



VISION

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

MISSION

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

CORPORATE VALUES

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

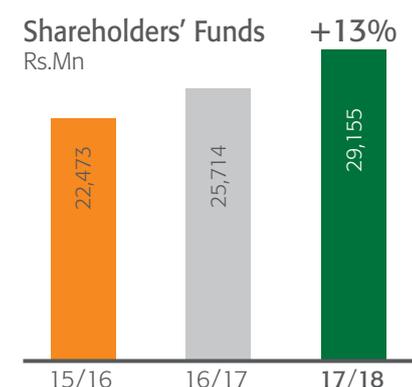
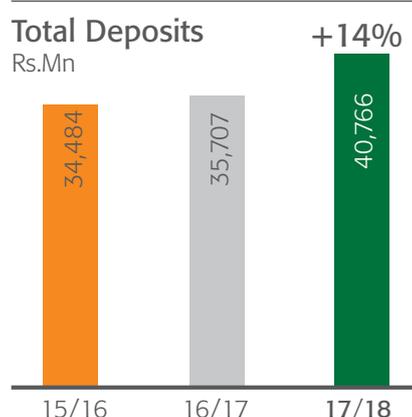
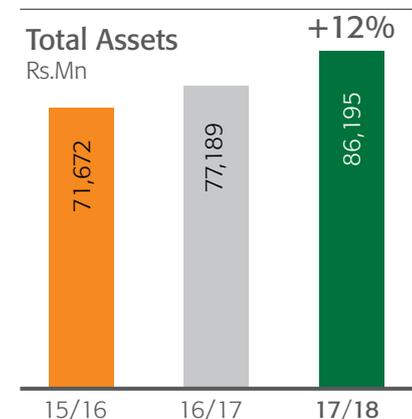


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Financial Highlights



	Group		Company	
	2017/18 Rs.Mn.	2016/17 Rs.Mn.	2017/18 Rs.Mn.	2016/17 Rs.Mn.
Financial performance				
Income	20,464	18,146	17,757	15,392
Profit before income tax	8,223	7,099	6,661	5,791
Income tax	2,755	2,344	2,185	1,878
Profit after income tax	5,468	4,755	4,476	3,913
Net profit attributable to ordinary shareholders	5,402	4,665	4,476	3,913
Gross dividends	-	-	867	509
Financial position				
Total assets	93,836	83,575	86,195	77,189
Gross loans and advances to customers	70,234	64,135	70,225	64,233
Deposits	40,570	35,528	40,766	35,707
Funds attributable to equity holders of the parent	35,374	30,829	29,155	25,714
Non-controlling interest	865	884	-	-
Information per ordinary share				
Earnings Rs.	24.92	21.52	20.65	18.05
Dividends Rs.	4.00	2.35	4.00	2.35
Market value Rs.	-	-	99.90	86.20
Net assets Rs.	163.20	142.23	134.50	118.63
Ratios				
Dividend cover (times)	-	-	5.16	7.68
Dividend pay out (%)	-	-	19.37	13.02
Liquid assets (%)	-	-	11.58	11.24
Shareholders' funds to deposits	-	-	71.52	72.01
Core capital ratio % (Tier 1)	-	-	32.89	32.28
Total risk weighted capital ratio % (Tier 1 & 11)	-	-	32.09	32.95

Non-financial highlights

Employees

1,790



16/17: 1,666 15/16: 1,642

Branches

97



16/17: 95 15/16: 95

Customers

150,175



16/17: 144,605 15/16: 134,198

Chairman's Statement

“Heavily skewed towards vehicle leasing, the sector’s prospects continued to be affected by the duty revisions taken to curtail the import of vehicles and stricter Loan to Value (LTV) rules to curb lending for motor vehicle purchases, prompting the NBF sector to restructure the core lending model in tandem with market dynamics.”

On behalf of the Board of Directors, it is my pleasure to present the Annual Report and the Audited Financial Statements of your company for the year ended 31st March 2018 and review the key highlights of the year.

At the outset, I would like to draw your attention to the general business environment in the country in which we operated.

MACRO-ECONOMIC OVERVIEW

After showing signs of early recovery in mid-2017, Sri Lanka’s growth appears to have slid sharply in the second half of the year, with revised reports citing GDP growth to be only 3.1% down from the 4.5% reported in 2016. The adverse impact of the prolonged drought is believed to be the main factor affecting the growth rate. Persistent bad weather alternating between severe drought and heavy rainfall in many districts has crippled the country’s core agriculture sector, resulting in progressively lower output with each passing year. In light of the diminishing prospects of the agriculture sector, the country’s economy appears to be relying predominantly on the services sector, mainly tourism, telecommunication, financial services, healthcare services and insurance and to a lesser extent, the industrial sector, as the key growth drivers.

Also responsible for slow growth is the country’s fiscal consolidation efforts under the IMF programme with tighter fiscal policy measures that have led to higher taxes on consumption and production, in turn bringing pressure on both household disposable incomes and corporate profits.

Sri Lanka’s persistent trade deficit widened in 2017 as well, reaching \$10 billion, since total exports accounted for about \$11 billion and imports accounted for \$21 billion. On a positive note however service exports, which was about \$7 billion, showed signs of slight improvement in 2017.

NON-BANK FINANCIAL SERVICE SECTOR

The performance of the non-bank financial services sector showed signs of slowing down in 2017 as lending activities declined in response to macro prudential policies implemented on vehicle loans as well as the increasing trend observed in interest rates.

On the back of subdued credit growth, the sector’s asset base grew at its slowest pace in eight years. Total assets of the sector expanded by 11.8% to Rs.1,355 billion in 2017 compared to a growth of 21.7% in 2016.

Heavily skewed towards vehicle leasing, the sector’s prospects continued to be affected by the duty revisions taken to curtail the import of vehicles and stricter Loan to Value (LTV) rules to curb lending for motor vehicle purchases, prompting the NBF sector to restructure the core lending model in tandem with market dynamics.

A notable volume decline was seen in the registered and unregistered vehicle market segments consequent to the tightening of LTV rules. CF’s strict adherence, in letter and spirit, to the LTV rules may have resulted in some of the Company’s customers moving away to competitors, whose observance of the rules may not have been as stringent as ours. In order that there be a level playing

Chairman's Statement

field, it is imperative that there is greater transparency in the manner in which LTV rules are applied by all players in the industry and increased oversight by the regulator.

OUR STRATEGIC PRIORITIES

With the country's on-going policy reforms bringing pressure on CF's core lending business, a strategic decision was made to adopt a more proactive approach towards rationalising our lending model to align with possible market opportunities.

Considering the difficult operating environment, we remain committed to diversify our revenue streams both by product and market segments. This is a strategy we have been actively executing and I am happy to report that it has enabled CF to weather many market challenges.

Further, I believe that as a financial services organisation, our greatest differentiator is the experience we offer to our customers. Having already embarked on a broad-ranging digital strategy a few years ago, we are confident that our ongoing investments in digital platforms that make it easier and more convenient for our customers to use our services, is the key to setting CF apart in these trying times.

FINANCIAL HIGHLIGHTS

CF Group income increased to Rs. 20.46 billion, a growth of 12.77% compared to the Rs. 18.15 billion reported previously. This increase was due to the notable improvement of 14.25% in interest income. However, interest expense accelerated at a faster pace of 22.57% as the market interest rates moved

upward in the second half of the year. Consequently, net interest grew by 10.68% compared to the previous year. Efficient cost management strategies implemented during the year helped to cap the increase in expenses at 3.17%. Net profit for the year increased by 15% to reach Rs. 5.47 billion.

Total assets grew by 12.28% over last year to Rs. 93.84 billion, fueled by the growth in finance leases, loans and operating leases. Growth in leases and loans is marginally lower than the total assets growth at 9.51%. Deposits crossed the Rs. 40 billion milestone with an increase of 14.19% over last year. Equity attributable to the shareholders of the company touched the Rs. 35 billion mark, an increase of 14.74% over the corresponding period.

PERFORMANCE OF SUBSIDIARIES AND ASSOCIATES

From a Group perspective, most subsidiaries and associates contributed well to group revenue and profits. The insurance broking arm, CFIB ended the year with profits of Rs. 205.75 million, best ever to date. However, Central Industries PLC saw a 40% drop in the bottom line substantially due to the inability to pass down the increase in raw material prices and the new Excise Duty of Rs. 10 /- per Kg on PVC resin introduced during the latter part of the year.

The Associate company Nations Trust Bank PLC (NTB) reported an improved performance during the financial year ended 31st December 2017. NTB's Profit after tax stood at Rs.3.37 billion compared to Rs.2.87 billion reported during the

previous year, an increase of 17.51%. The better performance is mainly due to increase in revenue and a strong focus on managing expenses.

The Managing Director's review captured on pages 6 to 10 of this annual report provides the detailed review of the other group companies.

DIVIDEND

The company paid an interim dividend of Rs. 2.40 per share in December 2017 and the Board of Directors has proposed a final cash dividend of 60 cents per share, subject to shareholders' approval at the Annual General Meeting (AGM) to be held on the 29th of June 2018. The Directors have also proposed a scrip dividend of 01 share for every 113.869 shares held, subject to regulatory approvals, for the approval of the shareholder at the forthcoming AGM. Both cash and scrip dividend in total amounts to Rs. 4 per share and this is an increase of 70% in distribution over 2016/17.

FUTURE PLANS

While the country's economic outlook is said to improve in the coming year, I believe it is too early at this point to say with certainty if these predictions would materialise. However, from the Company's perspective, we want to be ready for any eventuality and therefore, our focus going forward would be to strengthen our core competencies and consolidate our position in the market. As a priority, this would mean investing in technology and resources to strengthen the company's people, processes and digital infrastructure in a manner that would boost CF's competitive positioning. Hand-in-hand

with this, we will also look to reinforce the CF brand presence to further widen our market share in the years ahead.

BOARD CHANGES

The Board, management and staff are tremendously grateful to Mr. J. D. Bandaranayake for his guidance and many contributions over the period of his stewardship, and I would like to take this opportunity to place on record our gratitude and appreciation. I also welcome Mr. Arjun Fernando to the Board. I am confident that the company will benefit immensely from Mr. Fernando's extensive experience in the sphere of Financial Services.

APPRECIATIONS

To conclude, I wish to express my sincere appreciation to my colleagues on the Board for their support and keen participation in all Board matters. It is with deep appreciation that I acknowledge the efforts of our Managing Director and his team, including senior management and all employees who have worked tirelessly to ensure the Company succeeds even in the face of many challenges. I thank you all for your outstanding commitment to the Company.

I would also like to thank the Governor and officials at the Department of Supervision of Non-bank Financial Institutions of the Central Bank of Sri Lanka for the support and co-operation extended to us at all times.

On this historic occasion of your company's 60th year, I would like to place on record my appreciation to all those shareholders, depositors and clients from a wide cross section across the country, for their trust and confidence in CF. This journey would not have been possible without your support. Thank you.



C.L.K.P. Jayasuriya
Chairman

Colombo
May 25, 2018

Managing Director's Report

In presenting the annual report and the Audited Financial Statements of Central Finance Company PLC for the year ended 31st March 2018, it is with a measure of satisfaction that I report that your Company delivered a sound performance while responding to numerous challenges in the operating environment and progressing our longer-term goals.

INDUSTRY OVERVIEW

Characterised by greater stability, the country's financial services sector registered an improved performance in 2017. The performance of the non-bank financial services sector however appeared to slowdown, as policy measures taken to curtail importation of motor vehicles along with higher interest rates led to low credit growth. Sector-wide credit growth decelerated to 9.8% compared to 21% reported in 2016. As a result, the sector's asset base grew at a moderate 11.8% in 2017 compared to a robust growth of 21.7% reported in the previous year. Most affected was the finance lease portfolio, which grew by only 13% in 2017, compared to the 17% growth tabled in 2016. Meanwhile pressured by slow economic growth and extreme weather conditions, the sector's gross NPLs rose to 5.9% in 2017 from 5.3% in 2016.

On the liabilities side, deposit mobilisation remained the main source of funding for the industry. Bolstered by higher interest rates, deposit growth for the year was 29.4% compared to the growth of only 10.4% in 2016.

The sector's profits too witnessed a decline on the back of increased funding cost and higher loan impairments. The sector posted a profit after tax of Rs. 25.8 billion, down 18% from the profit of Rs. 31.5 billion recorded in 2016.

FINANCIAL HIGHLIGHTS

CF's group income recorded a 12.77% increase from Rs. 18.15 billion reported in the previous year to Rs. 20.46 billion, driven by a strong increase in interest income. However, with the interest expense growing at a faster pace amidst an upward trend in the market interest rates, CF's net interest grew by only 10.68% year-on-year. Nonetheless efficient cost containment strategies implemented during the year helped curb the rise in expenses, which saw net profit increase by 15% to reach Rs. 5.47 billion for the year under review.

The Group's total assets grew by 12.28% over the previous year to reach Rs. 93.84 billion as at 31st March 2018. Impacted by the LTV, the leases and loans portfolio grew at a slower pace of 9.51% year-on-year.

Fuelled by a 14.19% year-on-year increase, CF's Deposit portfolio crossed the Rs. 40 billion milestone by the end of the financial year. Meanwhile, funds attributed to shareholders stood at Rs. 35 billion marking an increase of 14.74% over the previous period.

REVIEW OF OPERATIONS

Credit and Lending

Despite the loan to value (LTV) ratio bringing pressure on the Company's core lending model, CF's lending portfolio tabled satisfactory results, with the lending book growing by 9.51%, albeit at a slower pace than the previous year. As at 31st March 2018, CF's loan book stood at Rs. 70.23 billion compared to Rs. 64.13 billion a year ago.

A notable drop in business volume was seen in the unregistered three wheeler and car segments following the tightening of the LTV rules.

Steps taken to counteract these challenges were led by on-going efforts to rationalise the lending mix, mainly to reduce the dependence on the unregistered three-wheeler segment. An aggressive branch-led market development strategy was also launched in parallel and I am happy to report that the move resulted in attracting higher volumes from the rural sectors.

Deposits

It is pleasing to see that CF's deposit portfolio continues to grow. Tabling a growth of 14.19%, the deposit portfolio crossed the landmark 40 billion mark to reach Rs. 40.57 billion as at 31st March 2018.

Following a strategic decision to increase the concentration on longer-term Fixed Deposits, the Company adopted a new approach towards customer acquisition and retention. A new broad-based media campaign was launched to improve brand visibility and promote the Company's long-standing reputation and solid financial credentials as the key differentiator that sets CF apart in the market.

Further efforts to strengthen CF's deposit proposition, included a series of investments to enhance front-end and service delivery parameters, most notable among them being IT investments that now make it possible for deposit customers to collect their Fixed Deposit certificates directly from the branches within just half an hour of placing a deposit as opposed to the conventional procedure of the certificate being sent by registered post.

Asset Quality

CF's asset quality deteriorated slightly as weak economic activity in many sectors led to higher NPL. Nonetheless, thanks to aggressive recovery efforts, the Company was able to contain NPLs at 3.65%, staying well below of the industry average of 5.9% (December 2017).

Several significant steps were taken to assist in the recovery effort. The "M-cash" and "CEFTS" Payment platforms were fully rolled out to offer our customers a broader range of convenient options to make settlements. We also engaged the newly launched branchless banking task force to reach out to customers and facilitate collections at the customers' doorstep.

Credit Rating

For the 12th consecutive year, Fitch Ratings Lanka Limited reaffirmed CF's National Long Term Rating at A+ (lka). Same ratings were also affirmed to the senior secured and unsecured debentures. I believe it is the strength of our balance sheet and stable deposit franchise that are the key drivers of the ratings assigned for the year.

Dividend

In keeping with our commitment to enhance shareholder value, this year the total distribution to shareholders was increased by 70%. The company paid an interim dividend of Rs. 2.40 per share in December 2017 and the Board has proposed a further cash dividend of 60 cents per share, subject to shareholders' approval at the Annual General Meeting (AGM) to be held on the 29th of June 2018.

Subject to regulatory approval, we have also proposed a scrip dividend of 01 share for every 113.869 shares held, for shareholders' approval at the AGM.

PERFORMANCE OF SUBSIDIARIES AND ASSOCIATES

Central Industries PLC

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. During the year, the product range has been increased in line with the planned diversification in both water management and electrical products under the brand names of "National PVC" and "Krypton". A new range of PE water pipe was introduced to the market and supplies effected to the National Water Supply & Drainage Board and various other large projects. The company contemplates to introduce Poly Propylene Random (PPR) pipes and fittings which are suitable for hot and cold water applications. The operation of the Hitachi brand power tools and accessories range was discontinued during the latter part of the year and products under "ONESTO" brand were added to the electrical accessories segment.

The year under review was a challenging one for the company due to the continuous increase in PVC resin prices which is the main raw material used for PVC products. The imposition of Rs.10 per Kg Excise Duty imposed on PVC resin since November 2017 and continuous appreciation of the US Dollar against the Rupee resulted in further pressure on margins.

Revenue from supplies to the National Water Supply and Drainage Board increased during the year, although there were long delays in obtaining payments from the Treasury, while the electrical products segment has also recorded an

Managing Director's Report

increase mainly due to the increase in product range and distribution channels.

As a result of these unfavourable market conditions, revenue declined marginally from Rs.2.35 billion reported in the previous year to Rs.2.27 billion during the current financial year. Profit before tax declined from Rs.201.32 million to Rs.111.58 million reported last year. Profit after tax also decreased from Rs.139.03 million to Rs.83.30 million reported during the previous financial year.

The Board has recommended a first and final dividend of Rs.2 per share for the year ended 31st March 2018 compared to Rs.2.75 per share in the previous year.

CF Insurance brokers (Pvt) Ltd

CF Insurance brokers (Pvt) Ltd., recorded a gross premium turnover of Rs. 2.70 billion as compared to Rs. 2.43 billion in the previous year, an increase of 11.32%, whilst commission income increased by 10.14% from Rs. 273.34 million in 2016 to Rs. 301.06 million in 2017. Consequently, the pre-tax profit increased by 16.02% over the previous year to Rs. 259.44 million.

Profit after tax was Rs. 205.75 million in 2017 as compared to Rs. 177.49 million in the corresponding year, a growth of 15.92%, the best ever performance in its twenty two year history. Direct expenditure accounted for Rs. 96.57 million in 2017 with an increase of 12.37%. The increase in gratuity provision by 13.32% was due to the combined effects of changes in assumptions on staff pay scales and the discount rate used in the actuarial valuation. As a result of judicious cost management, administrative expenses declined by 0.59% during 2017 to Rs. 21.78 million from the Rs. 21.91 million tabled in 2016.

Marketing related expenditure increased by 20.90% in 2017 to Rs. 6.52 million, due to increased business promotion and advertising expenditure incurred in line with the new business growth. The charge for Income Tax increased by 16.43%, amounting to Rs. 53.70 million in 2017 as compared to Rs. 46.12 million reported in the previous year. The earnings per share increased from Rs. 14.34 in 2016 to Rs.16.63 in the year under review, reflecting a growth of 15.92%.

Mark Marine Services (Pvt) Limited

The company is on an extended Power Purchase Agreement (PPA) with Ceylon Electricity Board for five years to supply electricity generated to the national grid. The tariff offered on this extension is substantially lower than the tariff which was available under the PPA for the first 15 years and as a result, the profitability of the company's has been substantially impacted.

The company's hydro power generation increased by 18% over the previous year resulting in revenue increase of 20% over the prior period. The Company recorded a profit before tax of Rs 43.95 million, which is 35% higher than the previous year. Profit after tax also increased by 36% in 2017/18 to Rs. 37.11 million from Rs 27.23 million tabled in 2016/17. During the financial year ended March 31, 2018, Company paid a dividend of Rs 4.00 per share.

Kandy Private Hospital Limited (KPH)

The construction of a new building to house the channelling centre has commenced and is ahead of target for completion. The company intends this to be operational in 2018/19, resulting not only in far better patient facilities but also yielding a saving on rent. KPH continues to improve the knowledge and skills of

its Nursing and Support Staff by way of regular In-house training programmes. The Hospital has further specialised in eye related health care services by investing in new equipment.

Turnover for the year under review was Rs. 117.91 million, marginally less by 1.47% from the Rs. 119.67 million recorded in 2016/17. However, profit before tax increased considerably by 17.86% from Rs. 15.79 million reported in 2016/17 to Rs. 18.62 million, for the year under review. This was mainly due to the increase in interest income. The profit after tax decreased to Rs. 12.84 million in the current financial year, compared to Rs. 13.84 million reported for the previous financial year, entirely due to the higher deferred tax provision made at the end of the year on account of the change in income tax rate from 12% to 28% and amounts to Rs 4.22 million. A dividend of Rs. 2.54 per share has been recommended by the Board of Directors for the year ended 31st March 2018.

PERFORMANCE OF ASSOCIATES Nations Trust Bank PLC (NTB)

Nations Trust Bank group reported an improved performance during the financial year ended 31st December 2017. The group reported a profit after tax of Rs.3.37 billion during the year ended 31st December 2017, compared to Rs.2.87 billion reported during the previous year, reflecting a 17.51% growth, supported by revenue growth and a strong focus on managing expenses. It is noteworthy to mention that the growth was achieved despite a one off tax charge of Rs. 210 million arising out of inter-company dividend payments. The group's net interest income grew by 25.57% to Rs.12.29 billion during the year compared to Rs.9.78 billion reported during the

previous year, underpinned by broad based growth in the advances portfolio and interest income on government securities.

Operating expenses increased by 15.14% to Rs.8.77 billion driven by the growth in personnel expenses and other operating costs. Personnel expenses increased by 15.79% due to the group's increasing focus on performance related pay in line with its efforts to nurture a performance driven culture. Other operating expenses increased by 16.65% due to business growth and increased operational activities. Cost to income ratio improved to 51.87% from 55.57% reported the year before, as a result of on-going focus on automating processes, lean initiatives and productivity improvements.

Total assets base of the group expanded by 26.97% to reach Rs. 267.63 billion at the year end, upheld by strong growth in loans and advances and increased investments in government securities. Loans and advances portfolio grew by 24.64% to Rs.186.74 billion from Rs.149.82 billion reported last year. The Small and Medium Enterprises (SME) portfolio achieved the highest growth of 41.16% to reach Rs. 60.32 billion representing 32% of the loan book while the consumer banking and corporate banking sectors grew by 20% and 19% respectively.

Asset growth was primarily funded by customer deposits and increased exposure to borrowings during the year, which resulted in a 26.97 % increase in total liabilities. The group's deposit base increased by 28.22% to reach Rs.194.27 billion at the year end and accounted for 81.77% of total liability growth. Shareholders' funds increased by 23.96% to Rs.21.47 billion during

the year supported by the strong profit generation. The bank raised Rs.3.2 billion through a rights issue of ordinary non-voting convertible shares in February 2018 to strengthen Basel III compliant Tier II capital. A first and final scrip dividend of Rs.2.10 per share was paid for the year ended 31st December 2017. Under the scrip dividend issue, 5,991,740 voting shares and 1,042,499 convertible non-voting shares were issued at Rs. 79.00 per share.

Tea Smallholder Factories PLC (TSFL)

The company operates a network of 7 factories, located in the Southern and Sabaragamuwa provinces with an annual capacity of processing 7.1 million kilogrammes of made tea from small holders comprising of 9,708 direct suppliers and 7,949 indirect suppliers, amounting to a total of 17,657 out growers, an increase of 532 suppliers in comparison with the previous year, supplying leaf to the factories. In the year under review, the value of bought leaf increased by Rs 400 million to Rs. 2 billion compared with Rs. 1.6 billion in the previous year.

Sri Lanka's Tea Industry celebrated its Sesquicentennial Anniversary in 2017 since the introduction of tea to Sri Lanka by James Taylor in 1867. In a fitting tribute, the Tea market reached record heights which augurs well for the future of the industry. The year 2017 was one of the better years for the tea industry particularly in terms of prices. Tea auction averages per Kilogramme for January to December 2017 totalled Rs. 618.14 against Rs. 468.61 recorded during the corresponding period last year, recording a substantial gain of Rs. 149.53, thus establishing the highest ever average for a calendar year, improving on the previous

best recorded during the corresponding period of 2016. High grown recorded a gain of Rs. 151.08 whilst the gain by the mid grown was Rs. 143.95. The gain by the low grown stood at Rs. 150.66. Strengthening of oil prices, which had an influence on some key importing countries of Sri Lanka teas and the stabilisation of the Russian Ruble were the key factors to sustain the tea prices at these levels.

Sri Lanka's tea exports in 2017 totalled to 288.9 million kilograms in comparison with 288.7 million kilograms in 2016, showing a marginal increase, with bulk teas and packeted teas exhibiting marginal growth against Tea bags recording a decline.

Green tea exports also recorded a gain in 2017. The total revenue realized in 2017 was Rs. 233.3 billion recording a substantial gain of Rs. 48.6 billion over 2016. It is noteworthy that this is the highest ever revenue realized from tea exports improving on the previous best of Rs. 212.5 billion realized in 2014. Consequently, the FOB value in 2017 realized Rs. 807.44 showing a gain of Rs. 167.56 which is the highest FOB value recorded surpassing the previous best of Rs. 649.44. The FOB value in US Dollar terms recorded in the calendar year 2017 is an increase over the previous year as well.

The company continued its efforts to grant development assistance to growers to improve the productivity of their lands. The first three projects have been completed successfully where an extent of 128.25 acres have been replanted benefiting 187 suppliers. Projects IV, V and VI are at hand where 89 small holders are being supported

Managing Director's Report

to replant 69.5 acres. The company also continues assisting small holders to infill lands towards optimizing production. During the year, 40,550 plants have been distributed for infilling at 28 small holder blocks. Development of the factories has been continuously undertaken towards ensuring the smooth flow of operations. The reduction of energy related costs and the automation of manufacturing processes have resulted in improvements in production efficiency, quality and costs.

Revenue for the year improved to Rs.2.68 billion from Rs.2.31 billion recorded in the previous year, whilst the profit before tax improved to Rs. 272.27 million from Rs. 110.24 million in the previous financial year and profit after tax also improved to Rs.244.07 million compared to Rs.85.02 million in the previous year. Sustained tea prices together with the introduction of cost efficiencies, whilst maximizing production collectively contributed to this performance. The profit before tax in the financial year under review includes an increase in the fair value of investment property of Rs. 172.74 million.

BOARD CHANGES

Mr. C. L. K. P. Jayasuriya was appointed as our Chairman in July 2017, succeeding Mr. J. D. Bandaranayake. We are fortunate to have Mr. Jayasuriya's leadership, with his calibre, acumen and experience across a whole range of local and international businesses.

Mr. J. D. Bandaranayake, our Chairman for the past five and a half years, retired from the Board in accordance with the CBSL age requirements. Mr. Bandaranayake was a chairman *exemplaire* providing strong leadership and steady support to the Board and management. On behalf

of the management and staff, I would like to thank Mr. Bandaranayake for the knowledge and understanding he shared with us.

Mr. Arjun Fernando, who was appointed to the Board in August 2017 brings with him wide and varied experience as a respected industry professional and adds tremendous value to our Board deliberations.

APPRECIATIONS

I wish to express my sincere appreciation to the Board of Directors for the support and wise counsel extended to me at all times. The Board joins me in thanking all our staff members for their wholehearted dedication and commitment, enabling the company to scale new heights and performance in a challenging year. My thanks are also due to the Director and Officials at the Department of Supervision of Non-bank Financial Institutions of the Central Bank of Sri Lanka and to M/s. SJMS Associates, our external auditor for their guidance, support and advice readily extended to us during the year.

The achievements of the Company, spanning a period of six decades would not have been possible without the absolute trust and confidence of our shareholders, depositors, customers and numerous stakeholders. On behalf of the Directors, I would like to gratefully acknowledge and thank them for their support over these many years.



E. H. Wijenaik
Managing Director

Colombo
May 25, 2018

Board of Directors

Chandima Lalith Kumar Perera Jayasuriya

Non-executive Chairman

Kumar Jayasuriya, a Non-executive Director of the Board of Central Finance Company PLC since 01st July 2011 was appointed Chairman of the Company on 14th July 2017. 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 of UK.

He was the immediate past Chairman of Finlays Colombo PLC and is a Trustee and a former Chairman of the Employers' Federation of Ceylon. He currently serves on the boards of several other public listed and non-listed companies in Sri Lanka including Nations Trust Bank PLC, Lanka Aluminium Industries PLC and Acme Printing & Packaging PLC.

Eranjith Harendra Wijenaik

Executive Director

Eranjith Wijenaik is the Managing Director of Central Finance Company PLC and has been a member of the Board since 1st April 1983. He is a Director of 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 40 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 40 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) 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.

Dharmika Prasanna de Silva

Executive Director

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

Board of Directors

Sunil Chandra Sillapana Wickramasinghe

Independent Non-executive Director

Sunil Wickramasinghe, a 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.

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, Lankaputhra Development Bank and Sri Lanka Savings Bank.

Asite Drupath Bandara Talwatte

Independent Non-executive Director

Asite Talwatte has been a member of the Board of Central Finance Company PLC since 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. He has been closely associated with the development of Corporate Governance of Sri Lanka. He was actively involved with the Code of 2003 and co-chaired the Committee which revised the Code of Corporate Governance of 2008, 2012 and 2017. Currently, he also chairs the Integrated Reporting Council in Sri Lanka.

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 Ceylon Hospitals PLC.

Arjun Rishya Fernando

Independent Non-executive Director

Arjun Rishya Fernando, Chief Executive Officer of DFCC Bank PLC from October 2013 to August 2017 was appointed to the Board of Central Finance Company PLC on 16th August 2017. Arjun Fernando possesses over 33 years of experience in banking and financial services, both locally and overseas at senior positions, including directorships at large banking institutions. Prior to joining DFCC Bank in August 2012 as the Deputy Chief Executive Officer, He was the Asia Pacific, Regional Head of Change and Delivery (commercial banking, trade and supply chain) of HSBC, Hong Kong.

He holds a B.Sc. in Engineering from Southern Illinois University, USA and an M.Sc. in Management from Clemson University, USA. He is also an Associate of the Institute of Financial Studies (Chartered Institute of Bankers), U.K.

He currently serves as a Director of HFC Bank – Fiji, NDB Capital Holdings Ltd., NDB Securities (Pvt) Ltd., Durdans Medical & Surgical Hospital (Pvt) Ltd and has served as the Chairman of DFCC Consulting (Pvt) Limited, Lanka Industrial Estate Limited, Synapsys Limited, Acuity Partners (Pvt) Limited and a director of Acuity Stockbrokers (Pvt) Limited.

Corporate Management Team

U. B. Elangasinha

FCA

General Manager – Finance

K. Kandeepan

FCA, ACMA (UK), CGMA

Deputy General Manager – Finance

D. M. Warnakulasuriya

Senior Assistant General Manager – Recoveries

I. M. J. B. Ilangakoon

AICM (SL)

General Manager – Branches

G.A. Bandaranayake

Deputy General Manager – Credit and Sales

R. E. S. Naranpanawa

AICM (SL)

Assistant General Manager – Branches

B. A. C. K. Jayawardena

MBA (Open University – Malaysia)

General Manager – Recoveries

A. K. Kaluhendiwela

MBA – (University of Wolverhampton - UK)

Deputy General Manager – Recoveries

C. M. Mendis

Assistant General Manager – Sales

S. Ragunathan

MBA (Sikkim Manipal University, India)

General Manager – Internal Audit

A. F. Goonetillake

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

Dip. in IDPM (UK)

Senior Assistant General Manager –

Marketing Services

W. S. M. Dabarera

FCA, ACMA

Assistant General Manager – Internal Audit

C. K. Hettiarachchi

MBA (University of Wales), ACMA

(UK), CGMA

General Manager – Marketing and Product Development

S. Ekanayake

Senior Assistant General Manager – Fleet Management

L. M. E. Wijesuriya

Head of Recoveries – Micro Branches

C. S. Hettiarachchi

MBA (University of Sri Jayewardenepura),

L.L.B (University of Colombo),

Attorney-at-Law

General Manager – Legal

A. P. B. Rajanayake

Senior Assistant General Manager – Deposits

M. A. M. Farook

BSc (Hons) (University of London

Guildhall - UK), Dip. in Computer

System Design - NIBM

Senior Assistant General Manager – IT

W. K. B. Senanayake

BBA (Newport University - UK),

MBA (University of Kent - UK)

General Manager – Human Resources

Management Discussion and Analysis

CREDIT AND LENDING

In a year which witnessed a general slowdown in economic activity, CF's lending activities recorded a satisfactory performance for the year, with the total loan book growing by 9.51% compared to the previous year. New volumes generated for all lending products reported a year-on-year increase of 10.33%, despite a conscious decision taken by the Company to scale back on types of lending that were going through higher levels of stress and NPLs.

Meanwhile, the loan-to-value rules in place for the lease of unregistered three-wheelers, cars, jeeps and vans continued to be the single-largest challenge in sourcing new business. In addition CF's strict adherence to the LTV implementation rules meant the company had to contend with some volume loss to competitors. The focus then shifted towards adjusting the product mix to promote financing of registered vehicles on which the LTV restrictions were more generous.

The revision of duty on small cars and the revision of the LTV ratio on new hybrid cars would be an opportunity for CF to get more actively involved in financing these vehicles.

In keeping with the focus of financing registered vehicles, the company leveraged on its branch network to capture 90% of the lending.

A new branch-driven initiative “අපේ ගමේ ලීසිං මලේලි” was launched in late March 2018. This initiative aims at taking leasing of three wheelers and mini trucks to the grassroots not served through established branch networks.

DEPOSITS

CF's deposits registered a strong performance to close the year well ahead of expected results for 2017/18. Marked by a robust year-on-year increase of 14.17%, the deposit portfolio crossed the landmark Rs. 40 billion to reach Rs. 40.77 billion as at 31st March 2018.

Despite stiff market competition, the term deposit portfolio showed good growth while the retention ratio remained strong at over 91%, largely due to superior service standards which the company has remained firmly committed to.

However, to further strengthen the stability of the term deposit portfolio, a decision was made to increase the concentration of longer term FD's. Efforts in this regard were led by a mass media awareness campaign rolled out in December 2017 mainly to reinforce CF's leadership position in the NBFi sector. The main campaign thrust underscores the company's 60 year track record of financial stability, asset base compared to the shareholders' funds (Debt: Equity) and ten consecutive years with A+ credit rating by Fitch Ratings Lanka Ltd. The campaign continues to deliver good results, with a notable increase being reported in the longer term FD category customer base within the first few months since the launch of the initiative.

Smaller pocket campaigns were also conducted to encourage savings customers to make use of the value added services offered by CF, including the Visa-enabled ATM Card for loans against FDs. The ATM card issued in the previous year forms part of a broader strategy aimed at differentiating CF's deposit proposition from mainstream offerings in the market.

Efforts to strengthen CF's deposit mobilisation gathered further momentum during the year, with ongoing enhancements to the ERM system aimed at improving service delivery and overall customer experience. As a result of the improvements, deposit customers are now able to collect their FD certificates directly from the branch within just half an hour of placing a deposit, while savings customers receive automatic transaction notification and deposit customers are notified of the payment of interest to their savings or bank accounts.

VEHICLE HIRE

Concluding a very satisfactory year, CF's Vehicle Hire business reported a 27.35% increase in the portfolio compared to the previous year. A healthy increase in new disbursement volumes was observed in the first half of the year. However, a slight downturn was seen in demand, with corporates hesitating to upgrade their fleets amidst higher vehicle prices triggered by an upward revision in the duty structure for vehicles above 1,000 CC capacity.

To counter these challenges, a series of highly focused below the line marketing activities were carried out in the latter part of the year particularly to tap into mid size corporate.

Meanwhile, steps taken to service the growing clientele saw the number of Island wide garage partnerships increasing to 93 by end-March 2018. Strict cost control strategies were also deployed in an attempt to achieve cost leadership to offset the growing competitive pressures in the market, while a series of process improvements were made in line with special emphasis on upgrading service standards and introducing value added services.

Other key developments for the year saw CF Budget Hire and WHIZ products both operated on the daily-rental model, being expanded across a wider geographical reach. To facilitate product expansion to new markets in the North Central and Eastern provinces, CF capitalised on the concessionary duty structure introduced in the November 2017 budget to invest in a fleet of smaller capacity vehicles. Renewed efforts to strengthen captive markets for CF Budget Hire and WHIZ products in the other areas, were spearheaded by aggressive branch-led promotional activities.

BRANCH NETWORK

Following a strategic decision taken in early 2017, CF once again began gradually expanding the footprint in the latter part of the year under review, with two new branches being opened to increase the outreach to 97. As part of the same effort, the Giriulla and Gampaha branches were relocated to create more visibility and enhance the customer experience through the provision of additional facilities, including additional parking and disability access. The decision to resume expanding CF's footprint comes after a period of consolidation where no new branches were opened between 2016 and 2017.

Several initiatives were taken during the year to strengthen the functionality of the existing branch model. Efforts in this regard saw investments being made to install Cash Deposit Machines (CDM) that give customers the flexibility to make deposits 24/7 – 365. Under the first phase of the programme, CDM's were commissioned at 16 branches, with the remaining network to be covered in the forthcoming year.

Meanwhile to address the higher costs incurred due the expansion of the footprint, strict cost containment strategies were applied in order to keep branch costs under control. However, as part of the long term plan to sharpen the branch proposition, groundwork commenced on drawing up a new leaner branch model equipped with integrated technology systems to improve branch efficiencies, that would go on to enhance the customer experience.

INFORMATION TECHNOLOGY

Over the years, CF's IT department has grown and evolved considerably and today plays a crucial role in the Company's day-to-day operations. In recent years, the role of CF's IT department has expanded beyond that of maintaining network infrastructure and offering troubleshooting support, into a more strategic function tasked with leveraging on the latest technological developments to bring out

innovative new products that offer greater customer convenience and also enable the Company to widen its outreach in order to tap into new customer segments.

Working along these lines, CF's IT department completed the 2nd phase of the CDM upgrade to allow customers to make utility payments through CDM's stationed across the CF branch network.

The 2nd phase of the branchless banking model was also operationalised in the year under review. The new developments now offer field officers remote access to the Company's core IT system enabling them to provide customers with balance inquiry statements and also accommodate savings top ups.

In yet another major development, the first phase of the CF mobile app was launched during the year, covering three key modules; opening of savings account, fund transfers from existing savings accounts and the bill payment facility. The App also includes other standard information including product information, branch locator etc.

A number of other projects remain in the pipeline as at the end of the financial year, among them the new cloud-based CRM platform that includes a host of features that aim to improve efficiency and effectiveness of the sales and marketing teams.

Following a re-evaluation of existing systems, work also began on introducing a new network security enhancement with the capacity to support growth in business in the years ahead.

Initial groundwork for the introduction of a new fraud detection mechanism also commenced during the year, covering all aspects of the business including the ATM network. The main aim of the new software is to analyze the pattern of transaction and flag any unusual payments / withdrawals made by customers.

Financial Review

INDUSTRY OVERVIEW

The Financial services sector showed an improved performance during the period with the support of prudent measures taken by the regulator to preserve the stability of the financial system of the country. The main contributor towards this growth was the banking sector with non-bank financial institutions (NBFI) also making an input towards this improved performance. The banking sector showed better performances during the period while the performance of licensed finance companies (LFCs) and specialised leasing companies (SLCs) moderated, marked by low credit growth, declining profitability and increased non-performing loans. The main reason for low credit growth in the sector was the fiscal and macro prudential policy decisions taken by the regulator to discourage the importation of motor vehicles. Subdued economic activity and adverse weather conditions such as the prolonged drought were also partly responsible for the restrained performance recorded by LFC's and SLC's. However, despite all these adverse factors the sector managed to maintain its key performance indicators including capital adequacy, liquidity and profitability at a satisfactory level. The total branch network of LFCs and SLCs by end December 2017 was 1,362 and 781 respectively.

The NBFI sector asset growth was 11.8% representing 7.9% of Sri Lanka's financial system. The sector remained well capitalised, maintaining healthy liquidity buffers well above its minimum regulatory requirements. A shift in the sector's funding mix was observed with asset growth mainly funded through deposits.

When considering the sector liabilities, customer deposits were the largest contributor accounting for 50.7% of the total liabilities of the sector. Accordingly, the sector-wide borrowings declined compared to the high levels recorded in the previous year.

Moderate growth of Rs.143 billion in the sectors' asset base saw total assets reaching Rs.1,355 billion as at 31st December 2017, a growth of 11.8% when compared to the 21.7% growth reported in the previous year. The asset base of the sector mainly consisted of loans and advances. Finance leases accounted for 50% of the total loans and advances followed by other secured loans which accounted for 40% of the asset base.

Meanwhile, the Credit growth of the sector decelerated, growing by only Rs.94 billion to Rs.1,057.1 billion.

The growth in the investment portfolio also was low indicating only 5.7% compared to the previous year's growth of 12.1%. The investment portfolio comprises of investments in equities, capital market debt instruments, government securities and investments properties.

The gross NPL of the sector stood at 5.9% in 2017, up from 5.3% reported in the previous year. The main reason for this increase in NPL ratio was the general economic slowdown and the spillover effects of adverse weather.

The sector's overall statutory liquid assets showed a surplus of Rs.35.5 billion as against the stipulated minimum requirement of Rs.91.1 billion. The interest income of the sector increased at a slower pace than the previous year recording a growth of 11.5% to Rs.102.7 billion. The Sector managed to maintain its overall capital level well above the minimum requirement. During the year, the regulatory capital enhanced by 25.1% to Rs.145.3 billion.

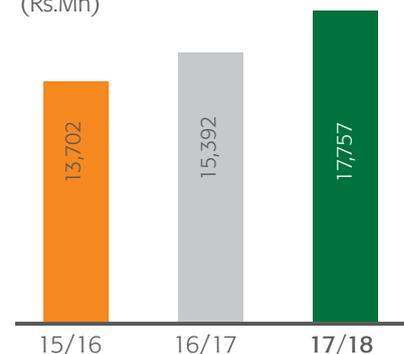
COMPANY OVERVIEW

Central Finance Company PLC (CF) is one of the largest long-standing finance companies in the country's LFCs sector with a history expanding more than 60 years. CF offers products ranging from vehicle leases, business loans, consumer loans, micro finance, SME loans, dealer advances, term loans and vehicle hire etc. Today the company's total asset base stands at Rs. 86.2 billion. CF accepts public funds in the form of term deposits and savings accounts, which account for more than 80% of the total funding mix.

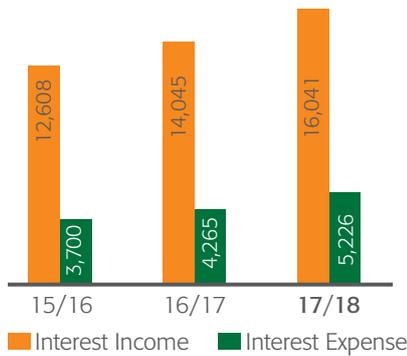
INCOME

Despite the challenging business environment, CF's income continued to grow, touching Rs.17.76 billion in the year under review, an increase of 15.37% compared to the previous year. Interest income stood at Rs.16.04 billion with a 14.21% growth compared to the previous year. The company's interest expense also showed an increase of 22.54% reaching a total of Rs.5.23 billion, mainly due to the high interest rate regime, which prevailed in the country throughout the year. The group's net profit after tax was Rs.5.47 billion up by 15% compared to the previous year. The high profitability was the result of high net interest margins, lower cost to income compared to the peers and strict credit discipline.

Income
(Rs.Mn)



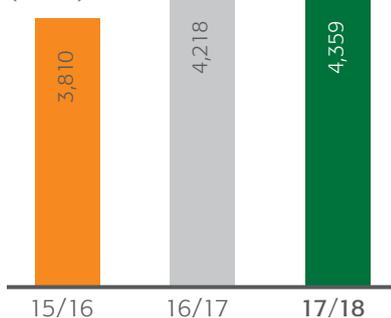
Interest Income vs Interest Expense (Rs.Mn)



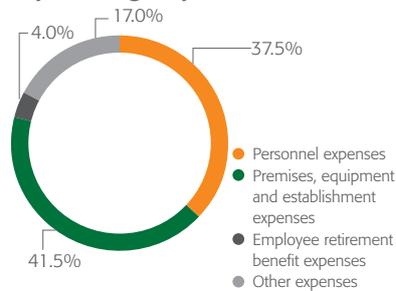
OPERATING EXPENSES

The company recorded a total operating expense of Rs.4.36 billion for the year under review, a marginal 3.35% increase when compared to the previous year, thanks to stringent cost management strategies adopted by the company to cap the increase in expenses. This in contrast to the 10.71% year-on-year growth in expenses seen at the end of the previous financial year.

Operating Expenses (Rs.Mn)



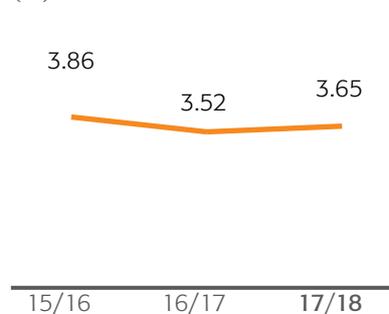
Operating Expenses 2017/18



ASSET QUALITY AND IMPAIRMENT CHARGES

CF recorded an impairment charge of Rs.394.05 million during the year. This is a 29.8% increase when compared to the previous year's re-stated impairment figure. Adverse weather conditions which prevailed throughout the year impacted the retail sector of the economy, resulting in higher impairment charges in 2017/18. The company's Non-performing loans (NPL) ratio was at 3.65% as at the end of 2017/18 which indicates a marginal increase when compared to the previous year's recorded NPL ratio of 3.52%. Nonetheless, this is still well below the sector average NPL of 5.9%.

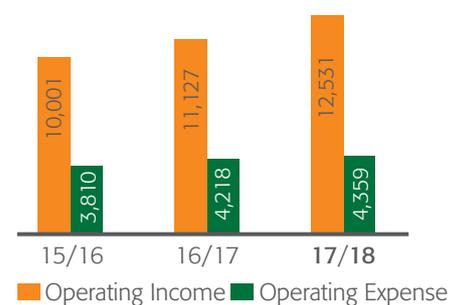
NPL (%)



COST TO INCOME

The company's operating income for the year under review was Rs.12.53 billion which is an increase of 12.62% when compared to the previous year. Even though the operating income showed an increase during the year, CF managed to lower its costs accredited to generate this income by efficient management of expenses. The company recorded a healthy 34.79% cost to income ratio during the year under review which is 8.23% lower than the previous year's cost to income ratio of 37.91%.

Operating Income Vs Operating Expenses (Rs.Mn)



LOAN BOOK

CF's loan book crossed the Rs. 70 billion mark to reach Rs. 70.22 billion as at 31st March 2018, indicating a 9.33% increase compared to the previous year. The company's loan book comprises of leases, hire purchases, term loans, loans against fixed deposits and loans extended to employees. Finance leases accounted for 89.14% of the total loan book value.

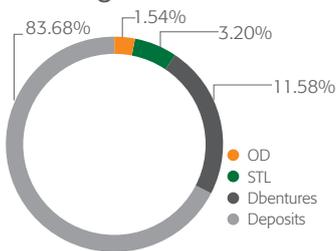
FUNDING MIX

CF continued to maintain its traditional funding mix during the year ended 31st March 2018, with deposits mobilised from the public accounting for 83.68% of the total funding base. The short term

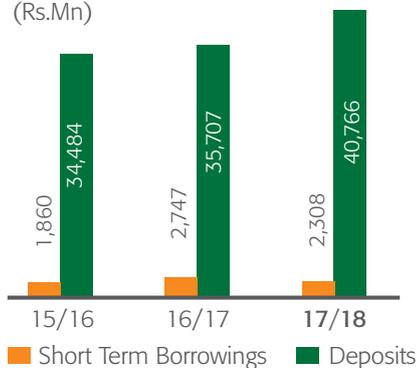
Financial Review

borrowings of the company decreased by 16% during the year under review while deposits grew by 14.17% compared to the previous year. This was mainly as a result of a strategic decision to overcome the short term interest rate risk arising from the rapidly changing interest rates that prevailed in the country. The company minimised its short term bank borrowings in the form of overdrafts and short term loans taken during the year under review while focusing more on growing the deposit base. There were no long term borrowings except for debentures amounting Rs.5.64 billion which were issued in the years 2013 and 2015.

Funding Mix 2017/18



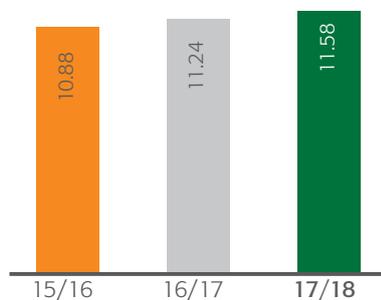
Short Term Borrowings vs Deposits (Rs.Mn)



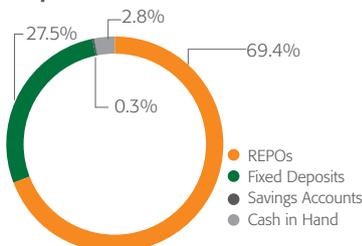
LIQUIDITY

The company managed to maintain its liquidity level well above the regulatory requirement. The total regulatory liquidity requirement for the company as at 31st March 2018 was Rs.4.28 billion whereas CF maintained its liquidity at Rs.4.89 billion. The minimum government security requirement for the company for the year under review was Rs.2.78 billion, whereas the company satisfactorily maintained an additional buffer of Rs.320 million over the required minimum level. The ratio of liquid assets to deposits was 11.58% as at the end of the year under review and consists of investments in treasury bill-repos, fixed deposits, savings and current account balances and cash in hand.

Liquid Assets as a % of Total Deposits (%)



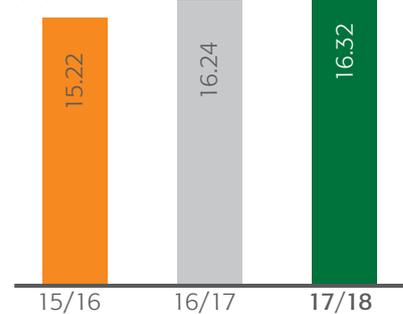
Liquid Assets 2017/18



RETURN ON EQUITY AND RETURN ON ASSETS

Return on equity (RoE) stood at 16.32% slightly higher than the 16.24% reported in the previous year. Meanwhile, the Return on Assets (RoA) edged up by 4.2% to 5.48% compared to the 5.26% recorded at the end of the previous year. The higher return on Assets was mainly due to the better management of expenses in the year under review.

RoE (%)



RoA (%)



SHAREHOLDERS' FUND

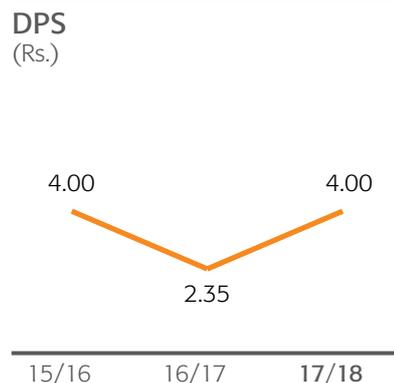
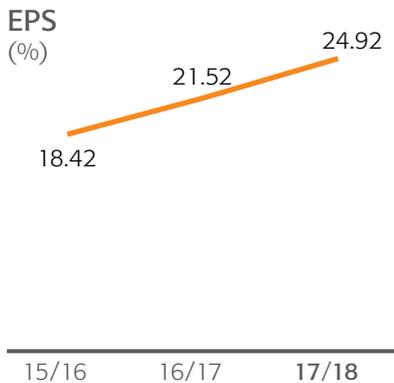
Shareholders' fund reached Rs.35.37 billion and Rs.29.15 billion at group and company levels respectively. This is an increase of 11.74% and 13.38% respectively compared to the previous year. The total number of shareholders of the company as at 31st March 2018 was

2,879. The highest and lowest share prices traded during the year under review were Rs.110 and Rs.84 respectively.

The company's net asset value per share increased to Rs.134.50 denoting an increase of 13.38% over last year.

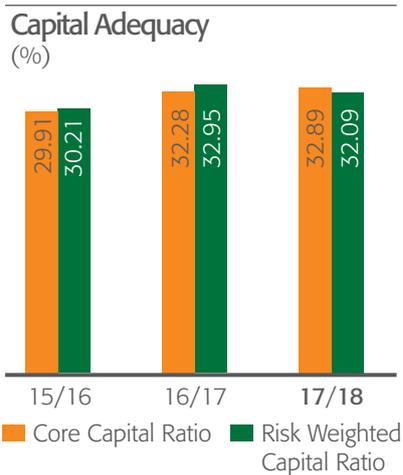
The earnings per share (EPS) of the group was Rs.24.92 for the year under review, a year on year growth of 15.80% compared to the previous year. The net profit of the group reached Rs.5.47 billion an increase of 15% compared to the previous year.

The total interim dividend per share paid during the year was Rs.2.40 with a further Rs.1.60 being proposed as the final dividend for shareholder approval at the forthcoming Annual General Meeting. In keeping with the commitment to increase shareholder value, the per share dividend distribution was increased by 70.21% compared to the previous year.



CAPITAL ADEQUACY

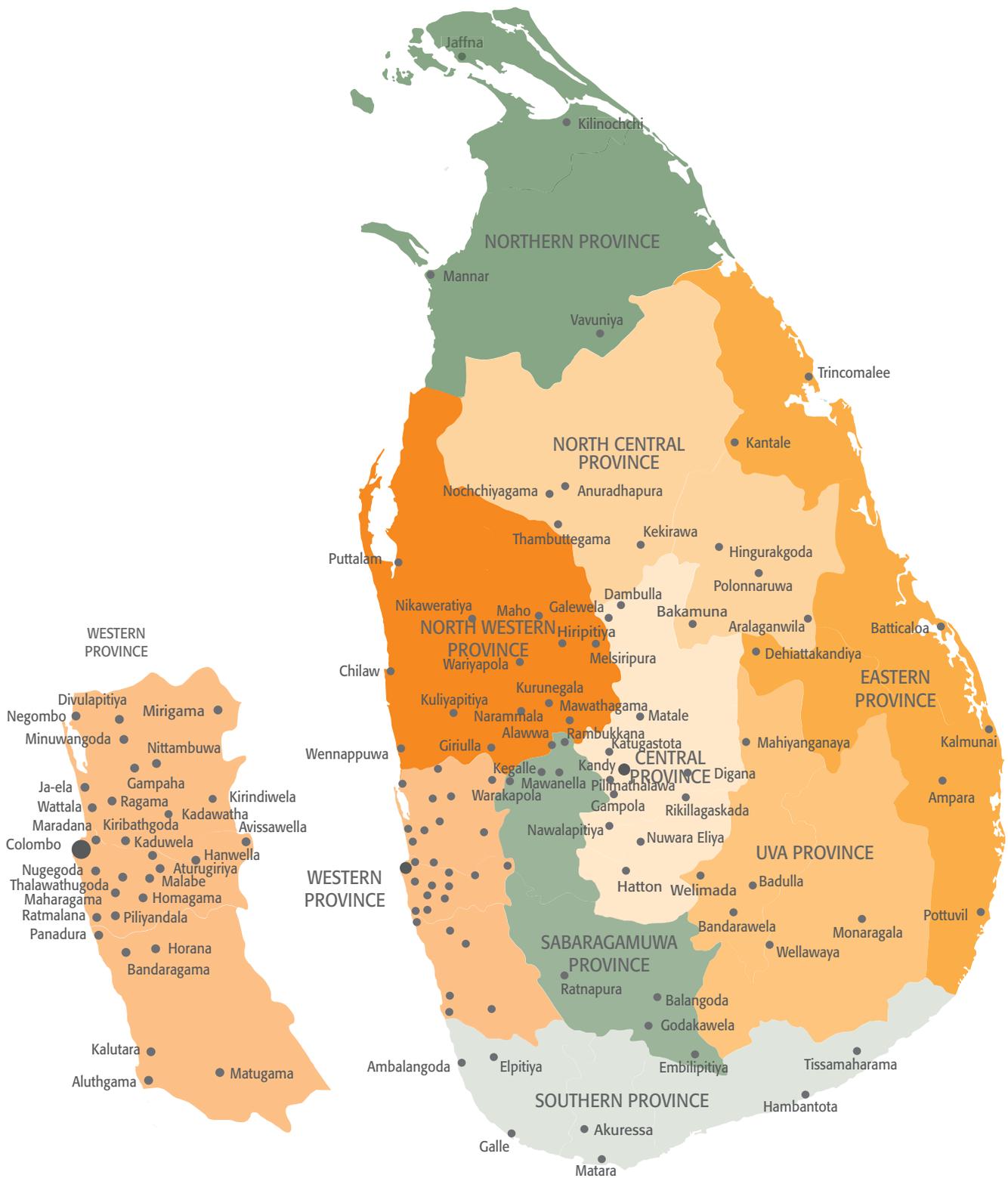
CF remains as the largest capitalised NBFI with core capital and total risk weighted capital ratios of 32.89% and 32.09% respectively as at 31st March 2018. These ratios are well above the minimum regulatory requirements of 5.0% and 10.0%. The industry capital adequacy ratios were well below the company ratios with core capital ratio being 12.4% and total risk weighted capital ratio being 13.1% respectively (December 2017).



FUTURE OUTLOOK

In the face of the challenging business environment in the country, CF concluded yet another successful year in terms of growth and profitability. As a company always optimistic of the future and motivated by challenges, CF expects the economic conditions in Sri Lanka to improve gradually in the coming years. From CF's perspective, strong capital base, island wide footprint, improved service quality, responsible work-force and competitive pricing will be the key elements that will drive the company's growth expectation together with the ability to innovate and change in response to the needs and requirements of customers.

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 - 30

ALUTHGAMA

No. 371/1, Galle Road , Aluthgama
Tel: 034-4941220, 034-4941221

ATHURUGIRIYA

No. 308, Godagama Road, Athurugiriya
Tel: 011-2074040, 011-2053082,

AVISSAWELLA

No. 1/79, Ratnapura Road, Avissawella
Tel: 036-2232750, 036-2233650,
036-2232950

BANDARAGAMA

No. 37/A/6, Horana Road, Bandaragama
Tel: 038-4933015, 038-4933016

DIVULAPITIYA

No. 96, Colombo Road, Divulapitiya,
Tel: 031-2246180, 033-4944246,
033-4944247

GAMPAHA

No.259, Colombo Road, Gampaha
Tel: 033-2227621, 033-2234132,
033-2225289, 033-4670442

HANWELLA

No.131/1/B, Pahala Hanwella, Hanwella
Tel: 036-2253945, 036-2253966,
036-4925821

HOMAGAMA

No.138/1, High level Road,
Homagama
Tel: 011-2892334, 011-4376101

HORANA

No.165, Ratnapura Road, Horana
Tel: 034-2265065, 034-2265066,
034-4944128

JA - ELA

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

KADAWATHA

No.579, Kandy Road, Eldeniya, Kadawatha
Tel: 011-2901678, 011-2901677

KADUWELA

No. 180/12/G, Avissawella Road, Hewagama,
Kaduwela
Tel: 011-4385334, 011-4385335

KALUTARA

No. 46, Sri Sarananda Mawatha, Kalutara South
Tel: 034-2226041, 034-4940068,
034-4940067

KIRIBATHGODA

No. 541, New Hunupitiya Road,
Dalugama, Kelaniya
Tel: 011-4967530, 011-4888301
011-4821442, 011-4821441

KIRINDIWELA

No. 68, Veyangoda Road, Kirindiwela
Tel: 033-4944327
033-4944328

MAHARAGAMA

No. 132, High Level Road, Maharagama
Tel: 011-4319961, 011-2845855
Tel: 011-2845855, 011-4888482

MALABE

No. 418, Athurugiriya Road, Malabe
Tel : 011-4413916, 011-2760893
011-4888303

MARADANA

No. 215, Maradana Road, Colombo 10
Tel: 011-2038000, 011-4384020

MATUGAMA

No. 1/17, Pasqual Street, Matugama
Tel: 034-2248790, 034-2248795,
034-4942101

MINUWANGODA

No. 152/A, Galloluwa Junction, Minuwangoda
Tel: 011-2294525, 011- 4384228

MIRIGAMA

No. 122, Werellawatta, Giriulla Road, Mirigama
Tel: 033-4944198, 033-4944199

NEGOMBO

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

NITTAMBUWA

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

NUGEGODA

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

PANADURA

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

PILIYANDALA

No. 329/4, Colombo Road, Piliyandala
Tel: 011-2609000, 011-2609001
011-4888305, 011-4896844

RAGAMA

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

RATMALANA

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

THALAWATUGODA

No. 688/A, 688/A/1, Madiwela Road,
Thalawatugoda
Tel: 011-4387538, 011-4387539
011-22774916

WATTALA

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

EASTERN PROVINCE - 7

AMPARA

No. 106, Pandukabhaya Mawatha, Ampara
Tel : 063-4890117, 063-4976000
063-4922678, 063-2222238

BATTICALOA

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

DEHIATTAKANDIYA

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

KALMUNAI

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

KANTALE

No. 57, Trincomalee Road, Kantale
Tel: 026-2234574, 026-2234447,
026-4924295

POTTUVIL

No. 230, Arugambay Road, Pottuvil
Tel: 063-2248080, 063-2248084
063-4922923

TRINCOMALEE

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

Branch Network

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. 137/A, 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

THAMBUGGAMA

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

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, 045-4927353

WARAKAPOLA

No. 211 E & 211 F, Colombo Road, Warakapola
Tel: 035-2267010, 035-2268941,
035-4976001, 035-4932382

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, Wattedgedara, 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 impact 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 risks, 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 2017/18, 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.



CREDIT RISK

ALL DISCLOSURES IN THIS SECTION ARE UNAUDITED UNLESS OTHERWISE STATED

Credit risk is the potential for loss due to the failure of a counterparty to meet its obligations to pay CF in accordance with agreed terms. 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 company and monitored through the ALCO, BoM and IRMC on a monthly and quarterly basis.

Credit policies (Audited)

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 (Audited)

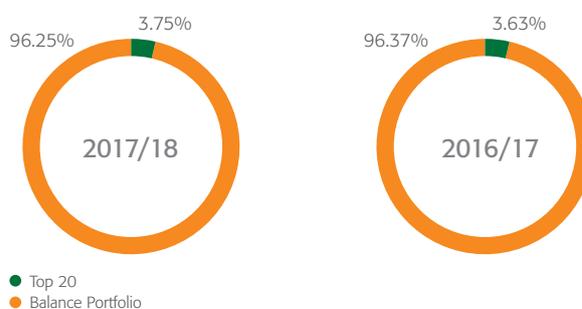
Major credit exposures to individual counterparties, groups of counterparties and product categories are reviewed and approved by the designated officers under the delegated approving limits set by the BoM, with oversight by the Board. The credit approving limits in place are structured based on the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

Credit concentration (Audited)

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 31.03.2018 (Rs.'000)	%	Amount as at 31.03.2017 (Rs.'000)	%
Top 20 Balance	2,632,726	3.75%	2,334,485	3.63%
Portfolio	67,591,910	96.25%	61,898,445	96.37%
Total Portfolio	70,224,636	100%	64,232,930	100%

Top 20 Concentration

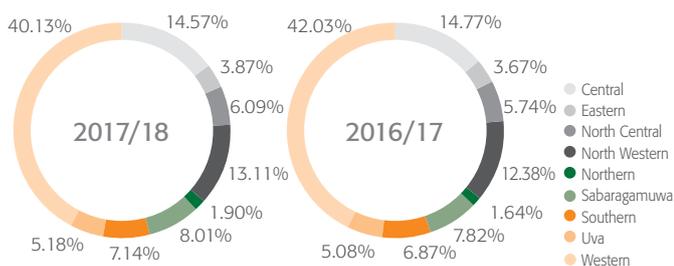


Risk Management Report

Geographical Analysis of the Portfolio (Audited)

Province	Amount as at 31.03.2018 (Rs.'000)	%	Amount as at 31.03.2017 (Rs.'000)	%
Central	10,233,841	14.57%	9,485,142	14.77%
Eastern	2,715,852	3.87%	2,356,689	3.67%
North Central	4,278,792	6.09%	3,688,095	5.74%
North Western	9,207,704	13.11%	7,953,515	12.38%
Northern	1,331,867	1.90%	1,055,382	1.64%
Sabaragamuwa	5,621,675	8.01%	5,023,036	7.82%
Southern	5,016,636	7.14%	4,414,084	6.87%
Uva	3,638,316	5.18%	3,261,531	5.08%
Western	28,179,954	40.13%	26,995,456	42.03%
Total	70,224,636	100%	64,232,930	100%

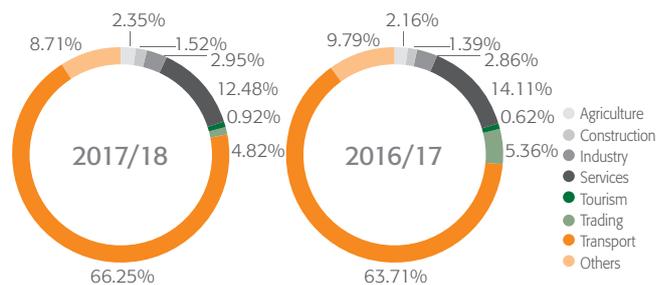
Geographical Analysis of the Portfolio



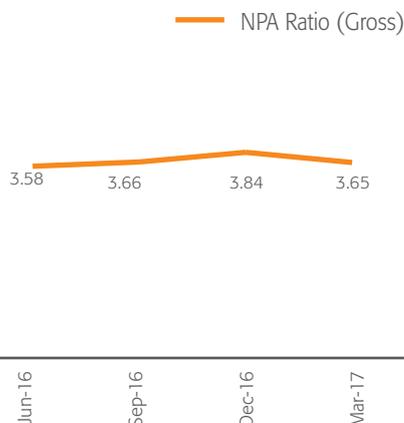
Sector-wise concentration of advances (Audited)

Sector	Amount as at 31.03.2018 (Rs.'000)	%	Amount as at 31.03.2017 (Rs.'000)	%
Agriculture	1,653,072	2.35%	1,388,035	2.16%
Construction	1,068,086	1.52%	891,080	1.39%
Industry	2,070,200	2.95%	1,836,434	2.86%
Services	8,762,401	12.48%	9,063,674	14.11%
Tourism	648,439	0.92%	395,258	0.62%
Trading	3,381,900	4.82%	3,445,882	5.36%
Transport	46,521,069	66.25%	40,923,555	63.71%
Others	6,119,469	8.71%	6,289,013	9.79%
Total Portfolio	70,224,636	100%	64,232,930	100%

Sector-wise concentration of advances



Quarterly NPA Ratio



Credit monitoring and measurement (Audited)

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.

The methodology adopted was used at each reporting date. An increase in overall impairment was noted in line with economic trends. The impairment based on the incurred loss model computed for individually significant loans and individually not significant loans for identified risk categories is given in note no 34 to the financial statements on page 126. The total interest income on impaired financial assets accrued for the year 2017/18 amounts to Rs 18,989,475 (2016/17- Rs. 7,992,625). The carrying amount of loans that would otherwise be past due or impaired, whose terms have been re-negotiated amounts to Rs 620,102,799 (2016/17 - Rs. 777,764,253). 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 (Audited)

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 (Audited)

The table below represents the company's maximum exposure to credit risk for its recognised and contingent financial instruments as at 31st March 2018, 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 in 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 2018 (Rs. '000)	As at 31st March 2017 (Rs. '000)
Cash Backed	1,080,631	914,646
Equipment	908,881	730,864
Equity	-	106,436
Others	3,899,553	3,846,795
Properties	256,821	336,607
Vehicles	64,078,750	59,149,679
Clean (Trade & Other receivables)	442,168	309,749
Clean (Loans and receivables from banks)	1,226,999	905,818
Total on-balance sheet exposure	71,893,803	66,300,593

Contingent & Commitments related exposure - Collateral-wise.

Collateral type	Instrument	As at 31st March 2018 (Rs. '000)	As at 31st March 2017 (Rs. '000)
Lease receivables	Letters of Credit	97,848	58,860
Cash backed	Guarantees	26,422	25,615
Lease receivables	Other Guarantees	-	883
Total off balance sheet exposure		124,270	85,358

Credit quality analysis (Audited)

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 2018 (Rs. '000)	As at 31st March 2017 (Rs. '000)
Neither past due nor individually impaired loans and leases	28,340,582	30,587,324
Past due but not individually impaired loans		
- Up to 30 days past due	18,376,316	15,830,640
- 31-60 days past due	12,440,765	10,345,881
- 61-90 days past due	5,719,456	4,038,200
- 91-120 days past due	2,490,651	1,533,627
- Over 120 days	4,091,859	3,149,385
Individually impaired loans	243,280	219,548
Provision for Individually significant impairment	(202,576)	(186,350)
Provision for Individually not significant impairment	(1,275,697)	(1,285,325)
Total loans and advances & leases	70,224,636	64,232,930
Of which held at fair value through profit or loss amounts to;	None	None

Risk Management Report

MARKET RISK

Market risk is the potential for loss of economic value due to adverse changes in financial market rates or prices. The risk arising from fluctuations in interest rates, foreign currency, credit spreads, equity prices, commodity prices and risk related factors such as market volatilities are considered under this. The objective of our market risk management is to obtain the best balance of risk and return whilst meeting customer requirements. The primary categories of market risk for CF are interest rate risk arising from changes in yield curves and credit spreads and to a lesser extent, changes in equity prices.

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 organization which has enabled it to strengthen segregation of duties in respect of critical functions.

The primary categories of market risk for CF are; **(Audited)**

- 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 2017 and 2018.

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	251,746	None
Available for sale Investments	261,420	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 page 101.

Sensitivity analysis (Audited)

Sensitivity analysis measures the sensitivity of the current portfolio 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%	715,723
Increase/ decrease in Interest margin by 2%	1,431,447

Equity price

Assumption	Impact to Profit and Equity Rs.'000
Increase/ decrease in equity price by 10%	51,317
Increase/ decrease in equity price by 20%	102,633

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 including information technology and legal, 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 Audit Committee also receives and reviews the management letter of the external auditor. This formal structure of governance provides the Board with assurance that operational risks are being proactively identified and effectively managed. All business units are responsible for setting and maintaining

standards for operational risk management. Possible losses to the company's assets due to unforeseen events have been covered with comprehensive insurance policies.

LIQUIDITY RISK

Liquidity and funding risk is the potential that the company does not have sufficient financial resources or stable sources of funding in the medium or long term, to meet its obligations as they fall due, or can access these financial resources only at excessive cost.

Policy, framework and governance (Audited)

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 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 60 to the financial statements on pages 158 and 159.

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 2018 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

Risk Management Report

Constituents of Capital	Amount Rs.'000
Tier I : Core Capital	
Issued and Paid-up Ordinary Shares / Common Stock	1,337,544
Share Premium	20
Statutory Reserve Fund	1,824,000
Published Retained Profits / (Accumulated Losses)	9,953
General and Other Reserves	22,555,809
Tier 2 : Supplementary Capital	
Eligible Revaluation Reserves	677,082
Eligible Tier 2 Capital	677,082
Total Capital	26,404,408
Deductions	1,303,271
Investments in capital of other banks / financial associates	1,303,271
Capital Base	25,101,137
Core Capital Ratio (Minimum 5%)	32.89
Total Risk Weighted Capital Ratio (Minimum 10%)	32.09

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 system of principles, policies, procedures and clearly defined responsibilities and accountabilities used by stakeholders to overcome the conflicts of interest inherent in the corporate form. ”

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. Good corporate governance creates a transparent set of rules and controls in which shareholders, directors and officers have aligned objectives.

The failure of a company to establish an effective system of corporate governance represents a major operational risk to the company and its investors. For 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 established an exemplary corporate governance model to enable the Company to embed procedures, policies and control environments 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.

In our endeavour to strengthen governance at CF, for the year ended 31st March 2018, we have embraced and adopted selective aspects of voluntary requirements outlined in the Code of Best Practice on Corporate Governance 2017, issued by the Institute of Chartered Accountants 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.

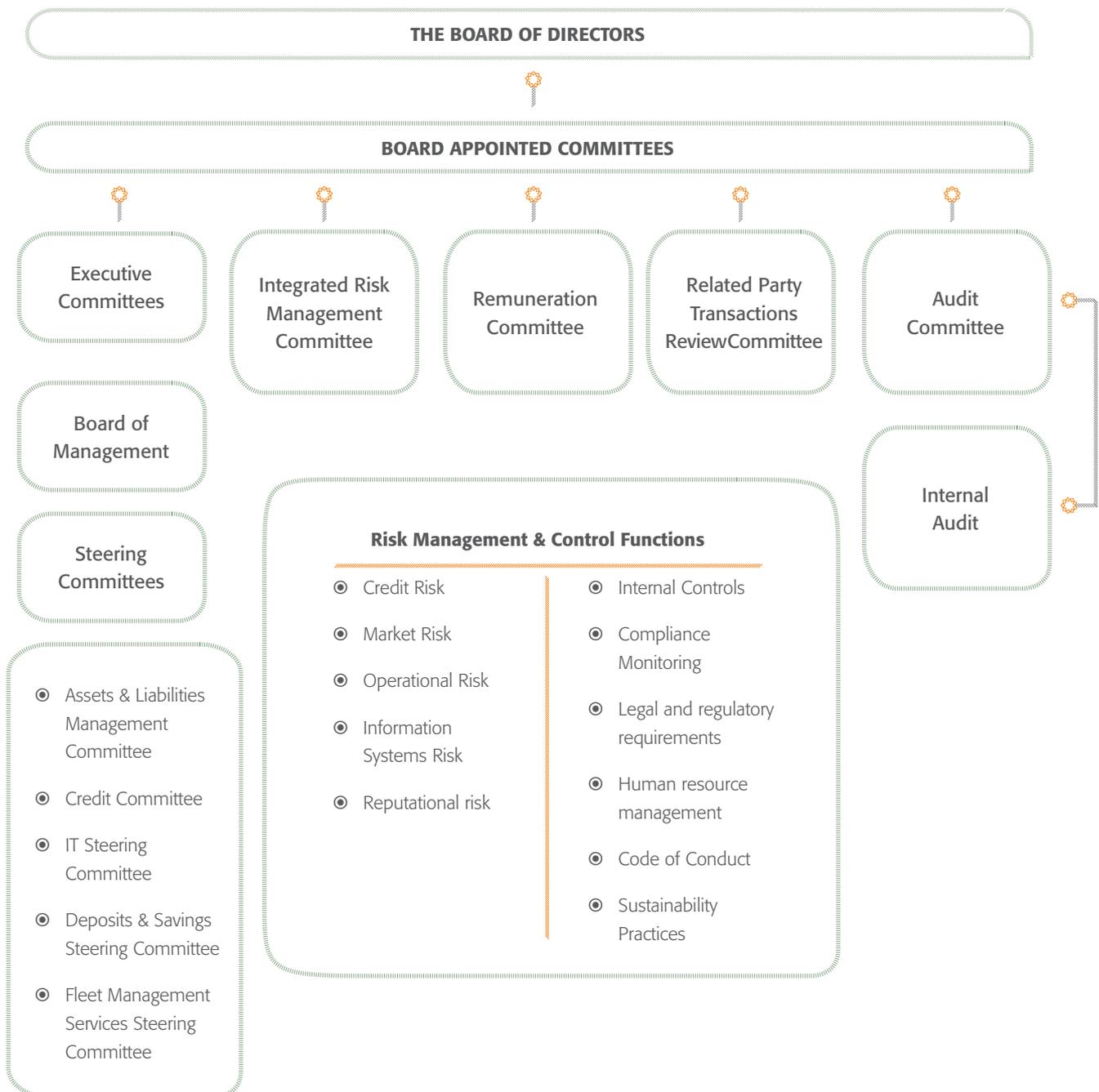
We recognise that our strategy to be a consistent, stable and a strong financial service provider relies entirely on a foundation of good corporate Governance as we endeavour to be at the forefront of the non-bank financial service sector.

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

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 the Code of best Practice on Corporate Governance 2017 issued by 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.



In keeping with the tradition, 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 -2017, issued by the Institute of Chartered Accountants of Sri Lanka.

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

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

SECTION ONE

CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE ISSUED BY THE 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 eight 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 2017/18, 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 2017/18. 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.
Internet of Things and Cyber security	Prevailing risks related to information security has been taken in to consideration by the Board in formulating a cyber- security risk management policy.
Environment, Society and Governance (ESG)	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 ESG reporting.

Corporate Governance

Corporate Governance Principles	ICASL Code Reference/Adoption status	Extent of Adoption by CF
THE COMPANY		
A. DIRECTORS		
A.1 The Board		
<p>Central Finance is headed by a well balanced Board of Directors with local & multinational experience drawn from different backgrounds inter alia banking, accounting, management, marketing & economics. All Directors possess the skills, experience and knowledge complemented with a high degree of integrity and independent judgment. The Board provides leadership in setting strategic direction and a sound control framework to successfully achieve the objectives of CF set out in the corporate plan and the annual budget to satisfy the expectations of stakeholders.</p>		
Board Meetings	A 1.1 Adopted	<p>The regularity of the board meetings and the structure and process of submitting information have been agreed by the board. The Board meets at monthly intervals, but meets more frequently whenever it is necessary. During the year, the Board met 12 times, at approximately monthly intervals.</p> <p>A monthly board pack is presented to the board members comprising financial & operational results, prevailing risks & mitigation factors, forecasts, regulatory compliances and any other matters that the board should be aware of.</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 65.</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 board determined the matters expressly reserved to the board and the aspects delegated to the management including limits of authority and financial delegations. 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>Processes have been established to monitor the progress on strategy implementation, budgets, plans and related risks and to ensure the corporate reporting, on a quarterly basis, through the board appointed sub-committees.</p> <p>The Board is 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>

Corporate Governance Principles	ICASL Code Reference/Adoption status	Extent of Adoption by CF
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.
Access to the Services of the Company Secretary. Insurance cover for the Board/KMPs	A 1.4 Adopted	Access to the services of the Company Secretary is available for all Board Members, including Non-executive Directors, as and when required. 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 & SEC. Removal of the Company Secretary, if it arises, would be a matter that would be considered by the Board as a whole. The company has obtained a comprehensive insurance cover for CF board members and its KMPs.
Independent judgment of Directors	A 1.5 Adopted	Directors including Non-executive Directors, in discharging their responsibilities and duties, 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.
Dedication of adequate time and effort by Directors	A 1.6 Adopted	All Directors dedicate adequate time for the fulfillment of their duties as Directors of the Company, 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. Adequate time has been allocated by Directors for familiarisation with business operations, risks and controls to effectively discharge their duties. 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.
Calling for resolution by one third of Directors	A 1.7 Not applicable	No such incidents had arisen during the year.
Training for Directors	A 1.8 Adopted	Directors have recognised 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.

Corporate Governance

Corporate Governance Principles	ICASL Code Reference/Adoption status	Extent of Adoption by CF
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 and 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. The Chairman leads and guides the Board to effectively discharge the legal & regulatory responsibilities and CEO/MD leads the Company's business operation effectively with the assistance of Corporate Management.
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"> • Developing the agenda in consultation with CEO/MD, Directors and company secretary considering the matters related to strategy, performance, resources, risks and compliance; • 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 all Directors are made aware of their duties & responsibilities and 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. <p>During the year Chairman/Independent Non-executive Director Mr. J. D. Bandaranayake retired and Non-executive Director Mr. C. L. K. P. Jayasuriya has been appointed as Chairman.</p>

Corporate Governance Principles	ICASL 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 11 to 12.</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>The roles of the Chairman and CEO/MD are not vested in one person. As per the criteria defined to determine an independent Director in A.5.5 of CA Sri Lanka code, Chairman is determined as independent non-executive director.</p> <p>Half the Board Members are Non-executive Directors which is more than the requirement of the code and majority of them are independent.</p> <p>Chairman / Independent Non-executive Director, Mr. J. D. Bandaranayake retired during the year and Mr. A. R. Fernando was appointed to the board as an Independent Non-executive Director.</p>
Independent Directors	A 5.2 Adopted	More than two third 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.

Corporate Governance

Corporate Governance Principles	ICASL Code Reference/Adoption status	Extent of Adoption by CF
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.
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. Circumstances did not arise for the Board to decide a Director as Independent beyond the criteria set by this 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 2017/18 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 pages 11 to 12.
Alternate Director	A 5.6 Adopted	The requirement of this code has been complied with in appointing Alternate Directors during 2017/18. 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 and the Chairman is determined as an independent Non-executive Director as per this Code.
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.
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, key updates in financial reporting and new legal developments. The Chairman ensures that all Directors are briefed on issues arising at Board Meetings.

Corporate Governance Principles	ICASL Code Reference/Adoption status	Extent of Adoption by CF
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.
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>Chairman / Independent Non-executive Director, Mr. J. D. Bandaranayake retired during the year on reaching 70 years of age in compliance with the CBSL Direction No. 03 of 2008 on Corporate Governance. Mr. A. R. Fernando was appointed to the board as an Independent Non-executive Director</p> <p>Biographic details of the Directors are given on pages 11 to 12.</p>
Assessment of Board composition	A 7.2 Adopted	The Board carries out continuous reviews of the structure, size, composition, skills and knowledge 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.
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 their 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>Chairman / Independent Non-executive Director, Mr. J. D. Bandaranayake retired during the year and Mr. A. R. Fernando was appointed to the board as an Independent Non-executive Director</p>

Corporate Governance

Corporate Governance Principles	ICASL Code Reference/Adoption status	Extent of Adoption by CF
Election of Directors by the shareholders	A 8.2 Adopted	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.
Resignation of directors	A 8.3 Not applicable	Circumstances have not been arisen where directors have tendered their resignation prior to completion of appointed term.
A.9 Appraisal of Board Performance		
Board should appraise its own performance periodically to ensure that its responsibilities are satisfactorily discharged. The Board has periodically reviewed its performance against the pre-set criteria ensuring adherence to the code.		
Appraisal of Board Performance and annual self-evaluation of the Board and its Committees	A 9.1 & A 9.2 Adopted	The Self Evaluation of the Board and its committees have been concluded for the year 2017/18. The outcome of such assessments were discussed at both, board and committee level, and corrective action taken as required. 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.
Process of reviewing the Directors at the re-election	A 9.3 Adopted	Participation, contribution and engagement of each Director is taken into consideration by the Board when recommending re-election.
Method of Board and Sub-committee performance appraisal	A 9.4 Adopted	Method of evaluating the Board and its Sub-committee performance are stated in Section A 9.1 & A 9.2 of CA Sri Lanka Code table on page 40 and Annual report of the Board of Directors on pages 71 to 77.
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	The details pertaining to each Director is disclosed as follows. a) Brief profile with expertise and experience – pages 11 to 12. b) Status of independence – pages 11 to 12. c) Other business interests – page 162. d) Attendance at Board Meetings and Sub-committee Meetings – page 65.
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/CEO 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 Principles	ICASL 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 succession plan. • Communicating with shareholders on the remuneration policy and the committee's work on behalf of the board through remuneration committee report.
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. Committee meetings, composition, scope, policy and other details given in the remuneration committee report.</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.

Corporate Governance

Corporate Governance Principles	ICASL Code Reference/Adoption status	Extent of Adoption by CF
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 for long-term success of the company	B 2.1 & B 2.2 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>
Comparison of remuneration with other companies	B 2.3 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 2.4 Not Adopted	The size and scale of Central Finance is not comparable with other Companies in the Group.
Performance related elements of remuneration to Executive Directors	B 2.5 Adopted	Please refer code B 2.1 & B 2.2 above.
Executive share options	B 2.6 Not Applicable	There are no share option plans available for executives.
Designing the Executive Directors remuneration	B 2.7 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 2.8 Adopted	<p>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.</p> <p>Such instances did not arise during the year.</p>
Early termination not included in the initial contract	B 2.9 Adopted	Refer the code B 2.8 above.
Remuneration of the Non-executive Directors	B 2.10 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.

Corporate Governance Principles	ICASL Code Reference/Adoption status	Extent of Adoption by CF
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 113.
C. RELATIONS WITH SHAREHOLDERS		
C.1 Constructive use of the Annual General Meeting (AGM) and Conduct of General Meetings.		
The Code requires the Board to use the Annual General Meeting to communicate with Shareholders and encourage their active participation.		
Notice of the AGM	C 1.1 Adopted	Notice of the meeting and related papers are sent to the shareholders as determined by the Companies Act No. 7 of 2007 and other statutes.
Separate resolution for all substantially separate issues	C 1.2 Adopted	The Company proposes a separate resolution for all substantially separate issues to provide shareholders with the opportunity to vote on each issue separately. This mechanism assures transparency in all activities of the company. Adoption of annual report and financial statements is considered as a separate resolution. Proxy appointment forms are provided to shareholders for each resolution with the option to direct their proxy accordingly. The company is mindful to disregard the votes withheld at the calculation of the proportion of the votes for and against the resolution.
Use of proxy votes	C 1.3 Adopted	The Company has in place an effective mechanism to record all proxy votes and proxy votes lodged on each resolution.
Availability of all Board Sub-Committee Chairmen at the AGM	C 1.4 Adopted	The Chairman of the Board ensures that Chairmen (or Alternate) 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 Requirement of Senior Independent Director will not arise as Chairman of the Board is independent according to the code.
Adequate notice of the AGM & procedures of voting at General Meeting	C 1.5 Adopted	All shareholders irrespective of their voting status are encouraged to attend the AGM. Notice of the meeting is given as per the requirements of the Companies Act No. 7 of 2007. The Annual Report including financial statements and the Notice of the Meeting 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 working days prior to the date of the AGM for effective participation.

Corporate Governance

Corporate Governance Principles	ICASL Code Reference/Adoption status	Extent of Adoption by CF
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	<p>The Company focuses on open communication and fair disclosure, with emphasis on the integrity, timeliness and relevance of information provided.</p> <p>A Board approved communication policy is in place to communicate with all stakeholders including shareholders, borrowers, depositors and creditors.</p>
Implementation of the Policy and Methodology	C 2.3 Adopted	As defined in the Board approved communication policy, the company adopts open communication with shareholders. Chairman, CEO and the Company Secretary are contactable with short notice.
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>

Corporate Governance Principles	ICASL Code Reference/Adoption status	Extent of Adoption by CF
C.3 Major and Material Transactions		
Further to complying with the requirements under statutes and regulators, 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 2017/18.
Disclosure requirements & shareholder approvals for special resolutions in PLCs	C 3.2 Adopted	CF has complied with all required disclosures and shareholder approvals has also obtained for special resolutions as required by the rules and regulations which have been established for public listed companies by the SEC / CSE.
D. ACCOUNTABILITY AND AUDIT		
D.1 Financial and Business Reporting (The Annual Report)		
The Code requires the Board to present a balanced and understandable assessment of the Company's financial position, performance, business model, governance structure, risk management, internal controls and challenges, opportunities and prospects.		
Statutory and Regulatory reporting	D 1.1 & D 1.2 Adopted	<p>The Board is aware of its responsibility to present balanced and understandable financial statements in compliance with statutory and regulatory requirements.</p> <p>In the preparation of quarterly and annual financial statements for the year ended 31st March 2018, 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 complied with the reporting requirements prescribed by the Regulatory Authorities such as the Central Bank of Sri Lanka and Colombo Stock Exchange.</p>
Declaration on financial statements	D 1.3 Adopted	Prior to obtaining the Board approval for financial statements, Director Finance submits a declaration for quarterly and annual financial statements confirming that financial records of the company have been properly maintained and financial statements/ disclosures comply with appropriate & required Sri Lanka Accounting standards and give a true & fair view of the financial position and performance of the company.
Directors' report in the Annual Report	D 1.4 Adopted	<p>The Directors have made all declarations in the "Annual Report of the Board of Directors" as given on pages 71 to 77 which includes the following;</p> <ul style="list-style-type: none"> • the company has not involved in any activity which contravenes the laws & regulations. • the Directors have placed great emphasis on instituting and maintaining effective corporate governance practices • the property, plant & equipment of the company are reflected at fair value and deviations have been properly disclosed. • the Board is satisfied that the company has adequate resources to continue its operations in the foreseeable future. • instituting of an effective and comprehensive internal controls covering financial operations, compliances and risk management.

Corporate Governance

Corporate Governance Principles	ICASL Code Reference/Adoption status	Extent of Adoption by CF
Statement of Directors', and Auditor's responsibility for financial statements and report on Internal Controls	D 1.5 Adopted	<p>The Statement of "Directors' Responsibility for Financial Reporting" is given on page 79 of the Annual Report.</p> <p>Auditor's reporting responsibility is given in their report on the financial statements on pages 87 to 89.</p> <p>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 pages 86.</p>
Management Discussions and Analysis	D 1.6 Adopted	The "Management Discussion and Analysis" report discussing the key aspects identified in this code is given on pages 14 to 15.
Summoning an EGM to notify serious loss of capital	D 1.7 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 1.8 Adopted	<p>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.</p> <p>As an effort to strengthen the monitoring mechanism of related party transactions, Board has established a Related Party Transaction Review Sub-committee (RPTRC). 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 59 to the Financial Statements on pages 155 to 157.</p>

D.2 Risk Management and Internal Control

The Board is responsible for determining the nature and extent of the principal risks that will be taken in achieving the strategic objectives. 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 risk management systems and the effectiveness of the internal control system	D 2.1 & D 2.2 Adopted	<p>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 related to financial, operational and compliance are reviewed annually.</p> <p>The Directors' Statement on internal controls is given on page 85. The Auditor's report on same is given on page 86.</p>
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Corporate Governance Principles	ICASL Code Reference/Adoption status	Extent of Adoption by CF
Internal audit function	D 2.3 Adopted	The Internal Audit function is carried out by the Internal Audit Department of the Company.
Review of process and effectiveness of risk management & internal controls	D 2.4 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 2.5 Adopted	The Directors' responsibilities for maintaining a sound system of internal control are given in the "Directors' Statement on Internal Controls" on page 85.
<p>D.3 Audit Committee</p> <p>The Code requires the Board to have a formal and transparent arrangement in selecting and applying Accounting policies for financial reporting, determining the structure and content of the corporate reporting, implementing internal control and risk management principles and maintaining an appropriate relationship with the Company's Auditor</p>		
Composition of the Audit Committee	D 3.1 Adopted	<p>The Audit Committee comprises of three Independent Non-executive Directors. The Chairman of the Audit Committee is also an Independent Non-executive Director. The said Committee met 13 times during the year 2017/18.</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.</p>

Corporate Governance

Corporate Governance Principles	ICASL Code Reference/Adoption status	Extent of Adoption by CF
Terms of reference of the Audit Committee	D 3.2 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 2017/18 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"> • Assisting the Board to ensure preparation and presentation of Financial Statements in conformity with Sri Lanka Accounting Standards and other laws and regulations. The committee reviews the annual and quarterly financial statements with management and the external Auditor. • Assessing the compliance of regulatory requirements and Company's ability to continue as a going concern in the foreseeable future. • Monitoring and reviewing the effectiveness of the Internal audit function. • Reviewing that a sound internal control system is in place. • Making recommendations to the Board on the appointment, re-appointment or removal of the External Auditor. • Discussion of external audit plan, key audit issues and management responses with management and the Auditor. • Assisting the Board in assessing the independence and objectivity and effectiveness of the audit process. • The Committee has set out the policy for the engagement of the External Auditor for non-audit services taking into account, relevant ethical and regulatory guidance regarding the provision of non-audit services by the external audit firm. <p>The Audit Committee reviewed and approved the policy for engagement of the external Auditor to provide non-audit services during 2017/18.</p> <ul style="list-style-type: none"> • Reporting regularly to the Board of Directors.
Disclosures of the Audit Committee	D 3.3 Adopted	A review of the scope of the Audit Committee, results of the Audit and the effectiveness in discharging its duties during 2017/18 are described in the Audit Committee report on pages 82 to 84.
D.4 Related party transaction review committee The code requires the board to ensure that a procedure has been established to avoid any conflicts of interest that may arise, in transacting with related parties.		
Related parties & related party transactions	D 4.1 Adopted	All related parties and related party transactions are identified in conformity with LKAS 24.
Related party transaction review committee	D 4.2 Adopted	The board has established a related party transaction review committee which comprises of independent Non-executive directors and executive directors and chaired by an independent Non-executive director.

Corporate Governance Principles	ICASL Code Reference/Adoption status	Extent of Adoption by CF
RPT Review committee terms of reference	D 4.3 Adopted	<p>The RPT Review committee is directed by the Board approved terms of reference which sets out authority and responsibility of the Committee. It has addressed:</p> <ol style="list-style-type: none"> 1. Ensuring that policies and procedures are in place to review the related parties and related party transactions of the Company and periodic review of the same 2. Ensuring that interested Director or KMPs shall not participate in any discussion of 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. 3. Procedures to be followed in a situation where conflicts are arisen. 4. Reviewing the availability of procedures in making disclosures related to financial reporting and ensuring that it is in accordance with the Code and Sri Lanka Accounting standards.

D.5 Code of business conduct & ethics

The Company should develop a Code of Business Conduct and Ethics to be adhered to by all Directors, Key Management Personnel and all other employees including but not limited to: dealing with shares of the company; compliance with listing rules; bribery and corruption; confidentiality; encouraging that any illegal, fraudulent and unethical behavior be promptly reported to those charged with governance.

Code of business conduct and ethics	D 5.1 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 including information 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>
Price sensitive information	D 5.2 Adopted	Communication policy is in place defining the procedure to identify and report material and price sensitive information in accordance with the relevant regulations.
A process of monitoring & disclosing of share purchases	D 5.3 Adopted	A process is in place to monitor and disclose the purchasing and selling of shares by Directors.
Affirmation of the code of conduct & ethics	D 5.4 Adopted	The communication policy which includes code of conduct and ethics and the procedure for disseminating, monitoring and compliance with the code have been introduced company wide and the Chairman confirms that he is not aware of any material violations of the Code of Conduct

D.6 Corporate Governance Disclosures

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

Corporate Governance Report	D 6.1 Adopted	This report satisfies the requirement of this code.
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Corporate Governance

Corporate Governance Principles	ICASL Code Reference/Adoption status	Extent of Adoption by CF
SHAREHOLDERS		
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. INTERNET OF THINGS AND CYBERSECURITY		
Prevailing risks related to information security has been taken in to consideration by the Board in formulating a cyber- security risk management policy.		
Effective cyber-security risk management process	Principle G.1 – Principle G.5	Prevailing risks related to information security has been taken in to consideration in developing a cyber-security risk management policy which includes a robust cyber-security risk management process, incident response system, disaster recovery plan and governance structure to monitor effective implementation and reporting

Corporate Governance Principles	ICASL Code Reference/Adoption status	Extent of Adoption by CF
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H. ENVIRONMENT, SOCIETY AND GOVERNANCE (ESG)

H.1 ESG Reporting

ESG factors create 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.

ESG 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 this regard in the annual report.

Corporate Governance Principles	ICASL Code Reference/Adoption status	Extent of Adoption by CF
Information on ESG reporting	H 1.1 Adopted	Please refer the "Corporate Social Responsibility Report" on pages 66 to 69 for details.
Environment factors	H 1.2 Adopted	
Social factors	H 1.3 Adopted	
Governance	H 1.4 Adopted	
Board's role on ESG factors	H 1.5 Adopted	

Corporate Governance

SECTION TWO

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

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

The above Direction comprises of 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)	Complied with Strategic objectives, corporate values, overall business strategy and policies of the Company set by the Board are regularly overseen by the Board and are communicated to all levels of the Company. 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.
Approving overall business strategy including risk policy & risk management procedures	2.1 (b)	Complied with Overall risk parameters have been set up with regular reviews in place through Board of Management (BoM), Integrated Risk management Committee (IRMC) and Assets and Liabilities Committee (ALCO) 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. The Board approved Strategic plan is in place covering the period 2016/17 to 2018/19 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.

Corporate Governance Principles	CBSL Rule	Compliance status / Level of Compliance
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.</p> <p>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>
Reviewing Company's internal control system and management information system	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, as and when necessary, on specific areas by Specialists.</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 Mangers 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. The delegated authority limits for KMPs have been reviewed and approved by the Board regularly.</p>

Corporate Governance

Corporate Governance Principles	CBSL Rule	Compliance status / Level of Compliance
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>
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 on a quarterly basis.</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 2017/18.</p>

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 the board has defined and approved the functions and responsibilities of the Chairman and the CEO (MD) in line with rule 7 of the CBSL direction. Please refer Section A.2 and A.3 of CA Sri Lanka Code table on page 36 and rule 7 of CBSL direction on pages 59 to 60 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 CASL Code table on page 35 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>A 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 NBF Supervision in possible situations of Insolvency	2 (6)	<p>This situation has not arisen during the year.</p>
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 2017.</p> <p>Please refer Section A.9.1 of CA Sri Lanka Code table on page 40 for details.</p>

Corporate Governance

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 code table on page 34 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 2017/18. 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 code table on page 35 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>
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 code table on page 35 for details.</p>
Maintaining minutes of the Board Meetings and 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>

Corporate Governance Principles	CBSL Rule	Compliance status / Level of Compliance
4. Composition of the Board		
Number of Directors	4 (1)	Complied with The Board comprised of ten (10) Directors during the year.
Period of service of Non-Executive Directors	4 (2)	Complied with Non-executive Directors serving on the Board have not served on the board for more than nine years. Chairman/ Independent Non-executive Director, Mr. J. D. Bandaranayake having reached 70 years of age, retired during the year. Mr. A. R. Fernando was appointed to the Board in August 2017, as an Independent Non-executive Director.
Appointment of an employee as a Director	4 (3)	Complied with This situation has not arisen during the year. The Executive Directors of the Company have not exceeded one-half of the number of Directors of the Board.
Independent Non-executive Directors	4 (4)	Complied with The company has satisfied the requirement for independent directors, which is in excess of one fourth of the total number of Directors, as at the sign off date of balance sheet. 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.
Alternate Director	4 (5)	Complied with 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.
Credibility, skills & experience of Non-Executive Directors	4 (6)	Complied with The Non-executive Directors possess skills & experience from a number of industries and business sectors, including the leadership of large multinational enterprises. Biographic details of the Directors are given on pages 10 to 11.

Corporate Governance

Corporate Governance Principles	CBSL Rule	Compliance status / Level of Compliance
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 31.03.2018, the required quorum has been maintained at all Board Meetings.</p> <p>Details of the meetings and individual attendance are given on page 65.</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. Independent Non-executive Director, Mr. A. R. Fernando was appointed to the Board at the retirement of Independent Non-executive Director, Mr. J. D. Bandaranayake.</p> <p>Please refer section A 7.3 of the CA Sri Lanka code table on page 39 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. Mr. A. R. Fernando will stand for re-election at the forthcoming AGM.</p>
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 2017/18 financial year, there were no resignations/ or removal of Directors. However, Mr. J. D. Bandaranayake 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. J. D. Bandaranayake 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 31.03.2018 have not reached the age of seventy (70) years.</p>

Corporate Governance Principles	CBSL Rule	Compliance status / Level of Compliance
Holding of office in more than 20 entities	5 (2)	Complied with As at 31.03.2018, none of the Directors on the Board hold Directorships in more than 20 companies including the subsidiary and associates companies of Central Finance Company PLC.
6. Delegation of Functions		
Delegation of work to the management	6 (1)	Complied with Article 127 of the Articles of Association of the Company empowers the Board to delegate its powers and the Board has established a formal procedure for delegation of powers, retaining the ability to discharge its functions as required. The Board of Central Finance 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.
Evaluation of the delegated process	6 (2)	Complied with Please refer comments above.
7. The Chairman and the Chief Executive Officer		
Division of Responsibilities of the Chairman & the CEO (MD)	7 (1)	Complied with The roles of the Chairman and the Chief Executive Officer / Managing Director are separate.
Chairman Preferably be an Independent Director and if not appoint a Senior Director	7 (2)	Complied with During the year, Chairman/Independent Non Executive Director Mr. J. D. Bandaranayake retired and Non Executive Director Mr. C. L. K. P. Jayasuriya has been appointed as Chairman. Mr. S. C. S. Wickramasinghe was appointed as the Senior Director with effect from 13.07.2017 since the Chairman is not considered as an Independent Non-Executive Director, as per the definition set out in the Corporate Governance Direction.
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 Non-executive Chairman is given in the CASL Code table section A 2 & A 3 on page 36.
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.

Corporate Governance

Corporate Governance Principles	CBSL Rule	Compliance status / Level of Compliance
Communication with Shareholders	7 (10)	<p>Complied with</p> <p>The Chairman ensures that adequate opportunity is given to shareholders to take up matters for clarification at the Annual General Meeting. Valid shareholder views are communicated to the Board.</p>
Role of the CEO (MD)	7 (11)	<p>Complied with</p> <p>The CEO (MD) performs as apex Executive-in-Charge of the day-to-day management of Central Finance operations and business.</p>
8. Board appointed committees		
Board appointed Sub-committees	8 (1)	<p>Complied with</p> <p>There are four Board appointed Sub-committees namely, Audit Committee, Remuneration Committee, Integrated Risk Management Committee and Related Party Transactions Review Committee.</p> <p>Minutes of the Sub-committee Meetings and matters arising from the minutes as well as reports that require Board's attention and/ or decisions were circulated to the Board by respective Secretaries of the Committees.</p>
Audit Committee	8 (2) (a) to 8 (2) (q)	<p>Complied with</p> <p>The Audit Committee comprises of three independent Non-executive Directors and the Chairman of the committee is also 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 code table on pages 47 to 48 in respect of composition, role and responsibilities of the Board appointed Audit Committee covering;</p> <ol style="list-style-type: none"> the Chairman of the Committee composition of the Audit Committee recommendation to the Board on appointment, re-appointment and removal of External Auditor monitoring & review of the External Auditor's independence, objectivity and effectiveness. policy of engagement of External Auditor in non-audit services Deciding on nature and scope of the External Auditor. discussing & finalising the nature and scope of the audit with external auditor reviewing Financial information of the company meeting with External Auditor with & without the presence of Executive Directors/ KMPs review of External Auditor's Management Letter Steps taken to review the Internal Audit functions. and review major findings of internal audit & management responses thereto secretary to the Audit committee and recording of minutes and 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 1.8 of the CA Sri Lanka code table on page 46 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 2018 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> <p>a. A statement to the effect that the 2017/18 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.</p> <p>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.</p> <p>c. Independent Assurance Report is issued by the External Auditor on effectiveness of Internal Controls over Financial Reporting based on "SLSAE 3050 – Assurance Report for Banks on Directors' Statement on Internal Controls" issued by CA Sri Lanka. Please refer External Auditor's Assurance Report on the Directors' Statement on Internal Control on page 86.</p> <p>d. Details of the Directors are given on pages 10 to 11 Directors' remuneration is disclosed on page 113. Deposits made by the Directors are given in note no. 59 of the financial statements on page 156.</p> <p>e. Fees and Remuneration paid to the Directors in total is given in note no. 16 of the financial statements on page 113.</p> <p>f. The net accommodation outstanding from the related parties is given below as a percentage of capital funds</p> <table border="1"> <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>0.32</td> <td>0.001%</td> </tr> <tr> <td>2. Associates</td> <td>3,130.86</td> <td>12.169%</td> </tr> <tr> <td>3. Key Management Personnel</td> <td>3.51</td> <td>0.014%</td> </tr> </tbody> </table>	Related Party Category	Amount (Rs. Mn.)	As a % of Capital Funds	1. Subsidiaries	0.32	0.001%	2. Associates	3,130.86	12.169%	3. Key Management Personnel	3.51	0.014%
Related Party Category	Amount (Rs. Mn.)	As a % of Capital Funds												
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3. Key Management Personnel	3.51	0.014%												

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. 59 of the financial statements on pages 156 to 157 Investment made by the KMPs in the Company amounts to 51,396,184 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, noncompliance with the Act and rules and directions that have been pointed out by the Director - SNBFI and requested by the Monetary Board to be disclosed to the public</p> <p>j. The external auditor has 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 as per the Listing Rule.
	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 pages 10 to 11.
	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.
Remuneration Committee	7.10.5 (a) Composition	Compliant	The Remuneration Committee solely comprises of 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 113.
Audit Committee	7.10.6 (a) Composition	Compliant	The Audit Committee comprises of three Independent Non-executive Directors.
	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 84.

MEETINGS

In 2017/18, 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	13	4	1	4
J.D. Bandaranayake	Chairman/Independent Non-executive Director	4*	-	-	-	-
C.L.K.P. Jayasuriya	Chairman/Non-executive Director	12	5	4	1	-
E.H. Wijenaik	Managing Director	11	-	3	-	3
G.S.N. Peiris	Director (Finance)	11	-	4	-	-
R.E. Rambukwelle	Director (Marketing and Operations)	12	-	0	-	-
A.K. Gunaratne	Director (Group Co-ordination)	12	-	4	-	3
D.P.de Silva	Director (Credit)	12	-	4	-	-
S.C.S. Wickramasinghe	Independent Non-executive Director	11	-	-	1	-
Mr. A. D. B. Talwatte	Independent Non-executive Director	12	13	4	1	4
Dr. (Mrs.) A.D.N. de Zoysa	Independent Non-executive Director	12	13	4	-	-
A. R. Fernando	Independent Non-executive Director	8**	8	2	-	-

* Retired with effect from 13th July 2017

** Appointed with effect from 16th August 2017

Corporate Social Responsibility

At Central Finance, we aim to be a more sustainable company by strengthening stakeholder relationships, ensuring that our business processes demonstrate best practices within a sustainable framework and by fulfilling social and environmental responsibilities towards society at large.

HUMAN CAPITAL DEVELOPMENT

Human capital plays a crucial role in the continuous progression of Central Finance. The company offers equal opportunity to all employees and does not discriminate based on ideological views, gender, race, age, disability or any other status protected by law.

Over the years CF has been able to create a dynamic work culture through continuous development of Human Capital and strives to ensure a progressive working environment coupled with effective training and flexible working practices that focus on Human Resource Development. CF culture further aims to create the right environment to assist employees to strike a balance between career and personal life.

Encapsulating these values and principles, CF rewards the exceptional achievers through a well-planned performance based reward mechanism. Evaluation of performance is primarily based on Key Performance Indicators assigned to various profit centers and individuals. Measurable goals are set to ensure that they are challenging yet achievable and the performance of each employee is reviewed annually.

Gender Distribution		
Gender	No. of employees	%
Male	1,300	74.3
Female	460	25.7
Total Staff	1,790	100

CF maintains a well-balanced cadre distribution with 77% of its employees being below the age of 41 Years.

Age (Yrs)	No. of employees	%
18-20	53	2.9
21-25	356	19.9
26-30	411	23.0
31-35	324	18.1
36-40	231	12.9
41-45	131	7.9
46-50	108	6.0
51-55	98	5.5
56-60	50	2.8
Above 60	28	1.6
Total	1,790	100

REMUNERATION AND BENEFITS

The company's Human Resource policy takes in to account the market standards in determining the remuneration and other fringe benefits offered to employees. The reward structure is linked to a performance based appraisal model to ensure employees are motivated to constantly improve their performance.

LEADERSHIP DEVELOPMENT

CF identifies leadership as a critical factor in driving corporate success, particularly in a volatile business environment. Developing future business leaders is therefore a fundamental component in the Company's Human Resources Management Policy and a number of opportunities are offered to young, ambitious employees to achieve their career goals.

The "IGNITE" Leadership Development Programme was launched in 2016/2017 with the aim of building future business leaders by promoting self-development, leadership, teamwork and managerial skills among 40 young participants. This 12 month programme comprised of workshops, assignments, individual coaching and supervisor feedback sessions directed at driving participants towards being effective in achieving organizational goals, maximizing the synergy between teams and pursuing continuous learning and innovation.



TRAINING AND DEVELOPMENT

Training and development is a foremost priority of CF's Human Resources Strategy. Training requirements are continuously assessed and determined based on employee performance reviews.

During the year under review an Executive Development Programme was conducted for Executive staff in order to improve a wide variety of skills including leadership, customer service, decision making, problem solving and management of people and organisational processes.

As in the previous year the company continued to conduct the motivational "ඔබ කියල බැ" - "You can't say No", programme across

all levels of employees. This workshop is aimed at promoting customer service excellence, business ethics, social etiquette and personal grooming.

As part of the ongoing training effort, CF also provides overseas training for staff. These training initiatives create a platform for key decision makers to respond to the changes in the macro environment.

During the year under review, the company provided 3,254 hours of training for its employees, inclusive of 72 hours of overseas training. The composition of the training for all levels of staff is given below.

Staff category	No. of hours
Senior managers	228
Middle level managers	960
Line managers	873
Non-executive staff	1,193
	3,254



Developments are currently underway to introduce a computer based "e-learning" tool which would allow for staff members to access product information, reference documents, training sessions and online tests through an educational portal.

EMPLOYEE WELLBEING

The wellbeing of our employees is of paramount importance to the company. In light of this, CF has a robust event calendar which fosters camaraderie and encourages team spirit among employees at all levels.

SCHOLARSHIP AWARDS TO CHILDREN OF EMPLOYEES

Extending its welfare efforts to the children of staff, CF offers scholarships across four platforms;

1. Entry to Grade 1
2. Successful completion of the Grade Five scholarship examination
3. Top grades at the G.C.E. Ordinary Level Examination

4. Successful admission to a State University upon completion of the G.C.E. Advance Level Examination.

The company also grants an annual allowance to all school children of CF employees to purchase their school books and other necessities.

EDUCATIONAL LOANS

CF encourages its employees to continue their professional education from recognised professional institutes by offering grants to finance their course fees.

THE CHAIRMAN'S RELIEF FUND

The Chairman's Fund extends support to meet medical expenses related to critical illnesses that go beyond the regular company medical insurance cover.

SOCIAL AND COMMUNITY DEVELOPMENT

CF's efforts to strengthen communities go beyond its breadth of work and are ingrained in the company's values - integrity, excellence, inspiration and duty of care. By combining philanthropy, community engagement and policy leadership, CF strives to improve relationships with individuals and communities. During the year, CF's involvement in social community development was focused on three key areas; Education Development, Infrastructure and Medical Aid.

The company has also taken initiatives to launch 20 new rural community development projects in 16 districts focusing on several key areas, namely education development, water purification, sanitary infrastructure development and community awareness and engagement. The projects will be implemented in four phases during 2018.



EDUCATION DEVELOPMENT

For the third consecutive year, CF continued to provide educational support to under privileged children under the "Sisu Athwela" programme. Students selected under the programme are provided with financial support to meet their school necessities from Grade 6 until the completion of their Advance Level education. Achievement

Corporate Social Responsibility

in Grade 05 scholarship examination is considered as the main criteria for the selection, with due consideration given to the income level of the family. During the year, this scholarship was awarded to 63 children, bringing the total number of recipients to 146, since the launch of the programme in 2015.

CF also sponsored much needed educational textbooks to the libraries of three schools in the Hambantota District namely, Karabagalmulla Kanishta Vidyalaya, Bediganthota Kanishta Vidyalaya and Viharagala Maha Vidyalaya. Collectively, the three schools have a total student population of 750 children. It was found that many of these children come from low-income families, with their parents primarily engaging in small-scale farming activities. The objective of this project is to improve literacy and promote reading habits among students. The project was developed and implemented by the staff members of CF Hambantota Branch.

MEDICAL AID

CF initiated two health care projects to mark its 60th anniversary. One was to address a critical need of pediatric patients at the Lady Ridgeway Hospital (LRH) in Colombo, by providing two Nasal Oxygen Therapy Machines, thereby supplementing the two machines donated in the previous year. In addition, a longer term project to improve the patient facilities at the Eye Ward in the Kandy General Hospital was also launched during the year, the work of which is ongoing at the time of this report.

In May 2017 Sri Lanka was hit by floods, which affected 15 districts leading to over 600,000 people being displaced due to the floods and landslips. CF was among the first to respond to the situation, with emergency relief material including kitchen utensils, study material for children, and blankets amounting to Rs.1.3 million



being immediately despatched to three districts namely Ratnapura, Galle and Matara. CF staff members rallied spontaneously to assemble relief packs and accompany the convoy of vehicles carrying relief material to the affected areas. Relief parcels were distributed to displaced families in coordination with Government Agents and the Gramaseva Niladharis.

At the same time, CF was quick to respond to the appeal made by Asia Pacific Alliance for Disaster Management (A-PAD) Sri Lanka led by a Consortium of Humanitarian Agencies (CHA) on the same disaster and donated required medical supplies for the affected communities.



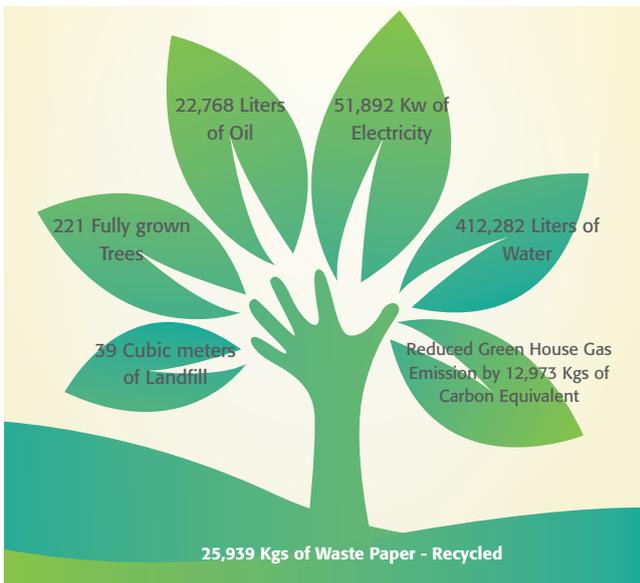
ENVIRONMENTAL SUSTAINABILITY

CF's work culture places a strong emphasis on encouraging efficient usage of resources and minimisation of wastage at the workplace. Installation of a fully-fledged solar panel system at the Vauxhall Street office premises has resulted in the generation of 24 Mw of electricity contributing to a reduction of 13.5 Tons of Carbon Dioxide being released into the atmosphere.





Recycling paper waste is another green initiative that CF has been pursuing over the years. During the year, 25,939 Kg of waste paper has been collected and recycled from branches located islandwide. Business processes have also been streamlined over time to ensure reduction in usage of paper forms and documents by switching to electronic documentation.



Financial Calendar 2017/18	
First Quarter Results 2017/18	10th August 2017
Final Dividend 2016/17 - paid	05th July 2017
Second Quarter Results 2017/18	09th November 2017
Interim Dividend 2017/18 - paid	15th December 2017
Third Quarter Results 2017/18	09th February 2018
Fourth Quarter Results 2017/18	28th May 2018
Annual Report 2017/18	06th June 2018
60th Annual General Meeting	29th June 2018
Final Dividend 2017/18 - proposed and to be paid	05th July 2018

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Annual Report of the Board of Directors

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 25th May 2018.

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

ASSOCIATES

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

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

REVIEW OF BUSINESS

A review of the company and group operations during the year, with comments on the financial results and future developments is contained in the managing director's report on pages 6 to 10 and the management discussion and analysis on pages 14 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 90 to 161 of the annual report.

RETROSPECTIVE RESTATEMENT OF FINANCIAL STATEMENTS

Financial statements of prior periods were restated during the current financial year in order to rectify an error in calculation of impairment provisions on lease receivables. Details of the correction are given in note 54 on page 153 of the annual report.

Annual Report of the Board of Directors

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

Directors are responsible for the preparation of financial statements of the company to reflect a true and fair view of the state of its affairs. The directors are of the view that these financial statements have been prepared in conformity with the requirements of the Sri Lanka Accounting Standards, Companies Act No. 07 of 2007, Finance Business Act No. 42 of 2011, Inland Revenue Act No.10 of 2006 and amendments thereto and the Listing Rules of the Colombo Stock Exchange.

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

AUDITOR'S REPORT

The auditor's report on the financial statements is given on pages 87 to 89 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 96 to 111 of the annual report.

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

	2017/18 Rs.'000	2016/17 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	8,223,192	7,098,851
Provision for taxation	(2,754,795)	(2,343,822)
Group profit after taxation	5,468,397	4,755,029
Other comprehensive income net of income tax		
Net gains on re-measurement of available for sale financial assets	32,971	13,746
Actuarial gains/(losses) on defined benefit plans	(38,429)	41,697
Revaluation gain on land reclassified as investment properties	179,816	-
Tax effect on revaluation surplus of land due to change in applicable legislation	(617,197)	-
Share of other comprehensive income of associates	250,663	32,550
Total comprehensive income for the year	5,276,221	4,843,022
Non-controlling interest	(27,164)	(88,095)
Attributable to equity holders of the company	5,249,057	4,754,927
Other comprehensive income net of tax relating to :		
Available for sale reserve	(89,631)	(30,957)
Revaluation reserve	192,927	(12,847)
	5,352,353	4,711,123

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. 20,463.76 million (2016/17 - Rs. 18,145.87 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. 4,145.22 million (2016/17 - Rs. 3,966.40 million) whilst the group comprehensive income attributable to equity holders of the parent was Rs. 5,249.06 million (2016/17 - Rs. 4,754.93 million).

	2017/18 Rs.'000	2016/17 Rs.'000
Un-appropriated profit brought forward from previous year	3,708,294	3,068,170
Transfer from revaluation reserve	25,752	12,095
Unclaimed dividends written back	107	244
Effect due to amalgamation of a subsidiary	-	21,450
Reversal of impairment provision for available for sale securities	435	-
Balance available for appropriation	9,086,941	7,813,082
Appropriations		
Transfer to reserve fund	(225,000)	(203,000)
Transfer to loan loss reserve	(920,000)	-
Transfer to general reserve	(1,759,000)	(3,262,000)
Dividends distributed during the year	(704,466)	(639,788)
Un-appropriated profit carried forward	5,478,475	3,708,294

RESERVES

The total Group reserves as at 31st March 2018 amounted to Rs. 34,036.76 million (31st March 2017 - Rs. 29,491.63 million), details of which are given in notes 49 to 53 to the financial statements.

CORPORATE DONATIONS

During the year, the company made donations amounting to Rs. 2.25 million (2016/17 Rs. 2.99 million) in terms of the resolution passed at the last annual general meeting. This includes donations of Rs. 1.44 million (2016/17 Rs. 2.57 million) made to Government approved charities. Total donations of the group during the year amounted to Rs. 2.66 million (2016/17 - Rs. 3.27 million) of which Rs. 1.44 million (2016/17- Rs. 2.57 million) were made to Government approved charities.

STATUTORY PAYMENTS

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

DIVIDENDS

The directors recommend the payment of a final dividend of Rs. 1.60 per share for the year ended 31st March 2018 (2016/17 - Rs. 0.85 per share) subject to approval by the regulators and the shareholders approval at the forthcoming annual general meeting. The dividend consists of Rs. 0.60 per share payable in cash and Rs. 1.00 per share by way of a scrip dividend through the allotment of new shares. This dividend, together with the interim dividend of Rs. 2.40 per share paid on 15th December 2017 amount to a total dividend pay-out of Rs. 867.04 million for the year (2016/17 - Rs. 509.38 million). The interim dividend was paid entirely out of taxable profits and was therefore subject to 10% withholding tax.

Entirety of the cash dividend of Rs. 0.60 per share represents redistribution of dividends received by the company and therefore will not be subject to further withholding tax. A small portion of the scrip dividend of Rs. 1.00 per share will be paid out of dividends received and the balance out of taxable profit. The component of dividend to be paid out of taxable profits will be subject to 14% withholding tax as applicable under the Inland Revenue Act No. 24 of 2017. The directors confirm 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 2017 and the final dividend proposed.

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. 1.60 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. 1,863.85 million and Rs. 2,026.89 million respectively. (2016/17 - company Rs. 1,858.19 million and group Rs. 1,962.21 million) details of which are given in notes 40 and 41 to the financial statements. Value of capital expenditure approved and contracted for as at year end is disclosed in note 56 to the financial statements.

MARKET VALUE OF FREEHOLD PROPERTIES

The value of freehold properties owned by the group as at 31st March 2018 is included in the accounts at Rs. 3,759.74 million (31st March 2017 - Rs. 3,892.02 million) based on valuations undertaken by Chartered Valuers /Licensed Surveyors in March

Annual Report of the Board of Directors

2014. Directors are of the opinion that this value is not in excess of the current market value. Details are provided in note 40 to the financial statements.

EVENTS AFTER THE REPORTING DATE

No events of a material nature have occurred subsequent to the date of the statement of financial position requiring adjustments to the financial statements, other than those disclosed in note 58 to the financial statements.

STATED CAPITAL AND DEBENTURES

The company did not make any share issues during the year ended 31st March 2018. Stated capital of the company as at 31st March 2018 was Rs. 1,337.56 million (Rs. 1,337.56 million as at 31st March 2017) consisting of 216,758,888 ordinary shares (216,758,888 ordinary shares as at 31st March 2017).

The Company did not make any debenture issues during the year ended 31st March 2018. The Company had issued Rs. 100/- par valued 41,000,000 rated, secured, redeemable debentures to the value of Rs. 4.1 billion (Rs. 4.3 billion as at 31st March 2017), and Rs. 1,000/- par valued 1,400,000 rated, unsecured, redeemable debentures to the value of Rs. 1.4 billion as at 31st March 2018 (Rs. 1.7 billion as at 31st March 2017). Redemption of debentures during the year ended 31st March 2018 amounted to Rs. 500 million (Rs. 500 million during the year ended 31st March 2017). All these debentures are listed on the Colombo Stock Exchange and the details are given in note 46 to the financial statements.

SHAREHOLDINGS

There were 2,879 registered shareholders as of 31st March 2018 and the distribution of shareholding is indicated on page 168.

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 170 to 171 of the annual report.

MAJOR SHAREHOLDERS

The twenty largest shareholders of the company as at 31st March 2018 together with an analysis of the shareholdings are given on page 169.

THE BOARD OF DIRECTORS

List of directors

The board of Central Finance Company PLC consists of ten directors with wide financial and commercial knowledge and experience. The qualifications and experience of the directors are given on pages 11 and 12 of the annual report.

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

C. L. K. P. Jayasuriya	(Non-executive Chairman)
E. H. Wijenaikie	(Managing Director)
G. S. N. Peiris	(Executive Director)
R. E. Rambukwelle	(Executive Director)
A. K. Gunaratne	(Executive Director)
D. P. de Silva	(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)
A. R. Fernando	(Independent Non-executive Director)

RETIREMENTS / NEW APPOINTMENTS/CHANGE OF DESIGNATIONS DURING THE FINANCIAL YEAR

J. D. Bandaranayake, Chairman of the Board of Directors from 01.01.2012 retired from the board on 13.07.2017 in keeping with the provisions of Section 5 (1) of the Corporate Governance Direction No. 03 of 2008 issued by the Central Bank of Sri Lanka for Finance Companies. Consequently, C. L. K. P. Jayasuriya a Non-executive Director of the board since 01.07.2011 was appointed Chairman with effect from 14.07.2017.

A. R. Fernando was appointed to the board as an Independent, Non-executive Director with effect from 16.08.2017.

RECOMMENDATIONS FOR RE-ELECTION

S. C. S. Wickramasinghe retires by rotation in terms of article 105 of the articles of association and being eligible offers himself for re-election at the forthcoming annual general meeting.

A. R. Fernando retires in terms of article 111 of the articles of association and being eligible offers himself for re-election at the forthcoming annual general meeting.

LIST OF DIRECTORATES OF SUBSIDIARIES AND ASSOCIATES

Details of the directors of the subsidiaries and associates of the company are given on the page 163 to 165 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
Dr. (Mrs) A. D. N. de Zoysa	- Independent Non-executive Director
A. R. Fernando	- Independent Non-executive Director

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

REMUNERATION COMMITTEE

C. L. K. P. Jayasuriya (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
C. L. K. P. Jayasuriya	- Non-executive Director
Dr. (Mrs) A. D. N. de Zoysa	- Independent Non-executive Director
A. R. Fernando	- Independent Non-executive Director
E. H. Wijenaik	- Managing Director
G. S. N. Peiris	- Executive Director
A. K. Gunaratne	- Executive Director
R. E. Rambukwelle	- Executive Director
D. P. de Silva	- Executive Director

The report of the integrated risk management committee is given on page 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
A. R. Fernando	- Independent Non-executive Director
E. H. Wijenaik	- Managing Director
A. K. Gunaratne	- 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 thereof 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 2018	31st March 2017
E. H. Wijenaik	33,405,854	33,405,854
G. S. N. Peiris	3,778,213	3,778,213
R. E. Rambukwelle	1,528,779	2,035,473
A. K. Gunaratne	1,726,233	1,726,233
D. P. de Silva	214,623	214,623

Spouses

A. J. Wijenaik	6,760,804	6,760,804
I. R. Peiris	920,349	920,349

Given below are the directors' shareholdings in group companies as at 31st March 2018.

Central Industries PLC

E. H. Wijenaik	36,012 (31.03.2017 - 36,012)
G. S. N. Peiris	6 (31.03.2017 - 06)

Nations Trust Bank PLC**Voting shares**

E. H. Wijenaik	10,873 (31.03.2017 - 10,598)
A. K. Gunaratne	19,937 (31.03.2017 - 19,432)
R. E. Rambukwelle	26,675 (31.03.2017 - nil)

Convertible non-voting shares

E. H. Wijenaik	1,890
A. K. Gunaratne	3,466

Tea Smallholder Factories PLC

E. H. Wijenaik	10,000 (31.03.2017 - 10,000)
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Kandy Private Hospitals Ltd.

E. H. Wijenaik	7,000 (31.03.2017 - 7,000)
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RELATED PARTY TRANSACTIONS

The directors have disclosed such transactions in terms of Sri Lanka Accounting Standard 24, Related Party Disclosures, and details of the transactions are given in note 59 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 31.03.2018 are in line with the provision contained in Section 9 of the Listing Rules

Annual Report of the Board of Directors

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 2018, requiring disclosure 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. Directors believe that the transactions entered into with related parties during the period 01.04.2017 to 31.03.2018 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 2018 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 162 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 31 to 65 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 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 requiring disclosure.

COMPLIANCE WITH LAWS AND REGULATIONS

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

AUDITOR

The audit committee of the company has recommended the re-appointment of SJMS Associates, Chartered Accountants as auditor of the company and a resolution relating to their re-appointment and authorising the directors to fix their remuneration as recommended by the audit committee will be proposed at the annual general meeting.

The audit committee reviews the appointment of the auditor, their effectiveness, independence and relationship with the group.

The auditor, SJMS Associates, was paid Rs. 2.73 million (2016/17 - Rs. 3.00 million) as audit fees. In addition, they were paid Rs. 0.32 million (2016/17 - Rs. 0.33 million) for permitted non-audit related services.

Audits of the group companies during the year ended 31st March 2018 were handled by SJMS Associates, KPMG Ford, Rhodes Thornton & Company and Ernst & Young. Total fees paid to them during the year for audit and permitted non-audit related services amounted to Rs. 1.67 million and Rs. 0.78 million respectively.

SJMS Associates, KPMG Ford, Rhodes Thornton & Company, Ernst & Young and B. R. De Silva & Company handled the audits of the group companies during the year ended 31st March 2017. Total fees paid to them for audit and permitted non-audit related services amounted to Rs. 1.62 million and Rs. 0.38 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 sixtieth annual general meeting of the company will be held at the Grand Kandyan Hotel, No. 89/10, Lady Gordon's Drive, Kandy on 29th June 2018.

For and on behalf of the Board



C. L. K. P. Jayasuriya

Chairman



G. S. N. Peiris

Director



Corporate Services (Pvt) Ltd.

Company Secretary

Colombo

25th May 2018

Related Party Transactions Review Committee Report

Related Party Transactions Review Committee (RPTRC) 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 executive directors and Independent Non-executive directors.

The members of the RPTRC are as follows:

A. D. B. Talwatte (*Independent Non-executive Director*) / (*Chairman*)
 J.D. Bandaranayake (*Independent Non-executive Director*) - *Retired with effect from 13.07.2017*
 Dr. (Mrs.) A.D.N. de Zoysa (*Independent Non-executive Director*)
 E.H. Wijenaikie (*Managing Director*)
 A.K. Gunaratne (*Executive Director*)

COMMITTEE MEETINGS

The committee met four times in the financial year to review related party transactions and the proceedings of the committee meetings are reported to the Board. Details of individual member attendance is given on page 65.

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 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 59 on pages 155 to 157 of the financial statements.



A. D. B. Talwatte

Chairman
 Related Party Transactions Review Committee

Colombo
 25th May 2018

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 31.03.2018, 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 2018 incorporated in this report have been prepared in accordance with the Companies Act No. 07 of 2007, Finance Business Act No. 42 of 2011, Sri Lanka Accounting Standards (SLFRS/LKAS) and the Listing Rules of the Colombo Stock Exchange and certified by the chief financial officer of the company and signed by two directors as required by the Companies Act No. 07 of 2007.

The directors consider that, in preparing the financial statements exhibited on pages 90 to 161, 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 pages 87 to 89 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 distribution of an interim dividend. Directors subject to obtaining regulatory approval has recommended a final dividend of Rs. 1.60 per share for this year which is to be approved by the shareholders at the Annual General Meeting to be held on 29th June 2018.

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.
 25th May 2018

Remuneration Committee Report

The Remuneration 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/ Managing Director, 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 Non-executive directors, two of whom are independent.

COMMITTEE MEETINGS

The committee met in March 2018 at which progress on decisions on succession planning made previously as well as proposed approach to salary changes to be effective from April 2018, 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 65.

COMPOSITION

C. L. K. P. Jayasuriya (Chairman) / (Non-executive director)
S. C. S. Wickramasinghe (Independent Non-executive director)
A. D. B. Talwatte (Independent Non-executive director)

POLICY

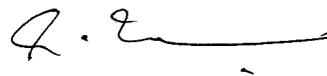
The policies on compensation and benefits are formulated to ensure that members of the executive management of the company are provided with appropriate compensation to encourage superior performance. The policy is designed to recognise and reward individual contributions based on its impact on the performance 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 meetings and serving on sub-committees.



C. L. K. P. JAYASURIYA

Chairman
Remuneration Committee

Colombo
25th May 2018

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 during the financial year comprised of the following members:

A. D. B. Talwatte – (Chairman/Independent Non-executive director)
 J. D. Bandaranayake – (Independent Non-executive director) - Retired with effect from 13.07.2017
 C. L. K. P. Jayasuriya – (Non-executive director)
 Dr. (Mrs.) A. D. N. De Zoysa – (Independent Non-executive director)
 A. R. Fernando - Independent Non-executive director – Appointed with effect from 30.08.2017

Management representatives are;

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

Brief profiles of the directors representing the committee are given on pages 11 to 12 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 advice on the risks arising from changes in the macroeconomic environment.

MEETINGS

The committee met four times during the year on 24th April 2017, 24th July 2017, 07th Dec 2017 and 23rd Feb 2018, and the attendance of the directors at the meetings is given on page 65 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
 25th May 2018

Audit Committee Report

The Board has established the Audit Committee exclusively of Non-executive Directors to assist the Board in its general oversight on financial reporting, internal controls, internal audit and external audit related affairs of the Company.

COMMITTEE COMPOSITION

The Audit Committee is comprised of three Independent Non-Executive 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 following members served in the Board appointed Audit Committee during the twelve months period ended 31st March 2018.

Mr. A.D.B. Talwatte (IND/NED)
Mr. C.L.K.P. Jayasuriya (NED)
Dr. (Mrs.) A.D.N. de Zoysa (IND/NED)
Mr. A.R. Fernando (IND/NED)

Mr. A.R. Fernando was appointed as a member of the Audit Committee with effect from 30th August 2017 in place of Mr. C.L.K.P. Jayasuriya who served the committee up to 30th August 2017.

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

Brief Profiles of the members are given on pages 11 and 12 of the Annual Report.

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

MEETINGS

The Audit Committee met 13 times during the year. The attendance of the members at Audit Committee Meetings was as follows:

Member	Status	No. of Meetings
Mr. A.D.B. Talwatte		13/13
Mr. C.L.K.P. Jayasuriya		5/5
Dr. (Mrs.) A.D.N. de Zoysa		13/13
Mr. A.R. Fernando		8/8

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 4 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.

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, removal of external auditor, service period and 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 Auditor's 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 and Regulations of the Securities and Exchange Commission of Sri Lanka.

- Review and recommend Interim and Annual Financial Statements prepared for approval of the Board and submission to shareholders.
- Review the policy on the engagement of an external auditor to provide non-audit services that are permitted under the relevant statutes, regulations, requirements and guidelines.

Audit committee has discharged its duties during 2017/18 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 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 2017/18 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 three 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 letter of representation issued by the Board to the External Auditor and Independence confirmation letter issued by the External Auditor have been reviewed by 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 by the Committee.

The Audit Committee has recommended to the Board of Directors that Messrs. SJMS Associates be reappointed as External Auditor of the company for the financial year 2018/19 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 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 31/03/2018, 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 Controls 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 scrutinizes 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
25th May 2018

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.

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

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 at the subsequent Board Meeting.
- 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.

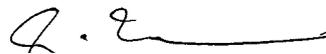
CONFIRMATION

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 2018 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



C. L. K. P. Jayasuriya
Chairman



A.D.B. Talwatte
Chairman - Audit Committee



E. H. Wijenaik
Managing Director / Chief Executive Officer

Colombo
25th May 2018

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 2018.

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

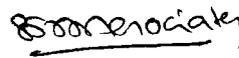
We conducted our engagement to assess whether the Statement is supported by the documentation prepared by or for Directors; and appropriately reflected the process the Directors have adopted in reviewing the system of internal control over financial reporting of the Company.

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 have adopted in the review of the design and effectiveness of internal control over financial reporting of the Company.



SJMS ASSOCIATES

Chartered Accountants
Colombo

25th May 2018

Independent Auditor's Report

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Central Finance Company PLC
Report on the Audit of the Financial Statements.

OPINION

We have audited the 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 2018, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31st March 2018, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

BASIS FOR OPINION

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics), and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTER IN THE AUDIT OF THE GROUP

Impairment of leases and hire purchases and loans and receivables

As at 31st March 2018, as disclosed in Notes 32 and 33, the group's "loans and receivables from customers" and "net investment in leases and hire purchases", gross balances amounted to Rs. 7,870 million and Rs. 63,842 million respectively.

The group's net investment in leases and hire purchases and loans and receivables are measured at amortized cost using the effective interest method. The impairment of "net investment in lease and hire purchase" and "loans and receivables from customers" amounted to Rs. 1,326 million and Rs. 151.5 million respectively as at 31st March 2018. Further, as explained in notes 2.1 and 54, adjustments amounting to Rs. 710 million and Rs. 142 million were made to the retained earnings as at 1st April 2016 and 'Impairment on loans and other credit losses' for the year ended 31st March 2017 respectively on account of lower impairment provisions for lease receivables.

Impairment in respect of "net investment in lease and hire purchase" and "loans and receivables" represent the management's best estimate of the impairment losses incurred within the loan portfolio as at the reporting date. The group's loan portfolio consists of lease receivables, hire purchase receivables, term loans, loans against fixed deposits, micro finance loans, loans to employees and other medium term credit products.

As disclosed in note 3.3, impairment is calculated for individual leases and loans or for a homogeneous group of leases and loans with similar credit risk characteristics by an individual or collective assessment of impairment using statistical methods and historical collection trends. Collectively calculated impairment, also includes impairment losses which have not yet been identified on leases, hire purchase and loans which are subject to individual assessments. The calculation of the collective impairment is inherently judgmental.

Independent Auditor's Report

We have identified impairment as a key audit matter as the calculation of impairment is a complex area and requires the management to make significant assumptions on the customer payment behaviour and other relevant risk characteristics when assessing the group's statistics of historical information and estimating the level and timing of the expected future cash flows.

HOW OUR AUDIT ADDRESSED THE KEY ISSUES

Our audit focused on assessing the appropriateness of the management's judgement and estimates used in the impairment analysis through the following procedures:

- We discussed with the audit committee as to whether there were any significant changes made to the inputs or models impacting the collective impairment as well as changes in the control environment. These included key assumptions over the impairment model.
- We tested the operating effectiveness of key controls relating to the calculation of impairment. This included using our IT specialists to test the data flows from source systems to spreadsheet-based models to test their completeness and accuracy.
- We tested the methodology applied in the impairment calculation by comparing it to the requirements of LKAS 39, Financial instruments: recognition and measurement, and we tested the mathematical accuracy of the management's model used to calculate impairment.
- We tested the key underlying assumptions by evaluating the process by which these were drawn up.
- We understood and critically assessed the models used for impairment. Since modelling assumptions and parameters are based on historic data, we assessed whether historic experience was representative of current circumstances and of the recent impairment incurred within the portfolios.
- We compared on a sample basis the estimated future cash flows of loans and receivables against the impaired loan portfolios to corroborate the reliability of the management's estimates.

OTHER INFORMATION

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

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

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 company and the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

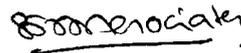
We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 2347.



SJMS Associates
Chartered Accountants

25th May 2018

Income Statement

For the year ended 31st March	Notes	Group		Company	
		2018 Rs.'000	2017 (Restated) Rs.'000	2018 Rs.'000	2017 (Restated) Rs.'000
Income	11	20,463,761	18,145,869	17,756,834	15,391,657
Interest income	12	16,114,759	14,104,260	16,040,778	14,044,836
Less: Interest expenses	13	5,203,545	4,245,527	5,226,197	4,264,866
Net interest income		10,911,214	9,858,733	10,814,581	9,779,970
Other revenue	14	2,786,351	2,823,108	-	-
Less: cost of sales		1,970,053	1,981,548	-	-
Gross profit		816,298	841,560	-	-
Other operating income		807,240	497,619	809,304	497,657
Other income	15	755,411	720,882	906,752	849,164
		13,290,163	11,918,794	12,530,637	11,126,791
Less: Operating expenses	16				
Personnel expenses		1,890,142	1,716,163	1,633,544	1,465,188
Premises, equipment and establishment expenses		1,872,832	1,680,458	1,809,139	1,601,524
Employee retirement benefit expenses	17	199,061	177,611	176,227	157,406
Other expenses		839,284	1,079,658	740,430	994,114
		4,801,319	4,653,890	4,359,340	4,218,232
Profit before impairment on loans and other credit losses		8,488,844	7,264,904	8,171,297	6,908,559
Less: Impairment on loans and other credit losses	18	395,312	302,794	394,047	303,402
		8,093,532	6,962,110	7,777,250	6,605,157
Share of profit of associates	19	1,245,739	952,427	-	-
Profit before VAT on financial services, NBT and income tax		9,339,271	7,914,537	7,777,250	6,605,157
Less: VAT on financial services and NBT		1,116,079	815,686	1,116,079	814,275
Profit before income tax	20	8,223,192	7,098,851	6,661,171	5,790,882
Less: Income tax expense	21	2,754,795	2,343,822	2,184,880	1,878,010
Profit after income tax		5,468,397	4,755,029	4,476,291	3,912,872
Attributable to equity holders of the parent		5,402,198	4,665,195	4,476,291	3,912,872
Attributable to non-controlling interest		66,199	89,834	-	-
Net profit for the year		5,468,397	4,755,029	4,476,291	3,912,872
Basic and diluted earnings per share - Rs.	22	24.92	21.52		
Dividend per share - Rs.					
Paid	23	2.40	2.35		
Proposed		1.60			

The accounting policies and notes from pages 96 to 161 form an integral part of these financial statements.

Statement of Comprehensive Income

For the year ended 31st March	Group		Company	
	2018	2017	2018	2017
	Rs.'000	(Restated) Rs.'000	Rs.'000	(Restated) Rs.'000
Profit for the year	5,468,397	4,755,029	4,476,291	3,912,872
Other comprehensive income to be reclassified to income statement				
Fair value changes in available for sale investments				
Equity securities - quoted	32,971	13,746	32,971	13,746
	32,971	13,746	32,971	13,746
Add / (less): Share of other comprehensive income of associates	78,695	23,904	-	-
Tax effect	(22,035)	(6,693)	-	-
	56,660	17,211	-	-
Total other comprehensive income to be reclassified to income statement	89,631	30,957	32,971	13,746
Other comprehensive income not to be reclassified to income statement				
Actuarial gains / (losses) on defined benefit plans	(74,693)	57,714	(70,912)	55,253
Tax effect	36,264	(16,017)	35,326	(15,471)
	(38,429)	41,697	(35,586)	39,782
Add / (less): Share of other comprehensive income / (losses) of associates	(9,896)	19,189	-	-
Tax effect	2,770	(3,850)	-	-
	(7,126)	15,339	-	-
Revaluation gain on land reclassified as investment properties	179,816	-	179,816	-
	179,816	-	179,816	-
Tax effect on revaluation surplus of land	(617,197)	-	(508,275)	-
	(617,197)	-	(508,275)	-
Revaluation of land & buildings				
Add / (less): Share of other comprehensive income / (losses) of associates	273,953	-	-	-
Tax effect	(72,824)	-	-	-
	201,129	-	-	-
Total other comprehensive income not to be reclassified to income statement	(281,807)	57,036	(364,045)	39,782
Other comprehensive income for the year (net of tax)	(192,176)	87,993	(331,074)	53,528
Total comprehensive income for the year	5,276,221	4,843,022	4,145,217	3,966,400
Attributable to equity holders of the parent	5,249,057	4,754,927	4,145,217	3,966,400
Attributable to non-controlling interest	27,164	88,095	-	-
Total comprehensive income for the year	5,276,221	4,843,022	4,145,217	3,966,400

The accounting policies and notes from pages 96 to 161 form an integral part of these financial statements.

Statement of Financial Position

As at	Notes	Group			Company		
		31.03.2018	31.03.2017	31.03.2016	31.03.2018	31.03.2017	31.03.2016
		(Rs.'000)	(Restated) Rs.'000	(Restated) Rs.'000	(Rs.'000)	(Restated) Rs.'000	(Restated) Rs.'000
ASSETS							
Cash and cash equivalents	24	580,010	516,267	536,914	533,774	459,940	479,696
Fair value through profit or loss financial assets	25	275,304	106,143	39,992	251,746	96,125	33,760
Trade and other receivables	26	1,140,508	982,218	1,111,758	442,168	309,749	361,917
Tax receivables		950	1,775	1,774	-	-	-
Available for sale investments	27	279,723	246,773	234,820	272,847	240,443	228,326
Inventories and other stocks	28	1,452,708	1,275,049	1,191,974	881,873	679,714	706,605
Securities bought under repurchase agreements	29	3,099,174	2,949,728	2,787,948	3,099,174	2,949,728	2,787,948
Loans and receivables from banks	30	1,233,057	911,394	828,114	1,226,999	905,818	822,952
Loans and receivables from others	31	694,776	1,063,880	968,679	63,949	398,326	465,932
Loans and receivables from customers	32	7,718,635	6,968,950	4,400,698	7,709,324	7,067,199	4,562,610
Net investment in leases and hire purchase	33	62,515,312	57,165,731	55,335,269	62,515,312	57,165,731	55,321,442
Investments in real estate	35	44,834	65,051	37,549	44,834	65,051	30,874
Investment properties	36	313,663	-	41,250	313,663	-	-
Investments in associates	37	5,973,550	4,075,059	3,537,114	1,330,862	523,458	523,458
Investments in subsidiaries	38	-	-	-	306,456	306,456	620,964
Deferred tax asset	39	14,574	11,920	11,789	-	-	-
Property, plant and equipment	40	8,395,647	7,134,854	5,925,833	7,100,198	5,921,176	4,620,447
Intangible assets	41	103,276	100,366	106,099	102,245	99,963	105,392
Total assets		93,835,701	83,575,158	77,097,574	86,195,424	77,188,877	71,672,323
LIABILITIES							
Bank overdrafts		765,037	1,059,332	670,937	750,569	1,047,908	666,082
Tax payables		905,75	889,101	902,654	864,753	834,693	818,267
Trade and other payables	42	1,852,206	1,642,932	1,553,875	1,457,585	1,292,203	1,195,719
Amounts due to subsidiaries		-	-	-	204,333	187,987	172,922
Derivative financial instruments		-	-	61	-	-	61
Short term borrowings	43	1,753,653	1,845,352	1,194,407	1,557,586	1,699,196	1,194,407
Deposits	44	40,570,199	35,527,936	34,299,143	40,766,497	35,707,147	34,483,812
Long term borrowings	45	4,875	5,425	-	-	-	-
Debentures	46	5,643,712	6,140,818	6,638,981	5,643,712	6,140,818	6,638,981
Employee benefit obligations	47	1,188,609	995,545	927,335	1,069,518	875,120	818,566
Deferred tax liability	39	4,912,249	3,755,583	3,276,382	4,726,368	3,690,053	3,210,747
Total liabilities		57,596,291	51,862,024	49,463,775	57,040,921	51,475,125	49,199,564
SHAREHOLDERS' FUNDS							
Stated capital	48	1,337,564	1,337,564	568,420	1,337,564	1,337,564	568,420
Capital reserves	49	2,291,952	2,510,631	2,509,879	1,571,945	1,919,787	1,930,651
Reserve fund	50	1,824,000	1,599,000	1,396,000	1,824,000	1,599,000	1,396,000
Available for sale reserve	51	119,379	29,748	91	99,742	66,771	54,325
Loan loss reserve	52	920,000	-	-	920,000	-	-
Revenue reserves	53	28,881,432	25,352,251	22,303,590	23,401,252	20,790,630	18,523,363
Funds attributable to equity holders of the parent		35,374,327	30,829,194	26,777,980	29,154,503	25,713,752	22,472,759
Non-controlling interest		865,083	883,940	855,819	-	-	-
Total liabilities, shareholders' funds and non-controlling interest		93,835,701	83,575,158	77,097,574	86,195,424	77,188,877	71,672,323
Net asset value per share - Rs.		163.20	142.23	123.54	134.50	118.63	103.68

I certify that the financial statements comply with the requirements of the Companies Act No.07 of 2007.



U. B. Elangasinha
Chief Financial Officer

The board of directors is responsible for the preparation and presentation of these financial statements.

Approved and signed for and on behalf of the board.



E. H. Wijenaik
Managing Director



G. S. N. Peiris
Director (Finance)

25th May 2018

The accounting policies and notes from pages 96 to 161 form an integral part of these financial statements.

Statement of Changes in Equity

Group equity statement for the year ended 31st March 2018	Attributable to equity holders of the company							Total	
	Stated capital	Revaluation reserve	Reserve fund	Available for sale reserve	Loan loss reserve	General reserves	Retained earnings		Non-controlling interest
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	
Balance as at 1st April 2016 as previously reported	568,420	2,509,879	1,396,000	91	-	19,235,420	3,778,676	855,819	28,344,305
Correction of prior period error on recognition of impairment charges	-	-	-	-	-	-	(710,506)	-	(710,506)
Balance as at 1st April 2016 (restated)	568,420	2,509,879	1,396,000	91	-	19,235,420	3,068,170	855,819	27,633,799
Net profit for the year ended 31st March 2017 as previously reported	-	-	-	-	-	-	4,806,785	89,834	4,896,619
Correction of prior period error on recognition of impairment charges	-	-	-	-	-	-	(141,590)	-	(141,590)
Net profit for the year ended 31st March 2017 (restated)	-	-	-	-	-	-	4,665,195	89,834	4,755,029
Other comprehensive income	-	12,847	-	30,957	-	-	45,928	(1,739)	87,993
Total comprehensive income for the year ended 31st March 2017 (restated)	-	12,847	-	30,957	-	-	4,711,123	88,095	4,843,022
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 scrip issue of shares	769,144	-	-	-	-	(769,144)	-	-	-
Withholding tax on scrip 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 (restated)	1,337,564	2,510,631	1,599,000	29,748	-	21,643,957	3,708,294	883,940	31,713,134
Net profit for the year ended 31st March 2018	-	-	-	-	-	-	5,402,198	66,199	5,468,397
Other comprehensive income	-	(192,927)	-	89,631	-	-	(49,845)	(39,035)	(192,176)
Total comprehensive income for the year ended 31st March 2018	-	(192,927)	-	89,631	-	-	5,352,353	27,164	5,276,221
Depreciation on revaluation surplus	-	(5,185)	-	-	-	-	5,185	-	-
Reversal of impairment provision for available for sale securities	-	-	-	-	-	-	435	111	546
Reversal of revaluation surplus on disposal of land	-	(20,567)	-	-	-	-	20,567	-	-
Transfers during the year	-	-	225,000	-	920,000	1,759,000	(2,904,000)	-	-
Unclaimed dividends written back	-	-	-	-	-	-	107	79	186
Dividends for the year ended 31st March 2017	-	-	-	-	-	-	(184,245)	-	(184,245)
Dividends for the year ended 31st March 2018	-	-	-	-	-	-	(520,221)	(46,211)	(566,432)
Balance as at 31st March 2018	1,337,564	2,291,952	1,824,000	119,379	920,000	23,402,957	5,478,475	865,083	36,239,410

The accounting policies and notes from pages 96 to 161 form an integral part of these financial statements.

Statement of Changes in Equity

Company equity statement for the year ended 31st March 2018	Stated capital	Revaluation reserve	Reserve fund	Available for sale reserve	Loan loss reserve	General reserve	Retained earnings	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 1st April 2016 as previously reported	568,420	1,930,651	1,396,000	54,325	-	19,224,239	9,630	23,183,265
Correction of prior period error on recognition of impairment charges	-	-	-	-	-	-	(710,506)	(710,506)
Balance as at 1st April 2016 (restated)	568,420	1,930,651	1,396,000	54,325	-	19,224,239	(700,876)	22,472,759
Net profit for the year ended 31st March 2017 as previously reported	-	-	-	-	-	-	4,054,462	4,054,462
Correction of prior period error on recognition of impairment charges	-	-	-	-	-	-	(141,590)	(141,590)
Net profit for the year ended 31st March 2017 (restated)	-	-	-	-	-	-	3,912,872	3,912,872
Other comprehensive income	-	-	-	13,746	-	-	39,782	53,528
Total comprehensive income for the year ended 31st March 2017 (restated)	-	-	-	13,746	-	-	3,952,654	3,966,400
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 scrip issue of shares	769,144	-	-	-	-	(769,144)	-	-
Withholding tax on scrip 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	(842,146)	25,713,752
Net profit for the year ended 31st March 2018	-	-	-	-	-	-	4,476,291	4,476,291
Other comprehensive income	-	(323,322)	-	32,971	-	-	(40,723)	(331,074)
Total comprehensive income for the year ended 31st March 2018	-	(323,322)	-	32,971	-	-	4,435,568	4,145,217
Depreciation on revaluation surplus	-	(3,953)	-	-	-	-	3,953	-
Transfers during the year	-	-	225,000	-	920,000	1,759,000	(2,904,000)	-
Reversal of revaluation surplus on disposal of land	-	(20,567)	-	-	-	-	20,567	-
Dividends for the year ended 31st March 2017	-	-	-	-	-	-	(184,245)	(184,245)
Dividends for the year ended 31st March 2018	-	-	-	-	-	-	(520,221)	(520,221)
Balance as at 31st March 2018	1,337,564	1,571,945	1,824,000	99,742	920,000	23,391,776	9,476	29,154,503

The accounting policies and notes from pages 96 to 161 form an integral part of these financial statements.

Cash Flow Statement

For the year ended 31st March	Group		Company	
	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Cash flows from operating activities				
Interest receipts	14,527,542	13,515,550	14,473,759	13,494,828
Interest payments	(2,582,016)	(2,205,139)	(2,602,870)	(2,214,216)
Recoveries on bad debts previously written off	123,391	167,915	123,391	167,915
Receipts from other operating activities	6,416,771	5,915,192	1,047,533	647,207
Cash payments to employees and suppliers	(8,238,246)	(8,140,309)	(3,309,161)	(3,283,176)
Operating profit before changes in operating assets	10,247,442	9,253,209	9,732,652	8,812,558
(Increase) / decrease in operating assets:				
Securities bought under repurchase agreements and receivables from banks	(474,472)	(150,528)	(474,472)	(150,528)
Loans to customers	(37,170,640)	(34,037,209)	(37,220,640)	(34,090,209)
Recoveries from customers	33,183,807	30,271,067	33,341,295	30,390,101
Others	(3,018,848)	(2,257,598)	(2,984,624)	(2,241,866)
Increase / (decrease) in operating liabilities:				
Net cash effect on deposits	3,201,129	51,299	3,219,004	44,072
Net cash from operating activities before income tax	5,968,418	3,130,240	5,613,215	2,764,128
Income tax paid	(1,658,573)	(1,520,573)	(1,546,862)	(1,357,202)
Net cash inflow from operating activities	4,309,845	1,609,667	4,066,353	1,406,926
Cash flows from investing activities				
Dividends received from subsidiaries and associates	23,679	201,409	60,903	151,482
Dividends received from other companies	27,435	12,216	25,308	9,166
Investments in fixed deposits	(295,200)	(118,900)	-	-
Investments in unit trusts	(216,980)	(112,450)	-	-
Investments in associates	(881,690)	-	(745,754)	-
Investments in debentures	-	(226,750)	-	-
Divestment of unit trusts	13,500	110,673	-	-
Divestment of fixed deposits	539,633	70,913	-	-
Purchase of property, plant and equipment	(1,896,202)	(1,481,607)	(1,766,349)	(1,400,386)
Disposal of property, plant and equipment	62,140	68,362	62,085	65,408
Net cash outflow from investing activities	(2,623,685)	(1,476,134)	(2,363,807)	(1,174,330)
Cash flows from financing activities				
Borrowings	10,009,958	7,697,348	9,085,000	7,325,000
Repayment of borrowings	(10,595,597)	(7,545,767)	(9,720,000)	(7,325,000)
Unclaimed dividends written back	101	159	-	-
Dividends paid to equity holders of the parent	(696,373)	(634,178)	(696,373)	(634,178)
Dividends paid to non-controlling interest	(46,211)	(60,137)	-	-
Net cash outflow from financing activities	(1,328,122)	(542,575)	(1,331,373)	(634,178)
Net increase / (decrease) in cash and cash equivalents	358,038	(409,042)	371,173	(401,582)
Cash and cash equivalents at the beginning of the period	(543,065)	(134,023)	(587,968)	(186,386)
Cash and cash equivalents at the end of the period	(185,027)	(543,065)	(216,795)	(587,968)
Analysis of cash and cash equivalents				
Cash in hand and at banks	580,010	516,267	533,774	459,940
Bank overdrafts	(765,037)	(1,059,332)	(750,569)	(1,047,908)
Cash and cash equivalents at the end of the period	(185,027)	(543,065)	(216,795)	(587,968)
Movement of borrowings (short term, long term loans and debentures)				
Balance at the beginning of the year	7,991,595	7,833,388	7,840,014	7,833,388
Amount borrowed during the year	10,009,958	7,697,348	9,085,000	7,325,000
Capital repaid during the year	(10,595,597)	(7,545,767)	(9,720,000)	(7,325,000)
Amortised interest	(3,716)	6,626	(3,716)	6,626
Balance at the end of the year	7,402,240	7,991,595	7,201,298	7,840,014

The accounting policies and notes from pages 96 to 161 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 No. 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 2018 was 1,790 (1,666 as at 31st March 2017).

1.2 Consolidated financial statements

The consolidated financial statements of Central Finance Company PLC as at and for the year ended 31st March 2018 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

1.4.1 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.

1.4.2 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

Name of the company	Principal business activities
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

1.4.3 Associates

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

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

2 BASIS OF PREPARATION

2.1 Statement of compliance

The consolidated financial statements 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.

In the current year, the company made a correction of a prior period error with retrospective effect, which has effects on the information in the statement of financial position as at 31st March 2016 and 31st March 2017. The consolidated financial statements comprise a third statement of financial position as at 31st March 2016 in accordance with paragraph 40 A of LKAS 01 - Presentation of Financial Statements without related notes except for the disclosure requirements of LKAS - 08 Accounting policies, Changes in Accounting Estimates and Errors. Details of the correction made are given in note 54.

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 2018 were authorised for issue by the board of directors on 25th May 2018.

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
- Investment properties are measured at their fair value
- Quoted investments classified as available for sale securities and fair value through profit or loss 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 174 and 175 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 of 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:

Accounting Policies

3.1 Going concern

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

3.2 Deferred tax assets

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

3.3 Impairment 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 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 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 (LKAS28) - 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.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

When the group loses control of a subsidiary, a gain or loss is recognized in income statement and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable SLFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under LKAS 39, or when appropriate, the cost on initial recognition of an investment in an associate or jointly controlled entity.

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.,

Accounting Policies

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

There are no significant restrictions on the ability of the subsidiaries to transfer funds to the other entities within the group in the form of cash dividends or repayment of loans and advances. All subsidiaries of the group as at the reporting date have been incorporated in Sri Lanka. A list of subsidiaries is given in note 38 to the financial statements and the details of non-controlling interests are given in note 38.2 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. The group held 20% ownership interest in Nations Trust Bank PLC until end February 2018 and with the issuance of convertible non-voting shares, the group's ownership interest increased to 21.10% from March 2018. The group's share of profit or loss of Nations Trust Bank PLC and changes in the equity has been accounted for at 20% up to end February 2018 and 21.10% from March 2018 having taken into account the eventual exercise of those potential voting rights that currently give the group access to the returns.

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

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.

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 income statement.

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.

Accounting Policies

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 income statement 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. 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:
- 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 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. Income and expenses are presented on a net basis only when permitted under LKASs/SLFRSs or for gains and losses arising from a group of similar transactions.

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 written off under other income in the income statement.

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 currently exist. The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Accounting Policies

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 securities is impaired. The objective evidence includes a significant or prolonged decline in the fair value of the investment below its cost. The determination of what is significant or prolonged requires judgment. 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 income statement and is recognised in the income statement. Cumulative gains or losses previously recognised in other comprehensive income on that investment is removed from equity and reclassified to income statement. Impairment losses on equity investments previously recognised in the income statement are not reversed through the income statement.

5.6.3 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and bank balances. 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 Investment properties

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

When an item of property, plant and equipment is transferred to investment property following a change in its use, the difference between the carrying amount of the item immediately prior to the date of transfer and its fair value is recognised directly in equity under revaluation reserve, if it is a gain. If it is a decline in value, the decrease is charged against revaluation reserve to the extent that it was previously credited and any decrease beyond such value is charged to the income statement.

If an investment property becomes owner - occupied, it is reclassified as property, plant and equipment and its fair value at the date of reclassification becomes its deemed cost for subsequent accounting.

5.10 Intangible assets

An intangible asset is recognised if it is probable that future economic benefits that are attributable to the asset will flow to the company and the cost of the asset can be measured reliably in accordance with Sri Lanka Accounting Standard (LKAS 38) - Intangible Assets. Accordingly, these assets are stated in the statement of financial position at cost less accumulated amortisation and impairment losses, if any. Subsequent expenditure on acquisition and improvement of intangible assets is capitalised only when it increases the standard of performance of these assets and where future economic benefits embodied in these assets will flow to the company. Intangible assets with finite lives are amortised over their useful lives and are assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at the end of the financial year.

An intangible asset is derecognised on disposal or when no future economic benefits are expected from its use. Gains or losses arising from de recognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset are recognised in income statement when the item is derecognised.

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.

5.11 Property, plant and equipment

5.11.1 Basis of recognition

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

5.11.2 Basis of measurement

An item of property, plant and equipment that qualifies for recognition as an asset is initially measured at cost. Cost includes expenditure directly attributable to acquisition of the asset and subsequent costs excluding the costs of day-to-day servicing. The cost of self-constructed assets includes the cost of materials, direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use and the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs.

5.11.3 Cost model

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

5.11.4 Revaluation model

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

When an asset is revalued, any increase in the carrying value is recognised in other comprehensive income and accumulated in equity under revaluation reserve except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the income statement in which case the increase is recognised in the income statement to the extent of the decrease previously expensed. A decrease in the carrying value arising on the revaluation is recognised in the income statement and any decrease that offsets a previous surplus on the same asset is recognised in other comprehensive income to the extent of any credit balance 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

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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.

5.11.5 Subsequent cost

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

5.11.6 Capital work in progress

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

5.11.7 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.

5.11.8 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.

5.11.9 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, calculated based on the current market prices of the similar classes of vehicles, and are subject to annual review. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

5.11.10 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 1 - quoted market prices in active markets for identical assets or liabilities
- ⦿ Level 2 - valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- ⦿ Level 3 - valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

Level 1

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

Level 2

If a market for a financial instrument is not active, the group establishes fair value using valuation techniques. These include discounted cash flow analysis, effective interest rate calculations 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.

5.11.11 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 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.

5.12 Liabilities and provisions

5.12.1 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.

5.12.2 Income tax

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

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

5.12.3 Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax liabilities are recognized for all taxable temporary differences, except:

- ⦿ where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

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- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future
- 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 through other comprehensive income and equity statement respectively.

As per Inland Revenue Act No. 24 of 2017, which will become effective from 01st April 2018, capital assets will attract tax at applicable tax rates on the gains at the time of disposal.

5.12.4 Employee benefits

5.12.4.1 Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The estimation of this liability, determined by an independent, qualified actuary, necessarily involves long-term assumptions, which have been disclosed in note 47. 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 (LKAS 19) – Employee Benefits. This standard also provides actuarial techniques, which approximates the actuarial valuation which has been adopted by the other companies within the group that have not adopted the actuarial valuation method. The projected unit credit method projects the current data using the actuarial assumptions and calculates projected benefits at the participants' assumed retirement date. The key assumptions used in determining the defined benefit obligations are given in note 47.

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 (LKAS 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.

5.12.4.2 Defined contribution plans

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

5.13 Provisions

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

5.14 Commitments and contingencies

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

Capital commitments and contingent liabilities as at the date of the statement of financial position are disclosed in the respective notes to the consolidated financial statements. Contingent assets are disclosed where an inflow of economic benefit is probable.

5.15 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.

5.16 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 (LKAS 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. Inter-segment transfers are accounted for at competitive fair market prices charged to inter-company counterparts for similar services and such services are

eliminated on consolidation. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

5.17 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.

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 and subsidiary company, Isuru Leasing Company Ltd., (which amalgamated with the parent with effect from 28.02.2017) are categorised 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 original rate of interest.

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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 (LKAS 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 and accounted under other operating income.

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

6.13 Profit or loss from sale of property, plant, and equipment

Profit or 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 (LKAS 7) - Statement of Cash Flows. Cash and cash equivalents comprise cash in hand and balances with banks net of outstanding bank overdrafts.

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 2018.

Sri Lanka Accounting Standard 9 – Financial Instruments:

This standard applies to classification and measurement of financial assets and liabilities. This standard was issued in 2012 and is effective for financial periods beginning on or after 01st January 2018. This standard impacts classification and measurement of financial assets and liabilities as well as impairment of financial assets.

Sri Lanka Accounting Standard 15 – Revenue from Contracts with Customers

The objective of this Standard is to establish the principles that an entity shall apply to report useful information to users of Financial Statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. SLFRS 15 Introduces a five-step approach for revenue recognition from contracts with customers and replaces all other currently applicable revenue Standards and related interpretations.

This standard is effective for the financial periods beginning on or after 01st January 2018.

Sri Lanka Accounting Standard (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 financial periods beginning on or after 01st January 2019.

The Company is in the process of assessing the impacts arising out of above standards. 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 24 to 30.

Notes to the Financial Statements

	Group		Company	
	2017/18 Rs.'000	2016/17 Rs.'000	2017/18 Rs.'000	2016/17 Rs.'000
11 INCOME				
Interest income (note 12)	16,114,759	14,104,260	16,040,778	14,044,836
Other revenue (note 14)	2,786,351	2,823,108	-	-
Other operating income	807,240	497,619	809,304	497,657
Other income (note 15)	755,411	720,882	906,752	849,164
	20,463,761	18,145,869	17,756,834	15,391,657
12 INTEREST INCOME				
Leases	12,878,762	10,813,817	12,878,762	10,812,757
Hire purchase	234,686	804,699	234,686	803,938
Loans and others	2,459,235	1,965,499	2,468,688	1,978,917
Securities bought under repurchase agreements and receivables from banks	441,171	395,712	440,518	395,236
Held to maturity investments in commercial papers, debentures and deposits	92,736	106,763	9,955	36,218
Interest on facilities granted under Investment Fund Account (IFA)	8,169	17,770	8,169	17,770
	16,114,759	14,104,260	16,040,778	14,044,836

12.1 The entirety of the interest income is derived 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.30.32 million (2016/17 financial year - Rs.31.06 million) for the company and the group.

	Group		Company	
	2017/18 Rs.'000	2016/17 Rs.'000	2017/18 Rs.'000	2016/17 Rs.'000
13 INTEREST EXPENSES				
Deposits	4,314,616	3,301,687	4,335,827	3,320,048
Loans and overdrafts	181,610	167,045	183,051	168,023
Debentures and other debt securities	707,319	776,795	707,319	776,795
	5,203,545	4,245,527	5,226,197	4,264,866

Interest expenses of the group other than the parent and subsidiary company, Isuru Leasing Company Ltd., (which amalgamated with the parent with effect from 28.02.2017) are categorised under other expenses.

	Group		Company	
	2017/18 Rs.'000	2016/17 Rs.'000	2017/18 Rs.'000	2016/17 Rs.'000
14 OTHER REVENUE				
Manufacturing and trading income	2,298,840	2,372,109	-	-
Insurance broking	306,949	279,369	-	-
Medical services	117,907	119,669	-	-
Power generation	62,655	51,961	-	-
	2,786,351	2,823,108	-	-
15 OTHER INCOME				
Commissions	107	116	107	116
Service charges	282,867	259,372	282,867	259,345
Recovery of bad debts written off	126,774	171,285	126,714	171,126
Fair value change in real estate stock	36,035	-	36,035	-
Profit on sale of property, plant and equipment	111,703	118,401	109,647	118,104
Dividend income from available for sale securities	29,372	14,513	27,244	11,462
Dividend income from subsidiaries	-	-	58,479	69,804
Dividend income from associates	-	-	78,921	57,205
Profit on share trading	10,587	802	10,587	802
Profit on real estate operations	7,099	8,018	7,099	7,475
Profit on maintenance of vehicles	9,964	7,801	9,964	7,801
Gain on investments in unit trusts	3,945	1,826	1,943	-
Others	136,958	138,748	157,145	145,924
	755,411	720,882	906,752	849,164
16 OPERATING EXPENSES				
Operating expenses include the following:				
Directors' emoluments	169,571	158,655	162,701	142,660
Legal expenses	7,076	5,791	7,076	5,463
Depreciation	513,801	415,535	454,760	356,379
Amortisation of intangible assets	34,538	30,061	34,273	29,696
Audit fees and expenses	4,404	4,627	2,727	3,004
Non-audit fees and expenses	1,103	711	321	326
Donations	2,656	3,268	2,253	2,999
Employees' Provident Fund contributions	161,033	147,487	133,663	121,066
Employees' Trust Fund contributions	38,747	35,374	31,923	28,809

20 GROUP PROFIT/LOSS BEFORE INCOME TAX

	Group	
	2017/18 Rs.'000	2016/17 Rs.'000
Central Finance Company PLC	6,661,171	5,790,882
Central Industries PLC	111,582	201,320
Central Developments Ltd.	21,837	15,961
Dehigama Hotels Company Ltd.	32,289	29,155
Central Transport & Travels Ltd.	11,521	8,496
Central Construction & Development (Pvt) Ltd.	(2)	40
Central Homes (Pvt) Ltd.	4,125	2,769
CF Growth Fund Ltd.	213,284	24,429
Expanded Plastic Products (Pvt) Ltd.	1,713	1,412
Central Mineral Industries (Pvt) Ltd.	(1,966)	(1,980)
Kandy Private Hospitals Ltd.	18,617	15,796
Mark Marine Services (Pvt) Ltd.	43,949	32,645
Hedges Court Residencies (Pvt) Ltd.	422	105
CF Insurance Brokers (Pvt) Ltd.	270,268	237,455
Isuru Leasing Company Ltd.	-	(2,629)
	7,388,810	6,355,856
Inter-group adjustments	(411,357)	(209,432)
Share of profit of associates	1,245,739	952,427
	8,223,192	7,098,851

21 INCOME TAX EXPENSE

The provision for the year is made up as follows:

	Group		Company	
	2017/18 Rs.'000	2016/17 Rs.'000	2017/18 Rs.'000	2016/17 Rs.'000
Current tax charge	1,720,344	1,540,091	1,621,514	1,414,175
Under-provision of current tax relating to previous years	-	274	-	-
Over-provision of current tax relating to previous years	(1,080)	(3)	-	-
10% Withholding tax on inter-company dividends	10,660	16,870	-	-
Increase in deferred tax liabilities (note 39)	575,215	465,230	563,366	463,835
Increase in deferred tax assets (note 39)	(2,136)	(2,177)	-	-
Current / deferred tax share of associates	451,792	323,537	-	-
	2,754,795	2,343,822	2,184,880	1,878,010

21.1 Income tax on profit of the company has been computed at the rate of 28% (2016/17 - 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 2017/18 as per the provisions of Inland Revenue Act No. 22 of 2011 (2016/17 - 28%). Operating income of Kandy Private Hospitals Ltd., and Mark Marine Services (Pvt) Ltd., are liable at 12% during 2017/18 while other income is liable at 28% (2016/17 - operating income at 12% and other income at 28%).

Notes to the Financial Statements

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

	Group		Company	
	2017/18 Rs.'000	2016/17 Rs.'000	2017/18 Rs.'000	2016/17 Rs.'000
Profit before tax	8,223,192	7,098,851	6,661,171	5,790,882
Effect on restatement of previous year financial statements	-	141,590	-	141,590
Share of profit of associates	(1,245,739)	(952,427)	-	-
Other consolidation adjustments	411,357	209,432	-	-
Accounting profit / (loss) chargeable for income tax	7,388,810	6,497,446	6,661,171	5,932,472
Tax effect on chargeable profits at 28% and 12%	2,061,060	1,815,824	1,865,128	1,661,092
Tax effect on allowable credits	(1,398,179)	(1,164,806)	(1,366,794)	(1,121,756)
Tax effect on exempt profits	(158,293)	(67,037)	(64,381)	(46,367)
Tax effect on non-deductible expenses	573,810	443,749	546,329	409,231
Tax effect on gains / (losses) on disposals	641,232	511,975	641,232	511,975
Tax effect on adjustments	-	1,563	-	-
Tax effect on losses claimed	714	(1,177)	-	-
Charged to income statement	1,720,344	1,540,091	1,621,514	1,414,175
Under provision for previous years	-	274	-	-
Over provision for previous years	(1,080)	(3)	-	-
Increase in deferred tax liabilities (note 39)	575,215	465,230	563,366	463,835
Increase in deferred tax assets (note 39)	(2,136)	(2,177)	-	-
10% WHT on inter-company dividends	10,660	16,870	-	-
Current/deferred tax share of associates	451,792	323,537	-	-
	2,754,795	2,343,822	2,184,880	1,878,010
Effective tax rate (excluding deferred tax)	23.28	23.70	24.34	23.84

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	
	2017/18 Rs.'000	2016/17 Rs.'000
Profit attributable to equity holders of the parent (Rs.'000)	5,402,198	4,665,195
Number of shares used as denominator ('000)	216,759	216,759
Basic and diluted Earnings per Share (Rs.)	24.92	21.52

23 DIVIDENDS

	Company	
	2017/18 Rs.'000	2016/17 Rs.'000
Paid:		
Interim Rs. 2.40 (2016/17: Rs. 1.50)	520,221	325,138
Final Rs. 0.85	-	184,245
Proposed:		
Final Rs. 1.60	346,815	
	867,036	509,383
Dividend per share (Rs.) - Paid and proposed	4.00	2.35

24 CASH AND CASH EQUIVALENTS

	Group		Company	
	31.03.2018 Rs.'000	31.03.2017 Rs.'000	31.03.2018 Rs.'000	31.03.2017 Rs.'000
Cash in hand	395,914	339,963	393,757	338,912
Cash at bank	169,096	161,304	125,017	106,028
Savings deposits	15,000	15,000	15,000	15,000
	580,010	516,267	533,774	459,940

25 FAIR VALUE THROUGH PROFIT OR LOSS FINANCIAL ASSETS

	Group		Company	
	31.03.2018 Rs.'000	31.03.2017 Rs.'000	31.03.2018 Rs.'000	31.03.2017 Rs.'000
Quoted securities 25.1	252,214	96,533	251,746	96,125
Units 25.2	23,090	9,610	-	-
	275,304	106,143	251,746	96,125

Notes to the Financial Statements

25.1 INVESTMENTS IN QUOTED SECURITIES

	No. of Shares	Cost 31.03.2018 Rs.'000	Group		No. of Shares	Cost 31.03.2017 Rs.'000	Market Value 31.03.2017 Rs.'000
			Market Value 31.03.2018 Rs.'000				
Banks, Finance & Insurance							
Ceylinco Insurance PLC (Non-voting)	11,000	9,075	11,000	-	-	-	-
Commercial Bank of Ceylon PLC	57,000	7,638	7,741	-	-	-	-
Commercial Bank of Ceylon PLC (Non-voting)	75,000	7,942	7,800	-	-	-	-
Hatton National Bank PLC	118,256	27,031	28,973	100,000	23,000	22,530	-
HNB Assurance PLC	226,609	14,686	19,035	10,000	608	581	-
Janashakthi Insurance Company PLC	40,000	620	1,072	-	-	-	-
National Development Bank PLC	214,865	28,147	28,598	207,628	27,165	28,985	-
Peoples Leasing & Finance PLC	1,040,000	17,252	16,432	700,000	11,200	10,920	-
Sampath Bank PLC	33,894	9,277	10,168	-	-	-	-
Sampath Bank PLC (Rights)	17,516	505	869	-	-	-	-
		122,173	131,688		61,973	63,016	
Beverage, Food and Tobacco							
Cargills (Ceylon) PLC	118,857	20,416	23,165	70,000	13,650	13,139	-
Construction and Engineering							
Access Engineering PLC	470,743	12,159	9,650	218,500	5,484	5,200	-
Diversified Holdings							
Hemas Holdings PLC	3,750	30	468	3,750	30	408	-
Melstacorp PLC	247,000	17,290	14,376	-	-	-	-
		17,320	14,844		30	408	
Health Care							
The Lanka Hospital Corporation PLC	92,089	5,844	5,525	-	-	-	-
Manufacturing							
Alumex PLC	80,000	1,640	1,352	80,000	1,640	1,520	-
Chevron Lubricants Lanka PLC	110,900	18,348	11,589	-	-	-	-
Tokyo Cement Company (Lanka) PLC (Non-voting)	300,000	13,500	13,800	250,000	13,500	13,250	-
Swisstek (Ceylon) PLC	178,319	13,834	10,574	-	-	-	-
		47,322	37,315		15,140	14,770	
Power & Energy							
Lanka IOC PLC	63,505	1,905	1,912	-	-	-	-
LVL Energy Fund Limited.	769,900	7,699	7,622	-	-	-	-
		9,604	9,534				
Telecommunications							
Dialog Axiata PLC	1,485,000	17,166	20,493	-	-	-	-
		252,004	252,214		96,277	96,533	

No. of Shares	Company		No. of Shares	Cost	Market Value
	Cost	Market			
	31.03.2018 Rs.'000	31.03.2018 Rs.'000			
				31.03.2017	31.03.2017
				Rs.'000	Rs.'000
11,000	9,075	11,000	-	-	-
57,000	7,638	7,741	-	-	-
75,000	7,942	7,800	-	-	-
118,256	27,031	28,973	100,000	23,000	22,530
226,609	14,686	19,035	10,000	608	581
40,000	620	1,072	-	-	-
214,865	28,147	28,599	207,628	27,165	28,985
1,040,000	17,252	16,432	700,000	11,200	10,920
33,894	9,277	10,168	-	-	-
17,516	505	869	-	-	-
	122,173	131,689		61,973	63,016
118,857	20,416	23,165	70,000	13,650	13,139
470,743	12,159	9,650	218,500	5,484	5,200
-	-	-	-	-	-
247,000	17,290	14,375	-	-	-
	17,290	14,375			
92,089	5,844	5,525	-	-	-
80,000	1,640	1,352	80,000	1,640	1,520
110,900	18,348	11,589	-	-	-
300,000	13,500	13,800	250,000	13,500	13,250
178,319	13,834	10,574	-	-	-
	47,322	37,315		15,140	14,770
63,505	1,905	1,912	-	-	-
769,900	7,699	7,622	-	-	-
	9,604	9,534			
1,485,000	17,166	20,493	-	-	-
	251,974	251,746		96,247	96,125

Notes to the Financial Statements

25.2 Investments in units

	No. of Units	Cost 31.03.2018 Rs.'000	Group		No. of Units	Cost 31.03.2017 Rs.'000	Market Value 31.03.2017 Rs.'000
			Market Value 31.03.2018 Rs.'000				
			Unit Trust				
Money market funds	1,309,388	21,964	23,090	606,375.10	9,534	9,610	

26 TRADE & OTHER RECEIVABLES

	Group		Company	
	31.03.2018 Rs.'000	31.03.2017 Rs.'000	31.03.2018 Rs.'000	31.03.2017 Rs.'000
	Trade & other receivables	1,188,478	1,029,633	453,710
Provision for impairment	(47,970)	(47,415)	(11,542)	(11,235)
	1,140,508	982,218	442,168	309,749

27 AVAILABLE FOR SALE INVESTMENTS

Quoted equities (27.1)		261,420	228,391	261,420	228,391
Unquoted equities (27.2)		18,303	18,382	11,427	12,052
		279,723	246,773	272,847	240,443

	No. of Shares	Group & Company		No. of Shares	Cost	Market Value
		Cost	Market Value			
		31.03.2018 Rs.'000	31.03.2018 Rs.'000			

27.1 Quoted equities**Banks, Finance & Insurance**

Commercial Bank of Ceylon PLC	4,821	95	655	4,329	37	564
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Closed End Funds

Namal Acuity Value Fund	2,744,900	161,583	260,765	2,744,900	161,583	227,827
		161,678	261,420		161,620	228,391

Notes to the Financial Statements

	Group					
	No. of Shares	Cost	Directors' Valuation	No. of Shares	Cost	Directors' Valuation
		31.03.2018 Rs.'000	31.03.2018 Rs.'000		31.03.2017 Rs.'000	31.03.2017 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
Finance Houses Consortium (Pvt) Ltd.	20,000	200	200	20,000	200	200
Rajawella Holdings (Pvt) Ltd.	54,600	546	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
		28,023	18,303		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.

28 INVENTORIES AND OTHER STOCKS

	Group		Company	
	31.03.2018	31.03.2017	31.03.2018	31.03.2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Vehicles	893,190	718,469	893,190	718,469
Raw materials	284,814	299,869	-	-
Work-in-progress	16,352	12,667	-	-
Finished goods	204,573	239,080	-	-
Machinery & vehicle spare parts	31,935	30,445	8,756	5,552
Others	19,036	15,850	9,822	7,028
Goods-in-transit	50,746	23,921	-	-
	1,500,646	1,340,301	911,768	731,049
Specific provision for stock obsolescence	(47,938)	(65,252)	(29,895)	(51,335)
Net carrying amount	1,452,708	1,275,049	881,873	679,714

Inventories recognised as an expense during the year amounted to Rs.114.18 million for the company and Rs.1,853.17 million for the group (Rs.104.20 million for the company and Rs.1,802.54 million for the group in 2016/17 financial year).

Write down of Inventories recognised as an expenses during the financial year amounted to Rs.4.18 million for the group and the company (Rs.4.95 million for group and company in 2016/17 financial year).

Inventories pledged as security for banking facilities as at 31.03.2018 amounted to Rs.12.5 million (Rs.7.5 million as at 31.03.2017).

No. of Shares	Company				
	Cost	Directors' Valuation	No. of Shares	Cost	Directors' Valuation
	31.03.2018 Rs.'000	31.03.2018 Rs.'000		31.03.2017 Rs.'000	31.03.2017 Rs.'000
4,827	637	637	4,827	637	637
-	-	-	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
	21,147	11,427		21,772	12,052

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

Bank	Facilities available	31.03.2018 Rs.'000	31.03.2017 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
		697,000	697,000

Inventories carried at net realisable value as at 31st March 2018 amounted to Rs.14.72 million for the group and the company (as at 31.03.2017 Rs.7.04 million for the group and the company).

29 SECURITIES BOUGHT UNDER REPURCHASE AGREEMENTS

	Group		Company	
	31.03.2018 Rs.'000	31.03.2017 Rs.'000	31.03.2018 Rs.'000	31.03.2017 Rs.'000
At amortised cost	3,099,174	2,949,728	3,099,174	2,949,728
	3,099,174	2,949,728	3,099,174	2,949,728

30 LOANS AND RECEIVABLES FROM BANKS

Deposits with banks at amortised cost	1,233,057	911,394	1,226,999	905,818
	1,233,057	911,394	1,226,999	905,818

Notes to the Financial Statements

31 LOANS AND RECEIVABLES FROM OTHERS

	Group		Company	
	31.03.2018 Rs.'000	31.03.2017 Rs.'000	31.03.2018 Rs.'000	31.03.2017 Rs.'000
Deposits with financial institutions at amortised cost	35,717	214,395	-	128,984
Debentures at amortised cost	659,059	644,074	63,949	63,931
Commercial papers at amortised cost	-	205,411	-	205,411
	694,776	1,063,880	63,949	398,326

32 LOANS AND RECEIVABLES FROM CUSTOMERS

Term loans	6,766,245	6,028,789	6,766,245	6,136,278
Loans against fixed deposits	1,000,440	914,645	1,000,440	914,645
Housing and real estate receivables	13,953	12,718	13,953	12,718
Loans to employees	89,503	86,538	80,192	77,298
	7,870,141	7,042,690	7,860,830	7,140,939
Impairment for individually significant loans	(113,792)	(58,912)	(113,792)	(58,912)
Impairment for individually not significant loans	(33,998)	(8,047)	(33,998)	(8,047)
Other credit losses	(3,716)	(6,781)	(3,716)	(6,781)
	7,718,635	6,968,950	7,709,324	7,067,199
Receivable within one year	4,166,736	2,680,968	4,163,643	2,785,701
Receivable after one year	3,703,405	4,361,722	3,697,187	4,355,238
	7,870,141	7,042,690	7,860,830	7,140,939

33 NET INVESTMENT IN LEASES & HIRE PURCHASE

Lease receivables	62,971,817	56,026,924	62,971,817	56,026,924
Hire purchase receivables	870,262	2,536,742	870,262	2,536,742
	63,842,079	58,563,666	63,842,079	58,563,666
Impairment for individually significant loans	(88,784)	(127,438)	(88,784)	(127,438)
Impairment for individually not significant loans	(1,237,983)	(1,270,497)	(1,237,983)	(1,270,497)
	62,515,312	57,165,731	62,515,312	57,165,731

33.1 Lease receivables

	Group		Company	
	31.03.2018 Rs.'000	31.03.2017 Rs.'000	31.03.2018 Rs.'000	31.03.2017 Rs.'000
Gross rental receivables	84,837,738	76,616,841	84,837,738	76,616,841
Unearned interest income	(23,180,735)	(20,080,956)	(23,180,735)	(20,080,956)
	61,657,003	56,535,885	61,657,003	56,535,885
Amounts receivable from hirers	4,225,066	3,366,950	4,225,066	3,366,950
Rentals received in advance	(2,910,252)	(3,875,911)	(2,910,252)	(3,875,911)
	62,971,817	56,026,924	62,971,817	56,026,924

33.2 Hire purchase receivables

Gross rental receivable	533,007	2,408,030	533,007	2,408,030
Unearned interest income	(68,414)	(346,774)	(68,414)	(346,774)
	464,593	2,061,256	464,593	2,061,256
Amounts receivable from hirers	423,529	686,995	423,529	686,995
Rentals received in advance	(17,860)	(211,509)	(17,860)	(211,509)
	870,262	2,536,742	870,262	2,536,742

	Group		Company	
	31.03.2018 Rs.'000	31.03.2017 Rs.'000	31.03.2018 Rs.'000	31.03.2017 Rs.'000
Rentals receivable on lease and hire purchase Not later than one year				
Gross rentals receivable	36,115,454	32,190,476	36,115,454	32,190,476
Unearned interest income	(11,379,556)	(9,910,788)	(11,379,556)	(9,910,788)
Rentals received in advance	(403,431)	(534,879)	(403,431)	(534,879)
	24,332,467	21,744,809	24,332,467	21,744,809
Later than one year and not later than five years				
Gross rentals receivable	53,707,195	50,477,417	53,707,195	50,477,417
Unearned interest income	(11,862,505)	(10,505,626)	(11,862,505)	(10,505,626)
Rentals received in advance	(2,385,796)	(3,250,362)	(2,385,796)	(3,250,362)
	39,458,894	36,721,429	39,458,894	36,721,429
Later than five years				
Gross rentals receivable	196,691	410,923	196,691	410,923
Unearned interest income	(7,088)	(11,316)	(7,088)	(11,316)
Rentals received in advance	(138,885)	(302,179)	(138,885)	(302,179)
	50,718	97,428	50,718	97,428
Total receivables on leases and hire purchase	63,842,079	58,563,666	63,842,079	58,563,666

Notes to the Financial Statements

34 MOVEMENT IN IMPAIRMENT FOR LOANS AND OTHER CREDIT LOSSES

	Group		Company	
	31.03.2018 Rs.'000	31.03.2017 Rs.'000	31.03.2018 Rs.'000	31.03.2017 Rs.'000
Movement in impairment for individually significant loans				
Balance at the beginning of the year	186,350	170,741	186,350	157,018
Impairment transferred on amalgamation of a subsidiary	-	-	-	13,460
Charge / (reversal) to the income statement	16,226	15,609	16,226	15,872
Balance at the end of the year	202,576	186,350	202,576	186,350
Movement in impairment for individually not significant loans				
Balance at the beginning of the year	1,278,544	497,281	1,278,544	496,935
Impairment transferred on amalgamation of a subsidiary	-	-	-	72
Charged to retained earnings as at 01.04.2016		710,506		710,506
Charge/ (reversal) to the income statement	(6,563)	70,757	(6,563)	71,031
Balance at the end of the year	1,271,981	1,278,544	1,271,981	1,278,544
	1,474,557	1,464,894	1,474,557	1,464,894
Other credit losses				
Trade debtors	47,970	47,415	11,542	11,235
Real estate	45,188	49,015	45,188	49,015
Others	3,716	6,781	3,716	6,781
Total impairment	1,571,431	1,568,105	1,535,003	1,531,925

35 INVESTMENTS IN REAL ESTATE

	Group		Company	
	31.03.2018 Rs.'000	31.03.2017 Rs.'000	31.03.2018 Rs.'000	31.03.2017 Rs.'000
Balance at the beginning of the year	114,066	86,564	114,066	79,889
Transferred from property, plant and equipment	4,522	3,957	4,522	3,957
Transferred of assets on amalgamation of a subsidiary	-	41,250	-	47,122
Appreciation of fair value	36,035	-	36,035	-
Disposals during the year	(19,083)	-	(19,083)	-
Additions/transfers	-	(17,705)	-	(16,902)
Transferred to investment properties	(45,518)	-	(45,518)	-
	90,022	114,066	90,022	114,066
Provision for impairment	(45,188)	(49,015)	(45,188)	(49,015)
Balance at the end of the year	44,834	65,051	44,834	65,051

A few lands held in real estate stock were fair valued as at 31st March 2018 and transferred to investment properties at their fair values as these land are held for future capital appreciation rather than short term sale in the ordinary course of business.

The fair values were determined as per the valuation carried out by Mr. W. M. G. B. Heenbanda, an Independent Qualified Valuer on comparison method in March 2018.

Details of the valuations are:

Location	Extent Perches	Net book value before valuation Rs.'000	Fair value Rs.'000	Appreciation in value Rs.'000
No. 30, Kandawala Road, Ratmalana.	17.87	4,752	22,784	18,032
Mahiyangana Road, Diganawatte.	356.50	1,000	17,825	16,825
Mahaberiyatenna, Digana .	76.70	3,731	4,909	1,178
		9,483	45,518	36,035

36 INVESTMENT PROPERTIES

	Group & Company 31.03.2018 Rs.'000
Balance at the beginning of the year	-
Transferred from property, plant and equipment	268,145
Transferred from investments in real estate	45,518
Balance at the end of the year	313,663

Investment properties solely comprise of lands acquired by the company and held for capital appreciation. These properties were previously held under property, plant and equipment and investments in real estate which were transferred to investment properties as at 31st March 2018 at their fair values.

The fair values of the lands which were held under property, plant and equipment and investments in real estate were determined as per the valuation carried out by Mr. W. M. G. B. Heenbanda, an Independent Qualified Valuer on comparison method in March 2018.

Information of investment properties:

	Group & Company	
	Extent Perches	Fair value 31.03.2018 Rs.'000
Sarasavigama Road, Hindagala.	1,050.40	52,520
167/121, Hekiththa Road, Wattala.	375.00	215,625
Mahiyangana Road, Diganawatte.	356.50	17,825
30,Kandawala Road, Ratmalana.	17.87	22,784
Mahaberiyatenna, Digana.	76.70	4,909
		313,663

There were no maintenance costs incurred in respect of investment properties.

There are no restrictions on the realisability of the investment properties.

There are no contractual obligations to construct or develop investment properties or for repairs, maintenance or enhancements

Notes to the Financial Statements

37 COMPANY'S/GROUP'S INVESTMENTS IN ASSOCIATES

Investor	Investee	% Holding	
		31.03.2018	31.03.2017
Central Finance Company PLC	Quoted investments		
	Tea Smallholder Factories PLC	22.85%	22.85%
	Nations Trust Bank PLC (voting)	9.98%	8.98%
	Nations Trust Bank PLC (convertible non-voting)	17.46%	-
Central Finance Company PLC	Unquoted investments		
	Capital Suisse Asia Ltd.	16.29%	16.29%
Company investment in associates			
CF Growth Fund Ltd.	Quoted investments		
	Tea Smallholder Factories PLC	6.45%	6.45%
	Nations Trust Bank PLC (voting)	4.99%	6.42%
	Nations Trust Bank PLC (convertible non-voting)	4.99%	-
	Unquoted investments		
	Capital Suisse Asia Ltd.	8.29%	8.29%
CF Insurance Brokers (Pvt) Ltd.	Quoted investments		
	Nations Trust Bank PLC (voting)	5.02%	4.60%
	Nations Trust Bank PLC (convertible non-voting)	5.02%	-
Group's investment in associates (at cost)			
Adjustment on sale of shares within the group			
Group's investment in associates			
Group's 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)			

No. of shares		Cost		Market Value/Directors' Valuation	
31.03.2018	31.03.2017	31.03.2018 Rs.'000	31.03.2017 Rs.'000	31.03.2018 Rs.'000	31.03.2017 Rs.'000
6,854,814	6,854,814	99,337	99,337	233,064	164,516
23,612,729	20,715,400	627,453	394,631	1,905,547	1,532,940
7,184,555	-	574,582	-	567,221	-
2,949,003	2,949,003	29,490	29,490	29,490	29,490
		1,330,862	523,458	2,735,322	1,726,946
1,933,678	1,933,678	30,361	30,361	65,745	46,408
11,813,621	14,813,273	293,848	347,615	953,359	1,096,182
2,054,542	-	164,311	-	162,206	-
1,500,000	1,500,000	15,000	15,000	15,000	15,000
11,894,248	10,592,857	409,321	304,616	959,866	783,871
2,068,564	-	165,433	-	163,313	-
		2,409,136	1,221,050	5,054,811	3,668,407
		(224,844)	(35,809)	-	-
		2,184,292	1,185,241		
		273,977	198,701		
		3,496,275	2,663,938		
		19,006	27,179		
		5,973,550	4,075,059		

Notes to the Financial Statements

	Nations Trust Bank PLC	
	31.03.2018 Rs.'000	31.03.2017 Rs.'000
Group's investment in associates	2,010,104	1,011,053
Group's share of associate companies' retained earnings at beginning of the year	2,663,938	2,140,039
For the year ended		
Share of profit / (loss) of associates (net of tax)	720,365	600,401
Share of other comprehensive income (net of tax)	231,970	20,353
Dividends received	(119,998)	(96,855)
	5,506,379	3,674,991

37.1 Summarised financial information of associates

As at	Nations Trust Bank PLC	
	31.03.2018 Rs.'000	31.03.2017 Rs.'000
Assets	289,652,320	232,093,890
Liabilities	264,156,890	214,539,457
Non-controlling interest	-	-
Equity	25,495,430	17,554,433
For the year ended		
Revenue	37,330,017	27,776,926
Profit after tax	3,585,491	3,002,006
Other comprehensive income	1,159,850	101,767
Total comprehensive income	4,745,341	3,103,773
Total comprehensive income attributable to equity holders of the company	4,745,341	3,103,773
Total comprehensive income attributable to non-controlling interest	-	-

Tea Smallholder Factories PLC		Capital Suisse Asia Ltd.		Total	
31.03.2018	31.03.2017	31.03.2018	31.03.2017	31.03.2018	31.03.2017
Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
129,698	129,698	44,490	44,490	2,184,292	1,185,241
198,701	166,003	27,179	45,831	2,889,818	2,351,873
71,513	24,911	2,069	3,577	793,947	628,889
18,703	12,181	(9)	15	250,664	32,549
(14,940)	(4,394)	(10,233)	(22,244)	(145,171)	(123,493)
403,675	328,399	63,496	71,669	5,973,550	4,075,059

Tea Smallholder Factories PLC		Capital Suisse Asia Ltd.		Total	
31.03.2018	31.03.2017	31.03.2018	31.03.2017	31.03.2018	31.03.2017
Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
1,716,066	1,405,073	405,537	441,542	291,773,923	233,940,505
436,755	382,666	61,924	28,543	264,655,569	214,950,666
-	-	91,432	121,410	91,432	121,410
1,279,311	1,022,407	252,181	291,589	27,026,922	18,868,429
2,679,634	2,312,330	52,674	89,148	40,062,325	30,178,404
244,072	85,020	9,327	22,591	3,838,890	3,109,617
63,832	41,575	(37)	103	1,223,645	143,445
307,904	126,595	9,290	22,694	5,062,535	3,253,062
307,904	126,595	8,380	14,624	5,061,625	3,244,992
-	-	910	8,070	910	8,070

Notes to the Financial Statements

38 GROUP'S/COMPANY'S INVESTMENTS IN SUBSIDIARIES

	Principal business activities	Principal place of business	% Holding	
			Group	
			31.03.2018	31.03.2017
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%
Provision for impairment in investments in subsidiaries				
Net investment in subsidiary companies				

% Holding		No. of Shares		Cost		Market Value/Directors' Valuation	
Company		Company		Company			
31.03.2018	31.03.2017	31.03.2018	31.03.2017	31.03.2018	31.03.2017	31.03.2018	31.03.2017
				Rs.'000	Rs.'000	Rs.'000	Rs.'000
44.06%	44.06%	8,709,000	8,709,000	42,905	42,905	342,264	383,196
39.79%	39.79%	5,289,972	5,289,972	52,900	52,900	52,900	52,900
79.69%	79.69%	659,854	659,854	7,443	7,443	7,443	7,443
40.00%	40.00%	2,559,967	2,559,967	25,600	25,600	25,600	25,395
39.99%	39.99%	139,979	139,979	1,400	1,400	1,400	1,400
39.64%	39.64%	1,169,000	1,169,000	11,690	11,690	11,690	11,690
0.10%	0.10%	5	5	-	-	-	-
39.87%	39.87%	6,500,000	6,500,000	65,000	65,000	65,000	65,000
37.00%	37.00%	203,700	203,700	2,363	2,363	2,363	2,363
40.00%	40.00%	4,949,997	4,949,997	49,500	49,500	49,500	49,500
38.48%	38.48%	1,315,000	1,315,000	13,151	13,151	13,151	12,926
40.00%	40.00%	3,424,477	3,424,477	55,158	55,158	36,402	35,546
40.00%	40.00%	2,000,000	2,000,000	20,000	20,000	-	-
				347,110	347,110	607,713	647,359
				(40,654)	(40,654)		
				306,456	306,456		

Notes to the Financial Statements

38.1 Summarised financial information of subsidiaries

	Assets		Liabilities	
	As at			
	31.03.2018	31.03.2017	31.03.2018	31.03.2017
Central Industries PLC	1,837,030	1,749,944	521,981	417,176
Central Developments Ltd.	249,803	231,190	832	631
Dehigama Hotels Company Ltd.	343,357	339,837	18,964	18,426
Expanded Plastic Products (Pvt) Ltd.	65,237	63,526	36	29
Central Mineral Industries (Pvt) Ltd.	84,331	84,371	29,600	10,845
Central Transport & Travels Ltd.	93,703	83,460	952	646
Central Construction & Development (Pvt) Ltd.	-	-	31	30
CF Growth Fund Ltd.	1,227,680	1,196,787	82	107,536
Kandy Private Hospitals Ltd.	393,330	376,845	84,281	33,400
CF Insurance Brokers (Pvt) Ltd.	1,960,154	1,671,478	290,278	265,727
Central Homes (Pvt) Ltd.	37,289	33,726	144	129
Mark Marine Services (Pvt) Ltd.	99,919	96,172	8,882	7,268
Hedges Court Residencies (Pvt) Ltd.	29,045	28,580	184,491	184,329

38.2 Non-controlling interest (NCI) in subsidiaries

Subsidiary	% of ownership and voting rights held by NCI		Share of income of NCI		Share of other comprehensive income of NCI	
	As at		For the year ended		For the year ended	
	31.03.2018	31.03.2017	31.03.2018	31.03.2017	31.03.2018	31.03.2017
			Rs.000	Rs.000	Rs.000	Rs.000
Central Industries PLC	50.02	50.02	41,667	69,543	(23,389)	(2,067)
Mark Marine Services (Pvt) Ltd.	41.88	41.88	15,542	11,405	(305)	328
Dehigama Hotels Company Ltd.	20.31	20.31	4,700	4,261	-	-
Kandy Private Hospitals Ltd.	33.42	33.42	4,290	4,625	(15,341)	-
			66,199	89,834	(39,035)	(1,739)

Equity		Revenue		Profit after tax		Total comprehensive income	
As at				For the year ended			
31.03.2018	31.03.2017	31.03.2018	31.03.2017	31.03.2018	31.03.2017	31.03.2018	31.03.2017
1,315,049	1,332,768	2,274,260	2,354,154	83,302	139,029	36,542	134,897
248,971	230,559	21,966	16,065	19,875	14,621	19,875	14,621
324,393	321,411	35,863	32,603	23,139	20,982	23,139	20,982
65,201	63,497	1,810	1,498	1,733	1,431	1,703	1,438
54,731	73,526	24,580	17,955	(1,448)	(1,440)	(1,448)	(1,440)
92,751	82,814	1,156	1,581	10,762	8,223	10,762	8,223
(31)	(30)	-	-	(2)	35	(2)	35
1,227,598	1,089,251	226,330	40,694	212,785	24,425	140,792	30,203
309,049	343,445	117,907	119,669	12,838	13,840	(33,064)	13,840
1,669,876	1,405,751	306,949	279,369	216,231	193,433	282,687	197,822
37,145	33,597	4,238	2,875	3,548	2,216	3,548	2,216
91,037	88,904	62,655	51,961	37,110	27,232	36,381	28,014
(155,446)	(155,749)	653	476	303	18	303	18

Share of total comprehensive income of NCI		Adjustment through equity statement		Non-controlling interest(NCI)		Dividends paid to NCI	
For the year ended		For the year ended		As at		For the year ended	
31.03.2018	31.03.2017	31.03.2018	31.03.2017	31.03.2018	31.03.2017	31.03.2018	31.03.2017
Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
18,278	67,476	51	80	657,790	666,652	27,191	27,191
15,237	11,733	-	-	38,130	37,234	14,341	28,682
4,700	4,261	111	-	65,882	65,276	4,205	4,205
(11,051)	4,625	28	83	103,281	114,778	474	59
27,164	88,095	190	163	865,083	883,940	46,211	60,137

Notes to the Financial Statements

39 DEFERRED TAX ASSETS AND LIABILITIES

	Group		Company	
	31.03.2018 Rs.'000	31.03.2017 Rs.'000	31.03.2018 Rs.'000	31.03.2017 Rs.'000
Deferred tax liability				
At the beginning of the year	3,755,583	3,276,382	3,690,053	3,210,747
Transfer from income statement	575,215	465,230	563,366	463,835
Transfer from statement of other comprehensive income	581,451	13,971	472,949	15,471
At the end of the year	4,912,249	3,755,583	4,726,368	3,690,053
Deferred tax assets				
At the beginning of the year	11,920	11,789	-	-
Transfer to/(from) income statement	2,136	2,177	-	-
Transfer to /(from) statement of other comprehensive income	518	(2,046)	-	-
At the end of the year	14,574	11,920	-	-

39.1 Group

	Statement of financial position		Income Statement		Other comprehensive income	
	31.03.2018 Rs. '000	31.03.2017 Rs. '000	2017/18 Rs. '000	2016/17 Rs. '000	2017/18 Rs. '000	2016/17 Rs. '000
Deferred tax assets, liabilities and income tax relate to the following:						
Deferred tax liability						
Capital allowances for tax purposes	4,617,357	4,019,131	(598,226)	(498,581)	-	-
On revaluation reserve	617,197	-	-	-	(617,197)	-
	5,234,554	4,019,131	(598,226)	(498,581)	(617,197)	-
Deferred tax assets						
Defined benefit plans	(320,185)	(263,548)	20,891	33,795	35,746	(13,971)
Tax losses	(2,120)	-	2,120	(444)	-	-
	(322,305)	(263,548)	23,011	33,351	35,746	(13,971)
Deferred tax income / (expense)			(575,215)	(465,230)	(581,451)	(13,971)
Net deferred tax liability	4,912,249	3,755,583				

	Statement of financial position		Income Statement		Other comprehensive income	
	31.03.2018 Rs. '000	31.03.2017 Rs. '000	2017/18 Rs. '000	2016/17 Rs. '000	2017/18 Rs. '000	2016/17 Rs. '000
Deferred tax assets						
Defined benefit plans	16,343	11,997	3,828	2,295	518	(2,046)
Carried forward tax losses	85	1,222	(1,137)	1,181	-	-
	16,428	13,219	2,691	3,476	518	(2,046)
Deferred tax liability						
Capital allowances for tax purposes	(1,854)	(1,299)	(555)	(1,299)	-	-
	(1,854)	(1,299)	(555)	-	-	-
Deferred tax income / (expense)			2,136	2,177	518	(2,046)
Net deferred tax asset	14,574	11,920				
Total charged to income statement / statement of other comprehensive income			(573,079)	(463,053)	(580,933)	(16,017)

39.1 Company

	Statement of financial position		Income Statement		Other comprehensive income	
	31.03.2018 Rs. '000	31.03.2017 Rs. '000	2017/18 Rs. '000	2016/17 Rs. '000	2017/18 Rs. '000	2016/17 Rs. '000
Deferred tax assets, liabilities and income tax relate to the following:						
Deferred tax liability						
Capital allowances for tax purposes	4,517,558	3,935,086	(582,472)	(495,141)	-	-
On revaluation reserve	508,275	-	-	-	(508,275)	-
	5,025,833	3,935,086	(582,472)	(495,141)	(508,275)	-
Deferred tax assets						
Defined benefit plans	(299,465)	(245,033)	19,106	31,306	35,326	(15,471)
Deferred tax income / (expense)			(563,366)	(463,835)	(472,949)	(15,471)
Net deferred tax liability	4,726,368	3,690,053				

Notes to the Financial Statements

40 PROPERTY, PLANT AND EQUIPMENT
Group

	Land and Buildings	Furniture and office equipment	Motor vehicles & lifts	Plant, machinery and other equipment	Capital work- in-progress	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Cost/valuation						
As at 01.04.2016	3,697,543	277,694	2,429,658	1,580,999	188,607	8,174,501
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	290,947	3,671,623	1,728,705	2,767	9,652,906
Additions / transfers	21,990	45,217	1,619,645	257,552	46,510	1,990,914
Revaluation surplus on properties reclassified under investment properties	179,816	-	-	-	-	179,816
Write offs	-	(2,327)	(4)	(60,290)	-	(62,621)
Disposals / transfers	(34,002)	(8,877)	(172,872)	(23,989)	(21,057)	(260,797)
Transferred to investment properties and investments in real estate	(272,667)	-	-	-	-	(272,667)
As at 31.03.2018	3,854,001	324,960	5,118,392	1,901,978	28,220	11,227,551
Accumulated depreciation						
As at 01.04.2016	44,528	172,946	1,024,352	1,006,842	-	2,248,668
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	191,530	1,137,195	1,122,487	-	2,518,052
Charge / transfers during the year	28,261	28,884	324,103	132,932	-	514,180
Write offs	-	(2,326)	(4)	(60,172)	-	(62,502)
On disposals / transfers	(844)	(7,569)	(107,012)	(22,401)	-	(137,826)
As at 31.03.2018	94,257	210,519	1,354,282	1,172,846	-	2,831,904
Net book value						
As at 01.04.2016	3,653,015	104,748	1,405,306	574,157	188,607	5,925,833
As at 31.03.2017	3,892,024	99,417	2,534,428	606,218	2,767	7,134,854
As at 31.03.2018	3,759,744	114,441	3,764,110	729,132	28,220	8,395,647

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 01.04.2016	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
Additions / transfers	1,284	44,385	1,619,645	162,668	787	1,828,769
Revaluation surplus on properties reclassified under investment properties	179,816	-	-	-	-	179,816
Disposals / transfers	(34,001)	(8,863)	(172,872)	(23,192)	-	(238,928)
Transferred to investment properties and investments in real estate	(272,667)	-	-	-	-	(272,667)
As at 31.03.2018	2,832,462	300,480	5,076,083	1,078,299	787	9,288,111
Accumulated depreciation						
As at 01.04.2016	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
Charge / transfers during the year	17,455	28,147	318,677	90,860	-	455,139
On disposals / transfers	(844)	(7,565)	(107,008)	(21,754)	-	(137,171)
As at 31.03.2018	53,509	191,525	1,321,516	621,363	-	2,187,913
Net book value						
As at 01.04.2016	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
As at 31.03.2018	2,778,953	108,955	3,754,567	456,936	787	7,100,198

Operating Leases

The motor vehicles of the company represents assets given under operating leases on short and long term basis. An analysis of the rentals to be received on such operating leases are as follows:

	Group & Company	
	31.03.2018 Rs.'000	31.03.2017 Rs.'000
Receivable within one year	809,971	559,238
Receivable within 1-5 years	2,094,557	1,456,152
Receivable after 5 years	4,823	10,201
	2,909,351	2,025,591

Notes to the Financial Statements

Information on the freehold land and buildings of the company and the group as at 31.03.2018

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	10,550	415,450
No.268, Vauxhall Street, Colombo 02.	21.67	65,000	250,879	315,879	6,779	309,100
Branches						
No.62, Maithripala Senanayake Mawatha, Anuradhapura.	40.20	50,250	39,037	89,287	4,880	84,407
No.367, Main Street, Negombo.	29.00	43,500	7,262	50,762	763	49,999
No.38, Mihindu Mawatha, Kurunegala.	54.63	97,350	2,650	100,000	303	99,697
No.04, Udaya Raja Mawatha, Badulla.	26.90	36,800	4,200	41,000	480	40,520
No.78, Kumarithunga Mawatha, Matara.	125.25	145,200	6,800	152,000	778	151,222
No.21, Kurunegala Road, Dambulla.	21.00	20,000	5,000	25,000	500	24,500
No.143, Colombo Road, Moragahayata, Ratnapura.	42.44	79,878	6,383	86,261	724	85,537
No.312, Highlevel Road, Nugegoda.	15.70	47,000	25,000	72,000	2,500	69,500
No.215, Maradana Road, Colombo 10.	39.37	135,946	26,176	162,122	4,564	157,558
No.254, 254/1, Katugastota Road, Kandy.	83.24	89,660	35,150	124,810	3,515	121,295
Vehicle Yards						
No.249, Katugastota Road, Kandy.	137.31	200,448	5,500	205,948	629	205,319
No.313, Koholwila Road, Kelaniya.	348.50	36,500	11,500	48,000	2,558	45,442
Batalahenawatte Road, Gonawala, Kelaniya.	189.05	23,750	933	24,683	142	24,541
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	3,576	192,349
No.313, Madawala Road, Katugastota.	167.43	120,000	1,000	121,000	333	120,667
Kirindiwela Road, Pugoda.	1,600.00	21,200	3,506	24,706	1,028	23,678
Other properties						
No.244, Vauxhall Street, Colombo 02.	13.21	40,000	32,000	72,000	3,200	68,800
326, D.S.Senanayaka Veediya, Kandy.	10.90	55,730	4,599	60,329	492	59,837
Bungalows						
No.8, Sukhastan Gardens, Ward Place, Colombo 7.	38.14	76,000	14,000	90,000	1,400	88,600
No.25, Sri Rahula Road, Nuwaraeliya.	194.00	106,600	13,400	120,000	1,340	118,660
Indibedda, Moratuwa.	251.10	75,250	24,750	100,000	2,475	97,525
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		2,184,887	647,575	2,832,462	53,509	2,778,953

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	9,902	320,098
Kandy Private Hospitals Ltd.						
No.35, Dr. C. D. L. Fernando Mawatha, Mahaiyawa, Kandy.	127.25	112,900	44,100	157,000	5,040	151,960
No. 35/178 & 35/178/1/1, Dr. C. D. L. Fernando Mawatha, Mahaiyawa, Kandy.	38.10	35,600	24,414	60,014	2,786	57,228
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	1,040	68,164
Central Industries PLC						
Factory						
No.195/4, Kerawalapitiya Road, Hendala, Wattala.	522.00	130,525	70,836	201,361	12,435	188,926
Udathuththiripitiya, Yakkala.	1,400.00	36,862	71,737	108,599	4,092	104,507
Head office						
No.312, Nawala Road, Rajagiriya.	18.00	40,000	45,361	85,361	5,453	79,908
Total for the group		2,857,874	996,127	3,854,001	94,257	3,759,744

	Group		Company	
	31.03.2018 Rs.000	31.03.2017 Rs.000	31.03.2018 Rs.000	31.03.2017 Rs.000
Number of buildings owned by the group and company	47	48	24	25

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 increased 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 Rs.000	Revalued Amount Rs.000	Revaluation Surplus/ (deficits) Rs.000
Central Finance Company PLC					
Offices					
No.270, Vauxhall Street, Colombo 02.	Land	Comparison	204,613	320,500	115,887
No.268, Vauxhall Street, Colombo 02.	Building	Contractor's	91,608	105,500	13,892
	Land	Comparison	31,770	65,000	33,230
Branches					
No.62, Maithripala Senanayake Mawatha, Anuradhapura.	Land	Comparison	24,306	50,250	25,944
No.367, Main Street, Negombo.	Land	Comparison	24,239	43,500	19,261
No.38, Mihindu Mawatha, Kurunegala .	Building	Contractor's	3,884	6,500	2,616
No.04, Udaya Raja Mawatha, Badulla.	Land	Comparison	34,700	97,350	62,650
No.78, Kumarathunga Mawatha, Matara.	Building	Contractor's	2,439	2,650	211
No.143, Colombo Road, Moragahayata, Ratnapura.	Land	Comparison	16,692	36,800	20,108
No.312, Highlevel Road, Nugegoda.	Building	Contractor's	2,625	4,200	1,575
No.21, Kurunegala Road, Dambulla.	Land	Comparison	83,769	145,200	61,431
No.254, Katugastota Road, Kandy.	Building	Contractor's	3,573	6,800	3,227
	Land	Comparison	18,281	81,300	63,019
	Building	Contractor's	5,347	6,200	853
	Land	Comparison	27,075	47,000	19,925
	Building	Contractor's	15,806	25,000	9,194
	Land	Comparison	1,777	20,000	18,223
	Building	Contractor's	4,084	5,000	916
	Land	Comparison	69,000	92,350	23,350
	Building	Contractor's	30,079	35,150	5,071
Vehicle Yards					
No.249, Katugastota Road, Kandy.	Land	Comparison	114,239	221,500	107,261
No.313, Koholwila Road, Kelaniya.	Building	Contractor's	2,123	5,500	3,377
	Land	Comparison	17,636	36,500	18,864
	Building	Contractor's	4,992	11,500	6,508
Batalahenawatte Road, Gonawala, Kelaniya.	Land	Comparison	7,946	23,750	15,804
No.210, Siri Dhamma Mawatha Colombo 10.	Building	Contractor's	179	250	71
No.313, Madawala Road, Katugastota.	Land	Comparison	158,120	173,575	15,455
No.258/3, Katugastota Road, Kandy. Kirindiwela Road, Pugoda.	Building	Contractor's	16,235	22,350	6,115
	Land	Comparison	30,100	120,000	89,900
	Building	Contractor's	742	1,000	258
	Land	Comparison	22,750	52,000	29,250
	Land	Comparison	17,622	21,200	3,578
	Building	Contractor's	1,998	3,000	1,002
Other properties					
No.244,Vauxhall Street,Colombo 02.	Land	Comparison	20,760	40,000	19,240
	Building	Contractor's	16,932	32,000	15,068
Bungalows					
No.8, Sukhastan Gardens, Ward Place, Colombo 7.	Land	Comparison	66,642	76,000	9,358
No.25, Sri Rahula Road Nuwaraeliya	Building	Contractor's	11,059	14,000	2,941
	Land	Comparison	67,908	106,600	38,692
	Building	Contractor's	9,949	13,400	3,451

Location/Address		Valuation Method	Net Book Value before Revaluation Rs.000	Revalued Amount Rs.000	Revaluation Surplus/ (deficits) Rs.000
Indibedda, Moratuwa	Land	Comparison	37,562	75,250	37,688
	Building	Contractor's	26,775	24,750	(2,025)
Car Parks					
Yatinuwara Veediya, Kandy.	Land	Comparison	14,000	42,000	28,000
No.267 & 269, Vauxhall Street, Colombo 02.	Land	Comparison	15,350	30,750	15,400
Sub total	Land		1,126,857	2,018,375	891,518
	Building		250,429	324,750	74,321
Total for the company			1,377,286	2,343,125	965,839
Kandy Private Hospitals Ltd.					
No.35, Dr. C. D. L. Fernando Mawatha, Mahaiyawa, Kandy.	Land	Comparison	71,500	112,900	41,400
	Building	Contractor's	30,027	44,100	14,073
No.35/178 & 35/178/1/1, Dr. C. D. L.Fernando Mawatha, Mahaiyawa, Kandy.	Land	Comparison	17,500	35,600	18,100
	Building	Contractor's	5,146	12,400	7,254
Kirillagodawatta, off Dr.C.D.L.Fernando Mawatha, Mahaiyawa, Kandy.	Land	Comparison	-	10,000	10,000
Central Mineral Industries (Pvt) Ltd.					
Diganatenna Estate, Gonawala, Rajawella, Digana.	Land	Comparison	30,774	63,100	32,326
	Building	Contractor's	2,359	2,900	541
Central Industries PLC					
Factory					
Kerawalapitiya.	Land	Comparison	130,525	130,525	-
	Building	Contractor's	54,593	70,836	16,243
Udathuththiripitiya, Yakkala.	Land	Comparison	31,074	36,862	5,788
	Building	Contractor's	27,543	28,655	1,112
Head office					
Nawala.	Land	Comparison	36,000	40,000	4,000
	Building	Contractor's	39,550	44,950	5,400
Dehigama Hotels Company Ltd.					
No.84, Raja Veediya, Kandy.	Land	Comparison	125,000	244,000	119,000
	Building	Contractor's	69,032	86,000	16,968
	Land		1,569,230	2,691,362	1,122,132
	Building		478,679	614,591	135,912
Total for the group			2,047,909	3,305,953	1,258,044

Notes to the Financial Statements

Freehold lands listed below were revalued in March 2018 by Mr. W. M. G. B. Heenbanda, an Independent Qualified Valuer on comparison method and transferred to investment properties at their fair values as these properties are currently not being used for supply of services or administrative purposes.

Location/Address	Valuation Method	Net Book Value	Revalued	Revaluation
		before Revaluation	Amount	Surplus
		Rs.'000	Rs.'000	Rs.'000
167/121, Hekiththa Road, Wattala.	Comparison	77,879	215,625	137,746
Sarasavigama Road, Hindagala.	Comparison	10,450	52,520	42,070
		88,329	268,145	179,816

Where properties have fallen in value, the decreases have been charged against revaluation reserve to the extent that it was credited previously and any decrease beyond such value was charged to the income statement during the year of such revaluations.

The carrying value of freehold land and buildings of the group, if carried at cost less accumulated depreciation and impairment, would amount to Rs.1,345.67 million as at 31.03.2018 (As at 31.03.2017 - Rs.1,271.88 Million).

The cost of fully depreciated assets of the group and company amounted to Rs. 1,792.37 million and Rs.1,624.15 million respectively as at 31.03.2018 (group Rs.1,104.05 million and company Rs. 966.49 million as at 31.03.2017).

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. 848.45 million and Rs. 415.54 million for the group and company as at 31.03.2018 respectively (group - Rs.798.71 million and company Rs. 418.09 million as at 31.03.2017).

The carrying value of machinery equipment pledged as security for banking facilities by a group company amounted to Rs. 6.95 million as at 31.03.2018 (31.03.2017 - 6.78 million).

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

Bank	Nature of facility	As at	As at
		31.03.2018	31.03.2017
		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 31.03.2018 (31.03.2017 - Nil).

There were no capitalised borrowing costs related to acquisition of property, plant and equipment during the financial year 2017/18 (2016/17 - 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.

41 INTANGIBLE ASSETS

	Group		Company	
	31.03.2018 Rs.'000	31.03.2017 Rs.'000	31.03.2018 Rs.'000	31.03.2017 Rs.'000
Computer software at cost				
At the beginning of the year	287,797	263,469	284,398	258,604
Additions	37,448	24,328	36,555	24,126
Assets transferred on amalgamation of a subsidiary	-	-	-	1,668
At the end of the year	325,245	287,797	320,953	284,398
Amortisation				
At the beginning of the year	(187,431)	(157,370)	(184,435)	(153,212)
On amalgamation of a subsidiary	-	-	-	(1,527)
Charge for the year	(34,538)	(30,061)	(34,273)	(29,696)
At the end of the year	(221,969)	(187,431)	(218,708)	(184,435)
Carrying amount				
At the beginning of the year	100,366	106,099	99,963	105,392
At the end of the year	103,276	100,366	102,245	99,963

The cost of fully depreciated intangible assets which are currently in use as at 31.03.2018 at the group and company amounted to Rs. 130.78 million and Rs. 134.31 million respectively (group - Rs.122.33 million and company Rs. 119.23 million as at 31.03.2017).

42 TRADE AND OTHER PAYABLES

	Group		Company	
	31.03.2018 Rs.'000	31.03.2017 Rs.'000	31.03.2018 Rs.'000	31.03.2017 Rs.'000
Accrued interest on deposits	54,748	38,765	54,748	38,765
Creditors	938,938	906,231	711,598	699,145
Advances on real estate projects	4,713	1,322	4,713	1,322
Accrued expenses	154,505	136,302	64,220	42,921
Others	699,302	560,312	622,306	510,050
	1,852,206	1,642,932	1,457,585	1,292,203

Notes to the Financial Statements

43 SHORT TERM BORROWINGS

Borrower	Lending Institution	Nature of facility	Security	31.03.2018	31.03.2017
				Rs.'000	Rs.'000
Central Finance Company PLC	Hatton National Bank PLC	Revolving short term loan	Mortgage over lease receivables	200,812	854,461
	Commercial Bank of Ceylon PLC	Revolving short term loan	Mortgage over lease receivables	603,510	451,016
	Standard Chartered Bank	Revolving short term loan	Mortgage over lease receivables	501,405	393,719
	Nations Trust Bank PLC	Revolving short term loan	Mortgage over lease receivables	251,859	-
Total for the company				1,557,586	1,699,196
Central Industries PLC	Hatton National Bank PLC	Short term loan	Unsecured	90,083	70,881
	Nations Trust Bank PLC	Short term loan	Unsecured	-	23,000
	Commercial Bank of Ceylon PLC	Short term loan	Unsecured	47,422	16,219
	Public Bank	Short term loan	Unsecured	58,562	36,056
				196,067	146,156
Total for the group				1,753,653	1,845,352

Short term borrowings have maturities less than one year.

44 DEPOSITS

	Group		Company	
	31.03.2018 Rs.'000	31.03.2017 Rs.'000	31.03.2018 Rs.'000	31.03.2017 Rs.'000
Term deposits	39,527,745	34,451,437	39,702,335	34,595,092
Savings	1,042,454	1,076,499	1,064,162	1,112,055
	40,570,199	35,527,936	40,766,497	35,707,147
Payable within one year	31,992,681	29,405,702	32,188,978	29,584,913
Payable after one year	8,577,518	6,122,234	8,577,519	6,122,234
	40,570,199	35,527,936	40,766,497	35,707,147

The above includes a sum of Rs. 559,318,104/- (Rs. 444,921,519/- as at 31.03.2017) deposited with the company by the directors and their close family members.

45 LONG TERM BORROWINGS

Borrower	Lending Institution	Nature of facility	Security	Group	
				31.03.2018	31.03.2017
				Rs.'000	Rs.'000
Central Mineral Industries (Pvt)Ltd.	Commercial Bank of Ceylon PLC	Long term loan	Pledge over machinery and equipment	4,875	5,425
				4,875	5,425
Payable within one year				1,300	1,300
Payable after one year				3,575	4,125
				4,875	5,425

46 DEBENTURES

			Group & Company	
			31.03.2018	31.03.2017
			Rs.'000	Rs.'000
At the beginning of the year			6,140,818	6,638,981
Redeemed during the year			(500,000)	(500,000)
Amortised interest at end of the year			2,894	1,837
At the end of the year			5,643,712	6,140,818

Date of issue	Colombo Stock Exchange Listing	Interest payment frequency	No. of Debentures issued	Face value	Rate of interest (%)	Date of maturity	Group & Company	
							31.03.2018	31.03.2017
							Rs.000	Rs.000
17-Jun-13	Listed	Quarterly	300,000	300,000	14.50	4 years	-	310,285
17-Jun-13	Listed	Quarterly	1,400,000	1,400,000	14.75	5 years	1,449,098	1,443,232
12-Dec-13	Listed	Semi annually	2,000,000	200,000	13.25	4 years	-	205,820
12-Dec-13	Listed	Semi annually	6,000,000	600,000	13.50	5 years	618,226	615,786
12-Dec-13	Listed	Annually	10,000,000	1,000,000	13.95	5 years	1,031,271	1,027,051
1-Jun-15	Listed	Semi annually	2,500,000	250,000	8.35	3 years	254,900	253,956
1-Jun-15	Listed	Semi annually	5,000,000	500,000	9.00	4 years	509,290	507,931
1-Jun-15	Listed	Annually	17,500,000	1,750,000	9.52	5 years	1,780,927	1,776,757
							5,643,712	6,140,818

There were no breaches or defaults in the contractual obligation pertaining to loans/debentures and deposits.

Notes to the Financial Statements

47 EMPLOYEE BENEFIT OBLIGATIONS

	Group		Company	
	31.03.2018	31.03.2017	31.03.2018	31.03.2017
	Rs.000	Rs.000	Rs.000	Rs.000
Present value of defined benefit obligation	1,442,118	1,251,208	1,323,027	1,130,783
Fair value of plan assets	(253,509)	(255,663)	(253,509)	(255,663)
Unfunded status	1,188,609	995,545	1,069,518	875,120
Net retirement benefit obligation	1,188,609	995,545	1,069,518	875,120
Movement of the retirement benefit obligation				
Present value of defined benefit obligation at the beginning of the year	1,251,208	1,145,018	1,130,783	1,036,249
Liability transferred on amalgamation of a subsidiary	-	-	-	1,746
Interest cost	154,993	140,322	141,348	129,531
Current service cost	73,908	64,499	64,719	55,085
Payments made during the year	(107,943)	(34,431)	(79,994)	(30,089)
Actuarial (gain) / loss	69,952	(64,200)	66,171	(61,739)
Present value of defined benefit obligation at the end of the year	1,442,118	1,251,208	1,323,027	1,130,783
Movement of the plan assets				
Fair value of the plan assets at the beginning of the year	255,663	217,683	255,663	217,683
Contributions paid into the plan	52,741	47,346	52,741	47,346
Benefits paid by the plan	(79,994)	(30,090)	(79,994)	(30,090)
Expected return on plan assets	29,840	27,210	29,840	27,210
Actuarial loss	(4,741)	(6,486)	(4,741)	(6,486)
Fair value of the plan assets at the end of the year	253,509	255,663	253,509	255,663
Plan assets consist of the following:				
Investments in treasury bills	72,990	89,881	72,990	89,881
Investments in debentures	35,057	-	35,057	-
Investments in treasury bonds	-	31,536	-	31,536
Investments in fixed deposits with banks	145,462	134,246	145,462	134,246
	253,509	255,663	253,509	255,663

Retirement benefit liability of Central Finance Company PLC is partly funded externally through a gratuity fund established in 1987.

Retirement benefit obligations of Central Finance Company PLC, Central Industries PLC, and CF Insurance Brokers (Pvt) Ltd., have been determined based on actuarial valuations carried out by Mr. Pushpakumara Gunasekera-Actuary/Associate of the Institute of Actuaries of Australia. 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 are as follows:

	31.03.2018	31.03.2017
Actuarial assumptions		
Discount rate	10.00%	12.50%
Future salary increases	10.00%	10.00%

Details of actuarial assumptions of subsidiary company Central Industries PLC

	31.03.2018	31.03.2017
Actuarial assumptions		
Discount rate	10.00%	12.50%
Future salary increases	9.50%	10.00%

Details of actuarial assumptions of subsidiary company CF Insurance Brokers (Pvt) Ltd.

	31.12.2017	31.12.2016
Actuarial assumptions		
Discount rate	10.00%	12.42%
Future salary increases	11.00%	10.00%
Mortality	A1967/70 Ultimate Mortality Table	
Staff withdrawal rate	18%	

A 1967/70 ultimate Mortality Rates	Age:	20	25	30	35	40	45	50	55
	Rate	0.00089	0.00069	0.00065	0.00086	0.00144	0.00264	0.00479	0.00844
Disability rates	Age:	20	25	30	35	40	45	50	55
	Rate	0.00012	0.00012	0.00012	0.00013	0.00018	0.00028	0.00048	0.00086

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

Notes to the Financial Statements

Sensitivity of assumptions employed in gratuity liability valuation

The following table demonstrates the impact on the defined benefit obligation and statement of comprehensive income of the changes in the significant actuarial assumptions employed with all other variables held constant in the employee benefit liability measurement

Company		2018		2017	
Increase/ (decrease) in discount rate	Increase/ (decrease) in salary increment rate	Sensitivity effect on comprehensive income statement increase/(decrease) in comprehensive income for the year	Sensitivity effect on the employee benefit obligation increase/ (decrease) in liability	Sensitivity effect on comprehensive income statement increase/(decrease) in comprehensive income for the year	Sensitivity effect on the employee benefit obligation increase/ (decrease) in liability
		Rs.000	Rs.000	Rs.000	Rs.000
1%		20,334	(20,334)	16,168	(16,168)
-1%		(21,618)	21,618	(17,066)	17,066
	1%	(26,271)	26,271	(21,346)	21,346
	-1%	25,248	(25,248)	20,618	(20,618)

Group		2018		2017	
Increase/ (decrease) in discount rate	Increase/(decrease) in salary increment rate	Sensitivity effect on comprehensive income statement increase/ (decrease) in comprehensive income for the year	Sensitivity effect on the employee benefit obligation increase/(decrease) in liability	Sensitivity effect on comprehensive income statement increase/(decrease) in comprehensive income for the year	Sensitivity effect on the employee benefit obligation increase/(decrease) in liability
		Rs.000	Rs.000	Rs.000	Rs.000
1%		24,035	(24,035)	20,440	(20,440)
-1%		(25,657)	25,657	(21,158)	21,158
	1%	(30,476)	30,476	(26,424)	26,424
	-1%	29,176	(29,176)	25,844	(25,844)

48 STATED CAPITAL

	Group & Company			
	31.03.2018	31.03.2018	31.03.2017	31.03.2017
	No. of shares	Stated Capital	No. of shares	Stated Capital
	Rs.000	Rs.000	Rs.000	Rs.000
Issued and fully paid - ordinary shares				
At the beginning of the year	216,759	1,337,564	104,883	568,420
Subdivision of shares (01 into 02)	-	-	104,883	-
Capitalisation of reserves and scrip issue of shares (01 for 30)	-	-	6,993	769,144
At the end of the year	216,759	1,337,564	216,759	1,337,564

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 a scrip issue of shares in the proportion of 01 share for 30 shares. As a result, the number of shares increased to 216,758,888. Net assets per share of the previous periods were adjusted accordingly.

49 CAPITAL RESERVES

	Group		Company	
	31.03.2018	31.03.2017	31.03.2018	31.03.2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Revaluation reserve				
Balance at the beginning of the year	2,510,631	2,509,879	1,919,787	1,930,651
Depreciation on revaluation surplus	(5,185)	(5,184)	(3,953)	(3,953)
Reversal of revaluation surplus on disposal of land	(20,567)	(6,911)	(20,567)	(6,911)
Revaluation of land	179,816	-	179,816	-
Deferred tax on revaluation surplus	(573,872)	-	(503,138)	-
Share of revaluation surplus - associate company	201,129	12,847	-	-
Balance at the end of the year	2,291,952	2,510,631	1,571,945	1,919,787

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

50 RESERVE FUND

	Group		Company	
	31.03.2018	31.03.2017	31.03.2018	31.03.2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance at the beginning of the year	1,599,000	1,396,000	1,599,000	1,396,000
Transfers during the year	225,000	203,000	225,000	203,000
Balance at the end of the year	1,824,000	1,599,000	1,824,000	1,599,000

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.

Notes to the Financial Statements

51 AVAILABLE FOR SALE RESERVE

	Group		Company	
	31.03.2018	31.03.2017	31.03.2018	31.03.2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance at the beginning of the year	29,748	91	66,771	54,325
Fair value change during the year	32,971	13,746	32,971	13,746
Derecognition of available for sale investments	-	(1,300)	-	(1,300)
Share of net gain/(loss) on re-measuring available for sale investments - associate company	56,660	17,211	-	-
Balance at the end of the year	119,379	29,748	99,742	66,771

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

52 LOAN LOSS RESERVE

	Group		Company	
	31.03.2018	31.03.2017	31.03.2018	31.03.2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance at the beginning of the year	-	-	-	-
Transfers during the year	920,000	-	920,000	-
Balance at the end of the year	920,000	-	920,000	-

Loan loss reserve was made during the year to match the gap between regulatory time based provision and impairment based on Sri Lanka Financial Reporting Standards (SLFRS) on loans and advances. The gap as at year end stands at Rs.479.9 million.

53 REVENUE RESERVES

	Group		Company	
	31.03.2018	31.03.2017	31.03.2018	31.03.2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
General reserve:				
Balance at the beginning of the year	21,643,957	19,235,420	21,632,776	19,224,239
Transfers during the year	1,759,000	3,262,000	1,759,000	3,262,000
Effect due to sub division of shares	-	(853,463)	-	(853,463)
	23,402,957	21,643,957	23,391,776	21,632,776
Retained earnings	5,478,475	3,708,294	9,476	(842,146)
Balance at the end of the year	28,881,432	25,352,251	23,401,252	20,790,630

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

54 CORRECTION OF PRIOR PERIOD ERROR - RETROSPECTIVE RESTATEMENT OF IMPAIRMENT PROVISIONS

During the current financial year, it was observed that losses incurred in prior years pertaining to the following segments of advances had not been sufficiently factored in when determining loss given default (LGD) ratios.

- (1) Contracts in arrears up to 06 months when repossessed
- (2) Contracts in arrears for more than 24 months

Due to the above, the LGD ratios had been understated resulting in recognition of lower impairment provisions for lease receivables during prior reporting periods. The company has now taken measures to consider the relevant incurred losses not yet realised into the LGD ratio calculations and has restated the impairment provisions for lease receivables in line with LKAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors).

Impact to the financial statements are as follows:

	Group		Company	
	31.03.2017	31.03.2016	31.03.2017	31.03.2016
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Statement of financial position				
Net investment in leases and hire purchase as previously reported	58,017,827	56,045,775	58,017,827	56,031,948
Effect due to correction	(852,096)	(710,506)	(852,096)	(710,506)
Net investment in leases and hire purchase (restated)	57,165,731	55,335,269	57,165,731	55,321,442
Revenue reserves as previously reported	26,204,347	23,014,096	21,642,726	19,233,869
Effect due to correction	(852,096)	(710,506)	(852,096)	(710,506)
Revenue reserves (restated)	25,352,251	22,303,590	20,790,630	18,523,363
For the year ended			Group	Company
			31.03.2017	31.03.2017
			Rs.'000	Rs.'000
Consolidated income statement				
Impairment on loans and other credit losses as previously reported			161,204	161,812
Additional impairment charges made due to error correction			141,590	141,590
Total impairment charges (restated)			302,794	303,402
Profit after income tax as previously reported			4,896,619	4,054,462
Effect due to correction of impairment charges			(141,590)	(141,590)
Net profit after income tax (restated)			4,755,029	3,912,872
Basic and diluted earnings per share (Rs.)				
As previously reported			22.18	
Effect due to the correction of impairment charges			(0.66)	
Basic and diluted earnings per share (restated)			21.52	

Notes to the Financial Statements

55 SECURED LIABILITIES

Short and 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.12,550 million as at 31.03.2018 (As at 31.03.2017 - Rs. 11,012 million).

56 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. 46.78 million for the company and Rs. 62.28 million for the group (2016/17 - Rs. 31.24 million for the company and Rs. 90.16 million for the group).

57 CONTINGENT LIABILITIES

	Group		Company	
	31.03.2018	31.03.2017	31.03.2018	31.03.2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Guarantees Issued				
Fully secured guarantees issued on behalf of depositors	26,422	25,615	26,422	25,615
Letter of credit facilities	97,848	58,860	97,848	58,860
Other guarantees	10,897	10,897	-	883
	135,167	95,372	124,270	85,358

Tax assessments against the company

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

- Value Added Tax (VAT) for taxable periods from April 1, 2009 to March 31, 2010 (12 months) 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 was completed in October 2016. Determination by Tax Appeals Commission not received as yet.
- Income Tax for year of assessment 2009/2010, amounting to Rs. 257.6 million, on Assessment No. ITA 12301100091. Tax Appeals Commission Determination received on April 2, 2018. To be taken up at Court of Appeal.
- Income Tax for year of assessment 2010/11, amounting to Rs. 35.7 million, on Assessment No. ITA 13291100250. Pending at the Tax Appeals Commission.
- Income Tax for year of assessment 2013/14, amounting to Rs. 346.2 million, on Assessment No. ITA 16310500158V1. Pending at the Department of Inland Revenue.
- Income Tax for year of assessment 2014/15, amounting to Rs. 803.5 million, on Assessment No. ITA17010600105V1. Pending at the Department of Inland Revenue.
- Value added tax for the quarters ended December 31, 2013, March 31, 2014, June 30, 2014, September 30, 2014 and December 31, 2014 amounting to Rs. 287 million on Assessment Nos. 7372446, 7389287, 7401318, 7401319.

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. 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.

58 EVENTS AFTER THE REPORTING PERIOD

Proposed final dividend

The directors have recommended the payment of a final dividend of Rs. 1.60 per share (consists of 60 cents per share payable in cash and Rs. 1.00 per share by way of a scrip dividend through the allotment of new shares, subject to regulatory approvals) for the year ended 31st March 2018 (2016/17 – 85 cents per share) which requires the approval of shareholders at the Annual General Meeting to be held on 29th June 2018. 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 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.

59 RELATED PARTY DISCLOSURES

59.1 Parent and ultimate parent

The company does not have a parent of its own.

59.2 Subsidiaries and associates

Relationship with subsidiaries and associates are explained in the pages 163 to 165 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.

	C.L.K.P. Jayasuriya	E.H. Wijenaike	G.S.N. Peiris	R.E. Rambukwella	A.K. Gunaratne	D.P.de Silva	S.C.S. Wickramasinghe	A.D.B.Talwatte	Dr.(Mrs.)A.D.N.de Zoysa	A.R.Fernando
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	-	-	-	-	-	-
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	-	-	-	-
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	
	31.03.2018 Rs.'000	31.03.2017 Rs.'000	31.03.2018 Rs.'000	31.03.2017 Rs.'000
59.3 AMOUNTS DUE FROM RELATED PARTIES				
(a) Subsidiaries				
Loans and advances	-	-	-	107,489
Trade and other receivables	-	-	320	480
	-	-	320	107,969
(b) Associates				
Securities bought under repurchase agreements	3,099,174	1,878,458	3,099,174	1,878,458
Deposits	870,212	716,233	864,154	716,233
Lease and hire purchase receivables	31,693	89,841	31,693	89,841
	4,001,079	2,684,532	3,995,021	2,684,532
(c) Key management personnel (KMP) and their close family members				
Loans and advances	13,763	11,049	13,763	11,049
Total amount due from related parties	4,014,842	2,695,581	4,009,104	2,803,550
59.4 Amounts due to related parties				
(a) Subsidiaries				
Deposits	-	-	196,298	179,211
Amounts due to subsidiaries	-	-	204,333	187,987
			400,631	367,198
(b) Associates				
Deposits	89,561	130,955	89,561	130,955
Short term loans and overdraft facilities	700,616	351,960	700,616	351,960
	790,177	482,915	790,177	482,915
(c) Key management personnel (KMP) and their close family members				
Deposits	635,034	511,649	635,034	511,649
Total amount due to related parties	1,425,211	994,564	1,825,842	1,361,762

Year ended	Group		Company	
	31.03.2018	31.03.2017	31.03.2018	31.03.2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
59.5 Transactions with related parties				
(a) Subsidiaries				
Collection of insurance premium	-	-	1,993,695	1,828,964
Rendering of services	-	-	15,369	44,906
Loan instalment recoveries	-	-	157,488	131,937
Rent paid	-	-	35,863	32,603
Vehicle hire rentals paid	-	-	1,156	1,581
Accounting and administration charges received	-	-	175	175
Accounting and administration charges paid	-	-	-	3,234
Deposits placed	-	-	34,350	147,199
Withdrawal of deposits	-	-	16,475	154,426
Vehicle hire rentals received	-	-	2,064	38
Loans given	-	-	50,000	53,000
Dividends received	-	-	58,479	69,804
Interest received	-	-	11,160	16,814
Interest paid	-	-	22,652	19,339
Rent received	-	-	8,840	9,224
(b) Associates				
Interest paid	36,882	38,525	36,882	38,525
Interest received	406,851	210,887	406,198	210,887
Lease/vehicle hire facilities given	-	39,500	-	39,500
Dividends received	-	-	78,921	57,205
Loans obtained	750,000	400,000	750,000	400,000
Investment in shares	881,690	-	745,754	-
Loans settled	500,000	600,000	600,000	600,000
Investments in REPOs	8,435,000	7,683,300	8,435,000	7,683,300
Divestment of REPOs	7,230,000	6,733,300	7,230,000	6,733,300
Placement of fixed deposits	2,300,000	1,400,000	2,300,000	1,400,000
Withdrawal of deposits	2,150,000	700,000	2,150,000	700,000
Receipt of deposits	8,000	40,000	8,000	40,000
Withdrawal of deposits	58,387	90,932	58,387	90,932
Vehicle hire rentals received	6,574	10,195	6,574	10,195
Lease and hire purchase rentals received	57,620	40,019	57,620	40,019
Commission earned on sale of vehicles	111	-	111	-
(c) Key management personnel (KMP) and their close family members				
Interest paid on deposits	61,836	41,029	61,836	41,029
Loans given	7,673	4,954	7,673	4,954
Interest received	1,242	1,088	1,242	1,088
Recovery of loans	8,289	3,498	8,289	3,498
Vehicle hire rentals received	18	-	18	-
Post- employment benefits for key management personnel				
Contributions to provident fund	31,754	28,460	28,658	25,507
Contributions to gratuity fund	8,155	7,241	8,056	7,159
Compensation of key management personnel				
Short term employee benefits	223,886	205,384	199,009	176,885

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

60 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	
	31.03.2018 Rs.'000	31.03.2017 Rs.'000	31.03.2018 Rs.'000	31.03.2017 Rs.'000	31.03.2018 Rs.'000	31.03.2017 Rs.'000
Interest earning assets:						
Securities bought under repurchase agreements	3,099,174	2,949,728	-	-	-	-
Loans and receivables from banks	1,226,999	905,818	-	-	-	-
Loans and receivables from others	12,942	334,395	13,507	2,271	25,000	36,660
Net investment in leases & hire purchases	9,536,224	8,533,439	14,796,242	13,211,370	30,587,358	27,826,476
Term loan, sub loan & micro finance	1,157,640	555,678	2,189,739	1,435,490	2,898,915	3,675,067
Loans against deposits	247,917	335,636	514,695	411,601	189,431	128,167
Real estate	11,841	8,949	1,376	562	672	1,851
Staff loans	10,410	9,367	30,024	28,418	24,047	22,633
Total interest earning assets	15,303,147	13,633,010	17,545,583	15,089,712	33,725,423	31,690,854
Non-interest earning assets:						
Cash and cash equivalents	533,774	459,940	-	-	-	-
Fair value through profit or loss financial assets	251,746	96,125	-	-	-	-
Available for sale investments	261,421	-	-	-	-	-
Trade and other receivables	442,168	309,749	-	-	-	-
Investments in real estate	-	-	44,834	65,051	-	-
Investment properties	-	-	-	-	-	-
Inventories and other stocks	881,873	679,714	-	-	-	-
Investments in associates	-	-	-	-	-	-
Investments in subsidiaries	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-
Property, plant and equipment	-	-	-	-	-	-
Total non-interest earning assets	2,370,982	1,545,528	44,834	65,051	-	-
Total assets	17,674,129	15,178,538	17,590,417	15,154,763	33,725,423	31,690,854
Percentage	20.50%	19.66%	20.41%	19.63%	39.13%	41.06%
Interest bearing liabilities:						
Bank overdrafts	750,569	1,047,908	-	-	-	-
Short term borrowings	1,557,586	1,699,196	-	-	-	-
Deposits	11,674,493	11,184,507	20,514,485	18,400,406	6,344,770	4,796,935
Debentures	1,703,998	343,125	1,689,714	312,613	2,250,000	3,735,080
Total interest bearing liabilities	15,686,646	14,274,736	22,204,199	18,713,019	8,594,770	8,532,015
Non-interest bearing liabilities:						
Trade and other payables	1,457,585	1,292,203	-	-	-	-
Employee benefit obligations	72,990	58,327	144,939	127,030	204,786	204,786
Amounts due to subsidiaries	204,333	187,987	-	-	-	-
Tax payables	864,753	834,693	-	-	-	-
Deferred tax liability	-	-	-	-	-	-
Total non-interest bearing liabilities	2,599,661	2,373,210	144,939	127,030	204,786	204,786
Total liabilities	18,286,307	16,647,946	22,349,138	18,840,049	8,799,556	8,736,801
Percentage	32.06%	32.34%	39.18%	36.60%	15.43%	16.97%

3 to 5 years		More than 5 years		Impairment provision		Total	
31.03.2018	31.03.2017	31.03.2018	31.03.2017	31.03.2018	31.03.2017	31.03.2018	31.03.2017
Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
-	-	-	-	-	-	3,099,174	2,949,728
-	-	-	-	-	-	1,226,999	905,818
12,500	25,000	-	-	-	-	63,949	398,326
8,871,536	8,894,953	50,719	97,428	(1,326,767)	(1,397,935)	62,515,312	57,165,731
511,995	452,984	7,956	17,059	(147,790)	(66,959)	6,618,455	6,069,319
48,397	39,241	-	-	-	-	1,000,440	914,645
64	1,356	-	-	(3,716)	(6,781)	10,237	5,937
15,393	13,565	318	3,315	-	-	80,192	77,298
9,459,885	9,427,099	58,993	117,802	(1,478,273)	(1,471,675)	74,614,758	68,486,802
-	-	-	-	-	-	533,774	459,940
-	-	-	-	-	-	251,746	96,125
-	-	11,426	240,443	-	-	272,847	240,443
-	-	-	-	-	-	442,168	309,749
-	-	-	-	-	-	44,834	65,051
-	-	313,663	-	-	-	313,663	-
-	-	-	-	-	-	881,873	679,714
-	-	1,330,862	523,458	-	-	1,330,862	523,458
-	-	306,456	306,456	-	-	306,456	306,456
-	-	102,245	99,963	-	-	102,245	99,963
-	-	7,100,198	5,921,176	-	-	7,100,198	5,921,176
-	-	9,164,850	7,091,496	-	-	11,580,666	8,702,075
9,459,885	9,427,099	9,223,843	7,209,298	(1,478,273)	(1,471,675)	86,195,424	77,188,877
10.97%	12.21%	10.70%	9.34%	-1.71%	-1.90%	100.00%	100.00%
-	-	-	-	-	-	750,569	1,047,908
-	-	-	-	-	-	1,557,586	1,699,196
2,232,749	1,325,299	-	-	-	-	40,766,497	35,707,147
-	1,750,000	-	-	-	-	5,643,712	6,140,818
2,232,749	3,075,299	-	-	-	-	48,718,364	44,595,069
-	-	-	-	-	-	1,457,585	1,292,203
31,536	247,732	615,267	237,245	-	-	1,069,518	875,120
-	-	-	-	-	-	204,333	187,987
-	-	-	-	-	-	864,753	834,693
-	-	4,726,368	3,690,053	-	-	4,726,368	3,690,053
31,536	247,732	5,341,635	3,927,298	-	-	8,322,557	6,880,056
2,264,285	3,323,031	5,341,635	3,927,298	-	-	57,040,921	51,475,125
3.97%	6.46%	9.36%	7.63%	-	-	100.00%	100.00%

Notes to the Financial Statements

61 BUSINESS SEGMENT INFORMATION

For the year ended 31st March

All figures in Rs.000	Leasing, hire purchase and other advances		Medical services		Power generation	
	2018	2017	2018	2017	2018	2017
Revenue						
Interest income	15,584,817	13,621,908	13,786	7,120	-	-
Other revenue	-	-	117,907	119,669	62,655	51,961
Other operating income	807,240	497,619	-	-	-	-
Other income	665,182	693,878	416	380	-	-
Income from external customers	17,057,239	14,813,405	132,109	127,169	62,655	51,961
Inter - segment income	39,142	31,113	1	1,525	10,213	8,548
Total income	17,096,381	14,844,518	132,110	128,694	72,868	60,509
Expenses						
Interest expenses	4,889,720	3,998,141	-	-	-	-
Depreciation & amortisation	489,037	387,295	9,325	9,695	5,254	5,254
Cost of sales	-	-	48,526	48,243	19,199	18,194
Impairment on loans and other credit losses	400,939	313,421	(142)	-	-	-
Other operating and administrative expenses	3,823,470	3,812,752	55,784	54,960	4,466	4,416
	9,603,166	8,511,609	113,493	112,898	28,919	27,864
Inter - segment expenses	59,696	57,246	-	-	-	-
Total expenses	9,662,862	8,568,855	113,493	112,898	28,919	27,864
Segment results	7,433,519	6,275,663	18,617	15,796	43,949	32,645
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	75,075,208	67,914,171	393,330	376,845	99,919	96,172
Investments in associates						
Unallocated assets						
Total assets	75,075,208	67,914,171	393,330	376,845	99,919	96,172
Segment liabilities	47,355,972	43,403,331	84,281	33,400	8,882	7,268
Unallocated liabilities						
Total liabilities	47,355,972	43,403,331	84,281	33,400	8,882	7,268

62 Disclosures relating to Credit, Market and Liquidity Risks are provided in the Risk Management Report in pages 24 to 30 of the annual report.

Manufacturing		Insurance broking		Investments		Real estate		Intra segmental adjustments		Total	
2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
1,351	4,091	53,804	36,498	456,626	433,372	4,375	1,271	-	-	16,114,759	14,104,260
2,298,840	2,372,109	306,949	279,369	-	-	-	-	-	-	2,786,351	2,823,108
-	-	-	-	-	-	-	-	-	-	807,240	497,619
3,693	1,764	28,143	21,163	342,388	110,087	43,134	7,475	(327,545)	(113,865)	755,411	720,882
2,303,884	2,377,964	388,896	337,030	799,014	543,459	47,509	8,746	(327,545)	(113,865)	20,463,761	18,145,869
24	110	10,982	16,153	78,737	85,524	39,479	35,661	(178,578)	(178,634)	-	-
2,303,908	2,378,074	399,878	353,183	877,751	628,983	86,988	44,407	(506,123)	(292,499)	20,463,761	18,145,869
-	-	-	-	299,978	243,212	13,847	4,174	-	-	5,203,545	4,245,527
41,004	39,535	1,239	1,337	-	-	2,480	2,480	-	-	548,339	445,596
1,862,832	1,877,661	-	-	-	-	-	-	-	-	1,930,557	1,944,098
1,407	(919)	-	-	-	-	(6,892)	(9,708)	-	-	395,312	302,794
288,850	262,320	101,897	104,946	2,419	251	13,059	6,099	2,531	-	4,292,476	4,245,744
2,194,093	2,178,597	103,136	106,283	302,397	243,463	22,494	3,045	2,531	-	12,370,229	11,183,759
200	97	26,474	9,445	10,852	16,204	75	75	(97,297)	(83,067)	-	-
2,194,293	2,178,694	129,610	115,728	313,249	259,667	22,569	3,120	(94,766)	(83,067)	12,370,229	11,183,759
109,615	199,380	270,268	237,455	564,502	369,316	64,419	41,287	(411,357)	(209,432)	8,093,532	6,962,110
										1,245,739	952,427
										9,339,271	7,914,537
										1,116,079	815,686
										8,223,192	7,098,851
										2,754,795	2,343,822
										5,468,397	4,755,029
										66,199	89,834
										5,402,198	4,665,195
1,921,361	1,834,315	1,960,154	1,671,478	8,030,804	6,513,531	768,188	467,194	(4,754,151)	(3,644,694)	83,494,813	75,229,012
										5,973,550	4,075,059
										4,367,338	4,271,087
1,921,361	1,834,315	1,960,154	1,671,478	8,030,804	6,513,531	768,188	467,194	(4,754,151)	(3,644,694)	93,835,701	83,575,158
551,612	428,051	290,278	265,727	2,892,725	2,735,673	337,086	247,978	(585,184)	(659,270)	50,935,652	46,462,158
										6,660,639	5,399,866
551,612	428,051	290,278	265,727	2,892,725	2,735,673	337,086	247,978	(585,184)	(659,270)	57,596,291	51,862,024

Directors' Interest in Contracts with the Company

Directors' Interest in Contracts with the company
 Related party transactions are detailed in note 59 to the financial statements as required by LKAS 24 "Related Party Disclosures". In addition, the company carried out transactions in the ordinary course of business on an arm's length basis with entities where a director of the company is also a director of such entities as detailed below:

Company	Name of Director	Relationship	Nature of transaction	Transaction value		Facilities granted during the year		Rentals received		Dividends received	Balance outstanding	
				2017/18 Rs.'000	2016/17 Rs.'000	2017/18 Rs.'000	2016/17 Rs.'000	2017/18 Rs.'000	2016/17 Rs.'000		31.03.2018 Rs.'000	31.03.2017 Rs.'000
Ceylon Biscuits Ltd.	*J.D. Bandaranayake	Director	Hire of vehicles	-	-	-	-	-	26,391	-	-	-
Lanka Aluminium Industries PLC	C.L.K.P. Jayasuriya	Director	Lease finance facility	-	-	-	-	-	2,087	-	-	-
Sunshine Holdings PLC	A.D.B.Talwatte	Director	Lease finance facility	-	15,500	11,500	7,281	5,999	-	-	28,036	20,457
Sunshine Healthcare Lanka Ltd.	A.D.B.Talwatte	Director	Hire of vehicles	-	7,178	-	326	-	-	-	-	-
Diesel & Motor Engineering PLC	A.D.B.Talwatte	Director	Purchase of vehicles for hiring vehicle fleet	9,400	3,990	-	-	-	-	-	-	-
Diesel & Motor Engineering PLC	A.D.B.Talwatte	Director	Purchase of spare parts	5,351	2,599	-	-	-	-	-	-	-
Diesel & Motor Engineering PLC	A.D.B.Talwatte	Director	Lease supplier payments	232,468	266,587	-	-	-	-	-	-	-
Credit Information Bureau of Sri Lanka	**A.R.Fernando	Director	Lease finance facility	-	9,300	-	2,272	-	-	8,509	8,547	-

*J.D. Bandaranayake

Retired from the board with effect from 13.07.2017

**A.R.Fernando

Appointed to the board with effect from 16.08.2017

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 (19,768,428 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	R.E. Rambukwelle	G.S.N. Peiris
	A.N.P. Wickramasuriya	R.E. Rambukwelle	R.E. Rambukwelle	U.B. Elangasinha	R.E. Rambukwelle
	E.H. Wijenaika	U.B. Elangasinha	U.B. Elangasinha	W.M.S. Wanasinghe	U.B. Elangasinha
	C.S.W. De Costa				
	R.E. Rambukwelle				
	A.K. Gunaratne				
	A. Hettiarachchi				
	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

COMPANY PROFILE

BOARD OF DIRECTORS

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. Wijenaikie	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	W.A.L. Galagoda	U.B. Elangasinha	D.P. de Silva
		U.B. Elangasinha	A.K. Gunaratne	L. Sirimanne		
			C.S. Hettiarachchi	A. Jayasinghe		
			K. Kandeepan			
			C.K. Hettiarachchi			
			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. 8,865,523,000 (Voting -236,599,023 Convertible Non-voting 41,148,113)	Rs. 150,000,000 (30,000,000 Shares)
66.58%	58.12%	24.58%	Voting 20% Convertible Non-voting 27.48%	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. Wijenaikie	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. Wijenaikie	R.N.K. Fernando (Chief Executive Officer/ Director))	E.H. Wijenaikie
S. Ranasinghe	A.K. Gunaratne	S.T. Amarasuriya	K.O.V.S.M.S. Wijesinghe	R.E. Rambukwelle
A.M.L. Beligawatta	R.E. Rambukwelle	G.N. Fernando	J.G.A. Cooray	A.S. Jayathilleke
A.P.R. Aluwihare	U.B. Elangasinha	N. Amarasuriya	M. Jafferjee	M.H. De Silva
P.B. Iddawela	D.P. de Silva		K. De Soysa	K.N.J. Balendra
S. Kiriwattuduwa			D.P. de Silva	J.G.A. Cooray
S.B. Etulgama			N.S. Panditaratne	S.K.L. Obeysekera
E. Samarakoon			C.L.K.P. Jayasuriya	
			J.C.A.D. Souza	
			R.D. Rajapaksa	
			N.I.R. De Mel	
Kandy Business Consultants (Pvt) Ltd. 80, Kings Street, Kandy	Management Applications (Pvt) Ltd. 12, Rotunda Gardens, Colombo 03	B.P. De Silva (Ceylon) Ltd. 234/4, Old Awissawella Road, Orugodawatta	Theja Silva	Keells Consultants Limited. 130, Glennie Street, Colombo 02

Group Value Added Statement

For the year ended 31st March	2018		2017	
	Rs.'000	%	Rs.'000	%
Value Added				
Operating income earned by providing financial services	19,708,350		17,424,987	
Cost of services	(9,337,375)		(8,541,595)	
Value added by financial services	10,370,975		8,883,392	
Other Income	755,411		720,882	
Impairment on loans and other credit losses	(395,312)		(302,794)	
Share of associate companies' profits before tax	1,245,739		952,427	
	11,976,813		10,253,907	
Value Allocated				
To employees				
Remuneration & other benefits	2,089,203	17.44	1,893,774	18.46
To providers of capital				
Dividends to shareholders	867,036	7.24	509,383	4.97
Non-controlling interest	66,199	0.55	89,834	0.88
To government Revenue				
Income tax	2,754,795	23.00	2,343,822	22.86
VAT on financial services	1,116,079	9.32	815,686	7.95
To expansion and growth				
Retained income	4,535,162	37.87	4,155,812	40.53
Depreciation & amortisation	548,339	4.58	445,596	4.35
	11,976,813	100.00	10,253,907	100.00
Consolidated sources & utilisation of income				
For the year ended 31st March	2018		2017	
	Rs.'000	%	Rs.'000	%
Sources of income				
Interest and operating income	19,708,350	90.78	17,424,987	91.24
Other income	755,411	3.48	720,882	3.77
Share of associate companies' profits before tax	1,245,739	5.74	952,427	4.99
	21,709,500	100.00	19,098,296	100.00
Utilisation of income				
Interest expenses	5,203,545	23.97	4,245,527	22.23
Remuneration & other benefits to employees	2,089,203	9.62	1,893,774	9.92
Other operating expenses including cost of sales impairment on loans & other credit losses and depreciation & amortisation	5,077,481	23.40	5,044,458	26.41
Taxation	3,870,874	17.83	3,159,508	16.54
Dividends to shareholders	867,036	3.98	509,383	2.67
Retained income	4,535,162	20.90	4,155,812	21.76
Non-controlling interest	66,199	0.30	89,834	0.47
	21,709,500	100.00	19,098,296	100.00

Quarterly Statistics - Company

As at	2017-2018			
	31.03.2018	31.12.2017	30.09.2017	30.06.2017
Statement of financial position				
(Rs.'000)				
Total assets	86,195,424	83,172,477	81,883,912	79,793,578
Advances to customers	70,224,636	68,000,983	67,780,614	66,412,504
Average assets	84,683,951	82,528,195	80,838,745	78,917,276
Bank and other borrowings	7,951,867	6,908,661	7,427,409	8,707,629
Deposits	40,766,497	40,458,817	38,748,285	36,184,345
Shareholders' funds	29,154,503	28,333,450	28,556,560	27,680,807
For the three months ended				
(Rs.'000)				
Interest income	4,164,283	4,081,539	3,984,455	3,810,501
Interest expenses	(1,365,006)	(1,345,544)	(1,289,422)	(1,226,225)
Net interest income	2,799,277	2,735,995	2,695,033	2,584,276
Other operating income	229,500	210,071	189,822	179,911
Other income	310,407	170,490	214,056	211,799
Total operating income	3,339,184	3,116,556	3,098,911	2,975,986
Operating expenses	(1,102,757)	(983,561)	(1,170,388)	(1,102,634)
Impairment on loans and other credit losses	(125,282)	(135,545)	(115,337)	(17,883)
VAT on financial services and NBT	(303,529)	(284,389)	(263,346)	(264,815)
Income tax expense	(589,580)	(562,373)	(510,520)	(522,407)
Profit for the quarter	1,218,036	1,150,688	1,039,320	1,068,247
Other comprehensive income for the quarter	(396,984)	15,907	3,291	46,712
Total comprehensive income for the quarter	821,052	1,166,595	1,042,611	1,114,959
Ordinary share information				
Market price per share (Rs)				
Highest	110.00	102.00	91.00	99.00
Lowest	92.20	84.00	84.50	86.00
Last traded	99.90	92.30	86.00	91.00
Net asset per share	134.50	130.71	131.74	127.70
Financial measures				
Profitability				
Return on capital employed (annualised) (%)	16.53	16.27	15.42	15.68
Return on average shareholders' equity (annualised) (%)	16.95	16.18	14.78	15.75
Return on average assets (annualised) (%)	5.75	5.58	5.14	5.41
Productivity				
Non interest expenses to total revenue (%)	23.44	22.04	26.67	26.24
Cost to income (%)	33.02	31.56	37.77	37.05
Asset quality				
Gross NPA ratio (%)	3.65	3.84	3.66	3.58

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 2018 and the audited statement of financial position as at 31st March 2018 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 2018 - 2,879

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

(Number of shareholders as at 31.03.2017 - 2,888)

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	1,248	260,108	0.12	12	5,010	-	1,260	265,118	0.12
1,001-10,000	907	3,260,254	1.50	27	129,824	0.06	934	3,390,078	1.56
10,001-100,000	507	13,638,132	6.29	24	900,763	0.42	531	14,538,895	6.71
100,001 -1,000,000	118	31,030,534	14.31	9	2,855,469	1.32	127	33,886,003	15.63
Over 1,000,000	21	140,780,406	64.95	6	23,898,388	11.03	27	164,678,794	75.98
Total	2,801	188,969,434	87.17	78	27,789,454	12.83	2,879	216,758,888	100.00

There were 2,822 resident and 66 non-resident shareholders as at 31st March 2017

	31st March 2018			31st March 2017		
	No. of Share holders	No. of shares	%	No. of Share holders	No. of shares	%
Individuals	2,650	107,903,782	49.78	2,662	108,599,568	50.10
Institutions	229	108,855,106	50.22	226	108,159,320	49.90
	2,879	216,758,888	100.00	2,888	216,758,888	100.00

3 PUBLIC HOLDING

The Company has opted to adopt option 01 under the section 7.13.1 of the amended Listing Rules which are effective from 17th January 2018.

	Float adjusted market capitalisation (Rs.Bn)		Public holding percentage (%)		Number of public shareholders	
	Minimum requirement	Available amount	Minimum requirement	Public holding (%)	Minimum requirement	Available numbers
31.03.2018						
Option 01	Rs.10 Bn	Rs.13.03 Bn	No minimum % requirement	60.18 %	500	2,860
31.03.2017						
Option 01	Rs.10 Bn	Rs.11.20 Bn	No minimum % requirement	59.92 %	500	2,870

4 TWENTY LARGEST SHAREHOLDERS AS AT 31ST MARCH 2018

	31st March 2018		*31st March 2017	
	No. of shares	%	No. of shares	%
1 Corporate Services (Pvt) Ltd.	34,917,287	16.11	34,917,287	16.11
2 E. H. Wijenaikē	33,405,854	15.41	33,405,854	15.41
3 Employees Provident Fund	23,280,525	10.74	23,280,525	10.74
4 Thurston Investments Limited	12,622,582	5.82	12,622,582	5.82
5 A. J. Wijenaikē	6,760,804	3.12	6,760,804	3.12
6 The Ceylon Investment PLC A/C # 02	5,464,695	2.52	2,410,136	1.11
7 N. W. Wijegoonawardene	4,468,863	2.06	4,468,863	2.06
8 G. S. N. Peiris	3,778,213	1.74	3,778,213	1.74
9 B P De Silva Holdings Pte Ltd	3,622,660	1.67	3,622,660	1.67
10 The Ceylon Guardian Investment Trust PLC A/C # 02	3,403,405	1.57	2,013,107	0.93
11 J.B. Cocoshell (Pvt)Ltd.	3,320,814	1.53	3,271,661	1.51
12 C. R. Dunuwille	2,787,069	1.29	2,787,069	1.29
13 N. M. Gunawardana	2,687,382	1.24	2,687,382	1.24
14 P. R. Munasinha	2,535,759	1.17	2,535,759	1.17
15 Employees Trust Fund Board	2,263,347	1.04	2,263,347	1.04
16 P. M. Wijenaikē	2,100,105	0.97	2,100,105	0.97
17 Deutsche Bank AG-National Equity Fund	2,049,373	0.95	2,049,373	0.95
18 Bnymsa Ref-rontaura Global Frontier Fund LLC	2,024,343	0.93	-	-
19 C. Kiriella	2,000,287	0.92	2,000,287	0.92
20 S. K. Wedande	1,761,480	0.81	1,761,480	0.81
	155,254,847	71.63	148,736,494	68.61
Others	61,504,041	28.37	68,022,394	31.39
Total	216,758,888	100.00	216,758,888	100.00

*Comparative shareholdings as at 31st March 2017 held by the twenty largest shareholders as at 31st March 2018.

5 MARKET VALUE

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

	2017/2018	2016/2017	2015/2016
	Rs.	Rs.	Rs.
Highest	110.00 (on 02.01.2018)	*250.00 (on 27.05.2016)	280.00 (on 20.08.2015)
Lowest	84.00 (on 10.10.2017)	84.50 (on 15.03.2017)	201.00 (on 28.03.2016)
Year end	99.90	86.20	210.00

*Highest market price in 2016/2017 was reported prior to the subdivision of shares in July 2016.

Information on shares and debentures

6 DIVIDEND PAYMENTS

Dividend per share	2017/2018	2016/2017
	Rs.	Rs.
Interim paid	2.40	1.50
Final – paid	-	0.85
Proposed	1.60	
Total	4.00	2.35
	2017/2018	2016/2017
Dividend pay-out (Rs.000)	867,036	509,383

Share Trading

	2017/2018	2016/2017	2015/2016
No. of shares traded	19,889,735	6,114,770	5,885,718
Value of shares traded (Rs. '000)	1,901,521	696,304	1,444,957
Market capitalisation (Rs. '000)	21,654,213	18,684,616	22,025,500

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

	31.03.2018	31.03.2017
Ordinary shares	216,758,888	216,758,888

8 DEBENTURES

8.1 Information on Listed Debentures

The Company made no debenture issues during the year ended 31st March 2018.

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:

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 in June-16
17-Jun-13	Quarterly	300,000	300,000	14.50	15.31	4 years	Redeemed in June-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 in Dec-16
12-Dec-13	Semi annually	2,000,000	200,000	13.25	13.69	4 years	Redeemed in 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	08.35	08.52	3 years	31-May-18
01-Jun-15	Semi annually	5,000,000	500,000	09.00	09.20	4 years	31-May-19
01-Jun-15	Annually	17,500,000	1,750,000	09.52	09.52	5 years	31-May-20

Objectives of the debentures issued in June 2013, December 2013 and June 2015 have been fully achieved.

8.2 Market value and traded yield Year ended 31.03.2018

	Market value			Traded yield		
	Highest	Lowest	Last traded	Highest	Lowest	Last traded
	Rs.	Rs.	Rs.	%	%	%
Debentures issued on 17th June 2013 (issue price - Rs.1,000/-)						
4 year fixed rate (14.50 % p.a payable quarterly)	N/T	N/T	N/T	-	-	-
5 year fixed rate (14.75 % p.a payable quarterly)	N/T	N/T	N/T	-	-	-
Debentures issued on 12th December 2013 (issue price - Rs.100/-)						
4 year fixed rate (13.25 % p.a payable semi-annually)	N/T	N/T	N/T	-	-	-
5 year fixed rate (13.50 % p.a payable semi-annually)	100.23	98.00	100.23	13.25	15.31	13.25
5 year fixed rate (13.95 % p.a payable annually)	N/T	N/T	N/T	-	-	-
Debentures issued on 01st June 2015 (issue price - Rs.100/-)						
3 year fixed rate (8.35 % p.a payable semi-annually)	N/T	N/T	N/T	-	-	-
4 year fixed rate (9.00 % p.a payable semi-annually)	N/T	N/T	N/T	-	-	-
5 year fixed rate (9.52 % p.a payable annually)	N/T	N/T	N/T	-	-	-

N/T- not traded during the year

8.3 Yield to maturity of last trade done during the year (%)

Debentures issued on 12th December 2013 (issue price - Rs.100/-) - 20.20 %

8.4 Debt related ratios

	As at
	31.03.2018
Debt/equity ratio (times)	1.67
Quick assets ratio (%)	84.61
Interest cover (times)	2.27

8.5 Interest rates of comparable government securities (%)

	31.03.2018
03 Year treasury bonds	10.00
04 Year treasury bonds	9.94
05 Year treasury bonds	10.39

8.6 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	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
	Rs.'000									
Group income	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	20,463,761
Interest income	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	16,114,759
Other revenue	-	-	-	-	-	-	2,524,826	2,660,584	2,823,108	2,786,351
Other operating income	1,638,866	1,470,952	1,413,023	1,074,360	1,022,377	1,034,981	334,506	364,207	497,619	807,240
Other income	246,171	342,226	411,867	580,829	540,978	459,285	640,478	636,122	720,882	755,411
Interest expenses										
Interest on deposits	(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)	(4,314,616)
Interest on bank and other borrowings	(1,001,190)	(497,008)	(282,388)	(497,348)	(1,058,674)	(857,349)	(758,369)	(937,630)	(943,840)	(888,929)
Cost of sales	-	-	-	-	-	-	(1,761,781)	(1,792,067)	(1,981,548)	(1,970,053)
Operating expenses	(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)	(4,801,319)
Impairment on loans and other credit losses	(220,189)	(299,479)	(186,822)	87,520	(201,441)	(1,216,365)	(1,834,150)	(658,347)	(302,794)	(395,312)
Share of profit of associates	163,953	383,868	507,781	495,122	616,084	699,351	794,608	815,812	952,427	1,245,739
Vat on financial services	(159,080)	(200,851)	(273,333)	(173,096)	(218,177)	(182,591)	(240,796)	(444,978)	(815,686)	(1,116,079)
Profit before income tax	1,742,380	2,025,534	3,241,593	4,291,518	4,619,813	4,586,632	5,122,735	6,271,919	7,098,851	8,223,192
Income tax expense	(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)	(2,754,795)
Net profit for the year	1,181,044	1,124,835	1,911,438	3,059,794	3,284,716	3,354,366	3,735,020	4,102,793	4,755,029	5,468,397
Attributable to equity holders of the parent	1,126,985	1,046,112	1,827,034	2,964,837	3,217,058	3,291,239	3,633,279	3,993,671	4,665,195	5,402,198
Attributable to non-controlling interest	54,059	78,723	84,404	94,957	67,658	63,127	101,741	109,122	89,834	66,199
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
	Rs.'000									
Statement of financial position										
Shated capital	203,020	203,020	203,020	568,420	568,420	568,420	568,420	568,420	1,337,564	1,337,564
Capital reserves	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	2,291,952
Reserve fund	553,500	601,000	682,000	800,000	939,000	1,078,000	1,229,000	1,396,000	1,599,000	1,824,000
Investment fund	-	-	-	223,492	478,857	732,716	-	-	-	-
Available for sale reserve	-	-	72,282	(821)	12,887	26,665	102,499	91	29,748	119,379
Loan loss reserve	-	-	-	-	-	-	-	-	-	920,000
Revenue reserves	6,053,306	6,945,757	8,983,262	11,008,108	13,553,801	16,062,203	19,891,223	22,303,590	25,352,251	28,881,432
Funds attributable to equity holders of the parent										
of the parent	8,192,490	9,126,954	11,253,537	13,907,806	16,890,247	20,985,673	24,318,596	26,777,890	30,829,194	35,374,327
Non-controlling interest	459,454	506,506	574,060	614,089	630,839	731,711	795,979	855,819	883,940	865,083
	8,651,944	9,633,460	11,827,597	14,521,895	17,521,086	21,717,384	25,114,575	27,633,799	31,713,134	36,239,410

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
	Rs.'000									
Assets										
Cash and other liquid assets	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	4,912,241
Financial assets held for trading	7,444	2,200	32,173	24,659	33,101	536,737	218,080	39,992	106,143	275,304
Available for sale investments	10,338	121,176	252,583	192,049	195,404	206,981	267,024	234,820	246,773	279,723
Investments in associates	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	5,973,550
Advances to customers	21,353,518	21,733,403	27,570,496	38,153,555	44,318,139	48,341,935	53,464,335	59,735,967	64,134,681	70,233,947
Other assets	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	3,765,289
Property, plant and equipment	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	8,395,647
Total assets	34,046,887	35,477,281	38,939,176	49,797,613	56,557,341	65,429,560	71,203,715	77,097,574	83,575,158	93,835,701
Liabilities										
Deposits	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	40,570,199
Bank and other borrowings	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	8,167,277
Other liabilities	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	8,858,815
Total liabilities	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	57,596,291
Key indicators										
Group										
Earnings per share (Rs.)	55.52	51.53	90.00	28.27	30.67	31.38	34.64	38.08	21.52	24.92
Net asset value per share (Rs.)	403.57	449.60	554.36	132.60	161.04	200.09	231.86	262.09	142.23	163.20
Company										
No of shares	20,300,000	20,300,000	20,300,000	104,883,333	104,883,333	104,883,333	104,883,333	104,883,333	216,758,888	216,758,888
Earnings per share (Rs.)	51.16	46.34	79.32	24.87	26.45	26.47	28.63	31.79	18.05	20.65
Net asset value per share (Rs.)	303.70	389.01	480.59	114.91	138.81	171.01	196.55	214.26	118.63	134.50
Gross dividends paid (Rs.'000)	101,500	121,800	213,150	262,208	304,162	335,627	367,092	419,534	509,383	867,036
Dividend cover (times covered)	11.10	7.72	7.55	9.95	9.12	8.27	8.18	7.95	7.68	5.16
Market price per share (Rs.)	157.00	390.00	1,273.70	171.30	180.00	181.00	250.10	210.00	86.20	99.90
Price earnings ratio	3.07	8.42	16.06	6.89	6.80	6.84	8.74	6.61	4.78	4.84

Income Statement in US Dollars

For the year ended 31st March	Group		Company	
	2018 USD '000	2017 USD '000	2018 USD '000	2017 USD '000
Income	129,937	117,900	112,750	100,004
Interest income	102,322	91,640	101,852	91,254
Less: Interest expenses	33,040	27,584	33,184	27,710
Net interest income	69,282	64,056	68,668	63,544
Other revenue	17,692	18,343	-	-
Less: cost of sales	12,509	12,875	-	-
Gross profit	5,183	5,468	-	-
Other operating income	5,126	3,233	5,139	3,233
Other income	4,797	4,684	5,758	5,517
	84,388	77,441	79,565	72,294
Less: Operating expenses				
Personnel expenses	12,002	11,150	10,373	9,520
Premises, equipment and establishment expenses	11,892	10,918	11,487	10,405
Employee retirement benefit expenses	1,264	1,154	1,119	1,023
Other expenses	5,329	7,016	4,701	6,459
	30,487	30,238	27,680	27,407
Profit before impairment on loans and other credit losses	53,901	47,203	51,885	44,887
Less : Impairment on loans and other credit losses	2,510	1,967	2,502	1,971
	51,391	45,236	49,383	42,916
Share of profit of associates	7,910	6,188	-	-
Profit before VAT on financial services, NBT and income tax	59,301	51,424	49,383	42,916
Less: VAT on financial services and NBT	7,087	5,300	7,087	5,291
Profit before income tax	52,214	46,124	42,296	37,625
Less: Income tax expense	17,492	15,229	13,873	12,202
Profit after income tax	34,722	30,895	28,423	25,423
Attributable to equity holders of the parent	34,302	30,311	28,423	25,423
Attributable to non-controlling interest	420	584	-	-
Net profit for the year	34,722	30,895	28,423	25,423
Basic and diluted earnings per share - USD	0.15	0.13		
Dividend per share - USD				
Paid	0.01	0.010		
Proposed	0.01	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	
	31.03.2018	31.03.2017	31.03.2018	31.03.2017
	USD '000	USD '000	USD '000	USD '000
Assets				
Cash and cash equivalents	3,683	3,354	3,389	2,988
Fair value through profit or loss financial assets	1,748	690	1,598	625
Trade and other receivables	7,241	6,382	2,808	2,013
Tax receivables	6	12	-	-
Available for sale investments	1,776	1,603	1,732	1,562
Inventories and other stocks	9,224	8,284	5,600	4,416
Securities bought under repurchase agreements	19,678	19,165	19,679	19,165
Loans and receivables from banks	7,829	5,922	7,791	5,885
Loans and receivables from others	4,412	6,912	406	2,588
Loans and receivables from customers	49,010	45,279	48,951	45,918
Net investment in leases and hire purchase	396,948	371,423	396,948	371,423
Investments in real estate	285	423	285	423
Investment properties	1,992	-	1,992	-
Investments in associates	37,930	26,477	8,450	3,401
Investments in subsidiaries	-	-	1,946	1,991
Deferred tax asset	93	77	-	-
Property, plant and equipment	53,309	46,357	45,083	38,472
Intangible assets	656	652	649	649
Total Assets	595,820	543,012	547,307	501,519
Liabilities				
Bank overdrafts	4,858	6,883	4,766	6,809
Tax payables	5,751	5,777	5,491	5,423
Trade and other payables	11,761	10,674	9,255	8,396
Amounts due to subsidiaries	-	-	1,297	1,221
Short term borrowings	11,135	11,990	9,890	11,040
Deposits	257,605	230,836	258,851	232,000
Long term borrowings	31	35	-	-
Debentures	35,835	39,899	35,835	39,899
Employee benefit obligations	7,547	6,468	6,791	5,686
Deferred tax liability	31,191	24,401	30,011	23,975
Total Liabilities	365,714	336,963	362,187	334,449
Shareholders' Funds				
Stated capital	8,493	8,691	8,493	8,691
Capital reserves	14,553	16,312	9,981	12,473
Reserve fund	11,582	10,389	11,582	10,389
Available for sale reserve	758	193	633	434
Loan loss reserve	5,841	-	5,842	-
Revenue reserves	183,386	164,721	148,589	135,083
Funds attributable to equity holders of the parent	224,613	200,306	185,120	167,070
Non-controlling interest	5,493	5,743	-	-
	230,108	206,049	185,120	167,070
Total liabilities, shareholders' funds and non-controlling interest	595,820	543,012	547,307	501,519
Net asset value per share - USD	1.04	0.92	0.85	0.77

USD Exchange rate was Rs. 157.49 as at 29th March 2018 (Rs. 153.91 as at 31st March 2017)

The statement of financial position given on this page is solely for the convenience of the shareholders, bankers, investors, customers and other users of financial statements and do not from part of the audited financial statements.

Employees of the Year

City Office 2017/18



April
Mr. K.A.S.S. Kumara



May
Mr. R. Upul Nuwan



June
Mr. P.L.R. Nishantha



July
Mrs. Anusha L De Silva



August
Mr. K.M.K. Gunawardena



September
Miss. Keshani Hewanayake



October
Mr. D.M. Sanka Sudarshana



November
Mr. R. Upul Nuwan



December
Mr. S. Pulendran



January
Miss. G.D.K. Fernando



February
Mrs. M. Rukshika Deepani



March
Mrs. K.P.D. Rasika Nilmini

Head Office 2017/18



April
Miss. Kumari Attanayake



May
Mr. Anurudda Bandara



June
Mrs. Dharshani Pathirage



July
Mr. Asanga Manathunge



August
Mr. Thusitha Sugathapala



September
Miss. Vincia Perera



October
Mrs. Zeeniya Dissanayake



November
Mr. Palitha Hendeniya



December
Mr. Kasun Senaratne



January
Mrs. Dhammika Hiyarapitiya



February
Ms. Thakshila Dharmasena



March
Mr. Sarath Jayathilake

Employees of the Year

Branches 2017/18



April
Ms. Wineetha Wijekuruppu
Mahiyanganaya



May
Ms. S.M.P. Subasinghe
Kuliyapitiya



June
Mr. M.A.S. Karunaratne
Panadura



July
Mr. D.M.S.S. Dissanayake
Hatton



August
Ms. A. Anon Merlini
Batticaloa



September
Ms. E.P.A.N. Jayasuriya
Negombo



October
Ms. M.D.H. Dias
Homagama



November
Ms. W.M. Shanika Wijesundara
Bandarawela



December
Mr. S.P.D. De A. Amarasekara
Matale



January
Ms. G.M.C.T. Lakmali
Giriulla



February
Ms. H.G.D.C. Lakshani
Malabe



March
Mr. M.W.S.W. Prasad
Balangoda

Glossary of Financial Terms

Accounting policies - The specific principles, bases, conventions, rules and practices adopted by an entity in preparing and presenting financial statements.

Accrual basis - The system of accounting wherein revenue is recognised at the time it is earned and expenses at the time they are incurred, regardless of whether cash has actually been received or paid out.

Amortisation - The systematic allocation of the depreciable amount of an intangible asset over its useful life.

Associate company - An associate is an entity, including an unincorporated entity such as a partnership, over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

Available for sale (AFS) - AFS are those non-derivative financial assets that are designated as available for sale or are not classified as loans and receivable, held-to-maturity investment or financial assets at fair value through profit or loss.

Cash equivalents - Short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Collective impairment provisions - Impairment is measured on a collective basis for homogeneous groups of lending facilities that are not considered as individually significant.

Consolidated financial statements - Financial statement of a holding company and its subsidiaries based on their combined assets, liabilities and operating results.

Contingencies - A condition or situation existing at the balance sheet date where the outcome will be confirmed only by the occurrence or non-occurrence of one or more future events.

Corporate governance - Process by which corporate entities are governed to promote stakeholder interest. Shareholders exert collective pressure on management to ensure equitable decision making on matters that may affect the value of their holdings and base their response on statutory requirements or on so called "Best Practice".

Credit risk - The risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Deferred taxation - Sum set aside for tax in the Financial Statements that may become payable/receivable in a financial year other than the current financial year.

Dividend cover - Profit attributable to ordinary shareholders divided by gross dividends to ordinary shares; this indicates number of times dividend is covered by current year's distributable profits.

Dividend per share - Value of the total dividend paid out and proposed to ordinary shareholders divided by the number of ordinary shares in issue; this indicates the proportion of current year's dividend attributable to an ordinary share in issue.

Earnings per share (EPS) - Profit attributable to ordinary shareholders divided by the number of ordinary shares in issue; this indicates the proportion of current year's earnings attributable to an ordinary share in issue.

Effective interest method - Is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period.

Equity method - A method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the investor's share of net assets of the

investee. The profit or loss of the investor includes the investor's share of the profit or loss of the investee.

Fair value - Is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Financial asset - Any asset that is cash, an equity instrument of another entity or a contractual right to receive cash or another financial asset from another entity.

Financial instrument - Is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial liability - A contractual obligation to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity.

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

Gross dividend - The proportion of profit distributed to shareholders including the tax withheld.

Group - A group is a parent and all its subsidiaries and associates.

Held-for-trading - Debt and equity investments that are purchased with the intent of selling them within a short period of time.

Held to maturity investment - Are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity.

Glossary of Financial Terms

Hire purchase - A contract between hirer and financier where the hirer takes on hire a particular article from the financier, with the option to purchase the article at the conclusion of the agreed rental payments.

Impairment - This occurs when recoverable amount of an asset is less than its carrying amount.

Individual impairment - Impairment is measured on an individual basis for 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.

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

<input type="checkbox"/>	<input type="checkbox"/>
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Would you like to receive news and press releases of CF via e-mail?

<input type="checkbox"/>	<input type="checkbox"/>
--------------------------	--------------------------

Would you like to receive any information on our products/services?

<input type="checkbox"/>	<input type="checkbox"/>
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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

C. L. K. P. Jayasuriya

Non - executive Director/ Chairman

E. H. Wijenaik

Managing Director

G. S. N. Peiris

Director (Finance)

R. E. Rambukwelle

Director (Marketing and Operations)

A. K. Gunaratne

Director (Group Co-ordination)

D. P. de Silva

Director (Credit)

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

A. R. Fernando

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 : cenfin@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

CREDIT RATINGS

A+(lka) by Fitch Ratings Lanka Limited

COMPANY SECRETARY

Corporate Services (Pvt) Limited,

216, de Saram Place,

Colombo10

Telephone : 011 - 4605100

Facsimile : 011 - 4718220

www.centralfinance.lk

CENTRAL FINANCE COMPANY PLC - PQ 67

Circular to Shareholders

Dear Shareholder/s,

FINAL DIVIDEND FOR THE FINANCIAL YEAR ENDED 31ST MARCH 2018

As reflected in its audited Financial Statements as at 31st March 2018, (as uploaded to the website of the Colombo Stock Exchange) Central Finance Company PLC (the "Company") has recorded a profit after tax of Rupees Four Billion Four Hundred Seventy Six Million Two Hundred Ninety One Thousand Six Hundred and Forty (Rs. 4,476,291,640) for the year ended 31st March 2018.

The Board of Directors of the Company (the "Board"), having obtained all necessary regulatory approvals including the approval from the Central Bank of Sri Lanka, decided to recommend, subject to the approval of the shareholders, to pay a final dividend of Rupees One and Cents Sixty (Rs. 1.60), consisting of Cents Sixty (Rs. 0.60) per share by way of a cash dividend and Rupees One (Rs. 1.00) per share by way of a scrip dividend amounting to a total dividend of Rupees Three Hundred Forty Six Million Eight Hundred Fourteen Thousand Two Hundred Twenty and Cents Eighty (Rs. 346,814,220.80) on Two Hundred Sixteen Million Seven Hundred Fifty Eight Thousand Eight Hundred Eighty Eight (216,758,888) ordinary shares.

The amount of dividends to be paid in cash and the number of shares to be issued

The total sum that the Company proposes to distribute to the shareholders in cash is Rupees One Hundred Thirty Million Fifty Five Thousand Three Hundred Thirty Two and Cents Eighty (Rs. 130,055,332.80). The cash dividend will be paid entirely out of dividends received by the Company. The cash dividend is therefore exempt from withholding tax.

The maximum number of shares to be issued as a scrip dividend shall be One Million Nine Hundred and Three Thousand Five Hundred and Seventy Six (1,903,576) ordinary shares computed on the basis of one (01) ordinary share for every Hundred and Thirteen Point Eight Six Nine Two Seven Eight Zero Seven (113.86927807) ordinary shares held.

The number of shares to be eventually issued will depend on the number of residual fractions arising from the scrip dividend but the maximum number of shares shall not exceed One Million Nine Hundred and Three Thousand Five Hundred and Seventy Six (1,903,576) shares.

The residual fractions arising from the scrip dividend will be disregarded in its entirety and the value of such fractions (computed based on the aforesaid consideration for the shares to be issued) will be paid by cheque to the shareholders.

The residual fractions referred to herein shall mean the fractions arising after applying the following formula:

$$\frac{\text{Number of shares held by a shareholder as at end of trading on the AGM date} * 1}{113.86927807}$$

With regard to the scrip dividend, the following table sets out the number of shares to be allotted, the proportion and consideration at which shares are to be issued out of the profits earned during the financial year ending 31st March 2018 which is to be set aside for the scrip dividend based on the number of issued shares at present, and the amount of scrip dividend to be distributed out of dividends received by the company.

Existing ordinary shares as at date	Two Hundred Sixteen Million Seven Hundred Fifty Eight Thousand Eight Hundred Eighty Eight (216,758,888)
The maximum number of shares to be issued (the number to be eventually issued will depend on the residual fractions arising which will be disregarded)	One Million Nine Hundred and Three Thousand Five Hundred and Seventy Six (1,903,576)
Amount set aside for the scrip dividend prior to withholding tax	Rupees Two Hundred Sixteen Million Seven Hundred Fifty Eight Thousand Eight Hundred Eighty Eight (Rs. 216,758,888)
Amount of scrip dividend to be distributed out of dividends received by the Company and hence exempt from further withholding tax	Rupees Twenty Eight Million One Hundred Seventy Eight Thousand Six Hundred Fifty Five Cents Forty Four (Rs. 28,178,655.44)

Balance scrip dividend liable to withholding tax	Rupees One Hundred Eighty eight Million Five Hundred Eighty Thousand Two Hundred Thirty Two Cents Fifty Six (Rs. 188,580,232.56)
Withholding tax payable on scrip dividend at 14%	Rupees Twenty Six Million Four Hundred One Thousand Two hundred Thirty Two Cents Fifty Six (Rs. 26,401,232.56)
Amount to be capitalized (net of withholding tax)	Rupees One Hundred Ninety Million Three Hundred Fifty Seven Thousand Six Hundred Fifty Five and Cents Forty Four (Rs. 190,357,655.44)
Market price of a share as at 15th May 2018 (which is the last trading day prior to the date of the circular resolution by the Board through which the final dividend was recommended)	Rupees Ninety Nine (Rs. 99.00)
The proportion in which the shares are to be issued	one (01) ordinary share for every Hundred and Thirteen Point Eight Six Nine Two Seven Eight Zero Seven (113.86927807) ordinary shares held
Total number of shares in the Company after the scrip dividend (if the maximum number of shares referred to above are issued)	Two Hundred Eighteen Million Six Hundred Sixty Two Thousand Four Hundred and Sixty Four (218,662,464)

The new ordinary shares to be issued under the proposed scrip dividend will rank equal and pari passu in all respects with the existing ordinary shares of the Company immediately after the issue of such shares.

The new ordinary shares arising from the scrip dividend shall not be eligible for the payment of the final dividend referred to herein.

Entitled Shareholders

The shareholders entitled to the final dividend shall be those shareholders whose names have been duly registered in the Register of Shareholders and those shareholders whose names appear on the Central Depository Systems (Private) Limited ('CDS') as at end of trading on 29th June 2018.

In determining the number of shares held by a shareholder as at the relevant date for the proposed dividend, the shareholding of the shareholder as appearing in the CDS and the Register of Shareholders maintained by the Company will not be aggregated for the purpose of calculation. However, if a shareholder holds shares with multiple stockbrokers, such shares will be aggregated for calculation purposes and the shares arising as a result of the scrip dividend will be uploaded proportionately to the respective CDS accounts held with each broker.

COMPLIANCE WITH THE LAW

i) Compliance with the Companies Act No 7 of 2007 ("the Companies Act")

In terms of section 52 of the Companies Act, the Board has decided that the shares to be issued to shareholders under the proposed scrip dividend issue shall be issued at a consideration of Rupees One Hundred (Rs. 100) per share.

The Board of Directors has also opined that the aforesaid consideration for which the shares are to be issued under the scrip dividend is fair and reasonable to the Company and to all existing shareholders of the Company.

Section 53 (1) of the Companies Act provides that subject to the Articles of Association, where a company issues shares which rank equally with or above existing shares in relation to voting or distribution rights, those shares must first be offered to the holders of existing shares in a manner which would, if the offer was accepted, maintain the relative voting and distribution rights of those shareholders, Vide: (ii) below.

Section 56 of the Companies Act provides that unless the Company's Articles provide otherwise, every distribution must be approved by shareholders by ordinary resolution, Vide: (ii) below.

The proposed dividend is paid out of profits of the Company as at 31st March 2018 (which includes dividends received by the Company). The Company also conducted the solvency test as required by section 56 of the Companies Act and obtained a certificate of solvency from the auditors. The Board is satisfied that the Company will, immediately after the dividend is paid, meet the solvency requirements in terms of the provisions of the Companies Act.

ii) Compliance with Articles of Association

Article 8 of the Articles of Association of the Company provides that, where the Company issues shares, those shares must be first offered to the holders of existing shares, in accordance with their rights and subject to any limitations as to participating in any issue of shares which may attach to such shares, as nearly as possible in proportion to the shares already held by them.

Accordingly, the issue of ordinary shares to the shareholders under the scrip dividend, substantially retains the existing shareholding proportions which is in conformity with the Articles of Association.

Article 151 of the Articles of Association provides that the Company, in a general meeting, may declare a dividend to be paid to the shareholders according to their rights and interests in the profits and may fix the time for payment. Accordingly, the payment of the above dividend requires the approval of the shareholders by ordinary resolution.

iii) Compliance with the rules of the Colombo Stock Exchange

The Company has taken necessary steps to comply with all relevant provisions of the Listing Rules of the Colombo Stock Exchange in relation to the final dividend referred to in this circular.

iv) Compliance under the Foreign Exchange Act No. 12 of 2017

The issue of new ordinary shares under the proposed scrip dividend to non-resident shareholders requires the concurrence of the Central Bank of Sri Lanka. The Company will apply for and obtain such concurrence prior to the issue of shares under the scrip dividend to non-resident shareholders.

The payment of the dividend which requires the approval of the shareholders of the Company will be taken up at the Annual General Meeting of the shareholders of the Company to be held on 29th June 2018.

Uploading of Shares into CDS Accounts

As required in terms of Directive issued by the Securities and Exchange Commission of Sri Lanka ("SEC") under Circular No. 08/2010 dated 22nd November 2010 and Circular No. 13/2010 dated 30th November 2010 issued by the Central Depository Systems (Private) Limited ("CDS"), all new shares to be issued under the proposed scrip dividend, will be directly uploaded in securities accounts of shareholders maintained with the CDS, within seven (7) Market days from the date

of the Annual General Meeting (but excluding the date on which the Annual General Meeting is held where the relevant resolutions are to be passed by the shareholders). If a shareholder holds multiple CDS accounts, the total entitlement will be directly deposited to the respective CDS accounts proportionately.

No share certificate will be issued to any shareholder. In the event of the non-availability of a CDS account number, the new shares to be allotted to any shareholder, will only be registered in the share ledger/register maintained by the Company.

Such shareholder **will not be entitled** to a share certificate nor be able to **trade** the new shares until such time these shares are deposited with the CDS.

Therefore, the shareholders must ensure strict adherence to the aforementioned Directives and Circulars. Consequent to the opening of the CDS account by such shareholder, the new shares will be credited to such CDS account.

Direct uploads pertaining to written requests received from shareholders to deposit such shares will be done every fortnight.

By Order of the Board,

Corporate Services (Private) Limited
Secretaries
Central Finance Company PLC

NOTICE OF MEETING

Notice is hereby given that the Sixtieth Annual General Meeting of Central Finance Company PLC (the "Company") will be held at the Grand Kandyan Hotel, No. 89/10, Lady Gordon's Drive, Kandy on the 29th day of June 2018 at 11.30 a.m. for the following purposes.

1. To receive and consider the annual report of the board of directors along with the financial statements of the Company for the year ended 31st March 2018 and the auditor's report thereon.
2. To declare a final dividend as recommended by the Board of Directors and to consider and if thought fit, to pass the following resolutions:

"ORDINARY RESOLUTION - DISTRIBUTION OF A FINAL DIVIDEND FOR THE FINANCIAL YEAR ENDED 31ST MARCH 2018

IT IS HEREBY RESOLVED THAT

- (i) *a final dividend of Rupees One and Cents Sixty (Rs. 1.60) constituting of a total dividend of Rupees Three Hundred and Forty Six Million Eight Hundred and Fourteen Thousand Two Hundred and Twenty and Cents Eighty (Rs. 346,814,220.80) be paid on the issued and fully paid shares of the Company for the financial year ended 31st March 2018.*
- (ii) *the shareholders entitled to the final dividend would be those shareholders whose names have been duly registered in the Register of Shareholders and those shareholders whose names appear on the Central Depository Systems (Private) Limited ("CDS") as at end of trading on the 29th of June 2018 ("entitled shareholders").*
- (iii) *the said final dividend of Rupees One and Cents Sixty (Rs. 1.60) per share be distributed partly by the payment of cash and partly by the issue of new shares in the following manner*
 - (a) *a cash distribution of a sum of Cents Sixty (Rs. 0.60) per share amounting to a total cash dividend of Rupees One Hundred and Thirty Million Fifty Five Thousand Three Hundred and Thirty Two and Cents Eighty (Rs. 130,055,332.80).*
 - (b) *a distribution of Rupees One (Rs.1.00) per share (less withholding taxes) amounting to a total distribution of Rupees Two Hundred and Sixteen Million Seven Hundred Fifty Eight Thousand Eight Hundred and Eighty Eight (Rs. 216,758,888) in the form of scrip dividends, by the issue of a maximum of One Million Nine Hundred and Three Thousand Five Hundred and Seventy Six (1,903,576) new shares in the company computed on the basis of one (01) share for every One Hundred and Thirteen Point Eight Six Nine Two Seven Eight Zero Seven (113.86927807) shares held and issued at a consideration of Rupees One Hundred (Rs.100.00) per each new share.*
- (iv) *the number of shares to be eventually issued as scrip dividend shall depend on the number of residual fractions arising from the scrip dividends after applying the following formula and the residual fractions arising from the scrip dividend shall be disregarded in entirety and the value of such fractions (computed on the basis of the aforesaid consideration for the shares to be issued) shall be paid by cheque to the shareholders.*

Number of shares held by a shareholder as at end of trading on the AGM date * 1
113.86927807

- (v) *the new shares to be issued by way of scrip dividend shall immediately consequent to the allotment thereof to the entitled shareholders rank equal and pari passu in all respects with the existing issued and fully paid ordinary shares of the Company and shall be listed on the Colombo Stock Exchange.*
- (vi) *the new ordinary shares to be so allotted and issued shall not be eligible for the payment of dividend declared hereby.*
- (vii) *accordingly the Company's management be and is hereby authorized to take all necessary steps to give effect to the aforesaid final dividend inclusive of the proposed issue of new ordinary shares of the Company by way of scrip dividend."*

NOTICE OF MEETING (continued)

3. To re-elect as a director S.C.S. Wickramasinghe, who retires by rotation in terms of Article 105 of the Articles of Association of the Company.
4. To re-elect as a director A.R. Fernando, who retires in terms of Article 111 of the Articles of Association of the Company, and being eligible has offered himself 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 upon by the board of directors to audit the financial statements of the Company for the accounting period ending 31st March 2019.
6. To authorise the directors to determine the contributions to charities for the ensuing year.

By order of the Board,

Corporate Services (Private) Limited
Secretaries
Central Finance Company PLC

Colombo, on this 5th June 2018.

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 2018 in accordance with the rules of the Colombo Stock Exchange, the shares of the Company will be quoted ex-dividend with effect from 2nd July 2018.

Form of Proxy

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

- | | | |
|-----|---|-----------------|
| 1. | Chandima Lalith Kumar Perera Jayasuriya | or failing him, |
| 2. | Eranjith Harendra Wijenaik | 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. | Sunil Chandra Sillapana Wickramasinghe | or failing him, |
| 7. | Dhammika Prasanna de Silva | or failing him, |
| 8. | Asite Drupath Bandara Talwatte | or failing him, |
| 9. | Dr. (Mrs.) Agampodi Damitha Nandanie de Zoysa | or failing her, |
| 10. | Arjun Rishya Fernando | or failing him, |

.....of.....

 as *my/our Proxy to vote/speak for me/us on *my/our behalf at the Sixtieth Annual General Meeting of the Company to be held at The Grand Kandyan Hotel, No. 89/10, Lady Gordon’s Drive, Kandy on the 29th day of June 2018 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 Rupees One and Cents Sixty (Rs. 1.60) per share, consisting of Cents Sixty (Rs. 0.60) per share by way of a cash dividend and Rupees One (Rs.1.00) per share by way of a scrip dividend.	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-elect as a director S.C.S. Wickramasinghe who retires by rotation in terms of Article 105 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-elect as a director A.R. Fernando, a director who retires in terms of Article 111 of the Articles of Association of the Company, and being eligible has offered himself for re-election.	<input type="checkbox"/>	<input type="checkbox"/>
5. To re-appoint M/s 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 the contributions to charities for the ensuing year.	<input type="checkbox"/>	<input type="checkbox"/>

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

.....
 *Signature/s

Note: Please delete the inappropriate words.

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.