

2016-17

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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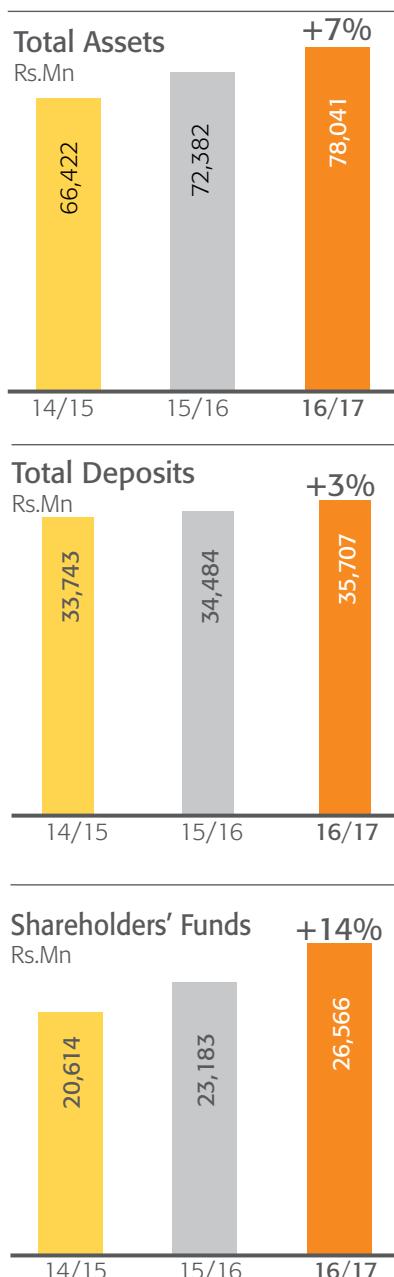
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Financial Highlights



	Group 2016/17 Rs.Mn.	2015/16 Rs.Mn.	Company 2016/17 Rs.Mn.	2015/16 Rs.Mn.
Financial performance				
Income	18,146	16,285	15,392	13,702
Profit before income tax	7,240	6,272	5,932	5,089
Income tax	2,344	2,169	1,878	1,755
Profit after income tax	4,897	4,103	4,054	3,334
Net profit attributable to ordinary shareholders	4,807	3,994	4,054	3,334
Gross dividends	-	-	509	420
Financial position				
Total assets	84,427	77,808	78,041	72,382
Gross loans and advances to customers	64,987	60,446	65,085	60,595
Deposits	35,528	34,299	35,707	34,484
Shareholders' funds	31,681	27,488	26,566	23,183
Information per ordinary share				
Earnings Rs.	22.18	18.42	18.70	15.38
Dividends Rs.	2.35	4.00	2.35	4.00
Market value Rs.	-	-	86.20	210.00
Normalised market value Rs.	-	-	86.20	101.61
Net assets Rs.	146.16	126.82	122.56	106.95
Ratios				
Dividend cover (times)	-	-	7.96	7.95
Dividend pay out (%)	-	-	12.56	12.60
Liquid assets (%)	-	-	11.24	10.88
Shareholders' funds to deposits	-	-	74.40	67.23
Core capital ratio % (Tier 1)	-	-	32.28	29.91
Total risk weighted capital ratio % (Tier 1 & 11)	-	-	32.95	30.21

Non-financial highlights

Employees

1,666



15/16: 1,642 14/15: 1,624

Branches

93



15/16: 93 14/15: 92

Customers

144,605



15/16: 134,198 14/15: 123,987

Chairman's Statement

"Meanwhile, in 2016, the Sri Lankan economy grew by 4.4 % in real terms, amidst numerous global and domestic challenges. Unfavourable weather conditions that prevailed during the year adversely impacted economic activities, primarily in the Agriculture sector. On a more positive note, the Services related activities, which constitute 56.5% of real GDP, grew by 4.2% in 2016, on an year-on-year basis, supported by a steady 12.4% expansion in the financial services sector."

It is my pleasure to present to you the Annual Report and the financial statements of Central Finance Company PLC, for the year ended 31st March 2017.

In my review last year, we set out that our immediate focus would be to further consolidate our strengths and build resilience. I am pleased to report that these initiatives yielded results and helped us in achieving land mark results of Rs. 4 billion in profits. The group profits at Rs. 4.9 billion, is a notable increase of 19.4% over the prior year.

MACRO-ECONOMIC OVERVIEW

Stagnant global trade, subdued investments, and heightened policy uncertainty marked another difficult year for the world economy, with global growth estimated to have fallen to 2.3% in 2016; the weakest performance since the global financial crisis of 2008.

In general, advanced economies witnessed anemic growth, accompanied by a further weakening of global trade in 2016. Emerging and developing economies however fared comparatively well, as higher commodity prices in the latter part of the year brought relief to many of these economies which had been struggling to cope with the burden of depressed commodity markets for the past few years.

Meanwhile, in 2016, the Sri Lankan economy grew by 4.4 % in real terms, amidst numerous global and domestic challenges. Unfavourable weather conditions that prevailed during the year adversely impacted economic activities, primarily in the Agriculture sector. On a more positive note, the Services related activities, which constitute 56.5 % of real GDP, grew by 4.2% in 2016, on an year-on-year basis, supported by a steady 12.4% expansion in the financial services sector.

Increased investment, especially in the construction sector, was considered to be the key driver of economic growth during the year, as domestic consumption expenditure slowed in response to tightening monetary and fiscal policies. Meanwhile, public sector consumption expenditure also moderated in 2016 with ongoing fiscal consolidation efforts.

Inflation, which remained low in the first four months of the year, increased thereafter to record an annual average of 4% in 2016. The high levels of inflation observed during some months in 2016 as well as in the first quarter of 2017 were mainly due to the adverse impact of weather related disruptions, tax adjustments and the impact of rising international commodity prices. Monetary conditions tightened throughout the year, with the increase of the Statutory Reserve Ratio (SRR), continuation of the loan-to-Value (LTV) ratio on financing, and the revision of key policy rates which resulted in the considerable increase in market interest rates.

The Government's immediate efforts were focused on formulating the policy framework required to address deep rooted structural issues that would bring greater economic stability through increased foreign direct investments and stimulate investments from the domestic private sector, to position the country on a higher growth trajectory.

SECTOR OVERVIEW

The licensed finance companies (LFC)/ specialised leasing companies (SLC) sector, of which Central Finance Company PLC is a part of, recorded a strong performance in terms of asset growth for 2016. The total asset base of the sector grew by 21.7% year-on-year to cross the one trillion mark to reach Rs. 1,211.9 billion by end-December 2016.

Chairman's Statement

This is a commendable achievement as a challenging business environment saw the sector gradually moving out from its core business of vehicle financing and into other loan products, particularly as tightening of the loan-to-value (LTV) ratio brought pressure on vehicle financing business. Consequently, the sector witnessed a deceleration in credit in the first half of the year, followed by an uptick from about mid-year as the sectors' diversified lending strategy began to gain traction.

Further, while maintaining the growth momentum, sector-wide risk remained under control, as reflected in healthy level of non-performing loans and comfortable liquidity and capital levels. Meanwhile, to address the risks emanating from few LFCs with weak financial positions, the Central Bank of Sri Lanka strengthened the supervisory and regulatory framework for financial institutions with a view to further enhancing their safety and stability, which contributed towards improving public confidence in the financial services sector.

COMPANY STRATEGY AND FOCUS

In light of the challenges posed by the LTV, the main priority was to strengthen the Company's asset base vis-à-vis portfolio diversification strategies aimed at broadening the exposure to alternative market segments and easing away from the over dependence on vehicle financing. As a consequence of these realignments, yield rationalisation also became an important part of CF's margin management strategy for the year.

On the liability side, changes to the tax structure made raising funds from the public through listed debentures, an unfeasible option, leaving CF to rely substantially on deposits and short term bank borrowings as the key source of

funding for the year. Although, we did not aggressively pursue Deposit mobilisation strategies, owing to CF's strong track record, I am pleased to report that Deposit growth continued to be satisfactory in 2016/17. We remained well-capitalised and maintained healthy liquidity levels throughout the year.

Meanwhile, reaffirming our support of the Central Bank of Sri Lanka's financial sector consolidation programme, Isuru Leasing Company Limited, previously a fully owned subsidiary was amalgamated as part of CF's operation with effect from February 28, 2017.

COMPANY PERFORMANCE

Top line grew by 11% to Rs. 18.1 billion over last year's Rs. 16.3 billion. This helped the bottom line grow to Rs. 4.9 billion, an increase of 19.4 % over the last year. Notably, the total expenses grew only by 9.5%. Reflecting the general positive economic conditions in the retail sector of the economy for the second year running, the impairment charges for the year recorded at Rs. 161.2 million, a substantial decrease over the last year's amount of Rs. 658.3 million

The loan book grew to Rs. 65 billion from Rs. 60.4 billion. Consequently, the total assets of the company also grew to Rs. 84.4 billion from last year's Rs. 77.8 billion. Deposit base growth was at a moderate level and the year-end deposit liabilities stood at Rs. 35.5 billion from the previous year's Rs. 34.3 billion.

Funds attributable to equity holders increased to Rs. 31.7 billion from last year's Rs. 27.5 billion, a growth of 15%. This year, we paid an interim dividend of Rs. 1.50 and propose a final dividend of Rs. -/85, making a total of Rs. 2.35, a 21% increase in dividend payout.

PERFORMANCE OF GROUP COMPANIES

Most subsidiaries and associate companies for the year ended 31st March 2017, performed well over expectations. Of these, notable performances were recorded by CF Insurance Brokers (Pvt.) Ltd., Kandy Private Hospitals Ltd., and associate companies Nations Trust Bank PLC and Tea Smallholder Factories PLC. The Managing Director's Report given on pages 6 to 9 discusses the financial performance in greater detail

FUTURE OUTLOOK

Sri Lanka's financial services industry is undergoing significant changes driven by developments in digital technology, as well as macroeconomic conditions, changing customer expectations, intensified competition and increased regulatory measures, all of which will contribute to make the business climate challenging in the years ahead. I do believe however that these developments will also create many opportunities for us to strengthen our position and deliver long-term value for all our stakeholders.

Our ability to do this will nevertheless depend on broad efforts by the regulators to strengthen macroeconomic fundamentals through improved fiscal performance and the conduct of monetary policy within a forward-looking and sustainable framework. Further, it is essential that these structural issues be addressed decisively without delay and with broad public consensus, as the postponement of these essential reforms is no longer feasible, if the country is to progress along a sustainable and equitable growth trajectory envisaged for the future.

BOARD CHANGES

Mr. Faiz Mohideen, who joined the board on January 01, 2012, stepped down from his position with effect from February 15, 2017 in line with the Corporate Governance Directions of the Central Bank of Sri Lanka. Mr. Mohideen has always been an active member of the board throughout his tenure with the company, serving on Audit, Integrated Risk Management and Related Party Transactions Review Committees. On behalf of the board, I thank him for his valuable contribution over the past five plus years, and wish him well in all his future endeavours.

I also warmly welcome Dr. (Mrs.) Damitha de Soyza, who joined the board on February 15, 2017. Dr. Soyza, previously served the Ministry of Finance as the Director General of the Department of Development Finance and Director General of the Department of Fiscal policy and as the Secretary to Ministry of Plantation Industries, Ministry of Productivity Promotion and Ministry of Fisheries and Aquatic Resources Development. Dr. Soyza's extensive experience in the field of economics and public finance will no doubt be invaluable in taking the company forward.

APPRECIATIONS

I take this opportunity to express my thanks to my colleagues on the board for their continued support throughout the year. I also wish to thank the Managing Director, the Management and all Employees of Central Finance Company PLC, whose dedication and hard work have been the key to our success over the years.

My grateful thanks also to the officials at the Department of Supervision of Non-bank Financial Institutions of the Central Bank of Sri Lanka, for their valuable support and guidance.

Finally, I wish to thank the shareholders and all other stakeholders of Central Finance Company PLC, for the trust and confidence placed in the company and request your continued patronage in the years ahead as well.

J. D. Bandaranayake

Chairman

Colombo

24th May 2017

Managing Director's Report

"The company's total assets as at 31st March 2017 stood at Rs. 84.4 billion compared to Rs. 77.8 billion in the previous year, an increase of 7%, which directly correlates to the growth in the loan book.

Funds attributable to equity holders increased to Rs. 31.7 billion from the previous year's figure of Rs. 27.5 billion, signaling an increase of 15% year-on-year"

It is my pleasure to present to you the Annual Report and financial statements for the year ended 31st March 2017, marking our 60th year in operation. We are proud to be one of the pioneers in the country's financial services sector and have made steady progress over the past six decades in pursuing our vision to "be the first choice for progressive customers in delivering innovative financial solutions".

INDUSTRY OVERVIEW

It was a challenging year for the financial services sector, with many Licensed Finance Companies (LFC), pressured to move away from their core vehicle financing business model.

Lease growth in the sector continued to be dull for much of 2016 as the Central Bank further tightened Loan-to-Value ratios (LTV) for unregistered three wheelers, motor cars and vans. The LTV cap which has been in operation for the last 18 months has therefore compelled LFC's to focus on other lending products for business.

Led by the increased exposure to other lending products, the LFC sector saw acceleration in credit growth in the second half of 2016 resulting in an overall expansion of credit for the year. Notably, around 73% of this credit growth came through other loan products such as term loans, revolving loans, microfinance, factoring and mortgage loans, while finance leases and hire purchases accounted for only 23%. Moving forward, it is imperative that the LFC Sector be given the space, opportunity and flexibility to grow in the "tried and tested" areas of hire purchase and leasing because their business models are unique, vital and well proven to deliver last mile credit to the un-served segments of the society.

FINANCIAL HIGHLIGHTS

Income for the current financial year was Rs. 18.1 billion, up by 11% from last year's Rs. 16.3 billion. Despite a 9.5% increase in total expenses, net profit for the year ended 31st March 2017 was Rs. 4.9 billion, a commendable 19.4% increase compared to the previous years' Rs. 4.1 billion.

Meanwhile, improved economic conditions in the retail economy coupled with an overall appreciation in vehicle prices led to robust cash collections. As a result, impairment charges saw a significant reduction from Rs. 658.3 million in the previous year to Rs. 161.2 million in the year under review.

The company's total assets as at 31st March 2017 stood at Rs. 84.4 billion compared to Rs. 77.8 billion in the previous year, an increase of 7%, which directly correlates to the growth in the loan book.

Funds attributable to equity holders increased to Rs. 31.7 billion from the previous year's figure of Rs. 27.5 billion, signaling an increase of 15% year-on-year.

REVIEW OF OPERATIONS

Credit and Lending

Challenged by high interest rates and the tighter LTV restrictions, the company's lending business came under pressure in the current financial year. To keep pace with the changes in our immediate operating environment, we responded with renewed efforts to realign the business model vis-à-vis expansion in new product segments. The product mix was rationalized through more effective yield management strategies that would secure margins. As a priority, this meant reducing the dependence on financing of unregistered vehicles and increasing the exposure to other market segments. We specifically

looked at deepening CF's penetration in the SME segment, particularly to promote financing through our branch network. I am happy to report that this strategy delivered as expected, with the loan book growing by 7% to Rs. 65 billion as at 31st March 2017 from Rs. 60.4 billion a year ago.

DEPOSIT MOBILISATION

Operating amidst stiff market conditions, the company's deposit base grew by Rs. 1.2 billion (4%) to Rs. 35.5 billion in 2016/17. The deposit strategy in the context of market conditions was to realign the mix, and selectively grow the base.

We launched a number of value enhancements to complement various deposit products offered by the company. Key among them was the new "Hospital Cash" insurance scheme introduced in partnership with CF Insurance Brokers (Pvt.) Ltd., specifically to complement the senior citizens product.

We also introduced an instant loan facility for our depositors. The facility can be obtained through CF ATM machines and any of the 657 VISA enabled Commercial Bank ATM machines island-wide at any time of the day throughout the year.

ASSET QUALITY

Despite changes in the business mix, the company's asset quality remained strong, thanks to the superlative efforts by our recovery teams. Proactive recovery strategies deployed throughout the year, saw CF's NPL ratio decrease to 3.52% for 2016/17, well below the industry average of 5.3% (December 2016).

Meanwhile, to support the recovery measures, we invested in new technology to provide the customer with more convenient settlement options. The commissioning of Cash Deposit Machines at branches, launch of the Mcash platform in partnership with Mobitel and branchless

banking solutions were among the key initiatives taken in the current financial year.

LIQUIDITY POSITION

With the deposit base as the main funding source, CF continued to maintain a strong liquidity position throughout the year, supported by prudent strategies to minimise the asset-liability mismatch. The company also had approved and undrawn bank facilities worth Rs. 2.5 billion to further augment liquidity.

CREDIT RATING

As in the past this year too, Fitch Ratings Lanka Limited assigned 'A+(Ika)' national long term rating for the company with stable outlook and reaffirmed the senior and subordinate debentures at 'A+(Ika)' and 'A (Ika)', respectively.

DIVIDEND

An interim dividend of Rs. 1.50 per share was paid in December 2016. A final dividend of Rs. 85/- per share has been proposed for the approval of the shareholder at the forthcoming Annual General Meeting scheduled for on the 30th of June 2017. The total dividend payout for the year will be Rs. 2.35 per share, a 21% increase over the previous year.

PERFORMANCE OF SUBSIDIARIES

Central Industries PLC (CIL)

The company manufactures and markets 'National PVC' pipes and fittings and a range of water management products together with valance boards under the trade mark 'Greenwood' for the construction industry. It also manufactures 'Krypton' Electrical Products, while being the authorised distributor for Hitachi power tools in Sri Lanka. Revenue increased to Rs. 2.4 billion from Rs. 2.2 billion up by 5% from the previous year. This was largely the result of improved results from the retail and building construction sectors. However,

CIL's margins came under pressure in the latter part of the year due to a sharp increase in the world market price of PVC related raw material, depreciation of the rupee and increased import duties. The company was left with no option but to absorb adverse impact on the margins, as price adjustments could not be made given the stiff competition in the market. Consequently, profit before tax declined to Rs. 201.3 million from Rs. 252.9 million recorded last year. Profit after tax was also down to Rs. 139 million compared to Rs. 180.2 million recorded in the previous year.

The board has recommended a first and final dividend of Rs. 2.75 per share for the year ended 31st March 2017 on the 19,768,428 ordinary shares in issue, subsequent to the share split.

CF INSURANCE BROKERS (PVT) LTD (CFIB)

CFIB reported an improved performance during the financial year ended December 31, 2016. The gross premium turnover stood at Rs. 2.43 billion compared to Rs. 2.23 billion reported in the previous year, an increase of 8.9%. Commission income increased by 14.8% from Rs. 238.1 million in 2015 to Rs. 273.3 million in 2016. Profit after tax grew to Rs. 177.5 million in 2016 compared to Rs. 141.9 million in the previous year. Direct expenditure accounted for Rs. 85.9 million inclusive of staff salaries, an increase of 11.4% compared to the previous year. Administrative expenses increased by 7.3% to Rs. 21.9 million compared to Rs. 20.4 million in 2015.

Completing its second year of operation, the CFIB Call Center reported an increase in the non-captive market segment, which translated into premium turnover of Rs. 11.2 million for the year.

Managing Director's Report

Among the key developments for the year was the launch of the 'Hospital Cash' policy targeting CF depositors. The product offers enhanced benefits especially for clients who are over 60 years of age. The personal accident benefit cover 'Super Wheel' arranged for three-wheeler clients was another unique product targeted at broad basing income. The company continues to cross sell the range of insurance products in addition to motor insurance to existing clients in order to improve the product mix and customer diversity.

MARK MARINE SERVICES (PVT) LTD

The company is on an extended power purchase agreement (PPA) with Ceylon Electricity Board to supply electricity to the national grid for a period of five years from 2014 to 2019. However, the tariff offered on this extension is substantially lower than the tariff, which was available under the PPA for the first fifteen years. The lower tariff had a substantial impact on company's profitability for the year under review.

Dry weather conditions that prevailed throughout 2016 further impacted the energy generation capacity, which was 12.5% lower in terms of units generated during the previous year. As a result, revenue declined by 11.2% year-on-year, while, profit before tax dropped to Rs 32.6 million for the year under review compared to Rs.35 million reported in the previous year. The company's profit after tax stood at Rs 27.2 million when compared with the previous year's Rs. 30.2 million.

The company paid a dividend of Rs. 8/- per share for the financial year ended 31st March 2017.

KANDY PRIVATE HOSPITALS LTD.

Turnover for the year under review was Rs. 119.7 million, up by 6.77% compared to Rs. 112.1 million in 2015/16. The

increase in revenue is largely attributed to increased laboratory surgical services and interest income. Profit before tax increased by 92.4% from Rs. 8.2 million to Rs. 15.8 million, whilst profit after tax also increased by 122.5% from Rs 6.2 million to Rs. 13.8 million for the year under review. The improved performance is mainly due to higher revenues and a significant reduction in maintenance and administrative expenses owing to the completion of the refurbishment of the operating theater during the first quarter.

PERFORMANCE OF ASSOCIATES

Nations Trust Bank PLC

Competing effectively in a rapidly changing market, the Nations Trust Bank group delivered a strong performance during 2016, marked by a profit growth of 9.8%. The group reported a profit after tax of Rs.2.9 billion during the year ended 31st December 2016, compared to Rs. 2.6 billion reported during the previous year, supported by revenue growth and a strong focus on managing expenses. The group's net interest income grew by 7.5% to Rs. 9.8 billion during the year led by 23.7% growth in loans and advances and 17.3% growth in customer deposits. Although lower compared to the previous year, net interest margin stayed strong at over 5%, outperforming the industry average of 3.5% for 2016.

Operating expenses increased by 11% during the year resulting from higher personnel expenses and increased investments in technology in line with the strategic focus on strengthening digital capabilities. Meanwhile, continued emphasis on streamlining and simplifying processes and driving cost efficiencies, enabled the group to maintain cost to income ratio relatively unchanged at 55.6% during the year.

The total assets base of the group grew by 19.8% to reach Rs. 211.2 billion at the year-end while the loans and advances portfolio grew by 23.7%, strongly supported by the small and medium enterprises (SME) portfolio growth and balanced growth in corporate, leasing and consumer portfolios. The SME portfolio grew by 49% during the year to Rs. 42.7 billion amounting to 28% of the loan book whilst the corporate banking loan book grew by 23.5% to Rs. 38.8 billion maintaining its' composition of 25% of advances. The growth in consumer banking and leasing portfolios were also commendable at 17% and 5% respectively.

Growth was largely funded by customer deposits which grew by 17.3% to reach Rs. 151.5 billion at the year end and accounted for 67.18% of total liability growth. The bank raised Rs. 5 billion through the issue of debentures during the year to fund growth and strengthen the Tier 11 capital. A first and final dividend of Rs. 2.10 per share was paid for the year ended 31st December 2016.

TEA SMALLHOLDER FACTORIES PLC

The company operates a network of eight factories, located in the Southern and Sabaragamuwa provinces with an annual capacity of processing 7.6 million Kilogrammes of made tea. The company's smallholder base of 17,125 small holders, saw an addition of 542 new suppliers during the year. The company continued its various initiatives to improve the productivity of small holders by way of loans, plants, technical advice and propagation of good agricultural practices, benefitting a total of 140 small holder growers.

Extreme weather conditions experienced during the last three quarters and drought conditions with high ambient temperatures led to a decline in the production volumes from 4.5 million kilogrammes to 4.3 million kilogrammes. However, benefitting from the strict emphasis on quality, the company recorded a gross sale average of Rs. 500.9 per kilogrammes which was the highest sale average achieved by any institution for low grown teas.

Notwithstanding lower production volumes, the company was able to report significantly improved performance compared to the previous year. Revenue for the year improved to Rs. 2.3 billion from Rs. 1.9 billion recorded in the previous year, whilst profit before tax improved to Rs. 110.2 million from a negative performance in the previous financial year and profit after tax stood at Rs. 85 million compared to loss after tax of Rs. 8.8 million reported. Improved tea prices together with introduction of cost efficiencies in processing further contributed to the current results.

CHANGES TO THE BOARD

Mr. Faiz Mohideen retired from the Board of Central Finance Company PLC with effect from 15th of February 2017 having served the Company since 01st January 2012. I take this opportunity to thank him for the wide experience he brought with him, and the expertise he shared with us.

I also extend a warm welcome to Dr. (Mrs.) Damitha de Soyza, who was appointed to the Board with effect from 15th of February 2017. I look forward to working with her in the ensuing years.

ACKNOWLEDGEMENTS

I take this opportunity to thank the Chairman and Board of Directors for their support and active participation in all board matters. A very big thank you, to the management and staff of Central Finance Company PLC for their dedication and commitment in driving the Company to new heights

I also wish to thank the Director and Officials at the Department of Supervision of Non-bank Financial Institutions of the Central Bank of Sri Lanka for their advice and support and to Ms/SJMS Associates, our external auditor for their support in finalising the annual audit on time.

In conclusion, I wish to convey my appreciation to the shareholders, depositors, customers, bankers and all other stakeholders of Central Finance Company PLC for the trust and confidence placed in the company. I look forward to your continued patronage in the years ahead as well.

E. Wijenaike
Managing Director

Colombo

24th May 2017

Board of Directors

Jayampathi Divale Bandaranayake

Chairman / Independent 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 Board of 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 Wijenaike

Executive Director

Eranjith Wijenaike 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 Tea Smallholder Factories PLC, Trans Asia Hotels PLC, Equity One PLC, Central Industries PLC and served as a founder Director of Nations Trust Bank PLC. He holds a Bachelor's Degree in Commerce and a Postgraduate Diploma in Finance and Management.

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 39 years of post-qualifying 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 –UK, 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 39 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.

**Chandima Lalith Kumar Perera
Jayasuriya**
Non-executive Director

Kumar Jayasuriya, the immediate past 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, a Chartered Global Management Accountant, and a Fellow Member of the Association of Chartered Certified Accountants - UK.

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 former Chairman of Milco (Pvt) Limited has been a member of the Board of Central Finance Company PLC since 01st July 2011. He possesses 31 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.

Asite Drupath Bandara Talwatte
Independent Non-executive Director

Asite Talwatte was appointed to the Board of Central Finance Company PLC on 30th June 2016. He is a fellow member of the Institute of Chartered Accountants of Sri Lanka, the Chartered Institute of Management Accountants –UK and has a MBA from the University of Sri Jayawardenapura, Sri Lanka.

He has worked with Ernst & Young for over 37 years, during which he was the country Managing Partner for over a decade.

He has served as a former President of the Institute of Chartered Accountants of Sri Lanka (2002/2003) and the Chartered Institute of Management Accountants, Sri Lanka (1995/1996), and has also served as the Chairman of the Statutory Accounting Standards Committee, the Auditing Standards Committee, the Urgent Issues Task Force and the Examinations Committee of the Institute of Chartered Accountants of Sri Lanka and currently chairs the Committee set up by the Institute of Chartered Accountants of Sri Lanka to review the applicability of Integrated Reporting in Sri Lanka and the Committee reviewing the Code of Best Practice on Corporate Governance.

He has served as a Director of People's Bank and the SME Bank and functions as the Chairman of Management Systems (Pvt.) Ltd. and serves on the Boards of several other companies including Diesel & Motor Engineering PLC, Sunshine Holdings PLC, Tokyo Cement Lanka PLC, CT Holdings PLC and Lanka Hospitals PLC.

Dr. (Mrs.) Agampodi Damitha Nandanie de Zoysa
Independent Non-executive Director

Dr. (Mrs.) de Zoysa was appointed to the Board of Central Finance Company PLC on 15th February 2017. She was the former Secretary to the Ministry of Plantation Industries from 2014 to 2015, the former Secretary to the Ministry of Productivity Promotion from 2013 to 2014, the former Secretary to the Ministry of Fisheries and Aquatic Resources Development from 2010 to 2013, the Director General of the Department of Development Finance of the Ministry of Finance and Planning, Treasury from 2006 to 2010 and the Director General of the Department of Fiscal Policy of the Ministry of Finance and Planning from 2005 to 2006.

Dr. (Mrs.) de Zoysa holds a B.A (Hons.) Degree in Economics (Statistics) from the University of Peradeniya, M.Sc. Degree in Agricultural Development Economics from the Australian National University, Canberra, Australia, M.A. Degree in Economics from the Ohio State University, Columbus, Ohio, USA and Ph.D. Degree in Agricultural Economics from the Ohio State University, Columbus, Ohio USA.

Dr. (Mrs.) de Zoysa currently serves as a Consultant / Advisor to CHEC Port City Colombo (Pvt.) Ltd. and has served as a Director of DFCC Bank PLC, Lankaputhra Development Bank and Sri Lanka Savings Bank.

Corporate Management Team

U. B. Elangasinha

FCA

General Manager – Finance

K. Kandeepan

FCA, ACMA (UK), CGMA

Deputy General Manager – Finance

R. E. S. Naranpanawa

AICM (SL)

Senior Regional Manager – Region 2

I. M. J. B. Ilangakoon

AICM (SL)

General Manager – Branches

A. F. Goonetillake

Dip. in Marketing (UK), MCIM (UK), Dip. in IDPM (UK)

Senior Assistant General Manager – Marketing Services

A. K. Kaluhendiwela

MBA – (University of Wolverhampton - UK)

Assistant General Manager – Micro Branches

B. A. C. K. Jayawardena

MBA (Open University – Malaysia)

General Manager – Recoveries

S. Ekanayake

Senior Assistant General Manager – Fleet Management

C. M. Mendis

Assistant General Manager – Sales

S. Ragunanthan

MBA (Sikkim Manipal University, India)

General Manager – Internal Audit

S. Tennekoon

Senior Assistant General Manager –Sales

W. S. M. Dabarera

ACA, ACMA

Assistant General Manager – Internal Audit

C. K. Hettiarachchi

MBA (University of Wales), ACMA (UK), CGMA

General Manager – Marketing and Product Development

A. P. B. Rajanayake

Senior Assistant General Manager –Deposits

G.A. Bandaranayake

Senior Assistant General Manager – Credit

M. A. M. Farook

BSc (Hons) (University of London Guildhall - UK), Dip. in Computer System Design - NIBM

Senior Assistant General Manager – IT

C. S. Hettiarachchi

MBA (University of Sri Jayewardenepura), LL.B (University of Colombo), Attorney-at-Law

General Manager – Legal

D. M. Warnakulasuriya

Senior Assistant General Manager –Recoveries

W. K. B. Senanayake

BBA (Newport University - UK), MBA (University of Kent - UK)

General Manager – Human Resources

Management Discussion and Analysis

MARKETING

It was a challenging year for CF's marketing division as the cascading effects of the tighter Loan-to-Value (LTV) rules brought new pressures, making it difficult to meet expected volume targets for the current financial year. With the LTV dampening the demand for vehicle financing across all market segments particularly in the second half of the year, the company was compelled to revisit its product mix, prompting a series of yield management strategies in order to stem revenue leakages. On a more positive note however, used vehicle values appreciated substantially in the wake of LTV caps, sharply increasing demand for used stock and thus boosting remarketing efforts.

With the LTV taking a toll on the demand for unregistered vehicles, the key thrust shifted towards promoting micro leasing products to the Small and Medium Enterprise (SME) and micro enterprise segments, a move that also supports the governments' long-term strategy to boost the SME and micro segments across the country.

Meanwhile, efforts to broaden the sector mix continued in this year as well, led by a number of localised campaigns to create greater island-wide visibility. To complement these efforts, the field sales force was also strengthened.

The company further initiated a series of customer retention strategies, key among them being the launch of the Instant Sub-loan in December 2016. A new product to facilitate the customers' need for quick cash, with "best in class" loan turnaround times.

CREDIT & LENDING

Impacted by a series of macro challenges, the lending business came under pressure in the current financial year. Starting with the Central Bank of Sri Lanka's decision to increase rates in the early part of 2016, and a subsequent mid-year increase in July 2016 saw sharp increase in the interest rates within a short span of time, which had a direct impact on the demand for vehicle financing as many customers remained hesitant to commit to a 4 – 5 year facility at higher rates.

Meanwhile, the November 2016 budget brought fresh worries for the core lending business in the form of the Monetary Board decision to further tighten the loan-to-value ratio for unregistered three wheelers to 25% and motorcars and vans to 50%. The stricter LTV rules together with increased duties and the depreciation of the rupee had a snowballing effect on the demand for all vehicles, particularly three-wheelers, on which demand fell from about December 2016 onwards.

Challenged by falling demand, the key priority for the company was to rationalise the product mix whilst maintaining credit quality. In this context, a series of yield management strategies were employed in order to arrive at a healthy product mix that would make a positive contribution to the business.

In particular, the renewed focus was on tapping into lending opportunities in the SME segment and the registered vehicle market, both of which reported good volume growth for the twelve months ending 31st March 2017. Notably, much of this growth was driven by the branches.

Despite these best efforts however, total volumes fell short of anticipated targets for the year, bringing pressure on growth in advances.

Nonetheless, efficiency improvement initiatives continued, with a number of operational improvements being rolled out in this year as well. Among the key initiatives for the year was the introduction of a Workflow Management System aimed at reducing procedural complexities and improving the efficiency of end-to-end processes. This forms part of a long-term investment in an Enterprise Content Management System that would enhance service delivery levels and also enable the company to go completely paperless in the future.

DEPOSITS

CF's Deposit portfolio registered 3.6% growth in the twelve months ending 31st March 2017. CBSL's decision to increase interest rates in quick succession during the year resulted in a sharp increase in the AWDR within a short span of time. The higher interest rates led to a change in the deposit mix, with notable shift in savings with a proportionate increase in term deposits compared to the previous year. Although CF did not pursue an aggressive deposit mobilisation strategy in 2016/17, due to its long-standing reputation and credibility in the market, customer retention remained at over 90% for the current financial year as well.

The company launched a number of value added services to further augment the deposit proposition for target market segments. Key among them was the new medical insurance scheme introduced in partnership with CF Insurance Brokers (Pvt.) Ltd., specifically to complement the senior citizen depositors.

Management Discussion and Analysis

The launch of the new ATM card gives fixed deposit holders easy access to a pre-approved loan facility from CF ATMs and over 657 VISA enabled Commercial Bank ATMs island-wide.

Meanwhile an international VISA-enabled ATM card was issued to savings account holders, enabling them to access their funds from any VISA-enabled ATM locally or overseas.

A number of internal process improvements were also made in order to improve overall efficiency and service delivery. The new Enterprise Content Management project is one such undertaking that aims to simplify front-end processes and minimise the volume of paperwork to be completed by the client, ultimately leading to a reduction in the time clients spend at the counters.

VEHICLE HIRE

It was an eventful year for the hire business, as the division successfully expanded its fleet under management by 34.4% year-on-year, with the increase driven mainly by the state sector. The demand from the corporate sector however was somewhat skewed in the first half of the year, as the fluctuations in the Japanese Yen coupled with a duty hike caused some uncertainty regarding vehicle prices. Nevertheless, demand from the private sector did stabilise from about October 2016, with some notable growth seen in the second half of the year on the back of persistent renewal and acquisition strategies by the division. An e-marketing campaign was also conducted during the year as part of the new customer acquisition strategy for the corporate sector.

Leveraging on the success achieved thus far, it was decided to take CF's Vehicle Hire proposition to other key cities around Sri Lanka; Kandy and Kurunegala in particular. Steps taken in this regard saw strategic sales teams being deployed to create awareness among target segments in these markets.

Meanwhile, having identified a dearth of end-to-end fleet solutions providers in the market, the division also began building competencies in readiness to provide integrated fleet management solutions to the corporate sector in the coming years. This proposition would comprise of a gamut of value-added solutions including tracking, fuel monitoring, chauffeur services etc. that would complement the core fleet management offering. Other plans for the future include the development of a GPS enabled mobile app to facilitate easier access and greater customer convenience.

RECOVERIES

The company's multi-pronged recoveries model delivered good results, with CF's NPL's declining from 3.86% in 2015/16 to 3.52% for the current financial year. CF's NPL's were also well ahead of the industry average of 5.2% (December 2016).

The improvement was due to proactive efforts to strengthen the conventional recoveries model, with a strong emphasis on improving the monitoring mechanism. The main aim here was to minimise the flow of contracts to longer periods of arrears by strengthening the early warning system. This meant additional site visits and more one-on-one interactions with customers.

CF also leveraged on the latest technology to offer customers convenient solutions to settle their dues. The tie up with Mobitel to encourage customers to settle their dues through the Mcash platform is one such initiative that was introduced in the current financial year. Cash deposit machines were also installed at strategic locations to enable customers to make payments at any time.

The company also began offering branchless banking solutions, whereby recovery teams who personally visit the customer to make the collections are able to update customer records in real time through a mobile device directly connected to CF's core system.

CF also went live on the CEFTS real time money transfer platform, which would enable clients to make payments online, and see that their accounts are updated in real time. With most of the groundwork for the project completed in the current financial year, the system went live in May 2017.

INFORMATION TECHNOLOGY

CF's IT department provides critical support in strengthening CF's brand equity through the development of new technologies that secures the company's competitive position in Sri Lanka's financial services sector.

Among the key initiatives for the year was the completion of the Business Intelligence discovery project that commenced in the previous year, with the results being highly intelligent management information for better decisions.

Work commenced on a new Enterprise Content Management (ECM) to streamline the Lending and Deposit businesses. Being a fully automated workflow management solution, the ECM is expected to greatly improve the speed and efficiency of service delivery to customers.

The IT department also undertook a number of new projects that were successfully completed during the year. Key among them was the launch of the Cash Deposit Machines (CDM) to give the customer the flexibility to make credit settlements at their convenience 24/7, 365.

Meanwhile, CF tied up with Lanka Clear (Private) Limited as a secondary participant for online real-time transactions on the CEFTS platform.

The most significant development for the year was the roll out of the branchless banking model. The first phase of the project was aimed at supporting the recovery process, by enabling recovery teams to personally visit the customer to make the collections and to update customer records in real time through a mobile device directly connected to CF's core banking system, providing convenience to clients.

Ongoing service desk automation continued this year as well, with a centralised user request and incident management platform being commissioned to deliver fast and professional customer support to a high

number of users every day. Incoming user requests need to be answered as quickly as possible, and the staff should be able to operate at full capacity without being overburdened.

During the year, the ISO 9001 Quality Management Systems Certification for the software development process was implemented, giving CF an edge in the market. CF is now one of the few Non-bank Financial Services Companies whose software development activities are benchmarked to global standards.

The groundwork also commenced on a number of new initiatives, including the 2nd phase of the CDM project, with new features being added to expand the services made available to the customer through the CDMs on liability products such as savings and deposits. Plans were also drawn up to migrate to a more dynamic Customer Relationship Management model that would support the full gamut of customer relationships. The IT department commissioned to develop CF's own mobile app and also began working on new application modernization software, a long-term project to create a common platform to connect all business applications, in turn giving the customer access to all accounts through a single web portal.

Financial Review

INDUSTRY OVERVIEW

The financial services sector continued to expand during the year whilst presenting flexibility amidst challenging market conditions both globally and locally. Along with the expansion, the stability of the financial system was maintained without causing any major macro prudential concerns.

In the Non-bank financial services sector, although credit growth slowed in the first quarter of 2016 as a result of the new Loan to Value (LTV) ratio imposed with respect to lending on motor vehicles, specifically three-wheelers, motor cars and vans, the shift in product mix in the second half of the year saw a rebound in the expansion of credit from about mid-July 2016.

Consequently, the Licensed Finance Companies/ Specialised Leasing Companies (LFCs/SLCs) sector recorded a strong performance in terms of asset growth with the asset base exceeding the one trillion-rupee mark. The sector-wide asset base grew by 21.7% in December 2016 to Rs. 1,211.9 billion compared to the growth of 22.3% seen in 2015, mainly led by lending activities.

While maintaining growth, sector-wide risk remained under control, as reflected by the low non-performing loans and comfortable liquidity and capital levels.

The sector reoriented its funding towards bank borrowings over the past two years, which saw an increase in the share of borrowings to 36.2 % in December 2016 from 31.6% in 2015, while the share of deposits decreased to 43.8 % in 2016 from 48.3 % in 2015. During 2016 borrowings increased by 39.6 % or Rs. 124.4 billion to Rs. 438.7 in absolute terms compared to a growth of 44.6 % recorded in 2015. Fund mobilisation was

effected through Debentures as well. The deposits recorded a moderate growth of 10.5 % or Rs. 50.3 billion to Rs. 531.0 billion in 2016, compared to a 16.1 % growth in 2015. Deposit mobilisation was mainly through term deposits, which accounted for 95.6 % of the total deposits mobilised for 2016.

Share Holders funds in the sector increased by 18.7 % to Rs. 146.1 billion as at end 2016, mainly on account of internally generated profits. Amidst the growth in the sector, the quality of loan portfolios improved due to aggressive credit recovery policies adopted by LFCs and SLCs. The non-performing loans (NPL) ratio moderated from 5.7% in 2015 to 5.3% in 2016.

Meanwhile, greater business expansion of the LFCs/SLCs sector into new areas of lending during the year enabled the sector to post higher profits arising from increased business volumes, and other income although net interest margins *per se* were impacted. The profitability indicators of the sector, Return on Assets and Return on Equity, increased to 4% and 23.1 %, respectively, in 2016 compared to 3 % and 12.4 %, reported in 2015. The total regulatory capital of the sector improved by 25.1 % to Rs. 116.2 billion mainly due to retained profits. The core capital and total risk weighted capital ratios of the sector increased to 11.4% and 11.7 %, respectively, as at end 2016 from 10.5% and 11.2 %, respectively, as at end of 2015.

COMPANY PERFORMANCE

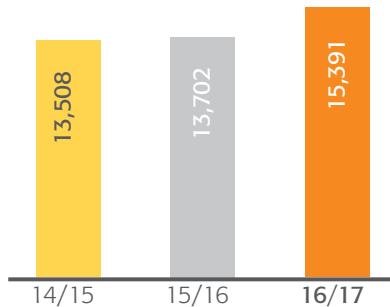
Income

The company reported income of Rs. 15.4 billion for the year under review signalling a growth of 12.3% compared to last year's marginal Income growth of 1.4%. This increase was mainly led by improved growth in interest income of 11.4%.

Despite the challenging business environment that prevailed resulting from the tighter Loan to Value (LTV) ratio, increased import duties on vehicles and the depreciation of the rupee alongside higher interest rates, the CF group recorded a Profit after Tax of Rs. 4.9 billion for the year under review. This commendable performance was mainly due to improvements in asset quality, strict credit discipline, and lower repossession losses triggered by increased vehicle prices and improved retail economic conditions.

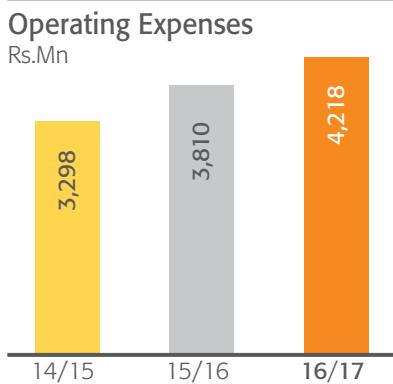
Meanwhile, reflecting the high interest rates that prevailed in the country, CF's interest expenses showed an increase of 15.2% for the year under review compared to the previous year.

Income
Rs.Mn



Operating Expenses

Total operating expenses recorded during the year under review was Rs. 4.2 billion, a year-on-year increase of 10.7% mainly due to higher salaries and business mobilisation expenses. Nonetheless, better control and management of expenses resulted in the percentage increase for the current year being lower than the 15.5% reported in the previous year.



Impairment Charges and Asset Quality

As experienced during the previous year, the retail sector of the economy was active and also reflected in our asset quality which showed a significant improvement in the year under review recording an impairment charge of Rs. 161.8 million which is a 75.4% decrease compared to Rs. 657.9 million reported in the previous financial year. Non-performing Loans (NPL) ratio stood at 3.52% as at the year-end, an 8.8% reduction compared to the 2015/16 figure of 3.86%. CF's NPL ratio was also comfortably below the industry average of 5.3% (December 2016).

Cost to Income

Net interest income improved by 9.8% to reach Rs. 9.8 billion, while the operating expenses of the company increased by 10.7%. Prudent management of expenses helped us to manage the expense growth at 10.7% compared to the 15.5% increase recorded in 2015/16. Reflecting this, the cost-to-income ratio showed a slight improvement standing at 37.9% for 2016/17 compared to 38.1% recorded in 2015/16.

Leases, Loans and Advances

Measures adopted by Central Bank of Sri Lanka to address macro fundamental issues adversely affected the growth of our lending volumes, which meant CF's loan book reported an increase of only 7.4% for 2016/17 compared to the growth of 13.1% recorded in 2015/16. The total loan book stood at Rs. 65.1 billion as at 31st March 2017, of which 89.1% represents leasing and hire purchase portfolio. The business loan scheme introduced last year to the Small and Medium Enterprises saw an increase of 54.9% and the business loan book stood at Rs. 7.1 billion.

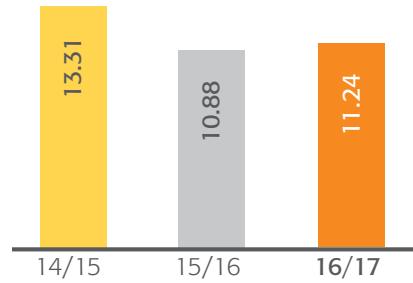
Funding

There were no significant changes in CF's funding mix compared to the last year, with deposits remaining as the main source of funding accounting for 80.1% of the total funding mix. The deposit base grew marginally recording a total of Rs. 35.7 billion, of which term deposits accounted for Rs.34.6 billion while the balance Rs. 1.1 billion came from savings. The company did not pursue any long term funding via public debenture issues due to the high interest rate regime that prevailed during the financial year and the uncertainty on the tax treatment of listed debentures.

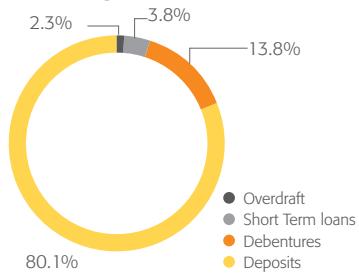
Liquidity

Amidst high liquidity levels in the market, CF recorded total liquid assets of Rs. 4.2 billion at the end of the financial year under review, well above the minimum regulatory requirement of Rs. 3.8 billion. Government Securities represent the bulk of such assets. Meanwhile, the ratio of liquid assets as a percentage of total deposits and unsecured borrowings stood comfortably at 11.2% as at end of the year under review. Further, the liquid asset to deposits ratio was well above the statutory minimum of 10% of time deposits and unsecured borrowings and 15% of savings deposits. The undrawn bank facilities also cushioned the liquidity position of the company.

Liquid Assets (%)



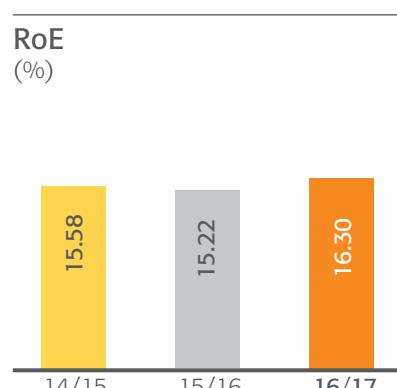
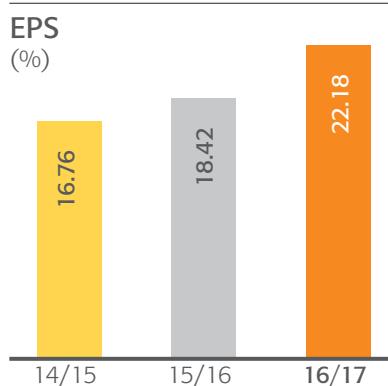
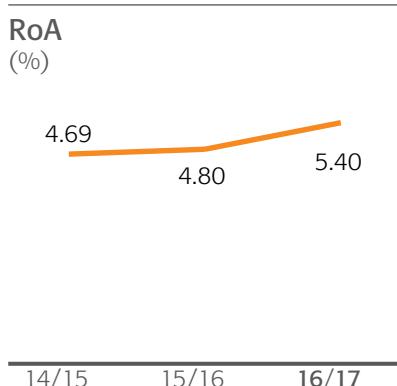
Funding Mix 2016/17



Return on Assets and Return on Equity

Return on Assets (ROA) was 5.4% for the year under review, up by 12.5% from the 4.8% ROA recorded at the end of the previous year. Reflecting the same pattern, Return on Equity also edged up to 16.3% in 2016/17 compared to the 15.2% reported in the corresponding period, an increase of 7.2%.

Financial Review



Shareholder's funds

CF's shareholder's funds as at end of the year under review stood at Rs. 26.56 billion and Rs.31.68 billion at the company and group levels, respectively. CF went through a capitalisation of reserves and subdivision of shares in July 2016. The net asset value per share increased by 4.6% to Rs. 122.6 as at the year end.

Earnings and Dividends

The earnings attributable to ordinary shareholders of the company increased by 20.4% as profit after tax reached Rs.4.9 billion for the year under review. Total dividend per share for 2016/17 is Rs.2.35, with Rs. 1.50 already paid and a further Rs. 0.85 being the dividend per share proposed to be paid after the shareholders' approval at the forth coming Annual General Meeting. The total dividend payout for the year under review was Rs. 509.4 million, an increase of 21.4% compared to the previous year's dividend payout.

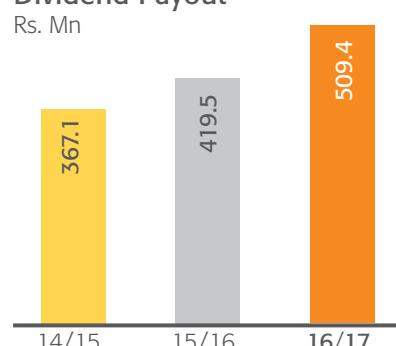
Capital Adequacy

The Core Capital ratio and the Total Risk weighted Capital Ratio improved to 32.28% and 32.95% respectively by end-March 2017, reaffirming the company's financial strength. Both these ratios are well above the regulatory minimum requirements of 5% & 10% and also industry average rates of 11.4% and 11.7% as at end December 2016. CF once again retained its position as the highest capitalised LFCs/SLCs sector in the country as at date.

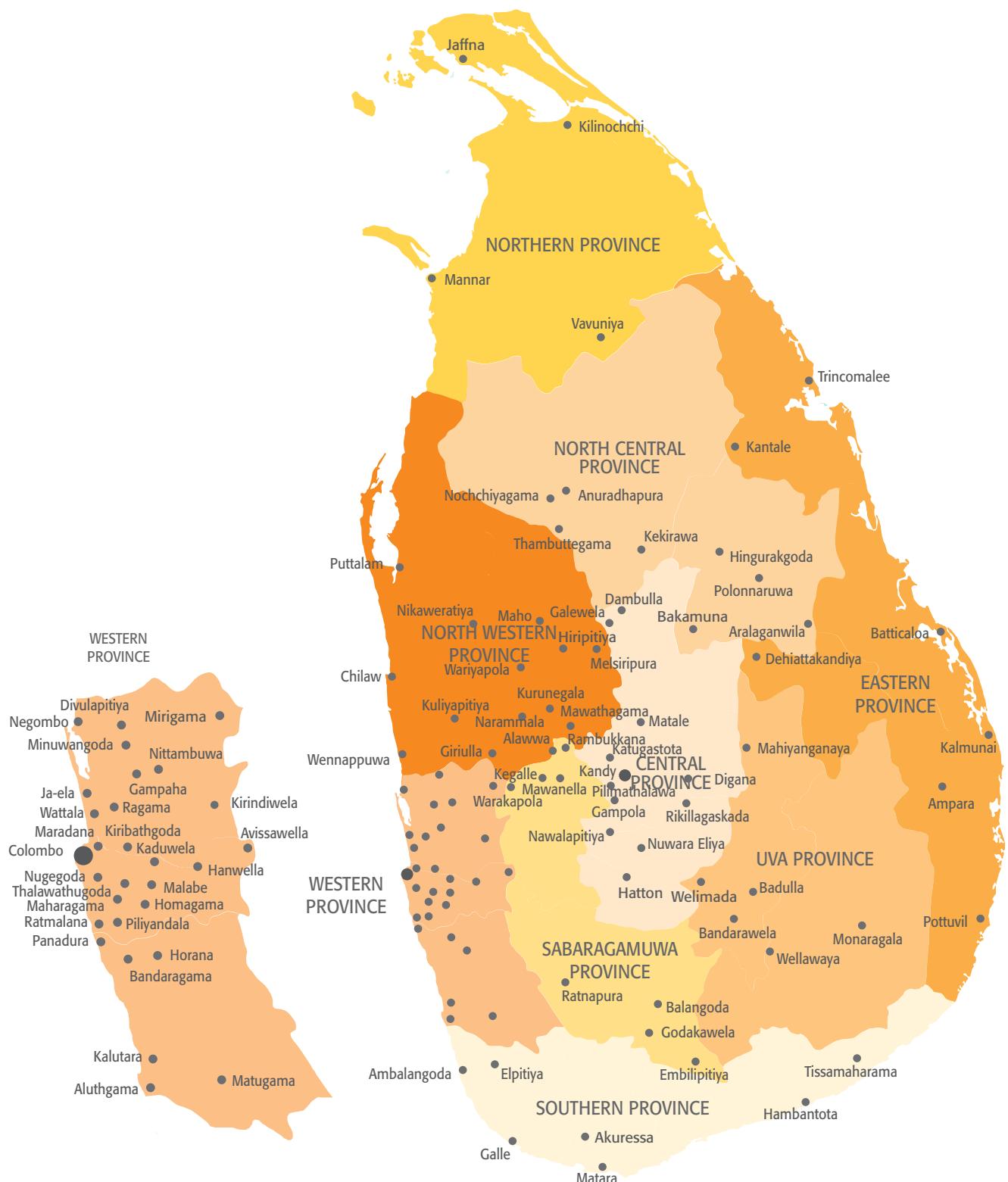
FUTURE OUTLOOK

In the face of challenging market conditions caused by rising interest rates, increased vehicle duties and currency depreciation, a further slowdown in the private sector credit growth is expected during the financial year 2017/18. However, CF remains optimistic regarding the ability to grasp potential opportunities as they arise, in order to grow the asset base, while at the same time proactively managing the quality of its assets.

Dividend Payout



Branch Network



KANDY - Head Office

No. 84, Raja Veediya, Kandy, Sri Lanka.
Tel: 94-81-2227000
Fax: 94-81-2232047

COLOMBO - City Office

No. 270, Vauxhall Street,
Colombo 02, Sri Lanka.
Tel: 94-11-2300555
Fax: 94-11-2300441, 94-11-2541212

KATUGASTOTA - Showroom

No. 254, Katugastota Road, Kandy.
Tel: 94-81-2234309, 94-81-2234234-5
Fax: 94-81-2228468

Branch Network

WESTERN PROVINCE - 28

ALUTHGAMA No. 371/1, Galle Road , Aluthgama Tel: 034-4941220, 034-4941221	KADUWELA No. 180/12/G, Avissawella Road, Hewagama, Kaduwela Tel: 011-4385334, 011-4385335	NEGOMBO No. 367, Main Street, Negombo Tel: 031-2222579, 031-4871200, 031-2233456, 031-2235111
AVISSAWELLA No. 1/79, Ratnapura Road, Avissawella Tel: 036-2232750, 036-2233650, 036-2232950	KALUTARA No. 46, Sri Sarananda Mawatha, Kalutara South Tel: 034-2226041, 034-4940068, 034-4940067	NITTAMBUWA No. 43, Kandy Road, Nittambuwa Tel: 033-2296615, 033-4927106
BANDARAGAMA No. 37/A/6, Horana Road, Bandaragama Tel: 038-4933015, 038-4933016	KIRIBATHGODA No. 541, New Hunupitiya Road, Dalugama, Kelaniya Tel: 011-4967530, 011-4888301 011-4821442, 011-4821441	NUGEGODA No. 312, High Level Road, Colombo 06 Tel: 011-2815800, 011-2815801, 011-2815803, 011-2815804
DIVULAPITIYA No. 96, Colombo Road, Divulapitiya, Tel: 031-2246180, 033-4944246, 033-4944247	KIRINDIWELA No. 68, Veyangoda Road, Kirindiwela Tel: 033-4944327 033-4944328	PANADURA No. 292, Galle Road, Panadura Tel: 038-4281010, 038-2241533
GAMPAHA No.129, Ja-ela Road, Gampaha Tel: 033-2227621, 033-2234132, 033-2225289, 033-4670442	MAHARAGAMA No. 132, High Level Road, Maharagama Tel: 011-4319961, 011-2845855	PILLYANDALA No. 329/4, Colombo Road, Piliyandala Tel: 011-2609000, 011-2609001 011-4888305
HANWELLA No.131/1/B, Pahala Hanwella, Hanwella Tel: 036-2253945, 036-2253966, 036-4925821	MALABE No. 418, Athurugiriya Road, Malabe Tel : 011-4413916, 011-2760893	RAGAMA No. 63, Mahabage Road, Ragama Tel : 011-4387742, 011- 4387743
HOMAGAMA No.138/1, High level Road, Homagama Tel: 011-2892334, 011-4376101	MARADANA No. 215, Maradana Road, Colombo 10 Tel: 011-2038000, 011-4384020	RATMALANA No. 259/1/1, Galle Road, Ratmalana Tel: 011-2715617, 011-4323098
HORANA No.165, Ratnapura Road, Horana Tel: 034-2265065, 034-2265066, 034-4944128	MATUGAMA No. 1/17, Pasqual Street, Matugama Tel: 034-2248790, 034-2248795, 034-4942101	THALAWATUGODA No. 688/A, 688/A/1, Madiwela Road, Thalawatugoda Tel: 011-4387538, 011-4387539 011-22774916
JA - ELA No.171, Negombo Road, Ja-Ela Tel: 011-2229180, 011-2229181, 011-4335408	MINUWANGODA No. 152/A, Galloluwa Junction, Minuwangoda Tel: 011-2294525, 011- 4384228	WATTALA No. 628, Negombo Road, Mabola, Wattala Tel: 011-4345520, 011-2949890, 011-4345521
MIRIGAMA No. 122, Werellawatta, Giriulla Road, Mirigama Tel: 033-4944198, 033-4944199		

EASTERN PROVINCE - 7

AMPARA No. 106, Pandukabhaya Mawatha, Ampara Tel : 063-4890117, 063-4976000 063-4922678, 063-2222238	KALMUNAI No. 263, Batticaloa Road, Kalmunai Tel: 067-2226132, 067-2226133	TRINCOMALEE No. 272, 4th Mile Post, Kandy Road, Trincomalee Tel: 026-2242422, 026-4976001 026-2242423
BATTICALOA No. 52, 56A, 56B, Covington Road, Batticaloa Tel : 065-2227823, 065-2227824	KANTALE No. 57, Trincomalee Road, Kantale Tel: 026-2234574, 026-2234447, 026-4924295	
DEHIATTAKANDIYA No. 18E, New Town Complex, Dehiattakandiya Tel : 027-2250189, 027-4923577 027-2250067	POTTUVIL No. 230, Arugambay Road, Pottuvil Tel: 063-2248080, 063-2248084 063-4922923	

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, Negombo Road, Giriulla
Tel: 037-2289512, 037-2289513

HIRIPITIYA

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

KULIYAPITIYA

No. 107, Kurunegala Road, Kuliyapitiya
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, Kuliyapitiya 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

THAMBUTTEGAMA

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. 76, Kandy 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. 149 E, Barnes Ratwatta Road, Balangoda
Tel: 045-4928326, 045-4928327,
045-2289232

EMBILIPITIYA

Rasika Building, Pallegama, Embilipitiya
Tel: 047-2261923, 047-4379332
047-4927806

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. 150 A, 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

Risk Management Report

Effective risk management is fundamental to being able to generate sustainable profits and is thus an important aspect of the financial and operational management of Central Finance. The level of risk across our business 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 business functions. Acting within the 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 statement of financial position 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 2016/17, we continued to strengthen our approach to risk management amidst a challenging and ever-changing external environment. We have responded to changing market conditions by re-deploying risk capacity towards sectors offering better returns on risk.

Our Risk Governance Structure

Committee	Board Audit Committee	Integrated Risk Management Committee	Assets and Liabilities Management 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 is responsible for identifying, managing and controlling 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 82 to 84.	Comprised of Non-executive and Executive Directors and senior level staff, who are in charge of key business 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 81.	Comprised of Executive Directors and senior level staff who are in charge of Finance, Branch Network Management, Recoveries, Marketing and Treasury.

Risk management framework

Roles and responsibilities for risk management are structured within a "three lines of defence" model. Each line of defence describes a specific set of responsibilities for risk management and control. 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.

Risk Management Report



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 hierarchy of delegated approval supported by high ethical standards and well established policies and procedures provide a robust framework for the 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 ALCO, BoM and IRMC 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 approvals and the loan impairment assessment processes through regular reviews. These policies are adequate to reflect the different risk environments and portfolio characteristics of the company. The Board approves changes to the delegated authority levels pertaining to credit as considered necessary.

Credit approval

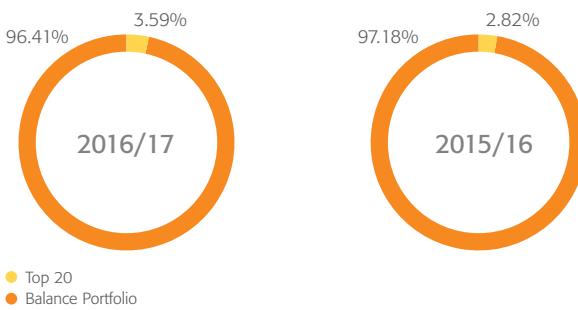
Major credit exposures to individual counterparties, groups of counterparties and product categories are reviewed and approved by the designated officers under the delegated approving limits set by the BoM, with oversight by the Board. The credit approving limits in place are structured based on the 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 for 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 31.03.2017 (Rs.'000)	Amount as at 31.03.2016 (Rs.'000)	%	%
Top 20	2,334,485	3,59%	1,711,290	2.82%
Balance Portfolio	62,750,541	96.41%	58,883,268	97.18%
Total Portfolio	65,085,026	100%	60,594,558	100%

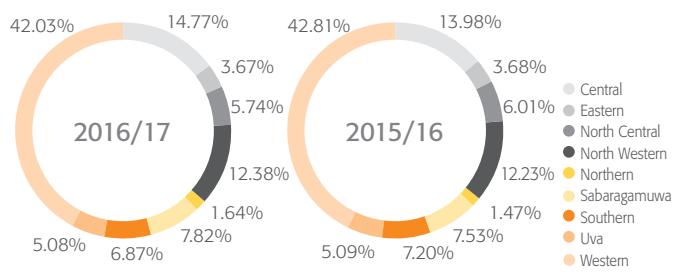
Top 20 Concentration



Geographical Analysis of the Portfolio

Province	Amount as at 31.03.2017 (Rs.'000)	Amount as at 31.03.2016 (Rs.'000)	%	%
Central	9,610,969	8,473,692	14.77%	13.98%
Eastern	2,387,952	2,231,815	3.67%	3.68%
North Central	3,737,020	3,639,381	5.74%	6.01%
North Western	8,059,024	7,413,143	12.38%	12.23%
Northern	1,069,382	889,620	1.64%	1.47%
Sabaragamuwa	5,089,670	4,561,987	7.82%	7.53%
Southern	4,472,640	4,361,417	6.87%	7.20%
Uva	3,304,799	3,084,120	5.08%	5.09%
Western	27,353,571	25,939,383	42.03%	42.81%
Total	65,085,026	60,594,558	100%	100%

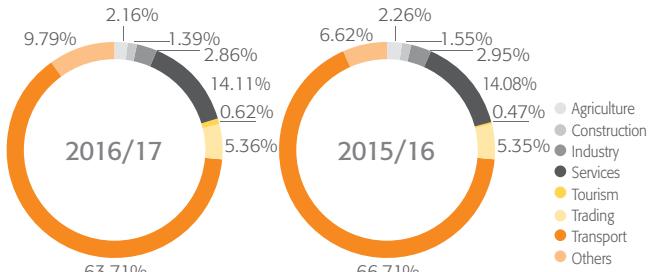
Geographical Analysis of the Portfolio



Sector-wise concentration of advances

Sector	Amount as at 31.03.2017 (Rs.'000)	%	Amount as at 31.03.2016 (Rs.'000)	%
Agriculture	1,406,448	2.16%	1,368,295	2.26%
Construction	902,901	1.39%	941,373	1.55%
Industry	1,860,796	2.86%	1,788,237	2.95%
Services	9,183,910	14.11%	8,531,293	14.08%
Tourism	400,501	0.62%	286,221	0.47%
Trading	3,491,594	5.36%	3,244,613	5.35%
Transport	41,466,435	63.71%	40,422,112	66.71%
Others	6,372,441	9.79%	4,012,414	6.62%
Total Portfolio	65,085,026	100%	60,594,558	100%

Sector-wise concentration of advances



Quarterly NPA Ratio

— NPA Ratio (Gross)

3.86 3.70 3.61 3.52

Jun-16 Sep-16 Dec-16 Mar-17

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 principal 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.

Risk Management Report

The methodology adopted was used at each reporting date. A decrease in overall impairment was noted in line with 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 33 to the financial statements on page 121. The total interest income on impaired financial assets accrued for the year 2016/17 amounts to Rs 7,992,625 (2015/16- Rs. 7,399,260). The carrying amount of loans that would otherwise be past due or impaired, whose terms have been re-negotiated amounts to Rs. 777,764,253 (2015/16 - Rs. 857,274,119). The company groups 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
- borrower's compliance with Legal and Regulatory requirements
- other general economic conditions affecting the borrower's 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 2017, 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.

Collateral Type	As at 31st March 2017 (Rs. 000)	As at 31st March 2016 (Rs. 000)
Cash Backed	914,646	676,001
Equipment	730,864	722,530
Equity	106,436	126,441
Others	3,846,795	1,679,715
Properties	336,607	331,020
Vehicles	59,149,679	57,058,851
Clean (Trade & Other receivables)	309,749	361,365
Total on-balance sheet exposure	65,394,775	60,955,923

Contingent & Commitments related exposure - Collateral-wise.

Collateral type	Instrument	As at 31st March 2017 (Rs. 000)	As at 31st March 2016 (Rs. 000)
Lease receivables	Letters of Credit	58,860	18,200
Cash backed	Guarantees	25,615	81,165
Lease receivables	Other Guarantees	883	-
Total off balance sheet exposure		85,358	99,365

Credit quality analysis

The table below 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.

Portfolio grading	As at 31st March 2017 (Rs. '000)	As at 31st March 2016 (Rs. '000)
Neither past due nor individually impaired loans and leases	30,587,324	27,434,393
Past due but not individually impaired loans		
- Up to 30 days past due	15,830,640	14,621,852
- 31-60 days past due	10,345,881	9,823,403
- 61-90 days past due	4,038,200	3,826,618
- 91-120 days past due	1,533,627	1,782,927
- Over 120 days	3,149,385	3,587,784
- Individually impaired loans	219,548	188,022
Individually significant impairment	(186,350)	(173,506)
Individually not significant impairment	(433,229)	(496,935)
Total loans and advances & leases	65,085,026	60,594,558
Of which held at fair value through profit or loss amounts to;		
	None	None

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 customer requirements.

Organisation And Structure

The Board approves the appetite for market risks and the framework of limits applicable for same. 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.

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 2016 and 2017.

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		
Fair Value through Profit or Loss Investments	96,125	None
Available for sale Investments	240,443	None
Financial Liabilities		
None	-	-

Equity price risk

Central Finance is exposed to market movements in equity price fluctuations through the quoted available for sale investment 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 available for sale investments is given under accounting policies on pages 98 and 99.

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.

Interest Rate

Assumption	Impact to Profit and Equity Rs.'000
Increase/ decrease in Interest margin by 1%	670,320
Increase/ decrease in Interest margin by 2%	1,340,640

Equity price

Assumption	Impact to Profit and Equity Rs.'000
Increase/ decrease in equity price by 10%	32,452
Increase/ decrease in equity price by 20%	64,903

OPERATIONAL RISK

The risks of direct or indirect impacts resulting from human factors, inadequate or failed internal processes and systems or external events comprise Operational Risks. 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 Audit and Integrated Risk Management Committees oversee the management of operational risks across the network and at the centre, with the support of the 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 assurance that operational

Risk Management Report

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 the company's assets due to unforeseen events have been covered with comprehensive insurance policies.

LIQUIDITY RISK

Liquidity risk arises in the event the company does not have adequate financial resources to meet its obligations which include wholesale maturities in borrowings or customer deposit withdrawals as they fall due, without incurring excessive cost.

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. 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 management strategy. Customer deposits provide large pools of stable funding to support majority of our 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 mobilising 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. The analysis of maturing contractual financial liabilities is given in note no 56 to the financial statements on pages 146 and 147

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 statement of financial position. 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 assets

The significant level of liquid assets in the Statement of Financial Position reflects the application of our liquidity management policies and practices.

STRATEGIC RISK

Strategic risk is the potential for opportunity losses from failure to optimise the earning potential of the company. The company continuously follows developments taking place in the business environment and formulates its strategies to optimize 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 in place 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 Capital (Tier 1) and Total Risk Weighted Capital. The composition of capital under the current regulatory requirement for 31st March 2017 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 Rs'000
Tier I : Core Capital	19,350,368
Issued and Paid-up Ordinary Shares / Common Stock	1,337,544
Share Premium	20
Statutory Reserve Fund	1,599,000
Published Retained Profits / (Accumulated Losses)	9,950
General and Other Reserves	19,876,810
Tier 2 : Supplementary Capital	935,420
Eligible Revaluation Reserves	935,420
Eligible Tier 2 Capital	935,420
Total Capital	23,757,032
Deductions	457,631
Investments in capital of other banks / financial associates	457,631
Capital Base	23,299,401
Core Capital Ratio (Minimum 5%)	32.28%
Total Risk Weighted Capital Ratio (Minimum 10%)	32.95%

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 not engaged in 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 quarterly basis and tabled at IRMC meetings 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 prudent management, accountability, corporate fairness and transparency in the company's relationship with its shareholders and other stakeholders and encompasses continuous development of systems and procedures and adoption of best practices for supervision, control and information flows to serve as a system of checks and balances for the long term success of the company. ”

Good corporate governance creates a transparent set of rules and controls in which shareholders, directors and officers have aligned incentives. For many shareholders, it is not enough for a company to merely be profitable; it also needs to demonstrate good corporate citizenship through environmental awareness, ethical behaviour and sound corporate governance practices. As the highest decision making body and representative of stakeholders of Central Finance, the Board of Directors, takes the view that it requires a proactive approach to identify areas for improvement and a questioning of the current status quo to ensure that all elements of our governance framework are fit for purpose, enabling value creation and growth, whilst acknowledging the legitimate rights and responsibilities of key groups of stakeholders and preserving accountability.

The Corporate Governance framework of Central Finance (CF) is specifically structured to facilitate effective and prudent management in enhancing and achieving sustainable shareholder value and the success of the Company. We have developed and installed an exemplary Corporate Governance model to enable the Company to establish procedures, policies and a control environment to mitigate identified or anticipated operational, business, strategic and reputational risks. A well-structured Corporate Governance framework is presently in place to align business practices in the best interest of all our stakeholders ensuring transparency in business dealings, disclosure of information and proper financial reporting in compliance with voluntary and mandatory practices and applicable regulatory requirements. The Corporate Governance model adopted by CF is continuously reviewed and evaluated by the Board to achieve dynamic business performance and unfettered integrity.

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 and establishing an effective governance framework in reviewing and streamlining systems and controls to provide transparency and accountability and, in ensuring adoption of best practices focusing on its stakeholders and in creating shareholder value.

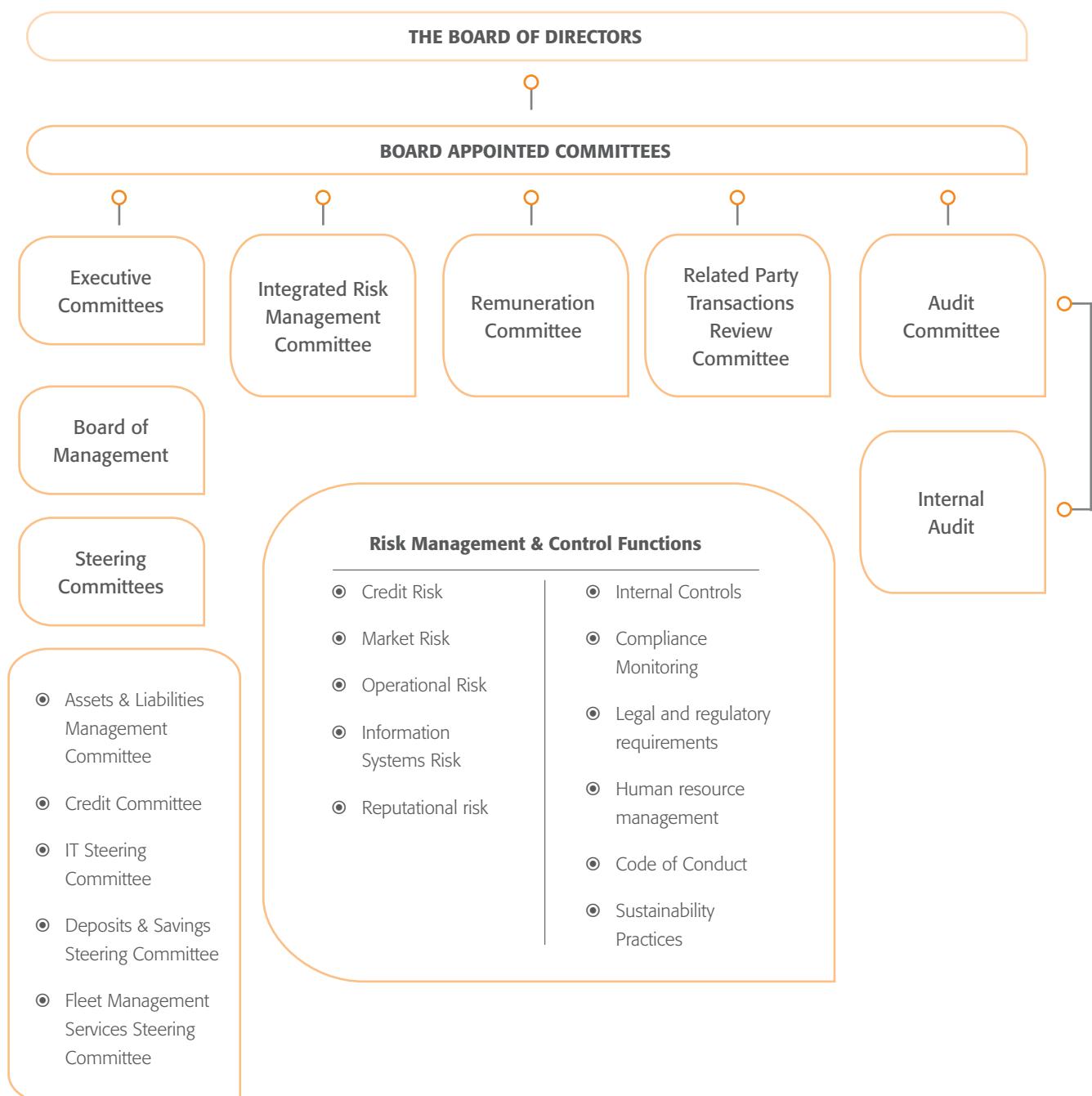
In our endeavour to strengthen governance at CF, for the year ended 31st March 2017, we have embraced and adopted all selective aspects of voluntary and regulatory requirements outlined in the Code of Best Practice on Corporate Governance 2013, issued jointly by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka. The company has also complied with the mandatory requirements of 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 entirely on a foundation of good Corporate Governance as we endeavour 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 level of adoption and conformity with the rules and best practices embraced by your company are disclosed in this report.

CORPORATE GOVERNANCE FRAMEWORK

The Central Finance operates within an integrated governance framework formulated after taking into consideration the corporate governance direction issued by Central Bank of Sri Lanka and Corporate Governance best practices issued jointly by the Securities and Exchange Commission of Sri Lanka (SEC) and the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and the listing rules of the Colombo Stock Exchange (CSE) on corporate governance. The diagram below illustrates our approach to Corporate Governance and depicts the interactive nature of the elements we view as being fundamental in embracing the spirit of best practice Corporate Governance principles.



Corporate Governance

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 JOINTLY ISSUED BY THE SECURITIES AND EXCHANGE COMMISSION OF SRI LANKA AND 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 and conformance of the said principles by CF in summary form is given below.

The Company	
Directors	The Company is led, directed and controlled by a Board of Directors with the skills, experience and knowledge complemented with a high sense of integrity and independent judgment. The Board is equipped with members having sufficient financial acumen and knowledge. CF has established a clear division of responsibilities between the Chairman & CEO/MD to ensure balance of power and authority, in such a way that no individual has unfettered powers of decision.
Directors' Remuneration	CF has a well-established, formal and transparent procedure for executive remuneration and fixing the remuneration packages of individual Directors. The level of remuneration of both Executive and Non-executive Directors is sufficient to attract and retain the Directors needed to manage the company successfully.
Relations with Shareholders	Central Finance uses the Annual General Meeting to communicate with its shareholders and the company focuses on open communication and fair disclosure, with emphasis on the integrity, timeliness and relevance of the information provided. Further during 2016/17, the company had not engaged in or committed to any major and material transactions where the materially affected CF's net asset base.
Accountability and Audit	The CF Board has presented a balanced and understandable assessment of the Company's financial position and performance during 2016/17. The Board has established a sound framework of risk management and internal controls. The company has developed a Policy on Code of Conduct & Ethics applicable to all employees, and has also addressed conflicts of interest, financial irregularities, IT system controls, receiving entertainment and gifts and confidentiality of information.

Shareholders	
Institutional Investors	The Board has encouraged the institutional shareholders to make considered use of their votes, ensure that their voting intentions are translated into practice and to give due weightage to all relevant factors drawn to their attention when evaluating the Governance arrangements of the Company
Other Investors	The Company has encouraged individual shareholders to carry out adequate analysis or obtain independent advice in investing and divesting decisions and to participate and exercise their voting rights at the General Meeting.
Sustainability Reporting	The Company has created long-term stakeholder value by embracing opportunities managing risks and impact on business activities from economic, environmental and social developments through sustainability reporting.

Corporate Governance Principles	ICASL and SEC Code Reference/Adoption status	Extent of Adoption by CF
A. DIRECTORS		
A.1 The Board		
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.</p> <p>Circulation of Board papers to obtain Board's consent was minimised and confirmations ratified at the subsequent Board meeting.</p> <p>Details of the meetings and individual attendance are given on page 63.</p>
Board responsibilities	A 1.2 Adopted	<p>The Board of Directors is responsible to the stakeholders 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 MD/CEO 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 MD/CEO, 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 laws, regulations and ethical standards.</p>
Compliance with laws of the country and access to independent professional advice	A 1.3 Adopted	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.

Corporate Governance

Corporate Governance Principles	ICASL and SEC Code Reference/Adoption status	Extent of Adoption by CF
Company Secretary	A 1.4 Adopted	<p>Access to the Company Secretary's service is available for all Board Members, including Non-executive Directors, as and when required.</p> <p>The Company Secretary provides support and advise to the Chairman and the Board on all Corporate Governance matters, duties & responsibilities, Board procedures and in particular, compliance with company law and other applicable laws and regulations including but not limited to CBSL, CSE, SLAAMB & SEC.</p> <p>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>
Dedication of adequate time and effort by Directors	A 1.6 Adopted	<p>All Directors dedicate adequate time for the fulfillment of their duties as Directors of the Company, to execute and discharge their duties & responsibilities satisfactorily. In addition to attending Board Meetings, they attend Sub-Committee Meetings and contribute effectively to decisions made.</p> <p>Board papers are made available to the Directors providing sufficient time for review and to request additional information & clarification for effective participation. Any approvals obtained through circulation of resolutions are ratified at the subsequent Board Meeting. Any issues arising consequent to a meeting are also followed up.</p>
Training for Directors	A 1.7 Adopted	<p>Directors have recognized the need for continuous training, and expansion of knowledge for professional development which would assist them in the discharge of their duties. 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.</p>
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 to discharge all responsibilities and CEO/MD is responsible for management of the Company's business operation with the assistance of Corporate Management.		
Division of responsibilities of Chairman & MD/CEO	A 2.1 Adopted	The roles of the Chairman and MD/CEO are separated to ensure that no individual is vested with unfettered powers of decision making.

Corporate Governance Principles	ICASL and SEC Code Reference/Adoption status	Extent of Adoption by CF
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 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; • Ensuring that the new Board Members are given appropriate induction, covering terms of appointment, duties and responsibilities; • Preserving sound corporate governance; • 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; • Representing the views of the Board to the Stakeholders. Ensuring that shareholders are given adequate opportunity to take up matters requiring clarifications at the AGM.

Corporate Governance

Corporate Governance Principles	ICASL and 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	<p>The Board comprises of members with academic & professional qualifications in Accounting, Business Finance & Management with experience gained in different enterprises.</p> <p>The Board includes three Fellow Members of the Institute of Chartered Accountants of Sri Lanka and all 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.</p> <p>The details of their qualifications and experience have been set out in pages 10 to 11.</p>
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 team of Non-executive Directors on the Board	A 5.1 Adopted	<p>The Board includes a strong presence of both Executive and Non-executive Directors and no individual or small group of individuals can dominate its decision making.</p> <p>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.</p> <p>Independent Non-executive Directors, Mr. A.N. Fernando & Mr. F. Mohideen retired during the year and were replaced by two Independent Non-executive Directors, Mr. A. D. B. Talwatte and Dr. (Mrs.) A. D. N. de Zoysa.</p>
Independent Directors	A 5.2 Adopted	More than half of the Non-executive Directors are Independent which is above the minimum requirement prescribed by this Code. The requirement has been complied with throughout the financial year.
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 which could impair their independence. The Board has reviewed the independence of each Non-executive Director.

Corporate Governance Principles	ICASL and SEC Code Reference/Adoption status	Extent of Adoption by CF
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 as set out by the company in line with requirements specified in schedule J of the code.
Determination of Independence of the Directors by the Board	A 5.5 Adopted	The Board has reviewed the independence of each Non-executive Director in 2016/17 and has determined that the submission of the declaration by the Non-executive Directors, as to their independence is a fair representation and will continue to evaluate this annually. All criteria set out in the code in determining independence, were met. The names of the Independent Non-executive Directors are given on page 63.
Alternate Director	A 5.6 Adopted	The requirement of this code has been complied with in appointing Alternate Directors during 2016/17. In appointing Alternate Independent Directors the criteria of independence has been satisfied.
Requirement of Senior Independent Director & availability for confidential discussions	A 5.7 & A 5.8 Not Applicable	The requirement to appoint a Senior Independent Director does not arise under this code as the roles of Chairman and CEO /MD are separated.
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 and 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.		
Appropriate & timely 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 Directors are free to raise inquiries for additional information as and when necessary. Presentations have been made to the Directors on important matters relating to strategy, risk management, recoveries, IT infrastructure developments 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 of the respective Board Meetings, giving adequate time for Directors to study the related papers and prepare for a meaningful discussion at Board Meetings.

Corporate Governance

Corporate Governance Principles	ICASL and SEC Code Reference/Adoption status	Extent of Adoption by CF
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	<p>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.</p> <p>Independent Non-executive Directors, Mr. A.N. Fernando & Mr. F. Mohideen retired during the year and they were replaced by two Independent Non-executive Directors, Mr. A. D. B. Talwatte and Dr. (Mrs.) A. D. N. de Zoysa</p> <p>Biographic details of the Directors are given on pages 10 to 11.</p>
Assessment of Board composition	A 7.2 Adopted	<p>The Board carries out continuous reviews of the structure, size and composition of the Board, to ascertain whether the combined knowledge and experience of the Board matches the strategic demands and key risks faced by the Company. Findings of the assessment of the Board are considered for new appointments & re-election of Directors.</p>
Disclosure of details of new Directors to shareholders	A 7.3 Adopted	<p>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. Approval for appointment of new Directors is obtained from the CBSL and Notice on new appointments is given to CSE.</p> <p>All new appointments and continuing directorships are reviewed by the Board as a whole.</p>
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	<p>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. These Directors are eligible to stand for re-election by the shareholders at the annual general meeting. 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.</p> <p>Independent Non-executive Directors, Mr. A.N. Fernando & Mr. F. Mohideen retired during the year prior to reaching the age of 70 years.</p> <p>Two Independent Non-executive Directors, Mr. A. D. B. Talwatte and Dr. (Mrs.) A. D. N. de Zoysa were appointed during the year.</p>
Election of Directors by the shareholders	A 8.2 Adopted	<p>Re-appointment of all Non-executive 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.</p>

Corporate Governance Principles	ICASL and SEC Code Reference/Adoption status	Extent of Adoption by CF
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	<p>The performance of the Board is evaluated by the Chairman. Formal evaluation of the individual performance of each Director is undertaken annually by the Chairman using the findings of the self-evaluation process undertaken by the Board Members as individuals and effectiveness of the Board as a team for the year 2016/17.</p> <p>The Sub-committees carry out an assessment process annually, in accordance with the pre-set criteria, to ensure that the committees function effectively and efficiently with the objective of facilitating continuous improvement individually and collectively in the performance of the Board.</p>
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	<p>The details pertaining to each Director is disclosed as follows.</p> <p>Brief profile with expertise and experience – pages 10 to 11.</p> <p>Status of independence – page 63.</p> <p>Other business interests – pages 143,150</p> <p>Attendance at Board Meetings and Sub-committee Meetings – page 63.</p>
A.11 Appraisal of the Chief Executive Officer (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 during the fiscal year.

Corporate Governance

Corporate Governance Principles	ICASL and SEC Code Reference/Adoption status	Extent of Adoption by CF
B. DIRECTORS' REMUNERATION		
B.1 Remuneration Procedure		
The code requires that the company should establish a 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	<p>The Remuneration Committee is responsible for;</p> <ul style="list-style-type: none"> • Assisting the Board with regard to the remuneration policy for the Executive Directors and other senior level staff members. • Reviewing strategic human resource policies that can impact the business and recommending appropriate measures. • Determining and agreeing with the Board, the broad policy framework for the remuneration of the Executive Directors. • Deciding remuneration of the senior level staff members in order to recruit, retain and motivate staff. The Executive Directors also participate at meetings by invitation. • Reviewing & monitoring KMPs succession plan.
Composition of the Remuneration Committee	B 1.2 & B 1.3 Adopted	<p>All members including Chairman of the Remuneration Committee are Independent Non-executive Directors. The Chairman of the Committee is appointed by the Board.</p> <p>Please refer the Remuneration Committee Report given on page 80 for details.</p>
Remuneration of the Non-Executive Directors	B 1.4 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. The Non-executive Directors fee structure is reviewed and revised as and when necessary.
Consultation of the Chairman and / or CEO (MD) and access to professional advice	B 1.5 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's (CEO) 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 manage 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	<p>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.</p> <p>The remuneration framework of the Executive Directors is designed by the Remuneration committee 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.</p>

Corporate Governance Principles	ICASL and SEC Code Reference/Adoption status	Extent of Adoption by CF
Comparison of remuneration with other companies	B 2.2 Adopted	The Remuneration Committee in deciding the remuneration of the Directors and senior level staff takes into consideration the level of remuneration paid by other comparable companies and is also mindful of the performance and risk factors entailed.
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 above.
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. Such instances did not arise during the year.
Early termination not included in the initial contract	B 2.8 Adopted	Refer comments above.
Remuneration of the Non-executive Directors	B 2.9 Adopted	Non-executive Directors receive fees in line with market practices taking into consideration the time commitment & responsibilities of their roles. No share option plans were offered as remuneration of Non-executive Directors for their service to the company.

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 and composition of the Committee is given on page 80. The remuneration paid to the Board of Directors is disclosed in aggregate in note no 16 to the financial statements on page 110.
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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 in place an effective mechanism to record all proxy votes and proxy votes lodged on each resolution.
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Corporate Governance

Corporate Governance Principles	ICASL and SEC Code Reference/Adoption status	Extent of Adoption by CF
Separate resolution for all separate issues	C 1.2 Adopted	<p>The Company proposes a separate resolution for all substantially separate issues to provide shareholders with the opportunity to vote on each issue separately. This mechanism assures transparency in all activities of the company.</p> <p>Adoption of annual report and financial statements is considered as a separate resolution.</p>
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.
Adequate notice of the AGM & procedures of voting at General Meeting	C 1.4 & C 1.5 Adopted	<p>All shareholders irrespective of their voting status are encouraged to attend the AGM.</p> <p>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 detailing the summary of procedures governing the voting at the AGM and business to be transacted at General Meetings are sent to shareholders at least 15 workings days prior to the date of the AGM for effective participation.</p>
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	<p>The primary modes of communication are the Annual Report and AGM. Information provided to the shareholders well in advance of the AGM to give them an opportunity to raise any issues relating to the business of the Company.</p> <p>CF also publishes Annual Reports, interim reports, stock exchange announcement, general meetings & other notices to the holders of its securities, advertisements, press releases, etc. in the CF web-site to enable effective communication with the stakeholders.</p>
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	C 2.3 Adopted	<p>A Board approved communication policy is in place to communicate with all stakeholders including shareholders, borrowers, depositors and creditors.</p> <p>The company adopts open communication with shareholders. Chairman, CEO and the Company Secretary are contactable with short notice.</p>

Corporate Governance Principles	ICASL and SEC Code Reference/Adoption status	Extent of Adoption by CF
Contact person in relation to Shareholders matters	C 2.4 & C 2.6 Adopted	<p>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.</p> <p>Authorised spokespersons of CF are identified in the company communication policy.</p>
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	<p>Appropriate response will be provided to all validly received shareholder correspondence by the Board or individual Directors, as applicable, and Company Secretary will be directed to send immediate responses to the particular shareholder.</p> <p>Disclosure process of responding to shareholders is specified in the company communication policy.</p>

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 2016/17.
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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	<p>The Board is aware of its responsibility to present balanced & understandable financial statements in compliance with statutory & regulatory requirements.</p> <p>In the preparation of quarterly and annual financial statements for the year ended 31st March 2017, 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 Accounting Standards and comply with the reporting requirements prescribed by the Regulatory Authorities such as the Central Bank of Sri Lanka and Colombo Stock Exchange.</p>
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 71 to 77.

Corporate Governance

Corporate Governance Principles	ICASL and SEC Code Reference/Adoption status	Extent of Adoption by CF
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 79 of the Annual Report. Auditor's reporting responsibility is given in their report on the financial statements on page 87. The Directors' Statement on Internal Controls is given on page 85 and Auditor's report on The Directors' Statement on Internal Controls is given on page 86.
Management Discussions and Analysis	D 1.4 Adopted	The Management Discussion and Analysis is given on pages 13 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 71 to 77.
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 disclosure 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. As an effort to strengthen the monitoring mechanism of related party transactions, Board has established a Related Party Transaction Review Sub-Committee (RPTRC) in 2014/15. 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 55 to the Financial Statements on pages 143 to 145

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. Potential risks of the company and effectiveness of the system of internal controls are reviewed annually. The Directors' Statement on internal controls is given on page 85. The Auditor's report on same is given on page 86.
Internal audit function	D 2.2 Adopted	The Internal Audit function is carried out by the Internal Audit Department of the Company.

Corporate Governance Principles	ICASL and SEC Code Reference/Adoption status	Extent of Adoption by CF
Review of process and effectiveness of internal controls	D 2.3 Adopted	<p>CF Internal Audit Division carries out regular reviews on the internal control system including internal control over financial reporting.</p> <p>The Audit Committee monitors & reviews the Internal Control issues and risk management measures identified by the Internal Audit Division and evaluates the adequacy and effectiveness of risk management and internal control system of the Company.</p> <p>The Board was satisfied with the effectiveness of the internal control system as referred to in the "Directors' Statement on Internal Control" on page 85.</p> <p>The External Auditor has independently reviewed the report as indicated on page 86 of the Annual Report.</p>
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 85.
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	<p>The Audit Committee comprises of three Non-executive Directors, two of whom are Independent. The said Committee met 10 times during the year 2016/17.</p> <p>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.</p>
Review of objectivity of the External Auditor	D 3.2 Adopted	<p>Audit Committee monitors and reviews the External Auditor's scope and results of the audit and independence, objectivity and effectiveness of the audit process considering relevant professional and regulatory requirements.</p> <p>The Committee has set out the policy for the engagement of the External Auditor for non-audit services taking into account:</p> <ol style="list-style-type: none"> 1. Regulatory requirements and guidelines with regard to the engagement of the External Auditor for non-audit services. 2. The nature and extent of non-audit services and ensuring balanced objectivity, independence and value for money. <p>The Audit Committee reviewed and approved the policy for engagement of the external Auditor to provide non-audit services during 2016/17.</p> <p>The external auditor has provided the representation letter confirming their independence for the year 2016/17.</p>

Corporate Governance

Corporate Governance Principles	ICASL and 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 2016/17 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 to ensure preparation and presentation of Financial Statements in conformity with Sri Lanka Accounting Standards. • 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. • Reviewing that a sound internal control system is in place. • Discussion of external audit plan, key audit issues and management responses with management and the Auditor. • 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 82 to 84.</p> <p>The Audit Committee has satisfied itself with the independence of the External Auditor as disclosed in the Audit Committee report on page 83.</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	The Chairman confirms that he is not aware of any material violations of the Code of Conduct.

Corporate Governance Principles	ICASL and SEC Code Reference/Adoption status	Extent of Adoption by CF
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.
E. INSTITUTIONAL INVESTORS		
E.1 Shareholder voting		
The Code requires the institutional shareholders to make considered use of their votes and encouraged to ensure that their voting intentions are translated into practice.		
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, in order to ensure that the views are properly communicated and acted upon.
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 recognizing, measuring, disclosing and being accountable to all stakeholders for organizational 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.		

Corporate Governance

Corporate Governance Principles	ICASL and SEC Code Reference/ Adoption status	Extent of Adoption by CF
Economic Sustainability	G 1.1 Adopted	Please refer the "Corporate Social Responsibility Report" on page 64 to 70 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	

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 nine (9) fundamental principles, namely:

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

The structures in place and the conformity with the requirements are tabulated below under the said nine 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		
Approving & overseeing the strategic objectives & corporate values / communication	2.1(a)	<p>Complied with</p> <p>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. The Company has developed a policy on Code of Conduct and Ethics for all employees, in line with strategic objectives & corporate values of the company. The corporate values are posted on the intranet and all employees are guided by these values.</p>
Approving overall business strategy including risk policy & risk management procedures	2.1 (b)	<p>Complied with</p> <p>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).</p> <p>The Board has provided direction in the development of short, medium and long term strategy of the Company with the objective of promoting sustainability and profitable growth of the Company.</p> <p>The Company developed a Strategic Plan for three years covering the periods 2015/16 to 2017/18 and was approved by the Board in November 2015.</p> <p>Further, the overall risk policy and risk management procedures and mechanism which have been outlined in line with overall business strategy are regularly monitored by the Board Integrated Risk Management Committee.</p>
Identifying risks and risk management procedures	2.1 (c)	<p>Complied with</p> <p>Assets and Liabilities 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 and 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 action, if required.</p>
Policy on communication with stakeholders	2.1 (d)	<p>Complied with</p> <p>The Board is responsible for ensuring effective communication with all stakeholders including depositors, creditors, shareholders and borrowers.</p> <p>A Board approved communication policy is in place and reviewed, as and when required.</p> <p>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.</p>

Corporate Governance

Corporate Governance Principles	CBSL Rule	Compliance status / Level of Compliance
Reviewing Company's internal control system and management information systems	2.1 (e)	<p>Complied with</p> <p>Continuous and ongoing reviews are effected on the adequacy and integrity of the Internal Control and Management Information Systems by Board Sub-committees and suggestions are made to the Board where necessary.</p> <p>Company's internal control systems over financial reporting and management information systems are reviewed periodically by the Audit Committee. The Audit Committee reports are submitted to the Board for further action.</p> <p>Periodic External Reviews are also commissioned on specific areas by Specialists. An independent review was commissioned on information systems and databases during 2015/16 to ascertain the adequacy and integrity of the overall internal control framework of the company.</p>
Identifying & designating Key Management Personnel	2.1 (f)	<p>Complied with</p> <p>Identification and designation of Key Management Personnel (KMP) is in place and periodically reviewed and updated by the Board and BoM. All executive Directors and General Managers other than General Manager-Internal Audit have been identified as KMPs.</p>
Defining the areas of authority and key responsibilities of Board and Key Management Personnel	2.1 (g)	<p>Complied with</p> <p>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.</p> <p>The delegated authority limits for KMPs have been reviewed and approved by the Board regularly.</p>
Ensuring appropriate oversight of the affairs by Key Management Personnel	2.1 (h)	<p>Complied with</p> <p>The Board of Management (BoM) at its detailed monthly review ensures that there is appropriate oversight of the Company's affairs by Key Management Personnel and consistent with its strategic objectives and corporate values of the company.</p>

Corporate Governance Principles	CBSL Rule	Compliance status / Level of Compliance
Periodically assess the effectiveness of Board's governance practices	2.1 (i)	<p>Complied with</p> <p>The Board ensures that effectiveness of governance practices are periodically assessed.</p> <p>A Board approved transparent procedure is in place for selection, nomination and election of Directors and Key Management Personnel.</p> <p>Directors make declarations on areas of interest when joining the Company's Board and subsequently as and when it is needed.</p> <p>Implementation of changes required are discussed and determined by the Board at year end through submission of annual self-evaluations. Conflicts of interest are managed through a balanced Board of Directors and a Board approved Related Party Transactions Review Policy.</p>
Ensuring an appropriate succession plan for Key Management Personnel	2.1 (j)	<p>Complied with</p> <p>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.</p>
Regular meeting with the Key Management Personnel	2.1 (k)	<p>Complied with</p> <p>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.</p> <p>The 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</p> <p>Further, KMPs attend the sub-committee meetings on invitation for effective decision making.</p>
Understanding the regulatory environment	2.1 (l)	<p>Complied with</p> <p>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.</p>
Exercising Due diligence in hiring and oversight of External Auditor	2.1 (m)	<p>Complied with</p> <p>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 2016/17.</p>

Corporate Governance

Corporate Governance Principles	CBSL Rule	Compliance status / Level of Compliance
Appointing Chairman & Chief Executive Officer (MD)	2 (2)	<p>Complied with</p> <p>The Board has appointed the Chairman and Chief Executive Officer (CEO/MD). The roles of Chairman and Chief Executive Officer (CEO/MD) are separated 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.</p> <p>Please refer Section A.2 and A.3 of SEC & CA Sri Lanka Code table on pages 34 to 35 and rule 7 of CBSL direction on pages 56 to 57 for details.</p>
Seeking independent advice	2 (3)	<p>Complied with</p> <p>The Company has a procedure for Directors to seek independent professional advice, in furtherance of their duties, at the Company's expense. This procedure is coordinated through the company secretary, as and when it is requested. Please refer section A 1.3 of the SEC & CASL Code table on page 33 for details.</p>
Avoiding conflicts of interest	2 (4)	<p>Complied with</p> <p>The Board is mindful of its obligation to ensure that Directors avoid conflicts of interest. The Directors make declarations on areas of interest at the time of applying to the Board and subsequently as and when needed. Appropriate 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/her relatives or a concern, in which he/she has substantial interest, is interested.</p> <p>Director shall not participate in any discussion on a Related Party Transaction for which he/she or any of his/her immediate family members are associated with and is required to provide all material information concerning the Related Party Transactions to the Board.</p>
Formal Schedule of Matters to ensure proper direction & control	2 (5)	<p>Complied with</p> <p>The Board has a formal schedule of matters specifically reserved for it. Pre-set agenda of meetings ensures that the direction & control of the company is firmly under Board's control and authority.</p>
Informing Director NBFI Supervision in possible situations of Insolvency	2 (6)	This situation has not arisen during the year.
Publishing a Corporate Governance Report	2 (7)	<p>Complied with</p> <p>This report addresses the requirement of this rule.</p>
Adopting a Self-assessment by Directors	2 (8)	<p>Complied with</p> <p>Each Director performs an annual self-assessment of his own effectiveness as well as the effectiveness of the Board based on the predefined criteria set by the Board and maintains records of such assessments.</p> <p>Last assessment was carried out in November 2016.</p> <p>Please refer Section A.9.1 of SEC & CA Sri Lanka Code table on page 39s for details</p>

Corporate Governance Principles	CBSL Rule	Compliance status / Level of Compliance
3. Meetings of the Board		
Board Meetings	3 (1)	<p>Complied with</p> <p>The Board usually meets at monthly intervals, but meets more frequently whenever it is necessary. Circulation of written or electronic resolutions / Board papers to obtain Board's consent was minimized and approvals obtained through the circulation of resolutions/ Board papers are subsequently ratified at the next Board Meeting.</p> <p>Please refer section A 1.1 of the CA Sri Lanka & SEC code table on page 33 for details.</p>
Inclusion of proposals by all Directors in the agenda	3 (2)	<p>Complied with</p> <p>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.</p>
Adequate notice of Board meetings	3 (3)	<p>Complied with</p> <p>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.</p>
Action taken for not attending Board Meetings	3 (4)	<p>Complied with</p> <p>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 2016/17. Alternate Directors were also appointed where necessary.</p>
Appointing and setting responsibilities for Board Secretary	3 (5)	<p>Complied with</p> <p>The Board has appointed M/s. Corporate Services (Pvt) Ltd., to handle the secretarial services to the Board to ensure that proper Board proceedings and other functions are followed in line with rules & regulations enforced by Statutes.</p> <p>Please refer section A 1.4 of the CA Sri Lanka & SEC code table on page 34 for details.</p>
Agenda for Board Meetings	3 (6)	<p>Complied with</p> <p>The Board Secretary prepares the Agenda, which has been delegated by the Chairman.</p>

Corporate Governance

Corporate Governance Principles	CBSL Rule	Compliance status / Level of Compliance
Access to the Board Secretary	3 (7)	<p>Complied with</p> <p>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 advise relating to corporate governance matters, Board procedures and applicable rules and regulations during the year.</p> <p>Please refer section A 1.4 of the CA Sri Lanka & SEC code table on page 34 for details.</p>
Maintaining minutes of the Board Meetings which are accessible to the Directors	3 (8)	<p>Complied with</p> <p>The Company Secretary maintains the minutes of the Board Meetings and Directors have full access to inspect the Minutes of the Board Meetings at any reasonable time, on reasonable notice.</p>
Details of Minutes	3 (9)	<p>Complied with</p> <p>Minutes of the Board Meetings are maintained in sufficient detail by the Board Secretary as defined in the direction.</p>
4. Composition of the Board		
Number of Directors	4 (1)	<p>Complied with</p> <p>The Board comprised of ten (10) Directors during the year.</p>
Period of service of Non-executive Directors	4 (2)	<p>Complied with</p> <p>Non-executive Directors serving on the Board have not served on the Board for more than nine years.</p>
Appointment of an employee as a Director	4 (3)	<p>Complied with</p> <p>This situation has not arisen during the year.</p> <p>The Executive Directors of the Company have not exceeded one-half of the number of Directors of the Board.</p>
Independent Non-executive Directors	4 (4)	<p>Complied with</p> <p>As at the year end the Board includes four Independent Non-executive Directors as per the definition of the Direction, which is in excess of one fourth of the total number of Directors.</p> <p>The Board reviews the independence of Non-executive Directors on an annual basis and as and when circumstances change, based on the self-declaration and as a part of each Director's performance assessment.</p>

Corporate Governance Principles	CBSL Rule	Compliance status / Level of Compliance
Alternate Director	4 (5)	<p>Complied with</p> <p>When Independent Directors appoint alternate Directors, they ensure that the alternate Directors appointed are also independent Directors. This has been complied with when appointing Alternate Directors for Independent Non-executive Directors during the year.</p>
Credibility, skills & experience of Non-executive Directors	4 (6)	<p>Complied with</p> <p>The Non-executive Directors possess skills & experience from a number of industries and business sectors, including the leadership of large multinational enterprises</p> <p>Biographic details of the Directors are given on pages 10 to 11.</p>
Meetings of the Board with at least one half of Non-Executive Directors in the quorum	4 (7)	<p>Complied with</p> <p>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.</p> <p>As per the attendance of the Board Meetings during the year ended 31.03.2017, the required quorum has been maintained at all Board Meetings.</p> <p>Details of the meetings and individual attendance are given on page 63.</p>
Details of Directors	4 (8)	<p>Complied with</p> <p>Please refer pages 10 to 11 for the biographic details of the Directors and the categories.</p>
Appointment of new Directors	4 (9)	<p>Complied with</p> <p>The Board has a formal and transparent procedure in place when appointing Directors to the Board. Further, the Board approved succession plan is in place for the Members of the Board and KMPs. Two Independent Non-executive Directors, Mr. A. D. B. Talwatte and Dr. (Mrs.) A. D. N. de Zoysa were appointed to the Board at the retirement of Independent Non-executive Directors, Mr. A. N. Fernando & Mr. F. Mohideen on reaching 70 years, in compliance with the provision of this direction.</p> <p>Please refer section A 7.3 of the CA Sri Lanka & SEC code table on page 38 for details.</p>
Appointment to fill a casual vacancy	4 (10)	<p>Complied with</p> <p>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.</p> <p>Independent Non-executive Director Mr. A. D. B. Talwatte was re-elected by the shareholders at the AGM held in July 2016 and Independent Non-executive Director, Dr. (Mrs.) A. D. N. de Zoysa will stand for re-election at the forthcoming AGM.</p>

Corporate Governance

Corporate Governance Principles	CBSL Rule	Compliance status / Level of Compliance
Procedure to be followed for resignation / removal of a Director	4 (11)	<p>Complied with</p> <p>Notifications of removal & 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. During 2016/17 financial year, there were no resignations/ or removal of Directors. However, Mr. A. N. Fernando & Mr. F. Mohideen retired from the Board during the financial year on reaching the age of 70 years in compliance with the provisions of this Direction</p>
5. Criteria to assess the Fitness and Propriety of Directors		
Directors over 70 Years of age	5 (1)	<p>Complied with</p> <p>Independent Non-executive Director Mr. A.N. Fernando & Mr. F. Mohideen retired from the Board during the financial year on reaching the age of 70 years in compliance with the provisions of this Direction.</p> <p>Directors serving on the Board as at 31.03.2017 have not reached the age of seventy (70) years.</p>
Holding of office in more than 20 entities	5 (2)	<p>Complied with</p> <p>As at 31.03.2017, 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.</p>
6. Delegation of Functions		
Delegation of work to the management	6 (1)	<p>Complied with</p> <p>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.</p> <p>The Board of Central Finance periodically 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.</p>
Evaluation of the delegated process	6 (2)	<p>Complied with</p> <p>Please refer comments above.</p>
7. The Chairman and the Chief Executive Officer		
Division of Responsibilities of the Chairman & the CEO (MD)	7 (1)	<p>Complied with</p> <p>The roles of the Chairman and the Chief Executive Officer / Managing Director are separate.</p>
Chairman Preferably be an Independent Director and if not appoint a Senior Director	7 (2)	<p>Complied with</p> <p>The Chairman is considered as an independent Non-executive Director as per the definition set out in the Direction on Corporate Governance.</p>

Corporate Governance Principles	CBSL Rule	Compliance status / Level of Compliance
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(8)	Complied with The Chairman is responsible to lead, direct and manage the Board to ensure that it operates effectively and fully discharges its legal & regulatory requirements. Detailed information of the role of the Independent Non-executive Chairman is given in the SEC & CASL Code table section A 2 & A 3 on pages 34 to 35.
Supervision of KMP's by Chairman	7 (9)	Complied with The Chairman does not directly get involved in the supervision of Key Management Personnel or other executive duties.
Communication with Shareholders	7 (10)	Complied with The chairman ensures that adequate opportunity is given to shareholders to take up matters for clarification at the Annual General Meeting. Clarification would be by the Chairman, CEO/MD and other members of the Board. Valid shareholder views are communicated to the Board.
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.
8. Board appointed committees		
Board appointed Sub-Committees	8 (1)	Complied with There are four Board appointed Sub-committees namely, Audit Committee, Remuneration Committee, Integrated Risk Management Committee and Related Party Transactions Review Committee. 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.

Corporate Governance

Corporate Governance Principles	CBSL Rule	Compliance status / Level of Compliance
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 and the Chairman of the committee is an Independent Non-executive Director.</p> <p>Please refer the Audit Committee Report given on pages 82 to 84 and section D 3 of the CA Sri Lanka & SEC code table on page 45 in respect of composition, role and responsibilities of the Board appointed Audit Committee covering:</p> <ul style="list-style-type: none"> a. The Chairman of the Committee b. Composition of the Audit Committee c. Recommendation to the Board on appointment, re-appointment and removal of External Auditor d. Monitoring & review of the External Auditor's independence, objectivity and effectiveness. e. Policy of engagement of External Auditor in non-audit services Deciding on nature and scope of the External Auditor. f. Discussing & finalizing the nature and scope of the audit with external auditor g. Reviewing Financial information of the company h. Meeting with External Auditor with & without the presence of Executive Directors/ KMPs i. Review of External Auditor's Management Letter j. Steps taken to review the Internal Audit functions. and review major findings of internal audit & management responses thereto k. Secretary to the Audit committee and recording of minutes l. Disclosure of details of activities, meetings held & attendance

Corporate Governance Principles	CBSL Rule	Compliance status / Level of Compliance
Integrated Risk Management Committee	8 (3) (a) to 8 (3) (h)	<p>Complied with</p> <p>The Integrated Risk Management Committee (IRMC) comprises four Non-executive Directors and management representatives including CEO/MD, Executive Directors and Management Representatives.</p> <p>The IRMC has established quantitative & qualitative risk indicators and prompt corrective action is taken against the risk indicators, if any, such limit is exceeded.</p> <p>The IRMC met quarterly. Minutes of IRMC meeting including discussions and conclusions reached at such meetings and risk assessment report are circulated electronically within 7 days of each meeting to the Board of Directors seeking their views, concurrence and specific directions.</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 No. 42 of 2011, 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 81 for details.</p>
9. Related Party Transactions		
Avoiding conflicts of interest in related party transactions and favourable treatment	9 (2) to 9 (4)	<p>Complied with</p> <p>Board members are required to make declarations in respect of related parties at the time of appointment and bi-annually.</p> <p>The Directors refrain from participating at relevant sessions in which lending to related entities are discussed. 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>To further strengthen the monitoring mechanism of related party transactions, a Board approved Related Party Transaction Policy and a Related Party Transactions Review Committee are in place. The objectives of which are to:</p> <ol style="list-style-type: none"> 1. Encourage transparency with a view to facilitating informed decisions 2. Conform to disclosure requirements and exercise good governance on related party transactions, and 3. 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>Please refer section D 1.7 of the CA Sri Lanka & SEC code table on page 44 for details.</p>

Corporate Governance

Corporate Governance Principles	CBSL Rule	Compliance status / Level of Compliance												
10. Disclosures														
Financial reporting, Statutory and Regulatory reporting	10 (1)	<p>Complied with</p> <p>The financial statements for the year ended 31st March 2017 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>												
Minimum disclosure in the Annual Report	10 (2)	<p>Complied with</p> <ul style="list-style-type: none"> 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 79. b. Directors Report on effectiveness of the internal control system over financial reporting is given under the "Directors' Statement of Internal Control" on page 85. 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 86. d. Details of the Directors are given on pages 10 to 11. Directors' remuneration is disclosed on page 110. Deposits made by the Directors is given in note no. 42 of the financial statements on page 137. e. Fees and Remuneration paid to the Directors in total is given in note no. 16 of the financial statements on page 110. f. The net accommodation outstanding from the related parties is given below as a percentage of capital funds <table> <thead> <tr> <th>Related Party Category</th> <th>Amount (Rs. Mn.)</th> <th>As a % of Capital Funds</th> </tr> </thead> <tbody> <tr> <td>1. Subsidiaries</td> <td>107.97</td> <td>0.473 %</td> </tr> <tr> <td>2. Associates</td> <td>1,968.30</td> <td>8.624 %</td> </tr> <tr> <td>3. Key Management Personnel</td> <td>0.38</td> <td>0.002 %</td> </tr> </tbody> </table>	Related Party Category	Amount (Rs. Mn.)	As a % of Capital Funds	1. Subsidiaries	107.97	0.473 %	2. Associates	1,968.30	8.624 %	3. Key Management Personnel	0.38	0.002 %
Related Party Category	Amount (Rs. Mn.)	As a % of Capital Funds												
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2. Associates	1,968.30	8.624 %												
3. Key Management Personnel	0.38	0.002 %												

Corporate Governance Principles	CBSL Rule	Compliance status / Level of Compliance
Minimum disclosure in the Annual Report	10 (2)	<p>g. Transactions with Key Management Personnel such as remuneration paid, accommodation granted, deposits made are given in note no. 55 of the financial statements on page 145. Investment made by the KMPs in the Company amounts to 51,952,671 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 have performed procedures set out in "Sri Lanka Related Services Practice Statement 4752" issued by the Institute of Chartered Accountants of Sri Lanka to meet the compliance requirement of the Corporate Governance directive. External Auditor's findings presented in their report addressed to the Board are consistent with the matters disclosed above and did not identify any inconsistencies to those reported above by the Board.</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 63.
	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 10 to 11 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. Two Independent Non-executive Directors, Mr. A. D. B. Talwatte and Dr. (Mrs.) A. D. N. de Zoysa were appointed to the Board at the retirement of Independent Non-executive Directors. This has been duly disclosed to the CSE.
Remuneration Committee	7.10.5 (a) Composition	Compliant	The Remuneration Committee solely comprises of Independent Non-executive Directors.
	7.10.5 (b) Function	Compliant	Please refer to the Remuneration Committee report on page 80 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 80 and the remuneration paid to Directors is given in note no 16 to the financial statements on page 110.
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 82 to 84.
	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 82 to 83.

MEETINGS

In 2016/17, twelve Board Meetings were scheduled and individual attendance by Directors at these meetings is shown in the following table.

Names	Directorship Status	Board	Audit Committee	Integrated Risk Management Committee	Remuneration Committee	Related Party Transactions Review Committee
Number of meetings held		12	10 ^e	4	1	4
J. D. Bandaranayake	Independent Non-executive Chairman	11/12			1/1	1/4
E. H. Wijenaike	Managing Director	12/12		3/4		4/4
G. S. N. Peiris	Director (Finance)	12/12		4/4		
R. E. Rambukwelle	Director (Marketing and Operations)	12/12		3/4		
A. K. Gunaratne	Director (Group Co-ordination)	11/12		4/4		4/4
D. P. de Silva	Director (Credit)	10/12		4/4		
C. L. K. P. Jayasuriya	Non-executive Director	10/12	10/10	2/4		
S. C. S. Wickramasinghe	Independent Non-executive Director	7/12			1/1	
F. Mohideen	Independent Non-executive Director	9/10 ^a	8/8	2/2		4/4
A. N. Fernando	Independent Non-executive Director	3/3 ^b	3/3			1/1
Mr. A. D. B. Talwatte	Independent Non-executive Director	8/9 ^c	7/7	4/4		3/3
Dr. (Mrs.) A. D. N. de Zoysa	Independent Non-executive Director	2/2 ^d	2/2	1/1		

^a Retired on 15th February 2017

^b Retired on 30th June 2016

^c Appointed on 30th June 2016

^d Appointed on 15th February 2017

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

^f In instances where a director did not attend, alternate director had been appointed to represent the said director.

Corporate Social Responsibility

At CF, we define Corporate Social Responsibility as the way in which we manage our processes to produce an overall positive impact on employees and their families as well as the environment, the local community and society at large.

Our approach is three-pronged; Human Capital Development, Social and Community Development and Environmental sustainability.

HUMAN CAPITAL DEVELOPMENT

We believe that our people enable us to run our business well and achieve corporate goals. It is why CF strives to create a progressive working environment coupled with continuous training and flexible work practices to assist all employees to strike a balance between career and personal life.

At CF, we believe in respecting the dignity and Human Rights of each and every one of our employees and as such remain committed to adhere to all relevant national labour statutes that promote fair and equitable labour practices. Accordingly, child labour is strictly prohibited and we do not accept or condone any aspect of forced labour as we believe, employees choose to work for us at their own discretion and we cannot force them to remain in our employment. Moreover, as an equal opportunity employer, we do not discriminate against any employee based on their ideological views, race, colour, religion, gender, age, disability, or any other status protected by law.

Encapsulating these values and principles CF's HR processes strive to produce exceptional performers who will take the company to greater heights in the years ahead.

CF -Workforce as at 31st March 2017

Province	Male	Female	Total
Central	262	106	368
East	46	19	65
North Central	64	12	76
North Western	103	32	135
North	21	4	25
Sabaragamuwa	81	21	102
Southern	67	16	83
Uva	68	13	81
Western	504	227	731
Total	1,213	453	1,666

REMUNERATION AND BENEFITS

While our basic salary structure is in accordance with market standards for industries within our sector, given our results oriented culture, all other remuneration systems are based on the employees' performance. In addition to their fixed salaries, our employees also receive variable remuneration components that depend on their individual job performance and the success of the company. The annual compensation and benefit survey gave us the direction in reviewing the salary/benefit structures of the company against the industry benchmarks.

PERFORMANCE MANAGEMENT

CF's performance Management Mechanism is based on an annual goal setting exercise to determine KPI's that the company feels are relevant for a particular job role. Employees are given continuous feedback regarding their performance, followed by a mid-year review to identify performance gaps and initiate necessary corrective actions to improve goal alignment. As part of the ongoing efforts to improve the feedback mechanism, the company upgraded the Human Resources Information System platform.

Further, a coaching and mentoring programme was also launched to address the issues faced by poor performers and enable them to raise their performance levels to match up to peers.

All employees receive an annual performance review, which serves as the basis for strategic executive development and effective succession planning. It also helps us map out the training needs for the year.

New changes have been planned out to bring in the performance evaluation mechanism in the 2017/18 financial year to introduce "Balance Score Card" concept to evaluate clerical grade employees as well. This will bring a more focused approach towards evaluating clerical grade employees, as opposed to the practice of general evaluation adopted in the past.



IGNITE Leadership training

LEADERSHIP DEVELOPMENT

Good leadership is a key driver of strong performance, and is particularly critical in times of uncertainty and change. This is why developing and training our leaders and potential leaders, equipping them to develop their own employees and help them to reach their potential, is a high priority at CF. Our goal is to identify talented employees and offer them opportunities for further development, so that they can be retained for the betterment of our company.

Towards this end, we develop tailor made programmes that are carefully designed to cater our own requirements. Hence, more attention is given to enhance their leadership, conceptual and communication skills, which will in turn ensure that employees thrive in their fields.

During the year under review, we launched "IGNITE", a special leadership-training programme for high performers who have been earmarked through the annual performance reviews conducted over a period of time. Consisting of different modules to cover self-development, leadership, teamwork and managerial skills aimed at igniting the potential of every participant, "IGNITE" is a rigorous 18-month programme conducted in two main phases. Starting with a 360° assessment, the programme combines workshops, individual coaching sessions, debates, role plays, assignments and superior feedback sessions in order to transform the thinking, behavioural attitudes and mindset of participants and mould them towards becoming leaders. A mechanism of measuring the transformation through the Learning Journal and Goals that each participant is expected to submit every month, which helps to encourage the participants as they are ranked based on the progress of their transformation.

The first batch of 24 participants handpicked from different disciplines across the Company, began their training under the IGNITE programme in May 2016 and are expected to complete their training by mid 2017.

During the year under review, the staff development plans for second tier managers too have been initiated, as an effort to identify potential successors for future managerial positions.

EMPLOYEE RELATIONS

Having been in the business for the past 60 years, CF has over the years been able to create a dynamic work culture where people take pride in what they do and feel proud to be a part of the

company. To keep this momentum, we continue to engage with our employees, helping them focus on a results oriented culture and understand that achieving corporate goals is the key driver of career growth.

The company culture promotes working collaboratively with employees to ensure the mutual benefit of both parties. In doing so, our leadership principles define guidelines for managers that include among other things the respectful treatment of colleagues and creation of a strong feedback culture



25 years of service recipients in 2016/17

TRAINING AND DEVELOPMENT

We believe training and development keeps employees motivated by enhancing their skills and enabling them to perform better at their designated job roles. Training is also vital in keeping pace with the changing dynamics of Sri Lanka's financial service industry. Hence, our training modules are focused on both technical as well as soft skills development. The company invested Rs. 14.2 million on training and development activities, resulting in conducting 124 training programmes during the year, providing 2,858 hours of training opportunities for staff during the year 2016/17.

Among the key highlights for the year was the roll out of the motivational and attitudinal change programme, themed 'You can't say NO' – 'Be Kiyala Be', across all levels of staff.

We also explored the feasibility of introducing an e-learning solution, with the initial discussions and pilot project kicking off in the latter part of the current financial year. As per the Positive feedback received from participants of the pilot project, it was found that e-learning would be a highly cost-effective solution for CF's product related training. Accordingly, steps were taken to set up the 'CF E-academy' to facilitate the Company's need for customised high-quality training solutions.

Corporate Social Responsibility

EMPLOYEE WELLBEING

The wellbeing of our employees is of paramount importance to the company. It is why we have put in place a robust event calendar that fosters camaraderie and encourages team spirit among all employees.

As part of the commitment towards employee wellbeing, CF provides the following benefits;

Scholarship awards to Children of staff

This includes awarding of scholarships to children of staff upon Grade One school admission. Awards were also granted for children who have successfully completed Grade Five scholarship examination, G.C.E Ordinary Level Examination and successful admission to a State University upon completion of G.C.E Advanced Level Examination. The company also grants an allowance to all School children of CF employees to purchase their school books and other necessities every year.

Educational loans

CF encourages its staff to continue their professional education from recognised professional institutions and provides special grants to finance the course fee. Initially the recipients are provided with a loan facility to enroll a course of their choice and upon completion of the said course, the loan is converted as a grant.

The Chairman's relief fund

All CF Staff are provided with a comprehensive insurance coverage for hospitalisation following illness. The Chairman's relief fund offers extended support to staff members to meet expenses that go beyond insurance cover for undergoing treatment for critical illnesses including surgery.

SOCIAL AND COMMUNITY DEVELOPMENT

Having understood the impact we create on the local community in the everyday running of our business, CF remains committed to work for the betterment of the communities in which we live and work. In doing so we have aligned our actions to address national priorities and as such focus on three key areas; Health, Education and Emergency Aid.

Key initiatives for the year;

Health

The company gifted two specialised ventilators to the Lady Ridgeway Hospital and a portable ventilator to the National Hospital. These equipment were supplied to fulfill requests made by the respective hospitals for the treatment of adult and pediatric patients with acute respiratory failure and other chronic conditions.



Donation of a ventilator to the National Hospital

Education

An ongoing initiative by CF, the "Sisu Athwela" Scholarship Programme is an endeavor to provide educational foundation for economically less privileged children. The programme extends financial support and provides school necessities to children from Grade 6 up to the level of their Advanced Level education. Achievement in Grade 05 scholarship examination has been considered as the main criterion for the selection, with due consideration also given to the income level of the family.



A sisu athwela recipient

Applications for the programme were called through the Branch Network of Central Finance with recommendation from the class teacher and approval by the school principal being mandatory requirements. All applications were carefully reviewed by a committee of senior CF officials. A total of 59 new "Sisu Athwela" scholarships were granted in the year under review, bringing the total number granted to date to 82, since the inception of the programme in 2015. Given its long-term nature, the "Sisu Athwela" programme also serves to strengthen the CF's ties to the community.

A colorful illustration of a young girl with black hair in pigtails, wearing a yellow top and green pants. She is sitting cross-legged on a large stack of books, looking down at an open book she is holding. The books are of various colors and sizes, stacked in a pyramid shape.



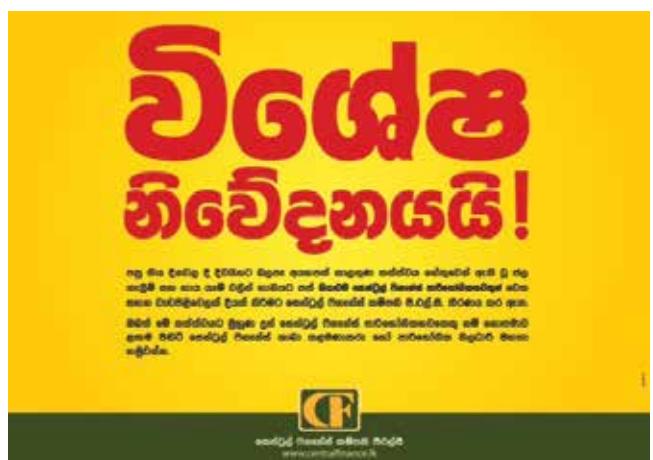
Sisu *athwela* preparatory work



Donation of essential items to CHA

Emergency aid

With Sri Lanka experiencing its worst flood in over a decade, with thousands of people from 05 Districts severely affected, CF stepped in to assist the relief effort by assisting the Disaster Management Centre through Consortium of Humanitarian Agencies (CHA). Essential items required for the affected people were distributed through CHA. CF also provided relief to its own customers who were affected by the floods. A public announcement was made and the immediate concessions such as granting time to pay back installment, without penalties, waiving off overdue interest and scaled down the installments by extending the loan payback period. For depositors, interest payments were made in advance of the normal date and loans against deposits were also provided. School materials were also distributed to the children of affected customers through our branches.



Public announcement on concessions to flood victims

Corporate Social Responsibility



Flood relief effort

Followed by the worst flood, Sri Lanka faced its worst heat in March/April 2017 with the sun directly above the island contributing to the increased temperature day and night. With the declining water levels in reservoirs generating hydro power, the country also underwent a few power cuts. Warm weather experienced unlike in previous years brought concerns over its effect on young children and elderly. In response to a call made by A-PAD Colombo, CF donated a haul of bottled water to the worst affected areas. The company also coordinated with A-PAD to launch an awareness campaign to educate community on taking preventive measures to suppress complications that may occur as a result of increasing humidity to human body such as Heat Exhaustion, Heat Stroke, etc. The campaign has been very successful and received positive response from the communities concerned.

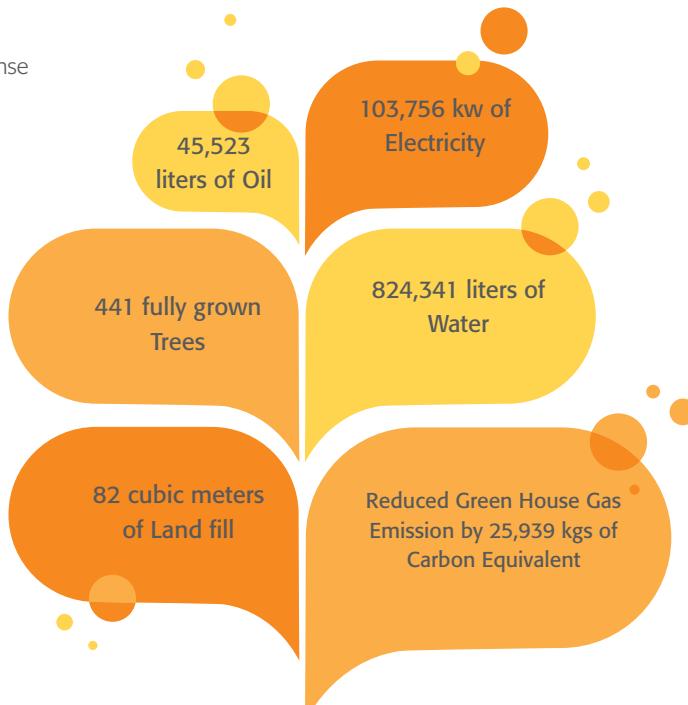


Donation of school items to flood victims of Hanwella

ENVIRONMENTAL SUSTAINABILITY

CF continues to embrace business practices that are designed to improve resource efficiency and minimise waste. Accordingly, as part of the ongoing efforts to cut electricity consumption, the company invested Rs. 4.375 million to install a solar net metering system at the City Office in Colombo. As a result, we were able to generate 25.5 Mhw of electricity, which in turn resulted in saving of 13.5 tons of CO₂ being released to the environment.

Recycling paper waste is another initiative that the company has been pursuing for last several years. In the current financial year a total of 25,939 kgs of waste paper was collected and recycled.



Financial Calendar 2016/17

Second Interim Dividend 2015/16 - paid	12th April 2016
First Quarter Results 2016/17	11th August 2016
Final Dividend 2015/16 - paid	20th July 2016
Second Quarter Results 2016/17	09th November 2016
First Interim Dividend 2016/17 - paid	22nd December 2016
Third Quarter Results 2016/17	09th February 2017
Fourth Quarter Results 2016/17	25th May 2017
Annual Report 2016/17	07th June 2017
59th Annual General Meeting	30th June 2017
Final Dividend 2016/17 - proposed and to be paid	05th July 2017

Annual Report of the Board of Directors

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 2017.

Central Finance Company PLC is a public limited liability company incorporated in Sri Lanka on 05th 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 and June 2015 are listed on the Colombo Stock Exchange.

The Board of Directors approved these financial statements on 24th May 2017.

PRINCIPAL BUSINESS ACTIVITIES AND REVIEW OF OPERATIONS

Company

The principal business activities of the company are leasing, SME loans, 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.

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

Annual Report of the Board of Directors

CHANGE TO THE GROUP STRUCTURE

Isuru Leasing Company Limited (ILCL) a fully owned subsidiary of the group, acquired in November 2014 under the Financial Sector Consolidation Programme of the Central Bank of Sri Lanka, was duly amalgamated with Central Finance Company PLC on 28th February 2017 and ILCL ceased to exist as a corporate entity after the above date.

There were no other 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 6 to 9 and the management discussion and analysis on pages 13 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 88 to 149 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.

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

	2016/17 Rs.'000	2015/16 Rs.'000
Group profit for the year before income tax after payment of all expenses, provision for depreciation, VAT on financial services, NBT and impairment on loans and other credit losses	7,240,441	6,271,919
Provision for taxation	(2,343,822)	(2,169,126)
Group profit after taxation	4,896,619	4,102,793
Other comprehensive income net of income tax		
Net gains and losses on re-measurement of available for sale financial assets	13,746	(32,212)
Actuarial gains on defined benefit plans	41,697	79,178
Share of other comprehensive income/(losses) of associates	32,550	(64,107)
Total comprehensive income for the year		
Non-controlling interest	(88,095)	(110,240)
Attributable to equity holders of the Company	4,896,517	3,975,412
Other comprehensive income net of tax relating to :		
Available for sale reserve	(30,957)	102,408
Revaluation reserve	(12,847)	(4,876)
	4,852,713	4,072,944
Un-appropriated profit brought forward from previous year	3,778,676	3,092,803

The detailed report is given on page 79 of the annual report.

AUDITOR'S REPORT

The auditor's report on the financial statements is given on page 87 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 94 to 108 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. 18,145.87 million (2015/16 - Rs. 16,284.92 million), an analysis of which is given in note 11 to the financial statements.

RESULTS AND APPROPRIATIONS

Total comprehensive income of the company was Rs. 4,107.99 million (2015/16 - Rs. 3,369.76 million) whilst the group comprehensive income attributable to equity holders of the parent was Rs. 4,896.52 million (2015/16 - Rs. 3,975.41 million).

	2016/17 Rs.'000	2015/16 Rs.'000
Transfer from revaluation reserve	12,095	4,552
Unclaimed dividends written back	244	428
Effect due to amalgamation of a subsidiary	21,450	-
Balance available for appropriation	8,665,178	7,170,727
Appropriations		
Super gain tax	-	(423,126)
Transfer to reserve fund	(203,000)	(167,000)
Transfer to general reserve	(3,262,000)	(2,437,000)
Transfer from other capital reserves	-	17,899
Dividends distributed during the year	(639,788)	(382,824)
Un-appropriated profit to be carried forward	4,560,390	3,778,676

RESERVES

The total group reserves as at 31st March 2017 amounted to Rs. 30,343.73 million (31st March 2016 - Rs. 26,920.07 million) details of which are given in notes 47 to 50 to the financial statements.

CORPORATE DONATIONS

During the year, the company made donations amounting to Rs. 2.99 million (2015/16 Rs. 0.79 million) in terms of the resolution passed at the last annual general meeting. This includes donations of Rs. 2.57million (2015/16 Rs. 0.07 million) made to Government approved charities. Total donations of the group during the year amounted to Rs. 3.27 million (2015/16 - Rs. 0.86 million) of which Rs. 2.57 million (2015/16 - Rs. 0.07 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. 0.85 per share for the year ended 31st March 2017 on 216,758,888 shares (2015/16 - Rs. 2.00 per share on 104,883,333 shares) subject to approval by the shareholders at the forthcoming annual general meeting. This dividend, together with an interim dividend of Rs. 1.50 per share paid on 22nd December 2016 amount to a total dividend pay-out of Rs. 509.38 million for the year (2015/16 - Rs. 419.53 million). The first interim dividend was paid entirely out of taxable profits and was therefore subject to 10% withholding tax.

A major portion of the final dividend will be paid out of dividends received and the balance out of taxable profits of the company. The component of dividend to be paid out of the taxable profits will be subject to 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 the interim dividend paid in December 2016 and the final dividend proposed. Solvency certificates were obtained from the auditor in respect of interim dividend paid and the proposed final dividend of Rs. 0.85 per share.

Finance Companies are required to obtain prior approval of the Central Bank of Sri Lanka for the payment of dividends. Directors confirm that they have obtained the approval of the Central Bank of Sri Lanka prior to recommending the interim dividend and the final dividend of Rs. 0.85 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. 1,636.68 million and Rs. 1,718.31 million respectively. (2015/16 - company Rs. 577.97 million and group Rs. 653.70 million) details of which are given in notes 38 and 39 to the financial statements. Value of capital expenditure approved and contracted for as at year end is disclosed in note 52 to the financial statements.

MARKET VALUE OF FREEHOLD PROPERTIES

The value of freehold properties owned by the group as at 31st March 2017 is included in the accounts at Rs. 3,892.02 million (31st March 2016 - Rs. 3,653.01 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 38 to the financial statements.

Annual Report of the Board of Directors

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 54 to the financial statements.

STATED CAPITAL AND DEBENTURES

Stated capital of the company as at 31st March 2017 was Rs. 1,337.56 million (Rs. 568.42 million as at 31st March 2016) consisting of 216,758,888 ordinary shares (104,883,333 ordinary shares as at 31st March 2016).

In July 2016, ordinary shares of the Company were increased by subdividing each existing share into two shares and the number of shares increased to 209,766,666. Subsequent to the subdivision, reserves amounting to Rs. 769.14 million were capitalised at the rate of Rs.110/- per share through issue of 6,992,222 shares in the proportion of 01 share for 30 shares.

Increase in the stated capital is entirely attributable to the transfer of Rs. 769.14 million from general reserve to the stated capital on account of issue of shares while the number of shares increased, due to the sub-division of shares and the issue of 6,992,222 shares.

The Company did not make any debenture issues during the year ended 31st March 2017. The Company had issued Rs. 100/- par valued 45,000,000 rated, secured, redeemable debentures to the value of Rs. 4.5 billion (Rs. 4.5 billion as at 31st March 2016), and Rs. 1,000/- par valued 2,000,000 rated, unsecured, redeemable debentures to the value of Rs. 2 billion as at 31st March 2017 (Rs. 2 billion as at 31st March 2016). All these debentures are listed on the Colombo Stock Exchange and the details are given in note 44 to the financial statements.

SHAREHOLDINGS

As at 31st March 2017, there were 2,888 registered shareholders and the distribution of shareholding is indicated on page 156.

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 157 and 158 of the annual report.

MAJOR SHAREHOLDERS

The twenty largest shareholders of the company as at 31st March 2017 together with an analysis of the shareholdings are given on page 157.

THE BOARD 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 10 and 11 of the annual report.

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

J. D. Bandaranayake Independent Non-executive Director / Chairman
 E. H. Wijenaike (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)
 A. D. B. Talwatte ((Independent Non-executive Director)
 Dr. (Mrs) A. D. N. de Zoysa ((Independent Non-executive Director)

RETIREMENTS / NEW APPOINTMENTS DURING THE FINANCIAL YEAR

A. N. Fernando and F. Mohideen retired from the board on 30.06.2016 and 15.02.2017 respectively keeping in line with the provisions contained in Section 5 (1) of the Corporate Governance Direction No. 03 of 2008 of the Central Bank of Sri Lanka for directors of Finance Companies.

A. D. B. Talwatte and Dr. (Mrs) A. D. N. de Zoysa were appointed to the board as independent Non-executive directors with effect from 30.06.2016 and 15.02.2017 respectively.

RECOMMENDATIONS FOR RE-ELECTION

C. L. K. P. Jayasuriya retires by rotation in terms of article 105 of the articles of association and being eligible has offered himself for re-election at the forthcoming annual general meeting.

Dr. (Mrs) A. D. N. de Zoysa retires in terms of article 111 of the articles of association and being eligible has offered herself for re-election at the forthcoming annual general meeting.

The company has obtained the approval 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 the page 143 of the annual report.

BOARD SUB-COMMITTEES

The board of directors of the company has formed the following sub committees;

AUDIT COMMITTEE

A. D. B. Talwatte (Chairman) - Independent Non-executive Director
C. L. K. P. Jayasuriya - Non-executive Director
Dr. (Mrs) A. D. N. de Zoysa - Independent Non-executive Director

The report of the audit committee is given on pages 82 to 84 of the annual report.

REMUNERATION COMMITTEE

J. D. Bandaranayake (Chairman) - Independent Non-executive Director
S. C. S. Wickramasinghe - Independent Non-executive Director
A. D. B. Talwatte - Independent Non-executive Director

The report of the remuneration committee is given on page 80 of the annual report.

INTEGRATED RISK MANAGEMENT COMMITTEE

A. D. B. Talwatte (Chairman) - Independent Non-executive Director
J. D. Bandaranayake - Independent Non-executive Director
C. L. K. P. Jayasuriya - Non-executive Director
Dr. (Mrs) A. D. N. de Zoysa - Independent Non-executive Director
E. H. Wijenaike - 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 81 of the annual report.

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

A. D. B. Talwatte (Chairman) - Independent Non-executive Director
Dr. (Mrs) A. D. N. de Zoysa - Independent Non-executive Director
J. D. Bandaranayake - Independent Non-executive Director

The report of the related party transaction review committee is given on page 78 of the annual report.

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 (1) and (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 2017	31st March 2016
E. H. Wijenaike	33,405,854	16,164,123
G. S. N. Peiris	3,778,213	1,828,168
R. E. Rambukwelle	2,035,473	984,906
A. K. Gunaratne	1,726,233	835,274
D. P. de Silva	214,623	103,850
Spouses		
A. J. Wijenaike	6,760,804	3,271,357
I. R. Peiris	920,349	445,330

Increase in shareholding compared to 31.03.2016 is solely attributed to subdivision of shares and issue of shares in July 2016 as described above.

Given below are the directors' shareholdings in group companies as at 31st March 2017

Central Industries PLC

J. D. Bandaranayake	151,000	(31.03.2016 - 75,500)
E. H. Wijenaike	36,012	(31.03.2016 - 18,006)
G. S. N. Peiris	6	(31.03.2016 - 03)
R.E. Rambukwelle	1,014	(31.03.2016 - 507)

Increase in shareholding compared to 31.03.2016 is solely attributed to subdivision of shares in August 2016.

Nations Trust Bank PLC

J. D. Bandaranayake	254,625	(31.03.2016 - 254,625)
E. H. Wijenaike	10,598	(31.03.2016 - 10,598)
A. K. Gunaratne	19,432	(31.03.2016 - 19,432)

Tea Smallholder Factories PLC

E. H. Wijenaike	10,000	(31.03.2016 - 10,000)
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Kandy Private Hospitals Ltd.

E. H. Wijenaike	7,000	(31.03.2016 - 7,000)
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Annual Report of the Board of Directors

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 55 to the financial statements forming part of the annual report of the board of directors.

The board of directors confirms that the transactions carried out with the related parties during the year ended 31.03.2017 are in line with the provision contained in Section 9 of the Listing Rules of the Colombo Stock Exchange and such transactions have been reviewed by the Related Party Transactions Review Committee of the Company. The board of directors further confirms that there were no related party transactions exceeding 10% of the equity or 5% of the total assets of the company, whichever is lower, as per the audited financial statements for the year ended 31st March 2017, which need to be disclosed in the annual report.

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 01.04.2016 to 31.03.2017 are at arm's length and not prejudicial to the interests of the company and the related party. The transactions are entered into on the basis of a transfer pricing policy adopted by the company.

DIRECTORS' REMUNERATION

Directors' remuneration in respect of the group and the company for the financial year ended 31st March 2017 is given in note 16 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 accordingly where deemed appropriate.

DIRECTORS' INTERESTS IN TRANSACTIONS

Directors of the company have made the general disclosures provided for in Section 192 (1) and (2) of the Companies Act No. 07 of 2007. Particulars of those transactions are set out on page 150 of the annual report.

INSURANCE AND INDEMNITY

The company has a directors' and officers' liability insurance policy from Fairfirst Insurance 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 63 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 OF 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 85 of the annual report. The board has also obtained an assurance report from the external auditor on directors' statement of internal control which is given on page 86 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. 3.00 million (2015/16 Rs. 2.34 million) as audit fees. In addition, they were paid Rs. 0.33 million (2015/16 - Rs. 0.38 million) for permitted non-audit related services.

Audits of the group companies are handled by SJMS Associates, Ernst & Young, KPMG Ford, Rhodes Thornton & Company and B. R. De Silva & Co. Total fees paid to them during the year for audit and permitted non-audit related services amount to Rs. 1.88 million (2015/16 – Rs. 1.67 million) and Rs. 0.45 million (2015/16 - Rs. 0.31 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 ninth annual general meeting of the company will be held at Grand Kandy Hotel, No. 89/10, Lady Gordon's Drive, Kandy on 30th June 2017. The relevant notice of meeting is given on page 77.

For and on behalf of the Board

J. D. Bandaranayake

Chairman

G. S. N. Peiris

Director

Corporate Services (Pvt) Ltd.

Company Secretary

24th May 2017

Related Party Transactions Review Committee Report

Related Party Transactions Review Committee (RPTC) is a board appointed sub-committee. The committee has been established in compliance with the Section 9 of the Continuing Listing Requirements of the Colombo Stock Exchange. The objective of the committee is to review all related party transactions other than those transactions explicitly exempted by the rule.

COMPOSITION OF THE COMMITTEE

The Committee is comprised of a combination of Non-executive directors, independent Non-executive directors and executive directors with a majority being independent and chaired by an independent Non-executive director.

The members of the RPTC are as follows:

F. Mohideen (*Chairman*) / (*Independent Non-executive Director*) - Retired with effect from 15th February 2017

Mr. A. D. B. Talwatte (*Chairman*) / (*Independent Non-executive Director*) Appointed to the committee with effect from 30th June 2016 and appointed as the Chairman with effect from 22nd February 2017

J.D. Bandaranayake (*Independent Non-executive Director*)

A. N. Fernando (*Independent Non-executive Director*) - Retired with effect from 30th June 2016

E.H. Wijenaike (*Managing Director*)

A.K. Gunaratne (*Executive Director*)

Dr. (Mrs.) A.D.N. de Zoysa (*Independent Non-executive Director*) Appointed with effect from 22nd February 2017

COMMITTEE MEETINGS

The committee met four times in the financial year to review related party transactions. Details of individual member attendance is given on page 63.

Policies and Procedures adopted by the Committee

- The committee identified the Key Management Personnel (KMPs) and entities that are related to the reporting entity.
- The committee requires statements of compliance from the KMPs to ensure all related parties and transactions are reported and reviewed in accordance with the rules.

- The committee reviews inter-company transactions with related entities for compliance with the rules.
- The committee ensures that written policies and procedures of the company are in conformity with rules and regulations governing related party transactions. The committee also reviews these policies and procedures on an annual basis or more frequently when need arises.
- The committee ensures that any director or key management personnel who is a related party, does not participate in any discussion of a proposed related party transactions unless such person is requested to do so by the committee for the purpose of providing information concerning the related party transaction.
- The committee also ensures that immediate market disclosure, shareholder approval and annual report disclosure of any related party transactions are made in accordance with the applicable rules of the Colombo Stock Exchange.

DECLARATION BY THE BOARD OF DIRECTORS

During the year the company did not have any related party transactions which required the approval of the shareholders or immediate market disclosure under the Rules. The related party transactions are disclosed in note 55 on pages 143 to 145 of the financial statements.

A. D. B. Talwatte

Chairman

Related Party Transactions Review Committee

Colombo

24th May 2017

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 31.03.2017, 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 financial statements of the company and its Subsidiaries for the year ended 31st March 2017 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.

The directors consider that, in preparing the financial statements exhibited on pages 88 to 149, 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 87 of the annual report.

The board of directors also confirms 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.0.85 per share for this year which is to be approved by the shareholders at the Annual General Meeting to be held on 30th June 2017.

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
 Secretaries

Colombo
 24th May 2017

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 management as it is designated to consider. The Remuneration Committee, appointed by the board of directors comprises of three Independent Non-executive directors.

COMMITTEE MEETINGS

The committee met in March 2017 at which progress on decisions on succession planning made previously as well as proposed approach to salary changes to be effective from April 2017, were reviewed. The decisions of the committee based on the policy and scope outlined were ratified by the board of directors. Individual committee member attendance at the meetings is given on page 63.

COMPOSITION

J. D. Bandaranayake (Chairman) / (Independent Non-executive director)
S. C. S. Wickramasinghe (Independent Non-executive director)
A. D. B. Talwatte (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 superior 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 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. As in the past, 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 staff.

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
24th May 2017

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. D. B. Talwatte - Chairman/Independent Non-executive director
 J. D. Bandaranayake - Independent Non-executive director
 C. L. K. P. Jayasuriya - Non-executive director
 F. Mohideen - Independent Non-executive director (Retired on 15th February 2017)
 Dr. (Mrs.) A. D. N. De Zoysa - Independent Non-executive director (Appointed on 22 nd February 2017)

Management representatives are;
 E. H. Wijenaike - 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. Ragunanthan - General Manager (Internal Audit)
 B. A. C. K. Jayawardena - General Manager (Recoveries)
 C. S. Hettiarachchi - General Manager (Legal)
 K. Kandeepan - Deputy General Manager (Finance)

Brief profiles of the directors representing the committee are given on pages 10 to 11 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 consider and recommend to the Board for approval the Company's Risk Appetite and Risk Type Limits.

- to ensure that the company has overall risk guidelines and risk management procedures which are monitored regularly.
- to review management's assessment of 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.
- Review the risk under stress scenarios and the capacity of the company's capital to sustain such risk.
- Ensure that the Board of Directors is continuously aware of the group's risk exposures and risk indicators.

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.

EXTERNAL PROFESSIONAL ADVICE

The committee engages an economic research firm to advise on the risks arising from changes in the macroeconomic environment.

MEETINGS

The committee meets on an approximate quarterly basis and the attendance of the directors at the meetings is given on page 63 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. D. B. Talwatte
 Chairman
 Integrated Risk Management Committee

Colombo
 24th May 2017

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. D. B. Talwatte, 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. D. B. Talwatte Chairman (IND/NED) Appointed w.e.f. 30.06.2016
 A. N. Fernando Chairman (IND/NED) Retired w.e.f. 30.06.2016
 C. L. K. P. Jayasuriya (NED)
 Dr. (Mrs). A. D. N. De Zoysa (IND/NED) Appointed w.e.f. 22.02.2017
 F. Mohideen (IND/NED) Retired w.e.f. 15.02.2017
 (IND-Independent Director, NED-Non-executive Director)

Brief Profiles of the members are given on pages 10 to 11 of the Annual Report.

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

MEETINGS

The Audit Committee met 10 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 was as follows:

FORMAL AUDIT COMMITTEE MEETINGS

Member	Status	No. of Meetings
A. D. B. Talwatte	IND/NED	6/6
A. N. Fernando	IND/NED	2/2
C. L. K. P. Jayasuriya	NED	8/8
F. Mohideen	IND/NED	6/6
Dr. (Mrs.). A.D. N. De Zoysa	IND/NED	2/2

AUDIT COMMITTEE MEETINGS TO REVIEW THE DISTRIBUTION OF PROFITS TO SHAREHOLDERS

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

The Chairman, Managing Director, Director (Finance), Director (Group Co-ordination), GM (Finance) and other senior management team members also attended these meetings by invitation as and when required. On the invitation of the Audit

Committee, Company's External Auditor, M/s. SJMS Associates attended 3 Committee meetings during the year. Proceedings of the Audit Committee meetings are reported regularly to the Board of Directors.

AUDIT COMMITTEE CHARTER

The terms of reference of the Audit Committee are clearly defined in the Audit Committee charter which is reviewed and revised annually. This process ensures that new developments and concerns are adequately addressed. The functions of the Committee are geared to assist the Board of Directors in its general oversight on financial reporting, internal controls, internal audit & external audit process.

The Audit Committee Charter was last reviewed and revised in March 2017 with the concurrence of 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 reporting, internal control, internal audit and external audit related affairs of the Company. The Committee has been empowered to:

- Examine internally any matter within the scope of the charter relating to the financial and other related affairs of the Company.
- Make recommendations on matters connected with engagement, re-engagement and removal of external auditors and service period & audit fees. The Committee periodically reviews the independence, objectivity and effectiveness of the audit process in conformity with applicable standards and best practices.
- Monitor and follow-up the Internal Audit programme and External audit plan, review the External Auditors management letter and Internal Audit reports, and follow up on findings and recommendations.
- Review risk management measures and examine the adequacy, efficiency and effectiveness of the Internal Control System over financial reporting.
- Ensure that efficient and sound financial reporting system is 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.
- Review the compliance of financial reporting obligations under Finance Business Act No. 42 of 2011, Rules and Directions issued by the Central Bank of Sri Lanka, Companies Act No. 7 of 2007, Sri Lanka Accounting & Auditing Standards Monitoring Board Act no. 15 of 1995, Colombo Stock Exchange Listing Rules and Rules/Regulations of the Securities Exchange Commission.

- ⦿ 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 external auditor to provide non-audit services that are permitted under the relevant statutes, regulations, requirements and guidelines.

Audit committee has discharged its duties during 2016/17 within the scope of the charter as stated below.

FINANCIAL REPORTING

The Committee assisted the Board of Directors to discharge its responsibility for the preparation of the quarterly and annual Financial Statements to reflect 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, Finance Business Act no 42 of 2011, the Companies Act No. 7 of 2007, Sri Lanka Accounting & Auditing Standards Monitoring Board Act no. 15 of 1995, 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 CBSL directions and LKAS/SLFRS and impact to the prudential ratios with regard to dividend declarations, in compliance with relevant regulations.

The Audit Committee reviewed the internal controls on financial reporting system 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, going concern assumptions, 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. The Committee is thus satisfied that there is no cause to compromise the independence and objectivity of the Auditor. The committee reviewed the effectiveness of the audit process in accordance with

applicable standards and best practices. The Audit Committee ensured 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 2016/17 was reviewed and recommended for the approval of the Board. The External Auditor's Engagement and Management Letters and Management's responses thereto were also reviewed. The Committee also met with the External Auditor at 2 meetings without the presence of management to discuss whether there have been any irregularities, constraints, reservations or any other unsatisfactory matters arising from the audit which the auditor wished to discuss with the Audit Committee.

The Committee assisted the Board of Directors in engaging the External Auditor for non-audit services in compliance with the statutes and ensured that engagement in non-audit services does not impair the external auditor's independence and objectivity. Policy on engagement of the external auditor to provide non audit services had been reviewed and approved in March 2017.

The Audit Committee has recommended to the Board of Directors that Messrs. SJMS Associates be reappointed as External Auditors of the Company for the financial year 2017/18 at the next Annual General meeting.

INTERNAL CONTROL

The Audit Committee, through the internal audit process, had reviewed the effectiveness of internal controls and procedures including controls related to the use of information technology 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 statements present a true and fair view.

Additionally, the Committee assessed the effectiveness of the company's internal controls over financial reporting as at 31/03/2017, 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 Institute of Chartered Accountants of Sri Lanka. The result of the assessment is given on page 85, "Directors' Statement on Internal Control" in the Annual Report.

The External Auditor has issued an Independent Assurance Report on the Directors' Statement on Internal Control given on page 86.

Audit Committee Report

INTERNAL AUDIT

The committee ensured 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.

COMMITTEE EVALUATION

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



A. D. B. Talwatte
Chairman
Audit Committee

Colombo
24th May 2017

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. Based on this process 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.

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:

- the Board has introduced policies and procedures for adoption within the company
- 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, annual budget, policies and procedures and the 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 reporting. 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 scope, findings and 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 update 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 2017 and reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in the review of the design and effectiveness of the Internal Control System over Financial Reporting of the company.

For and on behalf of the Board

J. D. Bandaranayake
Chairman

A. D. B. Talwatte
Chairman - Audit Committee

E. H. Wijenaike
Managing Director / Chief Executive Officer

24th May 2017

Independent Assurance Report

Deloitte.

SJMS Associates
Chartered Accountants
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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 2017.

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

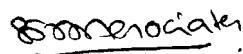
We conducted our engagement to assess whether the Statement is supported by the documentation prepared by or for Directors; and appropriately reflected the process the Directors have adopted in reviewing the system of internal control over financial reporting of the Company.

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

24th May 2017

Deloitte.

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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 2017, 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 2017 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 2017, 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

24th May 2017

Consolidated Income Statement

For the year ended 31st March	Notes	Group		Company	
		2017 Rs'000	2016 Rs'000	2017 Rs'000	2016 Rs'000
Income	11	18,145,869	16,284,923	15,391,657	13,702,272
Interest income	12	14,104,260	12,624,010	14,044,836	12,608,146
Less: Interest expenses	13	4,245,527	3,682,076	4,264,866	3,700,497
Net interest income		9,858,733	8,941,934	9,779,970	8,907,649
Other revenue	14	2,823,108	2,660,584	-	-
Less: cost of sales		1,981,548	1,792,067	-	-
Gross profit		841,560	868,517	-	-
Other operating income		497,619	364,207	497,657	364,345
Other income	15	720,882	636,122	849,164	729,781
		11,918,794	10,810,780	11,126,791	10,001,775
Less: Operating expenses	16				
Personnel expenses		1,716,163	1,612,796	1,465,188	1,384,429
Premises, equipment and establishment expenses		1,680,458	1,571,905	1,601,524	1,490,756
Employee retirement benefit expenses	17	177,611	163,888	157,406	143,488
Impairment of goodwill		-	15,925	-	-
Other expenses		1,079,658	886,834	994,114	791,410
		4,653,890	4,251,348	4,218,232	3,810,083
Profit before impairment on loans and other credit losses		7,264,904	6,559,432	6,908,559	6,191,692
Less :Impairment on loans and other credit losses	18	161,204	658,347	161,812	657,919
		7,103,700	5,901,085	6,746,747	5,533,773
Share of profit of associates	19	952,427	815,812	-	-
Profit before VAT on financial services, NBT and income tax		8,056,127	6,716,897	6,746,747	5,533,773
Less: VAT on financial services and NBT		815,686	444,978	814,275	444,287
Profit before income tax	20	7,240,441	6,271,919	5,932,472	5,089,486
Less: Income tax expense	21	2,343,822	2,169,126	1,878,010	1,755,287
Profit after income tax		4,896,619	4,102,793	4,054,462	3,334,199
Attributable to equity holders of the parent		4,806,785	3,993,671	4,054,462	3,334,199
Attributable to non-controlling interest		89,834	109,122	-	-
Net profit for the year		4,896,619	4,102,793	4,054,462	3,334,199
Basic and diluted earnings per share - Rs.	22	22.18	18.42		
Dividend per share - Rs.	23				
Paid		1.50	4.00		
Proposed		0.85			

The accounting policies and notes from pages 94 to 149 form an integral part of these financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31st March	Group		Company	
	2017 Rs'000	2016 Rs'000	2017 Rs'000	2016 Rs'000
Profit for the year	4,896,619	4,102,793	4,054,462	3,334,199
Other comprehensive income to be reclassified to income statement				
Fair value changes in available for sale investments				
Equity securities - quoted	13,746	(32,212)	13,746	(32,212)
	13,746	(32,212)	13,746	(32,212)
Add / (less): share of other comprehensive income / (losses) of associates	23,904	(97,495)	-	-
Income tax effect	(6,693)	27,299	-	-
	17,211	(70,196)	-	-
Total other comprehensive income/(losses) to be reclassified to income statement	30,957	(102,408)	13,746	(32,212)
Other comprehensive income not to be reclassified to income statement				
Actuarial gains on defined benefit plans	57,714	110,050	55,253	94,128
Deferred tax effect on actuarial gains on defined benefit plans	(16,017)	(30,872)	(15,471)	(26,356)
	41,697	79,178	39,782	67,772
Add / (less): share of other comprehensive income of associates	19,189	8,108	-	-
Income tax effect	(3,850)	(2,019)	-	-
	15,339	6,089	-	-
Total other comprehensive income not to be reclassified to income statement	57,036	85,267	39,782	67,772
Other comprehensive income for the year (net of tax)	87,993	(17,141)	53,528	35,560
Total comprehensive income for the year	4,984,612	4,085,652	4,107,990	3,369,759
Attributable to equity holders of the parent	4,896,517	3,975,412	4,107,990	3,369,759
Attributable to non-controlling interest	88,095	110,240	-	-
Total comprehensive income for the year	4,984,612	4,085,652	4,107,990	3,369,759

The accounting policies and notes from pages 94 to 149 form an integral part of these financial statements.

Consolidated Statement of Financial Position

As at	Notes	Group		Company	
		31.03.2017 Rs'000	31.03.2016 Rs'000	31.03.2017 Rs'000	31.03.2016 Rs'000
ASSETS					
Cash in hand and at banks	24	501,267	520,603	444,940	463,385
Fair value through profit or loss financial assets	25	106,143	39,992	96,125	33,760
Tax receivables		1,775	1,774	-	-
Trade and other receivables	26	982,218	1,111,758	309,749	361,917
Available for sale investments	27	246,773	234,820	240,443	228,326
Inventories and other stocks	28	1,275,049	1,191,974	679,714	706,605
Securities bought under repurchase agreements	29	2,949,728	2,787,948	2,949,728	2,787,948
Loans and receivables from banks	30	926,394	844,425	920,818	839,263
Loans and receivables from others		1,063,880	968,679	398,326	465,932
Loans and receivables from customers	31	6,968,950	4,400,698	7,067,199	4,562,610
Net investment in leases and hire purchase	32	58,017,827	56,045,775	58,017,827	56,031,948
Investments in real estate	34	65,051	37,549	65,051	30,874
Investment property		-	41,250	-	-
Investments in associates	35	4,075,059	3,537,114	523,458	523,458
Investments in subsidiaries	36	-	-	306,456	620,964
Deferred tax asset	37	11,920	11,789	-	-
Property, plant and equipment	38	7,134,854	5,925,833	5,921,176	4,620,447
Intangible assets	39	100,366	106,099	99,963	105,392
Total assets		84,427,254	77,808,080	78,040,973	72,382,829
LIABILITIES					
Bank overdrafts		1,059,332	670,937	1,047,908	666,082
Tax payables		889,101	902,654	834,693	818,267
Trade and other payables	40	1,642,932	1,553,875	1,292,203	1,195,719
Amounts due to subsidiaries		-	-	187,987	172,922
Derivative financial instruments		-	61	-	61
Short term borrowings	41	1,845,352	1,194,407	1,699,196	1,194,407
Deposits	42	35,527,936	34,299,143	35,707,147	34,483,812
Long term borrowings	43	5,425	-	-	-
Debentures	44	6,140,818	6,638,981	6,140,818	6,638,981
Employee benefit obligations	45	995,545	927,335	875,120	818,566
Deferred tax liability	37	3,755,583	3,276,382	3,690,053	3,210,747
Total liabilities		51,862,024	49,463,775	51,475,125	49,199,564
SHAREHOLDERS' FUNDS					
Stated capital	46	1,337,564	568,420	1,337,564	568,420
Capital reserves	47	2,510,631	2,509,879	1,919,787	1,930,651
Reserve fund	48	1,599,000	1,396,000	1,599,000	1,396,000
Available for sale reserve	49	29,748	91	66,771	54,325
Revenue reserves	50	26,204,347	23,014,096	21,642,726	19,233,869
Funds attributable to equity holders of the parent		31,681,290	27,488,486	26,565,848	23,183,265
Non-controlling interest		883,940	855,819	-	-
Total Liabilities, Shareholders' Funds and Non-Controlling Interest		32,565,230	28,344,305	26,565,848	23,183,265
Net asset value per share - Rs.		146.16	126.82	122.56	106.95

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. Wijenaike
Managing Director

24th May 2017

G. S. N. Peiris
Director (Finance)

The accounting policies and notes from pages 94 to 149 form an integral part of these financial statements.

Statement of Changes in Equity

	Attributable to Equity Holders of the company							Non-controlling interest Rs.'000	Total Rs.'000
	Stated Capital	Capital Reserves	Reserve fund	Available for sale reserve	General reserves	Retained earnings			
	revaluation Reserve	Other capital reserves							
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000		
Balance as at 1st April 2015	568,420	2,509,555	17,899	1,229,000	102,499	16,798,420	3,092,803	795,979	25,114,575
Super gain tax	-	-	-	-	-	-	(423,126)	(1,295)	(424,421)
Net profit for the year ended 31st March 2016	-	-	-	-	-	-	3,993,671	109,122	4,102,793
Other comprehensive income	-	-	-	-	-	-	-	-	-
Total comprehensive income for the year ended 31st March 2016	-	4,876	(4,552)	-	(102,408)	-	79,273	1,118	(17,141)
Depreciation on revaluation surplus	-	-	(17,899)	167,000	-	2,437,000	(2,586,101)	-	-
Transfers during the year	-	-	-	-	-	-	428	394	822
Undeclared dividends written back	-	-	-	-	-	-	(277,941)	(49,499)	(327,440)
Dividends for the year ended 31st March 2015	-	-	-	-	-	-	-	-	-
Dividends for the year ended 31st March 2016	-	-	-	-	-	-	(104,883)	-	(104,883)
Balance as at 31st March 2016	568,420	2,509,879	-	1,396,000	91	19,235,420	3,778,676	855,819	28,344,305
Net profit for the year ended 31st March 2017	-	-	-	-	-	-	4,806,785	89,834	4,896,619
Other comprehensive income	-	12,847	-	-	30,957	-	45,928	(1,739)	87,993
Total comprehensive income for the year ended 31st March 2017	-	12,847	-	-	30,957	-	4,852,713	88,095	4,984,612
Derecognition of available for sale investments	-	-	-	(1,300)	-	-	-	-	(1,300)
Depreciation on revaluation surplus	-	(5,184)	-	-	-	-	5,184	-	-
Transfers during the year	-	-	-	203,000	-	3,262,000	(3,465,000)	-	-
Reversal of revaluation surplus on disposal of land	-	(6,911)	-	-	-	-	6,911	-	-
Capitalisation of reserves on issue of shares	769,144	-	-	-	-	(769,144)	-	-	-
Withholding tax on issue of shares	-	-	-	-	-	(84,319)	-	-	(84,319)
Unclaimed dividends written back	-	-	-	-	-	-	244	163	407
Effects due to amalgamation of a subsidiary	-	-	-	-	-	-	21,450	-	21,450
Dividends for the year ended 31st March 2016	-	-	-	-	-	-	(314,650)	(49,381)	(364,031)
Dividends for the year ended 31st March 2017	-	-	-	-	-	-	(325,138)	(10,756)	(335,894)
Balance as at 31st March 2017	1,337,564	2,510,631	-	1,599,000	29,748	21,643,957	4,560,390	88,3940	32,565,230

Statement of Changes in Equity

	Stated capital Rs.'000	Revaluation reserve Rs.'000	Reserve fund Rs.'000	Available for sale reserve Rs.'000	General reserve Rs.'000	Retained earnings Rs.'000	Total Rs.'000
Balance as at 1st April 2015	568,420	1,934,604	1,229,000	86,537	16,787,239	8,576	20,614,376
Super gain tax	-	-	-	-	-	(418,046)	(418,046)
Net profit for the year ended 31st March 2016	-	-	-	-	-	3,334,199	3,334,199
Other comprehensive income	-	-	-	(32,212)	-	67,772	35,560
Total comprehensive income for the year ended 31st March 2016	-	(3,953)	-	(32,212)	-	3,401,971	3,369,759
Depreciation on revaluation surplus	-	-	-	-	-	3,953	-
Transfers during the year	-	-	167,000	-	2,437,000	(2,604,000)	-
Dividends for the year ended 31st March 2015	-	-	-	-	-	(277,941)	(277,941)
Dividends for the year ended 31st March 2016	-	-	-	-	-	(104,883)	(104,883)
Balance as at 31st March 2016	568,420	1,930,651	1,396,000	54,325	19,224,239	9,630	23,183,265
Net profit for the year ended 31st March 2017	-	-	-	-	-	4,054,462	4,054,462
Other comprehensive income	-	-	-	13,746	-	39,782	53,528
Total comprehensive income for the year ended 31st March 2017	-	-	-	13,746	-	4,094,244	4,107,990
Derecognition of available for sale investments	-	-	-	(1,300)	-	-	(1,300)
Depreciation on revaluation surplus	-	(3,953)	-	-	-	3,953	-
Transfers during the year	-	-	203,000	-	3,262,000	(3,465,000)	-
Reversal of revaluation surplus on disposal of land	-	(6,911)	-	-	-	6,911	-
Capitalisation of reserves on issue of shares	769,144	-	-	-	(769,144)	-	-
Withholding tax on issue of shares	-	-	-	-	(84,319)	-	(84,319)
Dividends for the year ended 31st March 2016	-	-	-	-	-	(314,650)	(314,650)
Dividends for the year ended 31st March 2017	-	-	-	-	-	(325,138)	(325,138)
Balance as at 31st March 2017	1,337,564	1,919,787	1,599,000	66,771	21,632,776	9,950	26,565,848

The accounting policies and notes from pages 94 to 149 form an integral part of these financial statements.
 Figures in brackets indicate deductions

Cash Flow Statement

For the year ended 31st March	Group		Company	
	2017 Rs'000	2016 Rs'000	2017 Rs'000	2016 Rs'000
Cash flows from operating activities				
Interest receipts	13,515,550	11,713,968	13,494,828	11,706,918
Interest payments	(2,205,139)	(2,299,947)	(2,214,216)	(2,308,408)
Recoveries on bad debts previously written off	167,915	158,216	167,915	158,102
Receipts from other operating activities	5,915,192	5,403,502	647,207	454,064
Cash payments to employees and suppliers	(8,140,309)	(7,527,151)	(3,283,176)	(3,098,240)
Operating profit before changes in operating assets	9,253,209	7,448,588	8,812,558	6,912,436
(Increase) / decrease in operating assets:				
(Investments) / divestments in government securities and receivables from banks maturing after 90 days	-	550,000	-	550,000
Loans to customers	(34,037,209)	(34,094,076)	(34,090,209)	(34,224,076)
Recoveries from customers	30,271,067	27,458,847	30,390,101	27,562,859
Others	(2,257,598)	(1,773,697)	(2,241,866)	(1,764,492)
Increase / (decrease) in operating liabilities:				
Net cash effect on deposits	51,299	(24,513)	44,072	(126,657)
Net cash from operating activities before income tax	3,280,768	(434,851)	2,914,656	(1,089,930)
Income tax paid	(1,520,573)	(709,869)	(1,357,202)	(598,194)
Super gain tax paid	-	(424,421)	-	(418,046)
Net cash inflow / (outflow) from operating activities	1,760,195	(1,569,141)	1,557,454	(2,106,170)
Cash flows from investing activities				
Dividends received from subsidiaries and associates	201,409	105,825	151,482	96,121
Dividends received from other companies	12,216	27,087	9,166	20,739
Investments in fixed deposits	(118,900)	(103,500)	-	-
Investments in unit trusts	(112,450)	(162,352)	-	-
Investments in debentures	(226,750)	(333,000)	-	-
Divestment of unit trusts	110,673	277,232	-	-
Divestment of fixed deposits	70,913	-	-	-
Purchase of property, plant and equipment	(1,481,607)	(429,852)	(1,400,386)	(369,723)
Disposal of property, plant and equipment	68,362	108,514	65,408	27,239
Net cash outflow from investing activities	(1,476,134)	(510,046)	(1,174,330)	(225,624)
Cash flows from financing activities				
Borrowings	7,697,348	12,560,050	7,325,000	11,780,000
Repayment of borrowings	(7,545,767)	(10,581,850)	(7,325,000)	(9,633,700)
Unclaimed dividends written back	159	714	-	-
Dividends paid to equity holders of the parent	(634,178)	(378,889)	(634,178)	(378,889)
Dividends paid to non-controlling interest	(60,137)	(49,499)	-	-
Net cash inflow / (outflow) from financing activities	(542,575)	1,550,526	(634,178)	1,767,411
Net decrease in cash and cash equivalents	(258,514)	(528,661)	(251,054)	(564,383)
Cash and cash equivalents at the beginning of the period	3,465,977	3,994,638	3,413,614	3,977,997
Cash and cash equivalents at the end of the period	3,207,463	3,465,977	3,162,560	3,413,614
Analysis of cash and cash equivalents				
Cash in hand and at banks	501,267	520,603	444,940	463,385
Investments in government securities maturing within 90 days	2,949,728	2,787,948	2,949,728	2,787,948
Receivables from banks	926,394	844,425	920,818	839,263
Effect of amortised interest cost	(106,594)	(12,062)	(105,018)	(10,900)
Receivables from banks maturing after 90 days	(4,000)	(4,000)	-	-
Bank overdrafts	(1,059,332)	(670,937)	(1,047,908)	(666,082)
Cash and cash equivalents at the end of the period	3,207,463	3,465,977	3,162,560	3,413,614
Movement of borrowings (short term, long term loans and debentures)				
Balance at the beginning of the year	7,833,388	5,980,450	7,833,388	5,812,350
Amount borrowed during the year	7,697,348	12,560,050	7,325,000	11,780,000
Capital repaid during the year	(7,545,767)	(10,581,850)	(7,325,000)	(9,633,700)
Amortised interest payable	6,626	(125,262)	6,626	(125,262)
Balance at the end of the year	7,991,595	7,833,388	7,840,014	7,833,388

Figures in brackets indicate outflows.

The accounting policies and notes from pages 94 to 149 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 and the debentures are listed on the Colombo Stock Exchange.

The staff strength of the company as at 31st March 2017 was 1,666 (1,642 as at 31st March 2016).

1.2 Consolidated financial statements

The consolidated financial statements of Central Finance Company PLC as at and for the year ended 31st March 2017 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 have been 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, SME loans 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

Name of the company	Principal business activities
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

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

Isuru Leasing Company Limited (ILCL) a fully owned subsidiary of the group was amalgamated with Central Finance Company PLC with effect from 28th February 2017 under the Financial Sector Consolidation Programme - 2014 of the Central Bank of Sri Lanka and ILCL ceased to exist as a corporate entity after the above date.

There were no other 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 and the separate financial statements of the company which comprise the Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Equity and Cash Flow Statement together with Accounting Policies and notes have been prepared and presented 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 2017 were authorised for issue by the board of directors on 24th May 2017.

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 measured at revalued amounts
- Quoted investments classified as available for sale securities and held for trading are measured 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 163 and 164 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 conform 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.

Accounting Policies

3.3 Impairment charge 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 charge 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 not individually significant. Management judgment is required in the estimation of impairment losses and its timing. These estimation methodologies are based on assumptions concerning a number of factors though actual results may differ, resulting in future changes to the impairment charges 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 data from the loan portfolio, and judgments on the effect of concentrations of risks.

3.4 Impairment charges on available for sale financial investments

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 to be charged.

3.5 Fair value of property, plant and equipment

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 and intangible assets.

The useful lives, residual values and methods of depreciation/amortisation of property, plant and equipment, 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 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, 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 is based on expected future inflation rates and expected future salary increase rate of the company.

3.9 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 BASIS OF CONSOLIDATION

The group financial statements comprises 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.

4.1 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 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. 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 arrangements 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 of subsidiaries are attributed 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 36 to the financial statements and the details of non-controlling interests are given in note 36.2 to the financial statements.

4.2 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 35 to the financial statements.

4.3 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.

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5 ASSETS AND LIABILITIES, AND BASES OF THEIR VALUATION

5.1 Financial instruments - Initial recognition and measurement

5.1.1 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.

5.1.2 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.

5.1.3 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 investments.

5.1.3.1 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.

5.1.3.2 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.

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

5.1.3.2.2 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.

5.1.3.3 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.

5.1.3.4 Available for sale investments

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

5.1.3.4.1 Quoted equities

Quoted shares designated as available for sale investments 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 available for sale reserve. When the asset is disposed of, gains previously recognised in equity (through OCI) are recognised in the income statement.

5.1.3.4.2 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.

5.2 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) 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 fair value through profit or loss is based on fair value and other financial liabilities at amortised cost.

5.2.1 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.

5.2.2 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 and debentures.

5.3 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 group 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 group 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 group 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 group does not reclassify any financial instrument into the fair value through profit or loss category after initial recognition. Further the group 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.

5.4 De-recognition of financial assets and financial liabilities

5.4.1 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:

Accounting Policies

- 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 de-recognition 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.

5.4.2 Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, 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.

5.5 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.

5.6 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.

5.6.1 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 and recorded in interest income 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.

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 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.

5.6.2 Available for sale investments

The company assesses at each reporting date whether there is objective evidence that an investment in available for sale investments 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 and 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.

5.6.3 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.

5.6.4 Lease and hire purchase receivables

5.6.4.1 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 (17) - Leases, and are reflected

in the statement of financial position after deduction of initial rentals received, unearned interest income, and allowances for impairment charges.

5.6.4.2 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.

5.6.4.3 Investments in subsidiaries and associates

Investments in subsidiaries and associates are accounted for at cost less accumulated impairment losses in the separate financial statements. 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.

5.7 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.

5.8 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.

5.9 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 (LKAS 38) - Intangible Assets. Accordingly, these assets are stated in

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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.

5.10 Property, plant and equipment

5.10.1 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.

5.10.2 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.

5.10.3 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 charges.

5.10.4 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 available 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. Any balance remaining in the revaluation reserve in respect of an asset, is transferred directly to retained earnings on retirement or disposal of the asset.

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.

5.10.5 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.

5.10.6 Capital work in progress

These are expenses of capital nature directly incurred in the construction of buildings awaiting capitalisation. Capital work in progress would be transferred to the relevant assets when those are ready for the intended use.

5.10.7 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.

5.10.8 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:

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.

5.10.9 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 expect from disposal of the asset at the end of its estimated useful life and calculated based on the current market prices of the similar classes of vehicles and are subject to annual review.

5.10.10 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 01- 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 and forecasted future cash flow calculations using recent arm's length transactions between knowledgeable and willing parties. These valuation techniques make maximum use of market inputs, incorporate all factors that market participants would consider in setting a price and are consistent with accepted economic methodologies for pricing financial instruments.

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.

5.10.11 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

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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.

5.11 Liabilities and provisions

5.11.1 Deposits

Deposits include term deposits accepted under various tenors ranging from one month to five years and savings deposits. These deposits are initially recognised at transaction value and subsequently measured at amortised cost using the effective interest rate method.

5.11.2 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.

5.11.3 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 arising on items recognised in other comprehensive income and equity is dealt with through other comprehensive income and equity statement respectively.

5.11.4 Employee benefits

5.11.4.1 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 45. The defined benefit obligation is calculated annually using the projected unit credit method. The services of a qualified actuary is obtained 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 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 45.

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,

treasury bills and debentures 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 Sri Lanka Accounting Standard 19 – Employee Benefits.

The liability of the parent company is computed on the following basis for employees who have joined the company on or before 01.04.2013 while the rest of the employees are entitled for half a month's salary for each completed year of service as per the provisions of the Gratuity Act No.12 of 1983.

Length of service (years)	No of months' salary for each completed year
Up to 15	0.5
15 up to 30	1
30 up to 35	1.5
35 up to 40	2
Over 40	2.5

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.

5.11.4.2 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.

5.12 Provisions

In accordance with Sri Lanka Accounting Standard 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.

5.13 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.

5.14 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 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.

5.15 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 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.

5.16 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.

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6 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.

6.1 Interest 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.

6.2 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.

6.3 Income from leases

6.3.1 Finance leases

In accordance with Sri Lanka Accounting Standard 17 -Leases, income on finance 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 lease. 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.

6.3.2 Operating leases

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

6.4 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.

6.5 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.

6.6 Overdue interest

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

6.7 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 12.2.

6.8 Interest income on deposits with banks

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

6.9 Dividend income

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

6.10 Real estate income

Real estate income is recognised on an accrual basis.

6.11 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.

6.12 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) and available for sale (AFS) categories are accounted for in the income statement on the date of the transaction.

6.13 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.

6.14 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

6.15 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 23 - Borrowing Costs.

7 SIGNIFICANT ACCOUNTING POLICIES SPECIFIC TO THE BUSINESS OF THE SUBSIDIARIES

7.1 Rendering of services – power generation

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.

7.2 Insurance broking

Commission income on insurance broking is recognised on an accrual basis and matched with related costs and expenses.

8 STATEMENT OF CASH FLOW

The statement of cash flow has been prepared using the direct method in accordance with Sri Lanka Accounting Standard 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 not subject to significant risk of changes in value. The cash and cash equivalents include cash in hand, balances with banks, placements with banks maturing within 90 days, and investments in government securities maturing within 90 days.

9 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 2017.

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Sri Lanka Accounting Standard 9 – Financial Instruments.

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 on or after 01st January 2018.

Sri Lanka Accounting Standard 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 18 - Revenue, Sri Lanka Accounting Standard 11 - Construction Contracts and IFRIC 13 - Customer Loyalty Programmes. This standard is effective for the annual periods beginning on or after 01st January 2018.

Sri Lanka Accounting Standard 16 (SLFRS 16) - Leases

This standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and provides a single lessee accounting model requiring lessees to recognise assets and liabilities for all leases other than short term leases (lease term is 12 months or less) and leases for which the underlying asset has a low value although accounting for lessors remains substantially similar to the current practice. This standard is effective for the annual periods beginning on or after 01st January 2019.

Financial impact of the above standards has not yet been assessed. The company will adopt the above standards on the said effective dates.

10 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 the above risk categories and policies, processes and measures taken to manage such risks are given in the Risk Management Report given on pages 23 to 29.

Notes to the Financial Statements

	Group	Company		
	2016/17 Rs'000	2015/16 Rs'000	2016/17 Rs'000	2015/16 Rs'000
11 INCOME				
Interest income (note 12)	14,104,260	12,624,010	14,044,836	12,608,146
Other revenue (note 14)	2,823,108	2,660,584	-	-
Other operating income	497,619	364,207	497,657	364,345
Other income (note 15)	720,882	636,122	849,164	729,781
	18,145,869	16,284,923	15,391,657	13,702,272
12 INTEREST INCOME				
Leases	10,813,817	8,924,784	10,812,757	8,920,484
Hire purchase	804,699	1,853,883	803,938	1,850,833
Loans and others	1,965,499	1,489,958	1,978,917	1,488,883
Securities bought under repurchase agreements and receivables from banks	395,712	285,748	395,236	285,471
Held to maturity investments in commercial papers, debentures and deposits	106,763	37,371	36,218	30,209
Interest on facilities granted under Investment Fund Account (IFA)	17,770	32,266	17,770	32,266
	14,104,260	12,624,010	14,044,836	12,608,146

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

12.2 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 amounting to Rs. 31.06 million (2015/16 - Rs. 22.03 million) for the company and the group.

	Group	Company		
	2016/17 Rs'000	2015/16 Rs'000	2016/17 Rs'000	2015/16 Rs'000
13 INTEREST EXPENSES				
Deposits	3,301,687	2,744,446	3,320,048	2,762,867
Loans and overdrafts	168,023	128,106	168,023	128,106
Debentures and other debt securities	775,817	809,524	776,795	809,524
	4,245,527	3,682,076	4,264,866	3,700,497

Interest expenses of the group other than the parent and subsidiary company, Isuru Leasing Company Ltd., which ceased to be a subsidiary company with effect from 28.02.2017 are categorised under other expenses.

Notes to the Financial Statements

	Group		Company	
	2016/17 Rs'000	2015/16 Rs'000	2016/17 Rs'000	2015/16 Rs'000
14 OTHER REVENUE				
Manufacturing and trading income	2,372,109	2,247,876	-	-
Insurance broking	279,369	242,139	-	-
Medical services	119,669	112,073	-	-
Power generation	51,961	58,496	-	-
	2,823,108	2,660,584	-	-
15 OTHER INCOME				
Commissions	116	591	116	573
Service charges	259,372	224,041	259,345	223,928
Recovery of bad debts written off	171,285	169,720	171,126	169,414
Profit on sale of property, plant and equipment	118,401	86,020	118,104	81,233
Dividend income from available for sale securities	14,513	27,094	11,462	20,746
Dividend income from subsidiaries	-	-	69,804	57,702
Dividend income from associates	-	-	57,205	51,989
Profit on real estate operations	8,018	3,533	7,475	3,533
Profit on maintenance of vehicles	7,801	16,255	7,801	16,255
Gain on investments in unit trusts	1,826	7,325	-	-
Others	139,550	101,543	146,726	104,408
	720,882	636,122	849,164	729,781
16 OPERATING EXPENSES				
Operating expenses include the following:				
Directors' emoluments	158,655	141,761	142,660	127,330
Legal expenses	5,791	6,757	5,463	6,729
Depreciation	415,535	401,105	356,379	344,310
Amortisation of intangible assets	30,061	23,894	29,696	23,107
Audit fees and expenses	4,887	4,011	3,004	2,339
Non-audit fees and expenses	780	697	326	386
Donations	3,268	861	2,999	798
Impairment charges- investment in subsidiary	-	-	-	20,000
Impairment of goodwill	-	15,925	-	-
Employees' Provident Fund contributions	147,487	135,693	121,066	111,554
Employees' Trust Fund contributions	35,374	32,556	28,809	26,521
	Group		Company	
	2016/17 Rs'000	2015/16 Rs'000	2016/17 Rs'000	2015/16 Rs'000
17 EMPLOYEE RETIREMENT BENEFIT EXPENSES				
17.1 Amounts recognised in the income statement				
Current service cost	64,499	72,416	55,085	61,038
Interest cost	140,322	108,693	129,531	99,671
Expected return on assets	(27,210)	(17,221)	(27,210)	(17,221)
	177,611	163,888	157,406	143,488

17.2 Amounts recognised in the other comprehensive income

	Group	Company	
	2016/17 Rs.'000	2015/16 Rs.'000	2016/17 Rs.'000
Gains /(losses) due to changes in assumptions	(2,274)	133,428	(11,974)
Actuarial gains/(losses) recognised during the year	59,988	(23,378)	67,227
	57,714	110,050	55,253
			94,128

18 IMPAIRMENT CHARGES ON LOANS AND OTHER CREDIT LOSSES

	Group	Company	
	2016/17 Rs.'000	2015/16 Rs.'000	2016/17 Rs.'000
Charge / (reversal) on individually significant loans (note 33)	15,609	(44,287)	15,872
Reversal on individually not significant loans (note 33)	(70,833)	(104,353)	(70,559)
	(55,224)	(148,640)	(54,687)
Other credit losses/(reversals)	(9,708)	68	(9,708)
Bad debts written off	73,012	38,595	72,363
Charge / (reversal) on trade and other receivables	(754)	(13,373)	173
Losses on repossessed vehicles	153,878	781,697	153,671
	161,204	658,347	161,812
			657,919

19 SHARE OF PROFIT / (LOSS) OF ASSOCIATES

	Group	Company	
	2016/17 Rs.'000	2015/16 Rs.'000	2016/17 Rs.'000
Nations Trust Bank PLC		914,763	809,997
Tea Smallholder Factories PLC		32,300	(6,008)
Capital Suisse Asia Ltd.		5,364	11,823
	952,427	815,812	

20 GROUP PROFIT / (LOSS) BEFORE INCOME TAX

	Group	Company	
	2016/17 Rs.'000	2015/16 Rs.'000	2016/17 Rs.'000
Central Finance Company PLC	5,932,472	5,089,486	
Central Industries PLC	201,320	252,880	
Central Developments Ltd.	15,961	12,005	
Dehigama Hotels Company Ltd.	29,155	28,879	
Central Transport & Travels Ltd.	8,496	5,955	
Central Construction & Development (Pvt) Ltd.	40	(30)	
Central Homes (Pvt) Ltd.	2,769	1,937	
CF Growth Fund Ltd.	24,429	24,483	
Expanded Plastic Products (Pvt) Ltd.	1,412	1,051	
Central Mineral Industries (Pvt) Ltd.	(1,980)	(1,005)	
Kandy Private Hospitals Ltd.	15,796	8,208	
Mark Marine Services (Pvt) Ltd.	32,645	34,948	
Hedges Court Residencies (Pvt) Ltd.	105	(1,808)	
CF Insurance Brokers (Pvt) Ltd.	237,455	183,276	
Isuru Leasing Company Ltd.	(2,629)	(3,418)	
	6,497,446	5,636,847	
Inter-group adjustments	(209,432)	(180,740)	
Share of profit of associates	952,427	815,812	
	7,240,441	6,271,919	

Notes to the Financial Statements

21 INCOME TAX EXPENSE

The provision for the year is made up as follows:

	Group	Company		
	2016/17 Rs'000	2015/16 Rs'000	2016/17 Rs'000	2015/16 Rs'000
Current tax charge	1,540,091	1,227,280	1,414,175	1,093,139
Under-provision of current tax relating to previous years	274	68,359	-	68,056
Over-provision of current tax relating to previous years	(3)	(382)	-	-
Dividend tax	-	2,615	-	-
10% Withholding tax on inter-company dividends	16,870	16,831	-	-
Increase in deferred tax liabilities (note 37)	465,230	590,223	463,835	594,092
Increase in deferred tax assets (note 37)	(2,177)	(2,507)	-	-
Current / deferred tax share of associates	323,537	266,707	-	-
	2,343,822	2,169,126	1,878,010	1,755,287

21.1 Income tax on profit of the company has been computed at the rate of 28% (2015/16- 28%) on the taxable income. Group companies other than Kandy Private Hospitals Ltd., and Mark Marine Services (Pvt) Ltd., have computed tax at 28% for the financial year 2016/17 as per the provisions of Inland Revenue Act No.22 of 2011 (2015/16-28%). Operating income of Kandy Private Hospitals Ltd., and Mark Marine Services (Pvt) Ltd., are liable at 12% during 2016/17 while other income is liable at 28%. (2015/16-operating income at 12% and other income at 28%).

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

	Group	Company		
	2016/17 Rs' 000	2015/16 Rs' 000	2016/17 Rs' 000	2015/16 Rs' 000
Profit before tax	7,240,441	6,271,919	5,932,472	5,089,486
Share of profit of associates	(952,427)	(815,812)	-	-
Other consolidation adjustments	209,432	180,740	-	-
Accounting profit (loss) chargeable for income tax	6,497,446	5,636,847	5,932,472	5,089,486
Tax effect on chargeable profits at 28% and 12%	1,815,824	1,574,929	1,661,092	1,425,056
Tax effect on allowable credits	(1,164,806)	(1,129,521)	(1,121,756)	(1,094,899)
Tax effect on exempt profits	(67,037)	(72,405)	(46,367)	(47,958)
Tax effect on non-deductible expenses	443,749	344,277	409,231	302,788
Tax effect on gains / (losses) on disposals	511,975	512,583	511,975	508,152
Tax effect on adjustments	1,563	795	-	-
Tax effect on losses claimed	(1,177)	(3,378)	-	-
Charged to income statement	1,540,091	1,227,280	1,414,175	1,093,139
Under provision for previous years	274	68,359	-	68,056
Over provision for previous years	(3)	(382)	-	-
Dividend tax	-	2,615	-	-
Increase in deferred tax liabilities (note 37)	465,230	590,223	463,835	594,092
Increase in deferred tax assets (note 37)	(2,177)	(2,507)	-	-
10% WHT on inter-company dividends	16,870	16,831	-	-
Current/deferred tax share of associates	323,537	266,707	-	-
	2,343,822	2,169,126	1,878,010	1,755,287
Effective tax rate (excluding deferred tax)	23.70	21.77	23.84	21.48

22 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	
	2016/17	2015/16
Profit attributable to equity holders of the parent (Rs.000)	4,806,785	3,993,671
Number of shares used as denominator ('000)	216,759	216,759
Basic and diluted Earnings per Share (Rs.)	22.18	18.42

Company's ordinary shares were increased in July 2016 by subdividing each existing share into two shares. Subsequent to the subdivision, reserves amounting to Rs.769.14 million were capitalised at the rate of Rs.110/- per share through the issue of shares in the proportion of 01 share for 30 shares. As a result, the number of shares increased to 216,758,888. Earnings per share and net assets per share of the previous periods were adjusted accordingly.

	Company	
	2016/17 Rs.'000	2015/16 Rs.'000
23 DIVIDENDS		
Paid:		
Interim Rs. 1.50 (2015/16: Rs. 2.00)	325,138	209,767
Final Rs. 2.00	-	209,767
Proposed:		
Final Rs 0.85	184,245	-
	509,383	419,533
Dividend per share (Rs.) - Paid and proposed	2.35	4.00

Dividend for 2015/16 based on 104,883,333 shares and 2016/17 based on 216,758,888 shares

24 CASH IN HAND AND AT BANKS

	Group		Company	
	31.03.2017 Rs.'000	31.03.2016 Rs.'000	31.03.2017 Rs.'000	31.03.2016 Rs.'000
Cash in hand	339,963	352,375	338,912	350,840
Cash at bank	161,304	168,228	106,028	112,545
	501,267	520,603	444,940	463,385

25 FAIR VALUE THROUGH PROFIT OR LOSS FINANCIAL ASSETS

	Group		Company	
	31.03.2017 Rs.'000	31.03.2016 Rs.'000	31.03.2017 Rs.'000	31.03.2016 Rs.'000
Quoted securities	(25.1)	96,533	34,062	96,125
Units	(25.2)	9,610	5,930	-
	106,143	39,992	96,125	33,760

Notes to the Financial Statements

25.1 Investments in quoted securities

	No. of Shares	Cost 31.03.2017 Rs'000	Group		Cost 31.03.2016 Rs'000	Market Value 31.03.2016 Rs'000
			Market Value 31.03.2017 Rs'000	No. of Shares		
Banks, Finance & Insurance						
Hatton National Bank PLC	100,000	23,000	22,530	-	-	-
HNB Assurance PLC	10,000	608	581	-	-	-
National Development Bank PLC	207,628	27,165	28,985	200,000	26,000	33,760
Peoples Leasing & Finance PLC	700,000	11,200	10,920	-	-	-
		61,973	63,016		26,000	33,760
Beverage, Food and Tobacco						
Cargills (Ceylon) PLC	70,000	13,650	13,139	-	-	-
Construction and Engineering						
Access Engineering PLC	218,500	5,484	5,200	-	-	-
Diversified Holdings						
Hemis Holdings PLC	3,750	30	408	3,750	30	302
Manufacturing						
Alumex PLC	80,000	1,640	1,520	-	-	-
Tokyo Cement Lanka PLC (non voting)	250,000	13,500	13,250	-	-	-
		15,140	14,770	-	-	-
		96,277	96,533		26,030	34,062

25.2 Investments in units

Unit Trust						
Money market funds	606,375.10	9,534	9,610	410,587.57	5,526	5,930

	No. of Shares	Group		Company	
		31.03.2017 Rs'000	31.03.2016 Rs'000	31.03.2017 Rs'000	31.03.2016 Rs'000

26 TRADE & OTHER RECEIVABLES

Trade & other receivables	1,029,633	1,159,927	320,984	372,979
Provision for impairment	(47,415)	(48,169)	(11,235)	(11,062)
	982,218	1,111,758	309,749	361,917

27 AVAILABLE FOR SALE INVESTMENTS

Quoted equities (27.1)	228,391	216,438	228,391	216,438
Unquoted equities (27.2)	18,382	18,382	12,052	11,888
	246,773	234,820	240,443	228,326

No. of Shares	Company			Cost 31.03.2016 Rs.'000	Market Value 31.03.2016 Rs.'000
	Cost 31.03.2017 Rs.'000	Market Value 31.03.2017 Rs.'000	No. of Shares		
100,000	23,000	22,530	-	-	-
10,000	608	581	-	-	-
207,628	27,165	28,985	200,000	26,000	33,760
700,000	11,200	10,920	-	-	-
	61,973	63,016		26,000	33,760
70,000	13,650	13,139	-	-	-
218,500	5,484	5,200	-	-	-
-	-	-	-	-	-
80,000	1,640	1,520	-	-	-
250,000	13,500	13,250	-	-	-
15,140	14,770				-
96,247	96,125			26,000	33,760

Notes to the Financial Statements

	No. of Shares	Cost 31.03.2017 Rs.'000	Group & Company			
			Market Value 31.03.2017 Rs.'000	No. of Shares	Cost 31.03.2016 Rs.'000	
			Market Value 31.03.2016 Rs.'000			
27.1 Quoted equities						
Banks, Finance & Insurance						
Commercial Bank of Ceylon PLC	4,329	37	564	4,268	30	536
Sinhabuttha Finance PLC (Preference shares)	-	-	-	200,000	500	1800
			37	564	530	2,336

Closed End Funds

Namal Acuity Value Fund	2,744,900	161,583	227,827	2,744,900	161,583	214,102
		161,620	228,391		162,113	216,438

	No. of Shares	Cost 31.03.2017 Rs.'000	Group			
			Directors' Valuation 31.03.2017 Rs.'000	No. of Shares	Cost 31.03.2016 Rs.'000	
			Directors' Valuation 31.03.2016 Rs.'000			
27.2 Unquoted equities						

Credit Information Bureau of Sri Lanka. (Rs.100/-)	4,827	637	637	4,827	637	637
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
		28,648	18,382		28,648	18,382

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.

		Group		Company	
		31.03.2017	31.03.2016	31.03.2017	31.03.2016
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
28 INVENTORIES AND OTHER STOCKS					

Vehicles	718,469	754,840	718,469	753,370
Raw materials	299,869	241,781	-	-
Work - in - progress	12,667	14,519	-	-
Finished goods	239,080	168,984	-	-
Machinery & vehicle spare parts	30,445	27,651	5,552	7,235
Others	15,850	20,753	7,028	7,550
Goods-in-transit	23,921	35,710	-	-
	1,340,301	1,264,238	731,049	768,155
Specific provision for stock obsolescence	(65,252)	(72,264)	(51,335)	(61,550)
Net carrying amount	1,275,049	1,191,974	679,714	706,605

No. of Shares	Cost 31.03.2017 Rs.'000	Company		No. of Shares 31.03.2016 Rs.'000	Cost 31.03.2016 Rs.'000	Directors' Valuation 31.03.2016 Rs.'000
		Directors' Valuation 31.03.2017 Rs.'000	No. of Shares 31.03.2017 Rs.'000			
4,827	637	637	4,727	473	473	
62,500	625	625	62,500	625	625	
20,000	200	200	20,000	200	200	
-	-	-	-	-	-	-
972,000	9,720	-	972,000	9,720	-	
1,058,992	10,590	10,590	1,058,992	10,590	10,590	
	21,772	12,052		21,608	11,888	

Notes to the Financial Statements

28 INVENTORIES AND OTHER STOCKS CONTD.

Inventories recognised as an expense during the year amounted to Rs.104.20 million for the company and Rs.1,802.54 million for the group (Rs.103.32 million for company and Rs.1,499.46 million for the group in 2015/16).

Write down of inventories recognised as an expenses during the financial year amounted to Rs.4.95 million for the group and the company (Rs.1.09 million for group and company in 2015/16 financial year).

Inventories pledged as security for banking facilities during 2016/17 financial year amounted to Rs.7.5 million (Rs.7.5 million in 2015/16 financial year).

Facilities available from banks against a negative pledge over the inventories of subsidiary company Central Industries PLC

Bank	Facilities available	31.03.2017 Rs.000	31.03.2016 Rs.000
Nations Trust Bank PLC	Short term loan,overdraft, import loan and guarantee facilities	250,000	250,000
Hatton National Bank PLC	Short term loan,overdraft, import loan and guarantee facilities	200,000	200,000
Commercial Bank of Ceylon PLC	Short term loan,overdraft, import loan and guarantee facilities	132,000	132,000
Sampath Bank PLC	Overdraft, import loan and guarantee facilities	65,000	65,000
Public Bank Ltd.	Import loan and guarantee facilities	50,000	50,000
Hongkong & Shanghai Banking Corporation Ltd.	Short term loan,overdraft, import loan and guarantee facilities	-	170,000
DFCC Bank PLC	Short term loan,overdraft, import loan and guarantee facilities	-	100,000
		697,000	967,000

Inventories carried at net realisable value as at 31st March 2017 amounted to Rs.7.04 million for the group and the company (as at 31.03.2016 Rs.4.31 million for the group and the company).

	Group		Company	
	31.03.2017 Rs.' 000	31.03.2016 Rs.' 000	31.03.2017 Rs.'000	31.03.2016 Rs.'000
At amortised cost	2,949,728	2,787,948	2,949,728	2,787,948
	2,949,728	2,787,948	2,949,728	2,787,948

29 SECURITIES BOUGHT UNDER REPURCHASE AGREEMENTS

At amortised cost	2,949,728	2,787,948	2,949,728	2,787,948
	2,949,728	2,787,948	2,949,728	2,787,948

Above investments have maturities within one year.

	Group		Company	
	31.03.2017	31.03.2016	31.03.2017	31.03.2016
	Rs.' 000	Rs.' 000	Rs.'000	Rs.'000
30 LOANS AND RECEIVABLES FROM BANKS				
Deposits with banks at amortised cost	911,394	828,114	905,818	822,952
Savings deposits	15,000	16,311	15,000	16,311
	926,394	844,425	920,818	839,263

Above investments have maturities within one year.

	Group		Company	
	31.03.2017	31.03.2016	31.03.2017	31.03.2016
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
31 LOANS AND RECEIVABLES FROM CUSTOMERS				
Term loans	6,028,789	3,700,540	6,136,278	3,865,492
Loans against fixed deposits	914,645	676,001	914,645	676,001
Housing and real estate receivables	12,718	19,507	12,718	19,507
Loans to employees	86,538	77,853	77,298	68,251
	7,042,690	4,473,901	7,140,939	4,629,251
Impairment for individually significant loans	(58,912)	(49,901)	(58,912)	(43,520)
Impairment for individually not significant loans	(8,047)	(6,813)	(8,047)	(6,632)
Other credit losses	(6,781)	(16,489)	(6,781)	(16,489)
	6,968,950	4,400,698	7,067,199	4,562,610
Receivable within one year	2,680,968	2,011,025	2,785,701	2,044,945
Receivable after one year	4,361,722	2,462,876	4,355,238	2,584,306
	7,042,690	4,473,901	7,140,939	4,629,251

	Group		Company	
	31.03.2017	31.03.2016	31.03.2017	31.03.2016
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
32 NET INVESTMENT IN LEASES & HIRE PURCHASE				
Lease receivables (note 32.1)	56,026,924	50,364,183	56,026,924	50,350,167
Hire purchase receivables (note 32.2)	2,536,742	6,292,900	2,536,742	6,285,582
	58,563,666	56,657,083	58,563,666	56,635,749
Impairment for individually significant loans	(127,438)	(120,840)	(127,438)	(113,498)
Impairment for individually not significant loans	(418,401)	(490,468)	(418,401)	(490,303)
	58,017,827	56,045,775	58,017,827	56,031,948

32.1 Lease receivables

Gross rental receivables	76,616,841	69,331,723	76,616,841	69,316,059
Unearned interest income	(20,080,956)	(17,543,784)	(20,080,956)	(17,542,365)
	56,535,885	51,787,939	56,535,885	51,773,694
Debtors	3,366,950	2,956,926	3,366,950	2,956,926
Pre-paid rentals	(3,875,911)	(4,380,682)	(3,875,911)	(4,380,453)
	56,026,924	50,364,183	56,026,924	50,350,167

Notes to the Financial Statements

	Group		Company	
	31.03.2017	31.03.2016	31.03.2017	31.03.2016
	Rs'000	Rs'000	Rs'000	Rs'000
32.2 Hire purchase receivables				
Gross rental receivable	2,408,030	7,210,656	2,408,030	7,202,087
unearned interest income	(346,774)	(1,298,524)	(346,774)	(1,297,536)
	2,061,256	5,912,132	2,061,256	5,904,551
Debtors	686,995	941,209	686,995	941,209
Pre-paid rentals	(211,509)	(560,441)	(211,509)	(560,178)
	2,536,742	6,292,900	2,536,742	6,285,582
Rentals receivable on lease and hire purchase	31.03.2017 Rs'000	31.03.2016 Rs'000	31.03.2017 Rs'000	31.03.2016 Rs'000
 Not later than one year				
Gross rental receivables	32,190,476	30,413,260	32,190,476	30,398,621
Unearned interest income	(9,910,788)	(8,954,636)	(9,910,788)	(8,953,539)
Pre-paid rentals	(534,879)	(588,252)	(534,879)	(587,927)
	21,744,809	20,870,372	21,744,809	20,857,155
 Later than one year and not later than five years				
Gross rentals receivables	50,477,417	49,489,468	50,477,417	49,479,874
Unearned interest income	(10,505,626)	(9,861,671)	(10,505,626)	(9,860,361)
Pre-paid rentals	(3,250,362)	(4,032,511)	(3,250,362)	(4,032,344)
	36,721,429	35,595,286	36,721,429	35,587,169
 Later than five years				
Gross rentals receivables	410,923	537,786	410,923	537,786
Unearned interest income	(11,316)	(26,001)	(11,316)	(26,001)
Pre-paid rentals	(302,179)	(320,360)	(302,179)	(320,360)
	97,428	191,425	97,428	191,425
Total receivables on leases and hire purchase	58,563,666	56,657,083	58,563,666	56,635,749

33 MOVEMENT IN IMPAIRMENT FOR LOANS AND OTHER CREDIT LOSSES

	Group		Company	
	31.03.2017 Rs.'000	31.03.2016 Rs.'000	31.03.2017 Rs.'000	31.03.2016 Rs.'000
Movement in impairment for individually significant loans				
Balance at the beginning of the year	170,741	215,028	157,018	198,850
Impairment transferred on amalgamation of a subsidiary	-	-	13,460	-
Charge / (reversal) to the income statement	15,609	(44,287)	15,872	(41,832)
Balance at the end of the year	186,350	170,741	186,350	157,018
Movement in impairment for individually not significant loans				
Balance at the beginning of the year	497,281	601,634	496,935	600,856
Impairment transferred on amalgamation of a subsidiary	-	-	72	-
Charge/ (reversal) to the income statement	(70,833)	(104,353)	(70,559)	(103,921)
Balance at the end of the year	426,448	497,281	426,448	496,935
	612,798	668,022	612,798	653,953
Other credit losses				
Trade debtors	47,415	48,169	11,235	11,062
Real estate	49,015	49,015	49,015	49,015
Others	6,781	16,489	6,781	16,489
Total impairment	716,009	781,695	679,829	730,519

34 INVESTMENTS IN REAL ESTATE

	Group		Company	
	31.03.2017 Rs.'000	31.03.2016 Rs.'000	31.03.2017 Rs.'000	31.03.2016 Rs.'000
Balance at the beginning of the year				
Additions / transfers during the year	86,564	90,099	79,889	83,412
Transfer of assets on amalgamation of a subsidiary	3,957	49	3,957	49
Disposals / transfers during the year	41,250	-	47,122	-
Provision for impairment	(17,705)	(3,584)	(16,902)	(3,572)
Balance at the end of the year	114,066	86,564	114,066	79,889
	(49,015)	(49,015)	(49,015)	(49,015)
	65,051	37,549	65,051	30,874

Notes to the Financial Statements

35 COMPANY'S/GROUP'S INVESTMENTS IN ASSOCIATES

Investor	Investee	% Holding	
		31.03.2017	31.03.2016
Quoted investments			
Central Finance Company PLC	Tea Smallholder Factories PLC	22.85%	22.85%
	Nations Trust Bank PLC	8.98%	8.98%
Unquoted investments			
	Capital Suisse Asia Ltd.	16.29%	16.29%
Company investment in associates			
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.	Nations Trust Bank PLC	4.60%	4.60%
Group's investment in associates			
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			
		31.03.2017	31.03.2016
		Rs.000	Rs.000
Group's investment in associates (at cost)			
Group's share of associate companies' retained earnings at beginning of the year		1,011,053	1,011,053
For the year ended		2,140,039	1,763,126
share of profit / (loss) of associates (net of tax)		600,401	542,699
Share of other comprehensive income (net of tax)		20,353	(68,931)
Dividends received		(96,855)	(96,855)
		3,674,991	3,151,092

No. of shares		Cost		Market Value/Directors' Valuation	
31.03.2017	31.03.2016	31.03.2017	31.03.2016	31.03.2017	31.03.2016
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
6,854,814	6,854,814	99,337	99,337	164,516	133,669
20,715,400	20,715,400	394,631	394,631	1,532,940	1,537,083
2,949,003	2,949,000	29,490	29,490	29,490	29,490
		523,458	523,458	1,726,946	1,700,242
1,933,678	1,933,678	30,361	30,361	46,408	37,707
14,813,273	14,813,273	347,615	347,615	1,096,182	1,099,145
1,500,000	1,500,000	15,000	15,000	15,000	15,000
10,592,857	10,592,857	268,807	268,807	783,871	785,990
		1,185,241	1,185,241	3,668,407	3,638,084
		198,701	166,003		
		2,663,938	2,140,039		
		27,179	45,831		
		4,075,059	3,537,114		
Tea Smallholder Factories PLC		Capital Suisse Asia Ltd.		Total	
31.03.2017	31.03.2016	31.03.2017	31.03.2016	31.03.2017	31.03.2016
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
166,003	168,133	45,831	51,324	2,351,873	1,982,583
24,911	(2,567)	3,577	8,973	628,889	549,104
12,181	4,831	15	(7)	32,549	(64,107)
(4,394)	(4,394)	(22,244)	(14,459)	(123,493)	(115,708)
328,399	295,701	71,669	90,321	4,075,059	3,537,114

Notes to the Financial Statements

35.1 Summarised financial information of associates

As at	Nations Trust Bank PLC	
	31.03.2017 Rs.000	31.03.2016 Rs.000
Assets	232,093,890	181,712,744
Liabilities	214,539,457	166,777,810
Non-controlling interest	-	-
Equity	17,554,433	14,934,934
For the year ended		
Revenue	27,776,926	20,910,495
Profit after tax	3,002,006	2,713,495
Other comprehensive income	101,767	(344,656)
Total comprehensive income	3,103,773	2,368,839
Total comprehensive income attributable to equity holders of the company	3,103,773	2,368,839
Total comprehensive income attributable to non-controlling interest	-	-

36 GROUP'S/COMPANY'S INVESTMENTS IN SUBSIDIARIES

	Principal place of business	% Holding Group	31.03.2017	31.03.2016
			31.03.2017	31.03.2016
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%
<u>Provision for impairment in investments in subsidiaries</u>				
<u>Net investment in subsidiary companies</u>				

Tea Smallholder Factories PLC		Capital Suisse Asia Ltd.		Total	
31.03.2017	31.03.2016	31.03.2017	31.03.2016	31.03.2017	31.03.2016
	Rs.000		Rs.000		Rs.000
1,405,073	1,235,345	441,542	551,428	233,940,505	183,499,517
382,666	324,532	28,543	31,711	214,950,666	167,134,053
-	-	121,410	152,251	121,410	152,251
1,022,407	910,813	291,589	367,466	18,868,429	16,213,213
2,312,330	1,912,841	89,148	147,692	30,178,404	22,971,028
85,020	(8,762)	22,591	70,723	3,109,617	2,775,456
41,575	16,489	103	(53)	143,445	(328,220)
126,595	7,727	22,694	70,670	3,253,062	2,447,236
126,595	7,727	14,624	36,484	3,244,992	2,413,050
-	-	8,070	34,186	8,070	34,186
% Holding Company		No. of Shares Company		Cost Company	
31.03.2017	31.03.2016	31.03.2017	31.03.2016	31.03.2017	31.03.2016
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
44.06%	44.06%	8,709,000	4,354,500	42,905	42,905
39.79%	39.79%	5,289,972	5,289,972	52,900	52,900
79.69%	79.69%	659,854	659,854	7,443	7,443
40.00%	40.00%	2,559,967	2,559,967	25,600	25,600
39.99%	39.99%	139,979	139,979	1,400	1,400
39.64%	39.64%	1,169,000	1,169,000	11,690	11,690
0.10%	0.10%	5	5	-	-
39.87%	39.87%	6,500,000	6,500,000	65,000	65,000
37.00%	37.00%	203,700	203,700	2,363	2,363
40.00%	40.00%	4,949,997	4,949,997	49,500	49,500
38.48%	38.48%	1,315,000	1,315,000	13,151	13,151
40.00%	40.00%	3,424,477	3,424,477	55,158	55,158
40.00%	40.00%	2,000,000	2,000,000	20,000	20,000
-	100.00%	-	25,870,676	-	334,508
				347,110	681,618
				(40,654)	(60,654)
				306,456	620,964
					297,531
					950,093

Notes to the Financial Statements

36.1 Summarised financial information of subsidiaries

	Assets As at		Liabilities As at	
	31.03.2017	31.03.2016	31.03.2017	31.03.2016
Central Industries PLC	1,749,944	1,538,742	417,176	286,667
Central Developments Ltd.	231,190	217,494	631	359
Dehigama Hotels Company Ltd.	339,837	339,389	18,426	18,260
Expanded Plastic Products (Pvt) Ltd.	63,526	62,086	29	27
Central Mineral Industries (Pvt) Ltd.	84,371	77,316	10,845	2,349
Central Transport & Travels Ltd.	83,460	75,747	646	595
Central Construction & Development (Pvt) Ltd.	-	-	30	65
CF Growth Fund Ltd.	1,196,787	1,208,127	107,536	146,469
Kandy Private Hospitals Ltd.	376,845	366,130	33,400	36,597
CF Insurance Brokers (Pvt) Ltd.	1,671,478	1,525,872	265,727	303,091
Central Homes (Pvt) Ltd.	33,726	31,494	129	113
Mark Marine Services (Pvt) Ltd.	96,172	137,100	7,268	7,721
Hedges Court Residencies (Pvt) Ltd.	28,580	28,526	184,329	184,293
*Isuru Leasing Company Ltd.	-	303,783	-	6,252

*Ceased to be a subsidiary company with effect from 28.02.2017

36.2 Non-controlling interest (NCI) in subsidiaries

Subsidiary	% of ownership and voting rights held by NCI as at	Share of income of NCI for the year ended		Share of other comprehensive income of NCI for the year ended	
		31.03.2017	31.03.2016	31.03.2017	31.03.2016
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Central Industries PLC	50.02	50.02	69,543	90,153	(2,067)
Mark Marine Services (Pvt) Ltd.	41.88	41.88	11,405	12,670	328
Dehigama Hotels Company Ltd.	20.31	20.31	4,261	4,221	-
Kandy Private Hospitals Ltd.	33.42	33.42	4,625	2,078	-
		89,834	109,122	(1,739)	1,118

Equity As at		Revenue For the year ended		Profit after tax For the year ended		Total comprehensive income For the year ended	
31.03.2017	31.03.2016	31.03.2017	31.03.2016	31.03.2017	31.03.2016	31.03.2017	31.03.2016
1,332,768	1,252,075	2,354,154	2,234,159	139,029	180,233	134,897	182,729
230,559	217,135	16,065	12,201	14,621	10,954	14,621	10,954
321,411	321,129	32,603	32,603	20,982	20,784	20,982	20,784
63,497	62,059	1,498	1,196	1,431	1,083	1,438	1,086
73,526	74,967	17,955	13,717	(1,440)	(778)	(1,440)	(778)
82,814	75,152	1,581	1,581	8,223	5,521	8,223	5,521
(30)	(65)	-	-	35	(30)	35	(30)
1,089,251	1,061,658	40,694	41,240	24,425	24,483	30,203	(397,838)
343,445	329,533	119,669	112,073	13,840	6,217	13,840	6,217
1,405,751	1,222,781	279,369	242,139	193,433	143,399	197,822	(121,226)
33,597	31,381	2,875	3,114	2,216	1,421	2,216	1,421
88,904	129,379	51,961	58,496	27,232	30,254	28,014	29,942
(155,749)	(155,767)	476	277	18	(1,859)	18	(1,859)
-	297,531	21,959	20,140	(4,476)	(4,622)	(4,476)	(4,622)
Share of total comprehensive income of NCI for the year ended		Adjustment through equity statement for the year ended		Non-controlling interest (NCI) as at		Dividends paid to NCI for the year ended	
31.03.2017	31.03.2016	31.03.2017	31.03.2016	31.03.2017	31.03.2016	31.03.2017	31.03.2016
Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
67,476	91,401	80	357	666,652	626,287	27,191	22,247
11,733	12,540	-	-	37,234	54,183	28,682	23,305
4,261	4,221	-	(1,295)	65,276	65,219	4,205	3,827
4,625	2,078	83	37	114,778	110,130	59	120
88,095	110,240	163	(901)	883,940	855,819	60,137	49,499

Notes to the Financial Statements

37 DEFERRED TAX ASSETS AND LIABILITIES

	Group		Company	
	31.03.2017 Rs.000	31.03.2016 Rs. '000	31.03.2017 Rs.000	31.03.2016 Rs. '000
Deferred tax liability				
At the beginning of the year	3,276,382	2,658,874	3,210,747	2,590,299
Transfer from income statement	465,230	590,223	463,835	594,092
Transfer from statement of other comprehensive income	13,971	27,285	15,471	26,356
At the end of the year	3,755,583	3,276,382	3,690,053	3,210,747
Deferred tax assets				
At the beginning of the year	11,789	12,869	-	-
Transfer to/(from) income statement	2,177	2,507	-	-
Transfer from statement of other comprehensive income	(2,046)	(3,587)	-	-
At the end of the year	11,920	11,789	-	-

37.1 Group

	Statement of financial position		Income Statement		Other comprehensive income	
	31.03.2017 Rs. '000	31.03.2016 Rs. '000	2016/17 Rs. '000	2015/16 Rs. '000	2016/17 Rs. '000	2015/16 Rs. '000
Deferred tax assets, liabilities and income tax relate to the following:						
Deferred tax liability						
Capital allowances for tax purposes	4,019,131	3,520,550	(483,110)	(794,495)	(15,471)	-
Effect due to liability discharged upon amalgamation of a subsidiary	-	-	-	(2,713)	-	-
	4,019,131	3,520,550	(483,110)	(797,208)	-	-
Effect due to change in basis of impairment provisions with the adoption of SLFRS / LKAS	-	-	-	176,873	-	-
	4,019,131	3,520,550	(483,110)	(620,335)	(15,741)	-
Deferred tax assets						
Defined benefit plans	(263,548)	(243,724)	18,324	29,668	1,500	(27,285)
Tax losses	-	(444)	(444)	444	-	-
	(263,548)	(244,168)	17,880	30,112	-	-
Deferred tax income / (expense)			(465,230)	(590,223)	(13,971)	(27,285)
Net deferred tax liability	3,755,583	3,276,382				

	Statement of financial position		Income Statement		Other comprehensive income	
	31.03.2017 Rs. '000	31.03.2016 Rs. '000	2016/17 Rs. '000	2015/16 Rs. '000	2016/17 Rs. '000	2015/16 Rs. '000
Deferred tax assets						
Defined benefit plans	11,997	11,748	2,295	2,466	(2,046)	(3,587)
Carried forward tax losses	1,222	41	1,181	41	-	-
	13,219	11,789	3,476	2,507	(2,046)	(3,587)
Deferred tax liability						
Capital allowances for tax purposes	(1,299)	-	(1,299)	-	-	-
	(1,299)	-	(1,299)	-	-	-
Deferred tax income / (expense)			2,177	2,507	(2,046)	(3,587)
Net deferred tax asset	11,920	11,789				
Total charged to income statement / statement of other comprehensive income			(463,053)	(587,716)	(16,017)	(30,872)

37.2 Company

	Statement of financial position		Income Statement		Other comprehensive income	
	31.03.2017 Rs. '000	31.03.2016 Rs. '000	2016/17 Rs. '000	2015/16 Rs. '000	2016/17 Rs. '000	2015/16 Rs. '000
Deferred tax assets, liabilities and income tax relate to the following:						
Deferred tax liability						
Capital allowances for tax purposes	3,935,086	3,439,945	(479,670)	(798,914)	(15,471)	-
Effect due to change in basis of impairment provisions with the adoption of SLFRS / LKAS	-	-	-	176,873	-	-
	3,935,086	3,439,945	(479,670)	(622,041)	-	-
Deferred tax assets						
Defined benefit plans	(245,033)	(229,198)	15,835	27,949	-	(26,356)
Deferred tax income / (expense)			(463,835)	(594,092)	(15,471)	(26,356)
Net deferred tax liability	3,690,053	3,210,747				

Notes to the Financial Statements

38 PROPERTY, PLANT AND EQUIPMENT

Group	Land and Buildings Rs.'000	Furniture and office equipment Rs.'000	Motor vehicles & lifts Rs.'000	Plant, machinery and other equipment Rs.'000	Capital work-in-progress Rs.'000	Total Rs.'000
Cost / valuation						
As at 01.04.2015	3,776,123	280,464	2,134,833	1,434,268	121,053	7,746,741
Additions / transfers	12,520	20,745	481,920	186,424	73,167	774,776
Impairment / write offs	(4,382)	(978)	-	(20,747)	-	(26,107)
Disposals / transfers	(86,718)	(13,187)	(185,795)	(26,939)	(5,613)	(318,252)
As at 31.03.2016	3,697,543	287,044	2,430,958	1,573,006	188,607	8,177,158
Additions / transfers	298,930	17,665	1,454,567	159,745	6,965	1,937,872
Impairment / write offs	-	(21)	-	(2,630)	-	(2,651)
Disposals / transfers	(37,609)	(4,391)	(212,602)	(9,409)	(192,805)	(456,816)
As at 31.03.2017	3,958,864	300,297	3,672,923	1,720,712	2,767	9,655,563
Accumulated depreciation						
As at 01.04.2015	23,502	160,242	839,068	922,813	-	1,945,625
Charge / transfers during the year	21,438	24,382	315,577	120,885	-	482,282
On Impairment / write off	-	(978)	(6,110)	(11,146)	-	(18,234)
On disposals / transfers	(412)	(10,651)	(124,063)	(23,222)	-	(158,348)
As at 31.03.2016	44,528	172,995	1,024,472	1,009,330	-	2,251,325
Charge / transfers during the year	22,312	22,153	244,571	126,499	-	415,535
On Impairment / write off	-	(17)	-	(2,113)	-	(2,130)
On disposals / transfers	-	(3,552)	(131,728)	(8,741)	-	(144,021)
As at 31.03.2017	66,840	191,579	1,137,315	1,124,975	-	2,520,709
Net book value						
As at 01.04.2015	3,752,621	120,222	1,295,765	511,455	121,053	5,801,116
As at 31.03.2016	3,653,015	114,049	1,406,486	563,676	188,607	5,925,833
As at 31.03.2017	3,892,024	108,718	2,535,608	595,737	2,767	7,134,854

Company	Land and Buildings	Furniture and office equipment	Motor vehicles & lifts	Plant, machinery and other equipment	Capital work-in- progress	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Cost/valuation						
As at 01.04.2015	2,617,882	236,888	2,085,025	719,770	115,586	5,775,151
Additions / transfers	506	20,024	478,985	144,906	54,844	699,265
Disposals / transfers	(7,282)	(6,458)	(179,445)	(15,502)	-	(208,687)
As at 31.03.2016	2,611,106	250,454	2,384,565	849,174	170,430	6,265,729
Additions / transfers	273,351	16,892	1,448,584	95,246	-	1,834,073
Assets transferred on amalgamation of a subsidiary	98,852	1,162	8,675	1,797	-	110,486
Disposals / transfers	(25,279)	(3,550)	(212,514)	(7,394)	(170,430)	(419,167)
As at 31.03.2017	2,958,030	264,958	3,629,310	938,823	-	7,791,121
Accumulated depreciation						
As at 01.04.2015	13,730	135,346	808,691	399,980	-	1,357,747
Charge / transfers during the year	10,825	22,473	304,975	87,215	-	425,488
On disposals / transfers	(1)	(5,372)	(117,825)	(14,755)	-	(137,953)
As at 31.03.2016	24,554	152,447	995,841	472,440	-	1,645,282
Charge / transfers during the year	11,389	20,881	238,617	85,492	-	356,379
Accumulated depreciation on amalgamation of a subsidiary	955	695	7,029	1,230	-	9,909
On disposals / transfers	-	(3,080)	(131,640)	(6,905)	-	(141,625)
As at 31.03.2017	36,898	170,943	1,109,847	552,257	-	1,869,945
Net book value						
As at 01.04.2015	2,604,152	101,542	1,276,334	319,790	115,586	4,417,404
As at 31.03.2016	2,586,552	98,007	1,388,724	376,734	170,430	4,620,447
As at 31.03.2017	2,921,132	94,015	2,519,463	386,566	-	5,921,176

Notes to the Financial Statements

Information on the freehold land and buildings of the company and the group as at 31.03.2017

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	7,912	418,088
No.268, Vauxhall Street, Colombo 02.	21.67	65,000	249,594	314,594	520	314,074
Branches						
No.62, Maithripala Senanayake Mawatha, Anuradhapura.	40.20	50,250	39,037	89,287	3,904	85,383
No.367, Main Street, Negombo.	29.00	43,500	7,262	50,762	558	50,204
No.38, Mihindu Mawatha, Kurunegala.	54.63	97,350	2,650	100,000	227	99,773
No.04, Udaya Raja Mawatha, Badulla.	26.90	36,800	4,200	41,000	360	40,640
No.78, Kumarathunga Mawatha, Matara.	125.25	145,200	6,800	152,000	583	151,417
No.23, Kurunegala Road, Dambulla.	21.00	20,000	5,000	25,000	375	24,625
No.143, Colombo Road, Moragahayata, Ratnapura.	42.44	79,878	6,383	86,261	542	85,719
No.312, Highlevel Road, Nugegoda.	15.70	47,000	25,000	72,000	1,875	70,125
No.215, Maradana Road, Colombo 10.	39.37	135,946	26,176	162,122	3,910	158,212
No.254, 254/1, Katugastota Road, Kandy.	83.24	89,660	35,150	124,810	2,636	122,174
Vehicle Yards						
No.249, Katugastota Road, Kandy.	137.31	200,448	5,500	205,948	472	205,476
No.313, Koholwila Road, Kelaniya.	348.50	36,500	11,500	48,000	1,918	46,082
Batalahenawatte Road, Gonawala, Kelaniya.	189.05	23,750	933	24,683	104	24,579
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	2,682	193,243
No.313, Madawala Road, Katugastota.	167.43	120,000	1,000	121,000	250	120,750
Kirindiwela Road, Pugoda.	1,600.00	21,200	3,506	24,706	765	23,941
Other properties						
No.244, Vauxhall Street, Colombo 02.	13.21	40,000	32,000	72,000	2,400	69,600
Sarasavigama Road, Hindagala.	1,283.83	10,450	-	10,450	-	10,450
167/121, Hekiththa Road, Wattala.	375.00	77,879	-	77,879	-	77,879
218, Colombo Street, Kandy.	1.94	22,400	11,600	34,000	650	33,350
326, D.S.Senanayaka Veediya, Kandy.	10.90	55,731	4,600	60,331	344	59,987
Hantana, Bowalawatta.	23.80	4,522	-	4,522	-	4,522
Bungalows						
No.8, Sukhastan Gardens, Ward Place, Colombo 7.	38.14	76,000	14,000	90,000	1,050	88,950
No.25, Sri Rahula Road, Nuwaraeliya.	194.00	106,600	13,400	120,000	1,005	118,995
Indibedda, Moratuwa.	251.10	75,250	24,750	100,000	1,856	98,144
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		2,300,139	657,891	2,958,030	36,898	2,921,132

Group companies 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
Dehigama Hotels Company Ltd.						
No.84, Raja Veediya, Kandy.	85.00	244,000	86,000	330,000	7,426	322,574
Kandy Private Hospitals Ltd.						
No.35, Dr.C.D.L.Fernando Mawatha, Mahaiyawa, Kandy.	127.25	112,900	44,100	157,000	3,780	153,220
No. 35/178 & 35/178/1/1, Dr.C.D.L.Fernando Mawatha, Mahaiyawa, Kandy.	38.10	35,600	24,414	60,014	1,972	58,042
Kirillagodawatta,off Dr.C.D.L.Fernando Mawatha, Mahaiyawa, Kandy.	20.00	10,000	-	10,000	-	10,000
Central Mineral Industries (Pvt) Ltd.						
Diganatenna Estate, Gonawala, Rajawella, Digana.	1,916.25	63,100	6,104	69,204	633	68,571
Central Industries PLC						
Factory						
No.195/4, Kerawalapitiya Road, Hendala, Wattala.	522.00	130,525	70,839	201,364	9,329	192,035
Udathuththiripitiya, Yakkala.	1,400.00	36,862	51,029	87,891	2,714	85,177
Head office						
No.312, Nawala Road, Rajagiriya.	18.00	40,000	45,361	85,361	4,088	81,273
Total for the group						
		2,973,126	985,738	3,958,864	66,840	3,892,024

	Group		Company	
	31.03.2017	31.03.2016	31.03.2017	31.03.2016
No of buildings owned by the group and company	48	46	25	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.985.19 million and Rs.1,277.40 million respectively. Valuation for subsidiary, Central Industries PLC was carried out by Mr.L.D.S.Rangedara, an independent Valuer/Valuer of Real Estate as at 31st March 2014. 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.

Notes to the Financial Statements

The details of the above revaluations are given below:

Location/Address	Valuation method	Net book value before revaluation	Revalued amount	Revaluation surplus (deficits)		
			Rs.'000	Rs.'000		
Central Finance Company PLC Offices						
No.270, Vauxhall Street, Colombo 02.						
No.268, Vauxhall Street, Colombo 02.	Land Building Land	Comparison Contractor's Comparison	204,613 91,608 31,770	320,500 105,500 65,000		
Branches						
No.62, Maithripala Senanayake Mawatha,, Anuradhapura.						
No.367, Main Street, Negombo.	Land Building	Comparison Contractor's	24,306 3,884	50,250 6,500		
No.38, Mihindu Mawatha, Kurunegala.	Land Building	Comparison Contractor's	34,700 2,439	97,350 2,650		
No.04, Udaya Raja Mawatha, Badulla.	Land Building	Comparison Contractor's	16,692 2,625	36,800 4,200		
No.78, Kumarathunga Mawatha, Matara.	Land Building	Comparison Contractor's	83,769 3,573	145,200 6,800		
No.143, Colombo Road. Moragahayata, Ratnapura.	Land Building	Comparison Contractor's	18,281 5,347	81,300 6,200		
No.312, Highlevel Road, Nugegoda.	Land Building	Comparison Contractor's	27,075 15,806	47,000 25,000		
No.21, Kurunegala Road, Dambulla.	Land Building	Comparison Contractor's	1,777 4,084	20,000 5,000		
No.254, Katugastota Road, Kandy.	Land Building	Comparison Contractor's	69,000 30,079	92,350 35,150		
Vehicle Yards						
No.249, Katugastota Road, Kandy.						
No.313, Koholwila Road, Kelaniya.	Land Building	Comparison Contractor's	17,636 2,123	36,500 5,500		
Batalahenawatte Road, Gonawala, Kelaniya.	Land Building	Comparison Contractor's	7,946 179	23,750 250		
No.210, Siri Dhamma Mawatha Colombo 10.	Land Building	Comparison Contractor's	158,120 16,235	173,575 22,350		
No.313, Madawala Road, Katugastota.	Land Building	Comparison Contractor's	30,100 742	120,000 1,000		
No.258/3, Katugastota Road, Kandy. Kirindiwela Road,Pugoda.	Land Building	Comparison Contractor's	22,750 17,622	52,000 21,200		
			1,998	3,000		
Other properties						
No.244,Vauxhall Street,Colombo 02.						
Sarasavigama Road, Hindagala. Hekiththa Road, Wattala.	Land Building Land	Comparison Contractor's Comparison	20,760 16,932 9,958	40,000 32,000 10,450		
			36,135	55,000		
				18,865		

Location/Address	Valuation method	Net book value before revaluation	Revalued amount	Revaluation surplus (deficits)
			Rs.'000	Rs.'000
Bungalows				
No.8, Sukhastan Gardens, Ward Place, Colombo 7.	Land	Comparison	66,642	76,000
	Building	Contractor's	11,059	14,000
No.25, Sri Rahula Road Nuwaraeliya. Indibedda, Moratuwa.	Land	Comparison	67,908	106,600
	Building	Contractor's	9,949	13,400
	Land	Comparison	37,562	75,250
	Building	Contractor's	26,775	24,750
Car Parks				
Yatinuwara Veediya, Kandy.	Land	Comparison	14,000	42,000
No.267 & 269, Vauxhall Street, Colombo 02.	Land	Comparison	15,350	30,750
Sub total	Land		1,172,950	2,083,825
	Building		250,429	324,750
Total for the company			1,423,379	2,408,575
				985,196
Kandy Private Hospitals Ltd.				
No.35, Dr.C.D.L.Fernando Mawatha, Mahaiyawa, Kandy.	Land	Comparison	71,500	112,900
	Building	Contractor's	30,027	44,100
No.35/178 & 35/178/1/1, Dr.C.D.L.Fernando Mawatha, Mahaiyawa, Kandy.	Land	Comparison	17,500	35,600
	Building	Contractor's	5,146	12,400
Kirillagodawatta,off Dr.C.D.L.Fernando Mawatha, Mahaiyawa, Kandy.	Land	Comparison	-	10,000
Central Mineral Industries (Pvt) Ltd.				
Diganatenna Estate, Gonawala, Rajawella, Digana.	Land	Comparison	30,774	63,100
	Building	Contractor's	2,359	2,900
Central Industries PLC				
Factory				
Kerawalapitiya.	Land	Comparison	130,525	130,525
	Building	Contractor's	54,593	70,836
Udathuththiripitiya, Yakkala.	Land	Comparison	31,074	36,862
	Building	Contractor's	27,543	28,655
Head office				
No. 312, Nawala Road, Rajagiriya.	Land	Comparison	36,000	40,000
	Building	Contractor's	39,550	44,950
Dehigama Hotels Company Ltd.				
No.84, Raja Veediya, Kandy.	Land	Comparison	125,000	244,000
	Building	Contractor's	69,032	86,000
Total for the Group	Land		1,615,323	2,756,812
	Building		478,679	614,591
			2,094,002	3,371,403
				1,277,401

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.

Notes to the Financial Statements

The carrying value of freehold land and buildings of the group, if carried at cost less accumulated depreciation and impairment, would amount to Rs.1,271.88 million as at 31st March 2017. (31st March 2016 Rs.999.43 million).

The cost of fully depreciated assets of the group and company amounted to Rs 1,104.05 million and Rs.966.49 million respectively as at 31.03.2017 (group Rs.1,006.65 million and company Rs.872.70 million as at 31st March 2016).

Property ,plant and equipment pledged as security for banking facilities

The carrying value of land and buildings pledged as security for banking facilities obtained amounted to Rs.798.71 million and Rs. 418.09 million for the group and company as at 31.03.2017 respectively.(group- Rs.750.72 million and company Rs.420.72 million as at 31.03.2016).

The carrying value of machinery equipment pledged as security for banking facilities by a group company amounted to Rs.6.78 million as at 31.03.2017 (31.03.2016- Nil)

Facilities available from banks against a negative pledge over the properties of a subsidiary company

Bank	Nature of facility	As at 31.03.2017		As at 31.03.2016	
		(Rs.000)	(Rs.000)	(Rs.000)	(Rs.000)
Hatton National Bank PLC	Short term loan,overdraft, import loan and guarantees		200,000		200,000
Public Bank Ltd.	Import loans and guarantee facilities		50,000		50,000
			250,000		250,000

There were no temporary idle property, plant and equipment as at 31.03.2017.

There were no capitalised borrowing costs related to acquisition of property, plant and equipment during the financial year 2016/17. (2015/16-nil)

There were no restrictions on the title of property, plant and equipment of the group as at the year end.

No compensation was received or due from third parties for items of property, plant and equipment that were impaired, lost or given up.

39 INTANGIBLE ASSETS

	Group		Company	
	31.03.2017 Rs.'000	31.03.2016 Rs.'000	31.03.2017 Rs.'000	31.03.2016 Rs.'000
Computer software at cost				
At the beginning of the year	263,469	309,742	258,604	304,908
Additions	24,328	52,547	24,126	52,516
Assets transferred on amalgamation of a subsidiary	-	-	1,668	-
Other transfers	-	(98,820)	-	(98,820)
At the end of the year	287,797	263,469	284,398	258,604

Amortisation

At the beginning of the year	(157,370)	(140,064)	(153,212)	(136,693)
On amalgamation of a subsidiary	-	-	(1,527)	-
Charge for the year	(30,061)	(23,894)	(29,696)	(23,107)
On transfers	-	6,588	-	6,588
At the end of the year	(187,431)	(157,370)	(184,435)	(153,212)

Carrying amount

At the beginning of the year	106,099	169,678	105,392	168,215
At the end of the year	100,366	106,099	99,963	105,392

The cost of fully depreciated intangible assets of the group and company currently in use as at 31.03.2017 amounted to Rs.122.33 million and Rs.119.23 million respectively (group - Rs.115.77 million and company Rs.114.53 million as at 31.03.2016).

	Group		Company	
	31.03.2017	31.03.2016	31.03.2017	31.03.2016
	Rs.000	Rs.000	Rs.000	Rs.000
40 TRADE AND OTHER PAYABLES				
Accrued interest on deposits	38,765	37,218	38,765	37,218
Creditors	906,231	935,483	699,145	737,705
Advances on real estate projects	1,322	860	1,322	860
Accrued expenses	136,302	121,524	42,921	33,316
Others	560,312	458,790	510,050	386,620
	1,642,932	1,553,875	1,292,203	1,195,719

41 SHORT TERM BORROWINGS

Borrower	Lending Institution	Nature of Facility	Security	31.03.2017 Rs.'000	31.03.2016 Rs.'000
Central Finance Company PLC	National Development Bank PLC	Revolving short term loan	Mortgage over lease receivables	-	400,353
	Hatton National Bank PLC	Revolving short term loan	Mortgage over lease receivables	854,461	200,984
	Commercial Bank of Ceylon PLC	Revolving short term loan	Mortgage over lease receivables	451,016	-
	Standard Chartered Bank	Revolving short term loan	Mortgage over lease receivables	393,719	391,976
	Nations Trust Bank PLC	Revolving short term loan	Mortgage over lease receivables	-	201,094
Total for the company				1,699,196	1,194,407
Central Industries PLC	Hatton National Bank PLC	Short term loan	Unsecured	70,881	-
	Nations Trust Bank PLC	Short term loan	Unsecured	23,000	-
	Commercial Bank of Ceylon PLC	Short term loan	Unsecured	16,219	-
	Public Bank	Short term loan	Unsecured	36,056	-
Total for the group				1,845,352	1,194,407

42 DEPOSITS

	Group		Company	
	31.03.2017	31.03.2016	31.03.2017	31.03.2016
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Term deposits				
Term deposits	34,451,437	33,074,398	34,595,092	33,241,378
Savings	1,076,499	1,224,745	1,112,055	1,242,434
	35,527,936	34,299,143	35,707,147	34,483,812
Payable within one year				
Payable within one year	29,405,702	27,557,753	29,584,913	27,739,195
Payable after one year	6,122,234	6,741,390	6,122,234	6,744,617
	35,527,936	34,299,143	35,707,147	34,483,812

The above includes a sum of Rs. 444,921,519/- (Rs. 320,179,010/- as at 31.03.2016) deposited with the company by the directors and their close family members.

Notes to the Financial Statements

43 LONG TERM BORROWINGS

Borrower	Lending Institution	Nature of facility	Security	Group	
				31.03.2017 Rs.'000	31.03.2016 Rs.'000
Central Mineral Industries (Pvt)Ltd.	Commercial Bank of Ceylon PLC	Long term loan	Pledge over machinery and equipment	5,425	
				5,425	-
Payable within one year				1,300	-
Payable after one year				4,125	-
				5,425	-

44 DEBENTURES

	Group & Company		
	31.03.2017 Rs.'000	31.03.2016 Rs.'000	
At the beginning of the year	6,638,981	4,859,219	
Issued during the year	-	2,500,000	
Redeemed during the year	(500,000)	(770,000)	
Amortised interest at end of the year	1,837	49,762	
At the end of the year	6,140,818	6,638,981	

Date of issue	Colombo Stock Exchange Listing	Interest payment frequency	No. of Debentures issued	Face value	Rate of interest (%)	Tenor	Date of maturity	Group & Company		
								31.03.2017	31.03.2016	
								Rs.'000	Rs.'000	Rs.'000
17-Jun-13	Listed	Quarterly	300,000	300,000	14.25	3 years	17-Jun-16	-	310,087	
17-Jun-13	Listed	Quarterly	300,000	300,000	14.50	4 years	17-Jun-17	310,285	308,919	
17-Jun-13	Listed	Quarterly	1,400,000	1,400,000	14.75	5 years	17-Jun-18	1,443,232	1,438,746	
12-Dec-13	Listed	Semi annually	2,000,000	200,000	13.00	3 years	12-Dec-16	-	206,183	
12-Dec-13	Listed	Semi annually	2,000,000	200,000	13.25	4 years	12-Dec-17	205,820	204,906	
12-Dec-13	Listed	Semi annually	6,000,000	600,000	13.50	5 years	12-Dec-18	615,786	613,863	
12-Dec-13	Listed	Annually	10,000,000	1,000,000	13.95	5 years	12-Dec-18	1,027,051	1,023,359	
1-Jun-15	Listed	Semi annually	2,500,000	250,000	8.35	3 years	31-May-18	253,956	253,146	
1-Jun-15	Listed	Semi annually	5,000,000	500,000	9.00	4 years	31-May-19	507,931	506,811	
1-Jun-15	Listed	Annually	17,500,000	1,750,000	9.52	5 years	31-May-20	1,776,757	1,772,961	
								6,140,818	6,638,981	

45 EMPLOYEE BENEFIT OBLIGATIONS

	Group	Company		
	31.03.2017 Rs.000	31.03.2016 Rs.000	31.03.2017 Rs.000	31.03.2016 Rs.000
Present value of defined benefit obligation	1,251,208	1,145,018	1,130,783	1,036,249
Fair value of plan assets	(255,663)	(217,683)	(255,663)	(217,683)
Unfunded status	995,545	927,335	875,120	818,566
Net retirement benefit obligation	995,545	927,335	875,120	818,566
Movement of the retirement benefit obligation				
Present value of defined benefit obligation at the beginning of the year	1,145,018	1,101,200	1,036,249	996,712
Liability transferred on amalgamation of a subsidiary	-	-	1,746	-
Interest cost	140,322	108,693	129,531	99,671
Current service cost	64,499	72,416	55,085	61,038
Payments made during the year	(34,431)	(21,653)	(30,089)	(21,456)
Actuarial (gain) / loss	(64,200)	(115,638)	(61,739)	(99,716)
Present value of defined benefit obligation at the end of the year	1,251,208	1,145,018	1,130,783	1,036,249
Movement of the plan assets				
Fair value of the plan assets at the beginning of the year	217,683	183,837	217,683	183,837
Contributions paid into the plan	47,346	43,669	47,346	43,669
Benefits paid by the plan	(30,090)	(21,456)	(30,090)	(21,456)
Expected return on plan assets	27,210	17,221	27,210	17,221
Actuarial loss	(6,486)	(5,588)	(6,486)	(5,588)
Fair value of the plan assets at the end of the year	255,663	217,683	255,663	217,683
Plan assets consist of the following:				
Investments in treasury bills	89,881	110,082	89,881	110,082
Investments in debentures	-	15,014	-	15,014
Investments in treasury bonds	31,536	-	31,536	-
Investments in fixed deposits with banks	134,246	92,587	134,246	92,587
	255,663	217,683	255,663	217,683

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, and Central Industries PLC have been determined based on actuarial valuations carried out by Mr. Pushpakumara Gunasekera Actuary/Associate of the Institute of Actuaries of Australia while retirement benefit obligation of CF Insurance Brokers (Pvt) Ltd. is determined based on the actuarial valuation 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 Hospitals Ltd. and Mark Marine Services (Pvt) Ltd. are computed based on a formula which approximates actuarial valuation.

Details of actuarial assumptions of the parent company and subsidiary company, Central Industries PLC are as follows:

	31.03.2017	31.03.2016
Actuarial assumptions		
Discount rate	12.50%	12.50%
Future salary increases	10.00%	10.00%

Notes to the Financial Statements

Details of actuarial assumptions of subsidiary company CF Insurance Brokers (Pvt)Ltd. are as follows:

		31.12.2016	31.12.2015			
Actuarial assumptions						
Discount rate		12.42%	10.00%			
Future salary increases		10.00%	11.00%			
Mortality	G67/70 Ultimate Mortality Table					
Staff withdrawal rate	18%					
Disability	Age:	20	40	45	50	55
	Rate	0.012%	0.018%	0.028%	0.048%	-

Disability rates are based on standard permanent disability rates for accident & sickness used by insurance industry in Sri Lanka

46 STATED CAPITAL

Issued and fully paid - ordinary shares	Company & Group			
	31.03.2017		31.03.2016	
	No. of shares In'000	Stated Capital Rs.'000	No. of shares In'000	Stated Capital Rs.'000
At the beginning of the year	104,883	568,420	104,883	568,420
Subdivision of shares (01 into 02)	104,883	-	-	-
Capitalisation of reserves and issue of shares(01 for 30)	6,993	769,144	-	-
At the end of the year	216,759	1,337,564	104,883	568,420

Company's ordinary shares were increased in July 2016 by subdividing each existing share into two shares. Subsequent to the subdivision, reserves amounting to Rs. 769.14 million were capitalised at the rate of Rs.110/- per share through issue of shares in the proportion of 01 share for 30 shares. As a result, the number of shares increased to 216,758,888. Earnings per share and net assets per share of the previous periods were adjusted accordingly.

47 CAPITAL RESERVES

	Group		Company	
	31.03.2017 Rs.'000	31.03.2016 Rs.'000	31.03.2017 Rs.'000	31.03.2016 Rs.'000
Revaluation reserve				
Balance at the beginning of the year	2,509,879	2,509,555	1,930,651	1,934,604
Depreciation on revaluation surplus	(5,184)	(4,552)	(3,953)	(3,953)
Reversal of revaluation surplus on disposal of land	(6,911)	-	(6,911)	-
Share of revaluation surplus - associate company	12,847	4,876	-	-
Balance at the end of the year	2,510,631	2,509,879	1,919,787	1,930,651
Capital redemption reserve				
Balance at the beginning of the year	-	17,899	-	-
Transfer to revenue reserve	-	(17,899)	-	-
Balance at end of the year	-	-	-	-
Total	2,510,631	2,509,879	1,919,787	1,930,651

Revaluation reserve consists of the net surplus on the revaluation of land and buildings.

Capital redemption reserve comprised of reserve funds arising from the redemption of preference shares of a subsidiary which was transferred back to revenue reserves during 2015/16 financial year.

48 RESERVE FUND

	Group		Company	
	31.03.2017 Rs.'000	31.03.2016 Rs.'000	31.03.2017 Rs.'000	31.03.2016 Rs.'000
Balance at the beginning of the year	1,396,000	1,229,000	1,396,000	1,229,000
Transfers during the year	203,000	167,000	203,000	167,000
Balance at the end of the year	1,599,000	1,396,000	1,599,000	1,396,000

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.

49 AVAILABLE FOR SALE RESERVE

	Group		Company	
	31.03.2017 Rs.'000	31.03.2016 Rs.'000	31.03.2017 Rs.'000	31.03.2016 Rs.'000
Balance at the beginning of the year	91	102,499	54,325	86,537
Transfers during the year	13,746	(32,212)	13,746	(32,212)
Derecognition of available for sale investments	(1,300)	-	(1,300)	-
Share of net gain/(loss) on re-measuring available for sale investments - associate company	17,211	(70,196)	-	-
Balance at the end of the year	29,748	91	66,771	54,325

Available for sale reserve represents gain / (loss) arising from available for sale financial investments.

50 REVENUE RESERVES

	Group		Company	
	31.03.2017 Rs.'000	31.03.2016 Rs.'000	31.03.2017 Rs.'000	31.03.2016 Rs.'000
General Reserve:				
Balance at the beginning of the year	19,235,420	16,798,420	19,224,239	16,787,239
Transfers during the year	3,262,000	2,437,000	3,262,000	2,437,000
Effect due to sub division of shares	(853,463)	-	(853,463)	-
	21,643,957	19,235,420	21,632,776	19,224,239
Retained earnings				
	4,560,390	3,778,676	9,950	9,630
Balance at the end of the year	26,204,347	23,014,096	21,642,726	19,233,869

General reserve represents amounts set aside by the directors for future expansions, and to meet any contingencies.

51 SECURED LIABILITIES

Short term, long term borrowings together with some of the 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 and hypothecation of hire purchase and lease contracts. The carrying value of the assets mortgaged / assigned as security amounted to Rs.11,012 million as at 31st March 2017 (31st March 2016 - Rs. 12,546 million).

Notes to the Financial Statements

52 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. 31.24 million for the company and Rs.90.16 million for the group (2015/16 - Rs.150.37 million for the company and Rs.169.61 million for the group).

53 CONTINGENT LIABILITIES

Contingent liabilities as at	Group		Company	
	31.03.2017 Rs.000	31.03.2016 Rs.'000	31.03.2017 Rs.'000	31.03.2016 Rs.'000
Guarantees Issued				
Fully secured guarantees issued on behalf of depositors	25,615	81,165	25,615	81,165
Letter of credit facilities	58,860	18,200	58,860	18,200
Other guarantees	10,897	-	883	-
	95,372	99,365	85,358	99,365

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. Tax Appeals Commission hearing process is completed in October 2016 and awaiting for the determination of 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 is pending at the Tax Appeals Commission.
- 3 Income Tax for year of assessment 2010/11, amounting to Rs. 35.7 million, on Assessment No. ITA 13291100250. Matter is pending at the Tax Appeals Commission.
- 4 Income Tax for year of assessment 2013/14, amounting to Rs.346.2 million, on Assessment No. ITA 16310500158V1. Matter is pending at the Tax Appeals Commission.
- 5 Value added tax for year of assessment 2013/14 amounting to Rs.116.9 million on Assessment Nos. 7372445 and 7372446

Group companies

CF Insurance Brokers (Pvt) Ltd.

The following tax assessments are outstanding which have been duly appealed against.

Nation Building Tax (NBT) for years of assessment 2011/12 ,2012/13 and 2013/14, amounting to Rs. 3.53 million Rs. 6.10 million and Rs. 2.17 million, respectively, on Assessment Nos. 7123212, 7123214, 7123215, 7300338, 7300339, 7300340, 7300341, 7254951 and 7199781.

Hedges Court Residencies (Pvt) Ltd.

The following tax assessments are outstanding which have been duly appealed against.

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.Matter is pending at the Tax Appeals Commission.

The respective companies are of the view that the outcome of the above assessments will not have any material impact.

54 EVENTS AFTER THE REPORTING PERIOD

Proposed final dividend

The directors have recommended the payment of a final dividend of Rs. 0.85 per share on 216,758,888 shares for the year ended 31st March 2017 (2015/16 – Rs. 2.00 per share on 104,883,333 shares) which requires the approval of shareholders at the Annual General Meeting to be held on 30th June 2017. In accordance with LKAS 10 "Events after the reporting period", this proposed final dividend has not been recognised as a liability at the year-end.

As required by section 56 (2) of the Companies Act No. 7 of 2007, the board of directors has confirmed that the company satisfies the solvency test in accordance with Section 57 of the Companies Act No. 7 of 2007, and have obtained a solvency certificate from the auditor and necessary approvals from the Central Bank of Sri Lanka prior to declaring the said dividend.

No other circumstances have arisen since the reporting date, which would require adjustments to / or disclosure in the financial statements.

55 RELATED PARTY DISCLOSURES

55.1 Parent and ultimate parent

The company does not have a parent of its own.

55.2 Subsidiaries and associates

Relationship with subsidiaries and associates are explained in the pages 151 to 153 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. Wijenalke	G.S.N. Peiris	R.E. Rambukwelle	A.K. Gunaratne	C.L.K.P. Jayasuriya	D.P.de Silva	S.C.S. Wickramasinghe	A.D.B.Talwatte	Dr.(Mrs.)A.D.N.de Zoysa
Central Industries PLC	-	X	X	X	X	-	-	-	-	-
Central Developments Ltd.	-	-	X	X	-	-	-	-	-	-
Dehigama Hotels Company Ltd.	-	X	X	-	-	-	-	-	-	-
Expanded Plastic Products (Pvt) 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 Residencies (Pvt) Ltd.	-	-	X	X	-	-	X	-	-	-
Isuru Leasing Company Ltd (ceased to be a subsidiary with effect from 28.02.2017).	-	-	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	
	31.03.2017 Rs.000	31.03.2016 Rs.000	31.03.2017 Rs.000	31.03.2016 Rs.000
55.3 Amounts due from related parties				
(a) Subsidiaries				
Loans and advances	-	-	107,489	186,425
Trade and other receivables	-	-	480	480
	-	-	107,969	186,905
(b) Associates				
Securities bought under repurchase agreements	1,878,458	871,659	1,878,458	871,659
Deposits	716,233	-	716,233	-
Lease and hire purchase receivables	89,841	75,215	89,841	75,215
	2,684,532	946,874	2,684,532	946,874
(c) Key management personnel(KMP) and their close family members				
Loans and advances	11,049	12,255	11,049	12,255
	2,695,581	959,129	2,803,550	1,146,034
55.4 Amounts due to related parties				
(a) Subsidiaries				
Deposits	-	-	179,211	184,669
Amounts due to subsidiaries	-	-	187,987	172,922
	-	-	367,198	357,591
(b) Associates				
Deposits	130,955	171,597	130,955	171,597
Short term loans and overdraft facilities	333,261	489,134	333,261	489,134
	464,216	660,731	464,216	660,731
(c) Key management personnel (KMP) and their close family members				
Deposits	511,649	379,067	511,649	379,067
	975,865	1,039,798	1,343,063	1,397,389
Year ended	Group		Company	
	31.03.2017 Rs.000	31.03.2016 Rs.000	31.03.2017 Rs.000	31.03.2016 Rs.000
55.5 Transactions with related parties				
(a) Subsidiaries				
Collection of insurance premium	-	-	1,828,964	1,523,642
Rendering of services	-	-	44,906	75,710
Loan instalment recoveries	-	-	131,937	128,270
Rent paid	-	-	32,603	32,603
Vehicle hire rentals paid	-	-	1,581	1,581
Management fees received	-	-	-	900
Accounting and administration charges received	-	-	175	175
Accounting and administration charges paid	-	-	3,234	2,509
Deposits placed	-	-	147,199	91,626
Withdrawal of deposits	-	-	154,426	193,770
Vehicle hire rentals received	-	-	38	138
Loans given	-	-	53,000	130,000
Dividends received	-	-	69,804	57,702
Interest received	-	-	16,814	17,192
Interest paid	-	-	19,339	18,421
Rent received	-	-	9,224	9,125

	Group		Company	
	31.03.2017 Rs.000	31.03.2016 Rs.000	31.03.2017 Rs.000	31.03.2016 Rs.000
(b) Associates				
Interest paid	38,525	34,883	38,525	34,883
Interest received	210,887	99,968	210,887	99,968
Lease/vehicle hire facilities given	39,500	55,475	39,500	55,475
Dividends received	-	-	57,205	51,989
Loans obtained	400,000	600,000	400,000	600,000
Loans settled	600,000	400,000	600,000	400,000
Investments in REPOS	7,683,300	12,234,000	7,683,300	12,234,000
Divestment of REPOS	6,733,300	12,654,000	6,733,300	12,654,000
Placement of fixed deposits	1,400,000	-	1,400,000	-
Withdrawal of deposits	700,000	-	700,000	-
Receipt of deposits	40,000	12,500	40,000	12,500
Withdrawal of deposits	90,932	13,231	90,932	13,231
Vehicle hire rentals received	10,195	9,834	10,195	9,834
Lease and hire purchase rentals received	40,019	36,309	40,019	36,309
 Year ended				
	Group		Company	
Year ended	31.03.2017 Rs.000	31.03.2016 Rs.000	31.03.2017 Rs.000	31.03.2016 Rs.000
Transactions with related parties				
(c) Key management personnel (KMP) and their close family members				
Interest paid on deposits	41,029	46,891	41,029	46,891
Loans given	4,954	12,138	4,954	12,138
Interest received	1,088	925	1,088	925
Recovery of loans	3,498	6,548	3,498	6,548
Post- employment benefits for key management personnel				
Contributions to provident fund	28,460	25,682	25,507	22,942
Contributions to gratuity Fund	7,241	6,621	7,159	6,479
Compensation of key management personnel				
Short term employee benefits	205,384	185,735	176,885	160,183
Related parties include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the company. Such KMPs comprise members of the board of directors of the company and key employees of the company who are responsible for planning, directing and controlling the operations of the company.				

Notes to the Financial Statements

56 MATURITY ANALYSIS

An analysis of the total assets employed and the total liabilities of the company, based on the remaining period from the statement of financial position date to the respective contractual maturity dates is given below:

	Up to 3 months		3 to 12 months		1 to 3 years	
	31.03.2017	31.03.2016	31.03.2017	31.03.2016	31.03.2017	31.03.2016
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Interest earning assets:						
Securities bought under repurchase agreements	2,949,728	2,787,948	-	-	-	-
Loans and receivables from banks	920,818	839,263	-	-	-	-
Loans and receivables from others	334,395	402,019	2,271	2,253	36,660	24,160
Net investment in leases & hire purchases	8,533,439	8,213,366	13,211,370	12,643,789	27,826,476	25,289,578
Term loan, sub loan & micro finance	555,678	616,488	1,435,490	862,713	3,675,067	1,907,817
Loans against deposits	335,636	212,291	411,601	303,037	128,167	132,239
Real estate	8,949	18,307	562	179	1,851	580
Staff loans	9,367	8,319	28,418	23,611	22,633	19,944
Total interest earning assets	13,648,010	13,098,001	15,089,712	13,835,582	31,690,854	27,374,318
Non-interest earning assets:						
Cash in hand and at banks	444,940	463,385	-	-	-	-
Fair value through profit or loss financial assets	96,125	33,760	-	-	-	-
Available for sale investments	-	-	-	-	-	-
Trade and other receivables	309,749	361,917	-	-	-	-
Investments in real estate	-	-	65,051	30,874	-	-
Inventories and other stocks	679,714	706,605	-	-	-	-
Investments in associates	-	-	-	-	-	-
Investments in subsidiaries	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-
Property, plant and equipment	-	-	-	-	-	-
Total non-interest earning assets	1,530,528	1,565,667	65,051	30,874	-	-
Total assets	15,178,538	14,663,668	15,154,763	13,866,456	31,690,854	27,374,318
Percentage	19.45%	20.26%	19.42%	19.16%	40.61%	37.82%
Interest bearing liabilities:						
Bank overdrafts	1,047,908	666,082	-	-	-	-
Short term borrowings	1,699,196	1,194,407	-	-	-	-
Deposits	11,184,507	10,611,463	18,400,406	17,127,732	4,796,935	5,741,156
Derivative financial instruments	-	61	-	-	-	-
Debentures	343,125	372,064	312,613	309,856	3,735,080	3,707,061
Total interest bearing liabilities	14,274,736	12,844,077	18,713,019	17,437,588	8,532,015	9,448,217
Non-interest bearing liabilities:						
Trade and other payables	1,292,203	1,164,367	-	21,795	-	6,285
Employee benefit obligations	58,327	-	127,030	111,813	204,786	167,731
Amounts due to subsidiaries	187,987	172,922	-	-	-	-
Tax payables	834,693	818,267	-	-	-	-
Deferred tax liability	-	-	-	-	-	-
Total non-interest bearing liabilities	2,373,210	2,155,556	127,030	133,608	204,786	174,016
Total liabilities	16,647,946	14,999,633	18,840,049	17,571,196	8,736,801	9,622,233
Percentage	32.34%	30.49%	36.60%	35.71%	16.97%	19.56%

3 to 5 years		More than 5 years		Impairment provision		Total	
31.03.2017	31.03.2016	31.03.2017	31.03.2016	31.03.2017	31.03.2016	31.03.2017	31.03.2016
Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
-	-	-	-	-	-	2,949,728	2,787,948
-	-	-	-	-	-	920,818	839,263
25,000	25,000	-	12,500	-	-	398,326	465,932
8,894,953	10,297,591	97,428	191,425	(545,839)	(603,801)	58,017,827	56,031,948
452,984	452,459	17,059	26,015	(66,959)	(50,152)	6,069,319	3,815,340
39,241	28,433	-	-	-	-	914,645	676,000
1,356	442	-	-	(6,781)	(16,489)	5,937	3,019
13,565	12,936	3,315	3,441	-	-	77,298	68,251
9,427,099	10,816,861	117,802	233,381	(619,579)	(670,442)	69,353,898	64,687,701
-	-	-	-	-	-	444,940	463,385
-	-	-	-	-	-	96,125	33,760
-	-	240,443	228,326	-	-	240,443	228,326
-	-	-	-	-	-	309,749	361,917
-	-	-	-	-	-	65,051	30,874
-	-	-	-	-	-	679,714	706,605
-	-	523,458	523,458	-	-	523,458	523,458
-	-	306,456	620,964	-	-	306,456	620,964
-	-	99,963	105,392	-	-	99,963	105,392
-	-	5,921,176	4,620,447	-	-	5,921,176	4,620,447
-	-	7,091,496	6,098,587	-	-	8,687,075	7,695,128
9,427,099	10,816,861	7,209,298	6,331,968	(619,579)	(670,442)	78,040,973	72,382,829
12.08%	14.94%	9.24%	8.75%	(0.80%)	(0.93%)	100.00%	100.00%
-	-	-	-	-	-	1,047,908	666,082
-	-	-	-	-	-	1,699,196	1,194,407
1,325,299	1,003,461	-	-	-	-	35,707,147	34,483,812
-	-	-	-	-	-	-	61
1,750,000	2,250,000	-	-	-	-	6,140,818	6,638,981
3,075,299	3,253,461	-	-	-	-	44,595,069	42,983,343
-	3,272	-	-	-	-	1,292,203	1,195,719
247,732	279,546	237,245	259,476	-	-	875,120	818,566
-	-	-	-	-	-	187,987	172,922
-	-	-	-	-	-	834,693	818,267
-	-	3,690,053	3,210,747	-	-	3,690,053	3,210,747
247,732	282,818	3,927,298	3,470,223	-	-	6,880,056	6,216,221
3,323,031	3,536,279	3,927,298	3,470,223	-	-	51,475,125	49,199,564
6.46%	7.19%	7.63%	7.05%			100.00%	100.00%

Notes to the Financial Statements

57 BUSINESS SEGMENT INFORMATION

For the year ended 31st March	Leasing, hire purchase and other advances		Medical services		Power generation		Manufacturing	
All figures in Rs.000	2017	2016	2017	2016	2017	2016	2017	2016
Revenue								
Interest income	13,621,908	12,292,058	7,120	944	-	-	4,091	1,021
Other revenue	-	-	119,669	112,073	51,961	58,496	2,372,109	2,247,876
Other operating income	497,619	364,207	-	-	-	-	-	-
Other income	693,878	591,401	380	955	-	-	1,764	8,442
Income from external customers	14,813,405	13,247,666	127,169	113,972	51,961	58,496	2,377,964	2,257,339
Inter - segment income	31,113	31,434	1,525	6,537	8,548	2,693	110	293
Total income	14,844,518	13,279,100	128,694	120,509	60,509	61,189	2,378,074	2,257,632
Expenses								
Interest expenses	3,998,141	3,398,949	-	-	-	-	-	-
Depreciation & amortisation	387,295	369,317	9,695	9,000	5,254	3,865	39,535	38,877
Cost of sales	-	-	48,243	44,008	18,194	17,823	1,877,661	1,694,426
Impairment of goodwill	-	15,925	-	-	-	-	-	-
Impairment on loans and other credit losses	162,123	657,488	-	(25)	-	-	(919)	884
Other operating and administrative expenses	3,812,752	3,403,214	54,960	59,318	4,416	4,553	262,320	271,362
	8,360,311	7,844,893	112,898	112,301	27,864	26,241	2,178,597	2,005,549
Inter - segment expenses	57,246	56,511	-	-	-	-	97	239
Total expenses	8,417,557	7,901,404	112,898	112,301	27,864	26,241	2,178,694	2,005,788
Segment results	6,426,961	5,377,696	15,796	8,208	32,645	34,948	199,380	251,844
Share of profit of associates								
Profit before VAT on financial services,NBT and income tax								
Less: VAT on financial services and NBT								
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	68,766,267	63,595,520	376,845	366,130	96,172	137,100	1,834,315	1,616,053
Investments in associates								
Unallocated assets								
Total assets								
Segment liabilities	43,403,331	41,378,409	33,400	36,597	7,268	7,721	428,051	289,077
Unallocated liabilities								
Total liabilities								

Insurance broking		Investments		Real estate		Intra segmental adjustments		Total	
2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
36,498	13,454	433,372	315,712	1,271	821	-	-	14,104,260	12,624,010
279,369	242,139	-	-	-	-	-	-	2,823,108	2,660,584
-	-	-	-	-	-	-	-	497,619	364,207
21,163	23,301	110,087	114,447	7,475	3,533	(113,865)	(105,957)	720,882	636,122
337,030	278,894	543,459	430,159	8,746	4,354	(113,865)	(105,957)	18,145,869	16,284,923
16,153	13,654	85,524	70,596	35,661	36,396	(178,634)	(161,603)	-	-
353,183	292,548	628,983	500,755	44,407	40,750	(292,499)	(267,560)	18,145,869	16,284,923
-	-	243,212	277,618	4,174	5,509	-	-	4,245,527	3,682,076
1,337	1,458	-	-	2,480	2,482	-	-	445,596	424,999
-	-	-	-	-	-	-	-	1,944,098	1,756,257
-	-	-	-	-	-	-	-	-	15,925
-	-	-	-	-	-	-	-	161,204	658,347
104,946	98,492	251	500	6,099	8,795	-	-	4,245,744	3,846,234
106,283	99,950	243,463	278,118	12,753	16,786	-	-	11,042,169	10,383,838
9,445	9,322	16,204	16,598	75	75	(83,067)	(82,745)	-	-
115,728	109,272	259,667	294,716	12,828	16,861	(83,067)	(82,745)	11,042,169	10,383,838
237,455	183,276	369,316	206,039	31,579	23,889	(209,432)	(184,815)	7,103,700	5,901,085
								952,427	815,812
								8,056,127	6,716,897
								815,686	444,978
								7,240,441	6,271,919
								2,343,822	2,169,126
								4,896,619	4,102,793
								89,834	109,122
								4,806,785	3,993,671
1,671,478	1,525,872	6,528,531	6,521,426	467,194	430,283	(3,644,694)	(4,023,664)	76,096,108	70,168,720
								4,075,059	3,537,114
								4,256,087	4,102,246
								84,427,254	77,808,080
265,727	303,091	2,735,673	3,080,492	247,978	250,003	(659,270)	(728,643)	46,462,158	44,616,747
								5,399,866	4,847,028
								51,862,024	49,463,775

Directors' Interest in Contracts with the Company

Company	Name of director	Relationship	Nature of transaction	Transaction value			Facilities granted during the year	Rentals received	Balance outstanding		
				2016/17 Rs.000	2015/16 Rs.000	2016/17 Rs.000			2015/16 Rs.000	31.03.2017 Rs.000	31.03.2016 Rs.000
Ceylon Biscuits Ltd.	J.D. Bandaranayake	Director	Hire of vehicles	-	-	-	-	26,391	23,218	-	-
Lanka Aluminium Industries PLC	C.I.K.P. Jayasuriya	Director	Lease finance facility	-	-	-	-	2,087	3,528	-	1,113
Sunshine Holdings PLC	A.D.B.Talwatte	Director	Lease finance facility	-	-	-	11,500	-	5,999	-	20,457
Diesel & Motor Engineering PLC	A.D.B.Talwatte	Director	Purchase of vehicles for hiring vehicle fleet	3,990	-	-	-	-	-	-	-
Diesel & Motor Engineering PLC	A.D.B.Talwatte	Director	Purchase of spare parts	2,599	-	-	-	-	-	-	-
Diesel & Motor Engineering PLC	A.D.B.Talwatte	Director	Lease supplier payments	266,587	-	-	-	-	-	-	-

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
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
	A.N.P. Wickramasuriya (Chief Executive Officer/ Director)	R.E. Rambukwelle	R.E. Rambukwelle	R.E. Rambukwelle	R.E. Rambukwelle
	E.H.Wijenaike	U.B. Elangasinha	U.B. Elangasinha	U.B. Elangasinha	U.B. Elangasinha
	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	G.S.N. Peiris	G.S.N. Peiris (Chairman)	E.H. Wijenaike	G.S.N. Peiris	G.S.N. Peiris
	R.E. Rambukwelle	R.E. Rambukwelle	R.E. Rambukwelle	G.S.N. Peiris	R.E. Rambukwelle	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	A.Jayasinghe		
			C.K. Hettiarachchi	H.C.D. Divitotawela (Alternate to L. Sirimanne)		
			D.A.C. Goonetilleke			
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	Capital Suisse Asia Ltd.	Nations Trust Bank PLC	Tea Smallholder Factories PLC
1967	1997	1995	1999	1991
Rs. 6,084,750 (550,500 Shares)	Rs. 85,611,980 (8,561,198 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%	24.58%	20.00%	29.30%
Unquoted	Unquoted	Unquoted	Quoted	Quoted
Provision of healthcare services	Hydro power generation	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. 244, Vauxhall Street, Colombo 02	No. 242, Union Place, Colombo 02	No. 4, Layden Bastian Road, Colombo 01
E.H. Wijenaike	A.A.A. Makalanda	A.K. Gunaratne	K.N.J. Balendra (Chairman)	S.C. Ratnayake (Chairman)
G.S.N. Peiris	G.C.J. Makalanda	E.H. Wijenaike	R.N.K. Fernando	A.D. Gunawardena
S. Ranasinghe	A.K. Gunaratne	S.T. Amarasuriya	M. Jafferjee	J.R.F. Peiris
A.M.L Beligawatta	R.E. Rambukwelle	P. Bottinelli	K. De Soya	E.H. Wijenaike
A.P.R. Aluwihare	U.B. Elangasinha	G.N. Fernando	N.S. Panditaratne	R.E. Rambukwelle
P.B.Iddawela	D.P. de Silva	N. Amarasuriya	D.P. de Silva	A.S. Jayathilleke
S.Kiriwattuduwa S.B.Etulgama	S.P.P. Makalanda (Alternate to A.A.A. Makalanda)		G. Cooray	J.S. Ratwatte
	A.F Goonetillake (Alternate to U.B. Elangasinha)		V.S.M.S. Wijesinghe	R. Seevaratnam
		H. Raghavan		M.H. De Silva
		C.L.K.P. Jayasuriya		
		C.A. D'Souza		
		D. Rajapaksa		
		N.I.R. De Mel		
Kandy Business Consultants (Pvt) Ltd. 80, Kings Street, Kandy	Management Applications (Pvt) Ltd.	B.P. De Silva (Ceylon) Ltd. 12, Rotunda Gardens, Colombo 03	Theja Silva 234/4, Old Awissawella Road, Orugodawatta	Keells Consultants Limited. 130, Glennie Street, Colombo 02

Group Value Added Statement

For the year ended 31st March	2017 Rs'000	%	2016 Rs'000	%
Value Added				
Operating income earned by providing financial services	17,424,987		15,648,801	
Cost of services	(8,541,595)		(7,507,883)	
Value added by financial services	8,883,392		8,140,918	
Other Income	720,882		636,122	
Impairment on loans, goodwill and other credit losses	(161,204)		(674,272)	
Share of associate companies' profits before tax	952,427		815,812	
	10,395,497		8,918,580	

Value Allocated	2017	18.22	2016	19.92
To Employees				
Remuneration & other benefits	1,893,774		1,776,684	
To providers of capital				
Dividends to shareholders	509,383	4.89	419,533	4.70
Non-controlling interest	89,834	0.86	109,122	1.22
To government revenue				
Income tax	2,343,822	22.55	2,169,126	24.32
VAT on financial services	815,686	7.85	444,978	4.99
To Expansion and growth				
Retained income	4,297,402	41.34	3,574,138	40.08
Depreciation & amortisation	445,596	4.29	424,999	4.77
	10,395,497	100.00	8,918,580	100.00

Consolidated sources & utilisation of income

For the year ended 31st March	2017 Rs'000		2016 Rs'000	
Sources of income				
Interest and operating income	17,424,987	91.24	15,648,801	91.51
Other income	720,882	3.77	636,122	3.72
Share of associate companies' profits before tax	952,427	4.99	815,812	4.77
	19,098,296	100.00	17,100,735	100.00
Utilisation of income				
Interest expenses	4,245,527	22.23	3,682,076	21.53
Remuneration & other benefits to employees	1,893,774	9.92	1,776,684	10.39
Other operating expenses including cost of sales impairment on loans & other credit losses, goodwill, diminution in value of investments and depreciation & amortisation	4,902,868	25.68	4,925,078	28.80
Taxation	3,159,508	16.54	2,614,104	15.29
Dividends to shareholders	509,383	2.66	419,533	2.45
Retained income	4,297,402	22.50	3,574,138	20.90
Non-controlling interest	89,834	0.47	109,122	0.64
	19,098,296	100.00	17,100,735	100.00

Quarterly Statistics - Company

As at	31.03.2017	31.12.2016	30.09.2016	30.06.2016
Statement of financial position				
(Rs'000)				
Total assets	78,040,973	76,451,316	74,721,499	73,624,756
Gross loans and advances to customers	65,085,026	63,858,706	62,664,488	61,684,501
Average assets	77,246,145	75,586,408	74,173,128	73,003,517
Bank and other borrowings	8,887,922	8,317,711	8,294,690	8,242,238
Deposits	35,707,147	35,478,638	35,100,740	34,745,494
Shareholders' funds	26,565,848	25,584,415	24,934,453	24,107,897
For the three months ended				
	31.03.2017	31.12.2016	30.09.2016	30.06.2016
Income statement data				
(Rs'000)				
Interest income	3,702,391	3,552,282	3,463,501	3,326,662
Interest expenses	(1,168,646)	(1,099,417)	(1,031,682)	(965,121)
Net interest income	2,533,745	2,452,865	2,431,819	2,361,541
Other operating income	149,964	130,196	108,872	108,625
Other income	246,292	210,269	222,405	170,198
Total operating income	2,930,001	2,793,330	2,763,096	2,640,364
Operating expenses	(1,151,540)	(1,049,607)	(1,036,337)	(980,748)
Impairment on loans and other credit losses	(77,389)	(28,521)	(1,063)	(54,839)
VAT on financial services and NBT	(230,877)	(211,362)	(182,248)	(189,788)
Income tax expense	(511,888)	(537,759)	(432,166)	(396,197)
Profit for the quarter	958,307	966,081	1,111,282	1,018,792
Other comprehensive income for the quarter	20,505	12,940	9,360	10,723
Total comprehensive income for the quarter	978,812	979,021	1,120,642	1,029,515
Ordinary share information				
Market price per share (Rs)				
Highest	99.80	115.10	*231.90	*250.00
Lowest	84.50	97.00	110.00	*210.00
Last traded	86.20	100.00	115.00	*226.00
Net asset per share	122.56	118.03	115.03	229.85
Financial measures				
Profitability				
Return on capital employed (annualised) (%)	15.02	15.12	15.21	14.29
Return on average shareholders' equity (annualised) (%)	14.70	15.30	18.13	17.23
Return on assets (annualised) (%)	4.96	5.11	5.99	5.58
Productivity				
Non interest expenses to total revenue (%)	28.10	26.96	27.31	27.20
Cost to income (%)	39.30	37.58	37.51	37.14
Asset quality				
Gross NPA ratio (%)	3.52	3.61	3.70	3.86

*The Market prices of the quarter ended 30.06.2016 and the highest market price of the quarter ended 30.09.2016 were reported prior to the subdivision of shares and capitalisation of reserves and issue of shares in July 2016.

Information on Shares and Debentures

Share Information

1. STOCK EXCHANGE

The ordinary shares of the company and the debentures are listed on the Colombo Stock Exchange

The audited income statement for the year ended 31st March 2017 and the audited statement of financial position as at 31st March 2017 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 2017 - 2,888

(Stated capital of the company consists solely of voting ordinary shares.)

(Number of shareholders as at 31.03.2016 - 2,668)

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	1,233	264,572	0.12	10	4,061	-	1,243	268,633	0.12
1,001 -10,000	934	3,369,660	1.56	19	93,668	0.04	953	3,463,328	1.60
10,001-100,000	520	14,100,838	6.51	23	889,925	0.41	543	14,990,763	6.92
100,001-1,000,000	113	30,549,589	14.09	8	1,671,354	0.77	121	32,220,943	14.86
Over 1,000,000	22	142,933,142	65.94	6	22,882,079	10.56	28	165,815,221	76.50
Total	2,822	191,217,801	88.22	66	25,541,087	11.78	2,888	216,758,888	100.00

There were 2,601 resident and 67 non-resident shareholders as at 31st March 2016

	31st March 2017			31st March 2016		
	No. of Share holders	No. of shares	%	No. of Share holders	No. of shares	%
Individuals	2,662	108,599,568	50.10	2,441	52,726,112	50.27
Institutions	226	108,159,320	49.90	227	52,157,221	49.73
	2,888	216,758,888	100.00	2,668	104,883,333	100.00

Company's ordinary shares were increased by subdividing each existing share into 02 shares in July 2016. Subsequent to the subdivision, reserves amounting to Rs. 769.14 million were also capitalised at the rate of Rs. 110/- per share through the issue of shares in the proportion of 01 share for 30 shares. As a result, the number of shares increased to 216,758,888.

Public holding	31.03.2017	31.03.2016
% of public holding	59.92	59.92
Number of shareholders	2,870	2,650

3. TWENTY LARGEST SHAREHOLDERS AS AT 31ST MARCH 2017

		31st March 2017		*31st March 2016	
		No. of shares	%	No. of shares	%
1	Corporate Services (Pvt) Ltd.	34,917,287	16.11	16,895,461	16.11
2	E. H. Wijenaike	33,405,854	15.41	16,164,123	15.41
3	Employees Provident Fund	23,280,525	10.74	11,200,944	10.68
4	Thurston Investments Limited	12,622,582	5.82	6,107,701	5.82
5	A. J. Wijenaike	6,760,804	3.12	3,271,357	3.12
6	Perpetual Equities (Private) Limited	4,555,555	2.10	2,308,333	2.20
7	N. W. Wijegoonawardene	4,468,863	2.06	2,162,353	2.06
8	G. S. N. Peiris	3,778,213	1.74	1,828,168	1.74
9	B. P. De Silva Holdings Pte Ltd	3,622,660	1.67	1,752,900	1.67
10	J. B. Cocoshell (Pvt) Ltd.	3,271,661	1.51	1,341,868	1.28
11	Waldock Mackenzie Limited / Perpetual Equities (Pvt) Ltd	3,047,741	1.41	2,489,066	2.37
12	C. R. Dunuwille	2,787,069	1.29	1,348,582	1.29
13	N. M. Gunawardana	2,687,382	1.24	1,300,346	1.24
14	P. R. Munasinha	2,535,759	1.17	1,226,980	1.17
15	The Ceylon Investment PLC A/c # 02	2,410,136	1.11	1,166,195	1.11
16	Employees Trust Fund Board	2,263,347	1.04	390,369	0.38
17	P. M. Wijenaike	2,100,105	0.97	1,016,180	0.97
18	Deutsche Bank AG-National Equity Fund	2,049,373	0.95	991,632	0.95
19	R. E. Rambukwelle	2,035,473	0.94	984,906	0.94
20	The Ceylon Guardian Investment Trust PLC A/c # 02	2,013,107	0.93	974,084	0.93
		154,613,496	71.33	74,921,548	71.44
	Others	62,145,392	28.67	29,961,785	28.56
	Total	216,758,888	100.00	104,883,333	100.00

*Comparative shareholdings as at 31st March 2016 held by the twenty largest shareholders as at 31st March 2017

4. MARKET VALUE

Movement in market value of the ordinary shares of the company was as follows :

	2016/2017	2015/2016	2014/2015
	Rs.	Rs.	Rs.
Highest	*250.00 (on 27.05.2016)	280.00 (on 20.08.2015)	276.00 (on 12.01.2015)
Lowest	84.50 (on 15.03.2017)	201.00 (on 28.03.2016)	183.00 (on 08.04.2014)
Year end	86.20	210.00	250.10

*Highest market price was reported prior to the subdivision of shares.

Information on shares and debentures

5. DIVIDEND PAYMENTS

Dividend per share

	2016/2017	2015/2016
	Rs.	Rs.
Interim paid	1.50	2.00
Final – paid	-	2.00
Proposed	0.85	-
Total	2.35	4.00
	2016/2017	2015/2016
Dividend pay-out (Rs.000)	509,383	419,533

Share Trading

	2016/2017	2015/2016	2014/2015
No. of shares traded	6,114,770	5,885,718	8,590,283
Value of shares traded (Rs. '000)	696,304	1,444,957	2,083,738
Market capitalisation (Rs. '000)	18,684,616	22,025,500	26,231,322

6 STATED CAPITAL IS REPRESENTED BY NUMBER OF SHARES IN ISSUE AS GIVEN BELOW

	31.03.2017	31.03.2016
Ordinary shares	216,758,888	104,883,333

DEBENTURES

1. INFORMATION ON LISTED DEBENTURES

The company did not make any debenture issues during the year ended 31st March 2017.

The Company had issued Rs.100/- par valued 25,000,000 rated, secured, redeemable debentures to the value of Rs.2.5 billion in June 2015 , Rs.1, 000/- par valued 2,000,000 rated, unsecured, redeemable debentures to the value of Rs.2 billion in June 2013 and Rs.100/- par valued 20,000,000 rated, secured, redeemable debentures to the value of Rs.2 billion in December 2013.

Details of the above issues are given below:

Rated secured redeemable debentures issued in June 2015

Objective number	Objective as per prospectus	Amount allocated as per prospectus (Rs. 000)	Proposed date of utilisation	Amount allocated from prospectus (Rs.000)	% of total proceeds (A)	Amount utilised (B) (Rs.000)	% of utilisation (B/A)	Clarification if not fully utilised against allocation (B/A) (eg: whether lent to related party/s etc.)
1	Reducing the mismatch of maturity periods between assets and liabilities	Not allocated	Dec-15	-	-	1,302,428	-	Fully utilised by December 2015
2	Diversifying the funding mix of the company	Not allocated	Dec-15	-	-	645,000	-	Fully utilised by December 2015
3	To fund the growth of the lending portfolio of the company	Not allocated	Dec-15	-	-	552,572	-	Fully utilised by December 2015

Rated secured redeemable debentures issued in December 2013

Objective number	Objective as per prospectus	Amount allocated as per prospectus (Rs. 000)	Proposed date of utilisation as per prospectus	Amount allocated from proceeds (Rs.000) (A)	% of total proceeds	Amount utilised (B) (Rs.000)	% of utilisation against allocation (B/A)	Clarification if not fully utilised including where the funds are invested (eg: whether lent to related/party/s etc.)
1	Reducing the mismatch of maturity periods between assets and liabilities	Not allocated	Jun-14	-	-	1,480,000	-	Fully utilised by June 2014
2	Diversifying the funding mix of the company	Not allocated	Jun-14	-	-	400,000	-	Fully utilised by June 2014
3	Financing the growth of the lending portfolio of leases and hire purchase	Not allocated	Jun-14	-	-	120,000	-	Fully utilised by June 2014

Rated unsecured redeemable debentures issued in June 2013

Objective number	Objective as per prospectus	Amount allocated as per prospectus (Rs. 000)	Proposed date of utilisation as per prospectus	Amount allocated from proceeds (Rs.000) (A)	% of total proceeds	Amount utilised (B) (Rs.000)	% of utilisation against allocation (B/A)	Clarification if not fully utilised including where the funds are invested (eg: whether lent to related/party/s etc.)
1	Enhancing the Company's working capital base	Not allocated	Dec-13	-	-	1,400,000	-	Fully utilised by December 2013
2	Strengthening medium term funding base of the company	Not allocated	Dec-13	-	-	300,000	-	Fully utilised by December 2013
3	Financing the growth of the lending portfolio of leases and hire purchases	Not allocated	Dec-13	-	-	300,000	-	Fully utilised by December 2013

Information on shares and debentures

Date of issue	Interest payment frequency	No. of Debentures issued	Face value Rs.000	Coupon rate %	Annual effective Rate %	Tenor	Date of maturity
Rated unsecured redeemable debentures							
17-Jun-13	Quarterly	300,000	300,000	14.25	15.03	3 years	Redeemed
17-Jun-13	Quarterly	300,000	300,000	14.50	15.31	4 years	17-Jun-17
17-Jun-13	Quarterly	1,400,000	1,400,000	14.75	15.59	5 years	17-Jun-18
Rated secured redeemable debentures							
12-Dec-13	Semi annually	2,000,000	200,000	13.00	13.42	3 years	Redeemed
12-Dec-13	Semi annually	2,000,000	200,000	13.25	13.69	4 years	12-Dec-17
12-Dec-13	Semi annually	6,000,000	600,000	13.50	13.96	5 years	12-Dec-18
12-Dec-13	Annually	10,000,000	1,000,000	13.95	13.95	5 years	12-Dec-18
Rated secured redeemable debentures							
01-Jun-15	Semi annually	2,500,000	250,000	8.35	8.52	3 years	31-May-18
01-Jun-15	Semi annually	5,000,000	500,000	9.00	9.20	4 years	31-May-19
01-Jun-15	Annually	17,500,000	1,750,000	9.52	9.52	5 years	31-May-20

2 MARKET VALUE AND TRADED YIELD

There were no debenture trades during the year ended 31st March 2017.

3 DEBT RELATED RATIOS

	As at 31.03.2017
Debt/equity ratio (times)	1.68
Quick assets ratio (%)	83.56
Interest cover (times)	2.39

4 Interest rates of comparable government securities (%)

	31.03.2017
03 Year treasury bonds	11.95
04 Year treasury bonds	11.93
05 Year treasury bonds	12.78

5 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	2008 Rs'000	2009 Rs'000	2010 Rs'000	2011 Rs'000	2012 Rs'000	2013 Rs'000	2014 Rs'000	2015 Rs'000	2016 Rs'000	2017 Rs'000
Group income	6,453,132	7,405,866	7,536,516	8,094,371	9,148,164	11,318,774	13,410,771	15,963,249	16,284,923	18,145,869
Interest income	4,662,008	5,520,829	5,723,338	6,269,481	7,492,975	9,755,419	11,916,505	12,463,439	12,624,010	14,104,260
Other revenue	-	-	-	-	-	-	-	2,524,826	2,660,584	2,823,108
Other operating income	1,615,909	1,638,866	1,470,952	1,413,023	1,074,360	1,022,377	1,034,981	334,506	364,207	497,619
Other income	175,215	246,171	342,226	411,867	580,829	540,978	459,285	640,478	636,122	720,882
Interest expenses										
Interest on deposits	(1,751,728)	(2,212,756)	(2,561,737)	(2,072,875)	(2,165,955)	(3,010,368)	(3,873,030)	(3,345,777)	(2,744,446)	(3,301,687)
Interest on bank and other borrowings	(913,129)	(1,001,190)	(497,008)	(282,388)	(497,348)	(1,058,674)	(857,349)	(758,369)	(937,630)	(943,840)
Cost of sales	-	-	-	-	-	-	-	(1,761,781)	(1,792,067)	(1,981,548)
Operating expenses	(2,008,313)	(2,234,224)	(2,335,775)	(2,545,141)	(2,602,889)	(2,826,385)	(3,394,155)	(3,694,249)	(4,251,348)	(4,653,890)
Impairment on loans and other credit losses	(124,399)	(220,189)	(299,479)	(186,822)	87,520	(201,441)	(1,216,365)	(1,834,150)	(658,347)	(161,204)
Share of profit of associates	168,434	163,953	383,868	507,781	495,122	616,084	699,351	794,608	815,812	952,427
Vat on financial services	(107,803)	(159,080)	(200,851)	(273,333)	(173,096)	(218,177)	(182,591)	(240,796)	(444,978)	(815,686)
Profit before income tax	1,716,194	1,742,380	2,025,534	3,241,593	4,291,518	4,619,813	4,586,632	5,122,735	6,271,919	7,240,441
Income tax expense	(456,608)	(561,336)	(900,699)	(1,330,155)	(1,231,724)	(1,335,096)	(1,232,266)	(1,387,715)	(2,169,126)	(2,343,822)
Net profit for the year	1,259,586	1,181,044	1,124,835	1,911,438	3,059,794	3,284,716	3,354,366	3,735,020	4,102,793	4,896,619
Attributable to equity holders of the parent	1,210,711	1,126,985	1,046,112	1,827,034	2,964,837	3,217,058	3,291,239	3,633,279	3,993,671	4,806,785
Attributable to non-controlling interest	48,875	54,059	78,723	84,404	94,957	67,658	63,127	101,741	109,122	89,834
Year ended 31st March	2008 Rs'000	2009 Rs'000	2010 Rs'000	2011 Rs'000	2012 Rs'000	2013 Rs'000	2014 Rs'000	2015 Rs'000	2016 Rs'000	2017 Rs'000
Statement of financial position										
Stated capital	203,020	203,020	203,020	203,020	568,420	568,420	568,420	568,420	568,420	1,337,564
Capital reserves	1,326,647	1,382,664	1,377,177	1,312,973	1,308,607	1,337,282	2,517,669	2,527,454	2,509,879	2,510,631
Reserve fund	501,000	553,500	601,000	682,000	800,000	939,000	1,078,000	1,229,000	1,396,000	1,599,000
Investment fund	-	-	-	-	223,492	478,857	732,716	-	-	-
Available for sale reserve	-	-	-	72,282	(821)	12,887	26,665	102,499	91	29,748
Revenue reserves	5,107,037	6,053,306	6,945,757	8,983,262	11,008,108	13,553,801	16,062,203	19,891,223	23,014,096	26,204,347
Funds attributable to equity holders of the parent	7,137,704	8,192,490	9,126,954	11,253,537	13,907,806	16,890,247	20,985,673	24,318,596	27,488,486	31,681,290
Non-controlling interest	350,818	459,454	506,506	574,060	614,089	630,839	731,711	795,979	855,819	883,940
	7,488,522	8,651,944	9,633,460	11,827,597	14,521,895	17,521,086	21,717,384	25,114,575	28,344,305	32,565,230

Decade at a Glance

Year ended 31st March	2008 Rs'000	2009 Rs'000	2010 Rs'000	2011 Rs'000	2012 Rs'000	2013 Rs'000	2014 Rs'000	2015 Rs'000	2016 Rs'000	2017 Rs'000
Assets										
Cash and other liquid assets	2,108,534	2,822,987	3,727,366	2,405,834	3,320,187	3,326,317	4,580,351	4,919,919	4,152,976	4,377,389
Financial assets held for trading	8,168	7,444	2,200	32,173	24,659	33,101	536,737	218,080	39,992	106,143
Available for sale investments	7,949	10,338	121,176	252,583	192,049	195,404	206,981	267,024	234,820	246,773
Investments in associates	1,209,943	1,224,834	1,584,724	1,795,601	2,011,360	2,364,929	2,719,082	3,167,824	3,537,114	4,075,059
Loans and advances	20,768,506	21,353,518	21,733,403	27,570,496	38,153,555	44,318,139	48,341,935	53,464,335	60,446,473	64,986,777
Other assets	2,892,999	3,490,477	3,675,363	2,798,186	2,350,001	2,272,034	3,577,169	3,365,417	3,470,872	3,500,259
Property, plant and equipment	5,453,522	5,137,289	4,633,049	4,084,303	3,745,802	4,047,417	5,467,305	5,801,116	5,925,833	7,134,854
Total assets	32,449,621	34,046,887	35,477,281	38,939,176	49,797,613	56,557,341	65,429,560	71,203,715	77,808,080	84,427,254
Liabilities										
Deposits	12,172,031	13,354,133	17,233,458	19,887,906	22,795,351	26,984,757	32,673,095	33,448,265	34,299,143	35,527,936
Bank and other borrowings	6,963,437	5,866,646	1,756,655	2,839,926	8,400,512	7,661,345	6,411,628	6,322,225	8,504,386	9,050,927
Other liabilities	5,825,631	6,174,164	6,853,708	4,383,747	4,079,855	4,390,153	4,627,453	6,318,650	6,660,246	7,283,161
Total liabilities	24,961,099	25,394,943	25,843,821	27,111,579	35,275,718	39,036,255	43,712,176	46,089,140	49,463,775	51,862,024
Key indicators										
Earnings per share (Rs.)	59.64	55.52	51.53	17.42	28.27	30.67	31.38	34.64	18.42	22.18
Net asset value per share (Rs.)	351.61	403.57	449.60	107.30	132.60	161.04	200.09	231.86	126.82	146.16
Gross dividends paid (Rs'000)	91,350	101,500	121,800	213,150	262,208	304,162	335,627	367,092	419,533	509,383
Dividend cover (times covered)	13.25	11.10	7.72	7.55	9.95	9.12	8.27	8.18	7.95	7.96
Market price per share (Rs.)	200.00	157.00	390.00	1,273.70	171.30	180.00	181.00	250.10	210.00	86.20
Normalised market value per share (Rs.) *	200.00	157.00	390.00	246.84	171.30	180.00	181.00	250.10	101.61	86.20
Price earnings ratio	3.35	2.83	7.57	14.17	6.06	5.87	5.77	7.22	5.52	3.89

Market value of previous periods have been adjusted in line with changes in stated capital subsequent to the subdivision & capitalisation of reserves in September 2011 and July 2016.

Income Statement in US Dollars

For the year ended 31st March	Group		Company	
	2017 USD. '000	2016 USD. '000	2017 USD. '000	2016 USD. '000
Income	117,900	110,948	100,004	93,352
Interest income	91,640	86,006	91,254	85,898
Less: Interest expenses	27,584	25,086	27,710	25,211
Net interest income	64,056	60,920	63,544	60,687
Other revenue	18,343	18,126	-	-
Less: cost of sales	12,875	12,209	-	-
Gross profit	5,468	5,917	-	-
Other operating income	3,233	2,482	3,233	2,482
Other income	4,684	4,334	5,517	4,972
	77,441	73,653	72,294	68,141
Less: Operating expenses				
Personnel expenses	11,150	10,988	9,520	9,432
Premises, equipment and establishment expenses	10,918	10,709	10,405	10,156
Employee retirement benefit expenses	1,154	1,117	1,023	978
Impairment of goodwill	-	108	-	-
Other expenses	7,015	6,042	6,459	5,392
	30,237	28,964	27,407	25,958
Profit before impairment on loans and other credit losses	47,204	44,689	44,887	42,183
Less : Impairment on loans and other credit losses	1,048	4,485	1,051	4,482
	46,156	40,204	43,836	37,701
Share of profit of associates	6,188	5,558	-	-
Profit before VAT on financial services, NBT and income tax	52,344	45,762	43,836	37,701
Less: VAT on financial services and NBT	5,300	3,032	5,291	3,027
Profit before income tax	47,044	42,730	38,545	34,674
Less: Income tax expense	15,229	14,778	12,202	11,958
Profit after income tax	31,815	27,952	26,343	22,716
Attributable to equity holders of the parent	31,231	27,209	26,343	22,716
Attributable to non-controlling interest	584	743	-	-
Net profit for the year	31,815	27,952	26,343	22,716
Basic and diluted earnings per share - USD	0.144	0.126		
Dividend per share - USD				
Paid	0.010	0.013		
Proposed	0.006			

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	
	31.03.2017 USD. '000	31.03.2016 USD. '000	31.03.2017 USD. '000	31.03.2016 USD. '000
ASSETS				
Cash in hand and at banks	3,257	3,547	2,891	3,157
Fair value through profit or loss financial assets	690	272	625	230
Tax receivables	12	12	-	-
Trade and other receivables	6,382	7,575	2,012	2,466
Available for sale investments	1,603	1,600	1,562	1,556
Inventories and other stocks	8,284	8,121	4,416	4,814
Securities bought under repurchase agreements	19,165	18,994	19,165	18,994
Loans and receivables from banks	6,019	5,753	5,983	5,718
Loans and receivables from others	6,912	6,600	2,588	3,174
Loans and receivables from customers	45,279	29,982	45,918	31,085
Net investment in leases and hire purchase	376,960	381,835	376,959	381,741
Investments in real estate	423	256	423	210
Investment property	-	281	-	-
Investments in associates	26,477	24,098	3,401	3,566
Investments in subsidiaries	-	-	1,991	4,231
Deferred tax asset	77	80	-	-
Property, plant and equipment	46,357	40,371	38,472	31,478
Intangible assets	652	723	649	718
TOTAL ASSETS	548,549	530,100	507,055	493,138
LIABILITIES				
Bank overdrafts	6,883	4,571	6,809	4,538
Tax payables	5,777	6,150	5,423	5,575
Trade and other payables	10,674	10,586	8,396	8,146
Amounts due to subsidiaries	-	-	1,221	1,178
Derivative financial instruments	-	-	-	-
Short term borrowings	11,990	8,137	11,040	8,137
Deposits	230,836	233,677	232,000	234,935
Long term borrowings	35	-	-	-
Debentures	39,899	45,231	39,899	45,231
Employee benefit obligations	6,468	6,318	5,686	5,577
Deferred tax liability	24,401	22,322	23,975	21,875
TOTAL LIABILITIES	336,963	336,992	334,449	335,192
SHAREHOLDERS' FUNDS				
Stated capital	8,691	3,873	8,691	3,873
Capital reserves	16,312	17,100	12,473	13,153
Reserve fund	10,389	9,511	10,389	9,511
Available for sale reserve	193	1	434	370
Revenue reserves	170,258	156,792	140,619	131,039
Funds attributable to equity holders of the parent	205,843	187,277	172,606	157,946
Non-controlling interest	5,743	5,831	-	-
	211,586	193,108	172,606	157,946
TOTAL LIABILITIES ,SHAREHOLDERS' FUNDS AND NON-CONTROLLING INTEREST	548,549	530,100	507,055	493,138
Net asset value per share - USD	0.950	0.864	0.796	0.729

USD Exchange rate was Rs. 153.91 as at 31st March 2017 (Rs. 146.78 as at 31st March 2016)

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 form part of the audited financial statements.

Employees of the Year

City Office 2016/17



April
Mr. W.G.H. Madushanka



May
Mr. G.H.D.R. Hettiarachchi



June
Ms. V.V. Ruwanpathirana



July
Mr. D.S.P. Wasantha



August
Mr. W.A.H.I. Wariyapperuma



September
Mr. K.M.K. Gunawardena



October
Mr. M.M.J. Weerasinghe



November
Mrs. K.B.G. Weerasinghe



December
Mrs. W.K.S.N. Withana
Ms. D.L.N. Abeysinghe



January
Mr. M.P.U.S. Marasinghe



February
Mr. M.W.T.K. Marasinghe



March
Mr. Sanka Jayasekera

Head Office 2016/17



April
Mrs. Chandrika Kumuduni



May
Mr. G.G.S. Chaminda



June
Mr. Y.G.W. Banda



July
Mrs. Shirani Rajapaksa



August
Mrs. Tharanga Jayaratne



September
Mr. Sarath Wijenayake



October
Mr. Sarath Jayathilake



November
Mrs. Champika Tennakoon



December
Mrs. Sandya Ekanayake



February
Mrs. Nadeesha Premathilake



March
Ms. Dhanushka Ratnayake

Employees of the Year

Branches 2016/17



April
Mr. E.M.R.I.M. Bandara
Kantale



May
Ms. W.L.S. Piyasena
Nikaweratiya



June
Ms. Lakshika Ratnayake
Panadura



July
Mr. H.A.S. Silva
Hatton



August
Ms. G.A.P.P. Gurusinghe
Dehiattakandi



September
Ms. Probodhini Jayasooriya
Ja-ela



October
Mr. M.D.S.C. Dushyantha
Homagama



November
Mr. A.R.C. Karunaratne
Avissawella



December
Ms. A.M.D.G.J.K. Adhikarinayake
Bakamooda



January
Ms. R.D.N. Madushani
Nikaweratiya



February
Ms. N.Y. Undugoda
Piliyandala



March
Mr. W.P.C. Priyadarshana
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.

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 Non homogeneous 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.

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 balances 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 Ninth Annual General Meeting of Central Finance Company PLC will be held at The Grand Kandy Hotel, No.89/10, Lady Gordon's Drive, Kandy on the 30th day of June 2017 at 11.30 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 2017 and the report of the Auditors thereon.
2. To approve a final dividend of Rs. 0.85 per share as authorised by the Directors.
3. To re-elect as a Director, C.L.K.P. Jayasuriya who retires by rotation in terms of Article 105 of the Articles of Association of the Company.
4. To re-elect Dr. (Mrs.) A.D.N. de Zoysa, as a Director who retires in terms of Article 111 of the Articles of Association of the Company, and being eligible has offered herself for re-election.
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 2018.
6. To authorise the Directors to determine contributions to charities for the ensuing year.

By order of the Board,

Corporate Services (Private) Limited

Secretaries

Central Finance Company PLC

Colombo, on this 30th day of May 2017

Note:

- (1) Any shareholder entitled to attend and vote is entitled to appoint a proxy instead.

A proxy need not be a shareholder, instruments appointing proxies must be lodged with the Company not less than forty eight (48) hours before the meeting.

- (2) It is proposed to dispatch the dividend warrants on 5th July 2017 in accordance with the rules of the Colombo Stock Exchange, the shares of the Company will be quoted ex-dividend with effect from 3rd July 2017.

Notes

Notes

Form of Proxy

I/We
of
being *a shareholder/shareholders of CENTRAL FINANCE COMPANY PLC do hereby appoint

- | | |
|---|-----------------|
| 1. Jayampathi Divale Bandaranayake | or failing him, |
| 2. Eranjith Harendra Wijenaike | or failing him, |
| 3. Gerard Shamil Niranjan Peiris | or failing him, |
| 4. Ravindra Erle Rambukwelle | or failing him, |
| 5. Arjuna Kapila Gunaratne | or failing him, |
| 6. Chandima Lalith Kumar Perera Jayasuriya | or failing him, |
| 7. Sunil Chandra Sillapana Wickramasinghe | or failing him, |
| 8. Dhammadika Prasanna de Silva | or failing him, |
| 9. Asite Drupath Bandara Talwatte | or failing him, |
| 10. Dr. (Mrs.) Agampodi Damitha Nandanie de Zoysa | or failing her, |

..... of
.....
as *my/our Proxy to vote/speak for me/us on *my/our behalf at the Fifty Ninth Annual General Meeting of the Company to be held at The Grand Kandy Hotel, No. 89/10, Lady Gordon's Drive, Kandy on the 30th day of June 2017 at 11.30 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. 0.85 per share as authorised by the Directors | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. To re-elect as a Director, C.L.K.P. Jayasuriya who retires by rotation in terms of Article 105 of the Articles of Association of the Company | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. To re-elect Dr. (Mrs.) A.D.N. de Zoysa as a Director who retires in terms of Article 111 of the Articles of Association of the Company, and being eligible has offered herself for re-election. | <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 Seventeen

.....
*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 shareholder entitled to attend and vote at the Meeting is entitled to appoint a Proxy who need not be a shareholder, to attend and vote instead of him.
3. In the case of a Corporation, the Form must be completed under its Common Seal, which should be affixed and attested in the manner prescribed by the 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 the 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

Independent Non - executive Director / Chairman

E. H. Wijenaike

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

A. D. B. Talwatte

Independent Non - executive Director

Dr. (Mrs) A. D. N. de Zoysa

Independent Non - executive Director

STOCK EXCHANGE LISTING

The ordinary shares of the company and the debentures 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 : centfin@cf.lk

Website : www.centralfinance.lk

BANKERS

Bank of Ceylon

Citibank N.A.

Commercial Bank of Ceylon PLC

Hatton National Bank PLC

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,

11, 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

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www.centralfinance.lk