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Annual Report 2013

Credit Information Bureau of Sri Lanka

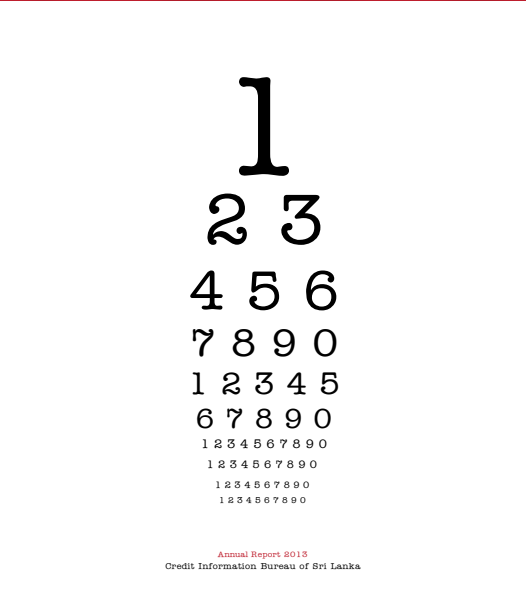
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Credit Information Bureau of Sri Lanka (CRIB) which is the first Credit Bureau in the South Asian region was established by the Credit Information Bureau of Sri Lanka Act No. 18 of 1990 as amended by Act No. 8 of 1995 and Act No. 42 of 2008. An initiative of the Central Bank of Sri Lanka and the Ministry of Finance, CRIB was a response to the 1980’s debt crisis in the country.

CRIB is a public-private partnership, with the Central Bank holding the majority of equity while the rest is held by the Commercial Banks, Specialised Banks, Registered Leasing Companies and Registered Finance Companies regulated by the Central Bank and a few other institutions declared as lending institutions by the Hon. Minister of Finance.

The disciplining mechanism provided by the Credit Information Bureau is expected to improve the country’s overall credit culture.



Just the same way an Eye Chart is used for visual acuity, CRIB offers credit information on the cutting edge, helping lenders and borrowers with clarity that promotes growth.



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 to facilitate the distribution of credit to all sectors of the economy and to the informal sector in particular.

OUR RESPONSIBILITY

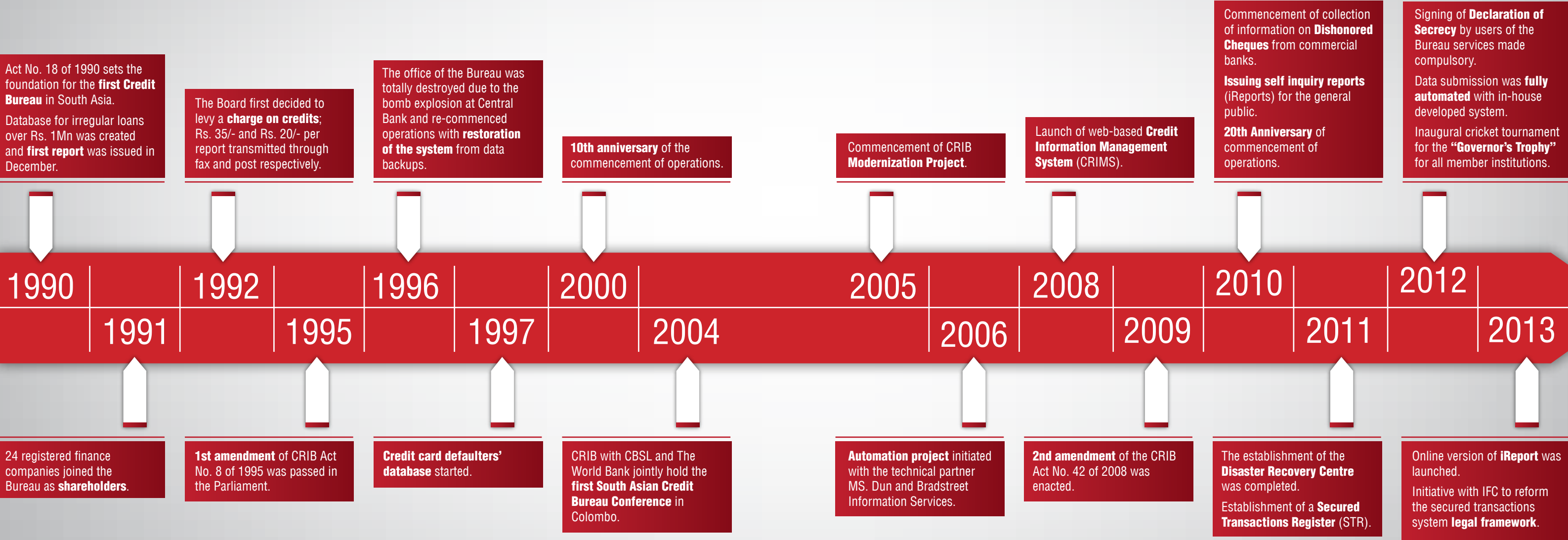
Provide an efficient and effective credit information service and other value added services to the members by using state-of-the-art technology.

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.

TIMELINE OF OUR JOURNEY



MILESTONES REACHED IN 2013

Initiation
of Reforms
to the STR



The Secured Transactions Register (STR) formed by Act No. 49 of 2009 empowered CRIB to maintain the Registry System by registering notices of security interests of movable assets taken in as collateral by lending institutions. Until August 2011 when the STR was officially launched, there was no proper legal framework or mechanism to streamline the registration of security rights over movable assets which made it difficult for lenders to accept movable property as valued and viable collateral for advances.

Reforms to STR Act with the assistance of experts from the International Finance Corporation (IFC) were initiated in 2013 on receipt of clearance from the Ministry of Finance. The Reform Process will address gaps and shortcomings in the current legal and regulatory framework which hampers the optimal functioning of the Register in Sri Lanka.

Launch of
iReport *online*
service



Prior to the launch of this service, the general public in the country were only able to obtain their respective credit information by visiting the Bureau personally or ordering the same through a bank. This approach caused great inconvenience to individuals as they were compelled to visit the bureau during business hours, irrespective of which part of the country they were residing or the constraints in their work places.

To ease the inconvenience, the Bureau launched an online service to the general public in the year 2013 whereby an individual could obtain his/her own credit report (**iReport**) anytime, from anywhere. This proud achievement of the Bureau has been identified as a first of its kind in the South East Asian region.

CRIB will promote this product (**iReport online**) extensively in 2014 with the objective of instilling discipline amongst the borrowing community which would finally lead to a disciplined society in Sri Lanka.

What the CEOs Say



The quantum leap in the quality of up-to-date information provided by the Credit Information Bureau has helped in more comprehensive borrower assessments and increased borrower consciousness in settlement of obligations.

Mr. Jonathan Alles
Managing Director



CRIB plays a pivotal role in improving the quality of lending carried out by banks and the manner in which the CRIB had enhanced their service standards is indeed commendable.

Mr. Ravi Dias
Managing Director



The Credit Information Bureau of Sri Lanka (CRIB) had demonstrated strong commitment to embrace innovation and customer convenience during the past year by combining technology driven solutions along with customer centricity.

While congratulating the management, we look forward to continued enhancement of the customer experience which will no doubt position CRIB as an important tool in one's personal and business life.

Mr. Rajendra Theagarajah
Chief Executive Officer



The CRIB has significantly changed the way we do business. For our clients, it provides ease of access to credit and to us, an effective process of managing credit risk.

Mr. E Wijenaik
Managing Director



Information available via the CRIB helps us maintain high service quality while developing a healthy lending portfolio. Assessing the creditworthiness of a customer is an important part of the Risk Management process and the CRIB greatly assists the industry with a quality service in this regard.

Mr. Roshan Egodage
Chief Executive Officer



CRIB reports have not only enabled us to significantly enhance the quality of our credit decisions and set prudent and responsible lending limits but also have contributed towards reducing operational risk.

Mr. D P Kumarage
Managing Director



Getting credit related information regarding customer dealings with other banks has improved tremendously due to CRIB. This has resulted in an overall improvement of credit quality of the banks. The information is correct and precise. CRIB has resulted in customer satisfaction as well. We greatly appreciate the support of CRIB to improve our credit quality.

Mr. Aravinda Perera
Managing Director



The services provided by CRIB have improved significantly, both in speed and provision of information, facilitating effective credit decision making as well as extension of other banking services. Further, initiatives such the Secured Transactions Register will add value when proposed changes are implemented.

Mr. Anil Amarasuriya
Chief Executive Officer



CRIB information plays a critical role in establishing overall exposure of a customer across different banks, thereby increasing the reliability of assessment of Debt Service Capacity.

Mr. Sarath Piyaratna
Executive Director



CRIB has added value to the credit granting process with timely and reliable information. CRIB's sensitivity to its clients' needs and a strong desire to continuously improve processes, thereby enhancing the efficiency and effectiveness of its operations, can be considered as the cornerstone of its success.

Mr. Kapila Jayawardena
Group Managing Director



Standard Chartered supports people and companies driving investment, trade and wealth creation and seeks to provide meaningful and efficient business solutions. The Credit Information Bureau's role is invaluable in supplying financial service providers with guidance in assessing the credit worthiness of borrowers so that prudent lending decisions may be made, which is crucial.

Mr. Anirvan Ghosh Dastidar
Chief Executive Officer

What Customers Say

There is a very wrong impression about the CRIB. It is advisable to make people aware of this facility as financial institutions misinterpret what CRIB stands for.

Actually you **provide a very good service.**

I will personally tell people to get an iReport and check from themselves.

Sasala Dissanayake
Nugegoda, July 2013

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හබරාදුව, ජූනි 2013

ඉතාම **ඉහළ මට්ටමේ මහජන සේවාත්මක ආයතනයක්** ලෙස අප පිළිගැනීම හා අපගේ අවශ්‍යතාවය ප්‍රමාද දෝෂයකින් තොරව හෝ සිත් තොරදවීමකින් ඉටුකරදීම පිළිබඳ හඳුනාගත ස්තූතිය පිරිනමමි. තව දුරටත් ඔබ ආයතනයේ කටයුතු වලට සුභ පතමි.

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උග්‍රගස්මන්හංදිය, අප්‍රේල් 2013

This actually is an excellent Govt. Office compared to other offices.

The premises, services and the staff are admirable.

Keep up with the good work.

K S K Herath
Ethul Kotte, April 2013

Pleasure to be at this office with such **wonderful, helpful, lovely staff.**

However, it is much appreciated if you could provide all facilities online.

D C K Jayakody
June 2013

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දොඩංගොඩ, මාර්තු 2013

I received

100% good customer care

at CRIB. Thanks!

Prageeth De Silva
Kurunegala, June 2013

I found that it is very **convenient and quick to obtain**

the CRIB report. Good service by the staff members.

Suchithra Nallaratnam
Colombo 04, June 2013

Well, I expected a very bureaucratic service, but I was amazed to see how

helpful and friendly

the staff at CRIB were. I am really happy. Keep it up.

Kanchana Thilakaratne
Panadura, April 2013

I have no suggestions and I'm

totally satisfied

with the service. It is so quick and efficient. Thank you again.

Wasundara Tennakoon
Colombo 05, April 2013

I appreciate if you could advertise more about your service. I personally think people's awareness about the iReport is very less.

Do more advertising about personal iReport.

D D A D Suranga
Homagama, January 2013

Highlights of the Year

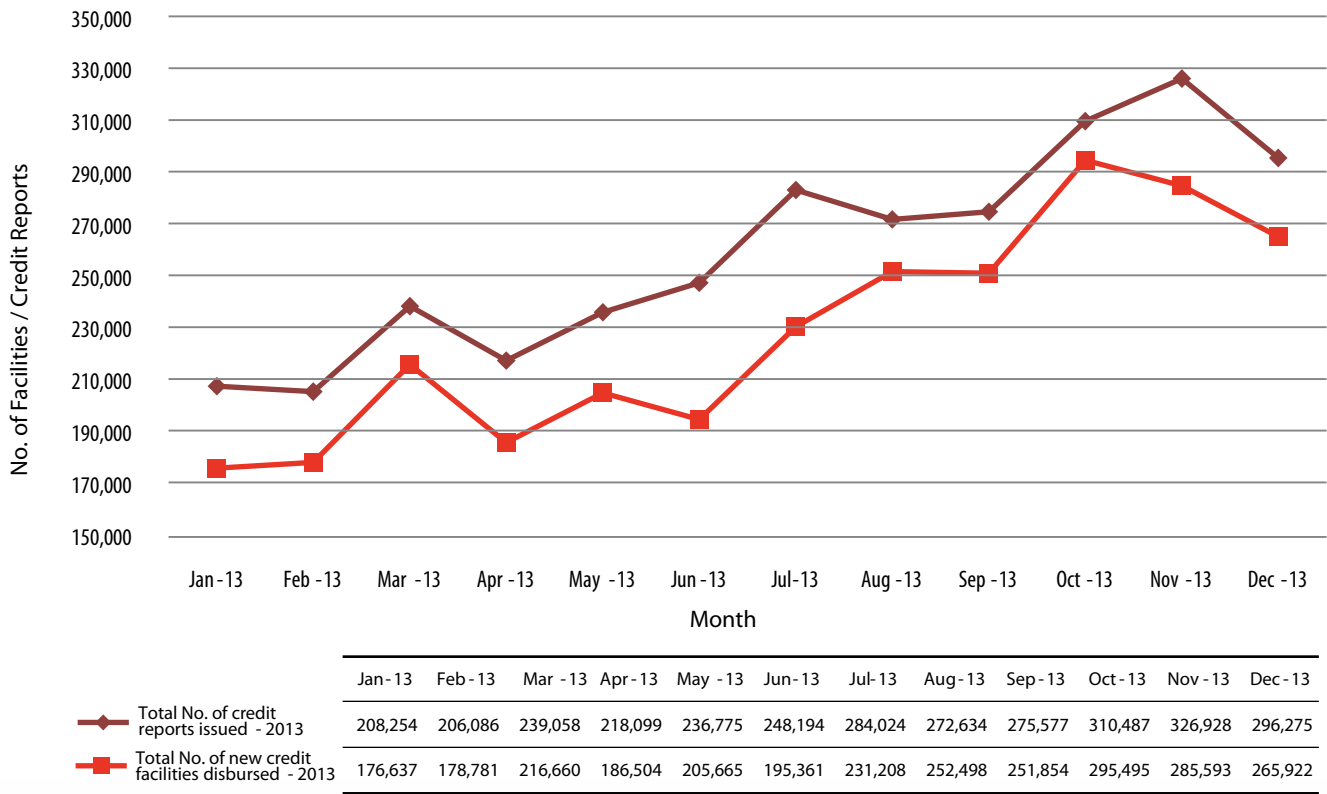
FINANCIAL HIGHLIGHTS *(last five years)*

YEAR ENDED 31 DECEMBER	2009	2010	2011	2012	2013
RESULTS FOR THE YEAR - (Rs.' 000)					
Income	162,873	307,898	444,296	430,163	563,690
Expenses	(86,934)	(111,870)	(140,283)	(139,934)	(147,883)
Operating Profit / (Loss)	75,939	196,028	304,013	290,229	415,807
Other Income	87,100	84,261	69,171	121,273	204,525
Net Profit Before Extra Ordinary Items	163,039	280,289	373,184	411,502	620,332
Extra Ordinary Items	-	-	-	-	-
Net Profit After Extra Ordinary Items	163,039	280,289	373,184	411,502	620,332
Taxtation	(22,709)	(25,762)	(21,728)	(36,348)	(54,824)
Net Profit After Extra Ordinary Items & Taxtation	140,330	254,527	351,456	375,154	565,508

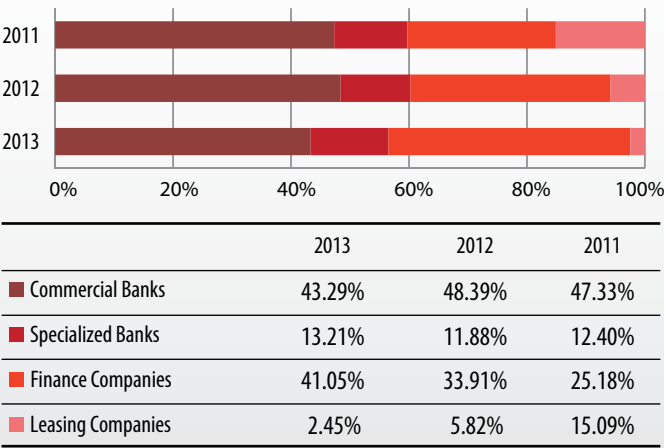


OPERATIONAL HIGHLIGHTS

Analysis of new credit facilities disbursed vs. credit reports issued in 2013



Segment wise analysis of credit reports issued in 2013 vs. 2012 and 2011



ICT HIGHLIGHTS

iReport_{online} Service

In year 2013, the Bureau launched a service which enabled the general public to obtain their credit report through internet from anywhere, anytime with any internet enabled device. This new service, “iReport Online”, was first of its kind launched in South Asia.

The Credit Information Management System (CRIMS)

The Bureau initiated a project to replace the existing systems to cater the present and future business requirements along with value added services (VAS) for different customer segments who acquire information from the Bureau.

Corporate Website Revamped

During the year 2013, the corporate web site was redesigned to suit the present business scenarios and was launched with the intention of providing integrated services for its users.

Bureau Business Services (BBS) Enhancements

Bureau has taken measures to enhance the following services which are sub components of the Bureau Business Services (BBS) framework.

- Data Submission System (DSS)
- Payment Gateway Integration
- BBS Communication Service
- e-Invoice Service

ICT Security

Increased emphasis was provided to the following aspects of ICT security and controls in the Bureau.

- Enhanced Encryption
- Enhanced Data Protection
- Monitoring & Alert System
- Auditing and Controls

GLOBAL PERSPECTIVE OF CREDIT BUREAUX

PILLARS OF THE FINANCIAL INFRASTRUCTURE

Financial markets have a critical role to play in the economic development of any country in the world. Sound financial infrastructure strengthens financial markets which in turn supports business investment and consumption expenditures and helps ignite economic growth. According to the World Bank's policy and research series on Financial Infrastructure, financial infrastructure comprises of the underlying foundation for a country's financial system and includes all institutions, information, technologies, rules and standards that enable financial intermediation. The key elements of robust financial infrastructure are credit bureaux, collateral registries and payment remittances and securities settlement systems. The quality of financial infrastructure determines the efficiency of intermediation, the ability of lenders to evaluate risk and of borrowers to obtain credit, insurance and other financial products at competitive terms.

ROLE OF CREDIT BUREAU

The consumer or entrepreneur applying for a loan is better informed than the lenders about their capacity to repay their loans. This information asymmetry leads to the issues of moral hazard and adverse selection. Monitoring and screening of borrower behavior offers an alternative strategy to reduce the problem of asymmetric information. Past behavior is an extremely reliable predictor of future behavior. By pooling data in an efficient institutional mechanism credit bureaux support efficient credit allocation and strengthen risk management capabilities.

In a broader perspective, a Credit Bureau (CB) is an independent organization that compiles data from different sources either publicly available or privately held. In advanced information sharing economies, credit bureaux not only collect credit repayment histories from banks, credit card providers and other financial service providers but also from insurance companies, micro finance companies, retailers, utility companies, tenets, courts, directory services etc.

EVOLUTION OF CREDIT INFORMATION SHARING

The origin of credit information sharing goes back to the early 1820s in United States where a group of New York wholesalers firstly formed a society and hired a credit investigator in an attempt to manage the riskiness of mercantile or trade credit. Credit Reporting Agencies (CRA) as it was historically referred were originated in US during the 1830s. Dun and Bradstreet, the oldest agency still in existence traces its roots to the mercantile agency established in 1841 in New York City. Interestingly in the intervening years, payment period for trade credits was extended to one year or more and interest is generally not charged unless the buyer pays late and a discount is given for early payment. Over the course of long history, CRAs also

helped to legitimize trade credit and its practices. In contrast to third party, CRAs then appeared credit information sharing institutions formed by manufacturers, wholesalers and trade associations and first such entity was established in 1888 as the Credit Clearing House. A Consumer Credit Bureau was also established in United Kingdom in late eighteen hundred. The credit reporting industry was growing worldwide, spurred by technological innovation and the liberalization of financial markets. Late 19th and early 20th century saw a tremendous growth in consumer and commercial information sharing in developed countries with private and public credit reporting entities being established to serve emerging needs of the industry. At the same time economic crises that have roots in financial sector have also encouraged some countries to establish or fortify credit registries.

GLOBAL CREDIT BUREAU INDUSTRY

Although the first credit bureau goes back to early 19th century, modern credit bureaux have rapidly evolved only since the 1950s fueled by improvements in technology and expansion of credit. Between 1990 and 2005 the total number of credit bureaux has more than doubled (IFC). In Asia many emerging markets turned towards credit reporting after the financial crisis in the nineties. A World Bank survey conducted in 2003 showed that more than 60% of the private sector credit reporting firms began operations since 1989. In contrast to other regions, Europe and Latin America have some of the oldest credit bureaux in the world. Notably majority of these countries started with public credit registries (PCR) after having established private sector reporting firms long before. PCRs have their genesis in Europe. Germany established the first PCR in 1934, followed by France, Italy, Spain and Belgium establishing its PCR in 1967. Outcome of series of surveys conducted in the industry argues that PCRs are formed in response to an absence of credit reporting by the private sector. Although PCRs may be established in some countries to compensate for the lack (or weaknesses) of a private credit reporting industry, what emerges from survey results are the significant differences

between the public and private registries. Rather than being simple substitutes, they appear to be complementary parts of a nation's credit reporting system.

In the United States, where credit reporting is almost exclusively handled by private reporting firms since mid 1980's the number of independent credit bureaux has fallen dramatically from approximately 2,000 to fewer than 300 today. The U.S. consumer reporting industry is dominated by the "big three" bureaux: Equifax, Experian and Trans Union which purchase and unify data from the remaining independent bureaux in addition to collecting information directly. Dun & Bradstreet which focuses largely on trade credit maintains its dominance of the U.S. small business credit reporting market.

New credit bureaux have emerged at a rapid base in Eastern Europe since 1992 with the collapse of the Soviet Union. The Middle-Eastern and North African region has only recently seen a growing interest in credit reporting with handful of countries having established one.

SHAREHOLDERS

1. Monetary Board of Central Bank of Sri Lanka

SPECIALISED BANKS

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

COMMERCIAL BANKS

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

OTHER LENDING INSTITUTIONS

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

FINANCE COMPANIES

- | | | |
|--|--|---|
| 1. Abans Finance PLC | 17. Commercial Leasing & Finance Limited | 33. People's Leasing & Finance PLC |
| 2. Alliance Finance Co PLC | 18. Deshodaya Development Finance Company Ltd. | 34. People's Merchant Finance PLC |
| 3. AMW Capital Leasing PLC | 19. ETI Finance Limited | 35. Prime Grameen Micro Finance Limited |
| 4. Arpico Finance Company PLC | 20. George Steuart Finance Limited | 36. Richard Peiris Arpico Finance Limited |
| 5. Asia Asset Finance PLC | 21. Ideal Finance Limited | 37. Senkadagala Finance PLC |
| 6. Asian Finance Limited | 22. Indra Finance Limited | 38. Singer Finance (Lanka) PLC |
| 7. Associated Motor Finance Co PLC | 23. Kanrich Finance Limited | 39. Sinhaputhra Finance PLC |
| 8. Bartleet Finance PLC | 24. L B Finance PLC | 40. Siyapatha Finance Limited |
| 9. Bimpuh Finance PLC | 25. Lanka Orix Finance PLC | 41. Softlogic Finance PLC |
| 10. Capital Alliance Finance PLC | 26. MCSL Financial Services Limited | 42. Swarnamahar Financial Services PLC |
| 11. Central Finance Company PLC | 27. Melsta Regal Finance Limited | 43. The Finance Company PLC |
| 12. Central Investments & Finance PLC | 28. Mercantile Investments & Finance PLC | 44. The Standard Credit Lanka Limited |
| 13. Chilaw Finance PLC | 29. Multi Finance PLC | 45. TKS Finance Limited |
| 14. Citizen Development Business Finance PLC | 30. Nanda Investments & Finance PLC | 46. Trade Finance & Investments PLC |
| 15. City Finance Corporation Limited | 31. Nation Lanka Finance PLC | 47. U B Finance Company Limited |
| 16. Commercial Credit & Finance PLC | 32. Orient Finance PLC | 48. Vallibel Finance PLC |

LEASING COMPANIES

- | | | |
|---|------------------------------------|---------------------------------------|
| 1. Assetline Leasing Company Limited | 4. Koshiba Leasing Company Limited | 7. LOLC Micro Credit Limited |
| 2. Co-Operative Leasing Company Limited | 5. Laugfs Capital Limited | 8. Merchant Bank of Sri Lanka Limited |
| 3. Isuru Leasing Company Limited | 6. Lisvin Investments Limited | 9. SMB Leasing PLC |

CHAIRMAN'S REPORT

Sri Lanka's economy recorded another year of commendable growth of 7.3 per cent in 2013, benefitting from the gradual global economic recovery and resilient domestic demand, backed by stable macroeconomic fundamentals. Growth was broad-based with higher growth coming from the services and manufacturing sectors. Financial institutions remained strong and continued to lend support though demand for credit expanded at a slower pace in 2013. Playing an instrumental and supportive role in the economy, the Credit Information Bureau of Sri Lanka (CRIB) as the sole credit data warehouse, extended its support, helping banks as well as finance companies and leasing companies to brace against credit risks whilst making faster and more objective lending decisions.

Innovating credit growth

Quality credit information contributed immensely to the country's financial system's ability to play a vital role in enhancing private investment and supporting the growth momentum through the past several years. The financial sector has been able to mobilise savings from domestic as well as overseas sources, and allocate such financial resources effectively and efficiently towards meeting the diverse financing and investment needs of the domestic economy. While there have been significant improvements in turnaround time in processing loans, a higher level of innovation, as reflected by the introduction of new products and services to meet customer needs, was also noted amongst member lending institutions. Hence, a marked improvement in the level of efficiency coupled with a decline in the operating costs has been observed amongst member lending institutions. Greater access to accurate and current credit information has also enabled financial institutions to manage credit risk effectively and drive business profits whilst venturing into new areas of business. Whilst noting the CRIB's contribution towards the country's progress, I take pleasure in presenting the performance of the Bureau, along with the audited financial statements for the year ending 31 December 2013, in accordance with Section 19 of the CRIB Act, No. 18 of 1990, to the Hon. Minister of Finance and Planning and the valued shareholders of the CRIB.

LET'S TALK
GROWTH

CHAIRMAN'S REPORT Contd.

The issue of credit reports and self inquiry reports, two main categories of reports produced by the CRIB, recorded strong growth during 2013 as financial institutions placed much reliance on credit reports in assessing their existing and prospective borrowers. Credit reports issued increased to 3.1 million from 2.3 million, with an increase of 34 % over 2012. Self enquiry reports increased by 18% to 7,310 reports. Thus, in spite of the moderation of credit growth during the year, the net operational income of the Bureau for the year under review amounted to Rs. 563 million, with a 30% year-on-year growth. As the investment portfolio of the Bureau increased, the CRIB's interest income in 2013 amounted to Rs. 204 million. As a result, profit for the year increased to Rs. 565 million and the earnings per share rose to Rs. 2,262 from Rs. 1,501 in 2012.

The CRIB can provide its members an efficient and effective service only when its member financial institutions provide comprehensive, reliable and credible information to the CRIB in a timely manner.

A key milestone achieved during the year was the opportunity given to individuals and companies to obtain a self-assessment of various credit facilities already enjoyed by them by obtaining a self-credit report called the 'iReport'. This internet-based facility would permit current or prospective borrowers to obtain an iReport' after obtaining a password, without visiting a financial institution. This facility enables those who wish to know their credit standing and identify critical areas that need improvement, to obtain the required information so as to be able to further enhance their credit worthiness on an ongoing basis.

Secured Transactions in movable property are specifically useful for Small and Medium Enterprises (SMEs) which generally are unable to offer traditional collateral to lenders. Loans secured by movable property would then be a useful mechanism to facilitate access to finance for borrowers in the SME sector. Hence, the Bureau took measures to strengthen the legal and institutional operational frameworks in this regard, and entered into an agreement with the International Finance Corporation (IFC) in February 2013 to further strengthen the Secured Transactions Act.

Development through SMEs

The CRIB can provide its members an efficient and effective service only when its member financial institutions provide comprehensive, reliable and credible information to the CRIB in a timely manner. In this regard, it is important to ensure that appropriate monitoring and control procedures relating to user access to the Bureau's services as well as information security, are in place. The Compliance Symposium held in 2013 afforded the opportunity to all the member financial institutions to reflect upon and understand the management aspects pivotal to accurate reporting of credit information and how best to interpret and apply credit information in a fair manner. At the symposium, the banking and finance industry were also appraised of the benefits of subscribing to the Secured Transactions Register, particularly in the context of promoting regionally balanced development through SME development.

Future-centric technology

Initiatives were taken during the year to further improve the efficiency of the CRIB by acquiring a new ICT system. The ICT infrastructure upgrade is expected to enhance the capacity and performance of the ICT system, enabling the CRIB to meet the growing demand for credit information services and deploy new services more efficiently. Going beyond the traditional scope of the product portfolio and services, the new ICT system would offer value added products like credit scoring, alerts, fraud prevention and portfolio analysis to members of the Bureau whilst making it possible to expand services to a wider customer base including micro finance providers, insurance providers,

retailers, and trade creditors. In turn, consumers and businesses would be able to obtain more competitively priced loans and financial institutions would be able to make safer and more reliable financial decisions.

A robust financial sector

Supported by strong macroeconomic fundamentals, continued improvements to infrastructure, investor confidence and proactive policy measures, economic activity is expected to pick up. The consolidation of financial institutions being initiated would also benefit the domestic economy. Given the economies of scale benefits to financial institutions arising from consolidation, they would be able to provide a wider range of products and services, and cross sell, and therefore widen their reach nationwide. As market interest rates have declined, the financial sector is expected to play a greater role in supporting businesses and households, and enhancing access to financial services, which in turn would further increase the demand for credit reports.

In concluding, I would like to appreciate the support extended to the CRIB by the Governor and the staff of the Central Bank. I also extend my sincere gratitude to all the members of the Board for the encouragement and guidance they provided which proved invaluable. I wish to place on record my gratitude to Mr. K. Dharmasiri, former General Manager of Bank of Ceylon and warmly welcome Mr. D.M. Gunasekara, General Manager of Bank of Ceylon. I thank the General Manager and all staff members of the CRIB on behalf of the Board of Directors, for their untiring efforts, hard work and commitment through which they ensured that the Bureau provided excellent service to its stakeholders. 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.



B D W Ananda Silva
Chairman
26 March 2014



LET'S TALK NUMBERS



GM'S REPORT

Dreams fuel life. When a country's GDP is on the ascendancy, you know that dreams of its people are turning real. That's when prudent financial stewardship becomes an integral part of individual checks and balances. I am overcome with unbridled joy as I bring you the annual report card of CRIB, the institution mandated to help the nation remain responsible and credit-worthy.

CRIB plays a catalytic role in the realm of Credit Risk management and the promotion of a healthy credit culture in the country. While I report to you on the close-ups of an outstanding year, I also present you a far-reaching new strategic business plan that will pave the way for extensive development of the Bureau activities during the next five years.

First, let's take a look at our economic landscape!

It's undeniable that winds of progress are sweeping across the land with Sri Lanka entering the list of the world's Top 5 Emerging Nations. In order to simulate economic growth the Central Bank lowered its key policy rates by 125 basis points during the year and cut the commercial banks' statutory reserve ratio by 200 basis points. The result, according to the Central Bank, was phenomenal with the 59 Billion Dollar economy growing at 7.3% in 2013, compared to 6.4% in 2012, making the island the fastest growing in Asia. With economic activity picking up and more foreign direct investment expected into the country, Sri Lanka is targeting a growth rate of 7.4% in 2014. Workers' remittances in 2013 grew by 13% to 6.8 Billion Dollars from 6 Billion Dollars in 2012. Most key indicators showed inspiring results as the economy broad-based with sizeable contributions from all sectors, ably blessed with favorable weather conditions and improved global demand.

However, lower than anticipated demand for credit along with lacklustre growth in savings could pose challenges to the country's banking sector. Market liquidity remained quite high during most parts of the year, judging from the significant oversubscription at treasury bill auctions despite low yields in government securities. The downward pressure on short term interest rates experienced since the second half of 2013 is expected to continue well into 2014. One of the biggest threats to the financial industry came

GM'S REPORT contd.

unexpectedly from the precious commodity- gold. Gold declined by 28% in 2013 ending a 12-year bullish market for the precious metal, adversely affecting the gold backed pawning portfolios of banks and finance companies in Sri Lanka. However, the industry remained resilient. Overall, Sri Lanka came out unscathed as many economies around the world were battered by economic and political upheaval.

Yes, credit reports fuel economic growth!

Financial system stability is evidenced by and reflected through an effective regulatory infrastructure, a well developed financial market and effective and sound financial institutions. The stability of the banking sector is one of the basic prerequisites to a sound financial system, particularly in emerging economies like Sri Lanka in which banks play a dominant role. The stability of the banking sector, among other things is significantly influenced by different categories of financial risks. The impact of a credit bureau to reduce credit risk, and indirectly the risk of liquidity depends on the quality of information which

The depth and richness of information contained in credit reports have further attracted many lenders to request reports and rely on them in making more informed credit decisions objectively and timely.

is available to its users. Supply of positive and negative credit information, is a unique and major advantage CRIB provides to its users from its inception in 1990. Research conducted worldwide suggest that if a credit bureau records both positive and negative information the default rate would decrease by 43% compared to a situation when credit decisions are based solely on negative information

on the borrowers past behavior. Besides the direct impact in reducing credit risk, CRIB indirectly influences the reduction in the percentage of nonperforming loans by inculcating financial discipline amongst borrowers.

Over 3 million credit reports a year mean it's a hive of economic activity

The increase in lenders' dependency on information services provided by the credit bureau is attributed to the rapid growth in the distribution of information services during the last 4 years. The depth and richness of information contained in credit reports have further attracted many lenders to request reports and rely on them in making more informed credit decisions objectively and timely. CRIB has surpassed the 3Mn credit reports per year which is a significant milestone to reach with a substantial contribution coming from the banking sector.

CRIB database presently covers close to 6Mn of the adult population in the country reported by all authorized lending institutions either as main borrowers or guarantors to credit facilities. In comparison to the peer countries in the region, Sri Lanka's coverage of 40% stands well above the regional average of 13%.

CRIB recorded a remarkable increase in the credit reports delivered to the lending institutions during the last 03 years. The demand for credit information increased when the market started to re- bounce with positive sentiments during the latter part of 2012 and throughout 2013. New loans granted to the private sector decreased significantly in 2013. However the number of Credit Reports issued in 2013 recorded an all time high- thus showing the tremendous impact CRIB has managed to create in promoting a sound credit culture.

Its all-systems go with figures to show

As a statutory body mandated to a non-commercial vision, CRIB continues to surpass expectations by constantly achieving a positive bottom-line, not just with its core objectives but in financial terms, as well. Improved performance in the core business area of information services contributed mostly to the increased operational income during the year. The bureau continued to maintain

CRIB continues to develop its internal expertise to add more value to members. A fully automated data transferring tool was developed in house and deployed to reduce significantly the average transfer time of data. CRIB plans to add the online version of the corporate iReport to its portfolio during 2014.

its sustainable financial performance by declaring Rs. 565Mn net profit for the year ended 31st December 2013, a growth of 50% compared to Rs.375Mn declared in 2012. Shareholder expectations in terms of return on assets, cost to income and income distribution per share were kept at acceptable levels.

The Bureau as a premier information service provider for the financial sector institutions is determined to further improve its operational efficiency through a variety of value added products. CRIB plans to drive its development landscape into new heights during 2014 with a considerable investment in a technology upgrade. This is mainly due to the ever-increasing demand for credit information, and the importance of maintaining the technological and operational infrastructure at optimal levels, to meet such demands. Integration of untapped data from the pawning sector, introduction of advanced value added functions and features to the existing service model are few of the benefits that the Bureau expects to deliver to the market in 2014/15.

Building a credit culture on true values

Security and confidentiality of data is regarded as two most vitally important ingredients in our core values. The bureau has taken all measures to ensure its applicability and enforceability across all its activities. Signing of a non disclosure agreement by every user is a testament to this commitment and I am glad that all institutions understood its criticality and cooperated in the implementation.

Building competitiveness on multiple fronts

The Bureau has achieved a remarkable growth in the service levels extended to individual customers and is a testament to its continuing effort to increase the awareness about the bureau and its services to the borrowing community. Customer awareness has been the key contributor to the increase in the number of individuals and commercial entities accessing their own lending profiles recorded in the Bureau database. The 'iReport' which the Bureau launched in 2010 for the individual and corporate borrowers has been repositioned with an introduction of its online version in October 2013, a first of its kind in the South Asian region. CRIB sees many individuals registering for this innovative 'iReportOnline' service developed and deployed by the Bureau to experience added convenience for the borrower on a 24x7 access from anywhere, anytime.

CRIB continues to develop its internal expertise to add more value to members. A fully automated data transferring tool was developed in house and deployed to reduce significantly the average transfer time of data. CRIB plans to add the online version of the corporate iReport to its portfolio during 2014.

A special help desk dedicated to serve every customer who walks-in to the Bureau provides the much required guidance and advice to the Borrower. The number of disputes raised during the year decreased drastically due to the significant increase in the quality standards of the data transferred to the Bureau data base. During the post automation period of 05 years, data providers have shown a tremendous commitment and made a significant effort to bring the quality of data to the present level. The internal Institutional rating system introduced has a very positive influence to further encourage members to maintain the highest standards.



Help is on the way to SMEs

The Secured Transactions Register or the Moveable Asset Register has not seen any progressive increase due to a few underlined shortcomings and constraints identified in its legislative framework. However CRIB realizing the potential benefits of the secured transaction framework that could create a conducive and feasible lending environment to the small and medium entrepreneurs to raise much needed working capital, with the approval of the Ministry of Finance and Central Bank of Sri Lanka signed a cooperation agreement with the International Finance Corporation (IFC) to seek consultancy services for its revival. The ongoing initiative is expected to finalise the reform process to the STR Act No. 49 of 2009 by end 2014. Out of more than 4000 Sri Lankan export companies, 75% are SMEs and are regarded as the backbone of our economy.

They responded to the call of duty

The Bureau creates many opportunities for the staff to enhance their skills and competencies as it remains committed to ensure their growth and development. Training programs both overseas and local are therefore considered as an essential component of the process. The Bureau's gradual orientation towards a performance management philosophy assures the employees of meeting their personal career growth expectations in return for commendable performance towards achieving the Bureau objectives. The Bureau values honesty and integrity in all its activities and expects the same from its employees. The Bureau continued to build value for the employees and to the organization through empowerment.

We do it because we have the people and the will to perform

I offer grateful thanks to the Chairman and the Board of Directors for their guidance which helped me immensely in focusing on our ambitious charter which saw remarkable progress during the year. I also wish to thank the Governor of the Central Bank Mr. Ajith Nivard Cabraal and his officials for their continued support throughout the year. I extend my gratitude to the External Auditors M/S Ernst & Young for their professional advice and timely completion of the Audit. My sincere thanks also to the International Finance Corporation for the support and guidance extended to the Bureau in the ongoing Reform Process of the Secured Transactions Registry Act No. 49 of 2009.

I greatly value and appreciate the commitment displayed by the Management and staff who worked with dedication to take the Bureau to its present levels. I thank them all for their unstinted support and cooperation extended to me throughout the year which made my task much simpler. Finally, I offer my gratitude to the stakeholders for the cooperation extended to me and wish to assure once again our commitment to serve them better.

Gamini Karunaratne
General Manager
26 March 2014

BOARD OF DIRECTORS



PROFILES OF DIRECTORS



Mr. Gamini Karunaratne
General Manager - Credit Information Bureau of Sri Lanka

► Mr. Gamini Karunaratne is a retired Senior Banker with 40 years' experience in Commercial Banking. At the time of retirement, he held the post of Senior Deputy General Manager International and Investment Banking with 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. B D W Ananda Silva
Deputy Governor, Central Bank of Sri Lanka

► Mr. B D W Ananda Silva has been in the Central Bank for 31 years and has worked in Development Finance Department, Economic Research Department and Bank Supervision Department. In his 31 year career in the Central Bank, Mr. Silva has acquired wide experience in the areas of monetary policy, bank supervision, financial system stability, exchange rate policy, external trade and balance of payments.

He holds a B.Sc. First Class Degree from the University of Jaffna and M.A Degree from University of Iowa, U.S.A. and M.Sc. Degree from University of Illinois, USA. He has been a visiting lecturer at the University of Colombo and a resource person for several high level courses conducted by the Central Bank.

Mr. Silva currently serves as the Chairman of Institute of Bankers of Sri Lanka, Director of Securities and Exchange Commission, Director of Insurance Board of Sri Lanka, Director of "Api Venuven Api" Fund, a Member of the Quality Assurance Board of Institute of Chartered Accountants of Sri Lanka, and a Director of West Coast Power (Pvt.) Ltd. He is also a member of the Cabinet Appointed Procurement Committee of the Ceylon Petroleum Corporation.



Mr. Rohitha Ganegoda
Chief Operating Officer - Nations Trust Bank PLC

► Mr. Rohitha Ganegoda joined the Management team of Nations Trust Bank in 2002. He was appointed as the bank's Chief Operating Officer in January of 2009. Prior to joining Nations Trust Bank he has served at Fujitsu Semiconductor USA and National Development Bank in Sri Lanka.

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



Mrs. T M J Y P Fernando
Director Bank Supervision - Central Bank of Sri Lanka

► Mrs. T M J Y P Fernando holds a B. Com. (Special) Degree from the University of Sri Jayewardenepura, Sri Lanka. Mrs. Fernando possesses over 20 years of experience in operational and policy matters relating to implementing regulatory and supervisory framework for banks. She was appointed as the Director of Bank Supervision in August 2009.

She has participated in several local and international training programmes, seminars and other forums to enhance and update the knowledge on different aspects of bank supervision, regulation, and general banking operations. Mrs. Fernando has been a resource person in several training programmes and panel discussions on work related subjects.



Mr. Indrajit Wickremasinghe
Chief Operating Officer - National Development Bank PLC

► Mr. Indrajit 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 Fellow of the Chartered Institute of Marketing, UK. Having joined the National Development Bank PLC (NDB) over 11 years ago he has served as Vice President covering functions such as, Marketing, Human Resources and Head of Retail Banking which position he held for over 7 years prior to being appointed as the Chief Operating Officer responsible for business areas of NDB. Before joining NDB, he held the position of Head of Marketing at Reckitt & Colman of Ceylon Ltd. Mr. Wickramasinghe has over 25 years of management experience. Mr. Wickramasinghe, is currently a Non Executive Director of NDB Securities (Pvt) Ltd, Development Holdings (Pvt) Ltd.



► Mr. J. E. P. A. D. Silva is a Fellow of the Institute of Credit Management, Sri Lanka and a Fellow of the Institute of Credit Management, England. The first Sri Lankan to be honoured as a Fellow of the Institute of Credit Management England. Honorary Consul of the Republic of Peru in Sri Lanka. Senior Advisor, Alliance Finance Co. PLC and Director of several other Companies. President – Sri Lanka Institute of Credit Management. Director representing Finance Companies on the Board of the Credit Information Bureau of Sri Lanka. Advisory Councillor – Committee of the Finance Houses Association of Sri Lanka.

Mr. J E P A D Silva
Senior Advisor - Alliance Finance Company PLC



► Mr. N. Vasantha Kumar holds a Master's Degree in Business Administration and counts over 32 years of experience in Treasury Management. He joined the People's Bank in March 2001, prior to which he served as Treasurer at ANZ Grindlays Bank, Colombo for many years. He took over as the Chief Executive Officer/General Manager of People's Bank on 22nd February 2011.

Mr. N Vasantha Kumar
General Manager - People's Bank

He is a Director of People's Leasing Co. PLC, People's Insurance Ltd., People's Travels (Pvt) Ltd., Havelock Property Ltd, People's Leisure Ltd and National Payment Council. He is a Member of the Governing Board of the Institute of Bankers of Sri Lanka. He is currently the Chairman of Lanka Financial Services Bureau, Financial Ombudsman Sri Lanka (Guarantee) Ltd. and Sri Lanka Banks' Association (Guarantee) Limited. He is a Past President of the Association of Primary Dealers and of the Sri Lanka Forex Association.

► Mr. K. S. Bandaranayake, Deputy General Manager – Finance & Administration of People's Leasing & Finance PLC is an Associate of the Institute of Chartered Accountants of Sri Lanka since 1993, Member of the Institute of Certified Management Accountants (CMA) of Australia, Fellow of the Society of Certified Management Accountants (CMA) of Sri Lanka and a finalist of the Chartered Institute of Management Accountants (CIMA) United Kingdom. Possesses five years' experience with Ernst & Young Chartered Accountants. He has over 19 years of post qualifying experience at a very Senior Level in the finance sector and joined People's Leasing & Finance PLC in July 2007.

Mr. K S Bandaranayake
Deputy General Manager - People's Leasing and Finance PLC

He was a Vice President of the Asian Financial Services Association (AFSA). He was also the former Chairman of the Leasing Association of Sri Lanka, a former Committee Member of the Ceylon Chamber of Commerce and a Council Member of the Sri Lanka Institute of Credit Management.



► Mr. D. M. Gunasekera was appointed General Manager/Chief Executive Officer of Bank of Ceylon in January 2013. Prior to this appointment he served as the Deputy General Manager in charge of Retail Banking and Sales and Channel Management. Mr. Gunasekera commenced his career with the Bank in 1983 and over the years received extensive training in banking, especially in credit management and administration. He served in the London Branch from 1997 – 2000. His other contributions include his services as a resource person of the Bank of Ceylon's internal training facility. Overall, he counts 31 years of banking experience. He is a Council Member of the Association of Professional Bankers and also a resource person at the Institute of Bankers of Sri Lanka.

He is a Non-Executive nominee Director on the Boards of BoC Travels (Private) Ltd, BoC Property Development & Management (Pvt) Ltd., BoC Management & Support Services (Pvt) Ltd., Bank of Ceylon (UK) 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 LankaClear (Private) Ltd.

Mr. D M Gunasekera
General Manager - Bank of Ceylon

He has successfully completed the programme on Corporate Management for Sri Lanka (LKCM2 AOTS) in Japan, an Advanced Management Programme conducted by the Wharton University of Pennsylvania, USA. Mr. Gunasekera graduated from the University of Colombo, Sri Lanka, with a Special Degree in Public Finance & Taxation in 1981. He is an Associate Member of the Institute of Bankers of Sri Lanka.



► Mrs. Kumudiniy Kulathunga has served the premier state-owned commercial bank, the Bank of Ceylon for 36 years, playing a dynamic role in various senior executive positions i.e. Deputy General Manager, including branch operations, retail lending, supplies & procurement and construction of new branches.

She also has acquired wide expertise and experience in the area of Human Resources while serving as the Deputy General Manager Human Resources and Assistant General Manager Training at Bank of Ceylon, formulating personnel policies on transfer, promotion, and recruitment and employee appraisal.

Mrs. K Kulathunga
Chairperson - Lankaputhra Development Bank

Mrs. Kulathunga presently serves as the Chairperson of Lankaputhra Development Bank and is a Non-executive nominee Director on the Board of City Finance Corporation and has also served as the Senior Human Resource Consultant at the Academy of Financial Studies, the training arm of the Ministry of Finance and Planning.

She has a Special Bachelor's Degree in Arts (1972) - University of Colombo, Sri Lanka Bachelor of Philosophy (Honours) Degree (1973)- University of Colombo, Sri Lanka. A Fellow Member of the Institute of Bankers of Sri Lanka. She holds a Diploma in Bank Management, Institute of Bankers of Sri Lanka and a Diploma in Personnel Management, National Institute of Business Management (NIBM).

The Year in Pictures

User Training and Public Awareness ▶

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



▲ 23rd Annual Shareholder Meeting

The CRIB's stakeholders once again gathered at the customary Annual Shareholder Meeting in May 2013.



▲ Evoking Blessings

A special pirith ceremony was organized to evoke blessings on CRIB activities, stakeholders, staff and their families.



◀ Annual Report Award

Credit Information Bureau of Sri Lanka was awarded the Merit Award of Compliance at the ICASL Annual Report competition 2013.



◀ Compliance Officers' Symposium

CRIB held the 4th Annual Symposium and panel discussion for its Compliance Officers at Cinnamon Grand Colombo.

Foreign Delegation's Visit ▶

A team of Ethiopian Bank Officials did a study tour of CRIB last year.



Governor's Trophy, CRIB Cricket "Sixes" 2013



**MEN'S
CHAMPION**
Commercial
Credit & Finance PLC



**WOMEN'S
CHAMPION**
Commercial
Bank of Ceylon PLC



RUNNERS-UP
Arpico Finance PLC



3RD PLACE
Commercial Bank of Ceylon PLC



RUNNERS-UP
Seylan Bank PLC

The tournament held over two days had a record number of 98 teams of which 30 teams comprised of ladies.

PROMOTING SOCIAL HARMONY

We believe that building strong communities is the key to ensuring financial security and long term sustainability for all citizens of Sri Lanka. As a responsible corporate with the capability of performing a vital role in enacting change at a community level, we understand our responsibility to nurture progressive communities and steer them to achieve their own goals, while contributing to long term national development. Accordingly, our efforts encompass a broad range of community engagement and social inclusion initiatives aimed at enabling these communities to pursue their future aspirations.

At CRIB, we believe in sustainable development as an integral part of our business and that sustainable measures must be integrated into our community to bring broader economic prosperity. To that end, we nurture a positive environment for community development activities by encouraging volunteerism and employee participation in community development projects.

We encourage our employees to be aware of the community at large and its needs, and to be involved in social projects that they have initiated to help their own communities. The welfare committee at CRIB continues to be actively involved in initiating and implementing these community development programmes.

Supporting Communities Around Us

CRIB has always been committed towards improving educational facilities in rural areas. CRIB is also actively involved in improving the lives of the people who reside in the locality – especially a community of low income families in the area.

This is generally implemented through the Gunawardanaramaya temple in Vauxhall Street, Colombo 02. Under this programme, we donated stationery items to the children of the 'Daham Pasela' attached to the temple.



Improving Educational Facilities in Rural Areas

Strengthening our commitment to empowering rural communities and improving educational facilities in such areas, the Bureau initiated another worthy project to develop the library facility of Sri Sumanasaara Vidyalaya in Kadurugahamadiththa, a village off Kurunegala.

This small school did not have proper library facilities and was in desperate need of a dedicated area, equipped for that purpose. Our team began the task to construct the room as well as donate the necessary furniture, library system and books to complete a fully functional library for the school children. The new library was slated to open in early 2014.

A room in ruins



The photos show the deplorable state of the space that would be converted into an area for a well-stocked library

OUR
STAFF



Mr. D H Ponnamparuma
Assistant General Manager



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



Mrs. R M S Ratnayake
*Senior Manager
Operations*



Mr. K A Janaka Lakmal
Deputy General Manager



Mr. D M S Indika Dissanayake
*Assistant Manager
Operations*



Mr. T M Rajasekara
*Assistant Manager
Business System Development*



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



Mrs. Sanjani De S Gamage
Legal Consultant

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Mr. D D Vithana Arachchi
Senior Administration Officer



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



Mr. B K Wijenayake
*Relationship Officer
Operations*



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



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



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



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



Ms. A P Hamid
Confidential Secretary



Mr. H V S M De Silva
Accounts Officer



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



Mr. J S Weerasinghe
*System Administration
Executive*



Mr. D S N Gunarathne
*Senior Relationship Officer,
Operations*



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



Mr. S S Jansen
Senior Accounts Officer



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



Mr. R S Thalgasduwe
*Relationship Officer
Customer Services*



Mrs. N N Bopakadage
Receptionist



Mr. M M Ikram
Office Assistant

Management Discussions & Analysis

OPERATIONAL REVIEW

In the year 2013, more than 3 Million Credit Reports were issued, the highest in the 23 year history of the Bureau. The first half of the year showed an increase of 18% which moved up rapidly to 49% in the 2nd half of the year. The annual increase was 34% compared to the year 2012.

		2013	2012	2011
59	Evaluation of a borrower for a new credit facility	46.1%	47.7%	48.9%
60	Review as a Guarantor for a new credit facility	29.2%	29.2%	29.6%
61	Review as a Partner/ proprietor for a new credit facility	6.4%	6.6%	7.2%
62	Review as a Director for a new credit facility	0.6%	0.7%	0.7%
63	Opening of a Current Account	1.3%	1.2%	0.9%
64	Monitoring and reviewing of an existing borrower	16.4%	14.6%	12.8%

More than 7000 self inquiry reports were issued in 2013 with an annual increase of 17% compared to 2012. The on-line service for self inquiry (iReports) which gives the Borrower an opportunity to view his/her credit history and current transactions was launched in October 2013 and over 200 users registered during the two months ending December 2013.

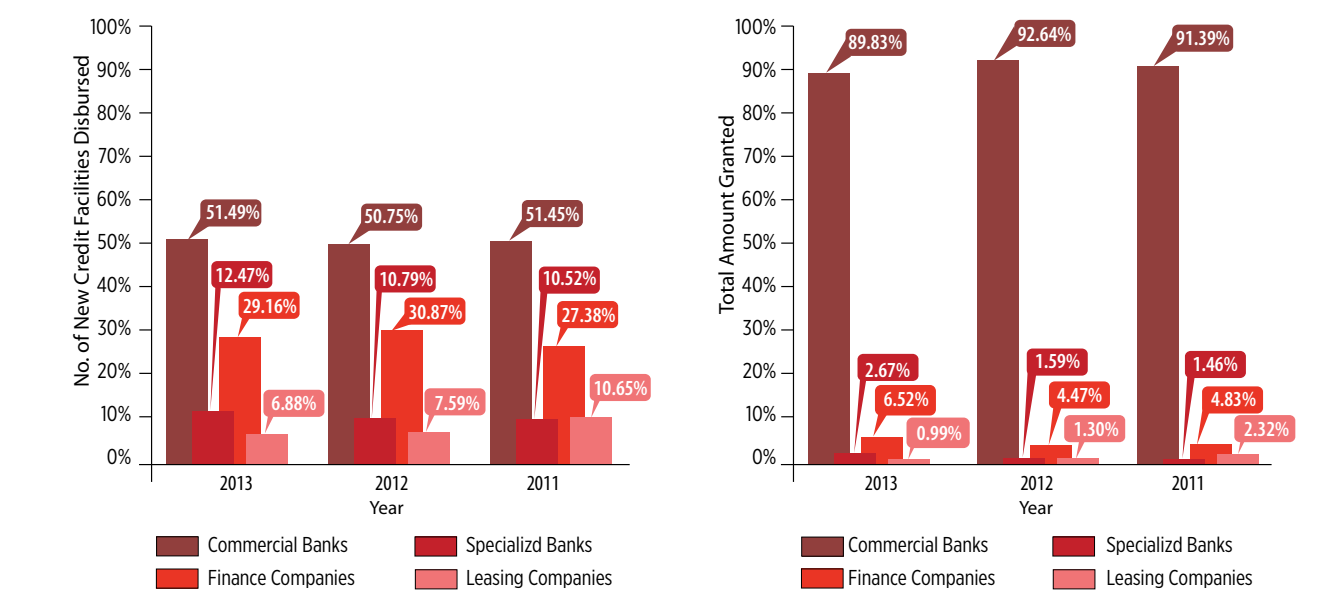
CRIB conducted many programs both in the print and electronic media to educate the general public on the value of a self inquiry report which can be obtained through internet with an online payment system. The Help Desk established to offer individuals assistance and guidance on various issues related to their credit information continues to assist general public greatly.

In addition to the public awareness programs, CRIB continued its user awareness & educational programs focusing on the credit officers and other staff in lending institutions to make them better understand the correct interpretation of credit reports for their credit decisions and risk management processes.

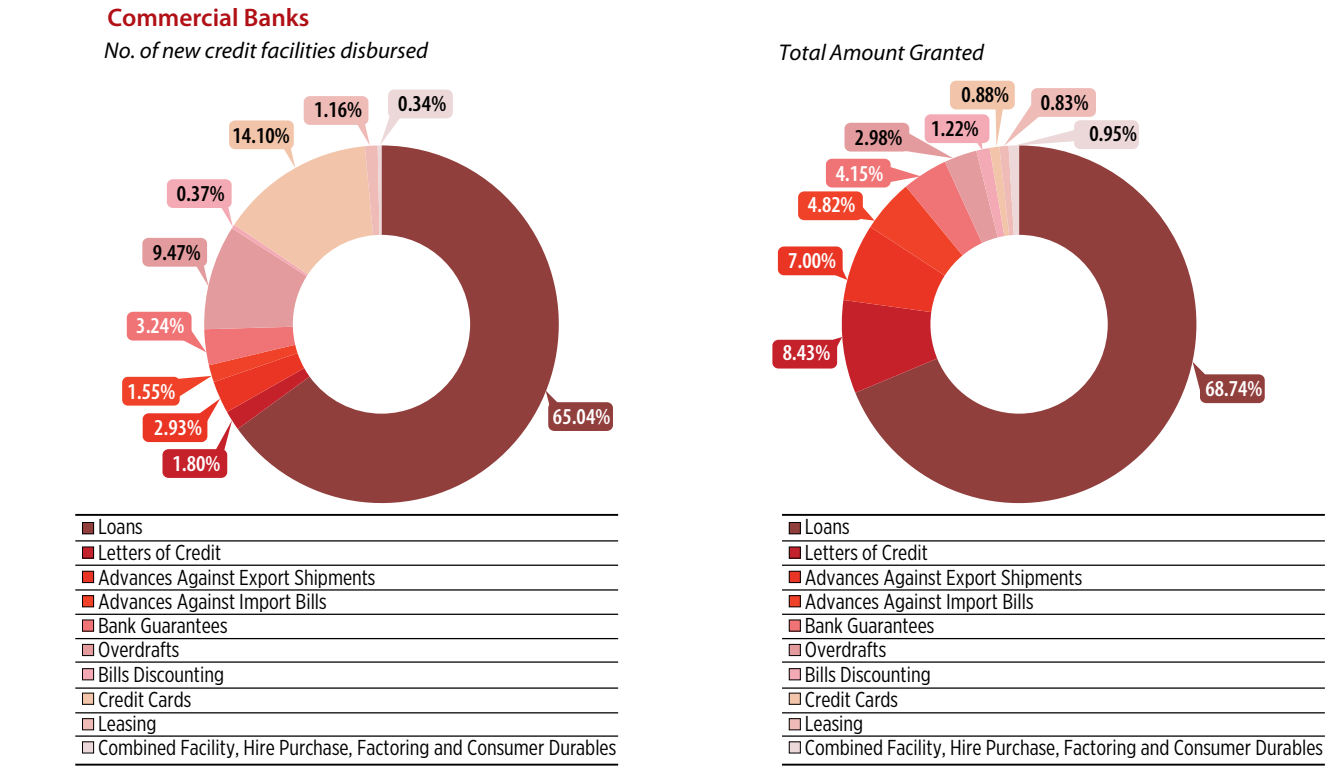
According to data submitted to the Bureau, more than 2.7 Mln new credit facilities have been disbursed in 2013. However, only 2.3 Mln new credit facilities have been recorded in both years 2012 and 2011.

Year	No. of new credit facilities disbursed (Mln)	Total Amount Granted (Bln)
2013	2.7 Mln	4,361.8 Bln
2012	2.3 Mln	5,393.4 Bln
2011	2.3 Mln	5,545.3 Bln

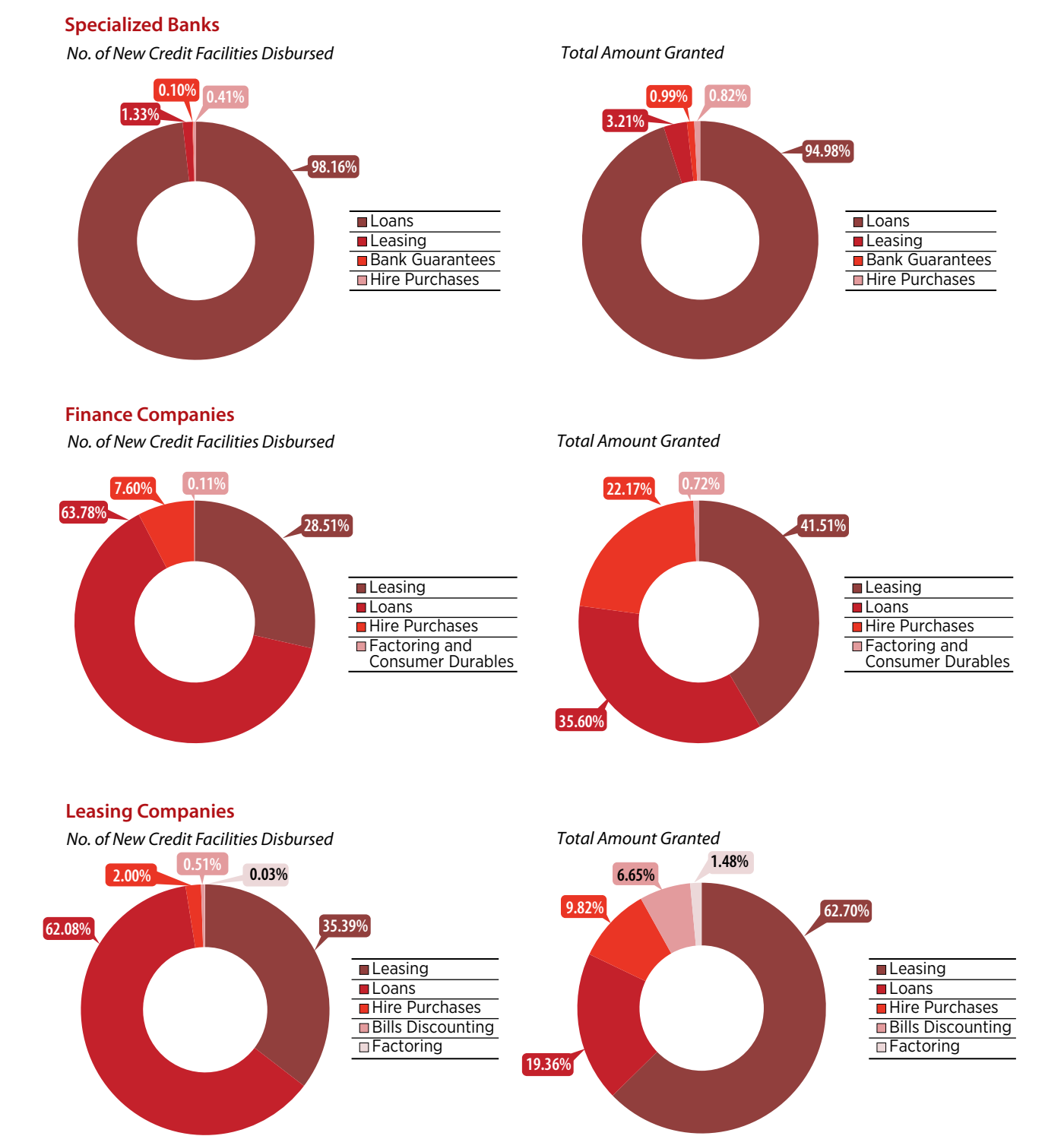
Segment wise analysis of new credit facilities disbursed in 2013 vs. 2012 and 2011



Facility wise analysis of new credit facilities disbursed in 2013



Facility Wise Analysis of New Credit Facilities Disbursed in 2013

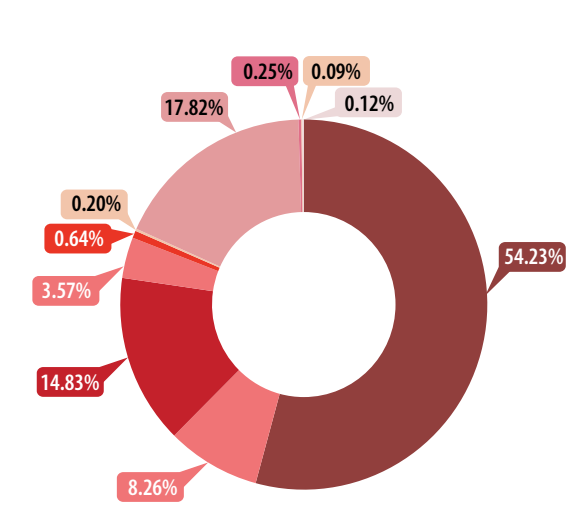


As at 31st December 2013, credit information on more than 6 million credit facilities have been submitted to the Bureau by member institutions. Statistics show that 95% of member institutions has submitted their data with more than 95% accuracy in technical validation. However 1.5% of the total submission remains in the database as un-updated records either due to non submission of

the latest status of the credit facility or rejected during the technical validation process. Institutional rating system which measures the number of key performance characteristics such as technical validity of data submitted, data accuracy and timeliness of data submission, played a significant role in the improvement of the quality of data stored with CRIB.

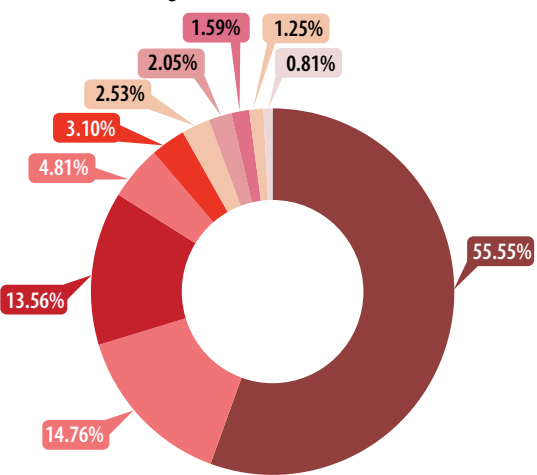
Facility wise analysis of credit portfolio as at 31st December 2013

No. of credit facilities



Loans
Overdrafts
Leasing
Hire Purchases
Bank Guarantees
Letters of Credit
Credit Cards
Advances Against Export Shipment
Advances Against Import Bills
Combined Facility, Bills Discounting and Consumer Durables

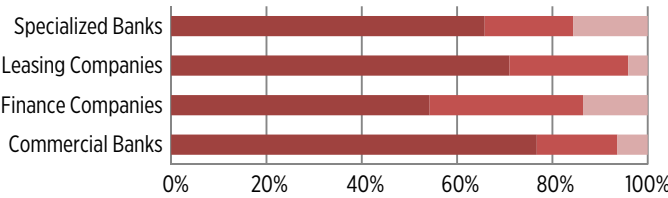
Balance Outstanding



Loans
Overdrafts
Leasing
Hire Purchases
Bank Guarantees
Letters of Credit
Credit Cards
Advances Against Export Shipment
Advances Against Import Bills
Combined Facility, Bills Discounting and Consumer Durables

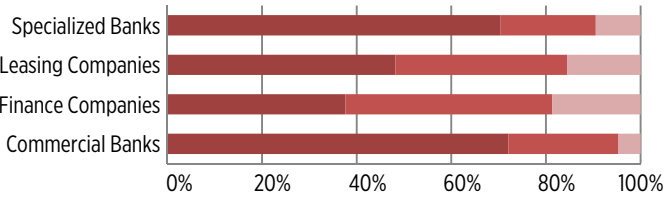
Facility wise analysis of credit portfolio as at 31st December 2013

Consumer credit portfolio - No. of facilities



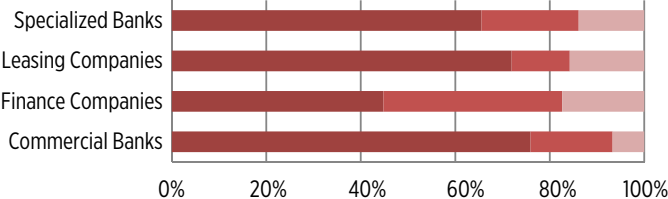
	Commercial Banks	Finance Companies	Leasing Companies	Specialized Banks
Zero days in arrears	77%	54%	71%	66%
Less than 90 days in arrears	17%	32%	25%	19%
90 days or over in arrears	6%	14%	4%	16%

Consumer credit portfolio - Balance outstanding



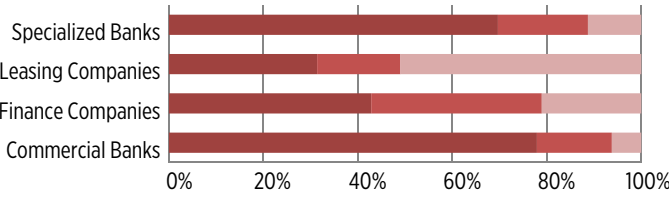
	Commercial Banks	Finance Companies	Leasing Companies	Specialized Banks
Zero days in arrears	72%	38%	48%	70%
Less than 90 days in arrears	23%	44%	36%	20%
90 days or over in arrears	5%	19%	16%	9%

Corporate credit portfolio - No. of facilities



	Commercial Banks	Finance Companies	Leasing Companies	Specialized Banks
Zero days in arrears	76%	45%	72%	66%
Less than 90 days in arrears	17%	38%	12%	21%
90 days or over in arrears	7%	17%	16%	14%

Corporate credit portfolio - Balance outstanding



	Commercial Banks	Finance Companies	Leasing Companies	Specialized Banks
Zero days in arrears	78%	43%	31%	70%
Less than 90 days in arrears	16%	36%	18%	19%
90 days or over in arrears	6%	21%	51%	11%

THE SECURED TRANSACTIONS REGISTER

Credit secured on movable assets is severely underutilized, in large part due to high risks and transaction costs. A new concept called Secured Transactions System (STS) has been evolved over the last two decades in emerging economies in the world to address the underlying issues of the credit market so that lenders can recognize moveable assets as an attractive collateral type for SME financing.

STS requires the following features to perform well in the economy:

- Simple rules (legal provisions) for creating security interests over moveable assets.
- Clear, balanced and reliable provision of notice through a speedy, inexpensive filing system (Register).
- Effective procedures and protections in case of default, including enforcement and repossession.

The Secured Transactions Act No. 42 passed in the parliament in 2009 was aimed at improving the flow of low cost credit to the underserved sectors of the credit market. The register was launched in August 2011 with an in-house developed system and operations are currently handled by

a separate business unit created for the purpose under the overall guidance of the Board of CRIB. All members of the Bureau have been given access to the register to perform business functions.

As at December 2013, the register had recorded a total of 3636 transactions with 3148 debtors. Machinery and equipment comprised 59% of total asset types registered in the database.

After 2 ½ years of operations, the Secured Transaction system in Sri Lanka is yet to reach its full potential status due to a major constraint in the absence of strong legal provisions for its effective implementation. CRIB in the best interest of the credit industry has now embarked on a project with IFC, a subsidiary of World Bank group to receive advisory services/assistance to further strengthen the legislative framework of the Secured Transaction system.

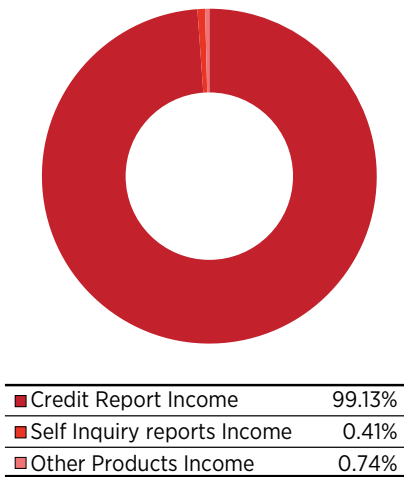
The reform process is expected to be finalized by end 2014.

FINANCIAL REVIEW

We are proud to place on record another successful year of achieving targets with a significant increase in our income, witnessing a consistent growth throughout the past financial year. The success of strategies implemented by the Bureau and the increase in the usage of credit reports, internal efficiencies, and value added services contributed greatly to this end.

Our operational turnover increased by 133 MN reaching Rs. 563 MN in 2013. The components of gross operational income comprises of self-inquiry report income as well as from other value added products of the Bureau. The majority of the operational income is generated by credit report income which contributes 99% our total earnings.

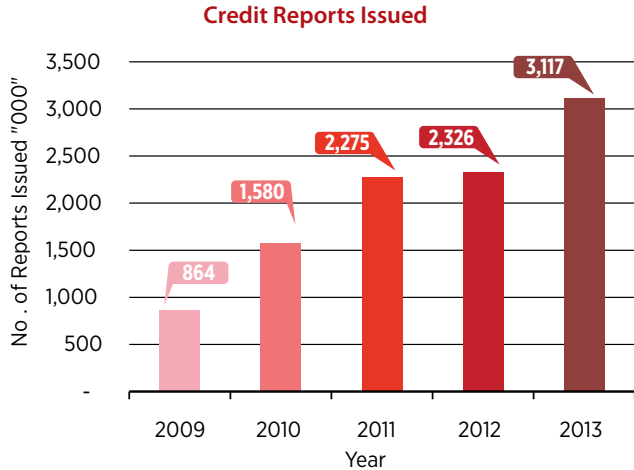
Income Distribution-2013



Revenue

Recording an outstanding performance in a growth rate of 34%, the number of credit reports issued in 2013 rose to 3.1 MN. The number of credit reports issued during the years 2012 and 2011 was 2.3 MN and 2.2 MN respectively. As the core income of the Bureau is generated through the issue of credit reports to member institutions, this increase created a positive impact on the overall revenue of the Bureau.

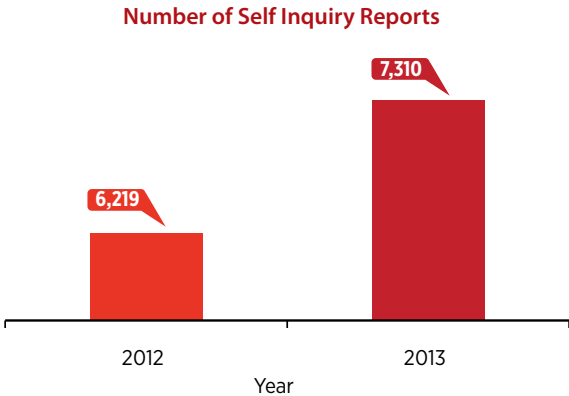
The income from credit reports recorded Rs. 563 MN for the financial year 2013, an increase of 31% as against the Rs. 430 MN recorded last year. The Bureau was able to maintain consistency in the issue of credit reports to the member institutions.



The majority of the revenue of the Bureau is generated through credit reports, iReports and value added services also contributed to the overall operational income of the Bureau.

This year, 96% of the total reports was issued to consumers (Individual credit reports) and 4% to corporate entities. The self-inquiry credit reports issued during the year amounted to 7,310, recording an 18% increase.

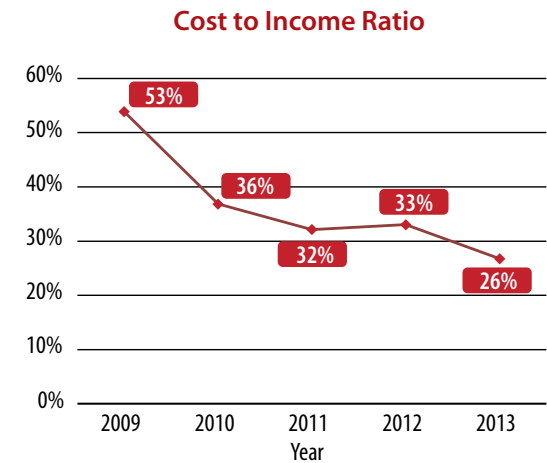
The measures taken by the Bureau to improve customer and public awareness on the importance of maintaining a good credit report, continues to show positive results with a growing trend in the generation of self-inquiry reports.



The Bureau recorded a highly commendable operational profit of Rs 416 MN in year 2013, representing a record 43% growth over the previous year.

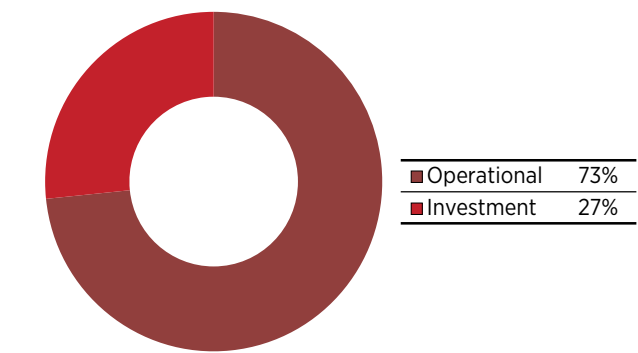
Operational Expenses

This year too, operational expenses comprised mainly of employee related expenses, administration and establishment expenses and other operating expenses. The major portion of the total cost is driven by a fixed cost. However, in spite of increasing operational costs the Bureau was able to maintain a healthy cost to income ratio of 26% for the year 2013: A 7% reduction in comparison to the previous financial year (2012).



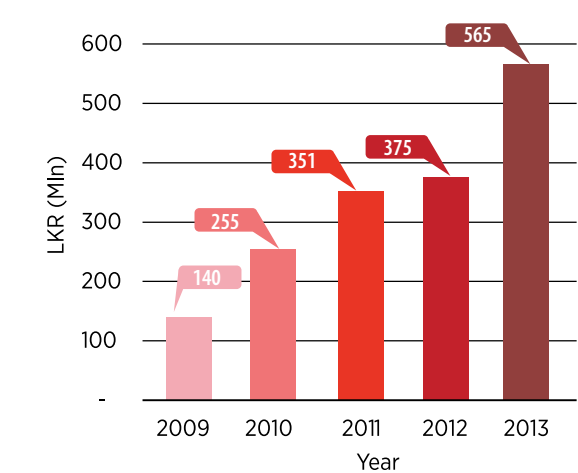
Other Income

The other income of the Bureau comprises mainly of interest income generated through investments in government securities & Fixed Deposits. Income from investments also provides a considerable contribution to the Bureau’s overall revenue. The favourable rates of interest in the first half of 2013 enabled us to record an interest income of Rs. 205 MN during 2013 as against Rs. 121 MN in 2012. This offered a contribution of 27% to the overall income of the Bureau.



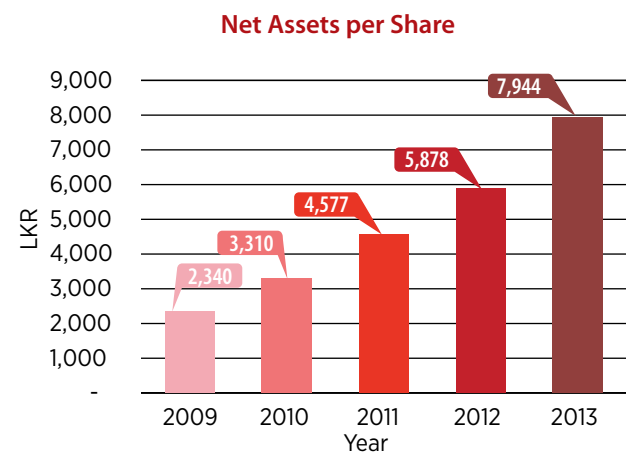
Net Profit

Net Profit of the Bureau recorded 565 MN in 2013, showing a noteworthy 51% increase.



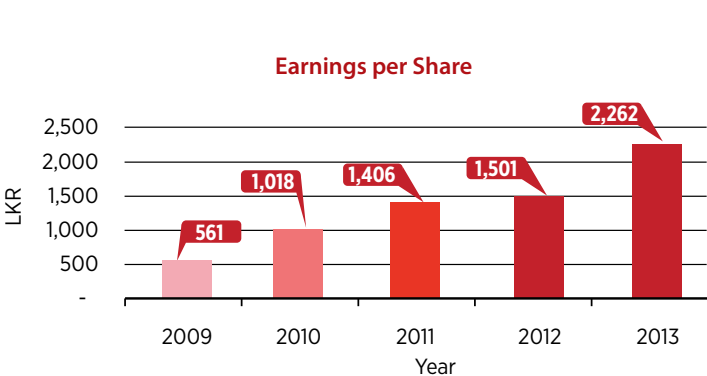
Net Assets per Share

Recording a consistent growth and strengthening of the Bureau’s stability each year, the net asset position of the Bureau continued to record the highest ever value during the last decade. Showing a considerable achievement, our Net Assets per share during 2013 increased to Rs. 7,944/-.



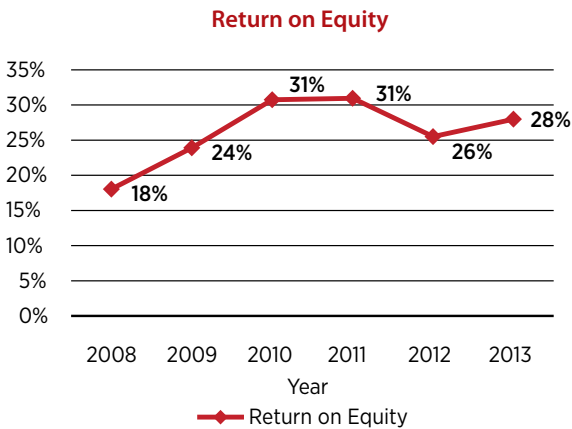
Earnings per Share

Earnings per share of the bureau reached Rs. 2,262/- during the period under review - a remarkable 51% increase over the previous year. A clear indication of progress during the year under review, as the growth in EPS is attributed to better operational performance of the Bureau:



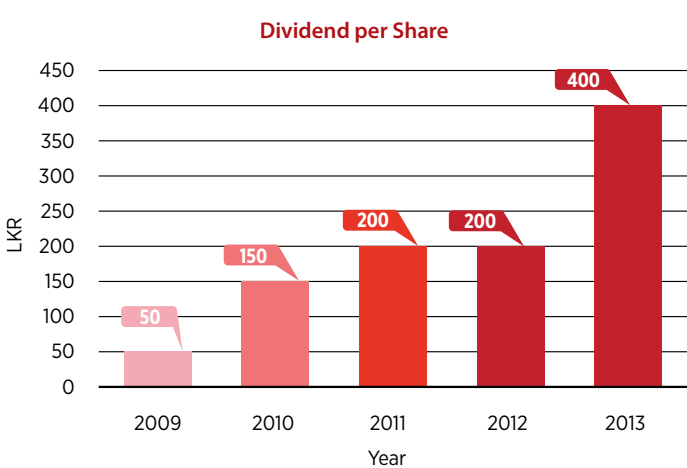
Return on Equity

Return on equity stood at 28% at the year end, displaying clearly the potential prevalent within the Bureau to earn significant returns on behalf of our shareholders, year after year.



Dividend

The Bureau proposed a final dividend of Rs. 400/- per share on the profit declared for the year. It will amount to a total dividend payout of Rs. 100MN for the year 2013. The proposed dividend is an outstanding growth of 100% over last year’s dividend per share of Rs. 200.



ICT REVIEW

Overview

The following services are available to the different customer segments of the Bureau:

- Credit Information Reports for Member Institutions (CRIMS)
- Offline Self-Inquiry Reports for General Public (**iReport**)
- Online Credit Reports for General Public (**iReport online**)
- Secured Transactions Register Service (StrS) for Member Institutions

Credit Information Management System (CRIMS)

The Bureau’s core business solution “CRIMS” enables the operations team to serve the ever increasing demand for credit information from the member institutions during the past six years.

The Board Appointed Technical Committee (BATC) embarked on a journey to improve the service efficiency, expand the service portfolio to other segments and introduce value-added products to the credit market. Towards this objective the services of M/S Ernst & Young – Chartered Accountants were enlisted to formulate and release a request for proposal to procure a new core business solution.

iReport online Service



Having realized the need to deliver self-inquiry credit reports (iReports) through internet to minimize the inconvenience faced by individuals; the Bureau ICT team developed and deployed a system which established the necessary institutional procedure to deliver credit information to individuals in a secure yet convenient manner allowing them to access their respective credit information online anytime, anywhere.

The **iReport online** service employs the highest security and user verification methods to ensure that the rightful party only has access to their confidential information provided by the Bureau. The service is accessible via various devices ranging from personal computers to smart devices such as mobile phones and tablets. Furthermore, the **iReport online** service enables the users to rectify issues in their respective credit reports via an online dispute handling service. Individuals are able to resolve their issues faster and effectively through this service.

Secured Transactions Register Service (StrS)

The Secured Transaction Registry System (StrS) was deployed by the Bureau in accordance with the Secured transactions Act No. 42 of 2009 in the year 2011. Successive reviews conducted by the Bureau on the progress of the deployed system revealed the necessity to review the existing legislation in order to establish a comprehensive Secured Transactions regime in the country.



The Bureau, joined hands with the International Financing Corporation (IFC) and initiated the STR Legal reforms project in order to bring in the necessary amendments

to the Act. A working group consisting of prominent personnel representing all stakeholder segments is assisting this project. The Bureau has in addition developed and deployed an online forum to facilitate interaction among the working committee group.

Bureau Business Services (BBS) Enhancements

Throughout the year 2013 the ICT team of the bureau has been able to add and enhance the sub-services of the Bureau Business Services portal thus making sure that business value is delivered to all interacting parties in an efficient and effective manner. The following services were introduced to significantly enhance the existing services.

- Data Submission System (DSS)

The ICT team was able to deploy a fully-fledged Data files submission service which effectively integrated member institutions with the data submission process of the Bureau via an interactive workflow system.

- Payment Gateway Integration

This enabled users to make payment through internet for Bureau products and services offered through the BBS site by integrating with an Online Payment Gateway service.

- SMS Communication Service

Apart from other communication mediums utilized by bureau services; the ICT team developed a SMS notification system to interact with the users of Bureau services.

- ‘e-Invoice’ Service

Member institutions are now able to obtain their invoices through the BBS e-Invoice service which drastically reduces cost incurred by the bureau when sending hard copies of invoices to member institutions.

Corporate Website Revamped



An initiative was taken to make the corporate website tri-lingual thus accommodating more user segments. In the year 2013 the English version of the new website was launched with a different outlook encompassing more information and an interactive structure.

The site is intended to be the central access point to the general public as well as member institutions of the Bureau. Furthermore, a sub portal was developed for the Governor’s Trophy, an annual cricket tournament organized for the members. This portal provides information regarding the tournament and to conduct a SMS voting competition to determine the most popular team.



ICT Security

Being aware of the sensitiveness of the information stored in the database, the Bureau has taken all measures to increase and strengthen the security aspect of such information. During the year 2013, the following additions and enhancements were carried out by the Bureau ICT team.

- Enhanced Encryption

An initiative was taken to activate an end-to-end encryption on all business interactions performed through BBS, DSS and iReport Online services.

- Enhanced Data Protection

Specific measures were taken to enhance the protection of data in the data submission, management and dissemination segments. The Disaster recovery procedure has been further strengthened with real time replication and fast recovery mechanisms.

- Monitoring & Alert Systems

A monitoring system was developed and deployed which enables the Bureau personnel to monitor most of the business processes in the bureau. The solution allows Bureau personnel to respond promptly to any urgent requirement. Furthermore, the Monitoring & Alert Systems is designed to provide a bird’s eye view of the operations to the senior management.

- Auditing and Controls

Regular system and procedure audits are carried out with the assistance of the external information security auditors in order to make sure that the business processes are adequate and information assets are well safeguarded ensuring that best practices and standards are in place and updated from time to time.

CORPORATE GOVERNANCE

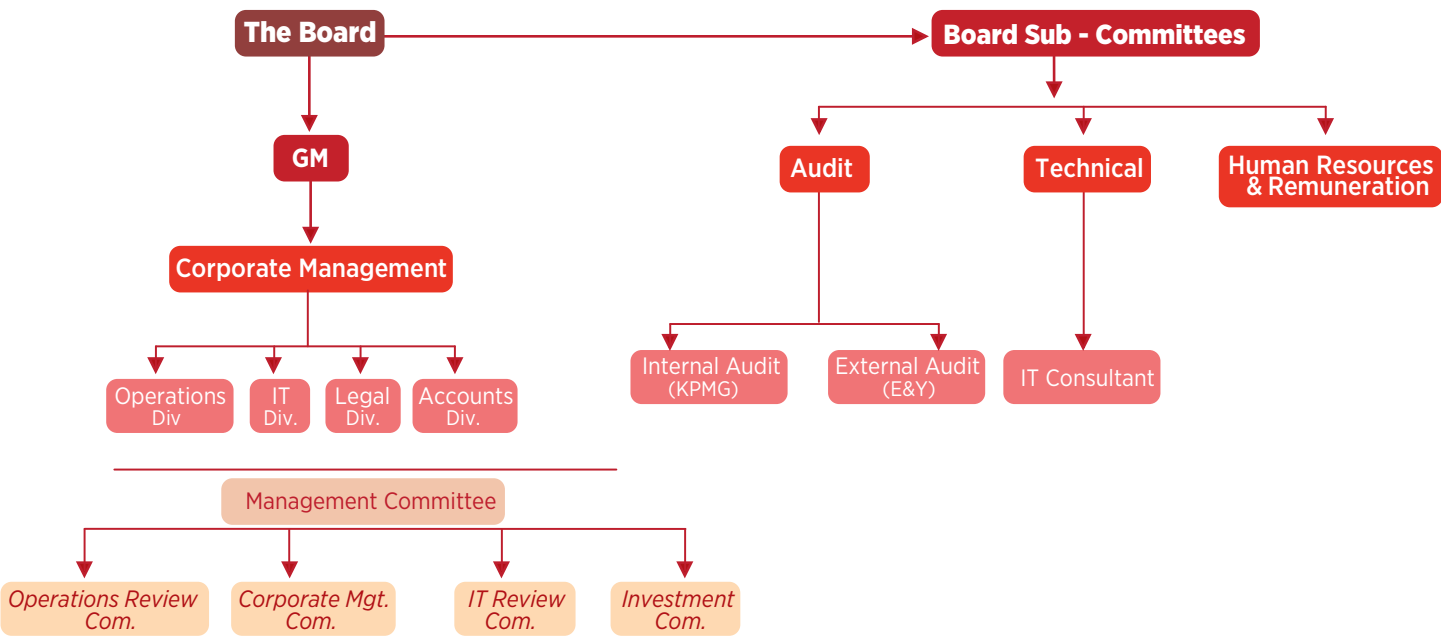
Corporate Governance is the framework of rules and practices by which a Board of Directors ensures accountability, fairness and transparency in an organization’s relationship with its stakeholders.

The Board of Directors is the highest governance body of CRIB. The Board is committed to achieving long-term success by providing the highest levels of service for customers and generating stable and sustainable returns for all stakeholders.

The Board believes that good governance goes beyond merely conforming to regulations, and is collectively responsible for upholding and ensuring the highest standards of corporate governance and inculcating ethics and integrity in all operations.

CRIB adopts best governance practices 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 practices.



Board of Directors

The Role of The Board

The Board is responsible to stakeholders for creating and delivering sustainable shareholder value through the efficient management of the CRIB’s operations. The Board therefore, determines the strategic objectives and policies of CRIB to deliver long-term value, providing overall strategic direction within a framework of rewards, incentives and controls. The Board plays an active role in approving the strategic direction, vision and mission of CRIB including the overall risk policy and risk management procedures and mechanisms with measurable goals, for at least three years and ensures that they are kept under review. It also monitors the performance of CRIB against such plans at all times.

The Board provides effective leadership within a framework of prudent and effective controls for the operations of CRIB, implementing appropriate policies on internal control and reviewing the adequacy and integrity of such systems and seeking regular assurance from management that the system is functioning effectively.

In order to be effective, the Board demonstrates ethical leadership and defines and promotes the collective vision of CRIB’s purpose, values, culture and behaviour. A formal schedule of powers is reserved for approval by the Board, including the approval of CRIB’s strategy, major changes to the management structure, approval of annual budgets, investments made by CRIB, staff appointments and remuneration/welfare packages and such other matters specifically reserved for approval of the Board under law and regulation.

The Board does not delegate any matters to a Board Committee, the General Manager or Senior Management Personnel, to an extent that such delegation would significantly hinder or reduce the ability of the Board as a whole to discharge its functions. The Board has delegated its authority in operational areas to the senior management led by the General Manager, within clearly defined limits. The management works through a number of internal committees. The Board reviews the delegation processes in place on a periodic basis to ensure that they remain relevant to CRIB’s needs.

Board Structure and Composition

The Board is of an appropriate size and functions effectively as it comprises individuals not only with the right skills and expertise, but also with the personal qualities required to be effective stewards of CRIB. The Directors provide CRIB with the knowledge, mix of skills and experience required. The Board is aware of the other commitments of its Directors and is satisfied that all Directors allocate sufficient time to enable them to discharge their responsibilities effectively.

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 30 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

Board Balance and Independence

The roles of Chairman and General Manager are distinct and separate, with a clear division of responsibilities. The Chairman leads the Board and ensures the effective engagement and contribution of Executive and Non-Executive Directors. The Chairman provides leadership to the Board and ensures that the Board works effectively and discharges its responsibilities. The Chairman also ensures

that all key issues are discussed by the Board in a timely manner.

The Non-Executive Directors contribute a balance of business and commercial experience with independent and objective judgment.

The General Manager is responsible for providing the leadership, expertise and professional environment within the Bureau for the implementation of the Board’s policies and the achievement of the Bureau’s goals and objectives. He is accountable to the Board for the performance of the Bureau and the implementation of Board policies and plans.

Meetings of the Board

The Board of Directors meets 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
1 Mr. B. D. W. Ananda Silva	12	11	91.67%
2 Mrs. T. M. Y. P. Fernando	12	11	91.67%
3 Mr. D M Gunasekara (Alternate Directors – Mr. T. Mutugala / Mr. S. M. S.C. Jayasuriya)	12	11	91.67%
4 Mr. N. Vasantha Kumar (Alternate Director – Mr. K. B. Rajapakse)	12	12	100%
5 Mr. I. A. Wickremasinghe (Alternate Director – Mr. D. P. N. Rodrigo)	12	12	100%
6 Mr. A. R. G. Ganegoda (Alternate Director – Mr. Nilanth De Silva)	12	09	75%
7 Mr. A. M. Chandrasagara *	09	07	77.78%
8 Mrs. Kumudhiny Kulathunga **	03	03	100%
9 Mr. J. E. P. A. De Silva	12	07	58.34%
10 Mr. Sanjeewa Bandaranayaka	12	09	75%
11 Mr. Gamini P. Karunaratne	12	12	100%

* Mr. A M Chandrasagara retired from the Board with effect from September 2013.
** Mrs. Kumudhiny Kulathunga was appointed to the Board with effect from October 2013 consequent to Mr. Chandrasagara's retirement.

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 scrutinize same and be prepared for the meetings.

Board Committees

In order to provide effective oversight and leadership, certain functions of the Board have been delegated to Board committees, enabling Directors forming part of respective committees to focus on their designated areas of responsibility and impart knowledge in areas where they have the greatest expertise. Appointment of the members to Board Committees is decided by the Board.

Notwithstanding the functioning of the Board Committees, the Board of Directors is collectively responsible for the decisions taken by these committees. The Board is kept up to date on the activities of the Committees and minutes of each committee are placed at the next Board meeting and any matters of concern are taken up for the discussion of the Board. This permits the Board to focus on key issues and prioritize its time and resources. Further, the framework provides the Board with a structured way to collaborate with management on specific issues the Bureau faces and clarifies the role of each Board committee in fulfilling the Board’s objectives.

The Board of Directors in accordance with the generally accepted standards and best practices of Corporate Governance has 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. Sanjeewa Bandaranayake (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 seven (07) 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
1 Mr. A. M. Chandrasagara (former Chairman)	06	06	100%
2 Mr. Sanjeewa Bandaranayaka* (present Chairman)	01	01	100%
3 Mrs. T. M. Y. P. Fernando	07	07	100%
4 Mr. A. R. G. Ganegoda	07	05	71.43%

* With the retirement of Mr. A M Chandrasagara from the Board with effect from September 2013, Mr. Sanjeewa Bandaranayake was appointed to the Audit Committee as the Chairman w.e.f. November 2013.

The Report of the Audit Committee is given in page 70 of this Report.

Technical Committee

Board appointed Technical Committee comprised Four (04) Non-Executive Directors (upto October 2013) namely;

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

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 six (06) meetings during the period under review. Attendance of each Member at Technical Committee Meetings is given in the table below;

Name of Member	Technical Committee Meetings		
	No. of Meetings Held during Tenure of Office	No. of Meetings Attended	Percentage of Attendance
1 Mrs. T. M. Y. P. Fernando	06	06	100%
2 Mr. I. A. Wickremasinghe	06	06	100%
3 Mr. A. R. G. Ganegoda	06	06	100%
4 Mr. Sanjeewa Bandaranayake*	05	04	80%

* The Technical Committee was reconstituted and reduced to three (03) members after October 2013 consequent to Mr. Bandaranayake’s appointment to the Audit Committee as its Chairman.

The Report of the Technical Committee is given in page 73 of this Report.

Remuneration Committee

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

- 1. Mr. N. Vasantha Kumar (Chairman)
- 2. Mr. I. A. Wickremasinghe
- 3. Mrs. Kumudhiny Kulathunga

The Terms of Reference of the Remuneration Committee includes the regulation of the organizational structure, salary scales, salary increments, bonus distribution and staff promotions. The Remuneration Committee had one (01) meeting 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
1 Mr. N. Vasantha Kumar	01	01	100%
2 Mr. I. A. Wickremasinghe	01	01	100%
3 Mrs. Kumudhiny Kulathunga	01	01	100%

The Report of the Remuneration Committee is given in page 72 of this Report.

Management Committees

The following Management Committees have been established to further support the Board and the General Manager.

1. Corporate Management Committee (CMC)

CMCs primary responsibility is to oversee that the day-to-day operations of the Bureau are conducted in a manner which is consistent with the strategic plans, business plans and budgets approved by the Board. Strategic Planning, Risk Management, Human Resources, Communications Policy and Financial Reporting are the focus areas under the purview of the CMC. The General Manager (GM), the Deputy General Manager (DGM) and the Assistant General Manager (AGM) form the CMC and the GM’s recommendations to the Board with respect to matters relating to Corporate Strategy and Policy are based on representations of the CMC.

2. Operational Review Committee (ORC)

The ORC is primarily responsible for the institutional-wise business operations and performance of the Bureau and the Committee is headed by the Senior Manager - Operations or the Chief Manager – Administration & Finance (on mutual concurrence). The Assistant Manager - Operations and 03 other Executives (from the Operations and General Administration Divisions) form the ORC.

The ORC reviews both operations of Credit Information Management System (CRIMS) and Secured Transaction Registry (STR) as well as the general administration of the Bureau and make appropriate recommendations to the GM and the Board. The principle objective of the ORC is to set annual operational targets and goals and perform periodic review of progress of set targets. The ORC ensures that operational goals are aligned with the Bureau's mission objectives and performances of teams are synchronized. To brief the Board and also to support it in its decision making process, the ORC submits a monthly review report on Progress of Operations. In addition, the annual Operations Review Report prepared by the ORC is included in the Annual Report for the information of the shareholders.

3. ICT Review Committee (ICTRC)

The ICTRC is responsible for setting the ICT based technology strategy and for reviewing performance of all ICT operations of the Bureau. The DGM, AGM, Assistant Manager and 02 Executives from the Operations Division form this Committee.

The ICTRC provides a monthly review report on IT Operations to the ORC for inclusion in the monthly Progress of Operations Report submitted to the Board. The committee's main responsibilities are to define the mission and goals of ICT resources to align with the strategic direction of the Bureau and review the progress and performance and to determine and monitor the Bureau's security policies and practices on an on-going basis to ensure that they continue to remain relevant and complete. In addition, the ICTRC overlooks all non-ICT related technical aspects of the Bureau operations and assists the ORC in handling such operations.

4. Investment Committee (IC)

The prime responsibility of the IC is to maintain prudent and effective investment of the Bureau funds and to formulate and oversee the investment policies and management of same. The IC comprises of the GM (who is the Chief Financial Officer), the DGM and the Chief Manager – Finance. The committee meets as and when funds are available for investment, prior to the maturity

of any investment to decide on the re-investment and monthly to review the balances maintained in the Bureau Accounts at the end of each preceding month.

Information, Induction and Professional Development:

All Directors receive accurate, timely, clear and pertinent information, in particular about CRIB's performance, to enable the Board to take sound decisions, monitor effectively and provide advice to promote its success. Independent professional advice is available, on request, to all Directors at the expense of the Bureau.

On joining the Board, all Directors are advised on the provisions of the CRIB Act, a summary of Director's duties, Board calendar, organization and management structure charts, minutes of the past three meetings and Terms of Reference of Board committees. These ensure that Non-Executive Directors have the knowledge and understanding of the business to enable them to contribute effectively at Board meetings.

Directors are encouraged to address their developmental needs, to maintain the necessary depth and breadth of knowledge and skills, and enhance the effectiveness of the Board as a team and to participate in opportunities available for Directors during the year.

Managing Conflicts of Interest:

The governance structure of CRIB ensures that the Directors take all necessary steps to avoid conflicts of interest, or the appearance of conflicts of interest in their activities with and commitments to, other organizations or related parties. If a Director of CRIB has a conflict of interest in a matter to be considered by the Board, which the Board has determined to be material; such matters are disclosed and discussed at the Board meetings, where Independent Non-Executive Directors who have no material interest in the transaction are present. Further, Directors abstain from voting on any Board resolution in relation to which such Directors or any of their close relation/s or a concern in which such Directors have substantial interests, are interested in. Further, their votes

are not counted in the quorum for the relevant agenda item at the Board meeting.

Code of Ethics:

The Bureau's Internal Code of Conduct governing all employees is an integral part of the governance framework of CRIB. The code provides a general outline of the standards of professional and ethical conduct that all employees of CRIB are expected to conform to including areas such as general conduct and competence, confidentiality and misuse of material, confidential information and managing conflicts of interest situations. The Bureau's Internal Code also has a bribery and anti-discrimination policy. CRIB has zero tolerance towards bribery, including giving or receiving bribes and making of facilitation payments. Further, the Bureau applies an equitable standard of fair treatment to all its employees. It also conducts its business dealings in a non-discriminatory manner and employs persons of varied backgrounds based upon their qualifications, without regard to age, gender, national origin, marital status, race, religion, disability etc.

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.

Corporate Responsibility for Sustainable Business Performance:

Sustainability at CRIB is focused on striving for excellence and continuous improvement in identifying, understanding and responding to evolving environmental, social and governance challenges facing its business at present. Corporate responsibility towards social and environment is regarded as a fundamental aspect of the Bureau's strategy execution and decision-making process and is prominently placed in its corporate priorities and core values. The Bureau ensures that it does not compromise this responsibility even at the expense of its economic performance.

Annual General Meeting

The Bureau's 23rd Annual General Meeting (AGM) was held on 10th May 2013. The resolutions passed at the AGM were as follows:

- To receive and consider the Annual Report of the Board of Directors on the affairs of the Bureau and the Audited Financial Statements of the Bureau for the year ended 31st December 2012 together with the Report of the Auditors thereon.
- To ratify the re-appointment of Messers Ernst & Young, Chartered Accountants as the External Auditors of the Bureau for 2013 and to authorize the Directors to approve their remuneration
- To declare a first and final dividend of LKR 200 per share as recommended by the Directors for the year ended 31st December 2012.

RISK MANAGEMENT

As Sri Lanka’s sole credit information provider CRIB performs the critical function of gathering and distributing reliable credit information to financial institutions to support their lending decisions. According to the provisions of the CRIB Act, the main duty of CRIB is “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 this end CRIB gathers data from a variety of sources consolidates it into credit profiles and makes this information available on request to subscribers – both individuals and corporate.

A credit report plays a vital role in the financial sector and the credit information available therein is critically used for decision making. The credit reports are used not only for assessing credit worthiness, but also for other purposes such as recruiting employees, issuing visas, selecting

suppliers etc. Therefore, it is imperative that the bureau ensures the smooth functioning of the above duties. If not, the decision made on above credit information will not be accurate. Consequently, it is vital that CRIB has a strong and effective risk management structure in which risks are identified, analysed, communicated, mitigated and managed across the organisation and across all functions.

CRIB recognises that risk management is an integral part of sound management practice and good corporate governance as it improves decision making and enhances outcomes and accountability. The management of CRIB is committed to risk management practices across its business at all times working diligently to follow highest standards and bench marks as appropriate.

Among the types of risk that CRIB is exposed to, taking into consideration our current operations, the following are identified due to their possible impact on our organisation:

Key Risks and Challenges	Risk Management Strategies
Regulatory Framework:	
Possible risks to operational efficiency and accuracy of information due to the lack of a proper regulatory framework.	CRIB has a clearly defined regulatory framework in place - including laws, containing data privacy, and protection of such data.
Restriction of Data Sharing:	
CRIB deals with sensitive, confidential data, and as such there is a high risk of unauthorized access to this data, and the challenge of protecting such vital data through restricted access is one that must be met consistently.	To offer total protection of the confidential data and facilitate restriction of data sharing stringent measure are in place. The CRIB Act No. 18 of 1990 as Amended by Act No. 08 of 1995 and Act No. 42 of 2008 provides protection to great measure: as per CRIB Act Sec. 7B – Persons to whom the Bureau may give information on request.
Lack of Data, Quality of Data, Accuracy of Data:	
Data is collected from the members; the accuracy of which, CRIB has no control over. This can be a substantial risk to the final outcome and result deriving from the information provided by CRIB.	To minimize this risk, the database recognizes individuals by the unique NIC, and in case of duplication, seeks assistance from PRD for authentication.

Key Risks and Challenges	Risk Management Strategies
Data Entry Errors:	
The accuracy of the data input into the system is vital, and risk of human error during data entry is a serious consideration.	A system based validation mechanism is employed to mitigate such risks with cross checks to verify accuracy of data input in to the system.
Non Submission of Data by The Member Institutions:	
As accurate and up to date information is vital for the outcome of credit reports, non-submission of data can reflect negatively.	Timelines are in place with continuous follow ups for 2 months by the Bureau. Non-compliance will lead to suspension of membership as per the CRIB Act Sec. 26A – Bureau to suspend furnishing of credit information. The data is regularly and constantly updated as well.
IT Issues :	
Various technical issues related to IT can pose serious risks in terms of security as well as online service levels.	CRIB ensures efficiency in IT systems and maximum security in maintaining its database, as it is critical to provide a continuous service to its subscribers.
Compatibility with IT Systems in The IT Industry:	
Incompatibility in IT systems can cause technical issues and delays posing risks to efficiency as well as security.	CRIB consistently considers and applies upgrades where needed or necessary to match the industry requirements in order to eradicate imbalance in compatibility and such related issues.
Unauthorized Access:	
Due to the high confidentiality of the data, unauthorised access to credit information proves a serious threat. This can be unauthorized access online or physical access to the CRIB premises. Therefore, both factors are regarded as risks that need to be mitigated.	To avoid unauthorized access, individuals are requested to present themselves at the Bureau with valid proof of identity to register for online access. They will be provided with User IDs and passwords to access the Bureau services. High levels of security are also in place at the CRIB premises with no access allowed to visitors/ customers beyond the reception area – unless authorized or accompanied by an authorized personnel. This is in compliance with the CRIB Act Sec. 23 – Declaration of Secrecy.

Key Risks and Challenges

Risk Management Strategies

Maintenance of Secrecy for Members:

As confidentiality is paramount, maintaining it at the highest level is a constant challenge that must be met to ensure credibility and trust.

CRIB upholds stringent policies relating to the secrecy of credit information and permits the member institutions to access the Bureau for information strictly for permissible purposes only. Therefore all the officers in financial institutions who are authorized to access the credit information are required to duly sign the “Declaration of Secrecy” with the Bureau before they access the credit information. The Bureau also strictly follows the stipulated guidelines/procedures when disclosing the credit information to those it relates to. In addition, use of access passwords is only given to a limited number of members and authorized officers. This is as per the CRIB Act Sec. 23 – Declaration of Secrecy.

The Bureau also adheres to the best practices of “Data Security” with the help of modern technology.

Financial Risk:

The Bureau’s main financial liabilities include trade and other payables. The main objective is to support the 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 and Treasury Bonds as available for sale and investments.

Interest Rate Risk:

The risk here is the possibility that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Subsequently, that future proceeds will have to be re-invested at a lower rate.

The interest rate income is not a main income of the Bureau. Therefore there is less possibility for interest rate risk for main operations. And risks in this aspect are minimal.

Credit Risk:

The risk that counterparties will not meet its obligations under a financial instrument or customer contract which would lead to financial loss.

Since the customers of the Bureau are banks, finance companies and leasing companies there is minimum threat of credit risk.



Board
Committees

AUDIT COMMITTEE REPORT

The Board Audit Committee established in the latter part of 2010 functioned under the Charter & Terms of Reference adopted by the Board of Directors. The Audit Committee is empowered by the Board to review the effectiveness of internal control systems, review external and internal Audit Reports and financial statements and assess compliance with regulatory requirements.

Composition of the Board Audit Committee

The composition of the Board appointed Audit Committee as at December 2013 are as follows:

- Mr. Sanjeewa Bandaranayake
(Chairman, appointed on November 2013)
- Mrs. Yvette Fernando
- Mr. Rohitha Ganegoda
- Mr. A. M. Chandrasagara (Retired in July 2013)

Upon the retirement of the former Chairman of the Audit Committee, Mr. A. M Chandrasagara dated July 2013 Mr.Sanjeewa Banadaranayake was appointed for the same. Mr. Sanjeewa Bandaranayake, current Chairman of the Committee is an Associate Member of the Institute of Chartered Accountants of Sri Lanka, and a Fellow member of the Certified Management Accountants of Sri Lanka and Australia.

Mrs. Yvette Fernando is the Director Bank Supervision of the Central Bank of Sri Lanka and Mr. Rohitha Ganegoda is the Chief Operating Officer of Nations Trust Bank. Ms. Dinesha Jayasinghe, Chief Manager serves as the Secretary to the committee. All members of the Board Audit Committee are Non-Executive, Independent Directors. The Profiles of the members are given on pages 30 of this annual report.

Terms of Reference

The Charter of the Audit Committee is subject to review periodically by the Board of Directors and clearly defines the Terms of Reference of the Audit Committee. The Committee is responsible to the Board of Directors and its observations and recommendations are presented to the Board for necessary action and implementation. The Audit Committee provides a forum for the review of internal &

external Audit Reports and any operational deficiencies and shortcomings are highlighted in such reports.

Meetings

The committee recorded in 7 meetings during the year under review. The General Manager, Mr. Gamini Karunaratne attended meetings by invitation. The minutes of such meetings were thereafter tabled at subsequent meetings of the Board of Directors.

Below is a table showing the record of attendance at these meetings.

Name	Meetings attended	Eligible
Mr. Sanjeewa Bandaranayake	1	1
Mrs. Yvette Fernando	7	7
Mr. Rohitha Ganegoda	5	7
Mr. A. M. Chandrasagara	6	6

Duties and Responsibilities of the Audit of Committee

The Audit Committee aids the Board of Directors in fulfilling successfully its oversight responsibilities for the Bureau’s accounting and financial reporting processes and audit of the financial statements.

Financial Reporting

- The Committee as a part of its responsibility to oversee the Bureau’s financial reporting process, on behalf of the Board of Directors reviewed and discussed the annual financial statements to ensure reliability of information to the stakeholders.
- Monitors integrity of the financial statements, management statements and any other formal announcements relating to its financial performance.
- Adequacy and effectiveness of the internal controls, systems and procedures to provide reasonable assurance that all transactions are accurately and completely recorded.
- Review Financial Statements prior to submitting to the Board / publication.

Regulatory Compliance

The committee closely monitors compliance relating to CRIB Act, Secured Transactions Act and other statutory requirements and the systems and procedures in place to ensure compliance with such requirements.

Internal Audit

- Mandate internal auditors at regular intervals to review and report on the effectiveness of existing controls and procedures adopted by the Bureau.
- Ensures that internal audit functions are independent and is performed with impartiality, proficiency and due professional care.
- Review the findings and recommendations of the internal auditors that enable the management responses on issues raised and assess the effectiveness of such findings and responses.
- Monitor management implementations of the recommendations suggested by the internal auditor
- Reviews, assesses and approves the internal audit plan and the internal audit programme.

External Audit

- Monitors independence, objectivity and effectiveness of the external audit in accordance with applicable standards of best practice.
- Assists Board of Directors to implement processes of engaging external auditors for audit services and agree on their remuneration schemes.

- Review to ensure that auditors comply with appropriate guidelines and apply relevant accounting standards.
- Discussing the audit plan, scope and methodology proposed to be adopted in conducting the audit proceeding to commence the annual audit with external auditors.
- Follow up on the corrective action plan presented by the management on issues raised in the audit report.

Audit Committee Charter

The Audit Committee Charter was last reviewed and revised in 2012 with the agreement of the Board of Directors.

Re-Appointment of External Auditors

The Audit Committee in keeping the Bureau’s policy recommended the Board that Ernst & young; Chartered Accountants be re-appointed as external auditors for the financial year ending 31st December 2015.

Sanjeewa Bandranayake
Chairman - Board Audit Committee

REMUNERATION COMMITTEE REPORT

1. Composition and charter of the Human Resources and Remuneration Committee

The Board Appointed Human Resources and Remuneration Committee comprise of the following three Non Executive Directors. The General Manager participates in all deliberations of this Committee and attends the meetings by invitation.

- Mr. N Vasantha Kumar – Chairman (Non Executive)
- Mr. Sanjeewa Bandaranayake – Non Executive
- Mrs. Kumudiniy Kulathunga – Non Executive

The Committee was established by the Board on a formal and transparent process and the Board ensures the independence of the Committee.

Role of the Human Resources and Remuneration Committee

- Maintain 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.
- Evaluate the performance of the General Manager and key management personnel against pre-agreed goals/ targets and recommend rewards/promotions to the Board of Directors.
- Make recommendations to the Board of Directors from time to time of the new staff/ expertise required in order to enhance the quality of service.
- Recommend/ give directions to the Board on disciplinary matters if any, relating to key management personnel.

The Committee recognizes rewards as one of the key drivers influencing employee output which in turn have a direct impact on the service levels of the organization. The Annual Incentive Bonus and various overseas training programs currently in force are designed to attract, retain and motivate employees of the Bureau.

2. 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	Variable Components
Basic Salary	Annual Bonus
Travelling Allowance	Incentive Bonus

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

3. Retirement Benefits

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

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.



N. Vasantha Kumar
Chairman - Remuneration Committee

TECHNICAL COMMITTEE REPORT

During the year 2013, the Board appointed Technical Committee of CRIB, comprising three directors provided the necessary guidance to several key developments in the technical capabilities of CRIB. The main focus was on identifying an appropriate mechanism to strengthen the existing core business solution with a view to enhancing data quality and the data submission process. Key developments during the year are summarized below.

1. Core Business System

The committee having reviewed and understood the shortcomings of the existing Credit Information Management System (CRIMS) agreed to assess the alternatives available to find a more user friendly and efficient Credit Bureau System which accommodates the bureau’s present and future requirements. Accordingly, based on several rounds of discussions held with the Technical team at CRIB, a recommendation was made to the CRIB Board to replace the existing core business system with an appropriate solution. The present and future business requirements of CRIB taking note of its statutory role and emerging growth prospects of the economy, the level of interaction and support from the existing service provider, developments in CRIB IT systems in the region and internationally, were examined in detail. With the guidance and directions of the committee, the bureau team engaged with Messrs. Ernst & Young to formulate a Request for Proposal and a Requirement specification document that reflect bureau’s business requirements at present and for future. The work of this

project has progressed well and currently the CRIB Team together with other stakeholders and technical experts are in the process of evaluating the Bids submitted by the selected service providers.

2. Data File Submission System (DSS)

DSS performs basic validation/purification of data files upon submission and also creates a workflow scenario between the Bureau and member institutions to ensure smooth and secure transition of credit data into the Bureau’s central repository. DSS developed and deployed by the Bureau for regular data updates of members was upgraded to version 2.0 with more features added to enhance submission efficiency and data security. In the new version validation of data was converted to web-based backend process from a client based model by significantly increasing the data transfer speed.

3. iReport online Service for General Public

Realizing the need for delivering self-inquiry credit reports over the internet to minimize inconveniences faced by individuals; the in-house development team initiated the iReport online Service, which enables individuals to acquire their own Credit Report securely and efficiently. The Committee discussed in detail the built-in controls of this service to safeguard the data security and further advised the team to develop a mechanism for online registration too. CRIB launched the service as ‘iReport online’ to facilitate any individual to obtain his/her credit reports on 24X7 basis.

4. Upgrading Live Site Infrastructure

The ICT team also apprised the Committee of the state of the CRIB's primary site infrastructure and the need to proceed with appropriate upgrades to sustain the present system during the transition period. The Committee endorsed the proposal to upgrade/replace the required CRIB primary data center infrastructure.

In addition, the Committee reviewed the action proposed and taken by CRIB on several Assessment Reports on IT security and procedures conducted by the internal auditors and other outside agencies and recommended further measures.

During the year the Technical Committee held six meetings and the proceedings of the technical Committee meetings with its recommendations were informed to the Board of Directors during the subsequent Board meetings.



T M J Y P Fernando

Chairperson – Technical Committee

FINANCIAL REPORTS



- Statement of Directors' Responsibilities for Financial Statements **76**
- Annual Report of the Board of Directors on the Affairs of the Company **77**
- Independent Auditor's Report to the Shareholders of Credit Information Bureau of Sri Lanka **79** • Statement of Comprehensive Income **80**
- Statement of Financial Position **81** • Statement of Changes in Equity **82**
- Cash Flow Statement **83** • Notes to The Financial Statements **84**

STATEMENT OF DIRECTORS' 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 in 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 79 of the Annual Report.

By Order of the Board
Credit Information Bureau of Sri Lanka



Secretary
Colombo
26 March 2014

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 2013, to be presented at the 24th Annual General Meeting of the Bureau.

Review of the Year

The Chairman's review on page 20 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 pages 75 to 99 in this annual report.

Independent Auditor's Report

The Auditor's Report on the financial statements is given on page 79 in this report.

Accounting Policies

The Accounting Policies adopted in preparation of the financial statements is given on pages 84 to 99. 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 80.

Property, Plant & Equipment

During the year under review the Company invested a sum of Rs. 7,064,577 (2012 - Rs 14,622,305/-) in Computer Accessories & equipment of which Rs. 18,934,100 /- is in Intangible Assets and Rs. 510,831/- is in Furniture and Fixtures & Data Centre Assets .

Information relating to movement in Property, Plant & Equipment during the year is disclosed under Note 16 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 17.

Directors' Responsibilities

The Statement of the Directors' Responsibilities is given on page 76 of this report.

Dividend

The Directors recommend the payment of a dividend for the financial year ended 31st December 2013

Reserves

The Reserves and Accumulated Profits as at 31st December 2013 amount to Rs. 1,961 Mln as against Rs. 1,144 Mln. as at 31st December 2012. 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 Mln as at 31st December 2013. The details are given in Note 13 to the financial statement on page 97.

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 22 to the Financial Statements.

Statutory Payments

The declaration relating to Statutory Payments is made in the Statement of Directors' Responsibilities on page 92.

Annual Report of the Board of Directors on the Affairs of the Bureau contd.

BOARD COMMITTEES

Audit Committee

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

- 1. Mr. Sanjeewa Bandaranayake (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 70.

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. Sanjeewa Bandaranayake

The Report of the Remuneration Committee is given on page 72.

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 73.

The earnings per share, net assets per share are given in Financial review on page 53 of this Annual Report.

Directors

The Directors of the Bureau as at 31st December 2013 and their brief profiles are given on page 30 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.

A sum of Rs. 170,000/- was paid as audit fees during the year.

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 Corporate Governance.

Notice of Meeting

The Annual Shareholders Meeting of the Credit Information Bureau of Sri Lanka will be held on 24th June 2014 at Cinnamon Grand Hotel at 10.00 a.m.

For and on behalf of the Board.

B D W Ananda Silva
Chairman

Director

26 March 2014
Colombo

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 which comprise the statement of financial position as at 31 December 2013, and the 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 mis-statement.

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 2013 and the financial statements give a true and fair view of the Bureau's financial position as at 31 December 2013 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

26 March 2014
Colombo

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2013	Note	2013 Rs.	2012 Rs.
Revenue	3	563,690,182	430,163,000
Other Operating Income	4	204,736,253	121,273,893
Employee Related Expenses		(39,409,331)	(33,245,836)
Administration and Establishment Expenses		(33,790,837)	(27,337,470)
Other Operating Expenses		(72,398,238)	(76,605,119)
Secured Transaction Registry		(2,456,443)	(2,745,511)
Profit Before tax		620,371,586	411,502,957
Income Tax Expense	5	(54,883,528)	(36,348,848)
Profit for the year		565,488,058	375,154,109
Other Comprehensive Income			
Gains and Losses on Remeasuring Available for Sale Financial Assets		867,429	5,979,438
Total Comprehensive Income for the Year		566,355,487	381,133,547
Earnings Per Share	17	2,262	1,501

The accounting policies and notes on pages 84 through 99 form an integral part of the Financial Statements.

STATEMENT OF FINANCIAL POSITION

As at 31 December 2013	Note	2013 Rs.	2012 Rs.
ASSETS			
Non-Current Assets			
Equipment	7	22,147,821	25,011,442
Intangible Assets	8	38,837,726	34,275,737
		60,985,547	59,287,179
Current Assets			
Inventories	10	369,754	389,280
Trade and Other Receivables	11	119,423,486	79,968,240
Other Current Financial Assets	9	1,834,707,148	1,360,380,416
Cash and Cash Equivalents	12	19,734,926	8,644,900
		1,974,235,314	1,449,382,836
Total Assets		2,035,220,861	1,508,670,016
EQUITY AND LIABILITIES			
Capital and Reserves			
Stated Capital	13	25,000,000	25,000,000
Reserves		1,118,515,065	817,435,401
Retained Earnings		842,432,635	627,156,813
Total Equity		1,985,947,700	1,469,592,214
Non-Current Liabilities			
Retirement Benefit Liability	14	3,275,382	2,435,655
		3,275,382	2,435,655
Current Liabilities			
Trade and Other Payables	15	12,201,752	16,987,404
Dividends Payable		723,121	628,225
Income Tax Liabilities		33,072,907	18,072,165
Cash and Cash Equivalents	12	-	954,353
		45,997,780	36,642,147
Total Equity and Liabilities		2,035,220,861	1,508,670,016



Chief Manager (Accounts and 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 84 through 99 form an integral part of the Financial Statements.
26 March 2014 | Colombo

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2013	Stated Capital Rs.	General Reserve Rs.	Other Reserves Rs.	Technical Reserves Rs.	Available for sale Reserve Rs	Retained Earnings Rs.	Total Rs.
As at 1st January 2012	25,000,000	1,886,292	2,000,000	563,631,943	(6234658.00)	552,175,088	1,138,458,665
Net Profit for the year	-	-	-	-	-	375,154,111	375,154,111
AFS Reserve Measurements	-	-	-	-	5,979,438	-	5,979,438
Transferred to General Reserves	-	172,386	-	-	-	(172,386)	-
Transferred to Technical Reserve	-	-	-	250,000,000	-	(250,000,000)	-
Dividends	-	-	-	-	-	(50,000,000)	(50,000,000)
Balance as at 31st December 2012	25,000,000	2,058,678	2,000,000	813,631,943	(255,220)	627,156,813	1,469,592,214
Net Profit for the year	-	-	-	-	-	565,488,058	565,488,058
Transferred to General Reserves	-	212,235	-	-	-	(212,235)	-
AFS Reserve Measurements	-	-	-	-	867,429	-	867,429
Transferred to Technical Reserves	-	-	-	300,000,000	-	(300,000,000)	-
Dividends	-	-	-	-	-	(50,000,000)	(50,000,000)
As at 31 December 2013	25,000,000	2,270,913	2,000,000	1,113,631,943	612,209	842,432,635	1,985,947,700

The accounting policies and notes on pages 84 through 99 form an integral part of the Financial Statements.

CASH FLOW STATEMENT

Year ended 31 December 2013	2013 Rs.	2012 Rs.
Cash Flows From / (Used in) Operating Activities		
Profit/(loss) before tax from continuing operations	620,371,586	411,502,959
Adjustments for		
Depreciation	10,112,750	10,102,308
Amotisation	14,372,112	21,945,464
Income from Investments	(204,269,255)	(120,884,265)
(Profit)/Loss on sales of Property, Plant & Equipment	-	17,198
Provision for Defined Benefit Plans	839,727	534,978
Operating Profit/(Loss) before Working Capital Changes	441,426,921	323,218,642
(Increase)/ Decrease in Inventories	19,526	(1,360)
(Increase)/ Decrease in Trade and Other Receivables	(89,307,294)	5,839,666
Increase/ (Decrease) in Trade and Other Payables	(4,785,650)	(661,769)
Cash Generated from Operations	347,353,503	328,395,179
Esc Paid	(1,277,480)	(1,075,635)
Income Tax Paid	(18,072,165)	(13,398,952)
Net Cash From/(Used in) Operating Activities	328,003,858	313,920,592
Cash Flows from / (Used in) Investing Activities		
Acquisition of Property, Plant & Equipment	(26,183,232)	(3,743,082)
Proceeds from Sale of Property, Plant & Equipment	-	(12,285,721)
Acquisition of Investments	(340,240,659)	(370,060,034)
Interest Received	130,466,453	111,332,574
Net Cash Flows from/(Used in) Investing Activities	(235,957,438)	(274,756,264)
Cash Flows from (Used in) Financing Activities		
Dividends Paid	(49,905,104)	(49,928,225)
Net Cash Flows from/(Used in) Financing Activities	(49,905,104)	(49,928,225)
Net Increase/(Decrease) in Cash and Cash Equivalents	42,141,316	(10,763,897)
Cash and Cash Equivalents at the beginning of the year	7,690,548	18,454,445
Cash and Cash Equivalents at the end of the year	49,734,926	7,690,548

The accounting policies and notes on pages 84 through 99 form an integral part of the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

1.1 General

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

1.2 Principal Activities and Nature of Operations

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

1.3 Date of Authorisation for Issue

The financial statements of Credit Information Bureau of Sri Lanka for the year ended 31 December 2013 were authorized for issue in accordance with a resolution of the Board of Directors on 26th March 2014.

2.0 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 General Policies

2.1.1 Basis of Preparation

The financial statements have been prepared on a historical basis. The financial statements are presented in Sri Lanka Rupees.

2.1.2 Statement of Compliance

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 Accountants 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.

2.1.3 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.

2.1.4 Comparative Information

The Bureau has prepared financial statements which comply with SLFRS & LKAS applicable for periods ending on or after 31 December, 2013, together with the comparative period data as and for the year ended 31 December 2012 as described in the accounting policies. Comparative information is reclassified where ever necessary to comply with current presentation.

2.2 SIGNIFICANT ACCOUNTING JUDGEMENTS, 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 prevailing 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 Bureau are estimated to carry economically useful lives lasting over a 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.

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).

Notes to the Financial Statements contd.

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 other operating income.

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
Data Center	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 methods 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.

Software	25%
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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 IAS 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:

*Notes to the Financial Statements contd.***(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 and 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 IAS 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.

*Notes to the Financial Statements contd.***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 Bureau 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 Bureau. 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 NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

The standards and interpretations that are issued but not yet effective up to the date of issuance of the Bureau financial statements are disclosed below. The Bureau intends to adopt these standards, if applicable, when they become effective.

SLFRS 9-Financial Instruments: Classification and Measurement

SLFRS 9, as issued reflects the first phase of work on replacement of LKAS 39 and applies to classification and measurement of financial assets and liabilities as defined in LKAS 39. SLFRS 9 was issued in 2012 and effective from 1 January 2015. Pending the completion of full study of this standard, the financial impact is not yet known and reasonably estimable.

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. Use of principles of measurement in this standard are currently encouraged. Pending the completion of a full study of this standard, the financial impact is not yet known and reasonably estimable.

Notes to the Financial Statements contd.

Year ended 31 December 2013	2013 Rs.	2012 Rs.
3. REVENUE		
Credit Information	663,431,616	502,632,740
Less		
Discount Allowed	(32,098,612)	(20,852,457)
Value Added Tax	(67,642,822)	(51,617,283)
	<u>563,690,182</u>	<u>430,163,000</u>
4. OTHER OPERATING INCOME		
Interest Income	204,269,255	120,884,265
Loss on sale of Fixed Assets	-	(17,198)
Staff Loan Interest	396,071	315,031
Sundry Income	6,696	948
Self Inquiry Income	64,231	90,847
	<u>204,736,253</u>	<u>121,273,893</u>
5. INCOME TAX		
The major components of income tax expense for the year ended 31 December are as follows :		
Income Statement		
Current Income Tax		
Current Income Tax charge	54,883,528	36,348,848
Income tax expense reported in the Income Statement	<u>54,883,528</u>	<u>36,348,848</u>
5.1 A reconciliation between tax expense and the product of accounting profit multiplied by the statutory tax rate is as follows :		
Accounting Profit before tax	620,371,586	411,502,957
Accounting Profit before Income Tax	<u>620,371,586</u>	<u>411,502,957</u>
At the statutory income tax rate of 28% (2012 : 28%)	173,704,044	115,220,828
Adjustments in respect to current income tax of previous year	(2,422,763)	-
Income exempt from tax	(116,397,753)	(78,871,980)
At the effective income tax rate of 9% (2012 : 9%)	<u>54,883,528</u>	<u>36,348,848</u>
Income tax expense reported in the income statement	<u>54,883,528</u>	<u>36,348,848</u>
6. PROFIT BEFORE TAX		
Stated After Charging		
Included in Administrative Expenses		
Employees Benefits including the following		
- Defined Benefit Plan Costs - Gratuity (included in Employee Benefits)	839,727	534,978
- Defined Contribution Plan Costs - EPF&ETF (included in Employee 'Benefits)	2,759,600	2,384,130
Depreciation	10,112,750	10,102,308
Amortisation of Intangible Assets	14,372,112	21,940,090
Auditor's Fees and Expenses	170,000	150,000
Legal Fees	508,509	119,070
Directors Fees	1,020,000	690,000
Donations	127,278	275,000

Year ended 31 December 2013	Balance As at 01.01.2013 Rs.	Additions/ Transfers/ Acquisitions Rs.	Disposals/ Transfers Rs.	Balance As at 31.12.2013 Rs.
7. PROPERTY, PLANT & EQUIPMENT				
7.1 At Cost				
Computer & Accessories	59,243,174	6,738,301	-	65,981,475
Computer & Accessories -STR	149,400	-	-	149,400
Furniture, Fittings & Office Equipment	7,546,350	184,555	-	7,730,905
Sundry Assets	85,267	-	-	85,267
Data Centre	14,616,475	326,276	-	14,942,751
	<u>81,640,666</u>	<u>7,249,132</u>	<u>-</u>	<u>88,889,798</u>

Depreciation	Balance As at 01.01.2013 Rs.	Charge for the period/ Transfers Rs.	Disposals/ Transfers Rs.	Balance As at 31.12.2013 Rs.
At Cost				
Computer & Accessories	43,647,188	6,815,518	-	50,462,706
Computer & Accessories -STR	64,647	37,350	-	101,997
Furniture, Fittings & Office Equipment	4,764,168	1,288,547	-	6,052,715
Sundry Assets	25,828	17,052	-	42,880
Data Centre	8,127,395	1,954,284	-	10,081,679
	<u>56,629,226</u>	<u>10,112,751</u>	<u>-</u>	<u>66,741,977</u>

Net Book Values	2013 Rs.	2012 Rs.
At Cost		
Computer & Accessories	15,518,769	15,595,986
Computer & Accessories -STR	47,403	84,753
Furniture, Fittings & Office Equipment	1,678,190	2,782,182
Sundry Assets	42,387	59,439
Data Centre	4,861,072	6,489,082
	<u>22,147,821</u>	<u>25,011,442</u>
Total Carrying Amount of Property, Plant & Equipment	<u>22,147,821</u>	<u>25,011,442</u>

7.2 Property, Plant and Equipment includes fully depreciated assets having a gross carrying amounts of Rs. 44,868,968/- (2012 - Rs. 36,092,164/-).

Notes to the Financial Statements contd.

Year ended 31 December 2013	Computer Software Costs Rs.	System Development Costs Rs.	Software STR Costs Rs.	Total Rs.
8 INTANGIBLE ASSETS				
Cost				
As at 1st January 2013	59,841,208	60,302,272	387,755	120,531,234
As at 31st December 2013	59,841,208	60,302,272	387,755	120,531,234
Additions	-	18,934,100	-	18,934,100
	-	18,934,100	-	18,934,100
Amortisation				
As at 1st January 2013	48,143,085	38,023,440	88,971	86,255,496
Amortisation for the year	4,514,466	9,760,708	96,939	14,372,112
As at 31st December 2013	52,657,551	47,784,148	185,910	100,627,608
Net book value				
As at 1st January 2013	11,698,123	22,278,832	298,784	34,275,738
As at 31st December 2013	7,183,657	31,452,224	201,845	38,837,726

8.1 Intangible Assets include fully depreciated assets having a gross carrying amounts of Rs. 77,275,821/- (2012 Rs. 27,936,252/-).

Year ended 31 December 2013	2013 Rs.	2012 Rs.
9. OTHER FINANCIAL INSTRUMENTS		
9.1 Available for sale financial instruments		
Treasury Bonds	-	96,823,345
Treasury Bills	304,347,228	-
	304,347,228	96,823,345
Non Current	-	-
Current	304,347,228	96,823,345
9.2 Loans and Receivables		
Receivable under Resale Agreements (Repo)	1,145,507,874	1,263,557,071
Fixed Deposit	384,852,046	-
	1,530,359,920	1,263,557,071
Non Current	-	-
Current	1,530,359,920	1,263,557,071
9.3 Total Non Current	-	-
Total Current	1,834,707,148	1,360,380,416
10. INVENTORIES	2013 Rs.	2012 Rs.
Stationery	369,754	389,280

Notes to the Financial Statements contd.

Year ended 31 December 2013					2013 Rs	2012 Rs
11.	TRADE AND OTHER RECEIVABLES					
	Financial Assets					
	Trade Debtors (11.1)				103,063,181	69,045,865
	Loan to Bureau Staff				3,312,343	2,251,604
	Pre paid Staff Expenses				469,225	288,535
	Deposits for Safe Lockers				45,000	45,000
	Receivable				178,427	28,249
					107,068,176	71,659,253
	Non Financial Assets					
	Advances & Prepayments				12,355,310	8,308,987
					12,355,310	8,308,987
					119,423,486	79,968,240
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	30 -60 days	61 - 90 days	< 90 days
	Rs		Rs	Rs	Rs	Rs
	103,063,181	59,205,522	57,994	40,727,967	3,070,714	984
12.	CASH AND CASH EQUIVALENTS				2013 Rs.	2012 Rs.
	Components of Cash and Cash Equivalents					
12.1	Favourable Cash & Cash Equivalents Balance					
	Cash & Bank Balances				19,734,926	8,644,900
	Short Term Repo				30,000,000	
					49,734,926	8,644,900
12.2	Unfavourable Cash & Cash Equivalents Balance					
	Bank Overdraft *				-	(954,353)
	Total Cash and Cash Equivalents For the Purpose of Cash Flow Statement				49,734,926	7,690,548

* This is due to unrepresented cheques

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Notes to the Financial Statements contd.

Year ended 31 December 2013		2013 Rs.	2012 Rs.
15	TRADE & OTHER PAYABLES		
	Financial Liability		
	Trade Payables	621,295	5,995,872
	Other Payables	8,224,245	5,641,735
		8,845,540	11,637,607
	Non Financial Liability		
	Accrued Expenses	3,356,212	5,349,796
		12,201,752	16,987,404

		2013 Rs.	2012 Rs.
16	DIVIDENDS PAID AND PROPOSED		
	Declared during the year		
	Dividends on ordinary shares :	100,000,000	50,000,000
		100,000,000	50,000,000
	Dividend Per Share	400	200
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.		

	2013	2012
Net Profit attributable to Ordinary Shareholders (Rs.)	565,488,058	375,154,109
Weighted Average number of Ordinary Shares -	250,000	250,000
Earnings per Share (Rs.)	2,262	1,501

18. FAIR VALUES

The management assessed that cash and cash equivalents, trade receivables, investments in repo, Investments in fixed deposits, trade payables, bank overdrafts and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

19. COMMITMENTS AND CONTINGENCIES
Capital Commitments
Approved but not contracted for

The board has approved the purchase of software to up grade the Credit Information Management System and Selection process is underway.

20. RISK MANAGEMENT OBJECTIVES & POLICIES

The Bureau's main financial liabilities include trade and other payables. The main purpose of these financial liabilities is to support to operations of the Bureau. The Bureau has financial assets including 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 to effect it's 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 registered financial institutions, the exposure from default is minimum.

21. RELATED PARTY DISCLOSURE

Details of significant related party disclosures are as follows:

21.1 Key Management Personnel Compensation

	2013 Rs.	2012 Rs.
Short-term employee benefits	-	6,369,103
Total	-	6,369,103

Other Transactions with Key Management Personnel

21.2 Loans to Key Management Personnel

	2013 Rs.	2012 Rs.
As at 1st January 2013	277,778	944,444
Loans advanced during the year	-	-
Loans repayments received	(277,778)	(666,667)
As at 31 December 2013	-	277,778
Interest received	5,787	31,667

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.

22. EVENTS OCCURRING AFTER THE REPORTING DATE

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

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. N. Vasantha Kumar [Director]- General Manager - People's Bank Mr. D M Gunasekara [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]- Senior Advisor - Alliance Finance Co. PLC Mrs. K Kulathunga [Director]- Chairperson, Lankaputhra Development Bank Mr. Sanjeewa Bandaranayake [Director]- Deputy General Manager - People's Leasing & Finance PLC Mr. Gamini Karunaratne [Director]- General Manager - Credit Information Bureau of Sri Lanka
Alternative Directors	Mr. S M S C Jayasuriya - 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 Ponnampereuma - Assistant General Manager Ms. D I A Jayasinghe - Chief Manager - Accounts & Administration Mrs. R M S Ratnayake - Senior Manager - Operations
Board Audit Committee	Mr. Sanjeewa Bandaranayake 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. Sanjeewa Bandaranayake Mrs. K Kulathunga



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இலங்கை கொடு கடன் தகவல் பணியகம்
CREDIT INFORMATION BUREAU OF SRI LANKA