



Credit Information Bureau of Sri Lanka

# ANNUAL REPORT 2 0 1 2

## OUR VISION

"Building a customer - friendly reservoir of credit information"

## OUR COLLECTIVE CRUSADE

To collect and collate, 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 to whom such information relate and to instil 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 and training projects for shareholder lending institutions;

To operate a filing office of secured transactions to register the security interest of movables with a view of 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.



### Designs of success

Inspired by time-honored traditions of Sri Lankan craftsmanship we present a story of resourcefulness, perseverance and refreshing creativity that inspires economic development. Each individual charts his own course and collectively a whole society weaves a design of success. We propose to employ this process of artistry to highlight the journey of CRIB.



## **INSIDE**

Shareholders **02**

Highlights of the Year

Financial Highlights **05** Operational Highlights **06** ICT Highlights **07**

Chairman's Report **08** GM's Report **12** Board of Directors **16** Snapshots **20** Our Staff **22**

Management Discussions & Analysis

Operational Review **25** Financial Review **28** ICT Review **31** Corporate Governance **32**

Board Committees

Audit Committee Report **36** Technical Committee Report **37** Remuneration Committee Report **38**

Financial Information

Statement of Directors' Responsibilities for Financial Statements **41**

Annual Report of the Board of Directors on the Affairs of the Company **42**

Independent Auditor's Report **44** Income Statement **45** Statement of Financial Position **46**

Statement of Changes in Equity **47** Cash Flow Statement **48** Notes to the Financial Statements **49**

Reconciliation of Equity As at 01 January 2011 **65** Reconciliation of Equity As at 31 December 2011 **66**

Reconciliation of Total Comprehensive Income As at 01 January 2011 **67**

Notes **68**



# Shareholders



## Monetary Board of Central Bank of Sri Lanka

### Specialised Banks

1. DFCC Bank
2. HDFC Bank
3. Lankaputhra Development Bank Limited
4. MBSL Savings Bank Limited
5. National Savings Bank
6. Regional Development Bank
7. Sanasa Development Bank Limited
8. Sri Lanka Savings Bank Limited
9. State Mortgage & Investment Bank

### Commercial Banks

1. Amana Bank Limited
2. Axis Bank Limited
3. Bank of Ceylon
4. Citi Bank N A
5. Commercial Bank of Ceylon PLC
6. Deutsche Bank AG
7. DFCC Vardhana Bank PLC
8. Habib Bank Limited
9. Hatton National Bank PLC
10. Hongkong and Shanghai Banking Corporation Ltd.
11. ICICI Bank Limited
12. Indian Bank
13. Indian Overseas Bank
14. MCB Bank Limited
15. National Development Bank PLC
16. Nations Trust Bank PLC
17. Pan Asia Banking Corporation PLC
18. People's Bank
19. Public Bank Berhad
20. Sampath Bank PLC
21. Seylan Bank PLC
22. Standard Chartered Bank
23. State Bank of India
24. Union Bank of Colombo PLC

### Leasing Companies

1. Assetline Leasing Company Limited
2. Ceylease Limited
3. Co-Operative Leasing Company Limited
4. Indra Finance Limited
5. Isuru Leasing Company Limited
6. Koshiba Leasing Company Limited
7. Laugfs Capital Limited
8. Lisvin Investments Limited
9. LOLC Micro Credit Limited
10. Merchant Bank of Sri Lanka Limited
11. Sampath Leasing & Factoring Limited
12. SMB Leasing PLC

### Finance Companies

1. Abans Finance PLC
2. Alliance Finance Co PLC
3. AMW Capital Leasing PLC
4. Arpico Finance Company PLC
5. Asia Asset Finance PLC
6. Asian Finance Limited
7. Associated Motor Finance Co PLC
8. Bartleet Finance PLC
9. Bimputh Lanka Finance PLC
10. Capital Alliance Finance PLC
11. Central Finance Company PLC
12. Central Investments & Finance PLC
13. Chilaw Finance PLC
14. Citizen Development Business Finance PLC
15. City Finance Corporation Limited
16. Commercial Credit & Finance PLC
17. Commercial Leasing & Finance Limited
18. ETI Finance Limited
19. George Stuart Finance Limited

20. Ideal Finance Limited
21. Kanrich Finance Limited
22. L B Finance PLC
23. Lanka Orix Finance PLC
24. MCSL Financial Services Limited
25. Melsta Regal Finance Limited
26. Mercantile Investments & Finance PLC
27. Multi Finance PLC
28. Nanda Investments & Finance PLC
29. Nation Lanka Finance PLC
30. Orient Finance PLC
31. People's Finance PLC
32. People's Leasing & Finance PLC
33. People's Merchant Finance PLC
34. Prime Grameen Micro Finance Limited
35. Senkadagala Finance PLC
36. Singer Finance (Lanka) PLC
37. Sinhaputhra Finance PLC
38. Softlogic Finance PLC
39. Swarnamahal Financial Services PLC
40. The Finance Company PLC
41. The Standard Credit Lanka Limited
42. TKS Finance Limited
43. Trade Finance & Investments PLC
44. U B Finance Company Limited
45. Vallibel Finance PLC

### Other Lending Institutions

1. Mercantile Merchant Bank Limited
2. National Development Trust Fund
3. Sri Lanka Export Credit Insurance Corporation



# Highlights of the Year

Over  
**5<sup>M</sup>**  
Credit Facilities

**375<sup>M</sup>**  
Net Profit

Over  
**10,000**  
Credit Reports per day

## Financial Highlights

### Net Profit

**Rs. 375 Million**

### Net Profit Margin

**87%**

### Earnings per Share

**Rs 1,501/-**

### Net Assets per Share

**Rs 5,878/-**

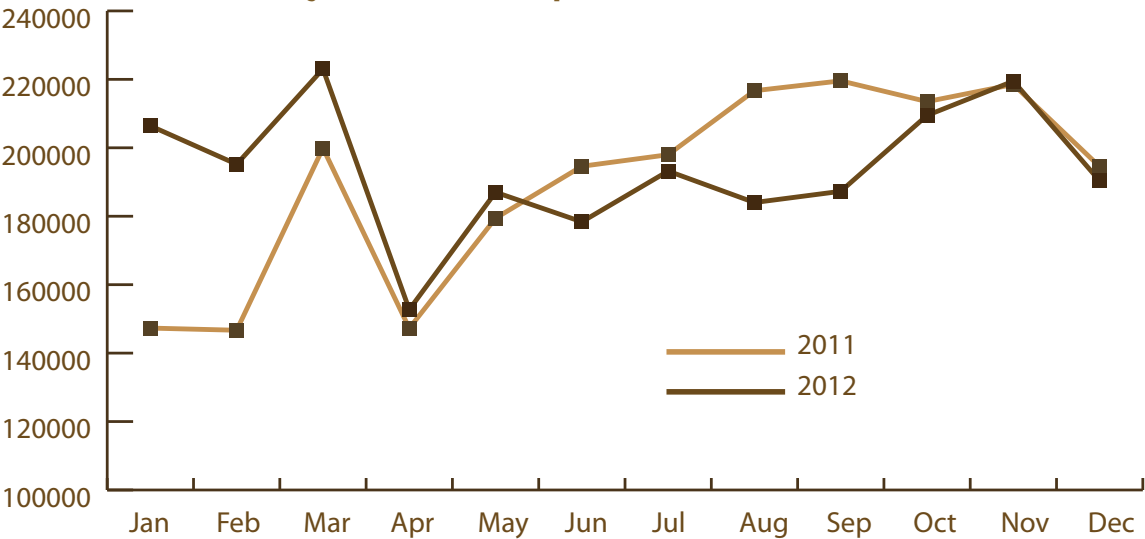
### Shareholders' Funds

**Rs 1.4 billion**

YEAR ENDED 31 DECEMBER	2009	2010	2011	2012
<b>OPERATING RESULTS - ( Rs.' 000 )</b>				
Income	162,873	307,898	444,296	430,163
Expenses	(86,934)	(111,870)	(140,283)	(139,934)
Operating Profit / (Loss)	75,939	196,028	304,013	290,229
Other Income	87,100	84,261	69,170	121,273
Net Profit Before Extra Ordinary Items	163,039	280,289	373,183	411,502
Taxation	(22,709)	(25,762)	(21,728)	(36,348)
Net Profit After Taxation	140,330	254,527	351,456	375,154
<b>SHAREHOLDERS FUNDS - ( Rs.' 000 )</b>				
Share Capital	25,000	25,000	25,000	25,000
Reserve	363,686	427,418	567,518	817,435
Accumulated Fund	196,690	374,986	551,769	627,156
Total Share Holders' funds	585,376	827,404	1,144,287	1,469,592

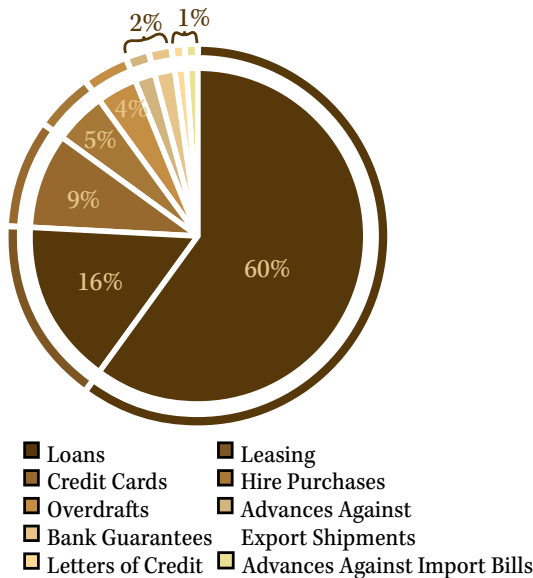
# Operational Highlights

Analysis of Credit Reports Issued in 2012 Vs 2011

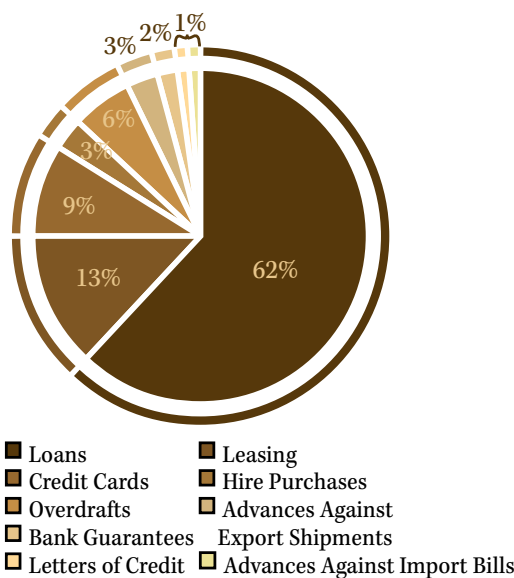


Facility Type Wise Analysis of New Credit Facilities Disbursed in 2012 Vs. 2011

Credit Facilities Disbursed in 2011



Credit Facilities Disbursed in 2012





## ICT Highlights

### **Reducing Turn-Around-Time (TAT), increasing file processing efficiency**

The Bureau performed specific enhancements to its ICT systems, with a view to reduce the time taken to process data files into the Bureau's central information store.

### **Re-modelling the data submission mechanism effectively**

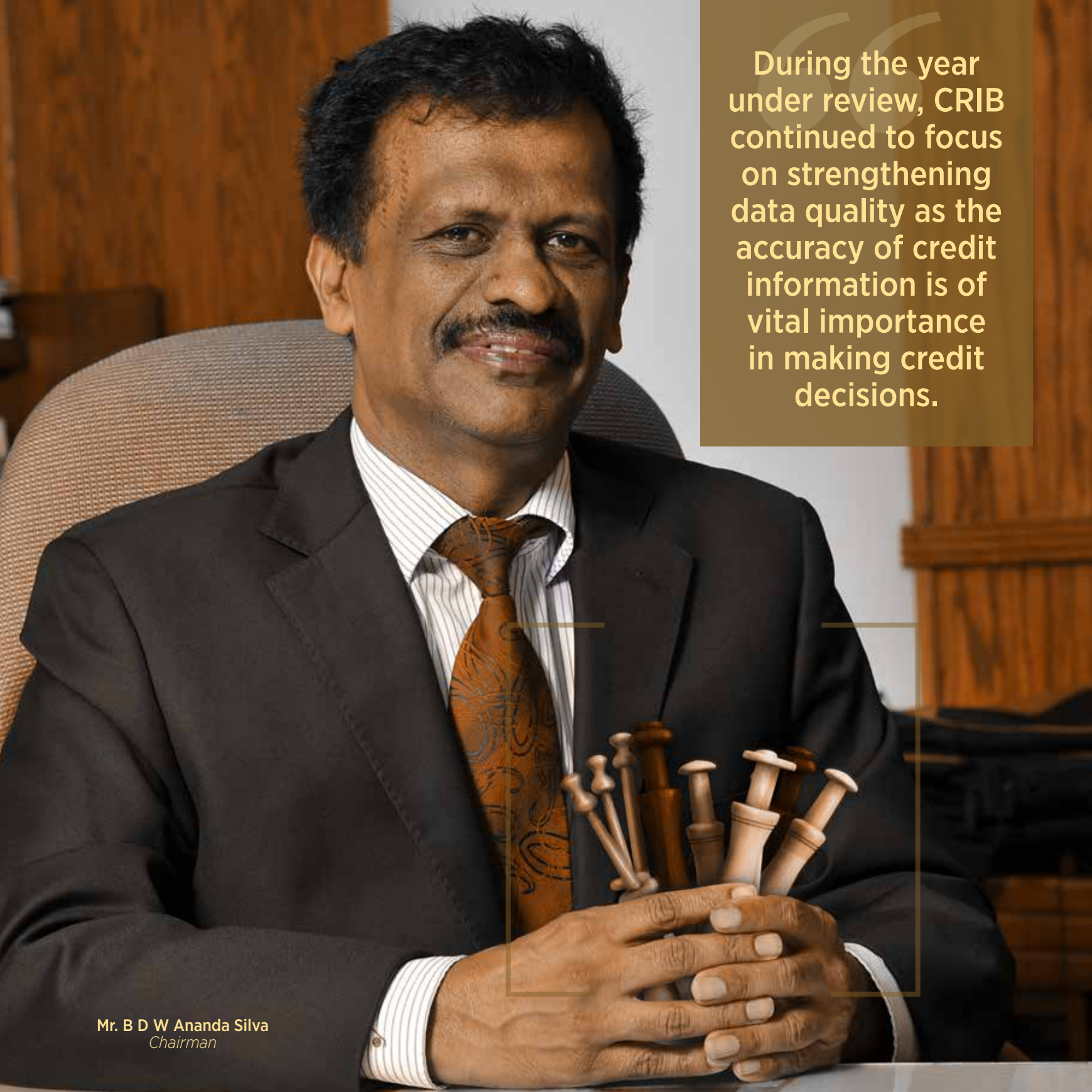
The Bureau successfully remodelled the data file submission system to a more adoptive, agile service which employs the latest technologies for securely transferring information from member institutions to the Bureau's central information store.

### **Initiatives to launch Value Added Services (VAS) to members and general public**

The In-house IT development team of the bureau embarked on an initiative to launch the iReport product of the Bureau as an online service to the general public. One Report will be given free each year.

### **Preparing to serve the Micro Finance sector**

The Bureau has initiated preparatory procedures to gear its ICT services and processes to accommodate the Micro Finance sector as and when regulations are passed.

A portrait of Mr. B D W Ananda Silva, Chairman, seated in a grey office chair. He is wearing a dark suit, a white striped shirt, and a brown patterned tie. He is holding a set of wooden chess pieces in his hands. The background is a wooden wall. A quote is displayed in a yellow box in the top right corner.

During the year under review, CRIB continued to focus on strengthening data quality as the accuracy of credit information is of vital importance in making credit decisions.

**Mr. B D W Ananda Silva**  
*Chairman*

## Chairman's Statement

It gives me great pleasure to present the performance and progress of the Credit Information Bureau of Sri Lanka (CRIB) along with the audited financial statements for the year ended 31 December 2012 to the Honourable Minister of Finance and Planning and the valued shareholders of CRIB, in compliance with Section 19 of the Credit Information Bureau Act, No. 18 of 1990.

Credit information plays a pivotal role in providing guidance in assessing the credit worthiness of existing, as well as, prospective borrowers and making prudent and informed lending decisions by financial institutions. Credit information also enables managing inherent risks in lending through better credit risk management thereby promoting financial discipline and reducing risk premia in lending in the financial sector. Better financial discipline in the market is corroborated by the gradual decline in non-performing loan ratios of the banking sector from about 12% to around 4% during the last decade. Over the past several years, CRIB, which is the sole repository of credit information in Sri Lanka has enabled both banks and non-bank financial institutions to effectively manage their lending portfolios whilst expanding their business to new market segments.

The economic environment prevalent during 2012 presented both opportunities and challenges. While the demand for credit reports by banks and non-bank financial institutions was significantly high in 2010 and 2011, given the rapid expansion of credit, in 2012, demand for credit reports moderated as several fiscal and monetary policy measures were taken earlier in the year 2012 to curtail high credit growth. In spite of the curtailment, the issuances of

credit reports increased by 2% in 2012. Taking into consideration the increase in income and reserves alongside the increase in issuances of credit reports in recent years, the Board decided to reduce the credit report charges applicable to the consumer category in order to pass on the benefits of the improved financial position of CRIB to member institutions and in turn, to borrowers. The net profit (before tax) for the year 2012 increased by 10% to Rs. 411 million in 2012 mainly as a result of higher increase in investment income.

During the year under review, CRIB continued to focus on strengthening data quality as the accuracy of credit information is of vital importance in making credit decisions. Accordingly, CRIB arranged a compliance officers meeting for the second time this year to ensure that all banks and non-bank financial institutions provide accurate information to CRIB in a timely manner. While the onus for maintaining accuracy and integrity of information sent to the CRIB lies with financial institutions, the introduction of an institutional rating system based on their performance in relation to data submission and accuracy will help improve the quality of data submitted to CRIB. The administration of CRIB database too was further improved and the data processing cycle was reduced to 10 days whilst ensuring that members comply with the targeted data submission cycle of 5 days. These results were achieved through the deployment of a fully automated data transferring tool which was developed in-house, and the improvements made to the data processing system in the Credit Information Management System.

The Secured Transaction Register (STR) which was implemented by CRIB in August 2011 is to be further strengthened. Establishing a well-functioning secured transactions registry would enhance the ability of SMEs to raise funds. The STR will therefore help these enterprises to transform existing business models as well as strengthen management and technological capability. However, the progress of registering movables in the registry has been slow and the utilization of information has also been not very effective in view of the shortcomings in the Act and the lack of awareness in the market about the movable assets registry. Thus, CRIB took the initiative to address some of the shortcomings in the Act and further improve the functioning of STR. These initiatives will facilitate greater use of movable collaterals by SMEs to secure more funding from banks and non-bank financial institutions for the expansion of their businesses.

Considering the importance of microfinance in promoting financial inclusion and assisting the vulnerable groups and improving their living standards, a new regulatory and supervisory framework is to be established for the microfinance sector entities. One important area in promoting microfinance is the establishment of a credit information mechanism covering the microfinance sector. Therefore, CRIB plans to establish a micro bureau within its existing operational framework to accommodate and facilitate micro finance institutions that would support diverse cross section of borrowers to enjoy credit facilities.



Over the past several years, CRIB, which is the sole repository of credit information in Sri Lanka has enabled both banks and non-bank financial institutions to effectively manage their lending portfolios whilst expanding their business to new market segments.



The Bureau's efforts to develop a state-of-the-art credit information registry has always been reinforced by the developments in technology and innovation. The web-based application developed to provide a credit report on-line, termed as iReport, in response to a self-inquiry, will be launched by the Bureau in early 2013. Once registered, any citizen can request for an iReport by making online payment using a credit card. In the latter part of 2013, corporate entities will be able to use this service to periodically check their

2016. To achieve this milestone, both banking and non-banking financial sectors are expected to make an even greater contribution than in the past to development efforts of the Government. Towards this end, CRIB can play a crucial role by facilitating the financial sector to perform its intermediary function in an effective manner channeling funds to support Sri Lankan entrepreneurs and businesses for expansion, which will, in turn, sustain the growth momentum of the economy.

In conclusion, on behalf of the Board of Directors, I would like to appreciate the untiring efforts of the staff of CRIB who, through their hard work and commitment, ensured that the Bureau provided excellent services to the shareholders. I look forward to their continued support. Having successfully completed over two decades of service to the financial sector, I am confident that the Bureau will scale new heights in the future with the patronage and support of our stakeholders.

The government envisions Sri Lanka as a

**US\$ 100B**

economy with a per capita income of  
**US\$ 4,000 by 2016.**



**B D W Ananda Silva**  
*Chairman*  
28 March 2013

loan portfolio with banks and other financial institutions in a single report. CRIB is planning on making a major ICT Hardware infrastructure upgrade by around mid-2013 to enhance the capacity and performance of the ICT system to meet growing demand for credit information services and deploy new services.

Over the past several years, Sri Lanka's financial sector has played an important and catalytic role in facilitating the diverse investment and financing needs of the domestic economy and thereby supported the growth momentum. The government envisions Sri Lanka as a US\$ 100 billion economy with a per capita income of US\$ 4,000 by

I would like to take this opportunity to thank the Governor and the staff of the Central Bank for the support extended to the CRIB. I extend my sincere gratitude to all the members of the Board for the inspiration and guidance extended to the CRIB. I also extend my appreciation to Mr. D M N P Karunapala who completed his tenure in June 2012, having represented the Leasing Association on the Board of Directors of the CRIB. I warmly welcome his successor, Mr. Sanjeewa Bandaranayake who joined the Board in July 2012. I wish to place on record my gratitude to Mr. K. Dharmasiri, former General Manager of Bank of Ceylon, for his valuable contribution towards the achievement of the objectives of the CRIB.

A portrait of Mr. Gamini Karunaratne, General Manager, in a professional setting. He is wearing a dark suit, a striped shirt, and a patterned tie. He is holding a small, thin object in his right hand. In the foreground, there is a wooden surface with several pushpins and a small, intricate model made of beads and wires. A semi-transparent text box is overlaid on the right side of the image.

Sri Lanka has the highest rate of financial services penetration in the South Asian region with a 29.4% adult population coverage in the Bureau database as at end 2012

Mr. Gamini Karunaratne  
General Manager

## General Manager's Statement

When a country's economy buoys up, its people nurture hopes of a copious future. When that presentiment is contrived on a foundation of well-founded principles and values, you know that it will indeed come good. Getting there is a journey that requires unbridled commitment. For CRIB, the protagonist of suchlike crusade, it has been yet another prolific year, inspiring the country to build on true values, driving accountability at the very core of society. We look back on a reign of phenomenal highs even as we re-align our goal posts, setting new milestones in sight.

### A changing credit regime

We must begin by looking at the broader economic landscape of the country before surmising on our performance. Sri Lanka maintained a sustainable economic growth of 6.4% outpacing most regional economies amidst a challenging external and internal economic environment. The engine of growth, the private sector, saw credit growth decline sharply to 17.6% as at end December 2012 from a high of 34.5% a year earlier. The decline was mainly due to a ceiling imposed by the Central Bank on credit growth. The Central Bank changed the monetary and exchange rate policies to control the pace of credit expansion and reduce the country's trade and current account deficits over the year.

### Enabling Financial Inclusion

A credit Bureau provides risk management capabilities to lenders, facilitates information based lending, accelerates the speed of decisions, provides easy and quick access to finance to credit-worthy enterprises and individuals, in turn augmenting growth opportunities for the entire economy. It further facilitates financial inclusion by making way for people to move up in the pyramid and enter the main stream credit market. The percentage of 'No hit' reports is a fair indicator of the number of new borrowers

entering the credit market. By 2012 CRIB had close to 3.9M individual borrowers in the database. Sri Lanka has the highest rate of financial services penetration in the South Asian region with a 29.4% adult population coverage in the Bureau database as at end 2012. This is well above the regional average of 5.8%.

### Securing Information

Safety and security of the data disseminated is of utmost interest to the Bureau. The Credit Bureau Act has placed great emphasis on this aspect. A strong governance structure and strict compliance on data integrity embodied in the Act has been one of the driving forces for this private-public partnership during the last two decades. As a further improvement CRIB initiated a process to enforce strict secrecy of Credit Information accessed by lending institutions. All authorized users are now required to complete a declaration of secrecy and assurance that credit information will only be accessed for permissible purposes and any deviation or variation will be subject to severe penalties as described in the Act.

### Ensuring Data Quality

Quality of data is a key indicator that is used to measure the effectiveness of a Bureau. The value of data is recognized when it is accurate and current. The quality of information disseminated assists lenders to realistically assess the credit risk. Since for data sourcing the bureau depends on member institutions, the task of maintaining the highest standards in quality is always a formidable challenge for CRIB.

The continuous improvement to the quality of data has been the key concern of the Bureau throughout the period under review. A considerable number of disputes reported to the bureau by individuals who

subscribed to self inquiry reports (iReports) compelled the Bureau to initiate concerted efforts to ensure that members submit data on time with maximum accuracy. The bureau in this regard conducted several seminars, one-on-one meetings with members who required special attention on data submission.

Our determination and commitment to improve the quality of data with new internal measures coupled with strict system controls in the data processing have compelled the financial institutions to address the data quality issues as a matter of priority since it affects everyone on board. Out of a total of 93 member lending institutions, 89% submitted data with a 95% technical validity as at December 2012.

### Effective Customer Service

The Help Desk established with the aim of assisting individuals who require guidance and assistance on various issues relating to their credit information has been well accepted by the general public judging from the positive feed-back received from many who called over at the Bureau. Customer disputes are now resolved in record time with the support and cooperation of the CRIB Compliance Officers of member institutions.

### Operational and Technical Improvements

The Bureau introduced several technical and operational changes during the year 2012. The Data File submission system resourcefully developed in-house and implemented successfully, introduced a secure and efficient data file submission mechanism to the member institutions. This system performs basic validation and purification of data files during submission of data thus contributing significantly to a drastic reduction in the turn-around-time for processing of data files to less than 10 days.

## Interest income from investments recorded a significant growth of



**70%**  
due to the high  
interest rates that  
prevailed in the  
country during most  
parts of the year

The monthly invoices forwarded to the members for reports accessed during the month has been replaced with a new system which permits the member institutions to inquire/download their relevant invoices in greater detail from the Bureau's central repository.

The recently revamped ICT team of the Bureau is planning to introduce the iReport as an on-line service in 2013. CRIB would be the first to launch this service in South Asia.

With the several changes and enhancements introduced to the systems and procedures during the last two years and the value added products that are lined up for release in the months ahead, we forecast a rapid growth in the operations which would take the first South Asian Bureau to greater heights.

### **Secured Transaction Register**

Despite the country's banking and financial institutions having expanded rapidly with an extended branch network, the availability of credit to agriculture, plantations and a wide range of small and medium enterprises remains unsatisfactory. Lending to value-added real economic activities has been constrained by the conventional approach to banking and collateral based lending.

The term 'Secured Transactions' refers to credit transactions where a lender holds an interest in a borrower's movable property (collateral) to secure a loan or any other obligation. All such transactions are registered in an electronic register accessible to the lenders and the general public for searches. A well designed secured transactions system increases access to finance by reducing the risk of lending against movable assets whereby a lender is given the confidence to take an interest in the movable assets of a borrower with certainty of his priority in the assets and



assurance of enforceability of the interest in the event a borrower defaults.

CRIB recognizes the need to broaden the use of movable assets as collateral for credit particularly to facilitate the growth of small and medium enterprises which would create economic enrichment and help empower people.

CRIB Signed a Cooperation Agreement with the International Finance Corporation (IFC) for the Secured Transactions Reform Project which would further strengthen the STR Act No. 49 of 2009. Mr. Jin Young Cai, Chief Executive Officer of IFC and the Chairman of CRIB signed the Agreement.

### Financial Performance

Despite the challenges, The Bureau was able to continue its growth momentum in 2012 comparatively at a slower pace resulting from various challenges. The post tax profits recorded for the year edged to Rs. 375M, an increase of 7% over last year's Rs. 351M. Income from Credit Reports was the predominant contributor towards the Bureau's top line. Interest income from investments recorded a significant growth of 70% due to the high interest rates that prevailed in the country during most parts of the year. A healthy ratio of 78-22 was maintained in the ratio net income from credit reports to other income. The cost to income ratio increased marginally from 32% to 33% due to the prudent cost management initiatives of the Bureau.

The Board declared a final dividend of Rs. 200/- per share on the profits declared for 2012.

In December, the Central Bank reduced its policy rates by 25 basis points, for the first time in nearly two years in a bid to stabilize interest rates and bring its borrowing costs down to promote economic growth.

### Human Resources

The Board recognizes the importance of absorbing people with the required talent, aptitude and mind set to achieve the forecasted development and growth over the coming years. The Bureau ensures honesty and integrity in all its activities and therefore expects the same from its employees. Our emphasis has always been on quality in our journey towards excellence. Our committed and competent staff has always being our strength. We invest in their continuous training and development, providing them with opportunities for both personal and professional enhancement. Training is therefore considered as an essential component of this process.

The Bureau conducted an outward bound training program in Belihuloya during the year. This program was specially designed to unleash hidden potential, develop self confidence, Leadership qualities, team building and effective communication. It was a great opportunity for the staff to develop their leadership skills, patience and cooperation through team work.

More emphasis on overseas training and exposure will be our focus in the coming year. Three Senior Executives followed a management course conducted by Bank Negara in Malaysia and two members from the Management team attended the world credit conference in Taiwan during the year.

### Staff Activities

With the objective of further strengthening the relationship CRIB enjoys with its stakeholders, a six-a side Softball Cricket Tournament was arranged in June. HDFC Bank was the proud winner of the 'Governor's Trophy' named after the Governor of the Central Bank of Sri Lanka. This event, fully organized and efficiently managed by the staff of CRIB was a huge success with 61 Financial Institutions competing for the trophy presented by the Governor Mr. Ajith

Nivard Cabraal. This tournament has been designed to be a grand Annual event for the stakeholders of CRIB.

In September, the staff raised sufficient funds to construct a small dwelling place for a needy family in Anuradhapura. Further a few of the unused computers were donated to a school in Kurunegala. In December the staff utilized the funds allocated for their Annual X'mas get-together to distribute dry rations to the flood affected people in the outstations.

### Appreciations

I take this opportunity to express my sincere appreciation to my Chairman, and the Board of Directors for their unstinted support and guidance. They have been an immense source of strength to me during the year. I also wish to thank the Governor of the Central Bank. Mr. Ajith Nivard Cabraal and his officials for their guidance and continued support. I also thank my senior management team and every other employee for their commitment, hard work and loyalty displayed in all the activities of CRIB.

My gratitude is also extended to our Auditors M/S Ernst and Young for the professionalism displayed. In conclusion I would like to extend my most profound gratitude and appreciation to our stakeholders for their continued support and cooperation and would like to assure them of our commitment to serve them better.

CRIB will continue to build on its significant progress and achievements as it gears itself for a future of unlimited possibilities.



**Gamini Karunaratne**  
General Manager  
28 March 2013

# Board of Directors



Mr. J E P A de Silva

*Director*

Mr. Sanjeewa Bandaranayake

*Director*

Mr. Indrajith Wickramasinghe

*Director*

Mrs. Yvette Fernando

*Director*

Mr. B D W Ananda Silva

*Chairman*



Mr. Gamini Karunaratne  
General Manager



Mr. K Dharmasiri  
Director



Mr. A M Chandrasagara  
Director



Mr. N Vasantha Kumar  
Director



Mr. Rohitha Ganegoda  
Director

**Mr. B D W Ananda Silva [Chairman]**  
(Deputy Governor - Central Bank of Sri Lanka)

Mr. B D W A Silva has been in the Central Bank for over 28 years and has wide experience in the areas of Financial System Stability, Price Stability, Monetary and Exchange Rate Policy, External Trade, Balance of Payments and Inflation. Prior to this appointment he held the position of Deputy Director of Economic Research, Director of Bank Supervision and Assistant Governor.

Mr. Silva holds an MA Degree from University of Iowa, M.Sc. Degree from University of Illinois, USA and a B.Sc. Degree with a First Class from the University of Jaffna.

Mr. Silva has been a resource person at the University of Colombo, Centre for Banking Studies of the Central Bank of Sri Lanka and the Institute of Bankers in the fields of Economics, Statistics and Econometrics. He has also authored many articles in the area of economics. He has served in many Committees and Boards appointed by the Central Bank including the Credit Information Bureau, Standing Cabinet Appointed (Special) Procurement Committee (SCAPC)/Ministry of Petroleum, Rehabilitation of Embilipitiya Paper Mill and Kantale Sugar Factory and Asian Clearing Union.

**Mrs. T M J Y P Fernando [Director]**  
(Director Bank Supervision - Central Bank of Sri Lanka)

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

**Mr. A M Chandrasagara [Director]**  
(Director- HDFC Bank)

A member of the Board Audit Committee, Mr. Chandrasagara is a Director of HDFC Bank and functions as the chairman of the Board Audit Committee of HDFC Bank.

He has served as the Senior Deputy General Manager/Chief Internal Auditor of the People's Bank for a considerable period and has gained vast experience in the fields of General Banking, Accounting, Finance and Inspection.

With diplomas in both Accountancy and Information System Security, Control and Audit, he is a Fellow of the Institute of Bankers of Sri Lanka, an Associate Member of the Council of the Institute of Internal Auditors of Sri Lanka and Institute of Bankers Sri Lanka.

**Mr. Rohitha Ganegoda [Director]**  
(Chief Operating Officer - Nations Trust Bank)

Mr. Ganegoda is currently serving as the Chief Operating Officer of Nations Trust Bank heading the Divisions of Information Technology, Central Operations, Credit Operations, and Infrastructure & Administration of the Bank.

Mr. Ganegoda holds a B.Sc. in Computer Science from the University of Texas, Austin, USA and an 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. Indrajith Wickramasinghe [Director]***(Chief Operating Officer - NDB Bank)*

Mr. Indrajith Wickramasinghe 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. Before joining NDB Bank nine years ago, he held the position of Head of Marketing at Reckitt & Colman of Ceylon Ltd. Mr. Wickramasinghe counts over 20 years of experience in the Fast-Moving Consumer Goods and Financial Service Sectors.

He is also a non-executive director of NDB Stock Brokers (Pvt) Ltd., and Capital Development & Investment Company PLC.

**Mr. N Vasantha Kumar [Director]***(General Manager - People's Bank)*

Mr. N. Vasantha Kumar holds a Master's Degree in Business Administration and counts over 32 years' experience in Treasury Management. He joined the People's Bank in March 2001, prior to which he served as the Treasurer of ANZ Grindlays Bank, Colombo for many years.

He is a past President of the Association of Primary Dealers and Sri Lanka Forex Association and is presently a Director of People's Leasing & Finance PLC Ltd., People's Travels (PVT) Ltd., Institute of Bankers of Sri Lanka, Lanka Financial Services Bureau and National Payment Council.

**Mr. Gamini Karunaratne [Director]***(General Manager - CRIB of Sri Lanka)*

Mr. Gamini Karunaratne is a retired Senior Banker with 40 years of experience in Commercial Banking. At the time of retirement, he held the post of Senior Deputy General Manager International and Investment Banking with Hatton National Bank. During his career with HNB he served on the Boards of HNB Securities Ltd & HNB

Stock Brokers Ltd. After his retirement from HNB he was appointed as a Director of DFCC Bank. He is a Past President of the Sri Lanka Forex Association. He is also a fellow of the Chartered Institute of Management UK and a Past President of its branch in Sri Lanka. He joined the Credit Information Bureau in June 2009 and continues to serve as its Director/ General Manager.

**Mr. K Dharmasiri [Director]***(General Manager - Bank of Ceylon)*

Mr. Dharmasiri is the General Manager of Bank of Ceylon. He is a career banker with over 37 years of experience. He has served in overseas stations as the Country Manager of Bank of Ceylon, Male for three years since 1997 and as the Managing Director of Nepal Bank of Ceylon Limited, Nepal in 2002.

He currently serves as a Director on the Boards of BOC Travels (Private) Limited, BOC Property Development & Management (Pvt) Ltd., BOC Management & Support Services (Pvt) Ltd., Ceybank Holiday Homes (Pvt) Ltd, Ceybank Assets Management (Pvt) Ltd., Hotels Colombo (1963) Ltd., Merchant Bank of Sri Lanka PLC, Institute of Bankers of Sri Lanka, Lanka Financial Services (Bureau) Limited., and Lanka Clear (Pvt) Ltd.

Mr. Dharmasiri graduated from the University of Colombo with a First-Class Honors in Commerce and holds a Bachelor of Philosophy in Economics. He is also an Associate Member of the Institute of Bankers of Sri Lanka.

**Mr. J E P A de Silva [Director]***(Chairman - Alliance Finance Co PLC)*

Chairman of Alliance Finance Co. PLC, Mr. De Silva was the first Sri Lankan Fellow of the Institute of Credit Management UK. He is also the Chairman of the Alliance Group of Companies as well as the Honorary Consul for the Republic of Peru in Sri Lanka. He is the President of the Sri Lanka Institute of Credit Management and an Advisory Councilor to Committee of the Finance Houses Association of Sri Lanka, and is also a Fellow Member of the Institute of Commercial Management (Sri Lanka).

**Mr. Sanjeewa Bandaranayake [Director]***(Deputy General Manager - People's Leasing & Finance PLC)*

Mr. Bandaranayake is currently serving as the Deputy General Manager- Finance & Administration at People's Leasing & Finance PLC.

He is a committee member of the Ceylon Chamber of Commerce and a finalist of the Chartered Institute of Management Accountants (UK). He is also an Associate member of the Institute of Chartered Accountants of Sri Lanka, a fellow member of the Certified Management Accountants of Sri Lanka and a member of the institute of Certified Management Accountants of Australia.

# Snapshots

## Symposium 2012



*3rd Annual Symposium and Panel discussion arranged for the Compliance Officers of lending institutions at the Cinnamon Grand Colombo.*

## AGM 2011



*Board of Directors at the 22nd Annual General Meeting held at Cinnamon Lakeside Colombo.*

## STR & IFC



*Mr. Jin Young Cai, Executive Vice President & CEO of IFC and Mr. Ananda Silva, Chairman CRIB exchanging the signed cooperation agreement for the Secured Transactions reform project.*

## Governor's Trophy



*HDFC bank the winner of the "Governor's Trophy" the inaugural six-a-side soft ball cricket tournament organized for members of CRIB. 61 teams from 28 banks and 33 Leasing & Finance companies participated.*

## User Awareness



*Several workshops were held throughout the year to educate the general public and the staff of financial institutions on the role of CRIB and on the correct interpretation of credit reports.*

## Overseas Training



*Three Senior Executives attended the Credit Reporting & Risk Management programme at Bank Negara, Malaysia. Two Management staff attended the 8th World Consumer Credit Reporting Conference held in Taiwan.*

## CSR Projects



*The welfare club funded the construction of a house for a needy family in Anuradhapura.*



*The members sacrificed their annual X'mas party to donate dry rations to the flood affected people in Kurunegala and Anuradhapura.*



*Donating Computers to Sandagala Primary school, Piduruwella, Kurunegala*

## Religious Ceremonies



*Special Pirith Ceremonies to invoke blessings on the staff, their families and stake holders of CRIB.*

## Staff Training



*Staff at an Outbound Training Session in Belihuloya.*



# Our Staff

**Mr. D D Withanaarachchi**  
*Senior Administration Officer*



**Ms. D I A Jayasinghe**  
*Chief Manager  
Accounts &  
Administration*



**Mrs. W A L H D Weliwita**  
*Relationship Officer - Operations*



**Ms. A P Hamid**  
*Confidential Secretary*



**Mr. B K Wijenayake**  
*Relationship Officer - Operations*



**Mr. J S Weerasinghe**  
*System Administration Executive*



**Mr. D S N Gunaratne**  
*Senior Relationship Officer - Operations*

**Mr. W M A B Dassanayake**  
*Senior Business System  
Development Officer*



**Mrs. P T Perera**  
*Legal Advisor to the  
Board of Directors*



**Mr. K K D W Gunawardena**  
*Relationship Officer  
Customer Services*



**Mrs. Y L D K Gunatilake**  
*Senior Executive  
Marketing & Product Promotions*







**Mr. D H Ponnampereuma**  
*Assistant General Manager*



**Mr. E A S U Premakumara**  
*Senior Relationship Officer  
Operations*



**Mr. D M S Indika Dissanayake**  
*Senior Executive - Business Operations  
& Corporate Relations*



**Mrs. R M S Ratnayake**  
*Senior Manager - Operations*



**Mr. K A Janaka Lakmal**  
*Deputy General Manager*



**Mr. K D S Wanigasooriya**  
*Senior Executive -  
Customer Service &  
Network Management*



**Mr. S S Jansen**  
*Senior  
Accounts  
Officer*



**Mr. H V S M De Silva**  
*Accounts Officer*



**Mrs. Sanjani De S. Gamage**  
*Legal Consultant*



**Mr. U L Weerasinghe**  
*Senior Executive  
Business System Development*



**Mr. K A Lahiru Nadishan**  
*Relationship Officer - Customer Services*



**Mrs. Nisansala Niroshani Bopakadage**  
*Receptionist*



**Mr. R S Ismail**  
*Relationship Officer  
Customer Services*



**Mr. T M Rajasekara**  
*Senior Executive  
Business System Development*



# Management Discussions & Analysis

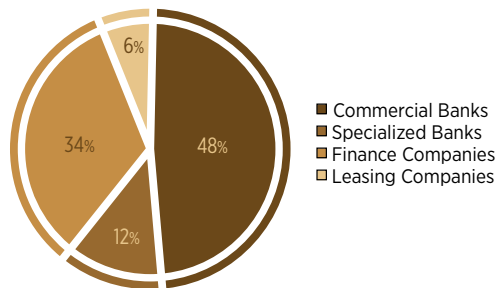


## Operational Review

### Credit Information Services

2,328,516 credit reports were issued in 2012, a marginal increase of 2% compared to 2011 which registered a significant increase of 44% compared to 2010. This was due to a slowdown in economic growth resulting in reduced credit growth and volatile market conditions.

Segment Wise Analysis of Credit Reports Issued in 2012



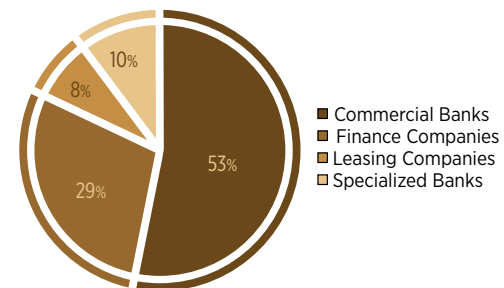
Purpose-wise Analysis of Credit Reports issued in 2011 Vs 2012

	Commercial Banks		Specialized Banks		Finance Companies		Leasing Companies	
	2011	2012	2011	2012	2011	2012	2011	2012
Evaluation of a borrower for a new credit facility	26.19%	25.54%	6.78%	6.42%	10.13%	12.87%	5.61%	2.77%
Review as a Guarantor for a new credit facility	9.09%	9.06%	3.44%	3.59%	10.85%	14.96%	6.29%	1.66%
Review as a partner/ proprietor for a new credit facility	2.04%	1.88%	1.17%	0.93%	3.24%	3.57%	0.62%	0.20%
Review as a director for a new credit facility	0.52%	0.49%	0.19%	0.19%	0.02%	0.02%	0.01%	0.01%
Opening of a Current Account	0.85%	1.15%	0.00%	0.00%	0.00%	0.01%	0.00%	0.00%
Monitoring and reviewing of an existing borrower	8.74%	10.33%	0.77%	0.69%	0.86%	2.46%	2.60%	1.19%

More than 6,000 self inquiry reports were issued in 2012 and 80% of such reports were for walk-in customers. Further CRIB continued its services to the general public through its Help Desk established to offer individuals assistance and guidance on various issues related to their credit information.

According to statistics, more than 2 million new credit facilities have been disbursed in 2012.

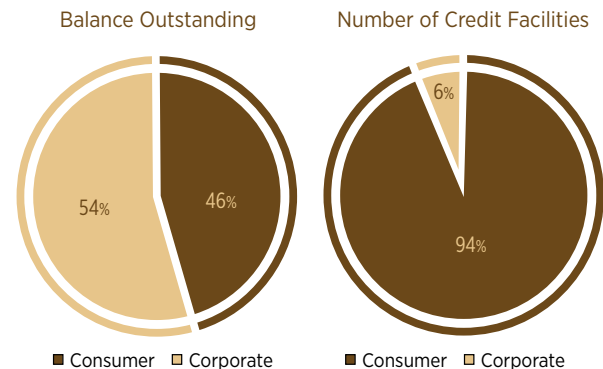
Segment Wise Analysis of Disbursement of New Credit Facilities in 2012



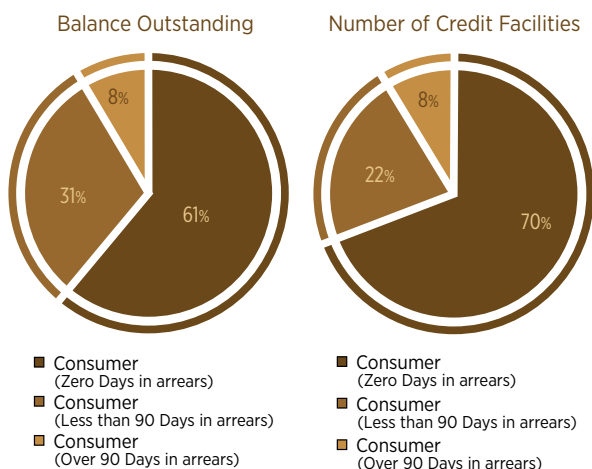
95% of the member institutions submitted data with over 95% accuracy in technical validation. More than 5.5 million records were processed as at 31 December 2012. The overall rejection rate was less than 1%.

### Portfolio Analysis as at 31 December 2012

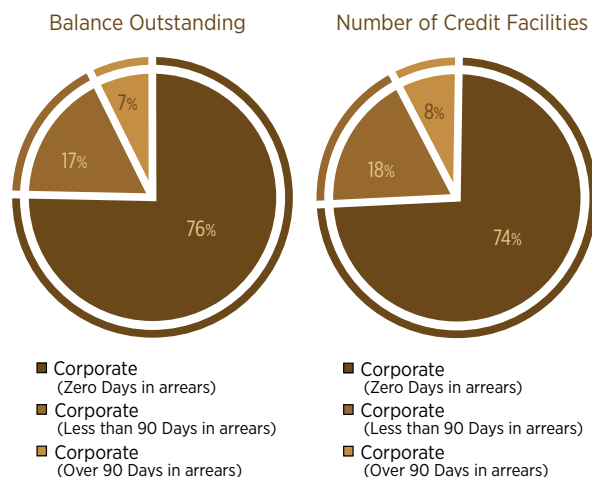
#### Analysis of Total Credit Facilities



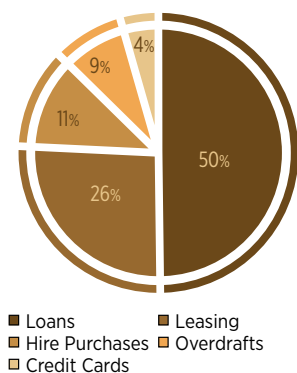
## Analysis of Consumer Credit Facilities



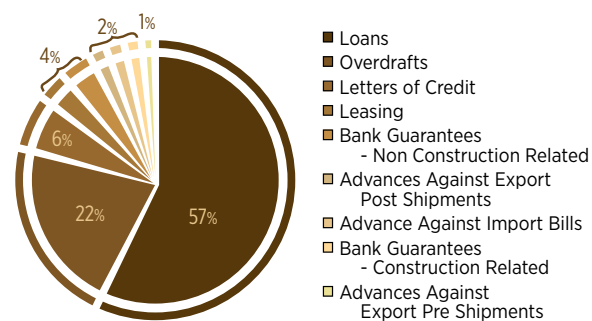
## Analysis of Corporate Credit Facilities



## Credit Facility Type Wise Outstanding - Consumer



## Credit Facility Type Wise Outstanding - Corporate



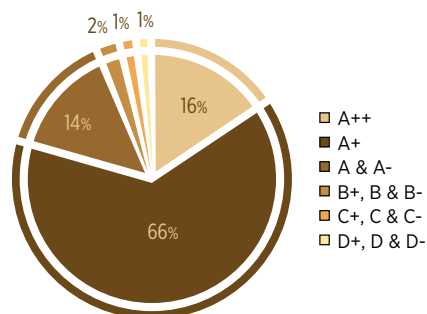


## Service Efficiency

Data processing period of 10 days was maintained by the Bureau continuously whilst the 5 days data submission period was adhered to by 95% of the member institutions thus giving a positive & progressive impact on the overall operations of the Bureau.

Institutional rating system which measures key performance characteristics such as data accuracy, validity & timelines of data submissions was introduced by the Bureau to encourage data providers to submit data of a high quality. During the year 2012, four ratings were announced on a quarterly basis.

Institutional Rating as at 31 December 2012



CRIB continued its user awareness & educational programs islandwide facilitating credit officers and other staff of lending institutions to better understand the correct interpretation of credit reports for their credit decisions and risk management processes.

## Secured Transactions Register

2162 transaction were recorded & 2218 movable assets were registered in the Secured Transactions Registry System (StrS) as at 31st December 2012. 63% of the total registrations were made by the Commercial Banks while Finance Companies, Specialized Banks & Leasing companies registered 22%, 8% & 7% respectively.

### Summary as at 31st December 2012

Total Registrations	2162
Total Number of Collaterals Registered	2218
Total Number of Debtors Registered	1985
Individual Debtors	- 991
Corporate Debtors	- 994
Total Number of search reports generated	527
Total Number of Active Users	1751
Total Number of institutions registered	80
Total Number of Active Institutions	57
Total Number of Inactive Institutions	10

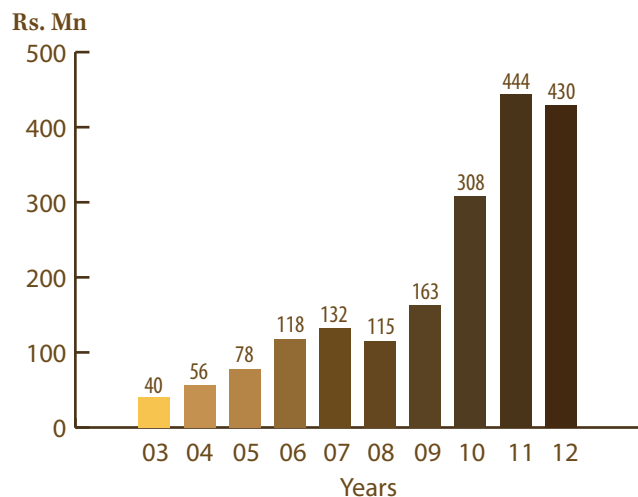
## Financial Review

The marginal increase in the usage of credit reports, internal efficiencies, and value added services contributed to yet another successful financial year for the Bureau. Overall, the bureau witnessed a strong and consistent growth throughout the financial year with a series of strategies implemented by the Bureau.

### Revenue

The income from credit reports recorded Rs 430 Mln for the financial year 2012, a reduction of 3 % as against the Rs. 444M recorded last year. But the bureau, however was able to maintain consistency in the issue of credit reports to the member institutions. Accordingly the number of credit reports issued during the year 2012 was 2.3 Mln compared to 2.2 Mln during 2011. The Bureau has always strived to offer its best levied services to its member institutions. In February 2012 the Bureau reduced the charges on credit reports.

**Operational Income**



Majority of the revenue of the Bureau is generated through credit reports. In addition ireports and value added services contributed to the operational income of the Bureau.

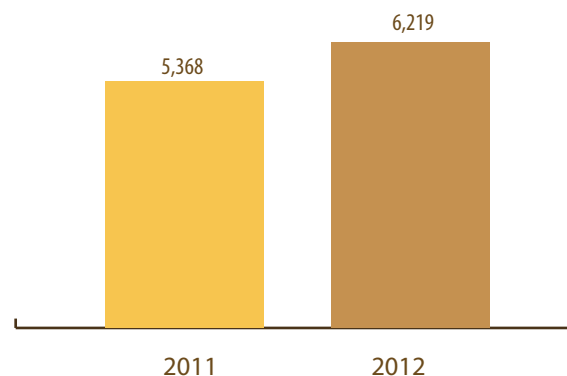
Revenue Mix of the Bureau can be categorized as follows.

Type of Revenue	2012 (Rs) Mln	% of Total Revenue
Credit report income	424.3	98
i-report Income	1.4	1
Value added servicers	4.3	1

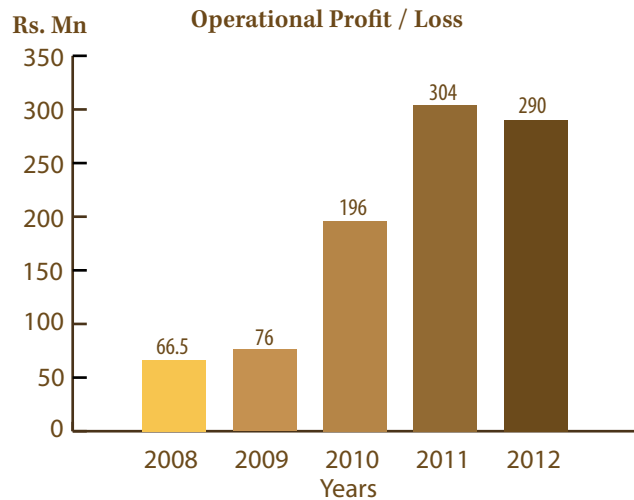
96% of the total reports have been issued to consumers (Individual credit reports) and 4% to corporate entities

The Bureau initiated several measures to improve the customer & public awareness, of the importance of maintaining a good credit report. As a result of these programs the issue of self inquiry reports (ireport) increased significantly. During the year 2012 the bureau issued 6,219 self inquiry reports.

**Number of Self Inquiry Reports**

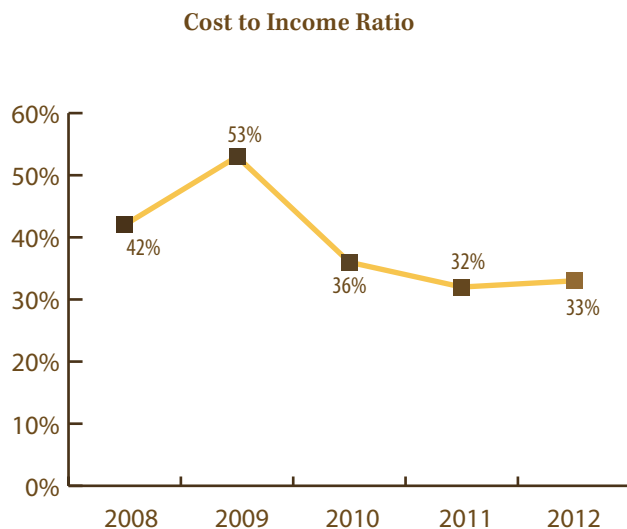


The Bureau recorded an operational profit of Rs 290 Mln in the year 2012, representing a 4% decrease over the previous year due to the decrease in credit report charges.



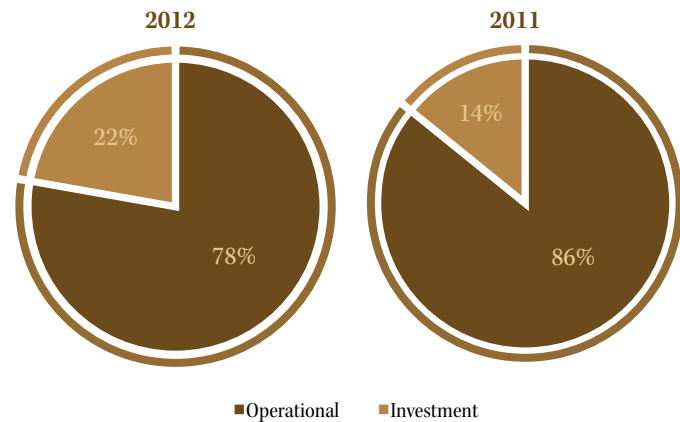
### Operation expenses

Operational expenses comprised mainly of employee related expenses, Administration and Establishment expenses and other operating expenses. The major proportion of the total cost is driven mainly by a fixed cost. However the bureau was able to maintain its cost to income ratio at 33%.



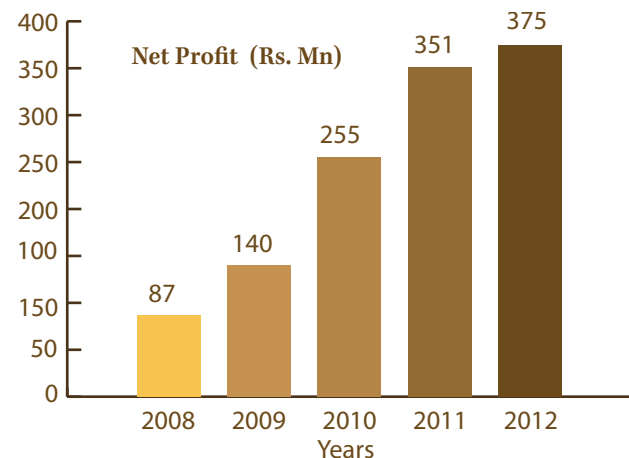
### Other Income

The other income of the Bureau comprises mainly of interest income generated through investments in government securities. Investment income forms a significant proportion of the Bureau's income. Total interest income of Rs. 121M recorded a significant growth, of 70% in 2012 and contributed to 22% of the total income of the bureau.



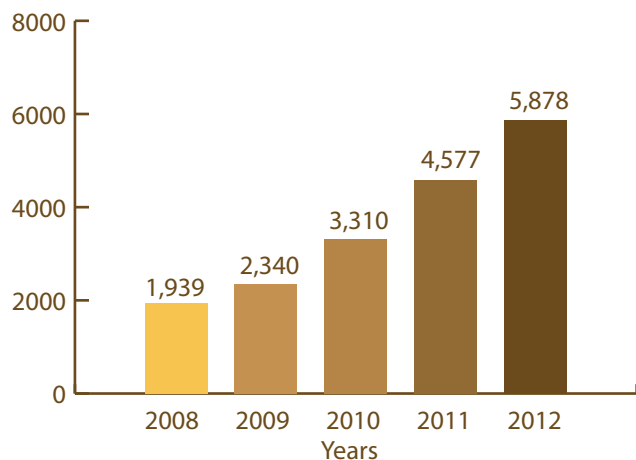
### Net Profit

Dispite the decrease in the top line income by 3% , the net profit of the bureau grew by 7% to 375 Mln during the year 2012.



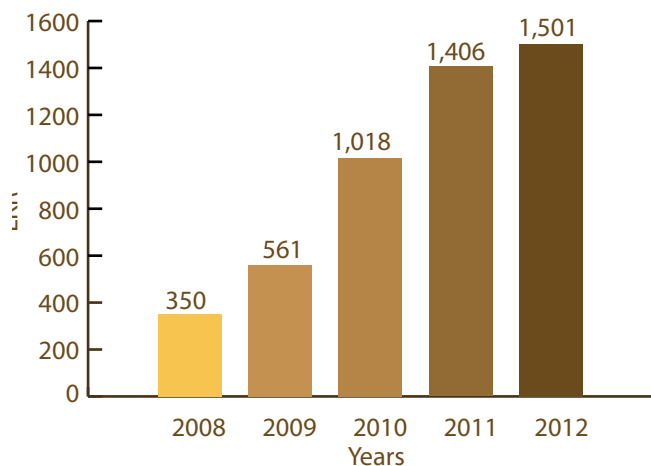
The net asset per share of the Bureau reached Rs 5,878, the highest ever recorded during the past ten years of its operations.

**Net Asset per Share (Rs.)**



Earnings per share of the bureau reached Rs1,501/- during the period under review, a 7% increase over the previous year. The growth in EPS is attributed to better operational performance of the Bureau.

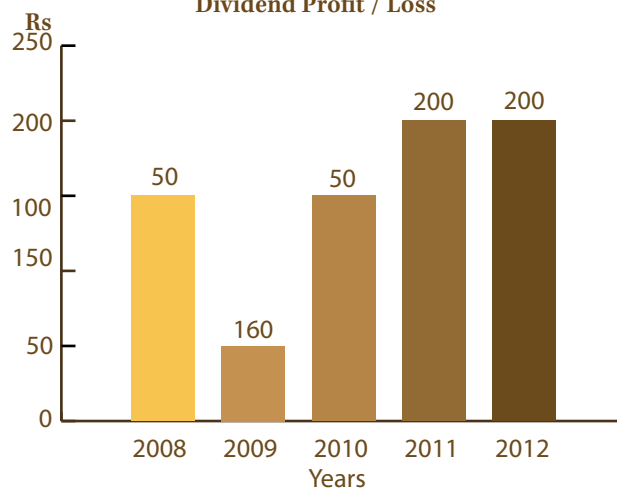
**Earnings per Share (Rs.)**



## Dividend

The Bureau proposed a final dividend of Rs 200 per share on the profit declared for the year. It will amount to a total dividend payout of Rs 50 Mln in the year 2012.

**Dividend Profit / Loss**





## ICT Review

### Glimpse of The Year

2011/12 was a year of transformation for the ICT systems of the Bureau. Specific initiatives were made to improve on the information acquiring and delivering mechanisms with focus on the reduction of the Turn-Around-Time (TAT) to less than 10 days. Taking the present ICT context into consideration, the Bureau has been transformed into a more nimble and focused ICT operational organization.

During the year under review, the focus of the ICT team was to infuse strategic business operations with the newest available technologies and remodelling the present ICT systems to reflect better efficiency in achieving the business objectives of the Bureau.

Initiatives were taken to develop and introduce value-added services to member institutions and the general public using a secure and efficient technological framework to enhance the operational service standards of the Bureau.

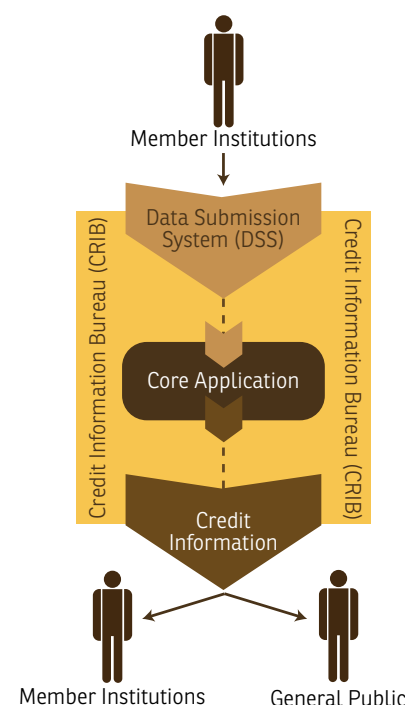
The Bureau initiated the preparation of systems, procedures and processes to accommodate the Micro Finance Institutions (MFI) in the country, once the Microfinance Act is enacted.

### Improvements to Data Submission Model

The bureau introduced a new data submission model which ensures a secure encrypted data file submission to the Bureau from member institutions. DSS established a workflow scenario between member institutions and the Bureau, thus making space for an efficient transfer of data files.

### Data Submission System (DSS)

The data file submission system was developed and deployed by the in-house development team to implement a secure efficient data file submission mechanism for the members of the Bureau. The DSS performs basic validation / purification of data files upon submission thus contributing to a drastic reduction in the turn-around-time (TAT) for processing of data files to less than 10 days.



### i-Report Online

ICT resources were also directed to develop and deploy a value-added service to the general public through the introduction of i-Report as an online service, making it a first in South Asia.

This value-added service connects with the core business solution to provide convenience for the general public to access their credit reports securely through internet thereby enabling them to better manage their dues to the member institutions of the Bureau.

### Invoice Distribution

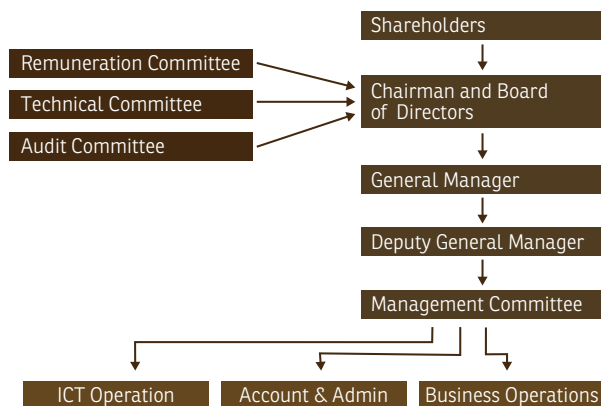
The Bureau also replaced the invoicing mechanism adopted for member institutions with a new model which permits them to inquire / download and process their relevant invoices for credit information accessed from the bureau's central repository.

## Corporate Governance

Corporate Governance is the framework of rules and practices by which a Board of Directors ensures accountability, fairness and transparency in an organization's relationship with its stakeholders. CRIB adopts best governance practises and strives to satisfy legitimate claims of all stakeholders ensuring transparency and timely financial reporting.

Being an entity established by statute, the Bureau functions are primarily regulated by the CRIB Act (Credit Information Bureau of Sri Lanka Act, No.18 of 1990) as amended by (Amendment) Act, No.8 of 1995 and (Amendment Act, No.42 of 2008). As per statute, the administration and management of the affairs of the Bureau is vested in the Board of Directors. The Board of Directors of CRIB have committed themselves to ensure that there is effective overseeing of the Bureau operations and to ensure that all such business affairs of the Bureau are conducted adhering to the highest standards of good governance, embracing established best practises.

### Governance Structure



### Board of Directors

As directed by statute, the Board of Directors of CRIB comprises ten (10) Directors out of which nine (09) are Non-Executive Directors. The Chairman of the Board is always a Deputy Governor of the Central Bank nominated by the Monetary Board. One other senior officer of the Central Bank also nominated by the Monetary Board is also appointed to the Board. The two main state banks i.e. the Bank of Ceylon and the People's Bank are

entitled to nominate one Director each to the Board. The shareholding licensed commercial banks are entitled to elect and nominate two persons to the Board whilst the shareholding finance companies and the shareholding leasing establishments have the right to elect and nominate one Director each to the Board. One person representing the licensed specialized banks nominated by the Monetary Board is also appointed to the Board and the General Manager of CRIB being the ex-officio member to the Board completes the Board of Directors of CRIB. Every Director (except the Chairman and the General Manager) shall hold office for a term of three (03) years and are eligible for re-nomination or re-election, as the case may be.

The members of the Board possess the required expertise, skill and experience to effectively manage and direct the Bureau in order to maintain highest standards of good governance and attain the organizational goals. They are persons with vision, leadership qualities, proven competence and integrity. The individual profiles of the members of the Board are given in page 16 to 19 of this Report.

The Board strives to ensure that the management of CRIB maintains an effective system of internal controls that provides assurance on efficient operations and compliance with applicable laws and regulations. The Board is primarily responsible for;

- Setting strategies, direction and establishing objectives for the management
- Monitoring performance against objectives whilst ensuring adequate internal controls with the highest ethical standards
- Appointing the General Manager and determining the remuneration of the management and staff
- Maintaining the Bureau Fund and the Reserves in a healthy manner
- Declaring Dividends
- Reporting to Shareholders

### Meetings of The Board

The Board of Directors meet regularly at monthly intervals. The Board had 12 meetings during the period under review and the attendance of each Director at Board Meetings is given in the table below;

Name of Member	Board Meetings		
	No. of Meetings Held during Tenure of Office	No. of Meetings Attended	Percentage of Attendance
Mr. B. D. W. Ananda Silva	12	11	92%
Mrs. T. M. J. Y. P. Fernando	12	12	100%
Ms. W. A. Nalini * (Alternate Director – Mr. K. Dharmasiri)	05	04	80%
Mr. K. Dharmasiri* (Alternate Director – Mr. T. Mutugala)	07	06	86%
Mr. N. Vasantha Kumar	12	08	67%
Mr. I. A. Wickremasinghe	12	09	75%
Mr. A. R. G. Ganegoda	12	11	92%
Mr. A. M. Chandrasagara	12	12	100%
Mr. J. E. P. A. De Silva	12	07	58%
Mr. D. M. N. P. Karunapala***	06	05	83%
Mr. K. Sanjeewa Bandaranayaka****	03	01	33%
Mr. Gamini P. Karunaratne	12	12	100%

\* Ms. W. A. Nalini (who was the nominee of Bank of Ceylon) retired from the Board with effect from June 2012.

\*\* Mr. K. Dharmasiri was appointed to the Board with effect from June 2012 (as the nominee of Bank of Ceylon) consequent to Mrs. Nalini's retirement.

\*\*\* Mr. D. M. N. P. Karunapala (who was the nominee of shareholding leasing establishments) resigned from the Board with effect from July 2012.

\*\*\*\* Mr. Sanjeewa Bandaranayaka was appointed to the Board with effect from October 2012 (as the nominee of shareholding leasing establishments) after Mr. Karunapala's resignation.

In compliance with the accepted best practices, Board Papers are circulated 4-5 days prior to a meeting, giving the Board members adequate time to scrutinise same and be prepared for the meetings.

## Board Committees

The Board of Directors in accordance with the generally accepted standards and best practices of Corporate Governance have appointed Board Committees and accordingly three (03) Board Committees have been constituted as at date.

## Audit Committee

Board appointed Audit Committee comprises of three (03) Non-Executive Directors namely;

1. Mr. A. M. Chandrasagara (Chairman)
2. Mrs. T. M. J. Y. P. Fernando
3. Mr. A. R. G. Ganegoda

The Audit Committee operates within clearly defined terms of reference and monitors and reviews the effectiveness of the Bureau's internal and external audit functions and coordinates between relevant parties. Internal Audits are

done on a quarterly basis and Audit Reports are discussed and required corrective measures are agreed upon at the Audit Committee meetings. The Audit Committee had four (4) meetings during the period under review. Attendance of each Member at Audit Committee Meetings is given in the table below;

Name of Member	Audit Committee Meetings		
	No. of Meetings Held during Tenure of Office	No. of Meetings Attended	Percentage of Attendance
Mr. A. M. Chandrasagara	4	4	100%
Mrs. T.M.J.Y. P. Fernando	4	3	75%
Mr. A. R. G. Ganegoda	4	4	100%

The Report of the Audit Committee is given in page 36 of this Report.

### Technical Committee

Board appointed Technical Committee comprises of three (03) Non-Executive Directors namely;

1. Mrs. T. M. J. Y. P. Fernando (Chairperson)
2. Mr. I. A. Wickremasinghe
3. Mr. A. R. G. Ganegoda

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

The Technical Committee had three (3) meetings during the period under review. Attendance of each Member at

Name of Member	Technical Committee Meetings		
	No. of Meetings Held during Tenure of Office	No. of Meetings Attended	Percentage of Attendance
Mrs. T.M.J.Y.P. Fernando	3	3	100%
Mr. I. A. Wickremasinghe	3	3	100%
Mr. A. R. G. Ganegoda	3	3	100%

Technical Committee Meetings is given in the table below;

The Report of the Technical Committee is given in page 37 of this Report.

### Remuneration Committee

Board appointed Remuneration Committee comprises of three (03) Non-Executive Directors namely;

1. Mr. N. Vasantha Kumar (Chairman)
2. Mr. I. A. Wickremasinghe
3. Mr. A. R. G. Ganegoda

The Terms of Reference of the Remuneration Committee includes the regulation of the organisational structure,

salary scales, salary increments, bonus distribution and staff promotions. The Remuneration Committee had three (3) meetings during the period under review. Attendance of each Member at Remuneration Committee Meetings is given in the table below;

Name of Member	Remuneration Committee Meetings		
	No. of Meetings Held during Tenure of Office	No. of Meetings Attended	Percentage of Attendance
Mr. N. Vasantha Kumar	3	3	100%
Mr. I. A. Wickremasinghe	3	2	66%
Mr. A. R. G. Ganegoda	3	3	100%

The Report of the Remuneration Committee is given in page 38 of this Report.

### Risk Management

When considering Risk Management, the main risks the Bureau has to take note of are the Business Risk, ICT Risk and the Financial Risk. Actions taken to mitigate and manage these risks are highlighted elsewhere in this Report.

### Disclosures

Adopting accepted best practises, CRIB discloses relevant information, both financial and non-financial, to its shareholders through the Annual Report. The Financial Statements have been prepared in accordance with Sri Lanka Accounting Standards and the generally accepted accounting principles.

### Compliance Report

The Directors to the best of their knowledge confirm that all taxes and duties payable by the Bureau as well as contributions, levies and taxes payable on behalf of and in respect of the employees of the Bureau and all other statutory dues, as were due as at the Balance Sheet Date, have been paid or provided for in the Financial Statements.



A decorative web structure, possibly a spider web or a model of a network, is displayed against a dark brown grid background. The web is made of thin, light-colored threads and is adorned with numerous small, round beads. The beads are primarily orange and white, with some silver-colored beads interspersed. The web is spread out across the frame, with some threads extending towards the bottom right corner. In the upper right corner, there is a semi-transparent yellow rectangular box containing the text "Board Committees".

# Board Committees



## 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 and the Director, Bank Supervision-CBSL is functioning as one of the members of the Committee.

### 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 2012.

The Committee met the External Auditor before commencement of the External Audit of 2012, 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 2011, with the management response there to;

Further the impact of SLFRS on the final Accounts of the Bureau was discussed with the Management and the External Auditor.

#### Internal Audit

The Committee discussed and finalised the scope of the Internal Audit function and entered into the following agreements with the outsourced Internal Auditor, KPMG,

Chartered Accountants, in consultation with the Board of Directors of the Bureau.

Internal Audit agreement  
Non-disclosure agreement

Also the Committee reviewed the Internal Audit Report submitted by the outsourced Internal Auditor for the quarter ended 30/06/2012.

#### 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.

#### Administrative and Operational Manuals

Committee directed the management to prepare the above two manuals comprehensively and followed up.

#### 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.



**A M Chandrasagara**  
*Chairman - Audit Committee*

## Technical Committee Report

The Technical Committee comprising three directors continued to provide strategic direction to the staff of the CRIB to achieve the mandate of CRIB through the available ICT infrastructure. Among the number of developments taken place in year 2012, greater attention was focused on achieving significant improvements in data submission and processing procedure. The Committee cited the importance of reducing data processing turn-around-time (TAT) and required CRIB to constantly improve the data file submission and processing. In addition, the Committee discussed ICT resourcing and other general ICT management issues. Key achievements relating to ICT during 2012 are summarized below.

### 1. Reducing Data Processing Turn-Around-Time (TAT)

#### 1.1 Data file Submission System (DSS)

The data file submission system was developed and deployed by the in-house development team to implement a secure efficient data file submission mechanism by the members of the Bureau. The DSS performs basic validation/purification of data files upon submission and also creates a workflow scenario between the bureau and member institutions to implement smooth and secure transition of credit data into the bureau's central repository.

#### 1.2 Introduction of Core Business Application Module - Bulk Previous Submission Module

The Bulk Previous Submission Module (BPSM) was a module improvement done by CRIB's technical partner, M/s Dun & Bradstreet (D&B), on the Credit Information Management System (CRIMS), the core application service of the bureau. BPSM increased the data processing capacity of CRIMS by enabling it to process one million records per day.

Both the above services together have significantly reduced the TAT on information processing from 40 days to 10 days which in turn contributed to the availability of more up-to-date information on the bureau's central information repository.

### 2. D & B Proposal for ICT upgrade for core business solution

The Technical Committee also held meetings with D&B to discuss the way forward to enhance efficiency of CRIB's ICT processes. The Committee was briefed on enhancements

to core business solution (CRIMS) and the next version deployment of the same by the Chief Information Officer of D&B South Asia/ Middle East (D&B SAME) .

### 3. Expanding the ICT team

The Committee further agreed with the proposal to increase capacity of the in-house ICT team based on the business plan (Bureau Business System - BBS roadmap) to develop modularized total solution in-house, initially focusing on the development of value added services.

### 4. Upgrading Live Site Infrastructure

The Committee was apprised of the current state of the CRIB's primary site infrastructure by the ICT team and was requested to proceed with proposed upgrades with the consultation of principal solution provider (D&B).

The proceedings of the Technical Committee were informed to the Board of Directors during the Board meetings.

The Technical Committee will continue to ensure the availability of appropriate ICT infrastructure with strong risk management systems, in order for CRIB to provide business value to its stakeholders.



**T M J Y P Fernando**  
*Chairperson - Technical Committee*

## Remuneration Committee Report

### 1. Composition and Charter of The Remuneration Committee

The Remuneration Committee comprised of the following Directors as at the end of year 2012

Mr. N Vasantha Kumar – Chairman (Non Executive)  
Mr. Rohitha Ganegoda – Non Executive  
Mr. Indrajit Wickremasinghe – Non Executive

The Committee was established by the Board on a formal and transparent process and the Board ensures the independence of the Committee. The General Manager attends all meetings by invitation.

I confirm that the Committee fulfilled its role as a Sub-Committee with great care and diligence.

The performance evaluation procedure adopted by the Bureau is well in place and encourages employees to give their best to the institution.

### 2. Responsibilities of The Remuneration Committee

- Maintaining a competitive and attractive remuneration package for employees at all levels on par with industry standards
- Formulate policy on Executive and Non Executive remuneration.
- Recommending Annual Bonuses, Incentive Payments, Allowances and staff changes to the Board based on individual performances, responsibility, expertise and contribution.

### 3. Remuneration Committee Meetings

The Committee met three times during the year and the minutes were circulated to the Board.

Name	Attendance
Mr. N Vasantha Kumar	3
Mr. Rohitha Ganegoda	3
Mr. Indrajit Wickremasinghe	2

### 4. Remuneration Package

The remuneration package of the employees consists of a fixed and variable component. The Basic salary and travelling allowance is fixed whereas the other benefits are variable.

#### Fixed Components

Basic Salary  
Travelling Allowance

#### Variable Components

Annual Bonus  
Incentive Bonus

Apart from the above there are other benefits enjoyed by employees such as Loans, Medical Insurance etc.

### 5. Retirement Benefits

There are no retirement benefits to employees other than gratuity calculated at half months basic salary for each completed year of service.



**N. Vasantha Kumar**  
*Chairman - Remuneration Committee*



# Financial Information



# Financial Information

## INSIDE

Statement of Director's Responsibilities for Financial Statements **41**

Annual Report of the Board of Directors on the Affairs of the Company **42**

Independent Auditor's Report **44**

Income Statement **45**

Statement of Financial Position **46**

Statement of changes in equity **47**

Cash flow statement **48**

Notes to the Financial Statements **49**

Reconciliation of Equity As at 01 January 2011 **65**

Reconciliation of Equity As at 31 December 2011 **66**

Reconciliation of Total Comprehensive Income As at 01 January 2011 **67**

## Statement of Director's Responsibilities for Financial Statements

The CRIB Act No 18 of 1990 requires Directors to ensure that the Bureau keeps proper books of accounts of all the transactions and prepare financial statements that give a true and fair view of the state of the affairs of the Bureau and of the profit and loss for the year.

The Directors are also required to ensure that the financial statements have been prepared and presented in accordance with the Sri Lanka Accounting Standards and the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995.

They are also responsible for taking reasonable measures to safeguard the assets of the Bureau, and in that context to have proper regard to the establishment of appropriate systems of internal control with a view to prevention and detection of fraud and other irregularities.

The Directors confirm that to the best of their knowledge and belief, all taxes and levies payable by the Bureau and all contributions and taxes payable on behalf of and in respect of the employees of the Bureau have been paid or provided for as at the reporting date.

The Directors are of the view that, these financial statements have been prepared under the generally accepted accounting principles and in accordance with the Sri Lanka Accounting Standards as laid down by the Institute of Chartered Accountants of Sri Lanka.

The Directors endeavor to ensure that the Bureau maintains sufficient records to be able to disclose with reasonable accuracy, the financial position of the Bureau and to be able to ensure that the financial statements of the Bureau meet with the requirements of the Sri Lanka Accounting Standards and the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995

The Directors have reasonable expectation, after making enquiries and following a review of the Bureau's budget for the ensuing year including cash flows and borrowing facilities, that the Bureau has adequate resources to continue its operational existence for the foreseeable future, and therefore have continued to adopt the going concern basis in preparing the Accounts.

Messrs. Ernst & Young, Chartered Accountants, the Auditors of the Bureau have examined the financial statements made available by the Board of Directors together with all relevant financial records, related data, minutes of Directors meeting and express their opinion in their report on page 44 of the Annual Report.

*By Order of the Board  
Credit Information Bureau of Sri Lanka*



**Secretary**  
Colombo  
28 March 2013

## Annual Report of the Board of Directors on the affairs of the Bureau

The Directors are pleased to submit their report together with the Audited Accounts of the Bureau for the year ended 31st December 2012, to be presented at the 23rd Annual General Meeting of the Bureau.

### Review of The Year

The Chairman's review on page 09 describes the affairs of the Bureau and mentions important events that occurred during the year, and up to the date of this report. This report together with the audited financial statements reflects the state of the affairs of the Bureau.

### Principal Activities / Core Business

The main activity of the Bureau is the business of collection and collation of trade, credit and financial information on borrowers and prospective borrowers of lending institutions.

### Financial Statements

The financial statements prepared in compliance with the requirements of Section 151 of the Companies Act No 7 of 2007 are given on page 41 to 67 in this annual report.

### Independent Auditor's Report

The Auditor's Report on the financial statements is given on page 44 in this report.

### Accounting Policies

The Accounting Policies adopted in preparation of the financial statements is given on pages 49 to 56. There were no changes in Accounting Policies adopted by the Bureau during the year under review.

### Financial Results/Profit and Appropriations

The Income Statement is set out on page 45.

### Property, Plant & Equipment

During the year under review the Company invested a sum of Rs 14,622,305/- (2011 – Rs. 24,331,520/-) in property, plant & equipment and intangible assets of which Rs 14,160,222/- is in computer and accessories, developments

and others and Rs 462,084/- is in Furniture and fixtures.

Information relating to movement in Property, Plant & Equipment during the year is disclosed under Note 07 to the financial statement.

### Investments

Details of long-term Investments held by the Company are given in Note 09 to the financial statements on page 61.

### Directors' Responsibilities

The Statement of the Directors' Responsibilities is given on page 41 of this report.

### Dividend

The Board of Directors declared the payment of a dividend for the financial year ended 31st December 2012

### Reserves

The Reserves and Accumulated Profits as at 31st December 2012 amount to Rs. 817,435,401/- as against Rs 561,283,577 as at 31st December 2011. The breakup and the movement are shown in the Statement of Changes in Equity in the financial statements.

### Stated Capital

As per the terms of the Companies Act No. 7 of 2007, the stated capital of the Bureau is Rs. 25,000,000/- as at 31st December 2012. The details are given in Note 13 to the financial statement on page 63

### Post Balance Sheet Events

There were no material events occurring after the Balance Sheet date that require adjustments, or disclosure which require adjustment in the Financial Statements other than those mentioned in Note 19 to the Financial Statements.

### Statutory Payments

The declaration relating to Statutory Payments is made in the Statement of Directors' Responsibilities on page 41

## Board Committees

### Audit Committee

Following are the names of the Directors comprising the Audit Committee of the Board.

1. Mr. A M Chandrasagara (Chairman)
2. Mrs. T M J Y P Fernando
3. Mr. A R G Ganegoda

The Report of the Audit Committee is given on page 36.

### Remuneration Committee

Following are the names of the Directors comprising the Remuneration Committee of the Board

1. Mr. N Vasantha Kumar (Chairman)
2. Mr. A R G Ganegoda
3. Mr. I A Wickramasinghe

The report of the remuneration committee is given on page 38.

### Technical Committee

Following are the names of the Directors comprising the Technical Committee of the Board.

1. Mrs. T M J Y P Fernando (Chairperson)
2. Mr. A R G Ganegoda
3. Mr. I A Wickramasinghe

The Report of the Technical Committee is given on page 37.

The earnings per share, net assets per share are given in Financial Highlights on page 05 of this Annual Report.

### Directors

The Directors of the Bureau as at 31st December 2012 and their brief profiles are given on page 16 to 19 in this report.

During the year under review the Board met on 12 occasions.

### Auditors

The resolution to appoint the present Auditors, Messrs. Ernst & Young Chartered Accountants, who have expressed their willingness to continue in office, will be proposed at the Annual General Meeting.

Rs. 111,950/- payment was made to them during the year 2012.

As far as the Directors are aware, the Auditors do not have any relationship or interest in the Bureau. The Audit Committee reviews the appointment of the Auditors, its effectiveness and its relationship with the Bureau including the level of audit and non-audit fees paid to the Auditor. Details on the work of the Audit Committee are set out under Audit committee report.

### Notice of Meeting

The Annual Shareholders meeting of the Credit Information Bureau of Sri Lanka will be held at Hotel Kingsbury, Colombo 01 at 10.30am.

For and on behalf of the Board.



**B D W Ananda Silva**  
Chairman



**G P Karunaratne**  
Director

28 March 2013  
Colombo



# Independent Auditor's report

To The Shareholders Of Credit Information Bureau Of Sri Lanka



## Independent Auditor's Report to The Shareholders of Credit Information Bureau of Sri Lanka

### Report on the Financial Statements

We have audited the accompanying financial statements of Credit Information Bureau of Sri Lanka ("Bureau") which comprise the statement of financial position as at 31 December 2012, and the income statement and statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### Management's Responsibility for the Financial Statements

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

### Scope of Audit and Basis of Opinion

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those standards

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

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

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

### Opinion

In our opinion, so far as appears from our examination, the Bureau maintained proper accounting records for the year ended 31 December 2012 and the financial statements give a true and fair view of the Company's financial position as at 31 December 2012 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

28 March 2013  
Colombo

Partners: A D B. Talwatte FCA FCMA M P D. Cooray FCA FCMA R N de Saram ACA FCMA Ms. N A De Silva ACA Ms. Y A de Silva ACA W R H Fernando FCA FCMA  
W K B S P Fernando FCA FCMA A P A Guriasekera FCA FCMA A Herath FCA D K Hulangamurwa FCA FCMA LLB (Lond) H M A Jayasinghe FCA FCMA  
Ms. A A Ludowyke FCA FCMA Ms. G G S. Manatunga ACA Ms. L C G Nanayakkara FCA FCMA N M Sulaiman ACA ACMA B E Wijesuriya ACA ACMA

# Income Statement

For The Year Ended 31 December 2012

	Note	2012 Rs.	2011 Rs.
<b>Revenue</b>	3	430,163,000	444,296,829
Other Operating Income	4	121,273,892	69,170,566
Employee Related Expenses		(33,245,836)	(28,836,259)
Administration & Establishment Expenses		(27,337,470)	(22,472,463)
Other Operating Expenses		(76,605,119)	(86,491,018)
Secured Transaction Registry		(2,745,508)	(2,483,733)
<b>Profit Before Tax</b>		411,502,959	373,183,921
Income Tax Expense	5	(36,348,848)	(21,728,035)
<b>Profit for the Year</b>		375,154,111	351,455,886
<b>Earnings Per Share</b>	17	1,501	1,406

<b>Statement of Comprehensive Income</b>	2012 Rs.	2011 Rs.
<b>Profit for the Year</b>	375,154,111	351,455,886
<b>Other Comprehensive Income</b>		
Gains and Losses on Remeasuring Available for Sale Financial Assets	5,979,438	(10,715,540)
Other Comprehensive Income for the Year	-	-
<b>Total Comprehensive Income for the Year</b>	381,133,549	340,740,347

The accounting policies and notes on pages 49 through 64 form an integral part of the Financial Statements.

# Statement of Financial Position

For The Year Ended 31 December 2012

	Note	2012 Rs.	2011 Rs.	As at 1 January 2011 Rs.
<b>ASSETS</b>				
<b>Non-Current Assets</b>				
Equipment	7	25,011,442	31,716,628	22,927,259
Intangible Assets	8	34,275,737	43,930,107	30,581,944
Other - Non Current Financial Assets	9	-	-	574,912,800
		59,287,179	75,646,735	628,422,003
<b>Current Assets</b>				
Inventories	10	389,280	387,920	278,151
Trade and Other Receivables	11	79,968,240	85,807,908	100,794,145
Other Current Financial Assets	9	1,360,380,416	991,733,044	156,566,241
Cash and Cash Equivalents	12	8,644,900	22,071,667	6,780,179
		1,449,382,836	1,100,000,539	264,418,716
<b>Total Assets</b>		<b>1,508,670,016</b>	<b>1,175,647,274</b>	<b>892,840,719</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Capital &amp; Reserves</b>				
Stated Capital	13	25,000,000	25,000,000	25,000,000
Reserves		817,435,401	561,283,577	431,898,853
Retained Earnings		627,156,813	552,175,087	378,319,465
<b>Total Equity</b>		<b>1,469,592,214</b>	<b>1,138,458,664</b>	<b>835,218,318</b>
<b>Non-Current Liabilities</b>				
Retirement Benefit Liability	14	2,435,655	1,900,677	1,434,432
		2,435,655	1,900,677	1,434,432
<b>Current Liabilities</b>				
Trade and Other Payables	15	16,987,404	17,649,173	23,921,909
Dividends Payable	16	628,225	556,450	517,660
Income Tax Liabilities		18,072,165	13,465,088	16,542,623
Cash and Cash Equivalents	12	954,353	3,617,222	15,205,777
		36,642,147	35,287,933	56,187,969
<b>Total Equity and Liabilities</b>		<b>1,508,670,016</b>	<b>1,175,647,274</b>	<b>892,840,719</b>

These Financial Statements are in compliance with the requirements of the Companies Act No :07 of 2007.



*Chief Manager (Accounts & Administration) - Dinesha I.A Jayasinghe*

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



Director



Director

The accounting policies and notes on pages 49 through 64 form an integral part of the Financial Statements.

28 March 2013, Colombo

# Statement of Changes in Equity

Year Ended 31 December 2012

	Stated Capital Rs.	General Reserve Rs.	Other Reserves Rs.	Technical Reserves Rs.	Available for sale Reserve Rs.	Retained Earnings Rs.	Total Rs.
<b>As at 1st January 2011</b>	25,000,000	1,786,028	2,000,000	423,631,943	-	374,880,685	827,298,656
SLFRS Adjustment	-	-	-	-	4,480,882	3,438,780	7,919,662
<b>Revised As at 1st January 2011</b>	25,000,000	1,786,028	2,000,000	423,631,943	4,480,882	378,319,465	835,218,318
Profit for the year						351,455,886	351,455,886
AFS Reserve remeasurement					(10,715,540)		(10,715,540)
Transfer to General Reserves		100,264				(100,264)	-
Transfer to Technical Reserve				140,000,000		(140,000,000)	-
Dividends						(37,500,000)	(37,500,000)
<b>Balance as at 31st December 2011</b>	25,000,000	1,886,292	2,000,000	563,631,943	(6,234,658)	552,175,087	1,138,458,665
Profit for the year						375,154,111	375,154,111
Transfer to General Reserves		172,386				(172,386)	-
AFS Reserve remeasurement					5,979,438		5,979,438
Transfer to Technical Reserve				250,000,000		(250,000,000)	-
Dividends						(50,000,000)	(50,000,000)
<b>As at 31 December 2012</b>	<b>25,000,000</b>	<b>2,058,678</b>	<b>2,000,000</b>	<b>813,631,943</b>	<b>(255,220)</b>	<b>627,156,813</b>	<b>1,469,592,214</b>

The accounting policies and notes on pages 49 through 64 form an integral part of the Financial Statements.

# Cash Flow Statements

Year Ended 31 December 2012

Cash Flows From / (Used in) Operating Activities	2012 Rs.	2011 Rs.	As At 1 January 2011 Rs.
Profit before tax	411,502,959	373,183,921	257,860,800
Adjustments for			
Depreciation	10,102,308	15,616,314	13,780,290
Amortisation	21,940,090	18,154,978	16,859,678
Income from Financial Instruments Held for Sale	(120,884,265)	(68,985,559)	(84,528,588)
(Profit)/Loss on sales of Equipment	17,198	14,711	(21,005)
Provision for Defined Benefit Plans	534,978	466,245	105,752
Operating Profit before Working Capital Changes	323,213,268	338,450,610	204,056,927
(Increase)/ Decrease in Inventories	(1,360)	(109,769)	(42,781)
(Increase)/ Decrease in Trade and Other Receivables	5,839,668	14,986,237	(17,323,318)
Increase/ (Decrease) in Trade and Other Payables	(661,769)	(6,272,736)	4,733,857
Cash Generated from Operations	<b>328,389,807</b>	<b>347,054,342</b>	<b>191,424,685</b>
Esc Paid	(1,075,635)	(1,110,961)	(769,915)
Income Tax Paid	(18,523,952)	(16,542,623)	(16,821,975)
Net Cash From Operating Activities	<b>308,790,220</b>	<b>329,400,758</b>	<b>173,832,795</b>
<b>Cash Flows Used in Investing Activities</b>			
Acquisition of Equipment	(3,743,082)	(24,412,770)	(4,182,217)
Proceeds from sale of Equipment	-	-	137,300
Acquisition of Intangible Assets	(12,285,721)	(31,503,141)	-
Net Acquisition of Financial Instruments Held for Sale	(364,929,662)	(274,437,233)	(259,775,812)
Interest Received	111,332,574	65,293,639	76,079,045
Net Cash Flows Used in Investing Activities	(269,625,892)	(265,059,505)	(187,741,684)
<b>Cash Flows Used in Financing Activities</b>			
Dividends Paid	(49,928,225)	(37,461,210)	(12,495,500)
Net Cash Flows Used in Financing Activities	(49,928,225)	(37,461,210)	(12,495,500)
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>	<b>(10,763,897)</b>	<b>26,880,043</b>	<b>(26,404,389)</b>
<b>Cash and Cash Equivalents at the beginning of the year</b>	<b>18,454,445</b>	<b>(8,425,598)</b>	<b>17,978,791</b>
<b>Cash and Cash Equivalents at the end of the year</b>	<b>7,690,548</b>	<b>18,454,445</b>	<b>(8,425,598)</b>

The accounting policies and notes on pages 49 through 64 form an integral part of the Financial Statements.



# Notes to the Financial Statements

Year Ended 31 December 2012

## 1.0 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 2012 were authorized for issue in accordance with a resolution of the Board of Directors on 28 March 2013.

## 2.0 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 2.1 General Policies

#### 2.1.1 Basis of Preparation

The financial statements of the Bureau have been prepared in accordance with Sri Lanka Accounting Standards (SLFRS and LKAS) as issued by Institute of Chartered Accounts of Sri Lanka (CA Sri Lanka) and 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.

For all periods up to and including the year ended 31 December 2011, the Bureau prepared its financial statements in accordance with SLASs effective up to 31 December 2011. These financial statements for the year ended 31 December 2012 are the first the Bureau has prepared in accordance

with SLASs(SLFRS and LKAS) effective for the periods beginning on or after 01 January 2012.

Note 2.5 discloses the impact of the transition to SLFRS on the Bureau's reported financial position and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Bureau's financial statements for the year ended 31 December 2011 prepared under SLASs.

### 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 Bureau has prepared financial statements which comply with SLFRS & LKAS applicable for periods ending on or after 31 December, 2012, together with the comparative period data as and for the year ended 31 December 2011as described in the accounting policies.

## 2.2 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

### Estimates and Assumptions

The preparation of financial statements in conformity with SLFRS/LKAS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. The estimates and underlying assumptions are reviewed on ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

### **Impairment of Loans & Receivables**

The Bureau provides services to individuals and businesses, on credit terms. We know that certain debts due to us will not be paid through the default of a small number of our customers. Current conditions prevail in the internal and external environment and historical trends are used in determining the level of debts that we believe will not be collected. These estimates include such factors as the current state of the economy, particular industry issues, and debt collection trends.

### **Useful life for Property, Plant and Equipment**

The property, plant and equipment in the Company are estimated to carry economic useful lives lasting over year. Remaining useful lives are assessed annually and changed when necessary to reflect their remaining lives in light of technological change, network investment plans, prospective economic utilisation and physical condition of the assets concerned. Principal depreciation rates used are discussed under Note 2.3.6

### **Defined Benefit Plan – Gratuity**

The defined benefit obligation and the related charge for the year is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates etc. Due to the long-term nature of such obligations these estimates are subject to significant uncertainty.

### **Impairment of Assets**

Since the company is operating in an industry where rapid technological changes take place, it determines whether assets have been impaired by performing an impairment review. This requires the estimation of the 'value in use' of the cash generating units. Estimating value in use requires management to make an estimate of the expected future cash flows from the cash generating unit and also to select a suitable discount rate in order to calculate the present value of the relevant cash flows. This valuation requires the company to make estimates about expected future cash flows and discount rates, and hence, they are subject to uncertainty.

### **Fair value of financial instruments**

When the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be

derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

## **2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **2.3.1 Foreign Currency Translation**

The Financial Statements are presented in Sri Lanka Rupees, which is the Bureau's functional and presentation currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date.

All differences are taken to the income statement with the exception of all monetary items that forms part of a net investment in a foreign operation. These are recognised in other comprehensive income until the disposal of the net investment, at which time they are reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on translation of non-monetary items is recognised in line with the gain or loss of the item that gave rise to the translation difference (translation differences on items whose gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss respectively).

### **2.3.2 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 criteria 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**

For all financial instruments measured at amortised cost and interest bearing financial assets classified as available-for-sale, interest income or expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the income statement.

#### **(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.

### **2.3.3 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 income statement the directors are of the opinion that function of expenses method presents fairly the elements of the Bureau's performances, hence such presentation method is adopted.

### **2.3.4 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.

### **2.3.5 Leases**

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

#### **(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. Rental paid under leases are recognized as an expenses in the income statement on a straight-line basis over the lease term.

### **2.3.6 Equipment**

Equipment is stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing component parts of equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of equipment are required to be replaced at intervals, the Bureau derecognises the replaced part, and recognises the new part with its own associated useful life and depreciation. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the income statement as incurred.

An item of equipment and any significant part initially recognised is derecognised 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 when the asset is

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

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.

The principal annual rates used are as follows:

Computer & Accessories 25% p.a.

Sundry Assets 20 % p.a

Furniture & Fittings 20 % p.a

### 2.3.7 Intangible Assets

Identifiable intangible assets are recognised when the Bureau controls the asset, it is probable that future economic benefits attributed to the asset will flow to the Bureau and the cost of the asset can be reliably measured.

#### Finite lives intangible assets

Intangible assets with finite lives are stated at acquisition or development cost, less accumulated amortisation. The amortisation period and method is reviewed at least annually. 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 amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible asset.

### 2.3.8 Financial instruments

#### initial recognition and subsequent measurement

##### 2.3.8.1 Financial assets

#### (a) Initial recognition and measurement

Financial assets within the scope of LKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets as appropriate. The Bureau

determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Bureau commits to purchase or sell the asset.

The bureau financial assets include cash and short-term deposits, trade and other receivables, Investment in governments' securities and repurchase agreement.

#### Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

##### (b) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the income statement. The losses arising from impairment are recognized in the income statement in finance costs.

##### (c) Available for Sale

Investment in Treasury bill & treasury bonds are classified as available-for-sale are those, which are neither classified as held to maturity nor designated at fair value through profit or loss. In this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value



with unrealised gains or losses recognised as other comprehensive income in the available-for-sale reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or determined to be impaired, at which time the cumulative loss is reclassified to the income statement in finance costs and removed from the available-for-sale reserve.

### **Derecognition**

A financial asset is derecognized when:

- The rights to receive cash flows from the asset have expired
- The Bureau has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Bureau has transferred substantially all the risks and rewards of the asset, or (b) the Bureau has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Bureau has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of it, the asset is recognized to the extent of the Bureau's continuing involvement in it.

### **(d) Impairment of financial assets**

A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as

changes in arrears or economic conditions that correlate with defaults.

### **Financial assets carried at amortised cost**

For financial assets carried at amortised cost, the Bureau first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Bureau determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the income statement. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the income statement.

### **2.3.8.2 Financial liabilities**

#### **(a) Initial recognition and measurement**

Financial liabilities within the scope of LKAS 39 are classified as financial liabilities at fair value through profit

or loss, loans and borrowings, as appropriate. The Bureau determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, carried at amortised cost. This includes directly attributable transaction costs.

The bureau's financial liabilities include trade and other payables.

### **Derecognition**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

### **2.3.8.3 Offsetting of financial instruments**

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

### **2.3.8.4 Fair value of financial instruments**

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models.

### **2.3.9 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.

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

Stationery – At Accrual Cost on First in First Out Basis

### **2.3.10 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.

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 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.

### **2.3.11 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 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.

### **2.3.12 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.

### **2.3.13 Retirement Benefit Obligations**

#### **(a) Defined Benefit Plan – Gratuity**

Defined benefit plan defines an amount of benefits that an employee will receive on retirement, usually dependant on or more factors as years of service and compensation. Gratuity is a Defined Benefit Plan. The Company is liable to pay gratuity in terms of the relevant statute. In order

to meet this liability, a provision is carried forward in the balance sheet and the Company. The cost of providing benefits under the defined benefit plans are determined separately for each plan using the projected unit credit actuarial valuation method. Actuarial gains and losses are charged or credited in the period in which they arise.

The past service cost is recognised as an expense on a straight line basis over the average period until the benefits become vested. If the benefits are already vested immediately following the introduction of, or changes to, a pension plan, past service cost is recognized immediately. The defined benefit asset or liability comprises the present value of the defined benefit obligation less past service cost not yet recognised and less the fair value of plan assets out of which the obligations are to be settled directly. The value of any asset is restricted to the sum of any past service cost not yet recognised and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

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.

### **2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE**

Standards issued but not yet effective up to the date of issuance of the Bureau's financial statements are listed below. This listing is of standards and interpretations issued, which the Bureau reasonably expects to be applicable at a future date. The Bureau intends to adopt those standards when they become effective.

#### **SLFRS 9 Financial Instruments: Classification and Measurement**

SLFRS 9 as issued reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification

and measurement of financial assets and financial liabilities as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2014. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The completion of this project is expected over the course of 2011. The adoption of the first phase of SLFRS 9 will have an effect on the classification and measurement of the Bureau's financial assets, but will potentially have no impact on classification and measurements of financial liabilities. The Bureau will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

### **SLFRS 13 – Fair Value measurement**

SLFRS 13 establishes a single source of guidance under SLFRS for all fair value measurements. SLFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under SLFRS when fair value is required or permitted. The Fund is currently assessing the impact that this standard will have on the financial position and performance. This standard becomes effective for annual periods beginning on or after 1 January 2014.

### **2.5 First-time adoption of SLFRS**

These financial statements, for the year ended 31 December 2012, are the first the Bureau has prepared in accordance with SLFRSs. For periods up to and including the year ended 31 December 2011, the Bureau prepared its financial statements in accordance with Sri Lanka Accounting Standards as issued by the Institute of Chartered Accounts of Sri Lanka.

Accordingly, the Bureau has prepared financial statements which comply with SLFRSs applicable for periods ended on or after 31 December 2012, together with the comparative period data as at and for the year ended 31 December 2011, as described in the accounting policies.

In preparing these financial statements, the Bureau's opening statement of financial position was prepared as at 01 January 2011, the Bureau's date of transition to SLFRSs. This note explains the principal adjustments made by the Bureau in restating its statement of financial position as at 1 January 2011 and its previously published financial statements as at and for the year ended 31 December 2011.

### **(A) Available-for-sale financial instruments**

Pre-Convergence the Bureau accounted for investments in government securities at cost. Post- Convergence the Bureau designated investment in government treasury bills and bonds as available for sale financial instruments, which is initially and subsequently measured at fair value. The differences between the fair value and the carrying value have been recognized in the available for sale reserve. Further, the differences between Straight line amortization and EIR amortization of discount or premium has been recognized in interest income.

### **(B) Reclassification of Interest Receivable**

The interest receivable component has been reclassified to the respective financial assets.

### **(C) Retirement Benefit Liability - Gratuity**

Post- Convergence the Bureau adopted to value the retirement benefit liability (Gratuity) using an actuarial method which previously was calculated based on a half month's salary for each completed year of service.

## **2.6 Risk Management Objectives & Policies**

The Bureau main financial liabilities included as trade and other payables. The main purpose of these financial liabilities is to support to operations of the Bureau. The Bureau has financial assets trade and other receivables, cash and short-term deposits that arrive directly from its operations and Treasury bills & Treasury bonds as available-for-sale investments. The Bureau has following risk types.

### **(a) Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. It is a risk that future proceeds will have to be re-invested at a lower rate. But the interest income is not a main income of the Bureau. Therefore there is less possibility for interest rate risk for main operations.

### **(b) Credit Risk**

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. Since the customers of the Bureau are Banks & finance Companies & leasing Companies. Since it is expose to minimum credit risk.



	2012 Rs.	2011 Rs.
<b>3. REVENUE</b>		
Credit Information	502,632,740	519,899,326
Less		
Discount Allowed	(20,852,457)	(22,261,499)
Value Added Tax	(51,617,283)	(53,340,999)
	<b>430,163,000</b>	<b>444,296,829</b>
<b>4. OTHER OPERATING INCOME</b>		
Interest Income	120,884,265	68,985,559
Loss on sale of Fixed Assets	(17,198)	(14,711)
Staff Loan Interest	315,031	110,815
Sundry Income	948	1,242
Self Inquiry Income	90,847	87,661
	<b>121,273,892</b>	<b>69,170,566</b>
<b>5. INCOME TAX</b>		
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	36,348,848	21,728,035
<b>Income tax expense reported in the Income Statement</b>	<b>36,348,848</b>	<b>21,728,035</b>
<b>6. PROFIT BEFORE TAX</b>		
Stated After Charging		
Included in Administrative Expenses		
Employees Benefits including the following		
- Defined Benefit Plan Costs - Gratuity (included in Employee Benefits)	534,978	466,245
- Defined Contribution Plan Costs - EPF&ETF (included in Employee Related Expenses)	2,384,130	2,046,742
Depreciation	10,102,308	15,616,314
Amortisation of Intangible Assets	21,940,090	18,154,978
Auditor's Fees and Expenses	150,000	100,000

7. EQUIPMENT	Balance As at 01.01.2012 Rs.	Additions/ Transfers/ Acquisitions Rs.	Disposals/ Transfers Rs.	Balance As at 31.12.2012 Rs.
<b>7.1</b>				
At Cost				
Computer & Accessories	6,519,467	1,781,140	(659,800)	7,640,807
Computer & Accessories -Project	51,282,555	678,753	(358,942)	51,602,367
Computer & Accessories -STR	149,400	-	-	149,400
Furniture, Fittings & Office Equipment	7,058,656	424,586	(6,950)	7,476,291
Furniture, Fittings & Office Equipment Project	70,060	-	-	70,060
Sundry Assets	103,272	37,500	(55,505)	85,267
Data Centre	13,854,371	821,104	(59,000)	14,616,475
	<b>79,037,781</b>	<b>3,743,082</b>	<b>(1,140,197)</b>	<b>81,640,667</b>
<b>Depreciation</b>	<b>Balance As at 01.01.2012 Rs.</b>	<b>Charge for the period/ Transfers Rs.</b>	<b>Disposals/ Transfers Rs.</b>	<b>Balance As at 31.12.2011 Rs.</b>
At Cost				
Computer & Accessories	4,930,480	551,975	(37,167)	5,445,288
Computer & Accessories -Project	33,487,530	5,396,958	(682,588)	38,201,901
Computer & Accessories -STR	27,195	37,452	-	64,647
Furniture, Fittings & Office Equipment	3,475,585	1,223,516	(4,992.58)	4,694,108
Furniture, Fittings & Office Equipment Project	56,048	14,012	-	70,060
Sundry Assets	42,337	9,600	(26,110.93)	25,826
Data Centre	5,307,352	2,868,794	(48,752)	8,127,395
	<b>47,326,527</b>	<b>10,102,308</b>	<b>(799,610)</b>	<b>56,629,225</b>
<b>Net Book Values</b>			<b>2012 Rs.</b>	<b>2011 Rs.</b>
At Cost				
Computer & Accessories			2,195,519	1,588,987
Computer & Accessories -Project			13,400,466	17,795,025
Computer & Accessories -STR			84,753	122,205
Furniture, Fittings & Office Equipment			2,782,183	3,583,071
Furniture, Fittings & Office Equipment Project			-	14,012
Sundry Assets			59,441	60,934
Data Centre			6,489,080	8,552,394
			<b>25,011,442</b>	<b>31,716,628</b>
<b>Total Carrying Amount of Property, Plant &amp; Equipment</b>			<b>25,011,442</b>	<b>31,716,628</b>

7. EQUIPMENT (Contd.)	Balance As at 01.01.2011 Rs.	Additions Rs.	Disposals Rs.	Balance As at 31.12.2011 Rs.
<b>7.2</b>				
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
	<b>54,653,363</b>	<b>24,412,770</b>	<b>(28,351)</b>	<b>79,037,782</b>

Depreciation	Balance As at 01.01.2011 Rs.	Charge for the period Rs.	Disposals Rs.	Balance As at 31.12.2011 Rs.
At Cost				
Computer & Accessories	4,478,289	452,191	-	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
	<b>31,726,105</b>	<b>15,616,314</b>	<b>(21,265)</b>	<b>47,321,154</b>

Net Book Values	2011 Rs.	2010 Rs.
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
	<b>31,716,629</b>	<b>22,927,259</b>
<b>Total Carrying Amount of Property, Plant &amp; Equipment</b>	<b>31,716,628</b>	<b>22,927,259</b>

8. INTANGIBLE ASSETS	Computer Software Costs Rs.	System Development Costs Rs.	Software STR Costs Rs.	Total Rs.
<b>Cost</b>				
As at 1st January 2011	27,399,802	49,342,570	-	76,742,372
Additions	31,300,391	202,750	-	31,503,141
As at 31st December 2011	58,700,193	49,545,320	-	108,245,513
Additions	1,399,328	10,498,638	387,755	12,285,721
<b>As at 31st December 2012</b>	<b>60,099,521</b>	<b>60,043,958</b>	<b>387,755</b>	<b>120,531,234</b>
<b>Amortisation</b>				
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
Amortisation for the year	8,796,732	13,054,387	88,971	21,940,090
<b>As at 31st December 2012</b>	<b>38,007,237</b>	<b>48,159,289</b>	<b>88,971</b>	<b>86,255,497</b>
<b>Net book value</b>				
As at 1st January 2011	3,987,056	26,594,888	-	30,581,944
As at 31 December 2011	29,489,688	14,440,419	-	43,930,107
<b>As at 31st December 2012</b>	<b>22,092,284</b>	<b>11,884,669</b>	<b>298,784</b>	<b>34,275,737</b>



9. OTHER FINANCIAL INSTRUMENTS	2012 Rs.	2011 Rs.	As at 1 January 2011 Rs.
<b>9.1 Available for sale financial instruments</b>			
Treasury Bonds	96,823,345	871,213,116	624,290,153
Treasury Bills	-	75,493,041	-
	<b>96,823,345</b>	<b>946,706,157</b>	<b>624,290,153</b>
<b>Non Current</b>	-	-	574,912,800
<b>Current</b>	96,823,345	946,706,157	49,377,353
<b>9.2 Loans and Receivables</b>			
Receivable under Resale Agreements (Repo)	1,263,557,071	45,026,887	107,188,888
	<b>1,263,557,071</b>	<b>45,026,887</b>	<b>107,188,888</b>
<b>Non Current</b>	-	-	-
<b>Current</b>	1,263,557,071	45,026,887	107,188,888
<b>9.3 Total Non Current</b>	-	-	574,912,800
<b>Total Current</b>	<b>1,360,380,416</b>	<b>991,733,044</b>	<b>156,566,241</b>
<b>10. INVENTORIES</b>	<b>2012 Rs.</b>	<b>2011 Rs.</b>	<b>As at 1 January 2011 Rs.</b>
Stationery	389,280	387,920	278,151

11. TRADE AND OTHER RECEIVABLES	2012 Rs.	2011 Rs.	As at 1 January 2011 Rs.
Trade Debtors (11.1)	69,045,865	75,984,534	59,803,226
Advances & Prepayments	8,308,987	7,335,093	39,904,639
Loan to Bureau Staff	2,251,604	2,242,331	939,744
Pre paid Staff Expenses	288,535	176,201	80,285
Deposits for Safe Lockers	45,000	45,000	45,000
Receivable	28,249	24,750	21,250
	<b>79,968,240</b>	<b>85,807,908</b>	<b>100,794,145</b>

11.1 As at 31 December, the ageing analysis of trade receivables is as follows:

Total	Neither Past due nor impaired	Past due but not impaired			
		<30 days Rs.	30 -60 days Rs.	61 - 90 days Rs.	>90 days Rs.
69,045,865	38,302,146	12,864	27,971,556	2,676,554	82,745

12. CASH AND CASH EQUIVALENTS	2012 Rs.	2011 Rs.	As at 1 January 2011 Rs.
Components of Cash and Cash Equivalents			
12.1 Favourable Cash & Cash Equivalents Balance			
Cash & Bank Balances	8,644,900	22,071,667	6,780,179
	<b>8,644,900</b>	<b>22,071,667</b>	<b>6,780,179</b>
12.2 Unfavourable Cash & Cash Equivalents Balance			
Cash & Bank Balances *	(954,353)	(3,617,222)	(15,205,777)
<b>Total Cash and Cash Equivalents For the Purpose of Cash Flow Statement</b>	<b>7,690,548</b>	<b>18,454,445</b>	<b>(8,425,598)</b>

\* This is due to unrepresented cheques

13. STATED CAPITAL	2012		2011		As at 1 January 2011	
	Number	Rs.	Number	Rs.	Number	Rs.
Ordinary Shares	250,000	25,000,000	250,000	25,000,000	250,000	25,000,000
	<b>250,000</b>	<b>25,000,000</b>	<b>250,000</b>	<b>25,000,000</b>	<b>250,000</b>	<b>25,000,000</b>

14. RETIREMENT BENEFIT LIABILITY	2012 Rs.	2011 Rs.
<b>Retirement Benefits Obligation-Gratuity</b>		
As at 1st January	1,900,677	1,434,432
Charge for the year	534,978	466,245
Payments made during the year	-	-
As at 31 December	<b>2,435,655</b>	<b>1,900,677</b>

**14.1** Defined Benefit Liability is valued as of 31 December 2012 and the principal assumptions used in the valuation is as follows:

	2012	2011
Discount Rate	12%	12%
Annual Salary Increment Rate	10%	10%
Staff Turnover	5%	5%

15. TRADE & OTHER PAYABLES	2012 Rs.	2011 Rs.	As at 1 January 2011 Rs.
Trade Payables	5,995,872	6,530,509	12,383,242
Accrued Expenses	5,349,796	5,491,772	7,146,871
Other Payables	5,641,735	5,626,892	4,391,796
	<b>16,987,404</b>	<b>17,649,173</b>	<b>23,921,909</b>

16. DIVIDENDS PAID AND PROPOSED	2011 Rs.	2010 Rs.
<b>Declared and paid during the year</b>		
Dividends on ordinary shares :	200	150
	<b>200</b>	<b>150</b>

**17. 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.

	2012	2011
Net Profit attributable to Ordinary Shareholders (Rs.)	<b>375,154,111</b>	<b>351,455,886</b>
Weighted Average number of Ordinary Shares -	250,000	250,000
Earnings per Share (Rs.)	<b>1,501</b>	<b>1,406</b>

**18. RELATED PARTY DISCLOSURES**

Details of significant related party disclosures are as follows:

<b>18.1</b>	<b>Key Management Personnel Compensation</b>	<b>2012 Rs.</b>	<b>2011 Rs.</b>
	Short-term employee benefits	6,369,103	5,539,000
	<b>Total</b>	<b>6,369,103</b>	<b>- 5,539,000</b>
<b>Other Transactions with Key Management Personnel</b>			
<b>18.2</b>	<b>Loans to Key Management Personnel</b>	<b>2012 Rs.</b>	<b>2011 Rs.</b>
	As at 1st January 2012	944,444	-
	Loans advanced during the year	-	1,000,000
	Loans repayments received	(666,667)	(55,556)
	As at 31 March	<b>277,778</b>	<b>944,444</b>
	Interest received	<b>31,667</b>	<b>2,639</b>

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.

**19. EVENTS OCCURRING AFTER THE BALANCE SHEET**

There have been no material events occurring after the balance sheet date that require adjustments to or disclosures in the Financial Statements.



# Reconciliation of Equity

As at 01 January 2011 (Date of Transition to SLFRS)

	Note	As At 1 January 2011 As per SLAS Rs.	Remeasurement Rs.	As At 1 January 2011 As per SLFRS Rs.
<b>ASSETS</b>				
<b>Non-Current Assets</b>				
Property, Plant & Equipment		22,927,259		22,927,259
Intangible Assets		30,581,944		30,581,944
Other Non Current Financial Assets	A	551,156,183	23,756,617	574,912,800
		<b>604,665,386</b>	<b>23,756,617</b>	<b>628,422,003</b>
<b>Current Assets</b>				
Inventories		278,151		278,151
Trade and Other Receivables	B	118,396,573	(17,602,428)	100,794,145
Other Current Financial Assets	A	154,800,767	1,765,474	156,566,241
Cash and Cash Equivalents		6,780,179		6,780,179
		<b>280,255,670</b>	<b>(15,836,954)</b>	<b>264,418,716</b>
<b>Total Assets</b>		<b>884,921,056</b>	<b>7,919,663</b>	<b>892,840,719</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Capital &amp; Reserves</b>				
Stated Capital		25,000,000		25,000,000
Reserves	A	427,417,971	4,480,882	431,898,853
Retained Earnings	A	374,986,437	3,333,028	378,319,465
<b>Total Equity</b>		<b>827,404,408</b>	<b>7,813,910</b>	<b>835,218,318</b>
<b>Non-Current Liabilities</b>				
Retirement Benefit Liability	C	1,328,679	105,753	1,434,432
		<b>1,328,679</b>	<b>105,753</b>	<b>1,434,432</b>
<b>Current Liabilities</b>				
Trade and Other Payables		23,921,909		23,921,909
Dividends Payable		517,660		517,660
Income Tax Liabilities		16,542,623		16,542,623
Other Liabilities		15,205,777		15,205,777
		<b>56,187,969</b>	<b>-</b>	<b>56,187,969</b>
<b>Total Equity and Liabilities</b>		<b>884,921,056</b>	<b>7,919,663</b>	<b>892,840,719</b>

# Reconciliation of Equity

As at 31 December 2011

	Note	2011 As per SLAS	Remeasurement	2011 As per SLFRS
<b>ASSETS</b>				
<b>Non-Current Assets</b>				
Property, Plant & Equipment		31,716,628		31,716,628
Intangible Assets		43,930,107		43,930,107
Other Non Current Financial Assets		-		-
		<b>75,646,735</b>	<b>-</b>	<b>75,646,735</b>
<b>Current Assets</b>				
Inventories		387,920.47		387,920
Trade and Other Receivables	B	103,783,508	(17,975,600)	85,807,908
Other Current Financial Assets	A	979,871,791	11,861,253	991,733,044
Cash and Cash Equivalents		22,071,667		22,071,667
		<b>1,106,114,886</b>	<b>(6,114,347)</b>	<b>1,100,000,539</b>
<b>Total Assets</b>		<b>1,181,761,621</b>	<b>(6,114,347)</b>	<b>1,175,647,274</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Capital &amp; Reserves</b>				
Stated Capital		25,000,000		25,000,000
Reserves	A	567,518,235	(6,234,659)	561,283,577
Retained Earnings	A	551,768,753	406,334	552,175,087
<b>Total Equity</b>		<b>1,144,286,988</b>	<b>(5,828,325)</b>	<b>1,138,458,664</b>
<b>Non-Current Liabilities</b>				
Retirement Benefit Liability	C	2,186,699	(286,022)	1,900,677
		<b>2,186,700</b>	<b>(286,022)</b>	<b>1,900,677</b>
<b>Current Liabilities</b>				
Trade and Other Payables		17,649,173		17,649,173
Dividends Payable		556,450		556,450
Income Tax Liabilities		13,465,088		13,465,088
Other Liabilities		3,617,222		3,617,222
		<b>35,287,933</b>	<b>-</b>	<b>35,287,933</b>
<b>Total Equity and Liabilities</b>		<b>1,181,761,621</b>	<b>(6,114,347)</b>	<b>1,175,647,274</b>

## Reconciliation of Total Comprehensive Income

As at 01 January 2011 (Date of Transition to SLFRS)

	Note	2011 As per SLAS Rs.	Remeasurement Rs.	2011 As per SLFRS Rs.
<b>Revenue</b>		<b>444,296,829</b>		<b>444,296,829</b>
				-
Other Operating Income	A	72,453,249	(3,282,683)	69,170,566
				-
Employee Related Expenses		(29,192,249)	355,990	(28,836,259)
				-
Administration & Establishment Expenses		(22,472,463)		(22,472,463)
				-
Other Operating Expenses		(86,491,018)		(86,491,018)
				-
Secured Trans Action Registry		(2,483,733)		(2,483,733)
<b>Profit/ (Loss) Before tax</b>		<b>376,110,615</b>	<b>(2,926,694)</b>	<b>373,183,921</b>

## Notes

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## Corporate Information

### Credit Information Bureau of Sri Lanka

#### Registered Office

No. 148, Vauxhall Street  
Colombo 02, Sri Lanka.

#### 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

#### Contact Details

Hotline: +94 112 13 13 13  
Fax: +94 112 338 259  
E-mail: info@crib.lk  
Website: www.crib.lk

#### Secured Transactions Register

Help Desk: + 94 112 333 744  
Email: supportdesk@str.lk  
Web: www.str.lk

#### Business Hours

8 am to 4.15 pm

#### Customer Service

9 am to 3.30 pm

#### Board of Directors

Mr. B D W Ananda Silva [Chairman]

*Deputy Governor - Central Bank of Sri Lanka*

Mrs. Yvette Fernando [Director]

*Director Bank Supervision - Central Bank of Sri Lanka*

Mr. A.M. Chandrasagara [Director]

*Director- HDFC Bank*

Mr. N. Vasantha Kumar [Director]

*General Manager - People's Bank*

Mr. K Dharmasiri [Director]

*General Manager - Bank of Ceylon*

Mr. Indrajith Wickramasinghe [Director]

*Chief Operating Officer - NDB Bank PLC*

Mr. Rohitha Ganegoda [Director]

*Chief Operating Officer - Nations Trust Bank PLC*

Mr. J E P A de Silva [Director]

*Chairman - Alliance Finance Co. PLC*

Mr. Sanjeewa Bandaranayake [Director]

*Deputy General Manager - People's Leasing & Finance PLC*

Mr. Gamini Karunaratne [Director]

*General Manager - Credit Information Bureau of Sri Lanka*

Mrs. P T Perera [Legal Advisor to the Board]

#### Alternate Directors

Mr. T Muthugala - Bank of Ceylon  
Mr. K B Rajapakse - People's Bank  
Mr. Dilshan Rodrigo - Hatton National Bank PLC  
Mr. Nilanth De Silva - Union Bank of Colombo PLC

#### External Auditors

Ernst & Young  
201, De Saram Place  
P O Box 101, Colombo 10, Sri Lanka.

#### Internal Auditors

KPMG (Chartered Accountants)  
32 A, Sir Mohamed Macan Markar Mawatha  
P.O. Box 186, Colombo 03, Sri Lanka.

#### Lawyers

Varners  
Level 14, West Tower  
World Trade Centre, Colombo 01, Sri Lanka.

#### Principal Banker

Bank of Ceylon

#### Management

Mr. Gamini Karunaratne - General Manager  
Mr. K A Janaka Lakmal - Deputy General Manager  
Mr. D H Ponnampemuma - Assistant General Manager  
Ms. D I A Jayasinghe - Chief Manager Accounts &  
Administration  
Mrs. R M S Ratnayake - Senior Manager - Operations

#### Board Audit Committee

Mr. A.M. Chandrasagara  
Mrs. Yvette Fernando  
Mr. Rohitha Ganegoda

#### Board Technical Committee

Mrs. Yvette Fernando  
Mr. Indrajith Wickramasinghe  
Mr. Rohitha Ganegoda

#### Board Remuneration Committee

Mr. N. Vasantha Kumar  
Mr. Rohitha Ganegoda  
Mr. Indrajith Wickramasinghe



