

In the book of personal
financial **stewardship**,
an impressive and just
ending is only possible
with an **honest** effort **upfront**.



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இலங்கை கொடுகடன் தகவல் பணியகம்
CREDIT INFORMATION BUREAU OF SRI LANKA

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Annual Report
CRB 2011
Credit Information Bureau of Sri Lanka

OUR VISION

Building a customer-friendly reservoir of credit information

OUR COLLECTIVE CRUSADE

To collect and collate trade, credit and financial information on borrowers and prospective borrowers of lending institutions;

To provide credit information on request to shareholder lending institutions and simultaneously to borrowers and prospective borrowers to whom such information relate and to instill credit discipline in the financial sector;

To establish a credit-rating system in Sri Lanka; to undertake credit rating and to sell such credit ratings to any foreign and local agencies, or to any person making a request for such ratings;

To undertake research projects for shareholder lending institutions with a view to facilitating the distribution of credit to all sectors of the economy and to the informal sector in particular.

OUR RESPONSIBILITY

Provide an efficient and effective credit information service and other value-added services to the members by using state-of-the-art technology.

Enable easy and fast access to credit while minimising non-performing loan levels.

Increase the confidence of investors in the banking and finance sector which is vital for the development of the economy and for the well-being of society.

Improve the quality of work life of employees and develop their skills.

Financial stewardship is a book of many virtues. Read right, it is a story of the careful steering of an often-rocky voyage. One of carrying the responsibility of ensuring responsibility is taken, and accountability is maintained. With CRIB, it is an odyssey to recount the tales of personal histories and business processes in the most accurate way, allowing society to reap the benefits. As in any great work, there are the protagonists, the carefully-harnessed knowledge and the analysis of fact. Every story needs a hopeful beginning; personal financial stewardship is an individual policy that breeds within society itself.



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WHO WE ARE

Credit Information Bureau of Sri Lanka
No. 148, Vauxhall Street
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Legal Form

Established under Credit Information Bureau of Sri Lanka
Act No. 18 of 1990 as amended by
Act No. 08 of 1995 & 42 of 2008

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Varners
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Principal Banker

Bank of Ceylon

OUR MOST VALUED ASSETS

Monetary Board of Central Bank of Sri Lanka

Specialised Banks

DFCC Bank
HDFC Bank
Lankaputhra Development Bank Limited
MBSL Savings Bank Limited
National Savings Bank
Regional Development Bank
Sanasa Development Bank Limited
Sri Lanka Savings Bank Limited
State Mortgage & Investment Bank

Commercial Banks

Amana Bank Limited
Bank of Ceylon
Citi Bank NA
Commercial Bank of Ceylon PLC
Deutsche Bank AG
DFCC Vardhana Bank PLC
Habib Bank Limited
Hatton National Bank PLC
Hongkong and Shanghai Banking Corporation
ICICI Bank Limited
Indian Bank
Indian Overseas Bank
MCB Bank Limited
National Development Bank PLC
Nations Trust Bank PLC
Pan Asia Banking Corporation PLC
People's Bank
Public Bank Berhad
Sampath Bank PLC
Seylan Bank PLC
Standard Chartered Bank
State Bank of India
Union Bank of Colombo PLC

Finance Companies

Abans Finance PLC
Alliance Finance Co PLC
AMW Capital Leasing PLC
Arpico Finance Company PLC
Asia Asset Finance Limited
Asian Finance Limited
Associated Motor Finance Co PLC
Bartleet Finance PLC
Bimpuh Lanka Investment PLC
Capital Alliance Finance PLC

Central Finance Company PLC
Central Investments & Finance PLC
Chilaw Finance Limited
Citizens Development Business Finance PLC
Commercial Credit PLC
Commercial Leasing & Finance Limited
Divasa Finance Limited
Edirisinghe Trust Investments Limited
City Finance Corporation Limited
Kanrich Finance Limited
L B Finance PLC
Lanka Orix Finance PLC
Merchant Credit of Sri Lanka Limited
Mercantile Investments PLC
Nanda Investments & Finance Limited
People's Finance PLC
Prime Grameen Micro Finance Limited
Senkadagala Finance PLC
Singer Finance (Lanka) PLC
Singhaputhra Finance PLC
Softlogic Finance PLC
Swarnamahar Financial Services PLC
The Finance & Guarantee Company Limited
The Finance Company PLC
Multi Finance PLC
The Standard Credit Lanka Limited
TKS Finance Limited
Trade Finance & Investments Limited
Vallibel Finance PLC

Leasing Establishments

Assetline Leasing Company Limited
Ceylease Financial Services Limited
Co-Operative Leasing Company Limited
Indra Finance Limited
Isuru Finance Company Limited
Koshiba Leasing Company Limited
Lisvin Investments Limited
LOLC Micro Credit Limited
Merchant Bank of Sri Lanka PLC
Nation Lanka Finance PLC
Orient Financial Services Corporation Limited
People's Leasing Company PLC
People's Merchant PLC
Sampath Leasing & Factoring Limited
SMB Leasing PLC
Softlogic Credit Limited

Other Institutions

Mercantile Merchant Bank Limited
National Development Trust Fund
National Development Trust Fund (Guaranteed Co.)
Sri Lanka Export Credit Insurance Corporation

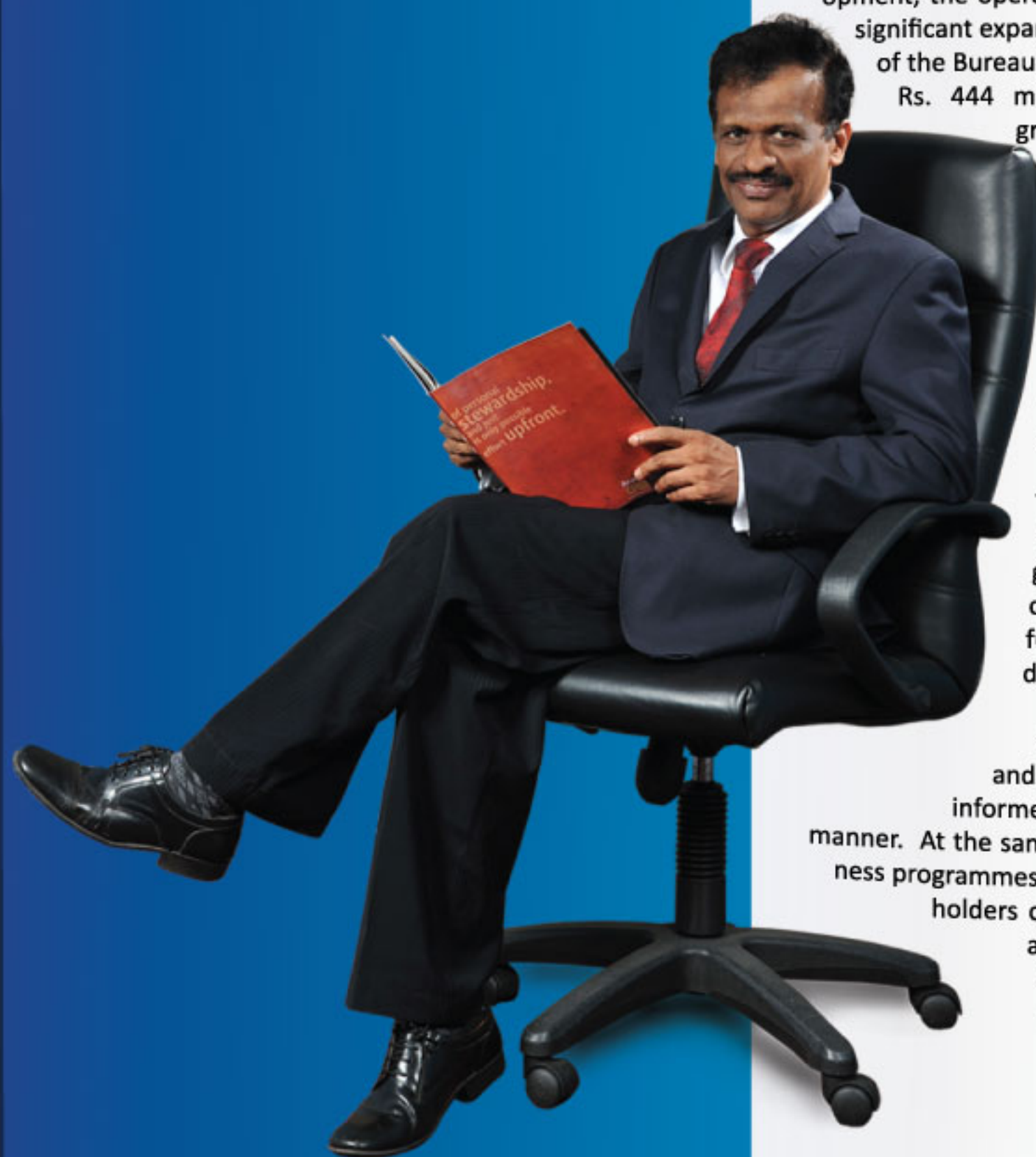
OUR CHAIRMAN SPEAKS OF WHY A CREDITWORTHY SOCIETY IS PARAMOUNT

It is with great pleasure that I present the performance and progress of the Credit Information Bureau of Sri Lanka (CRIB) along with the audited Financial Statements of the CRIB for the year ending 31 December 2011, to the Honourable Minister of Finance and Planning and the valued shareholders of the CRIB in compliance with Section 19 of the Credit Information Bureau Act, No.18 of 1990. At the very outset, I wish to acknowledge and appreciate the efforts, hard work and dedication of Mr. P D J Fernando, the former Chairman, our Board of Directors and the managerial and other members of the staff, in making these achievements a reality.

Benefitting from the peaceful environment in the country, Sri Lanka's economy recorded an impressive growth of 8.3% in 2011 and is poised for 8% plus growth in the next few years. During 2011, credit extended by banks and other financial institutions increased at a faster pace, and supporting this development, the operations of the CRIB too recorded a significant expansion. The net operational income of the Bureau for the year under review was

Rs. 444 million with a 45% year-on-year growth. Aligning itself with the high growth prospects of the country, the CRIB, I am sure, will continue to render excellent service to the economy by furnishing financial institutions with data of very high quality, enabling them to assess the credit worthiness of existing and potential borrowers.

The Bureau has already taken the initiative to strengthen its strategic position as the sole provider of credit information. The CRIB further streamlined its operations during the year to provide easier and quicker access to its database which would help banks and other financial institutions make informed decisions in a more efficient manner. At the same time, the CRIB initiated awareness programmes across the country, to help stakeholders correctly interpret credit reports and to educate them regarding the importance of supplying accurate credit information.



Providing an opportunity for individuals to make a self assessment of various credit facilities obtained, the CRIB commenced the issuing of a self credit report called the 'iReport'. The use of 'iReports' have enhanced the quality of CRIB data dissemination to the stakeholders in the form of credit reports.

A mention must also be made of the launch of the Secured Transactions Register which permits borrowers to present moveable assets such as inventory, machinery and account receivables as collateral. The implementation of the Registry would be an added advantage particularly for SMEs since bank lending is largely based on immovable assets which SMEs typically do not possess. Several financial institutions have already begun reporting information on moveable assets to the Secured Transactions Register and it is expected that a considerable number of SMEs would benefit by way of increased financing from banks and non-bank financial institutions, using moveable assets as collateral.

While the year that ended has yielded many improvements, we are confident that the near future also holds numerous opportunities. The Bureau has planned to introduce a portfolio monitoring report module by way of providing value added products and services. The key benefit accruing to banks and other financial institutions from the introduction of this new business intelligence framework would be that these entities would be able to get a better understanding of the health of their current portfolio and therefore be able to analyse their performance vis-à-vis their peers and industry trends. Another advantage is that the reports can be customized specifying the parameters according to the needs of banks/financial institutions.

The success arising from measuring up to our objectives has given us confidence to aim at rendering better services with a focused approach. As we approach our 22nd Anniversary in 2012, I envision the Bureau to be an institution which would assist borrowers to gain improved access to financing which will translate into financial benefits for all our stakeholders. Proactive and positive data sharing enables all banks and other financial institutions to extend credit facilities to a vast majority of reliable borrowers efficiently, while also enabling borrowers to benefit from lower risk premia.

“The net operational income of the Bureau for the year under review was Rs. 444 million with a 45% year-on-year growth.”

I wish to extend my sincere appreciation to the Governor of the Central Bank of Sri Lanka and his staff for their support throughout the year. I also wish to thank my Board of Directors for their consistent support, encouragement and guidance. I am thankful to the staff and management of the Bureau for their loyalty and dedication and finally, to our shareholders, I say "a big thank you" for the cooperation extended during the year 2011.

Mr. B D W Ananda Silva
Chairman

OUR GENERAL MANAGER ON CRIB, CREDIT AND SRI LANKA'S GROWTH POTENTIAL



08

Twenty years one is a long time to be on a relentless crusade. The journey assumes colossal proportions when it has huge ramifications on the future of a whole nation. At CRIB, it is this sense of duty which fuels its engines. 2011 was no different as the Bureau re-affirmed its commitment to creating a responsible and credit-worthy society. It continued to assist its members and achieved a satisfactory financial performance under the sound leadership and guidance of the Chairman and the Board of Directors.

Our contribution towards increasing investor confidence

In a well performing private sector, firms make investments, create job opportunities and improve productivity which, in turn, leads to an increase in the GDP of the country. This is what policy makers expect from any emerging economy in the world. To achieve such a climate, economic activity requires rules and regulations not only suited to each economy but which are efficient, accessible and simple to implement. In the World Bank's annual "Doing

Business" survey which benchmarks 183 world economies, the ability to obtain credit is regarded as one of the most important indicators of measuring the performance growth and healthy investment climates of a country. Therefore, in order to implement an efficient and effective lending system, for both the lender and borrower, the credit information available to lenders should be accurate, comprehensive and easily accessible. In 2009, having completed its business re-engineering process with the implementation of a web based state-of-the-art Credit Information Management System (CRIMS), CRIB was able to make a significant contribution to raise the country's ranking in the survey from 97 to 68. Doing Business 2012 reports that Sri Lanka is now ranked 78.

Personally, I am proud to be a part of this organization which has ably performed its obligations to the country. As its General Manager, I would like to pay a tribute to all our shareholders for their unstinted support and cooperation extended throughout the Bureau's last two decades of existence.

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Our responsibility towards the members and general public

The stability of a financial system is evidenced by an effective regulatory infrastructure, well developed financial markets and sound financial institutions. The stability of the banking sector, amongst other things, is significantly influenced by different categories of financial risks. The impact of a credit bureau in the reduction of credit risk, and to some extent the liquidity risk, will depend on the quality of information available to its members. The supply of both positive and negative credit information is a unique service that CRIB has provided its members since the inception of the Bureau in 1990. Quality plays a significant role in shaping the efficiency of the Bureau. As such, over the last four years, CRIB has taken steps to assist its members in improving the quality of data provided to the Bureau. CRIB consistently pays high attention to improving the quality of data received and reported, and employs various measures to this end. For example, an internal rating system, where members are rated on the quality and accuracy of the data provided to CRIB. Furthermore, CRIB plans to impose regulations to ensure the accuracy of data submitted by members in 2012. Careful analysis of customer complaints suggests that discipline in data submission has to be enforced for the greater benefit of both members and consumers in general.

CRIB today receives more walk-in customers than ever before at its office in Vauxhall Street and a large number of requests from banks for individual credit reports or iReports. The Customer Help-Desk operated by the well-trained staff of the Bureau assists many customers in resolving their disputes which arise mainly due to erroneous data submitted by members.

Technology support to continue our growth story

Post-war Sri Lanka is going through rapid economic transformation. The credit market too is similarly experiencing a dramatic growth fuelled by reduced interest rates and increased liquidity in the market. The year-on-year growth in dispatching credit reports to the lending institutions, recorded between the 2009 – 2010 period, was 83%. In 2011, CRIB saw a further growth of 45% in the issue of credit reports. Members from the financial sector segments across the board were able to positively contribute to the Bureau's performance and in turn CRIB was able to distribute very attractive dividends to its shareholders for the year ended 31 December 2011. The Bureau's database now consists of over 5 million loan records and 3 million customers.

“The year-on-year growth in dispatching credit reports to the lending institutions, recorded between the 2009 – 2010 period, was 83%. In 2011, CRIB saw a further growth of 45% in the issue of credit reports. Members from the financial sector segments across the board were able to positively contribute to the Bureau's performance.”

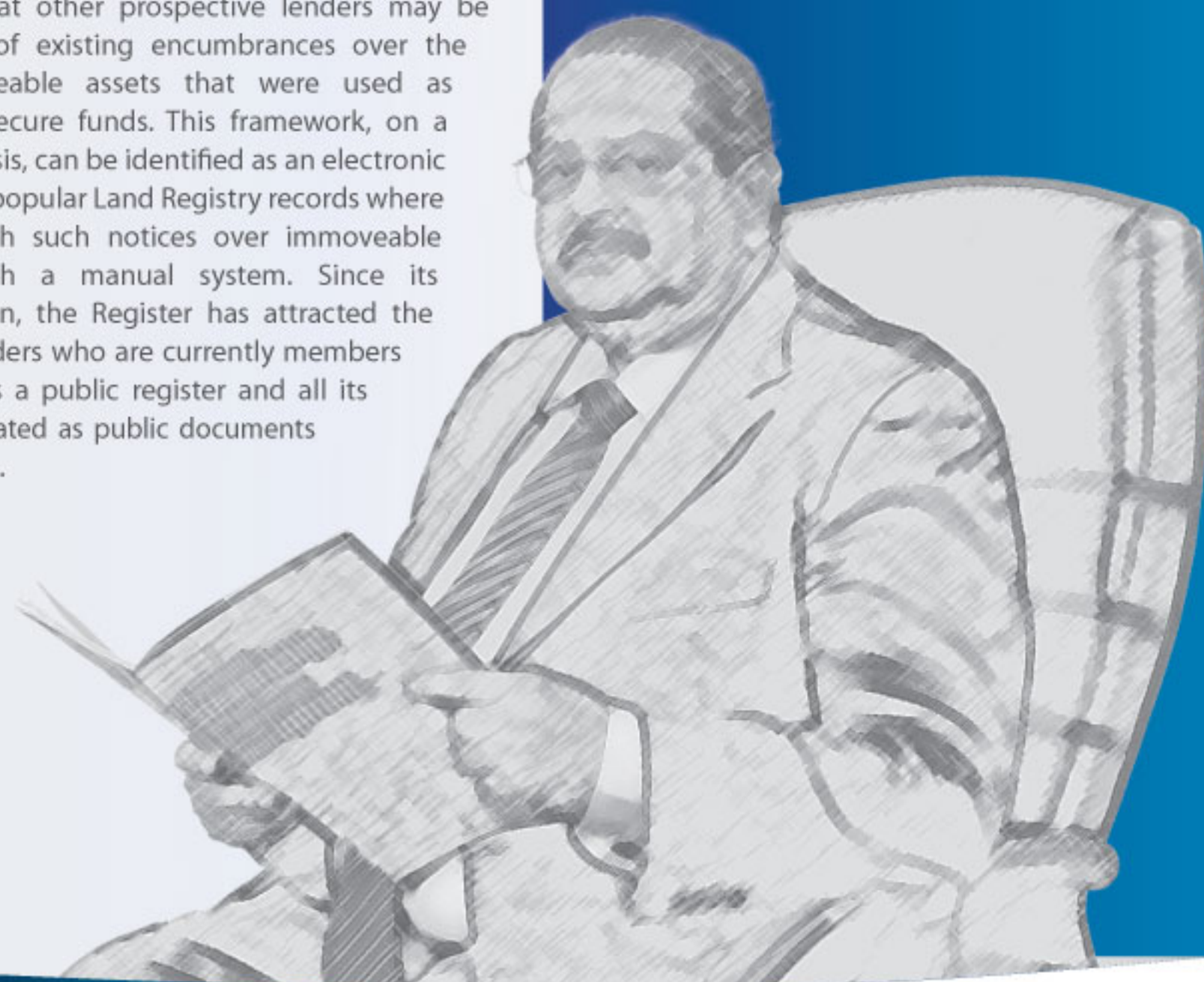
In order to meet the increased demand for services, CRIB invested heavily in its communication infrastructure during 2011, allowing for an enhanced network bandwidth provision for users. The Bureau appreciates the high degree of reliability that is placed on CRIB by its members and the importance of maintaining an uninterrupted credit information service to the lenders due to the increased competition in the market. The much awaited disaster recovery data centre was completed in 2011 and now guarantees service availability on a 24x7 basis. Over a period of 4 years, CRIB has experienced an increase in the submission of data by lending institutions due to the growth in business volumes. In order to deal with this increase in data submissions, the manual data submission method practiced during the last 3 years has been replaced by an internet-based data transmission protocol encompassing a secured

electronic data interchange methodology supported by a popular public key infrastructure mechanism. However the CRIMS infrastructure, whilst handling the processing of more than 5 million records each month and generating more than 10,000 credit reports per day, was overly constrained. The data processing turnaround time (TAT), being the lead time for data updates each month, had been steadily deteriorating. The Bureau took immediate steps to overcome this situation by deploying the latest data processing module with the assistance of its technical partner Messrs. Dun and Bradstreet. Under this new system, all data files will be updated within 10 days, provided that the members submit their data by the 5th day of the following month. The Bureau expects a firm commitment from its members on the stipulated data submission deadline in order to ensure provision of up-to-date information to the members.

CRIB helps SMEs to convert Dead Capital into Working Capital

The much awaited Secured Transactions Register (STR) is now in operation. CRIB launched the full fledged online register in August 2011 and the law has been gazetted by the Minister of Finance. The Register allows lenders to publish notices on secured transactions that are perfected between debtors and lenders, so that other prospective lenders may be made aware of existing encumbrances over the debtor's moveable assets that were used as collateral to secure funds. This framework, on a conceptual basis, can be identified as an electronic version of the popular Land Registry records where lenders publish such notices over immovable assets through a manual system. Since its implementation, the Register has attracted the interest of lenders who are currently members of CRIB. STR is a public register and all its records are treated as public documents once registered.

“The much awaited Secured Transactions Register (STR) is now in operation. CRIB launched the full fledged online register in August 2011 and the law has been gazetted by the Minister of Finance.”



By the end of 2011, the Register progressed on many dimensions, from the enrollment of mainstream lenders as secured parties to the recording of transactions online. CRIB arranged a large number of training and awareness sessions to popularize the Register amongst lenders.

Innovativeness: Our key to success

CRIB strongly believes that it has a mandate to go beyond traditional bureau services and to offer value additions in the risk management process to its members. Though CRIB had plans to implement further value added products to its portfolio during the year, an unprecedented growth in core business volumes had a negative effect on our road map. However, CRIB plans to pursue these development plans during the course of 2012, by, among others, introducing a business intelligence module to monitor the portfolio performance of each member. The present data submission method through the internet is aimed at being changed to a fully automated system which will assist CRIB and the data providers to have an end-to-end seamless data transfer process with increased efficiency.

Our financial performance

The Sri Lankan economy grew by 8.2% in 2011 with the Per Capita Income increasing by 15.5%. The Sri Lankan Rupee appreciated by 2.2% during the year. An aggressive growth of 34% experienced in credit increased the output of Credit Reports by 45% and our net profit by 39%.

Conclusion

A special word of appreciation and gratitude goes out to the Directors who retired by rotation in 2011, for their invaluable contribution to Bureau operations. My sincere gratitude is also extended to the past Chairman, Mr. Priyantha Fernando, who retired in September 2011. Mr. Fernando displayed vision, leadership, competence and integrity during his term in office. The staff of CRIB joins me in welcoming Mr. Ananda Silva, Deputy Governor of the Central Bank, as the new Chairman of CRIB with effect from October 2011. I also wish to thank my fellow Directors for extending their fullest support

“The Bureau re-affirms its strong commitment toward maintaining the highest standards of integrity and transparency in all its activities and relationships.”

and sharing their valued expertise towards the betterment of the Bureau.

My sincere thanks also go to the Governor, Central Bank of Sri Lanka, Mr. Ajith Nivard Cabraal and his officials for their guidance and support during the year.

Finally, I extend my deep appreciation and gratitude to the management and staff of CRIB for their unstinted cooperation, hard work and commitment. The strength of the Bureau will remain where it always has been – with its employees. The Bureau re-affirms its strong commitment toward maintaining the highest standards of integrity and transparency in all its activities and relationships. This commitment will continue to be the foundation of the strong relationship it enjoys as it seeks to align the interests of all its stakeholders for their greater mutual benefit.

Mr. Gamini Karunaratne
General Manager/Director

CRIB- MOMENTOUS BEGINNINGS

The first Chairman reminiscences
Dr. S T G Fernando

It is a pleasure to recollect the beginnings of this institution. The two strands which have helped to make the Vision, Mission and achievements of this institution worthy of recollection and important for purposes of record have a co-existence—one personal and the other drawing strength from the financial milieu of that time.

The first owes to my personal experience as the former Chairman of People's Bank. It was apparent that credit granting and information were vital to ensure a bank profitability and customer confidence. Financial stability was necessary for customer acceptance. Merely being supported and guided by a dynamic Board of Directors is insufficient to ensure banking success. It depends heavily upon the credit decisions of its senior staff. My experience was that bad loans, loans in default and those needing to be transferred to past due (deliberate bad lending) weighed heavily on a bank's profitability. The necessity for good, accessible information on lending was therefore self-evident. I returned to the Central Bank in August 1988 as Deputy Governor with the determination to realise the objective of providing all commercial banks with a focal point, administered with Central Bank support. The neutrality and integrity of the Central Bank was unquestioned. It also had an obligation to develop financial infrastructure.

The second strand that influenced the inception of the Bureau was the concern which the general public had regarding the failure of finance companies, their bad lending and the lack of timely information about such lending. There was then a pressing need to ensure that commercial banks did not suffer the same fate. The Central Bank was therefore interested in setting up a focal point for collecting and making available credit information to the entire banking system. The Central Bank while having the "remote" control would provide commercial banks representation on the board for directing its policies.

Two officers of the Central Bank were sent to our neighbouring countries on a fact finding mission. Experienced Senior Staff members Mr. P.T. Sirisena and Mr. W. A. Wijewardena reported their findings. Their report formed the basis for the preparation of the Monetary Board Paper seeking approval for the setting up of the Bureau. No foreign help was sought, advisory or financially.

“Behind the success was planning, experience, will and the realisation of the benefits to the entire banking fraternity.”

I must mention the guidance I received from Hon. Mr. Victor Perera, (Retired Supreme Court Judge and Legal Advisor to People's Bank) and my colleague, the late Mr. P.M. Nagahawatte. Their legal advice helped me sharpen the finer points of structuring the institution. The Central Bank Legal Division also played a significant role. I recall the contribution made by Mr. Edgar Gunatunge, a senior commercial banker, who as a Board Member helped me focus on the areas that needed operational attention. As did Mr. Nihal Jayawardena. The first General Manager, Mr. W A Wijewardena, with long experience in the Central Bank, helped in setting up and manning the institution. His integrity and capacity for hard work needs a special mention. The choice of the computer system, IBM AS 400, then much debated, was selected to cope with the increasing workload. From the outset, a decision was taken that all operational staff should be computer literate to keep the numbers small and to process work expeditiously.

The expression "CRIB" was the result of a consensus, the choice being between CIB and CRIB. The R was included to avoid confusion with the Criminal Investigation Bureau. Likewise the choice of the accounting authority; the Auditor General was selected for his impartiality, experience and because he was also an Auditor for the Central Bank and the two state banks. I was much influenced by discussions with the late Mr. Bernard Soysa, who served on the Public Accounts Committee.

The CRIB took off with high acceptance and the fullest cooperation of all the commercial banks which were quick to realise the importance of the exchange of information in keeping at bay defaulting borrowers. I had no doubt CRIB would be a success. The charges were nominal and the staff was coping well. Behind the success was planning, experience, will and the realisation of the benefits to the entire banking fraternity.

Looking back, I am happy to note that the acceptance of RIB by all financial institutions is proof of our domestic knowhow being adequate. I hope that the Bureau will continue to serve the banking system while upholding its traditions.

THE GENESIS OF CRIB

The first General Manager recalls the journey
By W.A. Wijewardena

The Credit Information Bureau of Sri Lanka, popularly known by its acronym CRIB, was a creation of a small team of dedicated men and women.

The forefathers of the Bureau

Sri Lanka had felt the need for a credit information bureau for some time. As far back as 1985, an internal paper prepared by the Central Bank had argued for the establishment of a credit information bureau in the country since there had been a systematic default of bank loans by crafty bank borrowers taking advantage of banks' inability to verify their past track records and moving from one bank to another creating a chain of loan defaults in the process.

However, there was insufficient political will to go ahead with the proposal, presumably due to the pressure exercised by some interested groups. In that scenario, it was due to the bold leadership of the late Dr H.N.S. Karunatilaka, Governor of the Central Bank, the late Deshamanya N.U. Jayawardena, Chairman of Sampath Bank and Dr S.T.G Fernando, Deputy Governor of the Central Bank and first Chairman of CRIB that the country saw the birth of a credit bureau in 1990.

The spade work for them to accomplish this task had been done by three other Central Bank officers; Bank Supervision Director P.T. Sirisena, Legal Officer Senelatha Abeywickrama and Secretary W. Jayasena. The writer came into the picture in June 1990, only after the initial work including the enactment of the Act had been completed.

A Team of Magnificent Six

At the time the writer was handpicked by the Central Bank's management to be CRIB's first General Manager. He was a Deputy Director in the Bank's Economic Research Department and did not have any experience in forming or running a credit information bureau. Nor did the officers who were selected by him from the Central Bank to form the bureau have that experience.

Hence, for him as well as for the small team of officers, it was like walking into the unknown. Yet, the morale and enthusiasm in taking up those unknown challenges was running very high and everyone was eagerly looking forward to the new experience awaiting them.

“For him as well as for the small team of officers, it was like walking into the unknown. Yet, the morale and enthusiasm in taking up those unknown challenges was running very high and everyone was eagerly looking forward to the new experience awaiting them.”

Who were the people on this team? There were five officers handpicked from the Bank. The Bureau's administration was to be handled by Anula Premachandra who was a Senior Officer of the Bank. Its IT section was to be handled by a single person, N.M Jayasekara, Computer Programmer. Accounts and general administration were to be handled by two other officers, Gunapala Gamage and Kasthuriratna. All the secretarial work including the initial data entry was to be done by Jayantha Amarasinghe. The writer recalls walking into the Ceylinco House in early June 1990 with this small team and setting up temporary office there, planning, organising and establishing the bureau.

The First Board

The Central Bank had appointed Deputy Governor Dr S.T.G. Fernando as the Bureau's Chairman and Bank Supervision Director P.T. Sirisena as the member representing the Bank on the Board.

The writer had to initiate the formation of the Bureau under the guidance of these two senior officers. To his credit, Governor Karunatilaka did not interfere in this process and left it entirely in the hands of the Chairman and the writer.

The initial board was to consist of two individuals from the Central Bank (one of whom was the Chairman), one each from the two state commercial banks, two from the other commercial banks and one from the development banks and savings banks. The writer recalls the Chairman being very particular about who sat on the board. When one state commercial bank had nominated a fairly junior officer to represent that bank on the board, the Chairman spoke to its General Manager and prevailed upon her to appoint a very senior officer from that bank to the board. All other banks had appointed CEOs of different banks to the board. The Chairman's view was that the board should consist of people of equal stature and position to bring dignity, credibility and reputation to the Bureau. At the very first Board Meeting, the writer's appointment as General Manager and Secretary to the Board was confirmed. On a proposal by the Chairman, the Board also resolved to forgo any allowance payable to them as board members until the Bureau's financial position became sufficiently strong to make such payment.

Study Tour in Malaysia and Thailand

Sri Lanka did not have any experience in running a credit information bureau. Hence, the Chairman suggested that board member P.T. Sirisena and the writer undertake a study tour in credit information bureaux in both Malaysia and Thailand, funded entirely by the Central Bank.

Accordingly, the two officers formed a visiting Sri Lankan team and spent one week each in July 1990 in the respective credit information bureaux. In both these countries, credit information bureaux were sub-units of the respective central banks and information was being collected under the powers given to central banks by statute to collect information from banks.

In that respect, Sri Lanka had been one step ahead of these early starters with its special legislation empowering the bureau to collect and release credit information to member banks and indemnifying the bureau or the officials working in the bureaux from any legal suit by an aggrieved customer of a bank. The advice given by both bureaux to the visiting Sri Lankan team was that, as they also had done, the software for running the bureau should not be developed in-house but procured from outside. The reason adduced was that developing software in-house was cumbersome, time taking and incomplete. This was one area where Sri Lanka did not heed to the advice given by the two experienced bureaux.

The Acronym and Logo

The Bureau had to choose an appropriate acronym to project itself to the outside world. Out of many shortened forms, on a suggestion by the Chairman, the Board finally

chose CRIB, which had taken the first two letters from CRedit, 'I' from Information and 'B' from Bureau. According to the Oxford Dictionary, CRIB had three different meanings: a covered bed for an infant, dishonest copying and information presented in a quick simple way. It was this last meaning which the Board attributed to the Bureau. Then came the question of designing the logo of the Bureau. For that, the writer engaged the artist Padmanjalee Dahanayaka who had been designing coins for the Central Bank. Out of many designs she had prepared, which were all eye-catching and meaningful, the Board adopted the current logo of the Bureau in which CRIB has been written in vertical black and white lines. The black lines denoted adverse track records of borrowers, white favourable ones and, hence, CRIB stood for 'adverse and favourable information presented in a quick and simple way'.

The Acquisition of the AS 400 System

The Bureau had to acquire a computer system; it was decided to go for an IBM AS 400 mini-computer which was the best available in the market at that time. Instead of buying this computer outright and thereby blocking the funds of the Bureau in a fixed asset, it was also decided to obtain it on a lease purchase basis over a four year period under a lease facility offered by one of the member banks, namely DFCC.

However, when acquiring this computer, the Bureau being a private sector organisation, did not follow the government procurement procedures. The Bureau's auditor at that time was the Auditor General and in his first audit report to the Parliament, he had reported it as an irregularity in its procurements. The Committee on Public Enterprises or COPE, having reviewed the Auditor General's Report, summoned the Board and the writer before the Committee to seek an explanation. The Chairman of the COPE, Hon Rohan Abeygunasekera, accepted the position of the Bureau that it was a private sector organisation and it had to acquire this system as quickly as possible to serve its shareholders and therefore it could not run the risk of going through the cumbersome government procurement procedures. The writer recalls the Bureau being advised by the COPE to have the Act amended, taking out the Auditor General from his audit function and permitting private auditors to do that job. This amendment has since then been carried out.

The Genius Software Developer

After the acquisition of the AS 400 mini-computer, the challenge was to develop the software system in-house to commence the business operations of the Bureau before the end of 1990. This task singularly fell upon the Bureau's IT man, the silent but genius programmer, N.M. Jayasekara. He had no previous experience in AS 400 or the language which it used for programming; his experience in the Central Bank had entirely been in the IBM 4300 mainframe. Hence, he had to first undergo training in AS 400 at IBM before even thinking of developing the needed software. The beauty of Jayasekara was that though he was a silent and unassuming person, when it came to work, he took like a duck to the water. In the mornings, he was at IBM undergoing training. In the afternoons, he was at his new machine punching keys, examining the results on the screen, erasing them if they did not come up to requirements and redesigning the formats.

He and the other members of the team had to work in double quick time, because when the Bureau was soft-opened by the Prime Minister and Minister of Finance, Hon D.B. Wijetunga, in August 1990, the deadline given to them was that the first credit report should be released by the Bureau before the end of the year. Jayasekara took this challenge seriously and worked so hard that by end – October, his software programme was ready for testing.

Morning Site Meetings

In the meantime, the other members of the team were busy with the rest of the work. To facilitate data collection, data entry and data retrieval, half a dozen school leavers were hired by the Bureau as multi-tasked officers. They were all in the age category of 18 to 20 years and did not have previous work experience. Hence, to rely on them to produce results within a short period of time was considered taking a calculated risk. Yet, all these young men and women proved to be marvellous workers full of high morale, spirit and enthusiasm.

There were site meetings every morning from 8.30 am to 9.30 am to discuss the progress, issues and solutions. All members were encouraged to speak at these meetings and it was these youngsters who made the best contributions because it was they who actually faced the real ground problems. When Jayasekara was ready with the software, the rest of the team was ready with the data. In the month of November, the data was entered into the system, mock credit reports were produced and examined for shortcomings and the system was geared for its final D-day that was to be the first working day of December. To release the credit reports to member banks, a Fujitsu tele-facsimile machine, now popularly called a fax machine, was acquired by the Bureau.

“The writer recalls the excitement that prevailed in the Bureau when it issued its first credit report in the first working day of December, 1990, nearly one month before the deadline given to it at the soft-opening.”

The First Credit Report

The writer recalls the excitement that prevailed in the Bureau when it issued its first credit report in the first working day of December, 1990, nearly one month before the deadline given to it at the soft-opening. The request had been made by the Manager of the Anuradhapura Branch of the Sampath Bank. According to the internal procedures of the Bureau, the request was authorised by Anula Premachandra, the Bureau's Senior Manager. Then, it was attended to by one of the multi-tasked youngsters under the supervision of Kasturiratne, Manager Administration. The produced credit report was checked and rechecked by two others, a multi-tasked youngster and Gunapala Gamage, Manager Accounts. Then, it was signed by the writer who was the only authorised officer to sign credit reports on behalf of the Bureau. The fax machine was operated by Jayantha Amarasinghe, Secretary, when everybody, including the silent Jayasekara, had gathered around it anxiously. The fax was sent and within minutes, a call came from the Manager of Sampath Bank's Anuradhapura Branch thanking the Bureau for the prompt report it had sent. The mild and satisfying smile that crossed the all those who had been gathered around the fax machine that morning was a premonition of the greater heights to which the Bureau was to rise in the years to come.

OF THOSE WHO STEER THE COURSE

1

10

Asst. General Manager in charge of Operations, Treasury, Risk Review and Corporate Planning of Orient Financial Services Corporation Limited Mr. Karunapala has over 22 years' experience in the industry. He holds a MBA in Banking and Finance, a Postgraduate Level Diploma Certificate in Modern Commercial Banking and a B.Sc in Business Administration (Special) degree from the University of Sri Jayewardenepura. He also holds a Post Graduate Diploma in Business and Financial Administration from the Institute of Chartered Accountants of Sri Lanka, membership of the Certified Management Accountants (Australia) and Association of Accounting Technicians of Sri Lanka. He possesses an Advance Diploma in Management Accounting, CIMA (UK).

Mr. D. M. N. P. Karunapala— Director
Director

2

Mr. Ganegoda joined the management team of Nations Trust Bank in 2002 and was appointed as the Bank's COO in January 2009. He previously served at Fujitsu Semiconductor USA and National Development Bank in Sri Lanka.

He holds a B.Sc. in Computer Science from the University of Texas, Austin, USA and a MBA in Finance from the Southern Illinois University, Carbondale, USA. He also holds a Diploma in Computer Systems design from the National Institute of Business Management, Colombo.

Mr. A R G Ganegoda
Director

3

Currently, the Director of Bank Supervision of the Central Bank of Sri Lanka Mrs. Fernando possesses over 20 years of experience in operational and policy matters relating to implementing the regulatory and supervisory framework for licensed banks including market entry and exit, introducing new prudential regulations, taking regulatory actions. Possess a B Com (Special) Degree from the University of Sri Jayewardenepura.

Mrs. T M Y P Fernando
Director

4

11

Mr. Kumar took over as the Acting CEO/General Manager of People's Bank in February 2011. He holds a Master's Degree in Business Administration and counts 32 years' experience in Treasury Management. He previously served as Treasurer at ANZ Grindlays Bank, Colombo. He is the past President of the Association of Primary Dealers and of the Sri Lanka Forex Association and is also a Director of People's Leasing Co. Ltd., People's Travels (PVT) Ltd., Credit Information Bureau, Institute of Bankers of Sri Lanka, Lanka Financial Services Bureau and National Payment Council.

Mr. N Vasantha Kumar
Director

5

Karunaratne is a retired Senior Banker with 40 years' experience in commercial banking. At the time of retirement, he held the post of Senior Deputy General Manager International and Investment Banking with HNB. He is a Past President of the Sri Lanka Forex Association, a fellow of the Chartered Institute of Management UK and a Past President of its branch in Sri Lanka. He joined CRIB in June 2009 and continues to serve as its Director/General Manager.

Mr. Gamini Karunaratne
Director/ General Manager



6

With over 36 years' diversified experience in banking and financial services, Ms. Nalini FIB, AIB (Sri Lanka), BA (Econ) Hons., B.Phil(Econ) is the General Manager of Bank of Ceylon. She was previously the Head of Corporate and Offshore Banking operations of Bank of Ceylon and is currently a Non Executive Director on the Boards of numerous companies including Merchant Bank of Sri Lanka Plc., Credit Information Bureau, Institute of Bankers of Sri Lanka, BOC Property Development & Management (Private) Ltd. and BOC Travels (Private) Limited.

Ms. W A Nalini
Director

7

A Central Bank stalwart for over 28 years, Mr. B D W A Silva has vast experience in the finance and banking arenas. Prior to this, he held the position of Deputy Director of Economic Research, Director of Bank Supervision and Assistant Governor. Mr. Silva holds a MA from the University of Iowa USA, a M.Sc. from the University of Illinois USA and a B.Sc. with a First Class from the University of Jaffna.

Mr. B D W Ananda Silva
Director

8

Chairman of Alliance Finance Co. PLC, Mr. Silva was the first Sri Lankan to be honoured as a Fellow of the Institute of Credit Management, England. He is Honorary Consul of the Republic of Peru in Sri Lanka and Senior Chairman, Alliance Group of Companies. The Director of several other Companies and Institutions, he is the President of the Sri Lanka Institute of Credit Management and a Director representing Finance Companies on the Board of the Credit Information Bureau of Sri Lanka.

Mr. J E P A de Silva
Director

9

The COO of NDB Bank, Mr. Wickramasinghe counts over 20 years' experience in the Fast Moving Consumer Goods and Financial Services sectors. He holds a Master's Degree in Business Administration from the University of Sri Jayewardenepura, a Postgraduate Diploma from the Chartered Institute of Marketing, UK and is a Chartered Marketer and a Fellow of the Chartered Institute of Marketing, UK. Prior to joining NDB Bank nine years ago, Mr. Wickramasinghe was Head of Marketing at Reckitt & Colman of Ceylon Ltd. He is also a non-executive director of AVIVA NDB Insurance, NDB Stock Brokers (Pvt) Ltd., and Capital Development & Investment Company PLC.

Mr. I A Wickremasinghe
Director

10

Mr. Chandrasagara was appointed as a Director of CRIB in Sep. 2010 and functions as the Chairman of the Board Audit Committee. He is also a Director of HDFC Bank and functions as the chairman of its Board Audit Committee. He had served as the Senior Deputy General Manager/Chief Internal Auditor of Peoples Bank for a considerable period after gaining long experience in the fields of General Banking, Accounting, Finance and Inspection.

Mr. A. M. Chandrasagara
Director

SNAPSHOTS

STR



The Bureau introduced a new facility called the Secured Transaction Registry with a special Press Conference as well as several public awareness programmes.



SNAPSHOTS

Compliance Officers' Symposium

CRIB organized an Annual Symposium and Panel Discussion for its Compliance Officers, followed by a Members Evening at the Hilton Colombo.



AGM

The CRIB's stakeholders once again came together at the customary Annual General Meeting.



SNAPSHOTS

Public Awareness

A number of programmes were conducted with university students as well as via the media to create awareness on CRIB and its functions.



Staff Get-together

The staff enjoyed themselves at the annual get-together, celebrating a year of achievement.



Evoking Blessings

A special Pirith ceremony was organized to evoke blessings on CRIB activities, stakeholders, staff and family.



International Tours and Forums

CRIB attended a number of international forums including the Global Credit Bureau Programme in Malaysia and the South Asia Regional Workshop on Microfinance Credit Reporting held in New Delhi.



SNAPSHOTS

USER TRAINING

Workshops were held throughout the year to educate bank/financial institution staff on CRIB's role in society and on the usage of credit reports.



OUR STAFF



Staff – Left to Right Standing

Mr. J. S. Weerasinghe (System Administration Executive), Mr. T. M. Rajasekara (Business System Developer)
Mr. D. S. N. Gunarathne (Senior Operations Support Assistant), Mrs. W. A. L. H. D. Weliwita (Operations Support Assistant),
Mr. B. K. Wijenayake (Operations Support Assistant), Mr. K. A. Lahiru Nadishan (Customer Support Assistant),
Mr. K. K. D. W. Gunawardena (Customer Support Assistant), Mr. R. S. Ismail (Customer Support Assistant)
Mrs. Sanjeewanie Ratnayake (Senior Manager – Operations), Mrs. P. T. Perera (Legal Advisor to the Board of Director)
Mr. S. S. Jansen (Senior Accounts Assistant), Mr. D. D. Vithanaarachchi (Senior Administration Assistant)
Ms. A. P. Hamid (Confidential Secretary), Mr. E. A. S. U. Premakumara (Senior Operations Support Assistant)
Mrs. Y. L. D. K. Gunatilake (Senior Executive- Marketing & Product Promotions),
Mr. D. M. S. Indika Dissanayake (Senior Executive- Business Operation & Corporate Relations),
Mr. K. D. S. Wanigasooriya (Senior Executive- Customer Service & Network Management)

Staff – Left to Right Sitting

Mr. D. H. Ponnamperuma (Assistant General Manager), Mr. Gamini Karunaratne (General Manager/Director),
Mr. K. A. Janaka Lakmal (Deputy General Manager), Ms. D. I. A. Jayasinghe (Chief Manager – Accounts & Administration)

CORPORATE GOVERNANCE

Financial Reporting	
• Board Responsibility for statutory and regulatory reporting	The Bureau presents its Financial Statements in line with Sri Lanka Accounting Standards and other applicable rules and regulations.
• Annual Report contains a Management Discussion and Analysis	See page number ... to
• The Board should report that the business is going concern	The Board after conducting necessary reviews and inquiries decided to apply the "going concern" assumption in the preparing of the Bureau's Financial Statements.
Internal Controls	
• The Board should review the effectiveness of the internal control system at least annually	The Board has overall responsibility for the system of internal control and has delegated some of these responsibilities to sub-committees.
• Need for internal audit function should be reviewed from time to time	The Board of Directors has appointed Board Audit Committee and it took necessary steps to setup internal audit function for the Bureau.
Audit Committee	
• Composition of the Audit committee	All members of the Board Audit Committee including non-executive Directors.
• Duties of Audit committee	The Audit Committee monitors and reviews the effectiveness of the company's internal and external audit functions and coordinate between relevant parties.
• Audit Committee should have terms of reference	The audit committee operates with clearly defined terms of reference.
• Name of the Directors comprising the Audit committee and their independence should be disclosed in the Annual Reports	The Audit committee report highlights the names of the members of the audit committee, independence of auditors and other information.

The Board (Directors' Responsibility)

The members of the Board are expected to possess the required expertise, skill and experience to effectively manage and direct the Bureau so that it can maintain proper standards of governance and attain its organizational goals. They are responsible for ensuring that the management maintains an effective system of internal controls that provide assurance on efficient operations and compliance with applicable laws and regulations. They are expected to be persons with Vision, leadership, proven competence and integrity.

Board Committee

The Board of Directors in accordance with the generally accepted standards and best practices of Corporate Governance have appointed Board Committees.

Accordingly, the following Committees have been constituted by the Board.

- **Audit Committee**
comprises of Mr. A M Chandrasagara (Chairman)
Mrs. Yvette Fernando
Mr. Rohitha Ganegoda
- **Technical Committee**
comprises of Mrs. Yvette Fernando (Chairperson)
Mr. Rohitha Ganegoda
Mr. Indrajit Wickremasinghe
- **Remuneration Committee**
comprises of Mr. Vasantha Kumar (Chairman)
Mr. Rohitha Ganegoda
Mr. Indrajit Wickremasinghe

Board Changes

In term of the Act, the following Directors of the Bureau retired by rotation during the year.

Mr. Sanjeewa Bandaranayake

- Deputy General Manager –
Peoples Leasing Company

Mr. B A C Fernando

- General Manager –
Bank of Ceylon

Mr. Aravinda Perera

- Deputy Managing Director –
Sampath Bank PLC

Mrs. Leonie Seneviratne

- Senior Deputy General Manager –
Seylan Bank PLC

Mr. H S Dharmasiri

- General Manager –
Peoples Bank

The following were appointed to the Board to fill the vacancies created.

Mr. Nishaman Karunapala

- Assistant General Manager –
Oriental Finance Ltd

Ms. W A Nalani

- General Manager –
Bank of Ceylon

Mr. Indrajit Wickremasinghe

- Chief Operating Officer –
National Development Bank

Mr. Rohitha Ganegoda

- Chief Operating Officer –
Nations Trust Bank

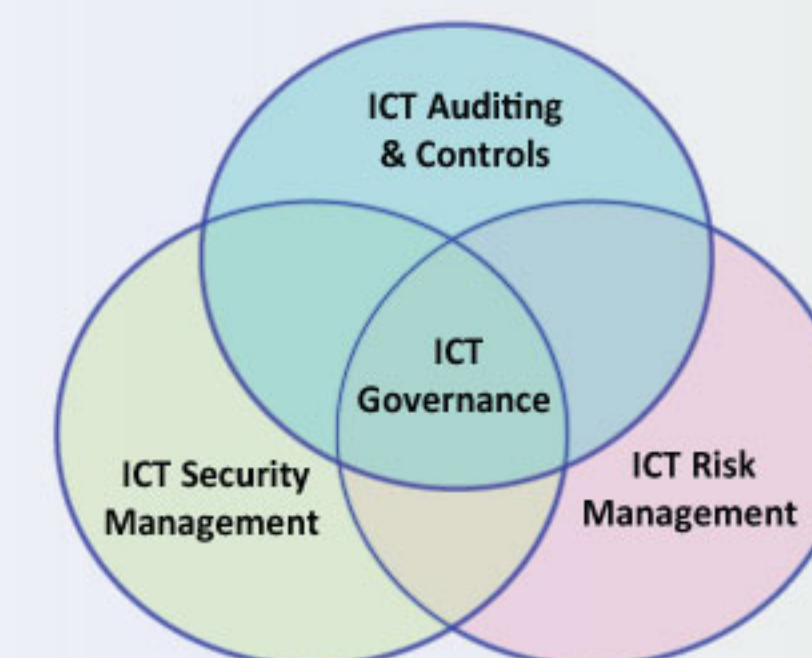
Mr. Vasantha Kumar

- General Manager –
Peoples Bank

The Chairman Mr. Priyantha Fernando, Deputy Governor Central Bank of Ceylon retired from services in the month of September 2011. Mr. Ananda Silva, Deputy Governor Central Bank was appointed by the Governor Central Bank of Ceylon as the New Chairman of CRIB. He assumed office in October 2011.

ICT Governance

ICT Governance focuses specifically on information technology systems, their performance and risk management. The primary goals of ICT Governance are to assure that the investments in IT generate business value, and to mitigate the risks that are associated with IT. The Bureau's ICT Governance initiative includes implementing an organizational structure with well-defined roles for the responsibility of information, business processes, applications and infrastructure which is aligned with the Corporate Governance direction of the Bureau.



The Bureau has planned the ICT Governance process to accommodate and accomplish present and future business requirements of the Bureau and its stakeholders. The diagram given above depicts the key components addressed by the Bureau in maintaining a good ICT Governance process.

ICT Auditing and Controls

The information systems of the Bureau are constantly audited, periodic review reports and findings are discussed and remedies are taken according to the direction of the ICT Technical Committee. The Bureau has invested heavily on implementing audit and control procedures with all parties accessing the reservoir of information in the databases.

ICT Risk Management

In an effort to minimize risk to an acceptable level, the Bureau has taken measures to implement a Business Continuity and Disaster Recovery site and the relevant procedure to ensure smooth business operation.

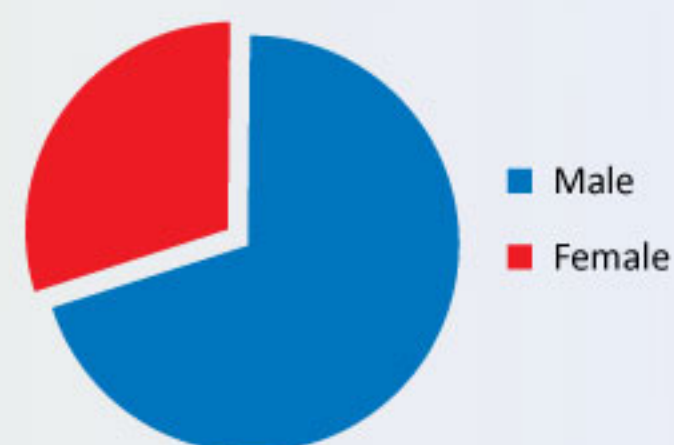
ICT Security Management

Specially focused initiatives have been taken to ensure end-to-end security compliance for personnel accessing and using Bureau ICT services, while maintaining constant reviews and updates of security procedure to adhere with industry standards. Apart from that, periodic performance measurements are assessed and proactive measures are taken to ensure that uninterrupted high standards of ICT services are delivered by the Bureau.

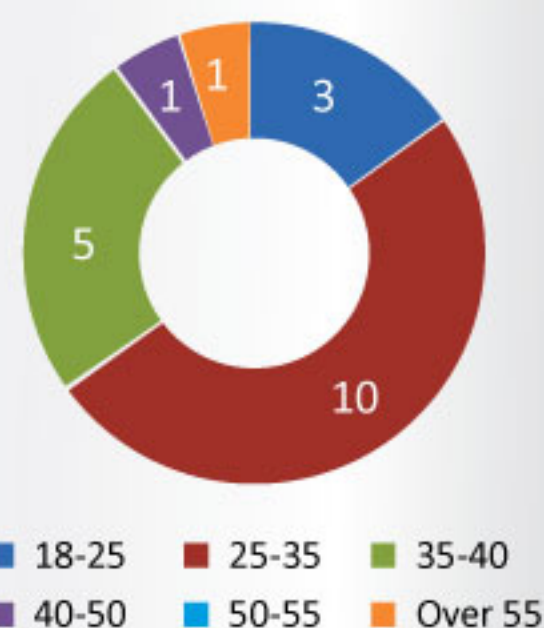
OUR STRENGTHS**Human Resources**

Human resources are the most valuable assets of the Bureau. We believe that achieving our goals and objectives is mainly dependent on people expertise. All members of staff were committed to achieve the performance targets assigned to each one. During the year, initiatives were taken to create a performance-driven culture.

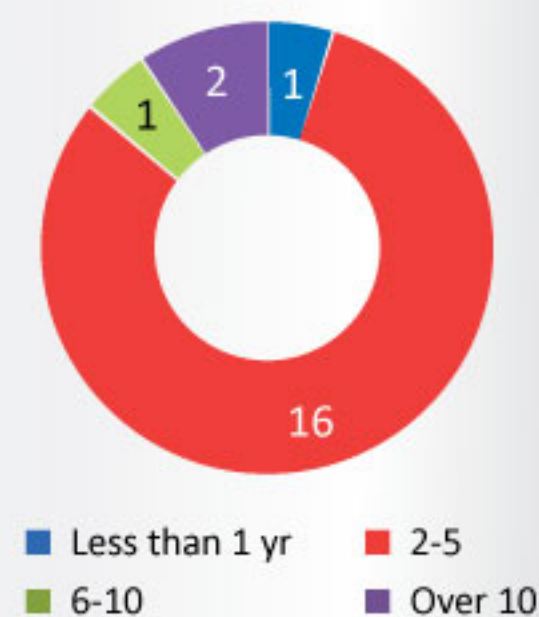
The CRIB team can be considered to be a small family consisting of only 20 members; 6 female and 14 male staff members.

Genderwise Analysis of Employees

The Bureau has the advantage of utilizing energetic modern expertise with its young staff as 75% of its staff members are below 35 years of age.

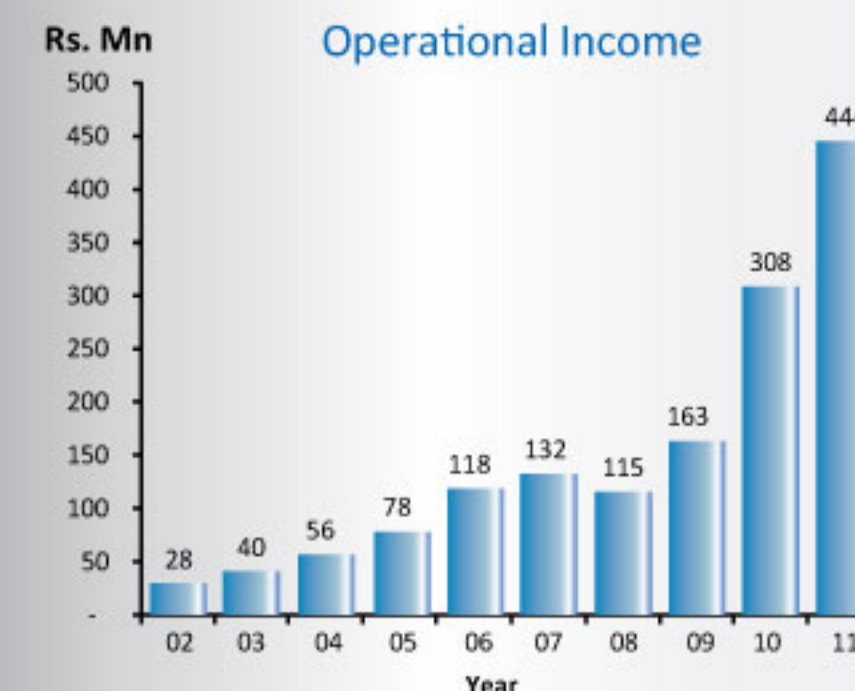
Agewise Analysis of Employees

We were able to create a knowledge-driven culture among our team through a focus on training and development. Though most of the members have below 5 years of service experience they have gathered knowledge through proper training and development. Our training and developments initiatives took into account market trends and evolving competencies to accomplish high productivity levels and enhanced performance.

Servicewise Analysis of Employees**FINANCIAL HIGHLIGHTS**

The Credit information Bureau completed another successful year by achieving both top and bottom line targets within a very challenging environment. When analysing the financial performance of the Bureau for the year 2011, significant turnaround in its income was observed.

Total operational income this year showed a significant growth of Rs. 136 Mn, reaching Rs. 444 Mn in 2011; it grew by 45%. The income was mainly driven by the increasing credit growth in the country. The Bureau has continued to focus on improving its credit report income from the year 2009.

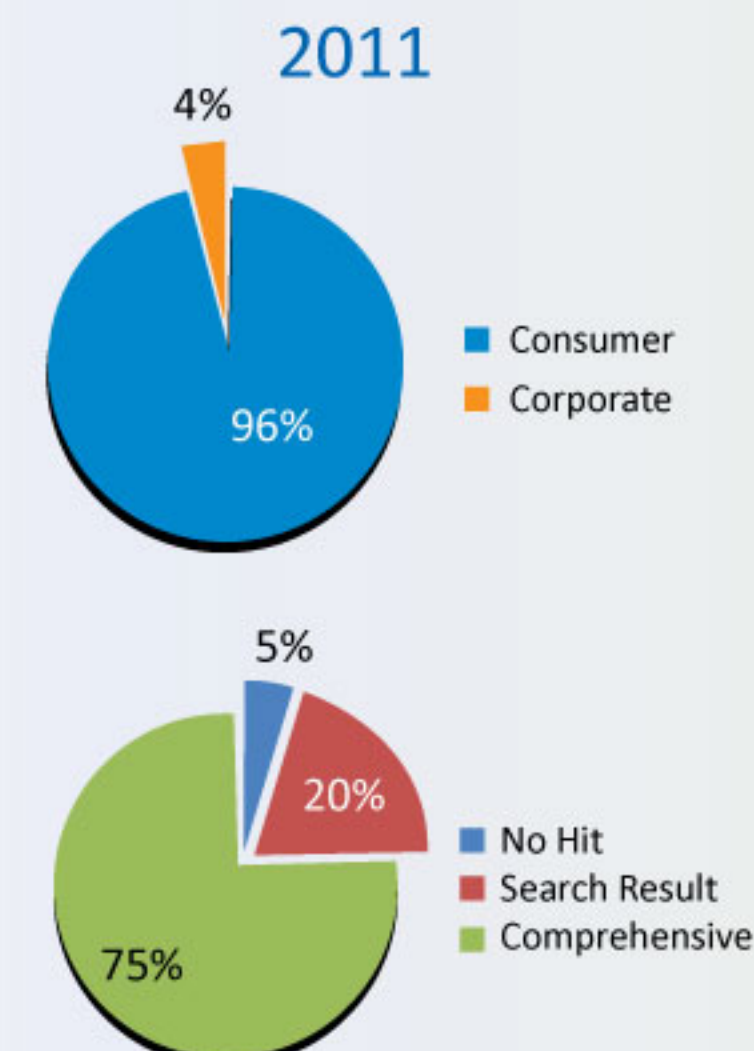


Credit Report Income was the predominant contribution towards the Bureau's income while Self Inquiry Report Income also contributed to about 1% of total income. The Bureau recorded its initial additional income by developing a value added product during the year 2011.

Product	Gross Income Rs Mn 2011	Gross Income Rs Mn 2010
Credit Report Income	440	307
Self Inquiry Report Income	2	1
Bulk processing Income	2	0

The Bureau has issued a total of 2,275,924 credit reports to its member institutions during this year, achieving a 45% growth over the previous year.

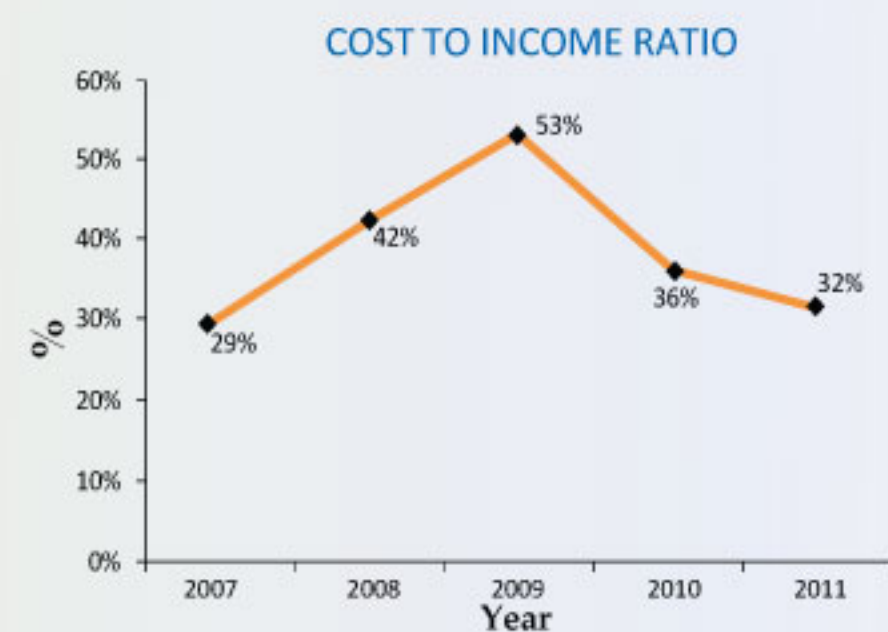
96% of credit reports were issued to consumers (individual reports) and 4% of credit reports were issued to corporate entities. Credit report types consist of No Hit, Search Result and Comprehensive.



As a result of the progress of customer and public awareness programmes, income from self inquiry credit reports witnessed a notable 90% growth during the year 2011, the Bureau recording 5,368 self inquiry credit reports over the last year.



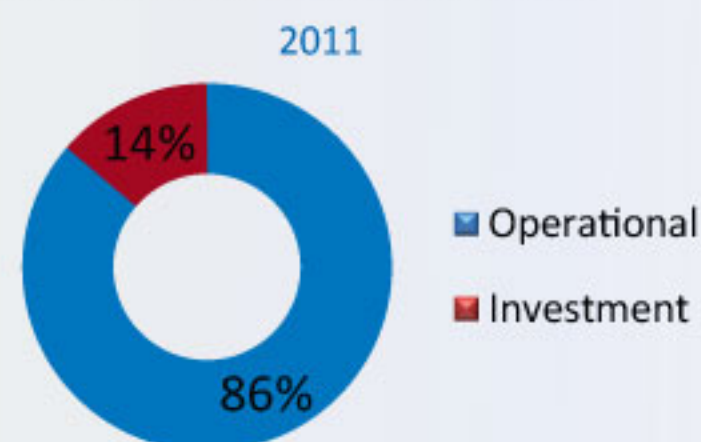
In spite of increasing operational cost, the Bureau was able to maintain a healthy cost-to-income ratio during this year. It decreased from 36% to 32%.



The Bureau recorded a highly commendable operational profit of Rs 303 million during the year 2011, representing a tremendous growth of 55% over the previous year.



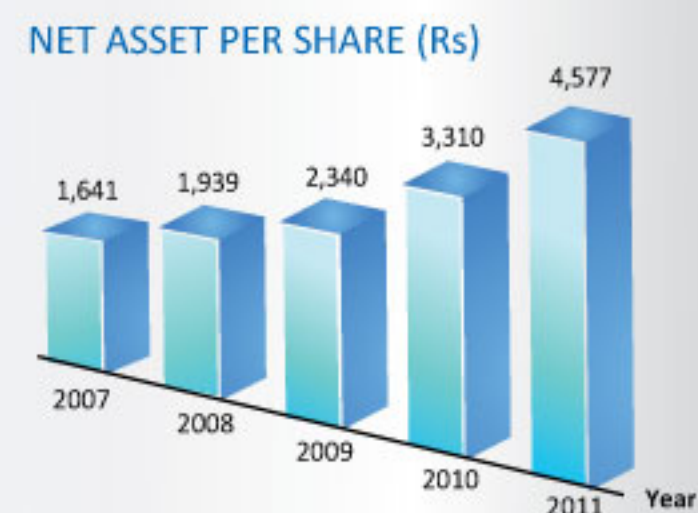
Investment income also contributes considerably to the Bureau's income by way of interest income generated through investment in government securities. The decline in interest rate over the year had a huge impact on the interest income of the Bureau. Nevertheless, it contributed to 14% of total Bureau income.



The Bureau achieved a remarkable net profit of Rs. 354 million. Net profits grew to 1.4 times of profits achieved in last year.



The net asset position of the Bureau was as the highest recorded value during last 10 years. It has been growing consistently, strengthening the Bureau's stability over the years.



Earnings per share of Rs. 1,418 were reported during the period under review, increasing 39% over the previous year. The growth of EPS is attributed to better operational performance by the Bureau.



FINANCIAL HIGHLIGHTS

Return on equity stood at 31% at year end, consistent with the previous year. Thereby it clearly displays the potential prevalent within the Bureau to earn significant returns on behalf of its shareholders, year-on-year.



The Bureau proposed a final dividend of Rs. 200 per share on profits for the year, amounting to a total dividend payout of Rs. 50 million during the year 2011. The proposed dividend shows a growth of 33% over last year's dividend per share of Rs. 150.



AUDIT COMMITTEE REPORT

The Board Audit Committee (BAC) which was established in the latter part of 2010 functioned under the charter & Terms of Reference adopted by the Board of Directors for operation of the Committee.

Composition of the Committee

The Audit Committee consists of three (03) independent Non Executive Directors appointed by the Board. The Chairman of the Committee is a Chartered Accountant with experience in the field of Auditing.

Performance of the Committee

During the year under review the Committee paid special attention inter-alia for the following.

• Financial Reporting

The Committee reviewed the Financial Reporting System in place to ensure the reliability of information to the stakeholders and strict adherence & compliance to the Accounting policies and Sri Lanka Accounting Standards.

• Compliance with the CRIB Act

The Committee reviewed and monitored the activities of the Bureau to ensure strict compliance with the CRIB Act No 18 of 1990 and its subsequent amendments.

• External Audit

M/S Ernst & Young was recommended to the Board as the new External Auditor, for the Financial Year ended 2011.

Met the External Auditor before commencement of the External Audit of 2011, to ascertain the nature, scope and approach of the Audit and reviewed their Audit plans. Also the Committee Reviewed the External Auditors Management Letter for 2010, with the management response there to;

• Internal Audit

The Committee has proposed to establish the Internal Audit function of the Bureau. Accordingly with the concurrence of the Board, Requests for Proposals (RFP's) were called from reputed Audit firms to outsource the Internal Audit function and selected M/S FordRodes Thornton & Co, Chartered Accountants as the outsource Internal Auditor of the Bureau for 2012

• Internal controls

The Committee regularly examined the quarterly financial statements of the Bureau before submitting to the Board and major decisions taken by the Bureau to ensure the strength of the Internal Control System in place.

• Managing Risks

The Bureau's high risk areas were regularly reviewed by the Committee to avoid/minimize business risks

Meetings

The Committee held four (04) meetings during the year under review.

The General Manager and the Senior Officers, of the Bureau attended the meetings on invitation as and when required.

The Chief Manager, (Accounts and Admin) functioned as the Secretary to the Committee, as there was no Internal Auditor of the Bureau.

The proceedings of the Audit Committee Meetings were regularly reported to the Board of Directors.

The Committee is of the view that adequate controls and procedures are in place to provide reasonable assurance that the financial position of the Bureau is well monitored and assets are safeguarded.

Chairman Audit Committee

CRB 2011
Credit Information Bureau of Sri Lanka
FINANCIAL INFORMATION

Income Statement

FOR THE YEAR ENDED 31ST DECEMBER 2011


	Notes	2011		2010	
		Rs.	Cts.	Rs.	Cts.
Revenue	13	444,296,829		307,898,450	
Other Operating Income	14	72,453,249		84,261,553	
Employee Related Expenses		(29,192,249)		(20,601,207)	
Administration & Establishment Expenses		(22,472,463)		(15,222,350)	
Other Operating Expenses		(86,491,018)		(75,400,341)	
Secured Transaction Registry		(2,483,733)		(646,251)	
Profit Before tax	15	376,110,615		280,289,854	
Income Tax Expense	12	(21,728,035)		(25,762,082)	
Profit for the year		354,382,581		254,527,772	
Earnings Per Share Per Share	16	1,418		1,018	

Balance Sheet

AS AT 31ST DECEMBER 2011

		2011	2010
ASSETS	Note	Rs.	Rs.
Non-Current Assets			
Property, Plant & Equipment	3	31,716,628	22,927,259
Intangible Assets	4	43,930,107	30,581,944
Investments	5.1	-	551,156,183
		75,646,735	604,665,386
Current Assets			
Inventories	6	387,920	278,151
Trade and Other Receivables	7	103,783,508	118,396,573
Investments	5.2	979,871,791	154,800,767
Cash and Cash Equivalents	8	22,071,667	6,780,179
		1,106,114,886	280,255,670
Total Assets		1,181,761,621	884,921,056
EQUITY AND LIABILITIES			
Capital & Reserves			
Stated Capital	9	25,000,000	25,000,000
Reserves		567,518,235	427,417,971
Retained Earnings		551,768,753	374,986,437
Total Equity		1,144,286,988	827,404,408
Non-Current Liabilities			
Retirement Benefit Liability	10	2,186,700	1,328,680
		2,186,700	1,328,680
Current Liabilities			
Trade and Other Payables	11	17,649,173	23,921,909
Dividends Payable		556,450	517,660
Income Tax Liabilities		13,465,088	16,542,622
Bank Overdraft	8.2	3,617,222	15,205,777
		35,287,933	56,187,968
Total Equity and Liabilities		1,181,761,621	884,921,056

The above Balance Sheet is to be read in conjunction with the accounting policies and notes to the Financial Statements on pages 01 to 18. These Financial Statements are prepared in compliance with the requirements of the Companies Act No.07 of 2007.


Accountant

The Board of Directors is responsible for the preparation and presentation of these Financial Statements. Signed for and on behalf of the Board by:

NAME

SIGNATURE

DIRECTORS

G. P. Karunaratne

DATE OF APPROVAL
BY THE BOARD

Statement Of Changes In Equity

FOR THE YEAR ENDED 31ST DECEMBER 2011

	Stated Capital Rs.	General Reserves Rs.	Other Reserves Rs.	Technical Reserves Rs.	Retained Earnings Rs.	Total Rs.
As at 1st January 2010	25,000,000	1,685,832	2,000,000	360,000,000	196,690,805	585,376,637
Net Profit for the year	-	-	-	-	254,527,771	254,527,771
Transferred to General Reserves	-	100,196	-	-	(100,196)	-
Transferred to Technical Reserve	-	-	-	63,631,943	(63,631,943)	-
Dividends	-	-	-	-	(12,500,000)	(12,500,000)
Balance as at 31st December 2010	25,000,000	1,786,028	2,000,000	423,631,943	374,986,437	827,404,408
Net Profit for the year	-	-	-	-	354,382,581	354,382,581
Transferred to General Reserves	-	100,264	-	-	(100,264)	-
Transferred to Technical Reserve	-	-	-	140,000,000	(140,000,000)	-
Dividends	-	-	-	-	(37,500,000)	(37,500,000)
As at 31 December 2011	25,000,000	1,886,293	2,000,000	563,631,943	551,768,753	1,144,286,988

Cash Flow Statements

FOR THE YEAR ENDED 31ST DECEMBER 2011

	2011 Rs.	2010 Rs.
Cash Flows From / (Used in) Operating Activities		
Net Profit before Income Tax Expenses & Extraordinary Items	376,110,615	280,289,853
Adjustments for		
Depreciation	15,616,314	13,780,290
Amortization	18,154,978	16,859,678
Income from Investments	(72,453,249)	(84,518,769)
Loss on Sales of Property, Plant & Equipment	14,711	354,171
Sundry Income	-	(21,005)
Provision for Defined Benefit Plans	858,020	328,120
Operating Profit/(Loss) before Working Capital Changes	338,301,390	227,072,338
Working Capital Changes		
(Increase)/Decrease in Inventories	(109,769)	(42,781)
(Increase)/Decrease in Debts & Receivables	14,613,065	(34,914,544)
Increase/(Decrease) in Trade & Other Payables	(6,272,736)	4,733,857
	8,230,560	(30,223,468)
Cash Generated from Operations	346,531,950	196,848,870
Less : Economic Service Charge	(1,110,961)	(769,915)
Income Tax Paid	(16,542,623)	(16,821,975)
Net Cash Flow From Operating Activities	328,878,366	179,256,980
Cash Flows from Investing Activities		
Acquisition of Property, Plant & Equipment	(24,412,770)	(4,182,217)
Acquisition of Intangible Assets	(31,503,141)	-
Proceeds from Sale of Property, Plant & Equipment	-	137,300
Acquisition of Investments	(273,914,841)	(265,199,997)
Interest Received	65,293,639	76,079,045
Net Cash Used in Investing Activities	(264,537,113)	(193,165,869)
Cash Flows from Financing Activities		
Dividends Paid	(37,461,210)	(12,495,500)
Net Cash Flows Used in Financing Activities	(37,461,210)	(12,495,500)
Net Increase/(Decrease) in Cash & Cash Equivalents	26,880,043	(26,404,389)
Cash & Cash Equivalents as at the beginning of the year	(8,425,598)	17,978,791
Cash & Cash Equivalents as at the end of the year	18,454,445	(8,425,598)

The accounting policies and notes on pages 6 through 17 form an integral part of the Financial Statements.

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST DECEMBER 2011

1. CORPORATE INFORMATION

1.1 General

Credit Information Bureau of Sri Lanka is a Corporate Body incorporated and domiciled in Sri Lanka under the Credit Information Bureau of Sri Lanka Act No.18 of 1990 as amended by Act No.8 of 1995 and Act No.42 of 2008. The office of the Bureau is located at No.148, Vauxhall Street, Colombo 02.

1.2 Principal Activities and Nature of Operations

During the year, the principal activities of the Bureau were to collect and collate trade, credit and financial information about borrowers and prospective borrowers of lending institutions, and to provide credit information on request, to lending institutions who are the shareholders of the Bureau and simultaneously to borrowers and prospective borrowers to whom such information relate, with a view to facilitating the distribution of credit to all sectors of the economy and to the informal sector, in particular.

1.3 Date of Authorisation for Issue

The Financial Statements of Credit Information Bureau of Sri Lanka for the year ended 31 December 2011 were authorized for issue in accordance with a resolution of the Board of Directors on 26 March 2012.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 General Policies

2.1.1 Basis of Preparation

The Balance Sheet, Statements of Income, Changes in Equity and Cash Flows, together with the Accounting Policies and Notes, ("Financial Statements") of the Bureau as at 31 December 2011 and for the year then ended, comply with the Sri Lanka Accounting Standards.

The Financial Statements presented in Sri Lankan rupees have been prepared on a historical cost basis except otherwise stated.

The preparation and presentation of these Financial Statements is in compliance with the Credit Information Bureau of Sri Lanka Act No.18 of 1990 as amended by Act No.8 of 1995 and Act No.42 of 2008.

2.1.2 Going Concern

The Directors have made an assessment of the Bureau's ability to continue as a going concern and they do not intend either to liquidate or to cease trading.

2.1.3 Comparative Information

The accounting policies have been consistently applied by the Bureau and, are consistent with those used in the previous year. Previous year figures and phases have been rearranged wherever necessary in conformity with the current year's presentation.

2.1.4 Effect of Sri Lanka Accounting Standards that have been issued but not yet effective

The Bureau will be adopting the new Sri Lanka Accounting Standards (SLAS) comprising of LKAS and SLFRS applicable for financial periods commencing from 01 January 2012 as issued by the Institute of Chartered Accountants of Sri Lanka. The Bureau has commenced transitioning its accounting policies and financial reporting in readiness for the transition. As the Bureau has a 31 December year end, priority has been given to considering the preparation of an opening balance sheet in accordance with the new SLASs as at 01 January 2012. This will form the basis of accounting for the new SLASs in the future, and is required when the Bureau prepare its first fully SLAS compliant Financial Statements for the year ending 31 December 2012. Set out below are the key areas where accounting policies will change and may have an impact on the financial statements of the Bureau. **At this stage the Bureau has not been able to reliably quantify the impact on the Financial Statements. The Bureau is in the process of quantifying the impact on the Financial Statements arising from such changes in accounting policies.**

(a) SLFRS 1 – First Time Adoption of Sri Lanka Accounting Standards requires the Bureau to prepare and present an opening SLFRS Financial Statement at the date of transition to SLFRS. The Bureau shall use the same accounting policies in its opening SLFRS Financial Statements and throughout all periods presented in its first SLFRS Financial Statements. Those accounting policies should comply with each SLFRS effective at the end of the first SLFRS reporting period.

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST DECEMBER 2011

(b) LKAS 1 – Presentation of Financial Statements requires an entity to present, in a Statement of Changes in Equity, all owner changes in equity. All non owner changes in equity (i.e. comprehensive income) are required to be presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). Components of comprehensive income are not permitted to be presented in the Statement of Changes in Equity. The standard also requires the Bureau to disclose information that enables users of its Financial Statements to evaluate the entity's objectives, policies and processes for managing capital. The Bureau shall also provide additional disclosures on puttable financial instruments classified as equity instruments.

(c) LKAS 18 – Revenue requires the Bureau to measure revenue at the Fair value of the consideration received or receivable. It also specifies recognition criteria for revenue, and the Bureau needs to apply such recognition criteria to the separately identifiable components of a single transaction in order to reflect the substance of the transaction.

(d) LKAS 16 – Property Plant and Equipment requires a Bureau to initially measure an item of property plant and equipment at cost, using the cash price equivalent at the recognition date. If payment is deferred beyond normal credit terms, the difference between the cash price equivalent and the total payment is recognized as interest over the period, unless such interest is capitalized in accordance with LKAS 23. All site restoration costs and other environmental restoration and similar costs must be estimated and capitalised at initial recognition, in order that such costs can be recovered over the life of the item of PP&E, even if the expenditure will only be incurred at the end of the item's life. The obligations are calculated in accordance with LKAS 37.

The standard requires depreciation of assets over its useful life, where the residual value of assets is deducted to arrive at the depreciable value. It also requires that significant parts of an asset be evaluated separately for depreciation.

(d) LKAS 32 – Financial Instruments: Presentation, LKAS 39 – Financial Instruments: Recognition and Measurement and SLFRS 7 – Disclosures will result in changes to the current method of recognizing

financial assets, financial liabilities and equity instruments. The standard will require measurement of financial assets and financial liabilities at Fair Value at initial measurement. The subsequent measurement of financial assets classified as fair value through profit and loss and available for sale will be at fair value, with the gains and losses routed through the comprehensive income and other comprehensive income respectively.

Financial assets classified as held to maturity and loans and receivables will be measured subsequently at amortized cost. These assets will need to be assessed for any objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The current method of loan loss provisioning will no longer be applicable under this test.

Financial liabilities will be either classified as fair value through profit or loss or at amortized cost. As at present, the Bureau does not identify, categorise and measure financial assets and liabilities as per the requirements of the standard and certain derivative instruments are not recognized on the Balance Sheet, and hence would require a change in accounting policy.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.2.1 Taxation

Current Taxes

The provision for income tax is based on interest income in the financial statement and computed in accordance with the provisions of the Inland Revenue Act No.10 of 2006.

2.2.2 Inventories

Inventories are valued at the lower of cost and net realizable value, after making due allowances for obsolete and slow moving items. Net realizable value is the price at which inventories can be sold in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale.

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST DECEMBER 2011

The cost incurred in bringing inventories to its present location and conditions are accounted using the following cost formulae:-

Net realisable value is the estimated selling price in the ordinary course of business, less estimated cost of completion and estimated costs necessary to make the sale.

2.2.3 Trade and Other Receivables

Trade receivables are stated at the amounts they are estimated to realise net of allowances for bad and doubtful receivables.

Other receivables and dues are recognized at cost less allowances for bad and doubtful receivables.

2.2.4 Cash and Cash Equivalents

Cash and cash equivalents are cash in hand, demand deposits and short-term highly liquid investments, readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

For the purpose of the Cash Flow Statement, cash and cash equivalents consist of cash in hand and deposits in banks net of outstanding bank overdrafts. Investments with short maturities i.e. three months or less from the date of acquisition are also treated as cash equivalents.

2.2.5 Property, Plant and Equipment

Plant and equipment is stated at cost, excluding the costs of day to day servicing, less accumulated depreciation and accumulated impairment in value. Such cost includes the cost of replacing part of the plant and equipment when that cost is incurred, if the recognition criteria is met.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Income Statement in the year the asset is derecognized.

The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

Depreciation is calculated on a straight line basis over the useful life of the assets. Depreciation is provided from the date of purchased assets.

The principal annual rates used are as follows:

Computer & Accessories	25% p.a.
Sundry Assets	20% p.a.
Furniture & Fittings	20% p.a.

2.2.6 Intangible Assets

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the income Statement in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Intangible assets acquired separately from a business are capitalized at cost. Intangible assets acquired as part of an acquisition of a business are capitalized separately from goodwill if the fair value can be measured reliably on initial recognition, subject to the constraint that, unless the asset has a readily ascertainable market value, the fair value is limited to an amount that does not create or increase any negative goodwill arising on the acquisition. Intangible assets, excluding development costs, created within the business are not capitalized and expenditure is charged against results in the year in which it is incurred.

The carrying values of intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The principal annual rates used are as follows:

Computer Software	25% p.a.
System Development	25% p.a.

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST DECEMBER 2011

2.2.7 Leases

(a) Operating Leases

Leases where the lessor effectively retains substantially all the risk and benefits of ownership over the leased term are classified as operating leases. Rentals paid under operating leases are recognized as an expense in the Income Statement on a straight-line basis over the lease term.

2.2.8 Investments

(a) Treasury Bills

Government of Sri Lanka Treasury Bills are purchased from primary dealers with the intention of holding them till maturity and are stated at amortised cost. Thereby any changes in market value of securities are not taken into account. Discounts/Premiums on Treasury Bills are amortized on a straight line basis over the period of the instrument.

(b) Treasury Bonds

Investment in Government of Sri Lanka Treasury Bonds purchased from primary dealers with the intention of holding them till maturity are stated at amortised cost less pre-acquisition portion of interest received. The coupon interest on Treasury Bonds is recognised on an accrual basis.

2.2.9 Provision

Provisions are recognized when the Bureau has a present obligation (legal or constructive) as a result of a past event, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the Income Statement net of any reimbursement.

2.2.10 Provision

(a) Defined Benefit Plan – Gratuity

The Bureau annually measures the present value of the promised retirement benefits for gratuity, which is a defined benefit plan using the Gratuity Formula in Appendix E of Sri Lanka Accounting Standard No. 16, Employee Benefits (Revised 2006) which is based on the

Projected Unit Credit method as discussed in the said Standard. Although actuarial assumptions are used therein, it should not be treated as a substitute to an Actuarial Valuation.

This item is stated under Defined Benefit Liability in the Balance Sheet.

Funding Arrangements

The gratuity liability is not externally funded.

(b) Defined Contribution Plans – Employees' Provident Fund & Employees' Trust Fund

Employees are eligible for Employees' Provident Fund Contributions and Employees' Trust Fund Contributions in line with the respective statutes and regulations. The Bureau contributes 12% and 3% of gross emoluments of employees to Employees' Provident Fund and Employees' Trust Fund respectively.

2.2.11 Impairment of Non Financial Assets

The Bureau assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Bureau 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 written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

Impairment losses of continuing operations 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 also recognised in equity up to the amount of any previous revaluation.

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST DECEMBER 2011

For assets, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Bureau makes an estimate of the recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the Income Statement unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

2.2.12 Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Bureau 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 criterias are used for the purpose of recognition of revenue.

(a) Rendering of Services

Income from credit reports furnished to constituent shareholders is recognized as revenue, as and when the services are provided.

(b) Interest

Interest is recognised on an accrual basis unless collectability is in doubt.

(c) Others

Other income is recognized on an accrual basis.

Gains and losses arising from incidental activities to main revenue generating activities and those arising from a group of similar transactions, which are not material, are aggregated, reported and presented on a net basis.

2.2.13 Expenditure Recognition

(a) Expenses are recognized in the Income Statement on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the Property, Plant and Equipment in a state of efficiency has been charged to income in arriving at the profit for the year.

(b) For the purpose of presentation of the Income Statement the directors are of the opinion that the function of expenses method presents fairly the elements of the Bureau's performances, hence such presentation method is adopted.

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST DECEMBER 2011

3. PROPERTY, PLANT & EQUIPMENT

	Balance As at 01.01.2011 Rs.	Additions Rs.	Disposals Rs.	Balance As at 31.12.2011 Rs.
3.1 At Cost				
Computer & Accessories	5,320,142	1,199,325	-	6,519,467
Computer & Accessories -Project	35,343,467	15,939,088	-	51,282,555
Computer & Accessories -STR	-	149,400	-	149,400
Furniture, Fittings & Office Equipment	6,621,241	437,415	-	7,058,656
Furniture, Fittings & Office Equipment Project	70,060	-	-	70,060
Sundry Assets	86,702	16,570	-	103,272
Data Centre	7,211,752	6,670,972	(28,351)	13,854,373
	<u>54,653,363</u>	<u>24,412,770</u>	<u>(28,351)</u>	<u>79,037,782</u>

	Balance As at 01.01.2011 Rs.	Charge for the period Rs.	Disposals Rs.	Balance As at 31.12.2011 Rs.
3.2 Depreciation				
At Cost				
Computer & Accessories	4,478,289	52,191	-	4,930,480
Computer & Accessories -Project	21,184,254	12,303,276	-	33,487,530
Computer & Accessories -STR	-	27,195	-	27,195
Furniture, Fittings & Office Equipment	2,281,426	1,194,159	-	3,475,585
Furniture, Fittings & Office Equipment Project	42,036	14,012	-	56,048
Sundry Assets	25,181	17,157	-	42,337
Data Centre	3,714,919	1,608,325	(21,265)	5,301,979
	<u>31,726,105</u>	<u>15,616,314</u>	<u>(21,265)</u>	<u>47,321,154</u>

	2011 Rs.	2010 Rs.
3.3 Net Book Values		
At Cost		
Computer & Accessories	1,588,987	841,853
Computer & Accessories -Project	17,795,025	14,159,213
Computer & Accessories -STR	122,205	-
Furniture, Fittings & Office Equipment	3,583,071	4,339,815
Furniture, Fittings & Office Equipment Project	14,012	28,024
Sundry Assets	60,934	61,521
Data Centre	8,552,394	3,496,833
Total Carrying Amount of Property, Plant & Equipment	<u>31,716,628</u>	<u>22,927,259</u>

3.4 PROPERTY, PLANT & EQUIPMENT

During the financial year, the company acquired Property, Plant & Equipment to the aggregate value of Rs. 24,412,770/- (2010 - Rs.4,182,217/-). Cash payments amounting to Rs. 24,412,770/- (2010 - Rs.4,182,217/-) was paid during the year for purchases of Property, Plant & Equipment.

3.5 Total Cost of the fully depreciated assets as at 31 December 2011 was Rs. 58,100,263/- (2010 - Rs. 2,594,630/-).

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST DECEMBER 2011

4. INTANGIBLE ASSETS			
Cost	Computer Software Cost Rs.	System Development Cost Rs.	Total Rs.
As at 1st January 2011	27,399,803	49,342,570	76,742,372
Additions	31,300,391	202,750	31,503,141
As at 31st December 2011	58,700,194	49,545,320	108,245,513
Amortisation			
As at 1st January 2011	23,412,746	22,747,683	46,160,429
Amortisation for the year	5,797,759	12,357,219	18,154,978
As at 31st December 2011	29,210,505	35,104,902	64,315,407
Net Book Value			
As at 1st January 2011	3,987,057	26,594,887	30,581,944
As at 31st December 2011	29,489,689	14,440,418	43,930,107

	Notes	2011 Rs.	2010 Rs.
5. INVESTMENTS			
5.1 Non-Current			
Investment in Treasury Bonds		-	551156183
		-	551156183
5.2 Current			
Investment in Treasury Bonds		859,871,791	49,799,567
Investment in Treasury Bill		75,000,000	
Receivable under Resale Agreements (Repo)		45000000	105,001,200
		979,871,791	154,800,767
Total Carrying Value of Investments		979,871,791	705,956,950
6. INVENTORIES			
Stationery		387,920	278,151

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST DECEMBER 2011

7. TRADE AND OTHER RECEIVABLES

		2011	2010
Trade Debtors		75,984,534	59,803,226
Accrued Interest Income		17,975,600	17,602,428
Advances & Prepayments		7,335,093	39,904,639
Loan to Bureau Staff	7.1	2,418,531	1,020,029
Deposits for Safe Lockers		45,000	45,000
Receivable		24,750	21,250
		103,783,508	118,396,573

7.1 ADVANCES & PREPAYMENTS

Balance as at 01 January 2011		1,020,029	1,409,884
Loan Granted during the year		2,087,883	257,960
Less: Repayments		(689,381)	(647,816)
Balance as at 31 December 2011		2,418,531	1,020,029

8. CASH AND CASH EQUIVALENTS

	2011	2010
Components of Cash and Cash Equivalents	Rs.	Rs.
8.1 Favourable Cash & Cash Equivalents Balance		
Cash & Bank Balances	22,071,667	6,780,179
	22,071,667	6,780,179
8.2 Unfavourable Cash & Cash Equivalents Balance		
Bank Overdraft	3617222.27	15,205,777
Total Cash and Cash Equivalents for the Purpose of Cash Flow Statement	18,454,445	(8,425,598)

9. STATED CAPITAL

	2011		2010	
	Number of Shares	Rs.	Number of Shares	Rs.
Ordinary Shares	250000	25000000	250000	25000000
	250000	25000000	250000	25000000

10. RETIREMENT BENEFIT LIABILITY

	2011	2010
	Rs.	Rs.
Retirement Benefits Obligation - Gratuity		
As at 1st January	1,328,680	1,000,560
Charge for the year	858,020	328,120
Payments made during the year	-	-
As at 31 December	2,186,700	1,328,680

11. TRADE & OTHER PAYABLES

	2011	2010
	Rs.	Rs.
Trade Payables	6,530,509	12,383,242
Accrued Expenses	5,491,772	7,146,871
Other Payables	5,626,892	
	17,649,173	23,921,909

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST DECEMBER 2011

12. INCOME TAX

The major components of income tax expense for the years ended 31 December are as follows :

Income Statement

Current Income Tax

Current Income Tax charge

Income tax expense reported in the Income Statement

2011
Rs.2010
Rs.

21,728,035

16,821,974

21,728,035

16,821,974

13. REVENUE

2011
Rs.2010
Rs.

Credit Information

Less :

Discount Allowed

Value Added Tax

519,899,326

358,074,610

(22,261,499)

(11,811,023)

(53,340,999)

(38,365,137)

444,296,829

307,898,450

14. OTHER OPERATING INCOME

2011
Rs.2010
Rs.

Interest Income

Loss on sale of Fixed Assets

Staff Loan Interest

Sundry Income

Self Inquiry Income

72,304,028

84,528,588

(14,711)

(354,171)

75,030

75,949

1,242

765

87,661

10,421

72,453,249

84,261,553

15. PROFIT BEFORE TAX

2011
Rs.2010
Rs.

Included in Administrative Expenses

Employees Benefits including the following *

- Defined Benefit Plan Costs - Gratuity (included in Employee Benefits)

- Defined Contribution Plan Costs - EPF&ETF (included in Employee Benefits)

Depreciation

Amortisation of Intangible Assets

Auditor's Fees and Expenses

858,020

328,120

2,046,742

1,534,377

15,616,314

13,780,290

18,154,978

16,859,678

100,000

53,150

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST DECEMBER 2011

16. EARNINGS PER SHARE

Basic Earnings per share is calculated by dividing the net profit for the year attributable to ordinary shareholders by the weighted average number of Ordinary Shares outstanding during the year.

2011
Rs.2010
Rs.

Net Profit attributable to Ordinary Shareholders (Rs.)

354,382,581

254,527,771

Weighted Average number of Ordinary Shares -

250,000

250,000

- Outstanding during the year

Weighted Average number of Ordinary Shares -

1,418

1,018

17. DIVIDENDS PAID AND PROPOSED

2011
Rs.2010
Rs.

Declared and paid during the year

Dividends on ordinary shares :

200

150

200

150

18. INVESTMENTS

2011
Rs.2010
Rs.

18.1 Key Management Personnel Compensation

Short-term employee benefits

5,539,000

3,874,000

Total

5,539,000

3,874,000

18.2 Other Transactions with Key Management Personnel

Loans to Key Management Personnel

As at 1st January 2011

-

-

Loans advanced during the year

1,000,000

-

Loan repayments received

55,556

-

Interest charged

6%

-

Interest received

2,639

-

As at 31 December

944,444

-

Loans advanced to Key Management Personnel have the followings terms and conditions

- Loans for the purpose of vehicle which is unsecured carry interest rate of 6% is repayable monthly.

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST DECEMBER 2011

19. COMPARATIVE INFORMATION

The presentation and classification of the following items in these Financial Statements are amended as follows ;

As reported previously: 2010
Rs.

Balance Sheet

Computer and Accessories (Net Book Value)	883,826
Computer and Accessories - Project (Net Book Value)	18,104,297

Income Statement

Depreciation	20,578,507
Amortisation	10,061,461

Current Presentation:

Balance Sheet

Computer and Accessories (Net Book Value)	a	841,853
Computer and Accessories - Project (Net Book Value)	a	14,159,213
Computer Software (Net Book Value)	a	3,987,057

Income Statement

Depreciation	a	13,780,290
Amortisation	a	16,859,678

- (a) Items that require to be presented under intangible assets computer software instead of erroneously presented under property, plant and equipment has been reclassified during the current year.

Decade at a Glance

FOR THE YEAR ENDED 31ST DECEMBER 2011

YEAR ENDED 31 DECEMBER	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
OPERATING RESULTS - (Rs.'000)										
Income	28,254	39,840	56,024	78,166	117,832	132,002	115,082	162,873	307,898	444,296
Expenses	(12,787)	(16,246)	(21,565)	(23,183)	(31,332)	(38,325)	(48,583)	(86,934)	(111,870)	(140,639)
Operating Profit / (Loss)	15,467	23,594	34,459	54,983	86,500	93,677	66,499	75,939	196,028	303,657
Other Income	9,028	9,344	9,236	12,682	21,894	37,214	62,672	87,100	84,261	72,453
Net Profit Before Extraordinary Items	24,494	32,938	43,695	67,665	108,394	130,891	129,171	163,039	280,289	376,110
Extraordinary Items	-	-	-	-	-	-	(19,893)	-	-	-
Net Profit After Extraordinary Items	24,494	32,938	43,695	67,665	108,394	130,891	109,278	163,039	280,289	376,110
Taxation	-	-	-	-	(6,717)	(13,023)	(21,851)	(22,709)	(25,762)	(21,728)
Net Profit After Extraordinary Items & Taxation	24,494	32,938	43,695	67,665	101,677	117,868	87,427	140,330	254,527	354,382
SHAREHOLDERS FUNDS - (Rs.'000)										
Share Capital	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000
Reserve	23,032	73,074	113,122	173,185	263,305	263,491	263,600	363,686	427,418	567,518
Accumulated Fund	28,552	5,198	2,595	2,697	20,971	121,634	196,452	196,690	374,986	551,769
LIABILITIES - (Rs.'000)										
Creditors & Other Payables	8,612	9,487	8,935	12,465	3,744	13,996	23,670	36,523	56,185	35,287
Deferred Liabilities	956	1,020	1,495	2,106	2,393	3,072	540	1,000	1,328	2,187
ASSETS - (Rs.'000)										
Property, Plant & Equipment	2,869	3,638	3,851	5,282	4,707	61,297	51,502	80,458	53,508	75,646
Investments	68,888	85,789	131,340	175,421	213,649	308,075	358,431	440,757	705,956	979,871
Inventories	209	261	314	284	242	131	250	235	278	387
Trade & Other Receivables	10,636	15,181	12,180	20,756	48,391	52,345	91,505	83,471	118,396	103,784
Cash & Bank Balances	3,549	8,910	3,463	13,629	48,423	5,344	7,574	17,979	6,780	22,072
RATIOS										
Return on Average Shareholders' Funds (%)	36%	37%	50%	55%	33%	29%	18%	24%	31%	31%
Income Growth (%)	78%	41%	41%	40%	51%	12%	-13%	42%	89%	44%
Return on Average Assets (%)	33%	33%	46%	51%	55%	22%	13%	12%	22%	34%
Rate of Dividends (%)	25%	25%	25%	30%	50%	50%	160%	50%	150%	200%
Gross Dividends (Rs.' 000)	6,250	6,250	6,250	7,500	12,500	12,500	40,000	12,500	37,500	50,000
SHARE INFORMATION										
Earning Per Share (Rs.)	98	132	175	271	407	471	350	561	1,018	1,418
Net Assets Per Share (Rs.)	306	413	563	804	1,237	1,641	1,939	2,340	3,310	4,577

Operational Highlights

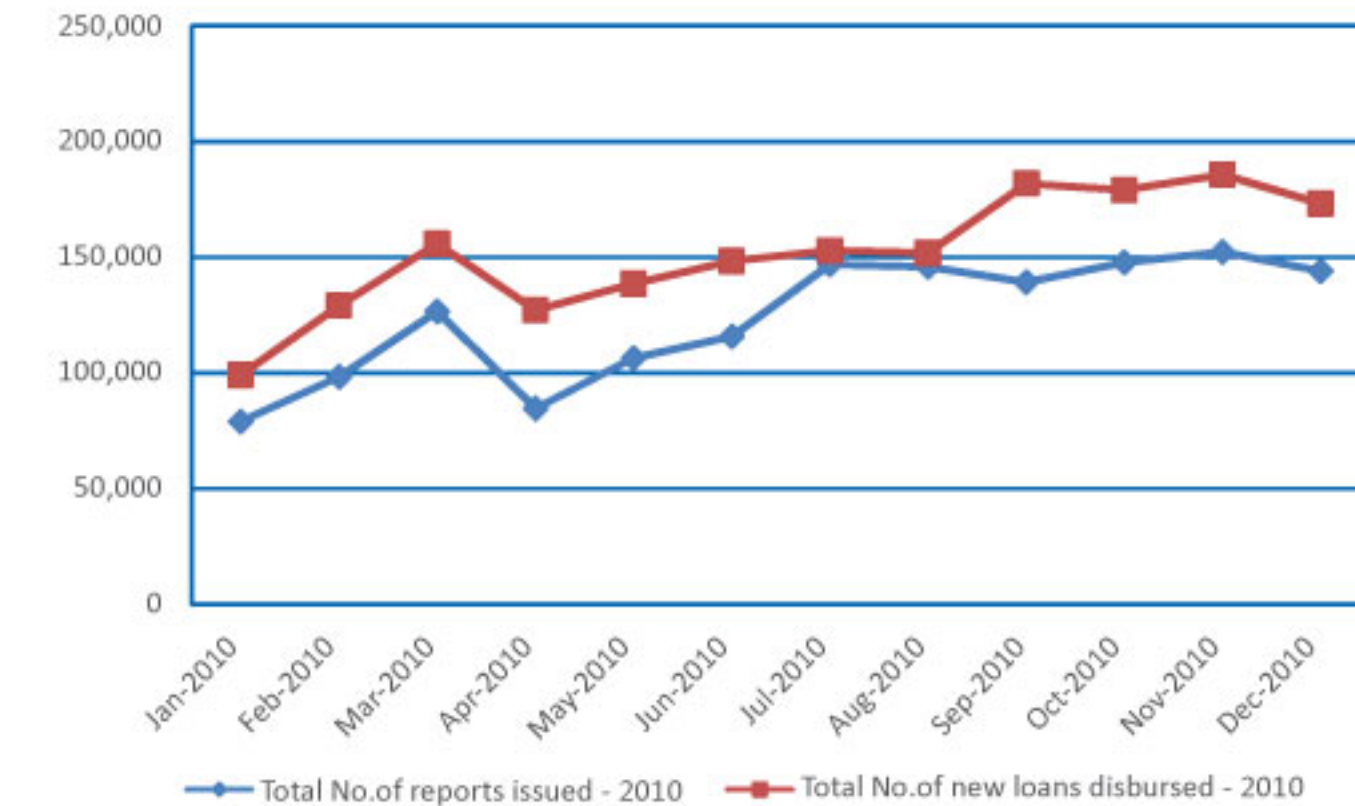
FOR THE YEAR ENDED 31ST DECEMBER 2011

- Credit Reports grew by 45% to 2,275,924 reports in 2011 from 1,580,782 in 2010.
- Net Profit grew by 39% to Rs. 354.4 Mn in 2011 from Rs. 254.5 Mn in 2010.
- An attractive Dividend based on the financial results was released to the stakeholders.
- A series of well attended Customer Awareness Programs were carried out in Colombo, Kandy and Galle on the "Correct Interpretation of Credit Reports".
- Many Live discussions and presentations were conducted on SLBC, ITN, Swarnavahini and Sri TV apart from the articles published in the media both in English & Sinhalese.
- The Annual Compliance Officers Symposium was held with Mr. Arun Thukral, Managing Director of Credit Information Bureau of India (CIBIL) delivering the key note address. Two Bureau experts from the International Finance Corp/World Bank took part in the Panel Discussion that followed.
- An Operational Guide for the information of Compliance Officers was published by the Bureau and released to the stakeholders.
- Commenced discussions with the Insurance and Electricity sector Officials with a view to include them in the CRIB database. Bureau to continue its efforts to expand its database to utility providers and Micro Finance Institutions.
- An Internal Rating system of Member Institutions was introduced in order to enhance the quality of Data transferred to CRIB monthly. Awards for those who excel to be introduced in 2012.
- Visitors to CRIB from Bhutan, Nepal, Mongolia and Ethiopia.
- Annual Members get together was well attended by both the CEOs and Compliance Officers of member Institutions.
- CRIB (DGM) was invited as a resource personnel for credit seminars organized by the International Finance Corporation (IFC) in Brazil & New Delhi.
- Secured Transactions Register commenced operations on 1st August 2011.
- Software for the Secured Transactions Register was developed In-house saving the Country valuable foreign exchange.
- Several Training sessions on the operational procedures of the Secured Transactions Register carried out for Member Institutions.
- Disaster Recovery Centre commissioned with service availability now on a 24X7 basis.
- A Customer Help desk was introduced for dispute resolutions with a dedicated telephone line.
- A Personality Development Program was conducted for the staff of CRIB.
- Data Processing Turnaround Time (TAT), which is the lead time for data up-date, was improved to 10 days with the introduction of a data processing module.

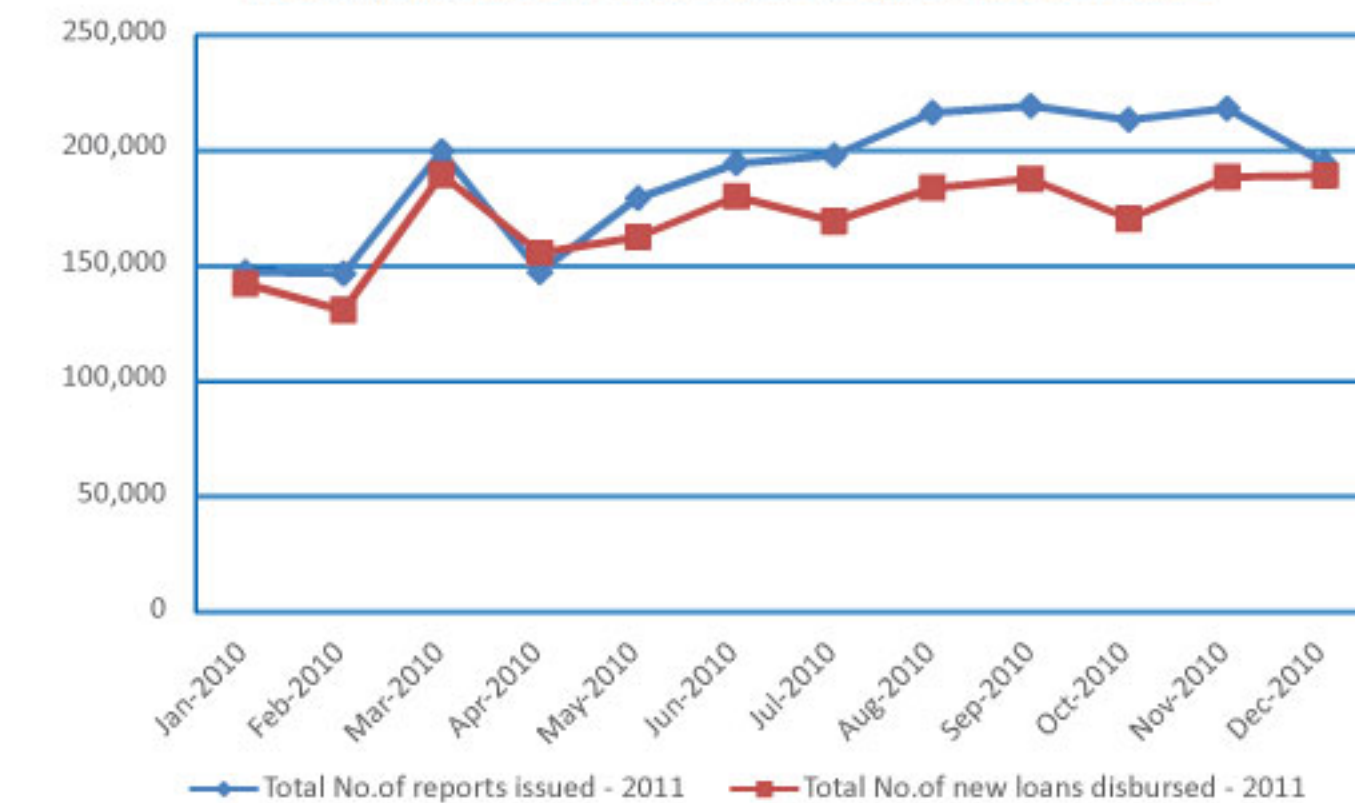
Operational Highlights

FOR THE YEAR ENDED 31ST DECEMBER 2011

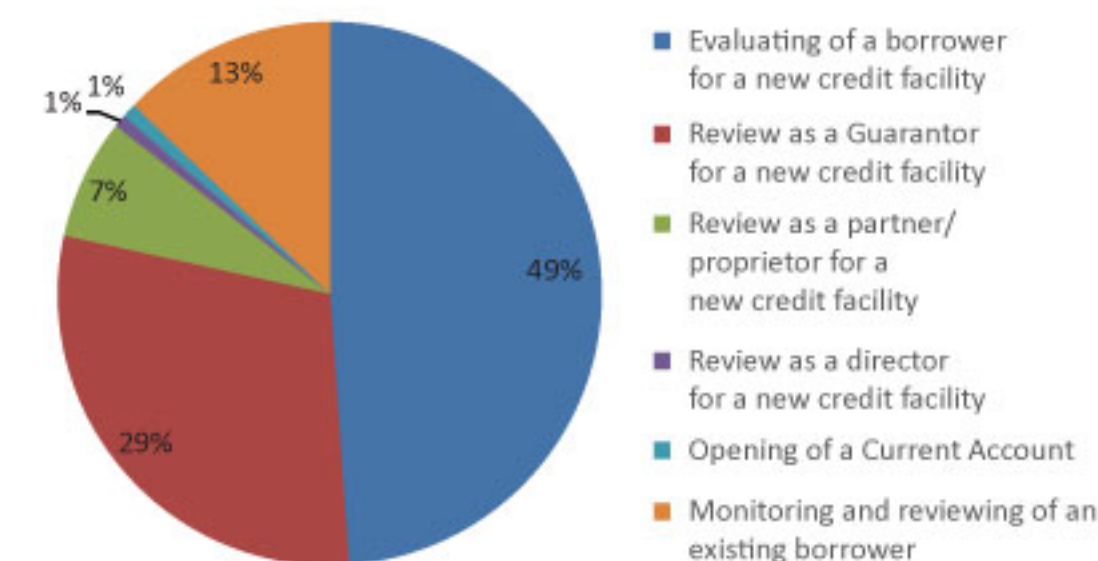
Industry distribution - New loans Vs Reports issued in 2010



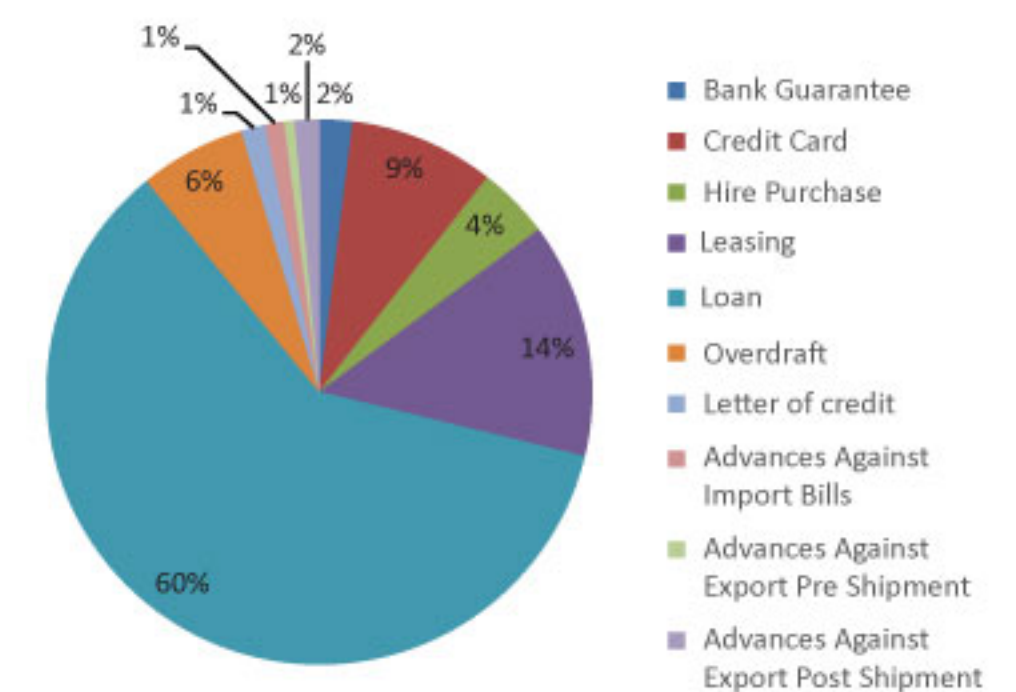
Industry distribution - New loans Vs Reports issued in 2011



Purpose wise analysis of credit reports issued in 2011



Facility type analysis of new loans disbursed in 2011



Notes

Notice of Meeting

Notice is hereby given that the 22nd Annual General Meeting of the Credit Information Bureau of Sri Lanka will be held on Monday the 14th May 2012 at the Cinnamon Lakeside (Kings Court) Colombo 02 at 10.30 am.

The following business will be transacted.

- To receive and consider the Annual Report of the Board of Directors along with the Financial Statements of the Bureau for the year ended 31st December 2011
- To receive and consider the Auditors Report.
- To announce the first and Final Dividend approved by the Board of Directors of the Credit Information Bureau
- To announce the appointment of M/S Ernst and Young as the Auditors of the Bureau.

By order of the Board
G P Karunaratne
Secretary to the Board
2nd May 2012