purposes	2,641,031	2,185,369	(455,662)	(286,483)	-	(14,638)
Effect due to change in basis of impairment provisions with the adoption of SLFRS/LKAS	176,873	176,873	-	-	-	-
	2,817,904	2,362,242	(455,662)	(286,483)		
Deferred tax assets						
Defined benefit plans	(227,605)	(183,398)	25,276	23,164	18,931	1,936
Derivative financial instruments	-	-	-	(16,448)	-	-
	(227,605)	(183,398)	25,276	6,716		
Deferred tax income/(expense)			(430,386)	(279,767)	18,931	(12,702)
Net deferred tax liability	2,590,299	2,178,844				

Notes to the Financial Statements

40 PROPERTY, PLANT AND EQUIPMENT

Group	Land and Buildings	Furniture and office equipment	Motor vehicles & lifts	Plant, machinery and other equipment	Total 31.03.2015	Total 31.03.2014
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Cost/valuation						
At the beginning of the year	3,579,484	259,855	1,996,588	1,311,298	7,147,225	5,699,656
Assets acquired on acquisition of a subsidiary	195,000	8,936	10,731	3,565	218,232	-
Additions/transfers	1,639	20,514	453,029	147,602	622,784	773,458
Surplus on revaluation	-	-	-	-	-	1,123,745
Disposals/transfers	-	(8,841)	(325,514)	(28,197)	(362,552)	(449,634)
At the end of the year	3,776,123	280,464	2,134,834	1,434,268	7,625,689	7,147,225
Accumulated depreciation						
At the beginning of the year	3,042	127,183	786,238	854,624	1,771,087	1,683,417
Accumulated depreciation assumed on acquisition of a subsidiary	-	6,354	5,686	1,534	13,574	-
Charge/transfers during the year	20,573	36,001	239,749	90,305	386,628	510,479
Revaluation adjustment on accumulated depreciation	-	-	-	-	-	(156,749)
On disposals/transfers	(112)	(9,296)	(192,605)	(23,650)	(225,663)	(266,061)
At end of the year	23,503	160,242	839,068	922,813	1,945,626	1,771,086
Net book value	3,752,620	120,222	1,295,766	511,455	5,680,063	5,376,139
Capital work-in-progress					121,053	91,166
Carrying amount at the end of the year					5,801,116	5,467,305

Company	Land and Buildings	Furniture and office equipment	Motor vehicles & lifts	Plant, machinery and other equipment	Total 31.03.2015	Total 31.03.2014
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Cost/valuation						
At the beginning of the year	2,616,653	221,727	1,962,102	633,878	5,434,360	4,237,670
Additions/transfers	1,229	20,160	440,257	95,765	557,411	733,368
Surplus on revaluation	-	-	-	-	-	894,358
Disposals/transfers	-	(4,999)	(317,334)	(9,873)	(332,206)	(431,036)
At the end of the year	2,617,882	236,888	2,085,025	719,770	5,659,565	5,434,360
Accumulated Depreciation						
At the beginning of the year	3,042	107,512	759,428	354,786	1,224,768	1,124,576
Charge/transfers during the year	10,800	33,386	233,886	51,999	330,071	450,078
Revaluation adjustment on accumulated depreciation	-	-	-	-	-	(93,932)
On disposals/transfers	(112)	(5,552)	(184,623)	(6,805)	(197,092)	(255,954)
At the end of the year	13,730	135,346	808,691	399,980	1,357,747	1,224,768
Net book value	2,604,152	101,542	1,276,334	319,790	4,301,818	4,209,592
Capital work-in-progress					115,586	91,047
Carrying amount at the end of the year					4,417,404	4,300,639

Information on the freehold land and buildings of the company and the group as at 31.03.2015

Location/Address	Extent (Perches)	Cost / revaluation of land Rs.'000	Cost / revaluation of buildings Rs.'000	Total value Rs.'000	Accumulated depreciation Rs.'000	Net book value Rs.'000
Central Finance Company PLC						
City Office						
No.270, Vauxhall Street, Colombo 02	117.32	320,500	105,500	426,000	2,638	423,362
No.244, Vauxhall Street, Colombo 02	13.21	40,000	32,000	72,000	800	71,200
Branches						
No.62, Maithripala Senanayake Mawatha, Anuradhapura	40.20	50,250	39,037	89,287	1,952	87,335
No.367, Main Street, Negombo	29.00	43,500	6,500	50,000	186	49,814
No.38, Mihindu Mawatha, Kurunegala	54.63	97,350	2,650	100,000	75	99,925
No.04, Udaya Raja Mawatha, Badulla	26.90	36,800	4,200	41,000	120	40,880
No.78, Kumarathunga Mawatha, Matara	125.25	145,200	6,800	152,000	194	151,806
No.23, Kurunegala Road, Dambulla	21.00	20,000	5,000	25,000	125	24,875
No.143, Colombo Road, Moragahayata, Ratnapura	46.00	81,300	6,383	87,683	179	87,504
No.312, Highlevel Road, Nugegoda	15.70	47,000	25,000	72,000	625	71,375
No.215, Maradana Road, Colombo 10	39.37	135,946	26,176	162,122	2,603	159,519
Showroom						
No.254, 254/1, Katugastota Road, Kandy	85.93	92,350	35,150	127,500	879	126,621
Vehicle Yards						
No.249, Katugastota Road, Kandy	165.38	221,500	5,500	227,000	157	226,843
No.313, Koholwila Road, Kelaniya	348.50	36,500	11,500	48,000	638	47,362
Batalahenawatte Road, Gonawala, Kelaniya	189.05	23,750	933	24,683	28	24,655
No.258/3, Katugastota Road, Kandy	45.93	52,000	-	52,000	-	52,000
No.210, Siri Dhamma Mawatha, Colombo 10	121.45	173,575	22,350	195,925	894	195,031
No.313, Madawala Road, Katugastota	167.43	120,000	1,000	121,000	83	120,917
Kiriindiwela Road, Pugoda	1,600.00	21,200	3,082	24,282	250	24,032
Other properties						
No.268, Vauxhall Street, Colombo 02	21.67	65,000	-	65,000	-	65,000
Pahathgama Cross Road, Hanwella	180.00	7,200	-	7,200	-	7,200
Sarasavigama Road, Hindagala	1,283.83	10,450	-	10,450	-	10,450
Hekiththa Road, Wattala	375.00	55,000	-	55,000	-	55,000
Bungalows						
No.8, Sukhastan Gardens, Ward Place, Colombo 7	38.14	76,000	14,000	90,000	350	89,650
No.25, Sri Rahula Road, Nuwaraeliya	194.00	106,600	13,400	120,000	335	119,665
Indibedda, Moratuwa	251.10	75,250	24,750	100,000	619	99,381
Car Parks						
Yatinuwara Veediya, Kandy	14.00	42,000	-	42,000	-	42,000
No.267 & 269, Vauxhall Street, Colombo 02	10.26	30,750	-	30,750	-	30,750
Total for the company		2,226,971	390,911	2,617,882	13,730	2,604,152

Notes to the Financial Statements

Location/Address	Extent (Perches)	Cost / revaluation of land Rs.'000	Cost / revaluation of buildings Rs.'000	Total value Rs.'000	Accumulated depreciation Rs.'000	Net book value Rs.'000
Group companies						
Dehigama Hotels Company Ltd.						
No.84, Raja Veediya, Kandy	85.00	244,000	86,000	330,000	2,475	327,525
Kandy Private Hospitals Ltd.						
No.35, Dr. C.D.L.Fernando Mawatha, Mahaiyawa, Kandy	127.25	112,900	44,100	157,000	1,260	155,740
No. 35/178 & 35/178/1/1, Dr. C.D.L.Fernando Mawatha, Mahaiyawa, Kandy	38.10	35,600	12,400	48,000	413	47,587
Kirillagodawatta	10.00	10,000	-	10,000	-	10,000
Central Mineral Industries (Pvt) Ltd.						
Diganatenna Estate, Gonawala, Rajawella, Digana	1,916.25	63,100	2,900	66,000	195	65,805
Central Industries PLC						
Factory						
No.195/4, Kerawalapitiya Road, Hendala, Wattala	522.10	130,525	70,839	201,364	3,060	198,304
Udathuthripitiya, Yakkala	1,440.00	36,862	28,655	65,517	734	64,783
Head office						
No.312, Nawala Road, Rajagiriya	18.00	40,000	45,360	85,360	1,406	83,954
Isuru Leasing Company Limited						
552, Peradeniya Road, Kandy	12.50	62,500	12,500	75,000	101	74,899
218, Colombo Street, Kandy	1.94	22,400	11,600	34,000	94	33,906
326, D.S.Senanayaka Veediya, Kandy	10.90	65,400	4,600	70,000	35	69,965
Hantana, Bowalawatta	52.30	16,000	-	16,000	-	16,000
Total for the group		3,066,258	709,865	3,776,123	23,503	3,752,620

	Group		Company	
	31.03.2015	31.03.2014	31.03.2015	31.03.2014
No of buildings owned by the group and company	47	44	22	22

Revaluations

Freehold land and buildings of the group are revalued regularly to ensure that the carrying amounts do not differ materially from the fair values of such properties. The freehold land and buildings of the company and the subsidiaries, Kandy Private Hospitals Ltd., Dehigama Hotels Company Ltd., Central Mineral Industries (Pvt) Ltd. were revalued in March 2014 by Mr. W. Panditharathna, an Independent, Qualified Valuer/Licensed Surveyor resulting in the carrying amounts being written up by Rs. 988.29 Million and Rs. 1,280.49 Million respectively. Valuation for subsidiary, Central Industries PLC was carried out by Mr. L. D. S. Rangedara, an independent Valuer/Valuer of Real Estate. The valuations were carried out under the "Comparison" and "Contractor's" methods on the basis that the land and buildings are of freehold ownership and are free from any restrictions in regard to title.

The details of the above revaluations are given below.

Location/Address		Valuation method	Net book value before revaluation Rs.'000	Revalued amount Rs.'000	Revaluation surplus Rs.'000
Central Finance Company PLC					
City office					
No.270, Vauxhall Street, Colombo 02	Land	Comparison	204,613	320,500	115,887
No.244, Vauxhall Street, Colombo 02	Building	Contractor's	91,608	105,500	13,892
	Land	Comparison	20,760	40,000	19,240
	Building	Contractor's	16,932	32,000	15,068
Branches					
No.62, Maithripala Senanayake Mawatha, Anuradhapura	Land	Comparison	24,306	50,250	25,944
No.367, Main Street, Negombo	Land	Comparison	24,239	43,500	19,261
	Building	Contractor's	3,884	6,500	2,616
No.38, Mihindu Mawatha, Kurunegala	Land	Comparison	34,700	97,350	62,650
	Building	Contractor's	2,439	2,650	211
No.04, Udaya Raja Mawatha, Badulla	Land	Comparison	16,692	36,800	20,108
	Building	Contractor's	2,625	4,200	1,575
No.78, Kumarathunga Mawatha, Matara	Land	Comparison	83,769	145,200	61,431
	Building	Contractor's	3,573	6,800	3,227
No.143, Colombo Road Moragahayata, Ratnapura	Land	Comparison	18,281	81,300	63,019
	Building	Contractor's	5,347	6,200	853
No.312, Highlevel Road, Nugegoda	Land	Comparison	27,075	47,000	19,925
	Building	Contractor's	15,806	25,000	9,194
No.21, Kurunegala Road, Dambulla	Land	Comparison	1,777	20,000	18,223
	Building	Contractor's	4,084	5,000	916
Showrooms					
No.254, Katugastota Road, Kandy	Land	Comparison	69,000	92,350	23,350
	Building	Contractor's	30,079	35,150	5,071
Vehicle Yards					
No.249, Katugastota Road, Kandy	Land	Comparison	114,239	221,500	107,261
	Building	Contractor's	2,123	5,500	3,377
No.313, Koholwila Road, Kelaniya	Land	Comparison	17,636	36,500	18,864
	Building	Contractor's	4,992	11,500	6,508
Batalahenawatte Road, Gonawala, Kelaniya	Land	Comparison	7,946	23,750	15,804
	Building	Contractor's	179	250	71
No.210, Siri Dhamma Mawatha Colombo 10	Land	Comparison	158,120	173,575	15,455
	Building	Contractor's	16,235	22,350	6,115
No.313, Madawala Road, Katugastota	Land	Comparison	30,100	120,000	89,900
	Building	Contractor's	742	1,000	258
No.258/3, Katugastota Road, Kandy	Land	Comparison	22,750	52,000	29,250
Kirindiwela Road, Pugoda	Land	Comparison	17,622	21,200	3,578
	Building	Contractor's	1,998	3,000	1,002
Other properties					
No.268, Vauxhall Street, Colombo 02	Land	Comparison	31,770	65,000	33,230
Pahathgama Cross Road, Hanwella	Land	Comparison	4,106	7,200	3,094
Sarasavigama Road, Hindagala	Land	Comparison	9,958	10,450	492
Hekiththa Road, Wattala	Land	Comparison	36,135	55,000	18,865

Notes to the Financial Statements

Location/Address		Valuation method	Net book value before revaluation Rs.'000	Revalued amount Rs.'000	Revaluation surplus Rs.'000
Bungalows					
No.8, Sukhastan Gardens, Ward Place, Colombo 7	Land	Comparison	66,642	76,000	9,358
No.25, Sri Rahula Road Nuwaraeliya	Building	Contractor's	11,059	14,000	2,941
Indibedda, Moratuwa	Land	Comparison	67,908	106,600	38,692
	Building	Contractor's	9,949	13,400	3,451
	Land	Comparison	37,562	75,250	37,688
	Building	Contractor's	26,775	24,750	(2,025)
Car Parks					
Yatinuwara Veediya, Kandy	Land	Comparison	14,000	42,000	28,000
No.267 & 269, Vauxhall Street, Colombo 02	Land	Comparison	15,350	30,750	15,400
Sub total	Land		1,177,056	2,091,025	913,969
	Building		250,429	324,750	74,321
Total for the Company			1,427,485	2,415,775	988,290
Kandy Private Hospitals Ltd					
No.35, Dr. C.D.L.Fernando Mawatha, Mahaiyawa, Kandy	Land	Comparison	71,500	112,900	41,400
	Building	Contractor's	30,027	44,100	14,073
No.35/178 & 35/178/1/1, Dr. C.D.L.Fernando Mawatha, Mahaiyawa, Kandy	Land	Comparison	17,500	35,600	18,100
	Building	Contractor's	5,146	12,400	7,254
Kirillagodawatta	Land	Comparison	-	10,000	10,000
Central Mineral Industries (Pvt) Ltd					
Diganatenna Estate, Gonawala, Rajawella, Digana	Land	Comparison	30,774	63,100	32,326
	Building	Contractor's	2,359	2,900	541
Central Industries PLC					
Factory Kerawalapitiya	Land	Contractor's	130,525	130,525	-
	Building	Contractor's	54,593	70,836	16,243
Udathuthiripitiya, Yakkala	Land	Contractor's	31,074	36,862	5,788
	Building	Contractor's	27,543	28,655	1,112
Head office-Nawala	Land	Contractor's	36,000	40,000	4,000
	Building	Contractor's	39,550	44,950	5,400
Dehigama Hotels Company Ltd					
No.84, Raja Veediya, Kandy	Land	Comparison	125,000	244,000	119,000
	Building	Contractor's	69,032	86,000	16,968
Total for the group	Land		1,619,429	2,764,012	1,144,583
	Building		478,679	614,591	135,912
			2,098,108	3,378,603	1,280,495

Where properties have fallen in value, the decreases have been charged against revaluation reserve to the extent that it was credited previously and any decrease beyond such value was charged to the income statement during the year of such revaluations.

The carrying value of freehold land and buildings of the group, if carried at cost less accumulated depreciation and impairment, would amount to Rs.1,168.82 Million as at 31st March 2015. (31st March 2014 Rs. 1,061.42 Million).

The cost of fully depreciated assets of the group and company amounted to Rs. 669.47 Million and Rs. 516.73 Million respectively as at 31.03.2015 (group Rs. 769.28 Million and company Rs. 647.87 Million as at 31st March 2014).

The carrying value of land and buildings pledged as security for banking facilities obtained amounts to Rs. 753.58 Million and Rs. 423.36 Million for the group and company as at 31.03.2015 respectively (group - Rs. 756.5 Million and company Rs. 426.50 Million as at 31.03.2014).

There were no temporary idle property, plant and equipment as at 31.03.2015

There were no property, plant and equipment retired from active use as at 31.03.2015

There were no capitalised borrowing costs related to acquisition of property, plant and equipment during the financial year 2014/15. (2013/14 - Nil)

There were no restrictions on the title of property, plant and equipment of the group as at the date of the Statement of Financial Position.

No compensation was received or due from third parties for items of property, plant and equipment that were impaired, lost or given up.

Movement of capital work-in-progress

	Group		Company	
	31.03.2015 Rs.'000	31.03.2014 Rs.'000	31.03.2015 Rs.'000	31.03.2014 Rs.'000
Balance at the beginning of the year	91,166	31,178	91,047	21,385
Additions during the year	39,419	83,053	32,124	82,934
Transfer to property, plant and equipment	(9,532)	(23,065)	(7,585)	(13,272)
Balance at the end of the year	121,053	91,166	115,586	91,047

41 INTANGIBLE ASSETS

	Group		Company	
	31.03.2015 Rs.'000	31.03.2014 Rs.'000	31.03.2015 Rs.'000	31.03.2014 Rs.'000
Computer software at cost				
At the beginning of the year	139,907	133,995	136,300	130,787
Additions	168,803	5,912	168,608	5,513
Assets acquired on acquisition of a subsidiary	1,032	-	-	-
At the end of the year	309,742	139,907	304,908	136,300
Amortisation				
At the beginning of the year	(112,000)	(97,022)	(109,705)	(95,412)
Charge for the year	(28,064)	(14,978)	(26,988)	(14,293)
At the end of the year	(140,064)	(112,000)	(136,693)	(109,705)
Carrying amount				
At the beginning of the year	27,907	36,973	26,595	35,375
At the end of the year	169,678	27,907	168,215	26,595

The cost of fully depreciated intangible assets of the company and group currently in use as at 31.03.2015 amounted to Rs. 97.72 Million and Rs. 99.30 Million respectively (as at 31.03.2014 Rs. 62.69 Million for the group and company).

Notes to the Financial Statements

	Group		Company	
	31.03.2015 Rs.'000	31.03.2014 Rs.'000	31.03.2015 Rs.'000	31.03.2014 Rs.'000
42 TRADE AND OTHER PAYABLES				
Accrued interest on deposits	41,696	55,944	41,696	55,944
Creditors	1,719,524	996,390	1,539,618	819,217
Advances on real estate projects	2,119	6,751	1,005	3,610
Accrued expenses	110,485	80,327	33,378	26,280
Others	530,245	321,487	475,575	290,443
	2,404,069	1,460,899	2,091,272	1,195,494

43 DERIVATIVE FINANCIAL INSTRUMENTS

The table below provides the notional principal amounts and the positive and negative fair values of the company's and group's derivative financial instruments. Notional principal amounts are the amounts of principal underlying the contract at the reporting dates.

	Group & Company 2015			Group & Company 2014		
	Notional principal amounts	Assets	Liabilities	Notional principal amounts	Assets	Liabilities
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Interest rate derivative contracts:						
SWAPs	200,000	-	6,927	200,000	-	2,537

44 SHORT TERM BORROWINGS

Short term borrowings					
Borrower	Lending Institution	Nature of Facility	Security	31.03.2015 Rs.000	31.03.2014 Rs.000
Central Finance Company PLC	National Development Bank PLC	Revolving short term loan	Agreement to mortgage over leases	500,322	-
Total for the company				500,322	-
Central Industries PLC	Hatton National Bank PLC	Short term loan	Unsecured	33,000	52,300
	Nations Trust Bank PLC	Short term loan	Unsecured	135,100	33,500
				168,100	85,800
Total for the group				668,422	85,800

	Group		Company	
	31.03.2015 Rs.'000	31.03.2014 Rs.'000	31.03.2015 Rs.'000	31.03.2014 Rs.'000
45 DEPOSITS				
Term deposits	32,234,812	31,792,433	32,458,131	32,085,076
Savings	1,213,453	880,662	1,284,452	921,973
	33,448,265	32,673,095	33,742,583	33,007,049
Payable within one year	27,966,563	25,768,519	28,260,881	26,061,176
Payable after one year	5,481,702	6,904,576	5,481,702	6,945,873
	33,448,265	32,673,095	33,742,583	33,007,049

The above includes a sum of Rs. 285,494,269 (Rs. 249,810,974 as at 31.03.2014) deposited with the company by the Directors and their close family members.

46 LONG TERM BORROWINGS

Borrower	Lending Institution	Nature of Facility	Security	Group/Company	
				31.03.2015 Rs.'000	31.03.2014 Rs.'000
Central Finance Company PLC	Consortium of lenders	Securitisation facility	Mortgage over leases	452,809	939,310
	Habib Bank Ltd.	Term loan	Mortgage over leases	-	125,136
	Hatton National Bank PLC	Term loan	Power of attorney and mortgage bond over lease agreements and hypothecation of hire purchase contracts	-	93,104
				452,809	1,157,550
Payable within one year				452,809	790,792
Payable after one year				-	366,758
				452,809	1,157,550

Notes to the Financial Statements

47 DEBENTURES

	Group		Company	
	31.03.2015 Rs.'000	31.03.2014 Rs.'000	31.03.2015 Rs.'000	31.03.2014 Rs.'000
At the beginning of the year	4,840,383	757,516	4,840,383	757,516
Issued during the year	-	4,000,000	-	4,000,000
Amortised cost at end of the year	18,836	82,867	18,836	82,867
At the end of the year	4,859,219	4,840,383	4,859,219	4,840,383

Date of issue	Colombo Stock Exchange Listing	Interest payment frequency	No. of Debentures issued	Face value Rs.'000	Rate of interest %	Tenor	Date of maturity	Group & Company	
								31.03.2015 Rs.'000	31.03.2014 Rs.'000
3-Mar-11	Unlisted	Annually	5	250,000	11.03	5 years	3-Mar-16	251,977	251,977
24-May-12	Unlisted	Semi annually	500,000	500,000	Gross 06 months TB+2.5	3 years	24-May-15	497,311	491,877
30-May-12	Unlisted	Semi annually	20,000	20,000	Gross 06 months TB+2.5	3 years	30-May-15	19,888	19,671
17-Jun-13	Listed	Quarterly	300,000	300,000	14.25	3 years	17-Jun-16	307,915	306,149
17-Jun-13	Listed	Quarterly	300,000	300,000	14.50	4 years	17-Jun-17	307,514	306,410
17-Jun-13	Listed	Quarterly	1,400,000	1,400,000	14.75	5 years	17-Jun-18	1,433,809	1,430,066
12-Dec-13	Listed	Semi annually	2,000,000	200,000	13.00	3 years	12-Dec-16	204,669	203,342
12-Dec-13	Listed	Semi annually	2,000,000	200,000	13.25	4 years	12-Dec-17	204,037	203,275
12-Dec-13	Listed	Semi annually	6,000,000	600,000	13.50	5 years	12-Dec-18	611,970	610,313
12-Dec-13	Listed	Annually	10,000,000	1,000,000	13.95	5 years	12-Dec-18	1,020,129	1,017,303
								4,859,219	4,840,383

There were no breaches or defaults in loans/debentures payable.

48 EMPLOYEE BENEFIT OBLIGATIONS

	Group		Company	
	31.03.2015 Rs.'000	31.03.2014 Rs.'000	31.03.2015 Rs.'000	31.03.2014 Rs.'000
Present value of defined benefit obligation	1,101,200	969,238	996,712	859,855
Fair value of plan asset	(183,837)	(204,859)	(183,837)	(204,859)
Unfunded status	917,363	764,379	812,875	654,996
Net retirement benefit obligation	917,363	764,379	812,875	654,996

	Group		Company	
	31.03.2015 Rs.'000	31.03.2014 Rs.'000	31.03.2015 Rs.'000	31.03.2014 Rs.'000
Movement of the retirement benefit obligation				
Present value of defined benefit obligation at the beginning of the year	969,238	824,049	859,855	729,165
Liability assumed on acquisition of a subsidiary	1,775	-	-	-
Interest cost	100,795	94,050	90,285	83,854
Current service cost	66,029	61,211	57,186	52,703
Payments made during the year	(107,532)	(17,606)	(75,304)	(14,100)
Actuarial (gain)/loss	70,895	7,534	64,690	8,233
Present value of defined benefit obligation at the end of the year	1,101,200	969,238	996,712	859,855
Movement of the plan assets				
Fair value of the plan assets at the beginning of the year	204,859	163,814	204,859	163,814
Contributions paid into the plan	40,007	35,867	40,007	35,867
Benefits paid by the plan	(75,303)	(14,100)	(75,303)	(14,100)
Expected return on plan assets	17,194	17,960	17,194	17,960
Actuarial gain/ (loss)	(2,920)	1,318	(2,920)	1,318
Fair value of the plan assets at the end of the year	183,837	204,859	183,837	204,859
Plan assets consist of the following:				
Investments in treasury bills			26,940	-
Investments in treasury bonds			50,582	50,476
Investments in fixed deposits with banks			106,315	154,383
			183,837	204,859

Retirement benefit liability of Central Finance Company PLC is partly funded externally through a gratuity fund established in 1987. Retirement benefit obligations of Central Finance Company PLC, Central Industries PLC and CF Insurance Brokers (Pvt) Ltd have been determined as per actuarial valuations carried out by Mr. Piyal S Goonetilleke, Fellow of the Society of Actuaries (USA), Member of the American Academy of Actuaries. Employee benefit liabilities of Central Mineral Industries (Pvt) Ltd, Kandy Private Hospital Ltd., Isuru Leasing Company Limited and Mark Marine Services (Pvt) Ltd. are computed based on a formula which approximates actuarial valuation.

Details of actuarial assumptions are as follows:

	31.03.2015	31.03.2014						
Actuarial assumptions								
Discount rate	10.00%	10.50%						
Expected return on plan assets	7%	9%						
Future salary increases	10.00%	11.00%						
Mortality GA 1983 Mortality Table								
Age:	20	25	30	35	40	45	50	
Turnover:	10%	10%	10%	8%	5%	2.5%	1%	
Disability Age:	20	25	30	35	40	45	50	55
Disability	0.08%	0.09%	0.10%	0.12%	0.18%	0.29%	0.54%	0.00%

(Long term disability 1987 Soc.Sec.Table: Rates of disability at selected ages)
Retirement Age-Normal retirement age or age at valuation date, if greater.

Notes to the Financial Statements

49 STATED CAPITAL

	Group & Company			
	31.03.2015		31.03.2014	
	No. of shares In'000	Stated Capital Rs.'000	No. of shares In'000	Stated Capital Rs.'000
Issued and fully paid - ordinary shares				
At the beginning of the year	104,883	568,420	104,883	568,420
At the end of the year	104,883	568,420	104,883	568,420

50 CAPITAL RESERVES

	Group		Company	
	31.03.2015	31.03.2014	31.03.2015	31.03.2014
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Revaluation reserve				
Balance at the beginning of the year	2,499,770	1,319,383	1,938,557	968,758
Revaluation of land and buildings	-	1,206,247	-	988,290
Deferred tax attributable to revaluation surplus	-	(20,406)	-	(14,638)
Depreciation on revaluation surplus	(5,233)	(5,454)	(3,953)	(3,853)
Share of revaluation surplus - associate company	15,018	-	-	-
Balance at the end of the year	2,509,555	2,499,770	1,934,604	1,938,557
Capital redemption reserve	17,899	17,899	-	-
	17,899	17,899	-	-
Total	2,527,454	2,517,669	1,934,604	1,938,557

Revaluation reserve consists of the net surplus on the revaluation of land and buildings.

Capital redemption reserve comprises of reserve funds arising from the redemption of preference shares of a subsidiary.

51 RESERVE FUND

	Group		Company	
	31.03.2015	31.03.2014	31.03.2015	31.03.2014
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance at the beginning of the year	1,078,000	939,000	1,078,000	939,000
Transfers during the year	151,000	139,000	151,000	139,000
Balance at the end of the year	1,229,000	1,078,000	1,229,000	1,078,000

The company's Reserve fund is maintained in accordance with Direction No. 9 of 1991 as amended by Direction No. 1 of 2003 issued by the Central Bank of Sri Lanka under the Finance Business Act No. 42 of 2011.

52 AVAILABLE FOR SALE RESERVE

	Group		Company	
	31.03.2015 Rs.'000	31.03.2014 Rs.'000	31.03.2015 Rs.'000	31.03.2014 Rs.'000
Balance at the beginning of the year	26,665	12,887	26,665	12,887
Transfers during the year	59,872	13,778	59,872	13,778
Share of net gain on re-measuring AFS instruments - associate company	15,962	-	-	-
Balance at the end of the year	102,499	26,665	86,537	26,665

53 REVENUE RESERVES

	Group		Company	
	31.03.2015 Rs.'000	31.03.2014 Rs.'000	31.03.2015 Rs.'000	31.03.2014 Rs.'000
General Reserve:				
Balance at the beginning of the year	13,593,420	11,592,420	13,582,239	11,581,239
Transfers during the year	3,205,000	2,001,000	3,205,000	2,001,000
	16,798,420	13,593,420	16,787,239	13,582,239
Retained earnings				
Balance at the end of the year	3,092,803	2,468,783	8,576	9,298
	19,891,223	16,062,203	16,795,815	13,591,537

General reserve represents amounts set aside by the Directors for future expansions, and to meet any contingencies.

54 SECURED LIABILITIES

Short term, long term borrowings and debentures of the company have been secured on the mortgage of specific land and buildings, pledge of specific quoted company shares and assignment of specific lease receivables/book debts and hypothecation of hire purchase and lease contracts. The carrying value of the assets mortgaged/assigned as security amounted to Rs. 9,799 Million as at 31st March 2015 (31st March 2014 - Rs. 13,544 Million).

55 CAPITAL EXPENDITURE

Capital expenditure approved by the Board of Directors for which provision has not been made in the financial statements amounts to approximately Rs. 83.25 Million for the company and Rs. 91.45 Million for the group (2013/2014 - Rs. 91.28 Million for the company and Rs. 111.48 Million for the group).

Notes to the Financial Statements

56 CONTINGENT LIABILITIES

Company As at	Group		Company	
	31.03.2015 Rs.'000	31.03.2014 Rs.'000	31.03.2015 Rs.'000	31.03.2014 Rs.'000
Guarantees Issued				
Fully secured guarantees issued on behalf of depositors	83,615	20,815	83,615	20,815
Performance bonds and warranties in respect of letter of credit facilities	49,141	74,142	49,141	74,142
	132,756	94,957	132,756	94,957
Commitments				
Loan facilities under IFA loan scheme	-	51,191	-	51,191
Commitment and contingent liabilities	132,756	146,148	132,756	146,148

Tax assessments against the company

The following tax assessments are outstanding which have been duly appealed against.

1. Value Added Tax (VAT) for year of assessment 2009/10, amounting to Rs. 177.3 Million, on Assessment Nos. 6961125, 6961126, 6961127, 6961128, 6961129, 6961130, 6961131, 6961132, 6961133, 6961134, 6961135 and 7015292. Matter pending at the Tax Appeals Commission.
2. Income Tax for year of assessment 2009/2010, amounting to Rs. 248.5 Million, on Assessment No. ITA 12301100091. Matter pending at the Tax Appeals Commission.
3. Income Tax for year of assessment 2010/2011, amounting to Rs. 92.6 Million, on Assessment No. ITA 13291100250.

The company is of the view that the outcome of the above assessments will not have any material impact.

Group companies

CF Insurance Brokers (Pvt) Ltd.

The following tax assessments are outstanding which have been duly appealed against.

1. Nation Building Tax (NBT) for years of assessment 2010/11, 2011/12 and 2013/14, amounting to Rs. 5.84 Million Rs. 4.71 Million and Rs. 1.41 Million, respectively, on Assessment Nos. 7128402, 7128403, 7128404, 7128405, 7123212, 7123213, 7123214, 7123215, 7199781

The company is of the view that the outcome of the above assessments will not have any material impact.

Hedges Court Residencies (Pvt) Ltd.

The following tax assessments are outstanding which have been duly appealed against.

1. Nation Building Tax (NBT) for years of assessment 2009/10, 2010/11 and 2011/12, amounting to Rs. 12.37 Million, Rs. 12.75 Million and Rs. 14.93 Million respectively, on Assessment Nos. 7186237, 7186238, 7186239, 7186240, 7186241, 7186242, 7186243, 7186244, 7186245, 7186246, 7186247, 7186248.

The company is of the view that the outcome of the above assessments will not have any material impact.

Super Gain Tax

The government has, through its revenue proposals included in the Budget 2015, sought to introduce a tax called Super Gain Tax (SGT). The liability, if any, has not been quantified as the relevant legislation is not yet enacted.

57 EVENTS AFTER THE REPORTING PERIOD

Second interim dividend and proposed final dividend

The Directors have recommended the payment of a final dividend of Rs. 1.80 per share for the year ended 31st March 2015. (2013/14 – Rs 1.50 per share) which requires the approval of shareholders at the Annual General Meeting to be held on 17th July 2015. In accordance with LKAS 10 “Events after the reporting period”, this proposed final dividend and the second interim dividend of Rs. 0.85 per share paid after the year-end have not been recognised as liabilities at the year-end.

As required by section 56 (2) of the Companies Act No. 7 of the 2007, the Board of Directors have confirmed that the company satisfies the solvency test in accordance with Section 57 of the Companies Act No. 7 of 2007, and have obtained solvency certificates from the auditor and the necessary approvals from the Central Bank of Sri Lanka prior to declaring the said dividends.

Debenture issue - June 2015

The company issued Listed Secured Rated Redeemable Debentures to the value of Rs. 2.5 Billion on 1st June 2015.

No other circumstances have arisen since the reporting date, which would require adjustments to and / or disclosure in the financial statements.

58 RELATED PARTY DISCLOSURES

58.1 Parent and ultimate parent

The company does not have a parent of its own.

58.2 Subsidiaries and associates

Relationship with subsidiaries and associates are explained in the pages 137 to 139 of the Annual Report.

The Directors of the company are also directors of the following subsidiary and associate companies of the group.

The company carried out transactions in the ordinary course of business at commercial rates with these related entities.

	J.D. Bandaranayake	E.H. Wijenaik	G.S.N. Peiris	R.E. Rambukwella	A.K. Gunaratne	C.L.K.P. Jayasuriya	D.P.de Silva	F.Mohideen	S.C.S. Wickramasinghe	A.N. Fernando
Central Industries PLC	-	X	X	X	X	-	-	-	-	-
Central Developments Ltd.	-	-	X	X	-	-	-	-	-	-
Dehigama Hotels Company Ltd.	-	X	X	-	-	-	-	-	-	-
Expanded Plastic Products Ltd.	-	-	X	X	-	-	-	-	-	-
Central Mineral Industries (Pvt) Ltd.	-	-	X	X	-	-	-	-	-	-
Central Transport & Travels Ltd.	-	-	X	X	-	-	-	-	-	-
Central Construction & Development (Pvt) Ltd.	-	-	X	X	-	-	-	-	-	-
CF Growth Fund Ltd.	-	-	X	X	-	-	X	-	-	-
Kandy Private Hospitals Ltd.	-	X	X	-	-	-	-	-	-	-
CF Insurance Brokers (Pvt) Ltd.	-	-	X	X	X	-	X	-	-	-
Central Homes (Pvt) Ltd.	-	-	X	x	-	-	-	-	-	-
Mark Marine Services (Pvt) Ltd.	-	-	-	X	X	-	X	-	-	-
Hedges Court Residences (Pvt) Ltd.	-	-	X	X	-	-	X	-	-	-
Isuru Leasing Company Limited.	-	-	X	-	-	-	-	-	-	-
Capital Suisse Asia Ltd.	-	X	-	-	X	-	-	-	-	-
Nations Trust Bank PLC	-	-	-	-	-	X	X	-	-	-
Tea Smallholder Factories PLC	-	X	-	X	-	-	-	-	-	-

Notes to the Financial Statements

	Group		Company	
	31.03.2015 Rs.'000	31.03.2014 Rs.'000	31.03.2015 Rs.'000	31.03.2014 Rs.'000
58.3 Amounts due from related parties				
<i>(a) Subsidiaries</i>				
Loans and advances	-	-	184,918	187,609
Trade and other receivables	-	-	480	1,200
			185,398	188,809
Write off of debts during the year-(previously fully provided for)	-	-	-	184,104
<i>(b) Associates</i>				
Lease and hire purchase receivables	64,847	75,130	64,847	75,130
<i>(c) Key management personnel and their close family members</i>				
Loans and advances	2,334	1,218	2,334	1,218
	67,181	76,348	252,579	265,157
58.4 Amounts due to related parties				
<i>(a) Subsidiaries</i>				
Deposits	-	-	294,318	333,954
Amounts due to subsidiaries	-	-	146,280	142,189
<i>(b) Associates</i>				
Deposits	84,353	86,117	84,353	86,117
<i>(c) Key management personnel and their close family members</i>				
Deposits	338,899	281,537	338,899	281,537
	423,252	367,654	863,850	843,797
58.5 Transactions with related parties				
<i>(a) Subsidiaries</i>				
Collection of insurance premium	-	-	1,476,491	1,601,605
Rendering of services	-	-	79,785	103,960
Loan installment recoveries	-	-	35,913	87,032
Purchase of office equipment	-	-	107	-
Rent paid	-	-	29,638	29,638
Vehicle hire rentals paid	-	-	2,376	4,037
Management fees received	-	-	900	900
Loans given	-	-	33,000	4,443
Dividends received	-	-	44,900	39,088
Interest received	-	-	23,042	37,746
Interest paid	-	-	31,818	40,915
Rent received	-	-	8,940	3,654

Year ended	Group		Company	
	31.03.2015 Rs.'000	31.03.2014 Rs.'000	31.03.2015 Rs.'000	31.03.2014 Rs.'000
(b) Associates				
Interest paid	6,445	29,082	6,445	29,082
Lease/vehicle hire facilities given	32,154	10,000	32,154	10,000
Dividends received	-	-	50,741	59,045
Vehicle hire rentals received	7,211	11,896	7,211	11,896
Lease and hire purchase rentals received	31,420	21,700	31,450	21,700
(c) Key management personnel and their close family members				
Interest paid on deposits	27,496	29,184	27,496	29,184
Loans given	1,031	5,697	1,031	5,697
Interest received	207	519	207	519
Recovery of loans	2,532	7,680	2,532	7,680
Post-employment benefits for Key management personnel				
Contributions to provident fund	22,669	21,632	20,910	18,675
Contributions to gratuity Fund	5,942	5,760	5,867	5,120
Compensation of key management personnel				
Short term employee benefits	164,650	157,045	147,837	129,843

58.6 Inter subsidiary transactions

Due from	Due to	31.03.2015	31.03.2014
		Rs.'000	Rs.'000
Central Mineral Industries (Pvt) Ltd.	Central Transport & Travels Ltd.	2,978	2,767
Central Construction & Development (Pvt) Ltd.	Central Mineral Industries (Pvt) Ltd.	-	84

59 Disclosures relating to credit, market and liquidity risks are provided in the Integrated Risk Management Report on pages 23 to 29 of the Annual Report.

Notes to the Financial Statements

60 MATURITY ANALYSIS

An analysis of the total assets employed and the total liabilities of the company, based on the remaining period from the balance sheet date to the respective contractual maturity dates is given below:

Assets are stated net of provisions	Up to 3 months		3 to 12 months		1 to 3 years
	31.03.2015	31.03.2014	31.03.2015	31.03.2014	31.03.2015
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Interest earning assets:					
Reverse repurchase agreements	2,772,798	1,547,322	-	1,129,456	-
Loan and receivables from banks	1,130,433	1,165,175	568,607	162,990	-
Loan and receivables from other	241,847	686,225	27,590	-	-
Net investment in leases & hire purchases	7,832,484	6,486,816	11,689,118	10,560,547	23,177,675
Term Loans	654,490	466,070	394,763	405,460	868,048
Loans against fixed deposits	211,251	187,848	367,554	304,077	137,738
Housing and land	17,979	18,363	63	63	298
Staff loans	7,110	6,590	15,534	16,129	13,837
Total interest earning assets	12,868,392	10,564,409	13,063,229	12,578,722	24,197,595
Non-interest earning assets:					
Cash in hand and at banks	410,005	543,151	-	-	-
FVTPL financial assets	49,600	536,596	-	-	-
Equity investments classified as AFS investments	-	-	-	-	-
Trade and other receivables	288,894	182,146	-	22,368	-
Investments in real estate	-	-	34,397	65,542	-
Inventories and other stocks	1,248,495	1,639,352	-	-	-
Investments in associates	-	-	-	-	-
Investments in subsidiaries	-	-	-	-	-
Intangible assets	-	-	-	-	-
Property, plant and equipment	-	-	-	-	-
Total non-interest earning assets	1,996,994	2,901,245	34,397	87,910	-
Total assets	14,865,386	13,465,654	13,097,626	12,666,632	24,197,595
Percentage	22.38%	21.88%	19.72%	20.58%	36.43%
Interest bearing liabilities:					
Bank overdrafts	318,320	286,948	-	-	-
Short term borrowings	500,322	-	-	-	-
Deposits	10,364,160	8,902,524	17,896,720	17,149,938	4,723,255
Long term borrowings	121,754	405,517	331,055	385,275	-
Derivative financial instruments	6,927	699	-	1,395	-
Commercial Paper	-	32,740	-	-	-
Debentures	589,035	42,625	324,691	76,986	987,685
Total interest bearing liabilities	11,900,518	9,671,053	18,552,466	17,613,594	5,710,940
Non-interest bearing liabilities:					
Trade and other payables	2,059,920	1,150,487	21,795	21,683	6,285
Employee benefit obligations	-	-	16,257	13,099	24,388
Amounts due to subsidiaries	146,280	142,189	-	-	-
Tax payables	286,315	137,782	-	-	-
Deferred tax liability	-	-	-	-	-
Total non-interest bearing liabilities	2,492,515	1,430,458	38,052	34,782	30,673
Total liabilities	14,393,033	11,101,511	18,590,518	17,648,376	5,741,613
Percentage	31.43%	25.44%	40.58%	40.44%	12.53%

1 to 3 years 31.03.2014 Rs.'000	3 to 5 years		More than 5 years		Impairment provision		Total	
	31.03.2015 Rs.'000	31.03.2014 Rs.'000	31.03.2015 Rs.'000	31.03.2014 Rs.'000	31.03.2015 Rs.'000	31.03.2014 Rs.'000	31.03.2015 Rs.'000	31.03.2014 Rs.'000
-	-	-	-	-	-	-	2,772,798	2,676,778
-	-	-	-	-	-	-	1,699,040	1,328,165
-	36,660	-	25,000	-	-	-	331,097	686,225
22,367,268	7,969,446	6,202,065	214,359	12,219	(750,944)	(425,876)	50,132,137	45,203,039
681,266	741,075	1,030,272	41,303	70,411	(48,761)	(52,234)	2,650,917	2,601,245
129,058	18,028	18,146	-	-	-	-	734,572	639,129
178	187	391	-	-	(16,421)	(16,190)	2,106	2,805
16,179	12,058	11,887	8,429	7,425	-	-	56,968	58,210
23,193,949	8,777,454	7,262,761	289,091	90,055	(816,126)	(494,300)	58,379,635	53,195,596
-	-	-	-	-	-	-	410,005	543,151
-	-	-	-	-	-	-	49,600	536,596
-	-	-	260,530	200,651	-	-	260,530	200,651
12,354	-	1,313	-	-	-	-	288,894	218,181
-	-	-	-	-	-	-	34,397	65,542
-	-	-	-	-	-	-	1,248,495	1,639,352
-	-	-	523,458	523,458	-	-	523,458	523,458
-	-	-	640,964	306,456	-	-	640,964	306,456
-	-	-	168,215	26,595	-	-	168,215	26,595
-	-	-	4,417,404	4,300,639	-	-	4,417,404	4,300,639
12,354	-	1,313	6,010,571	5,357,799	-	-	8,041,962	8,360,621
23,206,303	8,777,454	7,264,074	6,299,662	5,447,854	(816,126)	(478,110)	66,421,597	61,572,407
37.70%	13.21%	11.80%	9.48%	8.85%	-1.22%	-0.81%	100.0%	100.0%
-	-	-	-	-	-	-	318,320	286,948
-	-	-	-	-	-	-	500,322	-
5,987,697	758,448	966,890	-	-	-	-	33,742,583	33,007,049
366,758	-	-	-	-	-	-	452,809	1,157,550
443	-	-	-	-	-	-	6,927	2,537
-	-	-	-	-	-	-	-	32,740
1,249,398	2,957,808	3,471,374	-	-	-	-	4,859,219	4,840,383
7,604,296	3,716,256	4,438,264	-	-	-	-	39,880,180	39,327,207
19,778	3,272	3,546	-	-	-	-	2,091,272	1,195,494
19,651	40,645	32,751	731,585	589,495	-	-	812,875	654,996
-	-	-	-	-	-	-	146,280	142,189
-	-	-	-	-	-	-	286,315	137,782
-	-	-	2,590,299	2,178,844	-	-	2,590,299	2,178,844
39,429	43,917	36,297	3,321,884	2,768,339	-	-	5,927,041	4,309,305
7,643,725	3,760,173	4,474,561	3,321,884	2,768,339	-	-	45,807,221	43,636,512
17.52%	8.21%	10.25%	7.25%	6.34%	0.00%	0.00%	100.00%	100.00%

Notes to the Financial Statements

61 BUSINESS SEGMENT INFORMATION

For the year ended 31st March	Leasing, hire purchase and other advances		Medical services		Power generation	
	2015	2014	2015	2014	2015	2014
All figures in Rs.000						
Revenue						
Interest income	12,086,833	11,481,151	1,030	1,131	-	-
Other operating income	334,506	345,746	61,805	57,491	85,878	80,712
Other income	503,952	379,608	4,364	1,552	12,631	-
Income from external customers	12,925,291	12,206,505	67,199	60,174	98,509	80,712
Inter-segment income	40,321	92,171	10,038	10,992	5,454	9,305
Total income	12,965,612	12,298,676	77,237	71,166	103,963	90,017
Expenses						
Interest expenses	3,787,719	4,399,250	-	-	-	-
Depreciation & amortisation	360,853	345,796	6,890	6,169	3,865	17,163
Impairment charges	1,786,502	1,215,503	-	-	-	-
Other operating and administrative expenses	2,953,310	2,576,433	54,134	52,629	21,253	23,784
	8,888,384	8,536,982	61,024	58,798	25,118	40,947
Inter-segment expenses	65,523	75,778	-	-	-	-
Total expenses	8,953,907	8,612,760	61,024	58,798	25,118	40,947
Segment results	4,011,705	3,685,916	16,213	12,368	78,845	49,070
Share of profit of associates						
Profit before VAT on financial services and income tax						
Less: VAT on financial services						
Profit before income tax						
Less: Income tax expense						
Profit after income tax						
Non-controlling interest						
Profit attributable to equity holders of the parent						
Segment assets	56,551,813	51,546,929	353,334	333,459	165,266	139,012
Investments in associates						
Unallocated assets						
Total assets						
Segment liabilities	38,921,545	37,841,314	29,767	22,241	10,182	9,488
Unallocated liabilities						
Total liabilities						

Manufacturing		Insurance broking		Investments		Real estate		Intra segmental adjustments		Total	
2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
353	955	-	-	374,468	431,612	755	1,656	-	-	12,463,439	11,916,505
411,690	313,751	224,072	237,281	-	-	-	-	-	-	1,117,951	1,034,981
9,106	6,300	26,394	24,386	180,153	153,843	7,212	10,639	(103,334)	(117,043)	640,478	459,285
421,149	321,006	250,466	261,667	554,621	585,455	7,967	12,295	(103,334)	(117,043)	14,221,868	13,410,771
925	597	10,342	7,903	56,210	14,724	33,921	34,791	(157,211)	(170,483)	-	-
422,074	321,603	260,808	269,570	610,831	600,179	41,888	47,086	(260,545)	(287,526)	14,221,868	13,410,771
-	-	-	-	310,270	323,276	6,157	7,853	-	-	4,104,146	4,730,379
35,253	34,399	1,811	1,732	688	696	2,527	2,510	-	-	411,887	408,465
948	(340)	-	-	-	-	46,700	1,202	-	-	1,834,150	1,216,365
212,290	192,223	90,340	132,131	525	493	7,470	7,997	-	-	3,339,322	2,985,690
248,491	226,282	92,151	133,863	311,483	324,465	62,854	19,562	-	-	9,689,505	9,340,899
387	49	8,940	6,809	22,424	34,566	-	-	(97,274)	(117,202)	-	-
248,878	226,331	101,091	140,672	333,907	359,031	62,854	19,562	(97,274)	(117,202)	9,689,505	9,340,899
173,196	95,272	159,717	128,898	276,924	241,148	(20,966)	27,524	(163,271)	(170,324)	4,532,363	4,069,872
										794,608	699,351
										5,326,971	4,769,223
										204,236	182,591
										5,122,735	4,586,632
										1,387,715	1,232,266
										3,735,020	3,354,366
										101,741	63,127
										3,633,279	3,291,239
1,620,541	1,368,778	1,583,254	1,074,068	7,588,352	7,098,307	437,653	468,410	(4,284,883)	(3,082,545)	64,015,330	58,946,418
										3,167,824	2,719,082
										4,020,561	3,764,060
										71,203,715	65,429,560
431,722	280,345	226,872	222,540	3,327,819	2,942,546	264,823	273,988	(813,078)	(851,906)	42,399,651	40,740,556
										3,689,489	2,971,620
										46,089,140	43,712,176

Directors' Interest in Contracts with the Company

Related party transactions are detailed in Note 58 to the financial statements as required by LKAS 24 "Related Party Disclosures". In addition, the company carried out transactions in the ordinary course of business on an arm's length basis with entities where a Director of the company is also a Director of such entities as detailed below:

Company	Name of Director	Relationship	Nature of transaction	Facilities granted during the year		Rentals received		Balance Outstanding	
				2014/15 Rs.'000	2013/14 Rs.'000	2014/15 Rs.'000	2013/14 Rs.'000	31.03.2015 Rs.'000	31.03.2014 Rs.'000
Watawala Plantations PLC	A.N. Fernando	Director	Lease finance facility	86,664	-	12,534	-	78,623	-
Ceylon Biscuits Ltd.	J.D. Bandaranayake**	Director	Hire of vehicles	-	-	23,218	-	-	-
Lanka Aluminium Industries PLC	C.L.K.P. Jayasuriya	Director	Lease finance facility	-	-	3,496	3,502	4,110	6,590
Finlays Colombo PLC	J.D. Bandaranayake	Director	Hire of vehicles	-	-	-	1,664	-	-
	C.L.K.P. Jayasuriya	Chairman							
Hapugastenna Plantations PLC	C.L.K.P. Jayasuriya*	Director	Hire of vehicles	-	-	-	17,123	-	-
Udupussellawa Plantations PLC	C.L.K.P. Jayasuriya*	Director	Hire of vehicles	-	-	-	3,319	-	-
Finlays Rentokil Ceylon (Pvt) Ltd.	C.L.K.P. Jayasuriya*	Chairman	Lease finance facility	-	-	-	283	-	-
Acme Printing & Packaging PLC	C.L.K.P. Jayasuriya	Director	Lease finance facility	-	-	-	45	-	-

* Resigned w.e.f. 31.08.2013

** Appointed w.e.f. 01.10.2014

Group Companies

		Subsidiaries				
		Central Industries PLC	Central Developments Ltd	Central Transport and Travels Ltd	Central Construction and Development (Pvt) Ltd	Central Mineral Industries (Pvt) Ltd
COMPANY PROFILE	Year of Incorporation	1984	1974	1990	1983	1990
	Stated Capital	Rs. 121,320,460 (9,884,214 Shares)	Rs. 132,940,000 (13,294,000 Shares)	Rs. 29,490,070 (2,949,007 Shares)	Rs. 50,000 (5,000 Shares)	Rs. 3,500,000 (350,000 Shares)
	Group Holding	49.98%	99.99%	99.99%	99.90%	99.99%
	Status of the Company	Quoted	Unquoted	Unquoted	Unquoted	Unquoted
	Principal Business Activities	Manufacture and distribution of PVC pipes and fittings	Investment company	Hiring of vehicles	Investment company	Manufacture of mineral products
	Registered Office	No 312, Nawala Road, Rajagiriya	No 270, Vauxhall Street, Colombo 02	No 84, Raja Veediya, Kandy	No 84, Raja Veediya, Kandy	Diganatenna Estate, Gonawala, Digana
		G.S.N. Peiris(Chairman)	G.S.N. Peiris	G.S.N. Peiris	G.S.N. Peiris	G.S.N. Peiris
BOARD OF DIRECTORS		A.N.P. Wickramasuriya (Chief Executive Officer/ Member of the Board)	R.E. Rambukwelle	R.E. Rambukwelle	R.E. Rambukwelle	U.B. Elangasinha
		E.H.Wijenaika	U.B. Elangasinha	U.B. Elangasinha	U.B. Elangasinha	R.E. Rambukwelle
		C.S.W. De Costa				
		R.E. Rambukwelle				
		A.K. Gunaratne				
		N.J. Abeysekera				
		I.S.Jayasinghe				
		L.R.De Lanerolle				
	Company Secretary	Corporate Services (Pvt) Ltd. 216, De Saram Place, Colombo 10	Kandy Business Consultants (Pvt) Ltd. 80, Kings Street, Kandy	Kandy Business Consultants (Pvt) Ltd. 80, Kings Street, Kandy	Kandy Business Consultants (Pvt) Ltd. 80, Kings Street, Kandy	Kandy Business Consultants (Pvt) Ltd. 80, Kings Street, Kandy

Group Companies

	Subsidiaries					
	Central Homes (Pvt) Ltd	CF Growth Fund Ltd	CF Insurance Brokers (Pvt) Ltd	Dehigama Hotels Company Ltd	Expanded Plastic Products Ltd	Hedges Court Residencies (Pvt) Ltd
Year of Incorporation	1987	1992	1995	1973	1978	2005
Stated Capital	Rs. 34,175,020 (3,417,502 Shares)	Rs. 163,036,780 (16,303,678 Shares)	Rs. 123,750,000 (12,375,000 Shares)	Rs. 8,280,700 (828,070 Shares)	Rs. 64,000,000 (6,400,000 Shares)	Rs. 50,000,000 (5,000,000 Shares)
Group Holding	99.99%	99.99%	99.99%	79.69%	99.99%	99.99%
Status of the Company	Unquoted	Unquoted	Unquoted	Unquoted	Unquoted	Unquoted
Principal Business Activities	Property development and sale of real estate	Investment company	Insurance broking	Renting of commercial property	Investment company	Construction and sale of apartments
Registered Office	No 270, Vauxhall Street, Colombo 02	No 270, Vauxhall Street, Colombo 02	No 270, Vauxhall Street, Colombo 02	No 84, Raja Veediya, Kandy	No 270, Vauxhall Street, Colombo 02	No 270, Vauxhall Street, Colombo 02
	G.S.N. Peiris R.E. Rambukwelle	G.S.N. Peiris R.E. Rambukwelle	G.S.N. Peiris (Chairman) R.E. Rambukwelle	E.H. Wijenaikie G.S.N. Peiris	G.S.N. Peiris R.E. Rambukwelle	G.S.N. Peiris R.E. Rambukwelle
	U.B. Elangasinha	D.P. de Silva	D.P. de Silva	B.A.C. K.Jayawardena	U.B. Elangasinha	D.P. de Silva
		U.B. Elangasinha	A.K. Gunaratne	W.A.L. Galagoda		
			C.S. Hettiarachchi	L. Sirimanne		
			K. Kandeepan	H.C.D. Divitotawela (Alternate to L. Sirimanne)		
			C.K. Hettiarachchi			
Company Secretary	Kandy Business Consultants (Pvt) Ltd. 80, Kings Street, Kandy	Kandy Business Consultants (Pvt) Ltd. 80, Kings Street, Kandy	Kandy Business Consultants (Pvt) Ltd. 80, Kings Street, Kandy	Corporate Services (Pvt) Ltd. 216, De Saram Place, Colombo 10	Kandy Business Consultants (Pvt) Ltd. 80, Kings Street, Kandy	Kandy Business Consultants (Pvt) Ltd. 80, Kings Street, Kandy

Subsidiaries			Associates		
Kandy Private Hospitals Ltd	Mark Marine Services (Pvt) Ltd	Isuru Leasing Company Ltd.	Capital Suisse Asia Ltd.	Nations Trust Bank PLC	Tea Smallholder Factories PLC
1967	1997	1998	1995	1999	1991
Rs. 6,084,750 (550,500 Shares)	Rs. 85,611,980 (8,561,198 Shares)	Rs. 181,674,688 (25,870,676 shares)	Rs. 181,000,070 (18,100,007 Shares)	Rs. 5,101,369,000 (230,607,283 Shares)	Rs. 150,000,000 (30,000,000 Shares)
66.58%	58.12%	100.00%	24.58%	20.00%	29.30%
Unquoted	Unquoted	Unquoted	Unquoted	Quoted	Quoted
Provision of healthcare services	Hydro power generation	Leasing, hire purchase and real estate development	Investment company	Licensed commercial bank	Manufacture and sale of black tea
No 255/8, Katugastota Road, Kandy	No. 4, Circular Lane, Sapumal Place, Rajagiriya	No. 552, Peradeniya Road, Kandy	No. 244, Vauxhall Street, Colombo 02	No. 242, Union Place, Colombo 02.	No. 4, Layden Bastian Road, Colombo 01.
E.H. Wijenaikie G.S.N. Peiris	A.A.A. Makalanda G.C.J. Makalanda	L. Wijesuriya (Managing Director) G.S.N. Peiris	A.K. Gunaratne E.H. Wijenaikie	K. Balendra (Chairman) R.N.K. Fernando (Chief Executive Officer/Director))	S.C. Ratnayake (Chairman) A.D. Gunawardena
S. Ranasinghe	A.K. Gunaratne	U.B. Elangasinha	S.T. Amarasuriya	M.E. Wickremesinghe	J.R.F. Peiris
S. Kapuwatte	R.E. Rambukwelle	C.S. Hettiarachchi	P. Bottinelli	A.R. Rasiah	E.H. Wijenaikie
A.P.R. Aluwihare	U.B. Elangasinha	G.A. Bandaranayake	G.N. Fernando	D. Weerakoon	R.E. Rambukwelle
N.H.B. Mavilmada	D.P. de Silva		N. Amarasuriya	M. Jafferjee	A.S. Jayathilleke
A.B. Abeyasinghe	S.P.P. Makalanda (Alternate to A.A.A. Makalanda)			K. De Soysa	J.S. Ratwatte
S.Kiriwattuduwa	A.F. Goonetillake (Alternate to U.B. Elangasinha)			N.S. Panditaratne	R. Seevaratnam
				D.P. de Silva	R.S. Fernando
				G. Cooray	J.R. Gunarathna
				V.S.M.S. Wijesinghe	
				H. Raghavan	
				C.L.K.P. Jayasuriya	
Kandy Business Consultants (Pvt) Ltd. 80, Kings Street, Kandy	Management Applications (Pvt) Ltd. 12, Rotunda Gardens, Colombo 03	Corporate Services (Pvt) Ltd. 216, De Saram Place, Colombo 10	B.P. De Silva (Ceylon) Ltd. 234/4, Old Awissawella Road, Orugodawatta	Theja Silva	Keells Consultants Limited. 130, Glennie Street, Colombo 02

Group Value Added Statement

For the year ended 31st March	2015 Rs.'000	%	2014 Rs.'000	%
Value Added				
Operating income earned by providing financial services	13,581,390		12,951,486	
Cost of services	(5,883,270)		(6,287,363)	
Value added by financial services	7,698,120		6,664,123	
Other Income	640,478		459,285	
Impairment on loans and other credit losses	(1,834,150)		(1,216,365)	
Share of associate companies' profits before tax	794,608		699,351	
	7,299,056		6,606,394	
Value Allocated				
To Employees				
Remuneration & other benefits	1,560,198	21.38	1,428,706	21.63
To providers of capital				
Dividends to shareholders	367,092	5.03	335,627	5.08
Non-controlling interest	101,741	1.39	63,127	0.96
To government Revenue				
Income tax	1,387,715	19.01	1,232,266	18.65
VAT on financial services	204,236	2.80	182,591	2.76
To Expansion and growth				
Retained income	3,266,187	44.75	2,955,612	44.74
Depreciation & amortisation	411,887	5.64	408,465	6.18
	7,299,056	100.00	6,606,394	100.00

Consolidated sources & utilisation of income

For the year ended 31st March	2015 Rs.'000	%	2014 Rs.'000	%
Sources of income				
Interest and operating income	13,581,390	90.44	12,951,486	91.79
Other income	640,478	4.27	459,285	3.26
Share of associate companies' profits before tax	794,608	5.29	699,351	4.95
	15,016,476	100.00	14,110,122	100.00
Utilisation of income				
Interest expenses	4,104,146	27.33	4,730,379	33.51
Remuneration & other benefits to employees	1,560,198	10.39	1,428,706	10.13
Other operating expenses including impairment on loans & other credit losses, diminution in value of investments and depreciation & amortisation	4,025,161	26.80	3,181,814	22.55
Taxation	1,591,951	10.60	1,414,857	10.03
Dividends to shareholders	367,092	2.44	335,627	2.38
Retained income	3,266,187	21.75	2,955,612	20.95
Non-controlling interest	101,741	0.69	63,127	0.45
	15,016,476	100.00	14,110,122	100.00

Quarterly Statistics - Company

As at	31.03.2015	31.12.2014	30.09.2014	30.06.2014
Statement of financial position				
(Rs.'000)				
Total assets	66,421,597	64,876,264	63,371,330	62,751,586
Advances to customers	53,576,700	50,539,840	49,533,908	49,242,216
Average assets	65,648,931	64,123,797	63,061,458	62,161,997
Bank and other borrowings	6,137,597	5,870,217	5,848,217	5,984,928
Deposits	33,742,583	33,906,813	33,678,552	33,745,184
Shareholders' funds	20,614,376	19,852,025	19,200,494	18,575,456
For the three months ended				
31.03.2015				
31.12.2014				
30.09.2014				
30.06.2014				
Income statement data				
(Rs.'000)				
Interest income	3,018,758	3,072,743	3,164,280	3,218,850
Interest expenses	(920,732)	(985,779)	(1,067,041)	(1,162,330)
Net interest income	2,098,026	2,086,964	2,097,239	2,056,520
Other operating income	82,981	78,456	85,418	87,651
Other income	188,792	133,585	192,808	183,609
Total operating income	2,369,799	2,299,005	2,375,465	2,327,780
Operating expenses	(906,579)	(805,433)	(845,102)	(777,740)
Impairment on loans and other credit losses	(439,955)	(398,961)	(474,684)	(513,131)
VAT on financial services	(60,927)	(48,215)	(47,047)	(48,047)
Income tax expense	(151,024)	(292,991)	(280,409)	(278,890)
Profit for the quarter	811,314	753,405	728,223	709,972
Other comprehensive income for the quarter	(48,963)	(12,723)	54,139	18,740
Total comprehensive income for the quarter	762,351	740,682	782,362	728,712
Ordinary share information				
Market price per share (Rs)				
Highest	276.00	270.00	242.00	210.00
Lowest	241.00	236.00	200.00	183.00
Last traded	250.10	250.00	235.30	204.50
Net asset value per share	196.55	189.28	183.07	177.11
Financial measures				
Profitability				
Return on capital employed (annualised) (%)	12.54	13.74	14.19	14.89
Return on average share holders' equity (annualised) (%)	16.04	15.43	15.42	15.56
Return on Assets (annualised) (%)	4.94	4.70	4.62	4.57
Productivity				
Non interest expenses to total revenue (%)	27.55	24.52	24.55	22.28
Cost to income (%)	38.26	35.03	35.58	33.41
Asset quality				
Gross NPA ratio (%)	4.53	4.50	4.19	3.80

Information on Shares and Debentures

Share Information

1. STOCK EXCHANGE

The Ordinary Shares of the company are listed on the Colombo Stock Exchange.

The audited Income Statement for the year ended 31st March 2015 and the audited Statement of Financial Position as at 31st March 2015 of the company and of the group are submitted to the Shareholders and Colombo Stock Exchange within three months from the close of the financial year.

2. NUMBER OF ORDINARY SHAREHOLDERS AS AT 31ST MARCH 2015 - 2,615

(Stated capital of the company consists solely of voting ordinary shares.)

(Number of shareholders as at 31.03.2014 - 2,674)

Following tables show the pattern of distribution of shareholders.

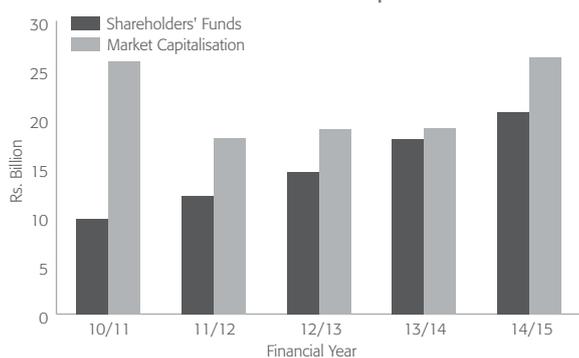
No. of shares held	Residents			Non-residents			Total		
	No. of share holders	No. of shares	%	No. of share holders	No. of shares	%	No. of share holders	No. of shares	%
1 -1,000	1,274	320,590	0.31	13	5,848	0.01	1,287	326,438	0.32
1,001 -10,000	858	3,279,315	3.13	26	103,063	0.10	884	3,382,378	3.23
10,001-100,000	344	10,176,514	9.70	17	656,131	0.63	361	10,832,645	10.33
100,001-1,000,000	62	16,796,807	16.01	4	1,803,391	1.72	66	18,600,198	17.73
Over 1,000,000	14	62,580,727	59.67	3	9,160,947	8.72	17	71,741,674	68.39
Total	2,552	93,153,953	88.82	63	11,729,380	11.18	2,615	104,883,333	100.00

There were 2,601 resident and 73 non-resident share holders as at 31st March 2014.

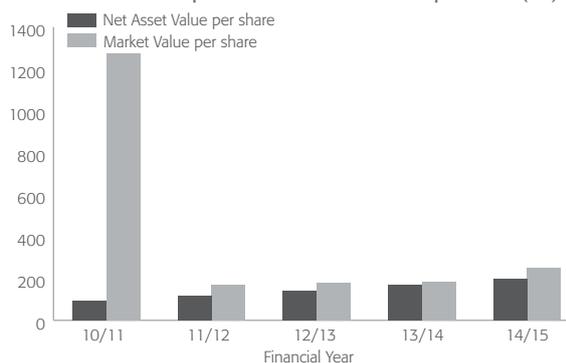
	31st March 2015			31st March 2014		
	No. of Share holders	No. of shares	%	No. of Share holders	No. of shares	%
Individuals	2,401	53,037,901	50.57	2,469	54,404,475	51.87
Institutions	214	51,845,432	49.43	205	50,478,858	48.13
	2,615	104,883,333	100.00	2,674	104,883,333	100.00

The percentage of public shareholding as at 31st March 2015 was 60.05 % (31st March 2014 - 60.03 %).

Shareholders' Funds and Market Capitalisation



Net Asset Value per share and Market Value per share (Rs.)



The sharp decline in Net Asset Value per share and Market Value per Share from the financial year 2011/12 is solely attributed to the subdivision of shares in the ratio of 1:5 effected in September 2011.

3. TWENTY LARGEST SHAREHOLDERS AS AT 31ST MARCH 2015

	31st March 2015		*31st March 2014	
	No. of shares	%	No. of shares	%
1 Corporate Services (Pvt) Ltd.	16,895,461	16.11	16,895,461	16.11
2 E. H. Wijenaikē	16,164,123	15.41	16,164,123	15.41
3 Employees Provident Fund	10,950,992	10.44	10,525,384	10.04
4 Thurston Investments Limited	6,107,701	5.82	6,032,701	5.75
5 A. J. Wijenaikē	3,271,357	3.12	3,271,357	3.12
6 Perpetual Capital (Pvt) Limited	2,308,333	2.20	4,899,151	4.67
7 N. W. Wijegoonawardene	2,162,353	2.06	2,162,353	2.06
8 G. S. N. Peiris	1,828,168	1.74	1,828,168	1.74
9 B P De Silva Holdings Pte Ltd	1,752,900	1.67	1,752,900	1.67
10 Waldock Mackenzie Limited/Perpetual Equities (Pvt) Ltd	1,720,000	1.64	-	-
11 C. R. Dunuwille	1,348,582	1.29	1,348,582	1.29
12 The Ceylon Investment PLC A/c # 02	1,347,795	1.29	915,969	0.87
13 J. B. Cocoshell (Pvt) Ltd.	1,332,038	1.27	1,268,217	1.21
14 N. M. Gunawardana	1,300,346	1.24	1,300,346	1.24
15 P. R. Munasinha	1,226,980	1.17	1,226,980	1.17
16 The Ceylon Guardian Investment Trust PLC A/c # 02	1,141,079	1.09	784,579	0.74
17 P. M. Wijenaikē	1,016,180	0.97	1,016,180	0.97
18 R. E. Rambukwelle	984,906	0.94	984,906	0.94
19 C. Kiriella	967,881	0.92	967,881	0.92
20 Deutsche Bank AG-National Equity Fund	881,632	0.84	674,632	0.64
	74,708,807	71.23	74,019,870	70.56
Others	30,174,526	28.77	30,863,463	29.44
Total	104,883,333	100.00	104,883,333	100.00

*Comparative shareholdings as at 31st March 2014 held by the twenty largest shareholders as at 31st March 2015.

4. MARKET VALUE

Movement in market value of the ordinary shares of the company was as follows.

	2014/2015	2013/2014	2012/2013
	Rs.	Rs.	Rs.
Highest	276.00 (on 12.01.2015)	194.90 (on 23.05.2013)	185.00 (on 12.09.2012 & 13.02.2013)
Lowest	183.00 (on 08.04.2014)	171.10 (on 10.12.2013)	121.00 (on 29.05.2012)
Year End	250.10	181.00	180.00

5. DIVIDEND PAYMENTS

Dividend per share

	2014/2015	2013/2014
	Rs.	Rs.
First Interim paid	0.85	0.85
Second Interim paid	0.85	0.85
Final (Proposed)	1.80	1.50
Total	3.50	3.20
Dividend payout (Rs'000)	367,092	335,627

Information on shares and debentures

6 SHARE TRADING

	2014/2015	2013/2014	2012/2013
No. of shares traded	8,590,283	4,786,750	13,783,168
Value of shares traded (Rs.'000)	2,083,738	881,965	2,108,733
Market Capitalisation (Rs.'000)	26,231,322	18,983,883	18,879,000

7. STATED CAPITAL IS REPRESENTED BY NUMBER OF SHARES IN ISSUE AS GIVEN BELOW

	31.03.2015	31.03.2014
Ordinary shares	104,883,333	104,883,333

Debenture Information

1. INFORMATION ON LISTED DEBENTURES

Date of issue	Interest payment frequency	No. of Debentures issued	Face value Rs.000	Rate of interest (%)	Tenor	Date of maturity
17-Jun-13	Quarterly	300,000	300,000	14.25	3 years	17-Jun-16
17-Jun-13	Quarterly	300,000	300,000	14.50	4 years	17-Jun-17
17-Jun-13	Quarterly	1,400,000	1,400,000	14.75	5 years	17-Jun-18
12-Dec-13	Semi annually	2,000,000	200,000	13.00	3 years	12-Dec-16
12-Dec-13	Semi annually	2,000,000	200,000	13.25	4 years	12-Dec-17
12-Dec-13	Semi annually	6,000,000	600,000	13.50	5 years	12-Dec-18
12-Dec-13	Annually	10,000,000	1,000,000	13.95	5 years	12-Dec-18

2 MARKET VALUE

	2014/2015			2013/2014		
	Highest Rs.	Lowest Rs.	Last traded Rs.	Highest Rs.	Lowest Rs.	Last traded Rs.
Debentures issued on 17th June 2013						
3 year fixed rate (14.25 % p.a. payable quarterly)	N/T	N/T	N/T	1,066.24	1,066.24	1,066.24
4 year fixed rate (14.50 % p.a. payable quarterly)	N/T	N/T	N/T	N/T	N/T	N/T
5 year fixed rate (14.75 % p.a. payable quarterly)	1,200.00	1,142.13	1,172.57	1,000.00	1,000.00	1,000.00
Debentures issued on 12th December 2013						
3 year fixed rate (13.00 % p.a. payable semi-annually)	105.46	105.46	105.46	100.00	100.00	100.00
4 year fixed rate (13.25 % p.a. payable semi-annually)	N/T	N/T	N/T	N/T	N/T	N/T
5 year fixed rate (13.50 % p.a. payable semi-annually)	N/T	N/T	N/T	N/T	N/T	N/T
5 year fixed rate (13.95 % p.a. payable annually)	N/T	N/T	N/T	110.18	110.18	110.18

N/T - Not traded during the year

3. INTEREST YIELD (%)

Year ended	31.03.2015	31.03.2014
Debentures issued on 17th June 2013		
3 year fixed rate (14.25 % p.a. payable quarterly)	14.10	14.10
4 year fixed rate (14.50 % p.a. payable quarterly)	15.31	15.31
5 year fixed rate (14.75 % p.a. payable quarterly)	13.30	15.59
Debentures issued on 12th December 2013		
3 year fixed rate (13.00 % p.a. payable semi-annually)	12.73	13.42
4 year fixed rate (13.25 % p.a. payable semi-annually)	13.69	13.69
5 year fixed rate (13.50 % p.a. payable semi-annually)	13.96	13.96
5 year fixed rate (13.95 % p.a. payable annually)	12.66	12.66

Where debentures are not traded from the date of listing with the Colombo Stock Exchange, Annual Effective Rate (AER) of the coupon rates are indicated above.

4. DEBT RELATED RATIOS

	As at 31.03.2015	As at 31.03.2014
Debt/equity ratio (times)	1.93	2.19
Quick assets ratio (%)	80.99	85.19
Interest cover (times)	1.97	1.82

5. YIELDS ON COMPARABLE GOVERNMENT SECURITIES (%)

	31.03.2015	31.03.2014
03 Year treasury bonds	8.09	8.03
04 Year treasury bonds	8.39	8.90
05 Year treasury bonds	8.72	9.02

6. YIELD TO MATURITY OF LAST TRADE DONE

Debentures issued on 17th June 2013		
3 year fixed rate (14.25 % p.a. payable quarterly)		10.79
5 year fixed rate (14.75 % p.a. payable quarterly)		10.02
Debentures issued on 12th December 2013		
3 year fixed rate (13.00 % p.a. payable semi-annually)		10.24
5 year fixed rate (13.95 % p.a. payable annually)		11.15

During the year ended 31st March 2015, company did not raise funds through a public issue, a rights issue and public placement.

7. CREDIT RATINGS

There were no changes in credit ratings of the company or of the debentures during the year.

Decade at a Glance

Year ended 31st March	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
	Rs.'000									
Group income	4,195,574	5,332,059	6,453,132	7,405,866	7,536,516	8,094,371	9,148,164	11,318,774	13,410,771	14,221,868
Interest Income	2,704,715	3,651,989	4,662,008	5,520,829	5,723,338	6,269,481	7,492,975	9,755,419	11,916,505	12,463,439
Other operating Income	1,265,417	1,477,626	1,615,909	1,638,866	1,470,952	1,413,023	1,074,360	1,022,377	1,034,981	1,117,951
Other Income	225,442	202,444	175,215	246,171	342,226	411,867	580,829	540,978	459,285	640,478
Interest expenses										
Interest on deposits	(1,063,482)	(1,315,954)	(1,751,728)	(2,212,756)	(2,561,737)	(2,072,875)	(2,165,955)	(3,010,368)	(3,873,030)	(3,345,777)
Interest on bank and other borrowings	(274,835)	(538,298)	(913,129)	(1,001,190)	(497,008)	(282,388)	(497,348)	(1,058,674)	(857,349)	(758,369)
Operating expenses	(1,447,632)	(1,832,297)	(2,008,313)	(2,234,224)	(2,335,775)	(2,545,141)	(2,602,889)	(2,826,385)	(3,394,155)	(3,751,209)
Impairment on loans and other credit losses	(27,642)	(48,357)	(124,399)	(220,189)	(299,479)	(186,822)	87,520	(201,441)	(1,216,365)	(1,834,150)
Share of profit of associates	85,909	102,150	168,434	163,953	383,868	507,781	495,122	616,084	699,351	794,608
VAT on financial services	-	(115,246)	(107,803)	(159,080)	(200,851)	(273,333)	(173,096)	(218,177)	(182,591)	(204,236)
Profit before income tax	1,467,892	1,584,057	1,716,194	1,742,380	2,025,534	3,241,593	4,291,518	4,619,813	4,586,632	5,122,735
Income tax expense	(377,197)	(419,634)	(456,608)	(561,336)	(900,699)	(1,330,155)	(1,231,724)	(1,335,096)	(1,232,266)	(1,387,715)
Net profit for the year	1,090,695	1,164,423	1,259,586	1,181,044	1,124,835	1,911,438	3,059,794	3,284,716	3,354,366	3,735,020
Attributable to equity holders of the parent	1,042,400	1,122,237	1,210,711	1,126,985	1,046,112	1,827,034	2,964,837	3,217,058	3,291,239	3,633,279
Attributable to non-controlling interest	48,295	42,186	48,875	54,059	78,723	84,404	94,957	67,658	63,127	101,741
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
	Rs.'000									
Statement of Financial Position										
Stated capital	203,000	203,020	203,020	203,020	203,020	203,020	568,420	568,420	568,420	568,420
Capital reserves	725,677	1,308,366	1,326,647	1,382,664	1,377,177	1,312,973	1,308,607	1,337,282	2,517,669	2,527,454
Reserve fund	395,500	448,500	501,000	553,500	601,000	682,000	800,000	939,000	1,078,000	1,229,000
Unrealized income reserve	53,000	53,000	-	-	-	-	-	-	-	-
Investment fund	-	-	-	-	-	-	223,492	478,857	732,716	-
Available for sale reserve	-	-	-	-	-	72,282	(821)	12,887	26,665	102,499
Revenue reserves	3,038,516	4,040,699	5,107,037	6,053,306	6,945,757	8,983,262	11,008,108	13,553,801	16,062,203	19,891,223
Funds attributable to equity										
holders of the parent	4,415,693	6,053,585	7,137,704	8,192,490	9,126,954	11,253,537	13,907,806	16,890,247	20,985,673	24,318,596
Non-controlling interest	302,166	320,779	350,818	459,454	506,506	574,060	614,089	630,839	731,711	795,979
	4,717,859	6,374,364	7,488,522	8,651,944	9,633,460	11,827,597	14,521,895	17,521,086	21,717,384	25,114,575

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
	Rs.'000									
Assets										
Cash and other liquid assets	1,803,290	1,996,020	2,108,534	2,822,987	3,727,366	2,405,834	3,320,187	3,326,317	4,580,351	4,919,919
Financial assets held for trading	8,208	7,322	8,168	7,444	2,200	32,173	24,659	33,101	536,737	218,080
Available for sale securities	8,219	8,319	7,949	10,338	121,176	252,583	192,049	195,404	206,981	267,024
Investments in associates	767,637	862,149	1,209,943	1,224,834	1,584,724	1,795,601	2,011,360	2,364,929	2,719,082	3,167,824
Advances to customers	14,143,703	18,704,532	20,768,506	21,353,518	21,733,403	27,570,496	38,153,555	44,318,139	48,341,935	53,464,335
Other assets	1,888,578	2,425,317	2,892,999	3,490,477	3,675,363	2,798,186	2,350,001	2,272,034	3,577,169	3,365,417
Property, plant and equipment	4,357,335	5,490,668	5,453,522	5,137,289	4,633,049	4,084,303	3,745,802	4,047,417	5,467,305	5,801,116
Total Assets	22,976,970	29,494,327	32,449,621	34,046,887	35,477,281	38,939,176	49,797,613	56,557,341	65,429,560	71,203,715
Liabilities										
Deposits	10,406,456	11,765,897	12,172,031	13,354,133	17,233,458	19,887,906	22,795,351	26,984,757	32,673,095	33,448,265
Bank and other borrowings	3,854,109	6,299,135	6,963,437	5,866,646	1,756,655	2,839,926	8,400,512	7,661,345	6,411,628	6,322,225
Other liabilities	3,998,546	5,054,931	5,825,631	6,174,164	6,853,708	4,383,747	4,079,855	4,390,153	4,627,453	6,318,650
Total Liabilities	18,259,111	23,119,963	24,961,099	25,394,943	25,843,821	27,111,579	35,275,718	39,036,255	43,712,176	46,089,140
Key Indicators										
Earnings per share (Rs.)	51.35	55.28	59.64	55.52	51.53	17.42	28.27	30.67	31.38	34.64
Net asset value per share (Rs.)	220.48	298.21	351.61	403.57	449.60	107.30	132.60	161.04	200.09	231.86
Gross dividends paid (Rs.'000)	71,050	91,350	91,350	101,500	121,800	213,150	262,208	304,162	335,627	367,092
Dividend cover (times covered)	14.67	12.28	13.25	11.10	7.72	7.55	9.95	9.12	8.27	8.18
Market price per share (Rs.)	205.00	236.00	200.00	157.00	390.00	1,273.70	171.30	180.00	181.00	250.10
Normalised market value per share (Rs.) *	205.00	236.00	200.00	157.00	390.00	246.84	171.30	180.00	181.00	250.10
Price earnings ratio	3.99	4.27	3.35	2.83	7.57	14.17	6.06	5.87	5.77	7.22

Market value of previous periods have been adjusted in line with changes in stated capital subsequent to the subdivision & issue of bonus shares in September 2011.

Income Statement in US Dollars

For the year ended 31st March	Group		Company	
	2015 USD.'000	2014 USD.'000	2015 USD.'000	2014 USD.'000
Income	105,558	101,466	100,259	97,150
Interest income	92,507	90,160	92,590	90,426
Less: Interest expenses	30,462	35,790	30,698	36,100
Net interest income	62,045	54,370	61,892	54,327
Other operating income	8,298	7,831	2,483	2,616
Other income	4,754	3,475	5,187	4,108
	75,096	65,676	69,562	61,051
Less: Operating expenses				
Personnel expenses	10,470	9,771	8,949	8,130
Premises, equipment and establishment expenses	10,956	10,252	10,273	9,420
Employee retirement benefit expenses	1,111	1,039	967	897
Other expenses	5,306	4,618	4,564	3,962
	27,842	25,680	24,752	22,409
Profit before impairment on loans and other credit losses	47,254	39,996	44,810	38,642
Less: Impairment on loans and other credit losses	13,614	9,203	13,558	9,206
	33,640	30,793	31,251	29,436
Share of profit of associates	5,898	5,291	-	-
Profit before VAT on financial services and income tax	39,538	36,084	31,251	29,436
Less: VAT on financial services	1,516	1,381	1,516	1,381
Profit before income tax	38,022	34,703	29,735	28,054
Less: Income tax expense	10,300	9,323	7,447	7,052
Profit after income tax	27,722	25,380	22,288	21,002
Attributable to equity holders of the parent	26,967	24,902	22,288	21,002
Attributable to non-controlling interest	755	478	-	-
Net profit for the year	27,722	25,380	22,288	21,002
Basic and diluted earnings per share - USD	0.26	0.24		
Dividend per share - USD				
Paid	0.01	0.01		
Proposed	0.01	0.01		

The Income Statement given on this page is solely for the convenience of the shareholders, bankers, investors, customers and other users of financial statements and do not form part of the audited financial statements.

Statement of Financial Position in US Dollars

As at	Group		Company	
	31.03.2015 USD.'000	31.03.2014 USD.'000	31.03.2015 USD.'000	31.03.2014 USD.'000
ASSETS				
Cash in hand and at banks	3,289	4,318	3,043	4,109
FVTPL financial assets	1,619	4,061	368	4,060
Tax receivables	5	42	-	-
Trade and other receivables	8,471	6,474	2,144	1,651
Equity investments classified as AFS investments	1,982	1,566	1,934	1,518
Inventories and other stocks	11,961	14,525	9,267	12,403
Reverse repurchase agreements	20,580	20,253	20,580	20,253
Loans and receivables from banks	12,647	10,084	12,611	10,049
Loans and receivables from others	2,457	5,192	2,457	5,192
Loans and receivables from customers	24,415	23,749	25,566	25,101
Net investment in leases and hire purchase	372,411	342,007	372,093	342,007
Investments in real estate	305	496	255	496
Investment property	306	-	-	-
Investments in associates	23,512	20,573	3,885	3,960
Investments in subsidiaries	-	-	4,757	2,319
Deferred tax asset	96	124	-	-
Property, plant and equipment	43,057	41,366	32,787	32,539
Intangible assets	1,259	211	1,249	201
Goodwill	118	-	-	-
Total assets	528,492	495,041	492,998	465,858
LIABILITIES				
Bank overdrafts	2,485	2,214	2,363	2,171
Tax payables	2,511	1,200	2,125	1,042
Commercial paper	-	248	-	248
Trade and other payables	17,844	11,053	15,522	9,045
Amounts due to subsidiaries	-	-	1,086	1,076
Derivative financial instruments	51	19	51	19
Short term borrowings	4,961	649	3,714	-
Deposits	248,261	247,205	250,446	249,732
Long term borrowings	3,361	8,758	3,361	8,758
Debentures	36,066	36,622	36,066	36,622
Employee benefit obligations	6,809	5,783	6,033	4,956
Deferred tax liability	19,735	16,974	19,226	16,485
Total liabilities	342,085	330,727	339,993	330,154
SHAREHOLDERS' FUNDS				
Stated capital	4,219	4,301	4,219	4,301
Capital reserves	18,759	19,049	14,359	14,667
Reserve fund	9,122	8,156	9,122	8,156
Available for sale reserve	761	202	642	202
Investment fund	-	5,544	-	5,544
Revenue reserves	147,638	121,527	124,663	102,834
Funds attributable to equity holders of the parent	180,499	158,778	153,005	135,703
Non-controlling interest	5,908	5,536	-	-
	186,407	164,314	153,005	135,703
Total liabilities, shareholders' funds and non-controlling interest	528,492	495,041	492,998	465,858
Net asset value per share - USD	1.72	1.51	1.46	1.29

Exchange rate of USD was Rs. 134.73 as at 31st March 2015 (Rs. 132.17 as at 31st March 2014)

The statement of financial position given on this page is solely for the convenience of the shareholders, bankers, investors, customers and other users of financial statements and do not from part of the audited financial statements.

Employees of the Year

City Office 2014/15



April
Mr. D.A.A.N.Dolewatta



May
Mr. K.M.K.Gunawardena



June
Ms. F.M.Muhaimin



July
Mrs. P.D.G.P.Chandradasa



August
Mrs. H.N.P.Munasinghe



September
Ms. R.S.D.Ranasinghe



October
Mr. I.S.H.Gayan



November
Mr. P.M.Senarathne



December
Ms. G.K.N.Roshini



January
Ms. L.Heenatigala



February
Ms. S.P.S.Serasinghe



March
Mr. R.U.Nuwan

Head Office 2014/15



April
Mr. U. Herath



May
Mr. T. Udunuwara



June
Mr. U.M.K. Chandrasekara



July
Mr. M. Yaparata



August
Mr. G. Somaweera



September
Ms. K. Wedagedara



October
Mrs. T. Jayaratne



November
Mrs. C. Wimalaratne



December
Ms. T. Bandaranayake



January
Mr. S. Chaminda



February
Mrs. A. Kumarasinghe



March
Mrs. P. Senadeera

Employees of the Year

Branches 2014/15



April
Mr. S.T.A.Hennadige
Trincomalee



May
Ms. S.Malkanthy
Puttalam



June
Ms. N.W.T.Dhanesha
Kiribathgoda



July
Mr. T.Jayatunga
Avisawella



August
Mr. R.A.D.S.Rajapakse
Bakamuna



September
Mr. N.S.Jayawardene
Anuradhapura



October
Mr. G.H.N.Perera
Panadura



November
Ms. H.M.S.Sudarshani
Bandarawela



December
Ms. K.G.I.Kumari
Dehiattakandiya



January
Mr. K.T.J.Silva
Gampaha



February
Ms. B.Thiyambarawatta
Nugegoda



March
Ms. R.P.N.Priyadarshani
Embilipitiya

Glossary of Financial Terms

Accounting policies - The specific principles, bases, conventions, rules and practices adopted by an entity in preparing and presenting financial statements.

Accrual basis - The system of accounting wherein revenue is recognised at the time it is earned and expenses at the time they are incurred, regardless of whether cash has actually been received or paid out.

Amortisation - The systematic allocation of the depreciable amount of an intangible asset over its useful life.

Associate company - An associate is an entity, including an unincorporated entity such as a partnership, over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

Available for sale (AFS) - AFS are those non-derivative financial assets that are designated as available for sale or are not classified as loans and receivable, held-to-maturity investment or financial assets at fair value through profit or loss.

Cash equivalents - Short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Collective impairment provisions - Impairment is measured on a collective basis for homogeneous groups of lending facilities that are not considered as individually significant.

Consolidated financial statements - Financial statement of a holding company and its subsidiaries based on their combined assets, liabilities and operating results.

Contingencies - A condition or situation existing at the balance sheet date where the outcome will be confirmed only by the occurrence or non-occurrence of one or more future events.

Corporate governance - Process by which corporate entities are governed to promote stakeholder interest. Shareholders exert collective pressure on management to ensure equitable decision making on matters that may affect the value of their holdings and base their response on statutory requirements or on so called "Best Practice".

Credit risk - The risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Deferred taxation - Sum set aside for tax in the Financial Statements that may become payable/receivable in a financial year other than the current financial year.

Dividend cover - Profit attributable to ordinary shareholders divided by gross dividends to ordinary shares; this indicates number of times dividend is covered by current year's distributable profits.

Dividend per share - Value of the total dividend paid out and proposed to ordinary shareholders divided by the number of ordinary shares in issue; this indicates the proportion of current year's dividend attributable to an ordinary share in issue.

Earnings per share (EPS) - Profit attributable to ordinary shareholders divided by the number of ordinary shares in issue; this indicates the proportion of current year's earnings attributable to an ordinary share in issue.

Effective interest method - Is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period.

Equity method - A method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the investor's share of net assets of the

investee. The profit or loss of the investor includes the investor's share of the profit or loss of the investee.

Fair value - Is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Financial asset - Any asset that is cash, an equity instrument of another entity or a contractual right to receive cash or another financial asset from another entity.

Financial instrument - Is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial liability - A contractual obligation to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity.

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

Gross dividend - The proportion of profit distributed to shareholders including the tax withheld.

Group - A group is a parent and all its subsidiaries and associates.

Held-for-trading - Debt and equity investments that are purchased with the intent of selling them within a short period of time.

Held to maturity investment - Are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity.

Glossary of Financial Terms

Hire purchase - A contract between hirer and financier where the hirer takes on hire a particular article from the financier, with the option to purchase the article at the conclusion of the agreed rental payments.

Impairment - This occurs when recoverable amount of an asset is less than its carrying amount.

Individual impairment - Impairment is measured on an individual basis for Nonhomogeneous groups of lending facilities that are considered as individually significant.

Intangible asset - An intangible asset is an identifiable non-monetary asset without physical substance

Interest cover - Earnings before interest and tax divided by interest expenses; this indicates the ability to cover or service interest charges of the debt holders.

Interest rate SWAP - An interest rate SWAP is a contract, whereby two parties agree to exchange a set of interest cash flows based on a notional principle on pre-arranged dates. Normally fixed rate is exchanged for a floating rate.

Lease - An agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time.

Liquid asset - Assets that are held in cash or in a form that can be converted to cash readily, such as deposits with banks and treasury bills

Liquidity risk - The risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

Market capitalisation - Number of ordinary shares in issue multiplied by market value of a share and indicates total market value of all ordinary shares in issue.

Market risk - The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market price. Market risk comprises three types of risks: currency risk, interest rate risk, and other price risk.

Non-controlling interest - Portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned, directly or indirectly through subsidiaries, by the parent.

Net asset value per ordinary share - Ordinary shareholders' funds divided by the number of ordinary shares in issue.

Non-performing advances - Loans and advances of which rentals are in arrears for six months or more.

Operating lease - An operating lease is a lease other than a finance lease.

Parent - A parent is an entity that has one or more subsidiaries.

Past due - A financial asset is past due when a counterparty has failed to make a payment when contractually due.

Related parties - Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

Related party transactions - Is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged or not.

Reverse repurchase agreement - Transaction involving the purchase of securities by a bank or dealer and resale back to the seller at a future date and specified price.

Return on average assets (ROA) - Profit after tax expressed as a percentage of average total assets.

Return on average equity (ROE)

- Profit after tax less preference share dividends if any, expressed as a percentage of average ordinary shareholders' equity.

Segmental analysis - Analysis of financial information by segments of an enterprise specifically the different industries and the different geographical areas in which it operates.

Shareholders' funds (Equity) - Total of issued and fully paid ordinary share capital and capital and revenue reserves attributable to ordinary shareholders.

Subsidiary company - An entity, including an unincorporated entity such as a partnership, which is controlled by another entity, known as the parent.

Substance over form - The consideration that the accounting treatment and the presentation in financial statements of transactions and the events are governed by their financial reality and not merely by its legal form.

Tier I capital - Core capital representing permanent share holders' equity and reserves created or increased by appropriations of retained earnings or other surpluses.

Tier II capital - Supplementary capital representing revaluation reserves, general provisions and other capital instruments, which combine certain characteristics of equity and debts, such as, hybrid capital instruments and unsecured subordinate term debts.

Transaction costs - Are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Notice of Meeting

Notice is hereby given that the Fifty Seventh Annual General Meeting of Central Finance Company PLC will be held at Queens Hotel, Dalada Veediya, Kandy on this 17th day of July 2015 at 11.45 a.m. for the following purposes.

1. To receive and consider the Annual Report of the Board together with the Financial Statements of the company for the year ended 31st March 2015 and Report of the auditor thereon.
2. To approve a final dividend of Rs. 1.80 per share as authorised by the Directors.
3. To re-elect as a Director A. N. Fernando who retires by rotation in terms of Article 105 of the Articles of Association of the company.
4. To re-elect as a Director S. C. S. Wickramasinghe who retires by rotation in terms of Article 105 of the Articles of Association of the company.
5. To re-appoint SJMS Associates, Chartered Accountants, as auditor of the company, to hold office until the conclusion of the next Annual General Meeting of the company at a remuneration to be agreed with by the Board of Directors and to audit the Financial Statements of the company for the accounting period ending 31st March 2016.
6. To authorise the Directors to determine contributions to charities for the ensuing year.

By Order of the Board,
Director

Corporate Services (Private) Limited

Company Secretary

Central Finance Company PLC

Colombo on this 16th day of June 2015

Note:

- (1) Any member entitled to attend and vote is entitled to appoint a proxy instead.

A proxy need not be a member, instruments appointing proxies must be lodged with the company not less than 48 hours before the meeting.

- (2) It is proposed to dispatch the dividend warrants on 23rd July 2015 in accordance with the rules of the Colombo Stock Exchange, the shares of the company will be quoted ex-dividend with effect from 20th July 2015.

Form of Proxy

I/We
 of
 being a member/members of CENTRAL FINANCE COMPANY PLC do hereby appoint

- | | |
|--|-----------------|
| 1. Jayampathi Divale Bandaranayake | or failing him, |
| 2. Eranjith Harendra Wijenaik | or failing him, |
| 3. Gerard Shamil Niranjana Peiris | or failing him, |
| 4. Ravindra Erle Rambukwelle | or failing him, |
| 5. Arjuna Kapila Gunaratne | or failing him, |
| 6. Sunil Chandra Sillapana Wickramasinghe | or failing him, |
| 7. Chandima Lalith Kumar Perera Jayasuriya | or failing him, |
| 8. Dhammika Prasanna de Silva | or failing him, |
| 9. Faiz Mohideen | or failing him, |
| 10. Anthony Nirmal Fernando | or failing him, |

..... of

as my/our Proxy to vote/speak for me/us on my/our behalf at the 57th Annual General Meeting of the company to be held at Queens Hotel, Dalada Veediya, Kandy on the 17th day of July 2015 at 11.45 a.m. and at any adjournment thereof, and at every poll which may be taken in consequence thereof.

	For	Against
1. To receive and consider the Annual Report of the Board together with the Financial Statements of the company	<input type="checkbox"/>	<input type="checkbox"/>
2. To approve a final dividend of Rs 1.80 per share as authorised by the Directors	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-elect as a Director A. N. Fernando in terms of Article 105 of the Articles of Association	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-elect as a Director S. C. S. Wickramasinghe in terms of Article 105 of the Articles of Association	<input type="checkbox"/>	<input type="checkbox"/>
5. To appoint SJMS Associates as Auditor of the company to audit the financial statements and authorise the Directors to fix their remuneration	<input type="checkbox"/>	<input type="checkbox"/>
6. To authorise the Directors to determine contributions to charities	<input type="checkbox"/>	<input type="checkbox"/>

Signed this day of Two Thousand and Fifteen

.....
 Signature/s

Note:

Please delete the inappropriate words
 Instructions as to completion are noted on the reverse hereof.

Form of Proxy

INSTRUCTIONS AS TO COMPLETION

1. Kindly perfect the Form of Proxy after filling in legibly your full name and address and sign in the space provided. Please fill in the date of signature.
2. A Member entitled to attend and vote at the Meeting is entitled to appoint a Proxy who need not be a member, to attend and vote instead of him.
3. In the case of a Corporate Member, the Form must be completed under its Common Seal, which should be affixed and attested in the manner prescribed by Articles of Association.
4. If the Form of Proxy is signed by an Attorney, the relevant Power of Attorney should also accompany the completed Form of Proxy, in the manner prescribed by Articles of Association.
5. The completed Form of Proxy should be deposited at the Registered Office of the Company, No. 84, Raja Veediya, Kandy not less than forty eight (48) hours before the appointed time for the Meeting.

Investor Feedback Form

To request information or submit a comment/query to the company, please complete the following and return this page to -

General Manager - Finance
Central Finance Company PLC,
84, Raja Veediya, Kandy
Sri Lanka

Email: ube@cf.lk

Name :

Permanent mailing address :

.....

Contact numbers (Tel) :
Country code Area code Number

(Fax) :
Country code Area code Number

Email :

Name of company :

(If applicable)

Designation :

(If applicable)

Company address :

(If applicable)

.....

Queries/ comments

Please tick (✓) the appropriate box

Would you like to receive soft copies of the CF annual and interim reports via e-mail?

Yes

No

Would you like to receive news and press releases of CF via e-mail?

Would you like to receive any information on our products/services?

Corporate Information

NAME OF COMPANY

Central Finance Company PLC

LEGAL FORM

A Quoted Public Company with limited liability incorporated in Sri Lanka on 5th December 1957 and registered under the Companies Act No. 07 of 2007.

Registered under Finance Business Act No. 42 of 2011 and Finance Leasing Act No. 56 of 2000.

Approved Credit Agency under:

- Mortgage Act No. 6 of 1949
- Trust Receipt Ordinance No. 12 of 1947

COMPANY REGISTRATION NUMBER

PQ 67

DIRECTORS

J. D. Bandaranayake

Non - Executive Director / Chairman

E. H. Wijenaik

Managing Director

G. S. N. Peiris

Director (Finance)

R. E. Rambukwelle

Director (Marketing and Operations)

A. K. Gunaratne

Director (Group Co-ordination)

D. P. de Silva

Director (Credit)

C. L. K. P. Jayasuriya

Non - Executive Director

S. C. S. Wickramasinghe

Independent Non - Executive Director

F. Mohideen

Independent Non - Executive Director

A. N. Fernando

Independent Non - Executive Director

STOCK EXCHANGE LISTING

The ordinary shares of the company, the Rated Unsecured Redeemable Debentures issued in June 2013 and the Rated Secured Redeemable Debentures issued in December 2013 are listed on the Colombo Stock Exchange

HEAD/ REGISTERED OFFICE

84, Raja Veediya, Kandy.

Telephone : 081 - 2227000

Facsimile : 081 - 2232047

CITY OFFICE

270, Vauxhall Street, Colombo 2.

Telephone : 011 - 2300555

Facsimile : 011 - 2300441

E-mail : cenfin@cf.lk

Website : www.cf.lk

BANKERS

Bank of Ceylon

Citibank N.A.

Commercial Bank of Ceylon PLC

Hatton National Bank PLC

Hongkong & Shanghai Banking Corporation Limited

NDB Bank PLC

Nations Trust Bank PLC

People's Bank

Sampath Bank PLC

Seylan Bank PLC

Standard Chartered Bank

DFCC Bank PLC

AUDITOR

SJMS Associates,

Chartered Accountants,

2, Castle Lane,

Colombo 04.

LEGAL ADVISER

F. J. & G. De Saram,

Attorneys-at-Law,

P.O. Box 212,

Colombo.

COMPANY SECRETARY

Corporate Services (Pvt) Limited,

216, de Saram Place,

Colombo10.

Telephone : 011 - 4605100

Facsimile : 011 - 4718220

